

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 27, 2020

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**
Commission file number 0-7647

HAWKINS, INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-0771293

(I.R.S. Employer
Identification No.)

2381 Rosegate, Roseville, Minnesota

(Address of principal executive offices)

55113

(Zip code)

(612) 331-6910

(Registrant's telephone number, including area code)

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 \$.05 per share	HWKN	Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	Shares Outstanding at January 22, 2021
Common Stock, par value \$.05 per share	10,611,026

HAWKINS, INC.
INDEX TO FORM 10-Q

	Page
PART I.	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (unaudited):</u>
	<u>Condensed Consolidated Balance Sheets –December 27, 2020 and March 29, 2020</u> <u>1</u>
	<u>Condensed Consolidated Statements of Income – Three and Nine Months Ended December 27, 2020 and December 29, 2019</u> <u>2</u>
	<u>Condensed Consolidated Statements of Comprehensive Income – Three and Nine Months Ended December 27, 2020 and December 29, 2019</u> <u>3</u>
	<u>Condensed Consolidated Statements of Shareholder's Equity – Three and Nine Months Ended December 27, 2020 and December 29, 2019</u> <u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows – Nine Months Ended December 27, 2020 and December 29, 2019</u> <u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements</u> <u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> <u>14</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u> <u>21</u>
Item 4.	<u>Controls and Procedures</u> <u>21</u>
PART II.	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> <u>22</u>
Item 1A.	<u>Risk Factors</u> <u>22</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <u>22</u>
Item 3.	<u>Defaults Upon Senior Securities</u> <u>22</u>
Item 4.	<u>Mine Safety Disclosures</u> <u>22</u>
Item 5.	<u>Other Information</u> <u>22</u>
Item 6.	<u>Exhibits</u> <u>23</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 27, 2020	March 29, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,969	\$ 4,277
Trade receivables — less allowance for doubtful accounts:		
\$549 as of December 27, 2020 and \$784 as of March 29, 2020	76,822	67,391
Inventories	64,657	54,436
Income taxes receivable	946	—
Prepaid expenses and other current assets	5,075	4,927
Total current assets	155,469	131,031
PROPERTY, PLANT, AND EQUIPMENT:		
Less accumulated depreciation	291,491	267,221
Net property, plant, and equipment	152,568	140,877
	138,923	126,344
OTHER ASSETS:		
Right-of-use assets	8,181	9,090
Goodwill	67,657	58,440
Intangible assets, net of accumulated amortization	69,726	60,653
Other	6,049	3,770
Total other assets	151,613	131,953
Total assets	\$ 446,005	\$ 389,328
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable — trade	\$ 31,160	\$ 34,129
Accrued payroll and employee benefits	13,406	13,538
Current portion of long-term debt	9,907	9,907
Short-term lease liability	1,440	1,523
Container deposits	1,426	1,376
Other current liabilities	1,693	1,747
Total current liabilities	59,032	62,220
LONG-TERM DEBT, LESS CURRENT PORTION	85,821	49,751
LONG-TERM LEASE LIABILITY	6,854	7,649
PENSION WITHDRAWAL LIABILITY	4,719	4,978
DEFERRED INCOME TAXES	25,097	25,106
DEFERRED COMPENSATION LIABILITY	7,054	5,026
OTHER LONG-TERM LIABILITIES	514	1,114
Total liabilities	189,091	155,844
COMMITMENTS AND CONTINGENCIES		
	—	—
SHAREHOLDERS' EQUITY:		
Common stock; authorized: 30,000,000 shares of \$0.05 par value; 10,462,159 and 10,512,229 shares issued and outstanding as of December 27, 2020 and March 29, 2020, respectively	523	526
Additional paid-in capital	48,975	50,090
Retained earnings	207,416	182,947
Accumulated other comprehensive loss	—	(79)
Total shareholders' equity	256,914	233,484
Total liabilities and shareholders' equity	\$ 446,005	\$ 389,328

See accompanying notes to condensed consolidated financial statements.

HAWKINS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except share and per-share data)

	Three Months Ended		Nine Months Ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
Sales	\$ 142,927	\$ 120,406	\$ 433,900	\$ 407,785
Cost of sales	(114,688)	(98,928)	(341,888)	(329,516)
Gross profit	28,239	21,478	92,012	78,269
Selling, general and administrative expenses	(17,750)	(14,702)	(49,009)	(44,355)
Operating income	10,489	6,776	43,003	33,914
Interest expense, net	(382)	(584)	(1,101)	(2,013)
Other income	478	131	1,282	274
Income before income taxes	10,585	6,323	43,184	32,175
Income tax expense	(2,664)	(1,776)	(11,285)	(8,571)
Net income	\$ 7,921	\$ 4,547	\$ 31,899	\$ 23,604
Weighted average number of shares outstanding - basic	10,506,918	10,546,453	10,521,521	10,575,432
Weighted average number of shares outstanding - diluted	10,611,655	10,605,895	10,639,372	10,656,115
Basic earnings per share	\$ 0.75	\$ 0.43	\$ 3.03	\$ 2.23
Diluted earnings per share	\$ 0.75	\$ 0.43	\$ 3.00	\$ 2.22
Cash dividends declared per common share	\$ 0.2325	\$ 0.2300	\$ 0.6975	\$ 0.6900

See accompanying notes to condensed consolidated financial statements.

HAWKINS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(In thousands)

	Three Months Ended		Nine Months Ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
Net income	\$ 7,921	\$ 4,547	\$ 31,899	\$ 23,604
Other comprehensive loss, net of tax:				
Unrealized gain (loss) on interest rate swap	50	(11)	79	(259)
Total comprehensive income	<u>\$ 7,971</u>	<u>\$ 4,536</u>	<u>\$ 31,978</u>	<u>\$ 23,345</u>

See accompanying notes to condensed consolidated financial statements.

HAWKINS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
BALANCE — March 29, 2020	10,512,229	\$ 526	\$ 50,090	\$ 182,947	\$ (79)	\$ 233,484
Cash dividends declared and paid				(2,479)		(2,479)
Share-based compensation expense			700			700
Vesting of restricted stock	5,263	—	—			—
Shares surrendered for payroll taxes	(1,657)	—	(54)			(54)
Other comprehensive loss, net of tax					(10)	(10)
Net income				11,788		11,788
BALANCE — June 28, 2020	10,515,835	\$ 526	\$ 50,736	\$ 192,256	\$ (89)	\$ 243,429
Cash dividends declared and paid				(2,480)		(2,480)
Share-based compensation expense			686			686
Vesting of restricted stock	8,008	—	—			—
ESPP shares issued	21,360	1	772			773
Other comprehensive income, net of tax					39	39
Net income				12,190		12,190
BALANCE — September 27, 2020	10,545,203	\$ 527	\$ 52,194	\$ 201,966	\$ (50)	\$ 254,637
Cash dividends declared and paid				(2,471)		(2,471)
Share-based compensation expense			917			917
Shares repurchased	(83,044)	(4)	(4,136)			(4,140)
Other comprehensive income, net of tax					50	50
Net income				7,921		7,921
BALANCE — December 27, 2020	10,462,159	\$ 523	\$ 48,975	\$ 207,416	\$ —	\$ 256,914

