



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



# Natural Alternatives International, Inc.

Investor Presentation

February 2021

# 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 most recent Form 10-Q and 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.

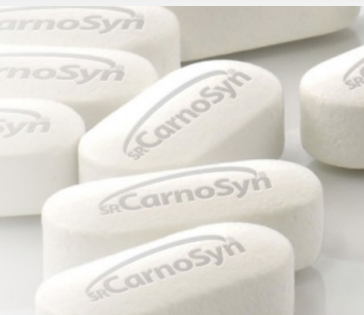
# Company Snapshot

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



**Headquarters:** Carlsbad, CA

**Founded in 1980**

**Nasdaq:** NAI

**Total Revenue (TTM):** \$148 M

**Market Capitalization:** \$101M  
*(as of 2/9/2021)*

# 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 \$148.4 million
- Working Capital of \$50.7 million at 12/31/20
- Available \$10M 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 registration, 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)
- Manno, Switzerland (127,000 SF manufacturing)

## Forms

- Capsules 
- Chewables 
- Tablets 
- 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

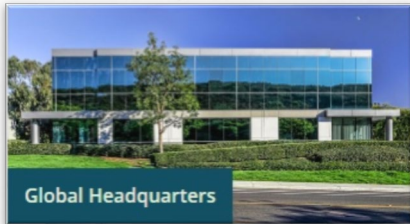
## Direct-to-Consumer

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

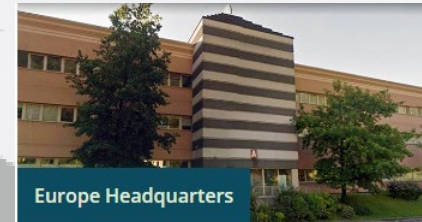
# Worldwide Operations and Market Reach

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

Carlsbad, CA




Manno, Switzerland



Vista, CA



 NAI Offices and Operating Centers     Primary Markets

# 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 in process

## International (NAIE)

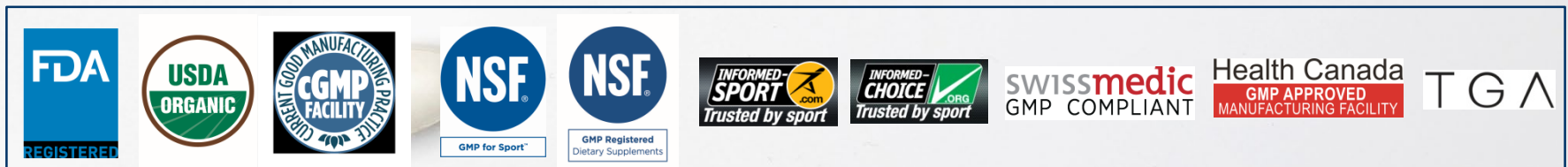
SwissMedic GMP certified – site registered and licensed

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

Informed Choice/Informed Sport (LGC) certified

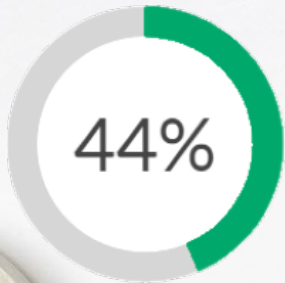
Institut Fresenius (SGS) GMP Certified

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

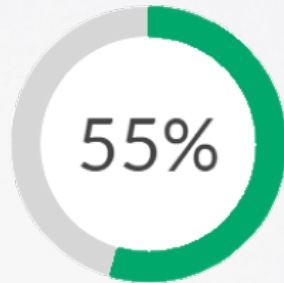


# Industry Trends

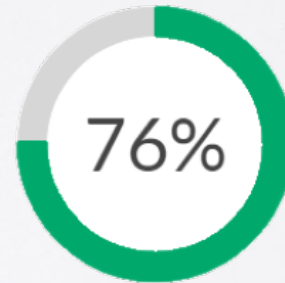
We will benefit from growing consumer interest in health and wellness



