

# **NAPCO Security Technologies, Inc.**

NasdaqGS (Global Select): NSSC

Security.  
Technology.  
Opportunity.

*This presentation 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.*

## Only 1-stop shop in Security

- Napco is the only publicly traded company that manufactures for all three security categories:
  - Alarm & Intrusion
  - Door Locking Devices
  - Access Control
- A unique “pure play” security company

## Positive market dynamics

- Budget reductions and cuts in Police/Fire causing greater need for more security/alarm products
- Access control is fastest growing segment of the security industry (per Freedonia Group Inc. study)
- Napco sells to 15,000 security dealers, integrators, locksmiths and contractors in 40+ countries

## Profitability by Leverage

- Due to relatively fixed costs a change in our revenue will result in a larger change in our operating income
- Historically \$20m revenue, yields \$1.4m net income
- Reduced debt by half in last 3 years,

## New High Margin Products & Recurring Revenue

- GEM C product enters NAPCO into big commercial fire systems market
- Starlink 2 Wireless & iBridge join iSee Video products to add recurring revenue
- Shift business from cyclical to major cash flow model

Common Stock Ticker:	NasdaqGS: NSSC
Recent Stock Price:	\$2.66
52 Week Range:	\$1.80 – 3.02
Market Capitalization	\$50.8 million
Shares Outstanding:	19.1

- No shareholder dilution since IPO
- Share count increased due to 9 stock split/dividends issued
- 38.5% insider ownership

# Intrusion and Fire are Big Businesses



**Annually, there are an estimated 2.2 million burglaries and 1.3 million fires reported, or one occurring every 14.3 and 23.4 seconds respectively.**

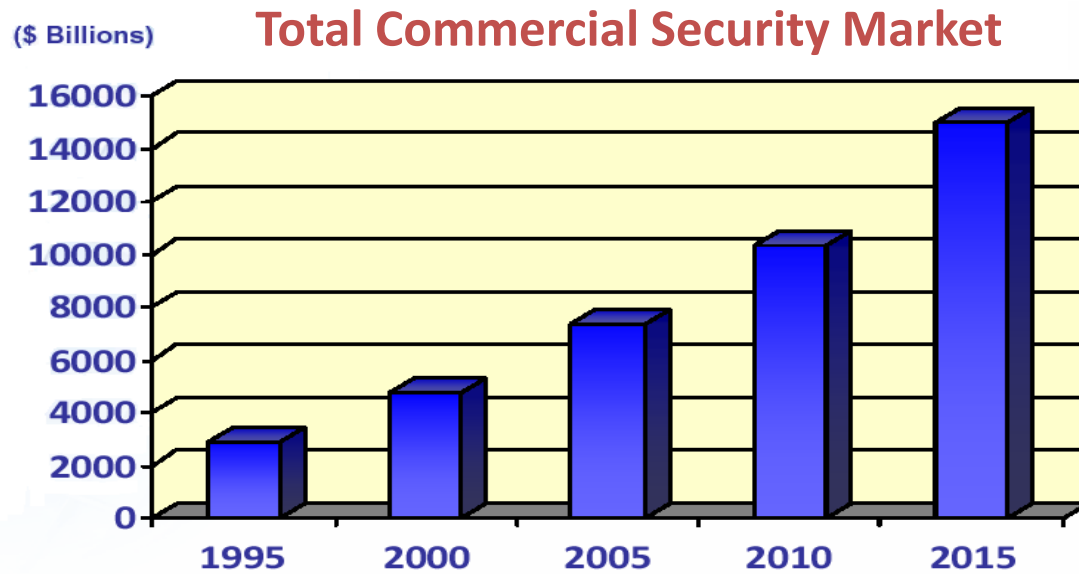
**These fires caused more than 3,000 civilian deaths and in excess of 17,000 civilian injuries.**

**Victims of burglary offenses and fires suffered annual estimates of \$4.6 billion and \$12.5 billion, respectively.**

**Burglary accounts for 23.6% of the estimated number of property crimes committed.**

**Sources:** 2011 FBI Uniform Crime Report, Bureau of Justice Statistics and U.S. Department of Justice, and National Fire Protection Association.

