

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 June 30, 2024

☐

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

41-0771293

(State or other jurisdiction of
incorporation or organization)

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

2381 Rosegate, Roseville, Minnesota

55113

(Address of principal executive offices)

(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 \$.01 per share | HWKN | The 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 checked="" type="checkbox"/> | Accelerated filer | <input 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 July 26, 2024 |
|-----------------------------------------|-------------------------------------|
| Common Stock, par value \$.01 per share | 20,904,011 |

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HAWKINS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share data)

| | June 30, 2024 | March 31, 2024 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 8,887 | \$ 7,153 |
| Trade accounts receivables, net | 126,398 | 114,477 |
| Inventories | 81,199 | 74,600 |
| Prepaid expenses and other current assets | 5,503 | 6,596 |
| Total current assets | 221,987 | 202,826 |
| PROPERTY, PLANT, AND EQUIPMENT: | 396,244 | 386,648 |
| Less accumulated depreciation | 182,604 | 177,774 |
| Net property, plant, and equipment | 213,640 | 208,874 |
| OTHER ASSETS: | | |
| Right-of-use assets | 12,157 | 11,713 |
| Goodwill | 114,046 | 103,399 |
| Intangible assets, net of accumulated amortization | 124,563 | 116,626 |
| Deferred compensation plan asset | 11,365 | 9,584 |
| Other | 4,980 | 4,912 |
| Total other assets | 267,111 | 246,234 |
| Total assets | \$ 702,738 | \$ 657,934 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable — trade | \$ 47,795 | \$ 56,387 |
| Accrued payroll and employee benefits | 12,501 | 19,532 |
| Income tax payable | 11,751 | 1,943 |
| Current portion of long-term debt | 9,913 | 9,913 |
| Environmental remediation | 7,700 | 7,700 |
| Other current liabilities | 8,332 | 7,832 |
| Total current liabilities | 97,992 | 103,307 |
| LONG-TERM DEBT, LESS CURRENT PORTION | 123,840 | 88,818 |
| LONG-TERM LEASE LIABILITY | 9,816 | 9,530 |
| PENSION WITHDRAWAL LIABILITY | 3,443 | 3,538 |
| DEFERRED INCOME TAXES | 22,367 | 22,406 |
| DEFERRED COMPENSATION LIABILITY | 12,244 | 11,764 |
| EARNOUT LIABILITY | 11,577 | 11,235 |
| OTHER LONG-TERM LIABILITIES | 241 | 1,310 |
| Total liabilities | 281,520 | 251,908 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock; authorized: 60,000,000 shares of \$0.01 par value; 20,734,331 and 20,790,261 shares issued and outstanding as of June 30, 2024 and March 31, 2024, respectively | 207 | 208 |
| Additional paid-in capital | 27,932 | 38,154 |
| Retained earnings | 390,070 | 364,549 |
| Accumulated other comprehensive income | 3,009 | 3,115 |
| Total shareholders' equity | 421,218 | 406,026 |
| Total liabilities and shareholders' equity | \$ 702,738 | \$ 657,934 |

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 | |
|---------------------------------------------------------|--------------------|-----------------|
| | June 30, 2024 | July 2, 2023 |
| Sales | \$ 255,879 | \$ 251,120 |
| Cost of sales | (191,224) | (199,129) |
| Gross profit | 64,655 | 51,991 |
| Selling, general and administrative expenses | (24,864) | (19,504) |
| Operating income | 39,791 | 32,487 |
| Interest expense, net | (1,263) | (1,148) |
| Other income | 159 | 337 |
| Income before income taxes | 38,687 | 31,676 |
| Income tax expense | (9,808) | (8,246) |
| Net income | \$ 28,879 | \$ 23,430 |
| Weighted average number of shares outstanding - basic | 20,816,479 | 20,907,724 |
| Weighted average number of shares outstanding - diluted | 20,914,085 | 21,012,788 |
| Basic earnings per share | \$ 1.39 | \$ 1.12 |
| Diluted earnings per share | \$ 1.38 | \$ 1.12 |
| Cash dividends declared per common share | \$ 0.16 | \$ 0.15 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended | |
|----------------------------------------------|--------------------|------------------|
| | June 30, 2024 | July 2, 2023 |
| Net income | \$ 28,879 | \$ 23,430 |
| Other comprehensive income, net of tax: | | |
| Unrealized (loss) gain on interest rate swap | (106) | 749 |
| Total comprehensive income | <u>\$ 28,773</u> | <u>\$ 24,179</u> |

See accompanying notes to condensed consolidated financial statements.

