Risk Factors Comparison 2024-02-27 to 2023-02-22 Form: 10-K

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In addition to the other information in this Annual Report on Form 10- K, the risks described below should be carefully considered before deciding to invest in shares of the Company' s Class A Common Stock. These are risks and uncertainties that management believes are most likely to be material and therefore are most important for an investor to consider. The Company' s business operations and results may also be adversely affected by additional risks and uncertainties not presently known to it, or which it currently deems immaterial, or which are similar to those faced by other companies in its industry or business in general. If any of the following risks or uncertainties actually occurs, the Company' s business, financial condition, results of operations or cash flows would likely suffer. In that event, the market price of the Company' s Class A Common Stock could decline. Risks Associated with Our Industry The Company faces substantial competition. The High End and Beyond Beer categories within the United States are highly competitive due to the participation of large domestic and international brewers in the categories and the increasing number of **regional** ~~craft brewers~~ and ~~craft distilleries~~ **local competitors** , who distribute similar products that have similar pricing and target drinkers. The two largest brewers in the United States, AB InBev and Molson Coors, participate actively in the High End and Beyond Beer categories, through numerous launches of new hard seltzers, flavored malt beverages and spirit RTDs from existing brands or new brands, importing and distributing import brands, and with their own domestic specialty beers, either by developing new brands or by acquiring, in whole or part, existing brands. Imported beers, such as ~~Corona ®, Heineken ®,~~ Modelo Especial ® **, Corona ®, Heineken ®,** and Stella Artois ®, continue to compete aggressively in the United States and have gained market share over the last ten years. ~~Heineken and~~ Constellation Brands (owner of the United States distribution rights to ~~Corona and~~ Modelo Especial **and Corona**) **and Heineken** may have substantially greater financial resources, marketing strength and distribution networks than the Company. The Company anticipates competition will remain strong as some existing beverage companies are building more capacity, expanding geographically and adding more SKUs and styles. The potential for growth in the sales of ~~hard seltzers,~~ flavored malt beverages **, hard seltzers** , craft- brewed domestic beers, imported beers and spirits RTDs is expected to increase the competition in the market for High End beer and Beyond Beer occasions within the United States and, as a result, the Company may well face competitive pricing pressures and the demand for and market share of the Company' s products may fluctuate and possibly decline. The Company' s products compete generally with other alcoholic beverages. The Company competes with other beer and beverage companies not only for drinker acceptance and loyalty, but also for traditional retail shelf, cold box and tap space, as well as e- commerce placement and for marketing focus by the Company' s Distributors and their customers, all of which also distribute and sell other alcoholic beverage products. Many of the Company' s competitors, including AB InBev, Molson Coors, Constellation, Heineken and Mark Anthony Brands, have substantially greater financial resources, marketing strength and distribution networks than the Company. Moreover, the introduction of new products by competitors that compete directly with the Company' s products or that diminish the importance of the Company' s products to retailers or Distributors may have a material adverse effect on the Company' s business and financial results. **Beginning** ~~Further, the alcoholic beverage industry has also seen continued consolidation among brewers in order to take advantage of cost savings opportunities for supplies, distribution and operations. Illustrative of this consolidation is AB InBev' s $ 107 billion purchase of SAB Miller and the related sale by SAB Miller to Molson Coors of its 58 % share of the MillerCoors joint venture with Molson Coors, as well as Heineken' s acquisition of Lagunitas Brewing Company for approximately $ 1 billion. Also, in the last several years, both AB InBev and Molson Coors have introduced numerous new hard seltzers and purchased multiple regional craft breweries and craft distilleries with the intention to expand the capacity and distribution of these brands. More recently~~ in 2021 ~~and into 2022~~ , large non- alcoholic beverage companies including Coca- Cola Company (" Coke"), Pepsi ~~and~~ **,** Monster Beverage Corporation (" Monster ") **and Arizona Beverage Company (" Arizona")** have begun to enter these markets **directly or** through licensing agreements with alcoholic beverage companies to develop alcohol versions of existing traditional non- alcohol brands. Coke has entered into agreements with Molson Coors to develop, market and sell Topo Chico brand Hard Seltzer ~~and~~ **,** Simply Spiked Lemonade **and Peace Hard Tea** . Coke also announced agreements with Constellation to develop, market and sell FRESCA ™ Mixed, a line of spirits RTDs and with Brown Forman to develop, market and sell Jack Daniel' s ® Tennessee Whiskey and Coca- Cola ® ™ Ready- to- Drink Cocktail. As previously discussed, the Company has entered into an agreement with Pepsi to develop, market and sell alcohol beverages which include Hard Mountain Dew, to take advantage of this trend. **In addition** ~~Pepsi also entered an agreement in late 2022 with FIFCO USA, a New York based brewery, to develop, market and sell Lipton Hard Iced Tea which is planned to be launched during the first half of 2023. Lastly~~ , Monster ~~,~~ acquired CANarchy Craft Brewery Collective in early 2022 **and** ~~has plans to launch~~ **launched** the Beast Unleashed, a new brand of flavored malt beverages in early **2023 which includes Nasty Beast Hard Tea. Arizona, after earlier development and launch in 2020 in Canadian markets, launched Arizona Hard Tea in certain markets in the United States during** 2023. Due to the increased leverage that these **larger companies** ~~combined operations will~~ have in distribution and sales and marketing expenses, the costs to the Company of competing could increase. The potential also exists for these large competitors to increase their influence with their Distributors, making it difficult for smaller beverage companies to maintain their market presence or enter