

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): 09/17/2021

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.

ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

5.02(b) Director Resignations

The Board of Directors (the "Board") of Natural Alternatives International, Inc. (the "Company") received letters of resignation tendered by Alan J. Lane and Lee G. Weldon two of its directors. Both letters of resignation stated their resignation would be effective September 18, 2021, and both letters of resignation stated they were not the result of any disagreement with the Board, the Company's management, its independent accountant or legal counsel. No new or modified compensatory arrangements were entered into by the Company with the departing directors.

5.02(d) Appointment of a Director

On September 17, 2021, the Board appointed a new director to a vacant seat on the Board resulting from the death of a director. The Board appointed Dr. Guru Ramanathan to complete the remaining term of the deceased director ending on the annual meeting of stockholders to elect directors in Class I currently scheduled to be held on December 3, 2021. The Board also accepted the recommendation of the Nominating Committee and resolved to nominate Dr. Ramanathan to be elected by the stockholders as a director in Class I at the annual stockholder meeting to be held on December 3, 2021. The only compensatory arrangement entered into between the Company and Dr. Ramanathan to be effective prior to his potential election as a director by the stockholders is to pay Dr. Ramanathan the same fees that are paid to other directors for attendance at Board and Committee meetings and to pay or reimburse the reasonable cost of traveling to and attending any such meetings.

In light of these changes in the composition of the Board and for related reasons, the Board also took the following actions.

Decrease in Board Size

In light of the size of the Company, and in order to meet currently applicable state statutory requirements regarding the composition of the Board of Directors and in doing so to avoid an otherwise required significant increase in the size of the Board which primarily due to cost and effectiveness the Board determined would not be in the Company's best interest, the Board determined it would best provide for the efficient and effective governance of the Company to reduce the current size of the Board. Therefore, effective September 18, 2021, the Board approved a decrease in the size of the Board from 6 directors to 4 directors. As a result of the director resignations and the change in the size of the Board, the Board now has 4 members, three of whom are independent, and no vacancies.

Board Committee Appointments

On September 17, 2021, the Board of Directors appointed Alan G. Dunn, Laura Kay Matherly and Guru Ramanathan to the Nominating Committee of the Board of Directors and appointed Alan G. Dunn to serve as Chair of the Nominating Committee. On the same date, the Board appointed Laura Kay Matherly to be the Chair of the Human Resources Committee and also appointed Guru Ramanathan to the Audit Committee and the Human Resources Committee. As a result of the director resignations and the Committee appointments, all three Committees of the Board (Audit Committee, Human Resources Committee and Nominating Committee) are now comprised of directors Alan G. Dunn, Laura Kay Matherly and Guru Ramanathan.

ITEM 7.01 REGULATION FD DISCLOSURE.

The Company has added an investor presentation to its website. The presentation can be found on the investor relations tab of the website at <https://www.nai-online.com/our-company/investors/> . A copy of the Investor Presentation is attached hereto as Exhibit 99.1 and incorporated by reference herein.

On September 20, 2021, NAI issued a press release announcing its fourth quarter and annual financial results, the appointment of Dr. Guru Ramanathan to the Board of Directors, and the addition of a new investor presentation to its website. A copy of the press release is attached hereto as Exhibit 99.3 and incorporated by reference herein.

ITEM 8.01 OTHER EVENTS.***Determination of Director Independence and Audit Committee Financial Experts***

On September 17, 2021, the Board, under advisement by legal counsel and the Nominating Committee, undertook an analysis regarding director independence and determined that each of Alan G. Dunn, Laura Kay Matherly and Guru Ramanathan are independent directors. On the same date the Board undertook an analysis of Audit Committee Financial Experts and determined Alan G. Dunn and Laura Kay Matherly are each an Audit Committee Financial Expert within the meaning of current SEC regulations.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

99.4 [Investor Presentation September 2021](#)

99.5 [NAI Press Release issued on September 20, 2021.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Natural Alternatives International, Inc.
a Delaware corporation

Date: September 20, 2021

By: /s/ Mike Fortin
Mike Fortin, Chief Financial Officer



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



Natural Alternatives International, Inc.

