

## Inter Parfums, Inc. (IPAR)

**\$72.51** (As of 01/02/20)

Price Target (6-12 Months): **\$62.00**

Long Term: 6-12 Months | **Zacks Recommendation:** **Underperform**  
(Since: 01/01/20)  
Prior Recommendation: Neutral

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Short Term: 1-3 Months | **Zacks Rank:** (1-5) **5-Strong Sell**  
Zacks Style Scores: VGM:C  
Value: F | Growth: A | Momentum: A

### Summary

Inter Parfums' shares have lagged the industry in the past year. The company has been battling higher SG&A expenses for a while now. During the third-quarter 2019, SG&A expenses rose 4.9% year on year caused by greater sales of licensed products. Also, Inter Parfums has significant currency risk exposure. In fact, foreign currency headwinds had an impact of \$0.1 million on the company's third-quarter performance. Moreover, stiff competition in the cosmetics and beauty segment remains a concern. Nevertheless, strength in the U.S. and European-based operations supported the top line, which grew year-over-year during the third quarter. Notably, the company has been focused on brand enhancement initiatives, and is on track with new product launches. Also, a strong cash position has been favoring Inter Parfums.

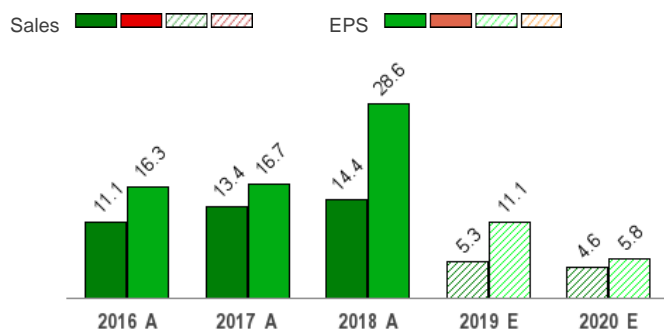
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	<b>\$81.40 - \$58.50</b>
20 Day Average Volume (sh)	<b>89,922</b>
Market Cap	<b>\$2.3 B</b>
YTD Price Change	<b>-0.3%</b>
Beta	<b>0.87</b>
Dividend / Div Yld	<b>\$1.32 / 1.8%</b>
Industry	<b><a href="#">Cosmetics</a></b>
Zacks Industry Rank	<b>Bottom 27% (185 out of 253)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>-1.5%</b>
Last Sales Surprise	<b>0.0%</b>
EPS F1 Est- 4 week change	<b>0.7%</b>
Expected Report Date	<b>03/02/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>38.0</b>
P/E F1	<b>36.1</b>
PEG F1	<b>2.9</b>
P/S TTM	<b>3.2</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	185 E	168 E	204 E	188 E	745 E
2019	178 A	166 A	191 A	176 E	712 E
2018	172 A	149 A	177 A	177 A	676 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.63 E	\$0.40 E	\$0.70 E	\$0.29 E	\$2.01 E
2019	\$0.60 A	\$0.39 A	\$0.66 A	\$0.26 E	\$1.90 E
2018	\$0.51 A	\$0.35 A	\$0.60 A	\$0.26 A	\$1.71 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/02/2020. The reports text is as of 01/03/2020.

## Overview

Inter Parfums, Inc. is engaged in the manufacturing, distribution and marketing of a wide range of fragrances and related products. Organized as per the laws of the State of Delaware in May 1985, the company was formerly known as Jean Philippe Fragrances, Inc. In July 1999, the company changed its name to Inter Parfums, Inc.

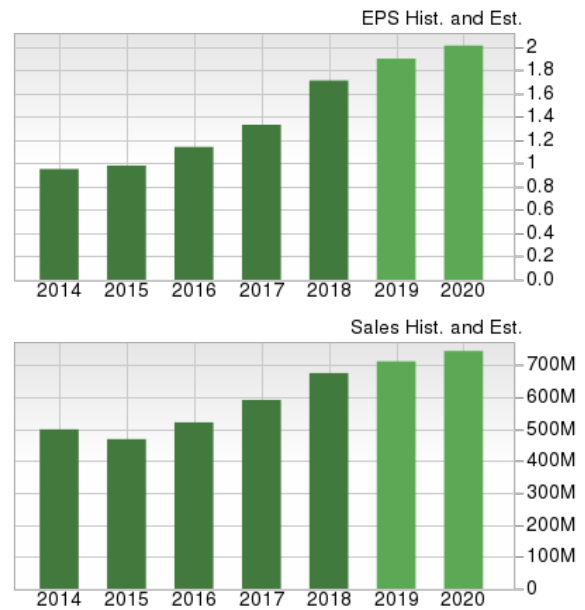
The company manages its business through two operational units — European-based operations and United States-based operations. In context with the European unit, the company produces and distributes products through license agreements with other brands. Certain prestige fragrance products of the company are marketed by its owned subsidiary in Paris, Interparfums SA.

