



Brady Corporation F'17 Q2 Financial Results

February 23, 2017



Forward-Looking Statements

In this presentation, statements that are not reported financial results or other historic information are “forward-looking statements.” These forward-looking statements relate to, among other things, the Company's future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations.

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from: our ability to compete effectively or to successfully execute our strategy; Brady's ability to develop technologically advanced products that meet customer demands; difficulties in protecting our websites, networks, and systems against security breaches; deterioration or instability in the global economy and financial markets; decreased demand for our products; Brady's ability to retain large customers; risks associated with the loss of key employees; changes in tax legislation and tax rates; Brady's ability to execute facility consolidations and maintain acceptable operational service metrics; extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities; litigation, including product liability claims; divestitures and contingent liabilities from divestitures; Brady's ability to properly identify, integrate, and grow acquired companies; foreign currency fluctuations; potential write-offs of Brady's substantial intangible assets; differing interests of voting and non-voting shareholders; Brady's ability to meet certain financial covenants required by our debt agreements; numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive, and regulatory nature contained from time to time in Brady's U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the “Risk Factors” section within Item 1A of Part I of Brady's Form 10-K for the year ended July 31, 2016.

These uncertainties may cause Brady's actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements except as required by law.

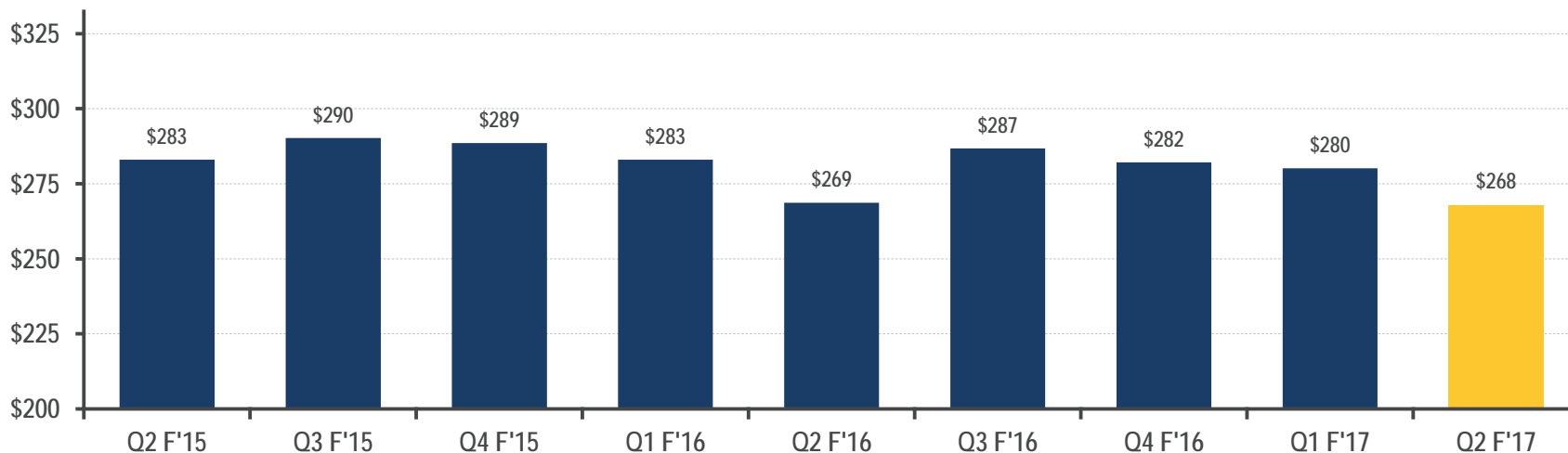
Q2 F'17 Financial Summary

- **Sales down 0.2% to \$268.0M in Q2 of F'17 vs. \$268.6M in Q2 of F'16.**
 - Organic sales increased 1.3%.
 - Foreign currency translation reduced sales by 1.5%.
- **Gross profit margin of 50.1% in Q2 of F'17 compared with 49.5% in Q2 of F'16.**
- **SG&A expense of \$94.7M (35.3% of sales) in Q2 of F'17 compared with \$100.2M (37.3% of sales) in Q2 of F'16.**
- **Net earnings of \$25.3M in Q2 of F'17 compared with \$15.3M in Q2 of F'16.**
 - Q2 of F'17 positively impacted by a tax rate of 13.1%.
- **Net earnings per Class A Diluted Nonvoting Common Share of \$0.49 in Q2 of F'17, compared with \$0.30 in Q2 of F'16.**
 - Net earnings per Class A Diluted Nonvoting Common Share would have been \$0.40 if the tax rate were at its historic average of approximately 28%.
- **Net cash provided by operating activities of \$19.3M in Q2 of F'17 compared with \$27.9M in Q2 of F'16.**

