

UConn Student Managed Fund

Boston Beer (NYSE: SAM)

Sector: Consumer Staples

Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend	Beta
\$ 482.27	\$437.21	\$1,349.98	\$404.50	38.43	\$5.22B	0%	.8

Investment Thesis

Boston Beer Company has a strong strategy that focuses on pricing, product innovation, growth of non-beer categories alongside brand development, that allows the company to differentiate itself from others. Boston Beer Company has undergone significant brand growth and the full-year growth expectations for Truly are to be between 20-25% year-over-year. Lastly, Boston Beer Company has a large market position with their leading brands in several different categories of beverages, and where they are not yet number one, their brands are gaining share. They have a 14% CAGR since 2004.

Business Overview

The Boston Beer Company, Inc. is an alcoholic beverage company. The Company is engaged in selling alcohol beverages throughout the United States and in selected international markets. Its brands include Truly Hard Seltzer, Twisted Tea, Samuel Adams, Angry Orchard, Hard Cider, and Dogfish Head Craft Brewery, as well as other local craft beer brands. The Company also produces alcohol beverages, including hard seltzer, malt beverages and hard cider at Company-owned breweries and its cidery and under contract arrangements at other brewery locations. The Company's breweries include Boston Brewery, Cincinnati Brewery, Milton Brewery, Pennsylvania Brewery, Samuel Adams Boston Downtown Tap Room, Dogfish Head Brewings and Eats, Coney Island Brewery, Angel City Brewery and Miami Brewery. The Company also produces a small number of distilled spirits at the Milton Brewery. In addition, the Company owns an apple orchard and cidery located in Walden, New York, and a restaurant in Rehoboth, Delaware.

Industry Description

Within the alcohol beverage industry, there are a lot of sub products. Some of the more notable alcohol beverage products are wine, liquor, beer, seltzers, and ciders, among others. This industry has low barriers to entry, but it is also hard for a small company to instantly gain large market share.

<p><u>Valuation Assumptions</u></p> <ul style="list-style-type: none"> ◆ FCF (2026Y)- \$324.48mm ◆ WACC- 9% ◆ P/E Ratio- 38.8 ◆ Implied Share Price- \$351 	<p><u>Competitive Advantages</u></p> <ul style="list-style-type: none"> ◆ Ability to maintain customers due to the brand loyalty ◆ Low debt usage ◆ Truly brand which is the #2 hard seltzer ◆ Constantly innovating & testing new products
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Industry Trends

- ◆ Switch to hard seltzers
- ◆ Always adjusting to consumer preferences
- ◆ Constantly coming out with new flavors
- ◆ Different brands and types of drinks are targeted at different audiences

Management Team

- ◆ John Geist was appointed Boston Beer's Chief Sales Officer in January 2016, after serving as our Vice President of Sales from 2007 to 2015 and National Sales Manager from 1998 to 2007
- ◆ David Burwick served on Boston Beer's Board of Directors since May 2005 and was appointed President and Chief Executive Officer in April 2018
- ◆ Lesya Lysyj joined the Company as Chief Marketing Officer in April 2019. Ms. Lysyj has over 30 years of marketing experience in the food and beverage industry

Implied Equity Value and Share Price	
PV of Cash Flows	\$ 920.7
PV of Terminal Value	\$ 3,968.6
Enterprise Value	\$ 4,889.3
Plus: Cash and Cash Equivalents	\$ 86.5
Less: Total Debt	\$ 55.0
Implied Equity Value	\$ 4,920.9
Fully Diluted Shares Outstanding	10.2
Implied Share Price	\$ 482.27
Current Stock Price	437.21
Margin of Safety	10.31%

Risks

Samuel Adams, Angry Orchard, and Dogfish Head have been negatively impacted by COVID-19 and related on-premise closures as they were distributed at different events that may have been canceled. The company has a reliance on a few third party-owned breweries (mainly City Brewing Company). Moreover, distribution agreements can be terminable by the distributor on short notice. There have been challenges with production and capacity constraints.

ESG:

The company is committed to protecting the environment by looking to minimize waste, increase recycling, and maximize natural resources in operations. In terms of sustainability, the Company's core philanthropic initiative is Samuel Adams Brewing the American Dream®. In partnership with ACCION, the program supports small business owners in the food, beverage, and brewing industries through access to business capital, coaching, and new market opportunities. The goal is to help strengthen small businesses, create local jobs and build vibrant communities. Boston Beer is committed to governance as all officers, directors and employees avoid conflicts of interest between their obligation to the Company and their personal affairs. Officers, directors and employees are prohibited from taking for themselves personally opportunities that are discovered through use of corporate property, information or position

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