



## MARKET STATISTICS

Exchange / Symbol	NASDAQ: NAI
Price:	\$14.49
Market Cap (mm):	\$92.1
Enterprise Value (mm):	\$91.5
Shares Outstanding (mm):	6.4
Float (%):	70.5%
Volume (3-month avg.):	38,081
52-week Range:	\$4.75 – \$18.50
Industry:	Personal Products

## CONDENSED BALANCE SHEET

(\$mm, except per share data)

Balance Sheet Date:	12/31/2020
Cash & Cash Equivalent:	\$28.6
Cash/Share:	\$4.64
Debt/Operating leases:	\$28.0
Equity (Book Value):	\$72.5
Equity/Share:	\$11.76

## CONDENSED INCOME STATEMENTS

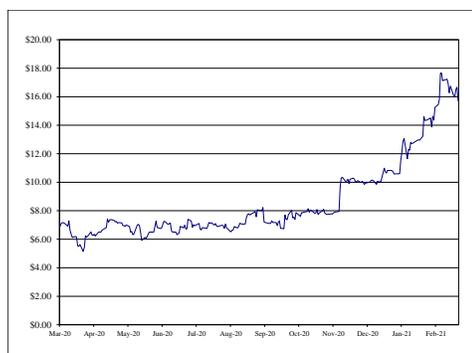
(\$mm, except per share data)

FY - 6/30	Revs.	Income	EBITDA	EPS
FY19	\$138.3	\$6.5	\$10.1	\$0.92
FY20	\$118.9	\$(1.6)	\$7.6	\$(0.25)
FY21E	\$166.4	\$8.5	\$17.2	\$1.30
FY22E	\$174.7	\$10.4	\$18.8	\$1.59

## LARGEST SHAREHOLDERS

LeDoux, Mark A.	820,803
Dimensional Fund Advisors LP	553,688
Renaissance Technologies Corp.	517,802
The Vanguard Group	302,222
Morgan Stanley IB & Brokerage	206,026
Lee Weldon	122,641
Kenneth Wolf	112,011

## STOCK CHART



## COMPANY DESCRIPTION

Natural Alternatives International (NAI) is a global formulator, manufacturer, and marketer of customized nutritional supplements. By combining its science-based formulations, rigorous research, natural ingredients, advanced quality assurance testing procedures, superior manufacturing and packaging capabilities, and broad marketing experience, NAI creates quality nutritional products that are sold globally. NAI generates revenues from two sources: private-label contract manufacturing services and in-house brands called CarnoSyn® and SR CarnoSyn®. Importantly, NAI branded products are backed by NAI's patent portfolio. NAI has a growth strategy focused on various organic growth initiatives, supplemented by acquisitions.

## SUMMARY

- Large and expanding markets** – According to the Nutrition Business Journal, the US Dietary supplement market is large and growing. The US market is estimated at \$55B and projected to grow at a 4.6% CAGR through 2023. Furthermore, the global dietary market is estimated at \$150B and projected to grow at a CAGR of 4.6% through 2023.
- NAI's core capabilities provide a platform for organic growth** – NAI has 40 years of experience in the nutritional supplement market. NAI's core competencies includes customized product formulations; an in-house science board; scientific research and clinical studies backing its branded formulations; material acquisition and analysis expertise; a global manufacturing footprint; industry leading accreditations and certifications; a patent portfolio; and strong sales and marketing support to its customers.
- In-house brands point to growth** – NAI believes it has a significant opportunity to extend the sale of its proprietary ingredients, CarnoSyn® and SR CarnoSyn® beta-alanine into additional markets and channels. With the introduction of SR CarnoSyn®, a sustained release form of beta-alanine, NAI believes it can capture additional market share in the sports nutrition market. This is where NAI's current instant release form of beta-alanine product CarnoSyn®, is targeting an 18- to 30-year-old demographic. Importantly, NAI is also expanding SR CarnoSyn® into the health and wellness market. First, in Q3'18, an SR CarnoSyn® product was targeted at the 51+ year-old demographic and emphasizes how SR CarnoSyn® can provide a significant range of support for everyday wellness and healthy aging. And in June 2020, Sustained RX® was launched as a direct-to-consumer product, exclusively on Amazon. The product is marketed as a general wellness supplement.
- Additional organic growth initiatives in place** – NAI believes it is well positioned to expand its relationships with existing customers and to add new customers to its private label manufacturing activities by leveraging its global manufacturing footprint, R&D efforts, and history of execution. Additionally, NAI believes it can drive additional growth by entering new channels, such as healthcare practitioners, OTC, skin care, and specialty retail, among others.
- Acquisitions are set to supplement organic growth** – NAI is using its acquisition strategy to supplement its organic growth initiatives. NAI is looking to execute multiple accretive and complementary acquisitions to improve its competitive position and to enter new markets and/or channels.
- Valuation** – Based on our F22 estimates and using an EV/EBITDA multiple range of 4.5x to 8.5x to compensate for revenue concentration risk, we arrive at a valuation range of \$15.00 to \$26.75, with a mid-point of \$21.00. Additionally, if the Company continues to demonstrate further revenue and EBITDA growth, it is likely the Company could trade toward the higher end of the range. See page 8 for further details.

