



Nasdaq: HWKN

Investor Presentation

FISCAL 2023, QUARTER 2

Published: November 2, 2022



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.



INVESTMENT HIGHLIGHTS

1. **84-year track record of growth**
2. **37 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

ACQUISITIONS

INTRODUCE NEW PRODUCTS
& PRODUCT LINES

EXPAND CURRENT MARKETS
& GROW NEW MARKETS

CONTINUE TO ADD
DISTRIBUTION PARTNERS

MAINTAIN CURRENT CUSTOMER AND
SUPPLIER RELATIONSHIPS



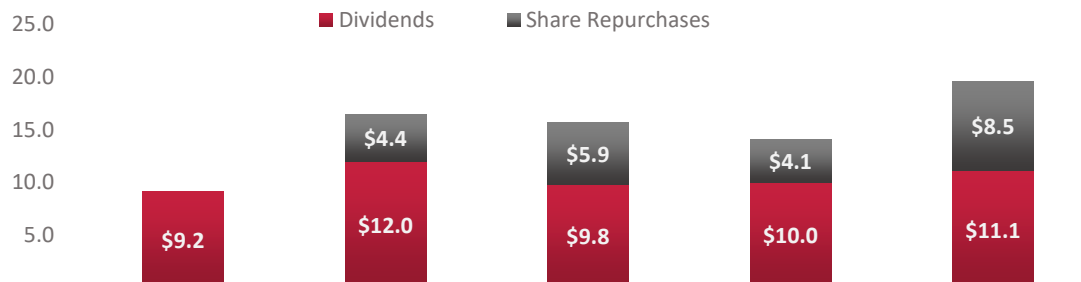
STRONG TRACK RECORD OF ACCRETIVE ACQUISITIONS

| | |
|---------|--|
| 12/2021 | NAPCO Chemical Company, Inc in Texas (Water Treatment) |
| 11/2021 | Water & Waste Specialties, Inc in Alabama (Water Treatment) |
| 09/2021 | Southeast Water Systems, LLC in Alabama (Water Treatment) |
| 01/2021 | C&L Aqua and LC Blending, Inc. in Louisiana (Water Treatment) |
| 07/2020 | American Development Corporation of Tennessee (Water Treatment) |
| 12/2015 | Stauber Performance Ingredients (Health and Nutrition) |
| 09/2015 | Davis Supply, Inc. (Water Treatment) |
| 10/2014 | Dumont Company (Water Treatment) |
| 09/2012 | Ingredient Works (Industrial) |
| 01/2011 | Vertex Chemical Corp. (Industrial) |



CONSISTENT RETURN OF CAPITAL TO SHAREHOLDERS

DIVIDENDS & SHARE REPURCHASES (IN MILLIONS)



| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------------|--------|--------|--------|--------|--------|
| Dividends per Share* | \$0.43 | \$0.56 | \$0.46 | \$0.47 | \$0.52 |

*FY19 changed to quarterly dividends, FY19 annualized quarterly dividend would have equated to \$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.

1.4%

DIVIDEND YIELD

37

CONSECUTIVE YEARS OF
CASH DIVIDENDS

5.0%

DIVIDEND CAGR

CAPITAL ALLOCATION

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

OPERATING CASH FLOW (IN MILLIONS)



| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-----------------------|----------|----------|----------|----------|----------|
| Operating Cash Flow: | \$27.4 | \$48.0 | \$58.9 | \$43.8 | \$42.8 |
| Capital Expenditures: | (\$19.7) | (\$12.6) | (\$24.5) | (\$20.8) | (\$28.5) |

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, 38% among employee base, 25% within the Board, and 22% at Executive Management



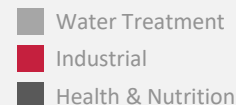
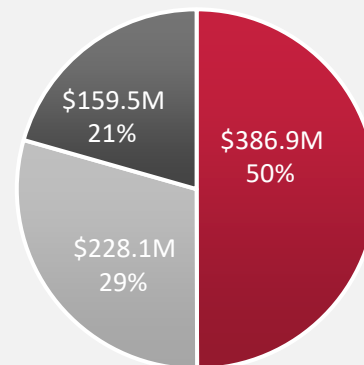
COMPANY SNAPSHOT

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

Three Business Segments:



FISCAL 2022 REVENUE OF \$774.5M





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 39 water treatment facilities, while adding one to two new locations per year, 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

51 FACILITIES IN 25 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 8 years
- 800+ employees
- Median employee pay \$82k and CEO pay ratio of 26:1

