

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-14092

THE BOSTON BEER COMPANY, INC.

(Exact name of registrant as specified in its charter)

MASSACHUSETTS

(State or other jurisdiction of
incorporation or organization)

**One Design Center Place,
Suite 850, Boston, Massachusetts**

(Address of principal executive offices)

04-3284048

(IRS Employer Identification No.)

02210

(Zip Code)

(617) 368-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock \$0.01 per value	SAM	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes No

Number of shares outstanding of each of the issuer's classes of common stock, as of October 18, 2024:

Class A Common Stock, \$.01 par value	9,416,751
Class B Common Stock, \$.01 par value	2,068,000
(Title of each class)	(Number of shares)

**THE BOSTON BEER COMPANY, INC.
FORM 10-Q**

September 28, 2024

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PART I. FINANCIAL INFORMATION
Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	September 28, 2024	December 30, 2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 255,601	\$ 298,491
Accounts receivable	94,101	66,997
Inventories	160,322	115,773
Prepaid expenses and other current assets	25,659	20,538
Income tax receivable	-	1,711
Total current assets	535,683	503,510
Property, plant, and equipment, net	619,013	642,509
Operating right-of-use assets	29,766	35,559
Goodwill	112,529	112,529
Intangible assets, net	16,870	59,644
Third-party production prepayments	18,015	33,581
Note receivable	16,606	—
Other assets	33,510	42,661
Total assets	\$ 1,381,992	\$ 1,429,993
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 102,906	\$ 87,245
Accrued expenses and other current liabilities	154,139	126,930
Current operating lease liabilities	6,602	9,113
Total current liabilities	263,647	223,288
Deferred income taxes, net	66,445	85,721
Non-current operating lease liabilities	31,592	36,161
Other liabilities	6,151	6,894
Total liabilities	367,835	352,064
Commitments and Contingencies (See Note I)		
Stockholders' Equity:		
Class A Common Stock, \$0.01 par value; 22,700,000 shares authorized; 9,470,066 and 10,033,303 issued and outstanding as of September 28, 2024 and December 30, 2023 respectively	95	100
Class B Common Stock, \$0.01 par value; 4,200,000 shares authorized; 2,068,000 issued and outstanding at September 28, 2024 and December 30, 2023	21	21
Additional paid-in capital	671,781	656,297
Accumulated other comprehensive loss	(238)	(57)
Retained earnings	342,498	421,568
Total stockholders' equity	1,014,157	1,077,929
Total liabilities and stockholders' equity	\$ 1,381,992	\$ 1,429,993

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(in thousands, except per share data)
(unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Revenue	\$ 642,131	\$ 639,394	\$ 1,708,555	\$ 1,715,883
Less excise taxes	36,654	37,795	97,928	100,980
Net revenue	605,477	601,599	1,610,627	1,614,903
Cost of goods sold	325,236	326,951	877,580	910,430
Gross profit	280,241	274,648	733,047	704,473
Operating expenses:				
Advertising, promotional, and selling expenses	147,986	152,579	412,484	427,369
General and administrative expenses	43,818	42,241	142,226	130,834
Impairment of intangible assets	42,584	16,426	42,584	16,426
Impairment of brewery assets	20	1,900	3,751	3,916
Total operating expenses	234,408	213,146	601,045	578,545
Operating income	45,833	61,502	132,002	125,928
Other income:				
Interest income	3,582	3,478	10,021	6,977
Other expense	(317)	(913)	(795)	(1,137)
Total other income	3,265	2,565	9,226	5,840
Income before income tax provision	49,098	64,067	141,228	131,768
Income tax provision	15,584	18,772	42,778	37,394
Net income	\$ 33,514	\$ 45,295	\$ 98,450	\$ 94,374
Net income per common share – basic	\$ 2.87	\$ 3.70	\$ 8.29	\$ 7.69
Net income per common share – diluted	\$ 2.86	\$ 3.70	\$ 8.27	\$ 7.67
Weighted-average number of common shares – basic	11,682	12,228	11,878	12,268
Weighted-average number of common shares – diluted	11,671	12,233	11,871	12,280
Net income	\$ 33,514	\$ 45,295	\$ 98,450	\$ 94,374
Other comprehensive income (loss) :				
Foreign currency translation adjustment	40	(144)	(181)	—
Total other comprehensive income (loss)	40	(144)	(181)	—
Comprehensive income	\$ 33,554	\$ 45,151	\$ 98,269	\$ 94,374

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023
Cash flows provided by operating activities:		
Net income	\$ 98,450	\$ 94,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,904	66,603
Impairment of intangible assets	42,584	16,426
Impairment of brewery assets	3,751	3,916
Gain on sale of property, plant, and equipment	(263)	—
Change in right-of-use assets	5,793	5,781
Stock-based compensation expense	14,686	12,313
Deferred income taxes	(19,276)	(10,349)
Other non-cash expense	220	40
Changes in operating assets and liabilities:		
Accounts receivable	(27,324)	(31,253)
Inventories	(40,148)	3,786
Prepaid expenses, income tax receivable, and other assets	(3,429)	3,986
Third-party production prepayments	15,566	22,130
Other assets	4,987	(9,368)
Accounts payable	18,053	31,341
Accrued expenses, income taxes payable and other liabilities	29,244	29,217
Operating lease liabilities	(6,808)	(6,542)
Net cash provided by operating activities	<u>206,990</u>	<u>232,401</u>
Cash flows used in investing activities:		
Cash paid for note receivable	(20,000)	—
Purchases of property, plant, and equipment	(52,770)	(48,777)
Proceeds from disposal of property, plant, and equipment	23	1,708
Net cash used in investing activities	<u>(72,747)</u>	<u>(47,069)</u>
Cash flows used in financing activities:		
Repurchases and retirement of Class A common stock	(175,953)	(62,477)
Proceeds from exercise of stock options and sale of investment shares	2,699	10,660
Cash paid on finance leases	(1,473)	(1,184)
Payment of tax withholding on stock-based payment awards and investment shares	(2,406)	(2,113)
Net cash used in financing activities	<u>(177,133)</u>	<u>(55,114)</u>
Change in cash and cash equivalents	(42,890)	130,218
Cash and cash equivalents at beginning of period	298,491	180,560
Cash and cash equivalents at end of period	<u>\$ 255,601</u>	<u>\$ 310,778</u>
Supplemental disclosure of cash flow information:		
Income tax payments, net	<u>\$ (35,527)</u>	<u>\$ (13,776)</u>
Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows from operating leases	<u>\$ 7,930</u>	<u>\$ 7,865</u>
Operating cash outflows from finance leases	<u>\$ 175</u>	<u>\$ 100</u>
Financing cash outflows from finance leases	<u>\$ 1,473</u>	<u>\$ 1,183</u>
Right-of-use-assets obtained in exchange for finance lease obligations	<u>\$ 2,017</u>	<u>\$ 2,825</u>
Increase (decrease) in accounts payable and accrued expenses for purchases of property, plant, and equipment	<u>\$ (3,818)</u>	<u>\$ (1,843)</u>
Increase in accrued expenses for non-cash financing activity – accrued excise taxes on share repurchases	<u>\$ 1,574</u>	<u>\$ 629</u>
Non-cash investing activity - reduction in accrued expenses and notes receivable	<u>\$ 2,423</u>	<u>\$ -</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the thirteen and thirty-nine weeks ended September 28, 2024 and September 30, 2023
(in thousands)
(unaudited)

	Class A Common Shares	Class A Common Stock, Par	Class B Common Shares	Class B Common Stock, Par	Additional Paid-in Capital	Accumulat ed Other Comprehe nsive Loss	Retained Earnings	Total Stockholde rs' Equity
Balance at December 30, 2023	10,033	\$ 100	2,068	\$ 21	\$ 656,297	\$ (57)	\$ 421,568	\$ 1,077,929
Net income							12,597	12,597
Stock options exercised and restricted shares activities	24	—			(482)			(482)
Stock-based compensation expense					7,127			7,127
Repurchase and retirement of Class A Common Stock	(148)	(1)					(50,280)	(50,281)
Foreign currency translation adjustment						(162)		(162)
Balance at March 30, 2024	<u>9,909</u>	<u>\$ 99</u>	<u>2,068</u>	<u>\$ 21</u>	<u>\$ 662,942</u>	<u>\$ (219)</u>	<u>\$ 383,885</u>	<u>\$ 1,046,728</u>
Net income							52,339	52,339
Stock options exercised and restricted shares activities	8	—			1,266			1,266
Stock-based compensation expense					3,881			3,881
Repurchase and retirement of Class A Common Stock	(221)	(2)					(63,618)	(63,620)
Foreign currency translation adjustment						(59)		(59)
Balance at June 29, 2024	<u>9,696</u>	<u>\$ 97</u>	<u>2,068</u>	<u>\$ 21</u>	<u>\$ 668,089</u>	<u>\$ (278)</u>	<u>\$ 372,606</u>	<u>\$ 1,040,535</u>
Net income							33,514	33,514
Stock options exercised and restricted shares activities	1	—			14			14
Stock-based compensation expense					3,678			3,678
Repurchase and retirement of Class A Common Stock	(226)	(2)					(63,622)	(63,624)
Foreign currency translation adjustment						40		40
Balance at September 28, 2024	<u>9,471</u>	<u>\$ 95</u>	<u>2,068</u>	<u>\$ 21</u>	<u>\$ 671,781</u>	<u>\$ (238)</u>	<u>\$ 342,498</u>	<u>\$ 1,014,157</u>

