



February 2024

(NSSC:NASDAQ)

Disclaimer

Special Note on Forward-Looking Statements

This presentation contains forward-looking statements that are based on current expectations, estimates, forecasts and projections of future performance based on management's judgment, beliefs, current trends, and anticipated product performance. These forward-looking statements include, without limitation, statements relating to growth drivers of Napco Security Technologies, Inc.'s (the "Company") business such as school security products and recurring revenue services; potential market opportunities; the benefits of our recurring service revenue products to customers and dealers; our ability to control expenses and costs; and expected annual run rate for recurring service revenue. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include, but are not limited to, such risk factors described in our SEC filings, including our Annual Report on Form 10-K and Quarterly Reports on form 10-Q. Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements. This presentation also contains estimates and other statistical data made by independent parties and by us. Management bases all estimates as to events that may occur in the future upon their best judgment as of the date of this presentation. Whether or not such estimates may be achieved will depend upon the Company achieving its overall business objectives and the availability of funds. Actual results will vary from the estimates, and such variations may be material. Moreover, except as required by law, neither the Company nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements included in this presentation. All information provided in this presentation speaks only as of the date on which it was made, unless otherwise stated, and we undertake no duty to update such information, except as required under applicable law.

Use of Non-GAAP Financial Measures

We disclose certain non-GAAP financial measures in this presentation for our historical performance, 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 excludes impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. We believe that these historical non-GAAP financial measures provide useful information to both management and investors by excluding certain items and expenses that are not indicative of our core operating results or do not reflect our normal business operations. In addition, our management uses non-GAAP measures to compare our performance relative to forecasts and to benchmark our performance externally against competitors. 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. Our use of non-GAAP financial measures has certain limitations in that such non-GAAP financial measures may not be directly comparable to those reported by other companies. For example, the terms used in this presentation, such as Non-GAAP operating income and Adjusted EBITDA, do not have a standardized meaning. Other companies may use the same or similarly named measures, but exclude different items, which may not provide investors with a comparable view of our performance in relation to other companies. We seek to compensate for the limitation of our non-GAAP presentation by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable U.S. GAAP measures in the tables attached hereto. Readers are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures.

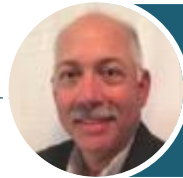
Introductions and Management Team



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 / Executive VP of Operations & CFO – Over 25 years of experience in the security industry. Began career at Coopers & Lybrand. Certified Public Accountant



Michael Carrieri / SVP Engineering Development – Over 20 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



Stephen Spinelli / SVP Sales – 25 years of sales experience in the security industry. Previously Mr. Spinelli was with a global leader in commercial & residential security systems, comprising alarms, access control and locking. He has a proven track record of leading sales teams and consistently surpassing sales goals



Francis Okoniewski / Vice President Investor Relations – Over 30 years experience in financial services industry including senior partner level equity portfolio management , corporate investor relations and US capital markets. Will focus Company's efforts to effectively communicate its financial performance and strategic direction to current & prospective stakeholders as well as investment banks and institutional equity research.

NAPCO Investment Highlights



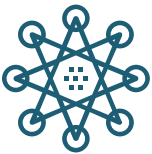
Security Market Leader with Multiple Secular Tailwinds Driving Growth



Integrated Platform Serving Large, Loyal, Professional Market Across All Security Verticals



Innovation DNA – 50 engineers, Track Record of Delivering New Products



Differentiated Hardware-Enabled Recurring Revenue Services Business Model



Highly Visible Growth and Attractive Profitability

NAPCO Security At-a-Glance

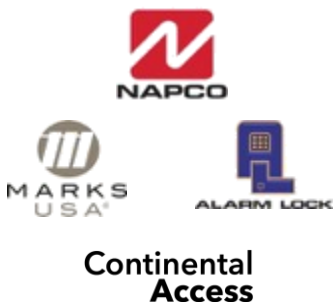
Delivering Advanced Technology and High-Quality Security Solutions to Professional Installers

Our Brands

ALARMS & CONNECTIVITY

LOCKING

ACCESS CONTROL



\$47.5MM (12%)

FQ2 2024 Sales (YoY Growth)