## BUSINESS OVERVIEW

Natural Alternatives International, Inc. (NAI) is a global formulator, manufacturer, and marketer of customized nutritional supplements. The Company offers a wide range of innovative nutritional products and services to its clients. By combining its science-based formulations, rigorous research, natural ingredients, advanced quality assurance testing procedures, superior manufacturing and packaging capabilities, and broad marketing experience, NAI creates quality nutritional products.

The Company was founded in 1980 by Mark LeDoux, its current CEO. NAI's founding principles are based in the belief that natural alternatives to traditional drug therapies can assist in repairing and maintaining good health without the unwanted side effects of pharmaceuticals.

NAI is headquartered in Carlsbad, CA but has a global footprint with offices and operating centers in Europe the U.S. The Company trades on the NASDAQ under the ticker symbol NAI.

*Exhibit 1: Global Footprint*



*Source: Company Reports*

## PRODUCT OFFERINGS

NAI generates revenues from two sources: private-label contract manufacturing services and patent and trademark licensing of its in-house brands called CarnoSyn®, SR CarnoSyn® and Sustained RX®. For F20 year-end (June 2020), private label contract manufacturing represented 89% of revenue and its patent and trademark licensing was 11% of revenue.

### Private-label Contract Manufacturing

NAI's primary business activity is providing private-label contract manufacturing services to companies that market and distribute vitamins, minerals, herbal and other nutritional supplements. These products are sold globally. NAI's customers market and sell its respective nutritional supplements through direct sales marketing channels, that include ecommerce channels and retail stores.

NAI's core capabilities provide an exceptional platform for strategic client partnerships and growth. First, NAI provides customized product formulations for its clients. These formulations are driven by NAI's in-house science board. Moreover, NAI has strong intellectual property backing its branded products. This includes: 11 US patents; 20

corresponding patents registered through North America, Europe, and Asia; 49 trademark registrations, including 14 in the U.S. and 35 foreign trademark registrations covering 41 countries.

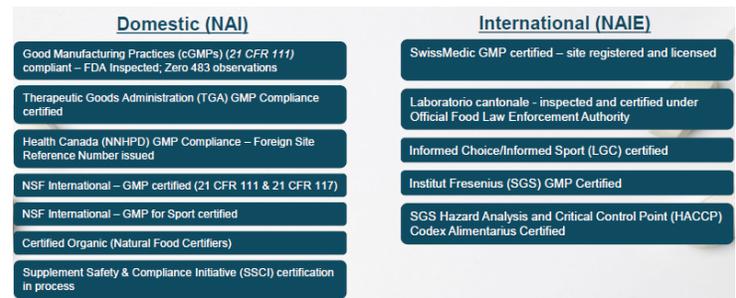
NAI also provides its customers with extensive transparency with its raw materials acquisition and analysis. This allows its customers to track raw material sourcing and screen vendors. To its clients, NAI certifies that each raw material used meets or exceeds requirements upheld by the U.S. FDA the U.S. Pharmacopeia, the Therapeutic Goods Administration of Australia, and Prop 65, as applicable.

Next, with 40 years in the supplement market, NAI can provide its clients with a high level of manufacturing execution. NAI's manufacturing facilities are in Vista, CA and Manno, Switzerland.

NAI can manufacture products in a variety of forms including capsules, tablets, chewable wafers, and powders. It also offers turnkey packaging services to provide packaging in multiple formats and labeling design.

Furthermore, NAI has industry leading accreditations and certifications that demonstrate its commitment to quality and its customers.