▪ 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





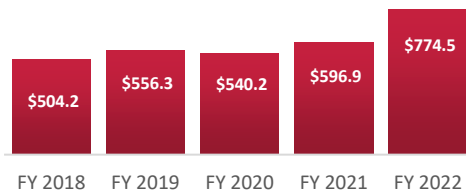
FINANCIALS



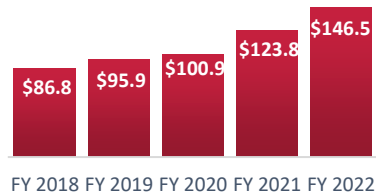
FISCAL 2018-2022 FINANCIALS

(IN MILLIONS, EXCEPT PER SHARE DATA)

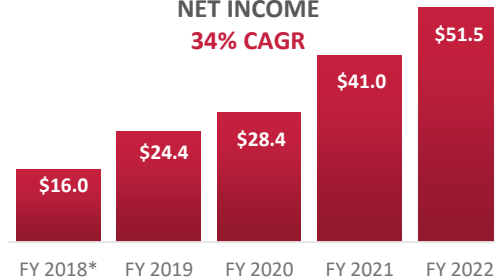
SALES
11% CAGR



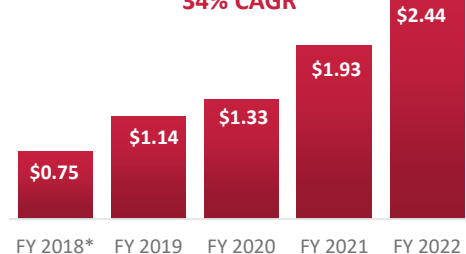
GROSS PROFIT
14% CAGR



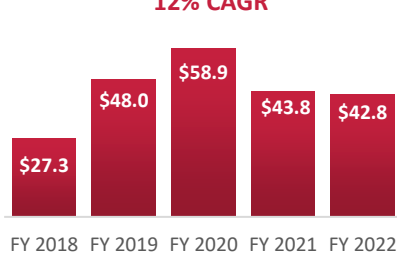
NET INCOME
34% CAGR



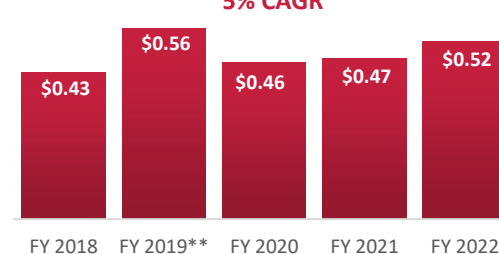
DILUTED EPS
34% CAGR



OPERATING CASH FLOW
12% CAGR



DIVIDENDS PAID PER SHARE
5% CAGR



*Adjusted to exclude goodwill impairment change of \$39.1 million (\$1.84 per diluted share) related to our Health & Nutrition segment and a one-time tax benefit of \$13.9 million (\$0.65 per diluted share)

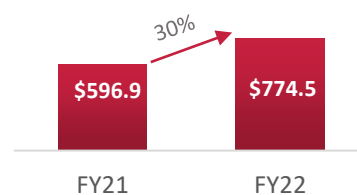
** FY19 changed to quarterly dividends, FY19 annualized quarterly dividend would have equated to \$0.45

FISCAL 2022 FULL YEAR FINANCIALS

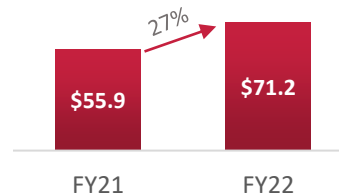
DOUBLE-DIGIT YEAR-OVER-YEAR PROFIT GROWTH

- Record annual revenue of \$774.5M, up 30%
- Record annual gross profit of \$146.5M, up 18%
- Record annual net income and diluted EPS, both up 26% over the prior year

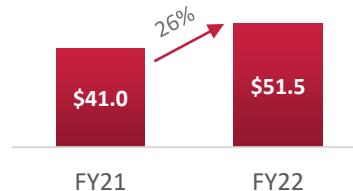
REVENUE
(\$ Million)



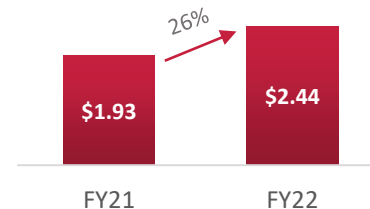
OPERATING INCOME
(\$ Million)



NET INCOME
(\$ Million)



