

NATROL LLC

A STAR IS REBORN



Mood & Stress

Beauty



Brain Health

Sleep



Digestive Health

Heart Health

Bone & Joint Health

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NATROL LLC

A STAR IS REBORN

Natrol LLC, one of the leading Consumer Packaged Goods companies in southern California, is a global manufacturer of vitamins, minerals, and supplements (VMS), offering a variety of products for specific health needs such as better sleep, brain health, mood & stress relief, and beauty & anti-aging. Natrol brands also include Laci Le Beau, a line of herbal teas for weight control; and Shen Min and NuHair, hair rejuvenation products.

In the early 1980s, visionary CEO, Elliott Balbert, founded the company and soon began marketing nutritionally-based weight loss products, hence the name Natrol, for “natural control.” The company’s explosive success was fueled not only by its passionate leader Mr. Balbert, but by the Dietary Supplements Health and Education Act of 1994 in which the federal government defined what dietary supplements were and how they

AT A GLANCE

NATROL LLC

WHAT: A manufacturer of nutritional and herbal supplements

WHERE: Chatsworth, California

WEBSITE: www.natrol.com





Beauty



Sleep



needed to be marketed, sold, and legally labeled. "It laid the legal groundwork so that nutritional companies knew what they could and couldn't do relative to the FDA (Food & Drug Administration), what claims they could make, what they could say to consumers, and how they could communicate the benefits of their products," recounts Andrew Houlberg, Natrol's CEO since 2007.

"Natrol continued expanding," Houlberg continues. "By 1997, we occupied a 90,000-sq.ft. manufacturing facility, where we are today. In 1998, Natrol went public, listed on NASDAQ as NTOL. Throughout the '90s and early 2000s, Mr. Balbert acquired multiple companies as part of the expansion plan including Essentially Pure Ingredients, Prolab Sports Nutrition, Pure-Gar, and Laci Le Beau."

Mr. Balbert was also a genius marketer. With every new product launch, he demanded healthy advertising budgets across mass media, beginning in health-conscious magazines, and then

expanding to mainstream magazines such as TV Guide, McCall's, Family Circle and Woman's Day. In 1990, Natrol began advertising on CNN's Larry King Live with Mr. Balbert hawking Natrol products on-air in an interview format with Larry King, himself.

At the beginning of the new century, however, Natrol found itself facing marketplace changes that were beyond the company's control. A decline in the overall dietary supplements sector was attributed to new studies questioning the validity of health claims of nutritional supplements, poor quality products from competitors with lower quality ingredients, an overall slump in the consumer marketplace, and market saturation.

In spite of the marketplace challenges, the Natrol brand had become so well known for its quality that it helped the company weather the fickle nature of consumer trends. In 2006, roughly a decade after herbal sleep aid Melatonin first hit U.S. markets, Natrol's Melatonin became the number one selling brand



PICTURED
CEO, Elliot Balbert



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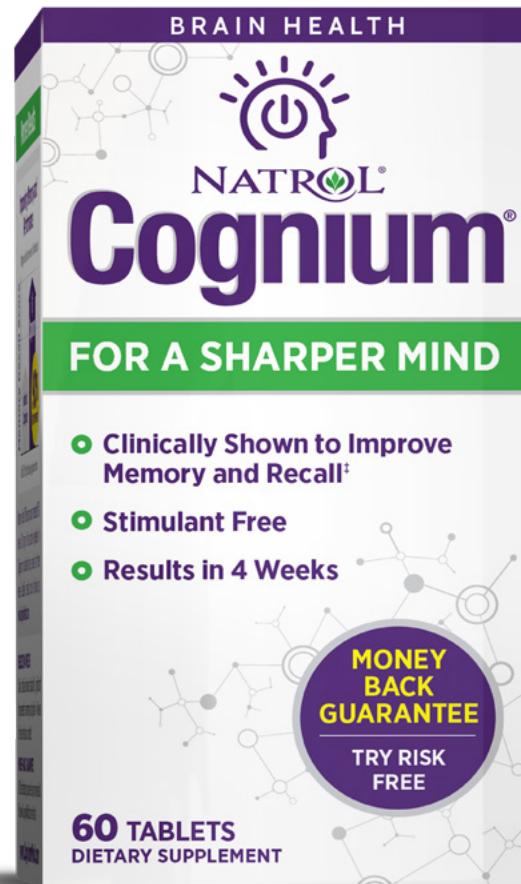
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in the U.S., along with its Ester-C, DHEA, and 5-HTP products. Natrol Melatonin continues to be the #1 selling brand in the nation.

