NAPCO SECURITY TECHNOLOGIES, INC.

NASDAQ:NSSC

Protecting America's Homes, Schools and Businesses!

February 2019
Corporate Presentation

NAPCO

Forward Looking Statements

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.

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Company Overview

Leader in Commercial & Residential Security Products

Established:
R&D
Manufacturing *
Sales & Marketing

*(ISO Certified – Highest Quality Standard)

Corporate Offices :
Amityville, NY
Manufacturing :
Dominican Republic

Products Sold Through 10,000 + Dealers, Integrators & Distributors in the US
(B2B Business Model)

Intellectual Property:
Two dozen patents*
Proprietary software and copyrights

*(issued & pending)

Paradigm Shifts in our business
1) Recurring Revenue
2) School Security

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The NAPCO Group of Companies

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50% Commercial
50% Residential

MARKS USA®

100% Commercial

Continental Access

100% Commercial

ALARM LOCK

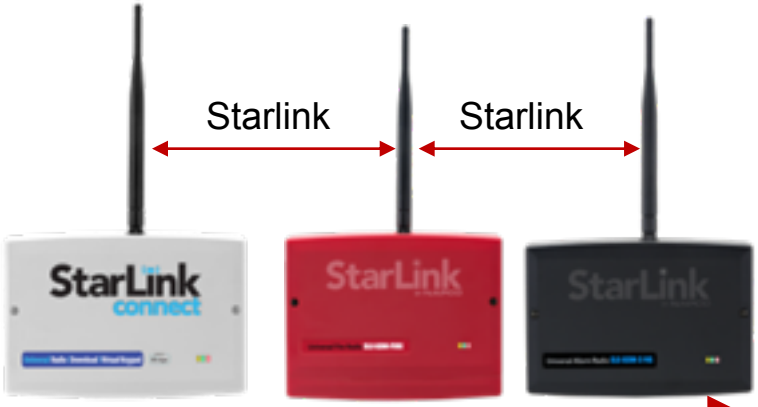
100% Commercial

Total Revenues = 80% Commercial, 20% Residential

Highlighted Products (Product Portfolio Includes 1K SKU's)

iBridge

SECURITY VIDEO CLIMATE LIGHTING LOCKING



Recurring Revenue Products

Continental Access

MARKS USA

ALARM LOCK

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Distribution Channels

10,000 plus

Dealers in US

Install Residential and Small Businesses Alarms

2,000 plus

Integrators in US

Install Commercial Access Control Systems In Airports, Hospitals, Office Buildings, K-12 Schools and Universities

80%

80% Of Alarm Sales Are Sold Private Labeled For Thousands Of Strategic Partners, A Few Examples Include:

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StarLink 3 Series Communicators - Generating Recurring Revenue

