

Inter Parfums, Inc. (IPAR)

\$43.24 (As of 08/19/20)

Price Target (6-12 Months): **\$45.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/22/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: A

Summary

Shares of Inter Parfums have underperformed the industry on a year-to-date basis. The company's top line is bearing the brunt of coronavirus-induced hurdles. The metric plunged 70.2% year over year in the second quarter of 2020 thanks to retail outlet closures amid the coronavirus outbreak. Also, Inter Parfums continues to witness sluggishness in its travel retail business amid the coronavirus pandemic. Apart from these, the company is battling strained gross margins in the past few quarters. Nevertheless, stores have been reopening in various markets since May as restrictions imposed to check the spread of coronavirus are being lifted. Also, the company is optimistic about its recent strategic partnerships with Origines-parfums and Moncler SpA. Moreover, Inter Parfums focus on making product launches under different brand banners bodes well.

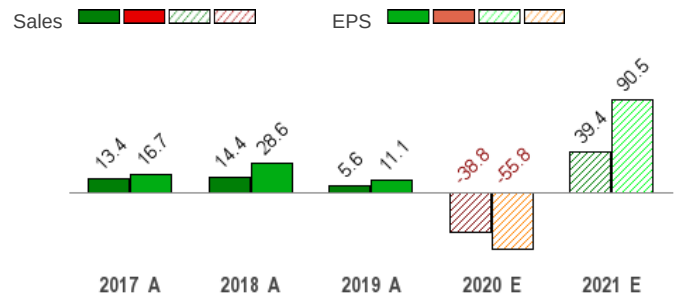
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$81.40 - \$34.20
20 Day Average Volume (sh)	147,971
Market Cap	\$1.4 B
YTD Price Change	-40.5%
Beta	0.83
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Cosmetics
Zacks Industry Rank	Top 44% (110 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	37.5%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	34.0%
Expected Report Date	11/03/2020
Earnings ESP	0.0%
P/E TTM	37.9
P/E F1	51.5
PEG F1	4.1
P/S TTM	2.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	139 E	132 E	171 E	167 E	609 E
2020	145 A	50 A	113 E	129 E	437 E
2019	178 A	166 A	191 A	178 A	714 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.42 E	\$0.30 E	\$0.54 E	\$0.30 E	\$1.60 E
2020	\$0.32 A	-\$0.10 A	\$0.32 E	\$0.25 E	\$0.84 E
2019	\$0.60 A	\$0.39 A	\$0.66 A	\$0.26 A	\$1.90 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 08/19/2020. The reports text is as of 08/20/2020.

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.

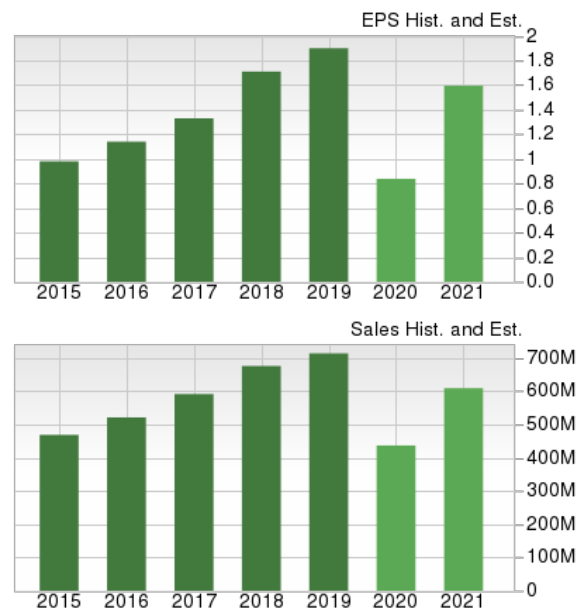
The company manages its business through two operational units — European-based operations and United States-based operations. In context with the European unit, the company produces and distributes products through license agreements with other brands. Certain prestige fragrance products of the company 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.



Reasons To Buy:

▲ **Effective Product Launches:** Inter Parfums strong brand portfolio is one of its primary growth drivers. The company has been focused on making product launches under different brand banners. Inter Parfums' is optimistic about its robust product pipeline for 2021. In this regard, its scents for the MCM and Kate Spade New York brands are scheduled to be launched in 2021. The company also plans to launch several programs under Jimmy Choo and GUESS brands in 2021. Further, management expects to launch its first collection under Moncler during the first quarter of 2022.

Inter Parfums is optimistic about its recent strategic partnerships with Origines-parfums and Moncler SpA.

