URBAN OUTFITTERS INC
Form 10-Q
December 11, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended October 31, 2017

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

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

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by 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 shares, $0.0001 par value—108,248,471 shares outstanding on December 5, 2017.

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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)

	October 31, 2017	January 31, 2017	October 31, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$234,726	$248,140	$234,886
Marketable securities	93,228	111,067	24,644
Accounts receivable, net of allowance for doubtful accounts of $710, $588 and $568, respectively	78,348	54,505	68,896
Inventory	449,957	338,590	453,826
Prepaid expenses and other current assets	111,050	129,095	107,767
Total current assets	967,309	881,397	890,019
Property and equipment, net	829,106	867,786	872,309
Marketable securities	41,254	44,288	5,605
Deferred income taxes and other assets	115,778	109,166	117,258
Total Assets	$1,953,447	$1,902,637	$1,885,191
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$208,567	$119,537	$199,421
Accrued expenses, accrued compensation and other current liabilities	214,506	233,391	205,812
Total current liabilities	423,073	352,928	405,233
Long-term debt	—	—	—
Deferred rent and other liabilities	245,566	236,625	232,325
Total Liabilities	668,639	589,553	637,558
Commitments and contingencies (see Note 11)			
Shareholders' equity:			
Preferred shares; $.0001 par value, 10,000,000 shares authorized, none issued	—	—	—
Common shares; $.0001 par value, 200,000,000 shares authorized,	11	12	12

108,248,471, 116,233,781 and 116,233,584 shares issued and

outstanding, respectively			
Additional paid-in-capital	—	—	—
Retained earnings	1,309,541	1,347,141	1,285,268
Accumulated other comprehensive loss	(24,744)	(34,069)	(37,647)
Total Shareholders' Equity	1,284,808	1,313,084	1,247,633
Total Liabilities and Shareholders' Equity	$1,953,447	$1,902,637	$1,885,191

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

URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Net sales	$892,774	$862,491	$2,526,895	$2,515,636
Cost of sales	595,028	562,594	1,692,026	1,611,337
Gross profit	297,746	299,897	834,869	904,299
Selling, general and administrative expenses	224,858	229,592	665,765	665,299
Income from operations	72,888	70,305	169,104	239,000
Other (expense) income, net	(882)	854	1,173	348
Income before income taxes	72,006	71,159	170,277	239,348
Income tax expense	26,914	23,804	63,332	85,516
Net income	$45,092	$47,355	$106,945	$153,832
Net income per common share:				
Basic	$0.41	$0.41	$0.95	$1.31
Diluted	$0.41	$0.40	$0.94	$1.31
Weighted-average common shares outstanding:				
Basic	109,667,224	116,829,912	113,113,597	117,087,696
Diluted	110,100,254	117,393,710	113,432,367	117,453,005

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

URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands)

(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Net income	$45,092	$47,355	$106,945	$153,832
Other comprehensive (loss) income:				
Foreign currency translation	(1,388)	(10,665)	9,342	(14,141)
Change in unrealized losses on marketable securities, net of tax	(13)	(55)	(17)	(55)
Total other comprehensive (loss) income	(1,401)	(10,720)	9,325	(14,196)
Comprehensive income	$43,691	$36,635	$116,270	$139,636

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

URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(amounts in thousands, except share data)

(unaudited)

	Common Shares Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances as of January 31, 2017	116,233,781	$ 12	$ —	$ 1,347,141	$ (34,069)	$ 1,313,084
Comprehensive income	—	—	—	106,945	9,325	116,270
Share-based compensation	—	—	13,831	—	—	13,831
Stock options and awards	200,000	—	—	—	—	—
Cumulative effect of change in accounting pronouncement	—	—	1,607	(760)	—	847
Share repurchases	(8,185,310)	(1)	(15,438)	(143,785)	—	(159,224)
Balances as of October 31, 2017	108,248,471	$ 11	$ —	$ 1,309,541	$ (24,744)	$ 1,284,808