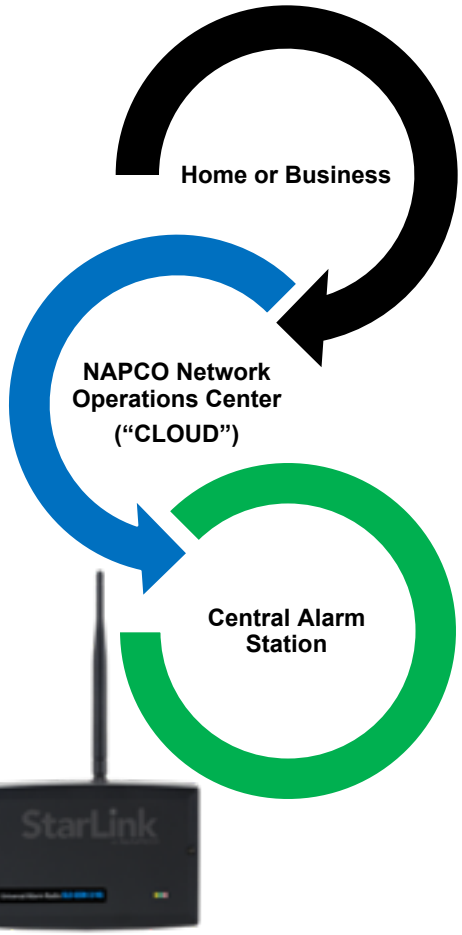
Paradigm Shifting Technology

New

StarLink Connect Works With Millions of Existing Competitors Alarm Systems

$7 to $13 per month

Commercial FIRE
$12-26 per month



Residential / Small Business
$6-8 per month

- ✓ Eliminates The Traditional Telephone Land Line
- ✓ Alarm Signal Transmitted Via Verizon, AT&T And T-Mobile Cellular Networks
- ✓ Signal-Boost™ Technology To Provide Reliability Even In Remote Areas
- ✓ iBridge Smartphone IoT App Controls Lighting, Locks, Climate & Video
- ✓ Upfront Equipment Sales **PLUS** Recurring Revenue with up to 90% Gross Margin!

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StarLink 3 New Market Opportunity