44% of consumers say supplements are part of a healthy lifestyle <sup>1</sup>



55% of consumers take supplements daily <sup>2</sup>



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

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

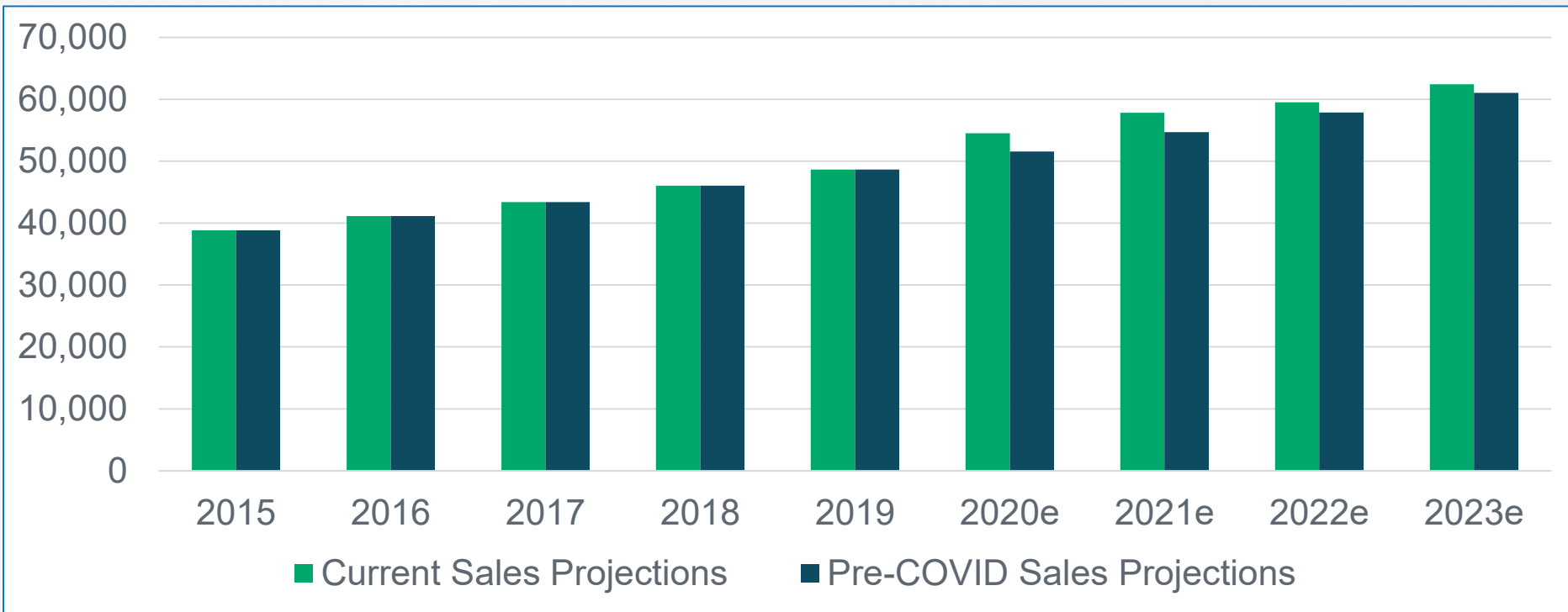
- USA Dietary supplement market is estimated at US \$55 billion and projected to grow at a 4.6% CAGR through 2023<sup>3</sup>
- Global Dietary supplement market is estimated at US \$150 billion and projected to grow at a 4.6% CAGR through 2023<sup>3</sup>