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	Class A Common Shares	Class A Common Stock, Par	Class B Common Shares	Class B Common Stock, Par	Additional Paid-in Capital	Accumulat ed Other Compre hensive Loss	Retained Earnings	Total Stockholde rs' Equity
Balance at December 31, 2022	10,238	\$ 102	2,068	\$ 21	\$ 629,515	\$ (210)	\$ 439,121	\$ 1,068,549
Net loss							(8,956)	(8,956)
Stock options exercised and restricted shares activities	20	1			(212)			(211)
Stock-based compensation expense					4,073			4,073
Repurchase and retirement of Class A Common Stock	(65)	(1)					(22,115)	(22,116)
Foreign currency translation adjustment						18		18
Balance at April 1, 2023	10,193	\$ 102	2,068	\$ 21	\$ 633,376	\$ (192)	\$ 408,050	\$ 1,041,357
Net income							58,035	58,035
Stock options exercised and restricted shares activities	44	1			8,517			8,518
Stock-based compensation expense					4,193			4,193
Repurchase and retirement of Class A Common Stock	(77)	(1)					(25,038)	(25,039)
Foreign currency translation adjustment						126		126
Balance at July 1, 2023	10,160	\$ 102	2,068	\$ 21	\$ 646,086	\$ (66)	\$ 441,047	\$ 1,087,190
Net income							45,295	45,295
Stock options exercised and restricted shares activities	4	—	—	—	741	—	—	741
Stock-based compensation expense					4,047			4,047
Repurchase and retirement of Class A Common Stock	(48)	(1)	—	—	—	—	(16,351)	(16,352)
Foreign currency translation adjustment						(144)		(144)
Balance at September 30, 2023	10,116	\$ 101	2,068	\$ 21	\$ 650,874	\$ (210)	\$ 469,991	\$ 1,120,777

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Basis of Presentation

The Boston Beer Company, Inc. and certain subsidiaries (the “Company”) are engaged in the business of selling alcohol beverages throughout the United States and in selected international markets, under the trademarks “The Boston Beer Company®”, “Twisted Tea Brewing Company®”, “Hard Seltzer Beverage Company”, “Angry Orchard® Cider Company”, “Dogfish Head® Craft Brewery”, “Dogfish Head Distilling Co.”, “Angel City® Brewing Company”, “Coney Island® Brewing Company”, “Green Rebel Brewing Co.”, “Truly Distilling Co.”, and “Sun Cruiser Beverage Co.”.

The accompanying unaudited condensed consolidated balance sheet as of September 28, 2024, and the unaudited condensed consolidated statements of comprehensive operations, stockholders’ equity, and cash flows for the interim periods ended September 28, 2024 and September 30, 2023, respectively, have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnotes normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. All intercompany accounts and transactions have been eliminated. These condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 30, 2023.

In the opinion of the Company’s management, the Company’s unaudited condensed consolidated balance sheet as of September 28, 2024 and the results of its condensed consolidated comprehensive operations, stockholders’ equity, and cash flows for the interim periods ended September 28, 2024 and September 30, 2023, reflect all adjustments (consisting only of normal and recurring adjustments) necessary to present fairly the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

B. Recent Accounting Pronouncements

New accounting pronouncements are issued periodically by the FASB and are adopted by the Company as of the specified effective dates. Unless otherwise disclosed below, the Company believes that recently issued and adopted pronouncements will not have a material impact on the Company’s financial position, results of operations and cash flows or do not apply to the Company’s operations.

In November 2023, the FASB issued ASU 2023-07—*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU was issued to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This ASU applies to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the standard should be applied retrospectively. ASU 2023-07 will be effective for the Company’s fiscal year ending December 28, 2024. The Company will adopt this ASU disclosure in the fourth quarter of 2024 and does not believe the adoption will have a material impact on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09—*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU was issued to address investor requests for more transparency about income tax information through improvements to income tax disclosure primarily related to the rate reconciliation and income taxes paid information, and to improve the effectiveness of income tax disclosures. This ASU is effective for public entities for annual periods beginning after December 15, 2024. Early adoption is permitted. ASU 2023-09 will be effective for the Company in the first quarter of its fiscal year ending December 27, 2025. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements and disclosures.

C. Revenue Recognition

During the thirty-nine weeks ended September 28, 2024 and September 30, 2023, approximately 94% of the Company’s revenue was from shipments of its products to domestic distributors. Shipments to international distributors, primarily located in Canada, made up approximately 5% and 4% of the Company’s revenue for the thirty-nine weeks ended September 28, 2024 and September 30, 2023, respectively. Approximately 1% and 2% of the Company’s revenue was from beer, cider, and merchandise sales at the Company’s retail locations during the thirty-nine weeks ended September 28, 2024 and September 30, 2023, respectively.

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The Company recognizes revenue when obligations under the terms of a contract with its customer are satisfied; generally, this occurs with the transfer of control of its products. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products. If the conditions for revenue recognition are not met, the Company defers the revenue until all conditions are met. As of September 28, 2024 and December 30, 2023, the Company has deferred \$17.3 million and \$8.9 million, respectively, in revenue related to product shipped prior to these dates. These amounts are included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets.

Customer promotional discount programs are entered into by the Company with distributors for certain periods of time. The reimbursements for discounts to distributors are recorded as reductions to net revenue and were \$20.1 million and \$50.4 million for the thirteen and thirty-nine weeks ended September 28, 2024, respectively, and \$18.6 million and \$52.8 million for the thirteen and thirty-nine weeks ended September 30, 2023, respectively. The agreed-upon discount rates are applied to certain distributors' sales to retailers, based on volume metrics, in order to determine the total discounted amount. The computation of the discount allowance requires that management make certain estimates and assumptions that affect the timing and amounts of revenue and liabilities recorded. Actual promotional discounts owed and paid have historically been in line with allowances recorded by the Company; however, the amounts could differ from the estimated allowance.

Customer programs and incentives are a common practice in the alcohol beverage industry. Amounts paid in connection with customer programs and incentives are recorded as reductions to net revenue or as advertising, promotional and selling expenses, based on the nature of the expenditure. Customer incentives and other payments made to distributors are primarily based upon performance of certain marketing and advertising activities. Depending on applicable state laws and regulations, these activities promoting the Company's products may include, but are not limited to point-of-sale and merchandise placement, samples, product displays, promotional programs at retail locations and meals, travel and entertainment. Amounts paid to customers in connection with these programs that were recorded as reductions to net revenue or as advertising, promotional and selling expenses for the thirteen and thirty-nine weeks ended September 28, 2024 were \$14.4 million and \$37.4 million, respectively. For the thirteen and thirty-nine weeks ended September 28, 2024, the Company recorded \$9.1 million and \$22.8 million, respectively, of these costs as reductions to net revenue. Amounts paid to customers in connection with these programs for the thirteen and thirty-nine weeks ended September 30, 2023 were \$11.0 million and \$32.0 million, respectively. For the thirteen and thirty-nine weeks ended September 30, 2023, the Company recorded \$8.3 million and \$23.1 million, respectively, of these costs as reductions to net revenue. Costs recognized in net revenues include, but are not limited to, promotional discounts, sales incentives and certain other promotional activities. Costs recognized in advertising, promotional and selling expenses include point of sale materials, samples and advertising expenditures in local markets. These costs are recorded as incurred, generally when invoices are received; however certain estimates are required at the period end. Estimates are based on historical and projected experience for each type of program or customer and have historically been in line with actual costs incurred.

D. Inventories

Inventories consist of raw materials, work in process and finished goods which are stated at the lower of cost, determined on the first-in, first-out basis, or net realizable value. Raw materials principally consist of hops, malt, flavorings, fruit juices, other brewing materials and packaging. The Company's goal is to maintain on hand a supply of at least one year for essential hop varieties, in order to limit the risk of an unexpected reduction in supply. Inventories are generally classified as current assets. The Company classifies hops inventory in excess of two years of forecasted usage in other long-term assets. The cost elements of work in process and finished goods inventory consist of raw materials, direct labor and manufacturing overhead. Inventories consist of the following:

	September 28, 2024	December 30, 2023
	(in thousands)	
Current inventory:		
Raw materials	\$ 58,444	\$ 55,116
Work in process	21,527	18,750
Finished goods	80,351	41,907
Total current inventory	160,322	115,773
Long term inventory	9,968	14,369
Total inventory	\$ 170,290	\$ 130,142

As of September 28, 2024 and December 30, 2023, the Company has recorded inventory obsolescence reserves of \$13.6 million and \$7.6 million, respectively.