Recurring Revenue

2017 Security Industry Association New Product Showcase "Best in Residential and Monitoring Solutions" Award

"MVP" (Most Valuable Product) Annual 2017 Award

- ***133 Million U.S. Households***
- ***22.5 Million Monitored Security Systems***

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Recently Introduced Recurring Revenue Products

FireLink FACP

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School Security & Safety

Paradigm Shifting Technology

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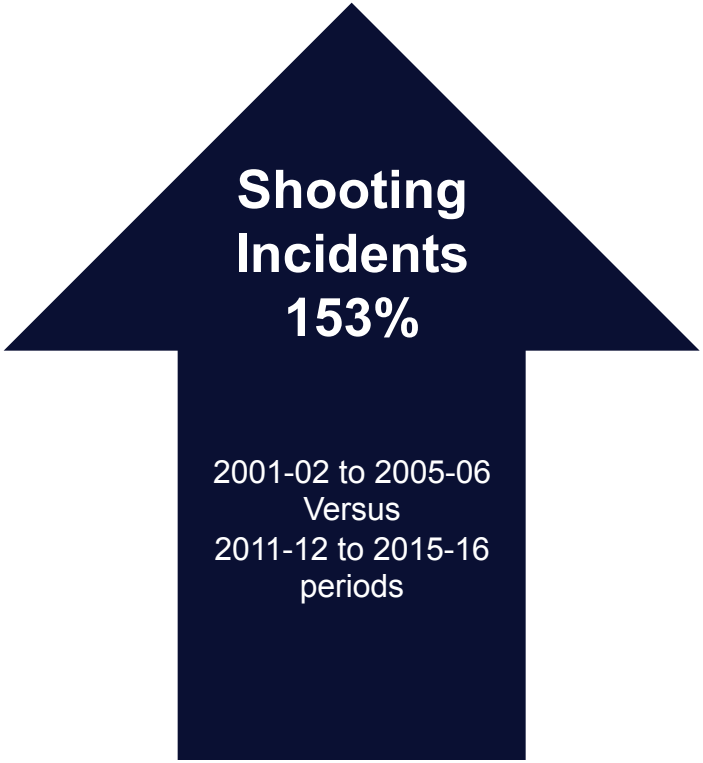
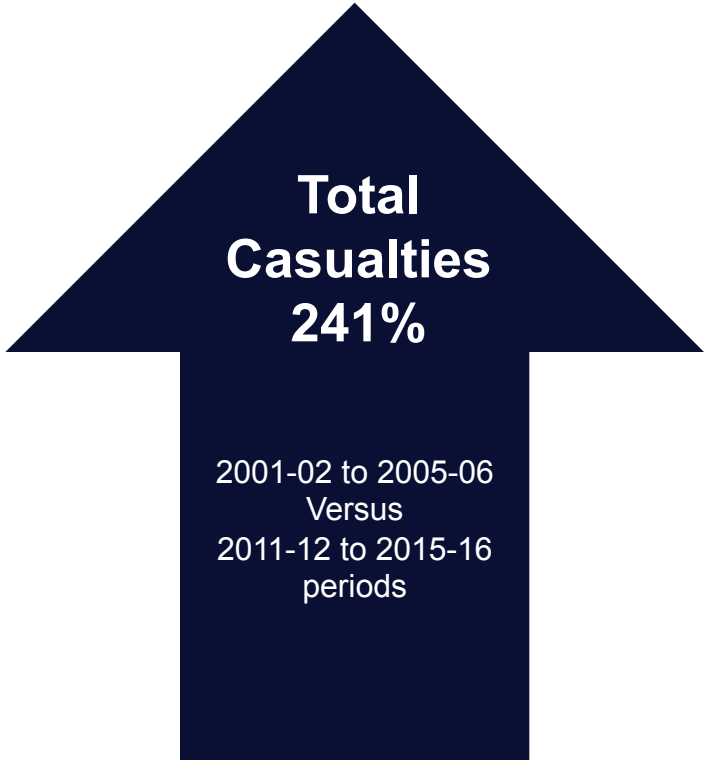
Significant Increase of Incidents Over the Years