HAWKINS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(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 31, 2024 | 20,790,261 | \$ 208 | \$ 38,154 | \$ 364,549 | \$ 3,115 | \$ 406,026 |
| Cash dividends declared and paid (\$0.16 per share) | — | — | — | (3,358) | — | (3,358) |
| Share-based compensation expense | — | — | 1,467 | — | — | 1,467 |
| Vesting of restricted stock | 83,658 | 1 | (1) | — | — | — |
| Shares surrendered for payroll taxes | (34,047) | (1) | (2,540) | — | — | (2,541) |
| Shares repurchased | (105,541) | (1) | (9,148) | — | — | (9,149) |
| Other comprehensive income, net of tax | — | — | — | — | (106) | (106) |
| Net income | — | — | — | 28,879 | — | 28,879 |
| BALANCE — June 30, 2024 | 20,734,331 | \$ 207 | \$ 27,932 | \$ 390,070 | \$ 3,009 | \$ 421,218 |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| BALANCE — April 2, 2023 | 20,850,454 | \$ 209 | \$ 44,443 | \$ 302,424 | \$ 2,940 | \$ 350,016 |
| Cash dividends declared and paid (\$0.15 per share) | — | — | — | (3,160) | — | (3,160) |
| Share-based compensation expense | — | — | 959 | — | — | 959 |
| Vesting of restricted stock | 105,600 | 1 | (1) | — | — | — |
| Shares surrendered for payroll taxes | (48,478) | (1) | (2,139) | — | — | (2,140) |
| ESPP shares issued | 35,281 | — | 1,147 | — | — | 1,147 |
| Other comprehensive income, net of tax | — | — | — | — | 749 | 749 |
| Net income | — | — | — | 23,430 | — | 23,430 |
| BALANCE — July 2, 2023 | 20,942,857 | \$ 209 | \$ 44,409 | \$ 322,694 | \$ 3,689 | \$ 371,001 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended | |
|-------------------------------------------------------------------------|--------------------|-----------------|
| | June 30, 2024 | July 2, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 28,879 | \$ 23,430 |
| Reconciliation to cash flows: | | |
| Depreciation and amortization | 9,329 | 7,107 |
| Change in fair value of earnout liability | 342 | — |
| Operating leases | 782 | 534 |
| Gain on deferred compensation assets | (159) | (337) |
| Stock compensation expense | 1,467 | 959 |
| Other | (65) | 26 |
| Changes in operating accounts providing (using) cash: | | |
| Trade receivables | (10,576) | (9,055) |
| Inventories | (6,037) | 11,839 |
| Accounts payable | (7,300) | (537) |
| Accrued liabilities | (8,949) | (9,075) |
| Lease liabilities | (834) | (580) |
| Income taxes | 9,808 | 8,255 |
| Other | 899 | 2,300 |
| Net cash provided by operating activities | 17,586 | 34,866 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant, and equipment | (10,649) | (7,873) |
| Acquisitions | (25,400) | — |
| Other | 245 | 44 |
| Net cash used in investing activities | (35,804) | (7,829) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends declared and paid | (3,358) | (3,160) |
| New shares issued | — | 1,147 |
| Payroll taxes paid in exchange for shares withheld | (2,541) | (2,140) |
| Shares repurchased | (9,149) | — |
| Payments on revolving loan | (10,000) | (23,400) |
| Proceeds from revolving loan borrowings | 45,000 | — |
| Net cash provided by (used in) financing activities | 19,952 | (27,553) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,734 | (516) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 7,153 | 7,566 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 8,887 | \$ 7,050 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid for interest | \$ 1,347 | \$ 1,221 |
| Noncash investing activities - capital expenditures in accounts payable | \$ 1,015 | \$ 4,771 |

See accompanying notes to condensed consolidated financial statements.

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 31, 2024](#), 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 three months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the full year.

References to fiscal 2024 refer to the fiscal year ended March 31, 2024 and references to fiscal 2025 refer to the fiscal year ending March 30, 2025.

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 31, 2024](#), previously filed with the SEC. There has been no significant change in our accounting policies since the end of fiscal 2024.

Recently Issued Accounting Pronouncements

Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU No.2023-09)

In December 2023, the Financial Accounting Standards Board ("FASB") issued accounting standards update No. 2023-09 to enhance the transparency and decision-usefulness of income tax disclosures and to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2024. We are in the process of evaluating the impact of this standard on the disclosures in our financial statements.

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07)

In November 2023, the FASB issued accounting standards update No. 2023-07 to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The update requires public entities to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. The amendments in this update are effective for public entities in fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and are to be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. We are in the process of evaluating the impact of this standard on the disclosures in our financial statements.

Note 2 — Acquisitions

Acquisition of Wofford Water Service, Inc.: On June 28, 2024, we acquired substantially all the assets of Wofford Water Service, Inc. ("Wofford") for \$3.4 million under the terms of a purchase agreement with Wofford and its shareholders. Wofford distributed water treatment chemicals and equipment to customers mainly in Mississippi. Of the \$3.4 million purchase price, \$2.2 million was allocated to customer relationships, to be amortized over 10 years, \$1.0 million was allocated to goodwill, and the remaining amount was allocated to net working capital. 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 results of operations since the acquisition date and the assets are included in our Water Treatment segment. Costs associated with this transaction were not material and were expensed as incurred.

