



# Inter Parfums (IPAR)

Updated July 13<sup>th</sup>, 2022, by Thomas Richmond

## Key Metrics

<b>Current Price:</b>	\$70	<b>5 Year CAGR Estimate:</b>	15.6%	<b>Market Cap:</b>	\$2.3 B
<b>Fair Value Price:</b>	\$99	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	08/19/22
<b>% Fair Value:</b>	71%	<b>5 Year Valuation Multiple Estimate:</b>	7.2%	<b>Dividend Payment Date<sup>1</sup>:</b>	09/15/22
<b>Dividend Yield:</b>	2.9%	<b>5 Year Price Target</b>	\$132	<b>Years Of Dividend Growth:</b>	2
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	F	<b>Rating:</b>	Buy

## Overview & Current Events

Inter Parfums (IPAR) is a company that manufactures and distributes fragrance products. The company was founded in 1982, and up until 1999, the business was named “Jean Philippe Fragrances”. The business sells through its broad portfolio of brand names across the US and internationally and sells its products under 2 segments: European Based Operations and United States Based Operations. In the European portfolio, the company makes perfumes under brands like Boucheron, Coach, Jimmy Choo, Kate Spade, Moncler, and Mont Blanc, and in the United States portfolio, the company makes perfumes under brand names like Abercrombie & Fitch, Hollister, Anna Sui, and Graaff. For the fiscal year 2021, the company saw 38% of sales in the Europe/Middle East/Africa regions, 15% in Asia Pacific, and 47% in the Americas. Most of the company’s perfume brands launched new fragrances in 2021 and are planning launches of new fragrances in 2022. Many of these brands are locked into 10-year exclusive licensing agreements, but the individual licensing terms vary for each fragrance brand.

On May 10<sup>th</sup>, 2022, Inter Parfums reported Q1 2022 results for the period ending March 31<sup>st</sup>, 2022. The business saw diluted earnings-per-share of \$1.10, which beat analyst estimates by \$0.14. Earnings-per-share increased 26.4% year-over-year from \$0.87 in the year-ago quarter. Revenue rose 26.3% year-over-year to \$250.7 million led by strong sales growth outside of North America, with 41% growth in Western Europe and Asia Pacific, 27% growth in the Middle East, and 38% growth in Central and South America. Management gave guidance for the fiscal year 2022 of about \$975 million in net sales and diluted earnings-per-share of about \$3. Management noted they had their “best ever April sales” and reported that the trend is continuing into May. Executives reported that guidance could change once lockdowns in China are lifted.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$1.24	\$1.27	\$0.95	\$0.98	\$1.10	\$1.33	\$1.71	\$1.90	\$1.21	\$2.75	<b>\$3.00</b>	<b>\$4.01</b>
<b>DPS</b>	\$0.32	\$0.48	\$0.48	\$0.52	\$0.62	\$0.72	\$0.91	\$1.16	\$0.33	\$1.00	<b>\$2.00</b>	<b>\$2.81</b>
<b>Shares</b>	31	31	31	31	31	31	31	32	32	32	<b>32</b>	<b>30</b>

Inter Parfums has grown at 9.3% annually over the past 9 years and has grown at 17.7% annually over the past 5 years. In 2022, we expect Inter Parfums to deliver \$3 in earnings-per-share based on management’s earnings-per-share estimates. We forecast that earnings-per-share will grow at a rate of 6% annually over the next 5 years, guiding our 2027 earnings-per-share estimate of \$4.01.

Over the past 9 years, dividends grew 13.5% annually, and over the past 5 years, dividend payments grew at 22.7% annually. Over the next 5 years, we expect dividend growth to slow down to 7% annually, growing slightly faster than earnings-per-share. Currently, the business is paying a high percentage of its earnings as dividends, so we forecast that dividend growth will slow down so the business can support dividends with earnings.

<sup>1</sup> Estimated Date

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.8	23.1	31.8	29.5	27.6	28.6	31.8	36.7	41.5	27.6	23.3	33.0
Avg. Yld.	1.9%	1.6%	1.6%	1.8%	2.0%	1.9%	1.7%	1.7%	0.7%	1.3%	2.9%	2.1%

Over the past 9 years, the business has averaged a P/E ratio of 29.2, and over the past 5 years, the business has averaged a P/E of 33.2. Over the intermediate term, we expect the stock to average a P/E of 33, which means that at the current multiple of about 23, the stock has considerable upside. Today, the stock offers a low 2.9% dividend yield, which is low for investors who prioritize dividend income, but investors might like this stock for its high return potential and for its strong brand presence as a leader in the fragrance market.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