▲ **Strategic Partnership Holds Key to Growth:** Inter Parfums is optimistic about its recent strategic partnerships with Origines-parfums as well as Moncler SpA. Interparfums SA, a subsidiary of Inter Parfums, recently signed an agreement with renowned luxury brand, Moncler SpA. The deal gives Inter Parfums rights to fragrance-related items in Moncler monobrand stores along with few other specialty shops, department stores and duty-free shops. In fact, the products are expected to debut in these stores by the first quarter of 2022.

Apart from this, Inter Parfums' subsidiary recently inked a deal to acquire 25% of Divabox's capital. Notably, Divabox is the owner of Origines-parfums, which is a renowned French company in the online beauty market. The deal is likely to enhance Inter Parfums' fragrance line and product range alongside pushing its digital development, courtesy of Origines-parfums' solid customer expertise.

▲ **Store Reopening on Track:** Stores in various markets have been reopening since May as restrictions imposed to check the spread of coronavirus are being lifted. Moreover, the company earlier stated that it has been witnessing sales improvement in these reopened stores compared with drab sales in April.

Reasons To Sell:

▼ **COVID-19 Hurts Top-Line:** Inter Parfums' top line is bearing the brunt of coronavirus-induced hurdles. During second-quarter 2020, net sales declined 70.2% on a year-over-year basis to \$49.5 million. At comparable-currency exchange rates, the metric slumped 69.8%. Net sales declined across both U.S. and Europe-based operations. In U.S.-based operations, net sales fell 75.2% to \$10.1 million. The metric slumped 68.6% to \$39.4 million in the Europe-based operations. The downside was caused by coronavirus-induced retail outlet closures in many parts of the world. Also, Inter Parfums witnessed sluggishness in its travel retail segment.

Coronavirus-led store closures hurt the company's performance in second-quarter 2020.

During the first half of 2020, the company's net sales slumped 43.6% compared with year-ago period's levels to \$194.3 million. Notably, its two largest brands Montblanc and Jimmy Choo saw sales decline of 50.8% and 43.6%, respectively. The downside was caused by adverse impacts of the coronavirus outbreak. Also, Coach and GUESS brands' sales fell of 21.3% and 21%, respectively in the year-to-date period. We note that, shares of Inter Parfums have lost 40.2% year to date compared with the industry's decline of 25%.

▼ **Strained Gross Margin:** Inter Parfums has been witnessing strained gross margin for a while now. In the second quarter of 2020, gross profit amounted to \$26.8 million, down 75% year on year. Further, gross margin was 54.2%, significantly down from 64.4% posted in the year ago quarter. Prior to this, gross margin was 61.5%, down 10 basis points in the first quarter. We believe that, persistence of this trend may continue to exert pressure on the company's performance in the future.

▼ **Debt Analysis:** Inter Parfums' long-term debt (including lease liabilities) of \$42 million as Jun 30, 2020 increased 24.6%% on a sequential basis. Further, at the end of the second quarter of 2020 the company's debt-to-capitalization ratio of 0.08 stood higher than the previous quarter's ratio of 0.07. Moreover, the company's times-interest-earned ratio (as of the second-quarter end) stands at 24.2, which is lower than the preceding quarter's figure of 36.5. Incidentally, the times-interest-earned ratio is very important for companies, as it measures a company's ability to meet its debt obligations based on its current income.

Last Earnings Report

Inter Parfums Posts Narrower-Than-Expected Q2 Loss

Inter Parfums delivered second-quarter 2020 results, with the top and the bottom line declining year over year. Results were hampered as operations were hurt by the pandemic-led hurdles.

During the first half of 2020, the company's net sales slumped 43.6% compared with year-ago period's levels to \$194.3 million. Notably, the company's two largest brands Montblanc and Jimmy Choo saw sales decline of 50.8% and 43.6%, respectively. The downside can be attributed to adverse impacts of the coronavirus outbreak. Also, Coach and GUESS brands witnessed sales decline of 21.3% and 21%, respectively in the year-to-date period.

Region wise, net sales in North America, Western Europe, Asia, Middle East and Eastern Europe declined 38.9%, 34.0%, 53.8%, 57.4% and 56.2%, respectively, during the first half of 2020. Notably, coronavirus-induced travel restrictions acted as a major deterrent in the Asia region.

Although the overall business momentum has improved since April, management believes that it has still not reached normal levels. Nevertheless, the company is optimistic about its recent strategic partnerships with Origines-parfums as well as Moncler SpA. In fact, management expects to launch its first collection for Moncler during the first quarter of 2022. Also, the company is optimistic about its robust product pipeline for 2021. In this regard, its scents for the MCM and Kate Spade New York brands are scheduled to be launched in 2021. The company also plans to launch several programs under Jimmy Choo and GUESS brands in 2021.