Acquisition of Intercoastal Trading, Inc.: On June 3, 2024, we acquired substantially all the assets of Intercoastal Trading, Inc. and certain related entities ("Intercoastal") for \$22.0 million under the terms of a purchase agreement with Intercoastal and its shareholders. Intercoastal distributes water treatment chemicals and equipment to its customers in Maryland, Delaware and Virginia. The \$22.0 million purchase price was preliminarily allocated as follows: \$8.5 million to customer relationships, to be amortized over 10 years, \$9.6 million to goodwill, and the remaining amount to net working capital and property, plant and equipment. 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 not yet complete due to the timing of the acquisition. The results of operations since the acquisition date and the assets are included in our Water Treatment segment. Costs associated with this transaction were not material and were expensed as incurred.

Acquisition of Industrial Research Corporation: In the fourth quarter of fiscal 2024, we acquired substantially all the assets of Industrial Research Corporation ("Industrial Research") for \$4.6 million under the terms of a purchase agreement with Industrial Research and its shareholders. Industrial Research distributed water treatment chemicals and equipment to customers primarily in central to northern Louisiana, eastern Texas and southern Arkansas. The results of operations since the acquisition date and the assets are included in our Water Treatment segment. Costs associated with this transaction were not material and were expensed as incurred.

Acquisition of The Miami Products & Chemical Company: In the third quarter of fiscal 2024, we acquired substantially all the assets of The Miami Products & Chemical Company ("Miami Products") for \$15.5 million under the terms of a purchase agreement with Miami Products and its shareholders. Miami Products is a bleach manufacturer and distributor serving customers primarily throughout Ohio and the surrounding region. The results of operations since the acquisition date and the assets are included in our Water Treatment segment.

Acquisition of Water Solutions Unlimited, Inc.: In the third quarter of fiscal 2024, we acquired substantially all the assets of Water Solutions Unlimited, Inc. ("Water Solutions") under the terms of a purchase agreement with Water Solutions and its shareholders. We paid \$60 million at closing and may be obligated to pay an additional amount based on achieving a certain earnings target three years after the acquisition. Water Solutions is a manufacturer and distributor of water treatment chemicals serving customers primarily throughout Indiana, Illinois and Michigan. The results of operations since the acquisition date and the assets are included in our Water Treatment segment.

Acquisition of EcoTech Enterprises, Inc.: In the second quarter of fiscal 2024, we acquired substantially all the assets of EcoTech Enterprises, Inc. ("EcoTech") for \$3.4 million, under the terms of a purchase agreement with EcoTech and its shareholders. EcoTech was a water treatment chemical distribution company operating primarily in Arkansas. The results of operations since the acquisition date and the assets are included in our Water Treatment segment.

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 months ended June 30, 2024 and July 2, 2023:

| (In thousands) | Three months ended June 30, 2024 | | | |
|-------------------------------------------------------------|----------------------------------|------------|----------------------|------------|
| | Water Treatment | Industrial | Health and Nutrition | Total |
| Manufactured, blended or repackaged products ⁽¹⁾ | \$ 105,007 | \$ 87,783 | \$ 5,683 | \$ 198,473 |
| Distributed specialty products ⁽²⁾ | — | — | 29,646 | 29,646 |
| Bulk products ⁽³⁾ | 10,918 | 13,430 | — | 24,348 |
| Other | 1,251 | 1,989 | 172 | 3,412 |
| Total external customer sales | \$ 117,176 | \$ 103,202 | \$ 35,501 | \$ 255,879 |

| (In thousands) | Three months ended July 2, 2023 | | | |
|-------------------------------------------------------------|---------------------------------|------------|----------------------|------------|
| | Water Treatment | Industrial | Health and Nutrition | Total |
| Manufactured, blended or repackaged products ⁽¹⁾ | \$ 84,785 | \$ 102,675 | \$ 10,241 | \$ 197,701 |
| Distributed specialty products ⁽²⁾ | — | — | 26,154 | 26,154 |
| Bulk products ⁽³⁾ | 7,521 | 15,210 | — | 22,731 |
| Other | 1,345 | 2,988 | 201 | 4,534 |
| Total external customer sales | \$ 93,651 | \$ 120,873 | \$ 36,596 | \$ 251,120 |

- (1) For our Water Treatment and Industrial 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.
- (2) This line includes non-manufactured distributed specialty products in our Health and Nutrition segment, which may be sold out of one of our facilities or direct shipped to our customers.
- (3) This line includes bulk products in our Water Treatment and Industrial segments 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.

