

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

Form 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 9, 2022

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

Commission File Number: 000-15701

Delaware  
(State or other jurisdiction of  
incorporation)

84-1007839  
(IRS Employer  
Identification No.)

1535 Faraday Avenue, Carlsbad, CA 92008  
(Address of principal executive offices, including zip code)

760-736-7700  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common	NAII	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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

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*Custom Contract Manufacturing Since 1980. Enriching the World Through the Best of Nutrition.*



# Natural Alternatives International, Inc.

Investor Presentation

February 2022

Nasdaq: NAI

# Forward Looking Statements

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This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934.

These statements reflect Natural Alternatives International, Inc.'s (the Company's) current views about future events and financial performance based on certain assumptions. They include the Company's intentions, projections, expectations and beliefs about the Company's future financial and operating results, including management's goals for future operations, industry performance, characteristics and opportunities, effectiveness of distribution channels and customers.

For this purpose, any statements contained in this presentation that are not statements of historical fact may be deemed to be forward-looking statements. These statements speak only as of the date of this presentation and are subject to certain risks and uncertainties that could cause actual results to differ materially. This presentation is qualified by the risks and other information set forth in the Company's Form 10-K filed with the SEC.

These forward-looking statements are made only as of the date hereof, and Natural Alternatives undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

# Regulation G

In addition, in order to assist you with period-over-period comparisons on a consistent and comparable basis, our presentation includes certain non-US GAAP information. This information excludes certain non-cash expenses, certain cash income and expense items related to our foreign currency hedging program and taxes, as well as certain non-recurring income and expense items related to the gain on sale of our Company's former headquarters, and the one-time write-off of accounts receivable and inventory related to a former customer.

This non-US GAAP information may include non-US GAAP financial measures within the meaning of Regulation G. These non-US GAAP measures should not be considered as a substitute for any measure derived in accordance with US GAAP. The non-US GAAP information may also be inconsistent with the manner in which similar measures are derived or used by other companies. Management uses such non-US GAAP information for financial and operational decision-making purposes and as a means to evaluate period-over-period comparisons and in forecasting the Company's business going forward.

Management believes that the presentation of such non-US GAAP information, when considered in conjunction with the most directly comparable US GAAP information, provides additional useful comparative information for investors in their assessment of the underlying performance of the Company's business with regard to these items. The Company has provided reconciliations of such non-US GAAP financial measures to the most directly comparable financial measures prepared in accordance with US GAAP. The reconciliations are included in this presentation.



# Company Snapshot

NAI is the only pure-play public company that offers global formulation and manufacturing of customized nutritional supplements along with marketing branded and patented products



## Contract Manufacturing

We provide private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbs, and other nutritional supplements and health care products to consumers



## Patent & Trademark Licensing

In-house brand leveraging our proprietary ingredients CarnoSyn<sup>®</sup> and SR CarnoSyn<sup>®</sup> targeting sports nutrition, wellness, and healthy aging markets



**Headquarters:** Carlsbad, CA

**Founded in** 1980

**Nasdaq:** NAI

**Total Revenue (TTM)\*:** \$167M

**Market Capitalization:** \$82M  
*(as of 2/3/2022)*



Natural Alternatives  
International, Inc.

*\*Trailing 12 Months – Includes January 2021 through December 2021*

# Company Strengths

## Multi-Continent Contract Manufacturing Facilities

- Custom product formulation
- State-of-the-art manufacturing facilities
- Broad material acquisition & analysis
- Certified in-house laboratory capabilities
- Multiple packaging configuration capabilities



## In-House Brand Leveraging Of Our Proprietary Ingredients

- CarnoSyn® and SR CarnoSyn® targeting sports nutrition, wellness, and healthy aging markets
- Direct-to-consumer launched June 2020



# Company Strengths

## Growth Drivers From Organic Initiatives And Complementary Acquisitions

- Expand existing customer products, base and channels
- Expand in-house brands
- Complementary acquisitions



## Solid Cash Flows And Strong Balance Sheet To Support Growth Objectives

- TTM net sales of \$166.8 million
- Working Capital of \$54.1 million at 12/31/21
- \$20M available line of credit at 12/31/21





# Executive Management Team



Mark A. LeDoux

CEO and Chairman of the Board of Directors

Mr. LeDoux founded Natural Alternatives International (NAI) in 1980. With over 45 years of experience since joining the nutritional supplements industry in 1975, Mr. LeDoux is considered a highly regarded leader and spokesperson for our industry – making him one of the longest serving active executives in the nutritional supplements industry. As Chairman of the Board of Directors of the prestigious Natural Products Association (NPA) based in Washington DC, where he has been a member since 1980, Mr. LeDoux represents NAI's ongoing commitment to industry and government affairs, adherence to a strong code of ethics, and continuing support in the legislative, regulatory and public affairs arenas.

He was former Chairman and Board member of the esteemed Council for Responsible Nutrition (CRN) and Founding Chairman of CRN International. LeDoux also serves on the Nutrition Industry Association-west (NIA) Board and is a recognized participant of the Codex Alimentarius Commission, the United Nations' food and dietary supplement standard-setting body under the joint supervision of its Food and Agriculture Organization and World Health Organization.

