



NAPCO Security Technologies, Inc.

NasdaqGS (Global Select): NSSC

Security.
Technology.
Opportunity.

Investor Presentation

May 26, 2010

NSSC
NASDAQ
GLOBAL SELECT



Safe Harbor Statement

This presentation and may contain forward-looking statements that involve numerous risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the Company's filings with the Securities and Exchange Commission.



NAPCO is one of the world's most diversified manufacturers of security products, encompassing intrusion and fire alarms, building access control systems and electronic locking devices.



NAPCO Security Technologies

- Strong 30-year brand recognition
- Unique “pure play” security manufacturing company
- An increasing need for security products
- Positioned for improved sales and profits
- Investing in recurring revenue businesses
- Highly experienced management team
- Strong network of more than 15,000 security dealers, integrators, locksmiths and contractors in 40+ countries
- ISO 9001:2008 Quality Certified Company



Market Snapshot

Common Stock Ticker:	NasdaqGS: NSSC
Recent Stock Price:	\$2.20
52 Week Range:	\$1.11 – 3.02
Market Capitalization	\$42.0 million
Shares Outstanding:	19.1

- Publicly traded since 1972
- No shareholder dilution since IPO
- 9 stock split/dividends paid out (4 in the last 4 years)
- 38.5% insider ownership

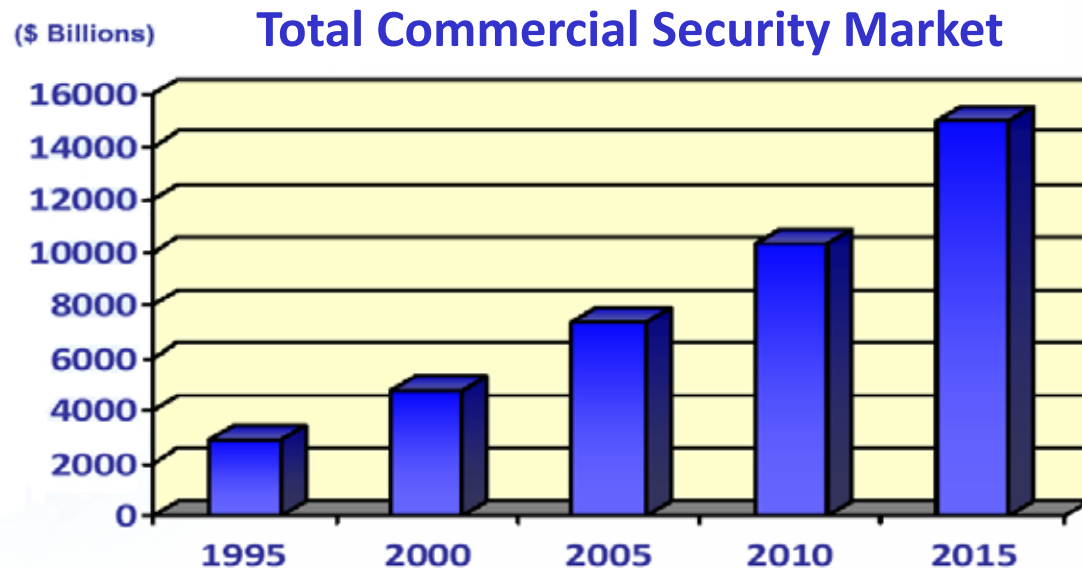


Security Concerns Creating Opportunities

- \$115 billion, 5 year budget by the Department of Homeland Security for security of aviation, ports, ground transport, bio-terrorism and law enforcement
 - *Department of Homeland Security*
- Sales of network cameras and video servers are soaring and are expected jump from \$800 million in 2007 to \$1.2 billion by 2010
 - *Frost & Sullivan, JP Freeman, IMS Research and IDC*
- Nationwide, burglaries increased 1.3% in 2008; Robberies rose 3.9% in towns with populations under 10,000 during 2008
 - *Preliminary Annual Uniform Crime Report for 2008, FBI/DOJ*