DILUTED EPS

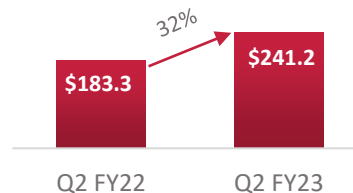


FISCAL 2023 SECOND QUARTER FINANCIALS

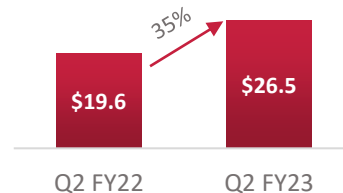
18TH CONSECUTIVE QUARTER OF YEAR-OVER-YEAR OPERATING INCOME GROWTH

- Record second quarter revenue of \$241.2M, growth of 32% over the prior year
- Record second quarter gross profit of \$46.4M, a 24% increase over the prior year
- Record second quarter Diluted Earnings Per Share (EPS) of \$0.86, 28% higher than the prior year
- Record second quarter Operating Cash Flow of \$28.2M

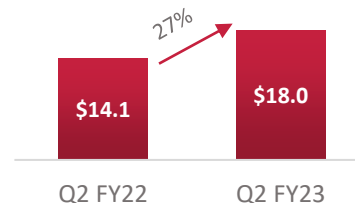
REVENUE
(\$ Million)



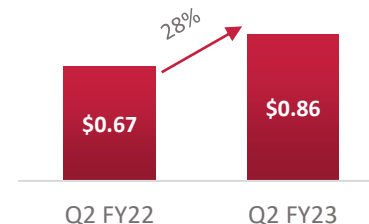
OPERATING INCOME
(\$ Million)



NET INCOME
(\$ Million)