In addition, LeDoux currently serves as Chairman of the Board of Selectmen in his hometown of Hollis, New Hampshire. He is President of the Marie A. LeDoux Charitable Foundation and a current member of the Young Presidents Organization Graduates. A graduate of the Thomas Jefferson School of Law, Mr. LeDoux received his bachelor's degree from the University of Oklahoma, where he graduated with honors. He is also a graduate of Stanford University's Program for Small Business Executives.



# Executive Management Team



**Kenneth E. Wolf**  
**President and Chief Operating Officer**

Mr. Wolf joined NAI in February 2008 as Chief Financial Officer, was promoted to Chief Operating Officer in June 2010 and has served as NAI's President since October 2015. Mr. Wolf is responsible for design and implementation of NAI's long-term strategic plans and oversight of all areas within the company. He possesses over 26 years of senior financial management experience in both publicly traded and privately held companies, with the prior 21 years associated with consumer products manufacturing companies. Mr. Wolf received his Certified Public Accountant license from the State of California and a Bachelor of Science in Business Administration – Accounting from California State University in Fresno, California.



**Michael E. Fortin**  
**Chief Financial Officer**

Mr. Fortin joined NAI in April 2008 as Director of Accounting and SEC Reporting and earned his appointment to Chief Financial Officer in October 2015. With over 20 years of accounting and finance experience working in Big 4 public accounting and private industry, Mr. Fortin is a steadfast, strategic leader responsible for driving financial and business results. Mr. Fortin received his Certified Public Accountant license from the State of California and a Bachelor of Science in Business Administration-Accounting from San Diego State University, California.

# Overview – Capabilities

## Global Production

- Up to 20 million capsules and 14 million tablets daily capacity
- Up to 500,000 bottles finished product daily capacity
- Highly sophisticated in-house laboratories
- Warehousing – 7,200+ pallet capacity

## Regulatory

- Full Label Panel Testing and Quality Assurance
- DSHEA and FDA compliant labeling
- International product registration support

## Intellectual Property

- 11 US Patents
- 20 total corresponding patents registered throughout North America, Europe, Asia
- 14 US trademark registrations
- 35 foreign trademark registrations, covering 41 countries

## Sales & Marketing

- Experienced global sales and marketing team
- Strong brand recognition in sports nutrition
- World class customer service

## Packaging

- HDPE/PP Bottles



- Jars



- Blister Packs



- Canisters



- Pouching





# Overview – Contract Manufacturing

## Product Formulation

- Custom formulations
- In-house science teams
- Clinical study design and support
- In-house product stability testing capabilities

## Material Acquisition and Analysis

- Global raw material sourcing expertise
- Transparency and tracking of material sources
- Extensive vendor certification program

## Facilities

- Vista, CA USA (162,000 SF manufacturing)
- Carlsbad, CA USA (21,000 SF office space)
- Carlsbad, CA USA (54,000 SF manufacturing)
- Manno, Switzerland (127,000 SF manufacturing)

## Forms

- Capsules 
- Tablets 
- Chewables 
- Powders 





# Overview – Patent & Trademark Licensing

In-house brand expansion leveraging our proprietary ingredients: CarnoSyn® and SR CarnoSyn® beta-alanine.



Please visit websites by clicking on logo.

## Sports Nutrition

- Enhance athletic performance
- Build muscle and reach peak sustainable performance
- New sustained release form of CarnoSyn® remains in the body longer
- New Dietary Ingredient (NDI) Status with the FDA
- Self-Affirmed GRAS Status
- The Natural Products Association 2019 Novel Ingredient and Science Award Recipient
- 2019 NutraIngredients Sports Nutrition Ingredient of the Year

## Health & Wellness

- Improves everyday muscle capacity and health
- "Wellness" and "Healthy Aging" products
- Specifically formulated for the health care practitioner market
- Self-Affirmed GRAS Status

## Direct-to-Consumer

- Immunity boost, mental clarity, total body wellness
- Launched June 2020
- Sold exclusively on Amazon
- Provides platform for additional DTC products



Natural Alternatives  
International, Inc.

# Worldwide Operations and Market Reach

NAI's global footprint and scope facilitates greater opportunities and more dynamic client engagement



# NAI US Facilities Tour



# Accreditations

Industry leading accreditations and certification demonstrate our commitment to quality and are a strong barrier to entry

## Domestic (NAI)

Good Manufacturing Practices (cGMPs) (21 CFR 111) compliant – FDA Inspected; Zero 483 observations

Therapeutic Goods Administration (TGA) GMP Compliance certified

Health Canada (NNHPD) GMP Compliance – Foreign Site Reference Number Issued

NSF International – GMP certified (21 CFR 111 & 21 CFR 117)

NSF International – GMP for Sport certified

Certified Organic (Natural Food Certifiers)