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 | |
|-----------------------------------------------------------|--------------------|---------------|
| | June 30, 2024 | July 02, 2023 |
| Weighted-average common shares outstanding—basic | 20,816,479 | 20,907,724 |
| Dilutive impact of performance units and restricted stock | 97,606 | 105,064 |
| Weighted-average common shares outstanding—diluted | 20,914,085 | 21,012,788 |

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

Note 5 – 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). The carrying value of cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short-term nature of these instruments. Because of the variable-rate nature of our debt under our credit facility, our debt also approximates fair value.

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. Both of these assets are classified as long-term assets on our balance sheet, with the portion of the deferred compensation retirement plan assets expected to be paid within twelve months classified as current assets. The fair value of the interest rate swap is 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 earnout liability recorded in conjunction with the Water Solutions acquisition is based upon achieving certain targets. The earnout is based on a target of adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) in year three of the acquisition. The earnout liability was valued based upon a risk-neutral pricing analysis within a Monte Carlo simulation framework, which is a Level 3 input. The earnout liability is adjusted to fair value at each reporting date until settled. Changes in fair value are included in selling, general and administrative expenses in our Consolidated Statements of Income.

The following tables summarize the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and March 31, 2024.

| (In thousands) | | | June 30, 2024 | | March 31, 2024 |
|-----------------------------------|---------|----|---------------|----|----------------|
| Assets | | | | | |
| Deferred compensation plan assets | Level 1 | \$ | 11,765 | \$ | 10,042 |
| Interest rate swap | Level 2 | \$ | 4,122 | \$ | 4,268 |
| Liabilities | | | | | |
| Earnout liability | Level 3 | \$ | 11,577 | \$ | 11,235 |

Changes in the earnout liability measured at fair value using Level 3 inputs were as follows:

| (In thousands) | | | |
|-------------------------------------|--|----|--------|
| Earnout liability at March 31, 2024 | | \$ | 11,235 |
| Addition for acquisition | | \$ | — |
| Fair value adjustments | | \$ | 342 |
| Earnout liability at June 30, 2024 | | \$ | 11,577 |

Note 6 – Inventories

Inventories at June 30, 2024 and March 31, 2024 consisted of the following:

| (In thousands) | June 30, 2024 | March 31, 2024 |
|------------------------|------------------|-------------------|
| Inventory (FIFO basis) | \$ 106,079 | \$ 99,058 |
| LIFO reserve | (24,880) | (24,458) |
| Net inventory | <u>\$ 81,199</u> | <u>\$ 74,600</u> |

The first in, first out (“FIFO”) value of inventories accounted for under the last in, first out (“LIFO”) method was \$ 79.5 million at June 30, 2024 and \$76.2 million at March 31, 2024. The remainder of the inventory was valued and accounted for under the FIFO method.

Note 7 – Goodwill and Intangible Assets

The carrying amount of goodwill was \$114.0 million as of June 30, 2024 and \$ 103.4 million as of March 31, 2024, of which \$ 62.6 million was related to our Water Treatment segment, \$44.9 million was related to our Health and Nutrition segment, and \$ 6.5 million was related to our Industrial segment. The increase in goodwill during the three months ended June 30, 2024 represents goodwill recorded in connection with the acquisitions of the assets of Intercoastal and Wofford as discussed in Note 2.

The following is a summary of our identifiable intangible assets as of June 30, 2024 and March 31, 2024:

| (In thousands) | June 30, 2024 | | | March 31, 2024 | | |
|-------------------------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | Gross Amount | Accumulated Amortization | Net | Gross Amount | Accumulated Amortization | Net |
| Finite-life intangible assets | | | | | | |
| Customer relationships | \$ 164,394 | \$ (48,625) | \$ 115,769 | \$ 153,694 | \$ (46,146) | \$ 107,548 |
| Trademarks and trade names | \$ 13,570 | \$ (6,248) | \$ 7,322 | \$ 13,570 | \$ (5,968) | \$ 7,602 |
| Other finite-life intangible assets | 4,260 | (4,015) | 245 | 4,221 | (3,972) | 249 |
| Total finite-life intangible assets | 182,224 | (58,888) | 123,336 | 171,485 | (56,086) | 115,399 |
| Indefinite-life intangible assets | 1,227 | — | 1,227 | 1,227 | — | 1,227 |
| Total intangible assets | <u>\$ 183,451</u> | <u>\$ (58,888)</u> | <u>\$ 124,563</u> | <u>\$ 172,712</u> | <u>\$ (56,086)</u> | <u>\$ 116,626</u> |

Note 8 – Debt

Debt at June 30, 2024 and March 31, 2024 consisted of the following:

| (In thousands) | June 30, 2024 | March 31, 2024 |
|-----------------------------------------|-------------------|-------------------|
| Senior secured revolving loan | \$ 134,000 | \$ 99,000 |
| Less: unamortized debt issuance costs | (247) | (269) |
| Total debt, net of debt issuance costs | 133,753 | 98,731 |
| Less: current portion of long-term debt | (9,913) | (9,913) |
| Total long-term debt | <u>\$ 123,840</u> | <u>\$ 88,818</u> |

We were in compliance with all covenants of our credit agreement as of June 30, 2024.