*Exhibit 2: Industry Leading Accreditations & Certifications*



*Source: Company Reports*

Lastly, NAI offers its clients sales and marketing support. NAI has an experienced global sales team along with a strong brand name in sports nutrition. Additionally, NAI can help provide consumer education information.

*Exhibit 3: NAI's Core Capabilities*



*Source: Company Reports*

**Patent & Trademark Licensing - In-House Brands**

NAI's brands include CarnoSyn®, SR CarnoSyn® and Sustained RX®. These products are backed by NAI's patent portfolio. These patents cover an ingredient known as beta-alanine. This ingredient is commercialized through the direct sale to third parties for the distribution and use of the raw material. And in June 2020, NAI launched a direct-to-consumer initiative of its Sustained RX® brand.

*Exhibit 4: Beta-alanine Boosts Performance*



*Source: Company Reports*

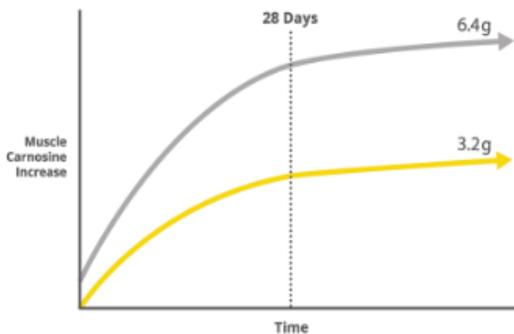
**What is beta-alanine and how does it work?**

Beta-alanine is a non-essential amino acid that is naturally produced by the body. Beta-alanine aids in the production of carnosine. Carnosine is a compound that plays a role in muscle endurance. Muscle endurance is an important factor in athletics and/or sporting activities.

As all muscles contain carnosine, it is believed that higher levels of carnosine may allow muscles to perform for longer periods of time before becoming fatigued and fail. Carnosine does this by regulating acid buildup (lactic acid) in the muscles that cause muscle fatigue and failure. As beta-alanine is one of carnosine's main ingredients, the use of beta-alanine supplements should boost production of carnosine and thus improve sports performance.

Studies have shown that athletes who loaded at least 90 grams of beta-alanine over 28 days saw marked improvement in performance. Furthermore, those that stepped up their intake to 179 grams over the same period, saw significantly amplified results.

*Exhibit 5: Beta-alanine Boosts Performance*



*Source: Company Reports*

CarnoSyn® is NAI's instant-release beta-alanine product marketed primarily to companies in the sports nutrition channel. The product is generally included in pre- and post-workout sports drinks. CarnoSyn® drives the majority of NAI's branded revenue.

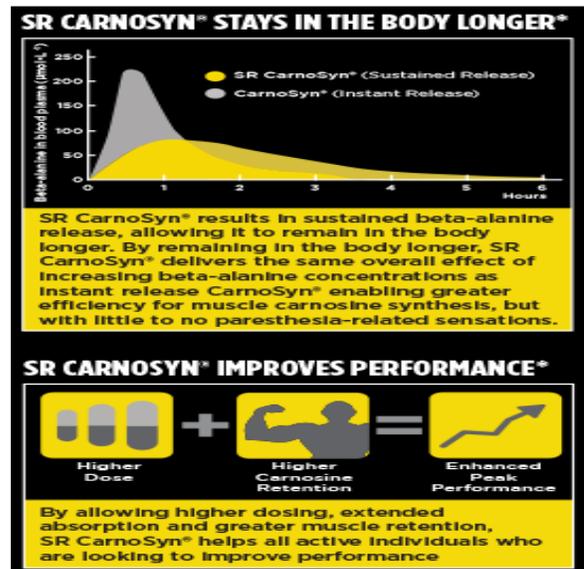
*Exhibit 6: CarnoSyn®*



*Source: Company Reports*

SR CarnoSyn® is NAI's new, sustained release form of CarnoSyn®. SR CarnoSyn® delivers higher levels of beta-alanine in a single dose without the typical paresthesia-sensation (tingling sensation). As a result, this higher dosage and extended adsorption converts to a faster increase in muscle carnosine levels to maximize athletic performance.

*Exhibit 7: SR CarnoSyn®*



*Source: Company Reports*

## GROWTH STRATEGY

NAI's growth strategy is multi-pronged and focused on organic growth and acquisitions. On the organic growth side, NAI is focused on its private-label contract manufacturing activities and driving growth of CarnoSyn®, SR CarnoSyn® and Sustained RX®.