Supplement Safety & Compliance Initiative (SSCI) certification

## International (NAIE)

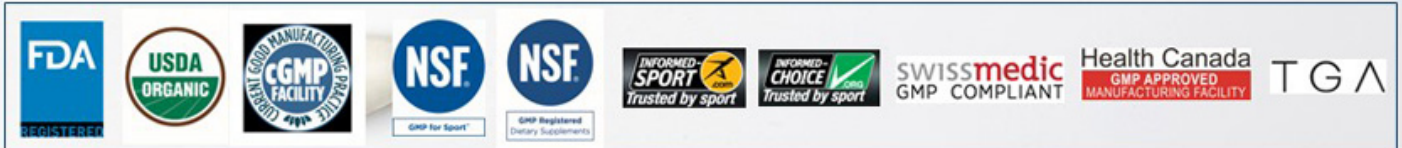
SwissMedic GMP certified – site registered and licensed

Laboratorio cantonale - inspected and certified under Official Food Law Enforcement Authority

Informed Choice/Informed Sport (LGC) certified

Institut Fresenius (SGS) GMP Certified

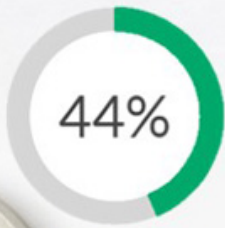
SGS Hazard Analysis and Critical Control Point (HACCP) Codex Alimentarius Certified



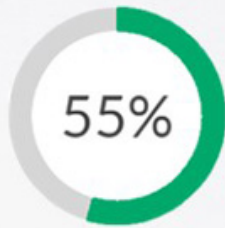


# Industry Trends

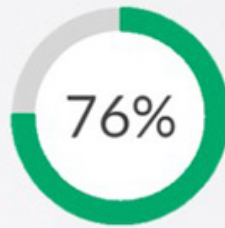
We will benefit from growing consumer interest in health and wellness



of consumers say supplements are part of a healthy lifestyle <sup>1</sup>



of consumers take supplements daily <sup>2</sup>



76% of baby boomers take supplements <sup>2</sup>

## Growing vitamin, mineral, & supplement (“VMS”) industries:

- USA Dietary supplement market is estimated at US \$55 billion and projected to grow at a 4.6% CAGR through 2023<sup>3</sup>
- Global Dietary supplement market is estimated at US \$150 billion and projected to grow at a 4.6% CAGR through 2023<sup>3</sup>



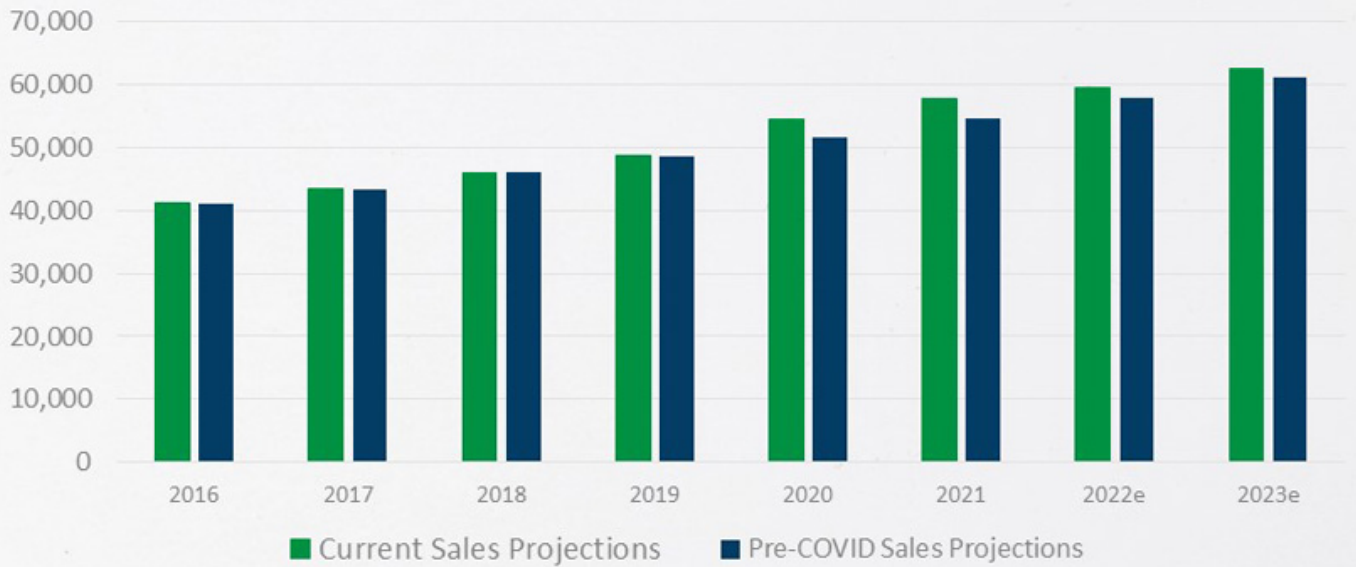
Natural Alternatives  
International, Inc.