new markets. ~~The continuing~~ **Also,** consolidation **in the industry** could also reduce the contract brewing capacity that is available to the Company. These potential increases in the number and availability of competing brands, the costs to compete, reductions in contract brewing capacity and decreases in distribution support and opportunities may have a material adverse effect on the Company' s business and financial results. Changes in public attitudes and drinker tastes could harm the Company' s business. Regulatory changes in response to public attitudes could adversely affect the Company' s business. The alcoholic beverage industry has been the subject of considerable societal and political attention for several years, due to public concern over alcohol- related social problems, including driving under the influence, underage drinking and health consequences from the misuse of alcohol, including alcoholism. As an outgrowth of these concerns, the possibility exists that advertising by beer producers could be restricted, that additional cautionary labeling or packaging requirements might be imposed, that further restrictions on the sale of alcohol might be imposed or that there may be renewed efforts to impose increased excise or other taxes on beer sold in the United States. The domestic beer industry, other than the market for High End beer occasions and Beyond Beer occasions, has experienced a decline in shipments over the last ten years. The Company believes that this decline is due to declining alcohol consumption per person in the population, drinkers trading up to drink high quality, more flavorful **FMBs,** hard seltzers ~~.~~**,** beers **,** and spirts RTDs, health and wellness trends and increased competition from wine and spirits companies. If consumption of the Company' s products in general were to come into disfavor among domestic drinkers, or if the domestic alcohol beverage industry were subjected to significant additional societal pressure or governmental regulations, the Company' s business could be materially adversely affected. Additionally, certain states are considering or have passed laws and regulations that allow the sale and distribution of marijuana. Currently it is not possible to predict the impact of this on sales of alcohol, but it is possible that legal marijuana usage could adversely impact the demand for the Company' s products. The Company is dependent on its distributors. In the United States, where approximately ~~96~~ **95** % of its ~~beer is~~ **beverages are** sold, the Company sells most of its alcohol beverages to independent beer Distributors for distribution to retailers and, ultimately, to drinkers. Although the Company currently has arrangements with over ~~400~~ **300** Distributors, sustained growth will require it to maintain such relationships and possibly enter into agreements with additional Distributors. Changes in control or ownership within the current distribution network could lead to less support of the Company' s products. Contributing to distribution risk is the fact that the Company' s distribution agreements are generally terminable by the Distributor on relatively short notice. While these distribution agreements contain provisions giving the Company enforcement and termination rights, some state laws prohibit the Company from exercising these contractual rights. The Company' s ability to maintain its existing distribution arrangements may be adversely affected by the fact that many of its Distributors are reliant on one of the major beer producers for a large percentage of their revenue and, therefore, they may be influenced by such producers. If the Company' s existing distribution agreements are terminated, it may not be able to enter into new distribution agreements on substantially similar terms, which may result in an increase in the costs of distribution. No assurance can be given that the Company will be able to maintain its current distribution network or secure additional Distributors on terms not less favorable to the Company than its current arrangements. Risks Related to ~~Our~~ **the Company' s** Business and Operations There is no assurance that the Company will grow its business in the future or that the Company can adapt to the challenges of the changing competitive environment. From 2015 to 2017, the Company experienced a decline in the demand for its products, as craft beer growth rates slowed and the hard cider category declined. From 2018 to 2021, the Company experienced increases in demand for its products, driven by growth in its Truly and Twisted Tea brands, and grew 13 %, 22 %, 37 % and 22 % in depletion volume for 2018, 2019, 2020 and 2021, respectively. ~~During~~ **Beginning in the second half of** 2021 ~~and into 2022~~ , the market for hard seltzer products experienced decelerating growth trends, which resulted in a depletion volume decline of 5 % in 2022 **and 6 % in 2023 (5 % decline on a 52- week comparable basis)** . The slowdown in growth trends greatly impacted the Company' s volume of production and shipments, as well as its volume projections for the future. The volume reduction **also** resulted in increased supply chain related costs. These ~~direct~~ costs include the destruction of excess inventory, provisions for excess and obsolete inventories, property, plant and equipment impairments, write- offs of third- party production prepayments and provisions for costs associated with the termination of various third- party production contracts. The Company is targeting a ~~decline~~ **percentage change** in ~~shipment~~ **shipments** and depletion volume of between ~~2 % and 8 % in 2023~~ **down single digits to up single digits** . The Company' s ability to meet these targets may be affected by an increasing number of competing beverages. The development of new products by the Company to meet these challenges may lead to reduced sales of the Company' s existing brands and there is no guarantee that these new product initiatives will generate stable long term volume. Additionally, changes in the use of media and technology are impacting the economics of how brands are marketed to drinkers and may be diminishing the traditional competitive advantage the Company may have had in buying national media relative to smaller brands. While the Company believes that a combination of innovation, new brand messaging and exploration of new media, and increased investment ~~and~~ **in** sales execution can lead to increased demand, there is no guarantee that the Company' s actions will be successful in maintaining the Company' s historical levels of profitability. Reduced sales, among other factors, could lead to lower brewery