NAPCO SECURITY TECHNOLOGIES, INC.

The Future of Growth & Profitability In Security is in the Cloud

August 2022

(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 the Company's business such as school security products and recurring revenue services; potential market opportunities; the benefits of our recurring revenue products to customers and dealers; our ability to control expenses and costs; and expected annual run rate for SaaS recurring monthly 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. 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. All information provided in this press release is as of today's date, unless otherwise stated, and we undertake no duty to update such information, except as required under applicable law.

Use of Non-GAAP Financial Measures

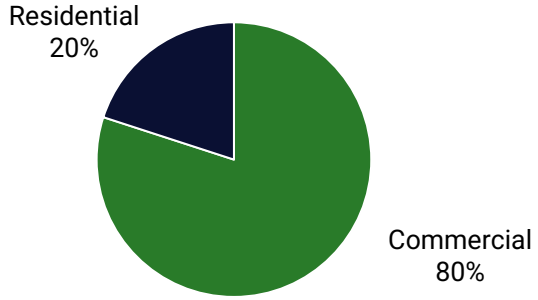
We disclose certain non-GAAP financial measures in this presentation for our historical performance, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income (loss) plus income tax expense (benefit), net interest expense and depreciation and amortization expense. 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.

NAPCO Security At a Glance

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

- Leading **designer** and **manufacturer** of commercial and residential security products
- Multiple **Industry Inflection Points** Driving **Strong Long-Term Growth** ***(Multi-Decade Alarm System Upgrade Cycle + School Security Upgrades)***
- **Integrated** suite of products and services across **alarms, locking, and access control**
- Growing **high margin**, **recurring services** model driving embedded margin expansion
- Differentiated **low-cost manufacturing** with long track record of **innovation / R&D**
- **Enabling the professional** to deliver best-in-class security solutions

Revenue Breakdown



Key Brands

NAPCO · MARKS USA · Continental Access · ALARM LOCK

Key Statistics (1)

$143.6MM LTM Revenue	32% Recurring Revenue % of Total
10.4% Total Revenue CAGR (2017- LTM)	42% Recurring Revenue CAGR (2017- LTM)
16% LTM EBITDA Margin	87% LTM Recurring Gross Margin
10,000+ Dealer, Integrator and Distributor Customers in U.S.	50+ Engineers / R&D employees

Notes:
1. Based on LTM FY22

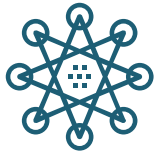
NAPCO Investment Highlights

Security Market Leader with Multiple Secular Tailwinds Driving Growth

- Broad portfolio of security products professionals know and trust
- Large market with multiple long-term secular tail winds
- Growing recurring services adoption driving above market growth

Integrated Platform Serving the Professional Across All Security Verticals

- ~2,000 proprietary SKUs 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
- Targeting 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

Multiple Inflection Points Driving Increased Investment in Security and Safety

Copper Phone Line Obsolescence

School Safety

Key NAPCO Growth Drivers

Regulatory Mandated Fire Alarm Upgrades

Building Retrofits

IoT-Enhanced Systems

Enhanced Security

Increased Retail Theft

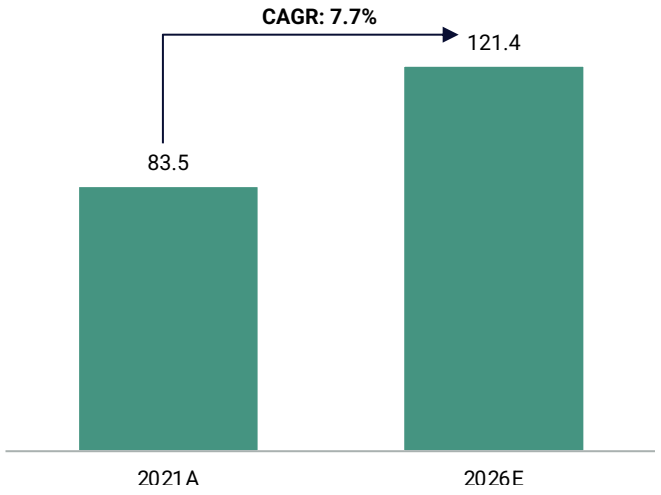
Building Automation

Aligned with Large and Growing Markets with Significant Whitespace

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

Commercial Security [1]

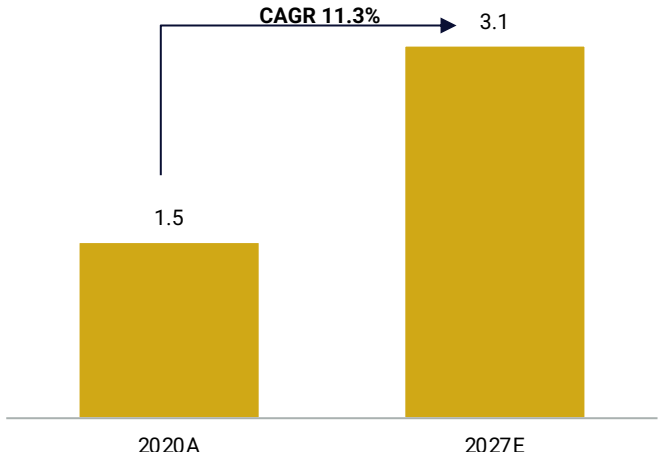
North America Market Size
$Bn



- ✓ **5MM+ commercial buildings**
- ✓ **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]

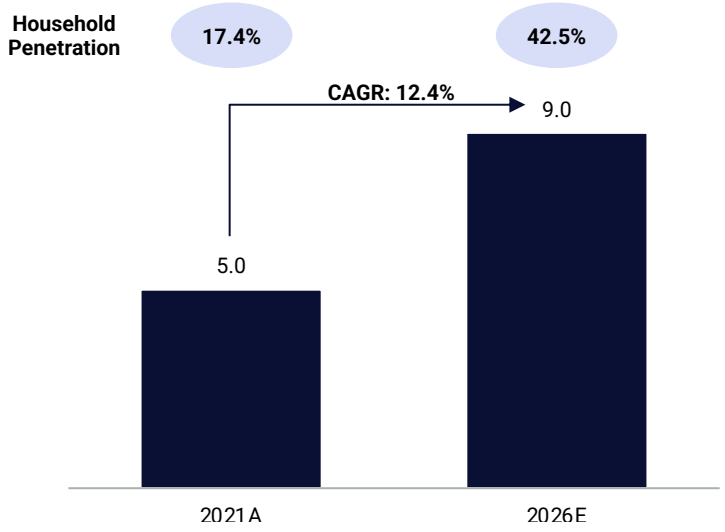
Market Size
$Bn



- ✓ **135k+ K-12 / colleges and universities** and 350k houses of worship 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+ homes** in the U.S. with **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**
- ✓ DIY solutions **not integrated** and create **pain points** for end consumers

Notes:
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 SECURITY TECHNOLOGIES, INC.