Some of the well-known brands of the company in the European unit are Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont and Van Cleef & Arpels. Markedly, sales through European operations contributed nearly 80% to net sales in 2018.

Additionally, products sold and marketed under the United States operations unit are either owned by the company or through licensing agreements. The unit contributed nearly 20% to the company's sales in 2018. Some of the established brands in this category are Abercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, Hollister, French Connection, Graff, GUESS, Lily Aldridge and Oscar de la Renta.

It is important to note that the company does not own any manufacturing facilities. Inter Parfums acts as a general contractor by sourcing the required components from suppliers. The components are assembled at distribution centers, which are then sent to third-party fillers. The third-party fillers manufacture the finished products for Inter Parfums and deliver the same to distribution centers.

The company sells its products mainly through department stores, specialty stores, perfumeries, domestic and international wholesalers, and distributors.



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## Reasons To Sell:

- ▼ **Rising Expenses Are a Worry:** Inter Parfums' rising selling, general and administrative expenses are a concern. During the third quarter of 2019, SG&A expenses rose 4.9% year on year. This was primarily caused by greater sales of licensed products. . Earlier, management stated that it expects expenses related to promotion and advertising programs to amount to \$150 million for 2019. Such factors may exert pressure on the company's bottom line. Shares of Inter Parfums have improved 13.7% in the past year compared with the industry's rise of 50.3%.
- ▼ **Currency headwinds:** A significant share of Inter Parfums' revenues are sourced from international markets, thereby exposing the company to significant currency risks. In fact, foreign currency headwinds had an adverse impact of \$0.1 million in the company's third-quarter 2019 performance. Volatility in currency movements remains a threat to the company.
- ▼ **Stiff Competition:** The cosmetics and beauty segment is rife with competition, thanks to the existence of strong peers as well as abundant product alternatives. Cheaper alternatives may hinder customers' loyalty and impact sales.
- ▼ **Change in Customer Preference:** A major concern with consumer-driven industries, like cosmetics, is changing consumer trends. Hence, failure to stay up to date on product mix by consistently searching for new products and anchoring new supplier agreements may lead to obsolescence.

Continued rise of SG&A expenses and adverse impacts from currency fluctuations are a threat for the company.

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## Risks

- **Impressive Q3 Results:** The company has been benefitting from a solid earnings track record. Earnings have been rising year on year for a year now. During the third quarter, the company's earnings came in at 66 cents per share, up 10% year on year. Bottom-line performance in the quarter was backed by rise in sales. Third-quarter net sales rose 7.9%, driven by growth across the European and U.S. operations. Further, gross profit amounted to \$114.4 million, up nearly 5% year on year.
- **Growth in European Operations:** A major portion of Inter Parfums' net sales are generated from European-based operations unit. During the third quarter, the segment contributed nearly 75% to the top line. Strong brands such as Montblanc, Coach and Lanvin have been key catalysts. During the quarter, the region registered sales growth of nearly 4.2% year on year. Additionally, the segment partially benefited from year-over-year contraction in SG&A expenses, as a percentage of sales. Strong brands and effective launches are likely to keep boosting the segment in the forthcoming periods.
- **Strong Brands & Effective Product Launches:** Inter Parfums' strong brand portfolio is one of its primary growth drivers. The company's Prestige brands have been doing well and supported performance of the company during the third quarter of 2019. In fact, the GUESS? Brand has been gaining traction outside the United States in countries like India, Indonesia, Malaysia and Poland. Moreover, the company plans to launch GUESS? brand in China sometime in 2020.

Further, the company focused on making product launches under different brand banners. To this end, the company plans to launch a Jimmy Choo product in the second half of the year. Additionally, the company has two women's fragrance launches lined up for Montblanc and Coach brands for 2020.

- **Healthy Financial Status:** A strong cash position has been working in favor of Inter Parfums, helping it to further expand brand offerings and license agreements. The company ended third-quarter 2019 with working capital of \$375 million, including cash and cash equivalents of nearly \$192 million. Moreover, it has a working capital ratio of more of 3.2:1. Such financial flexibility is likely to continue favoring the company growth. Also, the financial flexibility has helped Inter Parfums to make regular dividend payments and thereby boost shareholders' returns. Notably, the company raised its quarterly dividend for the third-quarter from 27.5 cents to 33 cents.
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## Last Earnings Report

### Inter Parfums Misses on Q3 Earnings, Raises View

Inter Parfums, Inc. delivered lower than-expected earnings when it reported third-quarter 2019 results. Nevertheless, the top and the bottom line rose year on year. Sturdy brand performances across the European and U.S. operations fueled results. Further, the company raised its earnings view for 2019 and authorized a hike in quarterly dividend rate.

