

Rocky Mountain Chapter

The Boston Beer Company SAM

John Tufts

Rocky Mountain Chapter Director

January 19th, 2016

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Disclaimer

- The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks
- The views expressed are those of the instructors and do not necessarily represent those of BetterInvesting.
- Investors should conduct their own review and analysis of any company of interest before making an investment decision.
- This session is being recorded for future use

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What does SAM do?

- The Boston Beer company was started in 1984, Headquarters in Boston, MA
- Breweries in Boston, MA, Cincinnati, OH and Lehigh Valley, PA
- Sold 4.1 Million Barrels in 2014 to 350 Wholesalers, in all 50 States and 30 Countries
- 1300 Employees

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3

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What does SAM do?

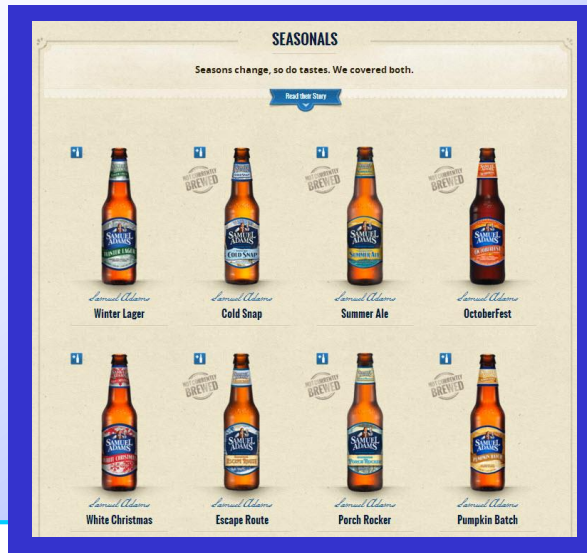
- Has 60 different Sam Adams beers
 - Boston Lager – Original Brew
 - Sam Adams Light
 - Seasonal Brews
 - Rebel Family – Different Flavors
 - Brewmasters Collection – Ale, Stout, IPA
 - Barrel Room Collection – Aged in Oak Barrels

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4

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Seasonals



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5

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Rebel Family



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6

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Brewmasters



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7

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Barrel Room



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8

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What does SAM do?

- Limited Release Beer
 - Millennium, Triple Bock, Utopias, Infinium
 - Utopias 28% Alcohol – Cognac Flavor
 - Small Batch Beers – Try new Flavors
 - Winter Classics – Released Nov-Jan

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9

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Limited Release



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10

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Small Batch



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11

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Subsidiaries

- Twisted Tea – Hard Tea in 10 Flavors
– Started in 2001
- Twisted Lemonade – Hard Lemonade in 3 Flavors
- Angry Orchard – Hard Cider in 4 Flavors and Seasonal ciders
– Started in 2012

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12

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Subsidiaries

- Alchemy & Science – Craft Beer Incubator Burlington, Vermont
 - The Traveler Beer Co - Started in 2011 in Burlington, Vermont
 - The Angel City Brewery – Started 2013 in Los Angeles, CA
 - The Coney Island Brewing Co – Started in 2013 in Brooklyn, NY
 - The Concrete Beech Brewery – Started in 2013 in Miami, FL

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13

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Awards

- The Boston Beer Co has won 462 awards since 1984
- 2014 Boston Beer Co received the Bavarian Beer Medal, was the first time given to a non German Brewery
- Sam Adams Boston Lager has won 10 awards
- Sam Adams Rebel IPA has won 7 awards
- Angry Orchard has won 50 awards

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14

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Market

- The Company's beers are primarily positioned in the Better Beer category of the beer industry, which includes craft (small, independent and traditional) brewers, domestic specialty beers and most imports.
- The Better Beer category is approximately 25% of United States beer consumption by volume.

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15

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Market

- Samuel Adams® is one of the largest brands in the Better Beer category of the United States brewing industry.
- The Company estimates that in 2014 the craft beer category grew approximately 19% and the Better Beer category was up approximately 7%, while the total beer category was essentially flat.

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16

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Market

- The Company's Twisted Tea products compete within the flavored malt beverage ("FMB") category of the beer industry.
- The FMB category comprises 4% of United States beer consumption.
- The FMB category increased 15% in 2014.

