NATURAL ALTERNATIVES INTERNATIONAL, INC.

CUSTOM CONTRACT MANUFACTURING
OF SUPPLEMENTS SINCE 1980

2025 ANNUAL REPORT

Chairman's Letter to Shareholders

Dear Fellow Shareholders,

While multiple factors contributed to the losses of the past two years, the resolve to return to sustainable profitability has never been stronger or more focused. The challenges of the past year have been significant, with impositions of tariffs contributing to supply chain shocks, substantial increases in borrowing costs, uncertainties of forecasted demand from various clients – and recognizing tax treatments of deferred tax assets more realistically considering our multiple year financial losses.

We remain focused on preserving our strong balance sheet and are making strides securing new revenue streams through new customer relationships on a global scale. Legacy customers who have undergone their own sales forecast challenges are returning with expanded demand and introduction of new products, often co-designed with our world-class research and product development teams. We are also taking hard looks at our processes and systems to streamline them to become more efficient and responsive to the challenging environment of today's fast paced commerce.

We continue to right-size our operational footprints in the US and Europe/Switzerland with emphasis on expanding preferred consumer packaging options, ever mindful of the need to protect the environment from excess non-recyclable waste products. Careful attention to detail of product design, package configuration and requirements for product stability are of critical importance to the consumer and regulators alike.

Adoption of commercial applications of our patented CarnoSyn™ and TriBsyn™ continues, supported by ongoing research demonstrating suitability for use in a variety of products addressing concerns with sarcopenia (a muscle wasting phenomenon associated with aging, as well as certain pharmaceutical interventions addressing weight loss), maintenance of skeletal muscle architecture and bone density, cardiovascular health, mental agility and immune response optimization.

As we evaluate market conditions globally and ever-changing consumer interests and preferences, we are also looking to expand our visibility in Asia as well as the international marketplace for beauty products utilizing nutritional components. To that end we will be expanding our attendance at multiple trade conferences throughout the world over the next year to garner enhanced visibility with customers and vendors alike.

We see continued growth in the number of clients that we are servicing, and we look forward to growing this enterprise dynamically as we enter our 46th year of operations. We appreciate your support and patience as we continue to diligently execute our multi-year growth plans with renewed emphasis on profitability.

Sincerely,

Mark A. LeDoux - Chairman of the Board of Directors

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

FORM 10-K

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

For the fiscal year ended June 30, 2025
or

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

For the transition period from to .

000-15701
(Commission file number)

NATURAL ALTERNATIVES INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**84-1007839**
(State of incorporation)	**(IRS Employer Identification No.)**
1535 Faraday Ave **Carlsbad, CA 92008**	**(760) 736-7700**
(Address of principal executive offices)	**(Registrant's telephone number)**

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

Title of each class	**Name of exchange on which registered**
Common Stock, $0.01 par value per share	Nasdaq Global Market

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value per share	NAII	Nasdaq Stock Market

Indicate by check mark if Natural Alternatives International, Inc. (NAI) is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. ☐ Yes ☒ No

Indicate by check mark if NAI is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of NAI's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether NAI is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company.

Large accelerated filer	☐	Accelerated filer	☐	Emerging Growth Company	☐
Non-accelerated filer	☒	Smaller reporting company	☒		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether NAI is a shell company (as defined in Rule 12b-2 of the Exchange Act): ☐ Yes ☒ No

The aggregate market value of NAI's common stock held by non-affiliates of NAI as of the last business day of NAI's most recently completed second fiscal quarter (December 31, 2024) was approximately $26,717,000 (based on the closing sale price of $4.31 reported by Nasdaq on December 31, 2024).

As of September 23, 2025, 6,176,778 shares of NAI's common stock were outstanding, net of 3,328,128 treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K incorporates by reference portions of NAI's definitive proxy statement, to be filed on or before October 28, 2025, for its Annual Meeting of Stockholders to be held December 5, 2025.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs, or other statements that are not statements of historical fact. Words such as "may," "will," "should," "could," "would," "expect," "plan," "believe," "anticipate," "intend," "estimate," "approximate," "predict," "forecast," "project,", "future", or "likely", or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism or pessimism about future operating results, are forward-looking statements. Forward-looking statements in this report may include statements about:

- our ability to develop market acceptance for and increase sales of new products, develop relationships with new customers and maintain or improve existing customer relationships;
- future financial and operating results, including projections of net sales, revenue, income or loss, net income or loss per share, profit margins, expenditures, liquidity, and other financial items;
- the sufficiency of our available cash and cash equivalents, including continued access to borrowings under our credit facilities, and potential cash flows from our operations to fund our working capital and capital expenditure needs through the next 12 months and longer;
- the future adequacy and intended use of our facilities;
- future customer orders and the timing thereof;
- our ability to price our products to achieve profit margin targets, especially in the current volatile raw material environment and potential for new tariffs;
- our ability to maintain or increase our patent and trademark licensing revenues;
- our ability to improve operating efficiencies, manage costs and business risks, and improve or maintain profitability;
- sources, availability and quality of raw materials, including the limited number of suppliers of beta-alanine meeting our quality requirements;
- inventory levels, including the adequacy of quality raw material and other inventory levels to meet future customer demand;
- our ability to protect our intellectual property;
- future economic and political conditions;
- currency exchange rates and their effect on our results of operations (including amounts that we may reclassify as earnings), the availability of foreign exchange facilities, our ability to effectively hedge against foreign exchange risks and the extent to which we may seek to hedge against such risks;
- the outcome of litigation, regulatory and tax matters we are or may become involved in, the costs associated with such matters and the effect of such matters on our business and results of operations;
- potential manufacturing and distribution channels, product returns, and potential product recalls;
- the impact of external factors on our business and results of operations, especially, for example, variations in quarterly net sales from seasonal and other external factors;
- our ability to operate within the standards set by the U.S. Food and Drug Administration's (FDA) Good Manufacturing Practices (GMPs);
- the adequacy of our financial reserves and allowances;
- the impact of accounting pronouncements and our adoption of certain accounting guidance; and
- other assumptions described in this Report underlying or relating to any forward-looking statements.

The forward-looking statements in this Report speak only as of the date of this Report based on information available to us at that time and caution should be taken not to place undue reliance on any such forward-looking statements. Forward-looking statements are subject to certain future events, risks, and uncertainties that are or may be outside of our control. When considering forward-looking statements, you should carefully review the risks, uncertainties and other cautionary statements in this Report as they identify certain important factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements. These factors include, among others, the risks described under Item 1A of Part I and elsewhere in this report, as well as in other reports and documents we have filed and will file with the United States Securities and Exchange Commission (SEC).

PART I

ITEM 1. BUSINESS

General

Our vision is to enrich the world through the best of nutrition.

We are a leading formulator, manufacturer and marketer of nutritional supplements. Our comprehensive strategic partnerships with our customers allow us to offer a wide range of innovative nutritional products and services to such customers including: scientific research, clinical studies, proprietary ingredients, customer-specific nutritional product formulation, product testing and evaluation, marketing management and support, packaging and delivery system design, regulatory review, and international product registration assistance.

As our primary business activity, we provide private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbal and other nutritional supplements, as well as other health care products, to consumers both within and outside the U.S. We also own a patent estate related to the raw material ingredient known as beta-alanine, which is primarily commercialized through the direct sale of this raw material and supply agreements with third parties for the distribution and use of this raw material under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks. We previously sold a branded version of our SR CarnoSyn® Wellness tablet product under a brand we created called SustainedRx® and a product named Perfect Synergy®. This product was sold directly to consumers through Amazon and our own direct to consumer website. This brand was discontinued during fiscal 2025 as it was not commercially successful. We also sell SR CarnoSyn® tablet products and TriBsyn™ capsule products that are offered as business-to-business private label products.

History

Originally founded in 1980, Natural Alternatives International, Inc. (NAI) reorganized as a Delaware corporation in 1989. Our principal executive offices are located at 1535 Faraday Ave, Carlsbad, CA 92008. Our primary U.S. manufacturing facility is located approximately three miles away in Vista, California. We also have another manufacturing and warehousing facility located approximately one mile away from our executive offices in Carlsbad, California.

In January 1999, we formed our wholly owned subsidiary Natural Alternatives International Europe S.A. (NAIE), a Swiss corporation based in Manno, Switzerland. In September 1999, NAIE opened its manufacturing facility in Manno, Switzerland, which has grown over the ensuing years and currently possesses manufacturing capabilities in encapsulation, powders, tablets, finished goods packaging, quality control, laboratory testing, warehousing, distribution and administration.

In 1997, we licensed certain patent rights related to instant-release beta-alanine and have since expanded this patent estate by applying for and obtaining patents to include sustained-release beta-alanine. We sell these products under our trademarks CarnoSyn® and SR CarnoSyn®. As part of our business strategy, we have sought to commercialize our CarnoSyn® patent estate through contract manufacturing, royalty and license agreements, and further expansion of our patent estate. We recently expanded our licensed product offerings with patent applications associated with a new form of CarnoSyn® beta-alanine trademarked as TriBsyn™. We directly sell CarnoSyn®, SR CarnoSyn®, and TriBsyn™ and license our related patent and trademark rights to others for use in or with their products.

Unless the context requires otherwise, all references in this report to the "Company," "NAI," "we," "our," and "us" refer to Natural Alternatives International, Inc. and, as applicable NAIE.

Overview of our Facilities and Operations

Our U.S.-based manufacturing operations are located in Vista and Carlsbad, California and include manufacturing and distribution, sales and marketing, in-house formulation, laboratory, and other research and development services. Our Vista manufacturing facilities are certified by the Therapeutic Goods Administration (TGA) of Australia after its audit of our GMP's. TGA evaluates new therapeutic products, prepares standards, develops testing methods and conducts testing programs to ensure that products are high in quality, safe and effective. TGA also conducts a range of assessment and monitoring activities including audits of the manufacturing practices of companies who export and sell products to Australia. TGA certification enables us to manufacture products for export into countries that have signed the Pharmaceutical Inspection Convention, which includes most European countries as well as several Pacific Rim countries. TGA certifications are generally reviewed every eighteen to thirty-six months. During August 2022, TGA completed an inspection of our Vista, California facility and quality systems for compliance with GMP, and issued a renewed GMP certification valid through August 12, 2025. As of this report, the TGA is experiencing delays and has yet to confirm timing of a renewal inspection. NAI's GMP Certification and authorization to manufacture product for Australia remains in place, and we advise our TGA clients to file for clearance extensions to ensure supply is not interrupted until a renewal inspection may be completed.

Our Vista, California facilities have also been awarded GMP registration annually since October 2002 by NSF International (NSF) through the NSF Dietary Supplements Certification Program and received "GMP for Sport" NSF Certified registration on February 16, 2009. GMP requirements are regulatory standards and guidelines setting forth necessary processes, procedures and documentation for manufacturers in an effort to assure the products produced by that manufacturer have the identity, strength, composition, quality and purity represented. The NSF Certified for Sport program focuses on minimizing the risk that a dietary supplement or sports nutrition product contains banned substances and was developed due to growing demand from athletes and coaches concerned about banned substances in sports supplements. The program focuses primarily on manufacturing and sourcing processes, while embedding preventative measures throughout. NAI's participation in the program allows us to produce products bearing the NSF Sport logo.

Our Vista, California operations are also certified by Health Canada as compliant with the GMP requirements outlined in Part 3 of the Canadian Natural Health Products Regulations. Health Canada is the department of the Canadian government with responsibility for national public health. Health Canada has initiated work to modernize its regulatory system for food and health products. Health Canada plays an active role in ensuring access to safe and effective drugs and health products while giving high priority to public safety and strives to provide information needed to make good choices and informed decisions regarding one's health. NAI was issued its initial certification by Health Canada in December 2011 and maintains renewal in compliance with the Natural and Non-prescription Health Products Directorate. This approval demonstrates another level of regulatory compliance by NAI and may also ease the approval process for our customers who import products into Canada.

Our Vista, California facility is also certified as an Organic Processor and Handler by Natural Food Certifiers (NFC). This certification demonstrates our facility meets the USDA National Organic Program standards and allows our contract manufacturing and packaging services to include products labeled as Organic. The certification was initially issued in March 2015 and requires annual renewal. The last renewal inspection was conducted in December 2024. We are registered with the State of California, Department of Public Health Food and Drug Branch as an organic processor. Additionally, we are certified by various Rabbinical and Halal authorities to produce Kosher and Halal certified products. These certifications guarantee the manufacturing facility and processes for, and the ingredients of, certified products have been reviewed and found to be in compliance with the strict dietary laws of the respective Jewish and Muslim communities.

In April 2021, NAI became the first company to meet new safety and benchmarking standards created by the Supplement Safety & Compliance Initiative (SSCI). The SSCI is an industry-driven initiative led by retailers to provide a harmonized benchmark to recognize various safety standards throughout the entire dietary supplement supply chain. Patterned after the Global Food Safety Initiative (GFSI), which has been successfully implemented in the grocery marketplace and food retail sectors. The program is focused on improved traceability and identification protocols to provide maximum safety for end users. SSCI key objectives include creating effective global systems to ensure traceability, transparency, and quality in the supply chain; reducing risks by ensuring equivalence between safety management systems' and driving global change through benchmarking of domestic and international quality standards. NAI's SSCI certification was last renewed in April 2025.

In August 2021, NAI acquired a new manufacturing and warehouse facility in Carlsbad, California and retrofitted the facility to become a dedicated high-volume powder blending and packaging facility while also providing additional raw material storage capacity. The state-of-the-art facility commenced full operations in April 2023 and was added to the NFC Organic certification at that time. This facility is now also third-party GMP certified through the above-mentioned NSF and NSF for Sport programs as of November 2024 and the SSCI program as of April 2025.

NAIE operates a manufacturing, warehousing, packaging and distribution facility in Manno, Switzerland. In January 2004, NAIE obtained a pharmaceutical license from the Swissmedic Authority of Bern, Switzerland to process pharmaceuticals for packaging, import, export and sale within Switzerland and other countries. In March 2007, following the expansion of NAIE's manufacturing facilities to include powder filling capabilities, NAIE obtained an additional pharmaceutical license from the Swissmedic Authority certifying that NAIE's expanded facilities conform to their GMPs. In January 2013, following an additional upgrade of NAIE's manufacturing facilities to include the manufacture of pharmaceuticals, NAIE obtained an additional pharmaceutical approval from the Swissmedic Authority certifying that NAIE's upgraded facilities conform to GMP. The plant is subject to periodic inspections by the Swissmedic to verify compliance and maintain validity of the GMP certification. NAIE's most recent Swissmedic inspection was conducted in July 2024. In addition, NAIE obtained FSSC 22000 certification in May 2024 following a successful food safety audit of its operations. We believe these licenses, certifications and NAIE's manufacturing capabilities help strengthen our relationships with existing customers and improve our ability to develop relationships with new customers.

Business Strategy

Our goals are to achieve long-term growth and profitability and to diversify our sales base. To accomplish these goals, we have sought, and intend to continue to seek, to do the following:

- leverage our state-of-the-art, California and Swiss facilities to increase the value of the goods and services we provide to our highly valued private-label contract manufacturing customers and to assist in developing relationships with additional quality oriented customers;

- expand the commercialization of our beta-alanine patent estate through raw material sales, further development of the Wellness and Healthy Aging distribution channel through sales of our sustained release form of beta-alanine marketed under our SR CarnoSyn® trademark and our recently launched TriBsyn™ product offering, exploiting new contract manufacturing opportunities, introduction of private-label branded products, and license and royalty agreements while protecting our proprietary rights; and

- improve operational efficiencies and manage costs and business risks to improve profitability.

Overall, we believe there is an opportunity to enhance consumer confidence in the quality of our customers' nutritional supplements and their adherence to label claims through education provided by direct sales and direct-to-consumer marketing programs. We believe our GMP and TGA certified manufacturing operations, science-based product formulations, peer-reviewed clinical studies and regulatory expertise collectively provide us with a sustainable competitive advantage and provide our customers with a high degree of confidence in the products we manufacture.

While today's consumer may have access to a variety of information, we believe many consumers remain uneducated about nutrition and nutritional supplementation, uncertain about the relevance or reliability of the information available to them, or confused about conflicting claims or information. We believe this state of the market creates a significant opportunity for the direct sales marketing channel. The direct sales marketing channel has proved, and we believe will continue to prove, to be a highly effective method for marketing high-quality nutritional supplements because it allows associates or other individuals to educate consumers on the benefits of science-based nutritional supplements. Some of our largest customers operate in the direct sales marketing channel. Thus, a significant portion of our business relies on the effectiveness of our customers in this marketing channel.

We also believe there is significant opportunity with the commercialization of our patent estate through the introduction of our existing patented ingredients into additional markets and the introduction of new beta-alanine product offerings. Currently, a majority of our sales of CarnoSyn® are to companies that operate in the sports nutrition channel and are focused on products containing the instant release form of beta-alanine. We believe there are several other markets and distribution channels that represent growth opportunities for the distribution of our SR CarnoSyn® and TriBsyn™ product offerings. We believe SR CarnoSyn® is a superior delivery system of CarnoSyn® beta-alanine based on its sustained release profile that allows for increased daily dosing and improved muscle retention of carnosine. However, this product offering is limited to solid dose tablet offerings, which limits the potential for customization of the product by our target customers. With the introduction of our recent product called TriBsyn™, and its patent-pending formulation, we believe we now have a product that will allow us to better penetrate the Wellness and Healthy Aging channel. This groundbreaking product is a carnosine booster that utilizes CarnoSyn® beta-alanine and other proprietary technology to increase beta-alanine bioavailability and absorption while effectively eliminating beta-alanine related paresthesia. This product is available as a raw material powder, which allows formulation flexibility for our customers. The elimination of paresthesia while maintaining efficacy of dosage creates a new opportunity to reach segments of the market that to-date have been untapped, including older adults, vegetarians, and vegans. In addition, we also sell several versions of SR CarnoSyn® tablet products and an encapsulated form of TriBsyn™ that are offered as business-to-business private label products. The tablet product offerings are condition-specific tablet products that include CarnoSyn® as the primary ingredient along with other science-backed ingredients that strengthen the claims and marketing around the product and are more recognizable to the consumer. We are also working on several other innovations that could lead to new patentable products for CarnoSyn® Brands in the future. Our patents related to instant release beta-alanine extend through July 2026, our patents for SR CarnoSyn® extend through 2036, and we have patent applications pending related our TriBsyn™ product.

We believe our comprehensive approach to customer service is unique within our industry. We believe this comprehensive approach, together with our commitment to high quality, product development and manufacturing capabilities, will provide the means to implement our strategies and achieve our goals. There can be no assurance, however, that we will successfully implement any of our business strategies or that we will increase or diversify our sales, successfully commercialize our patent estate, or improve our overall financial results.

Products, Principal Markets and Methods of Distribution

Our primary business activity is to provide private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbs, and other nutritional supplements, as well as other health care products, to consumers both within and outside the U.S. Our private-label contract manufacturing customers include companies that market nutritional supplements through direct sales marketing channels, direct to consumer ecommerce channels, and retail stores. We manufacture products in a variety of forms, including capsules, tablets, chewable wafers, and powders to accommodate a variety of our customers' preferences.

We provide strategic partnering services to our private-label contract manufacturing customers that include but are not limited to the following:

- customized product formulation;
- clinical study design and support;
- manufacturing;
- marketing support;
- international regulatory and label law compliance;
- international product registration; and
- packaging in multiple formats and labeling design.

We also seek to commercialize our patent and trademarks through the direct distribution and sale of CarnoSyn®, SR CarnoSyn®, TriBsyn™, new contract manufacturing opportunities, and various license, royalty, and similar arrangements.

For the last two fiscal years ended June 30, our net sales were derived from the following (in thousands):

	2025		2024	
	$	%	$	%
Private-label Contract Manufacturing	$ 121,779	94	$ 105,358	93
Patent and Trademark Licensing	8,081	6	8,438	7
Total Net Sales	$ 129,860	100	$ 113,796	100

Research and Development

We are committed to quality research and development. We focus on the development of new science-based products and the improvement of existing products. We periodically test and validate products we manufacture to help ensure their stability, potency, efficacy and safety. We maintain quality control procedures to verify that products we manufacture comply with applicable specifications and standards established by the FDA and other regulatory agencies. We also both direct and participate in clinical research studies, often in collaboration with scientists and research institutions, to validate the benefits of an ingredient or a product and provide scientific support for product claims and marketing initiatives. We believe our commitment to research and development, as well as to our facilities and strategic alliances with our suppliers and customers, allow us to effectively identify, develop and market high-quality and innovative products.

As part of the services, we provide to our private-label contract manufacturing customers, we may perform certain research and development activities related to the development or improvement of their products. Our customers are usually charged for our services but are often reimbursed for these costs if their products are ultimately commercialized and manufactured by NAI. Research and development costs, including costs associated with international regulatory compliance services we provide to our customers, are expensed as incurred.

Our research and development expenses for the fiscal year ended June 30, 2025 were $1.8 million, compared to $1.9 million for the fiscal year ended June 30, 2024.