39%

FQ2 2024 Recurring Revenue % of Total

\$76.5MM

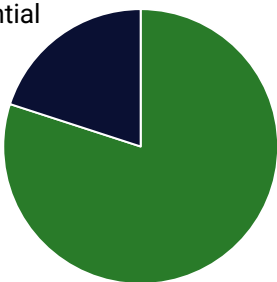
Annual Run-rate Recurring Revenue

25%

FQ2 2024 Recurring Revenue Growth

Estimated Revenue by Market Segment

Residential



Commercial

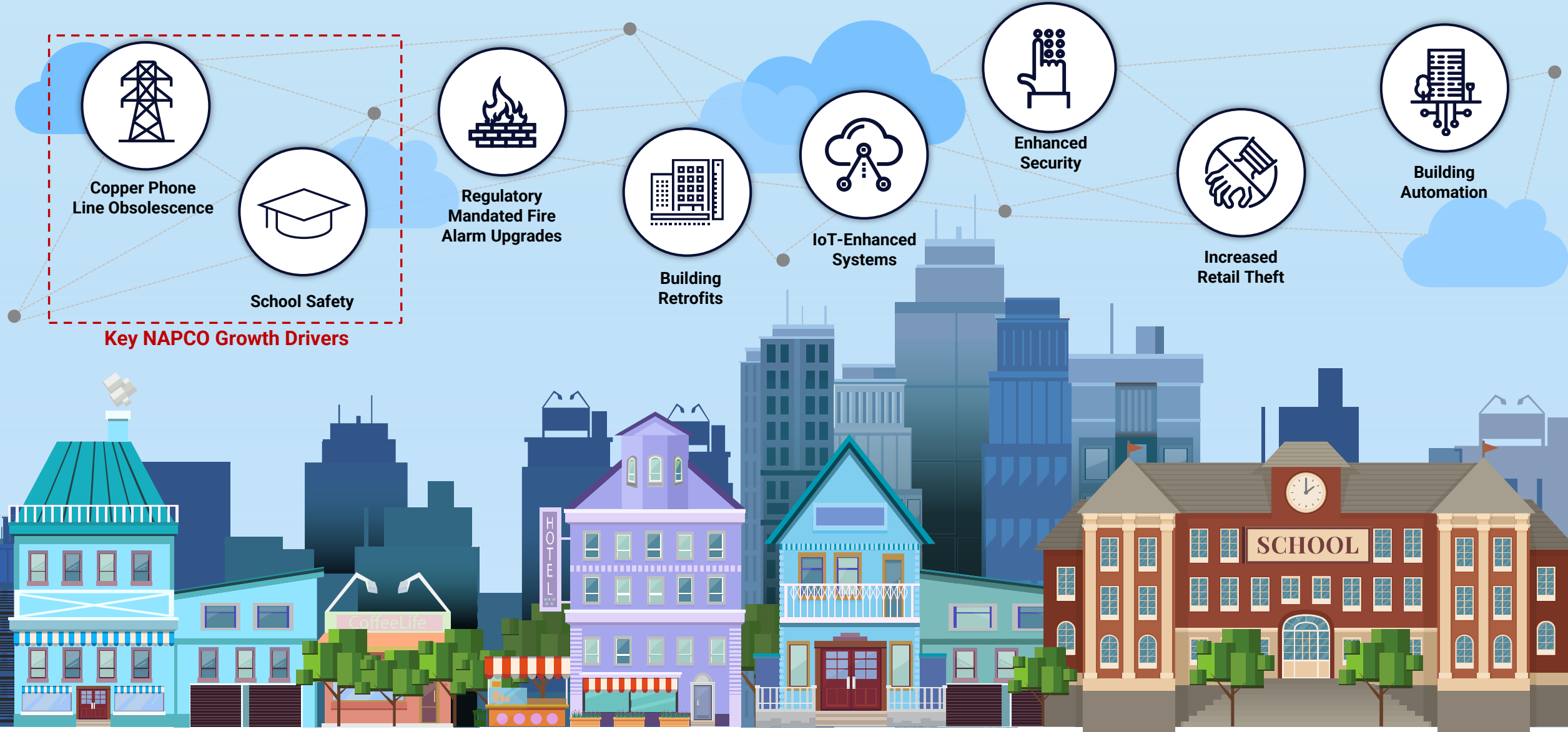
90%

FQ2 2024 Recurring Gross Margin

32%

FQ2 2024 Adj. EBITDA Margin

Multiple Growth Trends Driving Increased Investment in Security and Safety

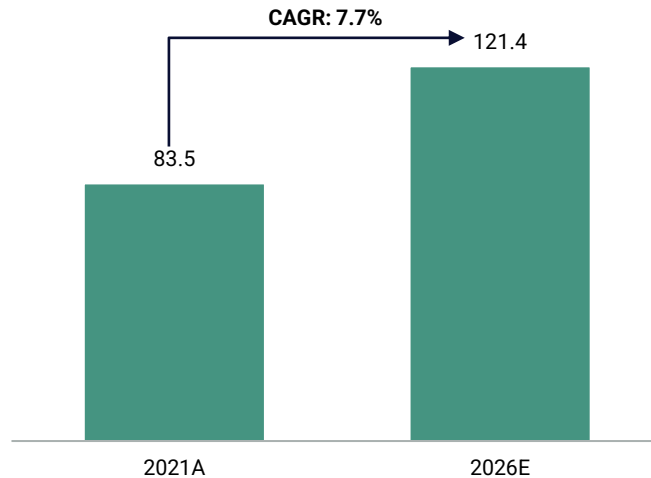


Large and Growing Markets with Significant Whitespace

Multi-Billion Dollar Opportunity for Retrofits and New Installs Across Markets

Commercial Security ⁽¹⁾

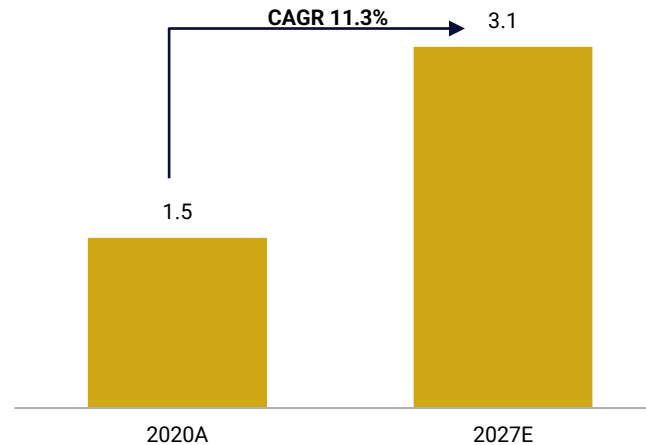
North America Market Size
\$Bn



- ✓ **5MM+ commercial buildings** in the U.S.
- ✓ **Multi-decade upgrade cycle underway for alarm systems** - #1 driver of recurring services
- ✓ **Security top of mind** for new installs and building upgrades
- ✓ **Fire alarm system convergence to cellular** in early stages – cost savings, reliability, and **carriers not supporting old copper telephone service**

School Security ⁽²⁾

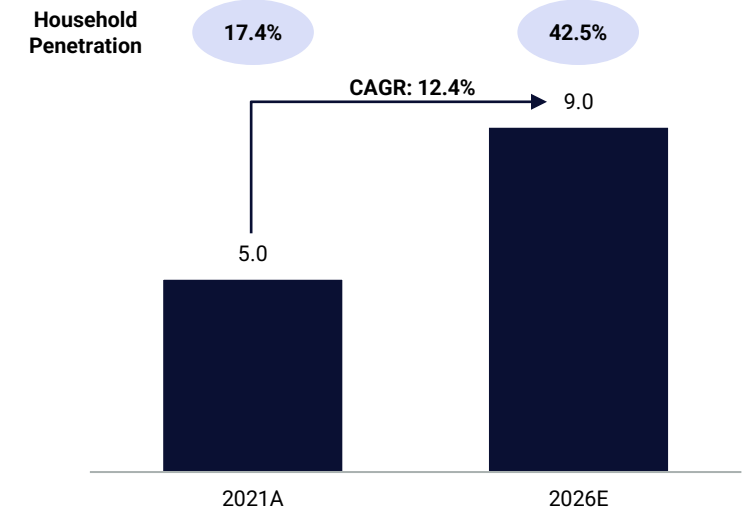
Global Market Size
\$Bn



- ✓ **135k+ K-12 / colleges and universities** and 350k houses of worship in the U.S. with limited overall penetration today
- ✓ Significant need to **harden buildings against trespassing and active shooters**
- ✓ School **safety** has become **critical**
- ✓ Large **increase** in government and school-specific **funding for security** across education landscape

