



[WWW.NAPCOSECURITY.COM](http://WWW.NAPCOSECURITY.COM)

Recent Price (4/1/09)	\$1.09	Fiscal Year End:	June 30
52-Week Price Range:	\$0.78 – 5.18	Market Cap:	\$24 million
Shares Outstanding (12/31/08):	19,095,713	Last 12 Months Revenues:	\$79 million
Insider Ownership:	38.0%	Last 12 Months Operating Income:	\$2.7 million
Institutional Ownership:	35.0%	Last 12 Months EPS: (diluted)	\$0.14

### **COMPANY BACKGROUND**

NAPCO Security Technologies, Inc. is the world's most diversified manufacturer of security products, encompassing intrusion and fire alarms, building access control systems and electronic locking devices. Sold and installed by tens-of-thousands of security professionals, products from the NAPCO Group of Companies protect millions of homes, businesses, institutions and people around the globe.

Since its founding in 1969, NAPCO has enjoyed a heritage in the professional security community for advanced technology and high quality. This reputation is shared by the NAPCO Group of Companies, enabling NAPCO to build many of the professional security industry's best-known brand names, such as NAPCO, ALARM LOCK, CONTINENTAL INSTRUMENTS and MARKS USA.

### **INDUSTRY AND MARKET BACKGROUND**

The constant barrage of crime in the media continues to drive and shape the growing security industry with the overall market of security-related sales expected to reach more than \$30 billion. NAPCO answers these increasing market demands by developing innovative solutions designed to protect people, property and profits through technology. Today, the NAPCO Group of Companies is well-positioned to capture a greater share of the global security marketplace, estimated to be growing at an average annual rate of approximately 6% and accelerating. Additionally, key industrial security market segments with particularly promising growth, such as electronic locking and computerized access systems, are specifically and aggressively addressed by the Company's fast-growing Alarm Lock Group and its Continental Access Group, respectively.

### **PRODUCTS**

NAPCO continues to develop the most technologically advanced, intuitively designed security solutions. Electronic, mechanical or computerized, NAPCO products continue to set industry standards. Its products are found in every marketplace including residential and commercial real estate, hotels, restaurants, health, education, government, recreation & corrections facilities. Many Fortune 1000 companies use NAPCO, Alarm Lock and Continental products.

- **NAPCO SECURITY TECHNOLOGIES** introduced the industry's first smart, flexible micro-processor-based alarm system, sporting a revolutionary, user-friendly digital keypad, over 15 years ago. Now, NAPCO is well-respected worldwide for creating many innovative and reliable products, in the intrusion and fire industry. There are two new revolutionary products from NAPCO that have been recently introduced. One is the patented Freedom 64, which is the world's first "codeless" alarm system for buildings, that eliminates false alarms and is as simple to use as locking one's door. The second is the VIP-GATEWAY Plug-and-Play Internet Interface, a new reoccurring revenue producer for alarm companies. It offers the consumer remote video from anywhere in the world on a cell phone or computer and presents crystal clear, real time video of one's home and business. No computer or software is required on the premise.
- **ALARM LOCK SYSTEMS** was acquired and is a wholly-owned subsidiary and producer of a comprehensive line of highly regarded push button and ID card operated electronic locks, door exit alarms and door security hardware. Vast advancements in these products have been made and it is currently one of the Company's fastest growing divisions.
- **CONTINENTAL ACCESS SYSTEMS** is a wholly-owned subsidiary and producer of an advanced line of PC-driven building Access Control systems and peripherals, featuring multiple card technology integration, multi-tasking software and intuitive report generation. Continental's technologically-advanced access control systems span the full range of capabilities from multi-doors, to enterprise-class LAN/WAN systems, all supporting myriad ID card- and badge-, fingerprint-, hand geometry and vein & retinal-scanning technology readers.
- **MARKS USA** was recently acquired and is also a wholly-owned subsidiary of NAPCO. It is a leading manufacturer of various cutting-edge locksets for industrial, commercial and institutional applications. Marks USA has a strong position of new lines of more than 300 custom designed architectural and industrial locksets for major buildings and hospitals.
- **CUSTOM MANUFACTURING** is another strategic growth initiative for NAPCO. Adding custom manufacturing to the product mix has served to increase capacity utilization at NAPCO's manufacturing facilities, improving overall efficiencies and economies of scale. NAPCO earned an exclusive multi-year contract from ADT Security Services to manufacture their newest home security product, the Safewatch® EZ. Sharing product design and manufacturing expertise with large security installation companies like ADT are not only potentially profitable, but also keeps NAPCO on the forefront of converging technologies.