Sources and Availability of Raw Materials

We use many raw materials in our operations including powders, excipients, empty capsules, and components for packaging and distributing our finished products. In addition, the commercialization of our beta-alanine patents and trademarks depends on the availability of the raw material beta-alanine. We conduct identity testing for all raw materials we purchase and, on a predetermined testing protocol basis, we evaluate raw materials to ensure their quality, purity and potency before we use them in our or our customers' products. We typically buy raw materials in bulk from qualified vendors located both within and outside the U.S.

Like many companies and industries, we experienced challenges within our supply chain as a result of the effects of the COVID-19 pandemic. In particular, we encountered difficulties related to the supply of raw materials and packaging components. These challenges were driven by, but were not limited to, increased demand for certain ingredients with a limited supply, our supplier's inability to meet demand due to capacity constraints, and increased lead times associated with constrained transportation availability. While these impacts have lessened over the past couple of years, there continues to be significant pricing pressures and supply chain challenges associated with various raw materials and packaging components and we continue to manage these circumstances by working closely with our customers and suppliers. Additionally, uncertainty remains high related in part to existing and potentially increased tariffs. Throughout fiscal 2026, we expect upward pricing pressures for raw materials, packaging components, and other costs will continue as a result of limited supplies of various ingredients and the impact of inflationary factors, including higher labor and transportation costs, and tariffs on goods we import from overseas.

Sourcing of raw materials for our business has also been impacted by various geo-political issues, including the Ukraine-Russia and Israel-Hamas conflicts. These conflicts have impacted the availability and pricing of certain raw materials that we purchase along with impacts to lead times associated with materials brought in by ocean freight. We have actively worked with our customers to identify alternative sources of these materials, which has mostly mitigated the impact of these issues.

Customers

We have three private-label contract manufacturing customers that each individually represent more than 10% of our consolidated net sales. The loss of any of these customers could result in a significant negative impact to our financial position and results of operations. We continue to focus on obtaining new private-label contract manufacturing customers to reduce the risks associated with deriving a significant portion of our sales from a limited number of customers.

Competition

We compete with other manufacturers, distributors and marketers of vitamins, minerals, plant extracts, and other nutritional supplements both within and outside the U.S. The nutritional supplement industry is highly fragmented and competition for the sale of nutritional supplements comes from many sources. These products are sold primarily through retailers (drug store chains, supermarkets, and mass market discount retailers), ecommerce, health and natural food stores, and direct sales channels (network marketing and internet sales).

We believe private-label contract manufacturing competition in our industry is based on, among other things, customized services offered, product quality and safety, innovation, price and customer service. We believe we compete favorably with other companies because of our ability to provide comprehensive solutions for customers, our certified manufacturing operations, our commitment to quality and safety, and our research and development activities.

Our future competitive position for private-label contract manufacturing and patent and trademark licensing will likely depend on, but not be limited to, the following:

- growing acceptance of our products by new and current customers and by consumers;
- our ability to protect our proprietary rights in our patent estate and the continued validity of such patents;
- our ability to successfully expand our product offerings related to our patent and trademark estate;
- our ability to maintain adequate inventory levels to meet our customer's demands;
- our ability to continue to manufacture high quality products at competitive prices;

- our ability to attract and retain qualified personnel;
- the effect of any future governmental regulations on our products and business;
- the results of, and publicity from, product safety and performance studies performed by governments and other research institutions;
- continued growth of the global nutrition industry; and
- our ability to respond to changes within the industry and consumer demand, financially and otherwise.

The nutritional supplement industry is highly competitive, and we expect the level of competition to remain high over the near term. We do not have sufficient information to accurately estimate the total number or size of our competitors.

Government Regulation

Our business is subject to varying degrees of regulation by a number of government authorities in the U.S., including the FDA, the Federal Trade Commission (FTC), the Consumer Product Safety Commission, the U.S. Department of Agriculture, and the Environmental Protection Agency. Various state and local agencies in areas where we operate and in which our products are sold also regulate our business, such as the California Department of Health Services, Food and Drug Branch. The areas of our business regulated by both these, and other authorities include, among others:

- product claims and advertising;
- product labels;
- product ingredients;
- how we manufacture, package, distribute, import, export, sell and store our products; and
- our classification as an essential business and our right to continue operations during government shutdowns.

The FDA, in particular, regulates the formulation, manufacturing, packaging, storage, labeling, promotion, distribution and sale of vitamins and other nutritional supplements in the U.S., while the FTC regulates marketing and advertising claims. Under FDA rules, companies that manufacture, package, label, distribute or hold nutritional supplements are required to meet certain GMP's to ensure such products are of the quality specified and are properly packaged and labeled. We are committed to meeting or exceeding the standards set by the FDA and believe we are currently operating in compliance with the FDA mandated GMP's.

The FDA also regulates the labeling and marketing of dietary supplements and nutritional products, including the following:

- the identification of dietary supplements or nutritional products and their nutrition and ingredient labeling;
- requirements related to the wording used for claims about nutrients, health claims, and statements of nutritional support;
- labeling requirements for dietary supplements or nutritional products for which "high potency" and "antioxidant" claims are made;
- notification procedures for statements on dietary supplements or nutritional products; and
- premarket notification procedures for new dietary ingredients in nutritional supplements.

The Dietary Supplement Health and Education Act of 1994 (DSHEA) revised the provisions of the Federal Food, Drug and Cosmetic Act concerning the composition and labeling of dietary supplements and re-defined dietary supplements to include vitamins, minerals, herbs, amino acids and other dietary substances. DSHEA generally provides a regulatory framework to help ensure safe, quality dietary supplements and the dissemination of accurate information about such products. The FDA is generally prohibited from regulating active ingredients in dietary supplements as drugs unless product claims about such supplements trigger regulatory status, such as claims that a product may heal, mitigate, cure or prevent an illness, disease or malady.

In December 2006, the Dietary Supplement and Nonprescription Drug Consumer Protection Act (the "2006 Act") was passed, and further revised the provisions of the Federal Food, Drug and Cosmetic Act. Under the 2006 Act, manufacturers, packers or distributors whose name appears on the product label of a dietary supplement or nonprescription drug are required to include contact information on the product label for consumers to use in reporting adverse events associated with the product's use and to notify the FDA of any serious adverse event report. Events reported to the FDA are not considered an admission from a company that its product caused or contributed to the reported event. We believe we are in compliance with the 2006 Act, and we are committed to meeting or exceeding the requirements of the 2006 Act.

We are also subject to a variety of other regulations in the U.S., including those relating to health, safety, bioterrorism, taxes, labor, employment, import and export, the environment and intellectual property. All of these regulations require significant financial and operational resources to ensure compliance, and we cannot assure you we will always be in compliance despite our best efforts to do so or that being in compliance will not become prohibitively costly to our business.

Our operations outside the U.S. are similarly regulated by various agencies and entities in the countries in which we operate and in which our products are sold. The regulations of these countries may conflict with those in the U.S. and may vary from country to country. The sale of our products in certain European countries is subject to the rules and regulations of the European Union, which may be interpreted differently among the countries within the European Union. In other markets outside the U.S., we may be required to obtain approvals, licenses or certifications from a country's Ministry of Health or comparable agency before we or our customers begin operations or the marketing of products in that country. Approvals or licenses may be conditioned on reformulation of our or our customers' products for a particular market or may be unavailable for certain products or product ingredients. These regulations may limit our or our customer's ability to enter, or continue to operate in certain markets outside the U.S. As with the costs of regulatory compliance in the U.S., foreign regulations require significant financial and operational resources to ensure compliance, and we cannot provide assurances we will always be in compliance despite our best efforts to do so or that being in compliance will not become prohibitively costly to our business. Our failure to maintain regulatory compliance within and outside the U.S. could impact our ability to sell our products and thus, adversely impact our financial position and results of operations.

Intellectual Property

Trademarks. We have developed and use trademarks in our business, particularly relating to corporate, brand and product names. We own 57 registered trademarks; including 11 registrations in the U.S. Seven of these U.S. registrations are incontestable. Federal registration of a trademark in the United States affords the owner nationwide exclusive trademark rights to the registered mark and the ability to prevent subsequent users from using the same or similar mark. However, to the extent any other business operator has acquired trademark rights in a mark by its consistent use of such mark in connection with similar goods or services in a particular geographic area, the nationwide rights conferred by federal registration can be subject to that user's prior established non-statutory ("common law") rights in that geographic area. In addition, rights in a registered mark are dependent upon the continued use of the mark in connection with the goods and/or services set forth in the registration.

We have 46 foreign registered trademarks covering 39 foreign countries including registrations for CarnoSyn®, SR CarnoSyn® or TriBsyn™ in Australia, Brazil, Canada, China, Hong Kong, Cuba, the European Union, Israel, Japan, Mexico, New Zealand, South Korea, Switzerland and the United Kingdom. Our registered trademarks include CarnoSyn® and the SR CarnoSyn® logos in Switzerland. We also claim common law ownership and protection of certain trademarks based upon our continued use of the tradenames. In some countries, such as the United States, common law can provide protection of a name or mark within the particular geographic area in which it is continually and deliberately used.

We believe our registered trademarks and our tradenames constitute valuable assets adding to the recognition of our products and services in the marketplace. These and other proprietary rights have been and may continue to be important in enabling us to compete; however, we cannot provide assurances our current or future trademark applications will be granted, or our current trademark registrations will be maintained.

Trade Secrets. We own certain intellectual property, including trade secrets, which we seek to protect, in part, through confidentiality agreements with employees and other parties. We regard our proprietary technology, trade secrets, trademarks and similar intellectual property as critical to our success, and we rely on a combination of trade secrets, contract, patent, copyright and trademark law (including established but non-statutory law) to establish and protect the rights in our products and technology. The laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the U.S.

Patents and Patent Licenses. We currently own nine U.S. patents and eight corresponding non-U.S. patents registered in countries throughout North America, Europe and Asia. We also have one pending U.S. application. All of these patents and patent rights relate to the ingredient known as beta-alanine. Certain of these patents were assigned to NAI and we make certain ongoing royalty payments to the prior owners of the patents. The royalty payments and licenses are expected to continue until the expiration of the patents. We also sell beta-alanine and license our patent and trademark rights related to beta-alanine. Some of our patents extend as far as through 2036.

Licensing, royalties, raw material sales, and revenues we have received associated with the sale and licensing of beta-alanine under the CarnoSyn® and SR CarnoSyn® trade names and TriBsyn™ trademark were primarily related to the direct sale of the raw material beta-alanine and totaled $8.1 million in fiscal 2025. We incurred intellectual property litigation and patent compliance expenses of approximately $0.4 million during fiscal 2025 primarily in connection with our efforts to procure and protect our proprietary rights and patent estate. We expect to continue to incur these types of litigation and compliance expenses during fiscal 2026.

Employees

As of June 30, 2025, we employed 215 full-time employees in the U.S., three of whom are executive officers of the Company. Of the remaining full-time employees, 45 were employed in research, laboratory and quality control, 13 in sales and marketing, and 154 in manufacturing and administration. From time to time, we use temporary personnel to help us meet shorter-term operating requirements. These positions typically are in manufacturing and manufacturing support. As of June 30, 2025, we had 19 temporary personnel in the U.S.

As of June 30, 2025, NAIE employed an additional 78 full-time employees and 21 temporary employees. Most of these positions were in the areas of manufacturing and manufacturing support.

Our employees are not represented by a collective bargaining agreement, and we have not experienced any work stoppages as a result of labor disputes. We believe our relationship with our employees is good. We cannot assure this will continue in the future.

Seasonality

In addition to general economic factors, we are impacted by seasonal factors and trends, such as major cultural events and vacation patterns. We manufacture and sell products to customers that operate in many different countries throughout the world and these seasonal factors vary by region. Although we believe the impact of seasonality on our consolidated results of operations is minimal, our quarterly results may vary significantly in the future due to the timing of private-label contract manufacturing and CarnoSyn®, SR CarnoSyn®, and TriBsyn™ beta-alanine raw material orders. Future revenue trends may not follow historical patterns. The market price of our common stock may be adversely affected by these seasonal factors.

Financial Information about Our Business Segments and Geographic Areas

Our operations are comprised of two reportable segments:

- Private-label contract manufacturing, in which we primarily provide manufacturing services to companies that market and distribute nutritional supplements and other health care products.

- Royalty, licensing, and raw material sales primarily associated with the sale and license of beta-alanine under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks.

Our private-label contract manufacturing products are sold both in the U.S. and in markets outside the U.S., including Europe, Australia, Asia, Mexico, and Canada. Our primary markets outside the U.S. are Europe and Asia. Our patent and trademark licensing activities are primarily based in the U.S.

For additional financial information, including financial information about our business segment and geographic areas, please see the consolidated financial statements and accompanying notes to the consolidated financial statements included under Item 8 of this report.

Our activities in markets outside the U.S. are subject to political, economic and other risks in the countries in which our products are sold and in which we operate. For more information about these and other risks, please see Item 1A in this report.

ITEM 1A. RISK FACTORS

When evaluating our business and future prospects, you should carefully review and consider the risks described below in conjunction with other information in this report and in other reports and documents we file with the SEC. The risks and uncertainties described below are not the only ones we face. Additional material risks and uncertainties, not presently known to us, or that we currently see as immaterial, may also occur or become material. If any of the following risks or any additional risks and uncertainties actually occur or become material, our business, financial condition and results of operations could be seriously harmed. In that event, the market price of our common stock could decline, and our stockholders could lose all or a portion of the value of their investment in our common stock.

Risks Related to the Company's Industry and Business

A significant or prolonged economic downturn, could have, a material adverse effect on our results of operations.

Our results of operations are affected by the level of business activity of our customers and licensees, which in turn are affected by the level of consumer demand for their products. A significant or prolonged economic downturn may adversely affect the disposable income of many consumers and may lower demand for the products we produce for our private-label contract manufacturing customers and products sold or manufactured by others using our licensed patent rights. Any decline in economic conditions in the U.S. and the various foreign markets in which our customers operate could negatively impact our customers' businesses and our operations. A significant decline in consumer demand and the level of business activity of our customers, even if only due in part to general economic conditions, could have a material adverse effect on our revenues and profit margins.

Risks related to global economic instability, including global supply chain issues, inflation and fuel and energy costs may affect the Company's business.

In February 2022, armed conflict escalated between Russia and Ukraine. Although Russia and Ukraine did not account for any of our net sales in FY 2025 or FY 2024, economic sanctions and export control measures by the U.S. and European Union against Russia have resulted in increased volatility in the availability and prices of raw materials that are produced in that region. There are further concerns regarding continued supply chain disruptions, consumer purchasing and consumption behavior, increases in global shipping expenses, greater volatility in foreign exchange and interest rates, increased energy costs, and other unforeseen business disruptions due to the current global geopolitical tensions, including relating to Ukraine and the Middle East. We will continue to evaluate impacts of the conflict on our customers, suppliers, employees, and operations.

In October 2023, armed conflict escalated between Israel and Hamas. Israel accounts for a small portion of our global net sales, but we also source multiple raw materials that come from Israel. While we do not anticipate this conflict will have a significant impact on our net sales, we are continually communicating with our customers and suppliers who may be impacted by this conflict, and we are evaluating options for alternative ingredient sources and/or holding safety stock of impacted materials to limit the effect this conflict may have on our ability to obtain the ingredients sourced from this region.

Recently, these conflicts have resulted in market uncertainty and volatility, and this has negatively affected many industries, including the dietary supplement industry. Global financial conditions remain subject to sudden and rapid destabilizations in response to economic shocks. A slowdown in the financial markets or other economic conditions including but not limited to global supply chain issues, inflation, tariffs and trade disputes, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth. Future economic shocks may be precipitated by a number of causes, including a continued rise in the price of oil and other commodities, the volatility of raw material prices, geopolitical instability, terrorism, pandemics, the devaluation and volatility of global stock markets and natural disasters. Any sudden or rapid destabilization of global economic conditions could adversely impact our ability to obtain equity or debt financing in the future on terms favorable to us or at all. In such an event, our operations and financial condition could be adversely impacted.

Prices and availability of commodities consumed or used in connection with raw materials we purchase or the operation of our manufacturing facilities, such as natural gas, diesel, oil and electricity, also fluctuate, and these fluctuations affect the costs of operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a material adverse impact on our operating costs or the timing and costs of various projects. Over the past several years, the United States, and many other countries, have experienced significant volatility related to inflationary factors. These factors have impacted all aspects of manufacturing operations, including increased costs of labor, utilities, materials, supplies, etc. While we continue to evaluate cost reduction opportunities, including working with both suppliers and customers, to attempt to mitigate the impact of these higher operational costs, there can be no assurance our efforts will result in an offset of such increases or when inflation will return to more reasonable levels.

Our industry is highly competitive, and we may be unable to continue to compete effectively. Increased competition could adversely affect our financial condition.

The market for our products, and those of our customers, is highly competitive. Some of our competitors are larger than we are and have greater financial resources and broader name recognition than we do. Our competitors may be able to devote greater resources to research and development, marketing and other activities that could provide them with a competitive advantage. Our market has relatively low entry barriers and is highly sensitive to the introduction of new products that may rapidly capture significant market share. Our competitors may not stress the level of quality we provide and could manufacture with a lower level of quality at lower costs. Our competitors are largely private and not subject to the same disclosure requirements as a publicly traded company. If consumers do not perceive higher quality as worth a higher price, our revenue could suffer. Increased competition could result in price reductions, reduced profit margins or loss of market share, any of which could have a material adverse effect on our financial condition and results of operations. There can be no assurance we will be able to compete effectively in this intensely competitive environment.

Our business is subject to the effects of adverse publicity, which could negatively affect our sales and revenues.

Our business can be affected by adverse publicity or negative public perception about us, our competitors, our customers, our products, or our industry generally. Adverse publicity may include publicity about the nutritional supplements industry generally, the efficacy, safety and quality of nutritional supplements and other health care products or ingredients in general or our products or ingredients specifically, and regulatory investigations, regardless of whether these investigations involve us or the business practices or products of our competitors, or our customers. Any adverse publicity or negative public perception could have a material adverse effect on our business, financial condition and results of operations. Our business, financial condition and results of operations could be adversely affected if any of our products or any similar products distributed by other companies are alleged to be or are proved to be harmful to consumers or to have unanticipated and unwanted health consequences.

Risks Related to Operations, Manufacturing, and Technology

If we are unable to attract and retain qualified management personnel, and key manufacturing personnel, our business may suffer.

Our executive officers and other management personnel are primarily responsible for managing our day-to-day operations. We believe our success depends largely on our ability to attract, retain and motivate highly qualified management and key manufacturing personnel. Competition for qualified individuals can be intense and has been increasing in recent years. We may not be able to hire additional qualified personnel in a timely manner or on terms that would not substantially increase our costs. Any inability to retain a skilled professional management team and manufacturing team could adversely affect our ability to successfully execute our business strategies and achieve our goals and objectives.

Our manufacturing and third party fulfillment activities are subject to certain risks.

We manufacture the majority of our products at our manufacturing facilities in California and Switzerland. As a result, we are dependent on the uninterrupted and efficient operation of these facilities. Our manufacturing operations, including those of our suppliers, are subject to power failures, blackouts, border shutdowns, telecommunications failures, computer viruses, cybersecurity vulnerabilities, human error, breakdown, failure or substandard performance of our facilities, our equipment, the improper installation or operation of equipment, terrorism, pandemics (e.g. COVID-19), natural or other disasters, intentional acts of violence, and the need to comply with the requirements or directives of governmental agencies, including but not limited to the FDA. In addition, we may in the future determine to expand or relocate our facilities, which may result in slowdowns or delays in our operations. While we have implemented and regularly evaluate various emergency, contingency and disaster recovery plans and we maintain business interruption insurance, there can be no assurance the occurrence of these or any other operational problems at our facilities in California or Switzerland would not have a material

adverse effect on our business, financial condition and results of operations. Furthermore, there can be no assurance our contingency plans will prove to be adequate or successful if needed or our insurance will continue to be available at a reasonable cost or, if available, will be adequate to cover any losses that we may incur from an interruption in our manufacturing and distribution operations. In August of 2021, we opened a new warehouse and distribution facility in Carlsbad, California, and converted it into a dedicated high-volume powder blending and packaging facility while also providing additional raw material storage capacity. There can be no assurance we will be successful in obtaining additional facility certifications that may be necessary to attract new customers or that we will obtain sufficient business through our on-going sales efforts to effectively utilize the facility and our investment therein.

We source our beta-alanine raw material as well as certain manufacturing activities from third parties. The operation of the third-party service provider's facilities is subject to the interruption risk and other risks similar to those described above for our facilities and there can be no assurance these interruptions or any other operational problem at such third party's facilities would not have a material adverse effect on our business, financial condition and results of operations.

If we or our private-label contract manufacturing customers expand into additional markets outside the U.S. or our or their sales in markets outside the U.S. increase, our business could become increasingly subject to political, economic, regulatory and other risks in those markets, which could adversely affect our business.