utilization, lower funds available to invest in brand support and reduced profitability, and these challenges may require a different mix and level of marketing investments to stabilize and grow volumes. A lower growth environment or periods of sales declines will present challenges for the Company to motivate and retain employees, maintain the current levels of distributor and retailer support of its brands, and fund its current brand investment levels, and could potentially require a review of long term organization and brewery needs. Currently, the Company believes it can meet its volume targets in ~~2023~~ **2024** and return to volume growth in future years, but there is no guarantee its efforts will be successful or profitable. The Company **' s inability** ~~may not be able~~ to **react** ~~increase supply~~ to **changes in** ~~meet the increased~~ demand **could have a material adverse effect on the Company' s operations** ~~for~~ - **or** ~~its products~~ **financial results** . Despite the depletion volume declines in ~~2022~~ **2023** of **6 % (** 5 % **decline on a 52- week comparable basis)** , since 2017 demand for the Company' s products has grown significantly and its ~~2022~~ **2023** depletion volume ~~is~~ **was** over **two** ~~2. 2~~ times 2017 volumes ~~s operations or financial results~~ . ~~As previously discussed,during~~ **During** 2021,the market for hard seltzer products experienced decelerating growth trends which resulted in the annual volume growth rate declining from **an increase of** 158 % in 2020 to 13 % in 2021 and **then** a decrease of 15 % in 2022 **and 21 % in 2023** .The changes in growth trends in the Company' s business,particularly for the Truly Hard Seltzer Brand,as well as added product complexity,heighten the management challenges that the Company faces.In recent years,the Company has had periods of excess capacity that were nevertheless accompanied by product shortages and service issues . As demand for its products ~~has grown,~~ **grew from 2017 through** the **first half of 2021, the** Company ~~has~~ faced challenges in meeting demand. The challenges **were** ~~have been~~ both production constraints, primarily resulting from canning and variety pack capacity limitations, and can supply constraints. **During this period, the Company experienced increased inventory obsolescence, operational, and freight costs, as it reacted. In response to these issues, the Company significantly increased its packaging capabilities and tank capacity and added personnel to address these challenges. With a decline in volume over the second half of 2021 through 2023, the Company then incurred additional supply chain related costs associated with downsizing its production model to adjust to reduced demand. In recent periods, the Company has been able to better match its supply chain to meet demand, but a sudden increase could result in a recurrence of challenges in meeting demand and a sudden decrease could result in other incremental costs.** ~~The~~ **There can be no assurance that the** Company **will effectively address changing consumer demand or manage increasing product complexity, without experiencing similar issues in the future. Planning failures, operating inefficiencies, insufficient employee training, control deficiencies, or other similar issues could well have a material adverse effect on the Company' s business and financial results. Growth or decline in the Company' s revenues, changes in operating procedures, and increased complexity have required significant capital investment. The Company on an overall basis has yet to see any operating cost leverage from these investments and there** is **no guarantee that it will. The Company remains** reliant on third party- owned breweries, particularly City Brewing Company, LLC, to meet demand **and** ~~, as~~ the percentage of its volume produced at Company owned breweries decreased from over 90 % in 2017 to approximately ~~65~~ **71** % in ~~2022. In~~ 2023 ~~, the~~ **. The** Company currently expects that the percentage of total production at Company owned breweries ~~to~~ **in 2024 will** be over ~~70~~ **75** %. The Company expects its reliance on production at City Brewing Company, LLC to decline from approximately ~~26~~ **22** % of production in ~~2022~~ **2023** to approximately 20 % of production in ~~2023~~ **2024 .** The Company' s ability to grow and ~~continue~~ to meet **potentially** increasing consumer demand will be affected by: • its ability to meet production goals and / or targets at the Company' s owned breweries and third party- owned breweries; • its ability to enter into new brewing contracts with third party- owned breweries on commercially acceptable terms; • disruption or other operating performance issues at the Company' s owned breweries or limits on the availability of suitable production capacity at third party- owned breweries; • its ability to obtain sufficient quantities of certain packaging materials and ingredients, such as cans, flavorings, cardboard wraps and glass bottles from suppliers; and • its ability to reduce risk of both over and under supply by improving and automating manual internal processes for demand and production planning. If the Company ~~fails~~ **were unable** to increase supply to meet **increased** consumer demand for its products, the Company' s business and financial results ~~may~~ **could well** be adversely affected **. Alternatively, if there is a sudden decline in demand for the Company' s products, additional costs and inefficiencies could likely result from efforts to adjust the Company' s production model accordingly** . The Company' s advertising and promotional investments may affect the Company' s financial results but not be effective. The Company has made and expects to continue to make, significant advertising and promotional expenditures to enhance its **existing brands and promote new** brands. These expenditures may adversely affect the Company' s results of operations in a particular quarter or even for the full year, and may not result in increased sales. Variations in the levels of advertising and promotional expenditures have in the past caused, and are expected in the future to continue to cause, variability in the Company' s quarterly results of operations. While the Company attempts to invest only in effective advertising and promotional activities, it is difficult to correlate such investments with sales results, and there is no guarantee that the Company' s expenditures will be effective in building brand equity or growing long term sales. The Company is dependent on key packaging suppliers and an increase in packaging costs could harm the Company' s financial