Inter Parfums (IPAR)

Updated December 12th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$97	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$3.1 B
Fair Value Price:	$112	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	12/14/22
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date:**	12/30/22
Dividend Yield:	2.1%	**5 Year Price Target**	$150	**Years Of Dividend Growth:**	2
Dividend Risk Score:	F	**Retirement Suitability Score:**	F	**Rating:**	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 November 13th, 2022, Inter Parfums reported Q3 2022 results for the period ending September 30th, 2022. The business saw diluted earnings-per-share of $1.30, which sharply beat analysts' estimates by 31 cents, and this represented 8.3% year-over-year growth. Revenue rose 6.8% year-over-year to $280.5 million led by strong sales growth outside of North America, with 34% growth in Western Europe and 23% growth in Asia. Even though sales only grew 4% year-over-year in North America, IPAR's biggest market, management attributes a lot of this to customers ordering lots of goods in advance in 2021 out of fear of supply chain problems, and now customers are falling back into a more normal routine. Management provided initial guidance for the fiscal year 2023, estimating that net sales would be about $1.1 billion (up 8% year-over-year), and adjusted earnings-per-share would increase 9% year-over-year to about $3.80.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.24	$1.27	$0.95	$0.98	$1.10	$1.33	$1.71	$1.90	$1.21	$2.75	***$3.40***	***$4.55***
DPS	$0.32	$0.48	$0.48	$0.52	$0.62	$0.72	$0.91	$1.16	$0.33	$1.00	***$2.00***	***$2.55***
Shares	31	31	31	31	31	31	31	32	32	32	***32***	***30***

Over the past 9 years, Inter Parfums has grown earnings-per-share at 9.3% annually and has grown earnings-per-share at 20.6% annually over the past 5 years. In 2022, we expect Inter Parfums to deliver $3.40 in earnings-per-share based on management's earnings-per-share guidance. We forecast that earnings-per-share will grow at a rate of about 6% annually over the next 5 years, guiding our 2027 earnings-per-share estimate of $4.55.

Over the past 9 years, dividends have grown at 13.5% annually, and over the past 5 years, dividend payments have grown at 22.7% annually due to dividends doubling from 2021 to 2022. Over the next 5 years, we expect dividend growth to slow down to about 5% annually, growing slightly slower than earnings-per-share. With the jump in dividend payments from 2021 to 2022, the company is expected to pay around 60% of its 2022 earnings as dividends, which is a huge increase from the 36% payout ratio in 2021. For that reason, we expect that dividends will grow at a slower rate because the business is now paying out a large chunk of its earnings to investors.

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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	***28.5***	***33.0***
Avg. Yld.	1.9%	1.6%	1.6%	1.8%	2.0%	1.9%	1.7%	1.7%	0.7%	1.3%	***2.1%***	***1.7%***

Over the past 9 years, the stock 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 28.5, the stock has considerable upside. Today, the stock offers a low 2.1% 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

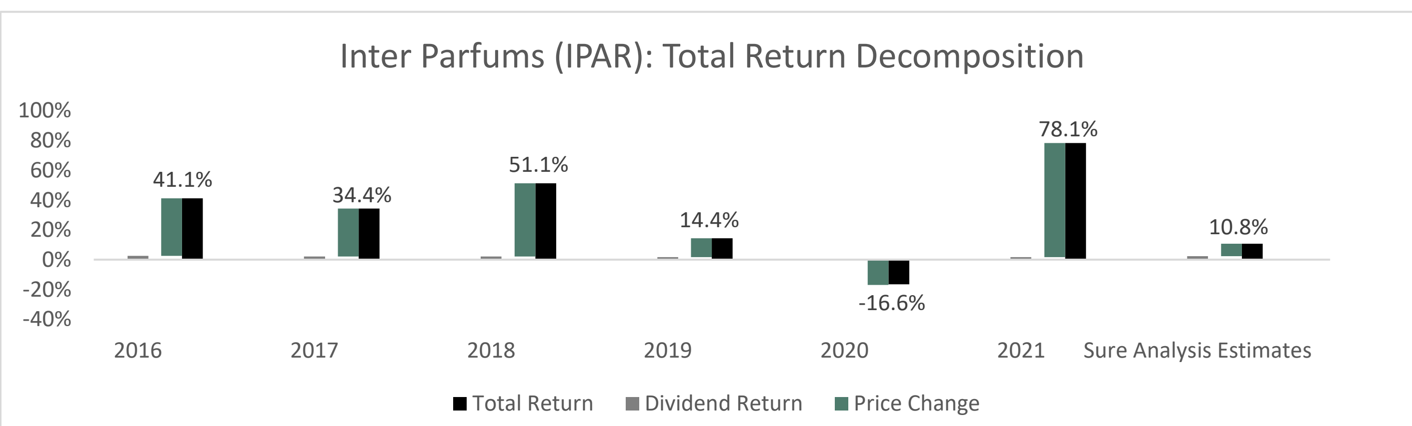
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	26%	38%	51%	53%	56%	54%	53%	61%	27%	36%	***59%***	***56%***

Going forward, we expect Inter Parfums to have just below a 60% 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 because earnings fell. With the stock sporting a payout ratio of nearly 60%, 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 total liabilities. The business also has $177 million in cash & cash equivalents, which is going to end up being nearly 3 times greater than what the company will pay out in dividends for the fiscal year 2022. 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, we believe the business has strong recession resiliency with a strong balance sheet and a lot of cash.

Final Thoughts & Recommendation

Inter Parfums is 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 10.8% annually over the next five years, due to strong earnings-per-share growth estimates of 6%, a 2.1% dividend yield, and a valuation multiple rerating that is expected to increase the share price by about 3% annually. 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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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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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.