Hawkins (HWKN)

Updated August 20th, 2025 by Prakash Kolli

Key Metrics

Current Price:	$171	**5 Year CAGR Estimate:**	-1.7%	**Market Cap:**	$3.57B
Fair Value Price:	$104	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	08/15/25
% Fair Value:	164%	**5 Year Valuation Multiple Estimate:**	-9.5%	**Dividend Payment Date:**	08/29/25
Dividend Yield:	0.4%	**5 Year Price Target**	$153	**Years Of Dividend Growth:**	21
Dividend Risk Score:	B	**Sector:**	Materials	**Rating:**	Hold

Overview & Current Events

Hawkins is a diversified chemical company founded in 1938 and went public in 1972. It specializes in manufacturing and selling value-added and bulk ingredients, chemicals, and services to industrial, manufacturer, and municipal customers. The company operates in three segments: Water Treatment (~46% of revenue), Food & Health Sciences (~33% of revenue), and Industrial (~21% of revenue). Almost all revenue is from the United States with 64 facilities in 28 states. Key brands are Stevia, Hereditium, Fermentalg, Lipfoods, Epax, Aquamin, Covico, Panmol, pomma, nippi, and the Enzymology Research Center. The CEO is Patrick Hawkins, a member of the founding family. He owns about 1.5% of the company. Total revenue was $974.4M in fiscal year 2025.

Hawkins reported Q1 FY 2026 results on July 30th, 2025. Revenue increased 15% to $293.3M from $255.9M, while diluted earnings per share climbed 1% to $1.40 from $1.38 on a year-over-year basis. Growth occurred in all three segments. Water Treatment segment revenue rose 28% to $149.6M from $117.2M on acquisitions and rising organic volumes. The Food & Health Sciences segment revenue climbed 5% to $89.2M from $85.1M in the prior year on higher agricultural products volumes, offset by lower pricing in other product lines. Industrial segment revenue increased 2% to $54.5M from $53.6M in comparable periods on higher volumes.

In FY 2025, the company acquired Intercoastal Trading, Wofford Water Service, Water Guard, Aerochem, and WaterSurplus adding to its water treatment business.

Growth on a Per-Share Basis

Year[1]	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.86	$1.06	($0.43)	$1.14	$1.33	$1.93	$2.44	$2.86	$3.59	$4.37	***$4.72***	***$6.94***
DPS	$0.41	$0.43	$0.45	$0.46	$0.47	$0.51	$0.56	$0.60	$0.62	$0.68	***$0.76***	***$0.97***
Shares[2]	21.2	21.3	21.2	21.0	21.0	20.9	21.1	21.0	21.0	20.9	***20.9***	***20.6***

Hawkins' revenue has trended up in the past decade driven by organic growth and many acquisitions. The company typically acquires one to two smaller firms per year incrementally adding to revenue and earnings per share. Since 2011, Hawkins has acquired 20 companies with 17 of those in water treatment. The strategy has proven successful over time, and operating income has grown for 29 consecutive quarters. The company likely has many more years of growth ahead of it. Bulk and value-added chemicals, ingredients, and services continue to grow. In addition, many small chemical companies exist throughout the United States as acquisition targets, especially in municipal water treatment. We are expecting revenue and earnings per share to grow at ~8% annually on average, less than the past decade, because of inflationary headwinds causing rising input costs.

Hawkins has a 40-year history of paying a dividend and a 21-year streak of increasing it. The payout ratio is conservative at approximately 16%, leaving much room for future increases. It also provides confidence about the dividend safety in a cyclical industry. We anticipate an ~8% growth rate per year, near the average for the past decade.

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[1] All data is in fiscal year, which ends at the end of March or early April depending on the year.

[2] Share count in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	27.9	15.1	--	19.1	19.1	20.1	15.8	24.6	34.2	28.1	***36.2***	***22.0***
Avg. Yld.	1.9%	2.2%	1.8%	2.2%	1.9%	1.4%	1.3%	0.9%	0.5%	0.6%	***0.4%***	***0.6%***

Hawkins' stock price is up significantly since our last report on beating estimates. We set our fiscal year 2026 earnings estimate accounting for the acquisition strategy and recent growth. Our fair value multiple is now 22X, near the 10-year average. Our fair value estimate is $104. Our 5-year price target is $153. The equity trades well above our estimate.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48%	41%	--	40%	35%	26%	23%	21%	17%	16%	***16%***	***14%***

Hawkins' competitive advantage is its strong supplier and customer relationships. Additionally, the firm emphasizes its people and culture. The average tenure is 7 years, and the median salary is ~$94k, seemingly on the higher end for a chemical company. Long tenure ensures Hawkins' customers and suppliers deal with the same employee over time.