E. Goodwill and Intangible Assets

The Company has recorded intangible assets with indefinite lives and goodwill for which impairment testing is required at least annually or more frequently if events or circumstances indicate that these assets might be impaired. The Company performs its annual impairment tests and re-evaluates the useful lives of other intangible assets with indefinite lives at the annual impairment test measurement date in the third quarter of each fiscal year or when circumstances arise that indicate a possible impairment or change in useful life might exist.

Goodwill. The guidance for goodwill impairment testing allows an entity to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit, of which the Company has one, is less than its carrying amount or to proceed directly to performing a quantitative impairment test. Under the quantitative assessment, the estimated fair value of the Company's reporting unit is compared to its carrying value, including goodwill. The estimate of fair value of the Company's reporting unit is generally calculated based on an income approach using the discounted cash flow method supplemented by the market approach which considers the Company's market capitalization and enterprise value. If the estimated fair value of the Company's reporting unit is less than the carrying value of its reporting unit, a goodwill impairment will be recognized. In estimating the fair value of the Company's reporting unit, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings, cost of capital, and other factors. The assumptions used in the estimate of fair value are based on historical trends and the projections and assumptions that are used in the latest operating plans. These assumptions reflect management's estimates of future economic and competitive conditions and are, therefore, subject to change as a result of changing market conditions. If these estimates or their related assumptions change in the future, the Company may be required to recognize an impairment loss for the Company's goodwill which could have a material adverse impact on the Company's financial statements.

No impairment of goodwill was recorded in any period.

Intangible assets. The Company's intangible assets consist primarily of a trademark and customer relationships obtained through the Company's Dogfish Head acquisition. Customer relationships are amortized over their estimated useful lives. As of the September 28, 2024, the Dogfish Head trademark which was determined to have an indefinite useful life was not amortized. The guidance for indefinite lived intangible asset impairment testing allows an entity to assess qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the indefinite lived intangible asset is impaired or to proceed directly to performing the quantitative impairment test. Under the quantitative assessment, the trademark is evaluated for impairment by comparing the carrying value of the trademark to its estimated fair value. The estimated fair value of the trademark is calculated based on an income approach using the relief from royalty method. If the estimated fair value is less than the carrying value of the trademark, then an impairment charge is recognized to reduce the carrying value of the trademark to its estimated fair value.

The Company's annual impairment testing date is September 1st of each fiscal year. In 2024, this testing resulted in an impairment of the Company's Dogfish Head, Coney Island, and Angel City trademark assets of \$41.2 million, \$1.0 million, and \$0.4 million respectively. In 2023, this testing resulted in an impairment of the Company's Dogfish Head and Coney Island trademark assets of \$15.8 million and \$0.6 million, respectively.

The Company evaluated the negative trends of the Dogfish Head brand including the brand's off-plan performance through the thirty-nine weeks ended September 28, 2024, which was attributable to continued sales declines in the brand's beer products, the overall declines in the craft beer industry sector, and lower than forecasted sales in its canned cocktails products due to increased competition. The Company updated its projections for the Dogfish Head brand including the forecasted revenue and royalty rate assumptions utilized in the determination of the fair value of the Dogfish Head trademark which included further reductions in revenues stemming from the foregoing factors as well as a reduction in the royalty rate assumption due to decreased profitability expected to be generated from the trademark. As a result of performing this assessment, the Dogfish Head trademark asset with a carrying value of \$55.6 million was written down to its estimated fair value of \$14.4 million. The negative craft beer trends impacting the Company's Dogfish Head brand have also had a negative impact on the Company's Coney Island and Angel City trademark assets. The Coney Island trademark asset with a carrying value of \$1.0 million was written down to zero and the Angel City trademark asset with a carrying value of \$0.4 million was written down to zero, resulting in a total impairment of \$42.6 million which was recorded during the thirteen weeks and thirty-nine weeks ended September 28, 2024.

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The Company's intangible assets as of September 28, 2024 and December 30, 2023 were as follows:

	As of September 28, 2024	As of September 28, 2024			As of December 30, 2023		
	Estimated Useful Life (Years)	Gross Carrying Value	Accumulated Amortization	Net Book Value (in thousands)	Gross Carrying Value	Accumulated Amortization	Net Book Value
Trademarks	Indefinite	\$ 14,400	\$ —	\$ 14,400	\$ 56,984	\$ —	\$ 56,984
Customer relationships	15	3,800	(1,330)	2,470	3,800	(1,140)	2,660
Total intangible assets, net		<u>\$ 18,200</u>	<u>\$ (1,330)</u>	<u>\$ 16,870</u>	<u>\$ 60,784</u>	<u>\$ (1,140)</u>	<u>\$ 59,644</u>

Beginning in the fourth quarter of 2024, the Company will change the indefinite useful life Dogfish Head trademark asset and begin amortizing the remaining \$14.4 million balance over an estimated useful life of 10 years.

Amortization expense in the thirteen and thirty-nine weeks ended September 28, 2024 was approximately \$63,000 and \$189,000, respectively. The Company expects to record future amortization expense, including the amortization of the remaining Dogfish Head trademark asset, as follows:

Fiscal Year	Amount (in thousands)
Remainder of 2024	\$ 423
2025	1,693
2026	1,693
2027	1,693
2028	1,693
2029	1,693
Thereafter	7,982
Total amortization expense	<u>\$ 16,870</u>

F. Third-Party Production Prepayments

During the thirty-nine weeks ended September 28, 2024 and September 30, 2023, the Company brewed and packaged approximately 68% and 69%, respectively, of its volume at Company-owned breweries. In the normal course of its business, the Company has historically entered into various production arrangements with other brewing companies. Pursuant to these arrangements, the Company generally supplies raw materials and packaging to those brewing companies and incurs conversion fees for labor at the time the liquid is produced and packaged. The Company has made up-front payments that were used for capital improvements at these third-party production facilities that it expenses over the period of the contracts. Under these production arrangements, there are minimum production quantities and the Company is obligated to pay shortfall fees for production quantity below those thresholds.

Total third-party production prepayments were \$18.0 million and \$33.6 million as of September 28, 2024 and December 30, 2023, respectively, all of which for both periods relate to its master transaction agreement with City Brewing Company, LLC ("City Brewing"). The Company will expense the total prepaid amount of \$18.0 million as of September 28, 2024 as a component of cost of goods sold over the contractual period ending December 31, 2025.

At current production volume projections, the Company believes that it will fall short of its future annual volume commitments at certain third-party production facilities and will incur shortfall fees. The Company expenses the shortfall fees during the contractual period when such fees are incurred as a component of cost of goods sold. During the thirteen weeks and thirty-nine weeks ended September 28, 2024, the Company incurred \$0.6 million and \$4.7 million, respectively, in shortfall fees. During the thirteen weeks and thirty-nine weeks ended September 30, 2023, the Company incurred \$0.5 million and \$4.6 million, respectively, in shortfall fees. As of September 28, 2024, if volume for the remaining term of the production arrangements was zero, the contractual shortfall fees, with advance notice as specified in the related contractual agreements, would total approximately \$101 million over the duration of the contracts which have expiration dates through December 31, 2031. The Company has regular discussions with its third-party production suppliers related to its future capacity needs and the terms of its contracts. Changes to volume estimates, future amendments or cancellations of existing contracts could accelerate or change total shortfall fees expected to be incurred. At current volume projections and based on understandings reached with these third-party production facilities, the Company anticipates that it will recognize approximately \$41 million of shortfall fees and expects to record those expenses as follows:

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	<u>Expected Shortfall Fees to be Incurred</u>	
	(in millions)	
Remainder of 2024	\$	9
2025		14
2026		3
2027		3
2028		3
2029		3
Thereafter		6
Total shortfall fees expected to be incurred	<u>\$</u>	<u>41</u>

G. Note Receivable

The Company and City Brewing entered into a Loan and Security agreement on January 2, 2024 at which time payment of \$20 million was made by the Company to City Brewing. Repayment of the note receivable plus an agreed investment return for a combined total of \$22.4 million shall be credited to the Company through reductions of shortfall fees, subject to annual repayment limits and through other payments or credits, should owed shortfall fees be lower than these annual repayment limits. The annual repayment limits are \$3.0 million in 2024, \$7.5 million in 2025 and \$10.0 million in 2026 and thereafter. The final maturity date of the loan is December 31, 2028.

The Company determined the fair value of the note receivable on the issuance date to be \$18.6 million. The \$1.4 million difference between the cash paid to City Brewing of \$20.0 million and the fair value of the note of \$18.6 million on issuance date has been recorded as a third-party production prepayment asset and will be recognized as a component of cost of goods sold over the term of the third-party production arrangement. The unamortized balance was \$1.0 million as of September 28, 2024. Interest income on the note receivable is being recognized over the term of the loan, which is to be repaid in full no later than December 31, 2028.

The Company received \$3.0 million repayment during the thirteen weeks ended September 28, 2024, of which \$2.4 million was applied to principal and the remaining \$0.6 million applied to interest. As of September 28, 2024 the Company had \$16.6 million fair value remaining on the note receivable.

H. Net Income per Share

The Company calculates net income per share using the two-class method, which requires the Company to allocate net income to its Class A Common Shares, Class B Common Shares and unvested share-based payment awards that participate in dividends with common stock, in the calculation of net income per share.