# Large & Growing Commercial Security Market

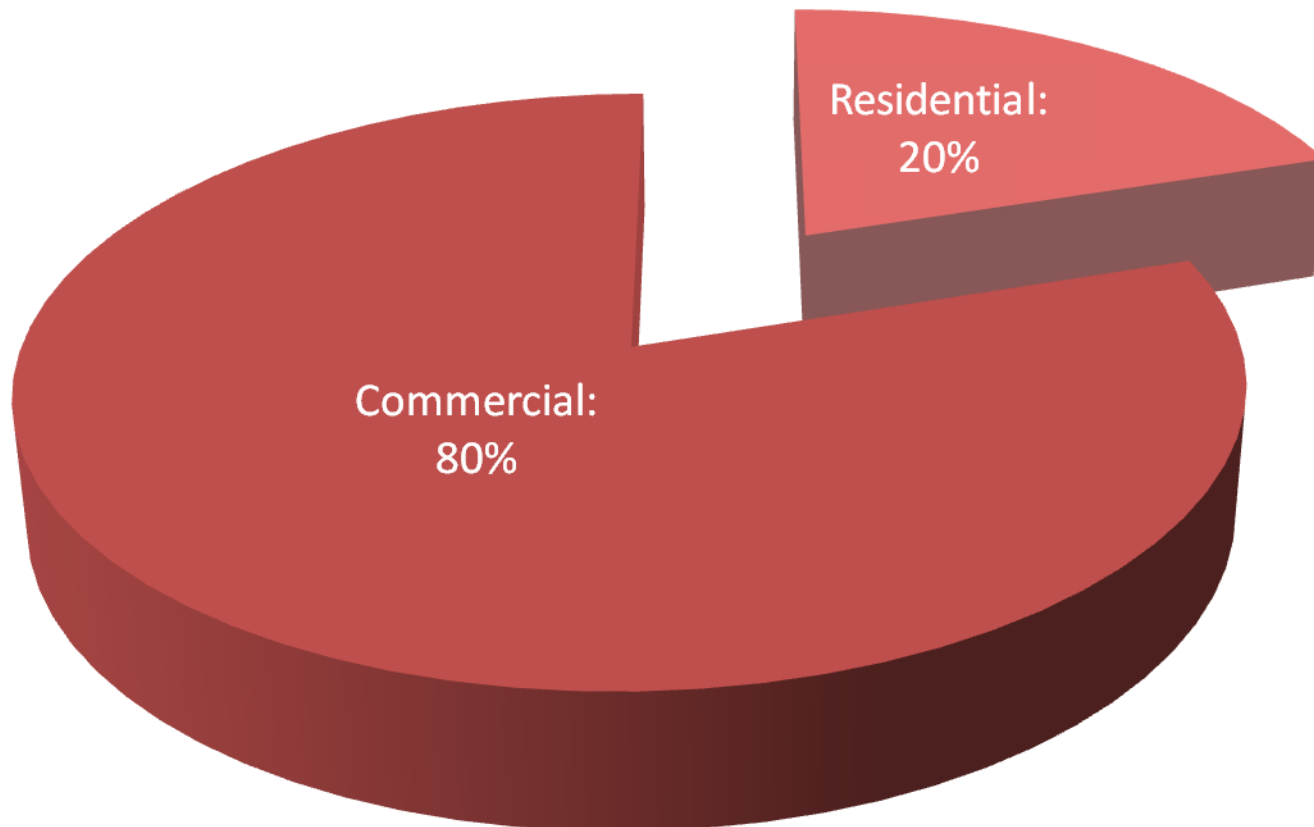


Source: Freedonia Group: Electronic Security Systems 2010 - 2015

- Intrusion \$2.4 billion market, 20 competing companies; no dominant player
- Video surveillance \$6.5 billion market 10-20% annual growth rate, one of the fastest growing segments within the security industry; 10 players controlling ~50%; no single company has an overriding share
- Access control \$4 billion, growing at 10-15% annually
- U.S. fire detection and monitoring market \$6 billion in size. Tyco is the largest provider other major competitors including Honeywell, Siemens, GE, and Johnson Controls

