URBAN OUTFITTERS INC
Form 10-K
April 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 000-22754

URBAN OUTFITTERS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania	23-2003332
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5000 South Broad Street, Philadelphia, PA	19112-1495
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 454-5500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Shares, $.0001 par value	The NASDAQ Global Select Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller Reporting Company
		Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, was $1,690,134,322.

The number of shares outstanding of the registrant's common stock on March 26, 2018 was 108,530,045.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 10, 11, 12, 13 and 14 is incorporated by reference into Part III hereof from portions of the Proxy Statement for the registrant's 2018 Annual Meeting of Shareholders.

TABLE OF CONTENTS

Certain matters contained in this filing with the United States Securities and Exchange Commission ("SEC") may contain forward-looking statements and are being made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. When used in this Annual Report on Form 10-K, the words "project," "believe," "plan," "will," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Any one, or all, of the following factors could cause actual financial results to differ materially from those financial results mentioned in the forward-looking statements: the difficulty in predicting and responding to shifts in fashion trends, changes in the level of competitive pricing and promotional activity and other industry factors, overall economic and market conditions and worldwide political events and the resultant impact on consumer spending patterns, any effects of war, terrorism and civil unrest, natural disasters or severe or unseasonable weather conditions, increases in labor costs, increases in raw material costs, availability of suitable retail space for expansion, timing of store openings, risks associated with international expansion, seasonal fluctuations in gross sales, the departure of one or more key senior executives, import risks, changes to U.S. and foreign trade policies, including the enactment of tariffs, border adjustment taxes or increases in duties or quotas, the closing or disruption of, or any damage to, any of our distribution centers, our ability to protect our intellectual property rights, risks associated with internet sales, our ability to maintain and expand our digital sales channels, response to new store concepts, our ability to integrate acquisitions, failure of our manufacturers and third-party vendors to comply with our social compliance program, changes in our effective income tax rate, the impact of the U.S. Tax Cuts and Jobs Act, changes in accounting standards and subjective assumptions, regulatory changes and legal matters and other risks identified in our filings with the SEC, including those set forth in Item 1A of this Annual Report on Form 10-K for the fiscal year ended January 31, 2018. We disclaim any intent or obligation to update forward-looking statements even if experience or future changes make it clear that actual results may differ materially from any projected results expressed or implied therein.

Unless the context otherwise requires, all references to the "Company," "we," "us" or "our" refer to Urban Outfitters, Inc., together with its subsidiaries.

PART I

Item 1. Business

General

We offer lifestyle-oriented general merchandise and consumer products and services through a portfolio of global consumer brands comprised of Anthropologie, Bhldn, Free People, Terrain and Urban Outfitters brands, as well as our Food and Beverage division. We also operate a Wholesale segment under the Free People and Anthropologie brands. We have over 47 years of experience creating and managing retail stores that offer highly differentiated collections of fashion apparel, accessories and home goods, among other things, in inviting and dynamic store settings. Our core strategy is to provide unified environments that establish emotional bonds with the customer. In addition to our retail stores, we offer our products and market our brands directly to the consumer through our websites, mobile applications and catalogs. The Wholesale segment sells through department and specialty stores worldwide, customer websites and our Retail segment. The Wholesale segment primarily designs, develops and markets young women's contemporary casual wear (including intimates and activewear) and shoes under the Free People brand and home goods under the Anthropologie brand. The Food and Beverage division includes pizza and casual dining concepts. We have achieved compounded annual sales growth of approximately 5% over the past five years, with sales of approximately $3.6 billion during the fiscal year ended January 31, 2018.

Milestones in our Company's growth are as follows:

- 1970: First Urban Outfitters store opened near the University of Pennsylvania campus in Philadelphia, Pennsylvania
- 1976: Incorporated in the Commonwealth of Pennsylvania
- 1984: Free People Wholesale division established

- 1992: First Anthropologie store opened in Wayne, Pennsylvania
- 1993: Initial public offering of URBN shares on NASDAQ
- 1998: First European Urban Outfitters store opened in London; Anthropologie website launched
- 1999: Urban Outfitters website launched
- 2002: First Free People store opened in the Garden State Plaza Mall in Paramus, New Jersey
- 2004: Free People website launched
- 2008: First Terrain garden center opened in Glen Mills, Pennsylvania
- 2009: First European Anthropologie store opened in London
- 2011: First Bhldn store opened in Houston, Texas
- 2016: Acquired Vetri Family restaurants in Philadelphia, Pennsylvania
- 2017: Anthropologie Wholesale division established

1

Our omni-channel strategy enhances our customers' brand experience by providing a seamless approach to the customer shopping experience. All available shopping channels are fully integrated, including stores, websites, mobile applications, catalogs and customer contact centers. Our investments in areas such as marketing campaigns and technology advancements are designed to generate demand for the omni-channel and not the separate store or digital (formerly referred to as "direct-to-consumer") channels. Store sales are primarily fulfilled from that store's inventory, but may also be shipped from any of our fulfillment centers or from a different store location if an item is not available at the original store. We also allow customers to view in-store inventory from our websites and mobile applications. Digital orders are primarily shipped to our customers through our fulfillment centers, but may also be shipped from any store, or a combination of fulfillment centers and stores depending on the availability of particular items. In addition, customers can pick up digital orders and return certain merchandise purchased through digital channels at store locations. As our customers continue to shop across multiple channels, we have adapted our approach towards meeting this demand. Due to the availability of like product in a variety of shopping channels, we source these products utilizing single stock keeping units ("SKUs") based on the omni-channel demand rather than the demand of the separate channels. These and other technological capabilities allow us to better serve our customers and help us complete sales that otherwise may not have occurred due to out-of-stock positions. We manage and analyze our performance based on a single omni-channel rather than separate channels and believe that the omni-channel results present the most meaningful and appropriate measure of our performance. Over the next several years we plan to continue to shift investment to the digital channel to align with changing customer preferences and focus on improving our speed-to-customer capabilities.

Our fiscal year ends on January 31. All references to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, our fiscal 2018 ended on January 31, 2018.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed with, or furnished to, the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our investor relations website, www.urbn.com/investor-relations, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We will voluntarily provide electronic or paper copies (other than exhibits) of our filings free of charge upon written request. You may also obtain any materials we file with, or furnish to, the SEC on its website at www.sec.gov.

Retail Segment

Urban Outfitters. Urban Outfitters targets young adults aged 18 to 28 through its unique merchandise mix, compelling store environment, websites and mobile applications. We have established a reputation with these young adults, who are culturally sophisticated, self-expressive and concerned with acceptance by their peer group. The product offering includes women's and men's fashion apparel, activewear, intimates, footwear, accessories, home goods, electronics and beauty. A large portion of our merchandise is exclusive to Urban Outfitters, consisting of an assortment of product designed internally and designed in collaboration with third-party brands. Stores average approximately 9,000 square feet of selling space. Our stores are located in large metropolitan areas, select university communities, specialty centers and enclosed malls. Our stores accommodate our customers' propensity not only to shop, but also to congregate with their peers.

As of January 31, 2018, we operated 245 Urban Outfitters stores, of which 180 were located in the United States, 18 were located in Canada and 47 were located in Europe. We plan to open approximately five Urban Outfitters stores and close approximately five Urban Outfitters stores due to lease expiration, globally, in fiscal 2019. Urban Outfitters is at or close to our currently planned total store count in North America. We plan for future growth to come from modest expansion internationally, which may include opening new stores or entering into franchise or joint venture agreements. Urban Outfitters operates websites and mobile applications in North America and Europe that capture the spirit of the brand by offering a similar yet broader selection of merchandise as found in its stores. Urban Outfitters offers a catalog in Europe offering select merchandise, most of which is also available in our Urban Outfitters stores. Urban Outfitters' North American and European Retail segment net sales accounted for approximately 30.8% and

7.9% of consolidated net sales, respectively, for fiscal 2018.

Anthropologie Group. The Anthropologie Group consists of the Anthropologie, Bhldn and Terrain brands. We initially operated the Bhldn and Terrain brands as standalone concepts and opened two Bhldn stores and two Terrain garden centers. We ultimately determined that the Bhldn and Terrain brands were complementary to the Anthropologie brand and integrated those brands into the Anthropologie Group during fiscal 2015 and 2016, respectively.

The Anthropologie brand tailors its merchandise and inviting store environment to sophisticated and contemporary women aged 28 to 45. The Anthropologie brand's unique and eclectic product assortment includes women's casual apparel and accessories, intimates, shoes, home furnishings, a diverse array of gifts and decorative items and beauty. The brand offers registry services through its website and mobile applications and in all of its stores throughout the United States, allowing customers to create gift registries for any occasion. In addition, the brand offers catalogs in North America and Europe that market select merchandise, most of which is also available in Anthropologie brand stores.

The Bhldn brand emphasizes every element that contributes to a wedding. The brand offers a curated collection of heirloom quality wedding gowns, bridesmaid frocks, party dresses, assorted jewelry, headpieces, footwear, lingerie and decorations.

The Terrain brand is designed to appeal to women and men interested in a creative and sophisticated outdoor living and gardening experience. Terrain’s product offering includes lifestyle home, garden and outdoor living products, antiques, live plants, flowers, wellness products and accessories.

As of January 31, 2018, we operated 226 Anthropologie Group stores, of which 204 were located in the United States, 12 were located in Canada and ten were located in Europe. Stores average approximately 8,000 square feet of selling space. Our stores are located in specialty centers, upscale street locations and enclosed malls. We plan to open approximately five Anthropologie Group stores and close approximately two Anthropologie Group stores due to lease expiration, globally, in fiscal 2019. Some of the new stores may be expanded format stores that include multiple Anthropologie Group brands and that allow us to present an expanded assortment of products in certain categories such as petites, jewelry and accessories, footwear, intimates, beauty, wedding and events, outdoor living and home furnishings. The Anthropologie Group is at or close to our currently planned total store count in North America. We plan for future growth to come from modest expansion internationally, which may include opening new stores or entering into franchise or joint venture agreements. The Anthropologie Group operates websites and mobile applications in North America and Europe that capture the spirit of its brands by offering a similar yet broader selection of merchandise as found in its stores. The Anthropologie Group’s North American and European Retail segment net sales accounted for approximately 39.1% and 1.6% of consolidated net sales, respectively, for fiscal 2018.

Free People. Our Free People retail stores primarily offer private label merchandise targeted to young contemporary women aged 25 to 30. Free People offers a unique merchandise mix of casual women’s apparel, activewear, intimates, shoes, accessories, home products, gifts and beauty and wellness. Free People retail stores average approximately 2,000 square feet of selling space. Our stores are located in enclosed malls, upscale street locations and specialty centers.

As of January 31, 2018, we operated 132 Free People stores, of which 126 were located in the United States and six were located in Canada. We plan to open approximately four new Free People stores and close approximately four Free People stores due to lease expiration in fiscal 2019, all in North America. We plan for future growth to come from modest expansion internationally, which may include opening new stores or entering into franchise or joint venture agreements. Free People operates websites and mobile applications in North America, Europe and Asia that capture the spirit of the brand by offering a similar yet broader selection of merchandise as found in its stores, as well as substantially all of the Free People wholesale offerings. Free People also offers a catalog offering select merchandise, most of which is also available in our Free People stores. Free People’s Retail segment net sales accounted for approximately 11.3% of consolidated net sales for fiscal 2018.

Food and Beverage. In February 2016, we acquired six restaurants as part of our acquisition of the Vetri Family group of restaurants, which were combined with our existing restaurants to form our Food and Beverage division. The Food and Beverage division provides a dining experience that focuses on excellence in food, beverage, and service. As of January 31, 2018, we operated ten restaurants, all of which were located in the United States. We plan to open approximately three new restaurants in fiscal 2019. The Food and Beverage division net sales accounted for less than 1.0% of consolidated net sales for fiscal 2018.

Wholesale Segment

The Wholesale segment consists of the Free People and Anthropologie brands. The Wholesale segment was established in 1984 with the Free People brand to develop, in conjunction with Urban Outfitters, private label apparel lines of young women’s casual wear that could be effectively sold at attractive prices in Urban Outfitters stores and later began selling to department and specialty stores worldwide. The Anthropologie wholesale division, established in fiscal 2018, designs and sells home goods to select department stores. We display our Free People and Anthropologie products in certain department stores using a shop-within-shop sales model. We believe that the shop-within-shop model allows for a more complete merchandising of our products, which allows us to differentiate ourselves from our competition and further strengthens each brand's image. During fiscal 2018, the Wholesale segment's range of young women's contemporary casual apparel (including intimates and activewear), shoes and home goods were sold through approximately 2,100 department and specialty stores worldwide, including Macy's, Nordstrom, Lord & Taylor, Selfridge's, John Lewis, customer websites and our Retail segment. We monitor the styles and products that are popular with our wholesale customers to give us insight into current fashion trends, helping us to better serve our retail customers. Wholesale sales and showroom facilities are located in London, Los Angeles, Chicago and New York City. Our Wholesale segment net sales accounted for approximately 8.7% of consolidated net sales for fiscal 2018.

Store Environment

We create a unified environment in our stores that establishes an emotional bond with the customer. Every element of the environment is tailored to the aesthetic preferences of our target customers. Through creative design, much of the existing retail space is modified to incorporate a mosaic of fixtures, finishes and revealed architectural details. In our stores, merchandise is integrated into a variety of creative vignettes and displays designed to offer our customers an entire look at a distinct lifestyle. This dynamic visual merchandising and display technique provides the connection among the store design, the merchandise and the customer. Essential components of the ambiance of each store may include playing music that appeals to our target customers, using unique signage and employing a staff that understands and identifies with the target customer.

Our Urban Outfitters, Anthropologie Group, and Free People stores are primarily located in upscale street locations, free-standing locations, enclosed malls, and specialty centers. We plan for our store environment and location strategy to remain consistent over the next several years.

Buying and Design Operations

Maintaining a constant flow of fresh and fashionable merchandise for our Retail segment is critically important to our ongoing performance. We maintain our own buying groups that select and develop products to satisfy our target customers and provide us with the appropriate amount and timing of products offered. Merchandise managers may supervise several buyers and assistant buyers. Our buyers stay in touch with the evolving tastes of their target customers by shopping at major trade markets, attending national and regional trade shows and staying current with mass media influences, including social media, music, video, film, magazines and pop culture.

Merchandise

Our Urban Outfitters stores, websites, catalogs and mobile applications offer a wide array of eclectic merchandise, including women’s and men’s fashion apparel, activewear, intimates, footwear, accessories, home goods, electronics and beauty. Our Anthropologie brand stores, websites, mobile applications and catalog product offerings include women’s casual apparel and accessories, intimates, shoes, home furnishings, a diverse array of gifts and decorative items and beauty. Our Bhldn brand offers a curated collection of heirloom quality wedding gowns, bridesmaid frocks, party dresses, assorted jewelry, headpieces, footwear, lingerie and decorations. Our Terrain brand product offerings include lifestyle home, garden and outdoor living products, antiques, live plants, flowers, wellness products and accessories. Our Free People retail stores, websites, mobile applications and catalogs offer a showcase for casual women’s apparel, activewear, intimates, shoes, accessories, home products, gifts and beauty and wellness. Our merchandise is continuously updated to appeal to our target customers’ changing tastes and is supplied by a large number of domestic and foreign vendors, with new shipments of merchandise arriving at our stores and fulfillment centers almost daily.