### Private-label manufacturing

NAI is focused on expanding its relationships with existing customers and adding new customers to its private label manufacturing activities. It intends to drive this growth by leveraging its state-of-the-art, certified manufacturing facilities. Additionally, using its nutritional supplement education, certified manufacturing facilities, peer-reviewed clinical studies, and regulatory expertise, NAI believes it has a competitive advantage that should attract more business.

NAI also believes it can drive additional growth to its private-label manufacturing by entering new channels. The new channels include:

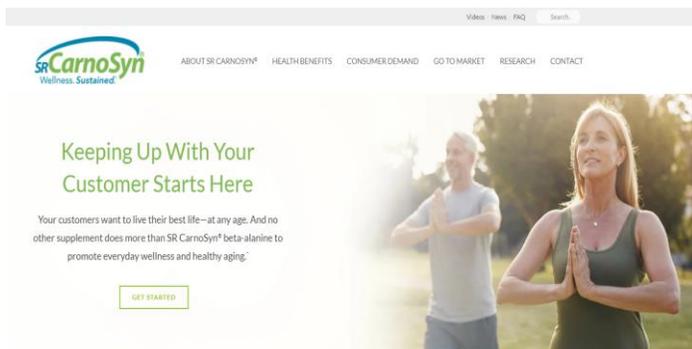
- Healthcare practitioners
- OTC
- Skin care

### Patent & trademark licensing

NAI believes it has a significant opportunity to extend the sale of proprietary ingredients, CarnoSyn® and SR CarnoSyn®, into additional markets and with the introduction of new beta-alanine product offerings. Currently, most of its sales of CarnoSyn® are to companies in the sports nutrition channel and focused on the instant release form of beta-alanine. The target demographic of this market is 18-30 years old. With the introduction of SR CarnoSyn®, a sustained release form of beta-alanine, NAI believes it can capture additional market share in the sport nutrition market and drive growth outside of the sports nutrition channel.

NAI is also expanding SR CarnoSyn® into the health and wellness market. Its first expansion targeted an age category of 51+ and emphasizes how SR CarnoSyn® can provide a significant range of support for everyday wellness and healthy aging. NAI officially launched the product in Q3 2018 with a debut at the popular Supply Side West Global Exhibition.

### Exhibit 8: SR CarnoSyn® Website



Source: Company Reports

SustainedRX® is the newest brand launched in June 2020. The brand is marketed as providing an immunity boost, mental clarity, and total body wellness. Importantly, the product is sold directly to consumers exclusively on Amazon.

### Exhibit 9: Sustained RX®



Source: Company Reports

The health and wellness market is attractive and is being driven by the aging of the world population and general consumer interest in a healthy lifestyle. According to the U.S. Census Bureau, the number of Americans age 65+ is projected to double from 49M in 2016 to 95M by 2060. Additionally, by 2060, the 65+ age group will represent almost 25% of the population, up from 15%. Furthermore, 8.5% of the worldwide population are aged 65+ and this is expected to jump to 17% by 2050 (*An Aging World: 2015; US Census Bureau & National Institute of Health*).

Additionally, according to the 2017 Supplement OTC RX Data Study, approximately 55% of consumers take supplements daily. And about 44% of consumers say supplements are part of a healthy lifestyle (*Mintel Reports: Vitamins, Minerals & Supplements US 2017*).

Lastly, NAI is using its acquisition strategy to supplement its organic growth initiatives. These include executing multiple accretive and complementary acquisitions to improve its competitive position and to enter new markets/channels. The key components of its strategy are outlined in Exhibit 10 below.

### Exhibit 10: Acquisition Strategy Overview



Source: Company Reports

Given the above growth strategy, NAI has outlined its near-term and long-term financial targets. For F21, NAI expects the following:

- ✓ 30%-50% revenue growth.
- ✓ Operating margin of 5% to 7%.

For F22 and beyond, NAI is targeting the following metrics:

- ✓ Achieve \$250M revenue run rate in next 2-3 years.
- ✓ Double digit adjusted EBITDA margins.
- ✓ Target sales growth rate of 5% - 10% per year.
- ✓ Complimentary acquisitions generating \$10M to \$50M in sales over the next 3 years.

## RECENT RESULTS

Consolidated sales for Q2 F2021 increased \$19.0M or 65.2% from \$29.1M in the comparable prior year period. Private label contract manufacturing sales increased \$20.5M or 82.5% Y/Y. Private label contract manufacturing sales increased across NAI's global distribution channels and was driven by increased shipments of existing products and newly awarded products.