The Class A Common Stock has no voting rights, except (1) as required by law, (2) for the election of Class A Directors, and (3) that the approval of the holders of the Class A Common Stock is required for (a) certain future authorizations or issuances of additional securities which have rights senior to Class A Common Stock, (b) certain alterations of rights or terms of the Class A or Class B Common Stock as set forth in the Articles of Organization of the Company, (c) other amendments of the Articles of Organization of the Company, (d) certain mergers or consolidations with, or acquisitions of, other entities, and (e) sales or dispositions of any significant portion of the Company's assets.

The Class B Common Stock has full voting rights, including the right to (1) elect a majority of the members of the Company's Board of Directors and (2) approve all (a) amendments to the Company's Articles of Organization, (b) mergers or consolidations with, or acquisitions of, other entities, (c) sales or dispositions of any significant portion of the Company's assets, and (d) equity-based and other executive compensation and other significant corporate matters. The Company's Class B Common Stock is not listed for trading. Each share of the Class B Common Stock is freely convertible into one share of Class A Common Stock, upon request of the respective Class B holder, and participates equally in dividends.

The Company's unvested share-based payment awards include unvested shares (1) issued under the Company's investment share program, which permits employees who have been with the Company for at least one year to purchase shares of Class A Common Stock and to purchase those shares at a discount ranging from 20% to 40% below market value based on years of employment starting after two years of employment, and (2) awarded as restricted stock units at the discretion of the Company's Board of Directors. The investment shares vest over five years in equal number of shares and the restricted stock units generally vest over four years in equal number of shares. If a dividend is declared, the unvested shares would participate equally. See Note M for a discussion of the current year unvested stock awards and issuances.

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Included in the computation of net income per diluted common share are dilutive outstanding stock options and restricted stock that are vested or expected to vest. At its discretion, the Board of Directors grants stock options and restricted stock to senior management and certain key employees. The terms of the employee stock options are determined by the Board of Directors at the time of grant. To date, stock options granted to employees vest over various service periods and/or based on the attainment of certain performance criteria and generally expire after ten years. In December 2018, the Employee Equity Incentive Plan was amended to permit the grant of restricted stock units. The restricted stock units generally vest over four years in equal number of shares. Each restricted stock unit represents an unfunded and unsecured right to receive one share of Class A Stock upon satisfaction of the vesting criteria. The unvested shares participate equally in dividends, if declared, and are forfeitable. The Company also grants stock options to its non-employee directors upon election or re-election to the Board of Directors. The number of option shares granted to non-employee directors is calculated based on a defined formula and these stock options vest immediately upon grant and expire after ten years.

Net Income per Common Share - Basic

The following table sets forth the computation of basic net income per share using the two-class method:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands, except per share data)		(in thousands, except per share data)	
Net income	\$ 33,514	\$ 45,295	\$ 98,450	\$ 94,374
Allocation of net income for basic:				
Class A Common Stock	\$ 27,500	\$ 37,542	\$ 81,082	\$ 78,276
Class B Common Stock	5,933	7,660	17,140	15,908
Unvested participating shares	81	93	228	190
	\$ 33,514	\$ 45,295	\$ 98,450	\$ 94,374
Weighted average number of shares for basic:				
Class A Common Stock	9,586	10,135	9,783	10,175
Class B Common Stock	2,068	2,068	2,068	2,068
Unvested participating shares	28	25	27	25
	11,682	12,228	11,878	12,268
Net income per share for basic:				
Class A Common Stock	\$ 2.87	\$ 3.70	\$ 8.29	\$ 7.69
Class B Common Stock	\$ 2.87	\$ 3.70	\$ 8.29	\$ 7.69

Net Income per Common Share - Diluted

The Company calculates diluted net income per share for common stock using the more dilutive of (1) the treasury stock method, or (2) the two-class method, which assumes the participating securities are not exercised.

The following table sets forth the computations of diluted net income per share, assuming the conversion of all Class B Common Stock into Class A Common Stock for the thirteen weeks and thirty-nine weeks ended September 28, 2024 and for the thirteen weeks and thirty-nine ended September 30, 2023:

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	Thirteen weeks ended					
	September 28, 2024			September 30, 2023		
	Earnings to Common Shareholders	Common Shares	EPS	Earnings to Common Shareholders	Common Shares	EPS
	(in thousands, except per share data)					
As reported - basic	\$ 27,500	9,586	\$ 2.87	\$ 37,542	10,135	\$ 3.70
Add: effect of dilutive common shares						
Share-based awards	—	17		—	30	
Class B Common Stock	5,933	2,068		7,660	2,068	
Net effect of unvested participating shares	—	—		1	—	
Net income per common share - diluted	<u>\$ 33,433</u>	<u>11,671</u>	\$ 2.86	<u>\$ 45,203</u>	<u>12,233</u>	\$ 3.70
	Thirty-nine weeks ended					
	September 28, 2024			September 30, 2023		
	Earnings to Common Shareholders	Common Shares	EPS	Earnings to Common Shareholders	Common Shares	EPS
	(in thousands, except per share data)					
As reported - basic	\$ 81,082	9,783	\$ 8.29	\$ 78,276	10,175	\$ 7.69
Add: effect of dilutive common shares						
Share-based awards	—	20		—	37	
Class B Common Stock	17,140	2,068		15,908	2,068	
Net effect of unvested participating shares	—	—		1	—	
Net income per common share - diluted	<u>\$ 98,222</u>	<u>11,871</u>	\$ 8.27	<u>\$ 94,185</u>	<u>12,280</u>	\$ 7.67

For the thirteen weeks ended September 28, 2024, in accordance with the two-class method, weighted-average stock options to purchase 135,343 shares and 20,395 unvested share-based payments were outstanding but not included in computing dilutive income per common share because their effects were anti-dilutive. For the thirty-nine weeks ended September 28, 2024, in accordance with the two-class method, weighted-average stock options to purchase approximately 129,101 shares of Class A Common Stock and approximately 17,699 unvested share-based payments were outstanding but not included in computing dilutive income per common share because their effects were anti-dilutive. Additionally, performance-based stock options to purchase 10,843 shares of Class A Common Stock and 36,302 performance-based stock awards were outstanding as of September 28, 2024 but not included in computing diluted income per common share because the performance criteria were not met as of the end of the reporting period.

For the thirteen weeks ended September 30, 2023, in accordance with the two-class method, weighted-average stock options to purchase approximately 83,797 shares and approximately 31,962 unvested share-based payments were outstanding but not included in computing dilutive income per common share because their effects were anti-dilutive. For the thirty-nine weeks ended September 30, 2023, in accordance with the two-class method, weighted-average stock options to purchase approximately 76,548 shares of Class A Common Stock and approximately 32,962 unvested share-based payments were outstanding but not included in computing dilutive income per common share because their effects were anti-dilutive. Additionally, performance-based stock options to purchase 21,835 shares of Class A Common Stock and 10,421 performance-based stock awards were outstanding as of September 30, 2023 but not included in computing diluted income per common share because the performance criteria were not met as of the end of the reporting period.

I. Commitments and Contingencies

Contractual Obligations

As of September 28, 2024, projected cash outflows under non-cancelable contractual obligations are as follows:

	<u>Commitments</u> <u>(in thousands)</u>
Ingredients and packaging (excluding hops and malt)	\$ 42,947
Hops and malt	42,647
Brand support	36,568
Equipment and machinery	27,787
Other	29,497
Total commitments	<u>\$ 179,446</u>

The Company expects to pay \$103.8 million of these obligations in the remainder of fiscal 2024, \$56.6 million in fiscal 2025, \$13.3 million in fiscal 2026, and \$5.7 million in fiscal 2027 and thereafter.

Litigation

The Company is party to legal proceedings and claims, where significant damages are asserted against it. Given the inherent uncertainty of litigation, it is possible that the Company could incur liabilities as a consequence of these claims, which may or may not have a material adverse effect on the Company's financial condition or the results of its operations. The Company accrues loss contingencies if, in the opinion of management and its legal counsel, the risk of loss is probable and the loss can be estimated. Material pending legal proceedings are discussed below.

On December 31, 2022, Ardagh Metal Packaging USA Corp. ("Ardagh") filed an action against the Company alleging, among other things, that the Company had failed to purchase contractual minimum volumes of certain aluminum beverage can containers in 2021 and 2022. The Company denies that it breached the terms of the parties' contract and intends to defend against the Ardagh claims vigorously. On February 23, 2023 and April 4, 2023, Ardagh and the Company engaged in mediation sessions with a neutral, third-party mediator, but were not able to resolve the matter and the litigation will proceed. On May 5, 2023, the Company filed an Answer in response to the Complaint, and Counterclaims against Ardagh. On June 26, 2023, Ardagh filed a Motion to Dismiss Certain Counterclaims and a Motion to Strike Certain Affirmative Defenses, to which the Company filed Oppositions on July 24, 2023. The Company filed an Amended Answer, Amended Affirmative Defenses and Amended Counterclaims on March 25, 2024. On November 9, 2023, Ardagh filed a Notice of Plaintiff's Motion for Judgment on the Pleadings on Count II of the Complaint, to which the Company filed an Opposition on November 22, 2023. On February 26, 2024, the Court granted the Motion. On March 27, 2024, the Company filed a Motion to Clarify and to Reconsider the Court's decision. Following briefing by the parties, on June 17, 2024, the Court granted the Company's Motion to Reconsider, denied Ardagh's Motion for Judgment on the Pleadings, and vacated its February 26, 2024 Order. Although the Court has not yet set a final date, the Company anticipates that fact discovery will be closed in 2024. The Court has also not yet set a date for the close of expert discovery, summary judgment filings, or trial.