## Complete One-Stop Shop for Security Equipment to the Growing Business-to-Business Network of Security Dealers







# Product Lines



## Intrusion, Fire and Video Alarm Division



## Electronic Locks Division



## Access Control Division



## Door Locking Technologies Division



# 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 annual  
production  
capacity

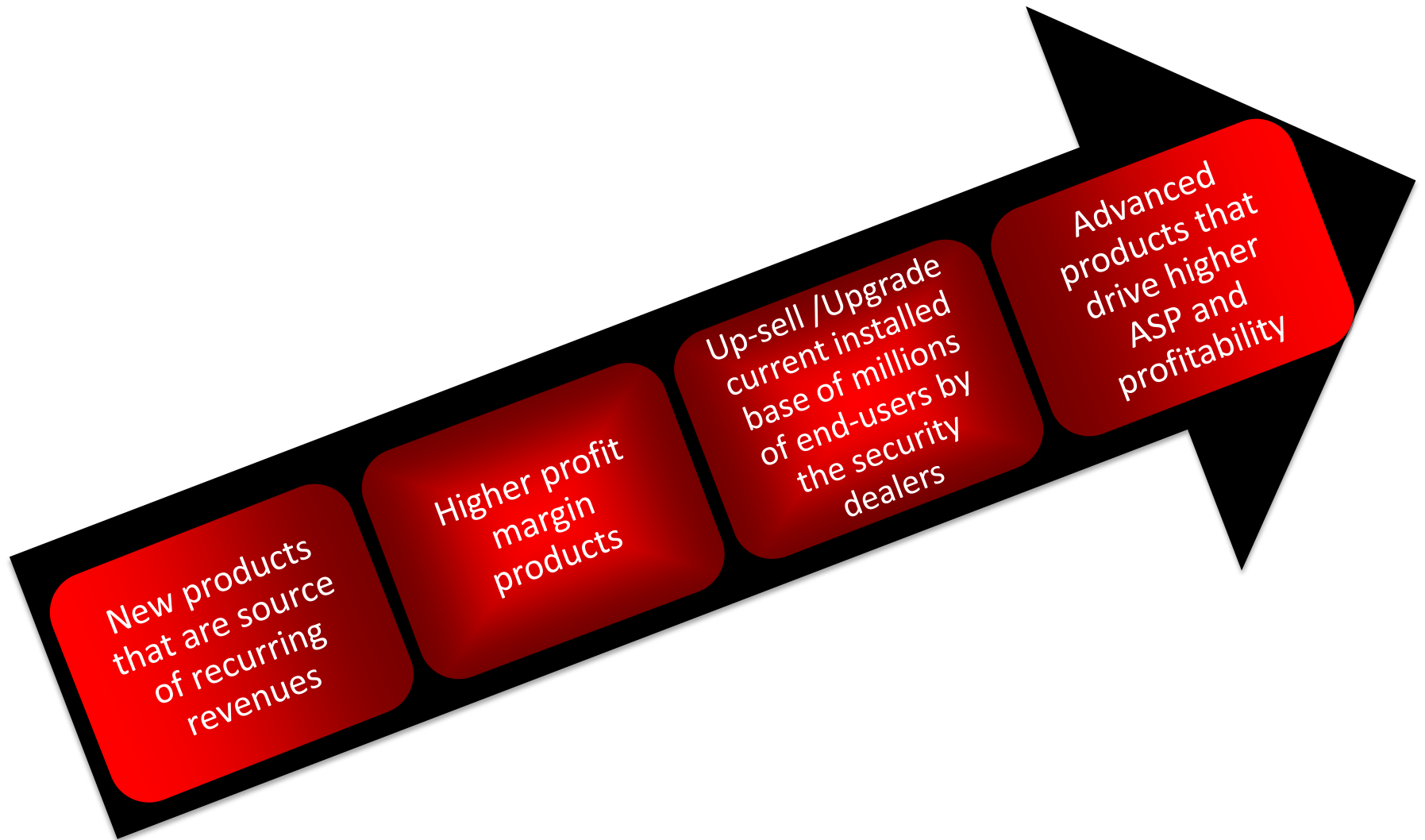
Plant 2

Dominican Republic, Caribbean

100% owned by NAPCO; ISO9001 certified



# New Products/Recurring Revenues



# Growing Recurring Revenue Business



## iSeeVideo™

- iSee Video equipment approximately \$300.00 per installation
- Recurring monthly service revenue up to \$3.00 per month per account
- 25 million end users in USA currently monitored by alarm companies for burglary and fire without remote video access
- Easy upsell for dealers due to high quality, low cost & ease of installation
- Large market opportunity for Napco



# New Product Introductions Targeted Toward Delivering Additional Recurring Revenue Streams



iBridge™  
Remote Services



A suite of recurring revenue services allowing consumers to remotely control their security systems, video cameras, thermostats and lighting remotely from any smartphone or PC. All services can also be managed locally by an iPad home controller.



## Starlink 2 Wireless –

NAPCO's next generation of 2-way, uploading/downloading, GSM communicator, which will provide dealers with the ability to do away with the need for traditional phone lines to communicate alarms. Priced at \$99.95 to installers for the hardware and \$5.95/month for the service. Huge RMR potential.



# Additional New Product Growth Drivers



## NAPCO Commercial 24V Combo Burglary & Fire

32, 128 or 255 Points  
of Analog,  
Addressable,  
Conventional,  
Comm'l Wireless &  
Hardwire



## Alarm Lock Networkx – Advanced wireless networking locks

Up to 2000 locks  
communicate  
wirelessly, providing  
cost-effective, labor-  
saving access control



## Gemini BioReader

Innovative  
indoor/outdoor  
biometric fingerprint  
reader

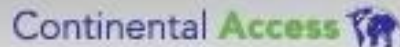
- Controls your  
alarm system with  
the touch of a finger



## Marks USA's new 'Triple Play' –

BHMA certified,  
Grade 1 door closers  
and Grade 1 and 2 exit  
devices

# Unique, Integrated Commercial Solution



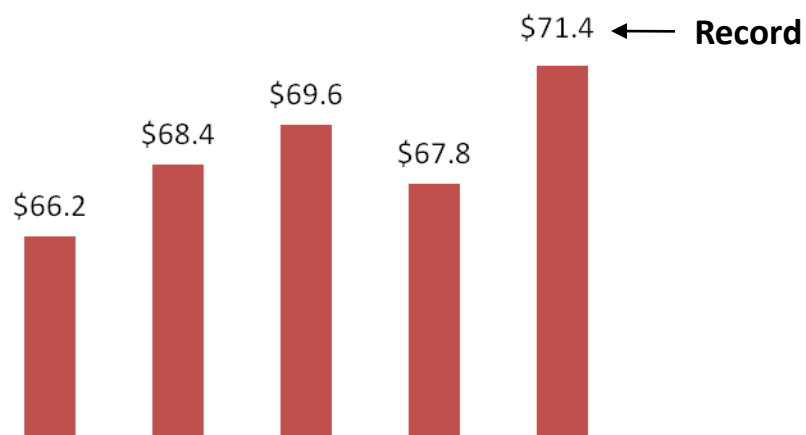
## Integrated Intrusion • Fire • Access • Locking Technologies