results. The demand for packaging materials in the beverage industry has increased and during 2020 and 2021 there was a shortage of capacity, as manufacturers adjusted their supply chains to keep up with the increased demand, caused by the COVID- 19 pandemic. Truly Hard Seltzer brand beverages are primarily packaged in sleek cans and Twisted Tea brand beverages are primarily packaged in standard cans. In 2020 and 2021, as the Truly and the Twisted brand families grew significantly and overall demand for cans increased, the Company experienced supply constraints for cans. These supply constraints impacted the Company' s production schedules and increased can cost by having to use a more expensive supplier. These pressures were reduced during 2022 and **2023 and** the Company currently believes it will have a sufficient supply of packaging materials for ~~2023~~ **2024** . The Company maintains competitive sources for the supply of packaging materials, such as cans, glass, cardboard wraps and shipping cases. The Company enters into limited- term supply agreements with certain vendors in order to receive preferential pricing. In ~~2022~~ **2023 , certain flavorings** , crowns **,** and labels were each supplied by single sources. Although the Company believes that alternative suppliers are available, the loss of any of the Company' s packaging materials suppliers could, in the short- term, adversely affect the Company' s results of operations, cash flows and financial position until alternative supply arrangements were secured. Additionally, there has been acquisition, change in control and consolidation activity in several of the packaging supplier networks which could potentially lead to further disruption in supply and changes in economics. If packaging costs continue to increase, there is no guarantee that such costs can be fully passed along through increased prices. The Company has entered into long- term supply agreements for certain packaging materials that have shielded it from some cost increases. These contracts have varying lengths and terms and there is no guarantee that the economics of these contracts can be replicated when renewed. The Company' s inability to preserve the current economics on renewal could expose the Company to significant cost increases in future years. Some of these contracts require the Company to make commitments on minimum volume of purchases based on Company forecasts. If the Company' s needs decline significantly from its forecasts, the Company would likely incur storage costs for excess production or contractual penalties that might be significant and could have a material adverse impact on the Company' s financial results. Inability to react to changes in demand...... the future growth of the Company. The Company is dependent on key ingredient suppliers, including foreign sources; its dependence on foreign sources creates foreign currency exposure for the Company; the Company' s use of natural ingredients creates weather and crop reliability and excess / shortage inventory exposure for the Company. The Company purchases a substantial portion of the ingredients used in its beverages, including its flavorings, fruit juice, malt, hops, apples, and other ingredients, from a limited number of **domestic and** foreign ~~and domestic~~ suppliers. The Company has historically not experienced material difficulties in obtaining timely delivery from its ingredient suppliers and currently believes that it will have sufficient supply of ingredients in ~~2023~~ **2024** . The Company believes that there are alternative sources available for some of the ingredients, but there can be no assurance that the Company would be able to acquire such ingredients from substitute sources on a timely or cost- effective basis, if current suppliers could not adequately fulfill orders. The loss or significant reduction in the capability of a supplier to support the Company’ s requirements could, in the short- term, adversely affect the Company’ s business and financial results, until alternative supply arrangements were secured. The Company’ s beverages include many unique and proprietary flavors and combinations of flavors and some of these flavorings are single sourced. Truly Hard Seltzer and Twisted Tea brand beverages are particularly reliant on the use of flavorings and variety of flavors as part of their appeal to drinkers. The Company purchased most of the malt used in the production of its beer from four suppliers during ~~2022~~ **2023** . Nevertheless, the Company believes that there are other malt vendors available that are capable of supplying part of its needs. The Company is exposed to the quality of the barley crop each year, and significant failure of a crop would adversely affect the Company’ s costs. The Company uses Noble hop varieties from Europe for many of its Samuel Adams beers and also uses hops grown in other areas of Europe, the United States, and New Zealand. Noble hops are grown in several specific areas in Germany and the Czech Republic that are recognized for growing hops with superior taste and aroma properties. The Company stores its hops in multiple cold storage warehouses to minimize the impact of a catastrophe at a single site. The performance and availability of the hops, as with any agricultural product, may be materially adversely affected by factors such as adverse weather or pests and there is no guarantee the contracts will be fulfilled completely. The Company has purchase commitments with ~~nine~~ **seven** primary hop dealers and attempts to maintain a one to two- year supply of essential hop varieties on- hand in order to limit the risk of an unexpected reduction in supply and procures hops needed for new beers, based on its best estimate of likely short- term demand. The failure of management’ s assumptions regarding future sales growth, product mix and hops market conditions to prove accurate could result in future material losses. The Company uses special varieties of apples in its ciders that it believes are important for the ciders’ flavor profile. These apples are sourced primarily from European and United States suppliers and include bittersweet apples from France and culinary apples from Italy and Washington state. There is limited availability of these apples and many outside factors, including weather conditions, farmers rotating from apples to other crops, government regulations and legislation affecting agriculture, could affect both price and supply. The Company’ s new product development can also be constrained by any limited availability of the desired ingredients. Growth rates higher than planned or the introduction of new products requiring special ingredients could