

(212) 983-2640

(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act).

Large accelerated Filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

At August 4, 2017, there were 31,171,908 shares of common stock, par value \$.001 per share, outstanding.

INTER PARFUMS, INC. AND SUBSIDIARIES

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INTER PARFUMS, INC. AND SUBSIDIARIES

Part I. Financial Information

Item 1. Financial Statements

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position, results of operations and cash flows for the interim periods presented. We have condensed such financial statements in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Therefore, such financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America. In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were issued by filing with the SEC. These financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2016 included in our annual report filed on Form 10-K.

The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the entire fiscal year.

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)

(Unaudited)

	June 30, 2017	December 31, 2016
<i>ASSETS</i>		
Current assets:		
Cash and cash equivalents	\$ 116,772	\$ 161,828
Short-term investments	123,805	94,202
Accounts receivable, net	119,364	104,819
Inventories	136,909	96,977
Receivables, other	1,810	7,433
Other current assets	10,246	6,240
Income tax receivable	765	626
Total current assets	509,671	472,125
Equipment and leasehold improvements, net	10,370	10,076
Trademarks, licenses and other intangible assets, net	195,596	183,868
Deferred tax assets	8,649	8,090
Other assets	8,184	8,250
Total assets	\$ 732,470	\$ 682,409
<i>LIABILITIES AND EQUITY</i>		
Current liabilities:		
Current portion of long-term debt	\$ 23,262	\$ 21,498
Accounts payable – trade	67,456	49,507
Accrued expenses	52,397	62,609
Income taxes payable	3,489	3,331
Dividends payable	5,299	5,293
Total current liabilities	151,903	142,238
Long-term debt, less current portion	45,881	53,064
Deferred tax liability	4,286	3,449

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Equity:

Inter Parfums, Inc. shareholders' equity:

Preferred stock, \$.001 par; authorized 1,000,000 shares; none issued	—	—
Common stock, \$.001 par; authorized 100,000,000 shares; outstanding 31,171,908 and 31,138,318 shares at June 30, 2017 and December 31, 2016, respectively	31	31
Additional paid-in capital	64,196	63,103
Retained earnings	412,580	402,714
Accumulated other comprehensive loss	(33,406)	(57,982)
Treasury stock, at cost, 9,864,805 common shares at June 30, 2017 and December 31, 2016, respectively	(37,475)	(37,475)
Total Inter Parfums, Inc. shareholders' equity	405,926	370,391
Noncontrolling interest	124,474	113,267
Total equity	530,400	483,658
Total liabilities and equity	\$732,470	\$682,409

See notes to consolidated financial statements.

*INTER PARFUMS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME*

(In thousands except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 129,136	\$ 117,157	\$ 272,194	\$ 228,679
Cost of sales	45,193	42,729	98,181	82,933
Gross margin	83,943	74,428	174,013	145,746
Selling, general and administrative expenses	69,468	62,969	133,367	116,757
Income from operations	14,475	11,459	40,646	28,989
Other expenses (income):				
Interest expense	727	693	999	1,666
(Gain) loss on foreign currency	817	(661)	973	53
Interest income	(900)	(602)	(2,173)	(1,956)
	644	(570)	(201)	(237)
Income before income taxes	13,831	12,029	40,847	29,226
Income taxes	4,620	4,300	13,469	12,049
Net income	9,211	7,729	27,378	17,177
Less: Net income attributable to the noncontrolling interest	2,467	1,898	7,261	4,012
Net income attributable to Inter Parfums, Inc.	\$ 6,744	\$ 5,831	\$ 20,117	\$ 13,165
Earnings per share:				
Net income attributable to Inter Parfums, Inc. common shareholders:				
Basic	\$0.22	\$0.19	\$0.65	\$0.42

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Diluted	\$0.22	\$0.19	\$0.64	\$0.42
Weighted average number of shares outstanding:				
Basic	31,169	31,055	31,157	31,047
Diluted	31,281	31,160	31,268	31,137
Dividends declared per share	\$0.17	\$0.15	\$0.34	\$0.30

See notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Comprehensive income (loss):				
Net income	\$9,211	\$7,729	\$27,378	\$17,177
Other comprehensive income (loss):				
Net derivative instrument gain, net of tax	279	—	621	—
Transfer from OCI into earnings	—	—	22	—
Translation adjustments, net of tax	27,529	(10,779)	33,572	8,113
Comprehensive income (loss)	37,019	(3,050)	61,593	25,290
Comprehensive income (loss) attributable to the noncontrolling interests:				
Net income	2,467	1,898	7,261	4,012
Other comprehensive income (loss):				
Net derivative instrument gain, net of tax	72	—	168	—
Transfer from OCI into earnings	—	—	5	—
Translation adjustments, net of tax	8,003	(2,806)	9,466	2,443
Comprehensive income (loss) attributable to the noncontrolling interests	10,542	(908)	16,900	6,455
Comprehensive income (loss) attributable to Inter Parfums, Inc.	\$26,477	\$(2,142)	\$44,693	\$18,835

See notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY***(In thousands)**(Unaudited)*