# Historical Financial Data

(FY June 30 – Millions of Dollars)

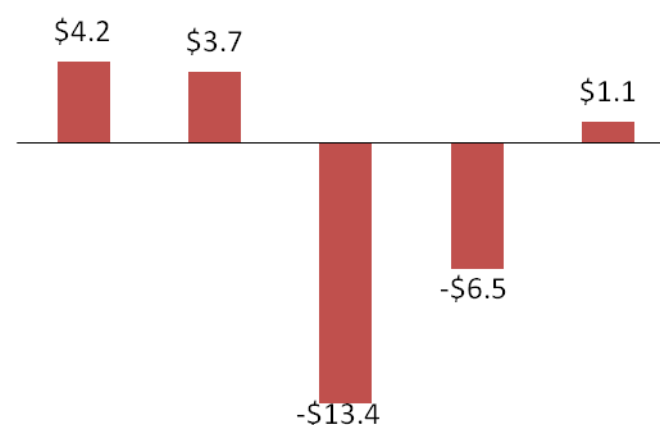


## Annual Sales



	2007	2008	2009	2010	2011
■ Annual Sales	\$66.2	\$68.4	\$69.6	\$67.8	\$71.4

## Annual Net Income

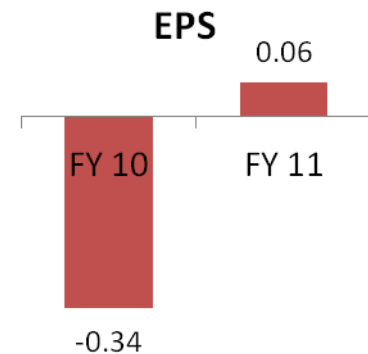
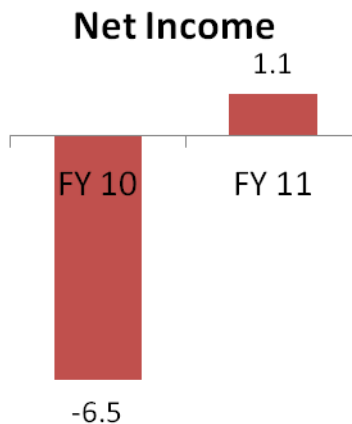
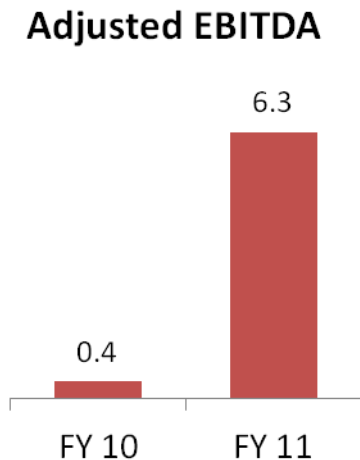
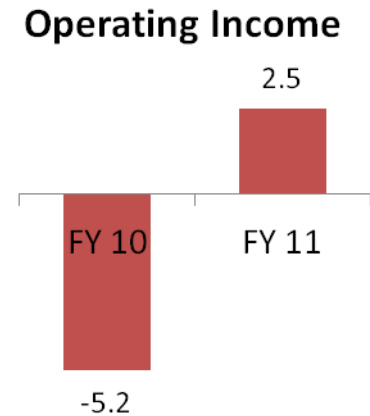
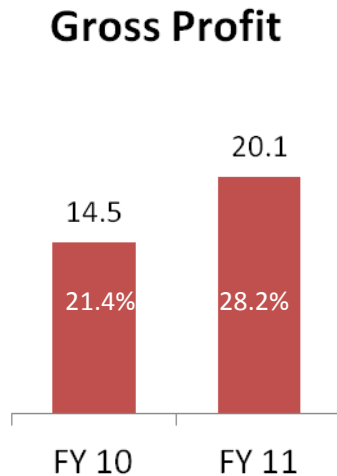
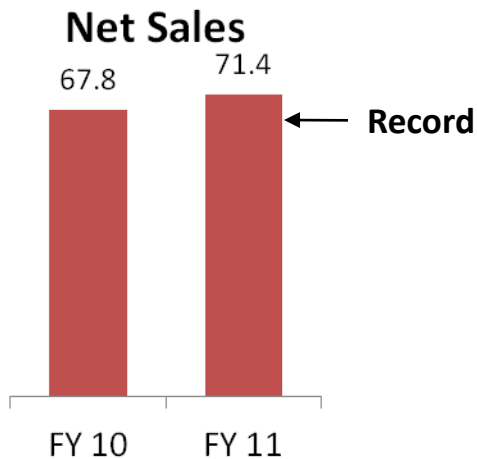


	2007	2008	2009	2010	2011
■ Annual Net Income	\$4.2	\$3.7	-\$13.4	-\$6.5	\$1.1



# Year End Financial Highlights

(Ended June 30, 2011)