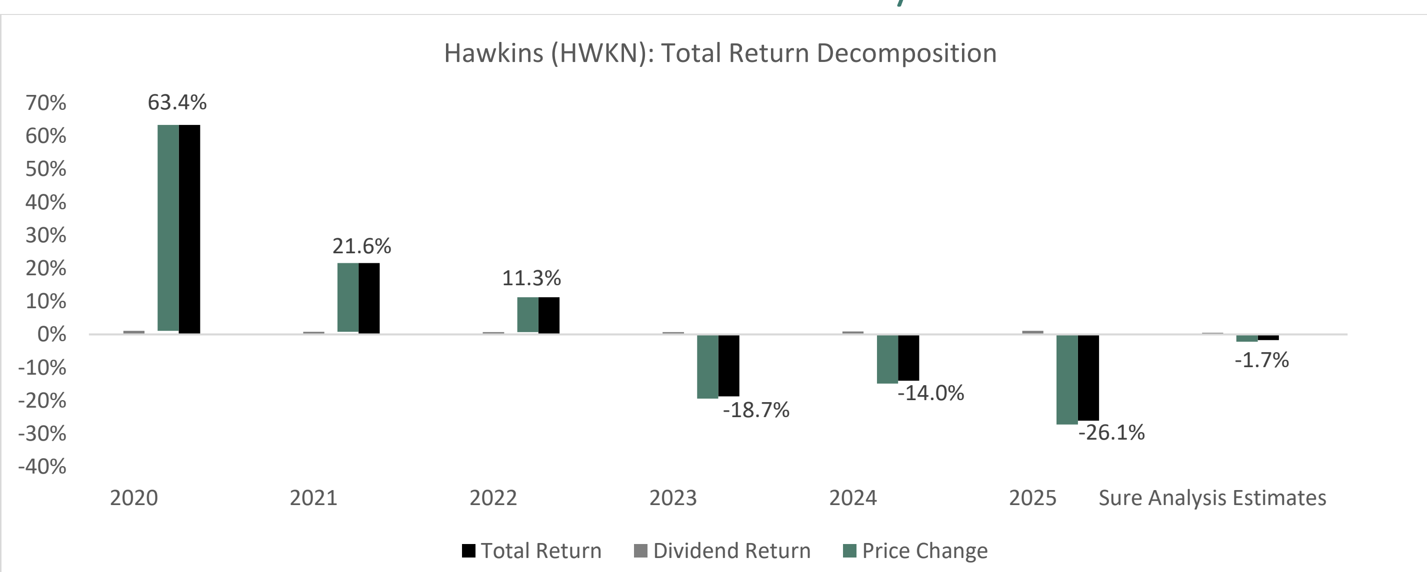
The chemical industry is not recession resistant. Hawkins Industrial and Health and Nutrition segments face challenges during recessions. The Water Treatment segment revenue and profits are less cyclical. The company's earnings have declined in the past before recovering.

The company makes use of debt with $9.8M in current long-term debt, and $288.3M of long-term debt that is offset by $14.5M of cash and equivalents. Interest coverage is about 16.2X, and the leverage ratio is ~1.75X.

Final Thoughts & Recommendation

At present we are forecasting -1.7% annualized total return over the next five years from a dividend yield of 0.4%, 8% EPS growth, and -9.5% P/E multiple contraction. Hawkins focuses on growth by investing in the business and tuck-in acquisitions. We expect the firm to maintain this strategy. It is also returning cash to shareholders through consistent dividends and incremental share repurchases. Despite the company's attractive characteristics, the current share price accounts for the gains we envision for the next five years. Our rating for this equity is a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	364	414	484	504	556	540	597	775	935	919
Gross Profit	66	80	98	87	96	101	124	147	165	194
Gross Margin	18.1%	19.4%	20.3%	17.2%	17.2%	18.7%	20.7%	18.9%	17.6%	21.1%
SG&A Exp.	35	49	59	59	59	59	68	75	77	90
D&A Exp.	13	16	21	22	22	22	23	24	27	32
Operating Profit	30	31	39	27	37	42	56	71	88	104
Operating Margin	8.4%	7.5%	8.0%	5.4%	6.6%	7.7%	9.4%	9.2%	9.4%	11.3%
Net Profit	19	18	23	(9)	24	28	41	52	60	75
Net Margin	5.3%	4.4%	4.7%	-1.8%	4.4%	5.3%	6.9%	6.7%	6.4%	8.2%
Free Cash Flow	6	12	23	8	35	34	23	14	29	119
Income Tax	11	12	13	(6)	9	11	15	18	23	26

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	248	436	419	391	386	389	473	567	591	658
Cash & Equivalents	19	20	7	5	9	4	3	3	8	7
Accounts Receivable	40	59	57	64	64	67	91	123	129	114
Total Liabilities	37	48	51	60	60	54	64	95	241	252
Accounts Payable	23	181	174	130	124	119	147	158	54	56
Long-Term Debt	54	236	201	189	168	156	207	265	112	99
Shareholder's Equity	20	30	30	33	29	34	37	67	350	406
LTD/E Ratio	-	129	103	101	85	60	99	126	0.32	0.24

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.9%	5.3%	5.3%	-2.3%	6.3%	7.3%	9.5%	9.9%	10.4%	12.1%
Return on Equity	10.2%	9.2%	10.8%	-4.4%	11.6%	12.6%	16.4%	18.2%	18.4%	19.9%
ROIC	10.2%	6.9%	6.9%	-2.9%	8.1%	9.5%	12.5%	13.0%	13.5%	15.6%
Shares Out.	21.0	21.2	21.3	21.2	21.0	21.0	20.9	20.8	21.0	21.0
Revenue/Share	17.12	19.57	22.82	23.68	25.93	25.35	28.07	36.65	44.50	43.74
FCF/Share	0.29	0.57	1.10	0.36	1.65	1.61	1.08	0.68	1.38	5.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.