

URBAN OUTFITTERS INC
Form 10-Q
June 09, 2008
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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 April 30, 2008

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)

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Pennsylvania
(State or Other Jurisdiction of

23-2003332
(I.R.S. Employer Identification No.)

Incorporation or Organization)

5000 South Broad Street, Philadelphia, PA
(Address of Principal Executive Offices)

19112-1495
(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 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

Accelerated filer

Non-accelerated filer

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

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 167,102,614 shares outstanding on June 6, 2008.

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****URBAN OUTFITTERS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except share data)

(unaudited)

	April 30, 2008	January 31, 2008	April 30, 2007
Assets			
Current assets:			
Cash and cash equivalents	\$ 164,030	\$ 105,271	\$ 31,171
Marketable securities	55,101	80,127	133,508
Accounts receivable, net of allowance for doubtful accounts of \$1,522, \$972 and \$820, respectively	25,593	26,365	22,037
Inventories	191,287	171,925	168,131
Prepaid expenses, deferred taxes and other current assets	46,228	49,922	33,927
Total current assets	482,239	433,610	388,774
Property and equipment, net	498,789	488,889	455,601
Marketable securities	187,549	188,252	62,865
Deferred income taxes and other assets	36,708	32,040	30,046
Total Assets	\$ 1,205,285	\$ 1,142,791	\$ 937,286
Liabilities and Shareholders Equity			
Current liabilities:			
Accounts payable	\$ 81,112	\$ 74,020	\$ 61,794
Accrued expenses, accrued compensation and other current liabilities	92,312	93,358	72,076
Total current liabilities	173,424	167,378	133,870
Deferred rent and other liabilities	123,469	121,982	91,620
Total Liabilities	296,893	289,360	225,490
Commitments and contingencies (see Note 8)			
Shareholders equity:			
Preferred Shares; \$.0001 par value, 10,000,000 shares authorized, none issued			
Common shares; \$.0001 par value, 200,000,000 shares authorized, 166,967,614, 166,104,615 and 165,555,935 shares issued and outstanding, respectively	17	17	17
Additional paid-in capital	157,490	144,204	135,334
Retained earnings	744,532	701,975	571,111
Accumulated other comprehensive income	6,353	7,235	5,334

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Total Shareholders Equity	908,392	853,431	711,796
Total Liabilities and Shareholders Equity	\$ 1,205,285	\$ 1,142,791	\$ 937,286

See accompanying notes

Table of Contents**URBAN OUTFITTERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(amounts in thousands, except per share data)****(unaudited)**

	Three Months Ended April 30,	
	2008	2007
Net sales	\$ 394,292	\$ 314,544
Cost of sales, including certain buying, distribution and occupancy costs	235,612	201,929
Gross profit	158,680	112,615
Selling, general and administrative expenses	95,738	76,599
Income from operations	62,942	36,016
Other income, net	3,220	1,802
Income before income taxes	66,162	37,818
Income tax expense	23,605	8,451
Net income	\$ 42,557	\$ 29,367
Net income per common share:		
Basic	\$ 0.26	\$ 0.18
Diluted	\$ 0.25	\$ 0.17
Weighted average common shares outstanding:		
Basic	166,119,099	164,826,058
Diluted	170,603,420	168,799,775

See accompanying notes

Table of Contents**URBAN OUTFITTERS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(amounts in thousands)

(unaudited)

	Three Months Ended April 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 42,557	\$ 29,367
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,343	16,540
Provision (benefit) for deferred income taxes	(1,708)	(948)
Tax benefit on stock option exercises	(6,501)	(4,224)
Stock-based compensation expense	671	757
Loss on disposition of property and equipment, net	1	105
Changes in assets and liabilities:		
Decrease (increase) in receivables	903	(1,111)
Increase in inventories	(19,405)	(13,585)
Decrease (increase) in prepaid expenses and other assets	2,723	(1,095)
Increase in payables, accrued expenses and other liabilities	8,504	3,716
Net cash provided by operating activities	47,088	29,522
Cash flows from investing activities:		
Cash paid for property and equipment	(25,500)	(29,435)
Purchases of marketable securities	(91,904)	(33,013)
Sales and maturities of marketable securities	116,330	30,675
Net cash used in investing activities	(1,074)	(31,773)
Cash flows from financing activities:		
Exercise of stock options	6,112	1,767
Excess tax benefits on stock option exercises	6,501	4,224
Net cash provided by financing activities	12,613	5,991
Effect of exchange rate changes on cash and cash equivalents	132	164
Increase in cash and cash equivalents	58,759	3,904
Cash and cash equivalents at beginning of period	105,271	27,267
Cash and cash equivalents at end of period	\$ 164,030	\$ 31,171
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 46	\$ 37
Income Taxes	\$ 15,154	\$ 10,402