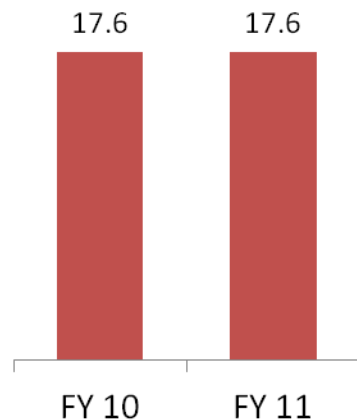
In millions except per-share amounts

# Q2:12 Financial Highlights

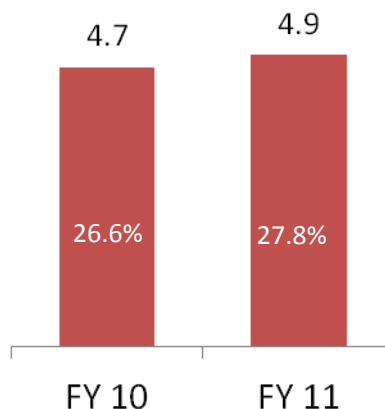
(Ended December 31, 2011)



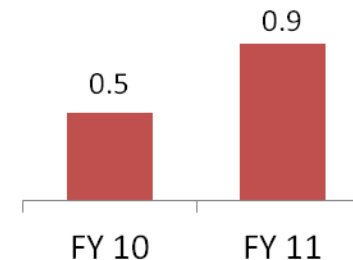
## Net Sales



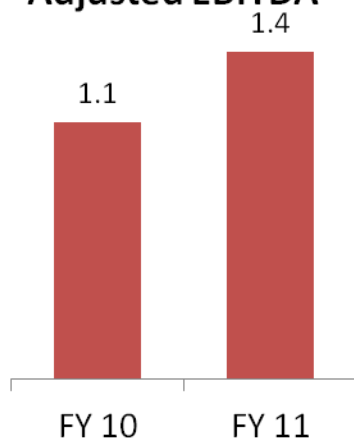
## Gross Profit



## Operating Income



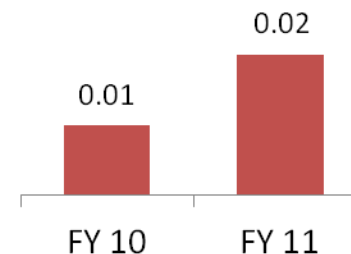
## Adjusted EBITDA



## Net Income



## EPS



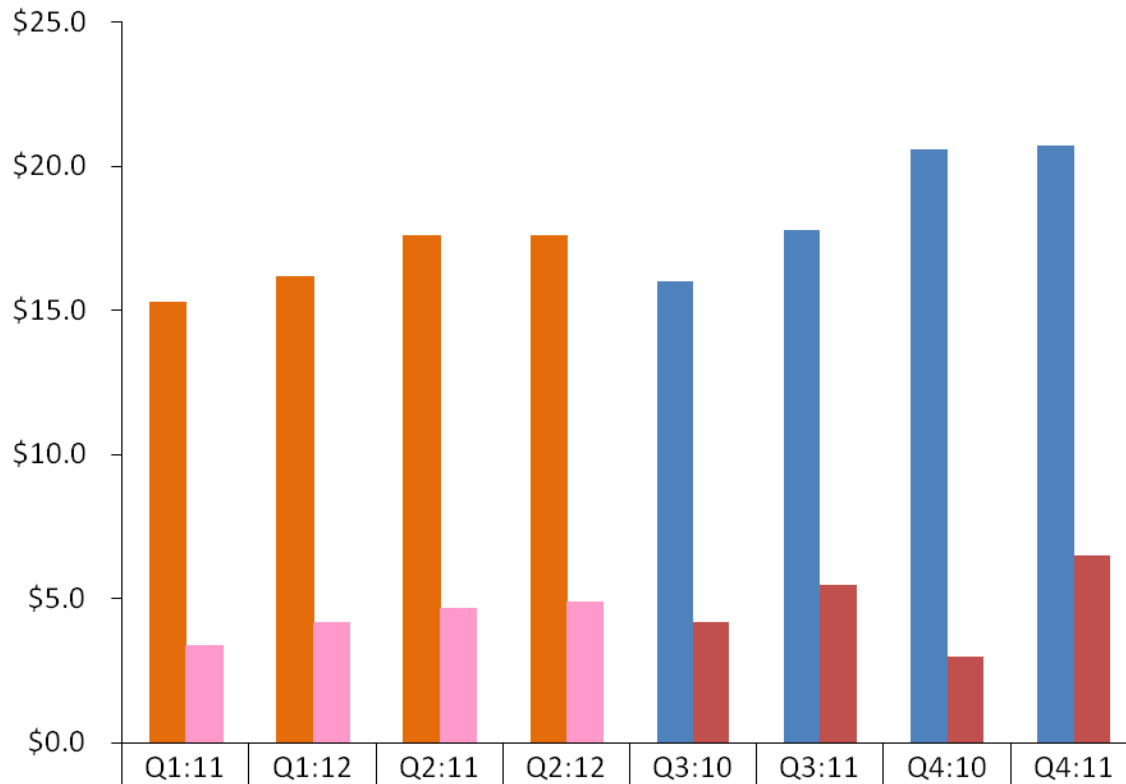
In millions except per-share amounts

# Seasonality\* Reflected Quarterly Analysis

(Fiscal year ended June 30, figures in millions)



