

Inter Parfums, Inc. (IPAR)

\$49.77 (As of 03/30/20)

Price Target (6-12 Months): **\$53.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/10/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: A

Momentum: F

Summary

Inter Parfums' shares have lagged the industry in the past year. Due to the outbreak of coronavirus and its impact on sales and costs, management recently withdrew full-year 2020 guidance. Moreover, it has delayed some product launches in the wake of COVID-19 spread. Apart from this, the company has been battling strained gross margins for a while. During fourth-quarter 2019, the metric declined 160 bps year over year. Inter Parfums is exposed to significant currency risk. In fact, foreign currency headwinds had an impact of \$1.1 million on the company's 2019 results. Nevertheless, strength in the U.S.-based operations supported the top line, which increased year over year during the fourth quarter. Notably, the company is focused on brand-enhancement initiatives and new product launches. Also, a strong cash position bodes well.

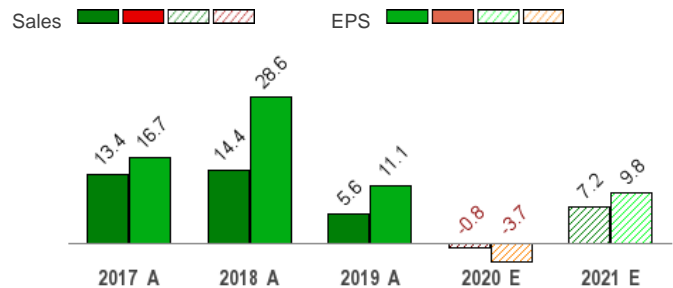
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$81.40 - \$34.20
20 Day Average Volume (sh)	142,339
Market Cap	\$1.6 B
YTD Price Change	-31.6%
Beta	0.89
Dividend / Div Yld	\$1.32 / 2.7%
Industry	Cosmetics
Zacks Industry Rank	Bottom 15% (215 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	0.0%
EPS F1 Est- 4 week change	-9.0%
Expected Report Date	05/04/2020
Earnings ESP	0.0%
P/E TTM	26.1
P/E F1	27.2
PEG F1	2.2
P/S TTM	2.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	177 E	165 E	213 E	204 E	759 E
2020	164 E	151 E	204 E	189 E	708 E
2019	178 A	166 A	191 A	178 A	714 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.30 E	\$0.57 E	\$0.40 E	\$0.77 E	\$2.01 E
2020	\$0.26 E	\$0.50 E	\$0.33 E	\$0.72 E	\$1.83 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 03/30/2020. The reports text is as of 03/31/2020.

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.

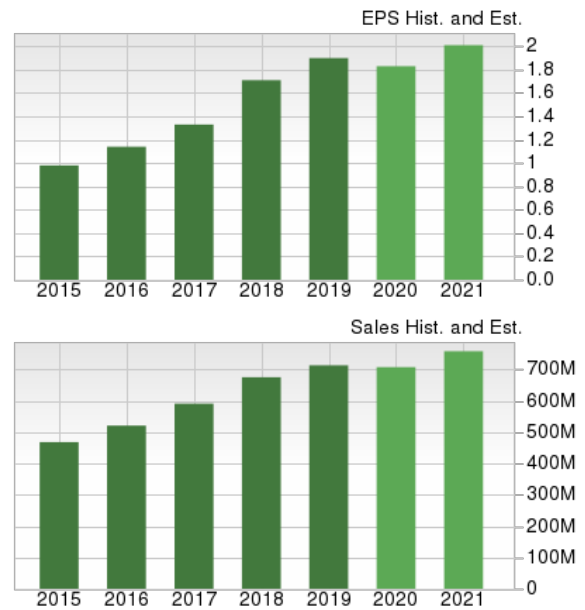
The company manages its business through two operational units — European-based operations and United States-based operations. In context with the European unit, the company produces and distributes products through license agreements with other brands. Certain prestige fragrance products of the company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

▲ **Growth in U.S. Operations:** During the fourth quarter, net sales rose 14.7% from the year-ago period's figure in U.S.-based operations contributing nearly 27% to the top line. We believe that strong brand performances have been key catalysts. Moreover, for U.S. operations, the company plans to launch new fragrance under the GUESS and Hollister brands sometime this spring. Also, Inter Parfums is optimistic about the debut of a number scents from brands like Anna Sui and Graff in the region. Strong brands and effective launches are likely to keep boosting the segment in the forthcoming periods.