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

URBAN OUTFITTERS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

(unaudited)

	For the Nine Months Ended October 31,	
	2017	2016
Cash flows from operating activities:		
Net income	$106,945	$153,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,966	101,181
Benefit for deferred income taxes	(4,771)	(11,087)
Share-based compensation expense	13,831	20,032
Loss on disposition of property and equipment, net	3,276	2,801
Changes in assets and liabilities:		
Receivables	(23,567)	6,261
Inventory	(109,258)	(126,934)
Prepaid expenses and other assets	2,815	(7,331)
Payables, accrued expenses and other liabilities	83,411	90,592
Net cash provided by operating activities	169,648	229,347
Cash flows from investing activities:		
Cash paid for property and equipment	(63,338)	(112,069)
Cash paid for marketable securities	(174,938)	(152,340)
Sales and maturities of marketable securities	209,937	218,400
Acquisition of business	—	(15,325)
Net cash used in investing activities	(28,339)	(61,334)
Cash flows from financing activities:		
Repayments of long-term debt	—	(150,000)
Proceeds from the exercise of stock options	—	4,096
Share repurchases related to share repurchase program	(157,044)	(45,787)
Share repurchases related to taxes for share-based awards	(2,180)	(2,049)
Net cash used in financing activities	(159,224)	(193,740)
Effect of exchange rate changes on cash and cash equivalents	4,501	(4,663)
Decrease in cash and cash equivalents	(13,414)	(30,390)
Cash and cash equivalents at beginning of period	248,140	265,276
Cash and cash equivalents at end of period	$234,726	$234,886
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$61,119	$85,179
Non-cash investing activities—Accrued capital expenditures	$8,560	$16,012

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

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 (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These condensed financial statements should be read in conjunction with Urban Outfitters, Inc.’s (the “Company’s”) Annual Report on Form 10-K for the fiscal year ended January 31, 2017, filed with the United States Securities and Exchange Commission on April 3, 2017.

The Company’s business experiences seasonal fluctuations in net sales and net income, with a more significant portion typically realized in the second half of each year predominantly due to the year-end holiday period. Historically, and consistent with the retail industry, this seasonality also impacts our working capital requirements, particularly with regard to inventory. Accordingly, the results of operations for the three and nine months ended October 31, 2017 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 2018 will end on January 31, 2018.

2. Recent Accounting Pronouncements

Recently Adopted

In March 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update that simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted the new guidance on February 1, 2017 and recorded a cumulative effect reduction to beginning retained earnings of $(984) related to the Company’s election to record forfeitures as they occur and $224 related to the recognition of previously unrecognized excess tax benefits. In addition, the Company elected to retrospectively adopt the provision regarding the presentation of excess tax benefits (deficits) in the statement of cash flows, which resulted in an increase in net cash provided by operating activities and a decrease in net cash used in financing activities of $333 for the nine months ended October 31, 2016. The provision requiring the inclusion of excess tax benefits (deficits) as a component of the provision for income taxes in the consolidated results of operations has been applied prospectively. The Company recorded excess tax deficits of $3,072 during the nine months ended October 31, 2017.

Recently Issued

In October 2016, the FASB issued an accounting standards update that amends the existing guidance on the income tax effects of intra-entity asset transfers with the exception of transfers of inventory. The update requires the recognition of tax expense when an intra-entity asset transfer occurs as opposed to being deferred under the existing guidance. The Company will adopt the new guidance effective February 1, 2018 using the modified retrospective approach. The net cumulative effect of this change will be recognized as an increase to retained earnings as of January 31, 2018, which will not be material.

