

BOSTON BEER CO. NYSE-SAM

RECENT PRICE **178.77** P/E RATIO **23.5** (Trailing: 24.7; Median: 25.0) RELATIVE P/E RATIO **1.28** DIV'D YLD **Nil**

VALUE LINE

TIMELINESS 4 Lowered 3/11/16
SAFETY 3 Lowered 1/24/14
TECHNICAL 3 Raised 3/18/16
BETA .95 (1.00 = Market)

High: 27.3 37.5 55.3 54.2 48.6 100.9 115.5 142.5 265.5 299.0 325.0 202.8
 Low: 19.8 24.8 30.8 25.5 17.5 22.7 71.0 94.2 134.4 202.8 195.0 160.8

LEGENDS
 — 16.5 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession

2019-21 PROJECTIONS

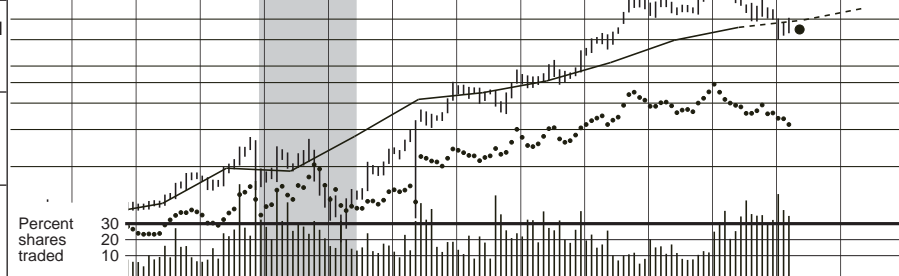
	Price	Gain	Ann'l Total Return
High	400	(+125%)	22%
Low	270	(+50%)	11%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	1	0	0	0	0	0	0
Options	1	0	2	0	2	3	1	6	5
to Sell	2	0	3	0	1	3	2	3	3

Institutional Decisions

	2Q2015	3Q2015	4Q2015
to Buy	121	124	105
to Sell	103	98	106
Hld's(000)	8597	8601	8433



	2019	2020	2021
Target Price			
Range			
% TOT. RETURN 3/16			
THIS STOCK	1 yr. -30.8	3 yr. 15.9	5 yr. 27.9
VL ARITH. INDEX			

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
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	75.25	80.00	89.75	Sales per sh ^A	145.45
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	11.08	12.00	13.75	"Cash Flow" per sh	19.20
.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	7.25	7.95	8.75	Earnings per sh ^{AB}	11.15
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.34	.20	.15	.13	.32	1.00	.63	1.80	4.20	1.19	1.02	1.52	5.12	7.90	11.61	5.82	8.80	10.70	Cap'l Spending per sh	13.65
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	36.16	40.50	48.70	Book Value per sh	75.30
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	12.76	12.50	11.70	Common Shs Outst'g ^C	11.00
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	34.0	Bold figures are Value Line estimates	30.0	Avg Ann'l P/E Ratio	30.0
.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	1.84	1.72	1.90	1.90	Relative P/E Ratio	1.90
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CAPITAL STRUCTURE as of 12/26/15

Total Debt \$0.5	Due in 5 Yrs \$0.1
LT Debt \$0.5	LT Interest NMF

Leases, Uncapitalized: Annual rentals \$2.5 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 12,832,661 shs.
 (Includes 3,367,355 shares of Class B common stock.) as of February 12, 2016

MARKET CAP: \$2.3 billion (Mid Cap)

285.4	341.6	398.4	415.1	463.8	513.0	580.2	739.1	903.0	959.9	1000	1050	Sales (\$mill) ^A	1600
11.5%	12.7%	6.7%	17.2%	21.3%	23.9%	20.0%	19.0%	20.3%	20.8%	21.5%	22.0%	Operating Margin	18.5%
5.0	6.7	12.5	16.9	17.4	18.8	20.2	25.9	35.1	42.9	45.0	47.0	Depreciation (\$mill)	72.0
18.2	27.2	20.2	31.1	50.1	51.1	59.5	70.4	90.7	98.4	105	115	Net Profit (\$mill)	140
42.7%	34.7%	--	42.8%	38.2%	50.7%	37.7%	37.5%	37.7%	36.5%	37.0%	37.0%	Income Tax Rate	37.0%
6.4%	8.0%	5.1%	7.5%	10.8%	10.0%	10.2%	9.5%	10.0%	10.3%	10.5%	10.8%	Net Profit Margin	8.7%
79.7	77.7	1.8	39.2	39.8	58.6	73.4	59.9	97.3	112.4	65.0	70.0	Working Cap'l (\$mill)	80.0
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108.6	133.6	140.0	173.2	165.6	184.7	245.1	302.1	436.1	461.2	505	570	Shr. Equity (\$mill)	830
16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	21.3%	20.5%	20.0%	Return on Total Cap'l	17.0%
16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	21.3%	20.5%	20.0%	Return on Shr. Equity	17.0%
16.8%	20.4%	14.4%	18.0%	30.3%	27.6%	24.3%	23.3%	20.8%	21.3%	20.5%	20.0%	Retained to Com Eq	17.0%
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BUSINESS: The Boston Beer Co. produces seasonal and year-round varieties of craft-brewed beers and hard cider. The company brews its core beers in breweries located in MA, PA, 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. 4.2 million barrels of its products a year. Created a craft-beer incubator called *Alchemy & Science* in October of 2011. Has 1,429 employees. Off. and dir. own 31.3% of common stock (4/16 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.