NAPCO Security: The Only Integrated Platform Across Full Security Spectrum

Only Professional-Focused Integrated Platform Across all Security Verticals

Recurring Revenue Services

ALARMS & CONNECTIVITY

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

LOCKING

- Architectural Locking Solutions
- Wireless Locking Solutions
- Campus and School

ACCESS CONTROL

- Integrated ID Readers / Control Panels / Video / Software Solutions
- Campus and School
- Air Access

CA4K

Access Manager App

Key End Markets Served

General Commercial / Small Business | Schools | Medical | Detention Centers | Airports | Residential

Multiple Critical Use Cases Across End Markets

NAPCO Products Solve Most Pressing Security and Safety Needs

Commercial Buildings

- Managing hundreds of thousands of workers and visitors who need daily, weekly or single-use access
- Can give access to specific personnel only for their permitted areas of the building

Schools – Universities

- Allows teachers to lock down their classroom with a simple key safely from inside the classroom
- Head of security can control lockdowns on all campus buildings directly instead of relying on individual building staff to physically run through hallways

Medical & Detention Centers

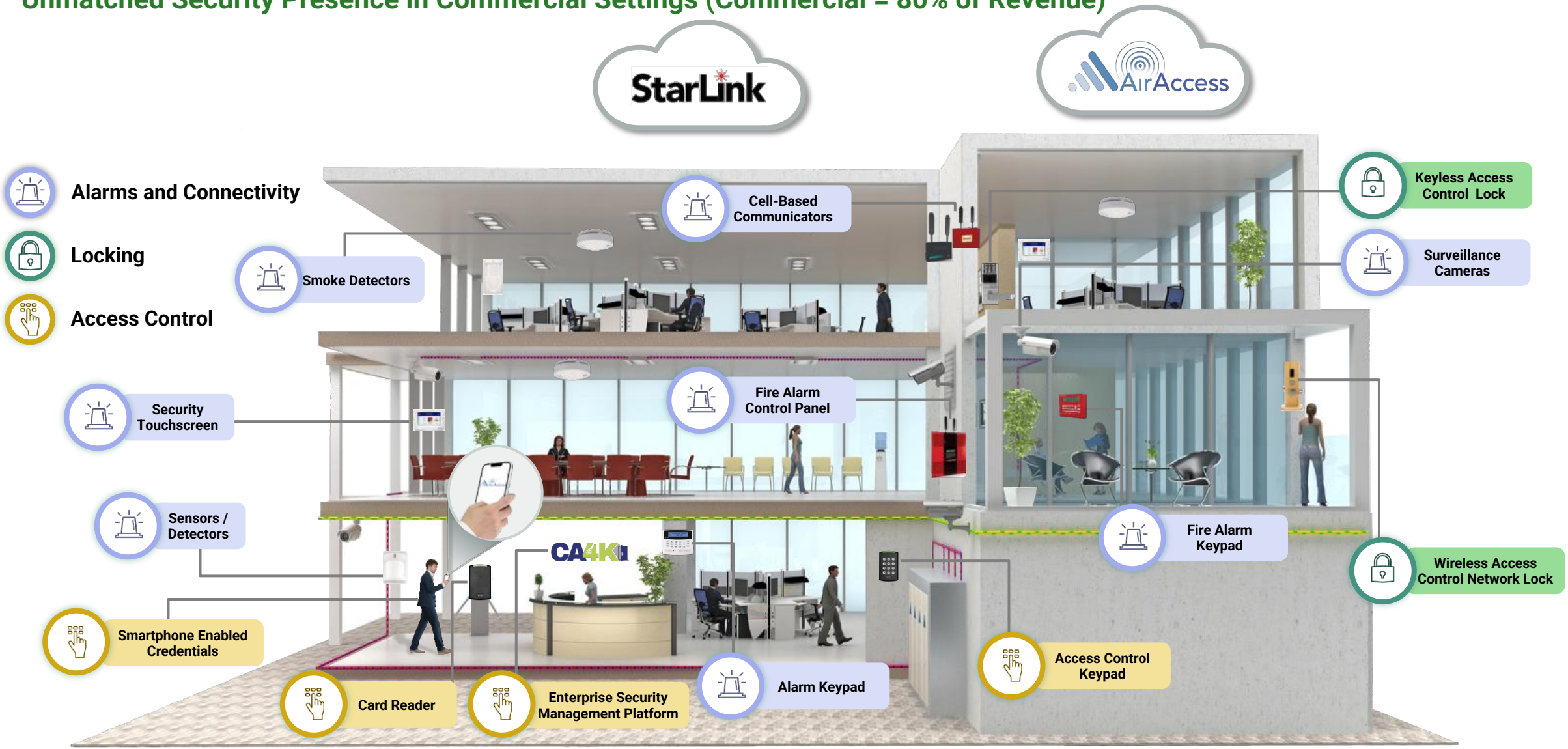
- Maternity wards can lock all doors and shut down elevators to prevent intruders from leaving hospitals with an infant
- Anti-suicide locks for detention centers
- Anti-microbial locks for hospitals

Small Business & Residential

- Alarm system with full video surveillance notifies you instantly of break-ins after business hours or while your home is vacant, including second homes
- Full access climate control integrated into smartphone app

