

NATURAL ALTERNATIVES INTERNATIONAL INC
Form 10-Q
February 13, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED December 31, 2017

000-15701

(Commission file number)

NATURAL ALTERNATIVES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

84-1007839

(State of incorporation)

(IRS Employer Identification No.)

1535 Faraday Drive

(760) 744-7340

Carlsbad, California 92008

(Address of principal executive offices) (Registrant's telephone number)

Indicate by check mark whether Natural Alternatives International, Inc. (NAI) (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that NAI was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether NAI has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that NAI was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Emerging Growth Company

Non-accelerated filer Smaller reporting company

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

Indicate by check mark whether NAI is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of February 13, 2018, 7,429,020 shares of NAI's common stock were outstanding, net of 1,052,657 treasury shares.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

- future financial and operating results, including projections of net sales, revenue, income or loss, net income or loss per share, profit margins, expenditures, liquidity, the effect of changes in tax law and other financial items;
- our ability to maintain or increase our patent and trademark licensing revenues;
- our ability to develop market acceptance for and increase sales of new products, develop relationships with new customers and maintain or improve existing customer relationships;
- our ability to protect our intellectual property;
- our ability to improve operating efficiencies, manage costs and business risks and improve or maintain profitability;
- currency exchange rates, their effect on our results of operations, including amounts that may be reclassified as earnings, the availability of foreign exchange facilities, our ability to effectively hedge against foreign exchange risks and the extent to which we may seek to hedge against such risks;
- future levels of our revenue concentration risk;
- the outcome of currently pending litigation, regulatory and tax matters, the costs associated with such matters and the effect of such matters on our business and results of operations
- sources and availability of raw materials, including the limited number of suppliers of beta-alanine and certain other raw materials;
- inventories, including the adequacy of raw material and other inventory levels to meet future customer demand and the adequacy and intended use of our facilities;
- manufacturing and distribution channels, product returns, and potential product recalls;
- current or future customer orders;
- the impact on our business and results of operations from variations in quarterly net sales from seasonal and other factors;
- our ability to operate within the standards set by the U.S. Food and Drug Administration’s (FDA) Good Manufacturing Practices (GMP);
- our ability to successfully expand our operations, including outside the United States (U.S.);
- the adequacy of our reserves and allowances;
- current and future economic and political conditions;
- the sufficiency of our available cash, cash equivalents, and potential cash flows from operations to fund our current working capital needs and capital expenditures through the next 12 months;
- the impact of accounting pronouncements and our adoption of certain accounting guidance; and

• other assumptions described in this report underlying or relating to any forward-looking statements.

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

Unless the context requires otherwise, all references in this Quarterly Report to the “Company,” “NAI,” “we,” “our,” and “us” refer to Natural Alternatives International, Inc. and, as applicable, Natural Alternatives International Europe S.A. (NAIE).

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	December 31, 2017	June 30, 2017
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,843	\$27,843
Accounts receivable - less allowance for doubtful accounts of \$14 at December 31, 2017 and \$18 at June 30, 2017	12,895	8,410
Notes receivable	1,500	—
Inventories, net	17,879	13,729
Income tax receivable	—	261
Prepays and other current assets	1,585	1,456
Total current assets	62,702	51,699
Property and equipment, net	18,733	18,136
Deferred income taxes	2,443	2,002
Other noncurrent assets, net	709	774
Total assets	\$ 84,587	\$72,611
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,182	\$5,116
Accrued liabilities	2,215	1,931
Accrued compensation and employee benefits	1,089	1,594
Forward contract	2,088	422
Income taxes payable	1,636	1,207
Total current liabilities	19,210	10,270
Long-term pension liability	409	557
Deferred rent	551	537
Forward contract, noncurrent	609	99

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Income taxes payable, noncurrent	2,950	—
Total liabilities	23,729	11,463
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.01 par value; 500,000 shares authorized; none issued or outstanding	—	—
Common stock; \$.01 par value; 20,000,000 shares authorized; issued and outstanding (net of treasury shares) 7,429,020 at December 31, 2017 and 6,937,018 at June 30, 2017	84	79
Additional paid-in capital	23,266	22,260
Retained earnings	45,904	45,788
Treasury stock, at cost, 1,052,657 shares at December 31, 2017 and 1,044,659 June 30, 2017	(6,160)	(6,074)
Accumulated other comprehensive loss	(2,236)	(905)
Total stockholders' equity	60,858	61,148
Total liabilities and stockholders' equity	\$ 84,587	\$72,611

See accompanying notes to condensed consolidated financial statements.

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NATURAL ALTERNATIVES INTERNATIONAL, INC.

Condensed Consolidated Statements Of Income And Comprehensive Income

(In thousands, except share and per share data)

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net sales	\$33,335	\$30,559	\$61,409	\$64,626
Cost of goods sold	26,713	24,064	48,417	50,462
Gross profit	6,622	6,495	12,992	14,164
Selling, general and administrative	4,341	3,382	8,828	7,515
Income from operations				