Our future growth may depend, in part, on our ability and the ability of our private-label contract manufacturing customers, to expand into additional markets outside the U.S. or to improve sales in markets outside the U.S. There can be no assurance we or such customers will be able to expand in existing markets outside the U.S. or enter new markets on a timely basis, or that new markets outside the U.S. will be profitable. There are significant regulatory and legal barriers in markets outside the U.S. that must be overcome to enter and operate in such markets. We are subject to the burden of complying with a wide variety of national and local laws, including multiple and possibly overlapping or conflicting laws. We may also experience difficulties adapting to new cultures, business customs and legal systems. Our sales and operations outside the U.S. are subject to political, economic and social uncertainties including, among others:

- import and export controls;
- custom duties and tariffs;
- government regulations and laws;
- coordination of geographically separated locations;
- absence in some jurisdictions of effective laws to protect our intellectual property rights;
- changes in currency exchange rates;
- economic and political instability; and
- currency transfer and other restrictions and regulations that may limit our ability to sell certain products or repatriate profits to the U.S.

Any changes related to these, and other factors could adversely affect our business, profitability and growth prospects. If we or our customers expand into additional markets outside the U.S. or improve sales in markets outside the U.S., these and other risks associated with operations outside the U.S. will likely increase.

The failure of our suppliers to supply quality materials in sufficient quantities, at a favorable price, and in a timely fashion could adversely affect the results of our operations.

We buy our raw materials from a limited number of suppliers. During fiscal 2025 and fiscal 2024, one of our suppliers represented more than 10% of our total raw material purchases. Additionally, we currently purchase all of our beta-alanine for our CarnoSyn®, SR CarnoSyn® and TriBsyn™ products from a single manufacturer located in Japan. Any disruption in their ability to source materials for or produce the amounts of beta-alanine needed to meet our requirements could have an adverse effect on our business.

The loss of any of our major suppliers or of any supplier who provides us materials that are hard to obtain elsewhere at the same quality could adversely affect our business operations. Although we believe we could establish alternative sources for most of our raw materials, any delay in locating and establishing relationships with other sources could result in shortages of products we manufacture from such raw materials, with a resulting loss of sales and customers. In certain situations, we may be required to alter our products or with our customers' consent to substitute different materials from alternative sources.

A shortage of raw materials or an unexpected interruption of supply could also result in higher prices for those materials. We have experienced increases in various raw material costs, transportation costs and the cost of petroleum-based raw materials and packaging supplies used in our business. Increasing pricing pressures on raw materials and other products have continued throughout fiscal 2025 as a result of limited supplies of various ingredients, tariffs, and inflationary factors, including higher labor and transportation costs. We expect these upward pressures to continue through fiscal 2026. Although we may be able to raise our prices in response to significant increases in the cost of raw materials, we may not be able to raise prices sufficiently or quickly enough to offset the negative effects such cost increases could have on our results of operations or financial condition.

There can be no assurance suppliers will provide the quality raw materials needed by us in the quantities requested or at a price we are willing to pay. Because we do not control the actual production of these raw materials, we are also subject to delays caused by interruption in production of materials including but not limited to those resulting from conditions outside of our control, such as pandemics, weather, transportation interruptions, labor shortages, strikes, terrorism, natural disasters, and other catastrophic events.

In addition, our efforts to maintain or increase sales of CarnoSyn®, SR CarnoSyn® and TriBsyn™ are substantially dependent on the availability of the raw material beta-alanine and sales of beta-alanine or products incorporating beta-alanine. The availability of beta-alanine, and thus sales of such raw material and products using such material, could be negatively impacted by any shortages, interruptions and similar events described above, which could in turn adversely affect the amount of revenue and profit margin we earn from the sale of beta-alanine.

Risks Related to Customer Concentration

Because we derive a significant portion of our revenues from a limited number of customers, our revenues would be adversely affected by the loss of a major customer or a significant change in their business, personnel or the timing or amount of their sales to their customers and their orders from us.

We have in the past and expect to continue to derive a significant portion of our revenues from a relatively limited number of customers. During the fiscal year ended June 30, 2025, sales to our three largest customers were approximately 59% of our consolidated net sales. We cannot predict with any certainty if sales to these customers will increase or decrease in the future.

On August 16, 2023, we announced the temporary closure of our new high-speed powder processing facility in Carlsbad, California due to excess inventory on hand at one of our largest customers and their efforts to rebalance supply and demand. We reopened this facility in May 2024 based on new orders received from this customer but there can be no certainty that this, or any other customer, will not experience similar circumstances that require them to reduce or discontinue orders in the future.

The loss of one of our largest customers, or other major customers, a significant decline in sales to any of our largest customers, a significant change in their business model or personnel, or in their ability to make payments when due, could materially and adversely affect our financial condition and results of operations. The timing of our customers' orders is impacted by, among other factors, their marketing programs, their customer demand, seasonality, their raw material suppliers we are sometimes required to use, their supply chain management, their entry into new markets and their new product introductions, all of which are outside of our control. All of these attributes have had and are expected to have a significant impact on our business in the future.

Our future growth and stability depends, in part, on our ability to diversify our sales. Our efforts to establish new sales from both existing customers and new customers could require significant initial investments, which may or may not result in higher overall sales and improved financial results.

Our business strategy depends in large part on our ability to develop new product sales from both current and new customer relationships. These activities often require a significant up-front investment including, among others, customized formulations, compliance with different regulatory schemes, product registrations, package design, product testing, pilot production runs, and the build-up of initial inventory. We may experience significant delays from the time we increase our

operating expenses and make investments in inventory (incur additional related carrying costs) until the time we generate net sales from new products or customers, and it is possible after incurring such expenditures we may not generate material revenue from new products or customers. If we incur significant expenses and investments in inventory we are not able to recover, and we are not able to compensate for those expenses, our operating results would be adversely affected.

We currently derive significant revenues and income from sales of beta-alanine and from licensing our patents. Our ability to maintain or grow our sales of beta-alanine and license revenue from our other patents is contingent on our ability to defend our patents, and commercialize the sale of beta-alanine under our instant release CarnoSyn® patents and trademark, our sustained release SR CarnoSyn® patents and trademark, and our TriBsyn™ trademark pending patent applications, and any additional patents we may seek related to TriBsyn™.

We own multiple patents and trademarks related to the use of beta-alanine in food and nutritional supplements. A majority of our revenue and income from this segment is currently derived from activity related to licensing our patents and other intellectual property associated with instant release beta-alanine, sold under our trade name CarnoSyn®. We have one patent for this version of CarnoSyn®, which expires in July 2026. Our patent and trademark licensing revenue decreased from $8.4 million in fiscal 2024 to $8.1 million in fiscal 2025 due to decreased orders from existing customers partially offset by decreased volume rebates and increased royalty income. There is no assurance we will be successful maintaining our historical CarnoSyn® instant release beta-alanine sales levels or growing future sales volumes with our remaining CarnoSyn® instant release patent estate. If we are not successful it could have a material adverse effect on our business, results of operations, and financial condition.

We believe SR CarnoSyn® and TriBsyn™ are superior delivery systems for CarnoSyn® beta-alanine as they allow for increased daily dosing, improved muscle retention and bioavailability of carnosine. Our patents related to SR CarnoSyn® extend through 2036, and we currently have patents pending for TriBsyn™ and believe SR CarnoSyn® beta-alanine and the introduction of TriBsyn™ high-bioavailability beta-alanine are an important step in the further commercialization of our patent estate. There can be no assurance we will be successful in getting the market to accept these new forms of beta-alanine or that we will be successful launching new products utilizing SR CarnoSyn® or TriBsyn™ beta-alanine.

Risks Related to Regulations

Our products and manufacturing activities are subject to extensive government regulation, which could limit or prevent the sale of our products in some markets and could increase our costs.

The manufacturing, packaging, labeling, advertising, promotion, distribution, and sale of our products are subject to regulation by numerous national and local governmental agencies in the U.S. and in other countries. For example, we are required to comply with certain GMP's and incur costs associated with the audit and certification of our facilities. Failure to comply with governmental regulations may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecutions. Any action of this type by a governmental agency could materially adversely affect our ability to successfully market our products and services. In addition, if such governmental agency has reason to believe the law is being violated (for example, if it believes we do not possess adequate substantiation for product claims), it can initiate an enforcement action. Governmental agency enforcement could result in orders requiring, among other things, limits on advertising, consumer redress, divestiture of assets, rescission of contracts, and such other relief as may be deemed necessary. Violation of these orders could result in substantial financial or other penalties. Any action by a governmental agency could materially adversely affect our ability and our customers' ability to successfully market and continue selling the products involved.

Before commencing operations or marketing our products in markets outside the U.S., we are routinely required to obtain approvals, licenses, or certifications from a country's ministry of health or comparable agency. Approvals or licensing may be conditioned on reformulation of products or even may be unavailable with respect to certain products or product ingredients. We must also comply with product labeling and packaging regulations that vary from country to country. Furthermore, the regulations of these countries may conflict with those in the U.S. and with each other. The sale of our products in certain European countries is subject to the rules and regulations of the European Union, which may be interpreted differently among the countries within the European Union. The cost of complying with these various and potentially conflicting regulations can be substantial and could adversely affect our results of operations.

During the COVID-19 pandemic, our operations were subject to additional laws and regulations imposed by federal, state, and local governments primarily related to the ability of our employees to come to work and the safety measures that needed to be in place in order for our facilities to remain operational. While we already had robust quality standards and procedures, we had to constantly monitor these new regulations and implement additional procedures where necessary, including at times temperature checks, additional cleaning procedures, allowing administrative personnel to work remotely, etc. Recurrence of

pandemic related regulations, or new or expanded regulations, or the reinstatement of pandemic conditions, including any inability to continue qualifying as an essential business in the event of future government-imposed lockdowns, could adversely affect our results of operations.

We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations, when and if adopted, would have on our business. They could include new or revised requirements or restrictions related to the safe operation of our facilities, or for the reformulation of certain products to meet new standards, the recall or discontinuance of certain products, additional compliance costs or record keeping requirements, expanded or different labeling, and additional scientific substantiation. Any or all of these requirements could have a material adverse effect on our operations.

Possible new tariffs on imported goods from China and elsewhere could adversely affect our business operations.

In recent years, the United States has implemented increased tariffs on a wide range of goods and materials imported from China, Japan, India, Russia, Vietnam, South Korea, Australia, the European Union, Canada, Mexico and other governments. These goods and materials may include products, applications, and ingredients we or our customers require for their products, including beta-alanine. Our ability to maintain or increase CarnoSyn® sales and licensing revenue depends on the availability of the raw material beta-alanine. China and other governments responded to the implementation of tariffs by the United States by imposing their own tariffs on certain American products. Continuing or increased tariffs could have a material adverse effect on our customers' businesses, the availability of beta-alanine, and the cost of other raw materials we use in our customers' products. While it is difficult to predict whether or how existing and additional potential tariffs will be imposed, or how tariffs will impact our business, we believe the imposition of additional tariffs by the U.S. or other governments on products we or our customers offer for sale, or ingredients we use in the products we manufacture could adversely impact our offerings and our customers, and could have an adverse impact on the availability of raw materials we purchase including beta-alanine from Japan.

Such results could adversely impact our ability to license our patents and trademarks, our ability to sell beta-alanine, and our customers' ability to compete in the marketplace, resulting in reduced demand for our products, and products we manufacture for our customers. Additional tariffs imposed by any government on beta-alanine could have an adverse impact on the price we have to pay for beta-alanine and the availability of beta-alanine. Any of these events could have a material adverse effect on our business and results of operations.

Risks Related to Litigation

We could be exposed to product liability claims or other litigation, which may be costly and could materially adversely affect our operations.

We could face financial liability due to product liability claims if the use of our products results in significant loss or injury. Additionally, the manufacture and sale of our products involves risk of injury to consumers from tampering by unauthorized third parties or product contamination. We could be exposed to future product liability claims that include, among others, assertions that: our products contain contaminants; we provide consumers with inadequate instructions about product use; or we provide inadequate warning about side effects or interactions of our products with other substances. Even if we were to prevail in any such claims, the cost of litigation and settlement could be significant.

We maintain product liability insurance coverage, including primary product liability and excess liability coverage. While we expect to be able to continue our product liability insurance, there can be no assurance we will be able to continue such insurance coverage, or such insurance coverage will be adequate to cover any liability we may incur, or our insurance policies will continue to be available at a cost similar to our cost today, or even an economically reasonable cost.

Additionally, it is possible one or more of our insurers could exclude from our coverage certain ingredients used in our products. In such event, we may have to stop using those ingredients or rely on indemnification or similar arrangements with our customers who wish to continue to include those ingredients in their products. A substantial increase in our product liability risk or the loss of customers or product lines, or the failure of a customer to honor indemnification agreements could each have a material adverse effect on our results of operations and financial condition.

We may continue to incur significant costs in the course of creating and defending our intellectual property. We may be unable to protect our intellectual property rights or may inadvertently infringe on the intellectual property rights of others.

We possess and may possess in the future certain proprietary technology, trade secrets, trademarks, trade names, licenses, patents, and similar intellectual property. We may continue to incur significant patent and trademark litigation costs associated with creating and defending our intellectual property. During fiscal 2025, we incurred approximately $0.4 million in patent litigation and prosecution expense and expect these expenses to be between $0.1 million and $0.3 million during fiscal 2026. There is no assurance we will be able to create new intellectual property, protect our existing intellectual property adequately, or that our intellectual property rights will be upheld. If as we have been in the past, we are again subject to legal proceedings seeking to invalidate our patent rights, such proceedings or the success of the efforts thereby could have a material adverse impact upon our financial condition and results of operations. Furthermore, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as do the laws of the U.S. Additional litigation in the U.S. or abroad may be necessary to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation, even if ultimately determined in our favor, could result in substantial additional costs and diversion of resources and could have a material adverse effect on our business, results of operations and financial condition. If infringement claims are asserted against us, we may seek to obtain a license to use the claiming third party's intellectual property rights. There can be no assurance such a license would be available at all or available on terms acceptable or favorable to us.

Risks Related to Insider Ownership and Corporate Structure

If certain provisions of our Certificate of Incorporation, Bylaws and Delaware law are triggered, the market for our shares may decrease.

Certain provisions in our Certificate of Incorporation, Bylaws and Delaware corporate law may discourage unsolicited proposals to acquire our business, even if such proposals would benefit our stockholders. Those provisions include one that authorizes our Board of Directors, without stockholder approval, to issue up to 500,000 shares of preferred stock having such rights, preferences, and privileges, including voting rights, as the Board of Directors designates. The rights of our common stockholders will be subject to, and may be adversely affected by, the rights of holders of any preferred stock that may be issued in the future. Any or all of these provisions could delay, deter or prevent a takeover of our company and could lower the price investors are willing to pay for our common stock and the number of investors willing to own our common stock.

Collectively, our officers and directors own a significant amount of our common stock, giving them influence over corporate transactions and other matters and potentially limiting the influence of other stockholders on important policy and management issues.

Our officers and directors, together with their families and affiliates, beneficially owned approximately 21% of our outstanding shares of common stock as of June 30, 2025. Approximately 15% of the outstanding shares of common stock are beneficially owned by Mark LeDoux, and his family and affiliates. Mr. LeDoux is our Chief Executive Officer and Chairman of the Board. As a result, our officers and directors, and in particular Mr. LeDoux, could influence such business matters as the election of directors and approval of significant corporate transactions.

Various transactions could be delayed, deferred, or prevented without the approval of stockholders, including the following:

- transactions resulting in a change in control;
- mergers and acquisitions;
- tender offers;
- election of directors; and
- proxy contests.

There can be no assurance that conflicts of interest will not arise with respect to the officers and directors who own shares of our common stock or that conflicts will be resolved in a manner favorable to the Company or our other stockholders.

Risks Related to Future Acquisitions

We may pursue acquisitions of other companies that, if not successful, could adversely affect our business, financial condition and results of operations.

We may pursue acquisitions of companies we believe could complement or expand our business, augment our market coverage, provide us with important relationships or otherwise offer us growth opportunities. Acquisitions involve numerous risks, including the following:

- potential difficulties related to integrating the products, personnel and operations of an acquired company;
- failure to operate efficiently as a combined organization utilizing common information and communication systems, operating procedures, financial controls and human resources practices;
- diverting management's attention from other daily operations of the business;
- entering markets in which we have no or limited prior direct experience and where competitors in such markets have more experience and stronger market positions;
- potential loss of key employees of an acquired company;
- potential inability to achieve cost savings and other potential benefits expected from the acquisition;
- an uncertain sales and earnings stream from an acquired company; and
- potential impairment charges, which may be significant, against goodwill and purchased intangible assets acquired in an acquisition due to changes in conditions and circumstances that occur after the acquisition, many of which may be outside of our control.

There can be no assurance that acquisitions we may pursue will be successful. If we pursue an acquisition but are not successful in completing it, or if we complete an acquisition but are not successful integrating an acquired company's employees, products or operations, our business, financial position or results of operations could be adversely affected.

General Risk Factors

We expect our operating results will vary. Fluctuations in our operating results may adversely affect the share price of our common stock.

Our net sales increased during fiscal 2025 as compared to fiscal 2024 but our loss from operations increased during the same period, and there can be no assurance our net sales will further improve in the near term, or we will earn a profit in any given year. We experienced a net loss in fiscal 2025 and 2024 and may incur losses in the future. Our operating results may fluctuate from year to year and/or from quarter to quarter due to various factors including differences related to the timing of revenues and expenses for financial reporting purposes and other factors described in this report. At times, these fluctuations may be significant. We currently anticipate we will experience a net loss in the first half of fiscal 2026, net income in the second half of fiscal 2026 and net income for the full year in fiscal 2026. Fluctuations in our operating results may adversely affect the share price of our common stock.

Our stock price could fluctuate significantly.

Stock prices in general can be volatile and ours is no different. The trading price of our stock may fluctuate in response to the following, as well as other, factors including but not limited to factors outside of our control:

- broad market fluctuations and general economic and/or political conditions;
- fluctuations in our financial results;
- relatively low trading volumes;

- future offerings of our common stock or other securities;
- the general condition of the nutritional supplement industry;
- increased competition;
- regulatory action;
- adverse publicity;
- manipulative or illegal trading practices by third parties; and
- our and our customers' and suppliers' products and other public announcements.

The market for our stock has historically experienced significant price and volume fluctuations. There can be no assurance that an active market in our stock will continue to exist or that the price of our common stock will not decline. Our future operating results may be below the expectations of securities analysts and investors. If this were to occur, the price of our common stock could decline, perhaps substantially.

From time to time our shares may be listed for trading on one or more foreign exchanges, with or without our prior knowledge or consent. Certain foreign exchanges may have less stringent listing requirements, rules and enforcement procedures than the Nasdaq Global Market or other markets in the U.S., and this may increase the potential for manipulative trading practices to occur on such foreign exchanges. These practices, or the perception by investors that such practices could occur, may increase the volatility of our stock price or result in a decline in our stock price, which in some cases could be significant.

We may not be able to raise additional capital or obtain additional financing if needed.

It is possible our cash from operations could become insufficient to meet our working capital needs and/or to implement our business strategies. In such an event, there can be no assurance our existing line of credit would be sufficient to meet our working capital needs. Furthermore, if we fail to maintain certain loan covenants, we may no longer have access to our credit line. Under the terms of our credit facility, there are limits on our ability to create, incur or assume additional indebtedness without the approval of our lender. Our credit line terminates in December 2026 and there is no guarantee we will be able to extend or renew this credit line on favorable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund potential acquisitions or investments, to refinance existing debt, or for general corporate purposes. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses and potentially lowering our credit ratings. At any given time, it could be difficult for us to raise capital due to a variety of factors, some of which may be outside of our control, including a tightening of credit markets, overall poor performance of stock markets, and/or an economic slowdown in the U.S. or other countries, or in the businesses of our customers. There is no assurance we would be able to market such security issuances on favorable terms, or at all, in which case, if we did not have any alternate funds we might not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, respond to competitive pressures or meet unanticipated customer requirements.

If we were unable to raise additional capital or to obtain additional financing when we want to or need to, that could negatively affect our ability to implement our business strategies and meet our goals. This, in turn, could adversely affect our financial condition and results of operations.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

As part of our overall enterprise risk management function, we have implemented and currently maintain various information security processes designed to identify, assess and manage material risks related to information technology, including cybersecurity threats to our critical computer networks, third-party hosted services, and our critical data, ("Information Systems"). Our Information Systems risk management process evaluates and mitigates cybersecurity risks in alignment with our business objectives and operational needs.

We periodically engage third-party consultants and service providers to obtain an independent assessment regarding internal efforts to prevent threats to our Information Systems. Continuous vigilance over safeguarding the Company's Information Systems has resulted in our current approach and these assessments are shared with our Audit Committee.

Technology

To mitigate the occurrence of an incident as defined by the Company's formal documentation, which classifies and defines the properties of potential threats, the Company has in place a host of defenses which include, but are not limited to, the use of gateway consoles in all our global locations, limited access to key Information Systems from in-office networks or VPN with multi-factor authentication by means of a third-party mobile identity management tool to limit access to authorized users.