J. Income Taxes

The following table provides a summary of the income tax provision for the thirteen weeks and thirty-nine weeks ended September 28, 2024 and September 30, 2023:

	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>September 28, 2024</u>	<u>September 30, 2023</u>	<u>September 28, 2024</u>	<u>September 30, 2023</u>
Effective tax rate	31.7%	29.3%	30.3%	28.4%

The increase in the tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 as compared to the thirteen and thirty-nine weeks ended September 30, 2023 is primarily due to an increase in non-deductible compensation.

As of both September 28, 2024 and December 30, 2023, the Company had approximately \$0.3 million of unrecognized income tax benefits.

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The Company's practice is to classify interest and penalties related to income tax matters in income tax expense. As of September 28, 2024 and December 30, 2023, the Company had approximately \$0.2 million accrued for interest and penalties recorded in other liabilities.

The Internal Revenue Service completed an examination of the 2015 consolidated corporate income tax return and issued a no change report in 2018. The Company's state income tax returns remain subject to examination for three or four years depending on the state's statute of limitations. The Company is not currently under any income tax audits as of September 28, 2024.

K. Line of Credit

In December 2022, the Company amended its credit facility in place that provides for a \$150.0 million revolving line of credit to extend the maturity date to December 16, 2027. Under the terms of the amended agreement, the Company may elect an interest rate for borrowings under the credit facility based on the applicable secured overnight financing rate ("SOFR") plus 1.1%. As of September 28, 2024, no borrowings were outstanding. As of September 28, 2024 and December 30, 2023, the Company was not in violation of any of its financial covenants to the lender under the credit facility and the unused balance of \$150.0 million on the line of credit was available to the Company for future borrowings.

L. Fair Value Measures

The Company defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 — Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 — Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's cash and cash equivalents are held in money market funds. These money market funds are measured at fair value on a recurring basis (at least annually) and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The money market funds are invested substantially in United States Treasury and government securities. The Company does not adjust the quoted market price for such financial instruments. Cash, accounts receivable, and accounts payable are carried at their cost, which approximates fair value, because of their short-term nature.

At September 28, 2024 and December 30, 2023, the Company had money market funds with a "Triple A" rated money market fund. The Company considers the "Triple A" rated money market fund to be a large, highly-rated investment-grade institution. As of September 28, 2024 and December 30, 2023, the Company's cash and cash equivalents balance was \$255.6 million and \$298.5 million, respectively, including money market funds amounting to \$246.0 million and \$291.5 million, respectively.

Non-Recurring Fair Value Measurement

The fair value as of the issuance date of the Company's note receivable is classified within Level 2 of the fair value hierarchy as the fair value was partially derived from publicly quoted inputs of market interest rates for a loan of similar terms, provisions, and maturity.

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The fair value of the Company's Dogfish Head trademark intangible assets is classified within Level 3 of the fair value hierarchy because there are no observable inputs of market activity. When performing a quantitative assessment for impairment of the trademark asset, the Company measures the amount of impairment by calculating the amount by which the carrying value of the trademark asset exceeds its estimated fair value. The estimated fair value is determined based on an income approach using the relief from royalty method, which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of the trademark asset. The cash flow projections the Company uses to estimate the fair value of its Dogfish Head trademark intangible asset involves several assumptions, including (i) projected revenue growth, (ii) an estimated royalty rate, (iii) after-tax royalty savings expected from ownership of the trademark and (iv) a discount rate used to derive the estimated fair value of the trademark asset.

M. Common Stock and Stock-Based Compensation

Option Activity

Information related to stock options under the Restated Employee Equity Incentive Plan and the Stock Option Plan for Non-Employee Directors and upper management is summarized as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in thousands)
Outstanding at December 30, 2023	207,810	\$ 361.53		
Granted	25,635	299.57		
Exercised	(6,164)	204.25		
Forfeited/ Expired	(15,487)	383.46		
Outstanding at September 28, 2024	211,794	\$ 357.00	5.14	\$ 5,004
Exercisable at September 28, 2024	128,930	\$ 326.59	4.10	\$ 4,756
Vested and expected to vest at September 28, 2024	191,971	\$ 360.56	5.01	\$ 4,965

Of the total options outstanding at September 28, 2024, 28,033 shares were performance-based options for which the performance criteria had yet to be achieved.

On April 1, 2024, the Company granted options to purchase an aggregate of 21,205 shares of the Company's Class A Common Stock to the Company's Chief Executive Officer. These options have a fair value and exercise price per share of \$141.48 and \$304.42, respectively.

On May 7, 2024, the Company granted options to purchase an aggregate of 2,840 shares of the Company's Class A Common Stock to the Company's non-employee Directors. All of the options vested immediately on the date of the grant. These options have a fair value and exercise price per share of \$114.47 and \$268.20, respectively.

On July 29, 2024, the Company granted options to purchase an aggregate of 1,590 shares of the Company's Class A Common Stock to the Company's two new non-employee Directors. All of the options vested immediately on the date of the grant. These options have a fair value and exercise price per share of \$143.23 and \$290.91, respectively.

Weighted average assumptions used to estimate fair values of stock options on the date of grants are as follows:

	2024
Expected Volatility	40.0%
Risk-free interest rate	4.2%
Expected Dividends	0.0%
Exercise factor	2.1
Discount for post-vesting restrictions	0.0%

Non-Vested Shares Activity

The following table summarizes vesting activities of shares issued under the investment share program and restricted stock units:

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	Number of Shares	Weighted Average Fair Value
Non-vested at December 30, 2023	114,797	\$ 373.56
Granted	86,601	290.19
Vested	(32,823)	381.95
Forfeited	(4,212)	320.93
Non-vested at September 28, 2024	<u>164,363</u>	<u>\$ 329.30</u>

Of the total non-vested shares at September 28, 2024, 45,375 shares were performance-based shares for which the performance criteria had yet to be achieved.

On March 1, 2024, the Company granted a combined 64,708 shares of restricted stock units to certain officers, senior managers and key employees. Of the restricted stock units granted, 8,384 had performance-based vesting criteria with potential achievement of 0% to 200% of the grant total and a three-year service period. Additionally, 20,000 of the restricted stock units granted had performance based vesting criteria with potential vesting over a seven year service period. The remainder of restricted stock units granted on March 1, 2024 vest ratably over service periods of four years. Additionally on March 1, 2024, employees elected to purchase a combined 12,007 shares under the Company's investment share program. The weighted average fair value of the restricted stock units and investment shares, which are sold to employees at discount under its investment share program, was \$308.14 and \$186.77 per share, respectively.

On April 1, 2024, the Company granted a combined 6,570 shares of restricted stock units to the Chief Executive Officer, of which all shares vest in 3 years dependent on meeting performance criteria as well as continued employment with the company. The fair value of the restricted stock units was \$304.42 per share, of which all shares were performance-based shares.

On April 1, 2024, the Company granted a combined 1,069 shares of restricted stock units to a member of senior management, of which all shares vest ratably over service periods of up to four years. The fair value of the restricted stock units was \$304.42 per share.

On May 7, 2024, the Company granted a combined 1,215 shares of restricted stock units to the Company's non-employee Directors, of which all shares vest one year from the grant date. The fair value of the restricted stock units was \$268.20 per share.

On July 29, 2024, the Company granted a combined 782 shares of restricted stock units to the Company's two new non-employee Directors, of which all shares vest one year from the grant date. The fair value of the restricted stock units was \$290.91 per share.

On August 1, 2024, the Company granted a combined 250 shares of restricted stock units to a member of management, of which all shares vest ratably over service periods of up to four years. The fair value of the restricted stock units was \$280.21 per share.

Stock-Based Compensation

The following table provides information regarding stock-based compensation expense included in operating expenses in the accompanying condensed consolidated statements of comprehensive operations:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
	(in thousands)		(in thousands)	
Amounts included in advertising, promotional and selling expenses	\$ 1,310	\$ 1,370	\$ 5,241	\$ 4,952
Amounts included in general and administrative expenses	\$ 2,368	\$ 2,677	\$ 9,445	\$ 7,361
Total stock-based compensation expense	<u>\$ 3,678</u>	<u>\$ 4,047</u>	<u>\$ 14,686</u>	<u>\$ 12,313</u>

Stock Repurchases

In 1998, the Company began a share repurchase program. Under this program, the Company's Board of Directors has authorized the repurchase of the Company's Class A Stock. On October 2, 2024, the Board of Directors authorized an increase in the aggregate expenditure limit for the Company's stock repurchase program by \$400.0 million, increasing the limit from \$1.2 billion to \$1.6 billion. The Board of Directors did not specify a date upon which the total authorization would expire and, in the future, can further increase the authorized amount. Share repurchases under this program for the periods included herein were effected through open market transactions.

