



Nasdaq: HWKN

# Investor Presentation

## FISCAL 2024, QUARTER 2

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Published: November 1, 2023



## **FORWARD-LOOKING STATEMENTS**

The information contained in this presentation includes “forward-looking statements” which reflect management’s expectations or beliefs as of the date of this presentation. Hawkins, Inc. cautions that actual future results could differ materially from the forward-looking statements in this presentation. Actual results may be affected by many important factors including risks and uncertainties identified in the section captioned Risk Factors in Item 1A of Hawkins, Inc.’s Annual Report on Form 10-K. Hawkins disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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## INVESTMENT HIGHLIGHTS

1. 85-year track record of growth
2. 38 consecutive years of dividends
3. Critical products and services
4. Executing on growth strategy



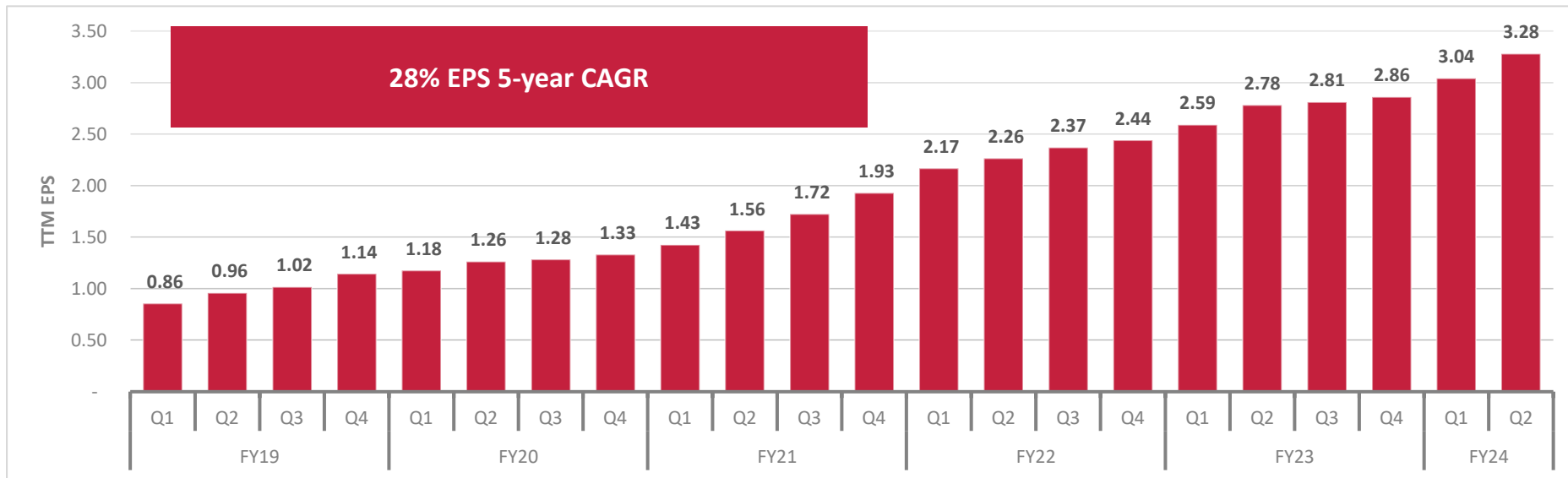
## GROWTH STRATEGY

- **Grow earnings**
- **Expand our specialty and value-added services**
- **Bolster and improve our extensive supplier base**
- **Add new Water Treatment facilities annually**
- **Invest in capabilities for higher margin / growth products**
- **Foster strong people culture**
  - Hire and develop employees
  - Safe and ethical
  - Continuous improvement