Investor Presentation

September 2021

Nasdaq: NAI

Forward Looking Statements

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

NAL 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® and SR CarnoSyn® targeting sports nutrition, wellness, and healthy aging markets



Headquarters: Carlsbad, CA

Founded in 1980

Nasdaq: NAIL

Total Revenue (TTM): \$179M

Market Capitalization: \$96M
(as of 9/17/2021)

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 \$178.5 million
- Working Capital of \$58.3 million at 6/30/21
- Available \$20M line of credit

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 – 5,600+ 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

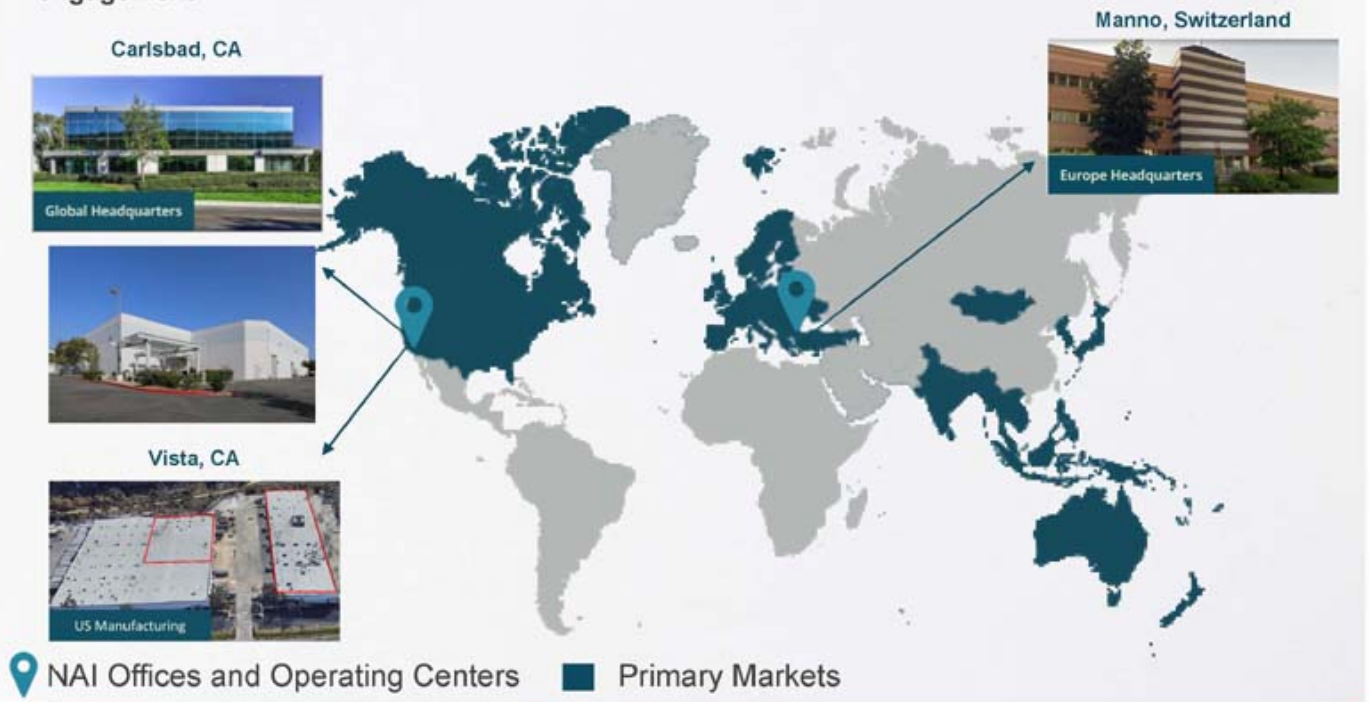
- Improves everyday muscle capacity and health
- "Wellness" and "Healthy Aging" products
- Specifically formulated for the health care practitioner market
- Self-Affirmed GRAS Status

Direct-to-Consumer

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

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)

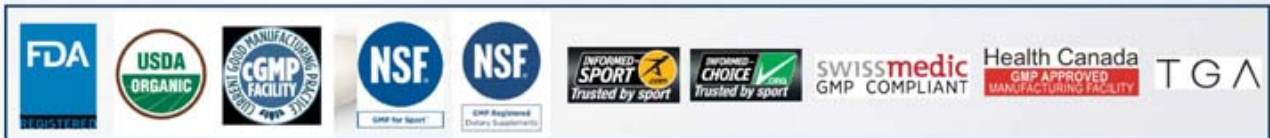
SwissMedic GMP certified – site registered and licensed