Large and Growing Market

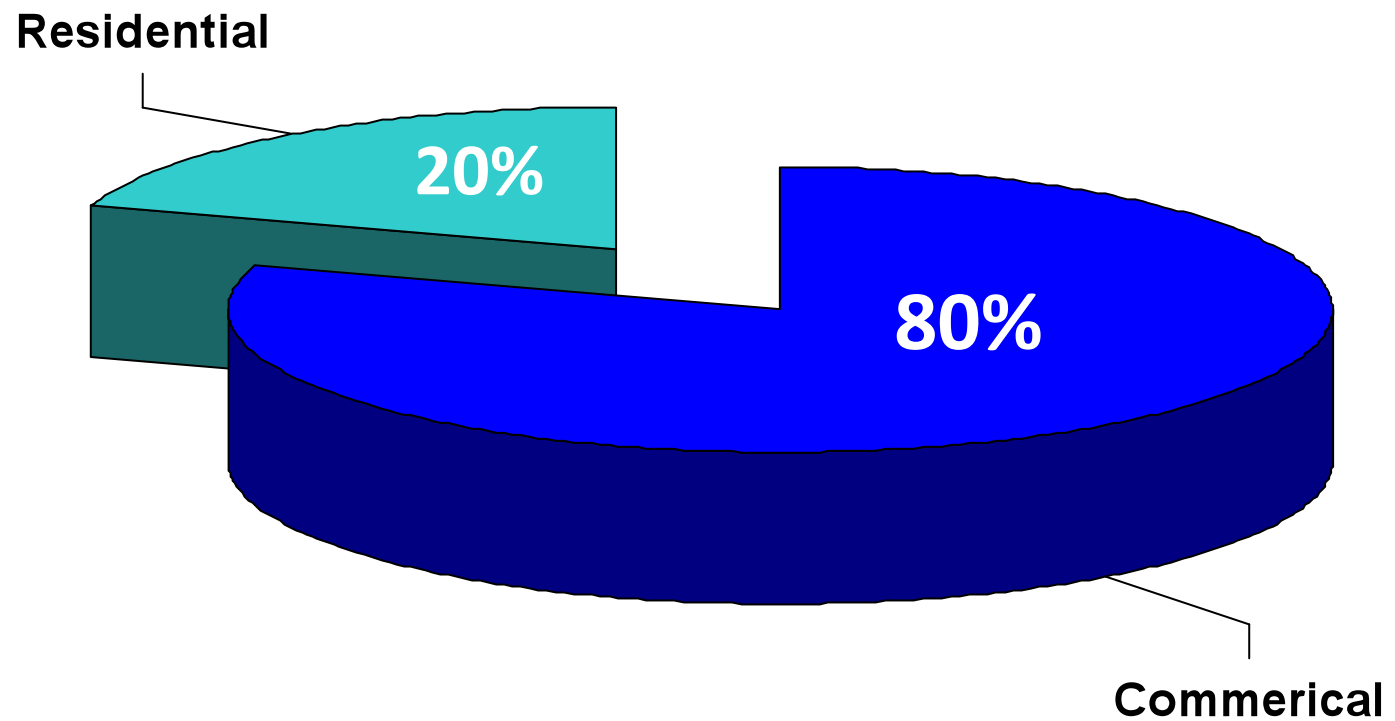


Source: Freedonia Group: Electronic Security Systems 2010 - 2015

- Heightened global level of security consciousness in Post 9/11 era
- Deteriorating economic climate traditionally causes a greater need and demand for security products
- Increasing need for total solutions providers
- Increasing demand for new IP applications and video technologies
- Gains in residential “after-market” security sales expected during hard financial times



Business Sales Mix





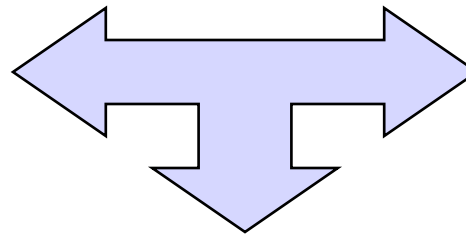
Fully Integrated Security Solutions Manufacturer

NAPCO Security Group

Complete One-Stop Shop for
Security Equipment

Door Locking
Technologies

Access
Control



 MARKSUSA



Continental
Access 

Intrusion, Fire,
Video, Wireless
Security



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Intrusion, Fire and Video Alarm Products

- Commercial and residential applications
- Government buildings and facilities
- Residential aftermarket installations
- Product sold through Company's authorized distribution network of over 200 distributors
- Over 8,000 dealers worldwide