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
BALANCE — March 31, 2019	10,592,450	\$ 530	\$ 52,609	\$ 164,405	\$ 317	\$ 217,861
Cash dividends declared and paid				(2,460)		(2,460)
Share-based compensation expense			509			509
Vesting of restricted stock	27,620	1	(1)			—
Shares surrendered for payroll taxes	(9,160)	(1)	(342)			(343)
Shares repurchased	(47,136)	(2)	(1,801)			(1,803)
Other comprehensive loss, net of tax					(179)	(179)
Net income				9,807		9,807
BALANCE — June 30, 2019	10,563,774	\$ 528	\$ 50,974	\$ 171,752	\$ 138	\$ 223,392
Cash dividends declared and paid				(2,445)		(2,445)
Share-based compensation expense			636			636
Vesting of restricted stock	8,352	—	—			—
ESPP shares issued	18,586	1	660			661
Shares repurchased	(44,259)	(2)	(1,988)			(1,990)
Other comprehensive loss, net of tax					(69)	(69)
Net income				9,250		9,250
BALANCE — September 29, 2019	10,546,453	\$ 527	\$ 50,282	\$ 178,557	\$ 69	\$ 229,435
Cash dividends declared and paid				(2,445)		(2,445)
Share-based compensation expense			685			685
Other comprehensive income, net of tax					(11)	(11)
Net income				4,547		4,547
BALANCE — December 29, 2019	10,546,453	\$ 527	\$ 50,967	\$ 180,659	\$ 58	\$ 232,211

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	December 27, 2020	December 29, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 31,899	\$ 23,604
Reconciliation to cash flows:		
Depreciation and amortization	16,735	16,181
Operating leases	1,419	1,538
Gain on deferred compensation assets	(1,282)	(274)
Stock compensation expense	2,303	1,830
Other	170	(42)
Changes in operating accounts providing (using) cash:		
Trade receivables	(8,121)	8,035
Inventories	(9,431)	2,940
Accounts payable	(3,569)	(2,469)
Accrued liabilities	1,160	(3,148)
Lease liabilities	(1,363)	(1,565)
Income taxes	(1,006)	(82)
Other	(2,308)	(1,557)
Net cash provided by operating activities	26,606	44,991
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(13,200)	(19,426)
Acquisitions, net of cash acquired	(35,017)	—
Other	154	326
Net cash used in investing activities	(48,063)	(19,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends declared and paid	(7,430)	(7,350)
New shares issued	773	661
Shares surrendered for payroll taxes	(54)	(343)
Shares repurchased	(4,140)	(3,793)
Net proceeds from (payments on) revolving loan	36,000	(17,000)
Net cash provided by (used in) financing activities	25,149	(27,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,692	(1,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,277	9,199
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,969	\$ 7,265
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for income taxes	\$ 12,345	\$ 8,653
Cash paid for interest	\$ 893	\$ 1,960
Noncash investing activities - capital expenditures in accounts payable	\$ 790	\$ 394

See accompanying notes to condensed consolidated financial statements.

HAWKINS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#), previously filed with the Securities and Exchange Commission (“SEC”). In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly our financial position and the results of our operations and cash flows for the periods presented. All adjustments made to the interim condensed consolidated financial statements were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the nine months ended December 27, 2020 are not necessarily indicative of the results that may be expected for the full year.

References to fiscal 2019 refer to the fiscal year ended March 31, 2019, references to fiscal 2020 refer to the fiscal year ended March 29, 2020 and references to fiscal 2021 refer to the fiscal year ending March 28, 2021.

Use of Estimates. The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, particularly receivables, inventories, property, plant and equipment, right-of-use assets, goodwill, intangibles, accrued expenses, short-term and long-term lease liability, income taxes and related accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Policies. The accounting policies we follow are set forth in Note 1 – Nature of Business and Significant Accounting Policies to our consolidated financial statements in our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#), previously filed with the SEC. There has been no significant change in our accounting policies since the end of fiscal 2020.

Recently Adopted Accounting Pronouncements

On March 30, 2020, we adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendments in this update replaced the incurred loss impairment methodology in previous GAAP with a methodology that reflects expected credit losses on instruments within its scope, including trade receivables. This update is intended to provide financial statement users with more decision-useful information about the expected credit losses. Our adoption of this ASU impacted our method for calculating and estimating our allowance for doubtful accounts but did not have a material impact to our financial position or results of operations.

Note 2 — Acquisitions

Acquisition of American Development Corporation of Tennessee, Inc.: On July 28, 2020, we acquired substantially all the assets of American Development Corporation of Tennessee, Inc. (“ADC”) under the terms of an asset purchase agreement among us, ADC and its shareholders. We paid \$25 million for the acquisition, using funds available under our revolving credit facility with U.S. Bank National Association to fund the acquisition. ADC is a water treatment chemical distribution company operating primarily in Tennessee, Georgia and Kentucky. The results of operations since the acquisition date, and the assets, including the goodwill associated with this acquisition, are included in our Water Treatment segment. Costs associated with this transaction were not material and were expensed as incurred.

The acquisition has been accounted for as a business combination, under which the total purchase price is allocated to the net tangible and intangible assets and liabilities of ADC acquired in connection with the acquisition based on their estimated fair values. We estimated the fair values of the assets acquired and liabilities assumed using a discounted cash flow analysis (income approach). Of the \$25 million purchase price, we allocated \$13.3 million to finite-lived intangible assets, primarily customer relationships to be amortized over 17 years, \$1.6 million to property, plant and equipment, and \$0.9 million to net working capital. The residual amount of \$9.2 million was allocated to goodwill. The goodwill recognized as a result of this acquisition is primarily attributable to strategic and synergistic benefits, as well as the assembled workforce. Such goodwill is expected to be deductible for tax purposes. The purchase price allocation is final.

Acquisition of Property: On December 16, 2020, we acquired a manufacturing facility on 28 acres located adjacent to our facility in Rosemount, Minnesota to allow further expansion and growth in both our Industrial and Water Treatment segments. We paid \$10 million for the property. The purchase of this facility adds approximately 40,000 square feet of manufacturing and warehouse space to bring us to a total of 105,000 square feet of space on 56 acres of land in the area, with

rail access at both of the sites to allow for future growth and provide for supply chain flexibility on certain raw materials to better serve the customer.

This acquisition has been accounted for as a property purchase.

Note 3 - Revenue

Our revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. We disaggregate revenues from contracts with customers by operating segments as well as types of products sold. Reporting by operating segment is pertinent to understanding our revenues, as it aligns to how we review the financial performance of our operations. Types of products sold within each operating segment help us to further evaluate the financial performance of our segments.