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17

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Market

- The Company's Angry Orchard ciders compete within the hard cider category.
- Hard Ciders comprises approximately 1% of United States beer consumption.
- The hard cider category increased 60% in 2014.

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18

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VALUE LINE Commentary

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

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21

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Value Line Commentary

- Sam stock is down 10% since October.
- Timeliness is downgraded to 3
- The long term outlook should improve with double digit increases in the bottom line.
- Boston Beer has plenty of cash on hand and is carrying no debt.

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22

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Morningstar Bulls Say

Bulls Say

- Boston Beer's cider brand, Angry Orchard, is the largest in the U.S. by dollars, and the category is growing extremely quickly (100% in 2013).
- Boston Beer's opportunities on the U.S. West Coast and internationally support our view that it will continue double-digit growth over the next several years.
- Management has mentioned that when growth slows, the company plans to implement efficiency programs to expand margins.

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25

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Morningstar Bears Say

Bears Say

- Boston Beer has approximately 1.5% of the U.S. beer market. MillerCoors and Anheuser-Busch have significantly larger shares at 27% and 47%, respectively.
- The company brews about 10% of its core brand product at facilities it does not own. If the contract breweries the firm uses were bought by a competitor, Boston Beer could face short-term capacity issues.
- With a significant number of breweries opening (304 in 2013), it is possible that the fight to grow volumes and for shelf space could lead to market fragmentation, price competition, and margin deterioration.

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26

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Morningstar

Morningstar's Take SAM

Premium Content

Boston Beer has separated itself as the preeminent U.S. craft brewer, and we think the firm has carved a narrow economic moat based on its brand intangible assets. Craft beer has grown...

[Read full Analyst Report](#)

Fair Value Estimate
\$ 210.00

Consider Buying
\$ 147.00

Consider Selling
\$ 283.50

Fair Value Uncertainty
Medium

Economic Moat
Narrow

Stewardship
Standard

Growth

Profitability

Morningstar Credit Rating*

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27

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Featured Posts

Round Table (November 2015)
The recording of the November Round Table is now available. Monday night we took a look at our one hit wonders, those one-time selections and how they've performed. Stocks discussed: Maximus (MMS), PayPal (PYPL), Proto Labs (PRLB) ... The audience selected PayPal (PYPL).

Chicago: Successful Investing (12/9/2015)
Chicago investors, you're invited to a complimentary workshop in Orland Park on Wednesday (12/9 6-9 PM) where we'll study some companies, diagnose a dashboard or two LIVE and most importantly, celebrate the world of investing with friends (to take a time out from Christmas shopping).

This Week at MANIFEST (12/4/2015)
We get our quarterly difference of opinion report as the various rhinos debate the outlook for this week's update batch chock full of cyclical companies ... from Morningstar's PIV of 94% (on sale) to S&P's PIV of 118% (avoid like the Ebola).

Expected Returns, November 2015
Over the years, our quest to seek promising small companies has yielded the likes of BRL, ICOM, CYBX and substantial rewards. This month, we're proud to present the Manifest Investing 50 Best Small Companies for 2016.

Round Table (October 2015)
The recording of The October Round Table is now available. The Round Table featured the presentation of the 50 Best Small Companies. Featured companies included Forward Air (FWRD) and Polaris (PI). The audience selected Polaris (PI).

This Week at MANIFEST (11/27/2015)
Happy Thanksgiving, Everybody! When it comes to stock selection and portfolio management, "Hunt No Turkeys!"

Fave Five (11/27/2015)
Five study ideas with strong quality, long-term return forecasts and a favorable outlook (ACE) for the year ahead. This week's stocks: Skyworks Solutions (SWKS), Maximus (MMS), Polaris (PI), Spirit Airlines (SAVE) and Celgene (CELG).

MPAR

7.2%

Sweet Spot

12.2% - 17.2%

Upcoming Events

Chicago: Successful Investing
Wed, Dec 9 - Chicago (Orland Park) ITT Technical Institute & ONLINE
NAIC Better Investing National Conference (2016)
Thu, May 19 - Chantilly, Virginia

Published Dashboards

Manifest 40
Round Table
Groundhog 2015
Hoard vs. Herd
Solomon's Select
Tin Cup
ETF Sector Radar
More...

