URBAN OUTFITTERS INC
Form 10-Q
September 09, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended July 31, 2009

OR

¨ **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	**(I.R.S. Employer Identification No.)**
Incorporation or Organization)	
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

Indicate by check mark 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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock, $0.0001 par value 168,308,888 shares outstanding on September 4, 2009.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

(unaudited)

	July 31, 2009	January 31, 2009	July 31, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 152,885	$ 316,035	$ 160,391
Marketable securities	135,875	49,948	76,905
Accounts receivable, net of allowance for doubtful accounts of $1,368, $1,229 and $2,395, respectively	32,039	36,390	32,468
Inventories	217,050	169,698	211,205
Prepaid expenses, deferred taxes and other current assets	46,005	52,331	47,762
Total current assets	583,854	624,402	528,731
Property and equipment, net	528,295	505,407	507,399
Marketable securities	294,519	155,226	191,129
Deferred income taxes and other assets	38,553	43,974	41,130
Total Assets	$ 1,445,221	$ 1,329,009	$ 1,268,389
Liabilities and Shareholders Equity			
Current liabilities:			
Accounts payable	$ 85,336	$ 62,955	$ 88,521
Accrued expenses, accrued compensation and other current liabilities	74,764	78,195	83,478
Total current liabilities	160,100	141,150	171,999
Deferred rent and other liabilities	136,906	134,084	128,252
Total Liabilities	297,006	275,234	300,251
Commitments and contingencies (see Note 9)			
Shareholders equity:			
Preferred Shares; $.0001 par value, 10,000,000 shares authorized, none issued			
Common shares; $.0001 par value, 200,000,000 shares authorized, 168,200,288, 167,712,088 and 167,164,738 shares issued and outstanding, respectively	17	17	17
Additional paid-in-capital	175,839	170,166	160,615
Retained earnings	981,165	901,339	801,520
Accumulated other comprehensive (loss) income	(8,806)	(17,747)	5,986

Total Shareholders Equity	1,148,215	1,053,775	968,138
Total Liabilities and Shareholders Equity	$ 1,445,221	$ 1,329,009	$ 1,268,389

See accompanying notes

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URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

(unaudited)

	Three Months Ended July 31, 2009	Three Months Ended July 31, 2008	Six Months Ended July 31, 2009	Six Months Ended July 31, 2008
Net sales	$ 458,626	$ 454,295	$ 843,422	$ 848,587
Cost of sales, including certain buying, distribution and occupancy costs	271,535	267,785	513,021	503,397
Gross profit	187,091	186,510	330,401	345,190
Selling, general and administrative expenses	108,650	103,590	205,840	199,328
Income from operations	78,441	82,920	124,561	145,862
Other income, net	939	2,445	3,030	5,665
Income before income taxes	79,380	85,365	127,591	151,527
Income tax expense	30,359	28,377	47,765	51,982
Net income	$ 49,021	$ 56,988	$ 79,826	$ 99,545
Net income per common share:				
Basic	$ 0.29	$ 0.34	$ 0.48	$ 0.60
Diluted	$ 0.29	$ 0.33	$ 0.47	$ 0.58
Weighted average common shares:				
Basic	167,919,873	166,698,963	167,691,718	166,412,217
Diluted	170,719,274	171,687,530	170,521,836	171,148,661

See accompanying notes

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URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(unaudited)

	Six Months Ended July 31, 2009	Six Months Ended July 31, 2008
Cash flows from operating activities:		
Net income	$ 79,826	$ 99,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,093	39,814
Provision (benefit) for deferred income taxes	4,564	(5,173)
Excess tax benefit on share-based compensation	(2,177)	(8,053)
Share-based compensation expense	2,271	1,488
Loss on disposition of property and equipment, net	152	1
Changes in assets and liabilities:		
Receivables	4,477	(5,973)
Inventories	(45,959)	(39,323)
Prepaid expenses and other assets	9,869	231
Payables, accrued expenses and other liabilities	17,564	13,436
Net cash provided by operating activities	115,680	95,993
Cash flows from investing activities:		
Cash paid for property and equipment	(57,440)	(53,921)
Cash paid for marketable securities	(367,439)	(264,441)
Sales and maturities of marketable securities	140,129	262,669
Net cash used in investing activities	(284,750)	(55,693)
Cash flows from financing activities:		
Exercise of stock options	1,225	6,870
Excess tax benefits from stock option exercises	2,177	8,053
Net cash provided by financing activities	3,402	14,923
Effect of exchange rate changes on cash and cash equivalents	2,518	(103)
(Decrease) increase in cash and cash equivalents	(163,150)	55,120
Cash and cash equivalents at beginning of period	316,035	105,271
Cash and cash equivalents at end of period	$ 152,885	$ 160,391
Supplemental cash flow information:		
Cash paid during the year for:		
Income Taxes	$ 37,517	$ 58,785
Non-cash investing activities accrued capital expenditures	$ 1,460	$ 11,822

See accompanying notes

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URBAN OUTFITTERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except share and per share data)

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2009, filed with the United States Securities and Exchange Commission on April 1, 2009.

The retail segment of the Company s business is subject to seasonal variations in which a greater percent of the Company s annual net sales and net income typically occur during the period from August 1 through December 31 of the fiscal year. Accordingly, the results of operations for the three and six months ended July 31, 2009 are not necessarily indicative of the results to be expected for the full year.

The Company s fiscal year ends on January 31. All references in these notes to the Company s fiscal years refer to the fiscal years ended on January 31 in those years. For example, the Company s fiscal year 2010 will end on January 31, 2010.

2. Recently Issued Accounting Pronouncements

In November 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141R Business Combinations , which requires that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole at their fair value as of the acquisition date. Under SFAS No. 141R, all transaction costs are expensed as incurred. SFAS No. 141R rescinds EITF 93-7. Under EITF 93-7, the effect of any subsequent adjustments to uncertain tax positions were generally applied to goodwill, except for post-acquisition interest on uncertain tax positions, which was recognized as an adjustment to income tax expense. Under SFAS No. 141R, all subsequent adjustments to these uncertain tax positions that otherwise would have impacted goodwill will be recognized in the income statement. The Company adopted SFAS No. 141R as of February 1, 2009. The adoption had no impact on the Company s financial condition, results of operation or cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial assets and financial liabilities in fiscal years beginning after November 15, 2007 and for certain non-financial assets and certain non-financial liabilities in fiscal years beginning after November 15, 2008. Effective February 1, 2008, the Company adopted the provisions of SFAS No. 157 that relate to its financial assets and financial liabilities (see Note 5). The Company adopted SFAS No. 157 for its non-financial assets and non-financial liabilities as of February 1, 2009. The adoption had no impact on the Company s financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 115-2 and SFAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP SFAS No. 115-2 and SFAS No. 124-2). FSP SFAS No. 115-2 and SFAS No. 124-2 change the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recorded in earnings. FSP SFAS No. 115-2 and SFAS No. 124-2 are effective for interim and annual periods ending after June 15, 2009. The Company adopted FSP SFAS No. 115-2 and SFAS No. 124-2 on May 1, 2009, and the adoption had no impact on the Company s financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, Interim Disclosures About Fair Value of Financial Instruments (SFAS No. 107-1 and APB No. 28-1). FSP SFAS No. 107-1 and APB No. 28-1 require fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. FSP SFAS No. 107-1 and APB No. 28-1 are effective for interim and annual periods ending after June 15, 2009. The Company adopted SFAS No. 107-1 and APB No. 28-1 on May 1, 2009, and the adoption had no impact on the Company s financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. FSP SFAS No. 157-4 provides guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased, as well as guidance on when a transaction is not considered orderly, as defined in FSP SFAS No. 157. FSP SFAS No. 157-4 is effective for interim and annual periods ending after June 15, 2009. The Company adopted FSP SFAS No. 157-4 on May 1, 2009, and the adoption had no impact on the Company s financial condition, results of operations or cash flows.