Source : Citizen Crime Commission Report October 2016

LocDown Systems Solutions

Lock down classrooms, offices, common areas, labs, with a key, safely from inside

Retrofits standard lockset, several lock body styles & finishes

$100 Per Door ASP

Lock down classrooms & offices from inside safely:

With a pushbutton on inside door or wireless fob

Lock down up to four doors locally at once.

$500 Per Door ASP

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LocDown Systems Solutions continued

Lockdown activated by the server or from authorized personnel at an individual access lock

Real-time global lockdown or unlock in under 10 seconds, ideal for offices, labs, dorms & classrooms

$600 Per Door ASP

CardAccess 3000 Enterprise Campus Security System offers Lockdown/Notification App for Staff & Teacher Smartphones.

App provides lockdown capability, emergency notifications and pinpointed status, right at their fingertips.

Options for both internal PA and outbound communications with first responders.

$1,000 Per Door ASP

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Examples of institutions using our LocDown Solutions

K-12 (Market is 100,000 Schools)

Colleges & Universities (Market is 10,000 Campuses)

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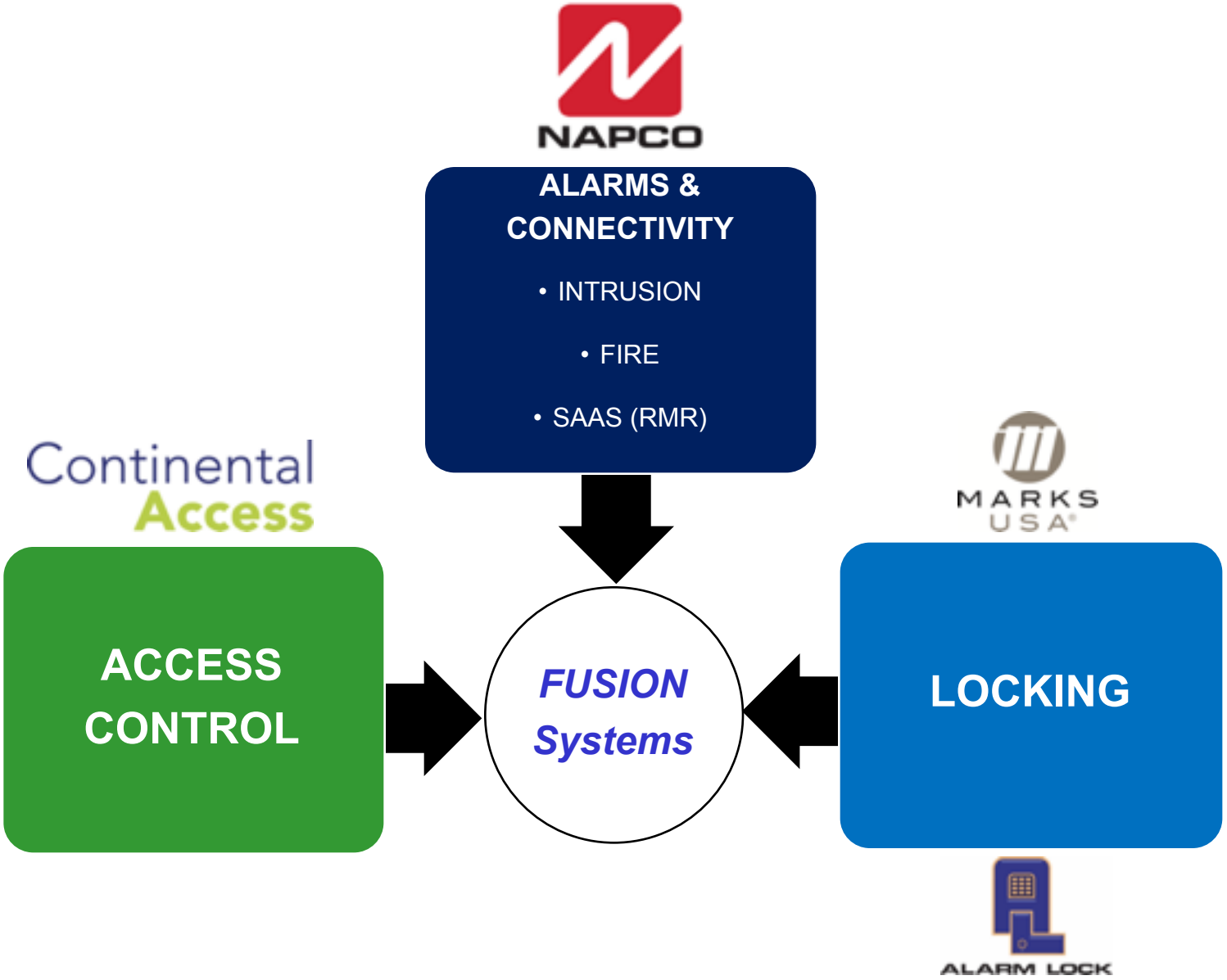
Plus many more