create demand for ingredients greater than the Company can source. The Company’ s contracts for certain hops and apples are payable in Euros, Pounds Sterling and New Zealand dollars, and therefore, the Company is subject to the risk that the Euro, Pound or New Zealand dollar may fluctuate adversely against the U. S. dollar. The Company has, as a practice, not hedged this exposure, although this practice is regularly reviewed. The cost of hops has increased in recent years due to the rising market price of hops and exchange rate changes. The continuation of these trends will impact the Company’ s product cost and potentially the Company’ s ability to meet the demand for its beers. The Company buys some other ingredients and capital equipment from foreign suppliers for which the Company also carries exposure to foreign exchange rate changes. Significant adverse fluctuations in foreign currency exchange rates may have a material adverse effect on the Company’ s business and financial results **.The Company’ s reliance on breweries owned by others and an inability to leverage investment in the Company- owned breweries could have a material adverse effect on the Company’ s operations or financial results.During 2023,the Company produced approximately 71 % of its volume at breweries owned by the Company and,as noted above,anticipates producing 75 % of its volume at breweries owned by the Company in 2024.While,on balance,the Company views greater reliance on its own breweries favorably,this reliance on its own breweries exposes the Company to capacity constraints and risk of disruption of supply,as these breweries are operating at or close to current capacity in peak months.Management believes that it has alternatives available to it,in the event that production at any of its brewing locations is temporarily interrupted,although as volumes at the Pennsylvania Brewery increase,severe interruptions there would be problematic,particularly during peak seasons.Potential interruptions at breweries include labor issues,governmental action,quality issues,contractual disputes,machinery failures,operational shutdowns,pandemic- related or other staffing shortages,or natural or unavoidable catastrophes.If interruptions were to occur,the Company could face significant delays in starting replacement brewing locations and its operating results could be materially adversely affected.The Company continues to avail itself of capacity at third- party production facilities.Also as noted above,during 2023,approximately 22 % of** the Company’ s annual shipment volume was brewed and / or packaged under service agreements with City Brewing Company,LLC.In selecting third party breweries for brewing services arrangements,the Company carefully weighs a brewery’ s sleek can packaging and automated variety packaging capability and capacity,its quality control capabilities throughout the production process and its ability to utilize traditional brewing,fermenting and finishing methods.To the extent that the Company needs to avail itself of a third- party production services arrangement,it exposes itself to higher than planned costs of operating under such contract arrangements than would apply at the Company- owned breweries,potential lower service levels and reliability than internal production,and potential unexpected declines in the brewing capacity available to it,any of which could have a material adverse effect on the Company’ s business and financial results.The use of such third party facilities also creates higher logistical costs and uncertainty in the ability to deliver product to the Company’ s customers efficiently and on time.As the beer industry continues to consolidate and the Company has grown,the capacity and willingness of breweries owned by others where the Company could brew,ferment or package some of its products,if necessary,has become a more significant concern and,thus,there is no guarantee that the Company’ s needs will be uniformly met.The Company continues to work at its Company- owned breweries and with its third- party production partners to attempt to minimize any potential disruptions.Nevertheless,should an interruption occur,the Company could experience temporary shortfalls in production and / or increased production and / or distribution costs and be required to make significant capital investments to secure alternative capacity for certain brands and packages,the combination of which could have a material adverse effect on the Company' s business and financial results.A production interruption caused by an acquisition or change of control of City Brewing or a simultaneous interruption at several of the Company' s **other** production locations would likely cause significant disruption,increased costs and,potentially,lost sales.The Company' s emphasis on owning production facilities requires it to continue to make a significant level of capital expenditure to maintain and improve these facilities and to incur significant fixed operating costs to support them.In an uncertain volume environment,the Company faces the risk of not being able to support the owned brewery operating costs,if volumes were to decline.At the same time,despite making these expenditures and incurring these costs,if demand were to further increase above current volume estimates,the Company could still face the risk of not being able to meet the increased demand.The Company attempts to mitigate production and distribution risks through a combination of owned breweries and access to third- party contract facilities,but there is no guarantee that this strategy will be successful,and it might result in short term costs and inefficiencies which could adversely impact our business and financial results.Turnover in Company leadership or other key positions may lead to loss of key knowledge or capability and adversely impact Company performance.The Company has an experienced leadership team with an established track record of business success and innovation in the beverage and consumer goods industries. ~~For example,Dave Burwick joined the Company as its President and Chief Executive Officer in 2018.Prior to commencing that role,Mr.Burwick had served on Boston Beer' s Board of Directors since 2005.His most recent prior role was Chief Executive Officer of Peet' s Coffee and prior to joining Peet' s,Mr.Burwick served as President of North America for Weight Watchers and in numerous leadership roles over 20 years at PepsiCo,including Chief Marketing Officer of Pepsi- Cola North America.