Note 9 – 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 March 28, 2021 are closed to examination by the Internal Revenue Service, and with few exceptions, state and local income tax jurisdictions. Our effective income tax rate was 25% for the three months ended June 30, 2024, compared to 26% for the three months ended July 2, 2023. The effective tax rate is impacted by projected levels of annual taxable income, permanent items, and state taxes.

Note 10 – 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 2025 and fiscal 2024. 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 76,137 shares in the aggregate for fiscal 2025. 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 three months ended June 30, 2024:

| | Shares | Weighted-Average Grant Date Fair Value |
|---------------------------------|----------|----------------------------------------|
| Unvested at beginning of period | 145,477 | \$ 40.33 |
| Granted | 75,428 | 76.60 |
| Vested | (83,658) | 38.31 |
| Unvested at end of period | 137,247 | \$ 61.49 |

We recorded compensation expense related to performance share units and restricted stock of \$ 1.1 million for the three months ended June 30, 2024 and \$0.7 million for the three months ended July 2, 2023. 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 retainer, our directors, other than the Chief Executive Officer, receive restricted stock for their Board services. The restricted stock awards are generally expensed over a one-year vesting period, based on the market value on the date of grant. As of June 30, 2024, there were 10,647 shares of restricted stock with an average grant date fair value of \$ 46.00 outstanding under this program. Compensation expense for both the three months ended June 30, 2024 and July 2, 2023 related to restricted stock awards to the Board was \$0.1 million.

Note 11 – Share Repurchase Program

Our Board has authorized the repurchase of up to 2.6 million shares of our outstanding common shares. The shares may be repurchased 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 months ended June 30, 2024, we repurchased 105,541 shares at an aggregate purchase price of \$9.1 million, and during the three months ended July 2, 2023, no shares were repurchased. As of June 30, 2024, 831,946 shares remained available to be repurchased under the share repurchase program.

Note 12 – Commitments and Contingencies

Environmental Remediation. In the fourth quarter of fiscal 2024, we recorded a liability of \$ 7.7 million related to estimated remediation expenses associated with perchlorinated biphenyls (“PCBs”) discovered in the soil at our Rosemount, MN facility during our expansion project. We acquired the property, which had prior heavy industrial use, in fiscal 2012. While the source of the PCBs is unknown, we have never brought PCBs onto the property or used PCBs on the site. The liability is not discounted as management expects to incur these expenses within the next twelve months. Given the many uncertainties involved in assessing environmental claims, our reserves may prove to be insufficient. While it is possible that additional expense related to the remediation will be incurred in future periods if currently unknown issues arise, we are unable to estimate the extent of any further financial impact. No expenses were charged against this liability during the three months ended June 30, 2024.

Note 13 – Segment Information

We have three reportable segments: Water Treatment, Industrial, 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 31, 2024](#).

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. 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) | Water Treatment | Industrial | Health and Nutrition | Total |
|-----------------------------------------------|--------------------|------------|-------------------------|------------|
| Three months ended June 30, 2024: | | | | |
| Sales | \$ 117,176 | \$ 103,202 | \$ 35,501 | \$ 255,879 |
| Gross profit | 34,955 | 21,876 | 7,824 | 64,655 |
| Selling, general, and administrative expenses | 14,166 | 6,639 | 4,059 | 24,864 |
| Operating income | 20,789 | 15,237 | 3,765 | 39,791 |
| Three months ended July 2, 2023: | | | | |
| Sales | \$ 93,651 | \$ 120,873 | \$ 36,596 | \$ 251,120 |
| Gross profit | 26,408 | 19,306 | 6,277 | 51,991 |
| Selling, general, and administrative expenses | 9,126 | 6,575 | 3,803 | 19,504 |
| Operating income | 17,282 | 12,731 | 2,474 | 32,487 |

No significant changes to identifiable assets by segment occurred during the three months ended June 30, 2024.

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 three months ended June 30, 2024 as compared to the similar period ended July 2, 2023. 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 31, 2024](#).

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 Acquisitions

On June 28, 2024, we acquired substantially all the assets of Wofford Water Service, Inc. ("Wofford") for \$3.4 million. Wofford distributed water treatment chemicals and equipment to customers mainly in Mississippi. The results of operations since the acquisition date and the assets are included in our Water Treatment segment.