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During the thirteen and thirty-nine weeks ended September 28, 2024, the Company repurchased and subsequently retired 226,197 and 595,732 shares of its Class A Common Stock, respectively, for an aggregate purchase price of \$63 million and \$176 million, respectively. As of September 28, 2024, the Company had repurchased a cumulative total of approximately 14.7 million shares of its Class A Common Stock for an aggregate purchase price of approximately \$1.1 billion and had approximately \$90.5 million remaining on the \$1.2 billion stock repurchase expenditure limit set by the Board of Directors.

N. Licensing Agreements

Pepsi Licensing Agreement

On August 9, 2021, the Company signed a series of agreements with PepsiCo, Inc. (“Pepsi”) to develop, market, and sell alcohol beverages. Under the agreements, the Company is responsible for developing, manufacturing, and marketing a flavored malt beverage product under the HARD MTN DEW® brand. As part of the agreements, Pepsi provides certain proprietary ingredients and also licenses the Company the use of its HARD MTN DEW® trademark in connection with manufacturing, promoting, marketing, and distributing the developed product, primarily through the Pepsi distribution network.

The Company began shipping flavored malt beverages to Pepsi during the first quarter of 2022. Pursuant to the terms of the agreements, the Company makes payments to Pepsi for proprietary ingredients, freight costs to ship the product to Pepsi, and certain marketing services. The cost of the proprietary ingredients above fair market value are recorded within net revenue at the time revenue is recognized for the flavored malt beverages sold to Pepsi and were \$0.0 million and \$0.3 million during the thirteen weeks and thirty-nine weeks ended September 28, 2024, respectively, and were \$0.4 million and \$1.7 million during the thirteen weeks and thirty-nine weeks ended September 30, 2023, respectively. Freight costs and marketing costs are recorded in advertising, promotional and selling expenses. The excess cost over fair market value of proprietary ingredients on hand at the end of the period are classified within prepaid expenses and other current assets. The excess over fair market value for inventory on hand was zero and \$0.1 million as of September 28, 2024 and December 30, 2023, respectively. During the thirteen weeks ended September 28, 2024, total net revenue recognized under these agreements amounted to less than 1% of the Company's total net revenues. During the thirteen and thirty-nine weeks ended September 30, 2023, total net revenue recognized under these agreements amounted to approximately 1% and 3%, respectively, of the Company's total net revenues.

On February 24, 2024, the Company and Pepsi amended the terms of these agreements, most notably to change distribution from the Pepsi Distribution network to the Company's distribution network. The transition of distributor networks began in May of 2024 and is expected to extend into 2025. Under the agreements, the Company is responsible for developing, manufacturing, and marketing a flavored malt beverage product under Pepsi's MTN DEW® brand. Pepsi provides certain proprietary ingredients and also licenses the Company the use of its HARD MTN DEW® trademark in connection with manufacturing, promoting, marketing, and distributing the developed product.

O. Related Party Transactions

In connection with the Dogfish Head Transaction, the Company entered into a lease with the Dogfish Head founders and other owners of buildings used in certain of the Company's restaurant operations. The lease is for ten years with renewal options. The total payments due under the initial ten-year term is \$3.6 million. Total related parties expense recognized related to the lease was \$91,000 for the thirteen weeks ended September 28, 2024 and September 30, 2023. Additionally, the Company incurred expenses of less than \$25,000 to various other suppliers affiliated with the Dogfish Head founders during the thirteen weeks ended September 28, 2024 and September 30, 2023. Total related parties expense recognized related to the lease was \$274,000 for the thirty-nine weeks ended September 28, 2024 and September 30, 2023. Additionally, the Company incurred expenses of less than \$50,000 to various other suppliers affiliated with the Dogfish Head founders during the thirty-nine weeks ended September 28, 2024 and September 30, 2023.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of the Company for the thirteen and thirty-nine week periods ended September 28, 2024, as compared to the thirteen and thirty-nine week period ended September 30, 2023. This discussion should be read in conjunction with the Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements of the Company and Notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2023.

RESULTS OF OPERATIONS
Thirteen Weeks Ended September 28, 2024 compared to Thirteen Weeks Ended September 30, 2023

	Thirteen Weeks Ended (in thousands, except per barrel)						Amount change	% change	Per barrel change
	September 28, 2024			September 30, 2023					
Barrels sold	2,243			2,286			(43)	(1.9)%	
	Per barrel	% of net revenue		Per barrel	% of net revenue				
Net revenue	\$ 605,477	\$ 269.94	100.0%	\$ 601,599	\$ 263.14	100.0%	\$ 3,878	0.6%	\$ 6.80
Cost of goods	325,236	145.00	53.7%	326,951	143.01	54.3%	(1,715)	(0.5)%	1.99
Gross profit	280,241	124.94	46.3%	274,648	120.13	45.7%	5,593	2.0%	4.81
Advertising, promotional, and selling expenses	147,986	65.98	24.4%	152,579	66.74	25.4%	(4,593)	(3.0)%	(0.76)
General and administrative expenses	43,818	19.54	7.2%	42,241	18.48	7.0%	1,577	3.7%	1.06
Impairment of intangible assets	42,584	18.99	7.0%	16,426	7.18	2.7%	26,158	159.2%	11.81
Impairment of brewery assets	20	0.01	0.0%	1,900	0.83	0.3%	(1,880)	(98.9)%	(0.82)
Total operating expenses	234,408	104.52	38.7%	213,146	93.23	35.4%	21,262	10.0%	11.29
Operating income	45,833	20.42	7.6%	61,502	26.90	10.2%	(15,669)	(25.5)%	(6.48)
Other income	3,265	1.46	0.5%	2,565	1.12	0.4%	700	27.3%	0.34
Income before income tax provision	49,098	21.88	8.1%	64,067	28.02	10.6%	(14,969)	(23.4)%	(6.14)
Income tax provision	15,584	6.95	2.6%	18,772	8.21	3.1%	(3,188)	(17.0)%	(1.26)
Net income	\$ 33,514	\$ 14.93	5.5%	\$ 45,295	\$ 19.81	7.5%	\$ (11,781)	(26.0)%	\$ (4.88)

Net revenue. Net revenue increased by \$3.9 million, or 0.6%, to \$605.5 million for the thirteen weeks ended September 28, 2024, as compared to \$601.6 million for the thirteen weeks ended September 30, 2023 primarily as a result of price increases of \$11.2 million and lower returns of \$3.2 million, partially offset by lower shipment volume of \$11.4 million.

Volume. Total shipment volume decreased by 1.9% to 2,243,000 barrels for the thirteen weeks ended September 28, 2024, as compared to 2,286,000 barrels for the thirteen weeks ended September 30, 2023, reflecting decreases in the Company’s Truly, Dogfish Head, Samuel Adams and Angry Orchard brands, partially offset by increases in its Twisted Tea, Sun Cruiser and Hard Mountain Dew brands.

The Company believes distributor inventory as of September 28, 2024 averaged approximately five and a half weeks on hand which was slightly higher than the Company’s target level of four to five weeks. The Company expects that distributor inventory will return to target levels during the fourth quarter.

Net revenue per barrel. Net revenue per barrel increased by 2.6% to \$269.94 per barrel for the thirteen weeks ended September 28, 2024, as compared to \$263.14 per barrel for the comparable period in 2023, primarily due to price increases and lower returns.

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Cost of goods sold. Cost of goods sold was \$145.00 per barrel for the thirteen weeks ended September 28, 2024, as compared to \$143.01 per barrel for the thirteen weeks ended September 30, 2023. The 2024 increase in cost of goods sold of \$1.99, or 1.4% per barrel was primarily due to increases in inventory obsolescence of \$7.6 million, or \$3.39 per barrel, and inflationary impacts of \$3.5 million, or \$1.56 per barrel, partially offset by contract renegotiations and recipe optimization savings of \$6.3 million, or \$2.81 per barrel.

Inflationary impacts of \$3.5 million consist primarily of increased internal brewery costs of \$1.8 million and increased material costs of \$1.7 million.

Gross profit. Gross profit was \$124.94 per barrel for the thirteen weeks ended September 28, 2024, as compared to \$120.13 per barrel for the thirteen weeks ended September 30, 2023.

The Company includes freight charges related to the movement of finished goods from its manufacturing locations to distributor locations in its advertising, promotional and selling expense line item. As such, the Company's gross margins may not be comparable to those of other entities that classify costs related to distribution differently.

Advertising, promotional, and selling expenses. Advertising, promotional and selling expenses decreased by \$4.6 million, or 3.0%, to \$148.0 million for the thirteen weeks ended September 28, 2024, as compared to \$152.6 million for the thirteen weeks ended September 30, 2023, primarily due to decreased freight to distributors of \$2.8 million from improved efficiencies and lower volumes. Brand and selling costs decreased \$1.8 million, primarily due to lower salaries and benefit costs.