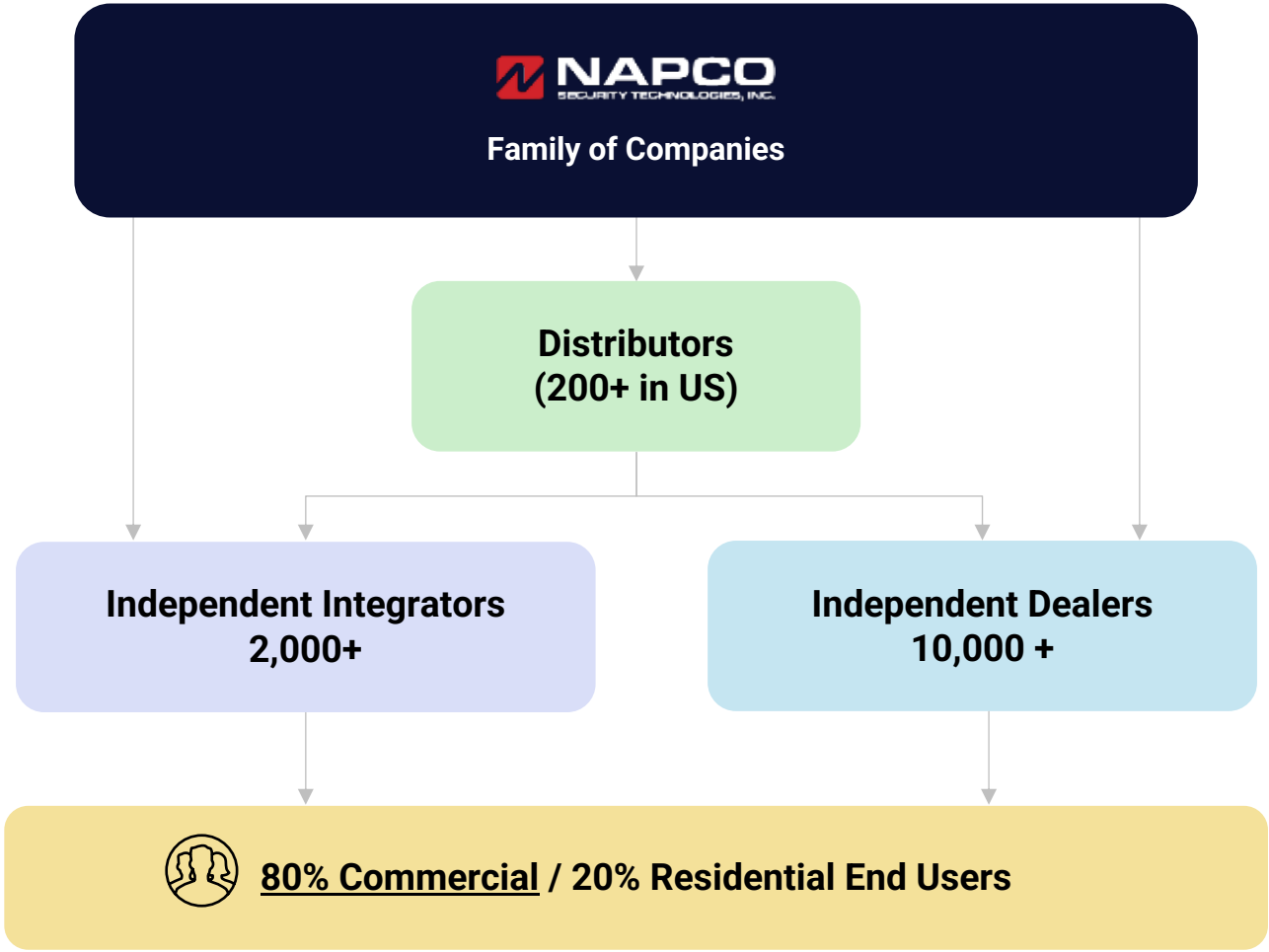
NAPCO Products Address Full Suite of Building Security and Safety Needs

Unmatched Security Presence in Commercial Settings (Commercial = 80% of Revenue)



Diversified Distribution Channel Strategy Focused on the Professional

Strong Position with the Professional Channel is Key Strategic Advantage



Why Professionals Love Us

- Longstanding product partner
- Significant breadth of products
- Fully integrated solutions / easy to install
- Proven reliability
- Understand customer needs
- Supporting professional's growth and profitability
- High quality, ISO-certified products

Award-Winning Products Consistently Renowned by the Industry

StarLink

2017

Winner for the ESX Innovation Award

Wins SIA NPS Monitoring Solutions Award

FireLink

2018

Winner for the ESX Innovation Award

FireLink FACP

2018

Wins "SSI MVP Award" from Security Systems and Integration Magazine

Secure

2019

Wins "SSI MVP Home Controls Award" from Security Systems and Integration Magazine

AirAccess StarLink LECTRA

2021

Wins "SSI Top 30 Technology Innovations Award" from Security Systems and Integration Magazine

StarLink MVP FIRE

2021

Wins Gold for the Stellar Service "Best Warranty Policies"

FireLink XL 255

2021

Wins Silver for the Stellar Service "Best Training Programs"

AirAccess

2021

Wins Silver for the Stellar Service "Best Dealer Protection Policies"