**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

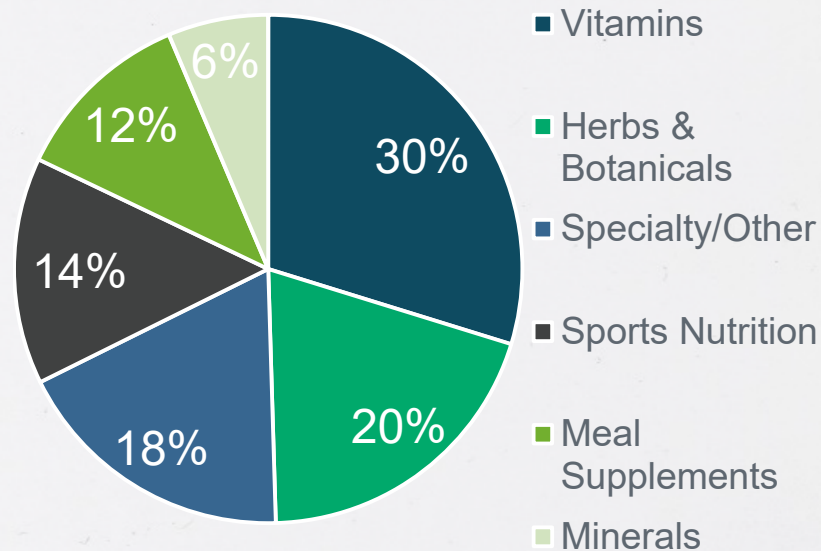
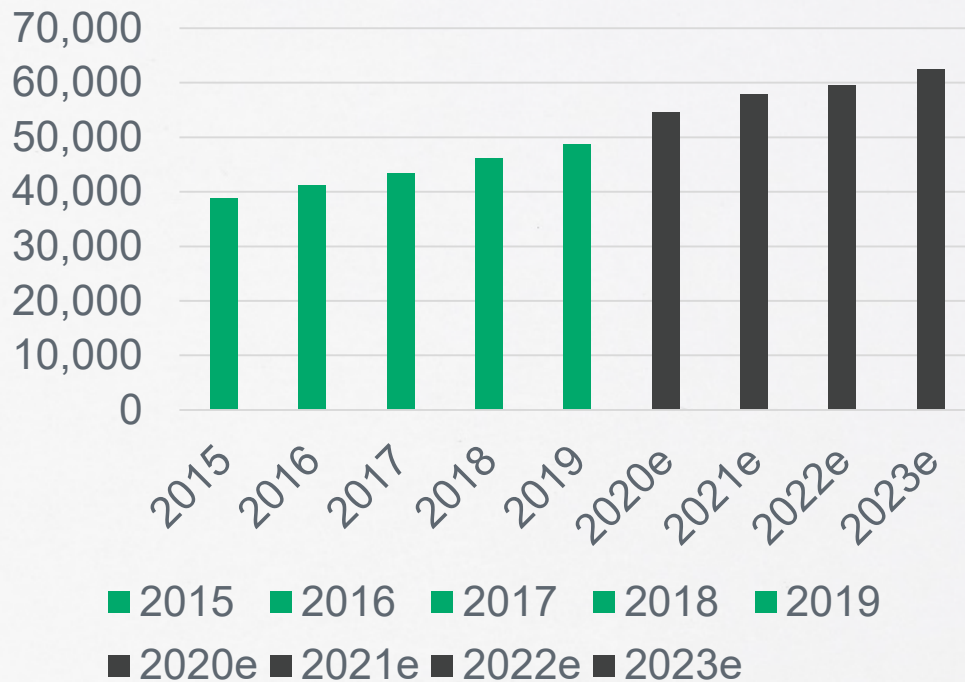
COVID accelerated the supplement growth trend.  
Supplements projected to be \$1.4B larger in 2023 than pre-COVID est.





