Inter Parfums (IPAR)

Updated May 10th, 2024, by Derek English

Key Metrics

Current Price:	$120	**5-Year CAGR Estimate:**	12.3%	**Market Cap:**	$3.79 B
Fair Value Price:	$155	**5-Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	06/14/24
% Fair Value:	78%	**5-Year Valuation Multiple Estimate:**	5.2%	**Dividend Payment Date:**	06/28/24
Dividend Yield:	2.5%	**5-Year Price Target**	$197	**Years Of Dividend Growth:**	4
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 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 May 7th, 2024, Inter Parfums reported Q1 2024 results. The company's operating income declined 25% to $60 million compared to 2023, with net income decreasing by 24% to $41 million. Diluted earnings per share shrunk from $1.68 to $1.27 compared to the same period in the previous year. The decline has been attributed to the introduction of new products leading to distributors destocking inventories. Europe was the stand out performer with a sales increase of 10%, however Eastern Europe saw a 22% decline due to a delay in shipments. North America, IPARs largest market, posted a 3% decline. GUESS, IPARs fourth largest brand, achieved the greatest sales gains and grew 21% for the year. While it has been a difficult start to the quarter, it is not uncommon for sales to drop during launches. To combat this IPAR are spending more on promotional activites to drive a sell out of previous stock before releasing the fragrances.

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 reaffirmed 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.

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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	***23.3***	***30.0***
Avg. Yld.	2.1%	2.3%	2.0%	1.6%	1.7%	2.1%	2.9%	3.1%	2.9%	2.9%	***2.5%***	***1.9%***

Over the past decade the stock has averaged a P/E ratio of 29.9 and over the past five years, the average a P/E is 31.6. Over the intermediate term, we expect the stock to average a P/E of 30, which means that shares are 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 2.5% 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

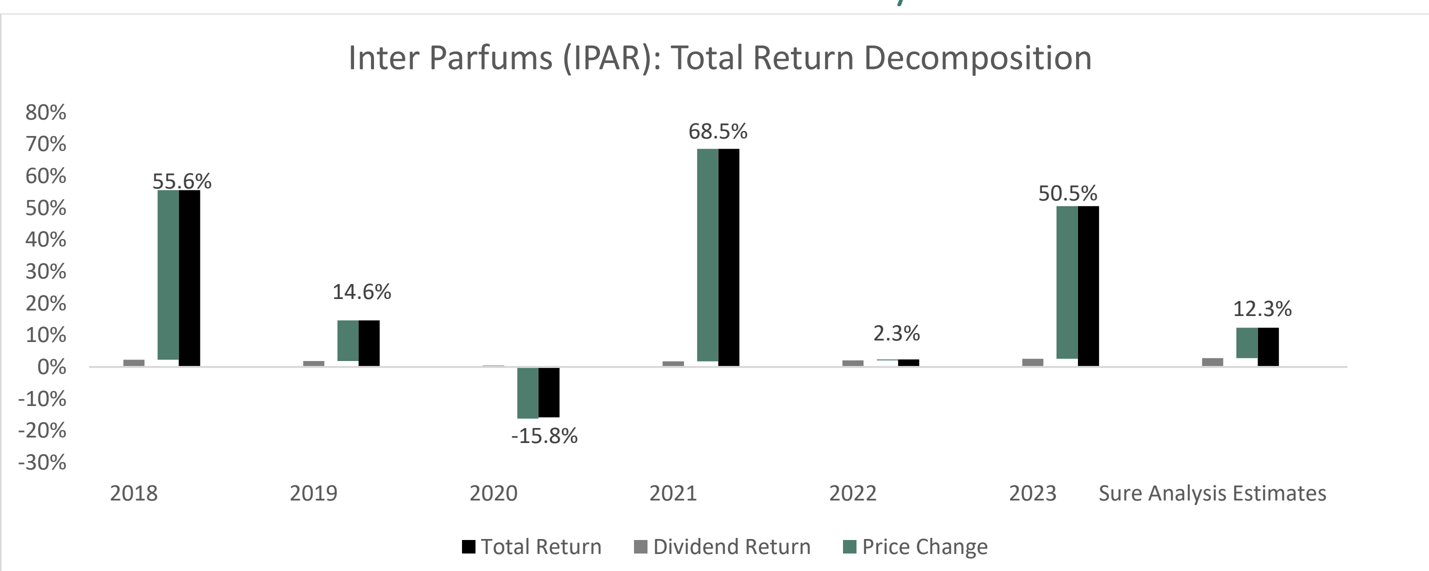
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	51%	53%	56%	54%	53%	61%	27%	36%	53%	53%	***58%***	***58%***

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 buy at today's price because total return prospects come in at 12.3% annually over the next five years. This is due to earnings-per-share growth estimates of 5%, the 2% dividend yield, and a 5.2% valuation tailwind. Investors might be interested IPAR it for its exclusive licensing, market-leading position in the fragrance industry, and total return potential.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	499	469	521	591	676	714	539	880	1087	1318
Gross Profit	287	289	326	376	428	446	331	557	694	839
Gross Margin	57.5%	61.8%	62.7%	63.6%	63.3%	62.5%	61.4%	63.3%	63.8%	63.7%
SG&A Exp.	234	228	259	296	333	341	261	406	492	588
D&A Exp.	10	9	15	12	11	9	9	13	23	17
Operating Profit	53	61	68	81	95	105	70	150	202	251
Op. Margin	10.7%	13.1%	13.0%	13.7%	14.0%	14.7%	13.0%	17.1%	18.6%	19.0%
Net Profit	29	30	33	42	54	60	38	87	121	153
Net Margin	5.9%	6.5%	6.4%	7.0%	8.0%	8.4%	7.1%	9.9%	11.1%	11.6%
Free Cash Flow	32	(74)	49	32	51	65	53	(23)	(17)	52
Income Tax	19	22	24	23	26	29	19	41	43	62

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	605	688	682	778	798	829	890	1,145	1309	1369
Cash & Equivalents	90	177	162	208	193	133	170	160	105	88
Acc. Receivable	90	95	105	121	133	133	124	159	198	247
Inventories	102	98	97	137	162	168	159	199	290	372
Goodwill & Int.	99	201	184	200	204	202	214	214	291	296
Total Liabilities	106	211	199	207	212	220	188	407	520	477
Accounts Payable	47	51	50	53	58	54	36	82	88	97
Long-Term Debt	0	99	75	61	46	23	25	149	180	162
Total Equity	382	366	370	433	448	468	536	572	617	699
LTD/E Ratio	0.00	0.27	0.20	0.14	0.10	0.05	0.05	0.26	0.29	0.23

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.6%	4.7%	4.9%	5.7%	6.8%	7.4%	4.4%	8.6%	9.9%	11.4%
Return on Equity	7.5%	8.1%	9.1%	10.4%	12.2%	13.2%	7.6%	15.8%	20.4%	18.2%
ROIC	5.7%	5.7%	5.9%	7.0%	8.5%	9.5%	5.6%	10.8%	13.0%	15.1%
Shares Out.	31	31	31	31	31	32	32	32	32	32
Revenue/Share	16.07	15.07	16.71	18.89	21.43	22.52	17.03	27.63	33.97	41.00
FCF/Share	1.04	(2.38)	1.57	1.02	1.60	2.05	1.67	(0.73)	(0.55)	1.63

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