In May 2009, the FASB issued a new accounting standard on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued (subsequent events). The standard requires disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This disclosure is intended to alert all users of the financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The standard is effective for interim and annual periods ending after June 15, 2009. The Company adopted this standard effective May 1, 2009; we have evaluated subsequent events through the issuance of these financial statements on September 8, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

3. Comprehensive Income

The Company s total comprehensive income is presented below.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	**2008**	**2009**	**2008**
Net income	$ 49,021	$ 56,988	$ 79,826	$ 99,545
Foreign currency translation	7,153	(234)	8,494	(340)
Unrealized gains/(losses) on marketable securities, net of tax	936	(133)	447	(909)
Comprehensive income	$ 57,110	$ 56,621	$ 88,767	$ 98,296

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4. Marketable Securities

During all periods presented, marketable securities are classified as available-for-sale. The amortized cost, gross unrealized gains (losses) and fair value of available-for-sale securities by major security type and class of security as of July 31, 2009, January 31, 2009 and July 31, 2008 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
As of July 31, 2009				
Short-term Investments:				
Municipal bonds	$ 54,442	$ 274	$ (51)	$ 54,665
Federal government agencies	76,938	83		77,021
Equities	1,820		(630)	1,190
FDIC insured corporate bonds	3,002		(3)	2,999
	136,202	357	(684)	135,875
Long-term Investments:				
Municipal bonds	61,777	517	(30)	62,264
Federal government agencies	122,899	430	(52)	123,277
Auction rate securities (1)	43,050		(5,166)	37,884
FDIC insured corporate bonds	70,778	321	(5)	71,094
	298,504	1,268	(5,253)	294,519
	$ 434,706	$ 1,625	$ (5,937)	$ 430,394
As of January 31, 2009				
Short-term Investments:				
Municipal bonds	$ 15,814	$ 123	$	$ 15,937
Mutual Funds	5,046			5,046
Federal government agencies	24,975			24,975
Demand notes and equities	4,840	2	(852)	3,990
	50,675	125	(852)	49,948
Long-term Investments:				
Municipal bonds	76,517	1,239	(10)	77,746
Auction rate securities (1)	44,025		(5,283)	38,742
Federal government agencies	25,640		(141)	25,499
FDIC insured corporate bonds	13,318		(79)	13,239
	159,500	1,239	(5,513)	155,226
	$ 210,175	$ 1,364	$ (6,365)	$ 205,174
As of July 31, 2008				
Short-term Investments:				
Municipal bonds	$ 38,164	$ 281	$	$ 38,445
Auction rate securities	38,460			38,460
	76,624	281		76,905
Long-term Investments:				

Municipal bonds	137,298	1,741	(10)	139,029
Auction rate securities (1)	52,640		(540)	52,100
	189,938	1,741	(550)	191,129
	$ 266,562	$ 2,022	$ (550)	$ 268,034

(1) Auction Rate Securities (ARS) have been classified as long-term assets in marketable securities in the Company s Condensed Consolidated Balance Sheet as of July 31, 2009, January 31, 2009 and July 31, 2008 due to ARS auction failures.

Proceeds from the sale and maturities of available-for-sale securities were $140,129 and $262,669 as of the six months ended July 31, 2009 and 2008, respectively. For the three and six months ended July 31, 2009 the Company included in other income net realized gains of $40 and $749, respectively. For the three and six months ended July 31, 2008 the Company included in other income net realized gains of $2 and $116, respectively. Amortization of discounts and premiums, net, resulted in charges of $1,515 and $2,537 for the three and six months ended July 31, 2009, respectively. Amortization of discounts and premiums, net, resulted in charges of $680 and $1,207 for the three and six months ended July 31, 2008, respectively.

As of July 31, 2009, the par value of the Company s ARS was $43,050 and the estimated fair value was $37,884. The Company s ARS portfolio consists of A or better rated ARS that represent interests in municipal and student loan related collateralized debt obligations, all of which are guaranteed by either government agencies and/or insured by private insurance agencies at 97% or greater of par value. To date, we have collected all interest payable on outstanding ARS when due and have not been informed by the issuers that accrued interest payments are currently at risk. As of July 31, 2009 none of the Company s investments have been in a loss position for greater than 12 months. The Company does not have the intent to sell the underlying securities prior to their recovery and the Company believes it is not more likely than not that it will be required to sell the underlying securities before their anticipated recovery.

5. Fair Value of Financial Assets and Financial Liabilities

Effective February 1, 2008, the Company adopted the provisions of SFAS No. 157 that relate to its financial assets and financial liabilities. SFAS No. 157 establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Management s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s financial assets that are accounted for at fair value on a recurring basis are presented in the tables below:

	Marketable Securities Fair Value as of July 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Municipal bonds	$	$ 116,929	$	$ 116,929
Auction rate securities			37,884	37,884
Federal government agencies	200,298			200,298
FDIC insured corporate bonds	74,093			74,093
Equities	1,190			1,190
	$ 275,581	$ 116,929	$ 37,884	$ 430,394

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	Marketable Securities Fair Value as of January 31, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Municipal bonds	$	$ 93,683	$	$ 93,683
Mutual funds	5,046			5,046
Auction rate securities			38,742	38,742
Federal government agencies	50,474			50,474
FDIC insured corporate bonds	13,239			13,239
Demand notes and equities	988	3,002		3,990
	$ 69,747	$ 96,685	$ 38,742	$ 205,174

	Marketable Securities Fair Value as of July 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Municipal bonds	$	$ 177,474	$	$ 177,474
Auction rate securities		38,460	52,100	90,560
	$	$ 215,934	$ 52,100	$ 268,034

Level 1 assets consist of financial instruments whose value has been based on quoted market prices for identical financial instruments in an active market.

Level 2 assets consist of financial instruments whose value has been based on quoted prices for similar assets and liabilities in active markets as well as quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 consists of financial instruments where there was no active market as of July 31, 2009, January 31, 2009 and July 31, 2008. As of July 31, 2009 all of the Company s level 3 financial instruments consisted of failed ARS of which there was insufficient observable market information to determine fair value. The Company estimated the fair values for these securities by incorporating assumptions that it believes market participants would use in their estimates of fair value. Some of these assumptions included credit quality, collateralization, final stated maturity, estimates of the probability of being called or becoming liquid prior to final maturity, redemptions of similar ARS, previous market activity for the same investment security, impact due to extended periods of maximum auction rates and valuation models. As a result of this review, the Company determined its ARS to have a temporary impairment of $5,166 as of July 31, 2009. The estimated fair values could change significantly based on future market conditions. The Company will continue to assess the fair value of its ARS for substantive changes in relevant market conditions, changes in its financial condition or other changes that may alter its estimates described above. Failed ARS represent approximately 6.5% of the Company s total cash, cash equivalents and marketable securities as of July 31, 2009. As of July 31, 2009 none of the Company s investments have been in a loss position for greater than 12 months.

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Below is a reconciliation of the beginning and ending ARS balances that the Company valued using a Level 3 valuation for the periods shown.