Electronic Locking Products

- Comprehensive line of push button and ID card operated electronic locks, door exit alarms and door security hardware
- **Applications**
 - Schools
 - Municipal institutions
 - Military bases
 - Airports
 - Commercial buildings
 - Government facilities
- **Products sold to 100+ locking distributors and over 6,000 locksmiths and contractors**
- **One of the Company's fastest growing divisions**





Access Control Systems

- **Advanced line of PC-driven Access Control systems for commercial buildings**
 - Featuring video monitoring stations for security personnel, and supporting an array of card and biometric readers, all operating on proprietary software
- **Product sold to over 700 security systems integrators to**
 - Fortune 1000 companies
 - Federal and State Government agencies
 - Office building management companies
 - Airports
- **High margin/growth business**





Door Locking Technologies

- **Leading provider of industrial/commercial door technology products**
 - Including mortise, cylindrical, electrified, tubular, electronic access and custom designed locksets, for industrial and commercial settings
- **High growth, higher margin business**
- **Products sold to a wide variety of worldwide projects**
 - White House
 - U.S. Senate Building
 - The Plaza Hotel (NYC)
 - The Visionaire (NYC)
 - Ritz Carleton Residences (MD)
 - The Trump Grande (FL)
 - The Mandalay Bay (NV)
 - Miami Int'l (FL), Reagan and Dulles airports (DC)





Growth Strategy:

New Products/Recurring Revenues

- New products that are source of recurring revenues
- Higher profit margin products
- Upgrade sales source for dealers
 - Commercial business concerned with security needs, e.g. retailers and shrinkage
 - Retrofits and upgrades for commercial and residential
- Products address high security applications
 - Assisted living facilities
 - Schools
 - Office suites
 - Hospital drug storage rooms
 - Mental health facilities
 - Security and behavior healthcare institutions



New Recurring Revenue Sources



- iSee Video equipment approximately \$300.00 per installation
- Recurring monthly service revenue up to \$2.50 per month per account
- 25 million consumers in USA currently monitored by alarm companies



New Recurring Revenue Sources



- \$200.00 Backup radio for alarm systems with a \$7.00 monthly recurring revenue component



New Product Growth Drivers

**Bioreader™ Biometric
Fingerprint Reader**



**CardAccess®
3000**



Building access control system
w/ large scale capabilities
(30,000 doors) & integrated
video

GEMINI GEMC Combo Panel



Freedom™ 64

64 zone wireless / hardwire alarm system. Now offered in traditional coded and
break-through code-free technology. *Patented*



Strategic Accretive Acquisitions

- **Third Accretive Acquisition: Marks USA** (August 2008)
 - **Major industrial and commercial locking manufacturer**
 - Purchased for \$25 million in cash
 - Annual revenue of approximately \$24 million and pre-acquisition EBITDA of \$4 million
 - **Immediately accretive to operating results**
 - Additional savings due from continued integration
 - Higher gross margin products
 - **Diversification of product line**
 - Rounds out NAPCO as a “total solutions” security equipment manufacturer – NAPCO is now 80% commercial business
 - Opens up new distribution channels for other product offerings
 - **Continued revenue growth and opportunities for cost savings**
 - New business sector - contract locking hardware
 - Strong sales growth over last three years
 - Very little sales overlap with existing business
 - Many cross-selling opportunities



Competitive Strengths

NAPCO's Worldwide Facilities

NAPCO Products Are Sold In 59 Countries Worldwide

Headquarters & Plant 1
Amityville, NY

100% owned by NAPCO



250,000 square
feet of space
with a \$200+
million
production
capacity

Plant 2
Dominican Republic, Caribbean

100% owned by NAPCO



European Sales Office
Warrington, U.K.



Middle East Sales Office
Dubai, UAE





Senior Management Team

(75 Years of Combined Experience in the Security Industry)

Richard Soloway

Chairman and CEO

(Founder, 30+ years security, electronics experience)

Kevin Buchel

Senior Vice President of Operations and Finance

(20 years with NAPCO, previously Coopers & Lybrand, CPA)

Jorge Hevia

Senior Vice President of Corporate Sales and Marketing

(10 years with NAPCO, previously Colgate Palmolive, Unilever,
American Home Products)

Michael Carrieri

Senior Vice President of Engineering

(10 years with NAPCO, previously Hazeltine, NCR/AT&T, Boundless
Technologies, Chyron)