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 ¹



of consumers take supplements daily ²



76% of baby boomers take supplements ²

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 2023³
- Global Dietary supplement market is estimated at US \$150 billion and projected to grow at a 4.6% CAGR through 2023³



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

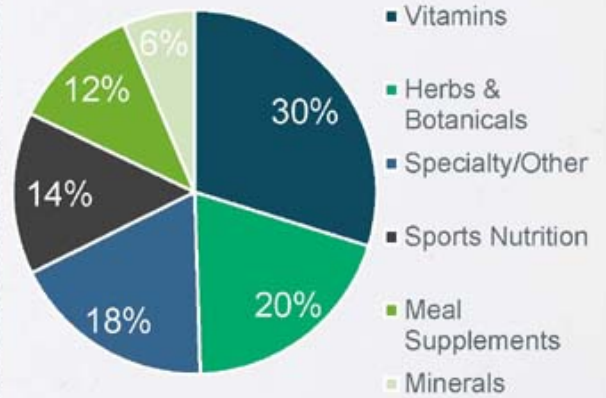
COVID-19 Spikes USA Supplement Growth

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

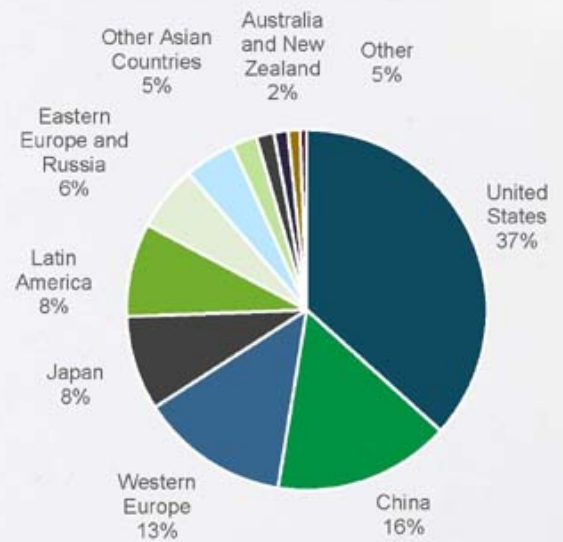
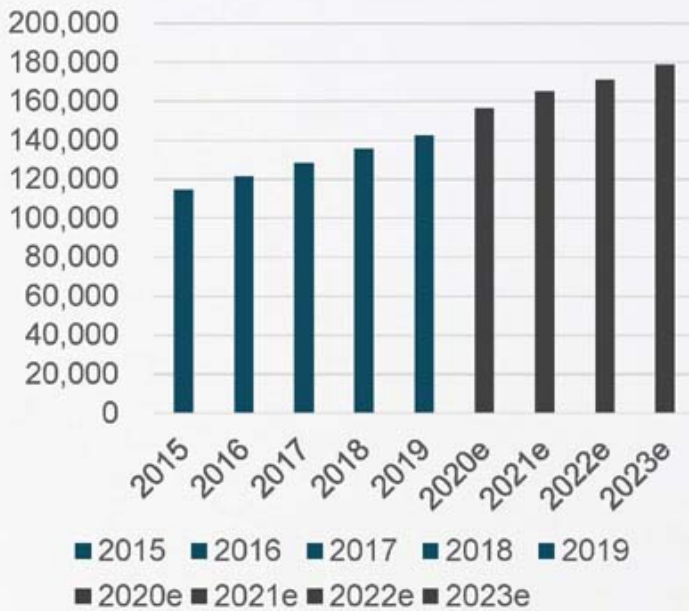


Natural Alternatives
 International, Inc.