CarnoSyn® royalty, licensing and raw material sales decreased 35.5% to \$2.8M during the quarter compared to the prior year period. The decrease was driven primarily by continued competition from generic forms of beta-alanine and headwinds related to the COVID-19 pandemic on the sports nutrition industry given the limitations on athletic activities and gym usage.

SG&A expenses declined \$0.1M or 2% Y/Y primarily due to decreased litigation expenses related to patent and trademark licensing.

### Exhibit 11: NAI Recent Results

	F20	Q2F20	Q2F21
Net sales	118.9	29.1	48.1
Cost of goods sold	100.0	24.0	38.4
Gross profit (loss)	18.9	5.1	9.7
<b>GPM</b>	<b>15.9%</b>	<b>17.4%</b>	<b>20.1%</b>
Operating Expenses			
SG&A	17.1	4.4	4.3
Provision for bad debt	3.3	-	-
Income from operations	(1.5)	0.7	5.4
<b>OPM</b>	<b>-1.3%</b>	<b>2.4%</b>	<b>11.2%</b>

Source: Company Reports

NAI projects that F2021 sales will increase between 30% to 50% vs. F2020. NAI also expects operating margin to range between 5% to 7%.

## RISKS

As with any investment, there are certain risks associated with NAI's operations. Below we list risks for consideration specific to the Company.

**Customer concentration** – NAI has a significant portion of its revenue from a relatively limited number of customers. Its largest customer, Juice Plus+ represented 44% of total sales in F20 vs 49% in F19. Additionally, there is one other private label

manufacturing customer that represented 21% of sales in F20. A decline in orders or loss of one of these customers would have a significant negative impact on NAI's operations and financial results.

**Beta-alanine and patent licensing** – NAI owns multiple patents and trademarks related to its beta-alanine in food and nutritional supplements. A significant amount of its revenue and income for its patent & trademark segment is derived from raw material sale and patent licensing of its instant release beta-alanine, CarnoSyn®. In August 2017, 15 patents related to CarnoSyn® expired and NAI has 6 remaining patents for that version of CarnoSyn®, which begin to expire in 2026. NAI's patents related to its SR CarnoSyn® extend through 2027. The loss on any of its patents could have a significant negative impact on NAI's operations and financial results.

**Extensive government regulation** – Manufacturing, packaging, advertising, promotion, distribution, and sale of NAI's products are subject to regulations by numerous national and local agencies in the US and abroad. Failure to comply with government regulations may result in injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecution. Any violations or perceived violations could have a significant negative impact to operations and financial results.

**Supply risks** – NAI purchases its raw materials from a limited number of suppliers. In F20 one supplier represented over 10% of raw material purchases and in F19, NAI began sourcing its beta-alanine from one source in Japan. The loss of any major supplier, shortage of raw materials, or unexpected interruption of supply could adversely impact operations and financial results.

**Intense competition** – The market for NAI's products and those of its customers is highly competitive. Any increase in competition could result in price reductions, reduced profit margins or loss of market share.

**Adverse publicity** – NAI's overall business can be affected by adverse publicity or negative public perceptions about its competitors, customers, products, or industry in general. Adverse publicity could include publicity related to nutritional supplements industry in general, the efficacy, safety, and quality of nutritional supplements or ingredients used, and/or regulatory investigations. Any adverse publicity or negative public perception could have a materially adverse impact on operations and financial results.

**Acquisition risks** – NAI is looking to pursue acquisition as part of its growth strategy. Acquisitions involve numerous risks that include, integration difficulties, post-acquisition operational challenges, diversion of management's attention, loss of key employees, etc. Any acquisition(s) that are not successfully integrated could adversely impact operations and financial results.

**Concentrated common share ownership risks** – NAI's officers and directors collectively own ~ 21% of shares outstanding, of which ~13% is owned by its CEO Mark LeDoux. There can be no assurance that conflicts of interest will not arise.