	Three Months Ended July 31, 2009 Auction Rate Securities	Fiscal Year Ended January 31, 2009 Auction Rate Securities	Three Months Ended July 31, 2008 Auction Rate Securities
Balance at beginning of period	$ 38,742	$ 61,375	$ 61,375
Total gains or (losses) realized/unrealized:			
Included in earnings		(2,880)	
Included in other comprehensive income	117	(5,283)	(540)
Purchases, issuances and settlements	(975)	(17,350)	(8,735)
Transfers in and/or out of Level 3		2,880	
Ending balance at end of period	$ 37,884	$ 38,742	$ 52,100
Total losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses related to assets still held at reporting date	$ 5,166	$ 5,283	$ 540

	Six Months Ended July 31, 2009 Auction Rate Securities	Six Months Ended July 31, 2008 Auction Rate Securities
Balance at beginning of period	$ 38,742	$ 61,375
Total gains or (losses) realized/unrealized:		
Included in earnings		
Included in other comprehensive income	117	(540)
Purchases, issuances and settlements	(975)	(8,735)
Transfers in and/or out of Level 3		
Ending balance at end of period	$ 37,884	$ 52,100
Total losses for the period included in other comprehensive income attributable to the change in unrealized gains or losses related to assets still held at reporting date	$ 5,166	$ 540

6. Line of Credit Facility

On December 11, 2007, the Company renewed and amended its line of credit facility with Wachovia Bank, National Association (the Line). The Line is a three-year revolving credit facility with an accordion feature allowing an increase in available credit up to $100,000 at the Company s discretion, subject to a seven day request period. As of July 31, 2009, the credit limit under the Line was $60,000. The Line contains a sub-limit for borrowings by the Company s European subsidiaries that are guaranteed by the Company. Cash advances bear interest at LIBOR plus 0.50% to 1.60% based on the Company s achievement of prescribed adjusted debt ratios. The Line subjects the Company to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage and adjusted debt. The covenants also include limitations on the Company s capital expenditures, ability to repurchase shares and the payment of cash dividends. As of and during the six months ended July 31, 2009, there were no borrowings under the Line. Outstanding letters of credit and stand-by letters of credit under the Line totaled approximately $38,549 as of July 31, 2009. The available credit under the Line was $61,451 as of July 31, 2009, which includes the accordion feature up to $100,000. The Company believes the renewed Line will satisfy its letter of credit needs through fiscal 2011. Wachovia Bank, National Association was acquired by Wells Fargo, effective January 1, 2009. The Wells Fargo acquisition does not affect the original line agreement.

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7. Share-Based Compensation

Stock Options

The Company recorded $888 and $1,667 of stock compensation expense related to stock option awards as well as related tax benefits of $332 and $600 in its Condensed Consolidated Statements of Income for the three and six months ended July 31, 2009, or less than $.01 for both basic and diluted earnings per share for each of these periods. Stock compensation expense related to stock option awards included in the accompanying Condensed Consolidated Statements of Income for the three and six months ended July 31, 2008 was $377 and $759 with related tax benefits of $139 and $280, respectively. During the three and six months ended July 31, 2009, the Company granted 102,500 and 330,000 stock option awards, respectively. The Company granted 91,000 and 111,500 stock option awards during the three and six months ended July 31, 2008. For stock options granted during the three and six months ended July 31, 2009 and 2008, a lattice binomial stock option pricing model was used to calculate the estimated fair values of the grants. Total compensation expense of stock options granted but not yet vested, as of July 31, 2009, was $11,868, which is expected to be recognized over the weighted average period of 2.4 years.

Restricted Shares

During the fiscal year ended January 31, 2005, the Company granted 400,000 shares of restricted common stock with a grant date fair value of $5,766 or $14.42 per share. Share-based compensation expense resulting from this grant of $161 and $442 is included in the accompanying Condensed Consolidated Statements of Income for the three and six months ended July 31, 2009, respectively. Share-based compensation expense for the three and six months ended July 31, 2008 was $291 and $575 and is included in the accompanying Condensed Consolidated Statements of Income. As of July 31, 2009, this was the only grant of non-vested, non-performance shares. As of July 31, 2009 these shares were fully vested, with no further expense to be recognized.

Performance Shares

In April 2008, the Company granted two separate awards of 30,184 Performance Stock Units (PSU s) each. These PSU s are subject to a vesting period of two years for the first grant (Grant A), and three years for the second grant (Grant B). Each PSU grant is subject to various performance criteria. If any of these criteria are not met, the grants are forfeited. Each PSU is equal to one share of common stock with a total award value not to exceed 30% appreciation. Grant A had a grant date fair value of $21.55 per share and Grant B had a grant date fair value of $19.47 per share, with both grants having a total grant date fair value of $1,238. The grant date fair value was calculated using a lattice binomial model. The Company has not recognized compensation expense in the Company s Condensed Consolidated Statements of Income related to these PSU awards during the three and six months ended July 31, 2009 due to vesting being deemed highly improbable based on the unlikely achievement of the performance criteria governing the grant. The performance criteria achievement is re-measured at each reporting period, and if it is deemed likely that the performance targets will be achieved, any unrecognized compensation expense will be recognized prospectively as of the current reporting period.

In April 2009, the Company granted two separate awards of 54,466 PSU s each. These PSU s are subject to a vesting period of two years for the first grant (Grant C), and three years for the second grant (Grant D). Each PSU grant is subject to various performance targets. If any of these targets are not met, the grants are forfeited. Each PSU is equal to one share of common stock with a total award value not to exceed 30% appreciation. Grant C had a grant date fair value of $12.22 per share and Grant D had a grant date fair value of $12.89 per share, with both grants having a total grant date fair value of $1,368. The grant date fair value was calculated using a lattice binomial model. For the three and six months ended July 31, 2009, related share-based compensation expense of $158 and $162, respectively, is included in the Company s Condensed Consolidated Statements of Income. Total unrecognized compensation cost for these non-vested PSU s granted as of July 31, 2009 was $1,206, which is expected to be recognized over the weighted average period of 1.5 years.

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8. Net Income per Common Share

The following is a reconciliation of the weighted average shares outstanding used for the computation of basic and diluted net income per common share:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
Basic weighted average shares outstanding	167,919,873	166,698,963	167,691,718	166,412,217
Effect of dilutive options and restricted stock	2,799,401	4,988,567	2,830,118	4,736,444
Diluted weighted average shares outstanding	170,719,274	171,687,530	170,521,836	171,148,661

For the three months ended July 31, 2009 and 2008, options to purchase 5,468,700 common shares with an exercise price range of $18.25 to $37.51 and options to purchase 66,500 common shares with an exercise price range of $24.20 to $30.50, respectively, were outstanding but were not included in the Company s computation of diluted weighted average common shares and common share equivalents outstanding because their effect would have been anti-dilutive. Furthermore, options to purchase 5,511,575 and 3,507,750 common shares were outstanding for the six months ended July 31, 2009 and 2008, respectively, but were not included in the Company s computation because their effect would have been anti-dilutive. The price of the options range from $16.58 to $37.51 and $24.20 to $31.11 for the six months ended July 31, 2009 and 2008, respectively.

9. Commitments and Contingencies

The Company is party to various legal proceedings arising from normal business activities. Management believes that the ultimate resolution of these matters will not have a material effect on the Company s financial position or results of operations.

10. Segment Reporting

The Company is an international retailer of lifestyle-oriented general merchandise with two reporting segments Retail and Wholesale. The Company s Retail segment consists of the aggregation of its four brands operating through 309 stores under the retail names Urban Outfitters, Anthropologie, Free People and Terrain and includes their direct marketing campaigns, which consisted of three catalogs and four web sites as of July 31, 2009. The Company s retail stores and their direct marketing campaigns are considered a single operating segment. Net sales from the Retail segment accounted for approximately 94% of total consolidated net sales for both the three and six month periods ended July 31, 2009 and July 31, 2008, respectively. The remainder is derived from the Company s Wholesale segment that manufactures and distributes apparel to our Retail segment and to approximately 1,400 better department and specialty retailers worldwide.

The Company has aggregated its retail stores and associated direct marketing campaigns into a Retail segment based upon their unique management, customer base and economic characteristics. Reporting in this format provides management with the financial information necessary to evaluate the success of the segments and the overall business. The Company evaluates the performance of the segments based on the net sales and pre-tax income from operations (excluding inter-company charges) of the segment. Corporate expenses include expenses incurred and directed by the corporate office that are not allocated to segments. The principal identifiable assets for each operating segment are inventories and property and equipment. Other assets are comprised primarily of general corporate assets, which principally consist of cash and cash equivalents, marketable securities, and other assets, and which are typically not allocated to the Company s segments. The Company accounts for inter-segment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.

