Inter Parfums (IPAR)

Updated February 28th, 2023, by Derek English

Key Metrics

Current Price:	$120	**5-Year CAGR Estimate:**	6.9%	**Market Cap:**	$3.8 B
Fair Value Price:	$120	**5-Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/14/23
% Fair Value:	100%	**5-Year Valuation Multiple Estimate:**	0.0%	**Dividend Payment Date:**	03/31/23
Dividend Yield:	1.7%	**5-Year Price Target**	$153	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Inter Parfums (IPAR) is a company that manufactures and distributes fragrance products. The company was founded in 1982, and until 1999, the business was named "Jean Philippe Fragrances." Inter Parfums designs, manufactures, markets, and distributes fragrances and beauty products under various brand names. The company's brand portfolio includes some of the most well-known names in the fragrance industry, including Abercrombie & Fitch, Anna Sui, Coach, Dunhill, Jimmy Choo, Karl Lagerfeld, Montblanc, Oscar de la Renta, Paul Smith, Repetto, and Van Cleef & Arpels, among others. Inter Parfums has a global presence and distributes its products in over 100 countries worldwide. The company operates through a network of subsidiaries and licensees, and it has production facilities in France, the United States, and Spain. In addition to fragrances, Inter Parfums also offers other beauty products, such as body lotions, shower gels, and other skincare items under some of its brand names.

On February 28th, 2023, Inter Parfums reported full-year 2022 results for the period ending December 31st, 2022. The business saw diluted earnings-per-share of $3.40, representing a 37.4% year-over-year growth. Revenue rose 24% year-over-year to $1.08 billion, led by solid sales growth outside of North America, with 28% growth in Western Europe and 19% in Asia. IPAR's biggest market in North America grew by 22%, driven by a full year of Moncler, which launched in 2021. In addition, there was strong growth with other brands, including GUESS, which rose by 24%, Oscar de la Renta, which was up by 19%, Abercrombie & Fitch, which gained 28%, and Hollister, which was up by 16%. Management has raised guidance for the fiscal year 2023, estimating that net sales would be about $1.2 billion (up 10% year-over-year) and adjusted earnings-per-share would increase 6% year-over-year to about $4.00. The company has also announced a 25% quarterly dividend increase to $0.625 to be paid on March 31st, 2023.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$1.27	$0.95	$0.98	$1.10	$1.33	$1.71	$1.90	$1.21	$2.75	$3.78	***$4.00***	***$5.11***
DPS	$0.48	$0.48	$0.52	$0.62	$0.72	$0.91	$1.16	$0.33	$1.00	$2.00	***$2.50***	***$3.19***
Shares	31.0	31.0	31.0	31.0	31.0	31.0	32.0	32.0	32.0	31.9	***31.0***	***31.0***

Over the past nine years, Inter Parfums has grown earnings-per-share at 16.4% annually since 2013 and by 18.5% annually over the past five years. In 2023, we expect Inter Parfums to deliver $4.00 of earnings-per-share based on management's guidance. In addition, we forecast that earnings-per-share will grow at about 5% per year over the next five years, guiding our 2028 earnings-per-share estimate of $5.11.

Over the past nine years, dividends have grown by 17.2% annually, and over the past five years, dividend payments have increased by 22.4% annually due largely to payments doubling from 2021 to 2022. Over the next five years, we expect dividend growth to slow to about 5% per year, growing slightly slower than earnings-per-share. With the jump in payments from 2021 to 2022, the company is expected to pay around 60% of its 2023 earnings as dividends, a considerable increase from the 36% payout ratio in 2021. Therefore, we expect dividends to grow slower because the business now pays out a large chunk of its earnings to investors.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	23.1	31.8	29.5	27.6	28.6	31.8	36.7	41.5	27.6	25.7	***30.0***	***30.0***
Avg. Yld.	2.1%	2.3%	2.0%	1.6%	1.7%	2.1%	2.9%	3.1%	2.9%	2.9%	***1.7%***	***2.1%***

Over the past nine years, the stock has averaged a P/E ratio of 30.4; over the past five years, the business has averaged a P/E of 32.7. Over the intermediate term, we expect the stock to average a P/E of 30, which means that the company is fairly valued at the current multiple. Accordingly, we estimate a 5-year price target of $153. Today, the stock offers a 1.7% dividend yield, which could be low for investors who prioritize dividend income. However, investors might find the stock attract for its high dividend growth and strong brand presence as a leader in the fragrance market.