Process

Internally to manage potential cybersecurity threats, we have established an Incident Response Plan that is designed to control the workflow of a reported incident. This plan formalizes incidence response stages such that reporting, identification, scope, response, and recovery are executed in a timely manner and identifies the order and coordination of internal and external communication. In addition, the Company addresses crisis management and business continuity with respect to Information Systems to ensure reliable redundancy and recovery of backed-up databases.

Management is not aware of any material security breaches on its Information Systems and risks from cybersecurity threats have not previously materially affected us. Certain of our vendors have experienced cyberattacks in the past and the threat and development of cyberattacks is continuous. It is impossible to say with certainty whether the Company's efforts will prevail in a coordinated attack on its Information Systems. Currently we expect the risks from cybersecurity threats will continue, but are not reasonably likely to materially affect us mostly due to our profile and not because our defenses are impenetrable or the efforts of criminals will not become more sophisticated. A cybersecurity attack on our systems could have a material negative impact upon our business, results of operations or financial condition. For additional information about cybersecurity risks, see Item 1A. "Risk Factors."

Governance

Role of the Board

The Audit Committee of our Board of Directors (the "Board") has the responsibility for the oversight of risk management, including those risks related to cybersecurity. The Board holds strategic planning sessions with senior management to discuss strategies, key challenges, risks and opportunities for mitigation. The involvement of our Board in setting our business strategy is a key part of its oversight of risk management, its assessment of management's appetite for risk, and its determination of what constitutes an appropriate level of risk for us. Our senior management attends meetings of our Board and its committees on a quarterly basis, and management communicates with the Board and its members regularly between Board meetings as otherwise needed and are available to address any questions or concerns raised by our Board on risk management and any other matters.

Role of Management

Our senior management, with the oversight of the Board, is responsible for the day-to-day management of the material risks the Company faces, including those related to cybersecurity. We believe it is important to work at all levels of the Company's hierarchy to manage cybersecurity risks and threats. Therefore, all users must use an online IT ticketing system, which is monitored around the clock, to report any incidents. Qualified individuals in IT determine what resources to allocate to each case and escalation of an incident, if deemed necessary. The Systems Administrators and IT Director, who has more than 18 years of experience with the Company, communicates on a day-to-day basis with the Chief Financial Officer, and President/Chief Operating Officer who would bring any material cybersecurity issues to the attention of the Company's Chief Executive Officer, the Audit Committee, and the Board.

ITEM 2. PROPERTIES

This table summarizes our facilities as of June 30, 2025. We believe our facilities are adequate to meet our operating requirements for the foreseeable future.

Location	Nature of Use	Square Feet	How Held	Lease Expiration Date
Vista, CA USA(1),(2)	Manufacturing, warehousing, packaging and distribution	162,000	Leased	August 2034
Manno, Switzerland(3)	Manufacturing, warehousing, packaging and distribution	85,070	Leased	December 2032
Manno, Switzerland(4)	Warehousing	30,892	Leased	December 2026
Carlsbad, CA USA(5)	Corporate headquarters	20,981	Owned	N/A
Carlsbad, CA USA(6)	Powder filling, packaging, distribution and storage	67,453	Owned	N/A

(1) This facility is used by NAI for its private-label contract manufacturing segment.

(2) At this facility we use approximately 93,000 square feet for production, 60,000 square feet for warehousing and 9,000 square feet for administrative functions. In July 2023, NAI executed an Amendment to the Lease covering this facility. The Amendment, effective April 1, 2024, extended the Lease through August 31, 2034.

(3) This facility is used by NAIE in connection with our private-label contract manufacturing segment. In May 2022, NAIE executed an Amendment to the Lease covering this facility that became effective January 1, 2023 and extended the Lease through December 31, 2032.

(4) This facility is used by NAIE for additional warehouse storage.

(5) We purchased our Carlsbad, California corporate headquarters in March 2016.

(6) We acquired this facility in August 2021 and retrofitted it into a dedicated high-volume powder blending and packaging facility with supplementary raw material storage. This facility became operational in April 2023; was temporarily closed in October 2023 due to a significant reduction in customer orders and subsequently reopened in May 2024.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, product liability, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. While unfavorable outcomes are possible, and sometimes a matter is subsequently determined to be of greater risk. Based on available information, we generally do not believe the resolution of these matters, even if unfavorable, will result in a material adverse effect on our business, consolidated financial condition, or results of operations. Our evaluation of the likely impact of these actions could change in the future, routinely do change, and we could have unfavorable outcomes we do not expect. An unexpected settlement expense or an unexpected unfavorable outcome of a matter could adversely impact our results of operations.

In December 2023 we were sued by three former employees in two separate but substantially identical matters brought by the same law firm. The lawsuits were filed as a putative class action and a Private Attorney General Act ("PAGA") action seeking awards for all similarly situated employees going back ten years or more. We responded to these actions and agreed to submit the matters for mediation. On July 3, 2025, the mediation took place, and a tentative settlement agreement was reached whereby we agreed to contribute a maximum of $1.25 million. We have joined with the plaintiffs in moving the court to consolidate the two actions. The potential settlement has been brought before the court and all similarly situated employees need to be contacted, and they may elect to participate or not. The process of obtaining court approval of the settlement is estimated to take approximately one year. We accrued the maximum settlement amount in our results of operation as of June 30, 2025 along with estimated related legal fees of approximately $0.15 million.

As of September 23, 2025 with exception of these two matters, neither NAI nor NAIE were a party to any material pending legal proceeding nor was any of our property the subject of any material pending legal proceeding. At any given time, we may be involved in one or more matters in the ordinary course of our business.

There is no assurance NAI will prevail in any litigation matters or that litigation expenses will not be greater than anticipated.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the Nasdaq Global Market under the symbol "NAII." Below are the high and low sales prices of our common stock as reported on the Nasdaq Global Market for each quarter of the fiscal years ended June 30, 2025 and 2024:

	Fiscal 2025		Fiscal 2024	
	High	Low	High	Low
First Quarter	$ 6.88	$ 5.10	$ 7.62	$ 5.06
Second Quarter	$ 5.60	$ 4.02	$ 7.37	$ 5.78
Third Quarter	$ 4.40	$ 3.27	$ 6.98	$ 5.65
Fourth Quarter	$ 3.62	$ 2.57	$ 7.26	$ 6.00

Holders

As of September 19, 2025, there were 169 stockholders of record of our common stock. On that same date, the last sales price of our common stock as reported on NASDAQ was $3.12 per share.

Dividends

We have never paid a dividend on our common stock, and we do not intend to pay a dividend in the foreseeable future. Our current policy is to retain all earnings to provide funds for operations and future growth. Additionally, under the terms of our credit facility, we are precluded from paying a dividend while such facility is in place without a waiver from our lender.

Recent Sales of Unregistered Securities

During the fiscal year ended June 30, 2025, we did not sell any unregistered securities.

Repurchases

During the fiscal year ended June 30, 2025, we did not repurchase any shares of our common stock other than shares acquired from employees in exchange for our paying their withholding requirements upon vesting of restricted stock.

Equity Compensation Plan Information

The following table sets forth information regarding outstanding options and shares reserved for future issuance under our existing equity compensation plans as of June 30, 2025:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders	—	$ —	158,877
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	—	$ —	158,877

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide Item 6 disclosure in this Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis is intended to help you understand our financial condition and results of operations as of June 30, 2025 and 2024 and for each of the last two fiscal years then ended. You should read the following discussion and analysis together with our audited consolidated financial statements and the notes to the consolidated financial statements included under Item 8 in this report. Our future financial condition and results of operations will vary from our historical financial condition and results of operations described below based on a variety of factors. You should carefully review the risks described under Item 1A and elsewhere in this report, which identify certain important factors that could cause our future financial condition and results of operations to vary.

Executive Overview

The following overview does not address all of the matters covered in the other sections of this Item 7 or other items in this report or contain all of the information that may be important to our stockholders or the investing public. You should read this overview in conjunction with the other sections of this Item 7, the financial statements and accompanying notes, and this report.

Our primary business activity is providing private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbal and other nutritional supplements, as well as other health care products, to consumers both within and outside the U.S. Historically, our revenue has been largely dependent on sales to two or three private-label contract manufacturing customers and subject to variations in the timing of such customers' orders, which in turn is impacted by such customers' internal marketing programs, supply chain management, entry into new markets, new product introductions, the demand for such customers' products, and general industry and economic conditions. Our revenue also includes raw material sales, royalty and licensing revenue generated from our patent estate pursuant to license and supply agreements with third parties for the distribution and use of the ingredient known as beta-alanine sold under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks.

A cornerstone of our business strategy is to achieve long-term growth and profitability and to diversify our sales base. We have sought and expect to continue to seek to diversify our sales by developing relationships with additional, quality-oriented, private-label contract manufacturing customers, and commercializing our patent estate through sales of beta-alanine under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks, royalties from license agreements, and potentially additional contract manufacturing opportunities with licensees.

During fiscal 2025, our consolidated net sales were 14% higher than in fiscal 2024. Private-label contract manufacturing net sales increased 16% primarily due to increased orders from two of our larger customers and shipments to new customers partially offset by lower sales from our largest customer. Revenue concentration from our largest private-label contract manufacturing customer as a percentage of our total net sales was 33% in fiscal 2025, and revenue concentration from our largest private-label contract manufacturing customer as a percentage of total net sales in fiscal 2024 was 42%.

During fiscal 2025, patent and trademark licensing revenue decreased 4% to $8.1 million as compared to $8.4 million for fiscal 2024. The decrease in patent and trademark licensing revenue was primarily due to decreased material sales from existing customers partially offset by decreased volume rebates and increased royalty income.

We continue to invest in research and development for the expansion of our CarnoSyn® product offerings. We believe SR CarnoSyn® may provide a unique opportunity within the growing Wellness and Healthy Aging markets but acceptance of this product offering has been limited as we only offer this product in tablet form. In August 2024, we announced our new product called TriBsyn™. We believe TriBsyn™ and its patent-pending formulation will allow us to better penetrate the Wellness and Healthy Aging channel. This groundbreaking product is a carnosine booster that utilizes CarnoSyn® beta-alanine and other proprietary technology to increase beta-alanine bioavailability and absorption while effectively eliminating beta-alanine related paresthesia. This product is available as a raw material powder, which allows formulation flexibility for our customers. The elimination of paresthesia while maintaining efficacy of dosage creates a new opportunity to reach segments of the market that to date have been untapped, including older adults, vegetarians, and vegans. We believe our efforts to refine our formulations and product offerings will be positively received and result in significant opportunity for increased sales of our patented products. We are also working on several additional innovations we believe could lead to new patentable products for CarnoSyn® Brands in the future.

To protect and grow our CarnoSyn® product offerings, we incurred litigation and patent compliance expenses of approximately $0.4 million during fiscal 2025 and $0.2 million during fiscal 2024. Our legal expense associated with our CarnoSyn® business has remained relatively low as we have no active litigation, and the current run-rate of expenses is primarily related to maintenance and expansion of our patent and trademark estate. Our ability to maintain or further increase our beta-alanine royalty and licensing revenue will depend in large part on our ability to develop a market for our sustained release form of beta-alanine marketed under our SR CarnoSyn® trademark and our new beta-alanine product marketed under our TriBsyn™ trademark, maintain our patent rights, the availability and the cost of the raw material when and in the amounts needed, the ability to expand distribution of beta-alanine to new and existing customers, and continued compliance by third parties with our license agreements and our patent, trademark and other intellectual property rights. During fiscal 2026, we will continue our sales and marketing activities to consumers, customers, potential customers, and brand owners on multiple platforms to promote and reinforce the features and benefits of utilizing CarnoSyn®, SR CarnoSyn® and TriBsyn™ beta-alanine products.

We experienced a loss during fiscal 2025 that was primarily due to underutilization of our available factory capacities, a valuation allowance against our domestic net deferred income tax assets and the accrual of a litigation settlement associated with a PAGA claim. Although our overall sales forecast for fiscal 2026 includes a significant increase in sales as compared to fiscal 2025, we currently anticipate we will experience a net loss in the first half of fiscal 2026, net income in the second half of fiscal 2026, and net income for the full fiscal 2026 year.

During fiscal 2026, we plan to continue our focus on**:**

- Leveraging our state-of-the-art, certified facilities to increase the value of the goods and services we provide to our highly valued private-label contract manufacturing customers, and assist us in developing relationships with additional quality-oriented customers;

- Expanding the commercialization of our beta-alanine patent estate through raw material sales, developing sales distribution channels in Sports Nutrition, Wellness and Healthy Aging and Medical foods for our SR CarnoSyn® and TriBsyn™ beta-alanine product lines, exploiting new contract manufacturing opportunities, license and royalty agreements, and protecting our proprietary rights; and

- Improving operational efficiencies and managing costs and business risks to improve profitability.

Discussion of Critical Accounting Estimates

We have identified the following as our most critical accounting estimates, which are those that are most important to the portrayal of our financial condition and results, and that require management's most subjective and complex judgments. Information regarding our other significant accounting estimates and policies is disclosed in Note A, Organization and Summary of Significant Accounting Policies, of the notes to the consolidated financial statements.

Revenue Recognition — Revenue is measured as the net amount of consideration expected to be received in exchange for fulfilling one or more performance obligations. For certain contracts with volume rebates, our estimates of future sales used to assess the volume rebate estimates are subject to a high degree of judgement and may differ from actual sales due to, among other things, changes in customer orders and raw material availability.

Results of Operations

The following table sets forth selected consolidated operating results for each of the last two fiscal years, presented as a percentage of net sales (dollars in thousands).

	Fiscal Year Ended					
	June 30, 2025		June 30, 2024		Increase (Decrease)	
Private-label contract manufacturing	$121,779	94%	$105,358	93%	$ 16,421	16%
Patent and trademark licensing	8,081	6%	8,438	7%	(357)	(4)%
Total net sales	129,860	100%	113,796	100%	16,064	14%
Cost of goods sold	120,571	93%	106,931	94%	13,640	13%
Gross profit	9,289	7%	6,865	6%	2,424	35%
Other selling, general & administrative expenses	16,549	13%	15,399	14%	1,150	7%
Settlement of legal proceeding and associated expense	1,400	1%	—	0%	1,400	100%
Loss from operations	(8,660)	(7)%	(8,534)	(7)%	(126)	1%
Other loss, net	(2,080)	(2)%	(930)	(1)%	(1,150)	124%
Loss before income taxes	(10,740)	(8)%	(9,464)	(8)%	(1,276)	13%
Provision (benefit) for income taxes	2,835	2%	(2,247)	(2)%	5,082	(226)%
Net loss	$ (13,575)	(10)%	$ (7,217)	(6)%	$ (6,358)	88%

Private-label contract manufacturing sales increased 16% primarily due to increased orders from two of our larger customers and shipments to new customers partially offset by lower sales from our largest customer. Revenue concentration from our largest private-label contract manufacturing customer as a percentage of our total net sales was 33% in fiscal 2025, and revenue concentration from our largest private-label contract manufacturing customer as a percentage of total net sales in fiscal 2024 was 42%.

Net sales from our patent and trademark licensing segment decreased 4% during fiscal 2025. The decrease in patent and trademark licensing revenue was primarily due to decreased orders from existing customers partially offset by decreased volume rebates and increased royalty income.

The change in gross profit margin for the year ended June 30, 2025, was as follows:

	Percentage Change
Contract manufacturing (1)	1.4
Patent and trademark licensing (2)	(0.2)
Total change in gross profit margin	1.2

1 Private-label contract manufacturing gross profit margin contribution increased 1.4 percentage points in fiscal 2025 as compared to fiscal 2024. The increase in gross profit as a percentage of sales for private-label contract manufacturing is primarily due to a favorable change in product sales mix, partially offset by a marginal increase in manufacturing overhead costs.

2 During fiscal 2025, patent and trademark licensing gross profit margin contribution decreased 0.2 percentage points as compared to fiscal 2024. The decrease in margin contribution during the year ended June 30, 2025 was primarily due to decreased patent and trademark licensing net sales as a percentage of total consolidated net sales, as patent and trademark licensing historically provides higher profit margins than our private-label contract manufacturing business.

Selling, general and administrative expenses, excluding litigation settlement expenses, increased $1.2 million, or 7% to $16.5 million in fiscal 2025 as compared to $15.4 million in fiscal 2024. This increase is primarily due to increased compensation and benefits costs, legal expenses associated with new patent and tradename registrations, rent, and outside sales commissions. Fiscal 2025 results of operations also included a $1.4 million expense associated with an accrued litigation settlement and related legal costs associated with a PAGA claim.

Other expense, net, increased $1.2 million during fiscal 2025 as compared to fiscal 2024. The increase is primarily due to unfavorable foreign currency exchange volatility and increased interest expense due to increased interest rates and usage of our credit facility.

We recorded an income tax provision of $2.8 million during fiscal 2025 as compared to a tax benefit of $2.2 million in fiscal 2024. The change in our income tax provision in fiscal 2025 compared to the benefit recorded in fiscal 2024 is primarily driven by a $4.8 million valuation allowance that was recognized in fiscal 2025 against our net domestic deferred income tax asset.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flows provided by operating activities and the availability of borrowings under our credit facilities. Net cash provided by operating activities was $5.9 million in fiscal 2025 compared to net cash used in operating activities of $1.5 million in fiscal 2024.

For the year ended June 30, 2025, changes in accounts receivable provided $2.2 million in cash compared to using $9.9 million in fiscal 2024. The increase in cash provided by accounts receivable during fiscal 2025 primarily resulted from timing of sales and the related collections. Days sales outstanding increased to 44 days during fiscal 2025 compared to 38 days during fiscal 2024, primarily due to customer sales mix and timing of sales and the related collections.

Inventory used $0.6 million in cash during fiscal 2025 compared to providing $5.4 million in fiscal 2024. The change in cash activity from inventory was primarily related to the difference in the amount and timing of orders and anticipated sales in fiscal year 2025 as compared to fiscal year 2024. Changes in accounts payable and accrued liabilities provided $2.9 million in cash during fiscal 2025 compared to providing $5.4 million during fiscal 2024. The change in cash flow activity related to accounts payable and accrued liabilities is primarily due to the timing of inventory receipts and payments.

Cash used in investing activities in fiscal 2025 was $3.6 million compared to $3.0 million in fiscal 2024. The primary reason for this change is due to increased capital expenditures. Capital expenditures in fiscal 2025 included costs incurred to install solar energy generation equipment on our manufacturing facilities. Capital expenditures in fiscal 2024 included normal expenditures to support equipment and activities in our facilities in California and Switzerland.

Cash used in financing activities in fiscal 2025 was $2.0 million, compared to $2.9 million provided in fiscal 2024. The change in financing activities includes net payments of $1.5 million on outstanding short-term borrowings on our line of credit in fiscal 2025 compared to a $3.4 million increase in short-term net borrowings on our line of credit in fiscal 2024.

At June 30, 2025, we had $9.9 million of borrowing capacity available on our credit facility of which we had outstanding borrowings of $1.9 million. We also owed $8.9 million on a term loan that was borrowed as part of the purchase of our Carlsbad, California manufacturing facility in August 2021. At June 30, 2024, we had $12.0 million of borrowing capacity available on our credit facility of which we had outstanding borrowings of $3.4 million. We also owed $9.2 million on the term loan.

For the quarter ended June 30, 2025, we were not in compliance with the minimum net income and fixed charge coverage ratio covenants of our credit agreement, but these defaults were prospectively waived by the Sixth Amendment to our credit facility, as discussed below.

As of June 30, 2025, we had $12.3 million in cash and cash equivalents of which $11.9 million was held by NAIE. Overall, we believe our available cash, cash equivalents, potential cash flows from operations, and our line of credit will be sufficient to fund our current working capital needs and capital expenditures through at least the next 12 months. On June 20, 2025, we entered into an amended credit facility with Wells Fargo Bank, National Association ("Wells Fargo"). The amended credit facility extended the maturity date of our credit facility to December 31, 2026, decreased the maximum principal amount that can be borrowed from $12.5 million to $10.0 million, waived all prior events of default, prospectively waived the anticipated covenant violations for the quarter ending June 30, 2025, and modified the financial covenants for the first quarter of fiscal 2026 and beyond. We anticipate we will not be able to comply with all of the covenants required under the modified Credit Agreement in the first half of fiscal 2026, primarily related to the impact on the fixed charge coverage ratio calculation due to the unexpected recognition of the litigation expense and valuation allowance on our net deferred tax assets during the fourth quarter of fiscal 2025. We have advised our lender and are currently negotiating a potential revision to our credit agreement. There can be no assurance we will be able to successfully complete the negotiation of a revised credit facility, or what the differences in amount, cost and other factors may be. Please see Note F in Item 8 of this report for terms of our current modified line of credit.

Off-Balance Sheet Arrangements

As of June 30, 2025, we did not have any significant off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons, in each case that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses material to investors.