SOURCE: NUTRITION BUSINESS JOURNAL (NBI), CONSUMER SALES

Global Supplement Market Forecast

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

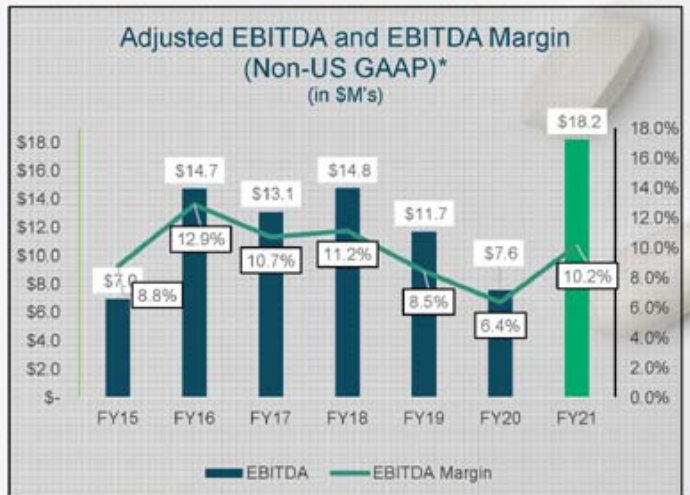




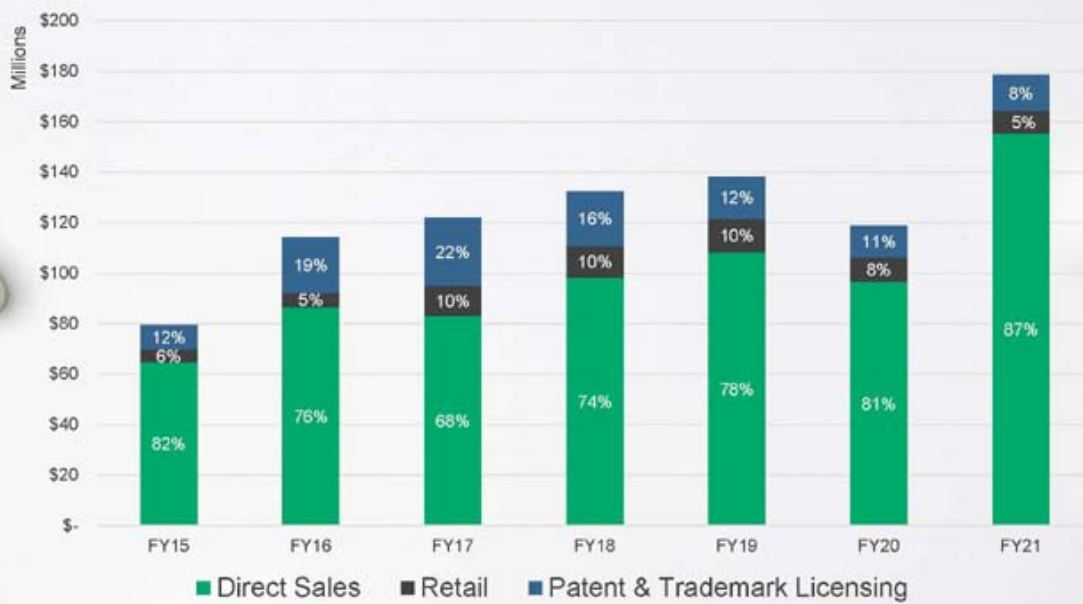
Financial Performance and Growth Objectives

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

- **Fiscal 2022 Outlook:**

- ✓ 5-10% increase in Net Sales
- ✓ Operating Income of 7-9% 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 September 17, 2021 capacity utilization of ~70%
 - New high-capacity blender scheduled to come on line in Q3 2022 in our Vista, CA facility in order to increase our overall product capacity
 - 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 end of Fiscal Year 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 June 30, 2021 trading at under 4.5x EV/Adjusted EBITDA

Investor Information

Stock Symbol: NASDAQ: NAI
Company website: <http://www.nai-online.com>

Company Headquarters:

1535 Faraday Avenue
Carlsbad, CA 92008



Global Headquarters

Investor Relations Contacts

Michael Fortin
Chief Financial Officer
760-736-7700
investor@nai-online.com





Appendix

[Investor Relations Info](#)