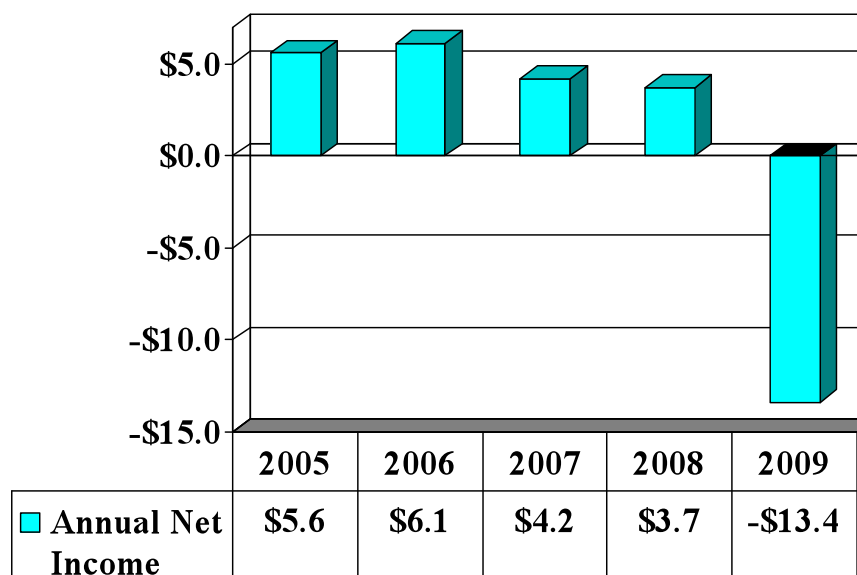
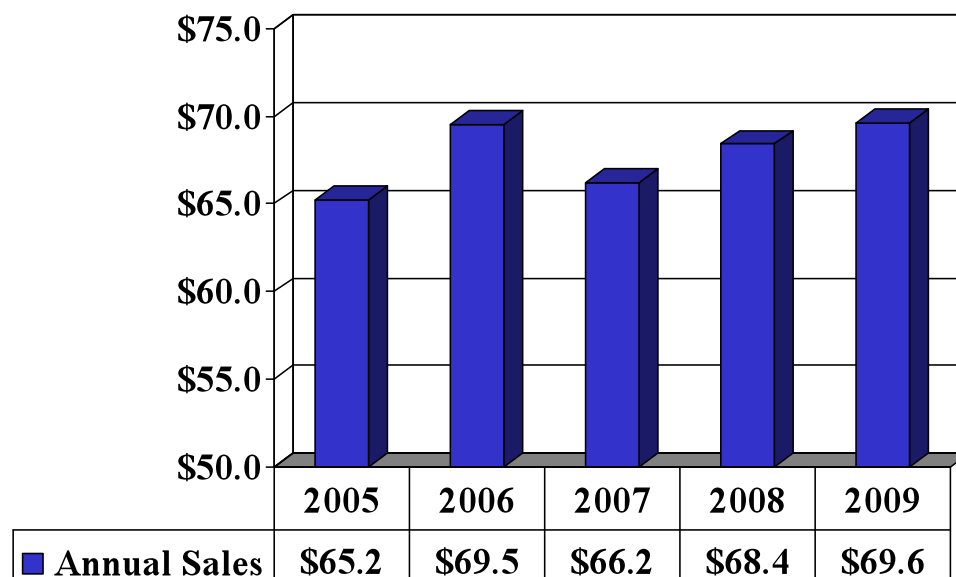
Financial Results and Overview

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Historical Financial Data

(FY June 30 – Millions of Dollars)





FY:09 Financial Highlights

(Ended June 30, 2009)

- Net sales increased by 2% to \$69.6 million
- Cash generated from operations was \$6.8 million
- Ended year with \$4.1 million in cash
- Debt, net of cash, was reduced by approximately \$6.6 million to \$29.3 million from \$35.9 million (since acquiring Marks USA in August 2008)
- Inventory reduction program remaining in place, lowered by \$7.9 million in 2H:09



Restructuring and Marks Integration Program

(Implemented Q3:09)

- Initiated program due to unprecedented protracted economic downturn
- Will enable Company to be profitable at reduced sales levels
 - Able to promptly ramp up capacity when sales levels improve
- Specific measures include:
 - Downsizing direct/indirect labor in factories
 - Consolidated worldwide warehouses into U.S. facility
 - Reduced/Eliminated discretionary spending
 - Across-the-board payroll reduction program
- Moved all of Marks subsidiary into NAPCO facilities in Amityville, NY and Dominican Republic
- Move completed August 2009 and full integration to be completed by end of 2010
- Expected savings of several million dollars