The wide breadth of merchandise offered by our Retail segment includes a combination of national third-party brands, private label product designed in collaboration with third-party brands and exclusive merchandise developed and designed internally by our brands. This combination allows us to offer fashionable merchandise and to differentiate our product mix from that of traditional department stores, as well as that of other specialty and digital retailers. Private label merchandise generally yields higher gross profit margins than third-party branded merchandise, and helps to keep our product offerings current and unique.

The ever-changing mix of products available to our customers allows us to adapt our merchandise to prevailing fashion trends, and together with the inviting atmosphere and experience of our stores and websites, encourages our core customers to visit our shopping channels frequently.

We select price points for our merchandise that are consistent with the spending patterns of our target customers. As such, our stores carry merchandise at a wide range of price points that may vary considerably within product categories.

Store Operations

We have organized our retail store operations by brand into geographic areas or districts that each have a district leader. District leaders are responsible for several stores and monitor and supervise individual store leaders. Each store leader is responsible for overseeing the daily operations of one of our stores. In addition to a store leader, the staff of a typical store includes a combination of some or all of the following positions: a visual merchandising manager, several department managers and full and part-time sales and visual staff. The staff of a typical Anthropologie brand store may also include a customer care manager who helps tailor the shopping experience to the needs of

Anthropologie's target customers. An expanded format Anthropologie Group store may also include a bridal and event manager, appointment stylist, a bridal category specialist and merchandise care and maintenance staff to support the Bhldn and Terrain brands.

An essential requirement for the success of our stores is our ability to attract, train and retain talented, highly motivated store leaders, visual merchandising managers and other key employees. In addition to management training programs for both newly hired and existing employees, we have a number of retention programs that offer qualitative and quantitative performance-based incentives to district-level leaders, store leaders and full-time sales associates.

Marketing and Promotion

We believe we have highly effective marketing tools in our websites, mobile applications, catalogs, email campaigns and social media. We refresh this media as frequently as daily to reflect the most cutting edge changes in fashion and culture. We also believe that highly visible store locations, broad merchandise selection and creative and visual presentation within our stores, on our websites and on our mobile applications entice our customers to explore these channels and purchase merchandise. Consequently, we rely on these elements, as well as the brand recognition created by our direct marketing activities, to draw customers to our omni-channel operations, rather than traditional forms of advertising such as print, radio and television media. Marketing activities for each of our brand's retail stores may include special event promotions and a variety of public relations activities designed to create community awareness of our stores and products. We also are active in social media and blogs. We believe that the traditional method of a one-way communication to customers is no longer enough. We believe that by starting a conversation and interacting directly with our customers, most notably via Facebook, Twitter, Pinterest, Instagram, YouTube, Tumblr and our own mobile applications, we are more effective at understanding and serving their fashion needs. We also believe that our blogs continue this conversation. Not only do our blogs allow us to communicate what inspires us, they allow our customers to tell us what inspires them. This fosters our relationships with our customers and encourages them to continue shopping with us.

During fiscal 2018, we circulated approximately 15.3 million catalogs across multiple brands. We plan for our catalog circulation to decrease in fiscal 2019 as we increase our emphasis on digital marketing.

Suppliers

To serve our target customers and to recognize changes in fashion trends and seasonality, we purchase merchandise from numerous foreign and domestic vendors, the majority of which is settled in U.S. dollars. We also have arrangements with agents and third-party manufacturers to produce our private label merchandise. To keep our future inventory levels lean and maintain a lower merchandise weeks of supply on hand, we plan to continue to quicken our supply chain capabilities and place more frequent merchandise orders at lower quantities. To the extent that our vendors are located overseas or, in the case of third-party vendors, rely on overseas sources for a large portion of their merchandise, any event causing a disruption of imports, such as the imposition of increased security or regulatory requirements applicable to imported goods, war, public health concerns, acts of terrorism, natural disasters, port security considerations or labor disputes, financial or political instability in any of the countries in which merchandise we purchase is manufactured, changes to U.S. or foreign trade policies, including the enactment of tariffs, border adjustment taxes, or increases in duties or quotas, disruption in the supply of fabrics or raw materials, increases in the cost of fuel or decreases in the value of the U.S. dollar relative to foreign currencies could adversely affect our business. During fiscal 2018, we purchased merchandise from approximately 5,000 vendors located throughout the world. No single vendor or manufacturer accounted for more than 10% of merchandise purchased during that time. While certain of our vendors have limited financial resources and production capabilities, we do not believe that the loss of any one vendor would have a material adverse effect on our business.

Company Operations

Distribution. We own a 291,000 square foot distribution center in Gap, Pennsylvania that receives and distributes approximately half of our retail store merchandise in North America. We also lease a 214,500 square foot distribution center located in Reno, Nevada, that receives and distributes the remaining half of our retail store merchandise.

We own and operate a 1,000,000 square foot fulfillment center in Gap, Pennsylvania. Primary operations at the center include Retail and Wholesale segment fulfillment services, including inventory warehousing, receiving and customer shipping.

We also own and operate a 463,000 square foot fulfillment center located in Reno, Nevada. This center is used primarily to house and distribute merchandise to our western United States digital customers, significantly improving our fulfillment capability.

We lease separate distribution and fulfillment centers each located in Rushden, England. Our 98,000 square foot distribution center supports our entire European store base and our 142,000 square foot fulfillment center primarily provides fulfillment services for our European Retail segment and global Wholesale segment customers.

We utilize certain third-party logistics providers to store and distribute certain home furnishings merchandise.

Information Systems. We recognize the need for high-quality information to manage merchandise planning, buying, inventory management and control functions and have therefore invested in a retail software package that meets our processing and reporting requirements. We utilize point-of-sale register systems connected by a secure data network to our home offices. Additionally, our stores have mobile point-of-sale devices that have virtually the same functionality as our cash registers. These systems provide for register efficiencies, timely customer checkout and instant back office access to register information, as well as daily updates of sales, inventory data and price changes. Our digital channel, which includes our websites, mobile applications and catalogs, maintains separate software systems that manage the merchandise and customer information for our in-house customer contact center and fulfillment functions. Our Wholesale segment uses a separate software system for customer service, order entry, production planning and inventory management. We have a second fully redundant data center located in our Reno fulfillment center that functions as a disaster recovery site for our digital, data communication and other business critical systems.

Competition

Our Retail and Wholesale segments compete with individual and chain fashion specialty stores as well as department stores, both in stores and online, in highly competitive domestic and international markets. Our Retail segment competes on the basis of, among other things, the location of our stores, website, mobile application and catalog presentation, website and mobile application design, the breadth, quality, style, price and availability of our merchandise and the level of customer service offered. Although we believe that the eclectic mix of products and the unique store and digital experiences offered by our Retail segment help differentiate us, it also means that our stores compete against a wide variety of smaller, independent specialty retailers, as well as department stores and national specialty chains. Some of our competitors have substantially greater name recognition as well as financial, marketing and other resources. Our Anthropologie Group and Free People stores also face competition from small boutiques that offer an individualized shopping experience similar to the one we strive to provide to our target customers. In addition, some of our third-party vendors offer products directly to consumers and certain of our competitors.

Along with certain Retail segment competitive factors noted above, other key factors for our digital channel include website and mobile application availability, the effectiveness of our customer lists and the speed and accuracy of our merchandise delivery. Additionally, our digital channel competes against numerous websites, mobile applications and catalogs, which may have a greater volume of circulation and web traffic or more effective marketing through online media and social networking sites.

Our Wholesale segment competes with numerous wholesale companies on the basis of quality, price, performance and fashion of our merchandise offerings. Many of our Wholesale segment competitors have a wider product distribution network. In addition, certain of our wholesale competitors have greater name recognition and greater financial, marketing and other resources than us.

Trademarks and Service Marks

We are the registered owner in the United States of certain service marks and trademarks, including, but not limited to "Urban Outfitters," "Anthropologie," "Free People," "Bhldn," "Terrain," "Vetri" and "BDG." Each mark is renewable indefini contingent upon continued use at the time of renewal. In addition, we currently have pending registration applications with the U.S. Patent and Trademark Office covering certain other marks. We also own marks that have been registered in foreign countries, and have applications for marks pending in additional foreign countries. We regard our marks as important to our business due to their name recognition with our customers. We are not aware of any valid claims of infringement or challenges to our right to use any of our marks in the United States.

Employees

As of January 31, 2018, we employed approximately 23,000 people, approximately 42% of whom were full-time employees. The number of part-time employees fluctuates depending on seasonal needs. Of our total employees, approximately 1% work in the Wholesale segment and the remaining 99% work in our Retail segment. Except in certain international locations, our employees are not covered by a collective bargaining agreement. We believe that our relations with our employees are excellent.

Financial Information about Operations

We aggregate our operations into two reportable segments, the Retail segment and the Wholesale segment. See Note 16, "Segment Reporting," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information.

Financial Information about Geographical Areas

See Note 16, "Segment Reporting," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for information regarding net sales and long-lived assets from domestic and foreign operations.

Seasonality

Our business is subject to seasonal fluctuations in net sales and net income, with a more significant portion typically realized in the second half of each year predominantly due to the year-end holiday period. Historically, and consistent with the retail industry, this seasonality also impacts our working capital requirements, particularly with regard to inventory. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of

Operations—Seasonality and Quarterly Results for additional information.

Item 1A. Risk Factors

Our reportable segments are sensitive to economic conditions, consumer spending, market disruptions and other business factors.

We are subject to numerous business risk factors. Consumer purchases of discretionary retail items and specialty retail products, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A prolonged economic downturn could have a material adverse impact on our business, financial condition or results of operations.

Our performance is subject to worldwide economic conditions and their impact on levels of consumer spending remains uncertain. Some of the factors impacting discretionary consumer spending include general economic conditions, wages and employment, consumer debt, reductions in net worth based on severe market declines, residential real estate and mortgage markets, taxation, fuel and energy prices, interest rates, consumer confidence, political and economic crises and other macroeconomic factors. These factors may affect consumer purchases of our merchandise and adversely impact our results of operations and continued growth. The economic conditions may also affect department stores and specialty retail businesses and impact their ability to purchase merchandise from our Wholesale segment. It is difficult to predict near term and/or future economic, capital and credit market conditions and what impact they will have on our business.

In addition, there is a risk that consumer sentiment may decline as a result of market disruptions caused by severe weather conditions, unseasonable weather, natural disasters, health hazards, terrorists activities, political crises or other major events or the prospect of these events which could negatively impact our financial position and results of operations. The recovery we receive under any insurance we maintain for these purposes may be delayed or may be insufficient to fully offset potential losses.

We rely heavily on our ability to identify changes in fashion.

Customer tastes and fashion trends are volatile and can change rapidly. Our success depends in part on our ability to effectively predict and respond to changing fashion tastes and consumer demands, and to translate market trends into appropriate, saleable product offerings. If we are unable to predict or respond to changing styles or trends successfully or if we misjudge the market for products or new product lines, our sales may be impacted and we may be faced with a substantial amount of unsold inventory or missed opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess, slow-moving inventory, which could decrease our revenues or gross profit margins. Compared to our Retail segment, our Wholesale segment is more sensitive to changes in fashion trends because of longer lead times in the manufacturing and sale of its apparel. Our fashion decisions, if unsuccessfully forecasted, constitute a material risk and may have an adverse effect on our financial condition and results of operations.

We may not be successful in expanding our business, opening new retail stores or extending our existing store leases.

Our growth strategy depends on our ability to open and operate new retail stores on a profitable basis and to effectively extend our existing store leases. There can be no assurance that these stores will achieve long term success.

Our operating complexity will increase as our store base grows, and we may face challenges in managing our future growth. Such growth will require that we continue to expand and improve our operating capabilities, and expand, train and manage our employee base. We may be unable to hire and train a sufficient number of qualified personnel or successfully manage our growth.

Our expansion prospects also depend on a number of other factors, many of which are beyond our control, including, among other things, competition, the availability of financing for capital expenditures and working capital requirements and the availability of suitable sites for new store locations on acceptable lease terms. There can be no assurance that we will be able to achieve our store expansion goals, nor is there any assurance that our newly opened stores will achieve revenue or profitability levels comparable to those of our existing stores in the time periods estimated by us, or at all. If our stores fail to achieve, or are unable to sustain, acceptable revenue, profitability and cash flow levels, we may incur additional store asset impairment charges, significant costs associated with closing those stores or both, which could adversely affect our results of operations and financial condition.

Existing and increased competition in the specialty retail and wholesale apparel industries may reduce our net revenues, profits and market share.

The specialty retail and wholesale apparel industries are each highly competitive. Our Retail segment competes on the basis of, among other things, the location of our stores, website, mobile application and catalog presentation, website and mobile application design, the breadth, quality, style, price and availability of our merchandise and the level of customer service offered. Our Anthropologie Group and Free People stores also face competition from small boutiques that offer an individualized shopping experience similar to the one we strive to provide to our target customers. Additionally, the internet and other new technologies facilitate competitive entry and comparison shopping in our Retail segment. Our digital channel competes against numerous websites, mobile applications and catalogs, which may have a greater volume of circulation and web traffic or more effective marketing through online media and social networking sites. We offer an omni-channel shopping experience for our customers and use social media and mobile applications as a way to interact with them to enhance their shopping experiences. Omni-channel retailing is constantly evolving and we must keep pace with changing customer expectations and new developments by our competitors. There is no assurance that we will be able to continue to successfully maintain or expand our digital sales channels and respond to shifting consumer traffic patterns and digital buying trends. Our inability to adequately respond to these risks and uncertainties or successfully maintain and expand our digital business could have an adverse impact on our results of operations. In addition, some of our third-party vendors offer products directly to consumers and certain of our competitors. Our Wholesale segment competes with numerous wholesale companies, many of whose products have a wider distribution, based on the quality, fashion and price of its product offerings. Many of our competitors have greater name recognition and greater financial, marketing and other resources than us. We cannot assure you that we will continue to be able to compete successfully against existing or future competitors. Due to a difficult economic and retail environment, our competitors may force a markdown or promotional sales environment which could impair our ability to achieve our historical profit margins. Our expansion into markets served by our competitors and entry of new competitors or expansion of existing competitors into our markets could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful expanding our business internationally.

Our current growth strategy includes plans to continue to open new stores, expand our digital marketing and grow our wholesale customer base and retail presence internationally over the next several years. As we seek to expand internationally, we face competition from more established international competitors. In addition, international stores have different operational characteristics, including employment and labor, transportation, logistics, real estate and legal requirements. Furthermore, consumer demand and behavior, as well as tastes and purchasing trends may differ internationally, and as a result, sales of our merchandise may not be successful, or the margins on those sales may not be in line with those we anticipate. Additionally, our ability to conduct business internationally may be adversely impacted by political and economic risks, as well as the global economy. Any challenges that we encounter as we expand internationally may divert financial, operational and managerial resources from our existing operations, which could adversely impact our financial condition and results of operations.