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The accounting policies of the operating segments are the same as the policies described in Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates. Both the Retail and Wholesale segments are highly diversified. No customer comprises more than 10% of sales. A summary of the information about the Company s operations by segment is as follows:

	July 31, 2009	January 31, 2009	July 31, 2008
Inventories			
Retail operations	$ 204,504	$ 157,030	$ 195,306
Wholesale operations	12,546	12,668	15,899
Total inventories	$ 217,050	$ 169,698	$ 211,205
Property and equipment, net			
Retail operations	$ 523,483	$ 500,650	$ 502,992
Wholesale operations	4,812	4,757	4,407
Total property and equipment, net	$ 528,295	$ 505,407	$ 507,399

	Three Months Ended July 31, 2009	2008	Six Months Ended July 31, 2009	2008
Net sales				
Retail operations	$ 432,720	$ 426,292	$ 793,321	$ 796,402
Wholesale operations	27,945	30,497	53,634	57,377
Intersegment elimination	(2,039)	(2,494)	(3,533)	(5,192)
Total net sales	$ 458,626	$ 454,295	$ 843,422	$ 848,587
Income from operations				
Retail operations	$ 77,166	$ 80,573	$ 123,835	$ 141,399
Wholesale operations	6,244	6,579	9,946	13,523
Intersegment elimination	16	(432)	(136)	(974)
Total segment operating income	83,426	86,720	133,645	153,948
General corporate expenses	(4,985)	(3,800)	(9,084)	(8,086)
Total income from operations	$ 78,441	$ 82,920	$ 124,561	$ 145,862

The Company has foreign operations in Europe and Canada. Revenues and long-term assets, based upon the Company s domestic and foreign operations, are as follows:

	July 31, 2009	January 31, 2009	July 31, 2008
Property and equipment, net			
Domestic operations	$ 465,683	$ 460,551	$ 451,515
Foreign operations	62,612	44,856	55,884
Total property and equipment, net	$ 528,295	$ 505,407	$ 507,399

	Three Months Ended July 31, 2009	Three Months Ended July 31, 2008	Six Months Ended July 31, 2009	Six Months Ended July 31, 2008
Net sales				
Domestic operations	$ 414,540	$ 411,213	$ 765,671	$ 771,003
Foreign operations	44,086	43,082	77,751	77,584
Total net sales	$ 458,626	$ 454,295	$ 843,422	$ 848,587

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This filing with the United States Securities and Exchange Commission (SEC) is being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain matters contained in this filing may constitute forward-looking statements. When used in this Form 10-Q, the words project, believe, plan, 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 the resultant impact on consumer spending patterns, lowered levels of consumer confidence, higher levels of unemployment, and continuation of lowered levels of consumer spending resulting from the worldwide economic downturn, any effects of terrorist acts or war, availability of suitable retail space for expansion, timing of store openings, seasonal fluctuations in gross sales, the departure of one or more key senior managers, import risks, including potential disruptions and changes in duties, tariffs and quotas, potential difficulty liquidating certain marketable security investments and other risks identified in our filings with the SEC, including our Form 10-K for the fiscal year ended January 31, 2009, filed on April 1, 2009. 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 Urban Outfitters, the Company, we, us, our or our company refer to Urban Outfitters, Inc., together with its subsidiaries.

Overview

We operate two business segments, a leading lifestyle merchandising retailing segment and a wholesale apparel segment. Our retailing segment consists of our Urban Outfitters, Anthropologie, Free People and Terrain brands, whose merchandise is sold directly to our customers through our stores, catalogs, call centers and web sites. Our wholesale apparel segment consists of our Free People wholesale division that designs, develops and markets young women s contemporary casual apparel and Leifsdottir, Anthropologie s recently launched wholesale concept. Leifsdottir designs, develops and markets sophisticated women s contemporary apparel.

A store is included in comparable store net sales data, as presented in this discussion, if it has been open at least one full fiscal year, unless it was materially expanded or remodeled within that year or was not otherwise operating at its full capacity within that year. Sales from stores that do not fall within the definition of a comparable store are considered non-comparable. Furthermore, non-store sales, such as catalog and website related sales, and the effects of foreign currency translation, are also considered non-comparable.

Although we have no precise empirical data as it relates to customer traffic or customer conversion rates in our stores, we believe that, based only on our observations, changes in transaction volume, as discussed in our results of operations, may correlate to changes in customer traffic. Transaction volume changes may be caused by response to our brands fashion offerings, our web advertising, circulation of our catalogs and an overall growth in brand recognition as we expand our store base.

Our fiscal year ends on January 31. All references in this discussion to our fiscal years refer to the fiscal years ended on January 31 in those years. For example, our fiscal year 2010 will end on January 31, 2010.

Our long-term goal is to achieve a net sales compounded annual growth rate of 20% or better through a combination of opening new stores, growing comparable store sales, continuing the growth of our direct-to-consumer and wholesale operations and introducing new concepts.

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Retail Stores

As of July 31, 2009, we operated 148 Urban Outfitters stores of which 124 were located in the United States, 7 were located in Canada and 17 were located in Europe. For the six months ended July 31, 2009, we opened six new Urban Outfitters stores, all of which were located within the United States. Urban Outfitters targets young adults aged 18 to 30 through a unique merchandise mix and compelling store environment. Our product offering includes women s and men s fashion apparel, footwear and accessories, as well as an eclectic mix of apartment wares and gifts. We plan to open additional stores over the next several years, some of which may be outside the United States. Urban s North American and European store net sales accounted for approximately 33.9% and 5.2% of consolidated net sales, respectively, for the six months ended July 31, 2009, compared to 35.0% and 6.2%, respectively, for the comparable period in fiscal 2009.

As of July 31, 2009, we operated 127 Anthropologie stores of which 124 were located in the United States and 3 were located in Canada. During the six months ended July 31, 2009, we opened six new Anthropologie stores, three of which were located within the United States and three which were located in Canada. Anthropologie tailors its merchandise to sophisticated and contemporary women aged 30 to 45. Our product assortment includes women s casual apparel and accessories, home furnishings and a diverse array of gifts and decorative items. We plan to open additional stores over the next several years, some of which may be outside the United States. Anthropologie s store net sales accounted for approximately 36.9% of consolidated net sales for the six months ended July 31, 2009, compared to 36.7% for the comparable period in fiscal 2009.

As of July 31, 2009, we operated 33 Free People stores, all of which were located in the United States. During the six months ended July 31, 2009 we opened three new Free People Stores. Free People primarily offers private label branded merchandise targeted to young contemporary women aged 25 to 30. Free People provides a unique merchandise mix of casual women s apparel, accessories and gifts. We plan to open additional stores over the next several years. Free People s store net sales accounted for 2.0% of consolidated net sales for the six months ended July 31, 2009, compared to 1.6% for the comparable period in fiscal 2009.

As of July 31, 2009, we operated one Terrain store which was located in Glen Mills, PA. Terrain is our newest store concept and is designed to appeal to customers interested in a creative, sophisticated outdoor living and gardening experience. Terrain seeks to create a compelling shopping environment, inspired by the greenhouse. The site is large and free standing. Merchandise includes lifestyle home and garden products combined with antiques, live plants and flowers. Terrain also offers a variety of landscape and design services. We plan to open additional stores over the next several years. Terrain s store net sales accounted for less than 1% of consolidated net sales for each of the six months ended July 31, 2009 and July 31, 2008.

For all brands combined, we plan to open 34 to 36 new stores during fiscal 2010, including approximately 5 new Free People stores. The remaining new stores will be divided approximately evenly between Urban Outfitters and Anthropologie.