Inflation

During fiscal 2025, we experienced continued price increases for product raw material, and other increased operational costs related to inflationary pressure though to a lesser degree than in fiscal 2024. We currently believe increasing raw material and product cost pricing pressures will continue throughout fiscal 2026 as a result of limited supplies of various ingredients, the effects of higher labor and transportation costs, interest rates, tariffs, and global fuel and energy costs. We anticipate current inflation rates will have a negative impact on our fiscal 2026 operations, and we are monitoring the drivers and working with suppliers and customers to mitigate the impact on our results.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included under Note A in the notes to our consolidated financial statements which are included under Item 8 of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide Item 7A disclosure in this Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Natural Alternatives International, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Natural Alternatives International, Inc. (the "Company") as of June 30, 2025 and 2024, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended June 30, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2025 and 2024, and the consolidated results of its operations and its cash flows for each of the two years in the period ended June 30, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ HASKELL & WHITE LLP

We have served as the Company's auditor since 2014.

Irvine, California
September 23, 2025

Natural Alternatives International, Inc.
Consolidated Balance Sheets
As of June 30
(Dollars in thousands, except share and per share data)

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 12,325	$ 11,981
Accounts receivable – less allowance for credit losses of $0 at June 30, 2025 and June 30, 2024	14,644	16,891
Inventories, net	24,871	24,249
Income tax receivable	276	—
Forward contracts	368	492
Prepaids and other current assets	6,792	7,997
Total current assets	59,276	61,610
Property and equipment, net	50,890	52,211
Operating lease right-of-use assets	41,054	43,537
Deferred tax asset, net – noncurrent	—	3,170
Other noncurrent assets, net	719	1,814
Total assets	$ 151,939	$ 162,342
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,352	$ 12,740
Accrued liabilities	3,105	2,847
Accrued compensation and employee benefits	2,173	2,090
Customer deposits	1,364	302
Short-term liability – operating leases	2,227	1,194
Forward contracts	1,967	91
Income taxes payable	411	505
Mortgage note payable, current portion	305	296
Line of credit – current	1,900	3,400
Total current liabilities	28,804	23,465
Long-term liability – operating leases	45,970	46,468
Long-term pension liability	111	141
Mortgage note payable, net of current portion	8,628	8,933
Income taxes payable, noncurrent	—	740
Total liabilities	83,513	79,747
Commitments and contingencies (Notes D, F, H, J and M)		
Stockholders' equity:		
Preferred stock; $.01 par value; 500,000 shares authorized; none issued or outstanding	—	—
Common stock; $.01 par value; 20,000,000 shares authorized at June 30, 2025 and June 30, 2024, issued and outstanding (net of treasury shares) 6,178,213 at June 30, 2025 and 6,200,185 at June 30, 2024	93	93
Additional paid-in capital	33,611	32,634
Retained earnings	59,391	72,966
Treasury stock, at cost, 3,326,693 shares at June 30, 2025 and 3,280,721 at June 30, 2024	(23,254)	(23,076)
Accumulated other comprehensive loss	(1,415)	(22)
Total stockholders' equity	68,426	82,595
Total liabilities and stockholders' equity	$ 151,939	$ 162,342

See accompanying notes to consolidated financial statements.

Natural Alternatives International, Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended June 30
(Dollars in thousands, except share and per share data)

	2025	2024
Net sales	$ 129,860	$ 113,796
Cost of goods sold	120,571	106,931
Gross profit	9,289	6,865
Other selling, general and administrative expenses	16,549	15,399
Settlement of legal proceeding and associated expense	1,400	—
Loss from operations	(8,660)	(8,534)
Other income (expense):		
Interest income	168	176
Interest expense	(915)	(361)
Foreign exchange loss	(1,340)	(652)
Other, net	7	(93)
Total other expense	(2,080)	(930)
Loss before income taxes	(10,740)	(9,464)
Provision (benefit) for income taxes	2,835	(2,247)
Net loss	$ (13,575)	$ (7,217)
Change in minimum pension liability, net of tax	$ 50	$ 102
Unrealized loss resulting from change in fair value of derivative instruments, net of tax	(1,443)	(41)
Comprehensive loss	$ (14,968)	$ (7,156)
Net loss per common share:		
Basic	$ (2.28)	$ (1.23)
Diluted	$ (2.28)	$ (1.23)
Weighted average common shares outstanding:		
Basic	5,946,520	5,870,974
Diluted	5,946,520	5,870,974

See accompanying notes to consolidated financial statements.

Natural Alternatives International, Inc.
Consolidated Statements of Stockholders' Equity
For the Years Ended June 30
(Dollars in thousands)

	Common Stock		Additional Paid-in	Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Shares	Amount	Income (Loss)	Total
Balance, June 30, 2023	9,314,406	$ 91	$ 31,436	$ 80,183	3,240,593	$ (22,855)	$ (83)	$ 88,772
Issuance of common stock for restricted stock grants	166,500	2	(2)	—	—	—	—	—
Compensation expense related to stock compensation plans	—	—	1,200	—	—	—	—	1,200
Repurchase of common stock	—	—	—	—	37,128	(221)	—	(221)
Forfeiture of restricted stock	—	—	—	—	3,000	—	—	—
Change in minimum pension liability, net of tax	—	—	—	—	—	—	102	102
Unrealized loss resulting from change in fair value of derivative instruments, net of tax	—	—	—	—	—	—	(41)	(41)
Net loss	—	—	—	(7,217)	—	—	—	(7,217)
Balance, June 30, 2024	9,480,906	$ 93	$ 32,634	$ 72,966	3,280,721	$ (23,076)	$ (22)	$ 82,595
Issuance of common stock for restricted stock grants	24,000	—	—	—	—	—	—	—
Compensation expense related to stock compensation plans	—	—	977	—	—	—	—	977
Repurchase of common stock	—	—	—	—	45,972	(178)	—	(178)
Change in minimum pension liability, net of tax	—	—	—	—	—	—	50	50
Unrealized loss resulting from change in fair value of derivative instruments, net of tax	—	—	—	—	—	—	(1,443)	(1,443)
Net loss	—	—	—	(13,575)	—	—	—	(13,575)
Balance, June 30, 2025	9,504,906	$ 93	$ 33,611	$ 59,391	3,326,693	$ (23,254)	$ (1,415)	$ 68,426

See accompanying notes to consolidated financial statements.

Natural Alternatives International, Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30
(in thousands)

	2025	2024
Cash flows from operating activities		
Net loss	$ (13,575)	$ (7,217)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Settlement of legal proceeding and associated expense	1,400	—
Depreciation and amortization	4,560	4,647
Deferred income taxes	3,613	(2,907)
Non-cash lease expenses	7,254	6,083
Non-cash compensation	977	1,200
Pension expense, net of contributions	81	46
Loss on disposal of assets	49	—
Changes in operating assets and liabilities:		
Accounts receivable	2,247	(9,869)
Inventories	(622)	5,445
Prepaids and other assets	2,223	(1,597)
Accounts payable and accrued liabilities	2,858	5,387
Operating lease liabilities	(4,235)	(3,003)
Forward contracts	176	372
Income taxes	(1,110)	189
Accrued compensation and employee benefits	36	(273)
Net cash provided by (used in) operating activities	5,932	(1,497)
Cash flows from investing activities		
Purchases of property and equipment	(3,614)	(3,017)
Net cash used in investing activities	(3,614)	(3,017)
Cash flows from financing activities		
(Payments) Borrowings on line of credit	(1,500)	3,400
Repurchase of common stock	(178)	(221)
Payments on long-term debt	(296)	(288)
Net cash (used in) provided by financing activities	(1,974)	2,891
Net increase (decrease) in cash and cash equivalents	344	(1,623)
Cash and cash equivalents at beginning of year	11,981	13,604
Cash and cash equivalents at end of year	$ 12,325	$ 11,981
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Income taxes	$ 323	$ 463
Interest	$ 814	$ 285

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Organization and Summary of Significant Accounting Policies

Organization

We provide private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbs, and other nutritional supplements, as well as other health care products, to consumers both within and outside the U.S. We also seek to commercialize our patent and trademark estate related to the ingredient known as beta-alanine sold under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks through raw material and finished product sales and various license and similar arrangements.

Subsidiaries

On January 22, 1999, Natural Alternatives International Europe S.A., a Swiss Corporation (NAIE) was formed as our wholly owned subsidiary, based in Manno, Switzerland. In September 1999, NAIE opened a manufacturing facility and currently possesses manufacturing capability in encapsulation, powders, tablets, finished goods packaging, quality control laboratory testing, warehousing, distribution and administration.

Principles of Consolidation

The consolidated financial statements include the accounts of Natural Alternatives International, Inc. (NAI) and our wholly owned subsidiary, NAIE. All intercompany accounts and transactions have been eliminated. The functional currency of NAIE, our foreign subsidiary, is the U.S. Dollar. Certain accounts of NAIE have been translated at either current or historical exchange rates, as appropriate, with gains and losses included in the consolidated statements of operations.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". This amendment improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendment in this update is effective for fiscal years beginning after December 15, 2023, and interim periods with fiscal years beginning after December 15, 2024. We adopted this guidance in fiscal 2025 and will adopt the guidance in interim periods beginning in fiscal 2026. The adoption of ASU 2023-07 did not materially impact our results of operations or our financial statement presentation or related disclosures.

Recently Issued Accounting and Regulatory Pronouncements

In November of 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses presented in the Consolidated Statements of Operations and Comprehensive Loss. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. ASU 2024-03 allows for early adoption and requires prospective application to financial statements issued for reporting periods after the effective date of ASU 2024-03, and it allows for election to retrospectively adopt to any or all comparatively presented prior periods in the financial statements beginning before the effective date. This ASU will be adopted in our annual financial statements for the year ending June 30, 2028. We are currently evaluating the impact of this standard; however, we do not expect it to have a material impact on our Consolidated Financial Statements.

In October 2023, the FASB issued Accounting Standards Update ("ASU") 2023-06, "Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative". ASU 2023-06 clarifies or improves disclosure and presentation requirements on various disclosure areas, including the statement of cash flows, earnings per share, debt, equity, and derivatives. The amendments will align the requirements in the FASB Accounting Standards Codification (ASC) with the SEC's regulations. The amendments in this ASU will be effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will not be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited. As we are currently subject to these SEC requirements, this ASU is not expected to have a material impact on our Consolidated Financial Statements or related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. This ASU will be adopted in our annual financial statements for the year ending June 30, 2026. We are currently evaluating the impact of this standard; however, we do not expect it to have a material impact on our Consolidated Financial Statements.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use a three-level hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available under the circumstances.

The fair value hierarchy is broken down into three levels based on the source of inputs. In general, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. We classify cash, cash equivalents, and marketable securities balances as Level 1 assets. The approximate fair value of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings is equal to book value due to the short-term nature of these items. Fair values determined by Level 2 inputs are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and models for which all significant inputs are observable or can be corroborated, either directly or indirectly by observable market data. Level 3 inputs are unobservable inputs for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Except for cash and cash equivalents, as of June 30, 2025 and June 30, 2024, we did not have any financial assets or liabilities classified as Level 1. We classify derivative forward exchange contracts as Level 2 assets and liabilities. The fair values were determined by obtaining pricing from our bank.

Fair value of derivative instruments classified as Level 2 assets and liabilities consisted of the following (in thousands):

	June 30, 2025	June 30, 2024
Interest Swap – Other Current Assets	$ —	$ 111
Euro Forward Contract– Current Assets	—	492
Swiss Franc Forward Contract – Current Assets	368	—
Total Derivative Contracts – Current Assets	368	603
Euro Forward Contract– Other Noncurrent Assets	—	78
Total Derivative Contracts – Other Noncurrent Assets	—	78
Euro Forward Contract–Current Liabilities	(1,704)	—
Swiss Franc Forward Contract – Current Liabilities	(263)	(91)
Total Derivative Contracts – Current Liabilities	(1,967)	(91)
Fair Value Net Asset – all Derivative Contracts	$ (1,599)	$ 590

We also classify any outstanding line of credit and term loan balance as a Level 2 liability, as the fair value is based on inputs that can be derived from information available in publicly quoted markets. As of June 30, 2025, we had $1.9 million outstanding on our line of credit and of $8.9 million outstanding on our term loan. As of June 30, 2024, we had $3.4 million outstanding on our line of credit and $9.2 million outstanding on our term loan. As of June 30, 2025 and June 30, 2024, we did not have any financial assets or liabilities classified as Level 3. We did not transfer any assets or liabilities between these levels during fiscal 2025 or fiscal 2024.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based on payment history and expected future customer credit-worthiness. An allowance for estimated credit losses is maintained based on, but not limited to, historical collection experience, current customer financial condition, current and future economic and market conditions, and age of receivables to identify any customer credit issues. We monitor our expected collections regularly and adjust the allowance for credit loss accounts as necessary to recognize any changes in credit exposure. Upon conclusion that a receivable is uncollectible, we record the respective amount as a charge against allowance for credit losses. To date, such credit loss reserves, in the aggregate, have been adequate to cover collection losses.

Inventories

We operate primarily as a private-label contract manufacturer. We make products based upon anticipated demand or following receipt of customer specific purchase orders. From time to time, we make inventory for private-label contract manufacturing customers under a specific purchase order with delivery dates that may subsequently be rescheduled or canceled at the customer's request. We value inventory at the lower of cost (first-in, first-out) or net realizable value on an item-by-item basis, including costs for raw materials, labor and manufacturing overhead. We establish reserves equal to all or a portion of the related inventory to reflect situations in which the cost of the inventory is not expected to be recovered. This requires us to make estimates regarding the market value of our inventory, including an assessment for excess and obsolete inventory. Once we establish an inventory reserve in a fiscal period, the reduced inventory value is maintained until the inventory is sold or otherwise disposed of. In evaluating whether inventory is stated at the lower of cost or net realizable value, management considers such factors as the amount of inventory on hand, the estimated time required to sell such inventory, the remaining shelf life and efficacy, the foreseeable demand within a specified time horizon and current and expected market conditions. Based on this evaluation, we record adjustments to cost of goods sold to adjust inventory to its net realizable value.

Property and Equipment

We state property and equipment at cost. Depreciation of property and equipment is provided using the straight-line method over their estimated useful lives, generally ranging from 1 to 39 years. We amortize leasehold improvements using the straight-line method over the shorter of the useful life of the improvement or the term of the lease. Maintenance and repairs are expensed as incurred. Significant expenditures that increase economic useful lives of property or equipment are capitalized and expensed over the useful life of such expenditure.

Impairment of Long-Lived Assets

We periodically evaluate the carrying value of long-lived assets to be held and used when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During fiscal 2025 and 2024, we recognized no impairment losses.

Derivative Financial Instruments

We may use derivative financial instruments in the management of our foreign currency exchange risk inherent in our forecasted sales denominated in Euros and Swiss Francs, our long-term lease liability denominated in Swiss Francs and our exposure to interest rate fluctuations related to our term-note with Wells Fargo.

We may hedge our foreign currency exposures by entering into offsetting forward exchange contracts. To the extent we use derivative financial instruments that meet the relevant criteria, we account for them as cash flow hedges. Foreign exchange derivative instruments that do not meet the criteria for cash flow hedge accounting are marked-to-market through the Consolidated Statements of Operations and Comprehensive Loss. Historically, our cash flow derivative instruments related

to our Euro sales have met the criteria for hedge accounting, while our derivative instruments related to our long-term lease liability have not. In the fourth quarter of fiscal 2025, we began hedging our currency risk associated with sales denominated in Swiss Franc and these derivative instruments meet the criteria for cash flow hedge accounting.

We recognize any unrealized gains and losses associated with derivative instruments accounted for as cash flow hedges in income in the period in which the underlying hedged transaction is realized. To the extent the derivative instrument is deemed ineffective we would recognize the resulting gain or loss in income at that time. As of June 30, 2025, we held derivative contracts designated as cash flow hedges primarily to protect against the foreign exchange risks inherent in our forecasted sales of products at prices denominated in currencies other than the U.S. Dollar, which are the Euro and Swiss Franc. As of June 30, 2025, the notional amounts of our foreign exchange contracts were $35.5 million (€31.2 million) for Euro sales and $6.8 million (CHF 5.4 million) for Swiss Franc sales. These contracts will mature over the next 11 months.

As of June 30, 2025, we held foreign currency contracts not designated as cash flow hedges primarily to protect against changes in valuation of our long-term lease liability associated with our Swiss manufacturing and storage facilities. As of June 30, 2025, the notional amounts of our foreign currency contracts not designated as cash flow hedges were $11.8 million (CHF 9.5 million). These contracts will mature in the first quarter of fiscal year 2026.

We are exposed to interest rate fluctuations related to our $10.0 million Term Note with Wells Fargo, which carries a variable interest rate of 1.80% above the SOFR rolling 30-day average. To manage our exposure to this variable rate, on August 23, 2021, we entered into a floored interest rate swap that fixes our all-in rate on this loan to 2.4% for the first three years of the term loan which expired on September 3, 2024.

Defined Benefit Pension Plan

We formerly sponsored a defined benefit pension plan. Effective June 21, 1999, we adopted an amendment to freeze benefit accruals to the participants. The plan obligation and related assets of the plan are presented in the notes to the consolidated financial statements. Plan assets, which consist primarily of marketable equity and debt instruments, are valued based upon third party market quotations. Independent actuaries, through the use of a number of assumptions, determine plan obligations and annual pension expense. Key assumptions in measuring the plan obligations include the discount rate and estimated future return on plan assets. In determining the discount rate, we use an average long-term bond yield. Asset returns are based on the historical returns of multiple asset classes to develop a risk free rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk free rate of return and the associated risk premium. A weighted average rate is developed based on the overall rates and the plan’s asset allocation.

Revenue Recognition

We record revenue based on a five-step model which includes: (1) identifying a contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price among the performance obligations; and (5) recognizing revenue as each of the various performance obligations are satisfied.

Revenue is measured as the net amount of consideration expected to be received in exchange for fulfilling one or more performance obligations. We identify purchase orders from customers as contracts. The amount of consideration expected to be received and revenue recognized includes estimates of variable consideration, including estimates for early payment discounts, volume rebates, and contractual discounts. Such estimates are calculated using historical averages adjusted for any expected changes due to current business conditions and experience. We review and update these estimates at the end of each reporting period, and the impact of any adjustment is recognized in the period the adjustments are identified. In assessing whether collection of consideration from a customer is probable, we consider both the customer's ability and intent to pay the amount of consideration when it is due. Payment of invoices is due as specified in the underlying customer agreement, which is typically 30 days from the invoice date. Invoices are generally issued on the date of transfer of control of the products ordered to the customer.

Revenue is recognized at the point in time that each of our performance obligations is fulfilled, and control of the ordered products is transferred to the customer. This transfer occurs when the product is shipped, or in some cases, when the product is delivered to the customer. We recognize revenue in certain circumstances before delivery to the customer has occurred (commonly referred to as bill-and-hold transactions). Products sold under bill-and-hold arrangements are recorded as revenue when risk of ownership has been transferred to the customer, but the product has not shipped due to a substantive reason, typically at the customer’s request. The product must be separately identified as belonging to the customer, ready for physical transfer to the customer, and we cannot have the ability to redirect the product to another customer.

We provide early payment discounts to certain customers. We evaluate the likelihood of customers taking advantage of these discounts based on historical payment trends. The cost of these discounts is reported as a reduction to the transaction price. If the actual discounts differ from those estimated, the difference is also reported as a change in the transaction price. We require prepayment from certain customers. We record any payments received in advance of contracts fulfillment as a contract liability, and they are classified as customer deposits on the consolidated balance sheet.

Contract liabilities and revenue recognized were as follows (in thousands):

	June 30, 2024	Additions	Revenue Recognized	Customer Refunds	June 30, 2025
Contract Liabilities (Customer Deposits).....	$ 302	$ 4,371	$ (3,309)	$ —	$ 1,364

	June 30, 2023	Additions	Revenue Recognized	Customer Refunds	June 30, 2024
Contract Liabilities (Customer Deposits).....	$ 317	$ 2,500	$ (2,515)	$ —	$ 302

Except for product defects, no right of return exists on the sale of our products. We estimate returns based on historical experience and recognize a returns liability for any estimated returns. As of June 30, 2025, we have $11,000 in our returns reserve.

We currently own certain U.S. patents, and each patent's corresponding foreign patent applications. All of these patents and patent rights relate to the ingredient known as beta-alanine marketed and sold under our CarnoSyn®, SR CarnoSyn® and TriBsyn™ trademarks. We recorded beta-alanine raw material sales and royalty and licensing income as a component of revenue in the amount of $8.1 million during fiscal 2025 and $8.4 million during fiscal 2024. These royalty income and raw material sale amounts resulted in royalty expense paid to the original patent holders from whom NAI acquired its patents and patent rights. We recognized royalty expense as a component of cost of goods sold in the amount of $0.3 million during fiscal 2025 and $0.3 million during fiscal 2024.

Cost of Goods Sold

Cost of goods sold includes raw material, labor, manufacturing overhead, royalty expense, shipping, and customer related research and development costs.

Shipping and Handling Costs

We include fees earned on the shipment of our products to customers in sales and include costs incurred on the shipment of product to customers in costs of goods sold.