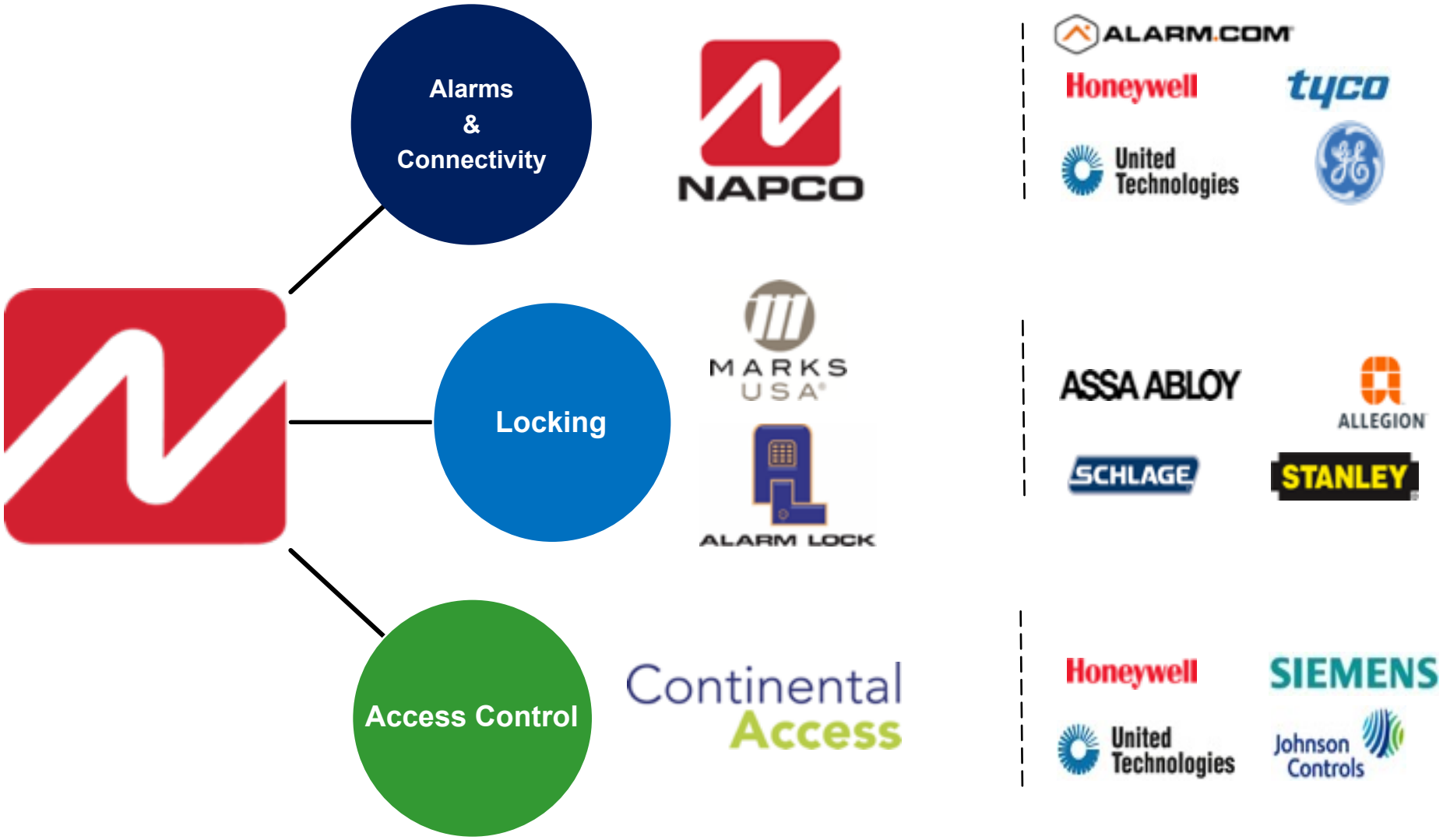
Integrated Solutions

Enterprise-Class Platform That Integrates Each Of Our Division's Products



Competitive Landscape

NAPCO Is The Only Company With Products In All Three Security Verticals



Fiscal 2019 Second Quarter Performance

Second Quarter Record Sales of $24.8 Million

Sales Increased 18%

18 Consecutive Quarters of Sales Growth!!!

Recurring Revenue Increased 46%