The following tables disaggregate external customer net sales by major revenue stream for the three and nine months ended December 27, 2020 and December 29, 2019:

	Three months ended December 27, 2020			
(In thousands)	Industrial	Water Treatment	Health and Nutrition	Total
Bulk / Distributed specialty products ⁽¹⁾	\$ 10,016	\$ 3,896	\$ 27,839	\$ 41,751
Manufactured, blended or repackaged products ⁽²⁾	53,501	35,129	11,577	100,207
Other	839	273	(143)	969
Total external customer sales	\$ 64,356	\$ 39,298	\$ 39,273	\$ 142,927

	Three months ended December 29, 2019			
(In thousands)	Industrial	Water Treatment	Health and Nutrition	Total
Bulk / Distributed specialty products ⁽¹⁾	\$ 11,562	\$ 4,280	\$ 19,115	\$ 34,957
Manufactured, blended or repackaged products ⁽²⁾	50,600	30,251	3,199	84,050
Other	856	359	184	1,399
Total external customer sales	\$ 63,018	\$ 34,890	\$ 22,498	\$ 120,406

	Nine months ended December 27, 2020			
(In thousands)	Industrial	Water Treatment	Health and Nutrition	Total
Bulk / Distributed specialty products ⁽¹⁾	\$ 28,153	\$ 12,129	\$ 82,737	\$ 123,019
Manufactured, blended or repackaged products ⁽²⁾	166,498	115,473	25,808	307,779
Other	2,378	950	(226)	3,102
Total external customer sales	\$ 197,029	\$ 128,552	\$ 108,319	\$ 433,900

	Nine months ended December 29, 2019			
(In thousands)	Industrial	Water Treatment	Health and Nutrition	Total
Bulk / Distributed specialty products ⁽¹⁾	\$ 38,174	\$ 13,959	\$ 66,608	\$ 118,741
Manufactured, blended or repackaged products ⁽²⁾	165,678	108,888	10,532	285,098
Other	2,581	1,163	202	3,946
Total external customer sales	\$ 206,433	\$ 124,010	\$ 77,342	\$ 407,785

(1) For our Industrial and Water Treatment segments, this line includes our bulk products that we do not modify in any way, but receive, store, and ship from our facilities, or direct ship to our customers in large quantities. For our Health and Nutrition segment, this line includes our non-manufactured distributed specialty products, which may be sold out of one of our facilities or direct shipped to our customers.

(2) For our Industrial and Water Treatment segments, this line includes our non-bulk specialty products that we either manufacture, blend, repackage, resell in their original form, or direct ship to our customers in smaller quantities, and services we provide for our customers. For our Health and Nutrition segment, this line includes products manufactured, processed or repackaged in our facility and/or with our equipment.

Net sales include products and shipping charges, net of estimates for product returns and any related sales rebates. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. Our criteria for recording revenue is consistent between our operating segments and types of products sold. We recognize revenue upon transfer of control of the promised products to the customer, with revenue recognized at the point in time the customer obtains control of the products. In arrangements where product is shipped directly from the vendor to our customer, we act as the principal in the transaction as we direct the other party to provide the product to our customer on our behalf, take inventory risk, establish the selling price, and are exposed to credit risk for the collection of the invoiced amount. If there were circumstances where we were to manufacture products for customers that were unique to their specifications and we would be prohibited by contract to use the product for any alternate use, we would recognize revenue over time if all criteria were met. We have made a policy election to treat shipping costs for FOB shipping point sales as fulfillment costs. As such, we recognize revenue for all shipping charges, if applicable, at the same time we recognize revenue on the products delivered. We estimate product returns based on historical return rates. Using probability assessments, we estimate sales rebates expected to be paid over the term of the contract. The majority of our contracts have a single performance obligation and are short term in nature. Sales taxes that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales. We offer certain customers cash discounts and volume rebates as sales incentives. The discounts and volume rebates are recorded as a reduction in sales at the time revenue is recognized in an amount estimated based on historical experience and contractual obligations. We periodically review the assumptions underlying our estimates of discounts and volume rebates and adjust revenues accordingly.

Note 4 – Earnings per Share

Basic earnings per share (“EPS”) is computed by dividing net earnings by the weighted-average number of common shares outstanding. Diluted EPS includes the dilutive impact of incremental shares assumed to be issued as performance units and restricted stock.

Basic and diluted EPS were calculated using the following:

	Three Months Ended		Nine Months Ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
Weighted-average common shares outstanding—basic	10,506,918	10,546,453	10,521,521	10,575,432
Dilutive impact of performance units and restricted stock	104,737	59,442	117,851	80,683
Weighted-average common shares outstanding—diluted	10,611,655	10,605,895	10,639,372	10,656,115

For each of the periods presented, there were no shares excluded from the calculation of weighted-average common shares for diluted EPS.

Note 5 – Derivative Instruments

We had an interest rate swap agreement to manage the risk associated with a portion of our variable-rate long-term debt. We do not utilize derivative instruments for speculative purposes. The interest rate swap involves the exchange of fixed-rate and variable-rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. The \$20 million swap agreement terminated on December 23, 2020. We had designated this swap as a cash flow hedge and determined that it qualified for hedge accounting treatment. For so long as the hedge was effective, changes in fair value of the cash flow hedge were recorded in other comprehensive income (net of tax) until income or loss from the cash flows of the hedged item was realized.

For the three and nine months ended December 27, 2020, we recorded \$0.1 million in other comprehensive income related to unrealized gains (net of tax) on the cash flow hedge described above. For the three months ended December 29, 2019, we recorded a nominal amount in other comprehensive loss related to unrealized losses (net of tax) on the cash flow hedge. For the nine months ended December 29, 2019, we recorded \$0.3 million in other comprehensive loss related to unrealized losses (net of tax) on the cash flow hedge. Included in other current liabilities on our condensed consolidated balance sheet was \$0.1 million as of March 29, 2020. The interest rate swap ended on December 23, 2020, and is therefore no longer recorded on our balance sheet.

By their nature, derivative instruments are subject to market risk. Derivative instruments are also subject to credit risk associated with counterparties to the derivative contracts. Credit risk associated with derivatives is measured based on the replacement cost should the counterparty with a contract in a gain position to us fail to perform under the terms of the contract. We do not anticipate nonperformance by the counterparty.

Note 6 – Fair Value Measurements

Our financial assets and liabilities are measured at fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We classify the inputs used to measure fair value into the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable or can be corroborated by observable market data for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity. These fair values are determined using pricing models for which the assumptions utilize management's estimates or market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis. The fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Our financial assets that are measured at fair value on a recurring basis are an interest rate swap and assets held in a deferred compensation retirement plan. As of December 27, 2020 and March 29, 2020, the assets held in a deferred compensation retirement plan are classified as other long-term assets on our balance sheet, with the portion of the plan assets expected to be paid within twelve months classified as current assets and the interest rate swap was classified as other current liabilities on our balance sheet. The fair value of the interest rate swap was determined by the respective counterparties based on interest rate changes. Interest rate swaps are valued based on observable interest rate yield curves for similar instruments. The deferred compensation plan assets relate to contributions made to a non-qualified compensation plan on behalf of certain employees who are classified as "highly compensated employees" as determined by IRS guidelines. The assets are part of a rabbi trust and the funds are held in mutual funds. The fair value of the deferred compensation is based on the quoted market prices for the mutual funds at the end of the period.

The following tables summarize the balances of assets and liabilities measured at fair value on a recurring basis as of December 27, 2020 and March 29, 2020.

(In thousands)		December 27, 2020	March 29, 2020
Assets			
Deferred compensation plan assets	Level 1	\$ 5,937	\$ 3,564
Liabilities			
Interest rate swap	Level 2	\$ —	\$ 108

Note 7– Assets Held for Sale

In the first quarter of fiscal 2021, management determined that an office building that was previously held for sale no longer met the criteria to be classified as such. As a result, the \$0.9 million net book value was reclassified out of "Prepaid expenses and other current assets" and is now classified as held and used within Property, Plant and Equipment on our balance sheet.