DILUTED EPS

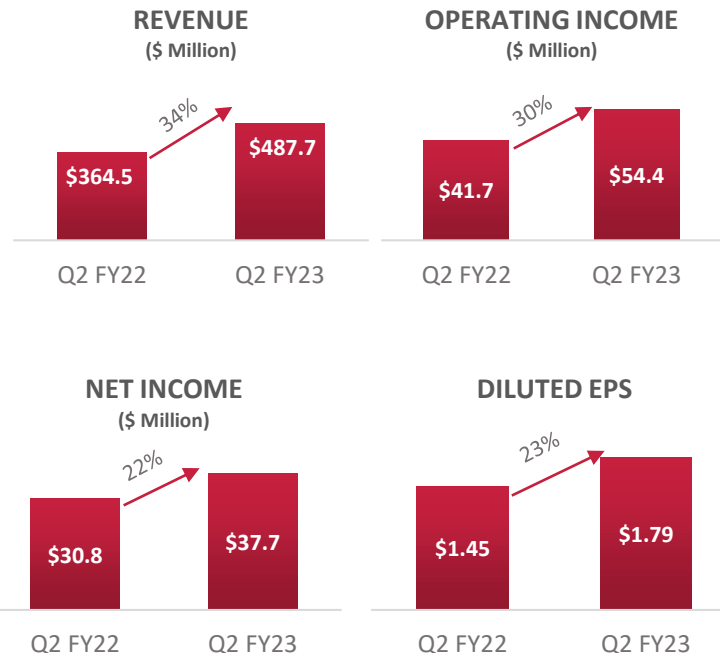


FISCAL 2023 SECOND QUARTER YEAR-TO-DATE FINANCIALS

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

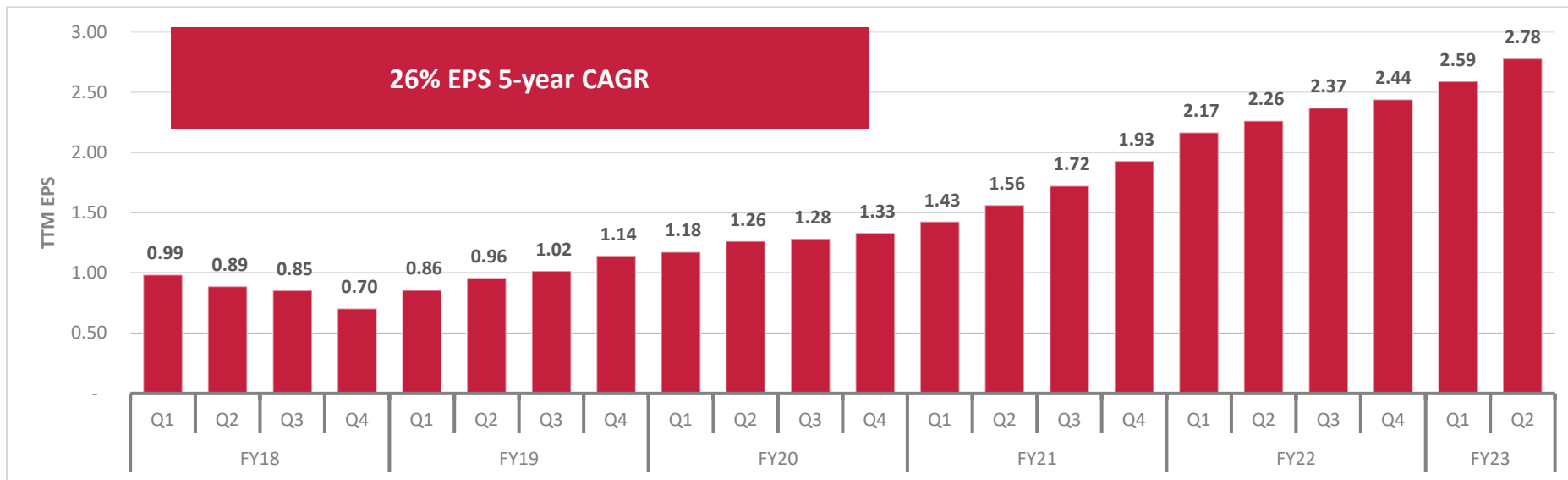
- Record 2Q YTD revenue of \$487.7M, growth of 34% over the prior year
- Trailing 12-month revenue of \$897.8M
- Record 2Q YTD gross profit of \$93.1M, a 22% increase over the prior year
- Record 2Q YTD diluted EPS of \$1.79, 23% higher than the prior year
- Trailing 12-Month adjusted EBITDA⁽¹⁾, a non-GAAP measure, of \$112.2M

(1) Refer to the Appendix for a reconciliation of adjusted EBITDA





TRAILING TWELVE MONTHS QUARTERLY EPS



FY18 quarter 3 and 4 numbers adjusted to exclude a one-time tax benefit of \$13.9 million (\$0.65 per diluted share) and a goodwill impairment charge of \$39.1 million (\$1.84 per diluted share) related to our Health & Nutrition segment



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:

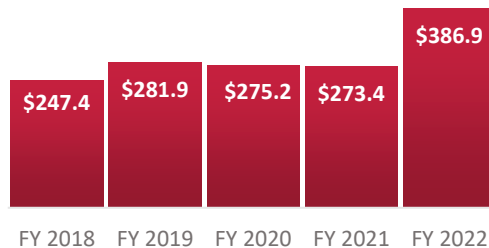
- Industrial Manufacturers
- Food Processors
- Pharmaceutical
- Oil Fields
- Surface Finishers
- Agricultural Operations

▪ Market Focus Areas:

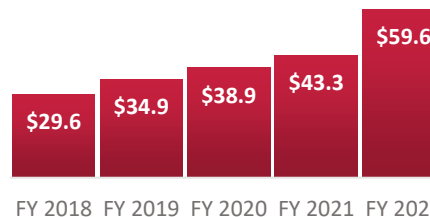
- Food Ingredients
- Pharmaceutical
- Oil and Gas
- Chemical Processing
- Agricultural
- Electronics
- Plating
- Energy

INDUSTRIAL FINANCIALS (IN MILLIONS)

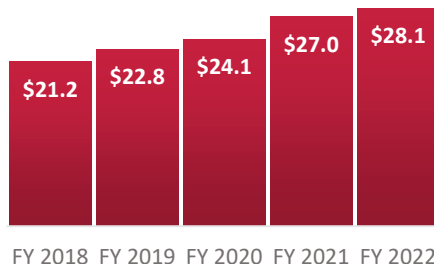
SALES (12% CAGR)



GROSS PROFIT (19% CAGR)



SG&A (7% CAGR)



OPERATING INCOME (39% CAGR)



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.

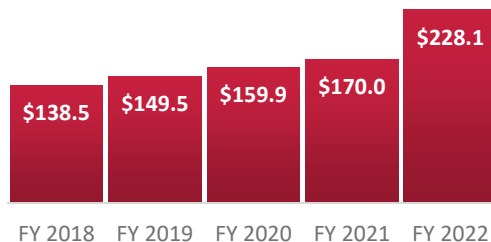


DIFFERENTIATORS

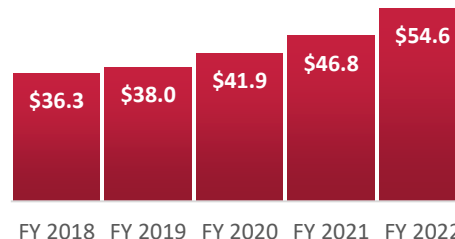
- **Large Geographic Territory**
 - Locations in 39 Cities in 23 States
- **Full Line Product Offering**
 - Chemistries and Equipment
- **Route Sales/Service Business Model**
 - Technical Application Specialists