	Six months ended June 30,	
	2017	2016
Common stock, beginning and end of period	\$31	\$31
Additional paid-in capital, beginning of period	63,103	62,030
Shares issued upon exercise of stock options	625	402
Share based compensation	468	421
Sale of subsidiary shares to noncontrolling interest	—	(35)
Additional paid-in capital, end of period	64,196	62,818
Retained earnings, beginning of period	402,714	388,434
Net income	20,117	13,165
Dividends	(10,598)	(9,315)
Share based compensation	347	—
Retained earnings, end of period	412,580	392,284
Accumulated other comprehensive loss, beginning of period	(57,982)	(48,091)
Foreign currency translation adjustment, net of tax	24,106	5,670
Transfer from other comprehensive income into earnings	17	—
Net derivative instrument gain, net of tax	453	—
Accumulated other comprehensive loss, end of period	(33,406)	(42,421)
Treasury stock, beginning and end of period	(37,475)	(36,817)
Noncontrolling interest, beginning of period	113,267	110,800
Net income	7,261	4,012
Foreign currency translation adjustment, net of tax	9,466	2,443
Transfer from other comprehensive income into earnings	5	—
Net derivative instrument gain, net of tax	168	—
Share based compensation	254	—
Sale of subsidiary shares to noncontrolling interest	—	463
Dividends	(5,947)	(4,863)
Noncontrolling interest, end of period	124,474	112,855

Total equity	\$530,400	\$488,750
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See notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$27,378	\$17,177
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,683	4,705
Provision for doubtful accounts	248	197
Share based compensation	1,022	421
Deferred tax provision (benefit)	609	(862)
Change in fair value of derivatives	(3,357)	338
Changes in:		
Accounts receivable	(7,103)	(4,460)
Inventories	(32,591)	(24,417)
Other assets	734	(611)
Accounts payable and accrued expenses	(1,925)	3,633
Income taxes, net	(396)	(2,021)
Net cash used in operating activities	(10,698)	(5,900)
Cash flows from investing activities:		
Purchases of short-term investments	(25,018)	(37,119)
Proceeds from sale of short-term investments	4,328	5,576
Purchases of equipment and leasehold improvements	(1,419)	(2,963)
Payment for intangible assets acquired	(402)	(370)
Proceeds from sale of trademark	5,886	—
Net cash used in investing activities	(16,625)	(34,876)
Cash flows from financing activities:		
Repayments of long-term debt	(10,679)	(11,085)
Proceeds from exercise of stock options	625	402
Proceeds from sale of shares of subsidiary	—	428
Dividends paid	(10,592)	(8,691)

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Dividends paid to noncontrolling interest	(5,947)	(4,863)
Net cash (used in) financing activities	(26,593)	(23,809)
Effect of exchange rate changes on cash	8,860	3,468
Net decrease in cash and cash equivalents	(45,056)	(61,117)
Cash and cash equivalents - beginning of period	161,828	176,967
Cash and cash equivalents - end of period	\$ 116,772	\$ 115,850
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 896	\$ 1,100
Income taxes	10,905	13,985

See notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Significant Accounting Policies:

The accounting policies we follow are set forth in the notes to our financial statements included in our Form 10-K, which was filed with the Securities and Exchange Commission for the year ended December 31, 2016. We also discuss such policies in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q.

2. Recent Accounting Pronouncements:

In August 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to eliminate the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. This ASU is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. We have evaluated the standard and determined that there will be no material impact on our consolidated financial statements.

In February 2016, the FASB issued an ASU which requires lessees to recognize lease assets and lease liabilities arising from operating leases on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018 using a modified retrospective approach, with early adoption permitted. We are currently evaluating the standard to determine the impact of its adoption on our consolidated financial statements.

In November 2015, the FASB issued an ASU that requires all deferred tax liabilities and assets to be classified as noncurrent on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2016. In January 2017, the Company adopted the standard retrospectively, which resulted in reclassifications among accounts on the consolidated balance sheet, but had no other impact on our results of operations, financial condition or cash flows. The effect of the adoption on prior periods was a reclassification from current assets to noncurrent assets of approximately \$8 million.

INTER PARFUMS, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements**

In May 2014, the FASB issued an ASU which superseded the most current revenue recognition requirements. This new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The new standard also includes enhanced disclosure requirements. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted for annual periods after December 31, 2016. We have evaluated the standard and determined that there will be no material impact on our consolidated financial statements.

There are no other recent accounting pronouncements issued but not yet adopted that would have a material effect on our consolidated financial statements.