CURRENT POSITION

	2013	2014	12/26/15
Cash Assets	49.5	76.44	94.26
Receivables	42.0	36.9	38.9
Inventory (FIFO)	56.4	51.3	56.5
Other	16.4	42.9	34.0
Current Assets	164.3	207.5	223.6
Accts Payable	34.4	35.6	42.7
Debt Due	0.1	0.1	0.1
Other	69.9	74.5	68.4
Current Liab.	104.4	110.2	111.2

ANNUAL RATES

Past 10 Yrs. of change (per sh)	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Sales	15.5%	17.0%
"Cash Flow"	21.5%	21.5%
Earnings	22.0%	22.0%
Dividends	--	Nil
Book Value	19.0%	16.0%

Boston Beer is under pressure. The company has registered an uninspiring performance of late, and Wall Street has taken note. An increasing number of small brewers have made shelf space and tap handles more difficult to come by, which has weighed on the *Samuel Adams* brand. **The company announced changes in the executive suite.** A few notable executives have left Boston Beer. Most notably, Chief Financial Officer Bill Urich is retiring. Matt Murphy, who served as the chief accounting officer, is taking over the CFO post. The company appears to have the leadership transition in order, however. **Innovation remains key.** Boston Beer needs to find new ways to garner attention in a market that is seeing a large number of new entrants. The brewer has a long history of releasing new products that can make headlines. However, many of those releases were in a far less competitive market. Still, the company is rolling out *Rebel Grapefruit IPA*, which taps the popularity of the India pale ale style as well as fruit-flavored offerings. Additionally, the brewer is introducing the *SAM Nitro Project*. Beverages with nitrogen are

more difficult to brew, but offer an interesting mouth feel for drinkers. **We estimate share net of \$7.95 for 2016.** Note that our estimate is at the high end of management guidance (\$7.60 to \$8.00). The company probably started 2016 on a weaker note due to soft results at the *Samuel Adams* and *Angry Orchard* brands. However, results should pick up, thanks to the aforementioned innovation, price hikes, and the strength of SAM's nonbeer brands. **The long-term horizon is more attractive.** Management's recent efforts to get *Samuel Adams* back on track will likely have taken hold. Moreover, the company's other offerings ought to grow at a good clip. Consequently, we look for sales and earnings to advance at a double-digit pace over the 2019-2021 time frame. **This stock is down a notch, to 4 (Below Average), for Timeliness.** Trading accounts would do better to look elsewhere, for now. However, patient investors may want to consider SAM shares. At the recent quotation, this equity offers solid recovery potential.

Cal-endar	QUARTERLY SALES (\$mill.) ^A				Full Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2013	135.9	181.3	216.4	205.5	739.1
2014	183.9	231.6	269.7	217.8	903.0
2015	199.5	252.2	293.1	215.1	959.9
2016	200	260	305	235	1000
2017	205	270	325	250	1050

Cal-endar	EARNINGS PER SHARE ^{A B}				Full Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2013	.51	1.45	1.89	1.33	5.18
2014	.62	1.88	2.79	1.40	6.69
2015	1.00	2.18	2.85	1.21	7.24
2016	.95	2.25	3.20	1.55	7.95
2017	1.10	2.45	3.55	1.65	8.75

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2012					
2013					
2014					
2015					
2016					

Richard J. Gallagher
 April 22, 2016

Company's Financial Strength	A
Stock's Price Stability	45
Price Growth Persistence	100
Earnings Predictability	75

(A) Excludes excise taxes. Fiscal year ends the last Saturday of the calendar year. (B) Diluted earnings. Next earnings report due late May. 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.