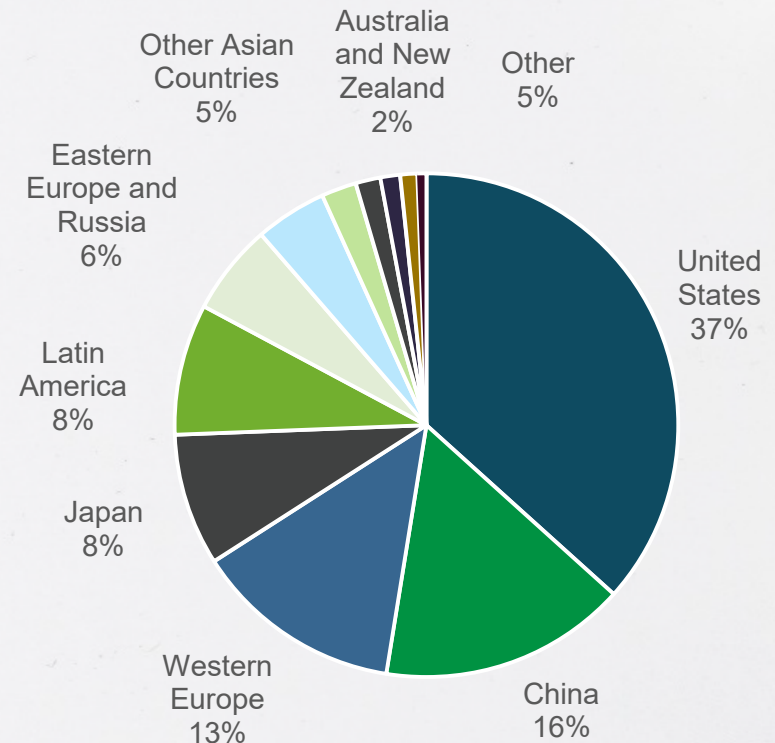
# US Supplement Market Forecast

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.

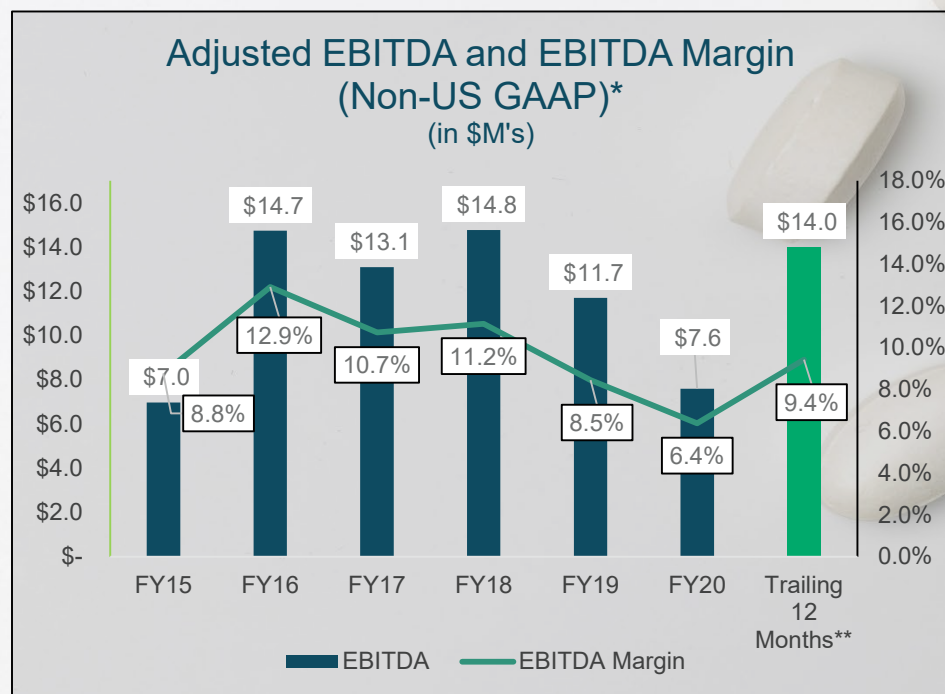
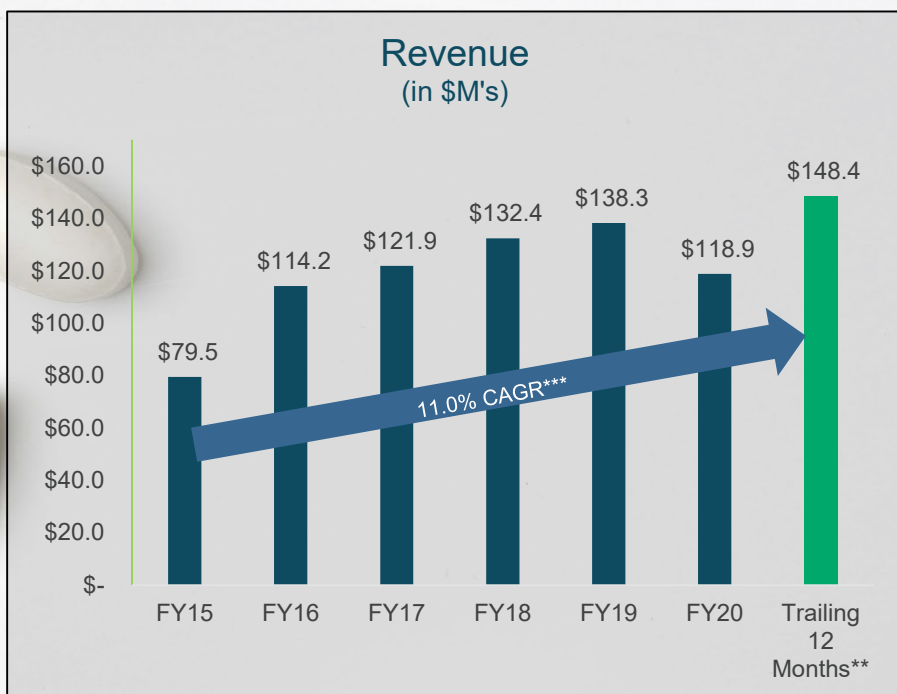