"In 2014, Aurobindo Pharma USA purchased us," Houlberg reports. "They're a pharmaceutical company; we're a nutraceutical company. So this was something different for Aurobindo, to move out of pharma and enter nutraceuticals. Since then, they've provided us very dynamic and strong technical expertise on the manufacturing side to help us improve our production efficiencies while we focus more on the commercial development of our products."

Aurobindo's ownership laid the groundwork for a resurgence of innovation. In 2017, Natrol launched a brain health product—Cognium—which is presently the third fastest seller in the U.S. mass market. And then, in 2018, the company launched a line of Natrol Gummies—melatonin, multi-vitamin, and other beauty-related products. According to Houlberg, "they are doing exceptionally well for us."

Today, Natrol employs a workforce of approximately 250 full-timers, plus a small army of part-timers, brought in when production needs demand more support. 75 percent of sales are in the U.S., and 25 percent are overseas via a vast network of distributor partners. "The keys to success for us in other countries are three



QualitySupplements

TIMELINE



1980

Founded in 1980 by Elliot Balbert, Natrol begins as a cosmetics company.

1982

Natrol enters dietary supplements business with a nutritionally-based natural weight loss product, hence the name Natrol, for "natural control." This is the beginning of Natrol's organic expansion into the area of nutritional supplements.

NATROL



1998

Natrol introduces ProLab NutriSports nutritional products for the physically active. Important for Natrol to begin international, it acquires Pure-Gar, Inc., a manufacturer of dietary products Quintessense and High Beau, a maker of herbal teas for



PROLAB

PURE GAR

tion, Inc., specializing in body builders, athletes and body distribution. ProLab paves the way for the manufacturer of the garlic supplement, Aghar Farms; and Laci La for weight loss.



2007

Natrol acquires Medical Research Institute, a sports nutrition company founded in 1997 and the first company to launch nitric oxide-based sports nutrition products.


AUROBINDO

2014

Aurobindo Pharma USA Inc. acquires Natrol and its well established brands and extensive distribution network.

things," Houlberg explains. "One is finding the right distributor partner, and by that I mean they must have a deep knowledge of their market. Two, they must have an established infrastructure to be able to sell nutraceuticals. And three, they are highly motivated to want to be successful in their market. When we get that right, we're extremely successful in the international markets."

"In the United States, we're by far the number one leader in melatonin and 5-HTP sales. But outside the country, it's much more varied. For example, in Chile, we're the number two multi-vitamin brand in the country because we have a highly motivated, knowledgeable distributor partner who has the powerful infrastructure in that country. So, we formulate to their demands. We also sell into Russia, China, and the Middle East through distributor partners."

Houlberg adds that Natrol also has an increasingly powerful online presence overseas via American-based online retailers. "In fact, that's an area of

tremendous growth," he notes. "I refer to them as 'onliners.' American-based onliners ship all over the world. So, as Natrol only has a formal relationship in 60 countries, U.S.-based onliners actually sell to more than 160 countries in the world."

In a highly competitive arena, Houlberg believes Natrol has distinct advantages. "Elliott founded the company based on delivering premium, quality products, and that continues to be central to our mission today. Quality is one of the three key components of our mission," he remarks. Natrol is NSF-certified (National Sanitation Foundation); GMP-certified (Good Manufacturing Practices); an FDA-accredited facility; and it is, presently, pursuing USP (United States Pharmacopeia) certification for several of its products. "All of that guarantees an ever-improving quality component. Consumers can trust that what's on the label is what they get, and is the freshest product available on the shelf," Houlberg adds.

A second component of the Natrol mission is

Competitive Speed and Service...Locally



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innovation. Two years ago, Natrol worked with a provider who developed a breakthrough product that helps consumers with cognition problems. Backed by multiple human clinical trials, the new product Cognium (cognition + cranium) was shown to help with memory improvement in a high percentage of consumers. “Now that’s innovation,” asserts Houlberg. “Also, consumer interaction plays a huge part in the constant improvement of our products. When we get feedback, we improve the formulation.