Strong brands and effective launches are likely to keep boosting the company's U.S. operations 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 2019. In fact, the GUESS? Brand has been gaining traction outside the United States in regions like Middle East. Moreover, the company plans to launch GUESS? brand in China sometime in 2020.

Further, the company has been focused on making product launches under different brand banners. To this end, Inter Parfums plans to launch women's scent for Montblanc sometime this spring in Europe. Moreover, management hopes to launch scents from brands like Jimmy Choo and Kate Spade New York during the year in the European region. Though Inter Parfums has delayed some product launches in the wake of COVID-19 spread, the company's focus on launches bodes well for the long run.

▲ **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 2019 with working capital of \$389 million, including cash and cash equivalents of nearly \$253 million. Moreover, it has a working capital ratio of more of 3:1. Such financial flexibility is likely to continue favoring the company. Also, the financial flexibility has helped Inter Parfums to make regular dividend payments and thereby boost shareholders' returns. Notably, the company's declared quarterly dividend of 33 cents will be paid as per schedule on Apr 15, 2020 even amid the coronavirus crisis.

Reasons To Sell:

- ▼ **Coronavirus Hurts View:** Inter Parfums recently issued a business update, including the withdrawal of the guidance. Due to the outbreak of coronavirus and its impact on revenues and costs, management has withdrawn full-year 2020 guidance, which was issued along with its fourth-quarter earnings results on Mar 3.

Strained gross margins and adverse impacts from currency fluctuations are a threat to the company.

Management, in its last earnings call stated that if the prevalence of the coronavirus impact is limited to the initial few months of 2020, it expects net sales and net income to be in line with 2019 numbers. In 2019, Inter Parfums had generated net sales of \$713.5 million, whereas net income was \$1.90 per share. Moreover, the company has been witnessing significant decline in air travel along with reduced customer traffic in major shopping and tourist destinations. Consequently, management delayed various launches toward the end of 2020. Shares of Inter Parfums have dropped 34.1% in the past year compared with the industry's decline of 32.3%.

- ▼ **Strained Gross Margin:** Inter Parfums has been witnessing strained gross margin for a while now. In the fourth quarter, gross margin was 64.5%, down 160 bps year over year. Further, gross profit amounted to \$114.7 million, down 2.1% from the year ago period. Prior to this, gross margin was 59.8%, down 180 bps in the third quarter. We believe that, persistence of this trend may exert pressure on the company's bottom line in the future.
- ▼ **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 \$1.1 million in the company's 2019 performance. Volatility in currency movements remains a threat to the company.
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Last Earnings Report

Inter Parfums Q4 Earnings Meet Estimates, View Down

Inter Parfums, Inc. delivered fourth-quarter 2019 results, with the top and the bottom line meeting the Zacks Consensus Estimate. Moreover, earnings were flat year on year. Nevertheless, revenues rose on a year-over-year basis. Sturdy brand performances across U.S. operations fueled the metric.

Quarter in Details

The company posted earnings per share of 26 cents, in line with the Zacks Consensus Estimate.

Net sales for the quarter amounted to \$177.8 million, up 0.3% on a year-over-year basis. Moreover, revenues were in line with the consensus mark. At comparable-currency exchange rates, net sales inched up 1.5%. Growth across the U.S. operations boosted sales in the reported quarter.

In **U.S. based** operations, net sales rose 14.7% to \$48.7 million. Net sales in the **European-based** operations amounted to \$129.1, down 4.2% year on year.

Gross profit amounted to \$114.7 million, down 2.1% year on year. Further, gross margin was 64.5%, down 160 basis points (bps).

SG&A expenses amounted to \$102.3 million, down 3.9% year on year. Also, as a percentage of net sales, SG&A expenses were 57.6%. The metric declined from 60.1% in the prior-year quarter.

Operating income came in at \$12.3 million, up 16.5% year on year. Further, operating margin was 6.9%, up 90 bps.

Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$192.4 million, long-term debt (excluding current portion) of \$10.7 million and total shareholder equity of \$468 million.

The company declared a quarterly dividend of 33 cents. The dividend will be paid out on Apr 15, 2020 to shareholders on record as on Mar 31, 2020.