In June 2016, the FASB issued an accounting standards update that introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. This includes loan commitments, accounts receivable, trade receivables, and certain off-balance sheet credit exposures. The guidance also modifies the impairment model for available-for-sale debt securities. The update will be effective for the

Company on February 1, 2020 and early adoption is permitted. The Company is currently assessing the potential effects this update may have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued an accounting standards update that amends the existing accounting standards for lease accounting. This update requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of 12 months or less. The update will be effective for the Company on February 1, 2019 and early adoption is permitted. The update requires a modified retrospective transition approach, which includes a number of practical expedients. While the Company expects adoption to result in a significant increase in the assets and liabilities recorded on its balance sheet, the Company is currently assessing the overall impact on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued an accounting standards update that clarifies the principles for recognizing revenue from contracts with customers. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The update states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Entities are required to apply the following steps when recognizing revenue under the update: (1) identify the contract(s) with a customer; (2) identify the performance obligation in the contract(s); (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract(s); and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The update allows for a “full retrospective” adoption, meaning the update is applied to all periods presented, or a “modified retrospective” adoption, meaning the update is applied only to the most current periods presented in the financial statements. In August 2015, the FASB issued an accounting standards update which approved a one-year deferral of the effective date that allows the Company to defer the effective date to February 1, 2018, but still permits the Company to adopt the update as of the original February 1, 2017 effective date. The Company has determined it will adopt this update on February 1, 2018 using the modified retrospective approach. The Company expects adoption to result in a change in the timing of recognizing breakage income related to its gift cards and in recognizing estimated sales returns on a gross basis on its balance sheet. The Company has concluded that the effects of this update will not have a material impact on its consolidated financial statements and related disclosures.

3. Acquisition

On February 1, 2016, the Company acquired certain assets of the Vetri Family group of restaurants, headquartered in Philadelphia, PA, for a total aggregate purchase price of approximately $18,937, of which $15,325 was paid in cash, $2,687 was satisfied through the settlement of a note receivable and $925 was settled in fiscal 2018. No liabilities were assumed. Pro forma information related to this acquisition is not included because the impact on the Company’s Condensed Consolidated Statements of Income is not considered to be material.

4. Marketable Securities

During all periods shown, 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 October 31, 2017, January 31, 2017 and October 31, 2016 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
As of October 31, 2017				
Short-term Investments:				
Corporate bonds	$ 67,275	$ 2	$ (71)	$ 67,206
Municipal and pre-refunded municipal bonds	24,676	4	(14)	24,666
Certificates of deposit	1,356	—	—	1,356
	93,307	6	(85)	93,228
Long-term Investments:				
Corporate bonds	30,051	2	(87)	29,966
Municipal and pre-refunded municipal bonds	1,362	—	(2)	1,360
Mutual funds, held in rabbi trust	5,639	109	(2)	5,746
Certificates of deposit	4,182	—	—	4,182
	41,234	111	(91)	41,254
	$ 134,541	$ 117	$ (176)	$ 134,482
As of January 31, 2017				
Short-term Investments:				
Corporate bonds	$ 59,403	$ 7	$ (90)	$ 59,320
Municipal and pre-refunded municipal bonds	51,731	28	(12)	51,747
	111,134	35	(102)	111,067
Long-term Investments:				
Corporate bonds	19,102	9	(33)	19,078
Municipal and pre-refunded municipal bonds	19,488	35	(9)	19,514
Mutual funds, held in rabbi trust	4,583	91	(1)	4,673
Certificates of deposit	1,023	—	—	1,023
	44,196	135	(43)	44,288
	$ 155,330	$ 170	$ (145)	$ 155,355
As of October 31, 2016				
Short-term Investments:				
Corporate bonds	$ 17,809	$ 1	$ (19)	$ 17,791
Municipal and pre-refunded municipal bonds	6,859	—	(6)	6,853
	24,668	1	(25)	24,644
Long-term Investments:				
Corporate bonds	222	1	—	223
Municipal and pre-refunded municipal bonds	307	—	—	307
Mutual funds, held in rabbi trust	4,544	—	(97)	4,447
Certificates of deposit	628	—	—	628
	5,701	1	(97)	5,605
	$ 30,369	$ 2	$ (122)	$ 30,249