**SOURCES:**

- 1 - MINTEL REPORTS: VITAMINS, MINERALS & SUPPLEMENTS US, 2017
- 2 - 2017 SUPPLEMENT OVER-THE-COUNTER RX DATA STUDY
- 3 - NUTRITION BUSINESS JOURNAL

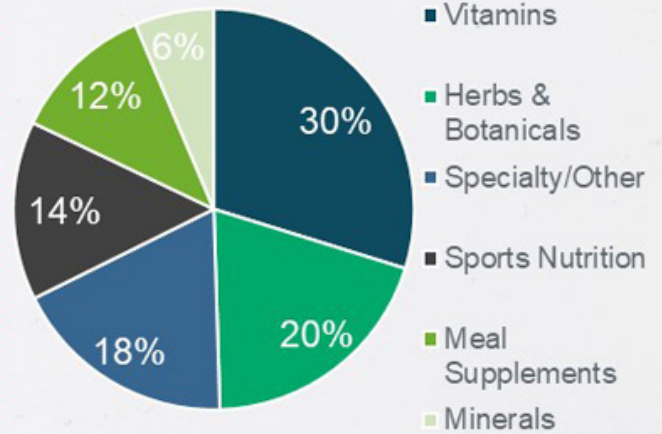
# COVID-19 Spikes USA Supplement Growth

COVID accelerated the supplement growth trend.  
Supplements projected to be \$1.4B larger in 2023 than pre-COVID est.



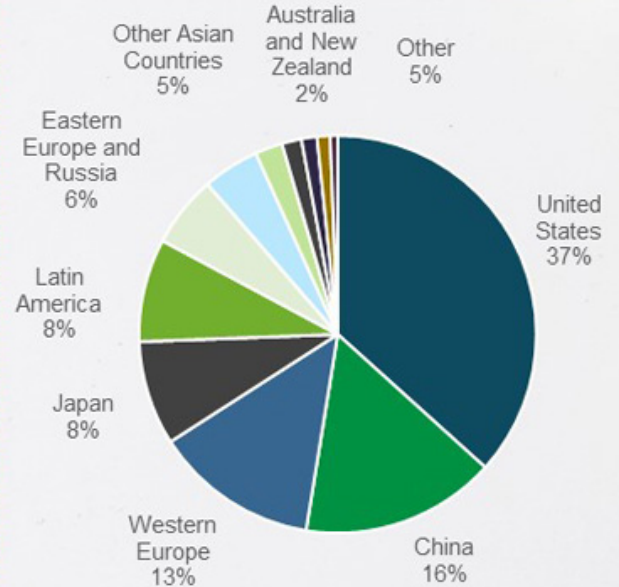
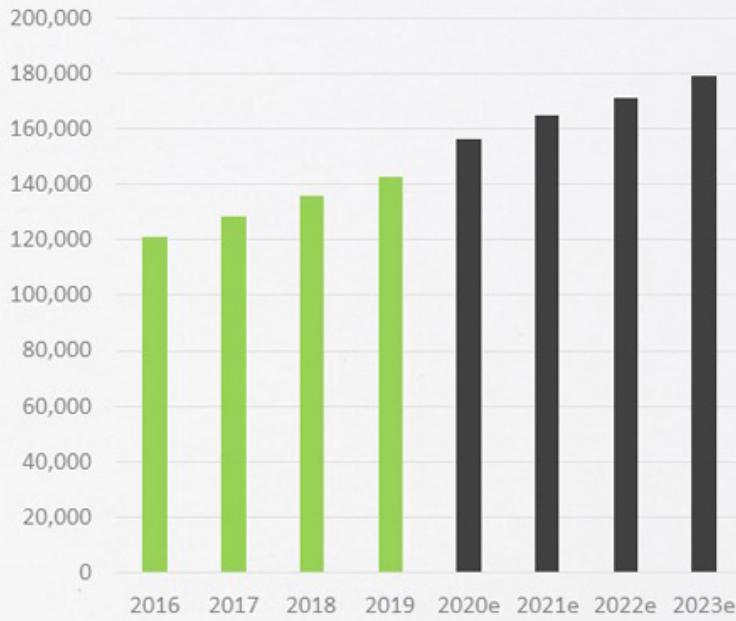
# US Supplement Market Forecast

A new level of demand has been established;  
Supplement industry on track to pass \$55B in 2020 and grow to \$60B+ by 2023



# Global Supplement Market Forecast

Global trend is matching US trend  
Global market spike of 9.5% growth to \$150B in 2020.