Consistent growth across the company's operational segments, backed by the presence of strong brands has been working in favor of stock.

Quarter Ending **09/2019**

Report Date	Nov 05, 2019
Sales Surprise	0.01%
EPS Surprise	-1.49%
Quarterly EPS	0.66
Annual EPS (TTM)	1.91

### Quarter in Details

The company posted earnings per share of 66 cents, which fell short of the Zacks Consensus Estimate by a penny. The bottom line rose 10% year on year.

Net sales for the quarter amounted to \$191.23 million, up 7.9% on a year-over-year basis. At comparable currency exchange rates, net sales improved 9.7%. Growth across the European and U.S. operations boosted sales in the reported quarter.

In U.S. based operations, net sales increased 20.7% to \$47.6 million. The GUESS?brand continues to be one of the key growth catalysts in this unit. Other brand banners depicting growth include The Oscar de La Renta, Abercrombie & Fitch, Hollister and Anna Sui.

Net sales in the European-based operations amounted to \$143.6, up 4.2% year on year. Strong growth across brands such as Montblanc, Coach and Jimmy Choo have been supporting the unit's growth.

Gross profit amounted to \$114.4 million, up nearly 5% year on year. However, gross margin was 59.8%, down 180 bps.

SG&A expenses amounted to \$77.8 million, up 4.9% year on year. As a percentage of net sales, SG&A expenses were 40.7%. The metric declined from 41.9% in the prior-year quarter.

Operating income came in at \$36.6 million, up 4.8% year on year. Operating margin was 19.2%, down 50 bps.

### Dividend Raise

The company raised its quarterly dividend from 27.5 cents to 33 cents. The dividend will be paid out on Jan 15, 2020 to shareholders on record as on Dec 31, 2019.

### Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$138.4 million, long-term debt (excluding current portion) of \$10.6 million and total shareholder equity of \$ 593.4 million. Inter Parfums closed the quarter with working capital of \$375 million and working capital ratio of more than 3.2 to 1.

### Guidance

The company continues to expect net sales for 2019 at \$712 million. Additionally, the company raised its bottom-line expectations. It now projects earnings to be \$1.90 compared with \$1.88 anticipated earlier.

Management plans to release the initial guidance for 2020 on Nov 20, 2019.

## Recent News

### Inter Parfums Offers Initial View for 2020 – Nov 20, 2019

Inter Parfums issued initial guidance for 2020, wherein net sales are expected to be roughly \$742 million, which reflects growth of 4.2% from expected sales of \$712 million in 2019. On a constant-currency basis, net sales are likely to rise 4.9%. Further, earnings per share is envisioned to be nearly \$2.00 – indicating a rise of 5.3% from \$1.90 per share guided for 2019.

Management expects sales growth to be buoyed by fragrance launches at key brands, higher sales from new licenses, brand expansions and continued strength at existing fragrances. However, the company anticipates headwinds stemming from challenges in Hong Kong, Brexit-related concerns, impacts from tariffs, volatile currency movements and alterations to the company's launch agenda.

### Inter Parfums Inks Licensing Deal With MCM – Nov 19, 2019

Inter Parfums entered into a worldwide licensing deal with MCM (a German luxury fashion house) for the production, development and distribution of fragrances under the MCM brand. The deal is expected to last for 10 years.

## Valuation

Inter Parfums shares are up 13.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 50.3% and 18% in the past year, respectively.

The S&P 500 index is up 26.3% in the past year.

The stock is currently trading at 38.15X forward 12-month earnings, which compares to 32.61X for the Zacks sub-industry, 20.22X for the Zacks sector and 19.06X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.19X and as low as 18.58X, with a 5-year median of 29.68X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$62 price target reflects 32.62X forward 12-month sales.