StarLink MVP FIRE FireLink XL 255

2022

Winner for the ESX Innovation Award

AirAccess

2022

Winner for the ESX Innovation Award

Differentiated Portfolio of High Margin Recurring Services

Large Current Installed Base with Significant White Space for Future Growth

StarLink

Small / Mid Size Business & Residential

IoT SmartPhone App

iBridge

SMALL MID SIZE BUSINESS / RESIDENTIAL
$6 to 8 per month

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

SMALL MID SIZE BUSINESS / RESIDENTIAL PANEL
$7 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

AirAccess

GATEWAY FOR WIRELESS DOOR COMMUNICATIONS FROM UP TO 63 LOCKS

CELLULAR SYSTEM COMMUNICATOR

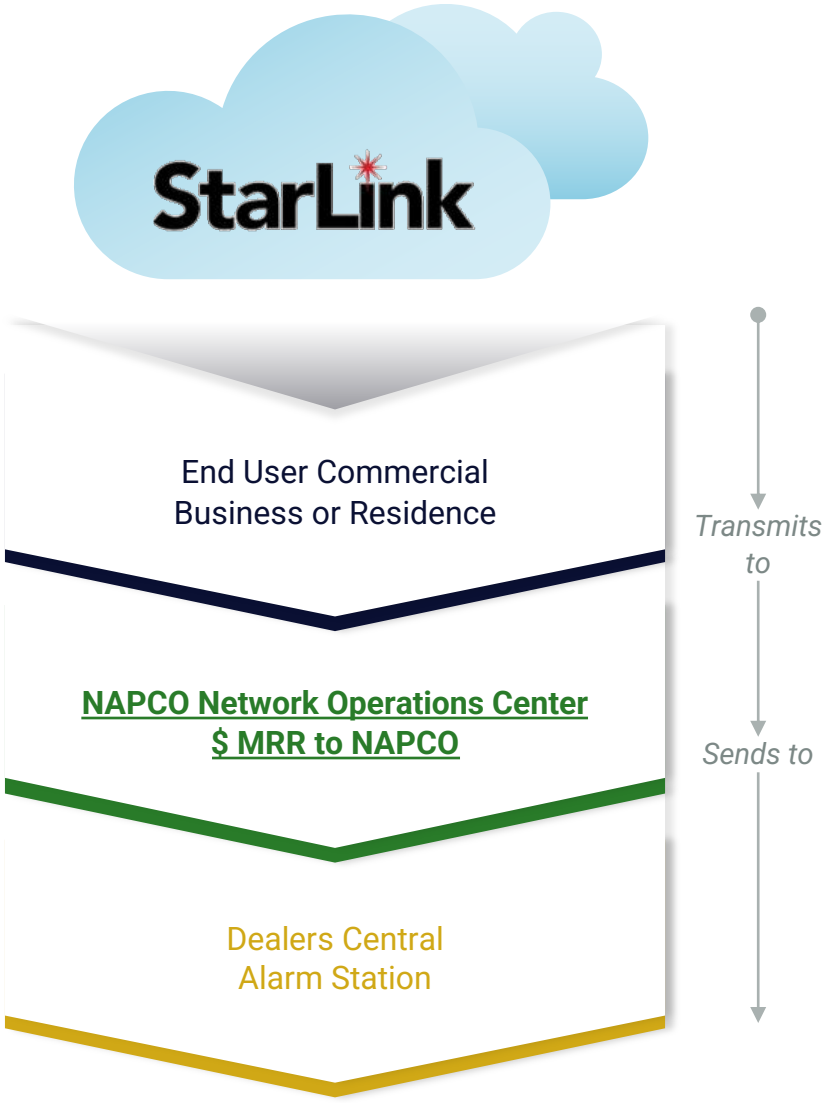
RADIO CONTROLLED LOCK

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

Recurring Services Product Highlights

Highly Sticky, Stable Revenue Stream with 85%+ Gross Margins

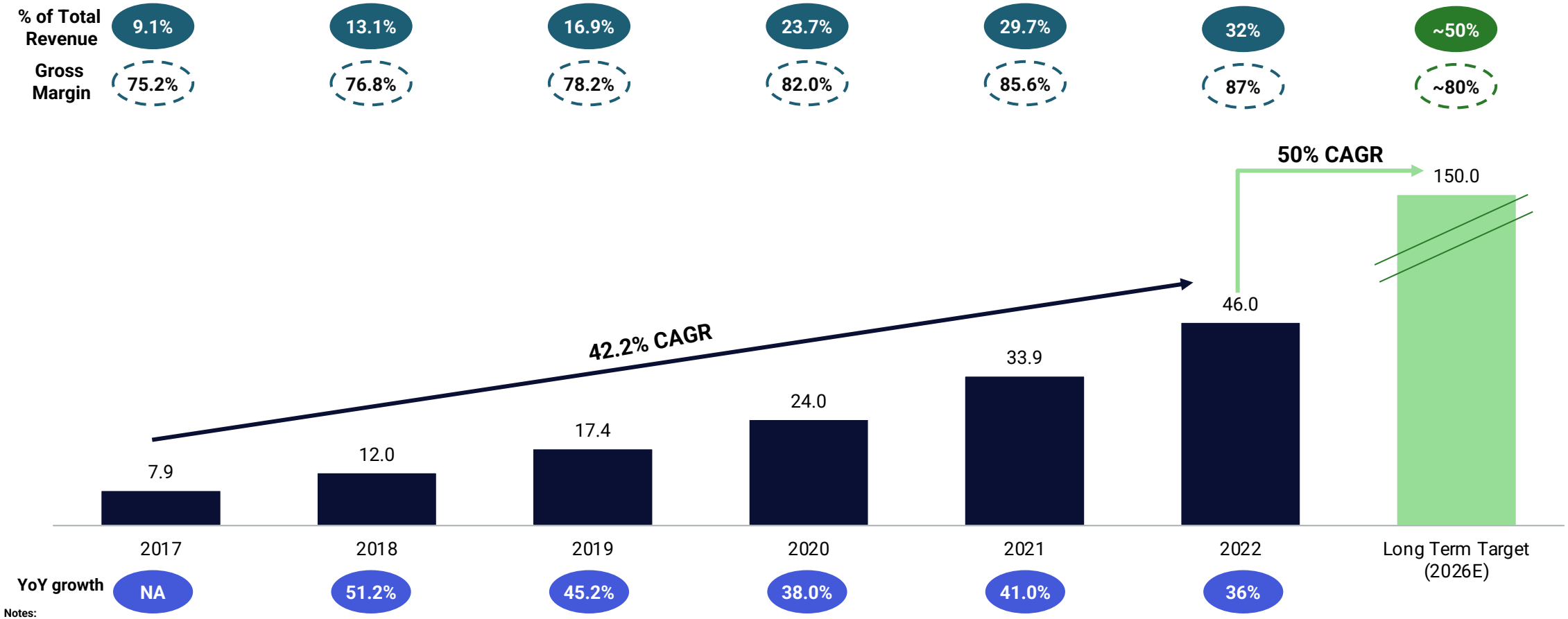
- Alarm signal transmitted via Verizon, AT&T and T-Mobile cellular networks
- Signal Boost™ technology to provide reliability even in remote areas
- iBridge smartphone IoT app controls lighting, locks, climate and video
- StarLink Connect works with millions of existing competitors' alarm systems
- Dealer pays NAPCO monthly recurring revenue ("MRR") fees
- Significant owned data center capacity to support growth, with backup at different location



Significant Growth in Recurring Revenue with Highly Attractive Margins

Reported Recurring Revenue (1)

$MM



Notes:
1. FYE June 30

Strong Track Record of Security Technology Innovation

Continuous Feedback Loop from Professional Channel and End Customers Drive Product / Tech Enhancements

Focus on New Proprietary Product and Technology Development…

~2,000
Proprietary SKUs

~6%
LTM Revenue as Dedicated R&D Investment

100+
Patents and Trademarks

50+
Engineers

- ✓ Committed to continued innovation to improve products and technology-enabled security solutions
- ✓ In-house product development, engineering, and manufacturing allows for efficient testing and best-in-class quality
- ✓ Long-standing relationships with professional channel drives continuous feedback and consistent adoption of new products

…Drives Substantial New Products, Services, and Software in Key Categories

Selected New Products

Case Study to Follow

Campus and School Security

FireLink Control Panel

iSecure Home Security

Selected New Recurring Services / Software

Case Study to Follow

AirAccess™

Cellular Based Access Control System

iBridge™

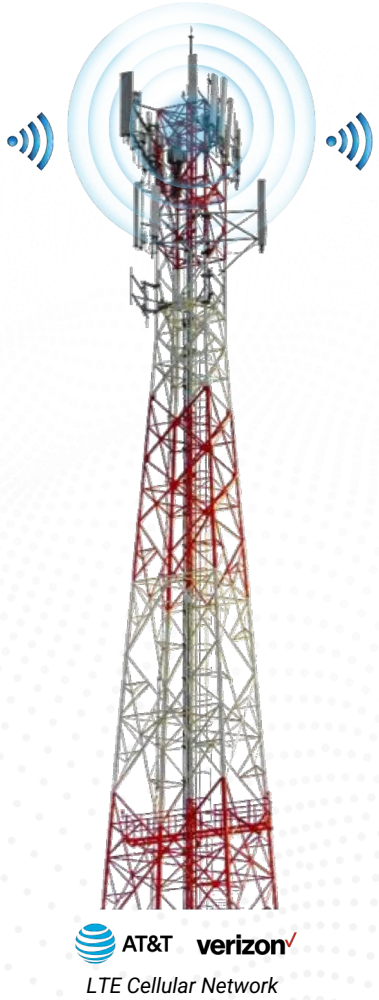
IoT SmartPhone App

CA4K

Enterprise Integrated Access Control Software

Air Access: Industry's First Cellular Based Access Control System

Massive Market Opportunity; The Future of 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**