On June 3, 2024, we acquired substantially all the assets of Intercoastal Trading, Inc. and certain related entities ("Intercoastal") for \$22.0 million. Intercoastal distributes water treatment chemicals and equipment to its customers in Maryland, Delaware and Virginia. The purchase price allocation is not yet complete due to the timing of the acquisition. The results of operations since the acquisition date and the assets are included in our Water Treatment segment.

In the fourth quarter of fiscal 2024, we acquired substantially all the assets of Industrial Research Corporation ("Industrial Research") for \$4.6 million. Industrial Research was a distributor of water treatment chemicals and equipment for its customers in central to northern Louisiana, eastern Texas and southern Arkansas. The results of operations since the acquisition and the assets are included in our Water Treatment segment.

In the third quarter of fiscal 2024, we acquired substantially all the assets of Miami Products & Chemical Company ("Miami Products") for \$15.5 million. Miami Products is a bleach manufacturer and distributor serving customers primarily throughout Ohio and the surrounding region. The results of operations and the assets, including goodwill associated with this acquisition, are included as part of our Water Treatment segment from the date of acquisition forward.

In the third quarter of fiscal 2024, we acquired substantially all the assets of Water Solutions Unlimited, Inc. ("Water Solutions") for \$60 million and an additional amount to be paid after three years based on achieving certain targets. The total purchase price was estimated to be \$70.7 million, including the estimated potential earnout to be paid of \$10.7 million. Water Solutions is a manufacturer and distributor of water treatment chemicals serving customers primarily throughout Indiana, Illinois and Michigan. The results of operations and the assets, including goodwill associated with this acquisition, are included as part of our Water Treatment segment from the date of acquisition forward.

In the second quarter of fiscal 2024, we acquired substantially all the assets of EcoTech Enterprises, Inc. ("EcoTech") for \$3.4 million. EcoTech was a manufacturer and distributor of water treatment chemicals serving customers throughout Arkansas and surrounding states. The results of operations and the assets are included as part of our Water Treatment segment from the date of acquisition forward.

The aggregate annual revenue of these six businesses acquired in fiscal 2024 and fiscal 2025 totaled approximately \$85 million, as determined using the applicable twelve-month period preceding each respective acquisition date.

Share Repurchase Program

We have in place a share repurchase program for up to 2.6 million shares of our common shares. As of June 30, 2024, 831,946 shares remain available to be repurchased under this program.

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 as raw material prices rise and fall, particularly in our Water Treatment and Industrial segments. 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 last in, first out ("LIFO") method of valuing the majority of our inventory in our Water Treatment and Industrial segments, which causes the most recent product costs to be recognized in our income statement. 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 our Health and Nutrition segment are valued using the first-in, first-out ("FIFO") method.

We disclose the sales of our bulk commodity products as a percentage of total sales dollars for our Water Treatment and Industrial 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. We disclose the percentage of our overall sales that consist of sales of bulk commodity products as these products are generally distributed and we do not add significant value to these products in comparison to our non-bulk products. Sales of these products are generally highly competitive and price sensitive. As a result, bulk commodity products generally have our lowest margins.

Results of Operations

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

| | Three Months Ended | |
|----------------------------------------------|--------------------|--------------|
| | June 30, 2024 | July 2, 2023 |
| Sales | 100.0 % | 100.0 % |
| Cost of sales | (74.7)% | (79.3)% |
| Gross profit | 25.3 % | 20.7 % |
| Selling, general and administrative expenses | (9.7)% | (7.8)% |
| Operating income | 15.6 % | 12.9 % |
| Interest expense, net | (0.5)% | (0.5)% |
| Other (expense) income | 0.1 % | 0.1 % |
| Income before income taxes | 15.2 % | 12.5 % |
| Income tax expense | (3.8)% | (3.3)% |
| Net income | 11.4 % | 9.2 % |

Three Months Ended June 30, 2024 Compared to Three Months Ended July 2, 2023

Sales

Sales were \$255.9 million for the three months ended June 30, 2024, an increase of \$4.8 million, or 2%, from sales of \$251.1 million in the same period a year ago. Increased sales in our Water Treatment segment more than offset decreased sales in our Industrial and Health and Nutrition segments.

Water Treatment Segment. Water Treatment segment sales increased \$23.5 million, or 25%, to \$117.2 million for the three months ended June 30, 2024, from sales of \$93.7 million in the same period a year ago. Sales of bulk commodity products in the Water Treatment segment were approximately 9% of sales dollars in the three months ended June 30, 2024 and 8% in the same period a year ago. Sales increased as a result of added sales from acquired businesses.

Industrial Segment. Industrial segment sales decreased \$17.7 million or 15%, to \$103.2 million for the three months ended June 30, 2024, from sales of \$120.9 million in the same period a year ago. Sales of bulk commodity products in the Industrial segment were approximately 13% of sales dollars in both the three months ended June 30, 2024 and the same period of the prior year. The decrease in sales was primarily driven by lower selling prices on certain products driven by lower raw material costs and competitive pricing pressures.