Direct-to-consumer

Anthropologie distributes a direct-to-consumer catalog offering selected merchandise, most of which is also available in our Anthropologie stores. During the three months ended July 31, 2009, we circulated approximately 4.3 million catalogs compared to 4.5 million catalogs during the same period in fiscal 2009. We believe that this catalog has been instrumental in helping to build the Anthropologie brand identity with our target customers. We plan to circulate approximately 18.4 million catalogs during fiscal 2010, down from approximately 21.5 million catalogs circulated during fiscal 2009. Reduced circulation expenditures will be replaced with investments in web marketing. We expect the number of catalogs circulated to be consistent over the next few years.

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Anthropologie operates a web site, *www.anthropologie.com*, that accepts orders directly from consumers. The web site captures the spirit of the store by offering a similar array of apparel, accessories, household and gift merchandise as found in the stores. As with the Anthropologie catalog, we believe that the web site increases Anthropologie s reputation and brand recognition with its target customers and helps support the strength of Anthropologie s store operations.

Urban Outfitters distributes a direct-to-consumer catalog offering selected merchandise, much of which is also available in our Urban Outfitters stores. During the three months ended July 31, 2009, we circulated approximately 2.4 million Urban Outfitters catalogs compared to approximately 2.4 million catalogs during the comparable period in fiscal 2009. We believe this catalog has expanded our distribution channels and increased brand awareness. We plan to maintain circulation of approximately 12 million catalogs during fiscal 2010 and continue to further invest in web marketing initiatives. We expect the number of catalogs circulated to be consistent over the next few years.

Urban Outfitters also operates a web site, *www.urbanoutfitters.com*, which accepts orders directly from consumers. The web site captures the spirit of the store by offering a similar selection of merchandise as found in the stores. As with the Urban Outfitters catalog, we believe the web site increases the reputation and recognition of the brand with its target customers, as well as helps to support the strength of Urban Outfitters store operations.

In August 2006, Urban Outfitters launched a web site targeting our European customers. The web site, *www.urbanoutfitters.co.uk*, captures the spirit of our European stores by offering a similar selection of merchandise as found in our stores. Fulfillment is provided from a third-party distribution center located in the United Kingdom. We believe the web site increases the reputation and recognition of the brand with our European customers as well as helps to support our Urban Outfitters European store operations.

In October 2005, Free People introduced a direct-to-consumer catalog offering selected merchandise much of which is also available in our Free People stores. For the three months ended July 31, 2009, we circulated approximately 1.0 million Free People catalogs compared to approximately 0.9 million catalogs during the comparable period in fiscal 2009. We believe Free People catalogs expand our distribution channels and increase brand awareness. We plan to expand circulation to approximately 7.4 million catalogs during fiscal 2010 and intend to further increase the level of catalog circulation over the next few years.

Free People also operates a web site, *www.freepeople.com*, that accepts orders directly from consumers. The web site exposes consumers to the entire Free People product assortment found at Free People retail stores as well as all of the Free People wholesale offerings. As with the Free People catalog, we believe the web site increases Free People s reputation and recognition of the brand with its target customers, as well as helps to support our Free People store operations.

Direct-to-consumer sales for all brands combined were approximately 15.5% and 15.6% of consolidated net sales for the three and six months ended July 31, 2009, respectively. For the three and six months ended July 31, 2008, direct-to-consumer sales for all brands combined were 13.3% and 14.0%, respectively.

Wholesale

The Free People wholesale division designs, develops and markets young women s contemporary casual apparel. Free People s range of tops, bottoms, sweaters and dresses are sold worldwide through approximately 1,400 better department and specialty stores, including Bloomingdale s, Nordstrom, Lord & Taylor, Belk, and our own Urban Outfitters and Free People stores. Free People wholesale sales accounted for approximately 5.2% and 5.5% of consolidated net sales for the three and six months ended July 31, 2009, respectively. For the three and six months ended July 31, 2008, Free People wholesale sales accounted for 6.0% and 6.1% of consolidated net sales, respectively.

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During the second quarter of fiscal 2009, we launched Leifsdottir, the Anthropologie brand s wholesale division. Leifsdottir designs, develops and markets sophisticated women s contemporary apparel including dresses, tops and bottoms. Leifsdottir is sold through luxury department stores including Bloomingdale s, Nordstrom, Neiman Marcus and Bergdorf Goodman, select specialty stores and our own Anthropologie stores. Leifsdottir wholesale sales accounted for less than 1% of total consolidated net sales for the three and six months ended July 31, 2009 and July 31, 2008.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). These generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period.

Our senior management has reviewed the critical accounting policies and estimates with our audit committee. Our significant accounting policies are described in Note 2 to our consolidated financial statements, Summary of Significant Accounting Policies, for the fiscal year ended January 31, 2009 which are included in our Annual Report on Form 10-K filed with the SEC on April 1, 2009. We believe that the following discussion addresses our critical accounting policies, which are those that are most important to the presentation of our financial condition and results of operations 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

Revenue is recognized at the point-of-sale for retail store sales or when merchandise is shipped to customers for wholesale and direct-to-consumer sales, net of estimated customer returns. Revenue is recognized at the completion of a job or service for landscape sales. Revenue is presented on a net basis and does not include any tax assessed by a governmental authority. Payment for merchandise at our stores and through our direct-to-consumer business is by cash, check, credit card, debit card or gift card. Therefore, our need to collect outstanding accounts receivable for our retail and direct-to-consumer business is negligible and mainly results from returned checks or unauthorized credit card charges. We maintain an allowance for doubtful accounts for our wholesale and landscape service businesses accounts receivable, which management reviews on a regular basis and believes is sufficient to cover potential credit losses and billing adjustments. Deposits for custom orders are recorded as a liability and recognized as a sale upon delivery of the merchandise to the customer. These custom orders, typically for upholstered furniture, have not been material. Deposits for landscape services are recorded as a liability and recognized as a sale upon completion of service. Landscape services and related deposits have not been material.

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 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 gift card liabilities relieved after the likelihood of redemption becomes remote are included in sales and have not been material. Our gift cards do not expire.

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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 and may otherwise be considered in-transit. The reserve for estimated in-transit product returns is based on our most recent historical return trends. If the actual return rate or experience is materially different than our estimate, the reserve will be adjusted in the future. As of July 31, 2009, January 31, 2009 and July 31, 2008, reserves for estimated sales returns in-transit totaled $7.9 million, $7.5 million and $7.4 million, representing 2.7%, 2.7% and 2.5% of total liabilities, respectively.

Marketable Securities

Our marketable securities may be classified as either held-to-maturity or available-for-sale. Held-to-maturity securities represent those securities that we have both the intent and ability to hold to maturity and are carried at amortized cost. Interest on these securities, as well as amortization of discounts and premiums, is included in interest income. Available-for-sale securities represent debt securities that do not meet the classification of held-to-maturity, are not actively traded and are carried at fair value, which approximates amortized cost. Unrealized gains and losses on these securities are considered temporary and therefore are excluded from earnings and are reported as a separate component of shareholders equity until realized. When available-for-sale securities are sold, the cost of the securities is specifically identified and is used to determine the realized gain or loss. Securities classified as current have maturity dates of less than one year from the balance sheet date. Securities classified as long-term have maturity dates greater than one year from the balance sheet date. Available for sale securities such as ARS that fail at auction and do not liquidate under normal course are classified as long term assets, any successful auctions would be classified as current assets. Marketable securities as of July 31, 2009, January 31, 2009 and July 31, 2008 were classified as available-for-sale.

Inventories

We value our inventories, which consist primarily of general consumer merchandise held for sale, at the lower of cost or market. Cost is determined on the first-in, first-out method and includes the cost of merchandise and freight. A periodic review of inventory quantities on hand is performed in order to determine if inventory is properly stated at the lower of cost or market. Factors related to current inventories, such as future 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 values. Criteria we use to quantify aging trends includes factors such as average selling cycle and seasonality of merchandise, the historical rate at which merchandise has sold below cost during the average selling cycle, and merchandise currently priced below original cost. A provision is recorded to reduce the cost of inventories to its estimated net realizable value, if required. Inventories as of July 31, 2009, January 31, 2009 and July 31, 2008 totaled $217.1 million, $169.7 million and $211.2 million, representing 15.0%, 12.8% and 16.7% of total assets, respectively. Any significant unanticipated changes in the factors noted above could have a significant impact on the value of our inventories and our reported operating results.

