

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 1, 2023

Hawkins, Inc.

(Exact name of registrant as specified in its charter)

Minnesota
(State of Incorporation)

0-7647
(Commission File Number)

41-0771293
(IRS Employer Identification No.)

2381 Rosegate, Roseville, Minnesota
(Address of Principal Executive Offices)

55113
(Zip Code)

Registrant's Telephone Number, Including Area Code (612) 331-6910

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$.01 per share | HWKN | Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405) or Rule 12b-2 of the Exchange Act (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On February 1, 2023, Hawkins, Inc. issued a press release announcing financial results for its fiscal 2023 third quarter ended January 1, 2023. A copy of the press release issued by the Registrant is furnished herewith as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> | <u>Method of Filing</u> |
|----------------------|---|-------------------------|
| 99.1 | Press Release, dated February 1, 2023, announcing financial results of Hawkins, Inc. for its fiscal 2023 third quarter ended January 1, 2023. | Filed Electronically |
| 104 | Cover Page Interactive Data File (embedded within the inline XBRL document) | Filed Electronically |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HAWKINS, INC.

Date: February 1, 2023

By:

/s/ Jeffrey P. Oldenkamp

Jeffrey P. Oldenkamp

Executive Vice President and Chief Financial Officer

February 1, 2023
Hawkins, Inc.
2381 Rosegate
Roseville, MN 55113

Hawkins, Inc. Reports
Third Quarter Fiscal 2023 Results

Roseville, Minn., February 1, 2023 – Hawkins, Inc. (Nasdaq: HWKN) today announced results for the three and nine months ended January 1, 2023, its third quarter of fiscal 2023.

Third Quarter Fiscal Year 2023 Highlights:

- Record third quarter performance for the following metrics – sales, gross profit, operating income, adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), and operating cash flow.
- Sales of \$219.2 million, a 17% year-over-year increase, led by the Water Treatment group with sales growth of 38% over the same quarter in the prior year.
- Gross profit of \$36.3 million, a 7% increase over the prior year, contributing to operating income of \$15.3 million, a 7% year-over-year increase.
- Diluted earnings per share (“EPS”) of \$0.51, 6% higher than the same period last year.
- Adjusted EBITDA, a non-GAAP measure, of \$23.8 million, a 10% increase over the same period of the prior year.
- Operating cash flow of \$25.7 million, a portion of which was used to pay down \$10.0 million on our revolving line of credit, reducing our leverage ratio to 1.14x EBITDA.
- Year-to-date EPS of \$2.31, a 19% year-over-year increase.
- Once again named to Newsweek’s list of America’s Most Responsible Companies.

Executive Commentary – Patrick H. Hawkins, Chief Executive Officer and President:

“We are pleased with our third-quarter results as we again achieved strong year-over-year revenue and gross profit growth as our team continued to navigate supply challenges exceptionally well. Our Industrial and Water Treatment groups continued to execute, with both achieving double-digit revenue growth. Our Health and Nutrition group slowed as expected, with sales declining 1% from last year. We expect continued softness in this segment through the fourth quarter. Our trailing twelve-month revenue grew to \$930 million.”

Mr. Hawkins continued, “Gross profit was again negatively impacted by continued rising material costs as we recorded a charge of \$3.7 million for LIFO expense in the quarter, and a year-to-date LIFO charge of \$12.7 million. Even with this large LIFO expense, our year-to-date gross profit is \$129.4 million, 17% higher than a year ago. We have continued to make significant investments to support our future growth, with \$32.3 million in capital expenditures so far this year, but our operating cash flow of \$44.5 million has far exceeded those expenditures. As we look to the fourth quarter, we expect continued improvement in operating cash flow which will support reduction of our debt.”

Third Quarter Financial Highlights:

NET INCOME

For the third quarter of fiscal 2023, the Company reported net income of \$10.7 million, or \$0.51 per diluted share, compared to net income for the third quarter of fiscal 2022 of \$10.2 million, or \$0.48 per diluted share.