Q3 & YTD Financial Highlights

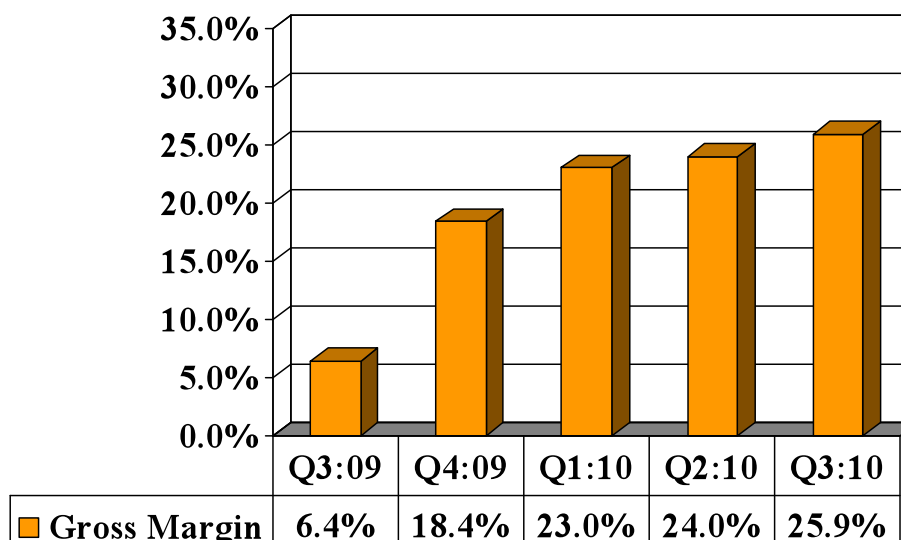
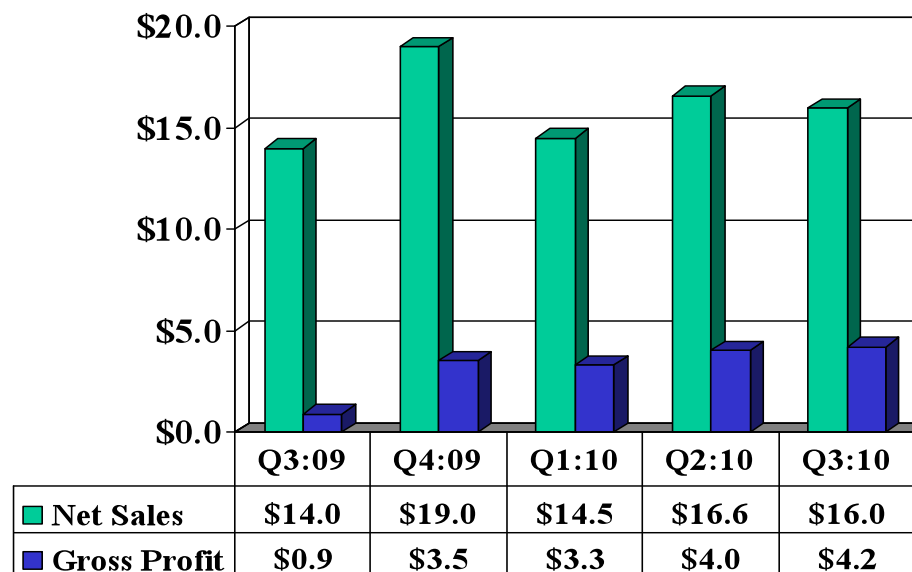
(Ended March 31, 2010)

- Net sales of \$16.0 million, a 14% increase year-over-year from \$14.0 million.
- Backlog levels remain strong and higher than historical levels. At March 31, 2010 it was approximately \$2.9 million, compared to the June 30, 2009 level of \$1.7 million.
- Gross margin continues to improve, was 25.9% in Q3:2010, fifth consecutive quarter of margin expansion.
- Adjusted EBITDA of \$218,000 reported in Q3:10 and \$308,000 fiscal year to date.
- Cash and cash equivalents of \$5.8 million.
- Inventories have been reduced by \$2.8 million during the last nine months, \$8.7 million last twelve months.
- Debt, net of cash, was \$24.9 million, with \$4.4 million of it being reduced during the nine months ended March 31, 2010, and \$11.0 million since Marks acquisition in August 2008.
- Cash generated from operations was approximately \$4.6 million for nine months ended March 31, 2010.



