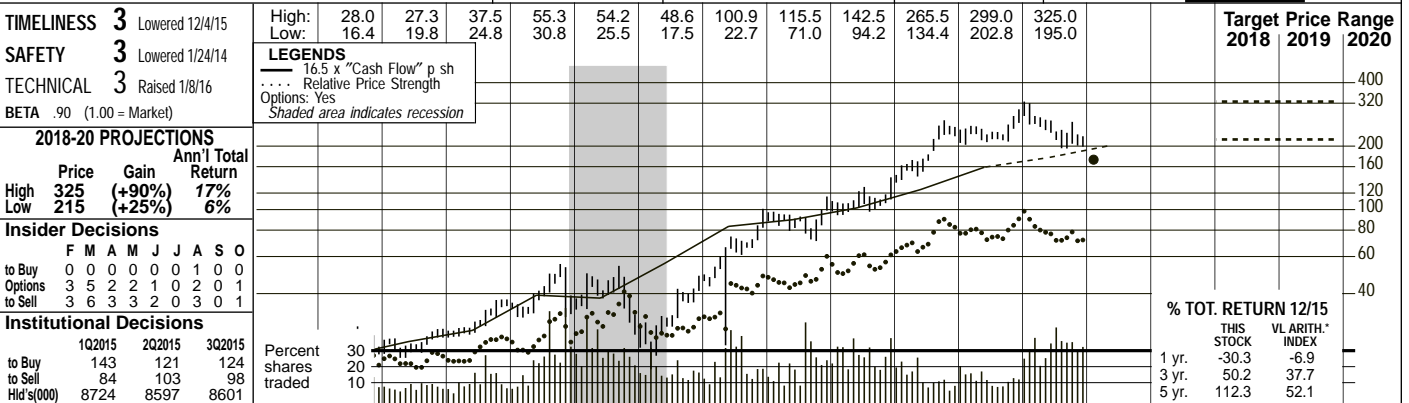


# BOSTON BEER CO. NYSE-SAM

RECENT PRICE **172.42** P/E RATIO **22.8** (Trailing: 23.2 Median: 24.0) RELATIVE P/E RATIO **1.37** DIV'D YLD **Nil**

**VALUE LINE**



Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	18-20
Price	9.20	11.56	11.42	13.87	15.41	15.21	17.07	20.00	24.05	28.10	29.13	34.62	39.85	44.97	57.98	69.09	74.60	84.00	128.00
Gain	.88	1.07	.89	.89	1.31	1.23	1.44	1.62	2.38	2.31	3.37	5.04	5.43	6.17	7.55	9.63	10.70	12.25	16.40
Return	.54	.62	.48	.47	.70	.86	1.07	1.27	1.85	1.45	2.17	3.52	3.73	4.39	5.18	6.69	7.35	8.30	10.75
Div'd	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Nil
Cap'l Sp'ndg	.20	.34	.20	.15	.13	.32	1.00	.63	1.80	4.20	1.19	1.02	1.52	5.12	7.90	11.61	7.70	8.80	12.00
Book Value	4.34	4.47	4.78	5.08	4.63	5.49	6.16	7.61	9.41	9.88	12.15	12.36	14.35	18.99	23.70	33.37	41.20	49.45	75.85
Common Shs	19.21	16.48	16.35	15.52	13.50	14.29	13.96	14.27	14.20	14.18	14.25	13.40	12.87	12.90	12.75	13.07	13.00	12.50	12.50
P/E Ratio	15.0	13.3	22.1	32.1	21.5	24.3	21.9	23.7	21.1	27.5	14.8	18.3	24.0	24.7	36.7	35.0	33.5	33.5	25.0
Relative P/E	.86	.86	1.13	1.75	1.23	1.28	1.17	1.28	1.12	1.66	.99	1.16	1.51	1.57	2.06	1.85	1.70	1.70	1.55
Div'd Yield	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	Nil

Category	2015	2016	18-20
Sales per sh <sup>A</sup>	74.60	84.00	128.00
"Cash Flow" per sh	10.70	12.25	16.40
Earnings per sh <sup>AB</sup>	8.30	8.30	10.75
Div'ds Decl'd per sh	Nil	Nil	Nil
Cap'l Spending per sh	7.70	8.80	12.00
Book Value per sh	41.20	49.45	75.85
Common Shs Outst'g <sup>C</sup>	13.00	12.50	12.50
Avg Ann'l P/E Ratio	33.5	33.5	25.0
Relative P/E Ratio	1.70	1.70	1.55
Avg Ann'l Div'd Yield	..	..	Nil

Category	2015	2016	18-20
Sales (\$mill) <sup>A</sup>	970	1050	1600
Operating Margin	19.5%	20.5%	18.5%
Depreciation (\$mill)	40.0	45.0	65.0
Net Profit (\$mill)	100	110	140
Income Tax Rate	37.0%	38.0%	39.0%
Net Profit Margin	10.3%	10.3%	8.7%
Working Cap'l (\$mill)	110	95.0	16.0
Long-Term Debt (\$mill)	Nil	Nil	Nil
Shr. Equity (\$mill)	535	620	950
Return on Total Cap'l	18.5%	17.5%	14.5%
Return on Shr. Equity	18.5%	17.5%	14.5%
Retained to Com Eq	18.5%	17.5%	14.5%
All Div'ds to Net Prof	Nil	Nil	Nil