Advertising, promotional and selling expenses were 24.4% of net revenue, or \$65.98 per barrel, for the thirteen weeks ended September 28, 2024, as compared to 25.4% of net revenue, or \$66.74 per barrel, for the thirteen weeks ended September 30, 2023. This decrease per barrel is primarily due to advertising, promotional, and selling expenses decreasing at a higher rate than the decrease in shipments. The Company invests in advertising and promotional campaigns that it believes will be effective, but there is no guarantee that such investments will generate sales growth.

The Company conducts certain advertising and promotional activities in its distributors' markets, and the distributors make contributions to the Company for such efforts. These amounts are included in the Company's condensed consolidated statements of comprehensive operations as reductions to advertising, promotional and selling expenses. Historically, contributions from distributors for advertising and promotional activities have amounted to between 2% and 3% of net sales. The Company may adjust its promotional efforts in the distributors' markets, if changes occur in these promotional contribution arrangements, depending on industry and market conditions.

General and administrative expenses. General and administrative expenses increased by \$1.6 million, or 3.7%, to \$43.8 million for the thirteen weeks ended September 28, 2024, as compared to \$42.2 million for the thirteen weeks ended September 30, 2023, primarily due increased professional fees.

Impairment of intangible assets. Impairment of intangible assets reflects a \$42.6 million non-cash impairment charge recorded primarily for the Dogfish Head brand, taken as a result of the Company's annual impairment analysis as of September 1, 2024. The impairment determination was primarily based on the latest forecasts of brand performance which has been below projections made on the acquisition date. In the third quarter of 2023, the Company recorded an impairment charge of \$16.4 million for the Dogfish Head brand.

Impairment of brewery assets. Impairment of brewery assets of \$0.02 million decreased by \$1.9 million from the comparable period of 2023, due to lower write-offs of equipment at Company-owned breweries.

Income tax provision. The Company's effective tax rate of 31.7% increased from 29.3% in the prior year. The increased effective tax rate is due to increased non-deductible compensation and the impact of the impairment charge which resulted in lower pre-tax income compared to the prior year.

Thirty-Nine Weeks Ended September 28, 2024 compared to Thirty-Nine Weeks Ended September 30, 2023

	Thirty-Nine Weeks Ended (in thousands, except per barrel)						Amount change	% change	Per barrel change
	September 28, 2024			September 30, 2023					
Barrels sold	5,997			6,175			(178)	(2.9)%	
		Per barrel	% of net revenue		Per barrel	% of net revenue			
Net revenue	1,610,627	\$ 268.57	100.0%	1,614,903	\$ 261.53	100.0%	\$ (4,276)	(0.3)%	\$ 7.04
Cost of goods	877,580	146.34	54.5%	910,430	147.44	56.4%	(32,850)	(3.6)%	(1.10)
Gross profit	733,047	122.23	45.5%	704,473	114.09	43.6%	28,574	4.1%	8.14
Advertising, promotional, and selling expenses	412,484	68.78	25.6%	427,369	69.21	26.5%	(14,885)	(3.5)%	(0.43)
General and administrative expenses	142,226	23.72	8.8%	130,834	21.19	8.1%	11,392	8.7%	2.53
Impairment of intangible assets	42,584	7.10	2.6%	16,426	2.66	1.0%	26,158	159.2%	4.44
Impairment of brewery assets	3,751	0.63	0.2%	3,916	0.63	0.2%	(165)	(4.2)%	-
Total operating expenses	601,045	100.23	37.3%	578,545	93.69	35.8%	22,500	3.9%	6.54
Operating income	132,002	22.00	8.2%	125,928	20.40	7.8%	6,074	4.8%	1.60
Other income	9,226	1.54	0.6%	5,840	0.95	0.4%	3,386	58.0%	0.59
Income before income tax provision	141,228	23.54	8.8%	131,768	21.35	8.2%	9,460	7.2%	2.19
Income tax provision	42,778	7.13	2.7%	37,394	6.06	2.3%	5,384	14.4%	1.07
Net income	\$ 98,450	\$ 16.41	6.1%	\$ 94,374	\$ 15.29	5.8%	\$ 4,076	4.3%	\$ 1.12

Net revenue. Net revenue decreased by \$4.3 million, or 0.3%, to \$1.611 billion for the thirty-nine weeks ended September 28, 2024, as compared to \$1.615 billion for the thirty-nine weeks ended September 30, 2023, primarily as a result of lower shipment volume of \$46.4 million, partially offset by price increases of \$31.8 million and lower returns of \$11.5 million.

Volume. Total shipment volume decreased by 2.9% to 5,997,000 barrels for the thirty-nine weeks ended September 28, 2024, as compared to 6,175,000 barrels for the thirty-nine weeks ended September 30, 2023, reflecting decreases in the Company's Truly, Hard Mountain Dew, Samuel Adams, Dogfish Head and Angry Orchard brands, partially offset by increases in its Twisted Tea and Sun Cruiser brands.

Net revenue per barrel. Net revenue per barrel increased by 2.7% to \$268.57 per barrel for the thirty-nine weeks ended September 28, 2024, as compared to \$261.53 per barrel for the comparable period in 2023, primarily due to price increases and lower returns.

Cost of goods sold. Cost of goods sold was \$146.34 per barrel for the thirty-nine weeks ended September 28, 2024, as compared to \$147.44 per barrel for the thirty-nine weeks ended September 30, 2023. The 2024 decrease in cost of goods sold of \$1.10, or 0.7%, per barrel was primarily due to contract renegotiations and recipe optimization savings of \$16.7 million, or \$2.78 per barrel, partially offset by inflationary impacts of \$11.7 million, or \$1.95 per barrel.

Inflationary impacts of \$11.7 million consist primarily of increased internal brewery costs of \$6.5 million and material costs of \$5.2 million.

Gross profit. Gross profit was \$122.23 per barrel for the thirty-nine weeks ended September 28, 2024, as compared to \$114.09 per barrel for the thirty-nine weeks ended September 30, 2023.

Advertising, promotional, and selling expenses. Advertising, promotional and selling expenses decreased by \$14.9 million, or 3.5%, to \$412.5 million for the thirty-nine weeks ended September 28, 2024, as compared to \$427.4 million for thirty-nine weeks ended September 30, 2023, primarily due to decreased freight to distributors of \$9.2 million from lower rates and volumes. Brand and selling costs decreased \$5.7 million primarily due to lower consulting costs.

Advertising, promotional and selling expenses were 25.6% of net revenue, or \$68.78 per barrel, for the thirty-nine weeks ended September 28, 2024, as compared to 26.5% of net revenue, or \$69.21 per barrel, for the thirty-nine weeks ended September 30, 2023. This decrease per barrel is primarily due to advertising, promotional, and selling expenses decreasing at a higher rate than the decrease in shipments. The Company invests in advertising and promotional campaigns that it believes will be effective, but there is no guarantee that such investments will generate sales growth.

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General and administrative expenses. General and administrative expenses increased by \$11.4 million, or 8.7%, to \$142.2 million for the thirty-nine weeks ended September 28, 2024, as compared to \$130.8 million for the thirty-nine weeks ended September 30, 2023, primarily due to higher salaries and benefits costs, resulting from Chief Executive Officer transition costs recorded in the first quarter and inflation costs.

Impairment of intangible assets. Impairment of intangible assets reflects a \$42.6 million non-cash impairment charge recorded primarily for the Dogfish Head brand, taken as a result of the Company's annual impairment analysis as of September 1, 2024. The impairment determination was primarily based on the latest forecasts of brand performance which has been below projections made on the acquisition date. In the third quarter of 2023, the Company recorded an impairment charge of \$16.4 million for the Dogfish Head brand.

Impairment of brewery assets. Impairment of brewery assets of \$3.8 million decreased by \$0.2 million from the comparable period of 2023, due to lower write-offs of equipment at Company-owned breweries.

Income tax provision. The Company's effective tax rate of 30.3% increased from 28.4% in the prior year. The increased effective tax rate is due to higher non-deductible compensation primarily related to Chief Executive Officer transition costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are its existing cash balances, cash flows from operating activities and amounts available under its revolving credit facility. The Company's material cash requirements include working capital needs, satisfaction of contractual commitments, stock repurchases, and investment in the Company's business through capital expenditures.

Cash decreased to \$255.6 million as of September 28, 2024 from \$298.5 million as of December 30, 2023, primarily reflecting repurchases of the Company's Class A common stock, a note receivable issued, purchases of property, plant, and equipment, and payments of tax withholdings on stock-based payment awards and investment shares, partially offset by net cash provided by operating activities.

Cash provided by operating activities consists of net income, adjusted for certain non-cash items, such as depreciation and amortization, stock-based compensation expense, and other non-cash items included in operating results, and changes in operating assets and liabilities, such as accounts receivable, inventory, accounts payable, and accrued expenses.