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Non-cash investing activities Accrued capital expenditures

\$ 11,843

\$ 6,634

See accompanying notes

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URBAN OUTFITTERS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(amounts 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, 2008, filed with the United States Securities and Exchange Commission on March 28, 2008.

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 months ended April 30, 2008 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 2009 will end on January 31, 2009.

2. Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). 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 nonfinancial assets and certain nonfinancial liabilities in fiscal years beginning after November 15, 2008. Effective February 1, 2008, the Company has adopted the provisions of SFAS No. 157 that relate to its financial assets and financial liabilities. The Company is currently evaluating the impact of the provisions of SFAS No. 157 that relate to its nonfinancial assets and nonfinancial liabilities, which are effective for the Company as of February 1, 2009. (See Note 4).

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities: Including an Amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value and requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Effective February 1, 2008, the Company has adopted SFAS No. 159 and has elected to not apply the provisions of SFAS No. 159 to report certain of its assets and liabilities at fair value.

In December 2007, the FASB issued SFAS No. 141R Business Combinations (SFAS No. 141R), which continues to require 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 guidance

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in SFAS No. 141R will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. The Company does not expect the adoption of SFAS No. 141R to have a material impact on its consolidated financial statements.

3. 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 April 30, 2008, January 31, 2008 and April 30, 2007 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
As of April 30, 2008				
Municipal bonds:				
Maturing in less than one year	\$ 21,900	\$ 90	\$ (4)	\$ 21,986
Maturing after one year through four years	126,239	1,804	(19)	128,024
	148,139	1,894	(23)	150,010
Auction rate instruments and demand notes (1):				
Maturing in less than one year	92,835	15	(210)	92,640
	\$ 240,974	\$ 1,909	\$ (233)	\$ 242,650
As of January 31, 2008				
Municipal bonds:				
Maturing in less than one year	\$ 24,675	\$ 142	\$	\$ 24,817
Maturing after one year through four years	124,148	2,729		126,877
	148,823	2,871		151,694
Auction rate instruments and demand notes (2):				
Maturing in less than one year	116,685			116,685
	\$ 265,508	\$ 2,871	\$	\$ 268,379
As of April 30, 2007				
Municipal bonds:				
Maturing in less than one year	\$ 27,926	\$	\$ (138)	\$ 27,788
Maturing after one year through four years	63,108	23	(266)	62,865
	91,034	23	(404)	90,653
Registered investment Companies	\$ 208,900	\$ —	\$ —	\$ 208,900
MSA common stock fund	3,187	—	—	3,187
Total assets in the fair value hierarchy	212,087	—	—	212,087
Investments measured at net asset value (a)	—	—	—	34,911
Investments at fair value	212,087	—	—	246,998

Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in (a) the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Assets Available for Benefits.

The Plan did not hold any Level 3 investments as of or during the years ended December 31, 2017 or 2016.

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Note 5 – Tax Status of the Plan

The Internal Revenue Service informed the Company by letter dated December 28, 2017, that the Plan, and the 2015 cumulative list of changes in Plan qualification requirements, was in compliance with the applicable requirements of the IRC. The following amendment dates apply to the favorable determination letter: January 25, 2017, December 21, 2016, January 26, 2016, December 22, 2015, December 3, 2015, December 10, 2013 and March 7, 2012.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress.

Note 6 – Forfeited Accounts

At December 31, 2017 and 2016, forfeited non-vested accounts were not significant. These balances are included in the common collective trust. Forfeited account balances are used first to reinstate previously forfeited amounts for Participants who are re-employed by the Company within five years, then to pay Plan expenses and then to reduce future Company matching contributions. During the years ended December 31, 2017 and 2016, forfeited non-vested accounts were used to pay Plan administrative expenses totaling \$0 and \$3, and to reduce Company matching contributions by \$32 and \$25, respectively.