## TRAILING TWELVE MONTHS QUARTERLY EPS





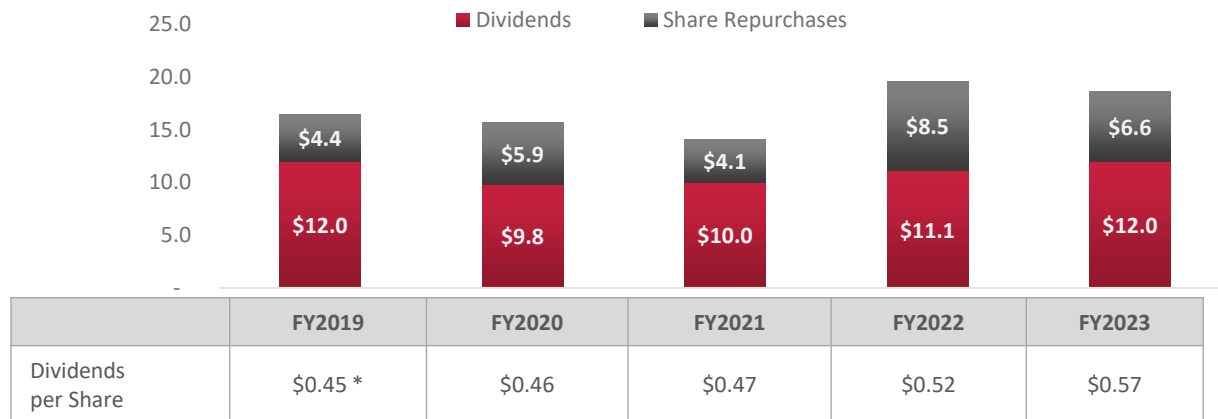
## STRONG TRACK RECORD OF ACCRETIVE ACQUISITIONS

10/2023	<b><i>Water Solutions Unlimited in Indiana</i></b> (Water Treatment)
10/2023	<b><i>Miami Products &amp; Chemical Company in Ohio</i></b> (Water Treatment)
07/2023	<b><i>EcoTech Enterprises in Arkansas</i></b> (Water Treatment)
12/2021	<b><i>NAPCO Chemical Company in Texas</i></b> (Water Treatment)
11/2021	<b><i>Water &amp; Waste Specialties in Alabama</i></b> (Water Treatment)
09/2021	<b><i>Southeast Water Systems in Alabama</i></b> (Water Treatment)
01/2021	<b><i>C&amp;L Aqua and LC Blending in Louisiana</i></b> (Water Treatment)
07/2020	<b><i>American Development Corporation of Tennessee</i></b> (Water Treatment)
12/2015	<b><i>Stauber Performance Ingredients</i></b> (Health and Nutrition)
09/2015	<b><i>Davis Supply in Florida</i></b> (Water Treatment)
10/2014	<b><i>Dumont Company in Florida</i></b> (Water Treatment)
09/2012	<b><i>Ingredient Works</i></b> (Industrial)
01/2011	<b><i>Vertex Chemical Corporation</i></b> (Industrial)



# CONSISTENT RETURN OF CAPITAL TO SHAREHOLDERS

DIVIDENDS & SHARE REPURCHASES (IN MILLIONS)



\*FY19 changed to quarterly dividends. Actual dividends paid were \$0.56, annualized quarterly dividend would have equated to \$0.45. Dividend CAGR based on FY19 annualized dividends of \$0.45.

Share repurchases are to offset dilution. FY17 and FY18, there were no share repurchases as focus was to pay down debt after the Health and Nutrition acquisition.

Dividends are adjusted for the stock split that occurred in March 2021.

1.5%

DIVIDEND YIELD

38

CONSECUTIVE YEARS OF  
CASH DIVIDENDS

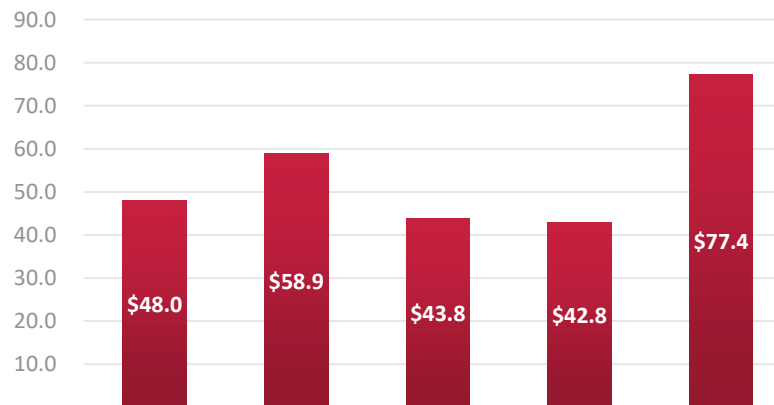
6.1% \*

DIVIDEND CAGR

## CAPITAL ALLOCATION

- Invest in the business
- Pay dividends
- Manage debt
- Repurchase shares to offset dilution
- Opportunistic acquisitions

OPERATING CASH FLOW (IN \$ MILLIONS)