Cash provided by operating activities for the thirty-nine weeks ended September 28, 2024 was comprised of net income of \$98.5 million and non-cash items of \$118.4 million, partially offset by a net increase in operating assets and liabilities of \$9.9 million. Cash provided by operating activities for the thirty-nine weeks ended September 30, 2023 was comprised of net income of \$94.4 million, non-cash items of \$94.7 million, and a net decrease in operating assets and liabilities of \$43.3 million. The decrease in cash provided by operating activities for the thirty-nine weeks ended September 28, 2024 compared to September 30, 2023 is primarily due to lower inventory reduction compared to the prior year, partially offset by higher net income.

The Company used \$72.7 million in investing activities during the thirty-nine weeks ended September 28, 2024, as compared to \$47.1 million during the thirty-nine weeks ended September 30, 2023. The increase in investing activity cash outflows is due to a \$20.0 million note receivable issued. For both periods, capital investments were made mostly in the Company's breweries to drive efficiencies and cost reductions and support product innovation and future growth.

Cash used in financing activities was \$177.1 million during the thirty-nine weeks ended September 28, 2024, as compared to \$55.1 million during the thirty-nine weeks ended September 30, 2023. The \$122.0 million increase in financing activity cash outflows in 2024 compared to 2023 is primarily due to higher repurchases of the Company's Class A common stock in the current period.

During the period from December 31, 2023 through October 18, 2024, the Company repurchased and subsequently retired 647,728 shares of its Class A Common Stock for an aggregate purchase price of \$190.9 million. On October 2, 2024, the Board of Directors authorized an increase in the share buyback expenditure limit set for the program from \$1.2 billion to \$1.6 billion. As of October 18, 2024, the Company had repurchased a cumulative total of approximately 14.7 million shares of its Class A Common Stock for an aggregate purchase price of approximately \$1.1 billion and had approximately \$476 million remaining on the \$1.6 billion stock repurchase expenditure limit set by the Board of Directors.

The Company expects that its cash balance as of September 28, 2024 of \$255.6 million, along with its projected future operating cash flow and its unused line of credit balance of \$150.0 million, will be sufficient to fund future cash requirements. The Company's \$150.0 million credit facility has a term not scheduled to expire until December 16, 2027. As of the date of this filing, the Company was not in violation of any of its covenants to the lender under the credit facility.

Critical Accounting Policies

Valuation of Goodwill and Indefinite Lived Intangible Assets

The Company has recorded intangible assets with indefinite lives and goodwill for which impairment testing is required at least annually or more frequently if events or circumstances indicate that these assets might be impaired. The Company performs its annual impairment tests and re-evaluates the useful lives of other intangible assets with indefinite lives at the annual impairment test measurement date in the third quarter of each fiscal year or when circumstances arise that indicate a possible impairment or change in useful life might exist.

Significant judgement is required to estimate the fair value of the Dogfish Head trademark. Accordingly, the Company obtains the assistance of third-party valuation specialists as part of the impairment evaluation. In estimating the fair value of the trademark, management must make assumptions and projections regarding future cash flows based upon future revenues, the market-based royalty rate, the discount rate, and the after-tax royalty savings expected from ownership of the trademark. The assumptions and projections used in the estimate of fair value are consistent with recent trends and represent the projections used in Company's current strategic operating plans which include reductions in revenues from the Dogfish Head beer products. These assumptions reflect management's estimates of future economic and competitive conditions and consider many factors including macroeconomic conditions, industry growth rates, and competitive activities and are, therefore, subject to change as a result of changing market conditions. Beginning in the fourth quarter of 2024, the Company will change the indefinite useful life of the Dogfish Head trademark asset and begin amortizing the remaining \$14.4 million balance over an estimated useful life of 10 years.

The Company performed a sensitivity analysis on its significant assumptions used in the Dogfish Head trademark fair value calculation and determined the following:

A decrease in the annual forecasted revenue growth rate of 1.0% would result in a 4.9% decrease to the current fair value of \$14.4 million.

A decrease in the discount rate of 1.5% would result in a 8.3% increase to the current fair value of \$14.4 million and an increase in the discount rate of 1.5% would result in a 6.9% decrease to the current fair value of \$14.4 million.

FORWARD-LOOKING STATEMENTS

In this Quarterly Report on Form 10-Q and in other documents incorporated herein, as well as in oral statements made by the Company, statements that are prefaced with the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “intend,” “designed” and similar expressions, are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect the Company’s future plans of operations, business strategy, results of operations and financial position. These statements are based on the Company’s current expectations and estimates as to prospective events and circumstances about which the Company can give no firm assurance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect subsequent events or circumstances. Forward-looking statements should not be relied upon as a prediction of actual future financial condition or results. These forward-looking statements, like any forward-looking statements, involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include the factors set forth below in addition to the other information set forth in this Quarterly Report on Form 10-Q and in the section titled “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 30, 2023.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since December 30, 2023, there have been no significant changes in the Company's exposures to interest rate or foreign currency rate fluctuations. The Company currently does not enter into derivatives or other market risk sensitive instruments for the purpose of hedging or for trading purposes.

Item 4. CONTROLS AND PROCEDURES

As of September 28, 2024, the Company conducted an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer (its principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of September 28, 2024 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods and that such disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the thirteen weeks ended September 28, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For information regarding the Company's legal proceedings, refer to Note I of the Condensed Consolidated Financial Statements.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 30, 2023, which could materially affect the Company's business, financial condition or future results. The risks described in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect its business, financial condition and/or operating results.

[Table of Contents](#)**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

In 1998, the Company's Board of Directors ("the Board") authorized the Company's share buyback program. In October 2024, the Board authorized an increase in the share buyback expenditure limit set for the program from \$1.2 billion to \$1.6 billion. The Board did not specify a date upon which the authorization would expire. Share repurchases for the periods included herein were effected through open market transactions.

As of October 18, 2024, the Company had repurchased a cumulative total of approximately 14.7 million shares of its Class A Common Stock for an aggregate purchase price of \$1.1 billion and had \$476 million remaining on the \$1.6 billion share buyback expenditure limit set by the Board.

During the thirty-nine weeks ended September 28, 2024, the Company repurchased and subsequently retired 595,732 shares of its Class A Common Stock, including 1,319 unvested investment shares issued under the Investment Share Program of the Company's Employee Equity Incentive Plan, as illustrated in the table below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands)
December 31, 2023 - February 3, 2024	61,817	\$ 349.89	61,525	\$ 244,893
February 4, 2024 - March 2, 2024	53,335	345.82	53,328	226,450
March 3, 2024 - March 30, 2024	33,386	298.76	33,330	216,490
March 31, 2024 - May 4, 2024	86,768	288.13	86,741	191,494
May 5, 2024 - June 1, 2024	69,743	273.32	69,339	172,497
June 2, 2024 - June 29, 2024	64,486	294.91	64,366	153,499
June 30, 2024 - August 3, 2024	84,144	285.37	84,067	129,502
August 4, 2024 - August 31, 2024	72,999	274.42	72,744	109,504
September 1, 2024 - September 28, 2024	69,054	275.29	68,973	90,505
Total	595,732	\$ 295.74	594,413	\$ 90,505

As of October 18, 2024, the Company had 9.4 million shares of Class A Common Stock outstanding and 2.1 million shares of Class B Common Stock outstanding.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

Item 4. MINE SAFETY DISCLOSURES

Not Applicable

Item 5. OTHER INFORMATION*Insider Trading Arrangements*

No trading plans were adopted or terminated during the thirteen weeks ended September 28, 2024 by an executive officer that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or a non-Rule 10b5-1(c) trading agreement.

Item 6. EXHIBITS

Exhibit No.	Title
3.1	Amended and Restated By-Laws of the Company, dated June 2, 1998 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-Q filed on August 10, 1998).
3.2	Restated Articles of Organization of the Company, dated November 17, 1995, as amended August 4, 1998 (incorporated by reference to Exhibit 3.6 to the Company's Form 10-Q filed on August 10, 1998).
10.1	Offer Letter to Michael Spillane, Chief Executive Officer dated February 23, 2024 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 24, 2024.)
10.2	Offer Letter to Diego Reynoso, Chief Finance Officer dated July 21, 2023 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 24, 2023.)
*31.1	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
*104	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed with this report

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

THE BOSTON BEER COMPANY, INC
(Registrant)

Date: October 24, 2024

/s/ Michael Spillane

Michael Spillane
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 24, 2024

/s/ Diego Reynoso

Diego Reynoso
Chief Financial Officer
(Principal Financial Officer)

I, Michael Spillane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2024

/s/ Michael Spillane

Michael Spillane
President and Chief Executive Officer
[Principal Executive Officer]

I, Diego Reynoso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boston Beer Company, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2024

/s/ Diego Reynoso

Diego Reynoso
Chief Financial Officer
[Principal Financial Officer]

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 28, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Michael Spillane, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2024

/s/ Michael Spillane

Michael Spillane
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The Boston Beer Company, Inc.

Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Boston Beer Company, Inc. (the "Company") on Form 10-Q for the period ended September 28, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Diego Reynoso, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2024

/s/ Diego Reynoso

Diego Reynoso
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Boston Beer Company, Inc. and will be retained by The Boston Beer Company, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