Note 7 – Risks and Uncertainties

The Plan provides investment options in registered investment companies, a common collective trust, and a Company common stock fund. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect Participants' account balances and the amounts reported in the statements of net assets available for benefits.

As of December 31, 2017 and 2016, the Plan had investments of \$55,741 and \$59,791, respectively, that were concentrated in two funds.

Note 8 – Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2016:

Net increase in net assets available for benefits per the financial statements	\$ 14,504
Change in adjustment from fair value to contract value for fully benefit-responsive investment contracts	(241)
Net increase in net assets available for benefits per Form 5500	14,263

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MSA Retirement Savings Plan

EIN: 25-0668780 Plan number: 002

Schedule H, line 4i (Form 5500) – Schedule of Assets (Held at End of Year)

As of December 31, 2017

(Dollars in thousands)

(a) (b) Identity of issue, borrower, lessor or similar party	(c) Description of Investment	(d) Cost	(e) Current Value
Allianz NFJ Small Cap Value I	Registered Investment Company	**	\$ 5,740
Artisan Mid Cap Val Is	Registered Investment Company	**	7,842
Baird Mid Cap Inst	Registered Investment Company	**	781
* Fidelity 500 Index Inst	Registered Investment Company	**	20,525
* Fidelity Contrafund K	Registered Investment Company	**	29,540
* Fidelity Diversified International K	Registered Investment Company	**	12,416
* Fidelity Extended Market Index Pr	Registered Investment Company	**	7,885
* Fidelity Freedom K 2005	Registered Investment Company	**	25
* Fidelity Freedom K 2010	Registered Investment Company	**	966
* Fidelity Freedom K 2015	Registered Investment Company	**	5,418
* Fidelity Freedom K 2020	Registered Investment Company	**	15,734
* Fidelity Freedom K 2025	Registered Investment Company	**	11,943
* Fidelity Freedom K 2030	Registered Investment Company	**	12,327
* Fidelity Freedom K 2035	Registered Investment Company	**	8,910
* Fidelity Freedom K 2040	Registered Investment Company	**	10,458
* Fidelity Freedom K 2045	Registered Investment Company	**	4,925
* Fidelity Freedom K 2050	Registered Investment Company	**	6,266
* Fidelity Freedom K 2055	Registered Investment Company	**	2,471
* Fidelity Freedom K 2060	Registered Investment Company	**	250
* Fidelity Freedom K Income	Registered Investment Company	**	1,052
* Fidelity Inflated Price Index Pr	Registered Investment Company	**	453
* Fidelity Intl Index Pr	Registered Investment Company	**	2,173
* Fidelity Magellan K	Registered Investment Company	**	9,904
* Fidelity Puritan K	Registered Investment Company	**	7,121
* Fidelity Total Bond	Registered Investment Company	**	6,526
* Fidelity U.S. Bond Index Is	Registered Investment Company	**	9,413
Hartford Small Cap Growth Y	Registered Investment Company	**	1,725
J. P. Morgan Intrepid Value R6	Registered Investment Company	**	5,772
Virtus Ceredex Mid-Cap Value Equity	Registered Investment Company	**	2,846
T.Rowe Price Dividend Growth Adv	Registered Investment Company	**	19,113
Wells Fargo Emerging Mkts Equity Is	Registered Investment Company	**	1,132
Total Registered Investment Companies			231,652
* Fidelity Managed Income Portfolio II	Common/Collective Trust	**	26,201
* MSA Common Stock Fund	Employer Securities	**	3,469
Total			261,322

*Denotes a party-in-interest, for which a statutory exemption exists.

**Cost omitted for participant directed investments.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the Employee Benefits Administrative Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

June 27, 2018 MSA RETIREMENT SAVINGS PLAN

By: /s/ Paul R. Uhler
Paul R. Uhler
Chairman of the Employee Benefits Administrative Committee

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EXHIBIT INDEX

23. Consent of Independent Registered Public Accounting Firm dated June 27, 2018 is filed herein.

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