### **NAPCO'S DISTRIBUTION HIGHLIGHTS**

NAPCO recently reallocated its intrusion/fire alarm products business across its extensive network of independent distributors to provide a more enhanced distribution over 8,000 dealers worldwide who have brand loyalty and appreciation for NAPCO's quality products. NAPCO also distributes its Alarm Lock products directly to locking distributors who deal with more than 6,000 locksmiths and contractors. NAPCO distributes products from its Continental Instruments subsidiary to over 700 security systems integrators who sell directly to large national firms (Fortune 1000 companies). NAPCO also does custom manufacturing projects for large security companies who will then sell the product under their name.

**INVESTMENT CONSIDERATIONS**

- Large and continually expanding global security marketplace with annual volume of nearly \$30 billion
- Strong 30-year brand recognition
- Recent acquisition of Marks USA accretive to financial results
- Steady stream of new state-of-the-art security products
- Consistently profitable since IPO in 1972
- Highly experienced management team
- The only publicly traded independent alarm, lock and access control manufacturer
- Strong relationships with many thousands of security dealers in 40+ countries

**Senior Management**

Richard Soloway	Chairman, CEO, and President
Kevin Buchel	Senior Vice President of Operations and Finance
Jorge Hevia	Senior Vice President of Corporate Sales and Marketing
Michael Carrieri	Senior Vice President of Engineering

**Recent Financial Results**

(in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2008	2007	2008	2007
Net sales	\$ 19,079	\$ 16,166	\$ 36,562	\$ 30,042
Gross Profit	6,214	5,447	11,820	10,671
Operating Income	766	1,285	1,596	2,088
Net income	\$ 332	\$ 1,172	\$ 654	\$ 1,547
Earnings per share:				
Basic	\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.08
Diluted	\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.08
Basic	19,095,713	19,297,252	19,095,537	19,432,471
Diluted	19,095,713	19,820,906	19,206,453	19,985,412
EBITDA*	\$1,400,000	\$1,578,000	\$2,571,000	\$2,690,000

\* Defined as Earnings before Interest, Taxes and Depreciation and Amortization

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	December 31, 2008	June 30, 2008
<b>ASSETS</b>		
Current Assets:	(unaudited)	
Total Current Assets	58,262	50,026
Total Assets	\$ 104,015	\$76,723
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Total Current Liabilities	12,799	8,733
Long-term debt	34,635	12,400
Total stockholders' equity	54,410	53,542
Total Liabilities and Stockholders' Equity	\$ 104,015	\$76,723

The information contained herein was obtained from the management of NAPCO Security Technologies, Inc., and other sources we believe to be reliable. This does not constitute a solicitation of the purchase or sales of securities. Wolfe Axelrod Weinberger Associates LLC is employed by NAPCO Security Technologies, Inc. as investor relations counsel.

This Fact Sheet contains statements relating to future results of the Company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Security Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for and market acceptance of new and existing products, as well as other risks and uncertainties detailed from time to time in the filings of the Company with the Securities and Exchange

If you would like additional information about the Company, please contact Stephen Axelrod or Donald Weinberger at Wolfe Axelrod Weinberger Assoc. LLC, 317 Madison Avenue, Suite 515 New York, NY 10017, (212) 370-4500, (212) 370-4505 FAX, e-mail: [steve@wolfeaxelrod.com](mailto:steve@wolfeaxelrod.com) ~ website: [www.wolfeaxelrod.com](http://www.wolfeaxelrod.com)