Historical Segment Performance

| | Fiscal Year ended June 30, | | | |
|---|----------------------------|------------|------------|------------|
| | 2018 | 2019 | 2020 | 2021 |
| Revenue | | | | |
| Private Label Contract Manufacturing | \$ 110,992 | \$ 121,598 | \$ 106,291 | \$ 164,310 |
| Patent & Trademark Licensing | 21,445 | 16,692 | 12,585 | 14,210 |
| Total Revenue | \$ 132,437 | \$ 138,290 | \$ 118,876 | \$ 178,520 |
| Income from Operations | | | | |
| Private Label Contract Manufacturing | \$ 10,482 | \$ 11,232 | \$ 4,030 | \$ 17,744 |
| Patent & Trademark Licensing | 5,730 | 2,892 | 2,508 | 4,442 |
| Income from operations of reportable segments | 16,212 | 14,124 | 6,538 | 22,186 |
| Corporate expense not allocated to segments | (6,679) | (8,163) | (8,047) | (8,514) |
| Income (Loss) from Operations | \$ 9,533 | \$ 5,961 | \$ (1,509) | \$ 13,672 |
| Revenue as a % | | | | |
| Private Label Contract Manufacturing | 83.8% | 87.9% | 89.4% | 92.0% |
| Patent & Trademark Licensing | 16.2% | 12.1% | 10.6% | 8.0% |
| Operating Margins | | | | |
| Private Label Contract Manufacturing | 9.4% | 9.2% | 3.8% | 10.8% |
| Patent & Trademark Licensing | 26.7% | 17.3% | 19.9% | 31.3% |
| Income from Operations of reportable segments | 12.2% | 10.2% | 5.5% | 12.4% |
| Income from Operations | 7.2% | 4.3% | -1.3% | 7.7% |

Condensed Consolidated Statements of Income

(In thousands, except per share data)

| | (Unaudited) | | | | Year Ended | | | |
|--|--------------------|--------------|-----------------|--------------|------------------|--------------|-------------------|--------------|
| | Three Months Ended | | | | June 30 | | | |
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | | | | | | | | |
| NET SALES | \$ 44,391 | 100.0% | \$ 35,096 | 100.0% | \$ 178,520 | 100.0% | \$ 118,876 | 100.0% |
| Cost of goods sold | <u>36,464</u> | <u>82.1%</u> | <u>28,564</u> | <u>81.4%</u> | <u>148,078</u> | <u>82.9%</u> | <u>100,005</u> | <u>84.1%</u> |
| Gross profit | 7,927 | 17.9% | 6,532 | 18.6% | 30,442 | 17.1% | 18,871 | 15.9% |
| Selling, general & administrative expenses | <u>4,432</u> | <u>10.0%</u> | <u>4,461</u> | <u>12.7%</u> | <u>16,770</u> | <u>9.4%</u> | <u>20,380</u> | <u>17.1%</u> |
| INCOME (LOSS) FROM OPERATIONS | 3,495 | 7.9% | 2,071 | 5.9% | 13,672 | 7.7% | (1,509) | -1.3% |
| Other (loss) income, net | <u>(94)</u> | <u>-0.2%</u> | <u>(234)</u> | <u>-0.7%</u> | <u>(1,547)</u> | <u>-0.9%</u> | <u>(229)</u> | <u>-0.2%</u> |
| INCOME (LOSS) BEFORE TAXES | 3,401 | 7.7% | 1,837 | 5.2% | 12,125 | 6.8% | (1,738) | -1.5% |
| Income tax expense (benefit) | <u>439</u> | | <u>39</u> | | <u>1,357</u> | | <u>(93)</u> | |
| NET INCOME (LOSS) | <u>\$ 2,962</u> | | <u>\$ 1,798</u> | | <u>\$ 10,768</u> | | <u>\$ (1,645)</u> | |
| NET INCOME (LOSS) PER COMMON SHARE: | | | | | | | | |
| Basic: | <u>\$0.47</u> | | <u>\$0.27</u> | | <u>\$1.71</u> | | <u>\$(0.25)</u> | |
| Diluted: | <u>\$0.47</u> | | <u>\$0.27</u> | | <u>\$1.69</u> | | <u>\$(0.25)</u> | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | | | | | |
| Basic | <u>6,274</u> | | <u>6,580</u> | | <u>6,291</u> | | <u>6,734</u> | |
| Diluted | <u>6,315</u> | | <u>6,611</u> | | <u>6,379</u> | | <u>6,734</u> | |