**BALANCE SHEETS**
**Natural Alternatives International, Inc. (NASDAQ: NAI)**  
**Consolidated Balance Sheets (in \$Ms)**  
**Fiscal Year: June**

	FY19	FY20	MRQ Dec-20
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & cash equivalents	\$ 25.0	\$ 30.5	\$ 28.6
Accounts receivable	16.0	17.0	17.1
Inventories, net	26.0	28.0	34.5
Income tax receivable	0.9	0.8	0.2
Forward contracts	2.0	0.5	-
Prepays & other current assets	1.5	2.3	3.1
<b>Total Current Assets</b>	<b>71.4</b>	<b>79.0</b>	<b>83.4</b>
<b>Non Current Assets</b>			
Property	21.1	21.5	22.4
Operating lease rights-of-use assets	-	18.4	17.0
Deferred income taxes	-	0.2	1.3
Other noncurrent assets, net	1.0	1.1	1.4
<b>Total Assets</b>	<b>\$ 93.5</b>	<b>\$ 120.2</b>	<b>\$ 125.5</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 8.6	\$ 12.5	\$ 12.4
Accrued liabilities	2.8	1.6	2.8
Accrued compensation & employee benefits	1.6	2.7	2.3
Forward contracts	-	-	3.2
Income taxes payable	1.2	1.0	2.0
Line of credit - current	-	10.0	10.0
<b>Total Current Liabilities</b>	<b>14.3</b>	<b>27.8</b>	<b>32.7</b>
<b>Non Current Liabilities</b>			
Long-term liability - operating leases	-	18.8	18.0
Forward contract, noncurrent	-	0.2	0.4
Long-term pension liability	0.2	0.7	0.7
Deferred rent	0.5	-	-
Income tax payable, noncurrent	1.3	1.3	1.3
Deferred income taxes	1.0	-	-
<b>Total Liabilities</b>	<b>17.4</b>	<b>48.8</b>	<b>53.0</b>
<b>Shareholders' Equity</b>			
Preferred stock	-	-	-
Common stock	0.1	0.1	0.1
Additional paid-in capital	26.3	28.0	28.7
Retained earnings	57.4	56.2	62.1
Treasury stock	(8.0)	(11.7)	(15.2)
Accumulated other comprehensive loss	0.3	(1.2)	(3.2)
<b>Total Shareholders Equity</b>	<b>76.1</b>	<b>71.4</b>	<b>72.5</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>\$ 93.5</b>	<b>\$ 120.2</b>	<b>\$ 125.5</b>

Source: Company Reports; Stonegate Capital Partners

**INCOME STATEMENTS**
**Natural Alternatives International, Inc. (NASDAQ: NAI)**  
**Consolidated Statements of Operations (in \$ Ms, except per share data)**  
**Fiscal Year: June**

	<b>FY19</b>	<b>FY20</b>	<b>FY 21E</b>	<b>FY22E</b>
<b>Net sales</b>	138.3	118.9	166.4	174.7
Cost of goods sold	114.7	100.0	136.1	142.4
Gross profit (loss)	23.6	18.9	30.4	32.3
<b>margin</b>	<b>17.0%</b>	<b>15.9%</b>	<b>18.3%</b>	<b>18.5%</b>
<b>Operating Expenses</b>				
SG&A	17.6	17.1	19.0	19.5
Provision for uncollectible accounts receivable	-	3.3	-	-
<b>Income from operations</b>	<b>6.0</b>	<b>(1.5)</b>	<b>11.4</b>	<b>12.8</b>
<b>margin</b>	<b>4.3%</b>	<b>-1.3%</b>	<b>6.8%</b>	<b>7.3%</b>
Other income (expense):				
Interest income	1.9	0.2	0.2	0.2
Interest expense	(0.0)	(0.1)	(0.1)	-
FX gain/loss	0.1	(0.3)	(1.0)	-
Other, net	0.0	(0.0)	(0.1)	-
Total other income (expense):	2.0	(0.2)	(1.0)	0.2
Income before income taxes	8.0	(1.7)	10.4	13.0
Provision for income taxes	1.4	(0.1)	2.1	2.6
<b>Net income</b>	<b>6.5</b>	<b>(1.6)</b>	<b>8.3</b>	<b>10.4</b>
<b>margin</b>	<b>4.7%</b>	<b>-1.4%</b>	<b>5.0%</b>	<b>5.9%</b>
Net income per common share				
Basic	\$ 0.96	\$ (0.25)	\$ 1.32	\$ 1.62
Diluted	\$ 0.92	\$ (0.25)	\$ 1.30	\$ 1.59
Weighted average shares outstanding				
Basic	6.8	6.7	6.3	6.4
Diluted	7.1	6.7	6.4	6.5
<b>Adjusted EBITDA Reconciliation</b>				
Net income	6.5	(1.6)	8.3	10.4
Interest income	(1.9)	(0.2)	(0.2)	(0.2)
Interest expense	0.0	0.1	0.1	-
Provision for income taxes	1.4	(0.1)	2.1	2.6
D&A	3.5	4.0	4.1	4.2
Stock based compensation	1.7	1.7	1.8	1.8
Non-cash sales discount	0.1	-	-	-
Forward pts in revenue	-	(0.9)	-	-
Acquisition costs	0.5	0.0	-	-
FX gain/loss	(0.1)	0.3	1.0	-
1x gain on building	(1.6)	-	-	-
1x Kaged Muscle adjustment	-	4.3	-	-
<b>Adjusted EBITDA</b>	<b>10.1</b>	<b>7.6</b>	<b>17.2</b>	<b>18.8</b>
<b>margin</b>	<b>7.3%</b>	<b>6.4%</b>	<b>10.3%</b>	<b>10.8%</b>