Quarter in Detail

Inter Parfums posted net loss per share of 10 cents, which was narrower than the Zacks Consensus Estimate of a loss of 16 cents. However, the company had posted net income of 39 cents per share in the year-ago quarter.

Net sales amounted to \$49.5 million, down 70.2% on a year-over-year basis. At comparable-currency exchange rates, net sales slumped 69.8%. Net sales declined across both U.S. and Europe-based operations. In U.S.-based operations, net sales fell 75.2% to \$10.1 million. Net sales in the Europe-based operations amounted to \$39.4 million, down 68.6% year on year.

In a recent press release, the company stated that second-quarter sales were hampered by coronavirus-induced retail outlet closures in many parts of the world, which declined across all brands and geographic locations. Also, Inter Parfums witnessed sluggishness in its travel retail segment.

Gross profit amounted to \$26.8 million, down 75% year on year. Further, gross margin was 54.2%, significantly down from 64.4% posted in the year ago quarter.

SG&A expenses amounted to \$32.4 million, down 61.7% year on year. As a percentage of net sales, SG&A expenses were 65.4%. The metric increased from 50.8% in the prior-year quarter.

The company's operating loss came in at \$5.5 million, down from operating income of \$22.5 million reported in the year-ago quarter. Further, operating margin was 11.2%, down 230 basis points.

Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$127.5 million, long-term debt (excluding current portion) of \$18.9 million and shareholder's equity (excluding non-controlling interest) of \$466 million. Further, the company had \$48 million available under its unused credit facility.

Quarter Ending 06/2020

Report Date	Aug 10, 2020
Sales Surprise	-0.08%
EPS Surprise	37.50%
Quarterly EPS	-0.10
Annual EPS (TTM)	1.14

Recent News

Coronavirus-Led Store Closures Hurt Inter Parfums' Q2 Sales – Jul 23, 2020

Inter Parfums released sales numbers for second-quarter 2020. For the three months ended Jun 30, 2020, net sales amounted to \$49.5 million, down 70.2% (down 69.8% at cc) from \$166.2 million reported in the year-ago quarter. The company's Europe-based operations registered net sales of \$39.4 million in the second quarter, which declined 68.6% year over year. In U.S.-based operations, net sales slumped 75.2% to \$10.1 million during the quarter.

For the six months ended Jun 30, net sales amounted to \$194.3 million, down 43.6% from \$344.5 million reported in the year-ago period. Sales in the Europe and U.S.-based operations declined 43% and 41.6%, respectively, during six months ended Jun 30.

Retail outlet closures in many parts of the world amid COVID-19 affected the company's sales in the second quarter, which declined across all brands and geographic locations. Moreover, management expects these headwinds to linger all through 2020. Also, Inter Parfums continues to witness sluggishness in its travel retail segment which used to contribute 15-20% to the overall business in the past.

Nevertheless, stores began reopening in various markets since May as restrictions imposed to check the spread of coronavirus are being lifted. Moreover, the company is witnessing sales improvement in these reopened stores compared with drab sales in April.

Inter Parfums' IPSA Buys Stake in Owner of Origines-parfums – Jul 1, 2020

Inter Parfums' majorly owned subsidiary — Interparfums SA or IPSA — recently inked a deal to acquire 25% of Divabox's capital. Notably, Divabox is the owner of Origines-parfums, which is a renowned French company in the online beauty market.

Inter Parfums Partners With Moncler SpA – Jun 11, 2020

Interparfums SA, a subsidiary of Inter Parfums has signed an agreement with renowned luxury brand, Moncler SpA. Per the deal, Interparfums SA will be entitled to sell fragrance-related items in Moncler monobrand stores along with few other specialty shops, department stores and duty-free shops. The products are expected to debut in these stores by the first quarter of 2022.

Valuation

Inter Parfums shares are down 40.2% in the year-to-date period and 34% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 25% and the Zacks Consumer Staples sector is down 4.6% in the year-to-date period. Over the past year, the Zacks sub-industry and sector are down 21.7% and 2.1%, respectively.

The S&P 500 index is up 6.4% in the year-to-date period and 18.3% in the past year.

The stock is currently trading at 32.81X forward 12-month earnings, which compares to 39.36X for the Zacks sub-industry, 20.25X for the Zacks sector and 22.91X for the S&P 500 index.

Over the past five years, the stock has traded as high as 46X and as low as 18.3X, with a 5-year median of 30.15X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$45 price target reflects 34.15X forward 12-month earnings.