Condensed Consolidated Balance Sheets

(In thousands)

| | June 30, <u>2021</u> | June 30, <u>2020</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$32,133 | \$30,478 |
| Accounts receivable, net | 17,946 | 17,001 |
| Inventories, net | 27,006 | 27,972 |
| Other current assets | <u>3,263</u> | <u>3,573</u> |
| Total current assets | 80,348 | 79,024 |
| Property and equipment, net | 22,271 | 21,523 |
| Operating lease right-of-use assets | 15,877 | 18,354 |
| Other noncurrent assets, net | <u>1,785</u> | <u>1,302</u> |
| Total Assets | <u>\$120,281</u> | <u>\$120,203</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | 23,717 | 20,046 |
| Line of credit | — | 10,000 |
| Long-term liability - operating leases | <u>16,481</u> | <u>18,782</u> |
| Total Liabilities | <u>40,198</u> | <u>48,828</u> |
| Stockholders' Equity | <u>80,083</u> | <u>71,375</u> |
| Total Liabilities and Stockholders' Equity | <u>\$120,281</u> | <u>\$120,203</u> |

Adjusted EBITDA Reconciliation (Non-US GAAP)

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

| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|-----------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|
| Net Income (Loss) | \$3,346 | \$9,546 | \$7,235 | \$5,051 | \$6,541 | (\$1,645) | \$10,768 |
| Interest Income | (36) | (131) | (459) | (1,085) | (1,868) | (177) | (1) |
| Interest Expense | 12 | (2) | 3 | 9 | 29 | 66 | 118 |
| Taxes | 961 | 4,026 | 2,876 | 5,562 | 1,412 | (93) | 1,358 |
| Depreciation & Amortization | 2,341 | 1,772 | 2,384 | 2,908 | 3,465 | 3,959 | 4,338 |
| Traditional EBITDA | \$6,714 | \$15,211 | \$12,039 | \$12,445 | \$9,579 | \$2,110 | \$16,581 |
| Non-cash Compensation | 390 | 724 | 1,032 | 1,334 | 1,672 | 1,712 | 1,430 |
| Non-cash Sales Discount | — | — | — | 898 | 82 | — | — |
| Forward Pts in Revenue | — | — | — | — | — | (863) | (518) |
| Acquisition Costs | — | — | — | 117 | 512 | 30 | — |
| Foreign Exchange (Gain) Loss | (127) | 425 | 28 | (18) | (148) | 320 | 1,408 |
| One Time Gain on Building | — | (1,621) | — | — | — | — | — |
| One Time Kaged Muscle Adjustment* | — | — | — | — | — | 4,288 | (696) |
| Adjusted EBITDA | \$6,977 | \$14,739 | \$13,099 | \$14,776 | \$11,697 | \$7,597 | \$18,205 |



Natural Alternatives
International, Inc.

*Represents an inventory and accounts receivable reserve and subsequent recoveries related to a former customer. Due to the nature of our business and the underlying circumstances of this charge, we consider this a non-recurring item and is not representative of our ongoing operational performance.



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Nasdaq: NAI



Natural Alternatives International, Inc.

Announces 2021 Q4 and YTD Results

Record Level of Sales, Net Income, and Diluted EPS for the Fiscal Year 2021

- **2021 Q4: \$44.4 million Net Sales (+26.5%), \$3.0 million Net Income, \$0.47 diluted EPS**
- **Fiscal Year 2021: \$178.5 million Net Sales (+50.2%), \$10.8 million Net Income, \$1.69 diluted EPS**
- **Appointment of Dr. Guru Ramanathan as a new independent Director**

CARLSBAD, CALIF, September 20, 2021 /PRNewswire/ --Natural Alternatives International, Inc. ("NAI") (Nasdaq: NAI), a leading formulator, manufacturer and marketer of customized nutritional supplements, today announced net income of \$3.0 million, or \$0.47 per diluted share, on net sales of \$44.4 million for the fourth quarter of fiscal year 2021 compared to net income of \$1.8 million, or \$0.27 per diluted share, in the fourth quarter of the prior fiscal year.