1/19/2016

28

Small Talk, January 19, 2016

14

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Topic Forums / Announcements / Expected Returns, November 2015 (47 hits)

By Kurt Kowitz Date 12/01/2015 07:03 PM

Expected Returns, November 2015

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50 Best Small Companies, by Mark Robertson

This year as we do every year, we counsel investors to be vigilant for the Forbes list of the Best Small Companies for shopping ideas around the time of Halloween. This year, Forbes threw us a curveball.

Forward Air, by Mark Robertson

PWRD has been featured often in the Forbes annual listing of the Best Small Companies and was still eligible for this year's roll call.

Goldman Sachs Small Cap Growth Insights, by Mark Robertson

Much of what we do with funds like GSACX is to monitor for new stock study ideas. Goldman Sachs Small Cap Growth Insights does not disappoint.

Sweet 16, by Mark Robertson

Best Small Companies On Sale

Tin Cup Model Portfolio, by Mark Robertson

Add Fresh Market, Trim MSFT and Buy Polaris

Stock Studies: Drilling For Information, by Ken Kavula

This month, we'll use the Forum to drill deeper on a specific company — providing the type of information you need to know as you practice stewardship as an individual investor and/or investment club partner.

Attached file: 201511ExpectedReturns.pdf (1.48 MB)

Kurt Kowitz, Manifest Investing

Reply

Active Topics Hits

This Week at MANIFEST (11/27/2015) 238

Happy Thanksgiving, Everybody! When it comes to stock selection and portfolio management, "Hunt No Turkeys!"

Black Friday Event: Live At The Forum 214

To celebrate Black Friday, we'll do an "almost live" Q&A at the Manifest Investing Forum. Bring out your questions... pass the leftovers — and avoid the shopping madness with a group of like-minded investors.

Round Table (November 2015) 195

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This Week at MANIFEST (11/20/2015) 192

Hot Links: Fairy Tales & Twitter 111

Introducing Weekend Warriors & Fave Five 90

11/17/2015

29

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50 Best Small Companies

Cover Story, by Mark Robertson, Managing Partner


Posted on November 1st, 2015

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This year as we do every year, we counsel investors to be vigilant for the Forbes list of the Best Small Companies for shopping ideas around the time of Halloween. This year, Forbes threw us a curveball. After 36 annual listings of some promising faster growing small companies, Forbes decided there'd be no 37th annual version. Needless to say, we were disappointed. So we decided to take the Forbes criteria, fine tune it with some of the quality characteristics that we know are so important — and build our own list of 50 Best Small Companies. Based on the rewarding returns realized by many high-quality small companies over the years... we think you'll like the collection.

The following summary has been excerpted and updated from the Forbes coverage of the best small companies last year... as we celebrate the contributions of numerous small companies over the past couple of decades.

Large cap companies trounced their smaller rivals in the stock market during the 1980s and 1990s, as investors loaded up on brand names and blue chip companies during the greatest bull market the U.S. has ever seen. The S&P 500 returned 16% annually during the two decades, while the Russell 2000 small cap index clocked in at a still impressive 14% per year. The tables turned with the Internet bubble bursting in 2000 and the financial crisis later in the decade. The S&P suffered the Lost Decade (-1.0% annually) between 2000 and 2010, while the Russell 2000 rose +2.2%. During our small company presentations during November-December 2015, we cautioned that —



Some of Our Favorite Haystacks. We went looking for qualifying small companies in places like (1) Hoover's Handbook of Emerging Companies, (2) Best Small Company Funds — as published in last month's fund feature, (3) the Morningstar database — gleaned by Prospector software, (4) Value Line Investment Analyzer, (5) Forbes small company features, (6) Fortune's Fastest-Growing Companies.