The table below shows summary valuation data for IPAR

Valuation Multiples - IPAR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	32.81	39.36	20.25	22.91
	5-Year High	46	39.36	22.37	22.91
	5-Year Low	18.3	19.65	16.63	15.25
	5-Year Median	30.15	24.86	19.58	17.58
P/S F12M	Current	2.36	4.76	9.59	3.72
	5-Year High	3.45	4.76	11.15	3.72
	5-Year Low	1.29	1.53	8.1	2.53
	5-Year Median	2.21	2.86	9.89	3.05
EV/EBITDA F12M	Current	16.02	31	34.74	13.47
	5-Year High	21.04	34.06	37.28	14.2
	5-Year Low	6.01	8.68	25.89	9.15
	5-Year Median	12.73	17.89	33.7	11.02

As of 08/19/2020

Industry Analysis Zacks Industry Rank: Top 44% (110 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Helen of Troy Limited (HELE)	Outperform	2
L'Oreal SA (LRLCY)	Outperform	2
Nu Skin Enterprises, Inc. (NUS)	Outperform	1
Coty Inc. (COTY)	Neutral	3
The Estee Lauder Companies Inc. (EL)	Neutral	3
e.l.f. Beauty Inc. (ELF)	Neutral	3
MANDOM CORP (MDOMF)	Neutral	3
Revlon, Inc. (REV)	Underperform	5

Industry Comparison Industry: Cosmetics				Industry Peers		
	IPAR	X Industry	S&P 500	EL	HELE	NUS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	3	2	1
VGM Score	B	-	-	C	C	B
Market Cap	1.36 B	1.36 B	23.61 B	76.50 B	5.27 B	2.43 B
# of Analysts	4	3	14	11	3	5
Dividend Yield	0.00%	0.00%	1.65%	0.00%	0.00%	3.18%
Value Score	C	-	-	D	D	B
Cash/Price	0.13	0.05	0.07	0.06	0.02	0.16
EV/EBITDA	10.43	14.30	13.36	26.22	25.46	7.42
PEG Ratio	4.11	3.04	2.99	4.28	3.27	2.80
Price/Book (P/B)	2.24	2.85	3.16	17.55	4.31	3.07
Price/Cash Flow (P/CF)	19.72	18.65	12.71	30.28	20.65	10.49
P/E (F1)	51.37	40.20	21.82	40.81	21.37	15.70
Price/Sales (P/S)	2.42	2.37	2.47	4.95	3.01	1.05
Earnings Yield	1.94%	2.45%	4.37%	2.45%	4.68%	6.38%
Debt/Equity	0.07	0.43	0.76	1.60	0.30	0.53
Cash Flow (\$/share)	2.19	1.62	6.94	7.02	10.07	4.50
Growth Score	C	-	-	B	B	B
Hist. EPS Growth (3-5 yrs)	13.94%	5.98%	10.44%	16.69%	8.72%	3.24%
Proj. EPS Growth (F1/F0)	-55.92%	-4.92%	-5.97%	16.90%	4.66%	-3.03%
Curr. Cash Flow Growth	6.41%	6.41%	5.22%	13.88%	13.99%	-11.19%
Hist. Cash Flow Growth (3-5 yrs)	11.74%	8.81%	8.52%	9.29%	4.22%	-3.17%
Current Ratio	4.78	1.48	1.33	1.63	2.07	1.62
Debt/Capital	6.43%	34.92%	44.50%	61.50%	22.95%	34.81%
Net Margin	6.39%	2.72%	10.13%	8.43%	9.81%	6.33%
Return on Equity	5.96%	7.95%	14.67%	43.18%	20.17%	17.60%
Sales/Assets	0.71	0.90	0.51	0.95	0.94	1.31
Proj. Sales Growth (F1/F0)	-38.80%	-0.10%	-1.54%	6.28%	7.44%	-0.10%
Momentum Score	A	-	-	B	F	F
Daily Price Chg	-2.94%	0.00%	-0.38%	-0.37%	-1.63%	0.04%
1 Week Price Chg	4.34%	0.97%	1.09%	6.05%	4.08%	1.71%
4 Week Price Chg	-1.84%	0.00%	2.23%	8.66%	8.42%	3.96%
12 Week Price Chg	-10.99%	0.85%	6.91%	9.79%	12.92%	23.14%
52 Week Price Chg	-35.08%	0.00%	2.28%	4.31%	36.52%	16.66%
20 Day Average Volume	147,971	52,878	1,899,976	1,097,677	123,447	502,394
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.89%	0.00%	0.00%
(F1) EPS Est 4 week change	34.00%	0.00%	1.70%	0.84%	0.00%	23.58%
(F1) EPS Est 12 week change	-17.69%	0.69%	3.08%	0.69%	25.08%	36.14%
(Q1) EPS Est Mthly Chg	125.00%	0.00%	0.83%	3.43%	0.00%	27.02%

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.

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	C
Growth Score	C
Momentum Score	A
VGM Score	B

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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