

# The LakeView Restaurant and Food Chain Report Featuring “The Finance Professor” Scott Rothbort



Investment and trade ideas from the farm to your mouth

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## Market Reaction to Boston Beer Earnings Creates Opportunities

Boston Beer (SAM) reported “disappointing” results last night. When the company reported its prior quarter, analysts were way too low on their estimates. This time around, the analysts became far too aggressive on their earnings expectations. So traders react to a bottom line “miss” of 6 cents without considering the fact that the company more than doubled its earnings from 25 cents to 52 cent per share from the prior year’s quarter.

Gross margins remain robust and shipments are strong. SAM continues to capture market share in the domestic beer market. All fundamental signals remain strongly bullish.

Concurrently, the company provided FY10 EPS guidance of \$2.35 to \$2.65. Wall Street Analysts expect SAM to earn \$2.47 for the year. At the midpoint, earnings growth of 15% for 2010 is expected. At the upper end of guidance, earnings could rise as much as 22%. I am comfortable that earnings growth can be achieved in the 15 – 20% range. I am currently expecting SAM to earn \$2.50 per share for FY10.

As you recall we got very aggressive with SAM last fall. The stock has had a spectacular rise ever since then and rallied right into the earnings announcement. Today it is falling over 3 points. I attribute this in part to profit taking. Simply put, the stock got ahead of itself ahead of earnings. The other part of the sell-off is the reaction of uniformed traders who pounce on headline earnings information and ignore the salient fundamental facts which I outlined above. SAM is falling back today and will likely give up a little tomorrow. You can add to existing or start new positions at the close tomorrow. My price target of \$55 remains unchanged at the current time.

A quick personal note is in order. Last week I had some surgery. This is keeping me off my feet but not away from doing my work on the phone or at my computer. The next few newsletter issues may be a little less verbose but will still contain the usual high degree of investment quality information. Thank you for your consideration as I recuperate.



### SAM Data Menu

#### CURRENT PRICE

3/10/10 @ 1:45 PM

**\$48.79**

#### PRICE TARGETS

12/31/10: **\$55.00**

52 WEEK HIGH: **\$51.88**

52 WEEK LOW **\$17.50**

#### EPS :

FY09 **\$2.17 ACT**

FY10 **\$2.50 EST**

#### DIVIDEND INFORMATION:

**NONE**

*As of the date of this newsletter Scott Rothbort, his family and/or clients of LakeView Asset Management, LLC owned shares of SAM --- although positions can change at any time.*



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