**CAPITAL STRUCTURE as of 9/26/15**

Total Debt None	238.3	285.4	341.6	398.4	415.1	463.8	513.0	580.2	739.1	903.0	970	1050
LT Debt None	11.7%	11.5%	12.7%	6.7%	17.2%	21.3%	23.9%	20.0%	19.0%	20.3%	19.5%	20.5%
Leases, Uncapitalized: Annual rentals \$2.3 mill.	4.5	5.0	6.7	12.5	16.9	17.4	18.8	20.2	25.9	35.1	40.0	45.0
No Defined Benefit Pension Plan	15.6	18.2	27.2	20.2	31.1	50.1	51.1	59.5	70.4	90.7	100	110
Pfd Stock None	39.0%	42.7%	34.7%	..	42.8%	38.2%	50.7%	37.7%	37.5%	37.7%	37.0%	38.0%
Common Stock 12,916,526 shs.	6.5%	6.4%	8.0%	5.1%	7.5%	10.8%	10.0%	10.2%	9.5%	10.0%	10.2%	10.3%
(Includes 3,367,355 shares of Class B common stock.) as of October 27, 2015	60.5	79.7	77.7	1.8	39.2	39.8	58.6	73.4	59.9	97.3	110	95.0
MARKET CAP: \$2.2 billion (Mid Cap)	..	..	..	..	..	..	..	..	..	..	Nil	Nil
	86.0	108.6	133.6	140.0	173.2	165.6	184.7	245.1	302.1	436.1	535	620
	18.1%	16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	18.5%	17.5%
	18.1%	16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	18.5%	17.5%
	18.1%	16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	18.5%	17.5%
	..	..	..	..	..	..	..	..	..	..	Nil	Nil

Category	2015	2016	9/26/15
Cash Assets	49.5	76.4	134.6
Receivables	42.0	36.9	57.1
Inventory (FIFO)	56.4	51.3	57.3
Other	16.4	42.9	23.3
Current Assets	164.3	207.5	272.3
Accts Payable	34.4	35.6	48.5
Debt Due	0.1	0.1	..
Other	69.9	74.5	84.3
Current Liab.	104.4	110.2	132.8

**BUSINESS:** The Boston Beer Co. produces seasonal and year-round varieties of craft-brewed beers. The company brews its beer under contract at its breweries located in PA, OR, NY, and OH. It offers over 60 beers under the *Samuel Adams* name, flavored malt beverages under the *Twisted Tea* name, and hard cider beverages under the *Angry Orchard* name. Boston Beer sells approx. 4.1 million barrels of its products a year. Created a craft-beer incubator called *Alchemy & Science* in October of 2011. Has 1,325 employees. Off. and dir. own 31.9% of common stock (4/15 Proxy). Chairman: C. James Koch. Pres. & CEO: Martin Roper. Inc.: Massachusetts Addr.: 1 Design Center Place, Suite 850, Boston, MA 02110. Telephone: 617-368-5000. Internet: www.bostonbeer.com.

**Shares of Boston Beer have underperformed since our October review.** Investor sentiment has soured on the brewer since the flagship *Samuel Adams* brand showed signs of struggling of late. Additionally, the company issued lower guidance with its third-quarter results. Boston Beer now looks for share net to come in between \$7.00 to \$7.40, down from \$7.10 to \$7.50. Management attributed the cautious outlook primarily due to aforementioned challenges with the *Samuel Adams* brand. All told, SAM stock is down roughly 10% in value since our last report.

**The company likely closed 2015 with mixed results.** Price hikes and some product line extensions probably provided a boost to sales, year over year. Indeed, Boston Beer has rolled out some new varieties of its *Rebel IPA*. However, an uptick in expenses due to some long-term initiatives should weigh on earnings. Moreover, the *Samuel Adams* line likely continued to be a drag on results. Thus, we estimate sales of about \$225 million and earnings of \$1.32 a share in the December period. For 2016, though, we look for strong product innovation and the brewer's recent marketing to push results higher.

**The board increased the share-repurchase authorization.** It raised the limit of the buyback plan from \$475 million to \$525 million. The company had \$122.4 million left under the old budget as of October 15th. We have adjusted our estimates to reflect the change.

**The long-term picture is attractive.** The brewer's *Samuel Adams* line ought to be back on track by 2018-2020 time frame. Further, the company noncore brands (*Twisted Tea*, *Angry Orchard*, etc.) should be a growth drivers. Therefore, we look for both the top and bottom lines to advance at double-digit clips over the long haul.

**Finances are no cause for concern.** Boston Beer has plenty of cash on hand and no debt. Accordingly, the company should have no problem funding its operations or increasing marketing investment.

**The Timeliness rank of this stock has fallen one peg to 3 (Average).** Further, capital appreciation potential over the 3- to 5-year pull is uninspiring regardless of the recent pullback. Thus, we suggest most investors stay on the sidelines.

*Richard J. Gallagher* January 22, 2016

Category	2015	2016	Full Year
ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Sales	14.5%	16.0%	14.5%
"Cash Flow"	21.0%	23.5%	13.0%
Earnings	23.0%	24.5%	12.0%
Dividends	..	..	Nil
Book Value	17.5%	19.5%	20.0%

(A) Excludes excise taxes. Fiscal year ends the last Saturday of the calendar year. (B) Diluted earnings. Next earnings report due late February. Excludes nonrecurring gains/(losses): '01, \$0.02; '02, \$0.05; '07, (\$0.32); '08, (\$0.89). (C) In millions. Includes 3,367,355 shares of Class B common stock.