Net sales during the three months ended June 30, 2021 increased \$9.3 million, or 26.5%, to \$44.4 million as compared to \$35.1 million recorded in the comparable prior year period. During the same period, private-label contract manufacturing sales increased to \$39.8 million, a 21.2% increase from the comparable quarter last year. In both the fiscal year and fourth quarter, private-label contract manufacturing sales increased primarily due to higher sales from a majority of our distribution channels worldwide. A significant portion of our increased contract manufacturing sales related to higher sales of immune and wellness products which is in line with the trend we find being experienced by the dietary supplement industry 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. Our contract manufacturing sales also increased due to sales of newly awarded products from new and existing customers. CarnoSyn® beta-alanine royalty, licensing and raw material sales revenue increased 102.6% to \$4.7 million during the fourth quarter of fiscal year 2021, as compared to \$2.3 million for the fourth quarter of fiscal year 2020. In both the fiscal year and fourth quarter, CarnoSyn® sales increased primarily due to an increase in material shipments resulting from higher sales to existing customers. We believe the higher sales were influenced by an increase in activity as gyms and athletic facilities began to reopen in accordance with easing COVID-19 guidelines in various cities and states across the U.S.

Net income for the year ended June 30, 2021 was \$10.8 million, or \$1.69 per diluted share, compared to a net loss of \$1.6 million, or \$0.25 per diluted share, for the year ended June 30, 2020.

Net sales during the year ended June 30, 2021 increased 50.2% to \$178.5 million as compared to \$118.9 million recorded in the comparable prior year period. For the year ended June 30, 2021, private-label contract manufacturing sales increased 54.6% to \$164.3 million as compared to \$106.3 million during the comparable period last year. CarnoSyn® beta-alanine royalty, licensing and raw material sales revenue increased 12.9% to \$14.2 million during the year ended June 30, 2021, as compared to \$12.6 million for the year ended June 30, 2020.

Based on our current sales order volumes, and forecasts we have received from our customers, we anticipate our fiscal year 2022 consolidated net sales will increase between 5.0% and 10.0% as compared to fiscal year 2021. We also anticipate we will generate operating income between 7.0% and 9.0% of net sales for our fiscal year ending June 30, 2022. Sales and profitability during the first half of fiscal year 2022 are anticipated to decline when compared to the same period of fiscal 2021. Our expectations for the first half of fiscal year 2022 are being driven by continuing supply chain, labor and logistical constraints, all of which are expected to result in a backlog of existing orders that may not be delivered until the second half of fiscal year 2022. We currently anticipate these manufacturing challenges will be substantially resolved during the second half of fiscal year 2022. As a result, we expect sales and profitability in the second half of fiscal 2022 to exceed the comparable period in fiscal year 2021, with the overall fiscal year 2022 results reflecting an increase in both sales and profitability on a full year basis.

As of June 30, 2021, we had cash of \$32.1 million and working capital of \$58.3 million compared to \$30.5 million and \$51.2 million respectively, as of June 30, 2020. As of June 30, 2021, we had \$20.0 million available under our line of credit agreement.

Additionally, on September 17, 2021, the Board of Directors appointed Dr. Guru Ramanathan to the Board of Directors seat vacated by the unexpected death of a director this past spring. Dr. Ramanathan joins NAI's board with extensive experience in the dietary supplement industry including recently as Chief Innovation Officer with General Nutrition Corporation (GNC), and a founding member and current Chairman of the Supplement Safety & Compliance Initiative (SSCI). Dr. Ramanathan holds a Ph.D. from Tufts University in Healthcare Innovation Management, and an MBA from Duke University's Fuqua School of Business.

Mark A. Le Doux, Chairman and Chief Executive Officer of NAI stated, "We are extremely proud of the fiscal year just concluded including record sales and profitability. With the recent acquisition of a new manufacturing and warehouse facility and the pending addition of a new blender in our current facility, we believe we are poised to take advantage of new opportunities that are at hand as well as future growth. Our balance sheet remains the envy of our industry and we are taking steps to continue leading by example in deploying production efficiencies, as well as securing essential raw materials and packaging components as they become available in a constrained supply environment."

"Our recent acquisition of the new manufacturing facility in Carlsbad, California is being retrofitted to generate significant output of the highest quality whole-food-based meal replacement powders in various packaging configurations and other products envisioned for production in what will be a state-of-the-art cGMP facility. While it will likely be mid calendar 2022 or later before the facility is in full production, we anticipate this facility will allow us to significantly expand our product offerings across various industries and sales channels."