Adjustments to reserves related to the net realizable value of our inventories are primarily based on the market value of our physical inventories, cycle counts and recent historical trends. Our estimates generally have been accurate and our reserve methods have been applied on a consistent basis. We expect the amount of our reserves to increase over time as we expand our store base and accordingly, related inventories.

Long-Lived Assets

Our long-lived assets consist principally of store leasehold improvements, as well as furniture and fixtures, and are included in the Property and equipment, net line item in our condensed consolidated balance sheets included in this report. Store leasehold improvements are recorded at cost and are amortized using the straight-line method over the lesser of the applicable store lease term, including lease renewals which are reasonably assured, or the estimated useful life of the leasehold improvements. The typical initial lease term for our stores is ten years. Buildings are recorded at cost and are amortized using the straight-line method over 39 years. Furniture and fixtures are recorded at cost and are amortized using the straight-line method over their useful life, which is typically five years. Net property and equipment as of July 31, 2009, January 31, 2009 and July 31, 2008 totaled $528.3 million, $505.4 million and $507.4 million, respectively, representing 36.6%, 38.0% and 40.0% of total assets, respectively.

In assessing potential impairment of these assets, we periodically evaluate historical and forecasted operating results and cash flows on a store-by-store basis. Newly opened stores may take time to generate positive operating and cash flow results. Factors such as store type (e.g., mall versus free-standing), store 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 store to achieve positive financial results, which, in general, is assumed to be within three years from the date a store location has opened. If economic conditions are substantially different from our expectations, the carrying value of certain of our long-lived assets may become impaired. For the six months ended July 31, 2009 and 2008, as well as for fiscal 2009, write downs of long-lived assets were not material.

We have not historically encountered material early retirement charges related to our long-lived assets. The cost of assets sold or retired and the related accumulated depreciation or amortization is removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to selling, general and administrative expense as incurred. Major renovations or improvements that extend the service lives of our assets are capitalized over the extension period or life of the improvement, whichever is less. We did not close any store locations for the three and six months ended July 31, 2009 and 2008, as well as for fiscal year 2009.

As of the date of this report, all of our stores opened in excess of three years are expected to generate positive annual cash flow before allocation of corporate overhead.

Accounting for Income Taxes

As part of the process of preparing our condensed 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 condensed consolidated balance sheet. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income. Actual results could differ from this assessment if adequate taxable income is not generated in future periods. Deferred tax assets as of July 31, 2009, January 31, 2009 and July 31, 2008 totaled $41.5 million, $46.3 million and $40.7 million, representing 2.9%, 3.5% and 3.2% of total assets, respectively. To the extent we believe that recovery of an asset is at risk, we establish valuation allowances. To the extent we establish valuation allowances or increase the allowances in a period, we include an expense within the tax provision in the condensed consolidated statement of income.

Valuation allowances as of July 31, 2009, January 31, 2009 and July 31, 2008 were $1.8 million, $1.4 million, and $1.2 million, respectively. These changes in valuation allowances are due to uncertainties related to our ability to utilize the net operating loss carryforwards of certain foreign subsidiaries as well as those in certain 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 condensed consolidated statement 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.

Accounting for Contingencies

From time to time, we are named as a defendant in legal actions arising from our normal business activities. We account for contingencies such as these in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. SFAS No. 5 requires us to record an estimated loss contingency when information available prior to issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss

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can be reasonably estimated. Accounting for contingencies arising from contractual or legal proceedings requires management to use its best judgment when estimating an accrual related to such contingencies. As additional information becomes known, our accrual for a loss contingency could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency that significantly exceeds the amount accrued in our financial statements could have a material adverse impact on our operating results for the period in which such actual loss becomes known.

Results of Operations

As a Percentage of Net Sales

The following tables set 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:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales, including certain buying, distribution and occupancy costs	59.2	58.9	60.8	59.3
Gross profit	40.8	41.1	39.2	40.7
Selling, general and administrative expenses	23.7	22.8	24.4	23.5
Income from operations	17.1	18.3	14.8	17.2
Other income, net	0.2	0.5	0.4	0.7
Income before income taxes	17.3	18.8	15.2	17.9
Income tax expense	6.6	6.2	5.7	6.1
Net income	10.7%	12.6%	9.5%	11.8%

Three Months Ended July 31, 2009 Compared To Three Months Ended July 31, 2008

Net sales for the second quarter of fiscal 2010 increased by $4.3 million or 1.0% to $458.6 million from $454.3 million in the second quarter of fiscal 2009. This increase was primarily attributable to a $6.4 million, or 1.5%, increase in retail segment net sales. Retail segment net sales for the second quarter of fiscal 2010 accounted for 94.4% of total net sales compared to 93.8% of net sales for the second quarter of fiscal 2009. Wholesale segment net sales, excluding net sales to our retail segment, decreased $2.1 million, or 7.5%, to $25.9 million during the second quarter of fiscal 2010. The growth in our retail segment net sales during the second quarter of fiscal 2010 was driven by a $28.6 million increase in new and non-comparable store net sales and a $10.4 million increase in direct-to-consumer net sales. These retail segment net sales increases were partially offset by a decrease of $21.9 million in comparable store net sales and $10.7 million of unfavorable foreign currency translation. Our total comparable store net sales decrease of 6.2% was comprised of decreases of 7.6% at Urban Outfitters, 4.1% at Anthropologie and 15.9% at Free People, respectively.

The increase in net sales attributable to non-comparable and new stores was primarily the result of operating 55 new or existing stores that were not in operation for the full comparable quarter last fiscal year. Comparable store net sales decreases for the second quarter of fiscal 2010 were driven by decreases in the number of transactions, the average unit retail prices per transaction and units per transaction. Thus far during the third quarter of fiscal 2010, our total comparable store net sales are consistent with our fiscal 2010 second quarter rate. Direct-to-consumer net sales increased over the prior year primarily due to an increase in traffic to our web sites. Catalog circulation decreased by approximately 0.1 million catalogs or 1.8% over the prior year. Wholesale net sales decrease was driven by a decrease in average unit selling price and units sold to department and specialty stores. Leifsdottir, Anthropologie s wholesale division, net sales were not comparable during the second quarter of fiscal 2010. Leifsdottir launched during the second quarter of fiscal 2009.

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Gross profit rate for the second quarter of fiscal 2010 decreased to 40.8% of net sales from 41.1% of net sales in fiscal 2009. The decrease in rate was primarily due to merchandise markdowns to clear seasonal inventories and a higher rate of store occupancy expense driven by the decrease in comparable store sales. These decreases were partially offset by considerable improvements in initial merchandise margins. Gross profit dollars for the second quarter of fiscal 2010 increased by $0.6 million to $187.1 million from $186.5 million in the comparable quarter in fiscal 2009. The increase is primarily related to the increased sales volume. Total inventories at July 31, 2009 increased by 2.8% to $217.1 million from $211.2 million at July 31, 2008. The increase primarily related to the acquisition of inventory to stock new retail stores. On a comparable store basis, inventories decreased by 6.5%.

Selling, general and administrative expenses during the second quarter of fiscal 2010 increased to 23.7% of net sales compared to 22.8% of net sales for the second quarter of fiscal 2009. The increase was primarily due to the deleveraging of fixed store costs related to the decline in comparable store sales and a one-time site development expense related to a prospective Terrain location. Selling, general and administrative expenses in the second quarter of fiscal 2010 increased to $108.7 million from $103.6 million in the comparable quarter in fiscal 2009. The increase primarily related to the operating expenses of new and non-comparable stores.