~~ The Company ~~may well~~ **has and is likely to** experience changes in key leadership or key positions **regularly** ~~in the future~~ .The departure of key leadership personnel ~~,especially a Chief Executive Officer,~~ can take from the Company significant knowledge and experience.This loss of knowledge and experience can be mitigated through successful succession planning or external hiring and transition,but there can be no assurance that the Company will be successful in such efforts.Attracting,retaining,integrating and developing high performance individuals in key roles is a core component of the Company' s strategy for addressing its business opportunities.Attracting and retaining qualified senior leadership may be more challenging under adverse business conditions,such as the current declining growth environment the Company ~~currently faces~~ **is facing** .Failure to attract and retain the right talent,or to manage the transition of responsibilities resulting from such turnover smoothly,would affect the Company' s ability to meet its challenges and may cause the Company to miss performance objectives or financial targets.The Company has significantly increased its product offerings and distribution footprint,which increases complexity and could adversely affect the Company' s performance and financial results.The Company has significantly increased the number of commercially available ~~hard seltzers,~~ flavored malt beverages, **hard seltzers,** beers,hard ciders, **and** spirits RTDs ~~and distilled spirits~~ that it produces.In the last five years,the Company has developed,introduced and reformulated many new and existing beverage styles under the **Twisted Tea,** Truly Hard Seltzer ~~,Twisted Tea~~ ,Samuel Adams and Angry Orchard brands.The Dogfish Head brand,acquired in July 2019,currently has over 25 styles of beer,15 styles of distilled spirits, ~~5~~ **7** spirits RTDs,two brewery tap rooms,a restaurant,and a boutique ~~Inn~~ **inn** .In January 2020,the Company opened the Samuel Adams Tap Room and small brewery in downtown Boston.The Company currently operates ~~9~~ **8** retail locations,including seven brewery tap rooms,a cidery tasting room and a restaurant,where its beverages are sold and consumed on- premise. ~~During~~ **The Company' s most significant innovations in** ~~2022~~ **2023** ~~,~~ **were** the ~~Company launched~~ **launches of new** ~~additional Truly Variety Packs including Truly Margarita style~~ **styles of its** ~~variety pack as well as the~~ Truly Vodka ~~Seltzer product line~~ **Soda brand and its launch** in ~~late~~ **limited markets of Truly Tequila Soda and Slingers,a new flavored malt beverage brand.In the first quarter of** ~~2022~~ **2024 ,the Company is planning to launch Truly Tequila Soda nationally and expand Slingers to more markets** .Also **,** during ~~2022~~ **2024** ~~and early 2023,the Company developed and introduced,under agreements with Pepsi and Beam,three new brands which include Hard Mountain Dew,Sauza Agave cocktails,and Jim Beam Kentucky Coolers.During 2023~~ ,the Company has plans to add new beverage styles and reformulate existing styles of beverages **.During the first quarter of 2024,the Company is launching two new brands in limited markets.These two new brands are Sun Cruiser,a new vodka based hard tea brand and General Admission,a new non- alcoholic beer brand** .These additional brands,styles,reformulations and locations,along with the increases in demand for certain existing brands,have added to the complexity of the Company' s product development process,as well as its brewing,fermenting,distilling,packaging,marketing and selling processes,and retail operations.There can be no assurance that the Company will effectively manage such increased complexity,without experiencing coordination issues,operating inefficiencies,supply shortages or control deficiencies.Such inefficiencies or deficiencies could have a material adverse effect on the Company' s business and financial results ~~.The Company' s acquisition of Dogfish Head involves a number of risks,the occurrence of which could adversely affect its business,financial condition,and operating results.On July 3,2019,the Company completed its acquisition of Dogfish Head Brewery and various related operations,through the acquisition of all of the equity interests held by certain private entities in Off- Centered Way LLC,the parent holding company of the Dogfish Head Brewery operations.During 2022,the Company recorded a $ 27.1 million non- cash impairment charge recorded for the Dogfish Head brand,taken as a result of the Company' s annual impairment analysis.The impairment determination was primarily based on the latest forecasts of brand performance which has been below the Company' s projections made on the acquisition date.This transaction continues to involve certain risks,the occurrence of which could materially and adversely affect the Company' s business,liquidity,financial condition,and operating results,including:• adverse impact on overall profitability,if the Company' s expanded operations do not achieve the growth prospects,net revenues,earnings,or other financial results projected in the Company' s valuation models,or delays in the realization thereof;and • the potential future further write- off of significant~~

~~amounts of intangible assets and / or other tangible assets if the Dogfish Head business does not perform in the future as currently expected,or other potential financial accounting or reporting impacts The Company cannot assure that it will realize the expected benefits of the Dogfish Head transaction.The Company' s failure to adequately manage the risks associated with the transaction could have a material adverse effect on its business,liquidity,financial condition or results of operations~~ .Changes in drinker attitudes on brand equity and reliance on the Company' s founders in the Samuel Adams and Dogfish Head brand communications may adversely affect demand for the Company' s production and results of operations.The success of ~~our~~ **the Company' s** brands depends upon the positive image that drinkers have of those brands and maintaining a good reputation is critical to selling our branded products.Our reputation could be impacted negatively by public perception,adverse publicity,negative comments in social media,or our responses to negative publicity or comments,either by members of the Company or those who may be affiliated with it.There is also no guarantee that the brand equities that the Company has built in its brands will continue to appeal to drinkers.Changes in drinker attitudes or demands,or competitor activity and promotion,could adversely affect the strength of the Company' s brands and the revenue that is generated from that strength.It is possible that the Company could react to such changes and reposition its brands,but there is no certainty