"Our industry, like many, are dealing with the ongoing challenges of the COVID-19 pandemic, including supply chain and staffing, but we are fortunate that our industry has also benefited from consumers becoming more educated and interested in taking care of their health and well-being. We believe this bodes well for our growth objectives for the future. While we anticipate some challenges related to supply chain and staffing in the first half of this fiscal year, we believe we are well positioned to navigate these waters and we have made the appropriate investments in our business to ensure we are ready once those challenges clear."

“We are extremely pleased to welcome Dr. Ramanathan to our board of directors. I have worked closely with Dr. Ramanathan for many years on various industry initiatives, including efforts by the Natural Products Association in Washington D.C. to facilitate the creation and launch of the retailer driven Supplement Safety Compliance Initiative (SSCI). Guru has a significant level of experience in dealing with mass market product positioning on a global basis. I believe he will be a valuable addition to our board and will provide a firsthand perspective with his extensive experience working on the branded side of our industry.”

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, COVID-19 and related impacts on the availability of raw materials, and staffing, our future revenue profits and financial condition, our ability to develop, maintain or increase sales to new and existing customers, 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.

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

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

| | (Unaudited) | | | | Year Ended | | | |
|--|--------------------|--------|-----------------|--------|------------------|--------|-------------------|--------|
| | Three Months Ended | | | | June 30, | | | |
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | 2021 | 100.0% | 2020 | 100.0% | 2021 | 100.0% | 2020 | 100.0% |
| NET SALES | \$ 44,391 | | \$ 35,096 | | \$ 178,520 | | \$ 118,876 | |
| Cost of goods sold | 36,464 | 82.1% | 28,564 | 81.4% | 148,078 | 82.9% | 100,005 | 84.1% |
| Gross profit | 7,927 | 17.9% | 6,532 | 18.6% | 30,442 | 17.1% | 18,871 | 15.9% |
| Selling, general & administrative expenses | 4,432 | 10.0% | 4,461 | 12.7% | 16,770 | 9.4% | 20,380 | 17.1% |
| INCOME (LOSS) FROM OPERATIONS | 3,495 | 7.9% | 2,071 | 5.9% | 13,672 | 7.7% | (1,509) | -1.3% |
| Other loss, net | (94) | -0.2% | (234) | -0.7% | (1,547) | -0.9% | (229) | -0.2% |
| INCOME (LOSS) BEFORE TAXES | 3,401 | 7.7% | 1,837 | 5.2% | 12,125 | 6.8% | (1,738) | -1.5% |
| Income tax expense (benefit) | 439 | | 39 | | 1,357 | | (93) | |
| NET INCOME (LOSS) | <u>\$ 2,962</u> | | <u>\$ 1,798</u> | | <u>\$ 10,768</u> | | <u>\$ (1,645)</u> | |
| NET INCOME (LOSS) PER COMMON SHARE: | | | | | | | | |
| Basic: | <u>\$ 0.47</u> | | <u>\$ 0.27</u> | | <u>\$ 1.71</u> | | <u>\$ (0.25)</u> | |
| Diluted: | <u>\$ 0.47</u> | | <u>\$ 0.27</u> | | <u>\$ 1.69</u> | | <u>\$ (0.25)</u> | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | | | | | |
| Basic | <u>6,274</u> | | <u>6,580</u> | | <u>6,291</u> | | <u>6,695</u> | |
| Diluted | <u>6,315</u> | | <u>6,611</u> | | <u>6,379</u> | | <u>6,695</u> | |

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

| | June 30, 2021 | June 30, 2020 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 32,133 | \$ 30,478 |
| Accounts receivable, net | 17,946 | 17,001 |
| Inventories, net | 27,006 | 27,972 |
| Other current assets | 3,263 | 3,573 |
| Total current assets | 80,348 | 79,024 |
| Property and equipment, net | 22,271 | 21,523 |
| Operating lease right-of-use assets | 15,877 | 18,354 |
| Other noncurrent assets, net | 1,785 | 1,302 |
| Total Assets | <u>\$ 120,281</u> | <u>\$ 120,203</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable and accrued liabilities | 23,717 | 20,046 |
| Line of credit | - | 10,000 |
| Long-term liability - operating leases | 16,481 | 18,782 |
| Total Liabilities | 40,198 | 48,828 |
| Stockholders' Equity | 80,083 | 71,375 |
| Total Liabilities and Stockholders' Equity | <u>\$ 120,281</u> | <u>\$ 120,203</u> |