Research and Development Costs

As part of the services we provide to our private-label contract manufacturing customers, we may perform, but are not obligated to perform, certain research and development activities related to the development or improvement of their products. While our customers typically do not pay directly for this service, the cost of this service is included as a component of the price we charge to manufacture and deliver their products. We also direct and participate in clinical research studies, often in collaboration with scientists and research institutions, to validate the benefits of a product and provide scientific support for product claims and marketing initiatives.

Research and development costs are expensed when incurred. Our research and development expenses for the last two fiscal years ended June 30 were $1.8 million for fiscal 2025 and $1.9 million for fiscal 2024. These costs are included in selling, general and administrative expenses and cost of goods sold.

Advertising Costs

We expense the production costs of advertising the first time the advertising takes place. We incurred and expensed advertising costs in the amount of $0.4 million during the fiscal year ended June 30, 2025 and $0.3 million during fiscal 2024. These costs are included in selling, general and administrative expenses.

Income Taxes

To determine our annual provision for income taxes, we use an estimated annual effective tax rate that is based on annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions to which we are subject. We recognize interest and penalties related to uncertain tax positions, if any, as an income tax expense.

We record valuation allowances to reduce our deferred tax assets to an amount that we believe is more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will ultimately be realized based on whether future taxable income will be generated during the periods in which those temporary differences become deductible. During the year ended June 30, 2025, we recorded a valuation allowance against deferred income tax assets of $4.8 million, representing the amount of our deferred income tax assets in excess of our deferred income tax liabilities. We recorded the valuation allowance because management was unable to conclude, in light of the cumulative loss we have realized related to our US-based operations in recent years, that realization of the net deferred income tax asset was more likely than not. The valuation allowance recorded during fiscal 2025 primarily related to fiscal 2025 and prior net operating loss carry forwards and changes in other deferred tax items recognized during fiscal 2025. As a result of the recognition of these valuation adjustments, we have a $4.8 million net deferred tax asset offset by a valuation allowance of $4.8 million resulting in a net deferred tax asset of $0 as of June 30, 2025. This valuation allowance did not have any effect on the tax expense and related liability recorded for operating income recognized by NAIE during the year ended June 30, 2025.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured and recorded using enacted tax rates for each of the jurisdictions in which we operate, and adjusted using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or expense in the period that includes the enactment date.

We account for uncertain tax positions using the more-likely-than-not recognition threshold. It is our policy to establish reserves based on management's assessment of exposure for certain positions taken in previously filed tax returns that may become payable upon audit by tax authorities. Our tax reserves are analyzed quarterly, and adjustments are made as events occur that we believe warrant adjustments to the reserves. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of June 30, 2025 and June 30, 2024, we did not record any tax liabilities for uncertain tax positions.

Stock-Based Compensation

Our current omnibus equity incentive plan that became effective January 1, 2021 (the "2020 Plan"), which was approved by our stockholders at the Annual Meeting of Stockholders on December 4, 2020. Under the 2020 Plan, we may grant nonqualified and incentive stock options, restricted stock grants, restricted stock units, stock appreciation rights, and other stock-based awards to employees, non-employee directors and consultants.

We estimate the fair value of stock option awards at the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the use of highly subjective assumptions. Black-Scholes uses assumptions related to volatility, the risk-free interest rate, the dividend yield (which we assume to be zero, as we have not paid any cash dividends) and employee exercise behavior. Expected volatilities used in the model are based on the historical volatility of our stock price. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect in the period of grant. The expected life of stock option grants is derived from historical experience. The fair value of restricted stock shares granted is based on the market price of our common stock on the date of grant. We amortize the estimated fair value of our stock awards to expense over the related vesting periods.

We recognize forfeitures as they occur.

Use of Estimates

Our management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). Actual results could differ from those estimates and our assumptions may prove to be inaccurate.

Net Loss per Common Share

We compute basic net loss per common share using the weighted average number of common shares outstanding during the year, and diluted net loss per common share using the additional dilutive effect of all dilutive securities. The dilutive impact of stock options and restricted shares account for the additional weighted average shares of common stock outstanding for our diluted net income per common share computation. We calculated basic and diluted net (loss) income per common share as follows (in thousands, except per share data):

	For the Years Ended June 30,	
	2025	2024
Numerator		
Net loss	$ (13,575)	$ (7,217)
Denominator		
Basic weighted average common shares outstanding	5,947	5,871
Dilutive effect of stock options and restricted stock shares	—	—
Diluted weighted average common shares outstanding	5,947	5,871
Basic net loss per common share	$ (2.28)	$ (1.23)
Diluted net loss per common share	$ (2.28)	$ (1.23)

We exclude the impact of restricted stock from the calculation of diluted net loss per common share in periods where we have a net loss or when their inclusion would be antidilutive. During the year ended June 30, 2025, we excluded 222,551 shares of unvested restricted stock. For the year ended June 30, 2024 we excluded restricted stock totaling 232,574, as their impact would have been anti-dilutive.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We place our cash and cash equivalents with highly rated financial institutions. Credit risk with respect to receivables is primarily concentrated with our three largest customers, whose receivable balances collectively represented 67.8% of gross accounts receivable at June 30, 2025 and 72.6% at June 30, 2024.

Additionally, amounts due related to our beta-alanine raw material sales were 6.8% of gross accounts receivable at June 30, 2025 and 4.4% of gross accounts receivable at June 30, 2024. Concentrations of credit risk related to the remaining accounts receivable balances are limited due to the number of customers comprising our remaining customer base.

B. Inventories

Inventories, net, consisted of the following at June 30 (in thousands):

	2025	2024
Raw materials	$ 17,632	$ 18,489
Work in progress	3,943	3,362
Finished goods	4,054	3,038
Reserves	(758)	(640)
	$ 24,871	$ 24,249

C. Property and Equipment

Property and equipment consisted of the following at June 30 (dollars in thousands):

	Depreciable Life In Years	2025	2024
Land	NA	$ 8,940	$ 8,940
Building and building improvements	7 – 39	24,650	24,723
Machinery and equipment	3 – 12	41,311	43,631
Office equipment and furniture	3 – 5	6,936	6,765
Vehicles	3	237	237
Leasehold improvements	1 – 20	24,788	23,223
Total property and equipment		106,862	107,519
Less: accumulated depreciation and amortization		(55,972)	(55,308)
Property and equipment, net		$ 50,890	$ 52,211

During fiscal year 2025, we disposed of machinery and equipment primarily due to obsolescence with total original value of $3.945 million and related accumulated depreciation of $3.896 million resulting in a loss on disposal of assets of $49,000.

Depreciation and amortization expense was $4.6 million in both fiscal 2025 and fiscal 2024.

D. Leases

We currently lease our Vista, California and Lugano, Switzerland product manufacturing and support facilities. At the inception of a contract, we assess whether the contract is, or contains, a lease. Our assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period of the contract, and (3) whether we have the right to direct the use of the asset during such time period. At inception of a lease, we allocate the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments.

On July 18, 2023, we entered into a Fourth Amendment to the Lease of our Vista, California manufacturing facility. The Fourth Amendment extends the term of the Lease by an additional ten years and five months commencing April 1, 2024. The amended lease covering two buildings and approximately 162,000 square feet will result in an increase in base rent to $1.50 per square foot, after five free months of base rent beginning at the commencement of the extended term. NAI intends to construct substantial improvements to the facilities including but not limited to installation of an approximately $2.3 million solar electrical generating system on both buildings, and other substantial improvements. Pursuant to the Fourth Amendment, the Landlord will reimburse NAI for up to $1.1 million of these tenant improvements to the buildings. Our lease liability and right of use asset were both increased by approximately $25.9 million as a result of this lease extension effective on the date that the Fourth Amendment was executed.

On January 26, 2024, we exercised the early termination of an apartment lease in Lugano, Switzerland. The early termination reduced the lease term by 9 years and 8 months thus ending on April 30, 2024. Our lease liability and right of use asset were both decreased by approximately $0.3 million as a result of the early termination of the lease agreement. On January 22, 2024, we entered into a lease for a new apartment in Lugano, Switzerland. This lease is for an initial term of 27 months beginning April 1, 2024 and ending on June 30, 2026.

Leases are classified as either finance leases or operating leases. A lease must be classified as a finance lease if any of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset, or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any of these criteria. Substantially all our operating leases are comprised of payments for the use of manufacturing and office space. We have no leases classified as finance leases. As of June 30, 2025, the weighted average remaining lease term for our operating leases was 8.6 years. The weighted average discount rate for our operating leases was 5.94%. As of June 30, 2024, the weighted average remaining lease term for our operating leases was 9.5 years and the weighted average discount rate was 5.92%. The lease discount rate is determined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

For all leases at the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our secured incremental borrowing rate for the same term as the underlying lease. For our real estate and other operating leases, we use our secured incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following: the fixed noncancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early. Certain leases contain escalation clauses. Fixed escalation clauses are included in our calculation of right-of-use assets and operating lease liabilities. Escalation clauses based on the CPI (Consumer Price Index) are not included in our calculation of right-of-use assets and operating lease liabilities because they cannot be readily determined.

Some of our manufacturing leases contain variable lease payments, including payments based on an index or rate. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement and separated into lease and non-lease components based on the initial amount stated in the lease or standalone selling prices. Lease components are included in the measurement of the initial lease liability. Additional payments based on the change in an index or rate, or payments based on a change in our portion of the operating expenses, including real estate taxes and insurance, are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability.

Lease expense for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions, and is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less. The effect of short-term leases on our right-of-use asset, lease liability, and the short-term lease cost for the years ended June 30, 2025 and 2024 was not material.

Other information related to leases was as follows (in thousands) for the year ended June 30,

Supplemental Cash Flows Information	**2025**	**2024**
Cash paid for amounts included in the measurement of operating lease liabilities	$ 4,302	$ 2,966
Net increase in operating lease liabilities and right-of-use assets due to lease remeasurement	-	25,692

E. Other Comprehensive (Loss) Income

Other comprehensive (loss) income ("OCL" and "OCI") consisted of the following at June 30 (dollars in thousands):

	Year Ended June 30, 2025			
	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Cash Flow Hedges	Unrealized Gains (Losses) on Swap Derivative	Total
Balance as of June 30, 2024	$ (278)	$ 172	$ 84	$ (22)
OCI/OCL before reclassifications	(21)	(1,983)	(111)	(2,115)
Amounts reclassified from OCI	86	192	—	278
Tax effect of OCI activity	(15)	432	27	444
Net current period OCI/OCL	50	(1,359)	(84)	(1,393)
Balance as of June 30, 2025	$ (228)	$ (1,187)	$ —	$ (1,415)

	Year Ended June 30, 2024			
	Defined Benefit Pension Plan	Unrealized (Losses) Gains on Cash Flow Hedges	Unrealized Gains (Losses) on Swap Derivative	Total
Balance as of June 30, 2023	$ (380)	$ (110)	$ 407	$ (83)
OCI/OCL before reclassifications	88	538	(422)	204
Amounts reclassified from OCI	39	(92)	—	(53)
Tax effect of OCI activity	(25)	(164)	99	(90)
Net current period OCI/OCL	102	282	(323)	61
Balance as of June 30, 2024	$ (278)	$ 172	$ 84	$ (22)

F. Debt

We have had a credit line with Wells Fargo Bank, N.A ("Wells Fargo") for many years. The credit line has been amended, modified, and extended several times, most recently on June 20, 2025, when we entered into a Sixth Amendment to Credit Agreement. The Sixth Amendment waived all prior instances of non-compliance and preemptively waived anticipated non-compliance with covenants in the quarter ending June 30, 2025. The amended Credit Agreement extended the credit line to December 31, 2026, decreased the maximum principal amount that can be borrowed from $12.5 million to $10.0 million, increased the interest rate on borrowings under the line of credit to 3.25%, increased the unused commitment fee to 0.375%, and added the Company's powder processing facility in Carlsbad, California as security for the amended Credit Agreement. Our obligations under the Credit Agreement are also secured by our accounts receivable and other rights to payment, general intangibles, inventory, equipment, and fixtures.

The Sixth Amendment also included modifications to our covenants under the Credit Agreement, including (i) net loss not greater than $250,000 for the first quarter of fiscal 2026, a net loss not greater than $750,000 for the first half of fiscal 2026, and net income of at least $1.00 on a year to date basis starting with the third quarter of fiscal 2026 and each fiscal quarter thereafter; (ii) fixed charge coverage ratio calculated on a rolling 4-quarter basis of not less than 1.0 to 1.0 for the first quarter of fiscal 2026 and not less than 1.25 to 1.0 for the second fiscal quarter of 2026 and all quarters thereafter. Amounts outstanding that are subject to a fluctuating interest rate may be prepaid at any time without penalty.

Amounts outstanding under our credit line are subject to a fixed interest rate, may be prepaid at any time in minimum amounts of $100,000 subject to a prepayment fee equal to the sum of the discounted monthly differences between payment under a fixed rate versus payment under the variable rate for each month from the month of prepayment through the month in which the then applicable fixed rate term matures. There is an unused commitment fee of 0.375% required as part of the line of credit, and an extension fee of $20,000 was incurred upon execution of the Sixth Amendment.

We have a Term Note with Wells Fargo we entered into on August 16, 2021 to borrow part of the purchase price of our powder processing and warehouse property in Carlsbad, California. The Term Note is secured by a first mortgage on that property. The Term Note was in the original principal amount of $10.0 million and is a seven-year note with payments fully amortized based on a twenty-five year assumed term. Installment payments under this term loan commenced October 1, 2021 and continue through August 1, 2028 with a final installment consisting of all remaining amounts due, is due September 1, 2028. Amounts outstanding on this note during the term of the agreement bear interest at the rate of 1.8% above the SOFR rolling 30-day average.

We also have credit approval with Wells Fargo Bank, which allows us to hedge foreign currency exposures up to 12 months in the future, and we have credit approval with Bank of America which allows us to hedge foreign currency exposures up to 24 months in the future.

As of June 30, 2025, we had $8.9 million outstanding under the Term Note. The future debt payments under the Term Note are as follows (in thousands):

	2026	2027	2028	2029	2030 and Thereafter	Total
Future Debt Payments	$ 305	$ 315	$ 325	$ 7,988	$ —	$ 8,933

For the quarter ended June 30, 2025, we were not in compliance with the minimum net income and fixed charge coverage ratio covenants of our credit agreement, but these defaults were prospectively waived by the Sixth Amendment to our credit facility. We anticipate we will not be able to comply with all of the covenants required under the modified Credit Agreement in the first half of fiscal 2026, primarily related to the impact on the fixed charge coverage ratio calculation due to the unexpected recognition of the litigation expense and valuation allowance on our net deferred tax assets during the fourth quarter of fiscal 2025. We have advised our lender and are currently negotiating a potential revision to our credit agreement. There can be no assurance we will be able to successfully complete the negotiation of a revised credit facility, or what the differences in amount, cost and other factors may be.

As of June 30, 2025, we had $1.9 million outstanding on our credit facility with Wells Fargo Bank. Our available borrowing capacity under the amended terms of our amended credit facility was $9.9 million as of June 30, 2025.

G. Income Taxes

During fiscal 2025, we recorded U.S.-based domestic tax expense of $2.7 million and foreign tax expense of $0.1 million. During fiscal 2024, we recorded U.S.-based domestic tax benefit of $2.2 million and negligible foreign tax benefit.

During fiscal 2025, we recorded a valuation allowance against net domestic deferred income tax assets of $4.8 million, representing the amount of our deferred income tax assets in excess of our domestic deferred income tax liabilities. We recorded the valuation allowance because management was unable to conclude, in light of the cumulative loss we have realized related to our US-based operations in recent years, that realization of the net deferred income tax asset was more likely than not. The valuation allowance recorded during fiscal 2025 primarily related to fiscal 2025 and prior net operating loss carry forwards and changes in other deferred tax items recognized during fiscal 2025. As a result of the recognition of these valuation adjustments, we have a $4.8 million net deferred tax asset offset by a valuation allowance of $4.8 million resulting in a net deferred tax asset of $0 as of June 30, 2025. This valuation allowance did not have any effect on the tax expense and related liability recorded for operating income recognized by NAIE during the year ended June 30, 2025.

The following is a geographical breakdown of loss before income taxes (in thousands):

	2025	2024
United States	$ (11,520)	$ (9,046)
Foreign	780	(418)
Total loss before income taxes	$ (10,740)	$ (9,464)

The provision (benefit) for income taxes for the years ended June 30 consisted of the following (in thousands):

	2025	2024
Current:		
Federal	$ (858)	$ (55)
State	(17)	41
Foreign	161	66
	(714)	52
Deferred:		
Federal	(1,198)	(2,007)
State	(68)	(223)
Foreign	—	(69)
Valuation allowance	4,815	—
	3,549	(2,299)
Total provision (benefit) for income taxes	$ 2,835	$ (2,247)

Net deferred tax assets and deferred tax liabilities as of June 30 were as follows (in thousands):

	2025	2024
Deferred tax assets:		
Inventory capitalization	$ 295	$ 279
Inventory reserves	176	148
Lease liability	8,678	8,497
Net operating loss carry forward	2,151	1,505
Accrued compensation	186	140
Capitalized research and experimentation	944	694
Accrued contingent fee	72	207
Stock-based compensation	95	129
Forward contracts	378	—
Tax credit carry forward	722	682
Pension liability	52	67
Accrued settlement of legal proceeding	302	—
Other, net	296	215
Total gross deferred tax assets	14,347	12,563
Deferred tax liabilities:		
Withholding taxes	(134)	(134)
Fixed assets	(1,577)	(1,485)
Forward contracts	—	(54)
Lease assets	(7,464)	(7,694)
Employee retention tax credit refund	(358)	—
Other, net	—	(26)
Deferred tax liabilities	(9,533)	(9,393)
Valuation allowance	(4,814)	—
Net deferred tax assets	$ —	$ 3,170

As of June 30, 2025, the Company had U.S. federal net operating loss carryforwards of $8.0 million which may be carried forward indefinitely. The Company has state net operating loss carryforwards of $6.8 million, which, if unutilized, will begin to expire beginning in fiscal year 2032. The Company has federal and state tax credits of $0.8 million, which, if unutilized, will begin to expire in fiscal year 2041.

Pursuant to Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the annual use of the net operating loss carry forwards and research and development tax credits could be limited by any greater than 50% ownership change during any three-year testing period. We did not have any ownership changes that met this criterion during the fiscal years ended June 30, 2025 and June 30, 2024.

We are subject to taxation in the U.S., Switzerland and various state jurisdictions. Our tax years for the fiscal year ended June 30, 2020 and forward are subject to examination by the U.S. tax authorities. Our tax years for the fiscal years ended June 30, 2019 and forward are subject to examination by the state tax authorities. Our tax years for the fiscal year ended June 30, 2023 and forward are subject to assessment by the Swiss tax authorities.

NAIE's effective tax rate for the fiscal year ended June 30, 2025 for Swiss federal, cantonal and communal taxes is approximately 21%.

As part of the Tax Cuts and Jobs Act of 2017 (the Tax Act), we were required to recognize a one-time deemed repatriation transition tax during the fiscal year ended June 30, 2018 based on our total post-1986 earnings and profits (E&P) from our Swiss subsidiary, NAIE. This accumulated E&P amount has historically been considered permanently reinvested thereby allowing us to defer recognizing any U.S. income tax on the amount. We no longer consider undistributed foreign earnings from NAIE as of December 31, 2017 as indefinitely reinvested. We consider earnings accumulated subsequent to December 31, 2017 as indefinitely reinvested.

For tax years commencing on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017, also eliminated the ability to immediately deduct research and development costs. Instead, taxpayers were mandated to capitalize these expenses and amortize them over five years for research conducted within the United States and 15 years for research conducted abroad, as stipulated in IRC Section 174. Although the requirements of the Tax Cuts and Jobs Act of 2017 are applicable for our fiscal year ended on June 30, 2025, the One Big Beautiful Bill Act was voted into law by congress on July 4, 2025 and restores the immediate expensing of domestic research and development expenses while making permanent the capitalization and amortization rules of research and development conducted abroad. The One Big Beautiful Bill Act is effective beginning in our fiscal year 2026. No dividends to NAI were declared by NAIE in fiscal 2025. During fiscal 2024, NAIE declared a dividend to NAI of $5.4 million, which was paid in the first quarter of fiscal 2025. These amounts are part of the undistributed earnings that we recorded a one-time deemed repatriation transition tax in fiscal 2018, and therefore, we did not recognize any additional tax on these dividends. However, as part of these dividends, we were required to pay a 5% Swiss withholding tax totaling $0.3 million in fiscal 2024 which was also accrued for as part of the implementation of the Tax Act in fiscal 2018.

A reconciliation of our income tax provision (benefit) computed by applying the statutory federal income tax rate of 21% for fiscal 2025 and for fiscal 2024 to net loss before income taxes for the year ended June 30 is as follows (dollars in thousands):

	2025	2024
Income taxes computed at statutory federal income tax rate	$ (2,256)	$ (2,033)
State income taxes, net of federal income tax expense	(177)	(215)
Permanent differences	10	(20)
Foreign tax rate differential	(2)	131
Tax credits	(61)	(170)
Stock based compensation	123	93
Global intangible low-taxed income (GILTI)	233	—
Return to provision - differences	150	(33)
Change in valuation allowance, net	4,815	—
Income tax provision (benefit) as reported	$ 2,835	$ (2,247)
Effective tax rate	(26.4)%	(23.7)%

We expect our U.S. federal statutory rate to be 21% for fiscal years going forward.

