

INTER PARFUMS INC
Form 10-Q
May 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2012.

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____ .

Commission File No. **0-16469**

INTER PARFUMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 13-3275609
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

551 Fifth Avenue, New York, New York 10176
(Address of Principal Executive Offices) (Zip Code)

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(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 May 8, 2012, there were 30,561,773 shares of common stock, par value \$.001 per share, outstanding.

INTER PARFUMS, INC. AND SUBSIDIARIES

INDEX

	Page Number
Part I. Financial Information	1
Item 1. Financial Statements	
Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011	2
Consolidated Statements of Income for the Three Months Ended March 31, 2012 and March 31, 2011	3
Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2012 and March 31, 2011	4
Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2012 and March 31, 2011	5
Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2012 and March 31, 2011	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures About Market Risk	28
Item 4. Controls and Procedures	29
Part II. Other Information	30
Item 6. Exhibits	30
Signatures	31

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, 2011 included in our annual report filed on Form 10-K.

The results of operations for the three months ended March 31, 2012 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)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,410	\$ 35,856
Accounts receivable, net	164,030	175,223
Inventories	183,932	164,077
Receivables, other	2,009	3,258
Other current assets	5,807	4,258
Income taxes receivable	56	1,404
Deferred tax assets	7,338	7,270
Total current assets	390,582	391,346
Equipment and leasehold improvements, net	17,002	14,525
Trademarks, licenses and other intangible assets, net	109,585	105,750
Goodwill	2,847	2,763
Other assets	2,161	1,650
Total assets	\$ 522,177	\$ 516,034
LIABILITIES AND EQUITY		
Current liabilities:		
Loans payable – banks	\$ 13,599	\$ 11,826
Current portion of long-term debt	3,148	4,480
Accounts payable - trade	96,936	112,726
Accrued expenses	43,265	52,042
Income taxes payable	4,255	2,099
Dividends payable	2,444	2,443
Total current liabilities	163,647	185,616
Deferred tax liability	6,169	6,068
Equity:		
Inter Parfums, Inc. shareholders' equity:		

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Preferred stock, \$.001 par; authorized 1,000,000 shares; none issued		
Common stock, \$.001 par; authorized 100,000,000 shares; outstanding 30,561,616 and 30,541,506 shares at March 31, 2012 and December 31, 2011, respectively	31	31
Additional paid-in capital	51,264	50,883
Retained earnings	241,259	228,164
Accumulated other comprehensive income	14,938	7,747
Treasury stock, at cost, 10,009,492 common shares at March 31, 2012 and December 31, 2011	(34,151)	(34,151)
Total Inter Parfums, Inc. shareholders' equity	273,341	252,674
Noncontrolling interest	79,020	71,676
Total equity	352,361	324,350
Total liabilities and equity	\$ 522,177	\$ 516,034

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 March 31,	
	2012	2011
Net sales	\$ 165,368	\$ 133,363
Cost of sales	58,690	46,772
Gross margin	106,678	86,591
Selling, general and administrative expenses	74,924	61,049
Income from operations	31,754	25,542
Other expenses (income):		
Interest expense	362	440
(Gain) loss on foreign currency	248	(419)
Interest and income	(524)	(317)
	86	(296)
Income before income taxes	31,668	25,838
Income taxes	11,414	8,498
Net income	20,254	17,340
Less: Net income attributable to the noncontrolling interest	4,757	4,581
Net income attributable to Inter Parfums, Inc.	\$ 15,497	\$ 12,759
Net income attributable to Inter Parfums, Inc. common shareholders:		
Basic	\$0.51	\$0.42
Diluted	\$0.51	\$0.41
Weighted average number of shares outstanding:		

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Basic	30,551	30,474
Diluted	30,686	30,634
Dividends declared per share	\$0.08	\$0.08

See notes to consolidated financial statements.

Page 3

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

(In thousands except per share data)

(Unaudited)

	Three months ended March 31,	
	2012	2011
Comprehensive income:		
Net income	\$ 20,254	\$ 17,340
Other comprehensive income:		
Net derivative instrument gain, net of tax	102	20
Translation adjustments, net of tax	9,517	17,419
Comprehensive income	29,873	34,779
Comprehensive income attributable to the noncontrolling interests:		
Net income	4,757	4,581
Other comprehensive income:		
Net derivative instrument gain, net of tax	25	1
Translation adjustments, net of tax	2,403	4,322
Comprehensive income attributable to the noncontrolling interests	7,185	8,904
Comprehensive income attributable to Inter Parfums, Inc.	\$ 22,688	\$ 25,875

See notes to consolidated financial statements.

