

BOSTON BEER co.

· ESTD 1984 ·

BOSTON BEER REPORTS THIRD QUARTER 2011 RESULTS

November 1, 2011

BOSTON, MA (11/1/11) -- The Boston Beer Company, Inc. (NYSE: SAM) reported a third quarter core product depletions increase of 11% as compared to the third quarter of 2010. Third quarter 2011 net revenue was \$134.8 million, an increase of \$10.3 million or 8% over the same period last year, mainly due to 7% shipment volume gains. Net income for the third quarter was \$16.3 million, or \$1.19 per diluted share, an increase of \$850,000, or \$0.10 per diluted share, from the third quarter of 2010. This increase was primarily due to volume increases, partially offset by increased investments in advertising, promotional and selling expenses.

Highlights of this release include:

- Depletions growth of 11% for the third quarter and 8% year to date, with one less selling day in the third quarter and equal selling days year-to-date.
- Gross margin of 56% for the third quarter and 55% year-to-date; and full year gross margin target between 54% and 56%.
- Advertising, promotional and selling expense increase of \$4.7 million, or 14%, for the third quarter and \$16.5 million, or 17%, year-to-date, primarily due to planned increased investments behind the Company's brands.
- Reduced inventory at participating wholesalers as a result of the Freshest Beer Program of an estimated 266,000 cases as of the end of the third quarter, reducing reported earnings per diluted share by approximately \$0.02 for the third quarter and \$0.09 year-to-date.
- Earnings per diluted share of \$1.19 for the quarter and \$2.56 year to date, excluding the \$0.92 per diluted share impact of the recall settlement received in the second quarter.
- Increased projection for full year depletions growth to between 7.5% and 9% from between 7% to 8%.
- Increased projection for full year 2011 earnings per diluted share to be between \$3.60 and \$3.90 from between \$3.20 to \$3.60 primarily due to increased volume and a \$0.13 to \$0.18 per diluted share estimated favorable impact of a state income tax settlement in the fourth quarter.
- Estimated full year 2011 earnings per diluted share of \$3.60 to \$3.90 excludes the \$0.92 per diluted share favorable impact of the recall settlement received in the second quarter and includes the estimated negative earnings per share impact of between \$0.10 and \$0.20 due to reduced shipments related to the implementation of the Freshest Beer Program.
- During the first nine months of 2011, the Company repurchased approximately 611,000 shares of its Class A Common Stock at a cost of approximately \$50.9 million.
- On October 27, 2011, the Board of Directors approved an increase of \$25.0 million to the previously approved \$250.0 million share buyback expenditure limit, for a new limit of \$275.0 million.

Jim Koch, Chairman and Founder of the Company, commented, "We achieved depletions growth of 11% and record total depletions in the third quarter. We believe that our depletions growth is attributable to strong sales execution and support from our wholesalers and retailers as well as our great quality beers and strong brands. Depletions growth in the quarter improved from our first half results of 7% primarily due to the strength of our seasonal program. We are happy with the health of our brand portfolio and remain positive about the future of craft beer."

Commenting on the Freshest Beer Program, Mr. Koch continued, "We are pleased with the results so far, and currently have over 25 wholesalers signed up and at various stages of inventory reduction. We believe that in the long term this program will deliver better, fresher Samuel Adams beer to our drinkers and should reduce costs and improve efficiency throughout the supply chain. We are still targeting that 50% of our volume will be on our Freshest Beer Program by the end of 2011 and believe this could reach 70% by the end of 2012."

3rd Quarter 2011 Summary of Results

Depletions grew 11% for the quarter, primarily due to increases in Samuel Adams® Seasonals, Twisted Tea® and the Samuel Adams® Brewmaster's Collection, partially offset by declines in Samuel Adams Boston Lager® and Sam Adams Light®.

Core shipment volume was approximately 656,000 barrels, a 7% increase over the same period in 2010.

The third quarter gross margin was 56% for both 2011 and 2010. Minor pricing increases and lower ingredients costs were partially offset by a slight change in our core product mix. The Company continues to focus on cost savings initiatives and efficiencies.

Advertising, promotional and selling expenses were \$4.7 million higher than those incurred in the prior year, primarily as a result of higher costs for additional sales personnel and increased investments in local marketing, as well as increased costs of freight to wholesalers.

General and administrative expenses increased \$0.5 million compared to the third quarter of 2010, due to increases in salary and benefit costs, and stock compensation expense.

The Company's effective tax rate for the third quarter of 2011 was 38%.

Year to Date 2011 Summary of Results

Depletions grew 8% year-to-date, primarily due to increases in Twisted Tea®, Samuel Adams® Seasonals, Samuel Adams® Brewmaster's Collection and Samuel Adams Boston Lager®, partially offset by declines in Sam Adams Light®.

Core shipment volume was approximately 1,800,000 barrels, a 6% increase over the same period in 2010.

Net income increased \$10.3 million, or \$0.83 per diluted share, to \$48.3 million, or \$3.48 per diluted share, compared to the same period last year, due to the \$0.92 per share recall settlement received in the second quarter and increases in core shipment volume, partially offset by higher selling expenses and the negative impact of the Freshest Beer Program on shipment volume. The Company estimates the unfavorable earnings per share impact was \$0.09 due to the reduced shipments related to the implementation of the Freshest Beer Program.

Advertising, promotional and selling expenses were \$16.5 million higher than those incurred in the prior year, primarily as a result of increased investments in advertising and local marketing, higher costs for additional sales personnel and increased costs of freight to wholesalers.

General and administrative expenses increased by \$2.9 million over the same period in 2010, due to increases in salary and benefit costs and consulting expenses, and also due to the fact that in the first quarter of 2010 there was a \$0.9 million reversal of a 2009 expense for an option that did not vest.