	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Cash Flow	\$48.0	\$58.9	\$43.8	\$42.8	\$77.4
Capital Expenditures	(\$12.6)	(\$24.5)	(\$20.8)	(\$28.5)	(\$48.3)



# ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

## ▪ Environmental

- Products we sell generally can be neutralized to a safe pH balance, reducing their impact on the environment
- Many of our products can be used to help our customers improve efficiencies and reduce emissions

## ▪ Social

- Supply the products that keep water safe and clean for millions of people throughout the United States
- Contribute to local non-profit organizations, enhancing the communities we serve

## ▪ Governance

- Core to our business is ensuring product quality, safety, and responsible distribution
- Diversity throughout company, 40% among employee base and 25% within the Board



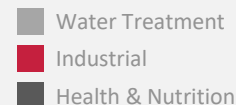
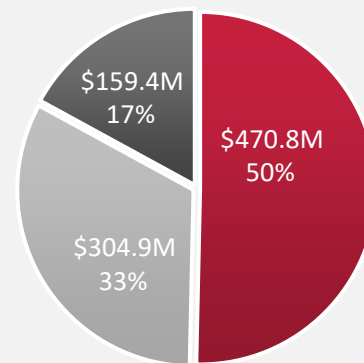
## COMPANY SNAPSHOT

Hawkins' diversified market segments provide multiple avenues for sustainable and profitable growth and create synergies among the different segments

### Three Business Segments:



FISCAL 2023 REVENUE OF \$935.1M





## SEGMENT GROWTH FOCUS

### ▪ Industrial

- Grow pharmaceutical, food, and agricultural business through new product development, capital and people investments
- Maintain large bulk purchases and sales to leverage supply chain

### ▪ Water Treatment

- Grow all 40 water treatment facilities, while adding new locations through acquisitions or new greenfield expansion
- Continued focus on superior service with local expertise

### ▪ Health and Nutrition

- Focus on growing specialty branded products, backed by science, delivering to the customer with technical expertise
- Leverage and grow manufactured products



# LOCATIONS



58 FACILITIES IN 26 STATES  
WITH 800+ EMPLOYEES





## PEOPLE & CULTURE MATTER

### ▪ Strong Supplier Relationships

- Strong partnerships with key suppliers including caustic soda, hydrochloric acid, phosphates and specialty products

### ▪ Tenured Employees

- Average tenure 7 years
- 800+ employees
- Median employee pay \$95k and CEO pay ratio of 23:1

### ▪ Long-Term Customers

- Strong, long-term relationships
- Deliveries 365 days/year

### ▪ Local Community Involvement

- Products to municipalities that have been damaged due to storms, hurricanes, etc.
- Dollars to food shelves and front-line workers
- Workers participate in events from helping kids in need to feeding the homeless
- Kentucky tornado relief – donated water, chemicals, and other needed items







## FINANCIALS

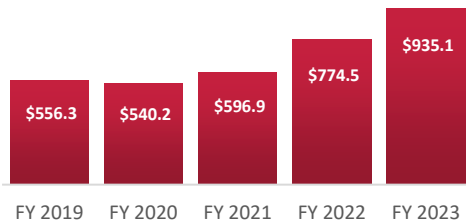




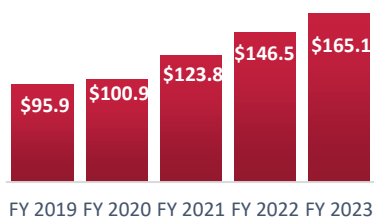
# FISCAL 2019-2023 FINANCIALS

(IN MILLIONS, EXCEPT PER SHARE DATA)