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

	Inter Parfums, Inc. shareholders						Total
	Common stock	Additional paid-in Capital	Retained earnings	Accumulated other comprehensive income	Treasury stock	Noncontrolling interest	
Balance – January 1, 2011	\$30	\$48,887	\$205,453	\$ 14,757	\$(34,151)	\$ 64,970	\$299,946
Net income	—	—	12,759	—	—	4,581	17,340
Foreign currency translation adjustment	—	—	—	13,097	—	4,322	17,419
Net derivative instrument gain, net of tax	—	—	—	19	—	1	20
Shares issued upon exercise of stock options	—	445	—	—	—	—	445
Sale of subsidiary shares to noncontrolling interests	—	213	—	—	—	915	1,128
Dividends	—	—	(2,439)	—	—	—	(2,439)
Stock compensation	—	176	45	—	—	15	236
Balance – March 31, 2011	\$30	\$49,721	\$215,818	\$ 27,873	\$(34,151)	\$ 74,804	\$334,095
Balance – January 1, 2012	\$31	\$50,883	\$228,164	\$ 7,747	\$(34,151)	\$ 71,676	\$324,350
Net income	—	—	15,497	—	—	4,757	20,254
Foreign currency translation adjustment	—	—	—	7,114	—	2,403	9,517
Net derivative instrument gain, net of tax	—	—	—	77	—	25	102
Shares issued upon exercise of stock options	—	247	—	—	—	—	247
Sale of subsidiary shares to noncontrolling interest	—	—	—	—	—	145	145
Dividends	—	—	(2,444)	—	—	—	(2,444)
Stock compensation	—	134	42	—	—	14	190
Balance – March 31, 2012	\$31	\$51,264	\$241,259	\$ 14,938	\$(34,151)	\$ 79,020	\$352,361

See notes to consolidated financial statements.

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

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$20,254	\$17,340
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,691	2,980
Provision for doubtful accounts	75	980
Noncash stock compensation	220	266
Deferred tax (benefit)	31	(297)
Change in fair value of derivatives	(30)	(119)
Changes in:		
Accounts receivable	16,008	(19,458)
Inventories	(15,155)	(25,269)
Other assets	(370)	687
Accounts payable and accrued expenses	(29,220)	17,285
Income taxes payable, net	3,411	3,773
Net cash used in operating activities	(1,085)	(1,832)
Cash flows from investing activities:		
Purchases of short-term investments	—	(3,930)
Proceeds from sale of short-term investments	—	12,996
Purchases of equipment and leasehold improvements	(3,953)	(3,287)
Payment for intangible assets acquired	(2,341)	(286)
Net cash provided by (used in) investing activities	(6,294)	5,493
Cash flows from financing activities:		
Proceeds from loans payable – banks, net	1,443	756
Repayment of long-term debt	(1,418)	(2,856)
Proceeds from exercise of options	247	445
Proceeds from sale of stock of subsidiary	145	1,128
Dividends paid	(2,443)	(1,979)
Net cash used in financing activities	(2,026)	(2,506)

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Effect of exchange rate changes on cash	959	2,276
Net increase (decrease) in cash and cash equivalents	(8,446)	3,431
Cash and cash equivalents - beginning of period	35,856	37,548
Cash and cash equivalents - end of period	\$27,410	\$40,979
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$369	\$447
Income taxes	8,062	3,792

See notes to consolidated financial statements.

Page 6

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, 2011. 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. New Accounting Pronouncements - adopted:

In May 2011, new accounting guidance on fair value measurements was issued, which requires updates to fair value measurement disclosures to conform US GAAP and International Financial Reporting Standards. This guidance includes additional disclosure requirements about Level 3 fair value measurements and is effective for interim and annual periods beginning after December 15, 2011. The adoption of the new guidance did not affect the Company's financial position, results of operations and cash flows.

In September 2011, new accounting guidance on testing goodwill for impairment was issued, which allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. This guidance is effective for interim and annual goodwill impairment tests for interim and annual periods beginning after December 15, 2011. The adoption of the new guidance did not affect the Company's financial position, results of operations and cash flows.

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

3. Status of Burberry License:

Burberry

In December 2011, the Company and Burberry began to explore ways in which we can work more closely together to realize the brand's potential and are currently in discussion regarding the potential establishment of a new operating structure for the Burberry fragrance and beauty business. As there can be no assurance that an agreement will be reached, Burberry exercised its right to evaluate the purchase price for the unexpired term of the existing license. In this process, Burberry has until July 31, 2012 to determine whether it wishes to buy out the unexpired portion of the license as of December 31, 2012 or continue the existing contract which runs through December 31, 2017. As previously disclosed, if Burberry were to buy back the license, then the purchase price will be the greater of the fair market value of the unexpired term of the license or 70% of 2010 net wholesale sales of Burberry products.