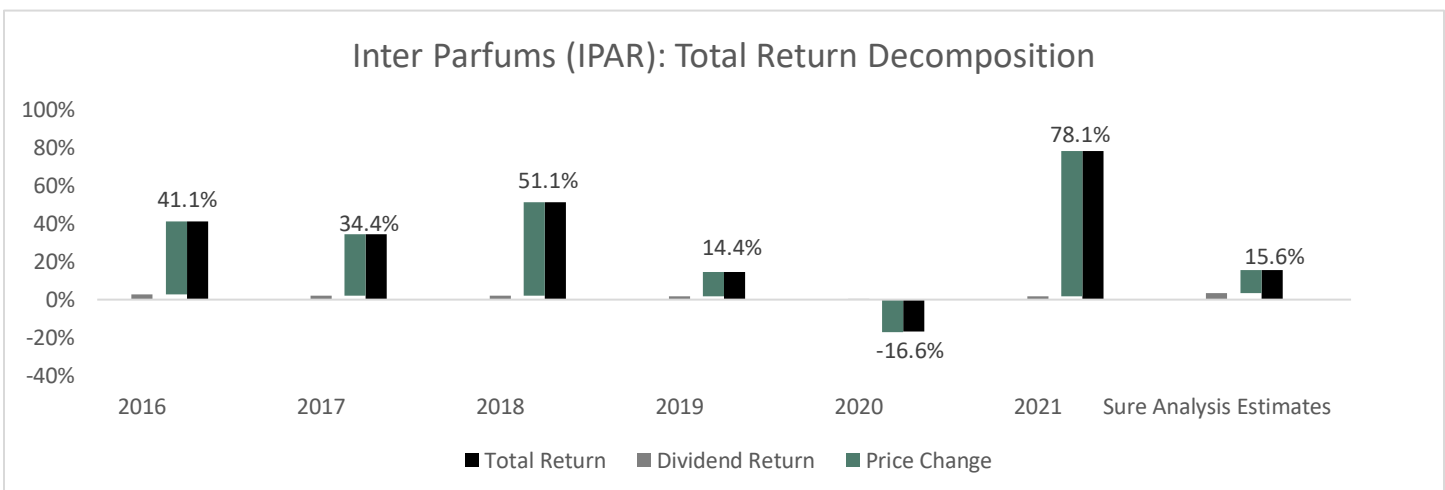
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	26%	38%	51%	53%	56%	54%	53%	61%	27%	36%	67%	70%

Going forward, we expect Inter Parfums to have about a 70% payout ratio. Although we project that the dividend will continue to grow, it's important to note that in 2020, the business cut its dividend in 2020 because earnings fell. With the stock sporting a nearly 70% payout ratio, investors run the risk that the dividend may be cut in the future if earnings fall. Fortunately, Inter Parfums has a very strong balance sheet, with current assets exceeding current liabilities. The business also has \$265 million in cash & cash equivalents, which is 8 times greater than what the company paid out in dividends for fiscal year 2021. The business has a competitive advantage with exclusive licensing to sell products worldwide under top brands. Although the business saw a dividend cut in 2020 and the stock has a high payout ratio, the business is in a strong financial position with over \$250 million in cash.

## Final Thoughts & Recommendation

Inter Parfums offers investors an opportunity to invest in a business that has exclusive licensing to sell perfume under top fashion brands worldwide. At today's price, we rate the stock as a Buy because total return prospects come in at 15.6% annually over the next five years, due to strong growth estimates and a valuation multiple rerating. While this stock might not be attractive for income investors due to the yield, growth investors might be interested in this stock for its strong return potential, exclusive licensing, and market leading position in the fragrance industry.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	654	564	499	469	521	591	676	714	539	880
Gross Profit	407	329	287	289	326	376	428	446	331	557
Gross Margin	62.2%	58.3%	57.5%	61.8%	62.7%	63.6%	63.3%	62.5%	61.4%	63.3%
SG&A Exp.	326	250	234	228	259	296	333	341	261	406
D&A Exp.	16	11	10	9	15	12	11	9	9	13
Operating Profit	81	79	53	61	68	81	95	105	70	150
Op. Margin	12.4%	14.0%	10.7%	13.1%	13.0%	13.7%	14.0%	14.7%	13.0%	17.1%
Net Profit	131	39	29	30	33	42	54	60	38	87
Net Margin	20.0%	7.0%	5.9%	6.5%	6.4%	7.0%	8.0%	8.4%	7.1%	9.9%
Free Cash Flow	31	36	32	(74)	49	32	51	65	53	(23)
Income Tax	98	30	19	22	24	23	26	29	19	41

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	760	664	605	688	682	778	798	829	890	1,145
Cash & Equivalents	307	126	90	177	162	208	193	133	170	160
Acc. Receivable	149	80	90	95	105	121	133	133	124	159
Inventories	143	117	102	98	97	137	162	168	159	199
Goodwill & Int.	113	116	99	201	184	200	204	202	214	214
Total Liabilities	260	129	106	211	199	207	212	220	188	407
Accounts Payable	73	57	47	51	50	53	58	54	36	82
Long-Term Debt	28	6	0	99	75	61	46	23	25	149
Total Equity	381	407	382	366	370	433	448	468	536	572
LTD/E Ratio	0.07	0.02	0.00	0.27	0.20	0.14	0.10	0.05	0.05	0.26

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	20.6%	5.5%	4.6%	4.7%	4.9%	5.7%	6.8%	7.4%	4.4%	8.6%
Return on Equity	41.4%	9.9%	7.5%	8.1%	9.1%	10.4%	12.2%	13.2%	7.6%	15.8%
ROIC	30.2%	7.3%	5.7%	5.7%	5.9%	7.0%	8.5%	9.5%	5.6%	10.8%
Shares Out.	31	31	31	31	31	31	31	32	32	32
Revenue/Share	21.30	18.21	16.07	15.07	16.71	18.89	21.43	22.52	17.03	27.63
FCF/Share	1.02	1.18	1.04	(2.38)	1.57	1.02	1.60	2.05	1.67	(0.73)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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