REVENUE

Sales were \$219.2 million for the third quarter of fiscal 2023, an increase of \$32.1 million, or 17%, from sales of \$187.1 million in the same period a year ago, driven primarily by increased selling prices. Industrial segment sales increased \$13.8 million, or 14%, to \$114.4 million for the current quarter, from \$100.6 million in the same period a year ago. The increase in Industrial segment sales was driven by increased selling prices on many of our products driven by higher costs on many of our raw materials. Water Treatment segment sales increased \$18.7 million, or 38%, to \$68.5 million for the current quarter, from \$49.8 million in the same period a year ago. Water Treatment sales increased as a result of increased selling prices on many of our products driven by higher costs on many of our raw materials, added sales from acquired businesses and increased sales of our products. Health and Nutrition segment sales decreased \$0.5 million, or 1%, to \$36.2 million for the current quarter, from \$36.7 million in the same period a year ago. Health and Nutrition segment sales decreased as increased sales of our manufactured products were more than offset by a decrease in sales of our specialty distributed products.

GROSS PROFIT

Gross profit increased \$2.4 million, or 7%, to \$36.3 million, or 17% of sales, for the current quarter, from \$33.9 million, or 18% of sales, in the same period a year ago. During the current quarter, the LIFO reserve increased, and gross profit decreased, by \$3.7 million due primarily to rising raw material costs. In the same quarter a year ago, the LIFO reserve increased, and gross profit decreased, by \$2.9 million. Gross profit for the Industrial segment increased \$0.7 million, or 5%, to \$16.0 million, or 14% of sales, for the current quarter, from \$15.3 million, or 15% of sales, in the same period a year ago. Industrial segment gross profit increased as a result of increased sales as well as improved unit margins on many of our products. Gross profit for the Water Treatment segment increased \$2.2 million, or 20%, to \$13.3 million, or 19% of sales, for the current quarter, from \$11.1 million, or 22% of sales, in the same period a year ago. Water Treatment segment gross profit increased as a result of increased sales, partially offset by the unfavorable year-over-year impact of the increased LIFO reserve. Gross profit for our Health and Nutrition segment decreased \$0.5 million, or 7%, to \$7.0 million, or 19% of sales, for the current quarter, from \$7.5 million, or 21% of sales, in the same period a year ago. Health and Nutrition segment gross profit decreased as a result of decreased sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased \$1.3 million to \$21.0 million, or 10% of sales, for the current quarter, compared to \$19.7 million, or 11% of sales, in the same period a year ago. Expenses increased primarily due to the added costs from the acquired businesses in our Water Treatment segment.

ADJUSTED EBITDA

Adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), a non-GAAP financial measure, is an important performance indicator and a key compliance measure under the terms of our credit agreement. An explanation of the computation of adjusted EBITDA is presented below. Adjusted EBITDA for the three months ended January 1, 2023 was \$23.8 million, an increase of \$2.1 million, or 10%, from \$21.7 million in the same period a year ago. The increase was primarily due to improved gross profit.

INCOME TAXES

Our effective income tax rate was 24% for the current quarter, compared to 27% in the same period a year ago. The effective tax rate decreased from the prior year due to favorable tax provision adjustments recorded in the third quarter of fiscal 2023. The effective tax rate is impacted by projected levels of annual taxable income, permanent items, and state taxes. Our effective tax rate for the full year is currently expected to be approximately 26-27%.

BALANCE SHEET

During the third quarter we had a modest reduction in our working capital. Working capital is still up from year end largely as a result of our usual buildup of raw material inventory as we typically bring in large volumes of certain raw materials on barges through the summer and fall months, as well as raw material price increases in the first nine months of fiscal 2023. Accounts receivable came down slightly in the third quarter, but is up from year end due to our revenue growth in the first three quarters. During the third quarter we reduced our debt by \$10.0 million. We now have total outstanding debt of \$131 million, which is 1.14x our trailing twelve-month adjusted EBITDA, down from 1.25x at the end of fiscal 2022.