4. Inventories:

Inventories consist of the following:

(In thousands)	March 31, 2012	December 31, 2011
Raw materials and component parts	\$ 65,755	\$ 64,411
Finished goods	118,177	99,666
	\$ 183,932	\$ 164,077

INTER PARFUMS, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****5. 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. In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

(In thousands)	Fair Value Measurements at March 31, 2012			
	Total	Quoted Prices Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	\$—	\$ —	\$ —	\$ —
Foreign currency forward exchange contracts not accounted for using hedge accounting	748	—	748	—
	\$748	\$ —	\$ 748	\$ —
Liabilities:				
Interest rate swaps	\$40	\$ —	\$ 40	\$ —

	Fair Value Measurements at December 31, 2011			
	Total	Quoted Prices Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	\$—	\$ —	\$ —	\$ —
Liabilities:				
Foreign currency forward exchange contracts not accounted for using hedge accounting	\$3,532	\$ —	\$ 3,532	\$ —
Interest rate swaps	69	—	69	—
	\$3,601	\$ —	\$ 3,601	\$ —

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The carrying amount of cash and cash equivalents including money market funds, short-term investments, accounts receivable, other receivables, 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.

Page 8

INTER PARFUMS, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****6. 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. The Company had no cash-flow hedges during the three month periods ended March 31, 2011 and 2012.

The following table presents gains and losses in derivatives not designated as hedges and the location of those gains and losses in the financial statements (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain recognized in Income on Derivative	March 31, 2012	March 31, 2011
Interest rate swaps	Interest income	\$ 30	\$ 119
Foreign exchange contracts	Gain on foreign currency	\$ 114	\$ 36

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 not accounted for using hedge accounting as of March 31, 2012 resulted in an asset and is included in other current assets and at December 31, 2011 such valuation resulted in a liability and is included in accrued expenses on the accompanying balance sheet. Generally, increases or decreases in the fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative instrument is designated and qualifies as a cash flow hedge, the

changes in fair value of the derivative instrument will be recorded as a separate component of shareholders' equity.

At March 31, 2012, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$67 million and GB pounds 6.6 million which all have maturities of less than one year.

INTER PARFUMS, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements****7. Goodwill and Other Intangible Assets:**

We review goodwill and trademarks with indefinite lives for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When testing goodwill for impairment the Company performs a qualitative assessment before calculating the fair value of a reporting unit in the first step of the goodwill impairment test. If we determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test is performed. Otherwise, further testing is not needed. No triggering events have been identified in 2012. The following table presents our assets and liabilities that are measured at fair value on a nonrecurring basis and are categorized using the fair value hierarchy.

Description	Total	Fair Value Measurements at March 31, 2012		
		Quoted Prices Active Market Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Trademark - Nickel	\$2,336	\$ —	\$ —	\$ 2,336
Goodwill	\$2,847	\$ —	\$ —	\$ 2,847

Description	Total	Fair Value Measurements at December 31, 2011		
		Quoted Prices Active Market Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Trademark - Nickel	\$2,263	\$ —	\$ —	\$ 2,263
Goodwill	\$2,763	\$ —	\$ —	\$ 2,763

Goodwill relates to our Nickel skin care business, which is primarily a component of our European operations. Testing goodwill for impairment requires us to estimate the fair value of the reporting unit using significant estimates and assumptions. The assumptions we make will impact the outcome and ultimate results of the testing. In making our assumptions and estimates, we use industry accepted valuation models and set criteria that are reviewed and approved

by management. We have determined that we may be inclined to sell the Nickel business within the next few years and therefore, we engaged a third party valuation specialist to advise us and assist in a potential transaction. As a result, the Company has determined that as of December 31, 2011, the carrying amount of the goodwill exceeded fair value resulting in an impairment loss of \$0.8 million. We expect Nickel brand sales to remain steady over the next few years as the result of new product initiatives. In estimating future sales, we use our internal budgets developed from recent sales data for existing products and planned timing of new product launches. If sales for the reporting unit decreased 10%, we could incur an additional goodwill impairment charge of \$0.5 million.

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

To determine fair value of indefinite-lived intangible assets, we use an income approach, including the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. The relief-from-royalty calculations require us to make a number of assumptions and estimates concerning future sales levels, market royalty rates, future tax rates and discount rates. We use this method to determine if an impairment charge is required relating to our Nickel brand trademarks. No impairment charges have been required since 2009. We assumed a market royalty rate of 6% and a discount rate of 7.7%.