Guidance

In 2020, management expects sales to be aided by fragrance launches at key brands. The company launched a new women's fragrance range by Coach brand in the beginning of 2020 in Europe. Also, Inter Parfums plans to launch women's scent for Montblanc sometime this spring in the region. Moreover, management hopes to launch scents from brands like Jimmy Choo and Kate Spade New York during the year in Europe. For U.S. operations, the company plans to launch new fragrance under the GUESS and Hollister brands sometime this spring. Moreover, Inter Parfums is optimistic about the debut of a number scents from brands like Anna Sui and Graff in the region.

That said, the company is mindful of the recent outbreak of coronavirus. Inter Parfums has been witnessing significant decline in air travel along with reduced customer traffic in major shopping and tourist destinations. Consequently, management delayed various launches toward the end of 2020. Management stated that if the prevalence of coronavirus impact is limited to the initial few months of 2020, it expects net sales and net income to be in line with 2019 numbers. In 2019, Inter Parfums delivered net sales of \$713.5 million, whereas net income was \$1.90 per share. The company had earlier envisioned net sales to be roughly \$742 million in 2020, while net income was earlier expected to be nearly \$2.00 per share.

Quarter Ending **12/2019**

Report Date	Mar 02, 2020
Sales Surprise	0.00%
EPS Surprise	0.00%
Quarterly EPS	0.26
Annual EPS (TTM)	1.91

Recent News

Inter Parfums Withdraws 2020 View Due to Coronavirus – Mar 24, 2020

The coronavirus pandemic has rattled most sectors across the globe, with the cosmetics space being no exception. Incidentally, Inter Parfums, Inc. has issued a business update, including the withdrawal of the guidance. Due to the outbreak and its impact on revenues and costs, management has withdrawn full-year 2020 guidance, which was issued along with its fourth-quarter earnings results on Mar 3.

Also, Inter Parfums, in its latest release, informed its investors that they are taking enhanced precautionary measures, including implementation of work from home for several employees, among other moves. Moreover, management believes that Inter Parfums is financially and operationally sound to withstand the current crisis. The company entered 2020 with cash, cash equivalents and short-term investments of \$253 million as well as the long-term debt of just \$10.7 million. Also, Inter Parfums is on track with optimizing fixed expenses and protecting cash flow amid the COVID-19 crisis. However, the previously announced quarterly dividend of 33 cents per share will be paid out as per schedule.

Inter Parfums Posts Sales Numbers for Q4 & 2019 – Jan 28, 2020

Inter Parfums, released sales numbers for the fourth quarter and 2019. For the three months ended Dec 31, 2019, net sales amounted to \$177.8 million, up 0.3% (1.5% at constant currency) from \$177.2 million reported in the year-ago quarter. This indicates a slowdown from the third quarter, wherein net sales increased 7.9%. Sales in 2019 came in at \$713.5 million, up 5.6% (or 7.8% at cc) from \$675.6 million reported in 2018. Notably, the company reported record high sales in 2019 amid strong dollar and relatively fewer launches compared with prior years. Further, management was encouraged about the addition of Kate Spade New York and MCM in its brand portfolio. Also, Inter Parfums was issued an extended license for the Oscar de la Renta brand.

The company's European-based operations registered net sales of 542.1 million in 2019, which inched up 0.8% year over year. During fourth-quarter 2019, sales in the segment declined 4.2% to \$129.1 million. Growth across brands such as Montblanc, Karl Lagerfeld and Van Cleef & Arpels has been supporting growth in the European-based operations through the year. On the contrary, brands like Coach and Jimmy Choo witnessed some softness. In U.S.-based operations, net sales rallied 24.3% to \$171.4 million in 2019. During the fourth quarter, sales in the segment increased 14.7% to \$48.7 million.

Inter Parfums continues to envision 2019 earnings per share (EPS) to be approximately \$1.9. Further, the company reaffirmed its guidance for 2020, which was first issued in November 2019. Net sales are expected to be roughly \$742 million. For 2020, EPS are expected to be nearly \$2.00 per share.

Valuation

Inter Parfums shares are down 31.6% in the year-to-date period and 34.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 43.6% and 22.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is down 32.3% and the sector declined 16.5%.

The S&P 500 index is down 21.2% in the year-to-date period and 11.9% in the past year.