About Hawkins, Inc.

Hawkins, Inc. was founded in 1938 and is a leading specialty chemical and ingredients company that formulates, distributes, blends, and manufactures products for its Industrial, Water Treatment, and Health & Nutrition customers. Headquartered in Roseville, Minnesota, the Company has 51 facilities in 25 states and creates value for its customers through superb customer service and support, quality products and personalized applications. Hawkins, Inc. generated \$775 million of revenue in fiscal 2022 and has approximately 800 employees. For more information, including registering to receive email alerts, please visit www.hawkinsinc.com/investors.

Reconciliation of Non-GAAP Financial Measures

We report our consolidated financial results in accordance with U.S. generally accepted accounting principles (GAAP). To assist investors in understanding our financial performance between periods, we have provided certain financial measures not computed according to GAAP, including adjusted EBITDA. This non-GAAP financial measure is not meant to be considered in isolation or as a substitute for comparable GAAP measures. The method we use to produce non-GAAP results is not computed according to GAAP and may differ from the methods used by other companies.

Management uses this non-GAAP financial measure internally to understand, manage and evaluate our business and to make operating decisions. Management believes that this non-GAAP financial measure reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results, provides a more complete understanding of the factors and trends affecting our financial condition and results of operations.

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.

| Adjusted EBITDA (In thousands) | Three Months Ended | | Nine months ended | |
|------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | January 1, 2023 | December 26, 2021 | January 1, 2023 | December 26, 2021 |
| Net Income (GAAP) | \$ 10,733 | \$ 10,204 | \$ 48,428 | \$ 40,965 |
| Interest expense, net | 1,546 | 317 | 3,858 | 995 |
| Income tax expense | 3,453 | 3,870 | 16,637 | 14,573 |
| Amortization of intangibles | 1,741 | 1,572 | 5,247 | 4,704 |
| Depreciation expense | 5,261 | 4,398 | 15,126 | 13,155 |
| Non-cash compensation expense | 1,084 | 1,046 | 2,764 | 2,707 |
| Non-recurring acquisition expenses | — | 285 | — | 296 |
| Adjusted EBITDA | \$ 23,818 | \$ 21,692 | \$ 92,060 | \$ 77,395 |

HAWKINS, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except share and per-share data)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | January 01, 2023 | December 26, 2021 | January 01, 2023 | December 26, 2021 |
| Sales | \$ 219,218 | \$ 187,050 | \$ 706,953 | \$ 551,568 |
| Cost of sales | (182,947) | (153,110) | (577,559) | (441,367) |
| Gross profit | 36,271 | 33,940 | 129,394 | 110,201 |
| Selling, general and administrative expenses | (21,004) | (19,681) | (59,727) | (54,216) |
| Operating income | 15,267 | 14,259 | 69,667 | 55,985 |
| Interest expense, net | (1,546) | (317) | (3,858) | (995) |
| Other income (expense) | 465 | 132 | (744) | 548 |
| Income before income taxes | 14,186 | 14,074 | 65,065 | 55,538 |
| Income tax expense | (3,453) | (3,870) | (16,637) | (14,573) |
| Net income | <u>\$ 10,733</u> | <u>\$ 10,204</u> | <u>\$ 48,428</u> | <u>\$ 40,965</u> |
| Weighted average number of shares outstanding - basic | 20,818,347 | 20,885,232 | 20,847,285 | 20,968,692 |
| Weighted average number of shares outstanding - diluted | 20,974,264 | 21,054,603 | 21,004,849 | 21,142,515 |
| Basic earnings per share | \$ 0.52 | \$ 0.49 | \$ 2.32 | \$ 1.95 |
| Diluted earnings per share | \$ 0.51 | \$ 0.48 | \$ 2.31 | \$ 1.94 |
| Cash dividends declared per common share | \$ 0.1400 | \$ 0.1300 | \$ 0.4200 | \$ 0.3825 |