WATER TREATMENT FINANCIALS (IN MILLIONS)

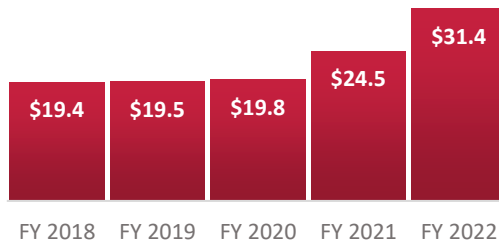
SALES (13% CAGR)



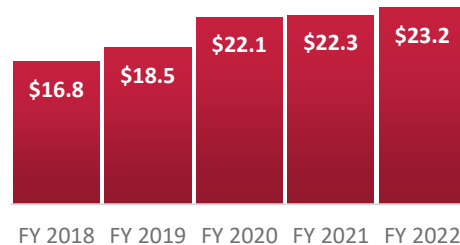
GROSS PROFIT (11% CAGR)



SG&A (13% CAGR)



OPERATING INCOME (8% CAGR)



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.

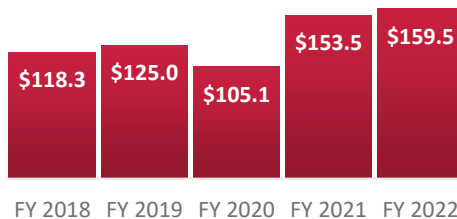


PRODUCT CATEGORIES

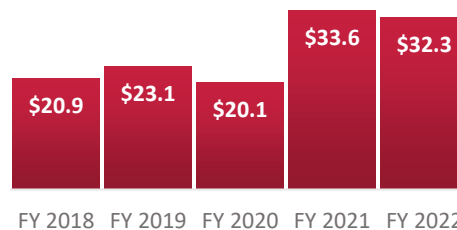
- Energy, Immunity, and Cognition Ingredients
- Amino Acids
- Antioxidants
- Botanicals
- Enzymes
- Minerals
- Oils/Oil Powders
- Fibers
- Probiotics
- Plant Proteins
- Vitamins

HEALTH AND NUTRITION FINANCIALS (IN MILLIONS)

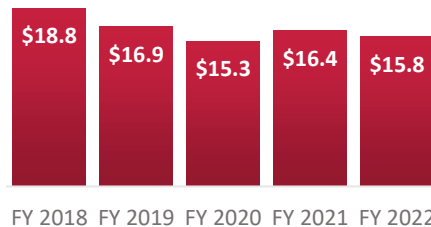
SALES (8% CAGR)



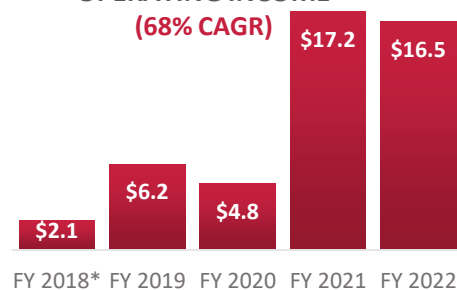
GROSS PROFIT (12% CAGR)



SG&A (-4% CAGR)



OPERATING INCOME (68% CAGR)



*Fiscal 2018 excludes goodwill impairment of \$39.1 M

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

KEY BRANDS





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 12 Months Ended | |
|-----------------------------------|--------------------------|--------------------|
| | October 2, 2022 | September 26, 2021 |
| (in thousands) | | |
| Net income (GAAP) | \$ 54,476 | \$ 47,763 |
| Interest expense | 3,038 | 1,426 |
| Income tax expense | 20,918 | 16,953 |
| Amortization of intangibles | 6,836 | 6,256 |
| Depreciation expense | 18,776 | 17,237 |
| Non-cash compensation expense | 3,836 | 3,616 |
| Non-recurring acquisition expense | 358 | 573 |
| Adjusted EBITDA | \$ 112,238 | \$ 93,824 |

* 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.

| FY2018 Adjusted Net Income (in thousands, except per share data) | Net (loss) Income | Diluted (loss) earnings per share |
|---|-------------------|-----------------------------------|
| As Reported (GAAP) | \$ (9,177) | \$ (0.86) |
| Revaluation of net deferred tax liabilities | (13,943) | (1.31) |
| Goodwill impairment | 39,116 | 3.68 |
| As Adjusted | \$ 15,996 | \$ 1.50 |



Celebrating 80+ Years of Serving Our Customers

Questions/Comments

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