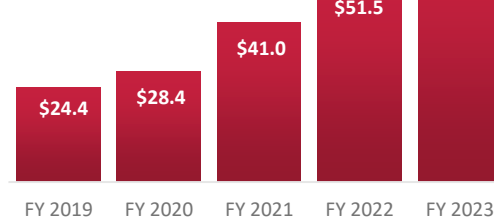
**SALES**  
14% CAGR



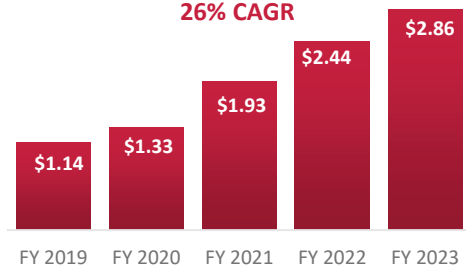
**GROSS PROFIT**  
15% CAGR



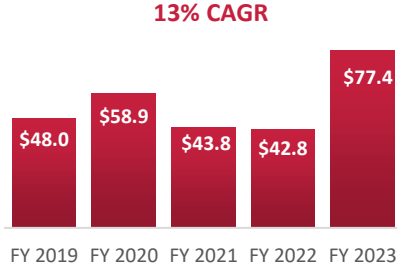
**NET INCOME**  
25% CAGR



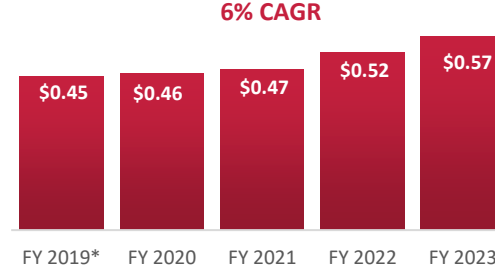
**DILUTED EPS**  
26% CAGR



**OPERATING CASH FLOW**  
13% CAGR



**DIVIDENDS PAID PER SHARE**  
6% CAGR

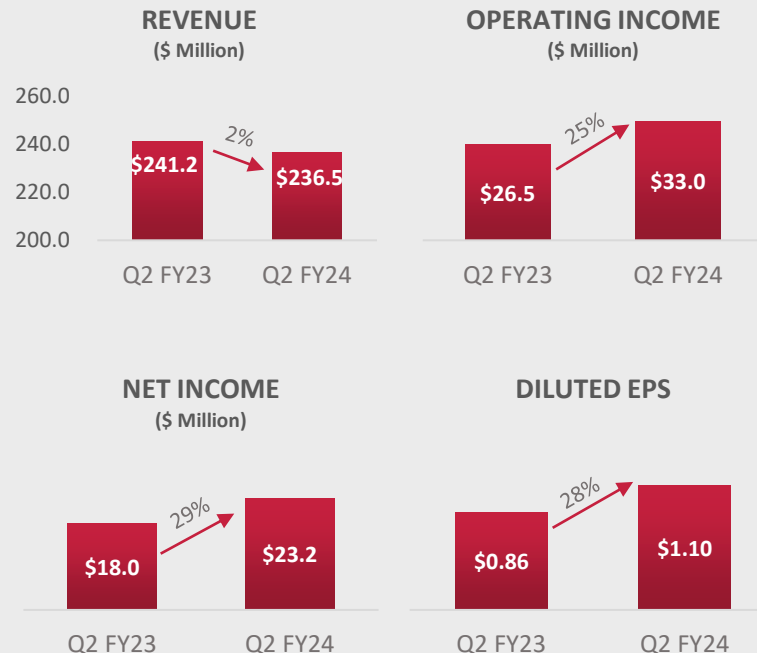


\* FY19 changed to quarterly dividends. Actual dividends paid were \$0.56, annualized quarterly dividend would have equated to \$0.45

# FISCAL 2024 SECOND QUARTER FINANCIALS

## 22nd CONSECUTIVE QUARTER OF YEAR-OVER-YEAR OPERATING INCOME GROWTH

- Second quarter revenue of \$236.5M, decline of 2% from the prior year
- Record quarterly gross profit of \$53.9M, growth of 16% over the prior year
- Record second quarter Diluted Earnings Per Share (EPS) of \$1.10, 28% higher than the prior year
- Record quarterly Operating Cash Flow of \$57.8M





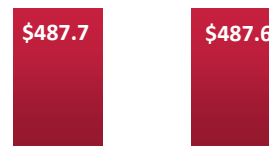


## FISCAL 2024 SECOND QUARTER YEAR-TO-DATE FINANCIALS

**DOUBLE-DIGIT YEAR-OVER-YEAR GROWTH IN KEY MEASURES, INCLUDING GROSS PROFIT, OPERATING INCOME, NET INCOME AND DILUTED EARNINGS PER SHARE (EPS)**

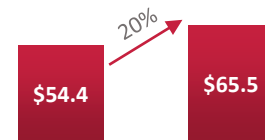
- Year-to-date revenue of \$487.6M, about even with the prior year
- Record 2<sup>nd</sup> quarter YTD gross profit of \$105.9M, growth of 14% over the prior year
- Record 2<sup>nd</sup> quarter YTD EPS of \$2.22, 24% higher than the prior year
- Record 2<sup>nd</sup> quarter YTD Operating Cash Flow of \$92.6M; trailing 12-month Operating Cash Flow is \$151.2M
- Trailing 12-month EBITDA of \$133.2M, 19% higher than the previous TTM period

