



Take the easier route
to private jet travel.



charter

book
online
today

Retail

Strong Sales the Story at URBN

By [Scott Rothbort](#)

RealMoney Contributor

3/6/2008 3:37 PM EST

URL: <http://www.thestreet.com/p/rmoney/retail/10406359.html>

Updated from 4:00 p.m. EST on March 5.

I was able to garner very little from the **Urban Outfitters** (URBN) call with the exception of a mouthful of positive sales data points. Basically, that is the real story.

The company's management has gone from a one-concept store (Urban Outfitters, where, by the way, as an undergrad at the University of Pennsylvania in the late 1970s/early 1980s, I frequented its first store) to a multibranded chain where the sales growth is such that soon the Anthropologie brand will soon become its largest revenue machine.

While I would not be jumping into retail stocks here and now, I have to say that Urban Outfitters has done an excellent job of managing in a difficult environment and has set itself up well for an economic rebound whenever that should occur.

The company reported EPS of 42 cents for fourth quarter 2008 and 94 cents for the fiscal year. Net sales across all brands were \$465.4 million for the quarter and \$1.507 billion for the full year. Total company sales rose 23% for the year. Companywide same-store sales for the quarter were up 11% and by concept were as follows:

- Anthropologie, up 18%;
- Free People, up 19%; and
- Urban Outfitters, up 6%.

Direct-to-customer sales rose 39%, while Free People Wholesale rose 34%.

Some other interesting metrics/statistics/information/trivia:

- Fifteen new stores were opened during the quarter.
- Total company sales have risen at an annual compounded rate of 29% over the last 5 years.
- The fourth-quarter markdown strategy was effective and properly positions the company for first quarter 2009.
- There was a high penetration of regularly priced merchandise sales.
- The gross margin improved 287 basis points, to 39.6%.
- Store occupancy leverage added 43 basis points to margins.
- Legal fees for intellectual property had a 19-basis-point negative impact.
- The customer rewards program now has 200,000 members.

URBN Preview: A Retail Enigma

Urban Outfitters

(URBN) is expected to report fourth-quarter and full-year 2008 results before the market opens and conduct its quarterly conference later on Thursday morning. The company is expected to earn 29 cents per share on net sales of \$463.5 million. This compares to a year-ago EPS of 21 cents on sales of \$360.8 million. For the full year, EPS is expected to grow by 33%, to 92 cents.

I always find Urban Outfitters to be a retail enigma. The company is having a very good year and analysts expect the business to grow EPS by 26% in the coming year. Yet, retail is in the midst of a consumer slowdown. On the other

hand, Urban Outfitters totally dropped the ball in 2006 when retail, especially the teen/tween/college-aged consumer was spending like there was no tomorrow. Clearly, management has done a good job at turning around the company in the last year. The question remains, Can they continue to perform in the next year?

Urban Outfitters has been silent with the public for a while. We last heard from them at some investor conferences in mid January and before that when the company reported in early November 2007. Thus, tomorrow could be an opportunity to garner a whole bunch of vital information from management.

At the time of publication, Rothbort had no positions in the stocks mentioned, although positions can change at any time.

Scott Rothbort has over 20 years of experience in the financial services industry. In 2002, Rothbort founded LakeView Asset Management, LLC, a registered investment advisor based in Millburn, N.J., which offers customized individually managed separate accounts, including proprietary long/short strategies to its high net worth clientele.

Immediately prior to that, Rothbort worked at Merrill Lynch for 10 years, where he was instrumental in building the global equity derivative business and managed the global equity swap business from its inception. Rothbort previously held international assignments in Tokyo, Hong Kong and London while working for Morgan Stanley and County NatWest Securities.

Rothbort holds an MBA in finance and international business from the Stern School of Business of New York University and a BS in economics and accounting from the Wharton School of Business of the University of Pennsylvania. He is a Professor of Finance and the Chief Market Strategist for the Stillman School of Business of Seton Hall University.

For more information about Scott Rothbort and LakeView Asset Management, LLC, visit the company's Web site at www.lakeviewasset.com. Scott appreciates your feedback; [click here](#) to send him an email.