To the extent we expand internationally under franchise or joint venture arrangements, we may face counterparty and/or operational risk. In addition, we are increasingly exposed to foreign currency exchange rate risk with respect to our revenue, profits, assets and liabilities denominated in currencies other than the U.S. dollar. We currently do not utilize hedging instruments to mitigate these foreign currency risks. In the future, however, we may initiate strategies to hedge certain foreign currency risks that may not succeed in offsetting all of the negative impact of foreign currency exchange rate movements on our business and results of operations.

As we continue to expand our international operations, we are subject to certain U.S. laws, including the Foreign Corrupt Practices Act, as well as the laws of the foreign countries in which we operate. We are required to ensure compliance with these laws. Violations of these laws could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.

Our business depends on effective marketing and high customer traffic.

We have many initiatives in our marketing programs particularly with regard to our websites, mobile applications and our social media presence. If our competitors increase their spending on marketing, if our marketing expenses increase, if our marketing becomes less effective than that of our competitors, or if we do not adequately leverage technology and data analytics capabilities needed to generate concise competitive insight, we could experience a material adverse effect on our results of operations. Among other factors, (1) a failure to sufficiently innovate or maintain effective marketing strategies and (2) U.S. and foreign laws and regulations that make it more difficult or costly to digitally market, such as the EU General Data Protection Regulation, may adversely impact our ability to maintain brand relevance and drive increased sales.

We depend on key personnel and may not be able to retain or replace these employees or recruit additional qualified personnel, which would harm our business.

We believe that we have benefited substantially from the leadership and experience of our senior executives, including our co-founder, Chairman of the Board and Chief Executive Officer, Richard A. Hayne. The loss of the services of any of our senior executives could have a material adverse effect on our business and prospects, as we may not be able to find suitable management personnel to replace departing executives on a timely basis. In addition, if our senior executives do not fully integrate within the structure of our management team and core business, we may be adversely affected. We do not have an employment agreement with our Chief Executive Officer or any other key personnel. In addition, as our business expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for personnel in the retail industry. Our inability to meet our staffing requirements in the future could impair our ability to increase revenue and could otherwise harm our business.

Increases in labor costs, including wages, could adversely impact our operational results, financial condition, and results of operations.

Our retail store operations are subject to laws governing such matters as minimum wages, working conditions and overtime pay. As minimum wage rates increase or related laws and regulations change, we may need to increase not only the wage rates of our minimum wage employees, but also the wages paid to our other hourly or salaried employees. Any increase in the cost of our labor could have an adverse effect on our operating results, financial condition and results of operations. In addition, wage actions by other retailers may require us to increase wage rates in order to attract and retain talented employees. Labor shortages, increased employee turnover and our inability to successfully implement our expanded format store strategy could also increase our labor costs. This in turn could lead us to increase prices, which could adversely impact our sales. We are also subject to risks related to other store expenses and operational costs. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline.

We could be materially and adversely affected if any of our distribution or fulfillment centers are damaged or closed or if their operations are diminished.

We operate six distribution and fulfillment centers worldwide to support our Retail and Wholesale segments in the United States, Europe and Canada, including the fulfillment of catalog, website and mobile application orders around the world. We utilize certain third-party logistics providers to store and distribute certain home furnishings merchandise. The merchandise purchased for our United States and Canadian retail store operations is shipped directly to our distribution centers in Gap, Pennsylvania and Reno, Nevada. Merchandise purchased for our digital operations is shipped directly to our fulfillment centers in Gap, Pennsylvania and Reno, Nevada. Merchandise purchased for our wholesale operations is shipped directly to our fulfillment centers in Gap, Pennsylvania and Rushden, England. The merchandise purchased for our Europe retail and digital operations is shipped to Rushden, England. Damage to, or disruption of the operations at, any of these centers due to work stoppages, system failures, accidents, economic or weather conditions, natural disasters, demographic and population changes, as well as other unforeseen events and circumstances could have a material adverse effect on our financial condition, results of operations or cash flows. In addition, if any of our distribution or fulfillment centers were to close unexpectedly or operate significantly below historical efficiency levels for an extended period of time, the other centers may not be able to support the resulting additional volume demands. As a result, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores and customers during the time it takes for us to re-open or replace the center.

We rely significantly on international sources of production.

We receive a substantial portion of our apparel and other merchandise from foreign sources, both purchased directly in foreign markets and indirectly through domestic vendors with foreign sources. The majority of these purchases are settled in U.S. dollars. To the extent that our vendors are located overseas or, in the case of third-party vendors, rely on overseas sources for a large portion of their products, the following risks may adversely impact our business:

- Any event causing a disruption of imports, including the imposition of increased security or regulatory requirements applicable to imported goods, war, public health concerns, acts of terrorism, natural disasters and port security considerations or labor disputes;
- New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries;
- Changes to U.S. and foreign trade policies, including the enactment of tariffs, border adjustment taxes or increases in duties or quotas applicable to the products we sell that could increase the cost and reduce the supply of products available to us;
- A withdrawal by the U.S. from or a significant renegotiation of the North American Free Trade Agreement or other trade agreements to which the U.S. is a party could have a significant impact on our product sourcing operations and results of operations;
- Significant labor issues, such as strikes at any of our ports in the United States, which could make it difficult or impossible for us to bring foreign sourced products into the United States;
- Financial or political instability in any of the countries in which the products we purchase are manufactured, if the instability affects the production or export of merchandise from those countries;
- A significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, as our vendors may not be able to locate alternative suppliers of materials of comparable quality at an acceptable price, or at all;
-

Fluctuation in the prices of raw materials, such as cotton and synthetic fabrics, as increases in such costs can increase the cost of merchandise and potentially lead to reduced consumer demand or reduced margins;

- The cost of fuel is a significant component in transportation costs, therefore, increases in petroleum prices can adversely affect our gross profit;
- Increased regulation related to environmental costs, such as carbon taxes and emissions management systems, which could adversely affect our costs of doing business, including utility, transportation and logistics costs; and
- Decreases in the value of the U.S. dollar relative to foreign currencies could increase the cost of products we purchase from overseas vendors.

Our operating results fluctuate from period to period.

Our business experiences seasonal fluctuations in net sales and operating income, with a more significant portion of net income typically realized in the second half of each year predominantly due to the year-end holiday period. Historically, and consistent with the retail industry, this seasonality also impacts our working capital requirements, particularly with regard to inventory. Any decrease in sales or gross profit during this period, or in the availability of working capital needed in the months preceding this period, could have a more material adverse effect on our business, financial condition and results of operations than in other periods. Seasonal fluctuations also affect our inventory levels, as we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday selling periods. If we are not successful in selling our inventory during this period, we may be forced to rely on markdowns or promotional sales to dispose of the excess inventory or we may not be able to sell the inventory at all, which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to protect our trademarks and other intellectual property rights.

We believe that our trademarks and service marks are important to our success and our competitive position due to their name recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and service marks on a worldwide basis. We are not aware of any valid claims of infringement or challenges to our right to use any of our trademarks and service marks in the United States. Nevertheless, there can be no assurance that the actions we have taken to establish and protect our trademarks and service marks will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks, service marks and intellectual property of others. Also, others may assert rights in, or ownership of, our trademarks and other intellectual property and we may not be able to successfully resolve these types of conflicts to our satisfaction.

In addition, we face additional risks as we continue to expand our business outside the United States. Effective trademark and service mark protection may not be available in every country in which we sell our products, or the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. This could increase the risk that our intellectual property is misappropriated. We may also encounter jurisdictions in which one or more third parties have a pre-existing trademark registration. This may prevent us from registering our own marks in those jurisdiction, and could adversely affect our ability to effectively operate our business or market certain products.

War, terrorism, civil unrest or other violence may negatively impact availability of merchandise and/or otherwise adversely impact our business.

In the event of war, terrorism, civil unrest or other violence, our ability to obtain merchandise available for sale in our stores or on our websites may be negatively impacted. A substantial portion of our merchandise is imported from other countries, see "—We rely significantly on international sources of production." If commercial transportation is curtailed or substantially delayed, our business may be adversely impacted, as we may have difficulty shipping merchandise to our distribution and fulfillment centers and stores, as well as fulfilling catalog, website and mobile application orders. Our stores are located in public areas where large numbers of people typically gather. Terrorist attacks, threats of terrorist attacks or civil unrest involving public areas could cause people not to visit areas where our stores are located. In addition, other types of violence in malls or in other public areas could lead to lower customer traffic in areas in which we operate stores. If any of these events were to occur, we may be required to suspend operations in some or all of our stores in the impacted areas, which could have a material adverse impact on our business, financial condition and results of operations.

We may not be successful in introducing additional store concepts or brands.

We may, from time to time, seek to develop and introduce new concepts or brands in addition to our established brands. Our ability to succeed in the early stages of new concepts could require significant capital expenditures and management attention. Additionally, any new concept is subject to certain risks, including customer acceptance, competition, product differentiation, challenges relating to economies of scale in merchandise sourcing and the ability to attract and retain qualified personnel, including management and designers. There can be no assurance that we will be able to develop and grow these or any other new concepts to a point where they will become profitable, or generate positive cash flow. If we cannot successfully develop and grow these new concepts, our financial condition and results of operations may be adversely impacted.

We may develop new concepts through acquisitions and we may not be successful in integrating those acquisitions.

Acquisitions involve numerous risks, including the diversion of our management's attention from other business concerns, the possibility that current operating and financial systems and controls may be inadequate to deal with our growth and the potential loss of key employees.

We also may encounter difficulties in integrating any businesses we may acquire with our existing operations. The success of these transactions depends on our ability to:

- successfully merge corporate cultures, operations and financial systems;
- realize cost reduction synergies; and
- as necessary, retain key personnel of acquired companies.

In addition, there may be liabilities that we fail, or are unable, to discover in the course of performing due diligence investigations on any company that we may acquire, or have recently acquired. Also, there may be additional costs relating to acquisitions including, but not limited to, possible purchase price adjustments. Any of our rights to indemnification from sellers to us, even if obtained, may not be enforceable, collectible or sufficient in amount, scope or duration to fully offset the possible liabilities associated with the business or property acquired. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business and financial condition.

We rely on information technology systems and a material disruption or failure of such systems or technologies could adversely affect our business.

Our operations, in particular our digital sales, are subject to numerous risks, including reliance on third-party computer hardware/software, rapid technological change, diversion of sales from our stores, liability for online content, violations of state or federal laws, including those relating to online privacy, credit card fraud, risks related to the failure of the information technology systems that operate our websites, including computer viruses, telecommunications failures and electronic break-ins and similar disruptions. In addition, we regularly evaluate our information technology systems and have implemented modifications and/or upgrades to the information technology systems that support our business. Modifications include replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. There are inherent risks associated with replacing and modifying these systems, including inaccurate system information and system disruptions, which we may not be able to alleviate through testing, training, staging implementation and in-sourcing certain processes, or by securing appropriate commercial contracts with third-party vendors supplying such replacement and redundancy technologies. If our information systems or other technologies are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations in the interim. Although we have not experienced any interruptions or shutdowns of our systems for any material length of time for the reasons described above, such disruptions could lead to delays in our business operations and, if significant, affect our sales and profitability.

If we are unable to safeguard against security breaches with respect to our information technology systems our business may be adversely affected.

During the course of business, we obtain and transmit confidential customer, employee, vendor and Company information through our information technology systems. The protection of customer, employee, vendor and Company data is critical. The regulatory environment surrounding information security and privacy is demanding, with the frequent imposition of new and changing requirements and heightened public awareness and scrutiny.

Although we have implemented systems and procedures that are designed to protect customer, employee, vendor and Company information, prevent data loss and other security breaches, and otherwise identify, assess, and analyze cybersecurity risks, these measures may not be effective. Development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures increase and become more sophisticated. We face an evolving threat landscape in which cybercriminals, among others, employ a complex array of techniques designed to access personal data and other information, including, for example, the use of fraudulent or stolen access credentials, malware, ransomware, phishing, denial of service and other types of attacks. While, to the best of our knowledge, we have not experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a security breach or cyber attack that could materially increase financial risk to the Company or our customers, such a security breach or cyber attack could adversely affect our business and operations, including by damaging our reputation and our relationships with our customers, employees and investors, exposing us to litigation, fines, penalties or remediation costs and inhibiting our ability to accept debit and credit cards as forms of payment.

Our efforts to protect customer, employee, vendor and Company information may also be adversely impacted by data security or privacy breaches that occur at our third-party vendors or unrelated third parties. While we believe we are diligent in selecting vendors, systems and procedures to enable us to maintain the integrity of our systems, we recognize that there are inherent risks and we cannot assure that any future interruptions, shutdowns or unauthorized disclosures will not occur.

Manufacturers and third-party vendors may not comply with our legal and social compliance program requirements, which could adversely affect our reputation.

We have a manufacturer compliance program that is monitored on a regular basis by our buying offices. Our production facilities are either certified as in compliance with our program, or areas of improvement are identified and corrective follow-up action is taken. All manufacturers are required to follow applicable national labor laws, as well as international compliance standards regarding workplace safety, such as standards that require clean and safe working environments, clearly marked exits and paid overtime. We believe in protecting the safety and working rights of the people who manufacture the products we sell, while recognizing and respecting cultural and legal differences found throughout the world. We require our third-party vendors to register through an online website and agree that they and their suppliers will abide by certain standards and conditions of employment. If our third-party vendors fail to comply with our social compliance program, our reputation may be adversely affected.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, leases, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change or increase volatility of our reported or expected financial performance or financial condition. See Note 2, “Summary of Significant Accounting Policies,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a description of recent accounting pronouncements.

We could be subject to changes in tax rates, the adoption of new U.S. or international tax legislation, or exposure to additional tax liabilities.

A number of factors influence our effective income tax rate, including changes in tax law, tax treaties, interpretation of existing laws, changes in generally accepted accounting principles and related accounting pronouncements, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our net income. In addition, our operations outside of the United States may cause greater volatility in our effective tax rate.

The ongoing effects of the Tax Act and the refinement of provisional estimates could make our results difficult to predict.

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act (the “Tax Act”), which significantly revises the Internal Revenue Code of 1986, as amended (the “IRC”). This law may have a significant impact on our U.S. taxes. The legislation is unclear in certain respects and will require the U.S. Internal Revenue Service (the “IRS”) to issue regulations and interpretations, and possibly technical corrections. While there can be no assurance as to the impact of any additional guidance, we have recorded a provisional amount of income tax to reflect the impact of the law change based on management’s current interpretation of the new legislation. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act. The ultimate impact of U.S. tax reform could be materially different from current estimates based on our actual results and our further analysis of the new law as permitted under Staff Accounting Bulletin No. 118 (“SAB 118”), Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which provides guidance on accounting for the Tax Act’s impact. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The impact of this tax reform on holders of our common stock is also uncertain and could be adverse. Investors should consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

We are subject to numerous regulations and legal matters that could adversely affect our business.