Safety, Quality, Competitive Advantage, & Recession Resiliency

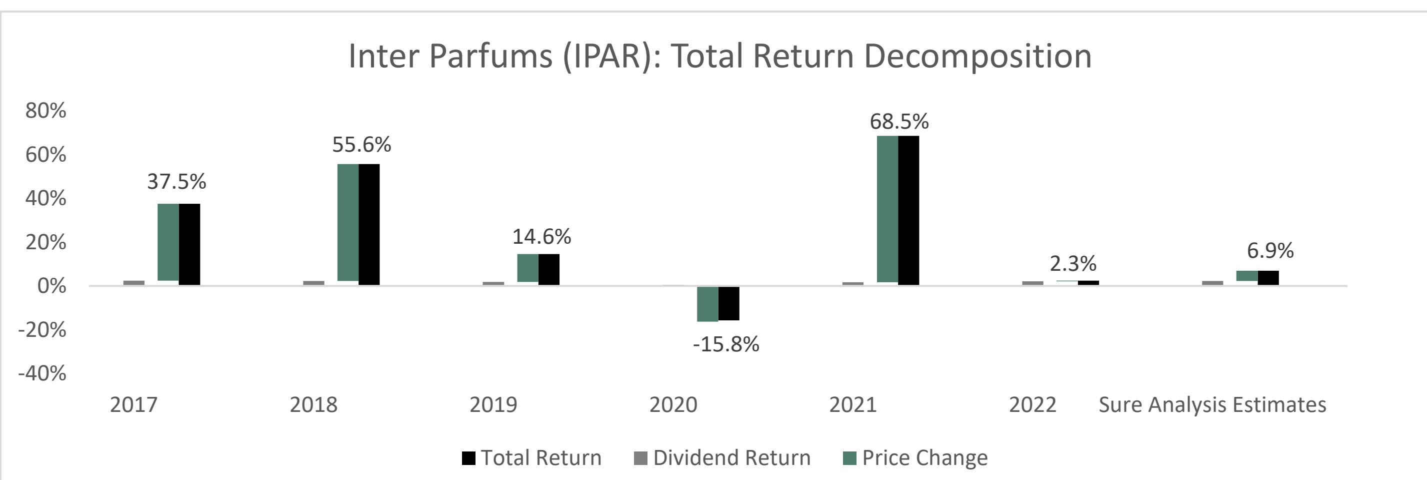
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	38%	51%	53%	56%	54%	53%	61%	27%	36%	53%	***63%***	***63%***

In the future, we expect Inter Parfums to continue to have 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 solid balance sheet, with current assets exceeding total liabilities. The business also has $104 million in cash & cash equivalents, which will end up being nearly two times greater than what the company will pay out in dividends for the fiscal year 2023. In addition, the business has a competitive advantage with exclusive licensing to sell products worldwide under top brands. Although the company saw a dividend cut in 2020, the company has a strong balance sheet and a lot of cash.

Final Thoughts & Recommendation

Inter Parfums is a business with exclusive licensing to sell perfume under top fashion brands worldwide. We rate the stock as a hold at today's price because total return prospects come in at 6.9% annually over the next five years. This is due to earnings-per-share growth estimates of 5% and a 1.7% dividend yield. While this stock might not be attractive for income investors due to the yield, growth investors might be interested in it for its 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.