11/17/2015

30

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Company	Symbol	Current Price	TTM Sales	Growth (5Y)	Proj. Analyst	Quality Ranking
1. Forward Air Corp.	FIH	\$45.77	524	13.1%	11.1%	99
2. Bethem	BETH	\$87.26	579	17.5%	10.1%	99
3. Domain Products	DOM	\$47.53	752	12.4%	12.4%	99
4. Paper's Louisiana	PLAT	\$36.25	258	12.5%	11.8%	99
5. About Tech	ABT	\$32.11	385	11.8%	11.9%	98
6. PG Photonics	PGP	\$86.90	887	13.0%	12.0%	98
7. Cognex	COGN	\$24.48	407	14.0%	11.1%	98
8. SynLife	SYNL	\$17.46	571	10.0%	9.8%	96
9. Monro-Muffler	MNO	\$73.45	945	10.1%	6.2%	95
10. Algon Technology	ALGN	\$86.48	826	14.2%	10.4%	95
11. Prote Labs	PLB	\$64.58	212	24.1%	11.1%	95
12. Mesa Labs	MLAB	\$113.95	81	15.5%	12.1%	95
13. Boston Beer	SAB	\$219.84	969	15.0%	12.0%	93
14. NCL	NSC	\$19.02	289	12.4%	10.6%	93
15. ANDS Inc.	ANDS	\$97.37	955	10.0%	7.5%	93
16. National Instruments	NI	\$99.27	795	14.5%	9.9%	93
17. Neogen	NEOG	\$35.41	297	15.0%	10.1%	91
18. Grant-Corbin Education	GC	\$41.51	765	14.7%	11.0%	91
19. Francessa's	FRAN	\$14.43	412	10.1%	9.1%	91
20. Camet Medical	CM	\$81.20	385	15.2%	9.1%	91
21. Bio-Techne	TECH	\$89.41	404	11.5%	12.4%	90
22. PRA	PRA	\$38.00	348	12.4%	7.0%	89
23. Luvit	LVT	\$69.00	604	26.1%	20.2%	89
24. AZZ Inc.	AZZ	\$57.86	891	13.5%	11.2%	89
25. J Global Communications	JCOM	\$79.21	691	11.5%	8.0%	88
26. Electronics	ELE	\$33.95	559	10.2%	11.2%	88
27. Tyme Holdings	TYME	\$16.87	554	13.1%	10.0%	86
28. Semtek	SEMT	\$49.15	878	14.8%	11.4%	86
29. RPI Corp.	RPI	\$14.47	287	11.4%	12.4%	85
30. Credit Acceptance	CACC	\$102.93	812	22.8%	2.9%	85
31. Colfax Group	COLP	\$202.04	689	16.0%	11.0%	84
32. Tyler Technologies	TYL	\$173.06	565	16.5%	10.5%	84
33. VEO Inc.	VEO	\$53.67	845	13.0%	12.0%	83
34. Calera Growers	CGR	\$15.61	878	11.0%	10.5%	82
35. Synchro Tech	SKS	\$36.76	560	12.4%	11.4%	82
36. ELS Service Holdings	ELS	\$45.56	601	13.2%	5.1%	81
37. Algor	ALG	\$37.35	448	14.0%	11.4%	81
38. Five Below	FB	\$34.89	789	16.0%	10.4%	81
39. Tera Pharmaceuticals	TARO	\$145.63	556	13.1%	12.1%	81
40. US Physical Therapy	USPH	\$31.20	332	10.2%	8.0%	80
41. Neurobridge	NBT	\$153.90	620	14.2%	10.2%	79
42. HEP	HEP	\$36.33	496	18.5%	10.5%	79
43. GP Strategies	GPS	\$38.68	499	10.4%	10.4%	78
44. EPM Systems	EPAM	\$78.18	881	23.0%	10.4%	78
45. Hemlock Strategic	HST	\$27.18	86	12.0%	9.8%	77
46. Robert Corporation	ROBT	\$31.17	610	11.5%	12.5%	76
47. Aerion	AIR	\$23.65	263	10.0%	7.6%	76
48. NetCloud Systems	NCT	\$35.86	961	22.0%	14.0%	75
49. B's Restaurants	BRI	\$44.95	909	11.0%	11.9%	75
50. SSC Technology	SSC	\$77.40	815	22.5%	10.4%	75

Manifest Investing 50 Best Small Companies (October 2015). As inspired by Forbes, here are the top 50 — ranked by quality — for companies with double-digit sales growth and annual revenues under \$1 billion. The projected annual return is the consensus-based return forecast based on sales growth regression, profitability trend and projected average and/or fair value-based P/E ratios. Many of the companies have been part of this profile for multiple years.