Proceeds from the sales and maturities of available-for-sale securities were $209,937 and $218,400 for the nine months ended October 31, 2017 and 2016, respectively. The Company included in “Other (expense) income, net,” in the Condensed Consolidated Statements of Income, net realized losses of $2 and $11 for the three and nine months ended October 31, 2017, respectively, and net realized losses of $96 and $74 for the three and nine months ended October 31, 2016, respectively. Amortization of discounts and premiums, net, resulted in a reduction of “Other (expense) income, net” of $538 and $2,066 for the three and nine months ended October 31, 2017, and $550 and $1,711 for the three and nine months ended October 31, 2016, respectively. Mutual funds represent assets held in an irrevocable rabbi trust for the Company's Non-qualified Deferred Compensation Plan ("NQDC"). These assets are a source of funds to match the funding obligations to participants in the NQDC but are subject to the Company's general creditors. The Company elected the fair value option for financial assets for the mutual funds held in the rabbi trust resulting in all unrealized gains and losses being recorded in "Other (expense) income, net" in the Condensed Consolidated Statements of Income.

5. Fair Value

The Company utilizes 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 that relate to its financial assets and financial liabilities). 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 Company'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 liabilities and their placement within the fair value hierarchy. 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 October 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate bonds	$97,172	$—	$ —	$97,172
Municipal and pre-refunded municipal bonds	—	26,026	—	26,026
Mutual funds, held in rabbi trust	5,746	—	—	5,746
Certificates of deposit	—	5,538	—	5,538
	$102,918	$31,564	$ —	$134,482

	Marketable Securities Fair Value as of January 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate bonds	$ 78,398	$ —	$ —	$ 78,398
Municipal and pre-refunded municipal bonds	—	71,261	—	71,261
Mutual funds, held in rabbi trust	4,673	—	—	4,673
Certificates of deposit	—	1,023	—	1,023
	$ 83,071	$ 72,284	$ —	$ 155,355

	Marketable Securities Fair Value as of October 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate bonds	$18,014	$—	$ —	$18,014
Municipal and pre-refunded municipal bonds	—	7,160	—	7,160
Mutual funds, held in rabbi trust	4,447	—	—	4,447
Certificates of deposit	—	628	—	628
	$22,461	$7,788	$ —	$30,249

Financial assets

Level 1 assets consist of financial instruments whose value has been based on inputs that use, as their basis, readily observable market data that are actively quoted and are validated through external sources, including third-party pricing services and brokers.

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 assets consist of financial instruments where there has been no active market. The Company held no Level 3 financial instruments as of October 31, 2017, January 31, 2017 and October 31, 2016.

The fair value of cash and cash equivalents (Level 1) approximates carrying value since cash and cash equivalents consist of short-term highly liquid investments with maturities of less than three months at the time of purchase. As of October 31, 2017 and 2016, cash and cash equivalents included cash on hand, cash in banks, money market accounts and marketable securities with maturities of less than three months at the time of purchase. The fair value of debt approximates its carrying value as it is all variable rate debt.

Non-financial assets

The Company’s non-financial assets, primarily consisting of property and equipment and goodwill, are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The fair value of property and equipment was determined using a discounted cash-flow model that utilized Level 3 inputs. The Company’s stores are reviewed for impairment at the store level, which is the lowest level at which individual cash flows can be identified. In calculating future cash flows, the Company makes estimates regarding future operating results based on its experience and knowledge of market factors in which the store is located. Goodwill has been assigned to reporting units for purposes of impairment testing. The Company evaluates goodwill to determine if the carrying value exceeds the fair value of the reporting unit. For the three and nine months ended October 31, 2017 and 2016, impairment charges were zero.

6. Debt

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

The Credit Agreement provides senior secured revolving credit for loans and letters of credit up to $400,000 (the "Credit Facility"), subject to a borrowing base that is comprised of the Company's eligible accounts receivable and inventory. The Credit Facility includes a swing-line sub-facility, a multicurrency sub-facility and the option to expand the facility by up to $150,000. The funds available under the Credit Facility may be used for working capital and other general corporate purposes.