The stock is currently trading at 25.72X forward 12-month earnings, which compares to 27.16X for the Zacks sub-industry, 16.21X for the Zacks sector and 15.48X 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 30.11X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$53 price target reflects 27.39X 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	25.72	27.16	16.21	15.48
	5-Year High	42.19	29.46	22.37	19.34
	5-Year Low	18.58	19.65	16.21	15.18
	5-Year Median	30.11	23.88	19.66	17.42
P/S F12M	Current	2.16	3.35	8.05	2.75
	5-Year High	3.45	4.02	11.16	3.43
	5-Year Low	1.29	1.53	8.05	2.54
	5-Year Median	2.14	2.7	9.89	3
EV/EBITDA F12M	Current	11.8	27.52	34.18	12.28
	5-Year High	18.94	28.06	37.75	12.64
	5-Year Low	6.01	10.93	29.8	9.08
	5-Year Median	12.04	20.59	34.1	10.8

As of 03/30/2020

Industry Analysis Zacks Industry Rank: Bottom 15% (215 out of 254)



Top Peers

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

Industry Comparison Industry: Cosmetics				Industry Peers		
	IPAR Neutral	X Industry	S&P 500	EL Neutral	HELE Neutral	NUS Underperform
VGM Score	C	-	-	C	C	D
Market Cap	1.57 B	1.17 B	18.21 B	59.41 B	3.63 B	1.16 B
# of Analysts	4	1	13	12	3	5
Dividend Yield	2.65%	0.00%	2.3%	1.16%	0.00%	7.18%
Value Score	C	-	-	F	C	C
Cash/Price	0.17	0.11	0.06	0.06	0.01	0.28
EV/EBITDA	11.65	15.73	11.22	20.95	16.90	3.79
PEG Ratio	2.15	3.30	1.74	2.94	2.56	5.99
Price/Book (P/B)	2.57	2.21	2.41	12.91	3.13	1.33
Price/Cash Flow (P/CF)	22.70	16.62	9.70	23.55	16.62	4.64
P/E (F1)	26.83	26.39	15.12	32.35	15.17	10.13
Price/Sales (P/S)	2.20	1.82	1.96	3.75	2.20	0.48
Earnings Yield	3.68%	3.68%	6.55%	3.09%	6.59%	9.86%
Debt/Equity	0.06	0.24	0.70	1.52	0.24	0.50
Cash Flow (\$/share)	2.19	1.62	7.01	7.02	8.69	4.50
Growth Score	A	-	-	A	B	F
Hist. EPS Growth (3-5 yrs)	18.47%	0.22%	10.89%	16.51%	7.74%	4.39%
Proj. EPS Growth (F1/F0)	-3.68%	-0.55%	1.80%	-4.35%	4.39%	-33.42%
Curr. Cash Flow Growth	6.41%	-3.71%	5.93%	13.88%	1.79%	-11.19%
Hist. Cash Flow Growth (3-5 yrs)	11.74%	8.55%	8.55%	9.29%	8.28%	-3.17%
Current Ratio	3.11	1.88	1.23	1.69	2.29	2.07
Debt/Capital	5.49%	33.46%	42.57%	60.27%	19.65%	33.46%
Net Margin	8.44%	2.06%	11.64%	11.76%	11.68%	7.17%
Return on Equity	10.07%	10.07%	16.74%	48.28%	19.84%	20.62%
Sales/Assets	0.87	0.97	0.54	1.07	0.95	1.37
Proj. Sales Growth (F1/F0)	-0.80%	0.62%	2.08%	-1.54%	8.30%	-12.32%
Momentum Score	F	-	-	D	D	B
Daily Price Chg	3.97%	0.00%	2.63%	2.83%	1.93%	-4.30%
1 Week Price Chg	35.65%	5.89%	12.32%	6.41%	26.93%	10.58%
4 Week Price Chg	-20.22%	-10.01%	-18.22%	-14.54%	-15.69%	-15.56%
12 Week Price Chg	-30.42%	-17.25%	-23.36%	-20.32%	-20.77%	-47.84%
52 Week Price Chg	-34.08%	-15.79%	-17.22%	0.28%	23.79%	-57.59%
20 Day Average Volume	142,339	60,673	4,211,236	3,032,826	302,277	1,472,823
(F1) EPS Est 1 week change	0.00%	0.00%	-0.19%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-8.96%	-2.40%	-3.07%	-10.44%	0.00%	-4.24%
(F1) EPS Est 12 week change	-8.96%	-11.63%	-4.15%	-14.34%	-4.25%	-34.12%
(Q1) EPS Est Mthly Chg	-19.81%	-18.68%	-2.28%	-16.15%	NA	-8.57%

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	A
Momentum Score	F
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.

Disclosures

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