Health & Nutrition Segment. Health and Nutrition segment sales decreased \$1.1 million, or 3%, to \$35.5 million for the three months ended June 30, 2024, from sales of \$36.6 million in the same period a year ago. Decreased sales of our manufactured products were largely offset by increased sales of our specialty distributed products.

Gross Profit

Gross profit increased \$12.7 million, or 24%, to \$64.7 million, or 25% of sales, for the three months ended June 30, 2024, from \$52.0 million, or 21% of sales, in the same period a year ago. During the three months ended June 30, 2024, the LIFO reserve increased, and gross profit decreased, by \$0.4 million due primarily to an increase in our forecasted year-end quantities. In the same quarter a year ago, the LIFO reserve decreased, and gross profit increased, by \$0.2 million.

Water Treatment Segment. Gross profit for the Water Treatment segment increased \$8.6 million, or 33%, to \$35.0 million, or 30% of sales, for the three months ended June 30, 2024, from \$26.4 million, or 28% of sales, in the same period a year ago. During the three months ended June 30, 2024, the LIFO reserve increased, and gross profit decreased, by \$0.2 million due primarily to increased raw material costs. In the same quarter a year ago, the LIFO reserve increased, and gross profit decreased, by \$0.1 million. Gross profit increased primarily as a result of increased sales from our acquired businesses.

Industrial Segment. Gross profit for the Industrial segment increased \$2.6 million, or 13%, to \$21.9 million, or 21% of sales, for the three months ended June 30, 2024, from \$19.3 million, or 16% of sales, in the same period a year ago. During the three months ended June 30, 2024, the LIFO reserve increased, and gross profit decreased, by \$0.2 million due primarily to an increase in our forecasted year-end quantities. In the same quarter a year ago, the LIFO reserve decreased, and gross profit increased, by \$0.3 million. Gross profit increased as a result of higher unit margins on certain products.

Health and Nutrition Segment. Gross profit for our Health and Nutrition segment increased \$1.5 million, or 24%, to \$7.8 million, or 22% of sales, for the three months ended June 30, 2024, from \$6.3 million, or 17% of sales, in the same period a year ago. Gross profit increased as a result of higher margins on certain products.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased \$5.4 million, or 28%, to \$24.9 million, or 10% of sales, for the three months ended June 30, 2024, from \$19.5 million, or 8% of sales, in the same period a year ago. Expenses increased primarily due to added costs from the acquired businesses in our Water Treatment segment and increased variable pay.

Operating Income

Operating income increased \$7.3 million, or 22%, to \$39.8 million, or 16% of sales, for the three months ended June 30, 2024, from \$32.5 million, or 13%

of sales, in the same period a year ago due to the combined impact of the factors discussed above.

Interest Expense, Net

Interest expense was \$1.3 million for the three months ended June 30, 2024 and \$1.1 million the same period a year ago. Interest expense increased slightly due to an increase in outstanding borrowings in the current year as compared to a year ago as well as a slightly higher interest rate.

Other Income

Other income was \$0.2 million for the three months ended June 30, 2024 compared to \$0.3 million in the same period a year ago. The income represents gains recorded on investments held for our non-qualified deferred compensation plan. The amounts recorded as a gain were offset by similar amounts recorded as an increase to compensation expense within SG&A expenses.

Income Tax Provision

Our effective income tax rate was 25% for the three months ended June 30, 2024 and 26% for the three months ended July 2, 2023. The effective tax rate in the first quarter of both years was impacted by favorable tax provision adjustments recorded. 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 expected to be approximately 26-27%.

Liquidity and Capital Resources

Cash was \$8.9 million at June 30, 2024, an increase of \$1.7 million as compared with the \$7.2 million available as of March 31, 2024.

Cash provided by operating activities was \$17.6 million for the three months ended June 30, 2024, compared to cash provided by operating activities of \$34.9 million in the same period a year ago. The year-over-year decrease in cash provided by operating activities in the first three months of the current year was primarily driven by unfavorable year-over-year changes in inventory and accounts payable, slightly offset by increased net income compared to the same period a year ago. Due to the nature of our operations, which includes purchases of large quantities of bulk chemicals, the timing of purchases can result in significant changes in working capital investment and the resulting operating cash flow.

Cash used in investing activities was \$35.8 million for the three months ended June 30, 2024, compared to \$7.8 million in the same period a year ago. In the first three months of the current year, we incurred acquisition spending of \$25.4 million, with the acquisitions of Intercoastal for \$22.0 million and Wofford for \$3.4 million. Capital expenditures were \$10.6 million for the three months ended June 30, 2024, compared to \$7.9 million in the same period a year ago. In the first quarter of fiscal 2025, we purchased a building in Texas for \$2.5 million and had larger investments in equipment, resulting in larger overall capital expenditures compared to the prior year. In the prior year, we invested \$5.1 million to complete an expansion of one of our Minnesota manufacturing facilities.