that the Company would be able to maintain volumes,pricing power and profitability.It is also possible that marketing messages or other actions taken by the Company could damage its brand equities,as opposed to building them.If such damage were to occur,it would likely have a negative effect on the financial condition of the Company.In addition to these inherent brand risks,C.James Koch,the founder and Chairman of the Company,as well as the founders of Dogfish Head brand,Samuel Calagione,Founder and Brewer,Dogfish Head Brewery and Mariah Calagione,Founder and Communitarian,Dogfish Head Brewery,are an integral part of the Company' s history,brand equity and current and potential future brand messaging and the Company relies on the positive public perception of these founders.The role of these founders as founders,brewers and leaders of the Company is emphasized as part of the Company' s brand communication and has appeal to some drinkers.If these founders were not available to the Company to continue their active **roles,their absence could negatively affect the strength of the Company' s messaging and,accordingly,the Company' s growth prospects.The Company and its brands may also be impacted if drinkers' perceptions of these founders,including their social or political views,were to change negatively.If any negative changes were to occur,the Company might need to adapt its strategy for communicating its key messages regarding its history,equity,and current and potential future brand messaging.Any such change in the Company' s messaging strategy might have a detrimental impact on the future growth of the Company** . The Company' s operations are subject to certain operating hazards that could result in unexpected costs or product recalls that could harm the Company' s business. The Company' s operations are subject to certain hazards and liability risks faced by all beverage companies, such as potential contamination of ingredients or products by bacteria or other external agents that may be wrongfully or accidentally introduced into products or packaging, or defective packaging and handling. Such occurrences may create bad tasting beverages, or pose health risk to the consumer or risk to the integrity and safety of the packaging. These could result in unexpected costs to the Company and, in the case of a costly product recall, potentially serious damage to the Company' s reputation for product quality, as well as product liability claims. The Company relies upon complex information systems and vulnerabilities or disruptions of these systems could expose us to liability and harm our business and operations. The Company depends on information technology to be able to operate efficiently and interface with customers and suppliers, as well as maintain financial and accounting reporting accuracy to ensure compliance with all applicable laws. If the Company does not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, the Company could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breaches. The Company recognizes that many groups on a world- wide basis have experienced increases in security breaches, cyber- attacks, and other hacking activities such as denial of service, malware and ransomware. The Company has dedicated internal and external resources to review and address such threats. However, as with all large information technology systems, the Company' s systems could be penetrated by outside parties intent on extracting confidential or proprietary information, corrupting information, disrupting business processes, or engaging in the unauthorized use of strategic information. Such unauthorized access could disrupt business operations and could result in the loss of assets or revenues, remediation costs or damage to the Company' s reputation, as well as litigation against the Company by third parties adversely affected by the unauthorized access. Such events could have a material adverse effect on the Company' s business and financial results. The Company also relies on third parties for supply of software, software and data hosting and telecommunications and networking, and is reliant on those third parties for the quality and integrity of these complex services. Failure by a third **-** party supplier could have material adverse effects on the Company' s ability to operate. An increase in energy costs could harm the Company' s financial results. In the last five years, the Company has experienced significant variation in direct and indirect energy costs, and energy costs could change unpredictably. Increased energy costs would result in higher transportation, freight and other operating costs, including increases in the cost of ingredients and supplies. The Company' s future operating expenses and margins could be dependent on its ability to manage the impact of such cost increases. If energy costs increase, there is no guarantee that such costs can be fully passed along through increased prices. The Class B shareholder has significant control over the Company. The Company' s Class A Common Stock is not entitled to any voting rights except for the right as a class to (1) approve certain mergers, charter amendments and by- law amendments and (2) elect a minority of the directors of the Company. Although not as a matter of right, the Class A stockholders have also been afforded the opportunity to vote on an advisory basis on executive compensation. Consequently, the election of a majority of the Company' s directors and all other matters requiring stockholder approval are currently decided by C. James Koch, who is the founder and Chairman of the Company, as the holder of 100 % of the voting rights to the outstanding shares of the Company' s Class B Common Stock. As a result, Mr. Koch is able to exercise substantial influence over all matters requiring stockholder approval, including the composition of the board of directors, approval of equity- based and other executive compensation and other significant corporate and governance matters, such as approval of the Company' s independent registered public accounting firm. This could have the effect of delaying or preventing a change in control of the Company and makes most material transactions difficult or impossible to accomplish without the support of Mr. Koch. While Mr. Koch is currently the 100 % holder of the Company' s Class B Common Stock, there is nothing that prevents Mr. Koch or his heirs from transferring some or all shares of the Class B Common Stock to others. **The Company' s acquisition of Dogfish Head included intangible assets that are marked to fair value on an annual basis, which have resulted and could in the future further result in impairment charges that have an adverse impact on the Company' s operating results. On July 3, 2019, the Company completed its acquisition of Dogfish Head Brewery and various related operations, through the acquisition of all of the equity interests held by certain private entities in Off- Centered Way LLC, the parent holding company of the Dogfish Head Brewery operations. During 2022 and 2023, the Company recorded $ 27. 