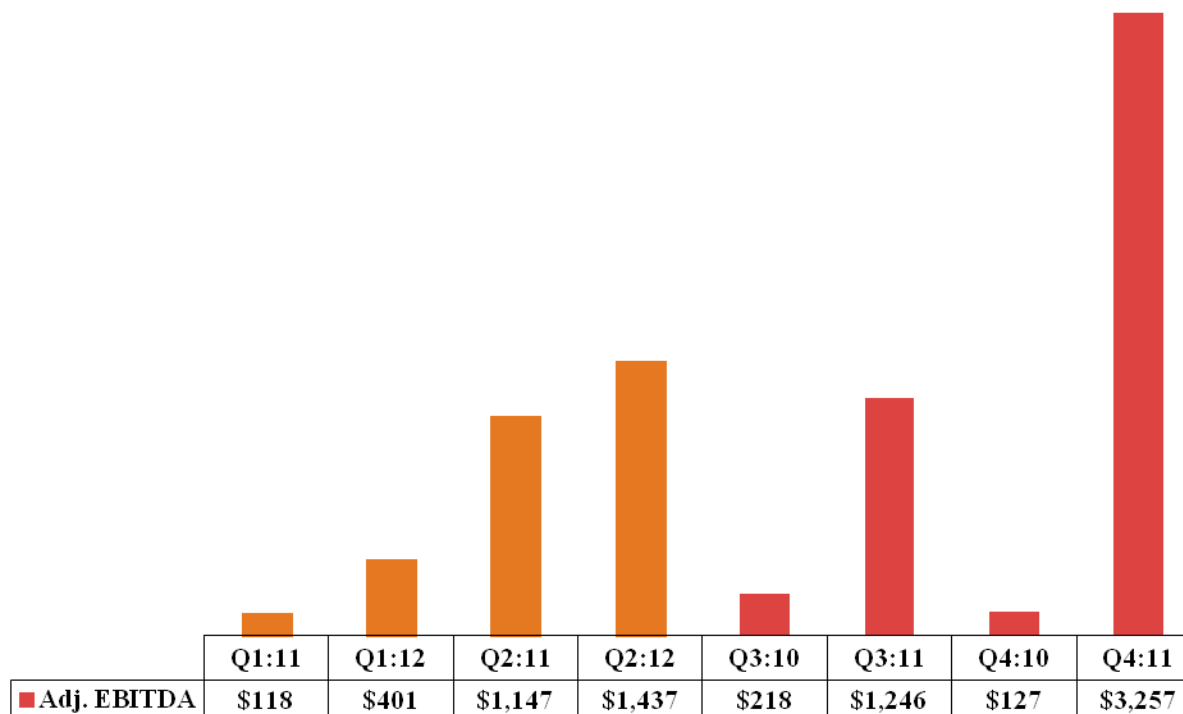
- \* - Q1 is always the lowest
- Q2 & Q3 is higher and about the same
- Q4 is always the highest quarter



Net Sales	Q1:11	Q1:12	Q2:11	Q2:12	Q3:10	Q3:11	Q4:10	Q4:11
	\$15.3	\$16.2	\$17.6	\$17.6	\$16.0	\$17.8	\$20.6	\$20.7
Gross Profit	Q1:11	Q1:12	Q2:11	Q2:12	Q3:10	Q3:11	Q4:10	Q4:11
	\$3.4	\$4.2	\$4.7	\$4.9	\$4.2	\$5.5	\$3.0	\$6.5

# Adjusted EBITDA\*

(Fiscal year ended June 30, figures in thousands)