We are subject to customs, child labor, tax, employment, privacy, truth-in-advertising, e-commerce and other laws, including consumer protection regulations and zoning and occupancy ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise and the operation of retail stores and distribution and fulfillment centers. Additional legal and regulatory requirements, and the fact that foreign laws occasionally conflict with domestic laws, have increased the complexity of the regulatory environment and the cost of compliance. If these laws change without our knowledge, or are violated by importers, designers, manufacturers or distributors, we could experience delays in shipments and receipt of products or be subject to fines or other penalties under the controlling regulations, any of which could adversely affect our business. In addition, various governmental authorities in jurisdictions in which we do business regulate the quality and safety of the merchandise we sell. If we or our vendors are unable to comply with regulatory requirements on a timely basis or at all, or to adequately monitor new regulations that may apply to us, significant fines or penalties could be incurred or we could have to curtail some aspects of our sales or operations, which could have a material adverse affect on our financial results. Moreover, legal actions may be filed against us from time to time, including class actions. These actions may assert commercial, tort, intellectual property, customer, employment, data privacy, securities or other claims. We may also be impacted by litigation trends, including class action lawsuits involving former employees, consumers and shareholders, which could have a material adverse effect on our reputation, the market price of our common shares, or our results of operations, financial condition and cash flows.

Regulations related to “conflict minerals” require us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contains provisions to improve transparency and accountability concerning the supply of minerals originating from the conflict zones of the Democratic Republic of Congo and adjoining countries. As a result, the SEC adopted requirements for companies that manufacture products that contain certain minerals and metals, known as “conflict minerals,” that are necessary to the functionality or production of products manufactured or contracted to be manufactured by public companies. We have developed a framework and management system and continuously undertake due diligence efforts on our supply chain. We have and expect to continue to incur additional costs to comply with these disclosure requirements, including costs related to determining the sources of the specified minerals used in our products, in addition to the cost of any changes to products, processes, or sources of supply as a consequence of such verification activities, which may adversely affect our business. In addition, the number of suppliers who provide "conflict-free" minerals may be limited, which may make it difficult to satisfy customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so. There is uncertainty about the future of the regulations related to "conflict minerals" as a result of legal challenges and statements by the SEC. Most recently, we filed our annual Specialized Disclosure Report on Form SD with respect to these minerals on May 31, 2017, as required by the rules.

Item 1B. Unresolved Staff Comments

We have no outstanding comments with the staff of the SEC.

Item 2. Properties

Since 2006, our home office has been located in several buildings on one campus in the historic core of the Philadelphia, Pennsylvania Navy Yard. The consolidated offices at the Navy Yard campus allow for an efficient operation of our Philadelphia-based offices and will help to support our growth needs for the foreseeable future. Our home offices are approximately 497,000 square feet, and we own or have options to purchase adjacent buildings that would allow for additional expansion if necessary.

Our European home offices are located in London, England and consist of three leased properties totaling approximately 23,000 square feet. The leased properties have varying lease term expirations ranging from 2019 through 2024.

Our North American retail stores are supported by two distribution centers. We own a 291,000 square foot distribution center in Gap, Pennsylvania, which supports approximately half of our retail store merchandise. We lease a 214,500 square foot distribution center in Reno, Nevada that supports the remaining half of our retail store merchandise. The term of this lease is set to expire in June 2027, and we have the option to renew for up to an additional twenty years.

In fiscal 2016, we opened a 1,000,000 square foot fulfillment center in Gap, Pennsylvania, which we own and operate. The center primarily fulfills Retail and Wholesale segment customer orders.

We own and operate a 463,000 square foot fulfillment center in Reno, Nevada that is used primarily to house and distribute merchandise to our western United States digital customers.

We lease an approximately 40,000 square foot customer contact center in Martinez, Georgia. The lease term expires in fiscal 2024 with two five-year renewal options.

We lease separate distribution and fulfillment centers in Rushden, England to support our retail and digital channels in Europe and global Wholesale segment customers. The distribution center occupies approximately 98,000 square feet and the fulfillment center occupies approximately 142,000 square feet, which also includes our European customer contact center. The term of both leases are set to expire in September 2020.

We utilize certain third-party logistics providers to store and distribute certain home furnishings merchandise.

Improvements in recent years, as described in Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources, were necessary to adequately support our growth. For more information on our distribution center properties, see Item 1: Business—Company Operations—Distribution. We believe that our centers are well maintained and in good operating condition.

All of our stores are leased, well maintained and in good operating condition. Our retail stores are typically leased for a term of ten years with renewal options for an additional five to ten years. Total estimated selling square feet for stores open, under lease as of January 31, 2018, by Urban Outfitters, the Anthropologie Group and Free People was approximately 2,205,000, 1,733,000, and 287,000, respectively. The average store selling square feet is approximately 9,000 for Urban Outfitters, 8,000 for the Anthropologie Group and 2,000 for Free People. Selling square feet can sometimes change due to factors such as floor moves, use of staircases and cash register configuration.

The following table shows the location of each of our existing retail stores, as of January 31, 2018:

	Urban Outfitters	Anthropologie Group	Free People	Food and Beverage	Total
United States	180	204	126	10	520
Canada	18	12	6	—	36
Europe	47	10	—	—	57
Global Total	245	226	132	10	613

In addition to the stores listed above, the Wholesale segment operates sales and showroom facilities in London, Los Angeles and Chicago that are leased through 2019 and a facility in New York City that is leased through 2023.

Item 3. Legal Proceedings

We are party to various legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common shares are traded on the NASDAQ Global Select Market under the symbol “URBN.” The following table sets forth, for the periods indicated below, the reported high and low sale prices for our common shares as reported on the NASDAQ Global Select Market.

Market Information

	High	Low
Fiscal 2018		
Quarter ended April 30, 2017	$27.86	$21.83
Quarter ended July 31, 2017	$23.99	$16.19
Quarter ended October 31, 2017	$25.15	$16.68
Quarter ended January 31, 2018	$36.10	$23.83
Fiscal 2017		
Quarter ended April 30, 2016	$34.77	$22.34
Quarter ended July 31, 2016	$30.86	$24.29
Quarter ended October 31, 2016	$37.82	$27.82
Quarter ended January 31, 2017	$40.80	$25.60

Holders of Record

On March 26, 2018 there were 102 holders of record of our common shares.

Dividend Policy

Our current credit facility includes certain limitations on the payment of cash dividends on our common shares. We have not paid any cash dividends since our initial public offering and do not anticipate paying any cash dividends on our common shares in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

All of the Company’s equity compensation plans have been approved by its shareholders. See Note 10, “Share-Based Compensation,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for details of the Company’s equity compensation plans and outstanding awards.

Stock Performance

The following graph and table compares the cumulative total shareholder return on our common shares with the cumulative total return on the Standard and Poor's 500 Composite Stock Index and the Standard and Poor's 500 Apparel Retail Index for the period beginning January 31, 2013 and ending January 31, 2018, assuming the reinvestment of any dividends and assuming an initial investment of $100 in each. The comparisons in this table are required by the SEC and are not intended to forecast or be indicative of possible future performance of the common shares or the referenced indices.

	Base Period Jan-13	INDEXED RETURNS Years Ended				
Company/Market/Peer Group		Jan-14	Jan-15	Jan-16	Jan-17	Jan-18
Urban Outfitters, Inc.	$100.00	$83.69	$81.44	$53.45	$62.00	$79.69
S&P 500	$100.00	$121.52	$138.80	$137.87	$165.50	$209.21
S&P 500 Apparel Retail	$100.00	$114.69	$172.80	$192.74	$142.48	$138.35

Item 6. Selected Financial Data

The following table sets forth selected consolidated income statement and balance sheet data for the periods indicated. The selected consolidated income statement and balance sheet data for each of the five fiscal years presented below is derived from our Consolidated Financial Statements. The data presented below should be read in conjunction with Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of the Company and the related notes thereto, which appear elsewhere in this Annual Report on Form 10-K. The results of operations for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

	Fiscal Year Ended January 31,				
	2018	2017	2016	2015	2014
	(in thousands, except share amounts and per share data)				
Income Statement Data:					
Net sales	$3,616,014	$3,545,794	$3,445,134	$3,323,077	$3,086,608
Gross profit	1,175,507	1,244,613	1,201,902	1,174,930	1,161,342
Income from operations	259,892	338,527	353,579	365,385	426,831
Net income (1)	108,263	218,120	224,489	232,428	282,360
Net income per common share—basic (1)	$0.97	$1.87	$1.79	$1.70	$1.92
Weighted average common shares outstanding—basic	111,887,308	116,873,023	125,232,499	136,651,899	147,014,869
Net income per common share—diluted (1)	$0.96	$1.86	$1.78	$1.68	$1.89
Weighted average common shares outstanding—diluted	112,367,924	117,291,117	126,013,414	138,192,734	149,225,906
Balance Sheet Data:					
Working capital	$618,543	$528,469	$505,130	$455,377	$663,150
Total assets	1,952,780	1,902,637	1,833,301	1,888,741	2,221,214
Total liabilities	651,877	589,553	696,074	560,772	527,044
Total shareholders' equity	$1,300,903	$1,313,084	$1,137,227	$1,327,969	$1,694,170

(1) During the fiscal year ended 2018, we recorded an additional $64,705 in income tax expense related to a one-time charge on foreign earnings and profits and statutory rate changes on deferred taxes in relation to the Tax Act.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We operate two reportable segments: a leading lifestyle specialty Retail segment and a Wholesale segment. Our Retail segment consists of our Anthropologie, Bhldn, Free People, Terrain and Urban Outfitters brands and our Food and Beverage division. Our Retail segment consumer products and services are sold directly to our customers through our stores, websites, mobile applications, catalogs and customer contact centers. The Wholesale segment sells through department and specialty stores worldwide, customer websites and our Retail segment. The Wholesale segment primarily designs, develops and markets young women's contemporary casual wear (including intimates and activewear) and shoes under the Free People brand and home goods under the Anthropologie brand.

Our fiscal year ends on January 31. All references to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, our fiscal year 2018 ended on January 31, 2018.

Retail Segment

Our omni-channel strategy enhances our customers' brand experience by providing a seamless approach to the customer shopping experience. All available shopping channels are fully integrated, including stores, websites, mobile applications, catalogs and customer contact centers. Our investments in areas such as marketing campaigns and technology advancements are designed to generate demand for the omni-channel and not the separate store or digital channels. Store sales are primarily fulfilled from that store's inventory, but may also be shipped from any of our fulfillment centers or from a different store location if an item is not available at the original store. We also allow customers to view in-store inventory from our websites and mobile applications. Digital orders are primarily shipped to our customers through our fulfillment centers, but may also be shipped from any store, or a combination of fulfillment centers and stores depending on the availability of particular items. Digital orders may also be picked up at a store location, and customers may also return certain merchandise purchased through digital channels at store locations. As our customers continue to shop across multiple channels, we have adapted our approach towards meeting this demand. Due to the availability of like product in a variety of shopping channels, we source these products utilizing single SKUs based on the omni-channel demand rather than the demand of the separate channels. These and other technological capabilities allow us to better serve our customers and help us complete sales that otherwise may not have occurred due to out-of-stock positions. We manage and analyze our performance based on a single omni-channel rather than separate channels and believe that the omni-channel results present the most meaningful and appropriate measure of our performance. Over the next several years we plan to continue to shift investment to the digital channel to align with changing customer preferences and focus on improving our speed-to-customer capabilities.

Our comparable Retail segment net sales data is equal to the sum of our comparable store and comparable digital channel net sales. A store is considered to be comparable if it has been open at least 12 full months, unless it was materially expanded or remodeled within that year or was not otherwise operating at its full capacity within that year. A digital channel is considered to be comparable if it has been operational for at least 12 full months. Sales from stores and digital channels that do not fall within the definition of comparable store or channel are considered to be non-comparable. The effects of foreign currency translation are also considered non-comparable.

We monitor customer traffic, average unit selling price, transactions and average units per transaction at our stores, and customer sessions, average order value and conversion rates on our websites and mobile applications. We believe that changes in any of these metrics may be caused by a response to our brands' fashion offerings, our marketing and digital marketing campaigns, circulation of our catalogs and an overall growth in brand recognition.

As of January 31, 2018, we operated 245 Urban Outfitters stores, of which 180 were located in the United States, 18 were located in Canada and 47 were located in Europe. During fiscal 2018, we opened five new Urban Outfitters stores, one located in the United States and four located in Europe, and we closed two stores, both located in the United States. Total store selling square footage increased 1.1% over the prior year period to 2.2 million square feet. Urban Outfitters operates websites and mobile applications in North America and Europe that capture the spirit of the brand by offering a similar yet broader selection of merchandise as found in its stores. Urban Outfitters offers a catalog in Europe offering select merchandise, most of which is also available in our Urban Outfitters stores. Urban Outfitters targets young adults aged 18 to 28 through a unique merchandise mix, compelling store environment, websites and mobile applications. Urban Outfitters' product offering includes women's and men's fashion apparel, activewear, intimates, footwear, accessories, home goods, electronics and beauty. A large portion of our merchandise is exclusive to Urban Outfitters, consisting of an assortment of product designed internally and designed in collaboration with third-party brands. Urban Outfitters' North American and European Retail segment net sales accounted for approximately 30.8% and 7.9% of consolidated net sales, respectively, for fiscal 2018, compared to 32.5% and 7.4%, respectively, for fiscal 2017.

The Anthropologie Group consists of the Anthropologie, Bhldn and Terrain brands. As of January 31, 2018, we operated 226 Anthropologie Group stores, of which 204 were located in the United States, 12 were located in Canada and ten were located in Europe. During fiscal 2018, we opened four new Anthropologie Group stores, all located in the United States, and we closed three stores, one located in the United States, one located in Canada and one located in Europe. Total store selling square footage increased 2.4% over the prior year period to 1.7 million square feet. The Anthropologie Group operates websites and mobile applications in North America and Europe that capture the spirit of its brands by offering a similar yet broader selection of merchandise as found in its stores. The Anthropologie brand offers registry services through its website and mobile application and in all of its stores throughout the United

States, allowing our customers to create gift registries for any occasion. In addition, the brand offers catalogs in North America and Europe that market select merchandise, most of which is also available in Anthropologie brand stores. Merchandise at the Anthropologie brand is tailored to sophisticated and contemporary women aged 28 to 45. Product assortment includes women's casual apparel and accessories, intimates, shoes, home furnishings, a diverse array of gifts and decorative items and beauty. The Bhldn brand emphasizes every element that contributes to a wedding. The Bhldn brand offers a curated collection of heirloom quality wedding gowns, bridesmaid frocks, party dresses, assorted jewelry, headpieces, footwear, lingerie and decorations. The Terrain brand is designed to appeal to women and men interested in a creative and sophisticated outdoor living and gardening experience. Merchandise includes lifestyle home, garden and outdoor living products, antiques, live plants, flowers, wellness products and accessories. We plan to open additional Anthropologie Group stores, some of which may be expanded format stores that include multiple Anthropologie Group brands and that allow us to present an expanded assortment of products in certain categories such as petites, jewelry and accessories, footwear, intimates, beauty, wedding and events, outdoor living and home furnishings. The Anthropologie Group's North American and European Retail segment net sales accounted for approximately 39.1% and 1.6% of consolidated net sales, respectively, for fiscal 2018, compared to 39.3% and 1.5%, respectively, for fiscal 2017.