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

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

As of October 31, 2017, the Company was in compliance with all terms of the Credit Agreement and borrowings under the Credit Facility totaled $0. Outstanding stand-by letters of credit, which reduce the funds available under the Credit Facility, were $10,565.

Additionally, the Company has borrowing agreements with two separate financial institutions under which the Company may borrow an aggregate of $130,000 for the purposes of trade letter of credit issuances. The availability of any future borrowings under the trade letter of credit facilities is subject to acceptance by the respective financial institutions. As of October 31, 2017, the Company had outstanding trade letters of credit of $69,223, and available trade letters of credit of $60,777 under these facilities.

7. Share-Based Compensation

The Company maintains stock incentive plans pursuant to which it can grant restricted shares, unrestricted shares, incentive stock options, non-qualified stock options, restricted stock units ("RSU's"), performance stock units ("PSU's") or stock appreciation rights ("SAR's"). A lattice binomial pricing model was used to estimate the fair values of stock options and SAR's. The fair value of each of the PSU's was determined using a Monte Carlo simulation. Share-based compensation expense included in "Selling, general and administrative expenses" in the Condensed Consolidated Statements of Income, for the three and nine months ended October 31, 2017 and 2016 was as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Stock Options	$216	$245	$673	$757
Stock Appreciation Rights	24	60	125	179
Performance Stock Units [1]	(3,107)	5,595	5,702	15,550
Restricted Stock Units	2,742	1,380	7,331	3,546
Total	$(125)	$7,280	$13,831	$20,032

(1) Includes the reversal of $6,509 of previously recognized compensation expense in the three and nine months ended October 31, 2017, related to 476,611 PSU’s that will not vest as the achievement of the related performance targets is not probable.

Share-based awards granted and the weighted-average fair value of such awards for the nine months ended October 31, 2017 was as follows:

	Nine Months Ended October 31, 2017	
	Awards Granted	Weighted-Average Fair Value
Stock Options	160,000	$ 5.37
Stock Appreciation Rights	—	$ —
Performance Stock Units	390,000	$ 23.38
Restricted Stock Units	609,000	$ 25.88
Total	1,159,000	

During the nine months ended October 31, 2017, 200,000 PSU's vested. No stock options or SAR's were exercised and no RSU's vested during the nine months ended October 31, 2017.

The total unrecognized compensation cost related to outstanding share-based awards and the weighted-average period in which the cost is expected to be recognized as of October 31, 2017 was as follows:

	October 31, 2017	
	Unrecognized Compensation Cost	Weighted-Average Years
Stock Options	$503	0.6
Stock Appreciation Rights	21	0.3
Performance Stock Units	17,424	1.9
Restricted Stock Units	16,998	2.2
Total	$34,946	

8. Shareholders' Equity

Share repurchase activity under the Company's share repurchase programs was as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Number of common shares repurchased and subsequently retired	3,083,201	1,000,000	8,092,906	1,324,700
Total cost	$66,533	$35,083	$157,044	$45,787

Average cost per share, including commissions	$21.58	$35.08	$19.41	$34.56

On February 23, 2015, the Company’s Board of Directors authorized the repurchase of 20,000,000 common shares under a share repurchase program; all shares were repurchased and the authorization was completed by the end of August 2017. On August 22, 2017, the Company’s Board of Directors authorized the repurchase of 20,000,000 common shares under a new share repurchase program, of which 17,902,153 common shares were remaining as of October 31, 2017.

In addition to the shares repurchased under the share repurchase program, during the nine months ended October 31, 2017, the Company acquired and subsequently retired 92,404 common shares at a total cost of $2,180 from employees to meet minimum statutory tax withholding requirements. During the nine months ended October 31, 2016, the Company acquired and subsequently retired 55,683 common shares at a total cost of $2,049 from employees to meet minimum statutory tax withholding requirements.

9. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

The following tables present the changes in "Accumulated other comprehensive income (loss)," by component, net of tax, for the three and nine months ended October 31, 2017 and 2016:

	Three Months Ended October 31, 2017			Nine Months Ended October 31, 2017		
	Foreign Currency Translation	Unrealized Gains and (Losses) on Available-for-Sale Securities	Total	Foreign Currency Translation	Unrealized Gains and (Losses) on Available-for-Sale Securities	Total
Balance at beginning of period	$(23,282)	$ (61)	$(23,343)	$(34,012)	$ (57)	$(34,069)
Other comprehensive income (loss) before reclassifications	(1,388)	(11)	(1,399)	9,342	(6)	9,336
Amounts reclassified from accumulated other comprehensive income (loss)	—	(2)	(2)	—	(11)	(11)
Net current-period other comprehensive income (loss)	(1,388)	(13)	(1,401)	9,342	(17)	9,325
Balance at end of period	$(24,670)	$ (74)	$(24,744)	$(24,670)	$ (74)	$(24,744)

	Three Months Ended October 31, 2016			Nine Months Ended October 31, 2016		
	Foreign Currency Translation	Unrealized Gains and (Losses) on Available-for-Sale Securities	Total	Foreign Currency Translation	Unrealized Gains and (Losses) on Available-for-Sale Securities	Total
Balance at beginning of period	$(26,955)	$ 28	$(26,927)	$(23,479)	$ 28	$(23,451)
Other comprehensive income (loss) before reclassifications	(10,665)	41	(10,624)	(14,141)	19	(14,122)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(96)	(96)	—	(74)	(74)
Net current-period other comprehensive income (loss)	(10,665)	(55)	(10,720)	(14,141)	(55)	(14,196)
Balance at end of period	$(37,620)	$ (27)	$(37,647)	$(37,620)	$ (27)	$(37,647)

All unrealized gains and losses on available-for-sale securities reclassified from accumulated other comprehensive loss were recorded in “Other (expense) income, net” in the Condensed Consolidated Statements of Income.

10. Net Income per Common Share

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Basic weighted-average common shares outstanding	109,667,224	116,829,912	113,113,597	117,087,696
Effect of dilutive options, stock appreciation rights, performance stock units and restricted stock units	433,030	563,798	318,770	365,309
Diluted weighted-average shares outstanding	110,100,254	117,393,710	113,432,367	117,453,005

For the three months ended October 31, 2017 and 2016, awards to purchase 319,883 common shares ranging in price from $28.10 to $46.02 and 556,375 common shares ranging in price from $35.41 to $46.02, respectively, were excluded from the calculation of diluted net income per common share because the impact would be anti-dilutive. For the nine months ended October 31, 2017 and 2016, awards to purchase 1,016,733 common shares ranging in price from $25.60 to $46.02 and 857,331 common shares ranging in price from $28.10 to $46.02, respectively, were excluded from the calculation of diluted net income per common share because the impact would be anti-dilutive.

Excluded from the calculation of diluted net income per common share as of October 31, 2017 and 2016 were 2,610,295 and 2,442,345 performance-based equity awards, respectively, because they did not meet the required performance criteria.

11. 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 adverse effect on the Company’s financial position, results of operations or cash flows.

12. Segment Reporting

The Company offers lifestyle-oriented general merchandise and consumer products and services through a portfolio of global consumer brands. The Company operates two reportable segments— “Retail” and “Wholesale.” The Company’s Retail segment consists of the “Anthropologie,” “Bhldn,” “Free People,” “Terrain” and “Urban Outfitters” brands and the Food and Beverage division. The Anthropologie, Bhldn and Terrain brands make up the “Anthropologie Group.” As of October 31, 2017, there were 245 Urban Outfitters stores, 227 Anthropologie Group stores, 132 Free People stores and 12 restaurants under the Food and Beverage division. Each of Urban Outfitters, the Anthropologie Group and Free People, including their stores and direct-to-consumer channels, and the restaurants operated under the Company’s Food and Beverage division are considered an operating segment. Net sales from the Retail segment accounted for approximately 90.6% of total consolidated net sales for the three and nine months ended October 31, 2017. Net sales from the Retail segment accounted for approximately 91.0% and 91.5% of total consolidated net sales for the three and nine months ended October 31, 2016, respectively. The remaining net sales are derived from the Company’s Wholesale segment that consists of the Free People and Anthropologie Group wholesale divisions that primarily design, develop and market young women’s contemporary casual apparel, including intimates and activewear, shoes and home goods sold through approximately 1,900 department and specialty stores worldwide, third-party websites and the Retail segment. The Anthropologie Group wholesale division was established in the third quarter of fiscal 2018.