Sales Overview

SALES

(millions of USD)



Organic Sales Growth

Quarter	Organic Sales Growth
Q2 F'15	1.4%
Q3 F'15	1.7%
Q4 F'15	(1.2%)
Q1 F'16	(2.2%)
Q2 F'16	0.4%
Q3 F'16	(0.1%)
Q4 F'16	(0.9%)
Q1 F'17	(0.2%)
Q2 F'17	1.3%

Q2 F'17 SALES:

- 1.3% organic sales growth:
 - ID Solutions – Organic sales growth of 1.9%.
 - Workplace Safety – Organic sales decline of (0.2%).
- (1.5%) decrease due to currency translation.

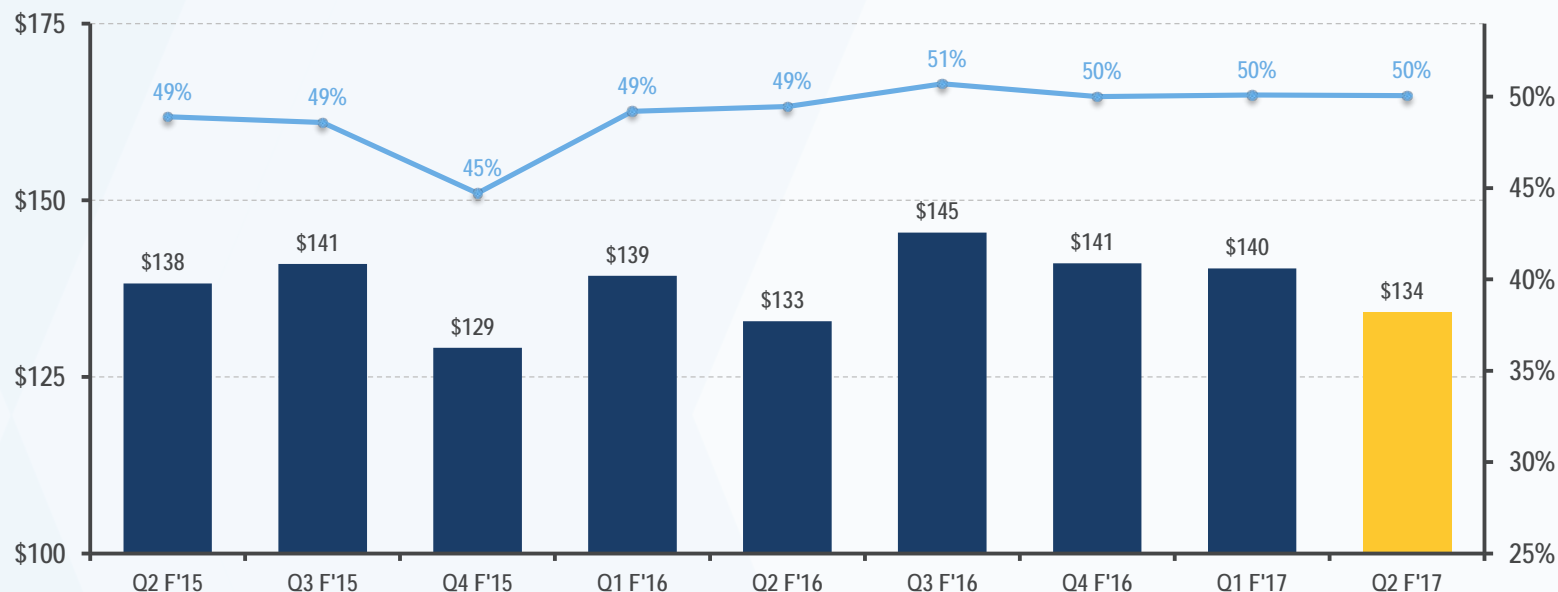
Q2 F'17 SALES COMMENTARY:

- Organic sales growth in all regions of our IDS business, with strongest growth in Europe.
- Organic sales growth continues in our WPS Europe business offset by declines in North America.
- Foreign currency translation headwinds persist.