The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2011 assuming all other assumptions remained constant:

In thousands	Change	Increase (decrease) to fair value
Weighted average cost of capital	+10 %	\$ (272)
Weighted average cost of capital	-10 %	\$ 365
Future sales levels	+10 %	\$ 273
Future sales levels	-10 %	\$ (273)

8. Share-Based Payments:

The Company maintains a stock option program 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 during the three months ended March 31, 2012 and 2011 aggregated \$0.51 million and \$0.05 million, respectively. 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 three month period ended March 31, 2012:

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	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested options – beginning of period	456,923	\$ 4.40
Nonvested options granted	4,500	\$ 4.99
Nonvested options vested or forfeited	(139,343)) \$ 3.91
Nonvested options – end of period	322,080	\$ 4.62

Share-based payment expense decreased income before income taxes by \$0.22 million and \$0.27 million for the three months ended March 31, 2012 and 2011, respectively, and decreased net income attributable to Inter Parfums, Inc. by \$0.12 million and \$0.15 million for the three months ended March 31, 2012 and 2011, respectively.

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

The following table summarizes stock option information as of March 31, 2012:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2012	823,275	\$ 13.20
Options granted	4,500	17.07
Options cancelled	(8,030)	15.21
Options exercised	(20,110)	12.28
Outstanding at March 31, 2012	799,635	\$ 13.22
Options exercisable	477,555	\$ 12.15
Options available for future grants	715,325	

As of March 31, 2012, the weighted average remaining contractual life of options outstanding is 2.88 years (1.83 years for options exercisable), the aggregate intrinsic value of options outstanding and options exercisable is \$2.3 million and \$1.8 million, respectively, and unrecognized compensation cost related to stock options outstanding of Inter Parfums, Inc. aggregated \$1.3 million. The amount of unrecognized compensation cost related to stock options outstanding of our majority-owned subsidiary, Inter Parfums S.A., was approximately \$0.81 million. Options under Interparfums SA plans vest over a four-year period.

Cash proceeds, tax benefits and intrinsic value related to stock options exercised during the three months ended March 31, 2012 and March 31, 2011 were as follows:

(In thousands)	March 31, 2012	March 31, 2011
Cash proceeds from stock options exercised	\$ 247	\$ 445
Tax benefits	25	—
Intrinsic value of stock options exercised	78	228

No tax benefit was realized or recognized from stock options exercised in 2011 as valuation reserves were allocated to those potential benefits.

The weighted average fair values of the options granted by Inter Parfums, Inc. during the three months ended March 31, 2012 and 2011 were \$4.99 and \$5.27 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value of options granted. The assumptions used in the Black-Scholes pricing model for the periods ended March 31, 2012 and 2011 are set forth in the following table:

	March 31, 2012		March 31, 2011	
Weighted-average expected stock-price volatility	40	%	38	%
Weighted-average expected option life	4.5 years		4.5 years	
Weighted-average risk-free interest rate	0.84	%	2.0	%
Weighted-average dividend yield	1.7	%	1.7	%

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

Expected volatility is estimated based on historic volatility of the Company's common stock. The expected term of the option is estimated based on historic data. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant of the option and the dividend yield reflects the assumption that the dividend payout as authorized by the Board of Directors would increase as the earnings of the Company and its stock price continue to increase.

9. Net Income Attributable to Inter Parfums, Inc. Common Shareholders:

Net income attributable to Inter Parfums, Inc. per common share ("basic EPS") is computed by dividing net earnings attributable to Inter Parfums, Inc. by the weighted-average number of shares outstanding. Net earnings attributable to Inter Parfums, Inc. per share assuming dilution ("diluted EPS"), is computed using the weighted average number of shares outstanding, plus the incremental shares outstanding assuming the exercise of dilutive stock options and warrants using the treasury stock method.

The reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

(In thousands)	Three months ended	
	March 31, 2012	2011
Numerator:		
Net income attributable to Inter Parfums, Inc.	\$ 15,497	\$ 12,759
Effect of dilutive securities of consolidated subsidiary	—	(54)
Numerator for diluted earnings per share	\$ 15,497	\$ 12,705
Denominator:		
Weighted average shares	30,551	30,474
Effect of dilutive securities:		
Stock options and warrants	135	160
Denominator for diluted earnings per share	30,686	30,634
Earnings per share:		
Net income attributable to Inter Parfums, Inc. common shareholders:		
Basic	\$0.51	\$0.42
Diluted	0.51	