The Company has aggregated its brands into the Retail segment based upon their shared 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 intercompany 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 reporting segment are inventory and property and equipment.

Other assets are comprised primarily of general corporate assets, which principally consist of cash and cash equivalents, marketable securities, deferred taxes and prepaid expenses, which are typically not allocated to the Company’s segments. The Company accounts for intersegment sales and transfers as if the sales and transfers were made to third parties making similar volume purchases.

The Company’s omni-channel strategy enhances its customers’ brand experience by providing a seamless approach to the customer shopping experience. All available shopping channels are fully integrated, including stores, websites, mobile applications, catalogs and customer contact centers. The Company’s investments in areas such as marketing campaigns and technology advancements are designed to generate demand for the omni-channel and not the separate store or direct-to-consumer channels. Store sales are primarily fulfilled from that store’s inventory, but may also be shipped from any of the Company’s fulfillment centers or from a different store location if an item is not available at the original store. The Company also allows customers to view in-store inventory from its websites and mobile applications. Direct-to-consumer orders are primarily shipped to the Company’s customers through its fulfillment centers, but may also be shipped from any store, or a combination of fulfillment centers and stores depending on the availability of a particular item. Direct-to-consumer orders may also be picked up at a store location. Customers may also return certain merchandise purchased through direct-to-consumer channels at store locations. As the Company's customers continue to shop across multiple channels, the Company has adapted its approach towards meeting this demand. Due to the availability of like product in a variety of shopping channels, the Company sources these products utilizing single stock keeping units based on the omni-channel demand rather than the demand of the separate channels. These and other technological capabilities allow the Company to better serve its customers and help it to complete sales that otherwise may not have occurred due to out-of-stock positions. As a result of changing customer behavior and the substantial integration of the operations of the Company's store and direct-to-consumer channels, the Company manages and analyzes its performance based on a single omni-channel rather than separate channels and believes that the omni-channel results present the most meaningful and appropriate measure of the Company's performance. Over the next several years the Company plans to continue to shift investment to the direct-to-consumer channel to align with changing customer preferences, and focus on improving its speed-to-customer capabilities.

The accounting policies of the reportable segments are the same as the policies described in Note 2, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2017. Both the Retail and Wholesale segments are highly diversified. No one customer constitutes more than 10% of the Company's total consolidated net sales. A summary of the information about the Company's operations by segment is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Net sales				
Retail operations	$808,546	$785,026	$2,289,526	$2,300,981
Wholesale operations	88,663	81,552	245,866	222,712
Intersegment elimination	(4,435)	(4,087)	(8,497)	(8,057)
Total net sales	$892,774	$862,491	$2,526,895	$2,515,636
Income from operations				
Retail operations	$61,667	$67,981	$150,575	$234,022
Wholesale operations	20,866	17,006	57,373	44,213
Intersegment elimination	61	(317)	91	(568)
Total segment operating income	82,594	84,670	208,039	277,667
General corporate expenses	(9,706)	(14,365)	(38,935)	(38,667)
Total income from operations	$72,888	$70,305	$169,104	$239,000

	October 31, 2017	January 31, 2017	October 31, 2016
Inventory			
Retail operations	$403,631	$ 301,519	$415,923
Wholesale operations	46,326	37,071	37,903
Total inventory	$449,957	$ 338,590	$453,826
Property and equipment, net			
Retail operations	$826,296	$	