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31

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Equity Analysis Guide: Boston Beer (SAM) <input type="text" value="q"/>					
Company	Ticker	Sector Industry	Quality	PAR	
Boston Beer	SAM	Staples Beverage (Alcoholic)	93	14.4%	
Current Price (12/02) \$214.43					
CAPS Rating (Rate this stock on CAPS) ★★★★★					
Expected Income Statement					
Current Sales				966.9	
Sales Growth Forecast				15.1%	
Net Profit Margin				10.0%	
Projected Shares Outstanding				13.02	
EPS - Five Year Forecast				\$15.02	
Average P/E Ratio				28.0	
Projected Average Price				\$420.66	
Price Appreciation (Annualized)				14.4%	
Annual Dividend Yield				0.0%	
Projected Annual Return				14.4%	
Quality					
Financial Strength			89	22.4	
EPS Stability			80	20.0	
Industry Sales Growth Rate			6.4%	25.0	
Industry Net Profit Margin			18.1%	6.9	
Calculated Quality Rating				74.3	

MIPAR 7.2%

Sweet Spot 12.2% - 17.2%

Symbol or name Go

Top In Beverage (Alcoholic)

Ticker	Quality	PAR
SAM	93	14.4%
DEO	83	5.1%
BF-B	90	2.9%
BUD	73	5.7%
BREW	39	8.5%

Top In Staples

Ticker	Quality	PAR
HAIN	96	17.0%
WFM	91	17.9%
CVS	99	13.0%
SAM	93	14.4%
UNFI	88	19.0%

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32

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Staples: Beverage (Alcoholic)

Company	Symbol	Net Margin	Growth	Proj P/E	Price	Proj Yield	Fin Str	EPS Stab	Quality	PAR
Boston Beer	SAM	10.0%	15.1%	28.0	\$214.43	0.0%	89%	80	93	14.4%
Brown-Forman B	BF-B	21.6%	4.9%	25.0	\$102.03	1.3%	97%	93	90	2.9%
Diageo	DEO	22.1%	3.6%	18.0	\$115.17	3.1%	85%	88	83	5.1%
Anheuser Busch InBev	BUD	18.4%	4.9%	21.0	\$127.74	3.6%	83%	66	73	5.7%
Molson Coors	TAP	17.4%	3.6%	21.0	\$92.75	2.7%	69%	68	57	2.8%
Constellation Brands	STZ	15.4%	5.8%	21.0	\$141.84	1.2%	11%	78	42	0.8%
Craft Brew Alliance	BREW	2.1%	11.7%	40.0	\$9.40	0.0%	19%	33	39	8.5%
Averages		18.1%	6.4%	21.0						

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33

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34

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- The quality rating for any company ranges from 0 to 100 with the scale of each of the four factors added:

Sales Growth Projected

Profitability

Financial Strength Earnings

Stability

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35

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Sales Growth

- This uses the company's sales growth and ranks it based on how well it compares against its industry.

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36

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Projected Profitability

- This uses the company's projected profitability and ranks it based on how well it compares against its industry.

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37

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Financial Strength

- Compiles data from Value Line, Morningstar and Standard & Poor's

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38

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Earnings Stability

- This is a numerical score that reflects the straightness of the EPS historical trend and analyst consensus estimates based on the next couple of years.

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39

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Legend

Quality Legend:

- Blue** Excellent with quality greater than 80.
- Green** Good with quality between 60 and 80.
- Neutral** Average or below average with quality between 20 and 60.
- Red** Poor with quality less than 20.

Companies with less than 10 years of history are penalized by 5 points per year.

PAR Legend:

- Green** PAR is within the target range of MIPAR +5-10%, currently 12.2%-17.2%
- Yellow** PAR is above the target range of MIPAR +10%, currently 17.2%

PAR Projected Annual Return

MIPAR The Manifest Investing Median PAR of all stocks in the database.

Company Name Legend:

- * Not covered by Value Line Standard Edition.
- b Uses price-to-book value for valuation purposes.
- P/CF Uses price-to-cash flow for valuation.