Recurring Revenue Annual Run Rate $17.2 MM*

*As of December 2018

Operating Income Increased 182%

Net Income Increased 133%

EPS increased 114% to .15

Adjusted EBITDA Increased 135% to $3.8 M

Cash Balance of $7.9 Million

Zero Debt

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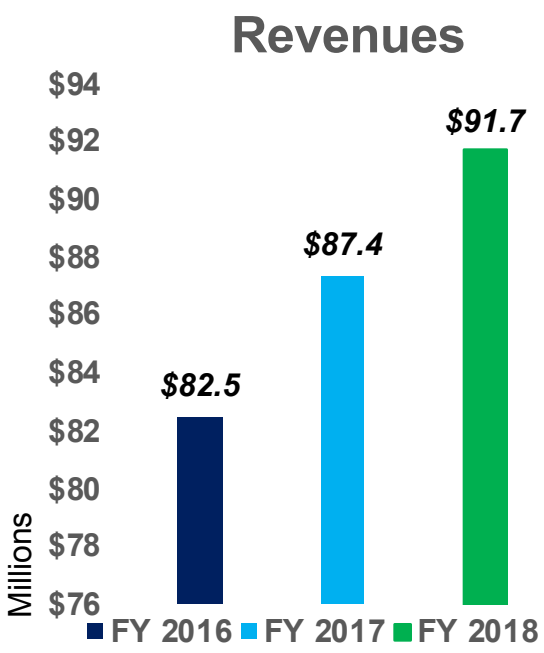
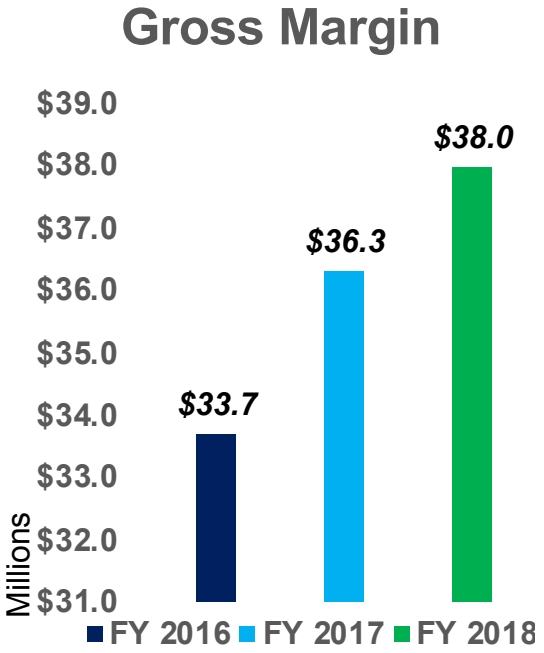
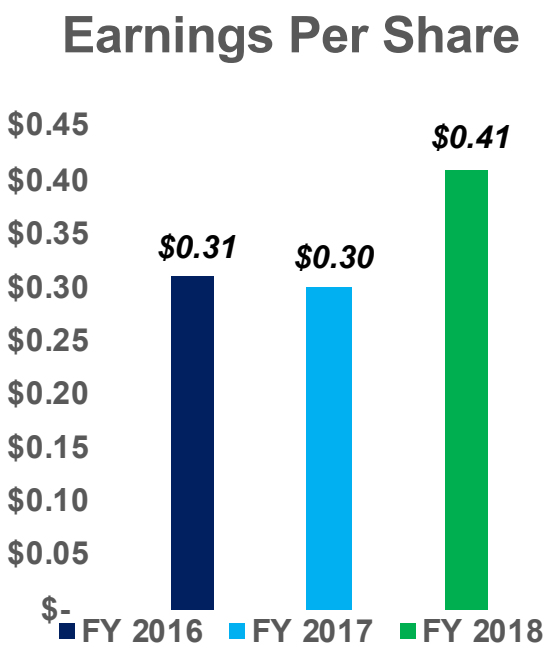
Historical Financial Overview