Note 8 – Inventories

Inventories at December 27, 2020 and March 29, 2020 consisted of the following:

(In thousands)	December 27, 2020	March 29, 2020
Inventory (FIFO basis)	\$ 70,278	\$ 60,090
LIFO reserve	(5,621)	(5,654)
Net inventory	\$ 64,657	\$ 54,436

The first in, first out ("FIFO") value of inventories accounted for under the last in, first out ("LIFO") method was \$43.7 million at December 27, 2020 and \$43.3 million at March 29, 2020. The remainder of the inventory was valued and accounted for under the FIFO method.

Note 9 – Goodwill and Intangible Assets

The carrying amount of goodwill was \$67.7 million as of December 27, 2020 and \$58.4 million as of March 29, 2020, of which \$44.9 million was related to our Health and Nutrition segment, \$16.3 million was related to our Water Treatment segment, and \$6.5 million was related to our Industrial segment. The increase in goodwill during the nine months ended December 27, 2020 represents goodwill recorded in connection with the ADC acquisition as discussed in Note 2.

A summary of our intangible assets as of December 27, 2020 and March 29, 2020 is as follows:

(In thousands)	December 27, 2020			March 29, 2020		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Finite-life intangible assets						
Customer relationships	\$ 91,483	\$ (25,094)	\$ 66,389	\$ 78,383	\$ (21,400)	\$ 56,983
Trademarks and trade names	6,150	(4,123)	2,027	6,045	(3,640)	2,405
Other finite-life intangible assets	3,753	(3,670)	83	3,648	(3,610)	38
Total finite-life intangible assets	101,386	(32,887)	68,499	88,076	(28,650)	59,426
Indefinite-life intangible assets	1,227	—	1,227	1,227	—	1,227
Total intangible assets	\$ 102,613	\$ (32,887)	\$ 69,726	\$ 89,303	\$ (28,650)	\$ 60,653

Note 10 – Debt

Debt at December 27, 2020 and March 29, 2020 consisted of the following:

(In thousands)	December 27, 2020	March 29, 2020
Senior secured revolving loan	\$ 96,000	\$ 60,000
Less: unamortized debt issuance costs	(272)	(342)
Total debt, net of debt issuance costs	95,728	59,658
Less: current portion of long-term debt	(9,907)	(9,907)
Total long-term debt	\$ 85,821	\$ 49,751

Note 11 – Income Taxes

We are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The tax years prior to our fiscal year ended April 3, 2016 are closed to examination by the Internal Revenue Service, and with few exceptions, state and local income tax jurisdictions. Our effective tax rate for the nine months ended December 27, 2020 was 26.1% and was 26.6% for the nine months ended December 29, 2019. The effective tax rate is impacted by projected levels of annual taxable income, permanent items, and state taxes.

Note 12 – Leases

Lease Obligations. As of December 27, 2020, we were obligated under operating lease agreements for certain manufacturing facilities, warehouse space, the land on which some of our facilities sit, vehicles and information technology equipment. Our leases have remaining lease terms of 1 year to 24 years, some of which include options to extend the lease for up to 10 years.

As of December 27, 2020, our operating lease components with initial or remaining terms in excess of one year were classified on the condensed consolidated balance sheet within right of use assets, short-term lease liability and long-term lease liability.

Expense for leases less than 12 months for the nine months ended December 27, 2020 was not material. Total lease expense was \$0.7 million for both the three months ended December 27, 2020 and December 29, 2019. Total lease expense for the nine months ended December 27, 2020 and December 29, 2019 was \$2.1 million and \$2.2 million, respectively.

Other information related to our operating leases was as follows:

	December 27, 2020
Lease Term and Discount Rate	
Weighted average remaining lease term (years)	8.45
Weighted average discount rate	3.2 %

Maturities of lease liabilities as of December 27, 2020 were as follows:

(In thousands)	Operating Leases
Remaining fiscal 2021	\$ 400
Fiscal 2022	1,750
Fiscal 2023	1,624
Fiscal 2024	1,270
Fiscal 2025	1,279
Thereafter	4,337
Total	\$ 10,660
Less: Interest	(2,366)
Present value of lease liabilities	\$ 8,294

Note 13 – Share-Based Compensation

Performance-Based Restricted Stock Units. Our Board of Directors (the “Board”) approved a performance-based equity compensation arrangement for our executive officers during the first quarters of each of fiscal 2021 and fiscal 2020. These performance-based arrangements provide for the grant of performance-based restricted stock units that represent a possible future issuance of restricted shares of our common stock based on a pre-tax income target for the applicable fiscal year. The actual number of restricted shares to be issued to each executive officer is determined when our final financial information becomes available after the applicable fiscal year and will be between zero shares and 62,385 shares in the aggregate for fiscal 2021. The restricted shares issued, if any, will fully vest approximately two years after the last day of the fiscal year on which the performance is based. We are recording the compensation expense for the outstanding performance share units and the converted restricted stock over the life of the awards.

The following table represents the restricted stock activity for the nine months ended December 27, 2020:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at beginning of period	74,515	\$ 34.27
Granted	64,813	37.37
Vested	(5,263)	31.35
Forfeited or expired	(14,505)	35.83
Unvested at end of period	119,560	\$ 35.89

We recorded compensation expense related to performance share units and restricted stock of \$0.7 million and \$1.6 million for the three and nine months ended December 27, 2020, respectively. We recorded compensation expense related to performance share units and restricted stock of \$0.5 million and \$1.3 million for the three and nine months ended December 29, 2019, respectively. Substantially all of the compensation expense was recorded in selling, general and administrative expenses in the condensed consolidated statements of income.

Restricted Stock Awards. As part of their retainers, each director who is not an executive officer receives an annual grant of restricted stock for their service on our Board. The restricted stock awards are expensed over the requisite vesting period, which is generally one year from the date of issuance, based on the market value on the date of grant. As of December 27, 2020, there were 6,593 shares of restricted stock with an average grant date fair value of \$51.17 outstanding under this program. Compensation expense for both the three months ended December 27, 2020 and December 29, 2019 related to restricted stock awards to the Board was \$0.1 million. Compensation expense for both the nine months ended December 27, 2020 and December 29, 2019 related to restricted stock awards to the Board was \$0.2 million.

Note 14 – Share Repurchase Program

Our Board has authorized the repurchase of up to 800,000 shares of our outstanding common stock for cash on the open market or in privately negotiated transactions subject to applicable securities laws and regulations. Upon purchase of the shares, we reduce our common stock for the par value of the shares with the excess applied against additional paid-in capital. During the three and nine months ended December 27, 2020, we repurchased 83,044 shares at an aggregate purchase price of \$4.1 million. During the three months ended December 29, 2019, no shares were repurchased. During the nine months ended December 29, 2019, we repurchased 91,395 shares at an aggregate purchase price of \$3.8 million. As of December 27, 2020, 275,753 shares remained available to be repurchased under the share repurchase program.

Note 15 – Litigation, Commitments and Contingencies

Litigation. There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries are a party or of which any of our property is the subject. Legal fees associated with such matters are expensed as incurred.

Note 16 – Segment Information

We have three reportable segments: Industrial, Water Treatment, and Health and Nutrition. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#).