3. Inventories:

Inventories consist of the following:

(In thousands)	June 30, 2017	December 31, 2016
Raw materials and component parts	\$50,015	\$ 36,821
Finished goods	86,894	60,156
	\$136,909	\$ 96,977

4. Fair Value Measurement:

The following tables present our financial assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

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	Fair Value Measurements at June 30, 2017			
	Quoted Prices	in Significant Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets:				
Short-term investments	\$ 123,805	\$ —	\$ 123,805	\$ —
Foreign currency forward exchange contracts accounted for using hedge accounting	2,452		2,452	
Foreign currency forward exchange contracts not accounted for using hedge accounting	123	—	123	—
	\$ 126,380	\$ —	\$ 126,380	\$ —
Liabilities:				
Interest rate swap	\$ 668	\$ —	\$ 668	\$ —

*INTER PARFUMS, INC. AND SUBSIDIARIES***Notes to Consolidated Financial Statements**

	Fair Value Measurements at December 31, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	\$94,202	\$—	\$ 94,202	\$ —
Liabilities:				
Foreign currency forward exchange contracts accounted for using hedge accounting	\$ 181	\$—	\$ 181	\$ —
Foreign currency forward exchange contracts not accounted for using hedge accounting	418	—	418	—
Interest rate swap	908	—	908	—
	\$1,507	\$—	\$ 1,507	\$ —

The carrying amount of cash and cash equivalents including money market funds, accounts receivable, other receivables, and accounts payable and accrued expenses approximates fair value due to the short terms to maturity of these instruments. The carrying amount of loans payable approximates fair value as the interest rates on the Company's indebtedness approximate current market rates. The fair value of the Company's long-term debt was estimated based on the current rates offered to companies for debt with the same remaining maturities and is approximately equal to its carrying value.

Foreign currency forward exchange contracts are valued based on quotations from financial institutions and the value of interest rate swaps are the discounted net present value of the swaps using third party quotes obtained from financial institutions.

5. Derivative Financial Instruments:

The Company enters into foreign currency forward exchange contracts to hedge exposure related to receivables denominated in a foreign currency and occasionally to manage risks related to future sales expected to be denominated in a foreign currency. Before entering into a derivative transaction for hedging purposes, it is determined that a high degree of initial effectiveness exists between the change in value of the hedged item and the change in the value of the derivative instrument from movement in exchange rates. High effectiveness means that the change in the cash flows of the derivative instrument will effectively offset the change in the cash flows of the hedged item. The effectiveness of each hedged item is measured throughout the hedged period and is based on the dollar offset methodology and excludes the portion of the fair value of the foreign currency forward exchange contract attributable to the change in spot-forward difference which is reported in current period earnings. Any hedge ineffectiveness is also recognized as a gain or loss on foreign currency in the income statement. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses accumulated in other comprehensive income are reclassified to earnings. If it is probable that the forecasted transaction will no longer occur, then any gains or losses accumulated in other comprehensive income are reclassified to current-period earnings.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In connection with the May 2015 Rochas brand acquisition, \$108 million of the purchase price was paid in cash on the closing date and was financed entirely through a 5-year term loan. As the payment at closing was due in dollars and we had planned to finance it with debt in euro, the Company entered into foreign currency forward contracts to secure the exchange rate for the \$108 million purchase price at \$1.067 per 1 euro. This derivative was designated and qualified as a cash flow hedge.

Gains and losses in derivatives designated as hedges are accumulated in other comprehensive income (loss) and gains and losses in derivatives not designated as hedges are included in (gain) loss on foreign currency on the accompanying income statements. Such gains and losses were immaterial for both three month periods ended June 30, 2017 and 2016. For the six months ended June 30, 2017 and 2016, interest expense includes a gain (loss) of \$0.3 million and (\$0.4) million, respectively, relating to the interest rate swap.

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. The valuation of interest rate swaps resulted in a liability which is included in long-term debt on the accompanying balance sheets. The valuation of foreign currency forward exchange contracts at June 30, 2017, resulted in an asset and is included in other current assets on the accompanying balance sheet.

At June 30, 2017, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$50.4 million, GB £2.8 million and JPY ¥85.0 million which all have maturities of less than one year.

6. Accrued Expenses:

Accrued expenses include approximately \$14.7 million and \$27.2 million in advertising liabilities as of June 30, 2017 and December 31, 2016, respectively.

7. Share Based Payments:

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The Company maintains stock option programs for key employees, executives and directors. The plans, all of which have been approved by shareholder vote, provide for the granting of both nonqualified and incentive options. Options granted under the plans typically have a six-year term and vest over a four to five-year period. The fair value of shares vested for both the six months ended June 30, 2017 and 2016 aggregated \$0.05 million. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. It is generally our policy to issue new shares upon exercise of stock options.

The following table sets forth information with respect to nonvested options for the six month period ended June 30, 2017:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested options – beginning of period	401,440	\$ 7.14
Nonvested options granted	5,000	\$ 7.67
Nonvested options vested or forfeited	(14,105)	\$ 6.92
Nonvested options – end of period	392,335	\$ 7.15

*INTER PARFUMS, INC. AND SUBSIDIARIES***Notes to Consolidated Financial Statements**

Share based payment expense decreased income before income taxes by \$0.51 million and \$1.02 million for the three and six months ended June 30, 2017, respectively, as compared to \$0.21 million and \$0.42 million for the corresponding periods of the prior year. Share based payment expense decreased income attributable to Inter Parfums, Inc. by \$0.28 million and \$0.56 million for the three and six months ended June 30, 2017, respectively, as compared to \$0.13 million and \$0.25 million for the corresponding periods of the prior year.

The following table summarizes stock option information as of June 30, 2017:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2017	684,540	\$ 26.94
Options granted	5,000	33.95
Options forfeited		