As of January 31, 2018, we operated 132 Free People stores, of which 126 were located in the United States and six were located in Canada. During fiscal 2018, we opened eight new Free People stores, and we closed three stores, all located in the United States. Total store selling square footage increased 11.7% over the prior year period to 287,000 square feet. The increase in selling square footage compared to the prior year period was a result of operating five net new stores that were not in operation during the prior 12 month period. Free People operates websites and mobile applications in North America, Europe and Asia that capture the spirit of the brand by offering a similar yet broader selection of merchandise as found in its stores, as well as substantially all of the Free People wholesale offerings. Free People also offers a catalog that markets select merchandise, most of which is also available in our Free People stores. Free People focuses its product offering on private label merchandise targeted to young contemporary women aged 25 to 30 and provides a unique merchandise mix of casual women's apparel, activewear, intimates, shoes, accessories, home products, gifts and beauty and wellness. Free People's Retail segment net sales accounted for approximately 11.3% of consolidated net sales for fiscal 2018, compared to approximately 10.6% for fiscal 2017.

As of January 31, 2018, we operated ten restaurants under our Food and Beverage division, all of which were located in the United States. During fiscal 2018, we opened one new restaurant, and we exited three restaurants. The Food and Beverage division focuses on a dining experience that provides excellence in food, beverage and service. The Food and Beverage division net sales accounted for less than 1.0% of consolidated net sales for fiscal 2018 and fiscal 2017.

We plan to open approximately 17 new stores during fiscal 2019, including five Urban Outfitters stores, five Anthropologie Group stores, four Free People stores and three Food and Beverage restaurants. We plan to close approximately 11 stores during fiscal 2019, including five Urban Outfitters stores, two Anthropologie Group stores and four Free People stores, all due to lease expiration. In the future, we plan for growth for the Urban Outfitters, Anthropologie and Free People brands to come from modest expansion internationally, which may include opening new stores or entering into franchise or joint venture agreements.

Wholesale Segment

Our Wholesale segment consists of the Free People and Anthropologie wholesale divisions that sell through approximately 2,100 department and specialty stores worldwide, customer websites and our Retail segment. The Wholesale segment primarily designs, develops and markets young women's contemporary casual wear (including intimates and activewear) and shoes under the Free People brand and home goods under the Anthropologie brand. The Anthropologie wholesale division was established in the third quarter of fiscal 2018. Our Wholesale segment net sales accounted for approximately 8.7% of consolidated net sales for fiscal 2018, compared to 8.1% for fiscal 2017.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States. These generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses during the reporting period.

Our senior management has reviewed the critical accounting policies and estimates with the Audit Committee of our Board of Directors. Our significant accounting policies are described in Note 2, “Summary of Significant Accounting Policies,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition, results of operations and cash flows and require management’s most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. If actual results were to differ significantly from estimates made, the reported results could be materially affected. We are not currently aware of any reasonably likely events or circumstances that would cause our actual results to be materially different from our estimates.

Revenue Recognition

We recognize revenue in our Retail segment at the point-of-sale for merchandise sold or services provided at our store or when merchandise is shipped to the customer, in each case, net of estimated customer returns. Revenue is recognized by our Wholesale segment when merchandise is shipped to the customer, net of estimated customer returns. Revenue is presented on a net basis and does not include any tax assessed by a governmental or municipal authority. Payment for merchandise in our Retail segment is tendered by cash, check, credit card, debit card or gift card. Therefore, uncollectible accounts receivable for our Retail segment is negligible and primarily results from unauthorized credit card transactions. We maintain an allowance for doubtful accounts for the Wholesale segment accounts receivable, which we review on a regular basis and believe is sufficient to cover potential credit losses and billing adjustments.

We account for a gift card transaction by recording a liability at the time the gift card is issued to the customer in exchange for consideration from the customer. A liability is established and remains on our books until the card is redeemed by the customer, at which time we record the redemption of the card for merchandise or services as a sale, or when we determine the likelihood of redemption is remote. We determine the probability of the gift cards being redeemed to be remote based on historical redemption patterns. Revenues attributable to the reduction of gift card liabilities for which the likelihood of redemption becomes remote are included in sales and are not material. Our gift cards do not expire.

See Note 2, "Summary of Significant Accounting Policies–Recent Accounting Pronouncements," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a description of changes to the accounting for revenue recognition in fiscal 2019.

Sales Return Reserve

We record a reserve for estimated product returns where the sale has occurred during the period reported, but the return is likely to occur subsequent to the period reported. The reserve for estimated product returns is based on our most recent historical return trends. If the actual return rate is materially different than our estimate, sales returns would be adjusted in the future. As of January 31, 2018 and 2017, reserves for estimated sales returns totaled $28.9 million and $24.9 million, representing 4.4% and 4.2% of total liabilities, respectively.

Inventory

We value our inventory, which consists primarily of general consumer merchandise held for sale, at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method and includes the cost of merchandise and import related costs, including freight, import duties and taxes and agent commissions. A periodic review of inventory is performed in order to determine if inventory is properly stated at the lower of cost or net realizable value. Factors we consider in our review, such as future expected consumer demand and fashion trends, current aging, current and anticipated retail markdowns or wholesale discounts and class or type of inventory, are analyzed to determine estimated net realizable value. Criteria that we consider in our review of aging trends include average selling cycle and seasonality of merchandise, the historical rate at which merchandise has sold below cost during the prior 12 months and the value and nature of merchandise currently held in inventory and priced below original cost. A provision is recorded to reduce the cost of inventory to its estimated net realizable value, if appropriate. Any significant unanticipated changes in the factors noted above could have a significant impact on the value of our inventory and our reported operating results. Our estimates generally have been accurate and our reserve methods have been applied on a consistent basis. We expect the amount of our provision and related inventory to increase over time as we increase our sales. The majority of inventory at January 31, 2018 and 2017 consisted of finished goods. Raw materials and work-in-process were not material to the overall inventory value. Inventory as of January 31, 2018 and 2017 totaled $351.4 million and $338.6 million, representing 18.0% and 17.8% of total assets, respectively.

Impairment of Long-lived Assets, Goodwill and Intangible Assets

We review the carrying values of our long-lived assets annually and periodically whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events that result in an impairment review include plans to close a retail location, distribution or fulfillment center or a significant decrease in the operating results of a long-lived asset. Our retail locations are reviewed for impairment at the retail location level, which is the lowest level at which individual cash flows can be identified. Newly opened retail locations may take time to generate positive operating and cash flow results. Factors such as store type (e.g., mall versus free-standing), location (e.g., urban area versus college campus or suburb), current marketplace awareness of our brands, local customer demographic data and current fashion trends are all considered in determining the time frame required for a retail location to achieve positive financial results, which, in general, is assumed to be within three years from the date a retail location has opened. Goodwill has been assigned to reporting units for purposes of impairment testing. We evaluate goodwill to determine if the carrying value exceeds the fair value of the reporting unit. In assessing an asset for potential impairment, we make estimates regarding future operating results, cash flows and estimated useful life. When events indicate that an asset may be impaired and the estimated undiscounted cash flows are less than the carrying amount of the asset, the impaired asset is adjusted to its estimated fair value and an impairment loss is recorded. We have not made any material changes in the methodology to assess and calculate impairment of long-lived assets in the past three fiscal years. During fiscal 2018, we recorded impairment charges for ten retail locations, totaling $11.4 million, included in “Cost of sales” in the Consolidated Statements of Income. During fiscal 2017, we recorded impairment charges for three retail locations, totaling $4.3 million, included in “Cost of sales” in the Consolidated Statements of Income. During fiscal 2016, we recorded impairment charges for five retail locations, totaling $8.9 million, of which $7.4 million was in “Cost of sales” and $1.5 million was in “Selling, general and administrative expenses,” in the Consolidated Statements of Income. During our assessment of current and future performance it was determined that these retail locations would not be able to generate sufficient cash flow over the expected remaining lease term to recover the remaining carrying value of the respective retail location assets.

Accounting for Income Taxes

As part of the process of preparing our Consolidated Financial Statements, we are required to estimate our income taxes in each of the tax jurisdictions in which we operate. This process involves estimating our actual current tax obligations together with assessing temporary differences resulting from differing treatment of certain items for tax and accounting purposes, such as depreciation of property and equipment and valuation of inventories. These temporary differences result in deferred tax assets and liabilities, which are included within our Consolidated Balance Sheets. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income. A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. In making such a determination, we consider all material available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. Net deferred tax assets as of January 31, 2018 and January 31, 2017 totaled $46.2 million and $52.7 million, representing 2.4% and 2.8% of total assets, respectively.

To the extent we believe that recovery of a deferred tax asset is at risk, we establish valuation allowances. To the extent we establish valuation allowances or increase the allowances in a period, we record additional income tax expense in the Consolidated Statements of Income. Valuation allowances were $9.5 million as of January 31, 2018 and $6.7 million as of January 31, 2017. Valuation allowances are based on evidence of our ability to generate sufficient taxable income in certain foreign and state jurisdictions. In the future, if enough evidence of our ability to generate sufficient future taxable income in these jurisdictions becomes apparent, we would be required to reduce our valuation allowances, resulting in a reduction in “Income tax expense” in the Consolidated Statements of Income. On a quarterly basis, management evaluates the likelihood that we will realize the deferred tax assets and adjusts the valuation allowances, if appropriate.

We record uncertain tax positions on the basis of a two-step process whereby (1) we determine whether it is more-likely-than-not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

Our tax liability for uncertain tax positions contains uncertainties because we are required to make assumptions and to apply judgment to estimate the exposures associated with our various filing positions. Although we believe that the judgments and estimates discussed herein are reasonable, actual results may differ, and we may be exposed to income tax expenses or benefits that could be material.

We consider certain earnings of non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future United States cash generation will be sufficient to meet future United States cash needs and our specific plans for reinvestment of those subsidiaries’ earnings. Should we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States.

On December 22, 2017, the U.S. government enacted the Tax Act, which, except for certain provisions, is effective for tax years beginning on or after January 1, 2018. The Tax Act significantly changes existing U.S. tax law that affected our fiscal year ended January 31, 2018, including, but not limited to: (i) reducing the U.S. federal corporate tax rate from 35% to 21%; (ii) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years; and, (iii) bonus depreciation that will allow for full expensing of qualified property. Section 15 of the IRC stipulates that our fiscal year ended January 31, 2018 had a blended corporate tax rate of 33.8%, which was based on the applicable tax rates before and after the Tax Act and the number of days in the fiscal year. The Tax Act reduces the federal corporate tax rate to 21% in the fiscal year ending January 31, 2019.

The Tax act also establishes new tax laws that will affect our fiscal year ending January 31, 2019, including, but not limited to (i) generally eliminating U.S. federal income taxes on certain dividends from foreign subsidiaries; (ii) creating the base erosion anti-abuse tax, a new minimum tax; (iii) creating a new limitation on deductible interest expense; and, (iv) creating the global intangibles low-tax income inclusions.

For the year ended January 31, 2018, the net provisional impact of U.S. tax reform recognized in our provision for income taxes was a one-time expense of $64.7 million, which includes tax expense associated with the deemed repatriation transition tax on our unremitted foreign earnings and the revaluation of our net U.S. deferred tax assets as a result of the lower federal rate. We continue to examine the impacts that the Tax Act may have on our effective tax rate in the future. Our accounting for the impacts of the Tax Act is provisional in nature and is subject to adjustments during a measurement period not to exceed one year from the enactment date in accordance with SAB 118. Our provisional estimates could change significantly within this measurement period due to many factors, including, but not limited to, changes in our interpretation of the provisions of the Tax Act, IRS and U.S. Treasury Department

(“Treasury”) guidance that may be issued, and actions we may take. See Note 9, “Income Taxes,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a further description of provisional amounts recorded related to the Tax Act in fiscal 2018.

Accounting for Contingencies

From time to time, we are named as a defendant in legal actions arising from our normal business activities. We are required to record a reserve for estimated losses when information available prior to issuance of our financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accounting for contingencies arising from contractual disputes or legal proceedings requires management to use its best judgment when estimating an accrual related to such contingencies. As additional information becomes known, our reserves for loss contingencies could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency which significantly exceeds our reserve could have a material adverse impact on our operating results for the period in which such actual loss becomes known. We believe that our reserves adequately reflect the anticipated final outcome of any matter currently pending against us and the ultimate settlement of such matters will not materially affect our financial position or results of operations.

Share-Based Compensation

Accounting for share-based compensation requires measurement of compensation cost for all share-based awards at fair value on the date of grant and recognition of compensation over the service period.

We use a lattice binomial pricing model to determine the fair value of our stock options and stock appreciation rights. This model uses assumptions including the risk-free rate of interest, expected volatility of our stock price and expected life of the awards. A Monte Carlo simulation, which utilizes similar assumptions, is used to determine the fair value of performance-based awards. We review our assumptions and the valuations provided by independent third-party valuation advisors in order to determine the fair value of share-based compensation awards at the date of grant. The assumptions used in calculating the fair value of these share-based payment awards represent our best estimates, but these estimates involve inherent uncertainties and the application of judgment. Changes in these assumptions can materially affect the fair value estimate.

Additionally, we make certain estimates about the number of awards which will become vested under performance-based incentive plans. We record expense for performance-based awards based on our current expectations of the probable number of awards that will ultimately vest. The estimation of awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised and could be materially different from share-based compensation expense recorded in prior periods.

In fiscal 2018 we elected to account for forfeitures as they occur rather than estimate the expected forfeitures. During fiscal 2017 and 2016, we estimated the expected forfeiture rate. We considered many factors when estimating expected forfeitures, including types of awards and historical experience. We revised our forfeiture rates, when necessary, in subsequent periods if actual forfeitures differed from those originally estimated. As a result, if the actual forfeiture rate was different from the estimate at the completion of the vesting period, the share-based compensation expense may not be comparable to amounts recorded in prior periods.

See Note 2, “Summary of Significant Accounting Policies–Recent Accounting Pronouncements,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a description of changes to the accounting for share-based compensation in fiscal 2018.