We evaluate performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. Reportable segments are defined primarily by product and type of customer. Segments are responsible for the sales, marketing and development of their products and services. Other than our Health and Nutrition segment, the segments do not have separate accounting, administration, customer service or purchasing functions. We allocate certain corporate expenses to our operating segments. There are no intersegment sales and no operating segments have been aggregated. No single customer's revenues amounted to 10% or more of our total revenue. Sales are primarily within the United States and all assets are located within the United States.

(In thousands)	Industrial	Water Treatment	Health and Nutrition	Total
Three months ended December 27, 2020:				
Sales	\$ 64,356	\$ 39,298	\$ 39,273	\$ 142,927
Gross profit	9,207	10,027	9,005	28,239
Selling, general, and administrative expenses	6,978	6,788	3,984	17,750
Operating income	2,229	3,239	5,021	10,489
Three months ended December 29, 2019:				
Sales	\$ 63,018	\$ 34,890	\$ 22,498	\$ 120,406
Gross profit	8,418	8,362	4,698	21,478
Selling, general, and administrative expenses	6,050	4,834	3,818	14,702
Operating income	2,368	3,528	880	6,776
Nine months ended December 27, 2020:				
Sales	\$ 197,029	\$ 128,552	\$ 108,319	\$ 433,900
Gross profit	32,100	35,888	24,024	92,012
Selling, general and administrative expenses	19,474	17,654	11,881	49,009
Operating income	12,626	18,234	12,143	43,003
Nine months ended December 29, 2019:				
Sales	\$ 206,433	\$ 124,010	\$ 77,342	\$ 407,785
Gross profit	30,007	33,206	15,056	78,269
Selling, general and administrative expenses	18,041	14,956	11,358	44,355
Operating income	11,966	18,250	3,698	33,914

No significant changes to identifiable assets by segment occurred during the nine months ended December 27, 2020.

Note 17 – Subsequent Events

On December 30, 2020, we acquired substantially all the assets of C & L Aqua Professionals, Inc. and LC Blending, Inc. (together, "C&L Aqua") for \$16 million under the terms of an asset purchase agreement among us, C&L Aqua and its shareholders. C&L Aqua is a water treatment chemical distribution company operating primarily in Louisiana. The results of operations and the assets, including the goodwill associated with this acquisition, will be included as part of our Water Treatment segment from the date of acquisition forward. The purchase accounting for this acquisition has not yet been completed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations for the nine months ended December 27, 2020 as compared to the similar period ended December 29, 2019. This discussion should be read in conjunction with the condensed consolidated financial statements and notes to condensed consolidated financial statements included in this quarterly report on Form 10-Q and Item 8 of our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#).

Overview

We derive substantially all of our revenues from the sale of chemicals and specialty ingredients to our customers in a wide variety of industries. We began our operations primarily as a distributor of bulk chemicals with a strong customer focus. Over the years, we have maintained the strong customer focus and have expanded our business by increasing our sales of value-added chemicals and specialty ingredients, including manufacturing, blending, and repackaging certain products.

Business and Property Acquisitions

On December 30, 2020, after the end of our third quarter, we acquired substantially all the assets of C & L Aqua Professionals, Inc. and LC Blending, Inc. (together, "C&L Aqua") under the terms of an asset purchase agreement among us, C&L Aqua and its shareholders. C&L Aqua is a water treatment chemical distribution company operating primarily in Louisiana. The results of operations and the assets will be included as part of our Water Treatment segment from the date of acquisition forward.

In the third quarter of fiscal 2021, we acquired a manufacturing facility to allow further expansion and growth in both our Industrial and Water Treatment segments. This site is adjacent to our facility in Rosemount, Minnesota, adding 40,000 square feet of manufacturing and warehouse space on 28 acres of land to bring us to a total of 105,000 square feet of space on 56 acres of land in the area, with rail access at both of the sites to allow for future growth and provide for supply chain flexibility on certain raw materials to better serve the customer.

On July 28, 2020, we acquired substantially all the assets of American Development Corporation of Tennessee, Inc. ("ADC") under the terms of an asset purchase agreement among us, ADC and its shareholders. ADC is a water treatment chemical distribution company operating primarily in Tennessee, Georgia and Kentucky. The results of operations since the acquisition date are included in our Water Treatment segment.

The annual revenue from C&L Aqua and ADC in the twelve months prior to our acquisitions totaled approximately \$25 million in the aggregate.

Statement on COVID-19

The pandemic caused by COVID-19 has resulted in federal, state and local governments around the world implementing stringent measures to help control the spread of the virus, including, from time to time, quarantines, "shelter in place" and "stay at home" orders, travel restrictions or bans, business curtailments, school closures, and other protective measures. While some restrictions have eased since the start of the COVID-19 pandemic, certain restrictions remain in place or new restrictions may be implemented in the future. Restrictions will likely remain in place for some time. Financial markets have been volatile, primarily due to uncertainty with respect to the severity and duration of the pandemic.

All of our manufacturing facilities have qualified as essential operations (or the equivalent) under applicable federal and state orders. As a result, all of our manufacturing sites and facilities have continued to operate, with no significant impact to our output levels. We are enforcing social distancing and enhanced health, safety and sanitization measures in accordance with guidelines from the Center for Disease Control. We have also implemented necessary procedures and support to enable a significant portion of our office personnel to work remotely.

During this public health crisis, we remain focused on the health and safety of our employees, customers and suppliers and maintaining safe and reliable operations of our manufacturing sites. As our operations and products are essential to critical national infrastructure, it is imperative that we continue to supply materials including the products needed to maintain safe drinking water, ingredients essential for large-scale food, pharmaceutical and other health product manufacturing and nutrition products needed to support our critical infrastructure. Our manufacturing sites have continued to operate during the COVID-19 pandemic, with no significant impact to manufacturing.

We ended the third quarter of fiscal 2021 with a leverage ratio of 1.2x, net debt of \$88 million and \$54 million available for borrowing under our Revolving Loan Facility.

The financial impact of the COVID-19 pandemic to our company has been mixed, as sales to certain end-markets such as food, bottled bleach and health and nutrition have benefited our reporting segments, while decreased sales to other end-markets such as ethanol, pools and resorts have negatively impacted them. In addition, certain expenses, such as travel and entertainment and trade show expenses, have been lower than historical levels during fiscal 2021. As uncertainty continues with this pandemic, we expect mixed results to continue for the foreseeable future.

Financial Results

We focus on total profitability dollars when evaluating our financial results as opposed to profitability as a percentage of sales, as sales dollars tend to fluctuate, particularly in our Industrial and Water Treatment segments, as raw material costs rise and fall. The costs for certain of our raw materials can rise or fall rapidly, causing fluctuations in gross profit as a percentage of sales.

We use the LIFO method for valuing the majority of our inventory in our Industrial and Water Treatment segments, which causes the most recent product costs for those products to be recognized in our income statement. The valuation of LIFO inventory for interim periods is based on our estimates of fiscal year-end inventory levels and costs. The LIFO inventory valuation method and the resulting cost of sales are consistent with our business practices of pricing to current chemical raw material prices. Inventories in the Health and Nutrition segment are valued using the FIFO method.

We disclose the sales of our bulk commodity products as a percentage of total sales dollars for our Industrial and Water Treatment segments. Our definition of bulk commodity products includes products that we do not modify in any way, but receive, store, and ship from our facilities, or direct ship to our customers in large quantities.