“The third pillar of our mission is agility. We’re not the largest manufacturer in the vitamin, mineral, and supplement segment; there are other American players bigger than we are. But because of our smaller size, we have greater agility. That agility converts into a better ability for us to work more closely with distributor partners so we are available, promptly, to help them better meet their business goals, build stronger relationships, and establish the trust that we need with them like the big customers Costco, Wal-Mart, and Target, and the smaller and medium customers

that make up our portfolio of over 200 different customers. Agility allows us to deliver really exceptional customer service, which I’ve made a priority for our company and now, pretty much reaches 100 percent almost all the time.”

Houlberg’s carefully crafted, five-year plan includes doubling the company’s business. “So, we’ve put together the essential building blocks and annual steps that will get us to that point,” he asserts. “The annual steps include improving even more our quality in our existing range of products, which are more than a hundred different formulas that we have commercialized around the world. True to our mission, we will continue improving and tweaking those formulas. We are also committed to adding new products, some of those products are in research now, others are about to be launched.”

For instance, Natrol is about to launch a kids’ melatonin product because there is a high demand from parents who are concerned that their children aren’t getting enough sleep. “In today’s society, children are exposed to much

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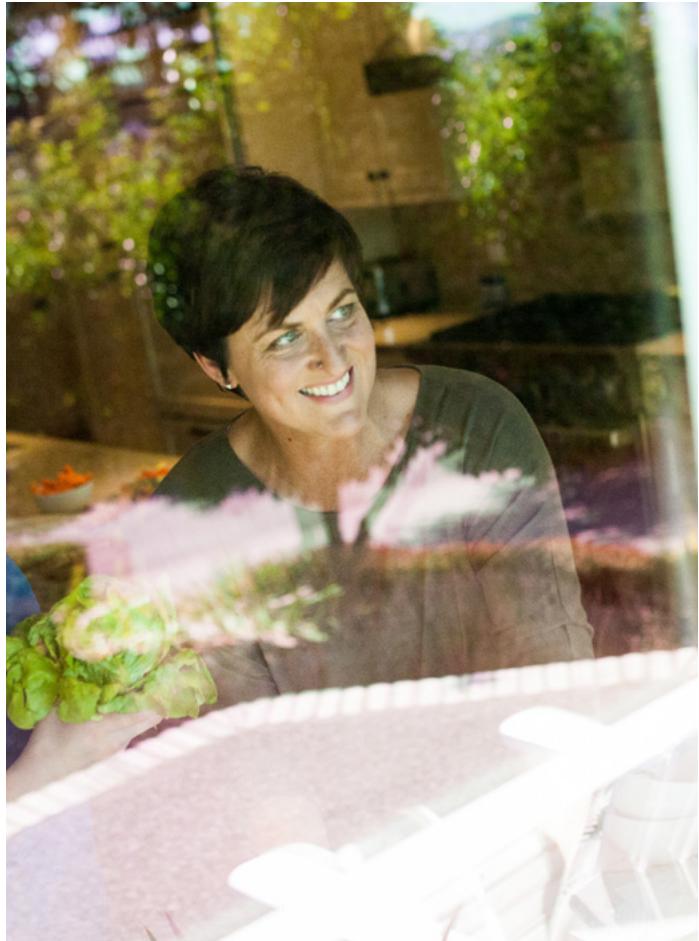


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more blue light emitted from iPads and cell phones, computers, and other electronic media, and that affects children's brain patterns and can affect their sleep," according to Houlberg. "So, we've developed a child-friendly formula that's going into the market right now."

Part of Natrol's growth strategy also centers around creating deeper relationships with distributor partners to solve their problems and business needs better than others, while continuing to introduce new, relevant products in the marketplace in the short term. Houlberg intends to stay focused on

expanding those building blocks each year in order to double the size of the business.

"When you think about it, it's a very noble industry in which to work," Houlberg concludes. "We create products that may help people live longer, healthier lives. It's a whole lot more fun than selling things that aren't directly beneficial to their well-being. We have fun doing what we do and when we do that, we really succeed."

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