

BOSTON BEER CO INC
Form 10-Q
July 26, 2018
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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 June 30, 2018

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
(I.R.S. Employer
Identification No.)

02210
(Zip Code)

(617) 368-5000
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Small reporting company

Emerging growth company

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 July 20, 2018:

Class A Common Stock, \$.01 par value	8,733,767
Class B Common Stock, \$.01 par value	3,017,983
(Title of each class)	(Number of shares)

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THE BOSTON BEER COMPANY, INC.

FORM 10-Q

June 30, 2018

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(in thousands, except share data)

(unaudited)

	June 30, 2018	December 30, 2017
Assets		
Current Assets:		
Cash and cash equivalents	\$ 76,179	\$ 65,637
Accounts receivable, net of allowance for doubtful accounts of \$27 and \$0 as of June 30, 2018 and December 30, 2017, respectively	54,063	33,749
Inventories	63,646	50,651
Prepaid expenses and other current assets	13,308	10,695
Income tax receivable	4,824	7,616
Total current assets	212,020	168,348
Property, plant and equipment, net	384,048	384,280
Other assets	18,746	13,313
Goodwill	3,683	3,683
Total assets	\$ 618,497	\$ 569,624
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 59,478	\$ 38,141
Accrued expenses and other current liabilities	72,032	63,617
Total current liabilities	131,510	101,758
Deferred income taxes, net	35,594	34,819
Other liabilities	8,721	9,524
Total liabilities	175,825	146,101
Commitments and Contingencies		
Stockholders Equity:		
Class A Common Stock, \$.01 par value; 22,700,000 shares authorized; 8,635,460 and 8,603,152 issued and outstanding as of June 30, 2018 and December 30, 2017,	86	86

respectively

Class B Common Stock, \$.01 par value; 4,200,000 shares authorized; 3,017,983 and 3,017,983 issued and outstanding as of June 30, 2018 and December 30, 2017,

respectively

	30	30
Additional paid-in capital	399,616	372,590
Accumulated other comprehensive loss, net of tax	(1,516)	(1,288)
Retained earnings	44,456	52,105
 Total stockholders' equity	 442,672	 423,523
 Total liabilities and stockholders' equity	 \$ 618,497	 \$ 569,624

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

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THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Revenue	\$ 289,574	\$ 264,664	\$ 491,405	\$ 437,101
Less excise taxes	16,474	16,734	27,848	27,476
Net revenue	273,100	247,930	463,557	409,625
Cost of goods sold	131,130	113,911	225,490	199,262
Gross profit	141,970	134,019	238,067	210,363
Operating expenses:				
Advertising, promotional and selling expenses	86,510	67,831	154,031	121,585
General and administrative expenses	23,879	19,395	43,217	37,957
Impairment of assets	517	1,505	517	1,505
Total operating expenses	110,906	88,731	197,765	161,047
Operating income	31,064	45,288	40,302	49,316
Other income (expense), net:				
Interest income, net	273	86	478	170
Other (expense) income, net	(203)	129	(488)	57
Total other income (expense), net	70	215	(10)	227
Income before income tax provision	31,134	45,503	40,292	49,543
Income tax provision	7,599	16,378	7,447	14,707
Net income	\$ 23,535	\$ 29,125	\$ 32,845	\$ 34,836
Net income per common share - basic	\$ 1.99	\$ 2.38	\$ 2.78	\$ 2.82
Net income per common share - diluted	\$ 1.98	\$ 2.35	\$ 2.76	\$ 2.79
Weighted-average number of common shares - Class A basic	8,667	9,092	8,690	9,161
Weighted-average number of common shares - Class B basic	3,018	3,097	3,018	3,134

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Weighted-average number of common shares - diluted	11,787	12,344	11,809	12,430
Net income	\$ 23,535	\$ 29,125	\$ 32,845	\$ 34,836
Other comprehensive income:				
Foreign currency translation adjustment	7	(10)	18	(10)
Comprehensive income	\$ 23,542	\$ 29,115	\$ 32,863	\$ 34,826

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

Table of Contents**THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASHFLOWS**

(in thousands)

(unaudited)

	Twenty-six weeks ended	
	June 30, 2018	July 1, 2017
Cash flows provided by operating activities:		
Net income	\$ 32,845	\$ 34,836
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,011	25,616
Impairment of assets	517	1,505
Loss on disposal of property, plant and equipment	26	22
Bad debt expense	27	17
Stock-based compensation expense	4,570	3,413
Deferred income taxes	775	25
Changes in operating assets and liabilities:		
Accounts receivable	(21,651)	(15,001)
Inventories	(18,636)	(6,549)
Prepaid expenses, income tax receivable and other assets	217	2,605
Accounts payable	20,563	8,580
Accrued expenses and other current liabilities	8,721	6,227
Other liabilities	(244)	(254)
Net cash provided by operating activities	53,741	61,042
Cash flows used in investing activities:		
Purchases of property, plant and equipment	(25,470)	(16,721)
Proceeds from disposal of property, plant and equipment	2	16
Change in restricted cash	98	(5)
Net cash used in investing activities	(25,370)	(16,710)
Cash flows used in financing activities:		
Repurchase of Class A Common Stock	(39,725)	(78,180)
Proceeds from exercise of stock options	21,529	14,062
Cash paid on note payable	(78)	(60)
Net proceeds from sale of investment shares	445	462
Net cash used in financing activities	(17,829)	(63,716)

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Change in cash and cash equivalents	10,542	(19,384)
Cash and cash equivalents at beginning of year	65,637	91,035
Cash and cash equivalents at end of period	\$ 76,179	\$ 71,651
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 3,355	\$ 4,812
Decrease in accounts receivable for ASU 2014-09 adoption	\$ (1,310)	\$
Income taxes refunded	\$	\$ 2
Increase (Decrease) in accounts payable for purchase of property, plant and equipment	\$ 774	\$ (3,550)

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

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THE BOSTON BEER COMPANY, INC. AND SUBSIDIARIES

NOTES TO 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 producing and selling alcohol beverages throughout the United States and in selected international markets, under the trade names, The Boston Beer Company®, Twisted Tea Brewing Company, Angry Orchard Cider Company, Hard Seltzer Beverage Company, Traveler Beer Co.®, Angel City Brewing Company®, Concrete Beach Brewery® and Coney Island® Brewing Company.

The accompanying unaudited consolidated balance sheet as of June 30, 2018, and the consolidated statements of comprehensive income and consolidated statements of cash flows for the interim periods ended June 30, 2018 and July 1, 2017 have been prepared by the Company in accordance with U.S. generally accepted accounting principles 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 U.S. generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form