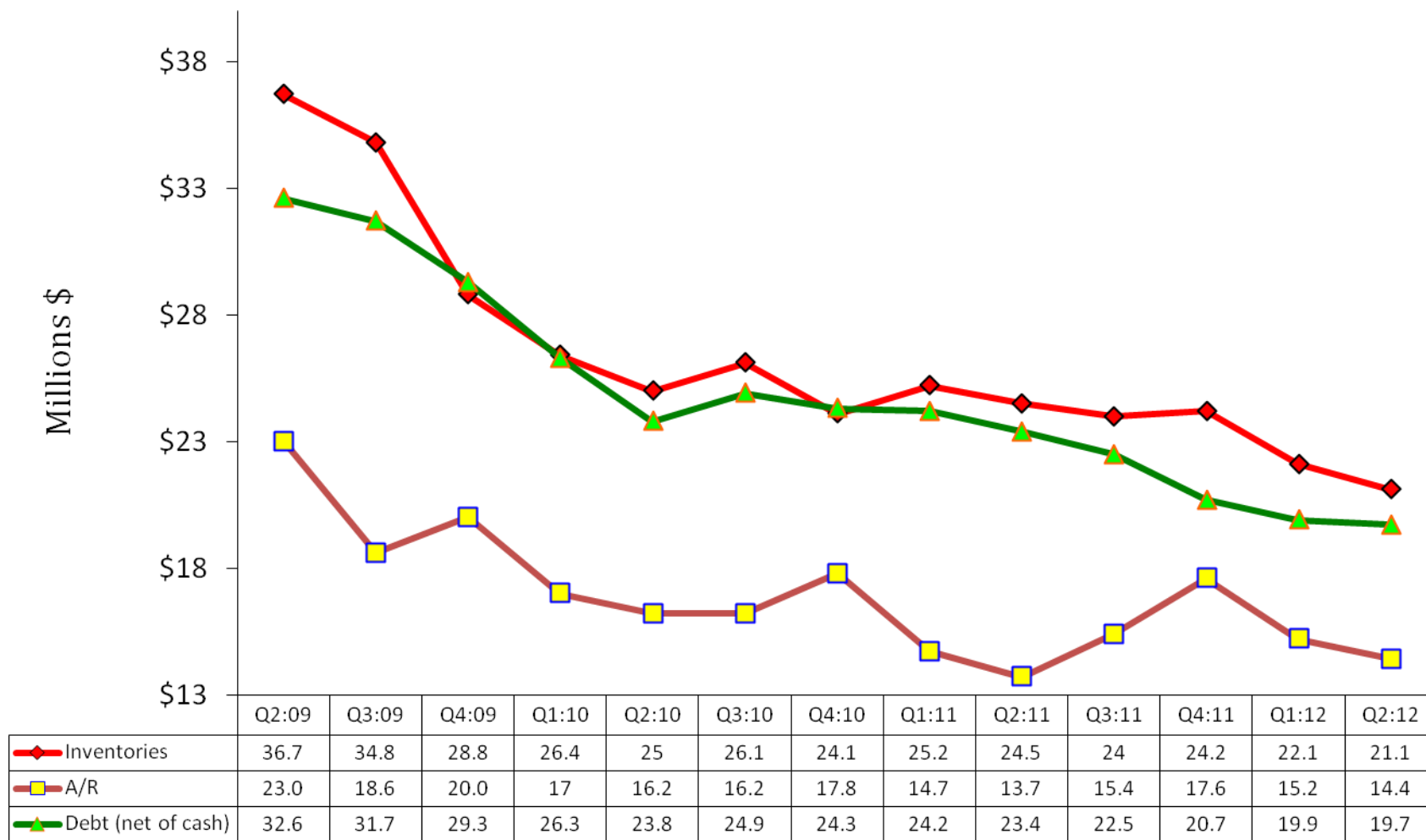


## \* Non-GAAP Information

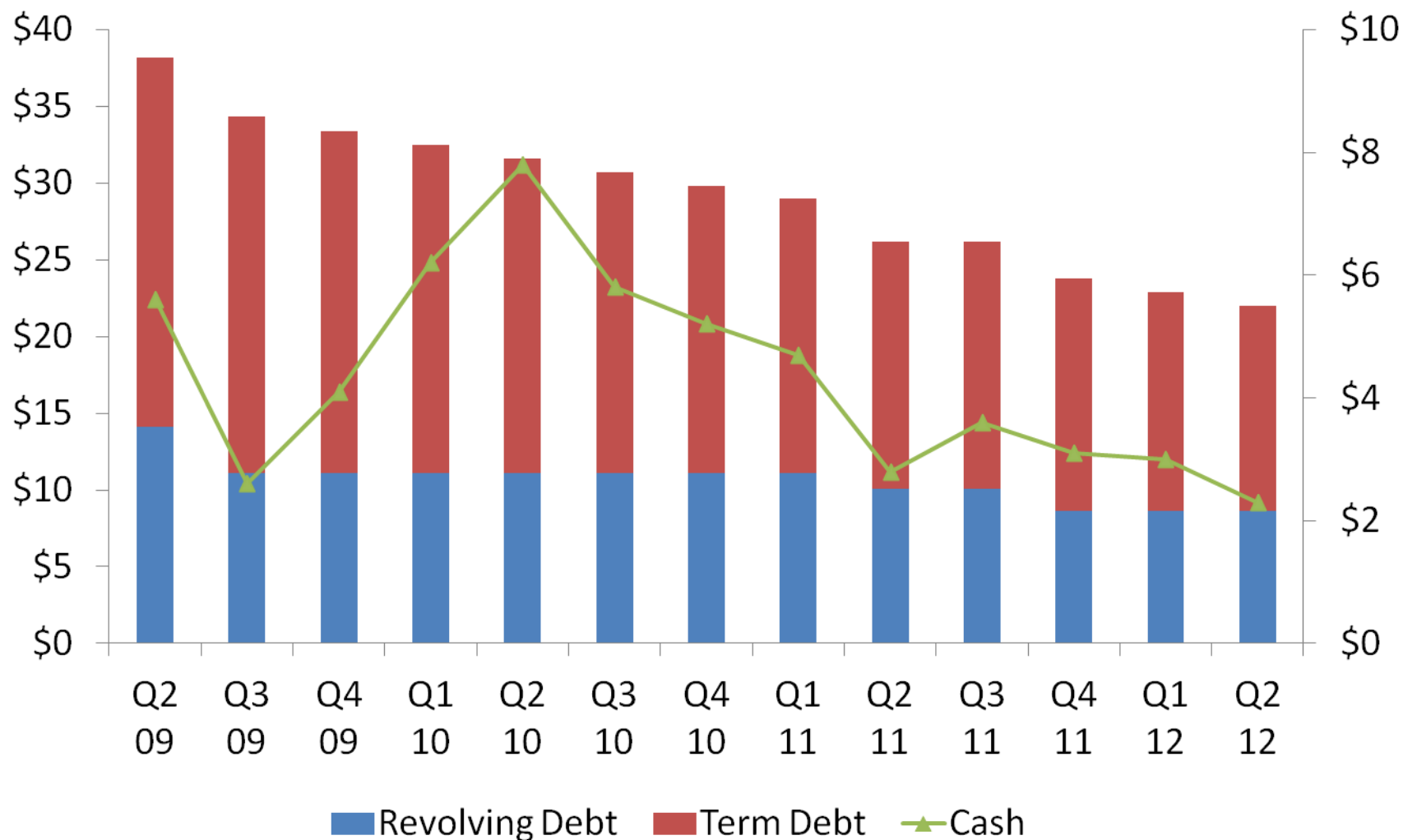
Certain non-GAAP measures are included in this press release, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income (loss) plus income tax expense (benefit), net interest expense and depreciation and amortization expense. Non-GAAP operating income does not 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 13 Quarters with most recent ending 12/31/11