Results of Operations

As a Percentage of Net Sales

The following table sets forth, for the periods indicated, the percentage of our net sales represented by certain income statement data and the change in certain income statement data from period to period. This table should be read in conjunction with the discussion that follows:

	Fiscal Year Ended January 31,		
	2018	2017	2016
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	67.5	64.9	65.1
Gross profit	32.5	35.1	34.9
Selling, general and administrative expenses	25.3	25.6	24.6
Income from operations	7.2	9.5	10.3
Interest income	0.1	0.1	—
Other income	—	0.1	—
Other expenses	(0.1)	(0.2)	(0.1)
Income before income taxes	7.2	9.5	10.2
Income tax expense (1)	4.2	3.3	3.7
Net income (1)	3.0 %	6.2 %	6.5 %
Period over Period Change:			
Net sales	2.0 %	2.9 %	3.7 %
Gross profit	-5.6 %	3.6 %	2.3 %
Income from operations	-23.2 %	-4.3 %	-3.2 %
Net income (1)	-50.4 %	-2.8 %	-3.4 %

(1) During the fiscal year ended 2018, we recorded an additional $64.7 million in income tax expense related to a one-time charge on foreign earnings and profits and statutory rate changes on deferred taxes in relation to the Tax Act.

Fiscal 2018 Compared to Fiscal 2017

Net sales in fiscal 2018 increased by 2.0% to $3.6 billion, from $3.5 billion in fiscal 2017. The $70.2 million increase was attributable to a $42.8 million, or 1.3%, increase in Retail segment net sales and a $27.4 million, or 9.5%, increase in Wholesale segment net sales. Retail segment net sales for fiscal 2018 accounted for 91.3% of total net sales compared to 91.9% of total net sales during fiscal 2017.

The growth in our Retail segment net sales during fiscal 2018 was due to an increase of $43.6 million in non-comparable net sales, including new store net sales, partially offset by a decrease of $0.8 million in Retail segment comparable net sales, which includes our digital channel. Retail segment comparable net sales increased 4.9% at Free People and 0.5% at Anthropologie Group and decreased 1.8% at Urban Outfitters. The decrease in Retail segment comparable net sales was driven by negative comparable store net sales, which were partially offset by continued growth in the digital channel. Negative comparable store net sales resulted from decreased transactions and average unit selling price, while units per transaction remained flat. Store traffic was also flat, with declines in North

America offsetting growth in Europe. The digital channel net sales increase was driven by an increase in sessions and conversion rate, which more than offset a decrease in average order value. The increase in net sales attributable to non-comparable sales was primarily the result of operating 31 net new stores and restaurants in fiscal 2018 that were not in operation for the full comparable period of fiscal 2017. Thus far during the first quarter of fiscal 2019, comparable Retail segment net sales are low double-digit positive.

The increase in Wholesale segment net sales during fiscal 2018, as compared to fiscal 2017, was primarily due to domestic and international growth at department stores, specialty stores, and customer websites. Wholesale sales growth was driven by an increase in units sold that was partially offset by a decrease in average unit selling price.

Gross profit percentage in fiscal 2018 decreased to 32.5% of net sales, from 35.1% of net sales in fiscal 2017. Gross profit decreased to $1.18 billion in fiscal 2018 compared to $1.24 billion in fiscal 2017. The decline in gross profit rate was driven by deleverage in delivery and logistics expenses, lower initial merchandise markups and higher merchandise markdowns. The deleverage in delivery and logistics expenses was primarily due to the increased penetration of the digital channel and increased international and furniture shipments. Lower initial merchandise markups were primarily due to product mix and higher merchandise markdowns were primarily due to underperforming product at Anthropologie and Urban Outfitters. Total inventory at January 31, 2018 increased by $12.8 million, or 3.8%, to $351.4 million from $338.6 million at January 31, 2017. The increase in inventory relates to a 3.2% increase in comparable Retail segment inventory at cost.

Selling, general and administrative expenses increased by $9.5 million, or 1.1%, to $915.6 million, in fiscal 2018, from $906.1 million in fiscal 2017. Selling, general and administrative expenses as a percentage of net sales decreased in fiscal 2018 to 25.3% of net sales, compared to 25.6% of net sales for fiscal 2017. The leverage was primarily due to the net savings associated with our store reorganization project, partially offset by increased investments in digital marketing. The increase in expense was primarily related to increased investments in digital marketing.

Income from operations decreased to 7.2% of net sales, or $259.9 million, for fiscal 2018 compared to 9.5%, or $338.5 million, for fiscal 2017.

Our effective tax rate for fiscal 2018 was 58.6% of income before income taxes compared to 35.5% of income before income taxes in fiscal 2017. The increase in the effective tax rate was primarily due to a one-time expense of $64.7 million, which includes tax expense associated with the deemed repatriation transition tax on our unremitted foreign earnings and the revaluation of our net U.S. deferred tax assets as a result of the lower federal rate. See Note 9, "Income Taxes," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K, for a reconciliation of the statutory U.S. federal income tax rate to our effective tax rate.

Fiscal 2017 Compared to Fiscal 2016

Net sales in fiscal 2017 increased by 2.9% to $3.5 billion, from $3.4 billion in fiscal 2016. The $100.7 million increase was attributable to a $71.9 million, or 2.3%, increase in Retail segment net sales and a $28.8 million, or 11.0%, increase in Wholesale segment net sales. Retail segment net sales for fiscal 2017 accounted for 91.9% of total net sales compared to 92.4% of total net sales during fiscal 2016.

The growth in our Retail segment net sales during fiscal 2017 was due to an increase of $24.2 million, or 0.8%, in Retail segment comparable net sales, which includes our digital channel, and an increase of $47.7 million in non-comparable net sales, including new store net sales. Retail segment comparable net sales increased 3.9% at Urban Outfitters, were flat at Free People and decreased 2.0% at Anthropologie Group. The increase in Retail segment comparable net sales was driven by continued growth in the digital channel, which was partially offset by negative comparable store net sales. The digital net sales increase was driven by an increase in sessions and conversion rate, which was offset by a decrease in average order value. Negative comparable store net sales resulted from decreased transactions and average unit selling price, while units per transaction remained flat. The increase in net sales attributable to non-comparable sales was primarily the result of operating 56 net new stores and restaurants in fiscal 2017 and 2016 that were not in operation for the full comparable periods and sales from the Vetri Family group of restaurants acquired in the first quarter of fiscal 2017, partially offset by the negative impact of foreign currency translation.

The increase in Wholesale segment net sales during fiscal 2017, as compared to fiscal 2016, was primarily due to increased sales to department and specialty stores, driven by increased selling square footage at select department stores and growth in our international accounts. Wholesale sales growth was driven by an increase in units sold that was partially offset by a decrease in average unit selling price.

Gross profit percentage in fiscal 2017 increased to 35.1% of net sales, from 34.9% of net sales in fiscal 2016. Gross profit increased to $1.24 billion in fiscal 2017 compared to $1.20 billion in fiscal 2016. The increase in gross profit rate was primarily driven by improvement in the Urban Outfitters brand maintained margins due to lower merchandise markdowns compared to the prior year. This increase was partially offset by a lower gross profit rate at the Free People brand, which was primarily driven by lower maintained margins due to higher merchandise markdowns, and total Company deleverage in customer delivery and logistics expense primarily related to the increased penetration of our digital channel. The dollar increase in gross profit was primarily due to higher net sales and the increase in gross profit rate. Total inventory at January 31, 2017 increased by $8.4 million, or 2.5%, to $338.6 million from

$330.2 million at January 31, 2016. The increase in inventory is primarily due to an increase in non-comparable inventory to support our new and expanded format stores. Comparable Retail segment inventory decreased 2.3% at cost.

Selling, general and administrative expenses as a percentage of net sales increased during fiscal 2017 to 25.6% of net sales, compared to 24.6% of net sales for fiscal 2016. The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by direct store expenses to support our square footage growth and expanded format stores and an increase in direct marketing expenses to support our digital growth. Selling, general and administrative expenses increased by $57.8 million, or 6.8%, to $906.1 million, in fiscal 2017, from $848.3 million in fiscal 2016. The dollar increase versus the prior year was primarily related to the operating expenses of non-comparable stores and increased marketing expenses, which helped to drive higher digital traffic.

Income from operations decreased to 9.5% of net sales, or $338.5 million, for fiscal 2017 compared to 10.3%, or $353.6 million, for fiscal 2016.

Our effective tax rate for fiscal 2017 was 35.5% of income before income taxes compared to 35.9% of income before income taxes in fiscal 2016. See Note 9, “Income Taxes,” in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K, for a reconciliation of the statutory U.S. federal income tax rate to our effective tax rate.

Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were $506.0 million as of January 31, 2018, as compared to $403.5 million as of January 31, 2017 and $362.9 million as of January 31, 2016. During fiscal 2018, we generated $303.1 million in cash from operations, repurchased $157.0 million in common shares under the Board of Directors approved share repurchase programs and invested $83.8 million in property and equipment. Our working capital was $618.5 million at January 31, 2018 compared to $528.5 million at January 31, 2017 and $505.1 million at January 31, 2016.

During the last three years, we have satisfied our cash requirements primarily through our cash flow from operating activities. In fiscal 2016, we utilized borrowings on our long-term debt facility as an additional source of cash to repurchase our common shares. In addition to repurchasing our common shares, our primary uses of cash have been to open new stores, purchase inventory and expand our home offices and fulfillment centers. We have also continued to invest in our omni-channel capabilities and technology.

Cash Flows from Operating Activities

Cash provided by operating activities for fiscal 2018 decreased by $112.2 million to $303.1 million from $415.3 million in fiscal 2017. For both periods, our major source of cash from operations was merchandise sales and our primary outflow of cash for operations was for the payment of operational costs. The period over period decrease in cash flows from operations was primarily due to lower net income and an increase in receivables primarily due to growth in the Wholesale segment.

Cash Flows from Investing Activities

Cash used in investing activities during fiscal 2018 decreased by $113.2 million to $121.4 million from $234.6 million in fiscal 2017. Cash used in investing activities in fiscal 2018 primarily related to purchases of marketable securities and property and equipment, partially offset by the sales and maturities of marketable securities. Cash paid for property and equipment for fiscal 2018, 2017 and 2016 was $83.8 million, $143.7 million and $135.0 million, respectively. Cash paid for property and equipment in fiscal 2018 and 2017 was primarily to expand our store base and in fiscal 2016 to expand our store base, home offices and fulfillment capabilities.

Cash Flows from Financing Activities

Cash used in financing activities during fiscal 2018 decreased by $34.5 million to $159.2 million from $193.7 million in fiscal 2017. Cash used in financing activities in fiscal 2018 primarily related to $157.0 million of repurchases of our common shares under the Board of Directors approved share repurchase programs. Cash used in financing activities in fiscal 2017 primarily related to $150.0 million in repayments of long-term debt and $45.8 million of repurchases of our common shares under the Board of Directors approved share repurchase program.

Credit Facilities

On July 1, 2015, we entered into a five-year asset-based revolving Credit Agreement (“Credit Agreement”) with certain lenders, including JPMorgan Chase Bank, N.A., as administrative agent, and J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, as joint lead arrangers and co-book managers.

The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to $400.0 million (the “Credit Facility”), subject to a borrowing base that is comprised of our eligible accounts receivable and inventory. The Credit Facility includes a swing-line sub-facility, a multicurrency sub-facility and the option to expand the facility by up to $150.0 million. The funds available under the Credit Facility may be used for working capital and other general corporate purposes.

The Credit Facility provides for interest on borrowings, at our option, at either (i) adjusted LIBOR, CDOR or EURIBOR plus an applicable margin ranging from 1.125% to 1.625%, or (ii) an adjusted ABR plus an applicable margin ranging from 0.125% to 0.625%, each such rate based on the level of availability under the Credit Facility and our adjusted leverage ratio. Interest is payable either monthly or quarterly depending on the type of borrowing. A commitment fee is payable quarterly on the unused portion of the Credit Facility, based on our adjusted leverage ratio.

All obligations under the Credit Facility are unconditionally guaranteed by Urban Outfitters, Inc. and our domestic subsidiaries. The obligations under the Credit Facility are secured by a first-priority security interest in inventory, accounts receivable, and certain other assets of the borrowers and guarantors. The Credit Agreement contains customary representations and warranties, negative and affirmative covenants and provisions relating to events of default.

As of January 31, 2018, we were in compliance with all terms of the Credit Agreement and there were no borrowings under the Credit Facility. Outstanding stand-by letters of credit, which reduce the funds available under the Credit Facility, were $10.8 million at January 31, 2018.

Additionally, we have borrowing agreements with two separate financial institutions under which we may borrow an aggregate of $130.0 million for the purposes of trade letter of credit issuances. The availability of any future borrowings under the trade letter of credit facilities is subject to acceptance by the respective financial institutions. As of January 31, 2018, we had $64.0 million in outstanding trade letters of credit, and $66.0 million available for future trade letters of credit of under these facilities.

Capital and Operating Expenditures

During fiscal 2019, we plan to construct and open approximately 17 new retail locations, expand or relocate certain existing stores, repurchase common shares, upgrade our systems, improve our capabilities in the digital channel, invest in omni-channel marketing and purchase inventory for our Retail and Wholesale segments at levels appropriate to maintain our planned sales growth. We believe that our new store openings, merchandise expansion, and our marketing, social media, website and mobile initiatives are significant contributors to our Retail segment sales growth. During fiscal 2019, we plan to continue our investment in these initiatives for all brands. We anticipate our capital expenditures during fiscal 2019 to be approximately $110 million, all of which are expected to be financed by cash flow from operating activities. We believe that our new store investments have the potential to generate positive cash flow within a year. We may also enter into one or more acquisitions or transactions related to the expansion of our brand offerings, including franchise and joint venture agreements. We believe that our existing cash and cash equivalents, availability under our current credit facilities and future cash flows provided by operations will be sufficient to fund these initiatives.

Share Repurchases

See Note 11, "Shareholders' Equity," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for certain financial information regarding the Company's share repurchases.

Contractual Obligations

The following table summarizes our contractual obligations as of January 31, 2018:

		Payments Due by Period (in thousands)			
Description	Total Obligations	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Operating leases (1)	$1,911,309	$295,468	$518,870	$394,859	$702,112
Purchase commitments (2)	486,394	476,580	9,339	475	—
Tax payable (3)	52,683	4,190	8,691	8,379	31,423
Construction contracts (4)	14,577	14,577	—	—	—
Total contractual obligations	$2,464,963	$790,815	$536,900	$403,713	$733,535

(1) Includes store operating leases, which generally provide for payment of direct operating costs in addition to rent. The obligation amounts shown above only reflect our future minimum lease payments as the direct operating costs fluctuate over the term of the lease. Additionally, there are 30 locations where a percentage of sales are paid, in lieu of a fixed minimum rent, that are not reflected in the above table. Total rent expense related to these 30 locations was approximately $3,140 for fiscal 2018. It is common for the lease agreements for our European locations to allow for the landlord to adjust the minimum rental due to the current market rates multiple times during the lease term. The table above includes our current contractual payments for these locations. Amounts noted above include commitments for 13 executed leases for new and relocated stores not opened as of January 31, 2018 as well as one ground lease with Waterloo Devon, LP, a related party. See Note 15, "Related Party Transactions," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the ground lease.

(2) Includes merchandise commitments, which are cancellable with no or limited recourse available to the vendor until the merchandise shipping date, as well as commitments for products and services, including information technology contracts used in the normal course of business.