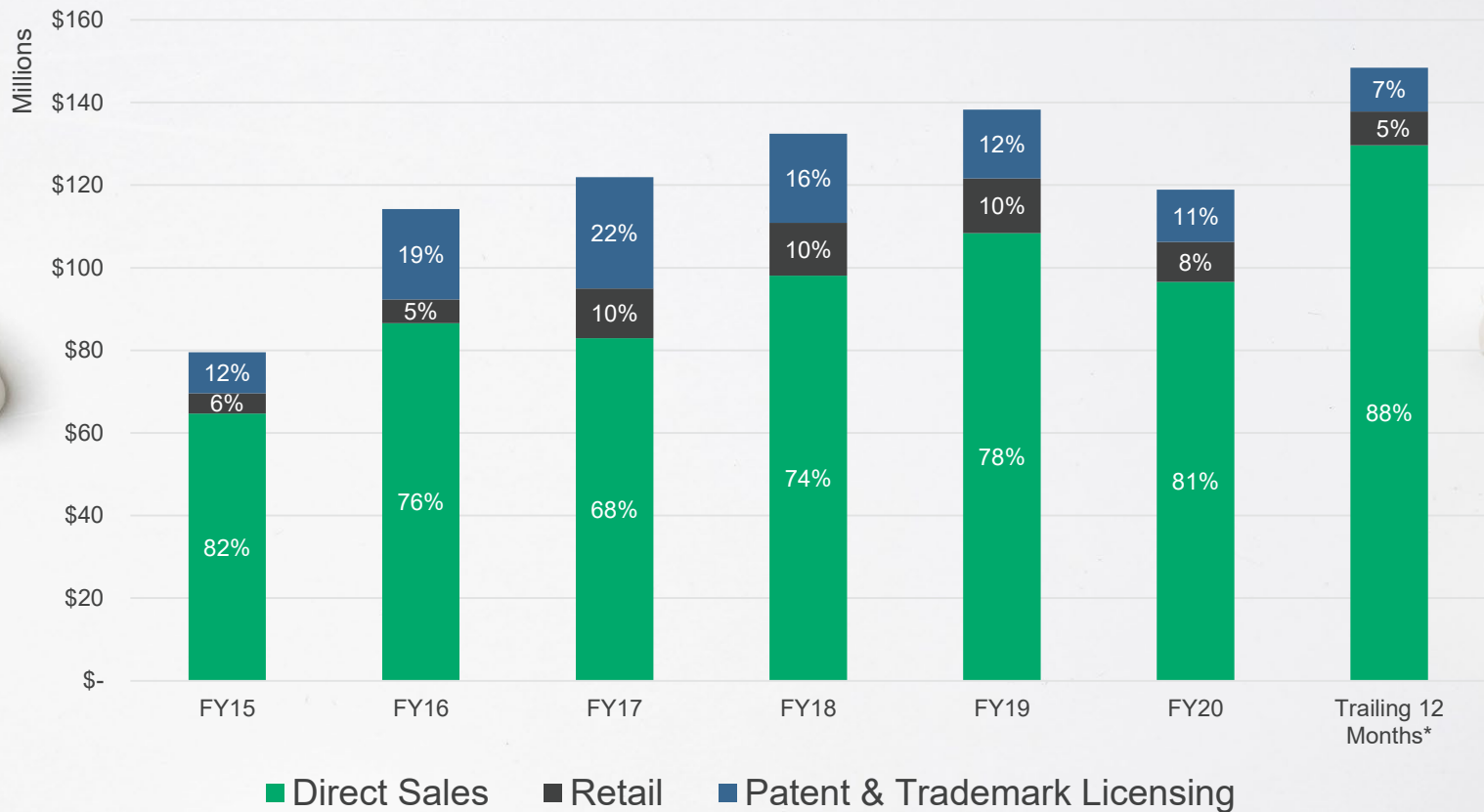
# Financial Performance and Growth Objectives