**REVENUE**  
(\$ Million)



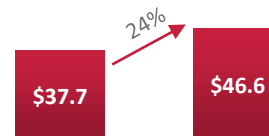
Q2 FY23      Q2 FY24

**OPERATING INCOME**  
(\$ Million)



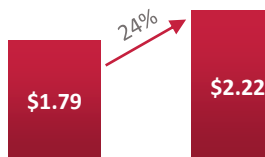
Q2 FY23      Q2 FY24

**NET INCOME**  
(\$ Million)



Q2 FY23      Q2 FY24

**DILUTED EPS**



Q2 FY23      Q2 FY24



## REPORTING SEGMENTS





**Our Industrial Group formulates, manufactures, and distributes specialty and industrial chemicals.**

Hawkins also provides custom toll blending and product development services for our customers.



## FOCUS AREAS

### ▪ Typical end markets:

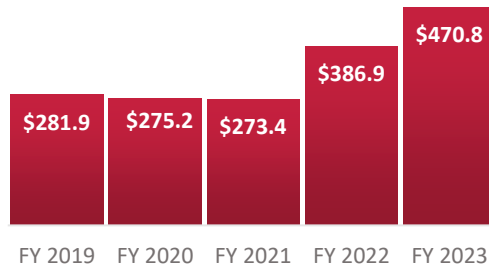
- Industrial Manufacturers
- Food Processors
- Pharmaceutical
- Oil Fields
- Surface Finishers
- Agricultural Operations

### ▪ Market Focus Areas:

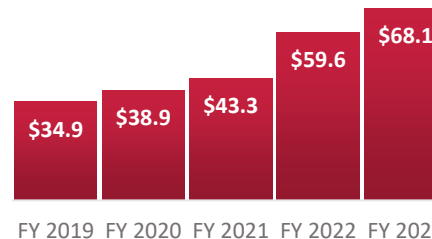
- Food Ingredients
- Pharmaceutical
- Oil and Gas
- Chemical Processing
- Agricultural
- Electronics
- Plating
- Energy

## INDUSTRIAL FINANCIALS (IN MILLIONS)

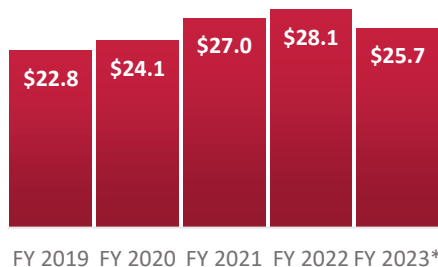
### SALES (14% CAGR)



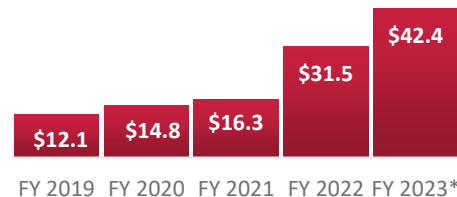
### GROSS PROFIT (18% CAGR)



### SG&A (3% CAGR)



### OPERATING INCOME (37% CAGR)



\* FY23 Operating Income included a gain of \$3M on the sale of certain assets related to our consumer bleach packaging business, recorded within SG&A expense

## DIFFERENTIATORS

- **Technical Knowledge**

- 80+ Years of Experience

- **Geographic Distribution**

- Multiple Manufacturing Facilities with Extensive Storage Capacity

- **Custom Solutions, Toll Blending, Large and Diverse Product Lines**

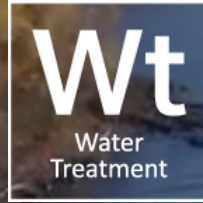
- **Packaging to Fit Customers' Needs:**

- Bulk, Drums, Totes, Custom Packaging

- **Services Include:**

- Contract Manufacturing and Packaging
- Regulatory and Safety Assistance
- Inventory Management
- Remote Tank Monitoring
- Technical and Engineering Support





**Our Water Treatment Group specializes in providing chemicals, equipment, and solutions for treatment of potable water, municipal and industrial wastewater, agricultural water, and industrial process water.**

Our salesperson/route driver is a trained technician who can deliver our products and diagnose our customers' water treatment needs.