Source: Company Reports; Stonegate Capital Partners estimates

## VALUATION

The assumptions that drive our F21 and F22 estimates include the following:

- F21 revenue growth within management's guidance of 30% to 50%.
- F21 gross margins increase Y/Y driven by higher volumes.
- F21 SG&A expenses increasing at a slower pace than revenue growth.
- Above assumptions arrive at an operating margin of ~7%, at the upper end of NAI's guided range of 5% to 7% given 1HF21 performance.
- F21 tax rate of 20%
- F21 S/O mirror 1H21 S/O of 6.4M
- F22 organic revenue growth of 5%, at the low end of NAI's long-term model of 5% - 10% to be conservative.
- F22 gross margins increase slightly Y/Y driven by higher volumes.
- F22 SG&A expenses increasing at a slower pace than revenue growth.
- F22 operating margin and EBITDA margin of 7.3% and 10.8%, respectively. These compare to NAI's 5-year historical averages for operating margin and EBITDA margin of 7.9% and 10.3%, respectively.

Below we list a variety of companies that operate in the nutritional supplement market and/or wellness market.

### Exhibit 12: Comparative Analysis

Natural Alternatives International, Inc. (NASDAQ: NAI)  
 (all figures in \$M except per share information)

Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	EV/S (2)			EV/EBITDA (2)			P/E (2)		
						FY	FY+1	FY+2	FY	FY+1	FY+2	FY	FY+1	FY+2
LifeVantage Corporation	LFVN	\$ 9.22	14.2	\$ 130.6	\$ 128.3	0.6x	N/A	N/A	7.0x	N/A	N/A	11.7x	N/A	N/A
USANA Health Sciences, Inc.	USNA	\$100.14	20.9	\$ 2,088.1	\$ 1,797.7	1.6x	1.5x	1.4x	9.4x	8.5x	8.2x	17.1x	16.2x	15.7x
Natural Grocers by Vitamin Cottage, Inc.	NGVC	\$ 14.98	22.6	\$ 338.2	\$ 742.4	0.7x	0.7x	0.7x	12.3x	na	na	16.8x	22.7x	20.0x
Greencore Group plc	GNC	\$ 1.57	444.5	\$ 825.0	\$ 1,227.7	1.0x	1.0x	0.9x	17.7x	11.9x	9.0x	nm	30.8x	15.0x
Nature's Sunshine Products, Inc.	NATR	\$ 17.13	19.7	\$ 336.7	\$ 284.2	0.8x	na	na	10.6x	na	na	50.4x	na	na
Mannatech, Incorporated	MTEX	\$ 18.34	2.1	\$ 38.3	\$ 26.3	0.2x	na	na	3.0x	na	na	13.6x	na	na
MusclePharm Corporation	MSLP	\$ 0.45	33.1	\$ 14.9	\$ 20.9	0.3x	na	na	nm	na	na	nm	na	na
					Average	0.7x	1.0x	1.0x	10.0x	10.2x	8.6x	21.9x	23.2x	16.9x
					Median	0.7x	1.0x	0.9x	10.0x	10.2x	8.6x	16.8x	22.7x	15.7x
Natural Alternatives International, Inc.	NAI	\$ 14.49	6.4	\$ 92.1	\$ 91.5	0.8x	0.5x	0.5x	12.0x	5.3x	4.9x	nm	11.2x	9.1x

(1) Previous day's closing price

(2) Estimates are from Capital IQ except for NAI which are Stonegate estimates

Source: Company reports, Capital IQ, Stonegate Capital Partners

Based on our F22 estimates, NAI is trading at an EV/S, EV/EBITDA, and P/E ratio of 0.5x, 4.9x, and 9.1x, respectively. This compares to comps trading at median values of 0.9x, 8.6x, and 15.7x, respectively.