Income from operations was 17.1% of net sales or $78.4 million for the second quarter of fiscal 2010 compared to 18.3% of net sales, or $82.9 million, for the comparable quarter in fiscal 2009.

Our tax rate for the quarter increased to 38.2% of income before income taxes for the second quarter of fiscal 2010 from 33.2% of income before income taxes for the second quarter of fiscal 2009. The increase in rate was primarily due to certain state municipality tax increases enacted during the second quarter and retroactively effective for the entire current fiscal year. Additionally, we produced a lower proportion of tax free interest income due to a strategic shift to a mix of lower risk securities versus the prior year s holdings. We estimate the annual effective tax rate to remain consistent with our year-to-date effective rate during the remainder of the fiscal year.

Six Months Ended July 31, 2009 Compared To Six Months Ended July 31, 2008

Net sales for the six months ended July 31, 2009 decreased by $5.2 million or 0.6% to $843.4 million from $848.6 million in the comparable period of fiscal 2009. This decrease was primarily attributable to a $3.1 million, or 0.4%, decrease in retail segment net sales. Retail segment net sales for the six months ended July 31, 2009 accounted for 94.1% of total net sales compared to 93.9% of net sales for the comparable period of fiscal 2009. Wholesale segment net sales, excluding net sales to our retail segment, decreased $2.1 million, or 4.0%, to $50.1 million during the six months ended July 31, 2009 compared to $52.2 million for the comparable period of fiscal 2009. The decline in our retail segment net sales was driven by a decrease of $49.3 million in comparable store sales, partially offset by an increase of $33.2 million in new and non-comparable store net sales and an increase of $13.0 million in direct-to-consumer net sales. Our total comparable store net sales decrease of 7.7% was comprised of decreases of 6.8% at Urban Outfitters, 8.2% at Anthropologie and 18.7% at Free People, respectively.

The increase in net sales attributable to non-comparable and new stores was primarily the result of operating 67 new or existing stores that were not in operation for the full comparable period last fiscal year. Comparable store net sales decreases for the first six months of fiscal 2010 were primarily driven by decreases in the number of transactions and units per transaction, which more than offset an increase in the average unit retail prices per transaction. Direct-to-consumer net sales increased over the prior year primarily due to an increase in traffic to our web sites. Catalog circulation decreased by approximately 0.4 million catalogs or 0.3% over the prior year. Wholesale net sales results were driven by a decrease in units sold to department and specialty stores and a decrease in average unit selling price to specialty stores. Leifsdottir, Anthropologie s wholesale division, net sales were not comparable during the six months ended July 31, 2009. Leifsdottir launched during the second quarter of fiscal 2009.

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Gross profit for the six months ended July 31, 2009 decreased to 39.2% of net sales or $330.4 million from 40.7% of net sales or $345.2 million for the comparable period in fiscal 2009. The decrease was primarily due to merchandise markdowns to clear seasonal inventories and a higher rate of store occupancy expense driven by the decrease in comparable store sales.

Selling, general and administrative expenses during the six months ended July 31, 2009 increased to 24.4% of net sales compared to 23.5% of net sales for the comparable period in fiscal 2009. The increase was primarily attributable to the de-leveraging of fixed store costs driven by the decrease in comparable store sales and a one-time site development expense related to a prospective Terrain location. Selling, general and administrative expenses during the six month period increased to $205.8 million from $199.3 million in the comparable period in fiscal 2009. The increase primarily related to the operating expenses of new and non-comparable stores.

Income from operations was 14.8% of net sales or $124.6 million during the six months ended July 31, 2009 compared to 17.2% of net sales, or $145.9 million, for the comparable period in fiscal 2009.

Our tax rate increased to 37.4% of income before income taxes for the six months ended July 31, 2009 from 34.3% of income before income taxes for the comparable period of fiscal 2009. The increase in rate was primarily due to certain state municipality tax increases enacted during the second quarter and retroactively effective for the entire current fiscal year. Additionally, we produced a lower proportion of tax free interest income due to a strategic shift to a mix of lower risk securities versus the prior year s holdings.

Liquidity and Capital Resources

Cash, cash equivalents and marketable securities were $583.3 million as of July 31, 2009, as compared to $521.2 million as of January 31, 2009 and $428.4 million as of July 31, 2008. Cash provided by operating activities increased by $19.7 million to $115.7 million for the six months ended July 31, 2009. This increase in cash provided by operating activities was primarily due to changes in working capital accounts during the quarter. Cash used in investing activities for the six months ended July 31, 2009 was $284.8 million, of which the primary use was for purchases of marketable securities and construction of new stores. Our net working capital was $423.8 million at July 31, 2009 compared to $483.3 million at January 31, 2009 and $356.7 million at July 31, 2008. Changes in working capital primarily relate to the volume of cash, cash equivalents, marketable securities and inventories relative to inventory-related payables and store-related accruals.

During the last three years, we have mainly satisfied our cash requirements through our cash flow from operations. Our primary uses of cash have been to open new stores and purchase inventories. We have also continued to invest in our direct-to-consumer efforts, wholesale businesses, distribution facilities, and in our European subsidiaries. Cash paid for property and equipment for the six months ended July 31, 2009 and 2008 was $57.4 million and $53.9 million, respectively, and was primarily used to expand and support our store base. During fiscal 2010, we expect to open approximately 34 to 36 new stores, renovate certain existing stores, begin an expansion of our home office in Philadelphia, Pennsylvania, renovate our Lancaster County, Pennsylvania and Reno, Nevada distribution centers, decrease our catalog circulation by approximately 2 million catalogs, to approximately 38 million catalogs, and purchase inventory for our stores, direct-to-consumer and wholesale businesses at levels appropriate to maintain our planned sales growth. We expect the level of capital expenditures during fiscal 2010 to approximate $140 million, which will be used primarily to expand our store base and our home office. We believe that our new store, catalog and inventory investments generally have the ability to generate positive operating cash flow within a year. Improvements to our distribution facilities and expansion of our home office are necessary to support our planned growth.

We may enter into one or more acquisitions or transactions related to the expansion of our brands. We do not anticipate these acquisitions or other transactions individually or in the aggregate being material to our financial statements as a whole.

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During fiscal 2010, we plan on beginning a 54,000 square foot expansion of our home office in Philadelphia, Pennsylvania. We anticipate this project to cost approximately $24 million and be completed in fiscal 2011. We believe this expansion will support our growth for the next several years.

During fiscal 2010, we plan on completing a 100,000 square foot addition to our Lancaster County, Pennsylvania distribution facility. This facility primarily serves our midwest and east coast stores. In March 2009 we leased an additional 39,000 square feet of warehouse space at our Reno, Nevada distribution facility. We believe these expansions will support our growth for the next several years.

On February 28, 2006, our Board of Directors approved a stock repurchase program. The program authorizes us to repurchase up to 8,000,000 common shares from time-to-time, based upon prevailing market conditions with 6,780,000 available as of July 31, 2009. During the six months ended July 31, 2009 and July 31, 2008, no shares were repurchased.

On December 11, 2007, we renewed and amended our line of credit facility with Wachovia Bank, National Association (the Line). The Line is a three-year revolving credit facility with an accordion feature allowing an increase in available credit up to $100 million at our discretion, subject to a seven day request period. As of July 31, 2009, the credit limit under the Line was $60 million. The Line contains a sub-limit for borrowings by our European subsidiaries that are guaranteed by us. Cash advances bear interest at LIBOR plus 0.50% to 1.60% based on our achievement of prescribed adjusted debt ratios. The Line subjects us to various restrictive covenants, including maintenance of certain financial ratios and covenants such as fixed charge coverage and adjusted debt. The covenants also include limitations on our capital expenditures, ability to repurchase shares and the payment of cash dividends. As of and during the six months ended July 31, 2009, we were in compliance with all covenants under the Line. As of and during the six months ended July 31, 2009, there were no borrowings under the Line. Outstanding letters of credit and stand-by letters of credit under the Line totaled approximately $38.5 million as of July 31, 2009. The available credit, including the accordion feature under the Line was $61.5 million as of July 31, 2009. We believe the Line will satisfy our letter of credit needs through fiscal 2011. Wachovia Bank, National Association was acquired by Wells Fargo, effective January 1, 2009; this acquisition does not affect the original Line.

