Inter Parfums (IPAR)

Updated February 29th, 2024, by Derek English

Key Metrics

Current Price:	$147	**5-Year CAGR Estimate:**	7.9%	**Market Cap:**	$4.64 B
Fair Value Price:	$155	**5-Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/14/24
% Fair Value:	95%	**5-Year Valuation Multiple Estimate:**	1.0%	**Dividend Payment Date:**	03/29/24
Dividend Yield:	2.0%	**5-Year Price Target**	$197	**Years Of Dividend Growth:**	4
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 27th, 2024, Inter Parfums reported FY 2023 results. The company's operating income rose 29% to $251 million compared to 2022, with net income increasing by 26% to $153 million. Diluted earnings per share also grew from $3.78 to $4.75 compared to the same period in the previous year despite a $3.1 million tax assessment stemming from a tax audit. Revenue rose 21% year-over-year to $1,318 million, led by strong United states based product sales, which grew 22%. Western Europe grew 21%, driven by Coach, Jimmy Choo, and Montblanc, which drove over $200 million in sales for the first time. Additionally, GUESS, the fourth largest brand, experienced a substantial 23% sales growth.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$0.95	$0.98	$1.10	$1.33	$1.71	$1.90	$1.21	$2.75	$3.78	$4.75	***$5.15***	***$6.57***
DPS	$0.48	$0.52	$0.62	$0.72	$0.91	$1.16	$0.33	$1.00	$2.00	$2.50	***$3.00***	***$3.83***
Shares[1]	31.0	31.0	31.0	31.0	31.0	32.0	32.0	32.0	31.9	31.9	***31.0***	***31.0***

Over the past decade, Inter Parfums has grown earnings-per-share at 21.3% annually since 2014 and by 22.1% annually over the past five years. We expect Inter Parfums to deliver $5.15 of earnings-per-share based on management's 2024 guidance. In addition, we forecast that earnings-per-share will grow at about 5% per year over the next five years, guiding our 2029 earnings-per-share estimate of $6.57.

Over the past 10 years, dividends have grown by 20.1% annually, and over the past five years, dividend payments have increased by 20.9% annually, due mainly to payments doubling from 2021 to 2022. Management have also announced a 20% increase in 2024 to $3 per share. 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.

[1] In millions.

Inter Parfums (IPAR)

Updated February 29th, 2024, by Derek English

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	23.1	31.8	29.5	27.6	28.6	31.8	36.7	41.5	27.6	20.4	***28.5***	***30.0***
Avg. Yld.	2.1%	2.3%	2.0%	1.6%	1.7%	2.1%	2.9%	3.1%	2.9%	2.9%	***2.0%***	***1.9%***

Over the past decade the stock has averaged a P/E ratio of 29.9; over the past five years, the stock has averaged a P/E of 31.6. Over the intermediate term, we expect the stock to average a P/E of 30, which means that shares are slightly undervalued at the current multiple. We have set a fair value price of $155 and we estimate a five-year price target of $197. Today, the stock offers a 2% dividend yield, which could be low for investors prioritizing income. However, investors might find the stock attractive for its high dividend growth and strong brand presence as a leader in the fragrance market.