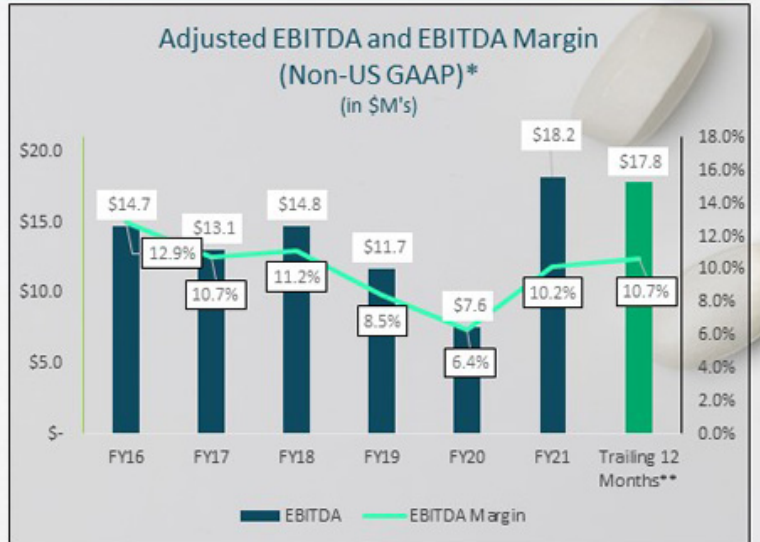


## Financial Performance and Growth Objectives

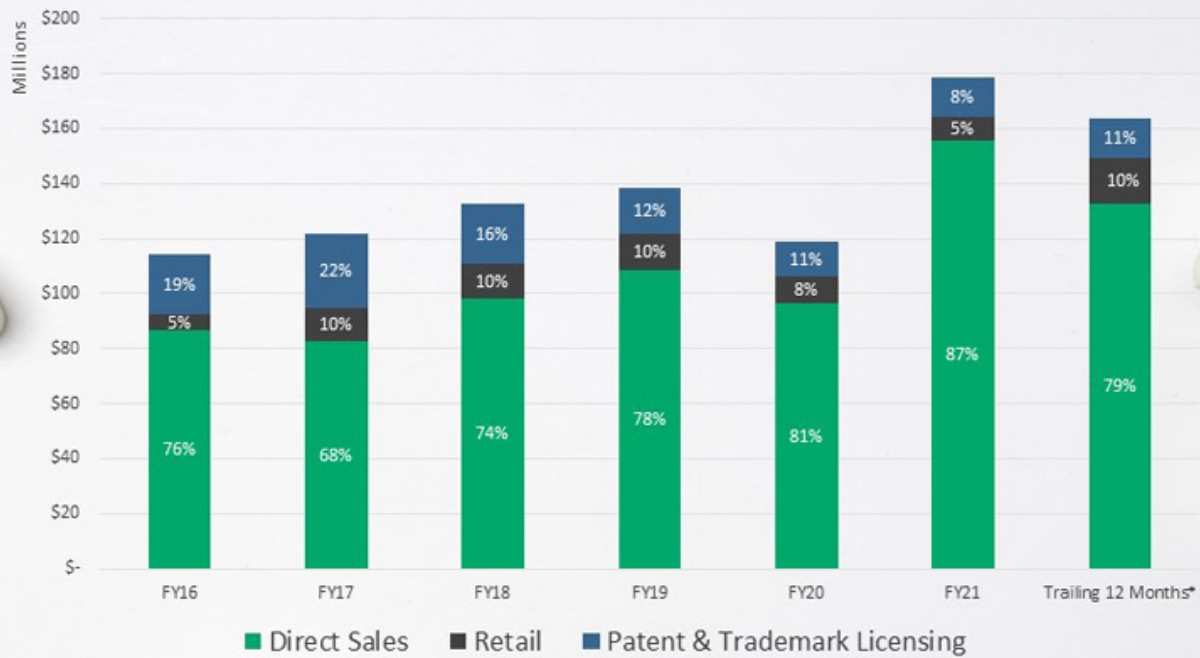
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# Historical Revenue and EBITDA

Sales in FY21 increased primarily due to higher sales from a majority of our distribution channels worldwide, including higher sales of immune and wellness products that appears to be driven by consumers taking a more active role in their health and wellness as a result of the COVID-19 pandemic. We also added new products from existing customers and new products from new customer acquisitions.



# Historical Sales By Channel



# Objectives & Growth Drivers

- **Full Year Fiscal 2022 Outlook:**

- ✓ Net Sales flat to slightly up
- ✓ Operating Income of 8-11% of Net Sales

- **Outlook for the 2nd Half of Fiscal 2022:**

- ✓ 10-13% increase in Net Sales
- ✓ Operating Income of 8-11% of Net Sales

- **Fiscal 2023 and Beyond Targeted Growth Objectives:**

- ✓ Achieve \$250 million revenue run-rate in the next 1-2 years with double digit Adjusted EBITDA margins
- ✓ Target sales growth rate of 5-10% per year
- ✓ Pursue complimentary accretive acquisitions generating \$10-\$50 million in sales over the next 3 years





# Acquisition Strategy



## Channels

Health Care Practitioner  
Multi-Level Marketer  
Direct-to-Consumer  
Specialty Retail  
Drug Store  
Mass



## Verticals

Wellness Brands  
High Value Ingredient Suppliers  
Contract Manufacturers  
Value-Add Distributors



## Markets

Vitamins, Minerals, Supplements  
Personal Care  
Over-the-Counter



## Forms

Capsules/Tablets, Powders  
Liquids, Lotions, Creams  
Chewable Wafers, Gummy/Soft-Chew  
Effervescent, Strips, Patches  
Probiotics



# Investment Thesis

- As of February 9, 2022, capacity utilization of ~60%
  - New high-capacity blender came online January 2022 in our Vista, CA facility increasing our overall product blending capacity in the USA by approximately 30%
  - Acquisition of new Manufacturing and Warehouse Facility in August 2021:
    - To be retrofitted to become a dedicated high volume powder blending and packaging facility by the fall of calendar 2022
    - Facility expected to provide substantially more warehouse, blending, and powder packaging capacity
    - Positioned to take advantage of current opportunities as well as new potential opportunities in the growing market of whole-food-based meal replacement powders as well as other powder product types
- As utilization increases, fixed costs remain relatively flat and profit margins improve
- Solid financial condition and ability to generate strong cash flow will allow us to increase capacity and or seek acquisition opportunities
- As of December 31, 2021 trading at under 4.8x EV/Adjusted EBITDA