# Historical Revenue and EBITDA

The majority of the FY 2020 sales decline related to a single customer. This customer's sales have returned to historical levels in FY 2021.



# Historical Sales By Channel



# Objectives & Growth Drivers

- **Fiscal 2021 Outlook:**

- ✓ 30-50% increase in Net Sales
- ✓ Operating Income of 5-7% of Net Sales

- **Fiscal 2022 and Beyond Targeted Growth Objectives:**

- ✓ Achieve \$250 million revenue run-rate in the next 2-3 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

- Current capacity utilization of ~50%
- 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, 2020 trading at under 4x 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 Office

760-736-7700

[investor@nai-online.com](mailto:investor@nai-online.com)





# Appendix

[Investor Relations Info](#)

# Historical Segment Performance

	Fiscal Year ended June 30,			Trailing 12 Months*
	2018	2019	2020	(Unaudited)
<b>Revenue</b>				
Private Label Contract Manufacturing	\$ 110,992	\$ 121,598	\$ 106,291	\$ 137,824
Patent & Trademark Licensing	21,445	16,692	12,585	10,563
Total Revenue	\$ 132,437	\$ 138,290	\$ 118,876	\$ 148,387
<b>Income from Operations</b>				
Private Label Contract Manufacturing	\$ 10,482	\$ 11,232	\$ 4,030	\$ 10,987
Patent & Trademark Licensing	5,730	2,892	2,508	2,650
Income from operations of reportable segments	16,212	14,124	6,538	13,637
Corporate expense not allocated to segments	(6,679)	(8,163)	(8,047)	(8,312)
Income from Operations	\$ 9,533	\$ 5,961	\$ (1,509)	\$ 5,325
<b>Revenue as a %</b>				
Private Label Contract Manufacturing	83.8%	87.9%	89.4%	92.9%
Patent & Trademark Licensing	16.2%	12.1%	10.6%	7.1%
<b>Operating Margins</b>				
Private Label Contract Manufacturing	9.4%	9.2%	3.8%	8.0%
Patent & Trademark Licensing	26.7%	17.3%	19.9%	25.1%
Income from Operations of reportable segments	12.2%	10.2%	5.5%	9.2%
Income from Operations	7.2%	4.3%	-1.3%	3.6%