Residential Security ⁽³⁾

U.S. Market Size
\$Bn



- ✓ **140MM+ total homes** in the U.S.; **limited penetration** of professionally monitored security
- ✓ Increasing awareness and desire for **smart home technologies** with **security being the primary driver**
- ✓ **Copper line upgrade cycle** also **influencing this market**
- ✓ **Increasing demand for Integrated Video** for both commercial forensic analysis & liability reduction; and integrated residential HD video system options, driven by Wi-Fi & broadband availability

Notes:

Source: Napco management estimates unless otherwise noted

1. Global Commercial Security Market – Technavio 2022

2. School and Campus Security Market – Maximize Market Research

3. U.S. Smart Home Security Report – Statista

NAPCO Products Address Full Suite of Building Security and Safety Needs

Significant Security Presence in Commercial Settings (Majority Commercial Revenue)



Unique Integrated Platform Across Full Security Spectrum

Professional-Focused Integrated Platform Across all Security Verticals

Recurring Revenue Services

ALARMS & CONNECTIVITY

- Intrusion, Cellular and Fire Alarm Systems
- Connected Home and Small & Larger Business
- StarLink Communications



LOCKING: ACCESS & ARCHITECTURAL

- Architectural & Mechanical Locking Solutions
- Wireless Locking Standalone or Networked for Instant Lockdown
- Healthcare, Campus & School

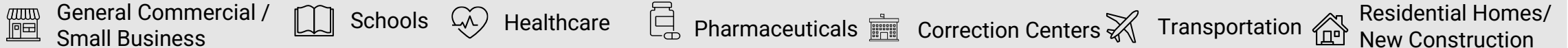


ACCESS CONTROL

- Integrated ID Readers / Control Panels / Video / Software Solutions
- Enterprise, Web-Browser-Based & Hosted Systems
- Corporate, Campus and School