Significant Focus on School and Campus Security

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

Representative School Security Solutions

LocDown Locking Retrofit Classroom

- ❑ Retrofit classroom locks with inside key and lockdown indicator
- ❑ Lock down classrooms, offices, common areas, labs, with a key from safely inside

Door Access

- ❑ 10-Second Global Lockdown Networked Locks with PIN, ID Cards or Keyfob
- ❑ Local and Global lockdown functionality, activated from the server or with a button

Alarms

- ❑ Advanced intrusion and fire alarm reporting solutions
- ❑ Increases protection and response time, eliminates landline costs

Enterprise Access Security & Video

- ❑ All-enterprise solution controls alarms, video, wireless locking, doors, elevators & access
- ❑ CA4K scalable enterprise software

Solutions range from basic classroom locking from $100 to radio-controlled lockdown for $1,000 / door

Top Institutions Trust NAPCO's School Solutions

K-12 Market is ~131,000 Schools

San Diego Unified School District · DeKalb County School District · Beverly Hills Unified School District · Boston Public Schools · Houston Independent School District · Los Angeles Unified School District · North East Independent School District · Cypress-Fairbanks Independent School District · Allegheny County Schools · Dallas Independent School District · Sunnyside Unified School District · McKinney Independent School District · Austin Independent School District

plus many more. . .

Colleges & Universities Market is ~5,300 Schools

Stanford University · New York University · College of DuPage · Columbia College Columbia University in the City of New York · Bob Jones University Est. 1927 · UT Dallas · Arizona State University · Pepperdine University · University of Michigan · Collin College

plus many more. . .

In the US, school security represents a ~$10Bn total opportunity (1)

Notes:
1. National Center for Education Statistics (NCES) and Education Unlimited, based on 136,300 schools and an average spend of $75,000 per school

Best-In-Class Management Team with Decades of Experience

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 30 years of experience in the security industry. Winner of Long Island Business CFO of the Year. Began career at Coopers & Lybrand. Certified Public Accountant

NAPCO SECURITY TECHNOLOGIES

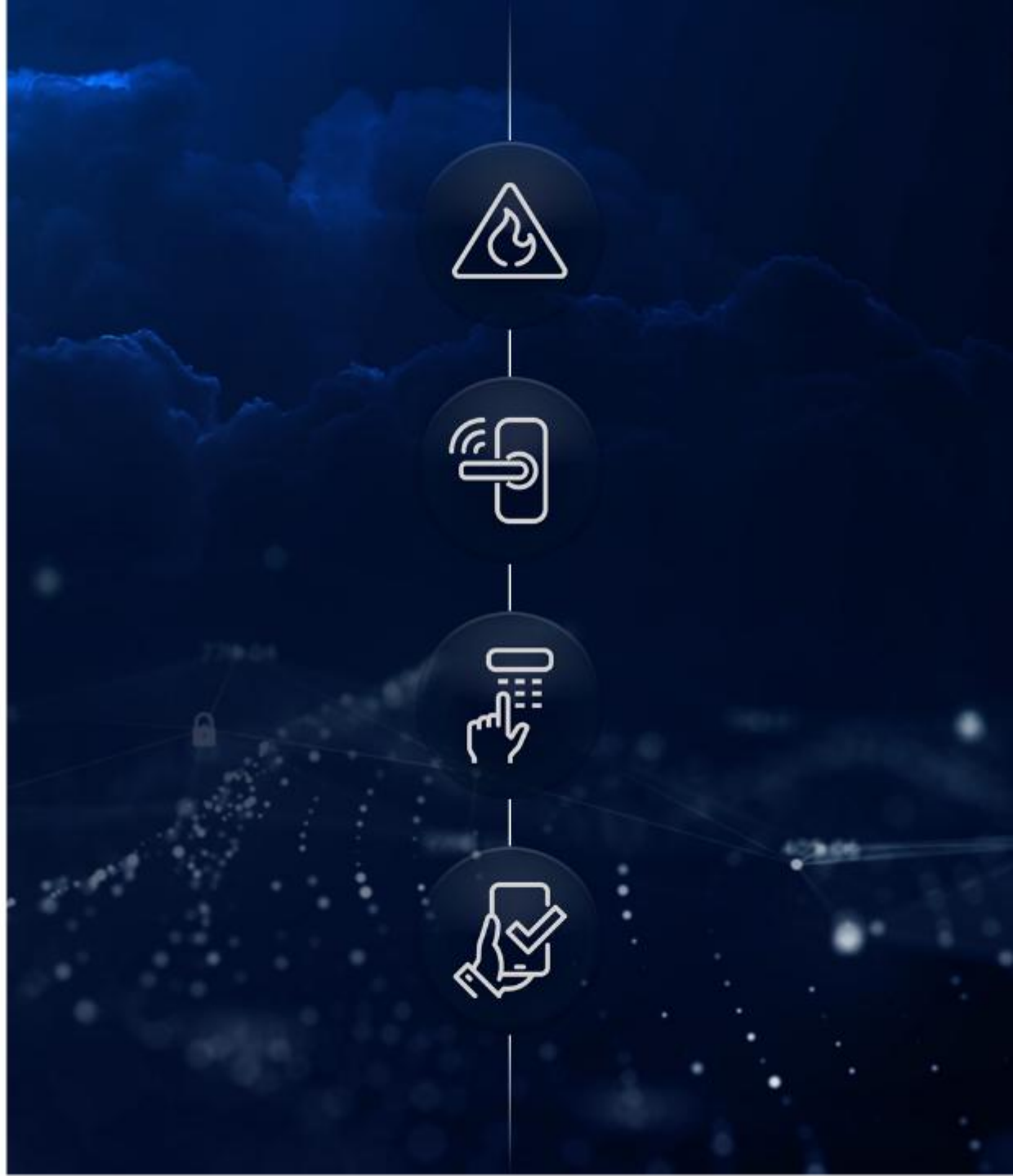
Michael Carrieri / *SVP Engineering* – Over 20 years of experience in the security industry. Extensive knowledge of developing advanced electronic products with applications in military/defense, media/broadcasting and consumer electronics. Fire Chief Emeritus of the Fire Department of Melville, Long 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

Patrick McKillop / *Vice President Investor Relations* – Over 20 years of experience in financial services, including previous positions at Cowen & Co, Maxim Group and Rodman & Renshaw. Mr. McKillop focuses on widening outreach to the investment community and continuing to foster long lasting and quality relationships

NAPCO
SECURITY TECHNOLOGIES, INC.