We note that the comps have historically traded around a forward 8.5x EV/EBITDA multiple over the past 10 years. Given revenue concentration risks at NAI, we believe a discount to peer multiples is reasonable. As such, we believe a 20% to 25% discount is reasonable, which implies a multiple of about 6.5x.

We also note that we adjusted the Debt/Leases figure to reflect the repayment of \$10M to the line of credit, which was completed after the quarter ended.

*Exhibit 13: Valuation Range on our FY22 Estimates*

	<u>EV/EBITDA</u>		
<b>2022 E</b>	4.50x	6.50x	8.50x
EBITDA	\$ 18.8	\$ 18.8	\$ 18.8
EV	84.6	122.2	159.8
Add: Cash & ST invest	28.6	28.6	28.6
Less: Debt/leases	18.0	18.0	18.0
Mrkt value	95.3	132.9	170.5
S/O	6.4	6.4	6.4
<b>Price</b>	<b>\$ 14.99</b>	<b>\$ 20.90</b>	<b>\$ 26.82</b>

*Source: Company reports, Capital IQ, Stonegate Capital Partners*

As seen in Exhibit 13 above, and based on our assumptions above, we arrive at a valuation range of \$15.00 to \$26.75, with a mid-point of \$21.00. Additionally, if the Company continues to demonstrate further revenue and EBITDA growth, it is likely the Company could trade toward the higher end of the range.

## RECENT NEWS

**February 09, 2020** – Natural Alternatives International, Inc. Announces 2021 Q2 and YTD Results.

**February 03, 2021** – Natural Alternatives International, Inc. Announces That It Has Repaid All Amounts Outstanding Under Its Credit Line.

**November 10, 2020** – Natural Alternatives International Announces 2021 Q1 Results.

**September 21, 2020** – Natural Alternatives International Announces Fiscal Year 2020 and Q4 Results

**September 02, 2020** – Dr. Nancy Steely Appointed Vice President, Research and Development at Natural Alternatives International, Inc.

**August 19, 2020** – Jeff Davanon Joins CarnoSyn® Brands.

**May 14, 2020** – Natural Alternatives International Announces 2020 Q3 and YTD Results.

**March 19, 2020** – Natural Alternatives International, Inc. Announces Increase in its Stock Repurchase Plan.

**March 06, 2020** – CarnoSyn® Brands Enters Third Year of Strategic Partnership with TEST Football Academy.

**February 11, 2020** – Natural Alternatives International, Inc. Announces 2020 Q2 and YTD Results.

**January 29, 2020** – CarnoSyn® Brands Presenting Latest Health and Wellness Solutions During HIS Conference.

**January 13, 2020** – Natural Alternatives International, Inc. Announces Increase in its Stock Repurchase Plan.

**November 14, 2019** – Natural Alternatives International, Inc. Announces 2020 Q1 Results.

**November 06, 2019** – CarnoSyn® Brands Showcasing Groundbreaking Health and Wellness Solutions at AMMG Conference.

**October 16, 2019** – CarnoSyn® Brands Showcasing Latest Innovations at Supply Side West.

**September 24, 2019** – Natural Alternatives International, Inc. Announces Fiscal Year 2019 and Q4 Results.

## CORPORATE GOVERNANCE

### Management

**Mark A. LeDoux, CEO** – 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.

**Kenneth E. Wolf, President & COO** - 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 Fortin, CFO** – 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 18 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.

### Board of Directors

**Mark A. LeDoux** – *Chairman & CEO*

**Joe E. Davis** – *Director*

**Alan G. Dunn** – *Director*

**Alan J. Lane** - *Director*

**Lee G. Weldon** – *Director*

**Laura K. Matherly** - *Director*

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## CONTACT INFORMATION

Natural Alternatives International, Inc.  
Michael Fortin, CFO  
1535 Faraday Avenue  
Carlsbad, California 92008  
Phone: (760) 736-7700  
<https://www.nai-online.com/>

Investor Relations  
Stonegate Capital Partners  
8201 Preston Road #325  
Dallas, Texas 75225  
Phone: (214) 987-4121  
[www.stonegateinc.com](http://www.stonegateinc.com)