Key End Markets Served

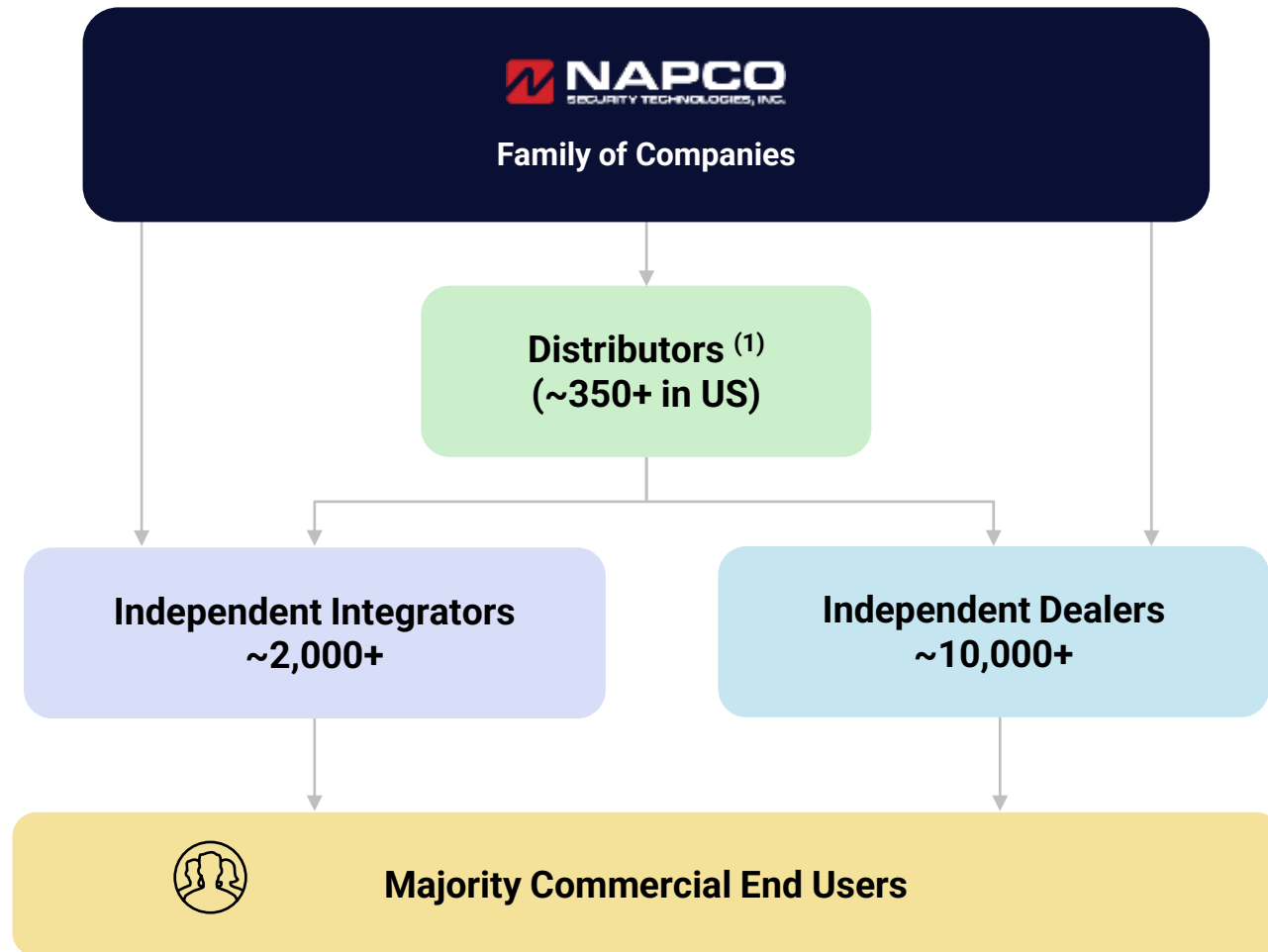


Award-Winning Products

										
2017	2018	2018	2019	2021	2021	2021	2021	2022	2022	2023
Winner for the ESX Innovation Award Wins SIA NPS Monitoring Solutions Award	Winner for the ESX Innovation Award	Wins "SSI MVP Award" from Security Sales & Integration Magazine	Wins "SSI MVP Home Controls Award" from Security Sales & Integration Magazine	Wins "SSI Top 30 Technology Innovations Award" from Security Sales & Integration Magazine	Wins Gold for the Stellar Service "Best Warranty Policies"	Wins Silver for the Stellar Service "Best Training Programs"	Wins Silver for the Stellar Service "Best Dealer Protection Policies"	Winner for the ESX Innovation Award	Winner for the ESX Innovation Award	Winner for the ESX Innovation Award & SSI MVP Award from Security Sales & Integration Magazine
										 

Diversified Distribution Strategy Focused on the Professional

Strong Position with the Professional Channel is Key Strategic Advantage



- ✓ Longstanding partner
- ✓ Robust product portfolio
- ✓ Proven reliability, high quality, ISO certified
- ✓ Fully integrated solutions and easy to install
- ✓ Support professional's growth and profitability

Notes:

Source: Napco management estimates

1. Distributors count contain multiple branches

Differentiated Portfolio of High Margin Recurring Services

Large Current Installed Base with Significant White Space for Future Growth



Small / Mid Size Business &/Or Residential

IoT SmartPhone Apps

iBridge

prima
by NAPCO



SMALL MID SIZE
BUSINESS /
RESIDENTIAL
\$3 to 8 per month



SMALL MID SIZE
BUSINESS /
RESIDENTIAL
\$7 to \$13 per month



SMALL MID SIZE
RESIDENTIAL
CELL/WIF PANEL
\$8 to \$13 per month

Commercial Fire



SINGLE PATH
CELLULAR



DUAL PATH
CELLULAR + IP



FIRELINK PANEL
WITH STARLINK
COMMUNICATOR
BUILT IN

COMMERCIAL FIRE \$12-26 per month

Locking and Access Control



GATEWAY FOR
WIRELESS DOOR
COMMUNICATIONS
FROM UP TO 63 LOCKS



CELLULAR
SYSTEM
COMMUNICATOR

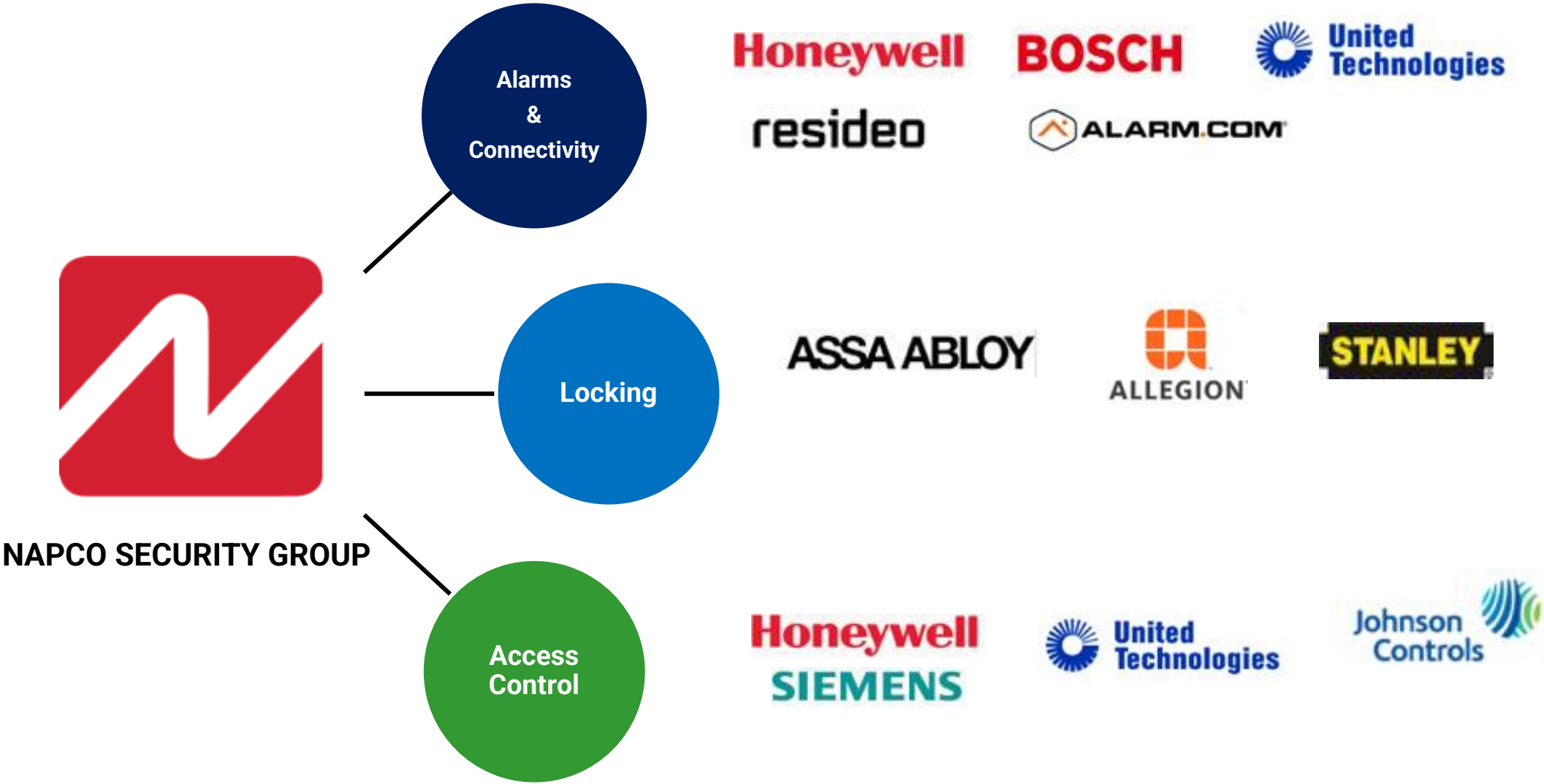


RADIO
CONTROLLED
LOCK

AIR ACCESS HOSTED SERVICE PLAN: \$20 per month
(up to 12 doors and 500 access cards)