Financial Overview



NAPCO Financial Highlights

Growth

- Strong long term track record of growth
- High ROI investments to position for future
- Expanding TAM with new products and services across markets

Highlights

10.4% Total Revenue CAGR (2017-LTM)

42% Recurring Revenue CAGR (2017-LTM)

Recurring

- High growth SaaS / recurring revenue model
- Sticky, stable revenue with minimal churn
- Drives operating leverage in the business

32% LTM Recurring Revenue % Total

87% LTM Recurring Gross Margin

Profitability

- High profitability / strong FCF generation
- Low cost manufacturing to drive future operating leverage
- Clear path to expand margins

16% LTM EBITDA Margin

700bps EBITDA Margin Expansion (2017-LTM)

Balance Sheet

- No debt on balance sheet today
- Substantial financial flexibility

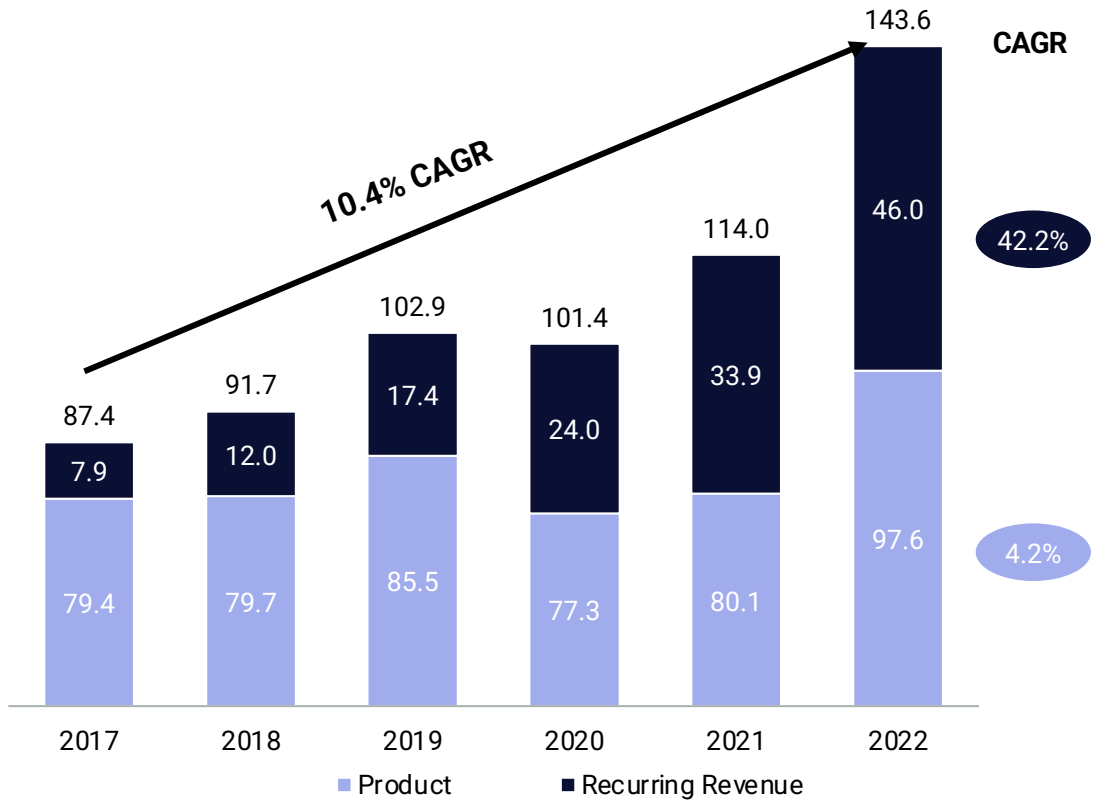
0.0x LTM Leverage

Strong Long Term Financial Profile

Substantial Growth and Margin Expansion

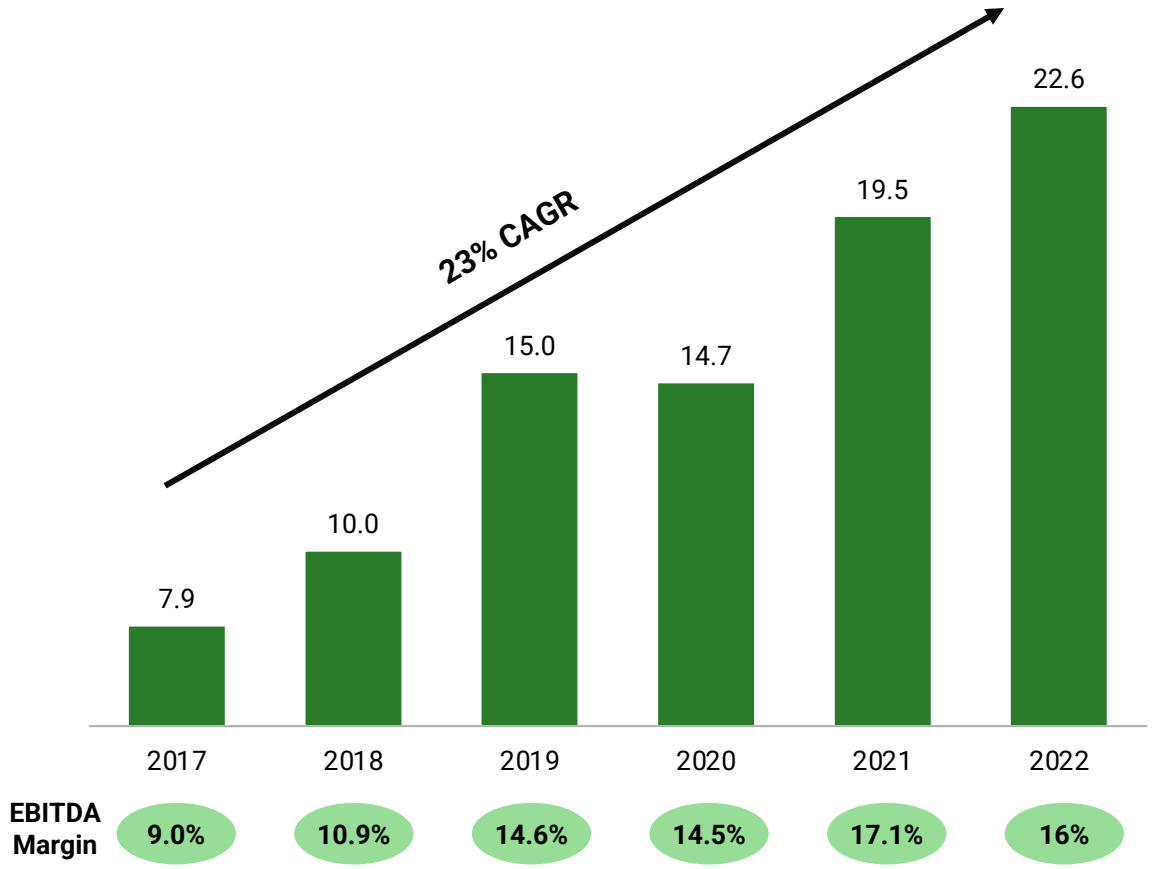
Reported Revenue (1)

$MM



Adjusted EBITDA (1)

$MM



Notes:
1. FYE June 30

NAPCO SECURITY TECHNOLOGIES, INC.