Safety, Quality, Competitive Advantage, & Recession Resiliency

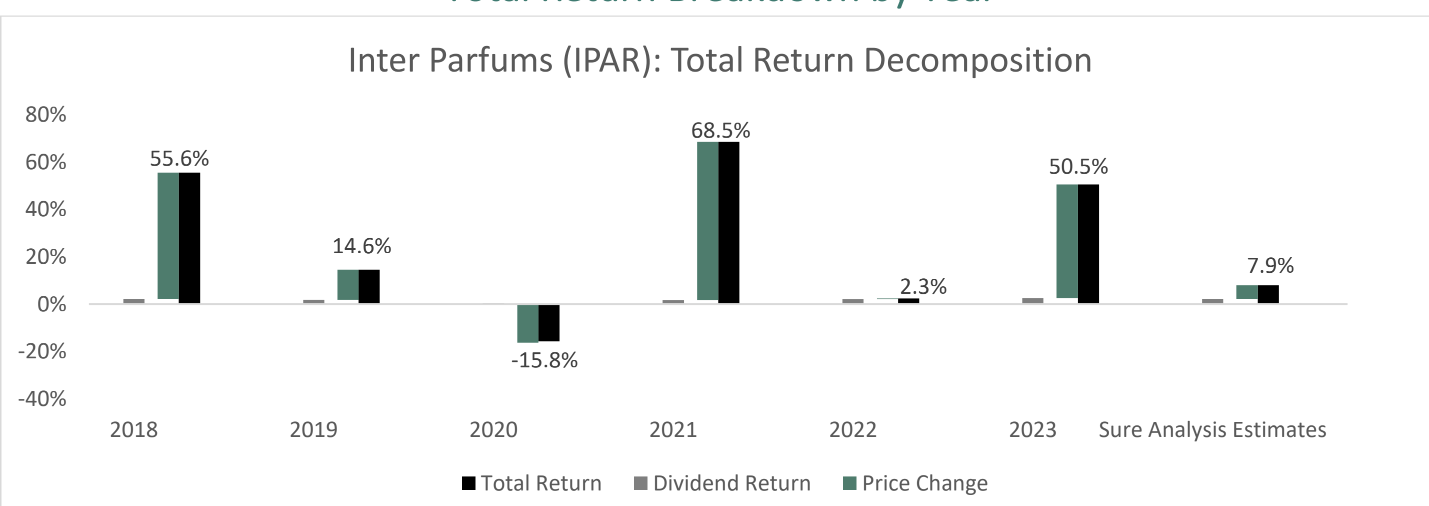
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	51%	53%	56%	54%	53%	61%	27%	36%	53%	53%	***58%***	***58%***

In the future, we expect Inter Parfums to continue to have a ~58% 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 is greater than what the company will pay out in dividends for the fiscal year 2024. In addition, the business has a competitive advantage with exclusive licensing to sell products worldwide under top brands.

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 7.9% annually over the next five years. This is due to earnings-per-share growth estimates of 5%, the 2% dividend yield, and a slight valuation tailwind. 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



Click here to rate and review this research report. Your feedback is important to us.

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.

Inter Parfums (IPAR)

Updated February 29th, 2024, by Derek English

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	564	499	469	521	591	676	714	539	880	1087
Gross Profit	329	287	289	326	376	428	446	331	557	694
Gross Margin	58.3%	57.5%	61.8%	62.7%	63.6%	63.3%	62.5%	61.4%	63.3%	63.8%
SG&A Exp.	250	234	228	259	296	333	341	261	406	492
D&A Exp.	11	10	9	15	12	11	9	9	13	23
Operating Profit	79	53	61	68	81	95	105	70	150	202
Op. Margin	14.0%	10.7%	13.1%	13.0%	13.7%	14.0%	14.7%	13.0%	17.1%	18.6%
Net Profit	39	29	30	33	42	54	60	38	87	121
Net Margin	7.0%	5.9%	6.5%	6.4%	7.0%	8.0%	8.4%	7.1%	9.9%	11.1%
Free Cash Flow	36	32	(74)	49	32	51	65	53	(23)	(17)
Income Tax	30	19	22	24	23	26	29	19	41	43

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	664	605	688	682	778	798	829	890	1,145	1309
Cash & Equivalents	126	90	177	162	208	193	133	170	160	105
Acc. Receivable	80	90	95	105	121	133	133	124	159	198
Inventories	117	102	98	97	137	162	168	159	199	290
Goodwill & Int.	116	99	201	184	200	204	202	214	214	291
Total Liabilities	129	106	211	199	207	212	220	188	407	520
Accounts Payable	57	47	51	50	53	58	54	36	82	88
Long-Term Debt	6	0	99	75	61	46	23	25	149	180
Total Equity	407	382	366	370	433	448	468	536	572	617
LTD/E Ratio	0.02	0.00	0.27	0.20	0.14	0.10	0.05	0.05	0.26	0.29

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	5.5%	4.6%	4.7%	4.9%	5.7%	6.8%	7.4%	4.4%	8.6%	9.9%
Return on Equity	9.9%	7.5%	8.1%	9.1%	10.4%	12.2%	13.2%	7.6%	15.8%	20.4%
ROIC	7.3%	5.7%	5.7%	5.9%	7.0%	8.5%	9.5%	5.6%	10.8%	13.0%
Shares Out.	31	31	31	31	31	31	32	32	32	32
Revenue/Share	18.21	16.07	15.07	16.71	18.89	21.43	22.52	17.03	27.63	33.97
FCF/Share	1.18	1.04	(2.38)	1.57	1.02	1.60	2.05	1.67	(0.73)	(0.55)

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