H. Employee Benefit Plans

401(k) Plan

We have a profit-sharing plan pursuant to Section 401(k) of the Code, whereby participants may contribute a percentage of compensation not in excess of the maximum allowed under the Code. Effective January 1, 2022, all employees became eligible to participate in the plan the first of the month following 30 days of employment. Also effective, January 1, 2025, we match 50% of the first 6% of a participant's compensation contributed to the plan. The total contributions under the plan charged to income from operations totaled $0.5 million for fiscal 2025 and $0.6 million for fiscal 2024.

Additionally, we have a discretionary profit-sharing plan pursuant to Section 401(k) of the Code, whereby we may contribute an additional percentage of compensation. Employees are not required to contribute to the plan to receive the discretionary profit-sharing contribution. We did not make any discretionary profit-sharing contributions in fiscal 2025 or in fiscal 2024.

We have a "Cafeteria Plan" pursuant to Section 125 of the Code, whereby health care benefits are provided for active employees through insurance companies. Substantially all active full-time employees are eligible for these benefits. We recognize the cost of providing these benefits by expensing the annual premiums, which are based on benefits paid during the year. The premiums expensed to results from operations for these benefits totaled $1.6 million for the fiscal year ended June 30, 2025 and $1.4 million for the fiscal year ended June 30, 2024.

Deferred Compensation Plan

Effective July 16, 2020, the Board of Directors approved and adopted a Non-Qualified Incentive Plan (the "Incentive Plan"). Pursuant to the Incentive Plan, the Human Resources Committee and the Board of Directors may make deferred cash payments or other cash awards ("Awards") to directors, officers, employees and eligible consultants of NAI ("Participants"). These Awards are made subject to conditions precedent that must be met before NAI is obligated to make the payment. The purpose of the Incentive Plan is to enhance the long-term stockholder value of NAI by providing the Human Resources Committee and the Board of Directors the ability to make deferred cash payments or other cash awards to encourage Participants to serve NAI or to remain in the service of NAI, or to assist NAI to achieve results determined by the Human Resources Committee or the Board of Directors to be in NAI's best interest.

The Incentive Plan authorizes the Human Resources Committee or the Board of Directors to grant to, and administer, unsecured and deferred cash Awards to Participants and to subject each Award to whatever conditions are determined appropriate by the Human Resources Committee or the Board of Directors. The terms of each Award, including the amount and any conditions that must be met to be entitled to payment of the Award are set forth in an Award Agreement between each Participant and NAI. The Incentive Plan provides the Board of Directors with the discretion to set aside assets to fund the Incentive Plan although that has not been done to date.

During the year ended June 30, 2025, we granted a total of $0.2 million in deferred cash awards to members of our Board of Directors. During the year ended June 30, 2024, we granted a total of $0.9 million in deferred cash awards to members of our Board of Directors and certain key members of our management team. Each deferred cash award provides for three equal cash payments to the applicable Participant to be paid on the one year, two year, and three year anniversaries of the date of the grant of such Awards, (the "Award Date"); provided on the date of each payment (the "Payment Date"), the Participant has been since the Award Date, and continues to be through the Payment Date, a member of our Board of Directors or an employee of NAI. In the event a Participant ceases to be an employee of NAI or a member of our Board of Directors prior to any Payment Date, no further payments shall be made in connection with the Award.

No deferred cash awards were forfeited during the fiscal year ended June 30, 2025 and the fiscal year ended June 30, 2024.

Defined Benefit Pension Plan

We formerly sponsored a defined benefit pension plan, which provides retirement benefits to employees based generally on years of service and compensation during the last five years before retirement. Effective June 21, 1999, we adopted an amendment to freeze benefit accruals to the participants. Annually, we contribute an amount not less than the minimum funding requirements of the Employee Retirement Income Security Act of 1974 nor more than the maximum tax-deductible amount.

Disclosure of Funded Status

The following table sets forth the defined benefit pension plan's funded status and amount recognized in our consolidated balance sheets at June 30 (in thousands):

	2025	2024
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 1,374	$ 1,364
Interest cost	46	49
Actuarial gain (loss)	62	(39)
Benefits paid	(330)	—
Benefit obligation at end of year	$ 1,152	$ 1,374
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 1,232	$ 1,025
Actual return on plan assets	92	91
Employer contributions	48	116
Benefits paid	(330)	—
Fair value of plan assets at end of year	$ 1,042	$ 1,232
Reconciliation of Funded Status:		
Difference between benefit obligation and fair value of plan assets	$ (110)	$ (142)
Unrecognized net actuarial loss in accumulated other comprehensive income	217	282
Net amount recognized	$ 107	$ 140
Projected benefit obligation	$ 1,152	$ 1,374
Accumulated benefit obligation	$ 1,152	$ 1,374
Fair value of plan assets	$ 1,042	$ 1,232

The weighted-average discount rate used for determining the projected benefit obligations for the defined benefit pension plan was 5.29% for the year ended June 30, 2025 and 5.28% during the year ended June 30, 2024.

Net Periodic Benefit Cost

The components included in the defined benefit pension plan's net periodic benefit expense for the fiscal years ended June 30 were as follows (in thousands):

	2025	2024
Interest cost	$ 46	$ 49
Expected return on plan assets	(51)	(42)
Recognized actuarial loss	24	39
Settlement loss	62	—
Net periodic benefit expense	$ 81	$ 46

In the fiscal year ended June 30, 2025, we contributed $48,000 to our defined benefit pension plan, and in the fiscal year ended June 30, 2024, we contributed $116,000 to our defined benefit pension plan.

The following is a summary of changes in plan assets and benefit obligations recognized in other comprehensive income (loss) (in thousands):

	2025	2024
Net income (loss)	$ 21	$ (88)
Settlement loss	(62)	—
Amortization of net loss	(24)	(39)
Total recognized in other comprehensive loss	$ (65)	$ (127)
Total recognized in net periodic benefit cost and other comprehensive loss	$ 16	$ (81)

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is approximately $17,000. We do not have any transition obligations or prior service costs recorded in accumulated other comprehensive income.

The following benefit payments are expected to be paid (in thousands):

2026	$ 781
2027	101
2028	29
2029	33
2030	—
2031-2035	244
Total benefit payments expected to be paid	$ 1,188

The weighted-average rates used for the years ended June 30 in determining the defined benefit pension plan's net pension costs, were as follows:

	2025	2024
Discount rate	5.29%	5.28%
Expected long-term rate of return	6.70%	6.70%
Compensation increase rate	N/A	N/A

Our expected rate of return is determined based on a methodology that considers historical returns of multiple classes analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

Our defined benefit pension plan's weighted average asset allocation at June 30 and weighted average target allocation were as follows:

	2025	2024	Target Allocation
Equity securities	60%	72%	53%
Debt securities	35%	14%	41%
Cash alternatives	4%	14%	2%
Commodities	1%	0%	4%
	100%	100%	100%

The underlying basis of the investment strategy of our defined benefit pension plan is to ensure that pension funds are available to meet the plan's benefit obligations when due. Our investment strategy is a long-term risk controlled approach using diversified investment options with relatively minimal exposure to volatile investment options like derivatives.

The fair values by asset category of our defined benefit pension plan at June 30, 2025 were as follows (in thousands):

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities (1)	$ 623	$ 623	$ —	$ —
Debt securities (2)	$ 370	$ 370	$ —	$ —
Other (3)	$ 49	$ 49	$ —	$ —
Total	$ 1,042	$ 1,042	$ —	$ —

(1) This category is comprised of publicly traded funds of which 74% are U.S. large-cap funds, 20% are U.S. mid-cap funds, and 6% U.S. small-cap funds.

(2) This category is comprised of publicly traded funds, of which 52% are U.S. fixed income funds and 48% are corporate, foreign or emerging market funds.

(3) This category is comprised of publicly traded assets, of which 81% are money market funds and 19% are commodities.

I. Stockholders' Equity

Treasury Stock

On September 18, 2020, the Board of Directors authorized a $2.0 million increase to our stock repurchase plan ("Repurchase Plan"), thus bringing the total authorized repurchase amount to $12.0 million. On March 12, 2021, the Board of Directors authorized an additional $3.0 million increase to the Repurchase Plan, thus bringing the total authorized repurchase amount to $15.0 million. On January 14, 2022, the Board of Directors authorized an additional $3.0 million increase to the Repurchase Plan, thus bringing the total authorized repurchase amount to $18.0 million. Under the Repurchase Plan, we may, from time to time, purchase shares of our common stock, depending upon market conditions, in open market or privately negotiated transactions. Our Credit Agreement with Wells Fargo as amended, currently prohibits most stock repurchases (see Note F). As a result, until that restriction is modified or removed, we do not intend to purchase our shares other than our longstanding practice of purchasing shares from our employees in exchange for paying the employees' withholding tax requirements upon vesting of restricted stock held by the employee.

Treasury Stock repurchases for the year ended June 30, 2025 were as follows:

	Shares	Average Cost	Total Cost (in thousands)
Shares purchased under Repurchase Plan	—	$ —	$ —
Shares acquired from employees for restricted stock vesting	45,972	3.88	178
Total	45,972		$ 178

Treasury Stock repurchases for the year ended June 30, 2024 were as follows:

	Shares	Average Cost	Total Cost (in thousands)
Shares purchased under Repurchase Plan	—	$ —	$ —
Shares acquired from employees for restricted stock vesting	37,128	5.96	221
Total	37,128		$ 221

Treasury stock repurchase costs include commissions and fees.

Shares acquired from employees for restricted stock vesting were returned to us by the related employees and in return we paid each employee's required tax withholding resulting from the vesting of restricted shares. The valuation of the shares acquired and thereby the number of shares returned to us was calculated based on the closing share price on the date the shares vested.

Stock Incentive Plans

For the years ended June 30, 2025 and June 30, 2024, the Company had no stock options outstanding.

Restricted stock activity for the year ended June 30, 2025 was as follows:

	Number of Shares – 2020 Plan	Weighted Average Grant Date Fair Value
Nonvested at June 30, 2024	283,107	$ 7.50
Granted	24,000	$ 3.84
Vested	(133,122)	$ 8.31
Forfeited	—	$ —
Nonvested at June 30, 2025	173,985	$ 6.38
Available for grant at June 30, 2025	158,877	

Restricted stock activity for the year ended June 30, 2024 was as follows:

	Number of Shares – 2020 Plan	Weighted Average Grant Date Fair Value
Nonvested at June 30, 2023	223,682	$ 10.39
Granted	166,500	$ 6.09
Vested	(104,075)	$ 11.39
Forfeited	(3,000)	$ 9.59
Nonvested at June 30, 2024	283,107	$ 7.50
Available for grant at June 30, 2024	182,877	

Restricted stock grants, granted to members of our Board of Directors and certain key members of our management team, vest over a period of up to three years from the date of grant and the unvested shares cannot be sold or otherwise transferred and the right to receive dividends, if declared by our Board of Directors, is forfeitable until the shares become vested. The total remaining unrecognized compensation cost related to unvested restricted stock shares amounted to $0.9 million at June 30, 2025 and the weighted average remaining requisite service period of unvested restricted stock shares was 1.6 years.

J. Commitments

We lease a total of approximately 162,000 square feet at our manufacturing facility in Vista, California from an unaffiliated third party under a non-cancelable operating lease. On July 18, 2023, we entered into a fourth amendment to the lease of our Vista, California manufacturing facility. The fourth amendment extends the term of the lease by an additional ten years and five months commencing April 1, 2024 and includes an option to extend the lease through August 31, 2039.

NAIE leases facility space in Manno, Switzerland from two unaffiliated third parties. The leased spaces total approximately 116,000 square feet**.** We primarily use the facilities for manufacturing, packaging, warehousing and distributing nutritional supplement products for the European and Asian marketplaces. On May 4, 2022, NAIE further extended the lease on its main manufacturing facility for a new term of ten years effective January 1, 2023 with a new expiration date of December 31, 2032, with an option to extend one year.

On November 5, 2018, NAIE entered into a lease with Sofinol SA for approximately 2,870 square meters of commercial warehouse space in a building located on the property adjacent to the leasehold for the primary existing NAIE facility in Manno, Switzerland. NAIE uses the space primarily for raw material storage. The lease was for an initial five-year term commencing on January 1, 2019 and NAIE can terminate the lease with 12 months advance notice given on June 30th or December 31st each year of the initial term. At the end of the initial term the lease transfers to an indefinite tenancy at the same rental rate terminable by NAIE or the landlord upon 12 months' advance notice. This initial term of this lease ended on December 31, 2024 and as of June 30, 2025, we have not provided notification of terminating this lease, so the term automatically extended to December 31, 2026.

On January 26, 2024, we exercised the early termination of an apartment lease in Lugano, Switzerland. The early termination reduced the lease term by 9 years and 8 months thus ending on April 30, 2024. Our lease liability and Right of Use asset were both decreased by approximately $0.3 million as a result of the early termination of the lease agreement. On January 22, 2024, we entered into a lease for a new apartment in Lugano, Switzerland. This lease is for an initial term of 27 months beginning April 1, 2024 and ending on June 30, 2026.

Minimum rental commitments (exclusive of property tax, insurance and maintenance) under all non-cancelable operating leases with initial or remaining lease terms in excess of one year, including the lease agreements referred to above, are set forth below as of June 30, 2025 (in thousands):

	2026	2027	2028	2029	2030	There-after	Total
Gross minimum rental commitments ..	$ 5,014	$ 4,889	$ 4,863	$ 4,996	$ 9,009	$ 20,420	$ 49,191

Rental expense totaled $5.5 million for the fiscal year ended June 30, 2025 and $5.4 million for the fiscal year ended June 30, 2024.

K. Economic Dependency

We had substantial net sales to certain customers in our private-label contract manufacturing segment during the fiscal years ended June 30 shown in the following table. The loss of any of these customers, or a significant decline in sales or the growth rate of sales to these customers, or in their ability to make payments when due, could have a material adverse impact on our net sales and net operating results. Net sales to any one customer representing 10% or more of the respective year's consolidated net sales were as follows (dollars in thousands):

	Fiscal 2025	Fiscal 2024
Customer 1	$ 42,289	$ 48,055
Customer 2	17,707	12,941
Customer 3	17,165	16,312
	$ 77,161	$ 77,308

Accounts receivable from these customers totaled $9.9 million at June 30, 2025 and $12.3 million at June 30, 2024.

We buy certain products, including beta-alanine, from a single supplier. The loss of this supplier or other raw material suppliers could have a material adverse impact on our net results of operations. Raw material purchases from any one supplier representing 10% or more of the respective period's total raw material purchases were as follows (dollars in thousands):

	Year ended June 30,			
	2025		2024	
	Raw Material Purchases by Supplier	% of Total Raw Material Purchases	Raw Material Purchases by Supplier	% of Total Raw Material Purchases
Supplier 1	$ 12,004	18%	$ 11,624	23%
	$ 12,004	18%	$ 11,624	23%

L. Derivatives and Hedging

We are exposed to gains and losses resulting from fluctuations in foreign currency exchange rates relating to forecasted product sales denominated in foreign currencies and to other transactions of NAIE, our foreign subsidiary. As part of our overall strategy to manage the level of exposure to the risk of fluctuations in foreign currency exchange rates, we may use foreign exchange contracts in the form of forward contracts. There can be no guarantee any such contracts, to the extent we enter into such contracts, will be effective hedges against our foreign currency exchange risk.

During the year ended June 30, 2025 and prior, we entered into forward contracts designated as cash flow hedges primarily to protect against the foreign exchange risks inherent in our forecasted sales of products at prices denominated in currencies other than the U.S. dollar. These contracts are expected to be settled through June 2026. For derivative instruments that are designated and qualify as cash flow hedges, we record the effective portion of the gain or loss on the derivative in accumulated other comprehensive income (OCI) as a separate component of stockholders' equity and subsequently reclassify these amounts into earnings in the period during which the hedged transaction is recognized in earnings.

For foreign currency contracts designated as cash flow hedges, hedge effectiveness is measured using the spot rate. Changes in the spot-forward differential are excluded from the test of hedge effectiveness and are recorded currently in earnings as revenue. We measure effectiveness by comparing the cumulative change in the hedge contract with the cumulative change in the hedged item as well as ensuring the assumptions we made at hedge inception have not materially changed. No hedging relationships were terminated as a result of ineffective hedging for the years ended June 30, 2025 and June 30, 2024.

We monitor the probability of forecasted transactions as part of the hedge effectiveness testing on a quarterly basis.

As of June 30, 2025, the notional amounts of our foreign exchange contracts accounted for as cash flow hedges were $35.5 million (€31.2 million) for Euro sales and $6.8 million (CHF 5.4 million) for Swiss Franc sales. As of June 30, 2025, a net loss of approximately $1.6 million offset by approximately $0.4 million of deferred taxes, related to derivative instruments designated as cash flow hedges was recorded in OCI. As of June 30, 2024, a net gain of approximately $0.2 million, offset by approximately $0.1 million of deferred taxes, related to derivative instruments designated as cash flow hedges was recorded in OCI. It is expected that $1.6 million of the net loss as of June 30, 2025, will be reclassified into earnings in the next 12 months along with the earnings effects of the related forecasted transactions.

During the year ended June 30, 2025, we recognized $1.6 million of net losses in OCI and reclassified $0.2 million of net losses and forward point amortization from OCI to Net Sales. During the year ended June 30, 2024, we recognized $0.8 million of net gains in OCI and reclassified $0.4 million of gains and forward point amortization from OCI to Net Sales.

For foreign currency contracts not designated as cash flow hedges, changes in the fair value of the hedge are recorded directly to foreign exchange gain or loss in other income in an effort to offset the change in valuation of the underlying hedged item. During the year ended June 30, 2025, we entered into forward contracts in order to hedge foreign exchange risk associated with our lease liability at NAIE, which is denominated in Swiss Francs (CHF). As of June 30, 2025, the notional amounts of our foreign exchange contracts not designated as cash flow hedges were approximately $11.8 million (CHF 9.5 million).

We are exposed to interest rate fluctuations related to our $10.0 million Term Note with Wells Fargo, which carries a variable interest rate of 1.80% above the SOFR rolling 30-day average. To manage our exposure to this variable rate, on August 23, 2021, we entered into a floored interest rate swap that fixes our all-in rate on this loan to 2.4% for the first three years of the term loan. Fluctuations in the relation of our contractual swap rate to current market rates are recorded as an asset or liability with an offset to OCI at the end of each reporting period. Interest expense is adjusted for the difference between the actual SOFR spread and the swap contractual rate such that our effective interest expense for each period is equal to our hedged rate of 2.4%. This interest rate swap contract expired on September 3, 2024.

M. Contingencies

From time to time, we become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to product liability, employment, intellectual property, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. While unfavorable outcomes are possible, based on available information, we generally do not believe the resolution of these matters will result in a material adverse effect on our business, consolidated financial condition, or results of operations and the price of our common stock. However, a settlement payment or unfavorable outcome could adversely impact our results of operations. Our evaluation of the likely impact of these actions could change in the future and we could have unfavorable outcomes we do not expect.

Settlement of Legal Proceeding

In December 2023, we were sued by three former employees in two separate, but substantially identical matters brought by the same law firm. The lawsuits were filed as a putative class action and a PAGA action seeking awards for all similarly situated employees going back ten years or more. We responded to these actions and agreed to submit the matters for mediation. On July 3, 2025, the mediation took place, and a tentative settlement agreement was reached whereby we agreed to contribute a maximum of $1.25 million. We have joined with the plaintiffs in moving the court to consolidate the two actions. The potential settlement has been brought before the court and all similarly situated employees need to be contacted, and they may elect to participate or not. The process of obtaining court approval of the settlement is estimated to take approximately one year. We accrued the maximum settlement amount in our results of operations as of June 30, 2025 along with estimated related legal fees of approximately $0.15 million.

Employee Retention Tax Credit

In fiscal 2023, we recorded a $3.5 million Employee Retention Tax Credit ("ERTC") net refund associated with the Coronavirus Aid, Relief, and Economic Security Act signed into law in March 2020 and extended with the Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021. These acts provided numerous tax provisions and other stimulus measures, including the ERTC. Under these expanded measures, we determined during fiscal 2023 that we qualified for the ERTC for the first three quarters of calendar 2021 and filed the required amended payroll tax returns to claim this refund. On December 9, 2024, the Internal Revenue Service ("IRS") sent us a 105c letter informing us that they do not believe we qualify for the tax credit for the third quarter of calendar 2021. We disagreed with the position the IRS noted in their denial letter and responded to their letter to contest their claim. Although we had received this initial denial from the IRS, we believe we were entitled to the refund for these claims and therefore we have not made any allowances against the accrual for the related refund that was recorded in fiscal 2023. We have not yet received any additional correspondence from the IRS associated with our appeal related to the third quarter of calendar 2021, but in April 2025, we collected the refund amounts associated with our ERTC filings for the first and second quarters of calendar year 2021, which totaled $2.9 million.