Results of Operations

The following table sets forth the percentage relationship of certain items to sales for the period indicated:

	Three Months Ended		Nine Months Ended	
	December 27, 2020	December 29, 2019	December 27, 2020	December 29, 2019
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	(80.2)%	(82.2)%	(78.8)%	(80.8)%
Gross profit	19.8 %	17.8 %	21.2 %	19.2 %
Selling, general and administrative expenses	(12.4)%	(12.2)%	(11.3)%	(10.9)%
Operating income	7.4 %	5.6 %	9.9 %	8.3 %
Interest expense, net	(0.3)%	(0.5)%	(0.3)%	(0.5)%
Other income	0.3 %	0.1 %	0.3 %	0.1 %
Income before income taxes	7.4 %	5.2 %	9.9 %	7.9 %
Income tax expense	(1.9)%	(1.5)%	(2.6)%	(2.1)%
Net income	5.5 %	3.7 %	7.3 %	5.8 %

Three Months Ended December 27, 2020 Compared to Three Months Ended December 29, 2019

Sales

Sales were \$142.9 million for the current quarter, an increase of \$22.5 million, or 19%, from sales of \$120.4 million a year ago.

Industrial Segment. Industrial segment sales increased \$1.4 million, or 2%, to \$64.4 million for the current quarter, as compared to \$63.0 million in the same period a year ago. Sales of bulk commodity products in the Industrial segment were approximately 16% of sales dollars in the current quarter and 18% in the same period of the prior year. The increase in sales dollars from the prior year was driven largely by a product mix shift to more sales of certain of our higher-priced manufactured, blended and repackaged products.

Water Treatment Segment. Water Treatment segment sales increased \$4.4 million, or 13%, to \$39.3 million for the current quarter, as compared to \$34.9 million in the same period a year ago. Sales of bulk commodity products in the Water Treatment segment were approximately 10% of sales dollars in the current quarter and 12% in the same period of the prior year. The increase in sales dollars from the prior year was largely attributable to added sales from the acquisition of ADC. Sales by our legacy business also increased overall due to increased sales of our manufactured, blended and repackaged products.

Health & Nutrition Segment. Health and Nutrition segment sales increased \$16.8 million, or 75%, to \$39.3 million for the current quarter, as compared to \$22.5 million in the same period a year ago. The increase in sales was driven by increased sales of both our manufactured and specialty distributed products largely as a result of increased consumer demand for health and immunity products.

Gross Profit

Gross profit increased \$6.7 million, or 31%, to \$28.2 million, or 20% of sales, for the current quarter, from \$21.5 million, or 18% of sales, for the same period a year ago. During the current quarter, the LIFO reserve increased, and gross profits decreased, by \$0.1 million. In the same quarter a year ago, the LIFO reserve decreased, and gross profits increased, by \$0.3 million.

Industrial Segment. Gross profit for the Industrial segment increased \$0.8 million, or 9%, to \$9.2 million, or 14% of sales, for the current quarter, from \$8.4 million, or 13% of sales, in the same period of the prior year. During the current quarter, the change in the LIFO reserve had a nominal impact on gross profit. In the same quarter a year ago, the LIFO reserve decreased, and gross profits increased, by \$0.2 million. Total gross profit, and gross profit as a percentage of sales, decreased due to a product mix shift to more sales of certain higher-margin manufactured, blended and repackaged products.

Water Treatment Segment. Gross profit for the Water Treatment segment increased \$1.6 million, or 20%, to \$10.0 million, or 26% of sales, for the current quarter, from \$8.4 million, or 24% of sales, in the same period of the prior year. During the current and prior year quarters, the change in the LIFO reserve had a nominal impact on gross profit. Gross profit increased as a result of the added gross profit from the sales in the acquired ADC business, as well as the increased sales of manufactured, blended and repackaged products in our legacy business. Gross profit as a percentage of sales increased as a result of product mix changes.

Health and Nutrition Segment. Gross profit for our Health and Nutrition segment increased \$4.3 million, or 92%, to \$9.0 million, or 23% of sales, for the current quarter, from \$4.7 million, or 21% of sales, for the same period of the prior year. The increase in gross profit was a result of higher sales compared to the prior year. Gross profit as a percentage of sales increased as a result of product mix changes.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased \$3.1 million to \$17.8 million, or 12% of sales, for the current quarter, from \$14.7 million, or 12% of sales, for the same period of the prior year. Expenses increased primarily due to an increase in variable costs, primarily variable compensation, added costs from the acquired ADC business, including amortization of intangibles, and acquisition expenses. In addition, we recorded a year-over-year expense increase of \$0.3 million due to higher compensation expense relating to the non-qualified deferred compensation plan liability which is offset in other income as described below. These increases were partially offset by a decrease in travel and trade show expenses due to restrictions imposed as a result of COVID-19.

Operating Income

Operating income increased \$3.7 million, or 55%, to \$10.5 million, or 7% of sales, for the current quarter, from \$6.8 million, or 6% of sales, for the same period of the prior year due to the combined impact of the factors discussed above.

Interest Expense, Net

Interest expense was \$0.4 million for the current quarter, a decrease of \$0.2 million from interest expense of \$0.6 million for the same period a year ago. Interest expense decreased due to lower outstanding borrowings compared to the prior year.

Other Income

Other income increased \$0.4 million from the same period a year ago, with \$0.5 million recorded in the current quarter, from \$0.1 million in the same period of the prior year. This amount represents gains recorded on investments held for our non-qualified deferred compensation plan. The amount recorded as a gain was offset by a similar amount recorded as an increase to compensation expense within SG&A expenses.

Income Tax Provision

Our effective income tax rate was 25.2% for the current quarter, compared to 28.1% in the same period of the prior year. The effective tax rate decreased from the prior year due to favorable tax provision adjustments recorded in the third quarter of fiscal 2021. The effective tax rate is impacted by projected levels of annual taxable income, permanent items, and state taxes.

Nine Months Ended December 27, 2020 Compared to Nine Months Ended December 29, 2019

Sales

Sales were \$433.9 million for the nine months ended December 27, 2020, an increase of \$26.1 million, or 6%, from sales of \$407.8 million for the same period a year ago.

Industrial Segment. Industrial segment sales decreased \$9.4 million, or 5%, to \$197.0 million for the nine months ended December 27, 2020, as compared to \$206.4 million for the same period a year ago. Sales of bulk commodity products in the Industrial segment were approximately 14% of sales dollars in the current year and 18% in the same period of the prior year. The decrease in sales dollars from the prior year was driven largely by weakened economic conditions in the ethanol industry, which decreased sales of products into that industry in the first half of the year. In addition, the decrease in sales dollars when compared to the prior year was partially attributable to temporarily higher sales in the first quarter of the prior year attributable to heavy rains and flooding along the Mississippi River, which increased demand from certain customers. These year-over-year sales decreases were partially offset by increased sales of certain of our manufacturing, blended and repackaged products, largely our food ingredient, pharmaceutical, and bleach products as a result of increased demand.

Water Treatment Segment. Water Treatment segment sales increased \$4.5 million, or 4%, to \$128.6 million for the nine months ended December 27, 2020, as compared to \$124.0 million for the same period a year ago. Sales of bulk commodity products in the Water Treatment segment were approximately 9% of sales dollars in the current year and 11% a year ago. The increase in sales dollars resulted primarily from the added sales from the acquisition of ADC and was largely offset by a first quarter sales decline due to reduced sales to certain end markets, primarily public pools, as a result of shutdowns due to the COVID-19 pandemic.