(3) Represents one-time transition tax payable related to provisional amounts of cash taxes payable in future years as a result of the Tax Act. For further information, refer to Note 9, "Income Taxes," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K. Excluded from the above table are tax contingencies of $5,159 because we cannot reasonably estimate in which future periods these amounts will ultimately be settled. As a result, the $5,159 liability was classified as a non-current liability in the Company's Consolidated Balance Sheets as of January 31, 2018.

(4) Includes construction contracts with contractors that are fully satisfied upon the completion of construction, which is typically within 12 months.

Commercial Commitments

The following table summarizes our commercial commitments as of January 31, 2018:

		Amount of Commitment Per Period (in thousands)			
Description	Total Amounts Committed	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Trade letters of credit (1)	$ 64,032	$64,032	$ —	$ —	$ —
Stand-by letters of credit (2)	10,843	10,843	—	—	—
Total commercial commitments	$ 74,875	$74,875	$ —	$ —	$ —

(1) Consists primarily of outstanding letter of credit commitments in connection with import inventory purchases.
(2) Consists primarily of stand-by letters of credit for customs, construction and insurance.

Off-Balance Sheet Arrangements

As of and for the three fiscal years ended January 31, 2018, except for operating leases entered into in the normal course of business, we were not party to any material off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Other Matters

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies —Recent Accounting Pronouncements," in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a description of recently adopted and issued accounting pronouncements.

Seasonality and Quarterly Results

Our business experiences seasonal fluctuations in net sales and net income, with a more significant portion typically realized in the second half of each year predominantly due to the year-end holiday period. Historically, and consistent with the retail industry, the seasonality also impacts our working capital requirements, particularly with regard to inventory. The following tables set forth our net sales, gross profit, net income and net income per common share (basic and diluted) for each quarter during the last two fiscal years and the amount of such net sales and net income, respectively, as a percentage of annual net sales and annual net income. The unaudited financial information has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

	Fiscal 2018 Quarter Ended (1)			
	April 30, 2017	July 31, 2017	Oct. 31, 2017	Jan. 31, 2018
	(dollars in thousands, except per share data)			
Net sales	$761,190	$872,931	$892,774	$1,089,119
Gross profit (2)	239,780	297,343	297,746	340,638
Net income (3)	11,938	49,915	45,092	1,318
Net income per common share—basic	0.10	0.44	0.41	0.01
Net income per common share—diluted	0.10	0.44	0.41	0.01
As a Percentage of Fiscal Year:				
Net sales	21 %	24 %	25 %	30 %
Net income	11 %	46 %	42 %	1 %

27

	Fiscal 2017 Quarter Ended (1)			
	April 30, 2016	July 31, 2016	Oct. 31, 2016	Jan. 31, 2017
	(dollars in thousands, except per share data)			
Net sales	$762,577	$890,568	$862,491	$1,030,158
Gross profit (4)	261,891	342,511	299,897	340,314
Net income (5)	29,562	76,915	47,355	64,288
Net income per common share—basic	0.25	0.66	0.41	0.55
Net income per common share—diluted	0.25	0.66	0.40	0.55
As a Percentage of Fiscal Year:				
Net sales	22 %	25 %	24 %	29 %
Net income	14 %	35 %	22 %	29 %

(1) The sum of the quarterly per share amounts may not equal per share amounts reported for year-to-date periods due to changes in the number of weighted-average shares outstanding and the effects of rounding for each period.

(2) Included in gross profit for the quarter ended January 31, 2018 were $11,410 of impairment charges related to ten retail locations.

(3) Included in net income for the quarter ended January 31, 2018 were $11,410 of impairment charges related to ten retail locations, $2,061 loss on disposal of one restaurant, ($4,450) of the income tax impact of impairment charges and loss on disposal and an additional $64,705 in income tax expense related to a one-time charge on foreign earnings and profits and statutory rate changes on deferred taxes in relation to the Tax Act.

(4) Included in gross profit for the quarter ended January 31, 2017 were $4,341 of impairment charges related to three retail locations.

(5) Included in net income for the quarter ended January 31, 2017 were $4,341 of impairment charges related to three retail locations and ($1,694) of the income tax impact of impairment charges.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the following types of market risks—fluctuations in the purchase price of merchandise, as well as other goods and services, the value of foreign currencies in relation to the U.S. dollar, and changes in interest rates. Due to our inventory turnover rate and our historical ability to pass through the impact of any generalized changes in our cost of goods to our customers through pricing adjustments, commodity and other product risks are not expected to be material. We purchase the majority of our merchandise in U.S. dollars, including a majority of the goods for our stores located in Canada and a portion of the goods for our stores located in Europe.

Our exposure to market risk for changes in foreign currencies is due to our financial statements being presented in U.S. dollars and our international subsidiaries transacting in currencies other than U.S. dollars. Fluctuations in exchange rates in effect during or at the end of the reporting period may affect the value of the reported amounts of revenues, expenses, assets and liabilities. As we expand our international operations, the potential impact of currency fluctuations increases.

Our exposure to market risk for changes in interest rates relates to our cash, cash equivalents and marketable securities and the Credit Facility. As of January 31, 2018 and 2017, our cash, cash equivalents and marketable securities consisted primarily of cash on hand and in banks, money market accounts, municipal and pre-refunded municipal bonds rated “BBB” or better, corporate bonds rated “BBB” or better, certificates of deposit, and mutual funds. Due to the short average maturity and conservative nature of our investment portfolio, we believe a 100 basis point change in interest rates would not have a material effect on the Consolidated Financial Statements. As the interest rates on a material portion of our cash, cash equivalents and marketable securities are variable, a change in interest rates earned on the cash, cash equivalents and marketable securities would impact interest income along with cash flows, but would not impact the fair market value of the related underlying instruments.

We are exposed to market risks relating to changes in interest rates on outstanding borrowings under our Credit Facility because these borrowings bear interest at variable rates. A 100 basis point change in our applicable interest rate would not have a material impact to interest expense for the year ended January 31, 2018.

Item 8. Financial Statements and Supplementary Data

The information required by this Item is incorporated by reference from Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality and Quarterly Results and from our Consolidated Financial Statements and related notes thereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on this review, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of January 31, 2018.

Management’s Annual Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in the Securities Exchange Act Rule 13a-15(f). Our system of internal control is designed to provide reasonable, not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our system of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that the Company’s internal control over financial reporting was effective as of January 31, 2018.

The effectiveness of internal control over financial reporting as of January 31, 2018 was audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report that is included on page 30 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the Company’s fourth quarter of fiscal 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Urban Outfitters, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Urban Outfitters, Inc. and subsidiaries (the "Company") as of January 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 31, 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year ended January 31, 2018, and our report dated April 2, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

April 2, 2018

30

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the name, age and position of each of our executive officers and directors:

Name	Age	Position
Richard A. Hayne	70	Chairman of the Board and Chief Executive Officer
Francis J. Conforti	42	Chief Financial Officer
Trish Donnelly	51	Chief Executive Officer, Urban Outfitters Group
Azeez Hayne	41	General Counsel and Corporate Secretary
Margaret A. Hayne (1)	59	Chief Executive Officer, Free People Brand; Chief Creative Officer, Urban Outfitters, Inc.; Director
Calvin Hollinger	53	Chief Operating Officer
David W. McCreight	55	President, Urban Outfitters, Inc.; Chief Executive Officer, Anthropologie Group
Edward N. Antoian (1)(2)(3)	62	Director
Scott A. Belair (2)	70	Director
Sukhinder Singh Cassidy (4)	48	Director
Harry S. Cherken, Jr. (4)	68	Director
Scott Galloway (1)	53	Director
Elizabeth A. Lambert (1)(4)	54	Director
Joel S. Lawson III (2)(3)	70	Director
Robert H. Strouse (3)(4)	69	Director

(1) Member of the Innovation Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation and Leadership Development Committee.
(4) Member of the Nominating and Governance Committee.

Mr. R. Hayne co-founded Urban Outfitters in 1970. He has been Chairman of the Board of Directors since the Company's incorporation in 1976 and, until February 2016, also served as the Company's President. Mr. R. Hayne served as the Company's principal executive officer until 2007 and again beginning in January 2012. Margaret A. Hayne, Chief Executive Officer of Free People, Chief Creative Officer of Urban Outfitters, Inc. and a director of the Company, is Mr. R. Hayne's spouse. Mr. R. Hayne's long tenure leading the Company as Chairman of the Board of Directors, his tenure as principal executive officer, and his exceptional leadership skills make him uniquely qualified to serve as a director.

Mr. Conforti joined the Company in March 2007 as Director of Finance and SEC Reporting. After being promoted to Controller and then to Chief Accounting Officer, he was appointed Chief Financial Officer in April 2012. Prior to joining the Company, Mr. Conforti, a Certified Public Accountant, worked for AlliedBarton Security Services, LLC for five years, serving as Controller for three years. Mr. Conforti began his career at KPMG in 1998 where he held various audit roles.

Ms. Donnelly joined the Company in July 2014 as North American Brand President, Urban Outfitters Group and was promoted to Chief Executive Officer of Urban Outfitters Group in February 2016. Prior to joining the Company Ms. Donnelly served as President of Steven Alan from 2011-2014. Previously, Ms. Donnelly spent more than seven years at J. Crew as the Executive Vice President of J. Crew Direct. Ms. Donnelly began her career in various merchandising roles at Ralph Lauren.

Mr. A. Hayne joined the Company in February 2015 as Associate General Counsel and was appointed General Counsel and Corporate Secretary in June 2015. Before joining the Company, Mr. A. Hayne worked for Morgan Lewis & Bockius LLP, serving as a partner in their Labor & Employment Practice Group from October 2010 through January 2015. After graduating from the University of Virginia School of Law in 2001, Mr. A. Hayne began his legal career in Pepper Hamilton LLP’s Commercial Litigation department before moving to Morgan Lewis & Bockius LLP in July 2003. Richard A. Hayne, the Company’s current Chairman and Chief Executive Officer, is Mr. A. Hayne’s uncle.

Ms. Hayne joined the Company in August 1982. She is a 42-year veteran of the retail and wholesale industry and has served as Chief Executive Officer of Free People since August 2016 and as Chief Creative Officer of Urban Outfitters, Inc. since November 2013. Ms. Hayne previously served as President of Free People from March 2007 until August 2016. Richard A. Hayne, the Company’s current Chairman and Chief Executive Officer, is Ms. Hayne’s spouse. As an employee of the Company for over 30 years and a director since 2013, Ms. Hayne brings a wealth of both Company-specific and industry-wide knowledge and experience to the Board of Directors.

Mr. Hollinger joined the Company in November 2004 as Chief Information Officer. He was subsequently promoted to Chief Administrative Officer and then assumed his current role of Chief Operating Officer in 2015. In his current role, he is responsible for overseeing the Company’s information technology, logistics, construction and facilities, talent acquisition and executive development, compensation and customer contact center. Prior to joining the Company, Mr. Hollinger held various senior leadership roles at Gap Inc.

Mr. McCreight joined the Company in November 2011 as Chief Executive Officer of Anthropologie Group and was named President of Urban Outfitters, Inc. in February 2016. Previously, Mr. McCreight served as President of Under Armour from 2008 until 2010 and President of Lands' End from 2005 until 2008. Mr. McCreight also held the positions of Executive Vice-President and Senior Vice-President at Lands' End from 2003 until 2005. Mr. McCreight also served as Senior Vice-President of Disney Stores from 2001 until 2003. Previously, Mr. McCreight had been President of Smith & Hawken. His early merchant career exposed him to various merchant organizations and philosophies.

Mr. Antoian is a partner of and Chief Investment Officer for Zeke Capital Advisors, a financial advisory firm. He is also employed by Chartwell Investment Partners, an investment advisory firm, where he has worked since its inception in 1997. In addition, Mr. Antoian is the General Partner of Zeke, L.P., a privately offered long-short equity hedge fund. From 1984 until 1997, Mr. Antoian was the Senior Portfolio Manager of Delaware Management Co. Prior to that, Mr. Antoian worked at E.F. Hutton in Institutional Sales and as a certified public accountant for Price Waterhouse. Mr. Antoian holds an MBA in Finance and has financial and investment experience as a result of his experience as a CPA, financial advisor and portfolio manager. Mr. Antoian also serves as a director of a not-for-profit entity. Mr. Antoian brings his in-depth understanding of, and expertise in, finance and accounting to the Board of Directors.

Mr. Belair co-founded Urban Outfitters in 1970 and has not been an employee since 1971, prior to incorporation of the Company in 1976. He has served as Principal of The ZAC Group, a financial advisory firm, since 1989. Previously, he was a managing director of Drexel Burnham Lambert Incorporated. Mr. Belair is also an advisory director of M&T Bank (NYSE: MTB) (formerly Hudson City Bancorp, Inc. and Hudson City Savings Bank). He holds an MBA degree and has financial and investment expertise, including financial reporting expertise, as a result of his significant experience as a CPA, financial advisor, and former chief financial officer in the financial services industry. As a co-founder of the Company, Mr. Belair has been involved with the Company from its inception and accordingly has a comprehensive understanding of and perspective on its overall business and strategic direction.

Ms. Singh Cassidy is chairman of theBoardlist, a premium talent marketplace she founded in 2015 that is aimed at connecting highly endorsed women leaders with board opportunities in the technology industry. Prior to theBoardlist, Ms. Singh Cassidy served as chairman of Joyus, a video commerce platform that she founded in 2011. Ms. Singh Cassidy served as chief executive officer of Joyus from January 2011 until February 2017. She has previously held various executive and managerial positions at companies including Google, Amazon, Polyvore, Inc., Accel Partners, Yodlee.com, News Corporation, and Merrill Lynch & Co., Inc. Ms. Singh Cassidy currently serves on the board of Trip Advisor, Inc. (NASDAQ: TRIP) and LM Ericsson Telephone Company (NASDAQ: ERIC) and has previously served on the boards of J. Crew Group, Inc., J. Hilburn, Inc., StitchFix, Inc., and Polyvore, Inc. As a consumer Internet and media executive, Ms. Singh Cassidy's in-depth knowledge of the online media and advertising sectors, as well as her extensive executive, strategic and operational experience, bring a plethora of talent and expertise to the Board of Directors.

Mr. Cherken has been a partner of the law firm of Drinker Biddle & Reath LLP in Philadelphia, Pennsylvania since 1984, is a former managing partner of that firm, and previously served as either Chair or Co-Chair of its Real Estate Group for 17 years. As a real estate lawyer with over 40 years' experience representing public and private companies in the acquisition, construction, development, financing, leasing, management, consolidation, and disposition of commercial real estate, he has extensive experience with various types of real estate transactions and retail leases, including negotiating real estate transactions and leases on behalf of the Company nearly from its inception. Mr. Cherken also holds a Masters in Liberal Arts degree and serves as a trustee of various not-for-profit entities and academic institutions.