# Investor Information

Stock Symbol: NASDAQ: NAI

Company website: <http://www.nai-online.com>

## Company Headquarters:

1535 Faraday Avenue  
Carlsbad, CA 92008



## Investor Relations Contacts

Michael Fortin  
Chief Financial Officer  
760-736-7700  
[investor@nai-online.com](mailto:investor@nai-online.com)





# Appendix

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[Investor Relations Info](#)



# Historical Segment Performance

	Fiscal Year ended June 30,			Trailing 12 Months*
	2019	2020	2021	(Unaudited)
<b>Revenue</b>				
Private Label Contract Manufacturing	\$ 121,598	\$ 106,291	\$ 164,310	\$ 149,208
Patent & Trademark Licensing	16,692	12,585	14,210	17,570
Total Revenue	\$ 138,290	\$ 118,876	\$ 178,520	\$ 166,778
<b>Income (Loss) from Operations</b>				
Private Label Contract Manufacturing	\$ 11,232	\$ 4,030	\$ 17,744	\$ 13,938
Patent & Trademark Licensing	2,892	2,508	4,442	7,636
Income from operations of reportable segments	14,124	6,538	22,186	21,574
Corporate expense not allocated to segments	(8,163)	(8,047)	(8,514)	(8,750)
Income (Loss) from Operations	\$ 5,961	\$ (1,509)	\$ 13,672	\$ 12,824
<b>Revenue as a %</b>				
Private Label Contract Manufacturing	87.9%	89.4%	92.0%	89.5%
Patent & Trademark Licensing	12.1%	10.6%	8.0%	10.5%
<b>Operating Margins</b>				
Private Label Contract Manufacturing	9.2%	3.8%	10.8%	9.3%
Patent & Trademark Licensing	17.3%	19.9%	31.3%	43.5%
Income from Operations of reportable segments	10.2%	5.5%	12.4%	12.9%
Income from Operations	4.3%	-1.3%	7.7%	7.7%

# Condensed Consolidated Statements of Income

(In thousands, except per share data)  
(Unaudited)

	Three Months Ended				Six Months Ended			
	December 31,				December 31,			
	2021		2020		2021		2020	
<b>NET SALES</b>	37,727	100.0%	48,083	100.0%	76,067	100.0%	87,809	100.0%
Cost of goods sold	31,181	82.6%	38,409	79.9%	61,240	82.1%	72,130	82.1%
Gross profit	6,546	17.4%	9,674	20.1%	14,827	17.9%	15,679	17.9%
Selling, general & administrative expenses	4,145	11.0%	4,282	8.9%	8,198	9.3%	8,202	9.3%
<b>INCOME FROM OPERATIONS</b>	2,401	6.4%	5,392	11.2%	6,629	8.5%	7,477	8.5%
Other (loss) income, net	(9)	-1.7%	(806)	-1.7%	(35)	-1.3%	(1,127)	-1.3%
<b>INCOME BEFORE TAXES</b>	2,392	9.5%	4,586	9.5%	6,594	7.2%	6,350	7.2%
Income tax expense	545		954		1,491		460	
<b>NET INCOME</b>	<u>\$ 1,847</u>		<u>\$ 3,632</u>		<u>\$ 5,103</u>		<u>\$ 5,890</u>	
<b>NET INCOME PER COMMON SHARE:</b>								
Basic:	<u>\$0.30</u>		<u>\$0.58</u>		<u>\$0.82</u>		<u>\$0.93</u>	
Diluted:	<u>\$0.30</u>		<u>\$0.57</u>		<u>\$0.81</u>		<u>\$0.92</u>	
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>								
Basic	<u>6,212</u>		<u>6,270</u>		<u>6,250</u>		<u>6,344</u>	
Diluted	<u>6,256</u>		<u>6,405</u>		<u>6,304</u>		<u>6,438</u>	

# Condensed Consolidated Balance Sheets

(In thousands)

	December 31, 2021 <i>(Unaudited)</i>	June 30, 2021
<b>ASSETS</b>		
Cash and cash equivalents	\$19,352	\$32,133
Accounts receivable, net	15,065	17,946
Inventories, net	31,828	27,006
Other current assets	<u>4,316</u>	<u>3,263</u>
Total current assets	70,531	80,348
Property and equipment, net	39,741	22,271
Operating lease right-of-use assets	14,542	15,877
Other noncurrent assets, net	<u>2,514</u>	<u>1,785</u>
Total Assets	<u>\$127,358</u>	<u>\$120,281</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	17,874	23,717
Mortgage	9,932	—
Long-term liability - operating leases	<u>15,151</u>	<u>16,481</u>
Total Liabilities	<u>42,957</u>	<u>40,198</u>
Stockholders' Equity	<u>84,401</u>	<u>80,083</u>
Total Liabilities and Stockholders' Equity	<u>\$127,358</u>	<u>\$120,281</u>

# Adjusted EBITDA Reconciliation (Non-US GAAP)

Natural Alternatives International, Inc.  
Adjusted EBITDA – Non – US GAAP Reconciliation  
(In Thousands)  
(Unaudited)