Cash and cash equivalents as of the end of the third quarter totaled \$48.1 million.

During the first nine months of 2011, the Company repurchased approximately 611,000 shares of its Class A Common Stock at a cost of approximately \$50.9 million and repurchased approximately an additional 125,000 shares during the period September 25, 2011 through October 29, 2011 at an approximate cost of \$9.6 million. As of October 29, 2011 the Company had approximately \$25.5 million remaining on the \$275.0 million share buyback expenditure limit set by the Board of Directors.

As of October 29, 2011, the Freshest Beer Program is now active at over 25 wholesalers representing approximately 30% of the Company's business.

Depletion and Shipment estimates

- Based on information in-hand, year-to-date depletions through October 2011 are estimated by the Company to be up approximately 8% from the same period in 2010.
- Year-to-date shipments through October 2011 are up approximately 7% compared to the same period in 2010.
- The Company believes that inventory levels at the end of the third quarter at those wholesalers who are not participating in the Freshest Beer Program were similar to the levels in previous years.

Fiscal 2011 Outlook

The Company's full year 2011 earnings per diluted share projection is between \$3.60 and \$3.90.

- Excluding the \$0.92 per diluted share favorable impact of the recall settlement received in the second quarter
- Including the \$0.13 to \$0.18 per diluted share estimated favorable impact of a state income tax settlement in the fourth quarter,
- Including the estimated negative earnings per share impact of between \$0.10 and \$0.20 due to reduced shipments related to the implementation of the Freshest Beer Program.

The Company's actual 2011 earnings per diluted share could vary significantly from the current projection. Underlying the Company's current projection are the following estimates and targets:

- Depletions growth of 7.5% to 9% and shipment growth of 7% to 8.5%, reflecting an estimated aggregate inventory reduction at wholesalers participating in the Freshest Beer Program of between 300 thousand and 500 thousand case equivalents.
- Increase in revenue per barrel of approximately 1% to 1.5%.
- Full-year 2011 gross margins of between 54% and 56%.
- Increased investment in advertising, promotional and selling expenses of between \$14 million and \$18 million for the full year 2011, not including any increases in freight costs for the shipment of beer products to the Company's wholesalers. Approximately \$12 million of this increase has been incurred in the nine months ending September 24, 2011.
- Full-year 2011 effective tax rate of approximately 36%. This includes the favorable impact of a state income tax settlement in the fourth quarter of approximately \$0.13 to \$0.18 per diluted share.
- Full-year spending on capital investments of between \$21 million and \$27 million, most of which relate to continued investments in the Company's breweries and additional keg purchases.

Fiscal 2012 Outlook

The Company is in the process of completing its 2012 planning process and will provide further detailed guidance when the Company presents its

full-year 2011 results. The Company is currently using the following assumptions and targets for 2012

- Depletions and shipments growth in the mid to high-single digits. The Company does not expect shipments growth to significantly lag depletion growth as the aggregate inventory reduction at wholesalers participating in the Freshest Beer Program is estimated to be between 100 thousand and 300 thousand case equivalents at year end 2012 versus 2011.
- The Company continues to explore opportunities for price increases for 2012 and is targeting revenue per barrel increases of between 2.5% and 3.5% to help offset significant barley cost pressures from the 2011 crop.
- The Company will continue to focus on efficiencies at its breweries and is currently aware of significant increases in the costs of ingredients for 2012 primarily due to barley cost pressures, which is currently estimated to add over \$8.0 million in incremental barley costs. Full-year 2012 gross margins are currently expected to be between 53% and 55% due to anticipated price increases not fully covering cost pressures and some product mix changes.
- Increased investment in advertising, promotional and selling expenses of between \$5 million and \$10 million for the full year 2012, not including any increases in freight costs for the shipment of beer products to the Company's wholesalers.
- Full-year effective tax rate of approximately 38%.
- Full-year spending on capital investments of between \$25 million and \$35 million, most of which relate to continued investments in the Company's breweries and additional keg purchases.

About the Company

The Boston Beer Company began in 1984 with a generations-old family recipe that Founder and Brewer Jim Koch uncovered in his father's attic. After bringing the recipe to life in his kitchen, Jim brought it to bars in Boston with the belief that drinkers would appreciate a complex, full-flavored beer, brewed fresh in America. That beer was Samuel Adams Boston Lager®, and it helped catalyze what became known as the American craft beer revolution.

Today, the Company brews over 25 styles of beer. The Company uses the traditional four vessel brewing process and often takes extra steps like dry-hopping and a secondary fermentation known as krausening. It passionately pursues the development of new styles and the perfection of its classic beers by constantly searching for the world's finest ingredients. While resurrecting traditional brewing methods, the Company has earned a reputation as a pioneer in another revolution, the "extreme beer" movement, where it seeks to challenge drinkers' perceptions of what beer can be. The Boston Beer Company strives to elevate the image of American craft beer by entering festivals and competitions the world over, and in the past five years it has won more awards in international beer competitions than any other brewery in the world. The Company remains independent, and brewing quality beer remains its single focus. While the Company is the country's largest-selling craft beer, it accounts for only approximately one percent of the U.S. beer market. For more information, please visit www.samueladams.com.

Forward-Looking Statements

Statements made in this press release that state the Company's or management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements. It is important to note that the Company's actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings, including, but not limited to, the Company's report on Form 10-K for the years ended December 25, 2010 and December 26, 2009. Copies of these documents may be found on the Company's website, www.bostonbeer.com, or obtained by contacting the Company or the SEC.

Tuesday, November 1, 2011

Investor Relations Contact: Media Contact:
Seana Phillips Michelle Sullivan
617-368-5074 617-368-5165

[The Boston Beer Company, Inc. Q3 2011 Financial Results](#)

HUG#1559891