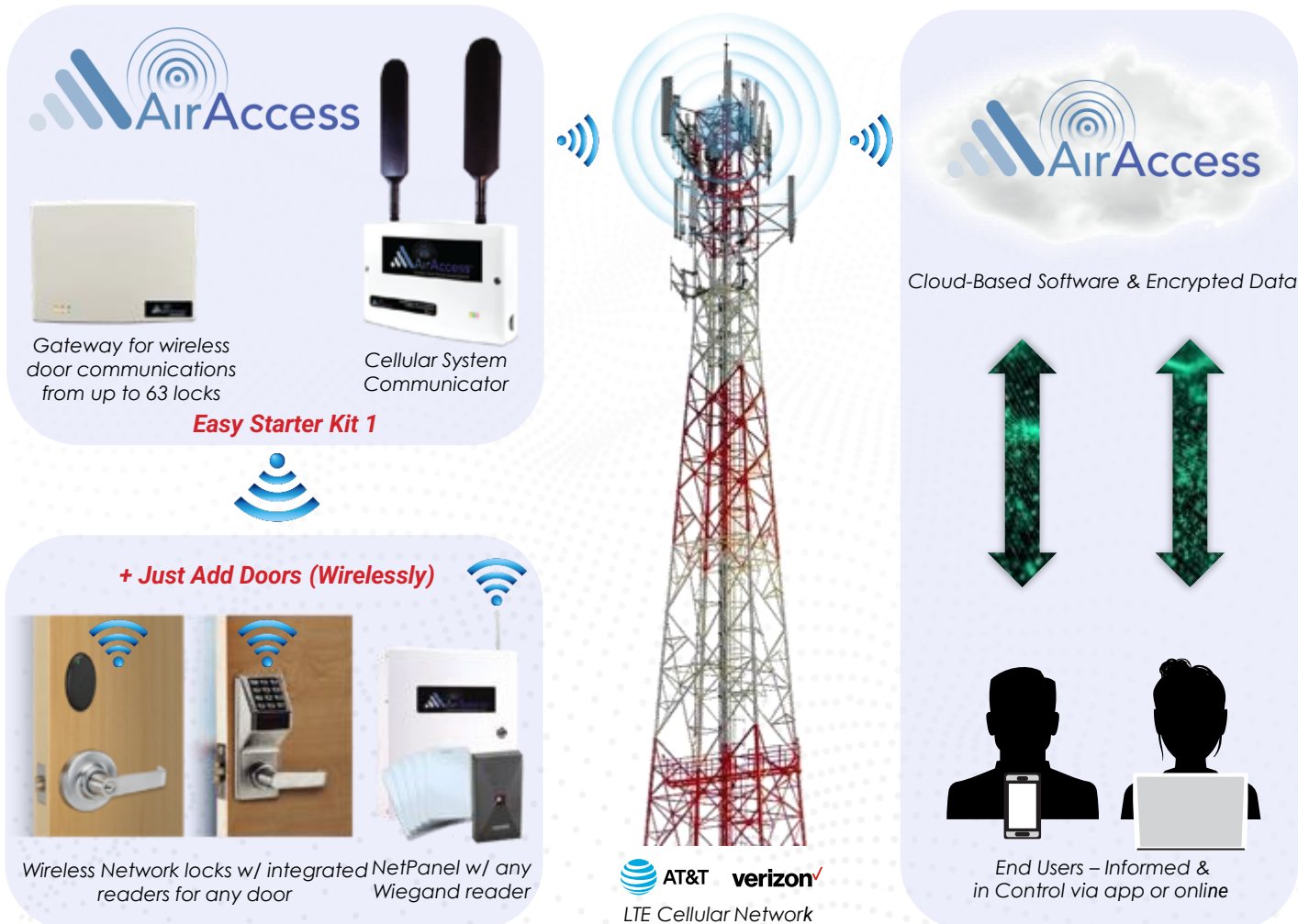
Competitive Landscape

NAPCO is the only Company with Products in All Three Security Verticals



AirAccess: Cellular Based Access Control System

Significant Market Opportunity: Now Recurring Revenue from Access Control & Locking



Additional Recurring Service Revenue generator for NAPCO and dealers



Cloud-based service powered by proven **StarLink** technology



No corporate IT department integration - cellular based technology



No expensive upfront hardware costs



Easily installable, highly scalable

Introducing Prima:

Napco's All-New Security, Video & Connected Home Cell/Wi-Fi System & Platform

+ Add More Residential Accounts/Day than Ever Before Possible



5-Minute Setup, Built-in Onscreen Step-by-Step Videos *"Installers Optional"*

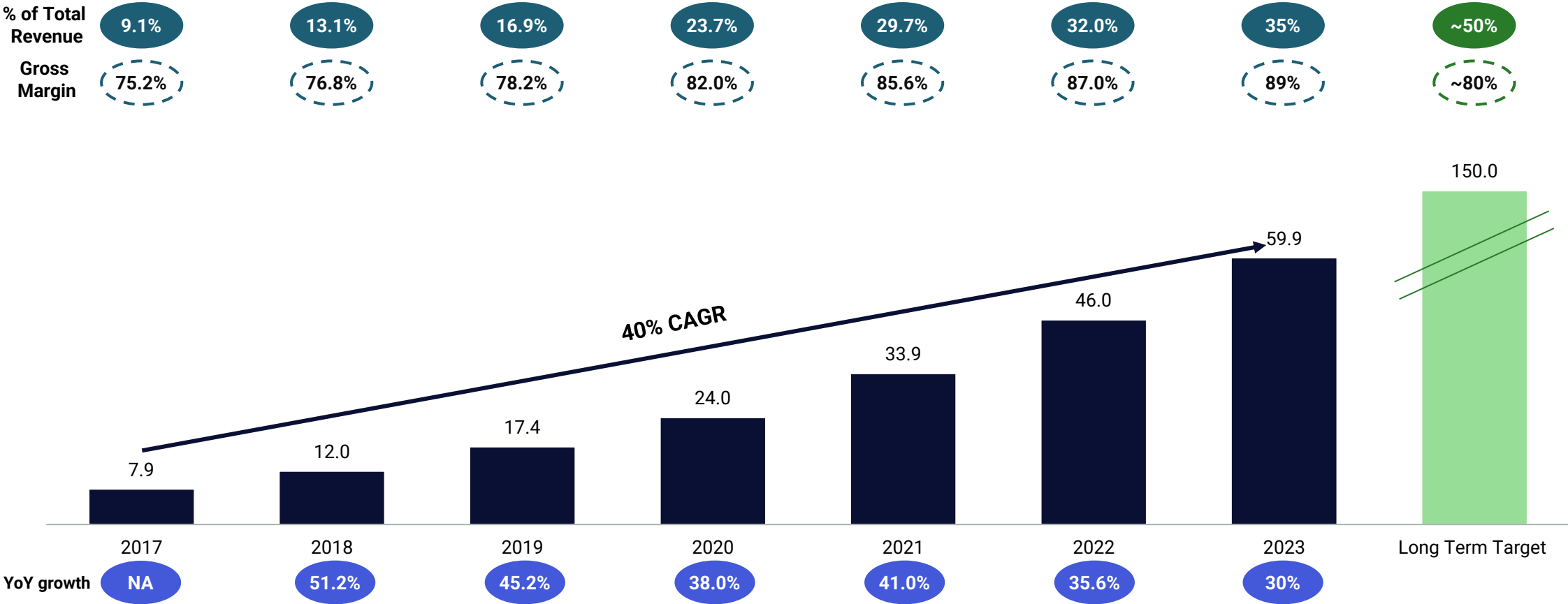
- * Maximize Accounts
- * Maximize RMR
- * Maximize Valuation
- * Maximize Bottom Line

The advertisement banner for Prima by NAPCO features a dark blue header with the brand name 'prima' in a large, light blue font, with a starburst above the 'i'. Below the name, it says 'by NAPCO' and 'The All-in-One Smart Panel You Asked For + Revolutionary 5-Minute Install'. The main visual is a collage of three images: a couple sitting on a wooden floor in a modern living room with a Prima smart panel mounted on the wall; a family (man, woman, and baby) standing on a sidewalk in front of a house with a yellow dog; and a close-up of the Prima smart panel displaying a 'Ready to Arm' screen with various icons. At the bottom, there are four icons representing key features: 'Fastest Installs + More Accts/Day' (stopwatch), 'Lower Account Costs' (dollar sign with downward arrows), 'Security/Fire/Video Automation' (shield with flame and video camera), and 'Voice Control' (speaker with sound waves). Other icons include 'Self-Healing WiFi', 'Doorbell & Video', and 'Smart Automation'.

Significant Growth in Recurring Revenue with Highly Attractive Margins

Reported Recurring Revenue ⁽¹⁾

\$MM



Notes:
1. FYE June 30

Significant Focus on School and Campus Security Opportunity

Best-In-Class Solutions Across Full Spectrum of Technology-Driven Products and Services