Robust Long-Term Model

Sustainable Profitable Growth

Metric	LTM FY22	Long Term Target *(~2026E or sooner)*	Growth
Total Revenue	$143.6MM	~$300MM	~30% CAGR
Recurring Revenue (% of Total)	$46MM (32%)	~$150MM (50%)	~50% CAGR
Recurring Gross Margin (%)	87%	~80%	~(700bps)
Product Revenue (% of Total)	$97.6MM (68%)	~$150MM (50%)	~16% CAGR
*Product Gross Margin (%)	20%	~50%	~+3,000bps
**Total EBITDA Margin (%)	16%	~50%	~ +3,400bps

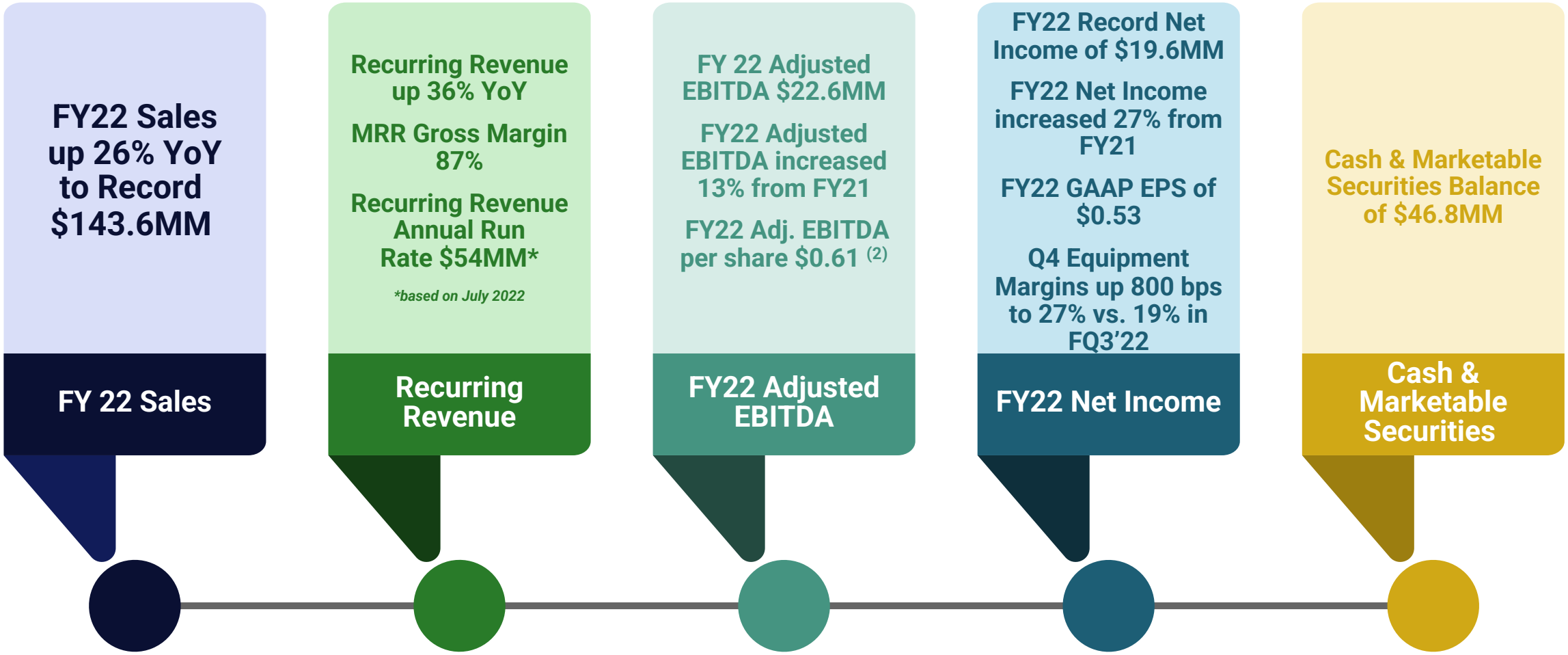
*Q422 Product Gross Margins were 27% .

**Q422 EBITDA Margins were 21%

NAPCO SECURITY TECHNOLOGIES, INC.

Fiscal 2022 Highlights

FYE June 30



Notes:
1. Reflects 2 for 1 stock split effective 1/4/22
2. See GAAP reconciliation in Appendix

NAPCO SECURITY TECHNOLOGIES, INC.

Selected Balance Sheet Highlights

As of June 30, 2022

($MM)

Cash and Marketable Securities	**$46.8**
Working Capital (1)	**$93.1**
Total Assets	**$148.6**
Debt	**$0**
Total Liabilities	**$34.8**
Stockholders' Equity	**$113.8**
Diluted Shares Outstanding (2)	**36.9**

- Amityville, NY and Dominican Republic company owned facilities on the books for <$1MM while the market value exceeds $17MM
- Facilities in New York and the Dominican Republic allow for receiving products within approximately **6 days versus 6 weeks if were sourced from China**
- No 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 as of June 30.2022

NAPCO SECURITY TECHNOLOGIES, INC.

NAPCO'S FACILITIES

95,000 square foot

Headquarters and factory in Amityville, NY

180,000 square foot

ISO-certified factory in Dominican Republic

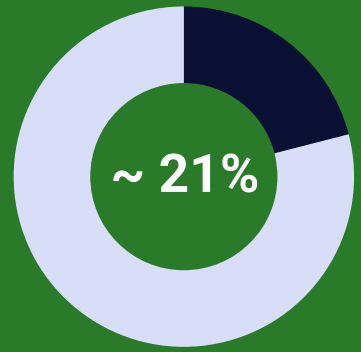
NAPCO Stock Snapshot

As of August 26, 2022

Stock Price:	$25.46
52 Week Range :	$15.39-$27.66
Basic Shares Outstanding :	36.8MM
Market Capitalization :	$937MM

- *Reflects 2 for 1 stock split effective 1/5/22*

Insider Ownership



Institutional Holders

Wasatch Advisors

Thrivent Asset Mgmt.