Mr. Galloway is a Clinical Professor of Marketing at NYU Stern School of Business, where he has taught since 2002. He currently teaches brand strategy and digital marketing. His teaching is rooted in years of experience as a marketing practitioner and entrepreneur. Mr. Galloway's niche in the field is digital marketing, with his most influential contribution being the Digital IQ index, an assessment and ranking of luxury brands on the basis of mobile, social media, and digital marketing. In 2010, he founded L2, a subscription business intelligence firm for luxury brands and serves as chairman of its board. Mr. Galloway is also the founder of several other firms, including RedEnvelope Inc. and Prophet Brand Strategy, Inc. With respect to those firms, Mr. Galloway managed outside financing rounds, grew revenues and played an integral role in each entity's ultimate sale. He also holds an MBA degree. Mr. Galloway's years of experience as a marketing practitioner and entrepreneur lend valuable expertise to the Board of Directors.

Ms. Lambert is the founder and a partner of Bunkhouse Group, LLC, a hospitality management company. In 2006, Ms. Lambert formed Bunkhouse Group, LLC to oversee a growing portfolio of eclectic hotels and coffee shops. Bunkhouse currently operates the Hotel San José, the Hotel Saint Cecilia, three Jo's Coffee shops, the Hotel Havana and El Cosmico, an 18-acre vintage trailer, tepee, tent hotel and event space. Prior to her experience as a hotelier, Ms. Lambert worked as a prosecutor in the New York County District Attorney's office and the Austin, Texas Attorney General's office. Currently, Ms. Lambert also serves on the Board of Directors of the National Council on Crime & Delinquency. Ms. Lambert's experience growing a design-centric and customer-focused hospitality company from the ground up gives her a unique perspective and set of skills to contribute to the Board of Directors.

Mr. Lawson is an independent consultant and private investor. From November 2001 until November 2003, he also served as Executive Director of M&A International Inc., a global organization of merger and acquisition advisory firms. From 1980 until November 2001, Mr. Lawson was Chief Executive Officer of Howard, Lawson & Co., an investment banking and corporate finance firm. Howard, Lawson & Co. became an indirect, wholly-owned subsidiary of FleetBoston Financial Corporation in March 2001. As the former Chief Executive Officer of an investment banking and corporate finance firm, Mr. Lawson has extensive experience in financial and investment matters, including financial reporting expertise. In addition, as the former Executive Director of a global organization of merger and acquisition advisory firms, he has specialized knowledge regarding mergers and acquisitions. He also holds an MBA degree and serves as a director of various not-for-profit entities.

Mr. Strouse serves as President of Wind River Holdings, L.P. (“Wind River”), which oversees a diversified group of privately owned industrial and service businesses. Mr. Strouse joined Wind River in 1998. Through his experience with this private investment company, Mr. Strouse brings to the Board of Directors experience in strategic planning, budgeting, talent recruitment and development, risk management and corporate development activities. Prior to joining Wind River, Mr. Strouse was a corporate lawyer whose practice focused on mergers and acquisitions, corporate governance and SEC reporting. Mr. Strouse also serves as a director of a number of privately owned companies.

Code of Conduct and Ethics

We have a written Code of Conduct and Ethics (the “Code”) that applies to our directors and employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer. The Code includes guidelines relating to compliance with laws, including anti-bribery and illegal payment laws, the ethical handling of actual or potential conflicts of interest, the use of corporate opportunities, protection and use of our confidential information, accepting gifts and business courtesies, accurate financial reporting, and procedures for promoting compliance with, and reporting violations of, the Code. The Code is available on our website at www.urbn.com. We intend to post any amendments to the Code and also to disclose any waivers (to the extent applicable to the Company’s Chief Executive Officer, Chief Financial Officer or Principal Accounting Officer) on our website.

Section 16(a) Beneficial Ownership Reporting Compliance

Information required by this item is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

Other Information

Other information required by Item 10 relating to the Company’s directors is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information required by this item is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

Information required by this item is incorporated herein by reference from the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

Consolidated Financial Statements filed herewith are listed in the accompanying index on page F-1.

(2) Financial Statement Schedule

None

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

(3) Exhibits

The Exhibits listed below are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation are incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on September 9, 2004.
3.2	Amendment No. 1 to Amended and Restated Articles of Incorporation is incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on September 9, 2004.
3.3	Amendment No. 2 to Amended and Restated Articles of Incorporation is incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 31, 2013.
3.4	Amended and Restated By-laws are incorporated by reference to Exhibit 3.4 of the Company's Quarterly Report on Form 10-Q filed on December 12, 2016.
10.1	Credit Agreement, dated July 1, 2015, by and among Urban Outfitters, Inc., its domestic subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Securities LLC and Wells Fargo Bank, National Association, as joint lead arrangers and co-book managers, and certain other lenders party thereto is incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K filed on March 31, 2016.
10.2	Pledge and Security Agreement, dated July 1, 2015, by and among Urban Outfitters, Inc., its domestic subsidiaries, and JPMorgan Chase Bank, N.A., in its capacity as administrative agent is incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on September 9, 2015.
10.3+	

Urban Outfitters 2004 Stock Incentive Plan is incorporated by reference to Appendix B of the Company's Definitive Proxy Statement on Schedule 14A (file no. 000-22754) filed on April 26, 2004 and Amendment No. 1 to the Urban Outfitters 2004 Stock Incentive Plan is incorporated by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (file no. 000-22754) filed on April 25, 2005.

10.4+^	Urban Outfitters 401(k) Savings Plan (formerly known as The Urban Outfitters, Inc. PROFIT SHARING FUND prior to July 1, 1999) is incorporated by reference to Exhibit 10.4 of the Company's Amendment No. 2 to the Registration Statement on Form S-1/A (file no. 033-69378) filed on November 3, 1993.
10.5+	Urban Outfitters 2008 Stock Incentive Plan is incorporated by reference to Appendix B of the Company's Definitive Proxy Statement on Schedule 14A (file no. 000-22754) filed on April 2, 2013.
10.6+	Urban Outfitters Executive Incentive Plan, as amended and restated effective February 1, 2010, is incorporated by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A filed on April 1, 2015.
10.7+	Urban Outfitters 2017 Stock Incentive Plan is incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K filed on April 3, 2017.
10.8+	Form of 2004 Plan—Non-Qualified Stock Option Agreement is incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.
10.9+	Form of 2004 Plan—Non-Qualified Stock Option Agreement for Non-Employee Directors is incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.
10.10+	Form of 2004 Plan—Incentive Stock Option Agreement is incorporated by reference to Exhibit 99.3 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.

Exhibit Number	Description
10.11+	Form of 2004 Plan—Stock Appreciation Right Agreement is incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on September 7, 2010.
10.12+	Form of 2004 Plan—Restricted Stock Unit Agreement is incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on December 10, 2010.
10.13+	Form of 2008 Plan—Non-Qualified Stock Option Agreement is incorporated by reference to Exhibit 99.4 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.
10.14+	Form of 2008 Plan—Non-Qualified Stock Option Agreement for Non-Employee Directors is incorporated by reference to Exhibit 99.5 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.
10.15+	Form of 2008 Plan—Incentive Stock Option Agreement is incorporated by reference to Exhibit 99.6 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on June 18, 2009.
10.16+	Form of 2008 Plan—Performance Stock Unit Agreement is incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on September 7, 2010.
10.17+	Form of 2008 Plan—Restricted Stock Unit Agreement is incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on December 10, 2010.
10.18+	Form of 2008 Plan—Performance/Restricted Stock Unit Agreement is incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on December 12, 2011.
10.19+	Form of 2008 Plan—Stock Appreciation Right Agreement is incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (file no. 000-22754) filed on December 12, 2011.
10.20+	Form of 2017 Plan—Non-Qualified Stock Option Agreement is incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 30, 2017.
10.21+	Form of 2017 Plan—Non-Qualified Stock Option Agreement for Non-Employee Directors is incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 30, 2017.
10.22+	Form of 2017 Plan—Incentive Stock Option Agreement is incorporated by reference to Exhibit 99.3 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 30, 2017.
10.23+	Form of 2017 Plan—Performance/Restricted Stock Unit Agreement is incorporated by reference to Exhibit 99.4 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 30, 2017.
10.24+	Form of 2017 Plan—Stock Appreciation Right Agreement is incorporated by reference to Exhibit 99.5 of the Company's Current Report on Form 8-K (file no. 000-22754) filed on May 30, 2017.
21.1*	List of Subsidiaries.

23.1*	Consent of Deloitte & Touche LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Company's Principal Financial Officer.
32.1**	Section 1350 Certification of the Company's Principal Executive Officer.
32.2**	Section 1350 Certification of the Company's Principal Financial Officer.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

*Filed herewith
**Furnished herewith
+Compensatory plan
^Paper filing

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		URBAN OUTFITTERS, INC.
April 2, 2018	By:	/s/ RICHARD A. HAYNE Richard A. Hayne Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/ S / RICHARD A. HAYNE	Chairman of the Board and Chief Executive Officer	April 2, 2018
Richard A. Hayne		
(Principal Executive Officer)		
/ S / FRANCIS J. CONFORTI	Chief Financial Officer	April 2, 2018
Francis J. Conforti		
(Principal Financial and Accounting Officer)		
/ S / EDWARD N. ANTOIAN	Director	April 2, 2018
Edward N. Antoian		
/ S / SCOTT A. BELAIR	Director	April 2, 2018
Scott A. Belair		
/ S / SUKHINDER SINGH CASSIDY	Director	April 2, 2018
Sukhinder Singh Cassidy		
/ S / HARRY S. CHERKEN, JR.	Director	April 2, 2018
Harry S. Cherken, Jr.		

/ S / MARGARET A. HAYNE	Director	April 2, 2018
Margaret A. Hayne		
/ S / SCOTT GALLOWAY	Director	April 2, 2018
Scott Galloway		
/ S / ELIZABETH A. LAMBERT	Director	April 2, 2018
Elizabeth A. Lambert		
/ S / JOEL S. LAWSON III	Director	April 2, 2018
Joel S. Lawson III		
/ S / ROBERT H. STROUSE	Director	April 2, 2018
Robert H. Strouse		

URBAN OUTFITTERS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Urban Outfitters, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Urban Outfitters, Inc. and subsidiaries (the "Company") as of January 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2018. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 2, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

April 2, 2018

We have served as the Company's auditor since 2005.

URBAN OUTFITTERS, INC.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	January 31, 2018	January 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$282,220	$248,140
Marketable securities	165,125	111,067
Accounts receivable, net of allowance for doubtful accounts of $1,326 and $588, respectively	76,962	54,505
Inventory	351,395	338,590
Prepaid expenses and other current assets	103,055	129,095
Total current assets	978,757	881,397
Property and equipment, net	813,768	867,786
Marketable securities	58,688	44,288
Deferred income taxes and other assets	101,567	109,166
Total Assets	$1,952,780	$1,902,637
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$128,246	$119,537
Accrued compensation and benefits	36,058	58,782
Accrued expenses and other current liabilities	195,910	174,609
Total current liabilities	360,214	352,928
Long-term debt	—	—
Deferred rent and other liabilities	291,663	236,625
Total Liabilities	651,877	589,553
Commitments and contingencies (see Note 14)		
Shareholders’ equity:		
Preferred shares; $.0001 par value, 10,000,000 shares authorized, none issued	—	—
Common shares; $.0001 par value, 200,000,000 shares authorized, 108,248,568 and 116,233,781 shares issued and outstanding, respectively	11	12
Additional paid-in-capital	684	—
Retained earnings	1,310,859	1,347,141
Accumulated other comprehensive loss	(10,651)	(34,069)
Total Shareholders’ Equity	1,300,903	1,313,084
Total Liabilities and Shareholders’ Equity	$1,952,780	$1,902,637

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

Consolidated Statements of Income

(in thousands, except share and per share data)

	Fiscal Year Ended January 31,		
	2018	2017	2016
Net sales	$3,616,014	$3,545,794	$3,445,134
Cost of sales	2,440,507	2,301,181	2,243,232
Gross profit	1,175,507	1,244,613	1,201,902
Selling, general and administrative expenses	915,615	906,086	848,323
Income from operations	259,892	338,527	353,579
Interest income	4,879	1,879	943
Other income	1,435	2,280	958
Other expenses	(4,840)	(4,587)	(5,449)
Income before income taxes	261,366	338,099	350,031
Income tax expense	153,103	119,979	125,542
Net income	$108,263	$218,120	$224,489
Net income per common share:			
Basic	$0.97	$1.87	$1.79
Diluted	$0.96	$1.86	$1.78
Weighted-average common shares outstanding:			
Basic	111,887,308	116,873,023	125,232,499
Diluted	112,367,924	117,291,117	126,013,414

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

Consolidated Statements of Comprehensive Income

(in thousands)

	Fiscal Year Ended January 31,		
	2018	2017	2016
Net income	$108,263	$218,120	$224,489
Other comprehensive income (loss):			
Foreign currency translation	23,672	(10,533)	(7,963)
Change in unrealized (losses) gains on marketable securities, net of tax	(254)	(85)	(61)
Total other comprehensive income (loss)	23,418	(10,618)	(8,024)
Comprehensive income	$131,681	$207,502	$216,465

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

Consolidated Statements of Shareholders' Equity

(in thousands, except share data)

	Common Shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Compre-hensive Loss	Total
	Number of Shares	Par Value				
Balances as of January 31, 2015	130,502,864	$ 13	$ —	$ 1,343,383	$ (15,427)	$ 1,327,969
Comprehensive income	—	—	—	224,489	(8,024)	216,465
Share-based compensation	—	—	15,623	—	—	15,623
Share-based awards	2,027,090	—	46,400	—	—	46,400
Excess tax benefit from share-based awards	—	—	6,194	—	—	6,194
Share repurchases	(15,208,834)	(1)	(68,217)	(407,206)	—	(475,424)
Balances as of January 31, 2016	117,321,120	$ 12	$ —	$ 1,160,666	$ (23,451)	$ 1,137,227
Comprehensive income	—	—	—	218,120	(10,618)	207,502
Share-based compensation	—	—	18,291	—	—	18,291
Share-based awards	293,130	—	4,096	—	—	4,096
Excess tax deficiencies from share-based awards	—	—	(6,193)	—	—	(6,193)
Share repurchases	(1,380,469)	—	(16,194)	(31,645)	—	(47,839)
Balances as of January 31, 2017	116,233,781	$ 12	$ —	$ 1,347,141	$ (34,069)	$ 1,313,084
Comprehensive income	—	—	—	108,263	23,418	131,681
Share-based compensation	—	—	14,517	—	—	14,517
Share-based awards	200,148	—	—	—	—	—
Cumulative effect of change in accounting pronouncement (see Note 2)	—	—	1,607	(760)	—	847
Share repurchases	(8,185,361)	(1)	(15,440)	(143,785)	—	(159,226)
Balances as of January 31, 2018	108,248,568	$ 11	$ 684	$ 1,310,859	$ (10,651)	$ 1,300,903

The accompanying notes are an integral part of these consolidated financial statements.

URBAN OUTFITTERS, INC.

Consolidated Statements of Cash Flows

(in thousands)

	Fiscal Year Ended January 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$108,263	$218,120	$224,489
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	128,408	135,330	142,722
Provision (benefit) for deferred income taxes	8,329		