Accumulated cash and future cash from operations, as well as available credit under the Line, are expected to fund our commitments and all such expansion-related cash needs at least through fiscal 2011.

Off-Balance Sheet Arrangements

As of and for the six months ended July 31, 2009, except for operating leases entered into in the normal course of business, we were not party to any material off-balance sheet arrangements.

Other Matters

Recent Accounting Pronouncements

In November 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141R Business Combinations , which requires that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole at their fair value as of the acquisition date. Under SFAS No. 141R, all transaction costs are expensed as incurred. SFAS No. 141R rescinds EITF 93-7. Under EITF 93-7, the effect of any subsequent adjustments to uncertain tax positions were generally applied to goodwill, except for post-acquisition interest on uncertain tax positions, which was recognized as an adjustment to income tax expense. Under SFAS No. 141R, all subsequent adjustments to these uncertain tax positions that otherwise would have impacted goodwill will be recognized in the income statement. We adopted SFAS No. 141R as of February 1, 2009. The adoption had no impact on our financial condition, results of operation or cash flows.

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In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in U.S. Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial assets and financial liabilities in fiscal years beginning after November 15, 2007 and for certain non-financial assets and certain non-financial liabilities in fiscal years beginning after November 15, 2008. Effective February 1, 2008, we have adopted the provisions of SFAS No. 157 that relate to our financial assets and financial liabilities (see Note 5). We adopted SFAS No. 157 for our non-financial assets and liabilities as of February 1, 2009. The adoption had no impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 115-2 and SFAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP SFAS No. 115-2 and SFAS No. 124-2). FSP SFAS No. 115-2 and SFAS No. 124-2 change the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of the impairment to be recorded in earnings. FSP SFAS No. 115-2 and SFAS No. 124-2 are effective for interim and annual periods ending after June 15, 2009. We have adopted FSP SFAS No. 115-2 and SFAS No. 124-2 on May 1, 2009, the adoption had no impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1, Interim Disclosures About Fair Value of Financial Instruments (SFAS No. 107-1 and APB No. 28-1). FSP SFAS No. 107-1 and APB No. 28-1 require fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. FSP SFAS No. 107-1 and APB No. 28-1 are effective for interim and annual periods ending after June 15, 2009. We have adopted SFAS No. 107-1 and APB No. 28-1 on May 1, 2009, the adoption had no impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. FSP SFAS No. 157-4 provides guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased, as well as guidance on when a transaction is not considered orderly, as defined in FSP SFAS No. 157. FSP SFAS No. 157-4 is effective for interim and annual periods ending after June 15, 2009. We have adopted FSP SFAS No. 157-4 on May 1, 2009, the adoption had no impact on our financial condition, results of operations or cash flows.

In May 2009, the FASB issued a new accounting standard on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued (subsequent events). The standard requires disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This disclosure is intended to alert all users of the financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The standard is effective for interim and annual periods ending after June 15, 2009. We have adopted this standard effective May 1, 2009; we have evaluated subsequent events through the issuance of these financial statements on September 8, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

Item 3. 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 substantially all of our merchandise in U.S. dollars, including a portion of the goods for our stores located in Canada and Europe.

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Our exposure to market risk for changes in interest rates relates to our cash, cash equivalents and marketable securities. As of July 31, 2009 and 2008, our cash, cash equivalents and marketable securities consisted primarily of funds invested in money market accounts, pre-refunded tax-exempt municipal bonds rated A or better, federal government agencies, FDIC insured corporate bonds and auction rate securities rated A or better, which bear interest at a variable rate. Due to the 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 condensed 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.

Less than 7% of our cash, cash equivalents and marketable securities are invested in A or better rated auction rate securities (ARS) that represent interests in municipal and student loan related collateralized debt obligations, all of which are guaranteed by either government agencies and/or insured by private insurance agencies up to 97% or greater of par value. Our ARS had a par value of $43.1 million and a fair value of $37.9 million as of July 31, 2009. As of July 31, 2009, all of the ARS we held failed to liquidate at auction due to lack of market demand. Liquidity for these ARS is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals, usually 7, 28, 35 or 90 days. The principal associated with these failed auctions will not be available until a successful auction occurs, the bond is called by the issuer, a buyer is found from outside the auction process, or the debt obligation reaches its maturity. Based on review of credit quality, collateralization, final stated maturity, estimates of the probability of being called or becoming liquid prior to final maturity, redemptions of similar ARS, previous market activity for the same investment security, impact due to extended periods of maximum auction rates and valuation models, we have recorded $5.2 million of temporary impairment on our ARS as of July 31, 2009. To date, we have collected all interest payable on outstanding ARS when due and expect to continue to do so in the future. We do not have the intent to sell the underlying securities prior to their recovery and we believe it is not more likely than not we will be required to sell the underlying securities before their anticipated recovery. As a result of the current illiquidity, we have classified all ARS as long term assets under marketable securities. We continue to monitor the market for ARS and consider the impact, if any, on the fair value of our investments.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed by us in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. As of the end of the period covered by this Form 10-Q, an evaluation was performed under the supervision and with the participation of our management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the design and operation of these disclosure controls and procedures. Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective.

There have been no changes in our internal controls over financial reporting during the quarter ended July 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II

OTHER INFORMATION

Item 1. 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 or results of operations.

Item 1A. Risk Factors

There have been no material changes in our risk factors since January 31, 2009. Please refer to our Annual Report on Form 10-K for the fiscal year ended January 31, 2009, filed with the United States Securities and Exchange Commission on April 1, 2009, for a list of our risk factors.

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Shareholders was held on May 19, 2009. The following items reflect the matters that were voted upon and the results of each vote.

1. The following persons were elected to serve as directors and received the number of votes set forth opposite their respective name:

Name	For	Withheld
Scott A. Belair	104,112,075	51,307,884
Robert H. Strouse	101,449,067	53,970,892
Glen T. Senk	101,267,172	54,152,787
Joel S. Lawson III	106,074,495	49,345,464
Richard A. Hayne	100,566,334	54,853,625
Harry S. Cherken Jr.	95,264,668	60,155,291

2. To adopt a revised vendor code of conduct:

For	Against	Abstain	Broker Non-Vote
34,271,331	96,759,361	19,158,744	5,230,523

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Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation incorporated by reference to Exhibit 3.1 of the Company s Quarterly Report on Form 10-Q filed on September 9, 2004.
3.2	Amendment No. 1 to Amended and Restated Articles of Incorporation incorporated by reference to Exhibit 3.2 of the Company s Quarterly Report on Form 10-Q filed on September 9, 2004.
3.3	Amended and Restated Bylaws are incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K filed on March 2, 2009.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer.
32.1**	Section 1350 Certification of the Principal Executive Officer.
32.2**	Section 1350 Certification of the Principal Financial Officer.

* Filed herewith
** Furnished herewith

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SIGNATURES

Pursuant to the requirements 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.

Date: September 9, 2009

URBAN OUTFITTERS, INC.

By: /s/ GLEN T. SENK
Glen T. Senk

Chief Executive Officer

(Principal Executive Officer)

Date: September 9, 2009

URBAN OUTFITTERS, INC.

By: /s/ JOHN E. KYEES
John E. Kyees

Chief Financial Officer

(Principal Financial Officer)

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32.1**	Section 1350 Certification of the Principal Executive Officer.
32.2**	Section 1350 Certification of the Principal Financial Officer.

* Filed herewith
** Furnished herewith