Health & Nutrition Segment. Health and Nutrition segment sales increased \$31.0 million, or 40%, to \$108.3 million for the nine months ended December 27, 2020, as compared to \$77.3 million for the same period a year ago. The increase in sales was driven by increased sales of both our manufactured and specialty distributed products largely as a result of increased consumer demand for health and immunity products.

Gross Profit

Gross profit increased \$13.7 million, or 18%, to \$92.0 million, or 21% of sales, for the nine months ended December 27, 2020, from \$78.3 million, or 19% of sales, for the same period a year ago. During the current year, the LIFO reserve decreased, and gross profits increased, by \$0.1 million. In the same period a year ago, the LIFO reserve decreased, and gross profits increased, by \$0.6 million.

Industrial Segment. Gross profit for the Industrial segment increased \$2.1 million, or 7%, to \$32.1 million, or 16% of sales, for the nine months ended December 27, 2020, from \$30.0 million, or 15% of sales, for the same period a year ago. During the current year, the LIFO reserve decreased, and gross profits increased, by \$0.1 million. In the same period a year ago, the LIFO reserve decreased, and gross profits increased, by \$0.5 million. Total gross profit, and gross profit as a percentage of sales, increased due to a product mix shift to more sales of higher-margin manufactured, blended and re-packaged products.

Water Treatment Segment. Gross profit for the Water Treatment segment increased \$2.7 million, or 8%, to \$35.9 million, or 28% of sales, for the nine months ended December 27, 2020, from \$33.2 million, or 27% of sales, for the same period a year ago. During the current year, changes in the LIFO reserve had a nominal impact on gross profits. In the same period a year ago, the LIFO reserve decreased, and gross profits increased by \$0.1 million. Gross profit increased as a result of the added gross profit from the sales in the acquired ADC business, as well as a product mix shift in our legacy business to more sales of manufactured, blended and repackaged products. Gross profit as a percentage of sales increased as a result of product mix changes.

Health and Nutrition Segment. Gross profit for our Health and Nutrition segment increased \$8.9 million, or 60%, to \$24.0 million, or 22% of sales, for the nine months ended December 27, 2020, from \$15.1 million, or 20% of sales, for the same period a year ago. The increase in gross profit was a result of higher sales compared to the prior year. Gross profit as a percentage of sales increased as a result of product mix changes.

Selling, General and Administrative Expenses

SG&A expenses increased \$4.6 million, or 11% to \$49.0 million, or 11% of sales, for the nine months ended December 27, 2020, compared to \$44.4 million, or 11% of sales, for the same prior year period. Expenses increased primarily due to an increase in variable costs, primarily variable compensation, added costs from the acquired ADC business, including amortization of intangibles, and acquisition expenses. In addition, we recorded a year-over-year expense increase of \$1.0 million due to higher compensation expense relating to the non-qualified deferred compensation plan liability which is offset in other income as described below. These increases were partially offset by a decrease in travel and trade show expenses due to restrictions imposed as a result of COVID-19.

Operating Income

Operating income increased \$9.1 million, or 27%, to \$43.0 million, or 10% of sales, for the nine months ended December 27, 2020, from \$33.9 million, or 8% of sales, for the same prior year period due to the combined impact of the factors discussed above.

Interest Expense, Net

Interest expense decreased \$0.9 million, to \$1.1 million for the nine months ended December 27, 2020, from \$2.0 million for the same period a year ago. Interest expense decreased due to lower borrowing rates compared to the prior year.

Other Income

Other income increased \$1.0 million, to \$1.3 million for the nine months ended December 27, 2020, from \$0.3 million in the same period a year ago. This represents gains recorded on investments held for our non-qualified deferred compensation plan. The amount recorded as a gain was offset by a similar amount recorded as an increase to compensation expense within SG&A expenses.

Income Tax Provision

Our effective income tax rate for the nine months ended December 27, 2020 was 26.1%, compared to 26.6% in the same period of the prior year. The effective tax rate is impacted by projected levels of annual taxable income, permanent items, and state taxes.

Liquidity and Capital Resources

Cash was \$8.0 million at December 27, 2020, an increase of \$3.7 million as compared with the \$4.3 million available as of March 29, 2020.

Cash provided by operating activities was \$26.6 million for the nine months ended December 27, 2020, compared to cash provided by operating activities of \$45.0 million for the same period of the prior year. The year-over-year decrease in cash provided by operating activities was primarily driven by increases in inventory and customer receivables, offset by an increase in net income for the first nine months of fiscal 2021 compared to the same period a year ago. Increased customer demand in our Health and Nutrition segment resulted in a significant increase in on-hand inventory due to increased stocking levels to fill the increased demand and to offset longer lead times from our suppliers for many products. Due to the nature of our operations, which includes purchases of large quantities of bulk chemicals, timing of purchases can result in significant changes in working capital investment and the resulting operating cash flow. Typically, our cash requirements increase during the period from April through November as caustic soda inventory levels increase because we receive the majority of barges during this period.

Cash used in investing activities was \$48.1 million for the nine months ended December 27, 2020, compared to \$19.1 million for the same period of the prior year. In the nine months ended December 27, 2020, we acquired ADC for \$25 million. Capital expenditures were \$13.2 million for the nine months ended December 27, 2020, compared to \$19.4 million in the same period of the prior year. In the first nine months of the current year, we purchased a manufacturing facility on 28 acres to allow further expansion and growth in both our Industrial and Water Treatment segments for \$10 million, compared to the purchases of our previously leased corporate headquarters facility for \$6.4 million and a Water Treatment facility for \$0.8 million in the first nine months of the prior year.

Cash provided by financing activities was \$25.1 million for the nine months ended December 27, 2020, compared to \$27.8 million of cash used in financing activities in the same period of the prior year. Included in financing activities in the first nine months of the current year were net debt proceeds of \$36.0 million used in part for the acquisition of ADC, compared to net debt repayments of \$17 million in the first nine months of the prior year. In addition, we repurchased \$4.1 million of shares of our common stock in the first nine months of the current fiscal year, compared to \$3.8 million in the same period in the prior year.

We expect our cash balances and funds available under our credit facility, discussed below, along with cash flows generated from operations, will be sufficient to fund the cash requirements of our ongoing operations for the foreseeable future.

Our Board has authorized the repurchase of up to 800,000 shares of our outstanding common stock. The shares may be purchased on the open market or in privately negotiated transactions subject to applicable securities laws and regulations. The primary objective of the share repurchase program is to offset the impact of dilution from issuances relating to employee and director equity grants and our employee stock purchase program. During the first nine months of fiscal 2021, we repurchased 83,044 shares of common stock with an aggregate purchase price of \$4.1 million. In the first nine months of the

prior fiscal year, we repurchased 91,395 shares of common stock with an aggregate purchase price of \$3.8 million. As of December 27, 2020, 275,753 shares remained available for purchase under the program

We are party to an amended and restated credit agreement (the "Credit Agreement") with U.S. Bank National Association ("U.S. Bank") as Sole Lead Arranger and Sole Book Runner, and other lenders from time to time party thereto (collectively, the "Lenders"), whereby U.S. Bank is also serving as Administrative Agent. The Credit Agreement provides us with senior secured revolving credit facilities (the "Revolving Loan Facility") totaling \$150.0 million. The Revolving Loan Facility includes a \$5.0 million letter of credit subfacility and \$15.0 million swingline subfacility. The Revolving Loan Facility has a five-year maturity date, maturing on November 30, 2023. The Revolving Loan Facility is secured by substantially all of our personal property assets and those of our subsidiaries.