Representative School Security Solutions



Top Institutions Trust NAPCO's School Solutions

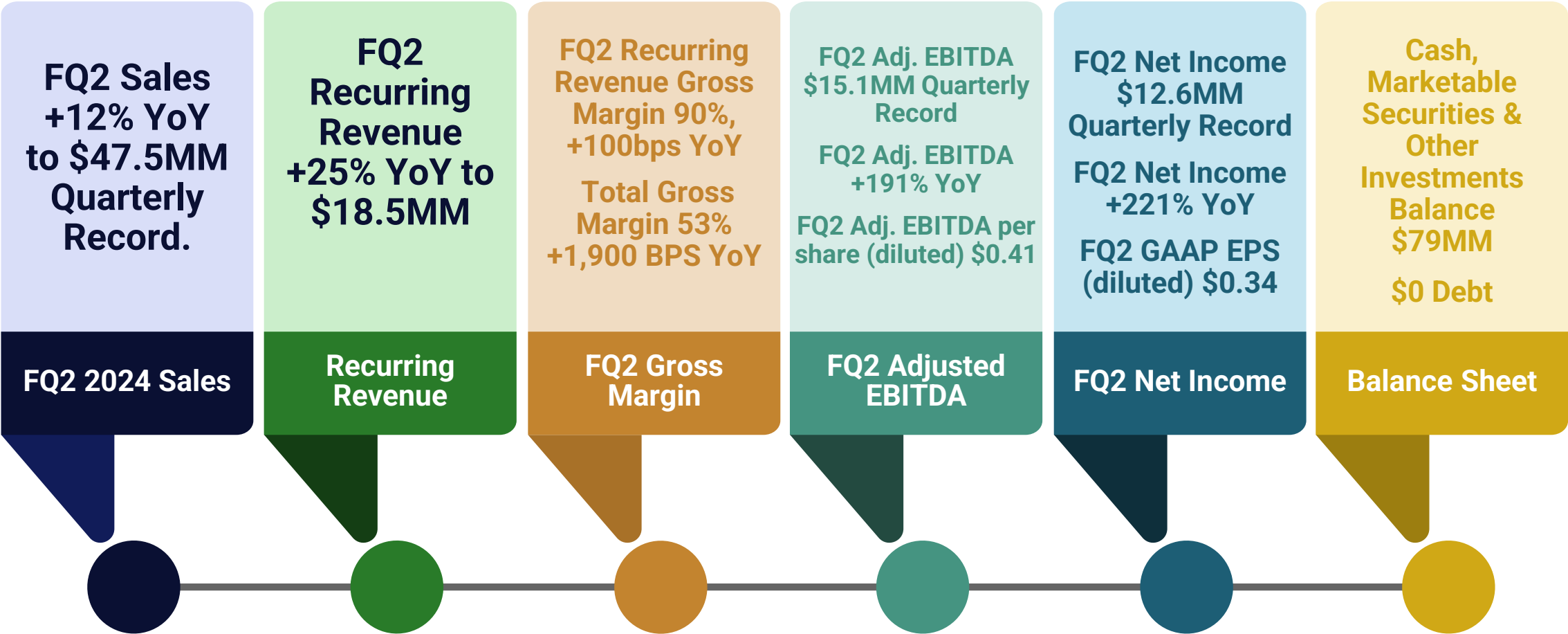


Financial Overview



FQ2 2024 Highlights

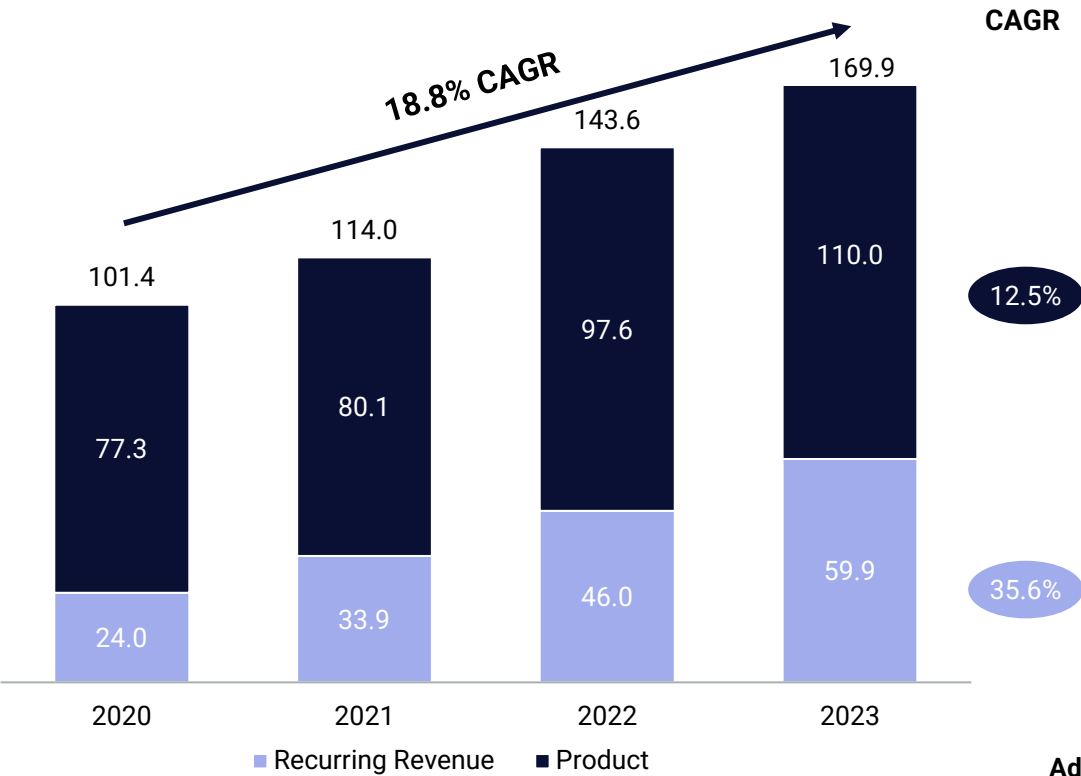
As of December 31, 2023



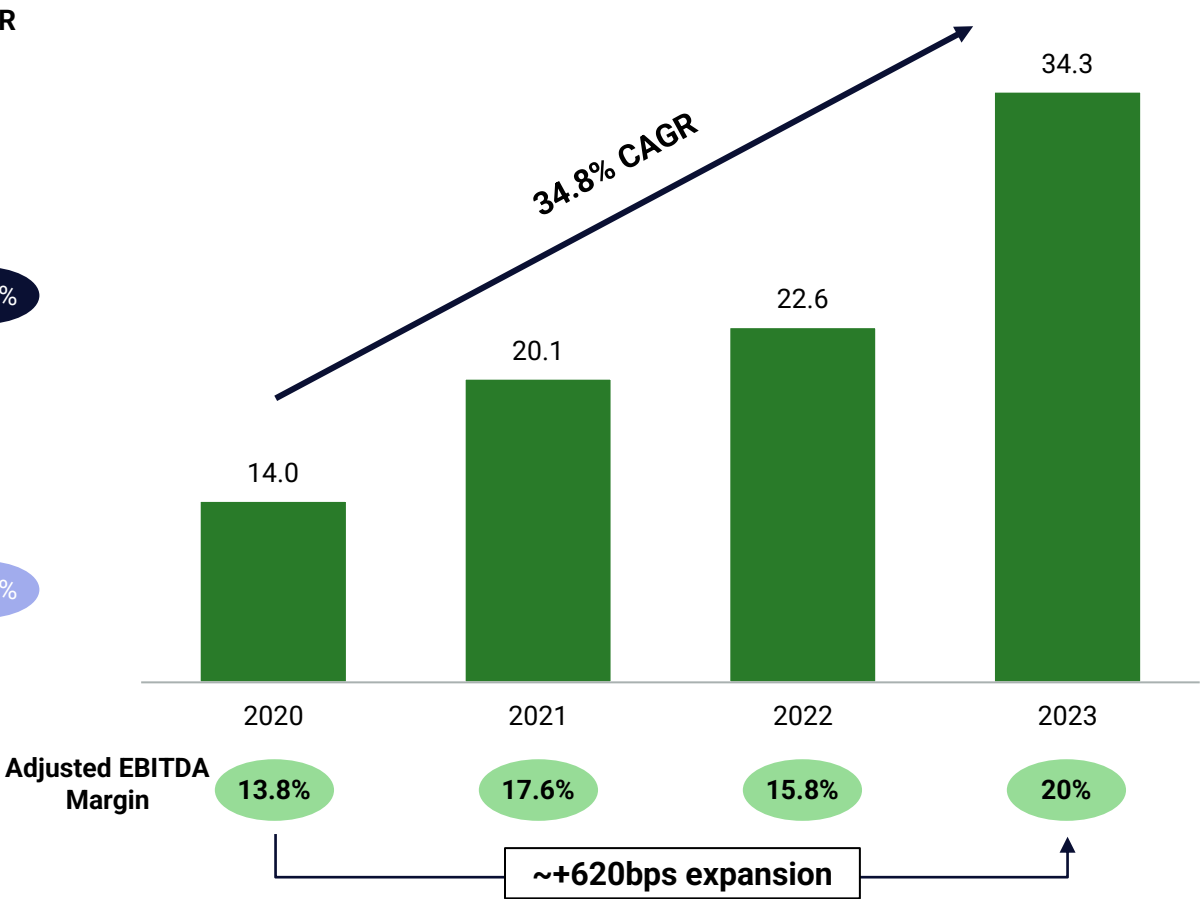
Strong Long Term Financial Profile

Growth and Margin Expansion

Reported Revenue ⁽¹⁾
\$MM



Adjusted EBITDA ⁽¹⁾⁽²⁾
\$MM



Notes:
1. FYE June 30
2. See Appendix for Adj. EBITDA reconciliation

Long Term Goals

As of December 31, 2023

Sustainable, Profitable Growth

Metric	LTM	Long Term Goals
Total Revenue	\$177.4MM	\$300MM+
Recurring Revenue (% of Total)	\$67.1MM (38%)	~\$150MM (~50%)
Recurring Revenue Gross Margin (%)	90%	~80%
Product Revenue (% of Total)	\$110MM (62%)	~\$150MM (50%)
Product Gross Margin (%)	28.4%	~50%
Adj. EBITDA Margin (%)	29.4%	~45%

Selected Balance Sheet Highlights

As of December 31, 2023

(\$MM)

Cash, Marketable Securities and Investments	\$79
Working Capital ⁽¹⁾	\$128.5
Total Assets	\$185.9
Debt	\$0.0
Total Liabilities	\$28
Stockholders' Equity	\$158
Diluted Shares Outstanding ⁽²⁾	37



Amityville, NY and Dominican Republic company owned facilities



Facilities in New York and the Dominican Republic allow for receiving products within approximately **6 days versus ~6 weeks if were sourced from China**



Lower U.S. tariffs for manufacturing components shipped from China to DR

Notes:

1. Working capital shown as total current assets less total current liabilities
2. Diluted shares outstanding in millions as of December 31, 2023

NAPCO'S FACILITIES

95,000 square foot



Headquarters and factory in Amityville, NY

180,000 square foot



ISO-certified factory in Dominican Republic

NAPCO Investment Highlights



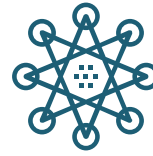
Security Market Leader with Multiple Secular Tailwinds Driving Growth

- Broad portfolio of security products for security professionals
- Large market with multiple long-term secular tailwinds
- Growing recurring services adoption driving above market growth



Integrated Platform Serving the Professional Across All Security Verticals

- Robust product portfolio with integration across all key security verticals
- Open architecture allows easy integration with any systems
- Powerful professional-focused distribution channel



Differentiated Hardware-Enabled Recurring Services Business Model

- Significant growth of hardware-enabled recurring services
- High margin, stable revenue streams