HAWKINS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share data)

| | January 1, 2023 | April 3, 2022 |
|--|--------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 6,146 | \$ 3,496 |
| Trade accounts receivables, net | 125,471 | 122,826 |
| Inventories | 101,581 | 94,985 |
| Prepaid expenses and other current assets | 7,050 | 6,431 |
| Total current assets | 240,248 | 227,738 |
| PROPERTY, PLANT, AND EQUIPMENT: | | |
| Less accumulated depreciation | 333,781 | 304,055 |
| Net property, plant, and equipment | 155,406 | 142,209 |
| Net property, plant, and equipment | 178,375 | 161,846 |
| OTHER ASSETS: | | |
| Right-of-use assets | 10,551 | 10,606 |
| Goodwill | 77,401 | 77,401 |
| Intangible assets, net of accumulated amortization | 74,946 | 80,193 |
| Deferred compensation plan asset | 6,987 | 6,783 |
| Other | 5,496 | 2,761 |
| Total other assets | 175,381 | 177,744 |
| Total assets | \$ 594,004 | \$ 567,328 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable — trade | \$ 50,573 | \$ 66,693 |
| Accrued payroll and employee benefits | 16,320 | 19,034 |
| Income tax payable | 1,801 | 39 |
| Current portion of long-term debt | 9,913 | 9,913 |
| Short-term lease liability | 1,689 | 1,657 |
| Other current liabilities | 4,584 | 4,130 |
| Total current liabilities | 84,880 | 101,466 |
| LONG-TERM DEBT, LESS CURRENT PORTION | 120,710 | 115,644 |
| LONG-TERM LEASE LIABILITY | 9,082 | 9,143 |
| PENSION WITHDRAWAL LIABILITY | 4,004 | 4,276 |
| DEFERRED INCOME TAXES | 24,297 | 23,422 |
| DEFERRED COMPENSATION LIABILITY | 8,384 | 8,402 |
| OTHER LONG-TERM LIABILITIES | 1,487 | 2,374 |
| Total liabilities | 252,844 | 264,727 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock; authorized: 60,000,000 shares of \$0.01 par value; 20,850,454 and 20,889,777 shares issued and outstanding as of January 1, 2023 and April 3, 2022, respectively | 209 | 209 |
| Additional paid-in capital | 43,388 | 46,717 |
| Retained earnings | 293,969 | 254,384 |
| Accumulated other comprehensive income | 3,594 | 1,291 |
| Total shareholders' equity | 341,160 | 302,601 |
| Total liabilities and shareholders' equity | \$ 594,004 | \$ 567,328 |

HAWKINS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

| | Nine Months Ended | |
|---|--------------------|----------------------|
| | January 1, 2023 | December 26, 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 48,428 | \$ 40,965 |
| Reconciliation to cash flows: | | |
| Depreciation and amortization | 20,373 | 17,859 |
| Operating leases | 1,442 | 1,416 |
| Loss (Gain) on deferred compensation assets | 744 | (548) |
| Stock compensation expense | 2,764 | 2,707 |
| Other | 225 | 379 |
| Changes in operating accounts providing (using) cash: | | |
| Trade receivables | (2,336) | (10,847) |
| Inventories | (6,596) | (12,311) |
| Accounts payable | (16,231) | 6,094 |
| Accrued liabilities | (3,652) | (1,589) |
| Lease liabilities | (1,453) | (1,431) |
| Income taxes | 1,762 | (635) |
| Other | (929) | (3,350) |
| Net cash provided by operating activities | 44,541 | 38,709 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant, and equipment | (32,307) | (15,700) |
| Acquisitions | — | (2,575) |
| Other | 352 | 230 |
| Net cash used in investing activities | (31,955) | (18,045) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends declared and paid | (8,843) | (8,101) |
| New shares issued | 2,014 | 889 |
| Payroll taxes paid in exchange for shares withheld | (1,550) | (1,467) |
| Shares repurchased | (6,557) | (8,545) |
| Payments on revolving loan | (40,000) | (15,000) |
| Proceeds from revolving loan borrowings | 45,000 | 32,000 |
| Net cash used in financing activities | (9,936) | (224) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,650 | 20,440 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 3,496 | 2,998 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 6,146</u> | <u>\$ 23,438</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid for income taxes | \$ 14,847 | \$ 15,208 |
| Cash paid for interest | \$ 3,345 | \$ 746 |
| Noncash investing activities - capital expenditures in accounts payable | \$ 3,844 | \$ 1,018 |