Note: Fiscal Year Ends June 30

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Fiscal 2019 Second Quarter Performance

Figures in thousands, except EPS

Fiscal Period	3 Months Ended 12/31/18	3 Months Ended 12/31/17	6 Months Ended 12/31/18	6 Months Ended 12/31/17
Sales	$24,829	$21,112	$48,825	$42,286
Net Income	$2,900	$1,233	$4,373	$2,123
EPS	$0.15	$0.07	$0.23	$.11
Adjusted EBITDA	$3,800	$1,611	$5,900	$3,033
Adjusted EBITDA EPS	$0.20	$.09	$0.31	$.16

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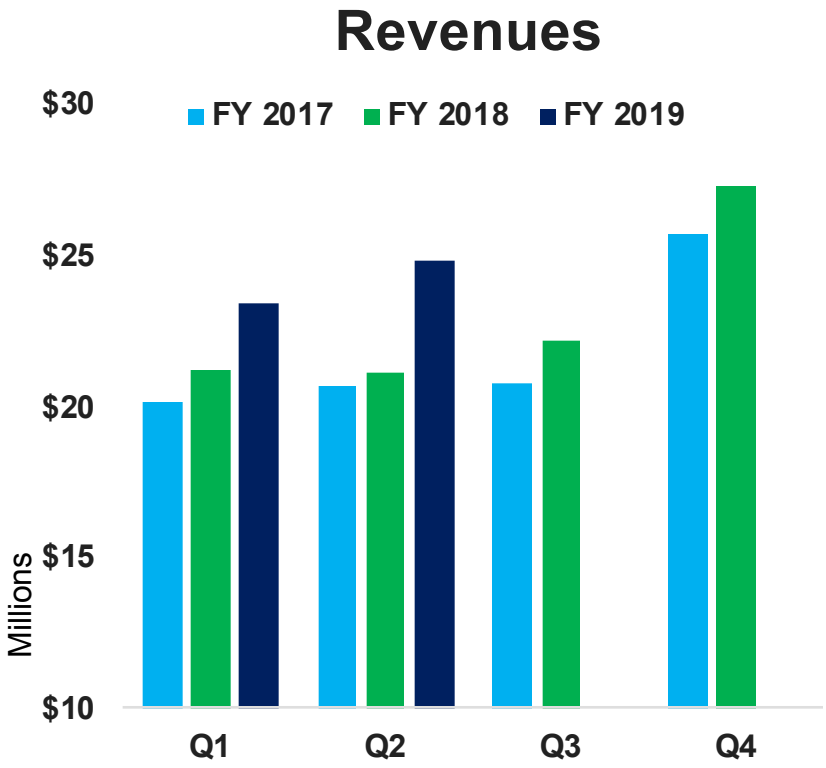
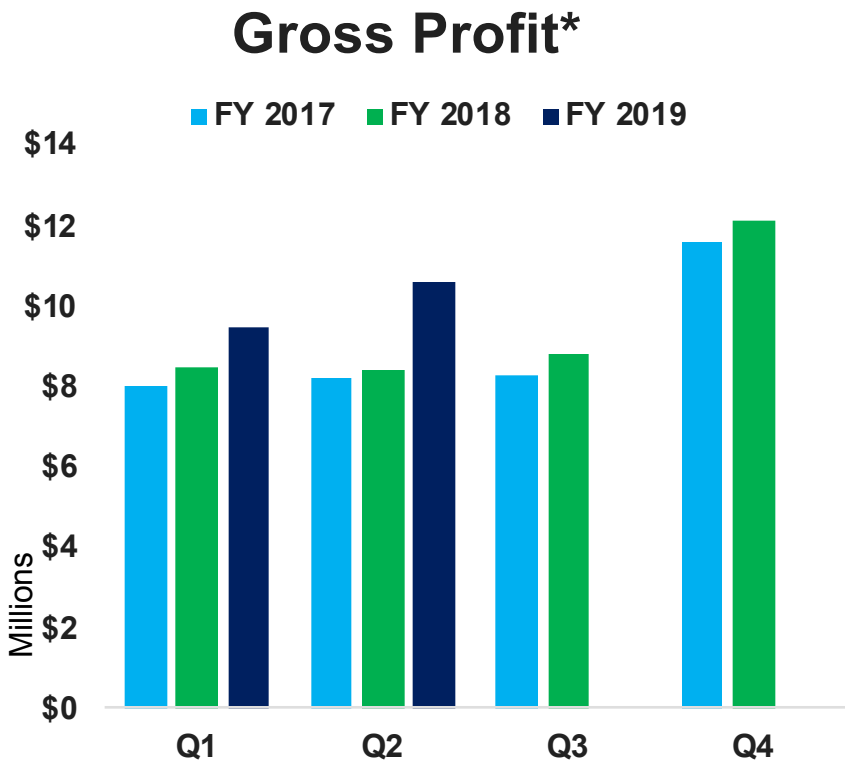
Seasonality Impacts Financial Performance

Expect Recurring Revenue Line Growth To Mute Impact From Seasonality





*Certain prior period balances have been reclassified to conform with the current period presentation