	FY16	FY17	FY18	FY19	FY20	FY21	Trailing 12 Months*
<b>Net Income (Loss)</b>	\$9,546	\$7,235	\$5,051	\$6,541	(\$1,645)	\$10,768	\$9,981
<b>Interest Income</b>	(131)	(459)	(1,085)	(1,868)	(177)	(1)	—
<b>Interest Expense</b>	(2)	3	9	29	66	118	49
<b>Taxes</b>	4,026	2,876	5,562	1,412	(93)	1,358	2,388
<b>Depreciation &amp; Amortization</b>	1,772	2,384	2,908	3,465	3,959	4,338	4,346
<b>Traditional EBITDA</b>	\$15,211	\$12,039	\$12,445	\$9,579	\$2,110	\$16,581	\$16,764
<b>Non-cash Compensation</b>	724	1,032	1,334	1,672	1,712	1,430	1,199
<b>Non-cash Sales Discount</b>	—	—	898	82	—	—	—
<b>Forward Pts in Revenue</b>	—	—	—	—	(863)	(518)	(410)
<b>Acquisition Costs</b>	—	—	117	512	30	—	—
<b>Foreign Exchange (Gain) Loss</b>	425	28	(18)	(148)	320	1,408	385
<b>One Time Gain on Building</b>	(1,621)	—	—	—	—	—	—
<b>One Time Kaged Muscle Adjustment**</b>	—	—	—	—	4,288	(696)	(112)
<b>Adjusted EBITDA</b>	\$14,739	\$13,099	\$14,776	\$11,697	\$7,597	\$18,205	\$17,826







*Custom Contract Manufacturing Since 1980. Enriching the World Through the Best of Nutrition.*



# Thank You

[www.nai-online.com](http://www.nai-online.com)

Nasdaq: NAI



**Natural Alternatives International, Inc.**

**Announces 2022 Q2 and YTD Results**

- **\$37.7 million Net Sales, \$1.8 million Net Income, \$0.30 diluted EPS**

**CARLSBAD, CALIF**, February 9, 2022 /PRNewswire/ --Natural Alternatives International, Inc. ("NAI") (Nasdaq: NAI), a leading formulator, manufacturer, and marketer of customized nutritional supplements, today announced net income of \$1.8 million, or \$0.30 per diluted share, on net sales of \$37.7 million for the second quarter of fiscal year 2022 compared to net income of \$3.6 million, or \$0.57 per diluted share, in the second quarter of the prior fiscal year.

Net sales during the three months ended December 31, 2021, decreased \$10.4 million, or 21.5%, to \$37.7 million as compared to \$48.1 million recorded in the comparable prior year period. During the same period, private-label contract manufacturing sales decreased 25.7% to \$33.7 million. Private-label contract manufacturing sales decreased primarily due to a 48% reduction in sales to our largest customer, combined with supply chain and labor constraints that negatively affected our production capacity during the quarter. Sales backlog for the quarter ended December 31, 2021 exceeded \$12.0 million primarily related to supply chain, labor shortages, and logistical constraints.

CarnoSyn® beta-alanine royalty, licensing and raw material sales revenue increased 46.9% to \$4.1 million during the second quarter of fiscal year 2022, as compared to \$2.8 million for the second quarter of fiscal year 2021. The increase in patent and trademark licensing revenue during the second quarter of fiscal 2022 was primarily due to increased shipments to existing customers, combined with sales to new customers, and higher average sales prices. We believe increased sales are largely related to athletic activities and gyms reopening in accordance with easing COVID-19 restrictions across the USA as compared to significant restrictions in such activities in the first and second quarters of fiscal 2021.

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Net income for the six months ended December 31, 2021 was \$5.1 million, or \$0.81 per diluted share, compared to net income of \$5.9 million, or \$0.91 per diluted share, for the six months ended December 31, 2020.

Net sales during the six months ended December 31, 2021 decreased \$11.7 million, or 13.4%, from \$87.8 million recorded in the comparable prior year period. For the six months ended December 31, 2021, private-label contract manufacturing sales decreased \$15.1 million, or 18.3%, from the comparable period last year. CarnoSyn® beta-alanine royalty, licensing and raw material sales revenue increased 61.8% to \$8.8 million during the first six months of fiscal 2022, as compared to \$5.4 million for the first six months of fiscal 2021.

Based on our current sales order volumes and forecasts we have received from our customers, along with the continued challenges with supply chain and staffing shortages, including challenges from COVID-19 absences, we now anticipate our fiscal 2022 consolidated net sales will be flat to slightly up as compared to fiscal 2021. We also anticipate we will generate operating income between 8.0% and 11.0% of net sales for our fiscal year ending June 30, 2022. As we previously estimated it would, sales and profitability during the first half of fiscal 2022 declined when compared to the same period of fiscal 2021 primarily related to lower sales to our largest contract manufacturing customer. During the second half of fiscal 2022, we expect net sales to increase 10.0% to 13.0% as compared to the same period in fiscal 2021, and operating income to increase to between 8.0% and 11.0% of net sales. The improvement in net sales and operating profitability is expected to be generated from continued growth from sales and improved sales mix and staffing levels.