HAWKINS, INC.
REPORTABLE SEGMENTS (UNAUDITED)
(In thousands)

| | Industrial | Water Treatment | Health and Nutrition | Total |
|---|------------|--------------------|-------------------------|------------|
| Three months ended January 1, 2023: | | | | |
| Sales | \$ 114,436 | \$ 68,549 | \$ 36,233 | \$ 219,218 |
| Gross profit | 15,994 | 13,268 | 7,009 | 36,271 |
| Selling, general, and administrative expenses | 7,978 | 9,003 | 4,023 | 21,004 |
| Operating income | 8,016 | 4,265 | 2,986 | 15,267 |
| Three months ended December 26, 2021: | | | | |
| Sales | \$ 100,554 | \$ 49,756 | \$ 36,740 | \$ 187,050 |
| Gross profit | 15,303 | 11,103 | 7,534 | 33,940 |
| Selling, general, and administrative expenses | 7,367 | 8,254 | 4,060 | 19,681 |
| Operating income | 7,936 | 2,849 | 3,474 | 14,259 |
| Nine months ended January 1, 2023: | | | | |
| Sales | \$ 353,085 | \$ 233,527 | \$ 120,341 | \$ 706,953 |
| Gross profit | 53,716 | 52,725 | 22,953 | 129,394 |
| Selling, general and administrative expenses | 21,254 | 26,786 | 11,687 | 59,727 |
| Operating income | 32,462 | 25,939 | 11,266 | 69,667 |
| Nine months ended December 26, 2021: | | | | |
| Sales | \$ 269,572 | \$ 168,105 | \$ 113,891 | \$ 551,568 |
| Gross profit | 42,121 | 44,855 | 23,225 | 110,201 |
| Selling, general and administrative expenses | 20,064 | 22,721 | 11,431 | 54,216 |
| Operating income | 22,057 | 22,134 | 11,794 | 55,985 |

Forward-Looking Statements. Various remarks in this press release constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include those relating to consumer demand for products containing our ingredients and the impacts of those demands, expectations for results in our business segments and the timing of our filings with the Securities and Exchange Commission. These statements are not historical facts, but rather are based on our current expectations, estimates and projections, and our beliefs and assumptions. Forward-looking statements may be identified by terms, including “anticipate,” “believe,” “can,” “could,” “expect,” “intend,” “may,” “predict,” “should,” or “will” or the negative of these terms or other comparable terms. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Actual results may vary materially from those contained in forward looking statements based on a number of factors, including, but not limited to, changes in regulations, availability of technological improvements, the impact and severity of the COVID-19 outbreak, changes in the labor markets, our available cash for investments, changes in competition and price pressures, changes in demand and customer requirements or processes for our products, availability of product and disruptions to supplies, interruptions in production resulting from hazards, transportation limitations or other extraordinary events outside our control that may negatively impact our business or the supply chains in which we participate, changes in imported products and tariff levels, the availability of products and the prices at which they are available, the acceptance of new products by our customers and the timing of any such acceptance, and changes in product supplies. Additional information concerning potential factors that could affect future financial results is included in our [Annual Report on Form 10-K for the fiscal year ended April 3, 2022](#), as updated from time to time in amendments and subsequent reports filed with the SEC. Investors should take such risks into account when making investment decisions. Shareholders and other readers are cautioned not to place undue reliance on forward-looking statements, which reflect our management’s view only as of the date hereof. We do not undertake any obligation to update any forward-looking statements.

Contacts: Jeffrey P. Oldenkamp
Executive Vice President and Chief Financial Officer
612/331-6910
ir@HawkinsInc.com