Geopolitical Uncertainty

Management is monitoring the war in Ukraine, and the armed conflicts in Gaza, Lebanon and Syria, and potential economic effects from these events as they develop. These geographical areas account for a small portion of our global net sales, but we do source multiple raw materials from Israel. We do not anticipate these conflicts will have a significant impact on our net sales. We are continually evaluating options for alternative ingredient sources and/or holding safety stock of impacted materials to limit any impact. There are further concerns regarding consumer purchasing and consumption behavior, increases in global shipping expenses, greater volatility in foreign exchange and interest rates, and other unforeseen business disruptions due to the current global geopolitical tensions. We will continue to evaluate impacts of these developments on our customers, suppliers, employees, and operations.

Government Trade Tariffs

The President of the United States has recently ordered U.S. government agencies to enforce new and increased tariffs on a wide range of goods and materials imported from foreign trade partners. Some tariffs have been presently deferred, and details of future tariff restrictions continuously evolve. Current and future implementation of tariffs may include products and ingredients we or our customers require for their products. These goods may include beta-alanine. The commercialization of our beta-alanine patent estate depends on the availability of the raw material beta-alanine. In response, China and other governments have imposed tariffs on certain American products. The resulting tariffs could have a significant adverse effect on our customers' businesses, the availability of beta-alanine, and the cost of our products. While we do not know how potential increased tariffs will be imposed, or how any tariffs will impact our business, we believe the imposition of additional tariffs by the U.S. or other governments on products or ingredients we use in the products we manufacture could adversely impact our customers as a result of increased product costs, and such increased costs could have an adverse impact on the availability of beta-alanine, the licensing of our patents and trademarks and our distribution of this raw material. This could adversely impact our ability to license our patents and trademarks, our ability to sell beta-alanine, and our customers' ability to compete in the marketplace, reducing demand for our products, and products we manufacture for our customers. Any of these events could have a material adverse effect on our business and results of operations.

As a contract manufacturer, we pass through material cost increases to our customers, including increases associated with tariffs. We also work with our customers to identify potential alternative supply sources for key ingredients to help mitigate the impact tariffs may have on the cost of their products. We will continue to evaluate the impact of imposed trade tariffs on our customers, suppliers and operations.

N. Segment Information

Our business consists of two segments for financial reporting purposes. The two segments are identified as (i) private-label contract manufacturing, which primarily relates to the provision of private-label contract manufacturing services to companies that market and distribute nutritional supplements and other health care products, and (ii) patent and trademark licensing, which primarily includes direct raw material sales and royalty income from our license and supply agreements associated with the sale and use of beta-alanine under our CarnoSyn® and SR CarnoSyn® trade names and TriBsyn™ trademark.

The chief operating decision maker is the Company's Chief Executive Officer, who, in conjunction with senior management, evaluates segment performance based on a number of factors. The primary performance measures for each segment are net sales and income or loss from operations before corporate allocations. Operating income or loss for each segment does not include corporate general and administrative expenses, interest expense and other miscellaneous income and expense items. Corporate general and administrative expenses include, but are not limited to human resources, corporate legal, finance, information technology, and other corporate level related expenses, which are not allocated to any segment. Transfers of raw materials between segments are recorded at cost. The accounting policies of our segments are the same as those described in the summary of significant accounting policies in Note A.

Our operating results by business segment for the year ended June 30, 2025 were as follows (in thousands):

	Private-label contract manufacturing	Patent and trademark licensing	Corporate expenses not allocated to segments	Natural Alternatives International Inc. Consolidated
Net sales	$ 121,779	$ 8,081	$ -	$ 129,860
Cost of goods sold	118,111	2,460	-	120,571
Gross profit	3,668	5,621	-	9,289
Other selling, general and administrative expenses	5,395	2,215	8,939	16,549
Settlement of legal proceeding and associated expense	-	-	1,400 (1)	1,400
(Loss) income from operations	(1,727)	3,406	(10,339)	(8,660)
Other income (expense):				
Interest income	168	-	-	168
Interest expense	(915)	-	-	(915)
Foreign exchange loss	(1,340)	-	-	(1,340)
Other, net	7	-	-	7
Total other expense	(2,080)	-	-	(2,080)
(Loss) income before income taxes	(3,807)	3,406	(10,339)	(10,740)
Provision for income taxes				2,835
Net loss				$ (13,575)
Other supplemental information:				
Stock-based compensation	$ 887	$ 90	$ -	$ 977
Depreciation and amortization	4,553	7	-	4,560
Total assets	113,843	38,096	-	151,939
Capital expenditures	3,614	-	-	3,614

1 Expenses accrued for gross settlement of legal action pursuant to and in accordance with California's PAGA and related legal fees for services associated with the legal settlement were allocated to Corporate expenses.

Our operating results by business segment for the year ended June 30, 2024 were as follows (in thousands):

	Private-label contract manufacturing	Patent and trademark licensing	Corporate expenses not allocated to segments	Natural Alternatives International Inc. Consolidated
Net sales	$ 105,358	$ 8,438	$ -	$ 113,796
Cost of goods sold	103,727	3,204	-	106,931
Gross profit	1,631	5,234	-	6,865
Selling, general and administrative expenses	5,097	1,915	8,387	15,399
(Loss) income from operations	(3,466)	3,319	(8,387)	(8,534)
Other income (expense):				
Interest income	176	-	-	176
Interest expense	(361)	-	-	(361)
Foreign exchange loss	(652)	-	-	(652)
Other, net	(93)	-	-	(93)
Total other expense	(930)	-	-	(930)
(Loss) income before income taxes	(4,396)	3,319	(8,387)	(9,464)
Benefit for income taxes				(2,247)
Net loss				$ (7,217)
Other supplemental information:				
Stock-based compensation	$ 1,104	$ 96	$ -	$ 1,200
Depreciation and amortization	4,640	7	-	4,647
Total assets	127,786	34,556	-	162,342
Capital expenditures	3,017	-	-	3,017

Our private-label contract manufacturing products are sold both in the U.S. and in markets outside the U.S., including Europe, Canada, Australia, New Zealand, Mexico and Asia. Our primary markets outside the U.S. are Europe and Asia. Our patent and trademark licensing activities are primarily based in the U.S.

Net sales by geographic region, based on the customers' location, for the two years ended June 30 were as follows (in thousands):

	2025	2024
United States	$ 79,128	$ 73,512
Markets outside the United States	50,732	40,284
Total net sales	$ 129,860	$ 113,796

Products manufactured by NAIE accounted for 85% of consolidated net sales in markets outside the U.S. in fiscal 2025 and 79% of consolidated net sales in markets outside the U.S. in fiscal 2024. No products manufactured by NAIE were sold in the U.S. during the fiscal years ended June 30, 2025 and 2024.

Long-lived assets by geographic region, based on the location of the company or subsidiary at which they were located or made, for the two years ended June 30 were as follows (in thousands):

	2025	2024
United States	$ 76,212	$ 78,146
Europe	15,732	17,602
Total Long-lived assets	$ 91,944	$ 95,748

Total assets by geographic region, based on the location of the company or subsidiary at which they were located or made, for the two years ended June 30 were as follows (in thousands):

	2025	2024
United States	$ 105,860	$ 118,878
Europe	46,079	43,464
Total assets	$ 151,939	$ 162,342

Capital expenditures by geographic region, based on the location of the company or subsidiary at which they were located or made, for the two years ended June 30 were as follows (in thousands):

	2025	2024
United States	$ 2,862	$ 2,793
Europe	752	224
Total capital expenditures	$ 3,614	$ 3,017

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain certain disclosure controls and procedures as defined under the Securities Exchange Act of 1934. They are designed to help ensure that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, in a manner that allows for timely decisions regarding required disclosures; and (2) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934 and within the time periods specified by the SEC.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2025. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2025.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, and for performing an assessment of the effectiveness of internal control over financial reporting as of June 30, 2025. For this purpose, internal control over financial reporting refers to a process designed by, or under the supervision of, our principal executive and financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2025 based upon criteria in an Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on this assessment, management believes our internal control over financial reporting was effective as of June 30, 2025 based on the criteria issued by COSO.

This assessment does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not required to be attested to by our independent registered public accounting firm pursuant to applicable law and rules that permit the Company to provide only the management's report as part of this assessment.

(c) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting during the fourth quarter ended June 30, 2025 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the fiscal year ended June 30, 2025, none of the Company's directors or officers, as defined in Section 16 of the Securities Exchange Act of 1934 adopted 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) or any "non-Rule 10b5-1 trading arrangement" as defined under Item 408(a) of Regulation S-K.

PART III

The information called for under Items 10- 14 of this Part III will be incorporated by reference from our definitive proxy statement to be filed on or before October 28, 2025 for our Annual Meeting of Stockholders to be held on December 5, 2025.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(1) Financial Statements. The financial statements listed below are included under Item 8 of this report:

- Consolidated Balance Sheets as of June 30, 2025 and 2024;
- Consolidated Statements of Operations and Comprehensive Loss for the years ended June 30, 2025 and 2024;
- Consolidated Statements of Stockholders' Equity for the years ended June 30, 2025 and 2024;
- Consolidated Statements of Cash Flows for the years ended June 30, 2025 and 2024; and
- Notes to Consolidated Financial Statements.

(2) Exhibits. The following exhibit index shows those exhibits filed with this report and those incorporated by reference:

EXHIBIT INDEX

Exhibit Number	Description	Incorporated By Reference To
3(i)	Amended and Restated Certificate of Incorporation of Natural Alternatives International, Inc. filed with the Delaware Secretary of State on January 14, 2005	Exhibit 3(i) of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2004, filed with the commission on February 14, 2005
3(ii)	Amended and Restated By-laws of Natural Alternatives International, Inc. dated as of February 9, 2009	Exhibit 3(ii) of NAI's Current Report on Form 8-K dated February 9, 2009, filed with the commission on February 13, 2009
4(i)	Form of NAI's Common Stock Certificate	Exhibit 4(i) of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, filed with the commission on September 8, 2005
10.1	Lease of Facilities in Vista, California between NAI and Calwest Industrial Properties, LLC, a California limited liability company (lease reference date June 12, 2003)	Exhibit 10.10 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003, filed with the commission on November 5, 2003
10.2	Form of Indemnification Agreement entered into between NAI and each of its directors	Exhibit 10.15 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, filed with the commission on September 14, 2004
10.3	2009 Omnibus Incentive Plan*	Attachment D of NAI's definitive Proxy Statement filed with the commission on October 16, 2009
10.4	Nonqualified Incentive Plan*	Exhibit 10.1 to NAI's Current Report on Form 8-K dated July 16, 2020, filed with the commission on July 22, 2020
10.5	License and Fee Agreement effective November 10, 2010 by and among Roger Harris, Mark Dunnett, Kenny Johansson and NAI	Exhibit 10.40 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, filed with the commission on November 12, 2010
10.6	ISDA 2002 Master Agreement dated as of March 10, 2011 by and between Bank of America N.A. and NAI (with Schedule dated March 10, 2011)	Exhibit 10.31 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed with the commission on May 16, 2011
10.7	Third amendment to the Lease of Facilities in Vista, California between NAI and CWCA Vista Distribution 77, LLC, a Delaware limited liability company	Exhibit 10.40 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, filed with the commission on September 19, 2013
10.8	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini effective July 1, 2014 (English translation)	Exhibit 10.38 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2014, filed with the commission on September 25, 2014.

10.9	Amended and Restated Employment Agreement, by and between NAI and Mark A. LeDoux, effective October 1, 2015*	Exhibit 10.1 of NAI's Current Report on Form 8-K dated October 1, 2015, filed with the commission on October 1, 2015.
10.10	Amended and Restated Employment Agreement, by and between NAI and Kenneth E. Wolf, effective October 1, 2015*	Exhibit 10.2 of NAI's Current Report on Form 8-K dated October 1, 2015, filed with the commission on October 1, 2015.
10.11	Amended and Restated Employment Agreement, by and between NAI and Michael E. Fortin, effective October 1, 2015*	Exhibit 10.3 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, filed with the commission on November 12, 2015.
10.12	First amendment to credit agreement by and between NAI and the Wells Fargo Bank N.A. effective as of February 1, 2016	Exhibit 10.01 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2015, filed with the commission on February 9, 2016.
10.13	First amendment to the Amended and Restated Employment Agreement, by and between NAI and Michael E. Fortin, effective September 1, 2016*	NAI's Current Report on Form 8-K dated September 1, 2016, filed with the commission on September 6, 2016
10.14	First amendment to the Amended and Restated Employment Agreement, by and between NAI and Mark A. LeDoux, effective July 1, 2018*	Exhibit 10.1 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.15	First amendment to the Amended and Restated Employment Agreement, by and between NAI and Kenneth E. Wolf, effective July 1, 2018*	Exhibit 10.2 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.16	Second amendment to the Amended and Restated Employment Agreement, by and between NAI and Michael E. Fortin, effective July 1, 2018*	Exhibit 10.3 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.17	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated October 19, 2018	Exhibit 10.4 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.18	Lease of Parking Places in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated October 19, 2018	Exhibit 10.5 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.19	Lease of Facilities in Manno, Switzerland between NAIE and Sofinol SA dated November 5, 2018	Exhibit 10.6 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, filed with the commission on November 13, 2018
10.20	Amended and Restated Exclusive Manufacturing Agreement with Juice Plus+ dated March 31, 2019	Exhibit 10.48 of NAI's Current Report on Form 8-K Form 8-K dated March 31, 2019, filed with the commission on April 5, 2019
10.21	Third amendment to the Amended and Restated Employment Agreement, by and between NAI and Michael E. Fortin, effective July 1, 2019*	Exhibit 10.61 of NAI's Annual Report on Form 10-K for the annual period ended June 30, 2019, filed with the commission on September 24, 2019
10.22	Second amendment to the Amended and Restated Employment Agreement, by and between NAI and Mark LeDoux, effective July 1, 2021*	Exhibit 10.65 of NAI's Current Report on Form 8-K dated July 1, 2021, filed with the commission on July 9, 2021
10.23	Second amendment to the Amended and Restated Employment Agreement, by and between NAI and Kenneth E. Wolf, effective July 1, 2021*	Exhibit 10.66 of NAI's Current Report on Form 8-K dated July 1, 2021, filed with the commission on July 9, 2021
10.24	Fourth amendment to the Amended and Restated Employment Agreement, by and between NAI and Michael E. Fortin, effective July 1, 2021*	Exhibit 10.67 of NAI's Current Report on Form 8-K dated July 1, 2021, filed with the commission on July 9, 2021
10.25	Credit Agreement by and between NAI and Wells Fargo Bank, N.A. effective as of May 24, 2021	Exhibit 10.1 of NAI's Current Report on Form 8-K dated May 24, 2021 filed with the commission on May 27, 2021
10.26	2020 Omnibus Incentive Plan*	Annex I of NAI's definitive Proxy Statement filed with the commission on October 26, 2020
10.27	First Amendment to Credit Agreement by and between NAI and Wells Fargo Bank, N.A. effective as of August 16, 2021	Exhibit 10.3 of NAI's Current Report on Form 8-K dated August 16, 2021 filed with the commission on August 24, 2021
10.28	Revolving Line of Credit Note made by NAI for the benefit of Wells Fargo Bank. N.A. dated August 16, 2021 in the amount of $20,000,000	Exhibit 10.4 of NAI's Current Report on Form 8-K dated August 16, 2021 filed with the commission on August 24, 2021

10.29	Term Note by and between NAI and Wells Fargo Bank, N.A. effective as of August 16, 2021	Exhibit 10.5 of NAI's Current Report on Form 8-K dated August 16, 2021 filed with the commission on August 24, 2021
10.30	Security Agreement by and between NAI and Wells Fargo Bank, N.A. effective as of August 16. 2021	Exhibit 10.6 of NAI's Current Report on Form 8-K dated August 16, 2021 filed with the commission on August 24, 2021
10.31	Second Amendment to Credit Agreement by and between NAI and Wells Fargo Bank, N.A. effective January 31, 2022	Exhibit 10.33 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2021, filed with the commission on February 9, 2022
10.32	Lease of Facilities in Manno, Switzerland between NAIE and Mr. Silvio Tarchini dated May 4, 2022	Exhibit 10.34 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2022, filed with the commission on September 21, 2022.
10.33	Third Amendment to Credit Agreement by and between NAI and Wells Fargo effective as of September 19, 2022.	Exhibit 10.35 of NAI's Current Report on Form 8-K dated October 12, 2022, filed with the commission on October 13, 2022
10.34	Revolving Line of Credit Note made by NAI for the benefit of Wells Fargo dated September 19, 2022 in the amount of $20,000,000.	Exhibit 10.36 of NAI's Current Report on Form 8-K dated October 12, 2022, filed with the commission on October 13, 2022
10.35	Fourth Amendment to Lease of NAI manufacturing facilities in Vista, California between NAI, the tenant, and Park Center Industrial ILP, LLC, a Delaware limited liability company, the landlord	Exhibit 10.17 of NAI's Current Report on Form 8-K dated July 21, 2023, filed with the commission on July 24, 2023
10.36	Clawback Policy	Exhibit 10.36 of NAI's Annual Report on Form 10-K for the fiscal year ended June 30, 2023, filed with the commission on September 19, 2023
10.37	First modification to Promissory Note by and between NAI and Wells Fargo, effective as of February 13, 2024	Exhibit 10.37 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2023, filed with the commission on February 13, 2024
10.38	Fourth Amendment and Waiver of Events of Default to Credit Agreement by and between NAI and Wells Fargo effective as of February 13, 2024	Exhibit 10.38 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2023, filed with the commission on February 13, 2024
10.39	Fifth Amendment to Credit Agreement by and between NAI and Wells Fargo effective May 14, 2025	Exhibit 10.39 of NAI's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025, filed with the commission on May 14, 2025
10.40	Sixth Amendment to Credit Agreement by and between NAI and Wells Fargo effective as of June 20, 2025	Exhibit 10.40 of NAI's Current Report on Form 8-K dated June 23, 2025, filed with the commission on June 23, 2025
10.41	Second Amendment to Revolving Line of Credit Note made by NAI for the benefit of Wells Fargo dated June 20, 2025	Exhibit 10.41 of NAI's Current Report on Form 8-K dated June 23, 2025, filed with the commission on June 23, 2025
10.42	First Modification of Deed of Trust and Assignment of Rents and Leases dated June 20, 2025	Exhibit 10.42 of NAI's Current Report on Form 8-K dated June 23, 2025, filed with the commission on June 23, 2025
10.43	Fifth Amendment to Employment Agreement by and between NAI and Michael E. Fortin effective July 1, 2025*	Exhibit 10.68 of NAI's Current Report on Form 8-K dated July 1, 2025, filed with the commission on July 1, 2025
10.44	Manufacturing Agreement by and between Natural Alternatives International, Inc., and The Juice Plus+ Company, dated effective July 16, 2025	Exhibit 10.49 of NAI's Current Report on Form 8-K dated June 21, 2025, filed with the commission on June 21, 2025
21	Subsidiaries of the Company	Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32	Section 1350 Certification	Filed herewith

101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	Furnished herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Furnished herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Furnished herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Furnished herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Furnished herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Furnished herewith

* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Natural Alternatives International, Inc., the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 23, 2025

NATURAL ALTERNATIVES INTERNATIONAL, INC.

By: /s/ Mark A. LeDoux
Mark A. LeDoux, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Natural Alternatives International, Inc. and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Mark A. LeDoux (Mark A. LeDoux)	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	September 23, 2025
/s/ Michael E. Fortin (Michael E. Fortin)	Chief Financial Officer (principal financial officer and principal accounting officer)	September 23, 2025
/s/ Alan G. Dunn (Alan G. Dunn)	Director	September 23, 2025
/s/ L. Kay Matherly (L. Kay Matherly)	Director	September 23, 2025
/s/ Guru Ramanathan (Guru Ramanathan)	Director	September 23, 2025

CORPORATE INFORMATION

OFFICERS

Mark LeDoux
Chairman and Chief Executive Officer

Kenneth Wolf
President, Chief Operating Officer and Secretary

Michael Fortin
Chief Financial Officer

BOARD OF DIRECTORS

Mark LeDoux
Alan Dunn
Laura Kay Matherly
Guru Ramanathan

INVESTOR RELATIONS

Natural Alternatives International, Inc.
1535 Faraday Avenue
Carlsbad, California 92008 USA

ANNUAL MEETING

The annual meeting of the stockholders will be held at 11:00 a.m. PST on Friday, December 5, 2025.

The annual meeting will be conducted exclusively via a live webcast.

Meeting ID:
https://meetnow.global/M25L7YJ

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Haskell & White LLP
300 Spectrum Center Drive, Suite 300
Irvine, California 92618

CORPORATE COUNSEL

FisherBroyles LLP
12707 High Bluff Drive, Suite 200
San Diego, California 92130

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Domestic and International Regulatory Support

CORPORATE HEADQUARTERS

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