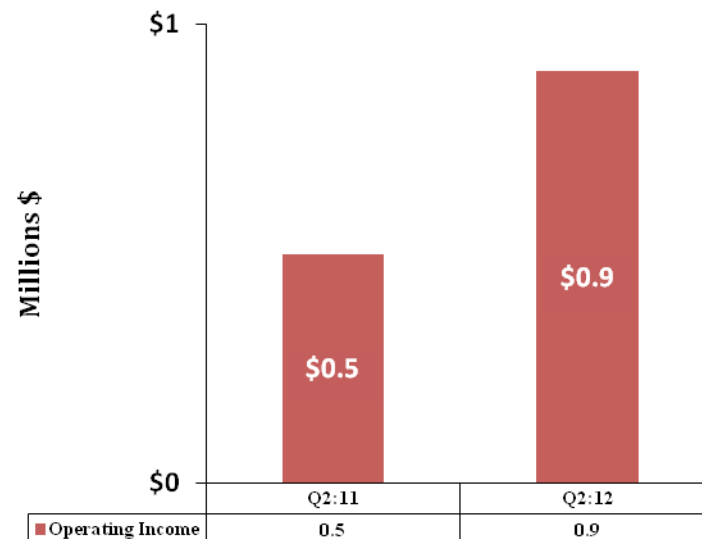
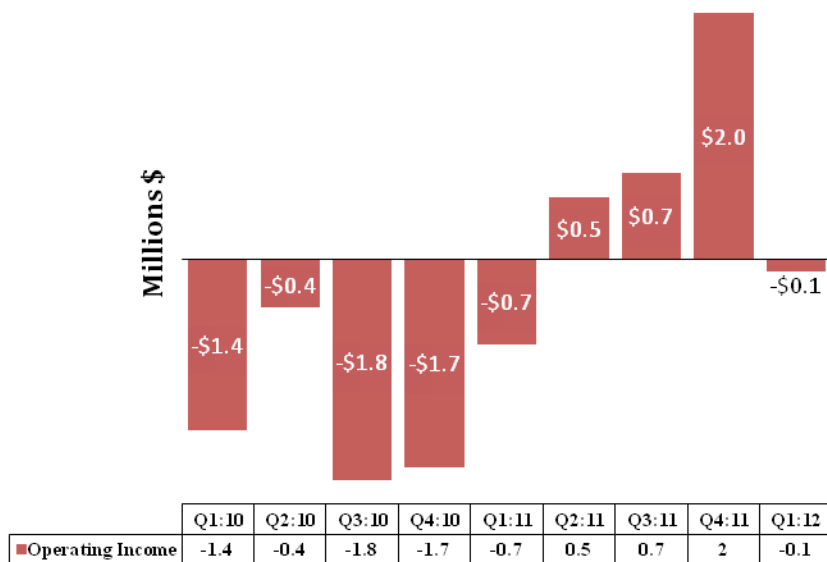


# Reducing Debt Leading to Improved Cash Flow



# Operating Income

(Historical and Recent Quarter)



Operating income is trending higher over last few quarters due to increase in sales and improved efficiencies, which should continue as Company moves into seasonally stronger quarters.

# 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 Operations and Finance**

20+ years with NAPCO, previously Coopers & Lybrand, CPA

## **Jorge Hevia, Senior Vice President Sales and Marketing**

13+ years with NAPCO, previously Colgate Palmolive, Unilever, American Home Products, Diageo

## **Michael Carrieri, Senior Vice President Engineering**

12+ years with NAPCO, previously Hazeltine, NCR/AT&T, Boundless Technologies, Chyron



- Global need for security products
- Broad product array addressing multi-billion dollar security marketplace
- New state of the art products with recurring revenue streams
- History of successful strategic accretive acquisitions
- Opportunities for growth, margin expansion and enhanced profitability
- We believe the timing is right for strong growth