# Condensed Consolidated Statements of Income

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

	Three Months Ended				Six Months Ended			
	December 31,				December 31,			
	2020		2019		2020		2019	
<b>NET SALES</b>	48,083	100.0%	29,103	100.0%	87,809	100.0%	58,298	100.0%
Cost of goods sold	<u>38,409</u>	<u>79.9%</u>	<u>24,042</u>	<u>82.6%</u>	<u>72,130</u>	<u>82.1%</u>	<u>48,853</u>	<u>83.8%</u>
Gross profit	9,674	20.1%	5,061	17.4%	15,679	17.9%	9,445	16.2%
Selling, general & administrative expenses	<u>4,282</u>	8.9%	<u>4,363</u>	15.0%	<u>8,202</u>	9.3%	<u>8,802</u>	15.1%
<b>INCOME FROM OPERATIONS</b>	5,392	11.2%	698	2.4%	7,477	8.5%	643	1.1%
Other (loss) income, net	<u>(806)</u>	<u>-1.7%</u>	<u>(124)</u>	<u>-0.4%</u>	<u>(1,127)</u>	<u>-1.3%</u>	<u>53</u>	<u>0.1%</u>
<b>INCOME BEFORE TAXES</b>	4,586	9.5%	574	2.0%	6,350	7.2%	696	1.2%
Income tax expense	<u>954</u>		<u>98</u>		<u>460</u>		<u>124</u>	
<b>NET INCOME</b>	<u>\$ 3,632</u>		<u>\$ 476</u>		<u>\$ 5,890</u>		<u>\$ 572</u>	
<b>NET INCOME PER COMMON SHARE:</b>								
Basic:	<u>\$0.58</u>		<u>\$0.07</u>		<u>\$0.93</u>		<u>\$0.08</u>	
Diluted:	<u>\$0.57</u>		<u>\$0.07</u>		<u>\$0.92</u>		<u>\$0.08</u>	
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>								
Basic	<u>6,270</u>		<u>6,795</u>		<u>6,344</u>		<u>6,818</u>	
Diluted	<u>6,373</u>		<u>6,886</u>		<u>6,422</u>		<u>6,936</u>	

# Condensed Consolidated Balance Sheets

(In thousands)

	December 31, <u>2020</u> <i>(Unaudited)</i>	June 30, <u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$28,629	\$30,478
Accounts receivable, net	17,062	17,001
Inventories, net	34,466	27,972
Other current assets	<u>3,260</u>	<u>3,573</u>
Total current assets	83,417	79,024
Property and equipment, net	22,409	21,523
Operating lease right-of-use assets	17,034	18,354
Other noncurrent assets, net	<u>2,659</u>	<u>1,302</u>
Total Assets	<u>\$125,519</u>	<u>\$120,203</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued liabilities	25,075	20,046
Line of credit	10,000	10,000
Long-term liability - operating leases	<u>17,956</u>	<u>18,782</u>
Total Liabilities	<u>53,031</u>	<u>48,828</u>
Stockholders' Equity	<u>72,488</u>	<u>71,375</u>
Total Liabilities and Stockholders' Equity	<u>\$125,519</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	Trailing 12 Months*
<b>Net Income (Loss)</b>	\$3,346	\$9,546	\$7,235	\$5,051	\$6,541	(\$1,645)	\$3,672
Interest Income	(36)	(131)	(459)	(1,085)	(1,868)	(177)	(48)
Interest Expense	12	(2)	3	9	29	66	151
Taxes	961	4,026	2,876	5,562	1,412	(93)	243
Depreciation & Amortization	2,431	1,772	2,384	2,908	3,465	3,959	4,141
<b>Traditional EBITDA</b>	<b>\$6,714</b>	<b>\$15,211</b>	<b>\$12,039</b>	<b>\$12,445</b>	<b>\$9,579</b>	<b>\$2,110</b>	<b>\$8,159</b>
Non-cash Compensation	390	724	1,032	1,334	1,672	1,712	1,517
Non-cash Sales Discount	-	-	-	898	82	-	-
Forward Pts In Revenue	-	-	-	-	-	(863)	(691)
Acquisition Costs	-	-	-	117	512	30	30
Foreign Exchange (Gain) Loss	(127)	425	28	(18)	(148)	320	1,285
One Time Gain on Building	-	(1,621)	-	-	(1,621)	-	-
One Time Kaged Muscle Adjustment**	-	-	-	-	-	4,288	3,703
<b>Adjusted EBITDA</b>	<b>\$6,977</b>	<b>\$14,739</b>	<b>\$13,099</b>	<b>\$14,776</b>	<b>\$10,076</b>	<b>\$7,597</b>	<b>\$14,003</b>

\*Trailing 12 Months – Includes January 2020 through December 2020

\*\*Represents an inventory and accounts receivable reserve 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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# Thank You

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

Nasdaq: NAI