- Market-leading technology driving large and growing installed base
- Long term target of ~50% recurring revenue as % of total



Innovation DNA

- Long track record of security innovation
- Relationship with distribution network drives feedback loop
- Substantial proprietary intellectual property



Highly Visible Growth and Attractive Profitability

- Multiple vectors to accelerate long term growth and increase wallet share
- Significant visibility from increasing mix of sticky recurring revenues
- Recurring services drive highly visible margin expansion

APPENDIX

Supplemental Financial Information

Annual Financials – Income Statement

As of June 30, 2023

(\$ in millions, except per share values)

	Fiscal Year End June 30,		
	FY 2021A	FY 2022A	FY 2023A
Equipment Revenue	\$ 80.1	\$ 97.6	\$110.0
Services Revenue	33.9	46.0	59.9
Total Revenue	\$ 114.0	\$ 143.6	\$169.9
Equipment Gross Profit	21.7	19.1	\$19.8
Services Gross Profit	29.0	40.0	\$53.3
Total Gross Profit	\$ 50.7	\$ 59.2	\$73.2
Research & Development	(7.6)	(8.0)	(9.3)
Selling, General & Admin	(25.2)	(32.9)	(33.6)
Impairment of Intangible Asset	-	-	-
Total Operating Expenses	(32.8)	(40.9)	(42.9)
Operating Income	\$ 17.9	\$ 18.2	\$30.3
Other (expense) income	(0.0)	3.6	0.9
Pretax Income, GAAP	17.9	21.8	31.2
Income Tax Expense	(2.5)	(2.2)	(4.0)
Net Income, GAAP	\$ 15.4	\$ 19.6	\$27.1
Basic Weighted Avg. Shares	36.7	36.7	36.7
Basic EPS, GAAP	\$ 0.42	\$ 0.53	\$0.74
Diluted Weighted Avg. Shares	36.8	36.9	37.0
Diluted EPS, GAAP	\$ 0.42	\$ 0.53	\$0.73

Annual Financials – Reconciliation of Non-GAAP Financial Measures

As of June 30, 2023

(\$ in millions, except per share values)

	Fiscal Year End June 30,		
	FY 2021A	FY 2022A	FY 2023A
Net Income (GAAP)	\$ 15.4	\$ 19.6	\$27.1
Add back provision for income taxes	2.5	2.2	4.0
Add back other (income) expense	0.0	(3.6)	(.904)
Operating Income (GAAP)	\$ 17.9	\$ 18.2	\$ 30.3
Adjustments for non-GAAP measures of performance:			
Add back stock-based compensation expense	0.4	1.6	1.4
Add back non-recurring legal expenses	-	1.0	0.6
Add back impairment of Goodwill and Other intangibles	-	-	-
Adjusted non-GAAP operating income	\$ 18.4	\$ 20.9	\$ 32.7
Add back depreciation and other amortization	1.3	1.4	1.5
Add back amortization of acquisition-related intangibles	0.4	0.4	0.4
Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)	\$ 20.1	\$ 22.6	\$ 34.3
Adjusted EBITDA per Diluted Share	\$ 0.55	\$ 0.61	\$0.93
Weighted average number of diluted shares outstanding	36.8	36.9	37.0