We believe that the high level of service provided by these individuals allows us to serve as the trusted water treatment expert for the municipalities and other customers that we serve.



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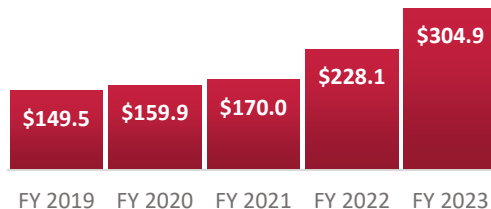
## DIFFERENTIATORS

- **Large Geographic Territory**
  - Locations in 40 Cities in 23 States
- **Full Line Product Offering**
  - Chemistries and Equipment
- **Route Sales/Service Business Model**
  - Technical Application Specialists

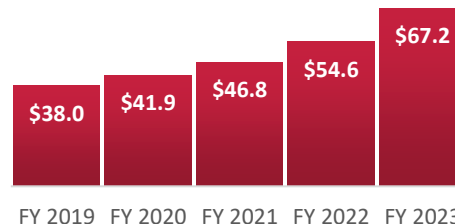


## WATER TREATMENT FINANCIALS (IN MILLIONS)

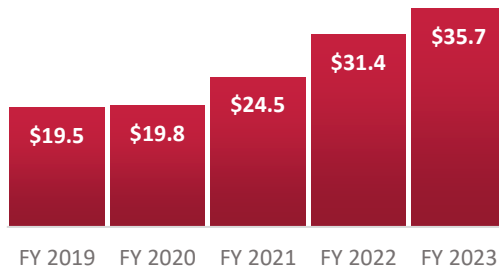
### SALES (20% CAGR)



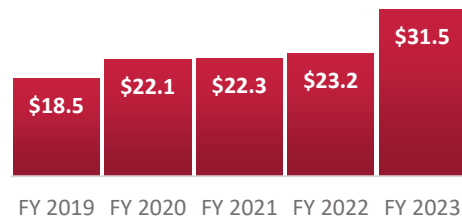
### GROSS PROFIT (15% CAGR)



### SG&A (16% CAGR)



### OPERATING INCOME (14% CAGR)



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## FOCUS AREAS

- Municipal Drinking Water
- Municipal Wastewater
- Municipal Swimming Pools
- Industrial Wastewater
- Industrial Process Water
- Heating/Boiler
- Cooling Systems/Cooling
- Towers
- Breweries/Wineries
- Agricultural Water Treatment
  - o Poultry
  - o Swine
  - o Dairy
  - o Citrus Groves
  - o Farm Crops



**Our Health & Nutrition Group provides a broad spectrum of high-quality ingredients for use in dietary supplements, functional food and beverage, pharmaceutical and pet food products.**

Our Health & Nutrition Group has a team of professionals trained to sell all product categories, to fully support product development on specific raw material requirements and applications.



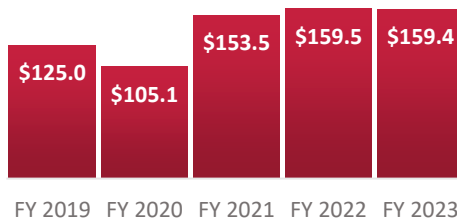
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## PRODUCT CATEGORIES

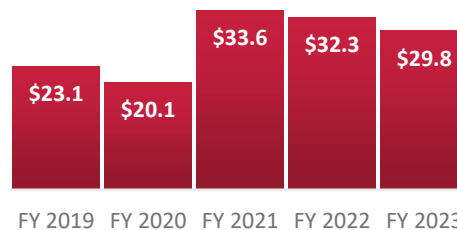
- Energy, Immunity, and Cognition Ingredients
- Amino Acids
- Antioxidants
- Botanicals
- Enzymes
- Joint Products
- Minerals
- Oils/Oil Powders
- Fibers
- Probiotics
- Plant Proteins
- Vitamins