Cash provided by financing activities was \$20.0 million for the three months ended June 30, 2024, compared to \$27.6 million of cash used in financing activities in the same period a year ago. Included in financing activities in the first three months of the current year were net debt proceeds of \$35.0 million, compared to net debt payments of \$23.4 million in the first three months of the prior year. In addition, we repurchased \$9.1 million of our common stock in the first three months of the current year, compared to no shares being repurchased in the same period of 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 2.6 million shares of our outstanding common shares. 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 three months ended June 30, 2024, we repurchased 105,541 shares of common stock with an aggregate purchase price of \$9.1 million. During the three months ended July 2, 2023, no shares were repurchased. As of June 30, 2024, 831,946 shares remained available to be repurchased under the share repurchase program.

We are party to a second 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 refinanced the revolving loan under our previous credit agreement with U.S. Bank and provides us with senior secured revolving credit facilities (the "Revolving Loan Facility") totaling \$250 million. The Revolving Loan Facility includes a \$10 million letter of credit subfacility and \$25 million swingline subfacility. The Revolving Loan Facility has a five-year maturity date, maturing on April 30, 2027. The Revolving Loan Facility is secured by substantially all of our personal property assets and those of our subsidiaries. We may use the amount available under the Revolving Loan Facility for working capital, capital expenditures, share repurchases, restricted payments and acquisitions permitted under the Credit Agreement, and other general corporate purposes.

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) Term SOFR, which includes a credit spread adjustment of 0.10%, for an interest period of one, three or six 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 Term SOFR for U.S. dollars plus 1.0%. The Term SOFR margin is between 0.85% and 1.35%, depending on our leverage ratio. The base rate margin is between 0.00% and 0.35%, depending on our leverage ratio. At June 30, 2024, the effective interest rate on our borrowings was 4.8%.

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% and 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 June 30, 2024, the unamortized balance of these costs was \$0.2 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 enter into 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 June 30, 2024 and expect to remain in compliance with all covenants for the next 12 months.

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 Credit Facility.

We have in place 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 notional amount of the swap agreement is \$60 million, and it will terminate on May 1, 2027.

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 31, 2024](#).

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 31, 2024](#). 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 primarily related to borrowings under our Revolving Loan Facility. We have in place an interest rate swap agreement to manage the risk associated with a portion of our variable-rate long-term debt. 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 notional amount of the swap agreement is \$60.0 million, and it will terminate on May 1, 2027. As of June 30, 2024, a 25-basis point change in interest rates on our unhedged variable-rate debt would potentially increase or decrease our annual interest expense by approximately \$0.2 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 June 30, 2024. 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 first quarter of fiscal 2025 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 31, 2024](#).

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

Our Board has authorized the repurchase of up to 2.6 million shares of our outstanding common stock, initially approved on May 29, 2014 and subsequently amended from time to time. The repurchase plan has no expiration date. 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 June 30, 2024:

| 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 |
|-----------------------|-------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 04/01/2024-04/28/2024 | — | \$ — | — | 937,487 |
| 04/29/2024-05/26/2024 | — | — | — | 937,487 |
| 05/27/2024-06/30/2024 | 105,541 | — | 105,541 | 831,946 |
| Total | 105,541 | | 105,541 | |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated any contract, instruction, or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the three months ended June 30, 2024.

ITEM 6. EXHIBITS

| Exhibit | Description | Method of Filing |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 3.1 | 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 June 30, 2024 filed with the SEC on July 31, 2024 formatted in Inline Extensible Business Reporting Language (iXBRL); (i) the Condensed Consolidated Balance Sheets at June 30, 2024 and March 31, 2024, (ii) the Condensed Consolidated Statements of Income for the three months ended June 30, 2024 and July 2, 2023, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2024 and July 2, 2023, (iv) the Condensed Consolidated Statements of Shareholder's Equity for the three months ended June 30, 2024 and July 2, 2023, (v) the Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2024 and July 2, 2023, 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 3.2 to the Company's Current Report on Form 8-K dated February 26, 2021 and filed March 2, 2021.

(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.

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 thereunto duly authorized.

HAWKINS, INC.

By: /s/ Jeffrey P. Oldenkamp
Jeffrey P. Oldenkamp
Executive Vice President and Chief Financial Officer
(On behalf of the registrant and as principal financial and accounting officer)

Dated: July 31, 2024

**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: July 31, 2024

/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: July 31, 2024

/s/ Jeffrey P. Oldenkamp

Jeffrey P. Oldenkamp

Executive Vice President and Chief Financial Officer

**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 June 30, 2024, 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

July 31, 2024

**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 June 30, 2024, 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

Executive Vice President and Chief Financial Officer

July 31, 2024