

NATURAL ALTERNATIVES INTERNATIONAL INC
Form 10-Q
May 14, 2012
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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 MARCH 31, 2012

000-15701

(Commission file number)

NATURAL ALTERNATIVES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

84-1007839
(IRS Employer Identification No.)

1185 Linda Vista Drive

San Marcos, California 92078
(Address of principal executive offices)

(760) 744-7340
(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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes No

As of May 14, 2012, 6,968,687 shares of NAI's common stock were outstanding, net of 331,990 treasury shares.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this 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, intends, estimates, ap 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 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, and other financial items;

our ability to develop relationships with new customers and maintain or improve existing customer relationships;

the outcome of litigation, regulatory and tax matters, the costs associated with such matters and the effect of such matters on our business and results of operations;

currency exchange rates, their effect on our results of operations, including amounts that may be reclassified as earnings, 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;

sources and availability of raw materials;

inventories, including the adequacy of inventory levels to meet future customer demand and the timing of our ability to liquidate our inventory of beta-alanine, as well as the adequacy and intended use of our facilities;

development of new products and marketing strategies;

our ability to increase our marketing and advertising efforts for our Pathway to Healing® product line, the timing of such efforts and their effect on future sales;

distribution channels, product sales and performance, and timing of product shipments;

current or future customer orders;

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the impact on our business and results of operations and variations in quarterly net sales from seasonal and other factors;

inflation rates and their impact on our operations and profitability;

management's goals and plans for future operations;

our ability to improve operational efficiencies, manage costs and business risks and improve or maintain profitability;

growth, expansion, diversification, acquisition, divestment and consolidation strategies, the success of such strategies, and the benefits we believe can be derived from such strategies;

personnel;

our ability to operate within the standards set by the Food and Drug Administration's Good Manufacturing Practices;

operations outside the United States (U.S.);

the adequacy of reserves and allowances;

overall industry and market performance;

competition and competitive advantages resulting from our quality commitment;

current and future economic and political conditions;

the impact of accounting pronouncements; and

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

The forward-looking statements in this report speak only as of the date of this 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 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 report, as well as in other reports and documents we file with the U.S. Securities and Exchange Commission (SEC).

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Unless the context requires otherwise, all references in this report to the Company, NAI, we, our, and us refer to Natural Alternatives International, Inc. and, as applicable, our wholly owned subsidiary Natural Alternatives International Europe S.A. (NAIE).

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****NATURAL ALTERNATIVES INTERNATIONAL, INC.****Condensed Consolidated Balance Sheets****(In thousands, except share and per share data)**

	March 31, 2012 (Unaudited)	June 30, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,105	\$ 15,461
Accounts receivable - less allowance for doubtful accounts of \$126 at March 31, 2012 and \$73 at June 30, 2011	5,128	3,287
Inventories, net	13,171	6,499
Deferred income taxes	1,639	1,639
Prepays and other current assets	1,726	942
Total current assets	32,769	27,828
Property and equipment, net	10,882	11,411
Deferred income taxes	1,388	1,388
Long-term pension asset	26	64
Other noncurrent assets, net	517	453
Total assets	\$ 45,582	\$ 41,144
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,212	\$ 2,232
Accrued liabilities	1,516	1,009
Accrued compensation and employee benefits	1,285	1,234
Income taxes payable	764	472
Total current liabilities	5,777	4,947
Deferred rent	557	719
Total liabilities	6,334	5,666
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.01 par value; 500,000 shares authorized; none issued or outstanding	0	0
Common stock; \$.01 par value; 20,000,000 shares authorized; issued and outstanding (net of treasury shares) 6,968,687 at March 31, 2012 and 7,013,713 at June 30, 2011	72	72
Additional paid-in capital	19,524	19,357
Accumulated other comprehensive income (loss)	59	(365)

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Retained earnings	21,320	17,939
Treasury stock, at cost, 331,990 shares at March 31, 2012 and 286,964 at June 30, 2011	(1,727)	(1,525)
Total stockholders' equity	39,248	35,478
Total liabilities and stockholders' equity	\$ 45,582	\$ 41,144

See accompanying notes to condensed consolidated financial statements.

Table of Contents**NATURAL ALTERNATIVES INTERNATIONAL, INC.****Condensed Consolidated Statements of Income and Comprehensive Income****(In thousands, except share and per share data)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Net sales	\$ 17,422	\$ 13,375	\$ 51,924	\$ 41,484
Cost of goods sold	13,299	10,991	39,765	33,576
Gross profit	4,123	2,384	12,159	7,908
Selling, general & administrative expenses	2,493	2,126	6,956	5,601
Income from operations	1,630	258	5,203	2,307
Other (expense) income:				
Interest income	5	4	15	12
Interest expense	(27)	(12)	(93)	(41)
Foreign exchange (loss) gain	(5)	1	101	22
Other, net	8	--	14	2
	(19)	(7)	37	(5)
Income before income taxes	1,611	251	5,240	2,302
Provision for income taxes	543	70	1,859	355
Net income	\$ 1,068	181	\$ 3,381	\$ 1,947
Unrealized (loss) gain resulting from change in fair value of derivative instruments, net of tax	(406)	(58)	424	(58)
Comprehensive income	\$ 662	\$ 123	\$ 3,805	\$ 1,889
Net income per common share:				
Basic	\$ 0.15	\$ 0.03	\$ 0.48	\$ 0.27
Diluted	\$ 0.15	\$ 0.03	\$ 0.48	\$ 0.27
Weighted average common shares outstanding:				
Basic	6,968,687	7,117,847	6,984,477	7,112,440
Diluted	6,979,499	7,122,027	6,992,902	7,121,042

See accompanying notes to condensed consolidated financial statements.

Table of Contents**NATURAL ALTERNATIVES INTERNATIONAL, INC.****Condensed Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Nine Months Ended	
	March 31,	
	2012	2011
Cash flows from operating activities		
Income from operations	\$ 3,381	\$ 1,947
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Increase (decrease) of uncollectible accounts receivable	53	(1)
Depreciation and amortization	2,283	2,429
Non-cash compensation	167	179