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40

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Equity Analysis Guide: Boston Beer (SAM) q Add Alert

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Quality

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41

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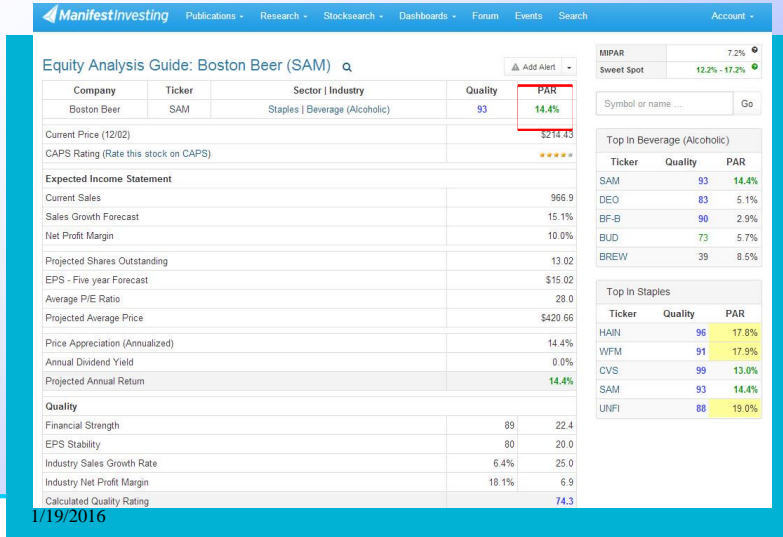
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42

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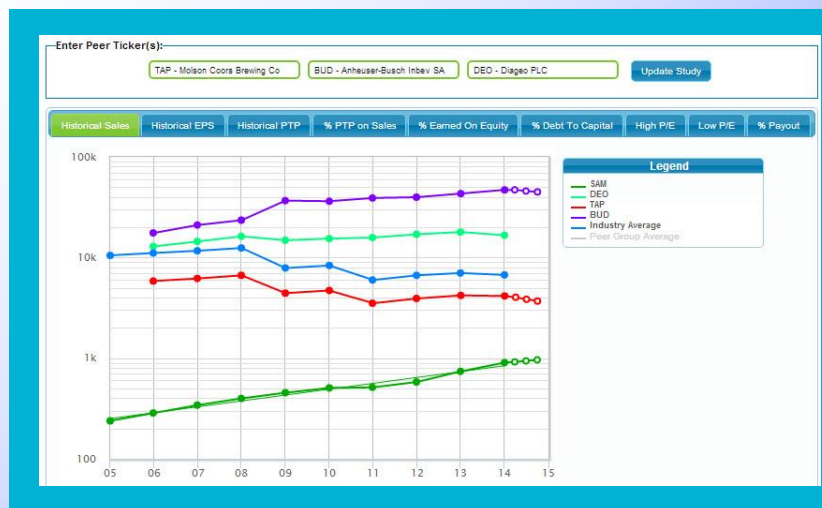
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43

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PEER DATA - SALES



1/19/2016

44

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Projected Sales Growth

- **Morningstar – 17%**
- **Value Line – 14.5%**
- **Manifest Investing – 15.1%**
- **Yahoo Finance - 17.6%**
- **Analyst Consensus – 15.1%**

01/19/2016

45

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Projected Earning Growth

- **Manifest Investing – 15.2%**
- **Value Line – 12%**
- **Analyst Consensus – 17.0%**
- **Preferred Procedure – 16.0%**
- **Historic 10 Year Ave – 14.4%**

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46

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Projected EPS

- **Value Line – \$10.75**
- **Manifest Investing - \$15.02**
- **Yahoo Finance - \$12.96**
- **Analyst Consensus – \$16.38**
- **Preferred Procedure - \$14.14**

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47

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High P/E

- **Morningstar – 34.1**
- **Value Line – 33.3**
- **Manifest Investing – 36**
- **5 Year Avg – 35.5**
- **Current P/E – 36.7**

01/19/2016

48

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Low P/E

- Morningstar – 17.1
- Value Line – 16.7
- Manifest Investing – 18
- 5 Year Avg – 17.7
- Current P/E – 18.3

01/19/2016

49

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Would you Buy this Stock

- Yes
- No
- Maybe

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50

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01/19/2016

51

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Questions

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52