Quarterly Analysis

(Fiscal year ended June 30, figures in millions)





Adjusted EBITDA*

	3 months ended March 31,		9 months ended March 31,	
	2010	2009	2010	2009
	(in thousands)			
Net loss (GAAP)	\$ (1,864)	\$ (5,015)	\$ (4,594)	\$ (4,360)
Add back benefit for income taxes	(491)	(859)	(671)	(574)
Add back net loss attributable to non-controlling interests	0	112	0	0
Add back interest and other expense	604	502	1,752	1,271
Operating Loss (GAAP)	(1,750)	(5,260)	(3,513)	(3,663)
Adjustments for non-GAAP measures of performance:				
Add back amortization of acquisition-related intangibles	335	135	1,005	337
Add back stock-based compensation expense	53	73	185	280
Add back costs relating to Marks acquisition and consolidation	0	22	238	101
Add back bad debt reserves associated with closure of Middle East operation	195	0	195	0
Add back impairment of goodwill	923	0	923	0
Add back costs associated with waivers and amendments to credit facilities	131	213	299	251
Adjusted non-GAAP operating loss	(113)	(4,817)	(668)	(2,694)
Add back depreciation	331	418	976	1,103
Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)	\$ 218	\$ (4,399)	\$ 308	\$ (1,591)

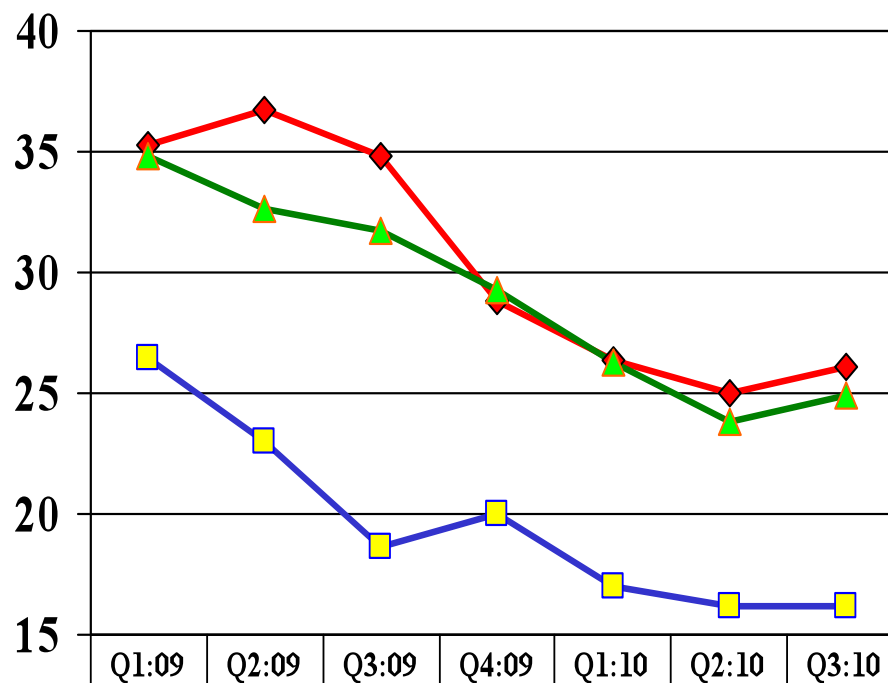
***Non-GAAP Information** - Certain non-GAAP measures are included in this presentation, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income plus income tax expense, net interest expense and depreciation and amortization expense. Non-GAAP operating income does not include impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included in the above.



Balance Sheet Analysis

For Last Seven Quarters with most recent Ending
March 31, 2010

Millions \$



	Q1:09	Q2:09	Q3:09	Q4:09	Q1:10	Q2:10	Q3:10
◆ Inventories	35.3	36.7	34.8	28.8	26.4	25	26.1
■ A/R	26.5	23.0	18.6	20.0	17	16.2	16.2
▲ Debt (net of cash)	34.8	32.6	31.7	29.3	26.3	23.8	24.9



Building Shareholder Value

- Global need for security products
- Broad product array addressing multi-billion dollar markets
- New state of the art products and recurring revenue sources
- Strategic accretive acquisitions
- Opportunities for growth, margin expansion and enhanced profitability