The table below shows summary valuation data for IPAR

Valuation Multiples - IPAR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	38.15	32.61	20.22	19.06
	5-Year High	42.19	32.61	22.39	19.34
	5-Year Low	18.58	18.69	16.65	15.17
	5-Year Median	29.68	23.95	19.74	17.44
P/S F12M	Current	3.2	3.43	9.83	3.46
	5-Year High	3.45	3.43	11.03	3.46
	5-Year Low	1.29	1.45	8.02	2.54
	5-Year Median	2.09	2.16	9.79	3
EV/EBITDA F12M	Current	17.22	21.22	34.11	12.66
	5-Year High	18.94	21.23	36.97	12.66
	5-Year Low	6.01	9.36	29.14	9.08
	5-Year Median	11.6	15.44	33.26	10.78

As of 01/02/2020

## Industry Analysis Zacks Industry Rank: Bottom 27% (185 out of 253)



## Top Peers

Avon Products, Inc. (AVP)	Outperform
e.l.f. Beauty Inc. (ELF)	Outperform
Helen of Troy Limited (HELE)	Outperform
Coty Inc. (COTY)	Neutral
The Estee Lauder Companies Inc. (EL)	Neutral
MANDOM CORP (MDOMF)	Neutral
Revlon, Inc. (REV)	Neutral
Nu Skin Enterprises, Inc. (NUS)	Underperform

Industry Comparison Industry: Cosmetics				Industry Peers		
	IPAR Underperform	X Industry	S&P 500	EL Neutral	HELE Outperform	NUS Underperform
<b>VGM Score</b>	<b>C</b>	-	-	<b>F</b>	<b>C</b>	<b>B</b>
Market Cap	2.28 B	1.72 B	23.76 B	74.21 B	4.61 B	2.25 B
# of Analysts	4	3	13	10	2	5
Dividend Yield	1.82%	0.00%	1.78%	0.93%	0.00%	3.66%
<b>Value Score</b>	<b>F</b>	-	-	<b>F</b>	<b>D</b>	<b>A</b>
Cash/Price	0.08	0.05	0.04	0.03	0.00	0.15
EV/EBITDA	19.42	19.42	13.97	25.75	21.41	7.73
PEG Ratio	2.87	2.89	2.02	2.70	2.31	1.33
Price/Book (P/B)	3.84	3.26	3.38	16.32	4.23	2.66
Price/Cash Flow (P/CF)	35.05	28.15	13.70	29.39	21.10	7.95
P/E (F1)	35.93	28.22	18.83	34.57	21.11	12.27
Price/Sales (P/S)	3.20	1.66	2.68	4.87	2.87	0.89
Earnings Yield	2.77%	3.20%	5.30%	2.89%	4.74%	8.14%
Debt/Equity	0.06	0.19	0.72	1.15	0.31	0.50
Cash Flow (\$/share)	2.07	1.62	6.94	7.02	8.69	5.09
<b>Growth Score</b>	<b>A</b>	-	-	<b>D</b>	<b>D</b>	<b>C</b>
Hist. EPS Growth (3-5 yrs)	17.82%	3.24%	10.56%	15.21%	8.19%	3.24%
Proj. EPS Growth (F1/F0)	5.93%	9.21%	7.41%	11.72%	7.75%	5.98%
Curr. Cash Flow Growth	21.15%	-2.37%	14.83%	13.88%	1.79%	13.27%
Hist. Cash Flow Growth (3-5 yrs)	5.20%	8.16%	9.00%	9.29%	8.28%	-6.76%
Current Ratio	3.24	1.53	1.23	1.53	2.24	2.01
Debt/Capital	5.69%	33.32%	42.92%	53.43%	23.92%	33.32%
Net Margin	8.43%	2.66%	11.08%	12.34%	10.80%	4.59%
Return on Equity	10.15%	10.15%	17.10%	46.14%	18.80%	23.52%
Sales/Assets	0.88	1.03	0.55	1.12	0.94	1.44
Proj. Sales Growth (F1/F0)	4.56%	3.71%	4.20%	7.98%	1.29%	1.89%
<b>Momentum Score</b>	<b>A</b>	-	-	<b>C</b>	<b>A</b>	<b>B</b>
Daily Price Chg	-0.28%	0.00%	0.33%	-0.14%	1.97%	-1.34%
1 Week Price Chg	0.50%	0.00%	0.13%	0.53%	1.09%	-0.64%
4 Week Price Chg	1.33%	0.74%	3.31%	5.07%	12.54%	7.24%
12 Week Price Chg	4.32%	-0.17%	9.70%	8.74%	18.80%	-1.65%
52 Week Price Chg	13.44%	-4.98%	30.28%	64.11%	42.86%	-32.15%
20 Day Average Volume	89,922	28,731	1,603,615	1,064,585	141,041	347,776
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.67%	0.00%	0.00%	0.08%	5.71%	0.00%
(F1) EPS Est 12 week change	-8.22%	-0.53%	-0.57%	-0.53%	7.85%	-4.13%
(Q1) EPS Est Mthly Chg	-2.59%	0.00%	0.00%	0.00%	NA	0.00%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	A
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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