Fidelity Investments

Janus Henderson

GW&K Investment Mgmt.

Analyst Coverage

Canaccord Genuity

Lake Street Capital

Imperial Capital

B Riley Securities

Needham & Co.

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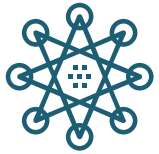

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- Substantial proprietary Intellectual Property

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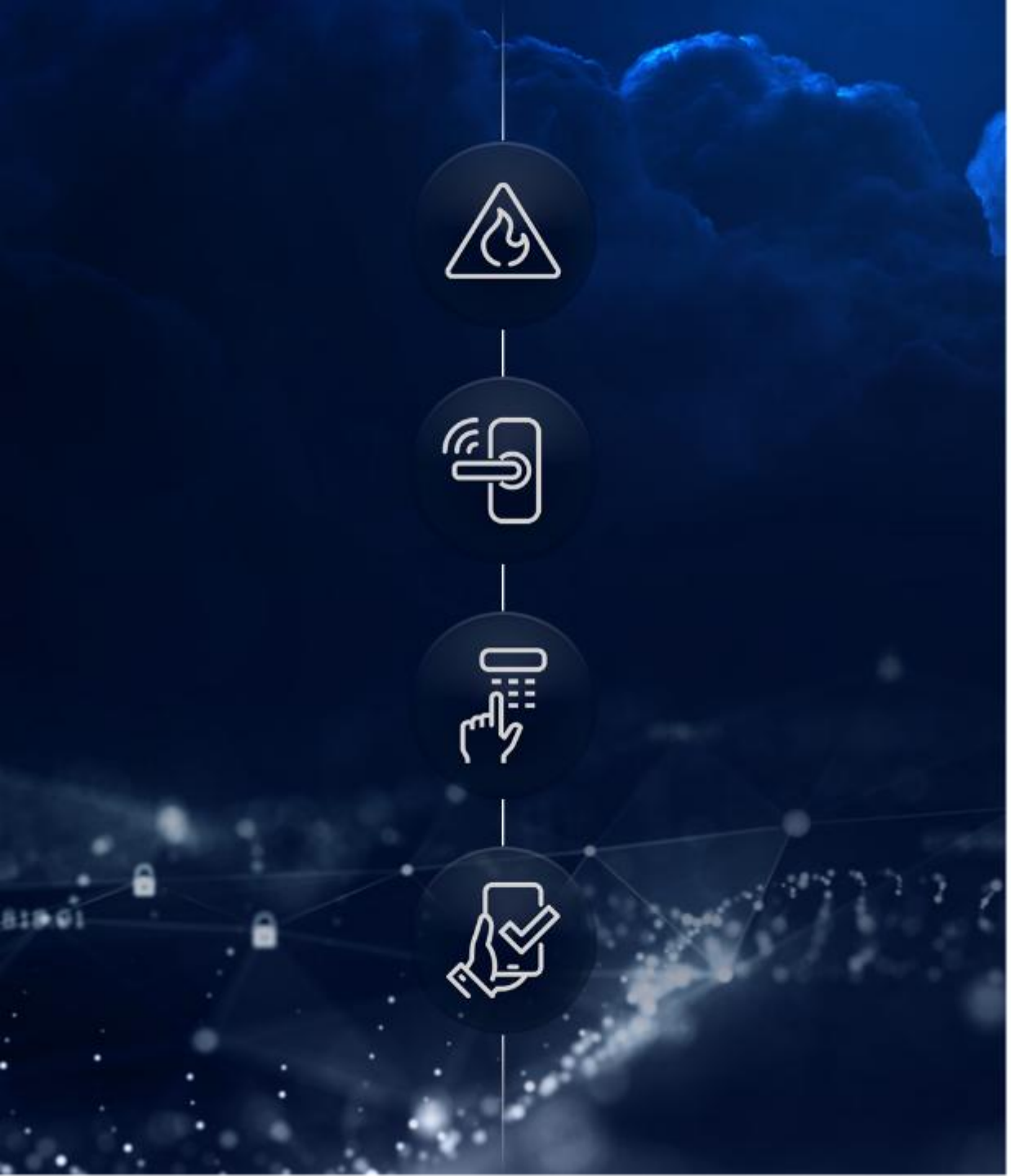

NAPCO SECURITY TECHNOLOGIES, INC.

APPENDIX

Financial Supplemental Information

Financials

FYE June 30

NAPCO Security Technologies Inc (NSSC US) – Adjusted

In Millions of USD except Per Share41	FY 2020	FY 2021	FY 2022
12 Months Ending	6/30/2020	6/30/2021	6/30/2022
Revenue	101.4	114.0	143.6
+ Sales & Services Revenue	101.4	114.0	143.6
– Cost of Revenue	57.9	58.9	84.4
Gross Profit	43.5	50.1	59.1
– Operating Expenses	30.9	32.8	40.9
+ Selling, General & Admin	23.7	25.2	32.9
+ Research & Development	7.3	7.6	8.0
Operating Income (Loss)	10.8	17.3	18.2
Pretax Income (Loss), GAAP	10.8	17.3	21.8
– Income Tax Expense (Benefit)	2.3	2.4	2.2
Net Income, GAAP	8.5	14.9	19.6
Basic Weighted Avg Shares	18.4	18.3	36.7
Basic EPS, GAAP	0.50	0.80	.53
Diluted Weighted Avg Shares	18.5	18.4	36.8
Diluted EPS, GAAP	0.50	0.80	.53
Reference Items			
EBITDA	14.7	19.5	22.6
EBITDA Margin (T12M)	14.6	17.0	16.0
Gross Margin	43.0	44.0	41.0
Operating Margin	11.7	15.2	12.6
Profit Margin	8.4	13.0	13.6

Financials

FYE June 30

Reconciliation of Non-GAAP Financial Measures

Fiscal Year Ended June 30 ($ in thousands)	2020	2021	2022
Net income (GAAP)	8,469	14,901	19,599
Add back provision for income taxes	2,284	2,429	2,247
Add back interest expense	9	5	(3,621)
Operating income (GAAP)	10,800	17,335	18,225
Adjustments for non-GAAP measurements of performance			
Add back amortization of acquisition-related intangibles	264	425	391
Add back stock-based compensation expense	583	435	1,649
Adjusted non-GAAP operating income	13,512	18,195	20,855
Add back depreciation and other amortization	1,232	1,271	1,380
Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)	14,744	19,466	22,626
Adjusted EBITDA* per Diluted Share	0.80	1.06	.61
Weighted average number of Diluted Shares outstanding	18,493,000	18,404,000	36,840,000

NAPCO
SECURITY TECHNOLOGIES, INC.