Borrowings under the Revolving Loan Facility bear interest at a rate per annum equal to one of the following, plus, in both cases, an applicable margin based upon our leverage ratio: (a) LIBOR for an interest period of one, two, three or nine months as selected by us, reset at the end of the selected interest period, or (b) a base rate determined by reference to the highest of (1) U. S. Bank's prime rate, (2) the Federal Funds Effective Rate plus 0.5%, or (3) one-month LIBOR for U.S. dollars plus 1.0%. The LIBOR margin is between 0.85% - 1.35%, depending on our leverage ratio. The base rate margin is between 0.00% - 0.35%, depending on our leverage ratio. In the event that the ICE Benchmark Administration (or any person that takes over administration of such rate) determines that LIBOR is no longer available, including as a result of the intended phase out of LIBOR by the end of 2021, our Revolving Loan Facility provides for an alternative rate of interest to be jointly determined by us and U.S. Bank, as administrative agent, that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States. Once such successor rate has been approved by us and U.S. Bank, the Revolving Credit Loan Facility would be amended to use such successor rate without any further action or consent of any other lender, so long as the administrative agent does not receive any objection from any other lender. At December 27, 2020, the effective interest rate on our borrowings was 1.4%.

In addition to paying interest on the outstanding principal under the Revolving Loan Facility, we are required to pay a commitment fee on the unutilized commitments thereunder. The commitment fee is between 0.15% - 0.25%, depending on our leverage ratio.

Debt issuance costs paid to the Lenders are being amortized as interest expense over the term of the Credit Agreement. As of December 27, 2020, the unamortized balance of these costs was \$0.3 million, and is reflected as a reduction of debt on our balance sheet.

The Credit Agreement requires us to maintain (a) a minimum fixed charge coverage ratio of 1.15 to 1.00 and (b) a maximum total cash flow leverage ratio of 3.0 to 1.0. The Credit Agreement also contains other customary affirmative and negative covenants, including covenants that restrict our ability to incur additional indebtedness, dispose of significant assets, make certain investments, including any acquisitions other than permitted acquisitions, make certain payments, enter into sale and leaseback transactions, grant liens on our assets or rate management transactions, subject to certain limitations. We are permitted to make distributions, pay dividends and repurchase shares so long as no default or event of default exists or would exist as a result thereof. We were in compliance with all covenants of the Credit Agreement as of December 27, 2020.

The Credit Agreement contains customary events of default, including failure to comply with covenants in the Credit Agreement and other loan documents, cross default to other material indebtedness, failure by us to pay or discharge material judgments, bankruptcy, and change of control. The occurrence of an event of default would permit the Lenders to terminate their commitments and accelerate loans under the Revolving Loan Facility.

As part of our growth strategy, we have acquired businesses and may pursue acquisitions or other strategic relationships in the future that we believe will complement or expand our existing businesses or increase our customer base. We believe we could borrow additional funds under our current or new credit facilities or sell equity for strategic reasons or to further strengthen our financial position.

Critical Accounting Estimates

There were no material changes in our critical accounting estimates since the filing of our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#).

Forward-Looking Statements

The information presented in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts, but rather are based on our current expectations, estimates and projections, and our beliefs and assumptions.

Words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will” and similar expressions to identify forward-looking statements. 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. These factors could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. 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 March 29, 2020](#). We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this Quarterly Report on Form 10-Q. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to the risk inherent in the cyclical nature of commodity chemical prices. However, we do not currently purchase forward contracts or otherwise engage in hedging activities with respect to the purchase of commodity chemicals. We attempt to pass changes in the cost of our materials to our customers. However, there are no assurances that we will be able to pass on the increases in the future.

We are exposed to market risks related to interest rates. Our exposure to changes in interest rates is limited to borrowings under our Revolving Loan Facility. A 25-basis point change in interest rates would potentially increase or decrease our annual interest expense by approximately \$0.1 million.

Other types of market risk, such as foreign currency risk, do not arise in the normal course of our business activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 27, 2020. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

There was no change in our internal control over financial reporting during the third quarter of fiscal 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries are a party or of which any of our property is the subject.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors from those disclosed in our [Annual Report on Form 10-K for the fiscal year ended March 29, 2020](#).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As previously announced, our Board has authorized the repurchase of up to 800,000 shares of our outstanding common stock. The shares may be purchased on the open market or in privately negotiated transactions subject to applicable securities laws and regulations. The following table sets forth information concerning purchases of our common stock for the three months ended December 27, 2020:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Number of Shares that May Yet be Purchased under Plans or Programs
09/28/2020-10/25/2020	—	\$ —	—	358,797
10/26/2020-11/22/2020	83,044	49.89	83,044	275,753
11/23/2020-12/27/2020	—	—	—	275,753
Total	83,044		83,044	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit	Description	Method of Filing
3.1	Amended and Restated Articles of Incorporation. (1)	Incorporated by Reference
3.2	Amended and Restated By-Laws. (2)	Incorporated by Reference
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act.	Filed Electronically
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.	Filed Electronically
32.1	Section 1350 Certification by Chief Executive Officer.	Filed Electronically
32.2	Section 1350 Certification by Chief Financial Officer.	Filed Electronically
101	Financial statements from the Quarterly Report on Form 10-Q of Hawkins, Inc. for the period ended December 27, 2020 filed with the SEC on January 28, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL); (i) the Condensed Consolidated Balance Sheets at December 27, 2020 and March 29, 2020, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended December 27, 2020 and December 29, 2019, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended December 27, 2020 and December 29, 2019, (iv) the Condensed Consolidated Statements of Shareholder's Equity for the three and nine months ended December 27, 2020 and December 29, 2019, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended December 27, 2020 and December 29, 2019, and (vi) Notes to Condensed Consolidated Financial Statements.	Filed Electronically
104	Cover Page Interactive Data File (embedded within the inline XBRL document)	Filed Electronically

- (1) Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010, filed on July 29, 2010 (File no. 000-07647).
- (2) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 28, 2009 and filed November 3, 2009 (File no. 000-07647).

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATIONS

I, Patrick H. Hawkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawkins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2021

/s/ Patrick H. Hawkins

Patrick H. Hawkins

Chief Executive Officer and President

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

CERTIFICATIONS

I, Jeffrey P. Oldenkamp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawkins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2021

/s/ Jeffrey P. Oldenkamp

Jeffrey P. Oldenkamp

Vice President, Chief Financial Officer, and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawkins, Inc. (the Company) on Form 10-Q for the period ended December 27, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Patrick H. Hawkins, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick H. Hawkins

Patrick H. Hawkins
Chief Executive Officer and President
January 28, 2021

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawkins, Inc. (the Company) on Form 10-Q for the period ended December 27, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jeffrey P. Oldenkamp, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;

and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey P. Oldenkamp

Jeffrey P. Oldenkamp

Vice President, Chief Financial Officer, and Treasurer

January 28, 2021