1 million and $ 15. 8 million, respectively, in non- cash impairment charges for the Dogfish Head brand, as a result of the Company' s annual impairment analysis. The impairment determination was primarily based on the latest forecasts of brand performance which have been below the Company' s projections made on the acquisition date. As of December 30, 2023, the Dogfish Head brand intangible asset was valued at $ 55. 6 million on the Company' s statement of financial position. The Company cannot assure that there will not be further non- cash impairment charges recognized on the Company' s Dogfish Head brand intangible assets that would have a material adverse effect on the Company' s results of operations.** Risks Related to Law and Regulations Changes in tax, environmental and other regulations, government shutdowns or failure to comply with existing licensing, trade or other regulations could have a material adverse effect on the Company' s financial condition. The Company' s business is highly regulated by federal, state and local laws and regulations regarding such matters as licensing requirements, trade and pricing practices, labeling, advertising, promotion and marketing practices, relationships with Distributors, environmental impact of operations and other matters. These laws and regulations are subject to frequent reevaluation, varying interpretations and political debate, and inquiries from governmental regulators charged with their enforcement. In addition, any delays in federal or state government required approvals caused by federal or state government shutdowns, similar to the January 2019 federal government shutdown, could prevent new brands or innovations from getting to market on time or at all. Failure to comply with existing laws and regulations to which the Company' s operations are subject or any revisions to such laws and regulations or the failure to pay taxes or other fees imposed on the Company' s operations and results could result in the loss, revocation or suspension of the Company' s licenses, permits or approvals, and could have a material adverse effect on the Company' s business, financial condition and results of operations. Changes in federal and other tax rates could have a significant effect on the Company' s financial results. There is no guarantee that the Company will not face litigation that could harm the Company' s business. While the Company has from time to time in the past been involved in material litigation, it is not currently a party to any pending or threatened litigation, the outcome of which would be expected to have a material adverse effect on the Company' s financial condition or the results of its operations. In general, while the Company believes it conducts its business appropriately in accordance with laws, regulations and industry guidelines, claims, whether or not meritorious, could be asserted against the Company that might adversely impact the Company' s results. See Item 3- Legal Proceedings below ~~. Risks Related to the COVID- 19 Pandemic The global COVID- 19 pandemic has disrupted the Company' s business and the Company' s financial condition and operating results have been and could continue to be affected by the pandemic and its effects. The Company' s operations and business have been negatively affected and could continue to be materially and adversely affected by the COVID- 19 pandemic and related weak, or weakening of, economic or other conditions, particularly in the United States where the Company derives most of its revenue and profit, but also in Europe, where some of the Company' s ingredient suppliers are located. National, state and local governments have responded to the COVID- 19 pandemic in a variety of ways, including, without limitation, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i. e., social distancing), and in certain cases, ordering businesses to close or limit operations or people to stay at home. As previously disclosed in its prior filings, the Company incurred significant COVID- 19 adverse effects in 2020 and 2021. Although the Company has been permitted to continue to operate its breweries in all of the jurisdictions in which it operates, there is no assurance that the Company will be permitted to operate these facilities under every future government order or other restriction and in every location or that the third- party production facilities on which the Company relies for production will similarly be permitted to continue to operate or that new infections would not materially effect staffing levels. In particular, any limitations on, or closures of, the Company' s Pennsylvania, Cincinnati, or Milton breweries or its third- party production facilities, could have a material adverse impact on the Company' s ability to manufacture products and service customers and could have a material adverse impact on the Company' s business, financial condition and results of operations. In addition, there can be no assurances that the COVID- 19- related effects that the Company experienced in 2020 and 2021 will not recur~~. Risks Related to General Economic Conditions The Company' s operating results and cash flow may be adversely affected by unfavorable economic, financial and societal market conditions. Volatility, uncertainty, and inflation in the financial markets and economic conditions generally may directly or indirectly affect the Company' s performance and operating results in a variety of ways, including: (a) prices for energy, labor, packaging, ingredients, and agricultural products may rise faster than current estimates, including increases resulting from currency fluctuations; (b) the Company' s key suppliers may not be able to fund their capital requirements, resulting in disruption in the supplies of the Company' s raw and packaging materials; (c) the credit risks of the Company' s Distributors may increase; (d) the impact of currency fluctuations on amounts owed to the Company by distributors that pay in foreign currencies; (e) the Company' s credit facility, or portion thereof, may become unavailable at a time when needed by the Company to meet critical needs; (f) overall beer consumption may decline; or (g) drinkers of the Company' s products may change their purchase preferences and frequency, which might result in sales declines.