## HEALTH AND NUTRITION FINANCIALS (IN MILLIONS)

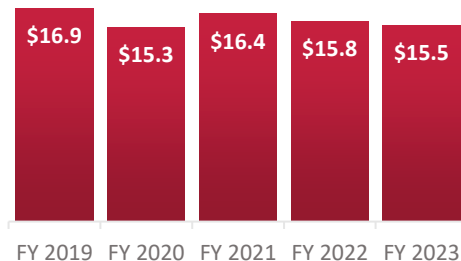
**SALES (6% CAGR)**



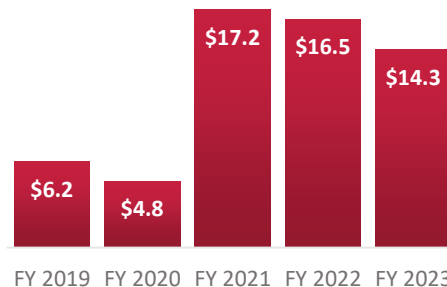
**GROSS PROFIT (7% CAGR)**



**SG&A (-2% CAGR)**



**OPERATING INCOME  
(23% CAGR)**



## DIFFERENTIATORS

Our Health & Nutrition group is positioned as a one-stop ingredient solution provider to its customers and is highly regarded as a leader in the health and nutrition industry

- Robust product portfolio
- Represents key brand manufacturers that offer science-based, clinically studied products
- Provides value-added services, including dry blending and granulation, quality control and compliance, and innovative solutions with an exceptional level of customer service

## INNOVATION – OUR GLOBAL BRAND PARTNERS







## SUMMARY





## BUSINESS STRATEGY

- **Expand our specialty and value-added services**
  - Customer formulation
  - Technical and quality
  - Sales
- **Add new Water Treatment facilities annually**
- **Bolster and improve our extensive supplier base**
- **Invest in higher margin/growth production capabilities**
- **Foster strong people culture**
- **Grow earnings**





## APPENDIX



## END MARKETS SERVED

### ▪ **Pharmaceutical**

- Sugars
- Excipients
- Phosphates
- Cleaners, Acid, Alkaline

### ▪ **Food and Beverage**

- Preservatives
- Dairy Processing Aids
- Acidulants
- Brewery Products
- Ingredients

### ▪ **Water Usage**

- Wastewater
- Drinking Water
- Pools
- Bioaugmentation

### ▪ **Industrial/Manufacturing**

- Mining and Oil Fields
- Metal Salts
- Cleaners and Acids
- Plating Additives

### ▪ **Agriculture**

- Fertilizers
- Barn Water Treatment
- Crop Preservation

### ▪ **Health and Nutrition**

- Vitamins
- Amino Acids
- Minerals
- Botanicals
- Joint Products
- Sweeteners
- Excipients

### ▪ **Other Markets**

- Custom Blending
- Toll Manufacturing
- Customer Formulations

## SIGNIFICANT PRODUCTS

- Acetic Acid
- Ammonia and Aqua Ammonia
- Bleach
- Calcium Chloride
- Caustic Potash (Potassium Hydroxide)
- Caustic Soda (Sodium Hydroxide)
- Chlorine Gas
- Ferric Chloride
- Formic Acid
- Hydrochloric Acid
- Nitric Acid
- Phosphoric Acid
- Propionic Acid
- Propylene Glycol
- Sulfuric Acid
- Urea
- Food Additives and Preservatives
- Brewery Products
- Flocculants
- Coagulants
- Precipitants
- Antifoams
- Fluoridation
- Equipment
- Agricultural Fertilizers and Adjuvants
- Amino acids
- Minerals
- Oils
- **and thousands more...**

## NON-GAAP MEASURES

Adjusted EBITDA *	Trailing Twelve Months Ended	
	October 1, 2023	October 2, 2022
(in thousands)		
<b>Net income (GAAP)</b>	<b>\$ 68,992</b>	<b>\$ 58,476</b>
Interest expense	4,787	3,038
Income tax expense	26,373	20,918
Amortization of intangibles	6,811	6,836
Depreciation expense	21,763	18,777
Non-cash compensation expense	4,365	3,836
Non-recurring acquisition expense	122	357
<b>Adjusted EBITDA</b>	<b>\$ 133,213</b>	<b>\$ 112,238</b>

\* We define adjusted EBITDA as GAAP net income adjusted for the impact of the following: net interest expense resulting from our net borrowing position; income tax expense; non-cash expenses including amortization of intangibles, depreciation and charges for the employee stock purchase plan and restricted stock grants; and non-recurring items of income or expense, if applicable.



**Celebrating 80+ Years of Serving Our Customers**

**Questions/Comments**

Jeffrey P. Oldenkamp

*Executive Vice President and Chief Financial Officer*

call: 612.331.6910

Email (Investor Relations): [ir@hawkinsinc.com](mailto:ir@hawkinsinc.com)