As of December 31, 2021, we had cash of \$19.4 million and working capital of \$54.1 million, compared to \$32.1 million and \$58.3 million respectively, as of June 30, 2021. As of December 31, 2021, we had \$20.0 million available under our line of credit agreement.

Mark A. Le Doux, Chairman and Chief Executive Officer of NAI stated, “Our results for the second quarter and first half of fiscal 2022 were in line with our expectations despite continuing supply chain and labor challenges in addition to a decline in sales to our largest customer. Our backlog going into the third quarter remains strong and we are working hard to add staff in order to support our anticipated sales growth in the second half of the year while also maneuvering the daily reality of COVID-19. We also brought online new blending capacity in our Vista, CA plant that will increase our operational throughput and is necessary to support current demand and future growth expectations.”

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“We believe our balance sheet is still a significant strength for us and we will continue to utilize our recently increased stock buyback program as long as our stock trades at levels we believe are below the true value of our Company.”

“While our expected growth in the second half of the year is not as robust as we previously anticipated, we still see significant opportunities with both existing and new customers. Our team is working hard to navigate these near-term challenges and position the Company for long term growth and profitability.”

An updated investor presentation will be posted to the investor relations page on our website later today (<https://www.nai-online.com/our-company/investors/>).

NAI, headquartered in Carlsbad, California, is a leading formulator, manufacturer and marketer of nutritional supplements and provides strategic partnering services to its customers. Our comprehensive partnership approach offers a wide range of innovative nutritional products and services to our clients 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. For more information about NAI, please see our website at <http://www.nai-online.com>.

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 that are not historical facts and information. These statements represent our intentions, expectations and beliefs concerning future events, including, among other things, our ability to develop, maintain or increase sales to new and existing customers, our ability to attract and retain sufficient labor, COVID-19 and related impacts on the availability of raw materials, our future revenue profits and financial condition, as well as future economic conditions and the impact of such conditions on our business. We wish to caution readers these statements involve risks and uncertainties that could cause actual results and outcomes for future periods to differ materially from any forward-looking statement or views expressed herein. NAI's financial performance and the forward-looking statements contained herein are further qualified by other risks, including those set forth from time to time in the documents filed by us with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K.

SOURCE - Natural Alternatives International, Inc.

CONTACT – Michael Fortin, Chief Financial Officer, Natural Alternatives International, Inc., at 760-736-7700 or [investor@nai-online.com](mailto:investor@nai-online.com).

Web site: <http://www.nai-online.com>

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**NATURAL ALTERNATIVES INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)

	(Unaudited) Three Months Ended December 31,				(Unaudited) Six Months Ended December 31,			
	2021		2020		2021		2020	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>NET SALES</b>	\$ 37,727	100.0%	48,083	100.0%	76,067	100.0%	87,809	100.0%
Cost of goods sold	31,181	82.6%	38,409	79.9%	61,240	80.5%	72,130	82.1%
Gross profit	6,546	17.4%	9,674	20.1%	14,827	19.5%	15,679	17.9%
Selling, general & administrative expenses	4,145	11.0%	4,282	8.9%	8,198	10.8%	8,202	9.3%
<b>INCOME FROM OPERATIONS</b>	2,401	6.4%	5,392	11.2%	6,629	8.7%	7,477	8.5%
Other expense, net	(9)	0.0%	(806)	-1.7%	(35)	0.0%	(1,127)	-1.3%
<b>INCOME BEFORE TAXES</b>	2,392	6.3%	4,586	9.5%	6,594	8.7%	6,350	7.2%
Income tax expense	545		954		1,491		460	
<b>NET INCOME</b>	<u>\$ 1,847</u>		<u>\$ 3,632</u>		<u>\$ 5,103</u>		<u>\$ 5,890</u>	
<b>NET INCOME PER COMMON SHARE:</b>								
Basic:	<u>\$ 0.30</u>		<u>\$ 0.58</u>		<u>\$ 0.82</u>		<u>\$ 0.93</u>	
Diluted:	<u>\$ 0.30</u>		<u>\$ 0.57</u>		<u>\$ 0.81</u>		<u>\$ 0.91</u>	
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>								
Basic	<u>6,212</u>		<u>6,270</u>		<u>6,250</u>		<u>6,344</u>	
Diluted	<u>6,256</u>		<u>6,405</u>		<u>6,304</u>		<u>6,438</u>	

**NATURAL ALTERNATIVES INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

	<b>(unaudited)</b>	
	<b>December 31,</b>	<b>June 30,</b>
	<b>2021</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,352	\$ 32,133
Accounts receivable, net	15,065	17,946
Inventories, net	31,828	27,006
Other current assets	4,316	3,263
Total current assets	70,561	80,348
Property and equipment, net	39,741	22,271
Operating lease right-of-use assets	14,542	15,877
Other noncurrent assets, net	2,514	1,785
Total Assets	\$ 127,358	\$ 120,281
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	17,874	23,717
Mortgage note payable	9,932	-
Long-term liability - operating leases	15,151	16,481
Total Liabilities	42,957	40,198
Stockholders' Equity	84,401	80,083
Total Liabilities and Stockholders' Equity	\$ 127,358	\$ 120,281