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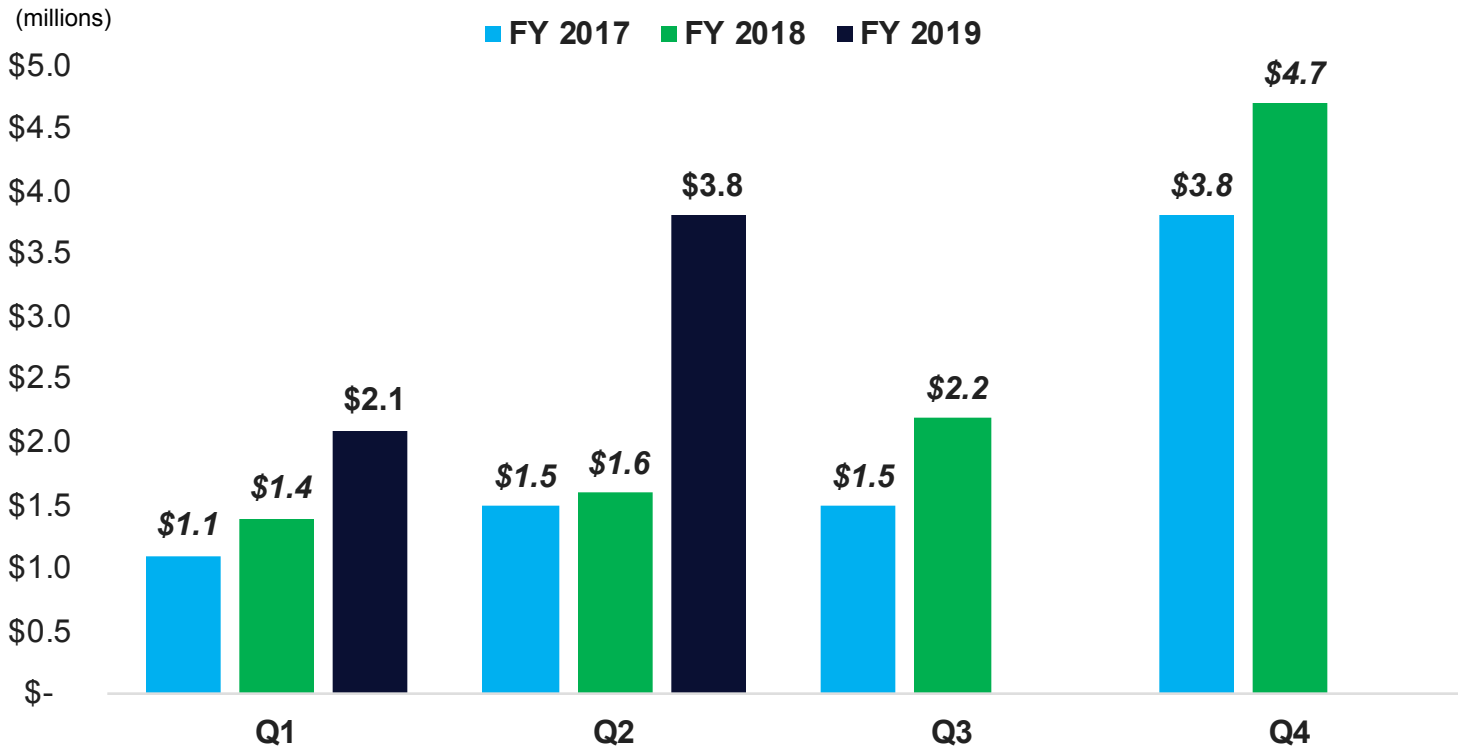
Adjusted EBITDA by Quarter



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 (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.

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Selected Balance Sheet Highlights

December 31,2018 (Millions)

Cash and Cash Equivalents	$7.9
Working Capital[(1)]	$43.3
Total Assets	$78.3
Debt	$0
Total Liabilities	$13.6
Stockholders' Equity	$64.6
Diluted Shares Outstanding[(2)]	18.6

(1) Working capital shown as total current assets less total current liabilities.
(2) Diluted shares outstanding as of December 31, 2018.

90,000 Square Feet

180,000 Square Feet

★ Amityville, NY and Dominican Republic Facilities on the Books For < $1MM While The Market Value Exceeds $15MM

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Management

Richard Soloway **President & CEO**	• Founder, 30+ years security, electronics experience • Founded two previous companies the first of which installed electric garage door openers and the second manufactured guitar amplifiers, buzz boxes and wah wah pedals • Winner of numerous awards including Ernst &Young's Entrepreneur of the Year and holder of patents relating to security products
Kevin Buchel **Senior Vice President & CFO**	• Over 25 years of experience in the security industry • Began career at Coopers & Lybrand • Certified Public Accountant
Jorge Hevia **SVP, Sales and Marketing**	• 16 years of experience in the security industry • Successful track record in marketing and sales at leading consumer product companies such as Colgate-Palmolive ad Unilever
Michael Carrieri **SVP, Engineering**	• 15 years of experience in the security industry • Extensive knowledge of developing advanced electronic products with applications in military/defense, media/broadcasting and consumer electronics • Fire Chief Emeritus of the Fire Department of Melville, Long Island

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Stock Price: 18.54
52 Week Range : 8.55-18.65
Shares Outstanding : 18.6 MM
Market Capitalization : 345.0 MM

Insider Ownership

38 Percent

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NASDAQ: NSSC

Institutional Holders (33% +)

Alexander Capital
Wasatch Advisors
Kennedy Capital
Teton Advisors
Ranger Investment Mgmt

Analyst Coverage

William Blair
CANACCORD Genuity
The Benchmark Company

Data as of February 4, 2019

Summary

*As of December 2018

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