Gross Profit Margin

GROSS PROFIT & GPM%

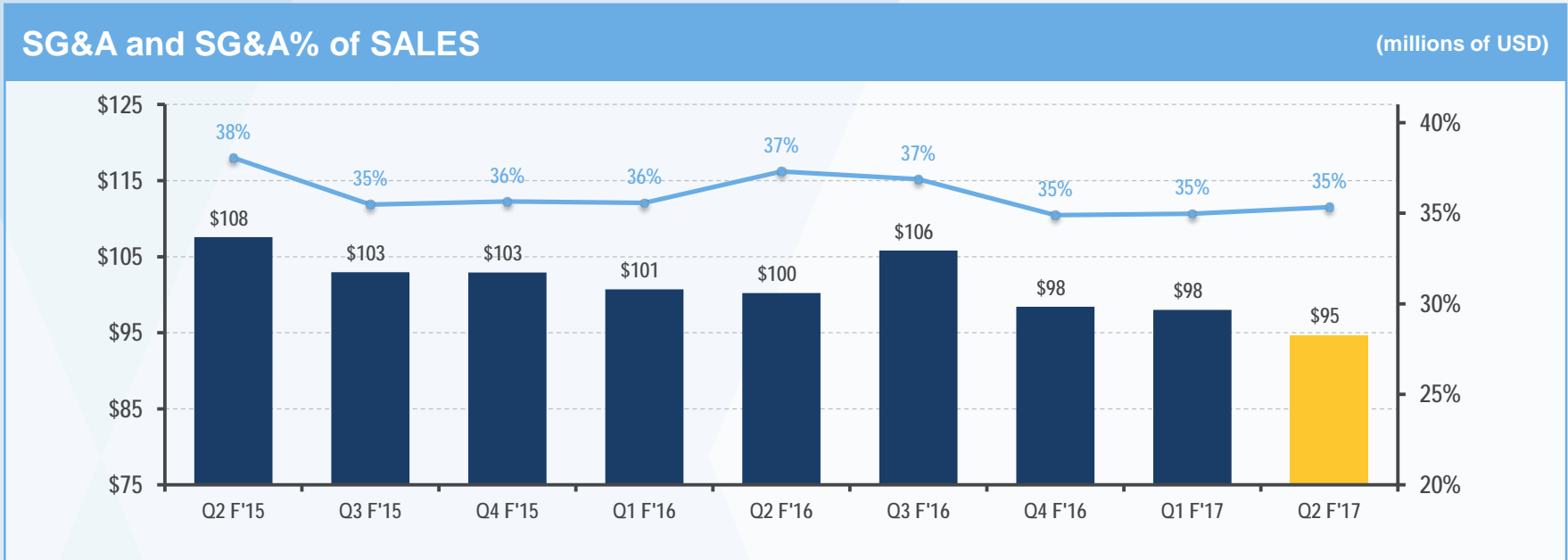
(millions of USD)



GROSS PROFIT MARGIN COMMENTARY:

- GPM of 50.1% in Q2 of F'17 compared with 49.5% in Q2 of F'16.
- GPM improved due to ongoing efficiency gains throughout our global operations.

SG&A Expense

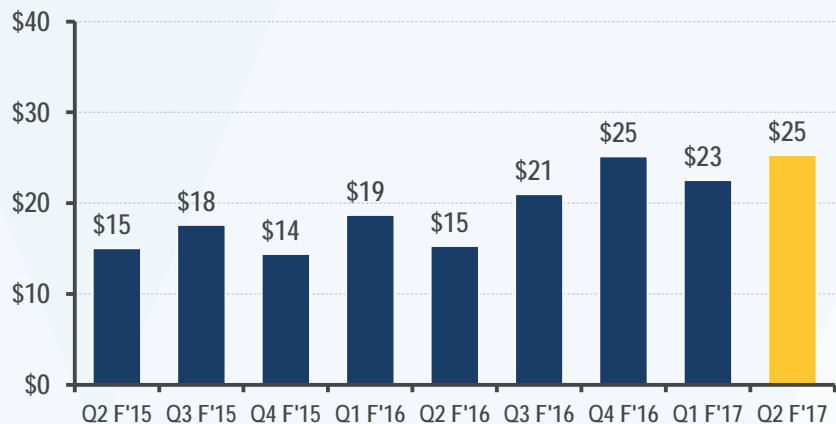


SG&A EXPENSE:

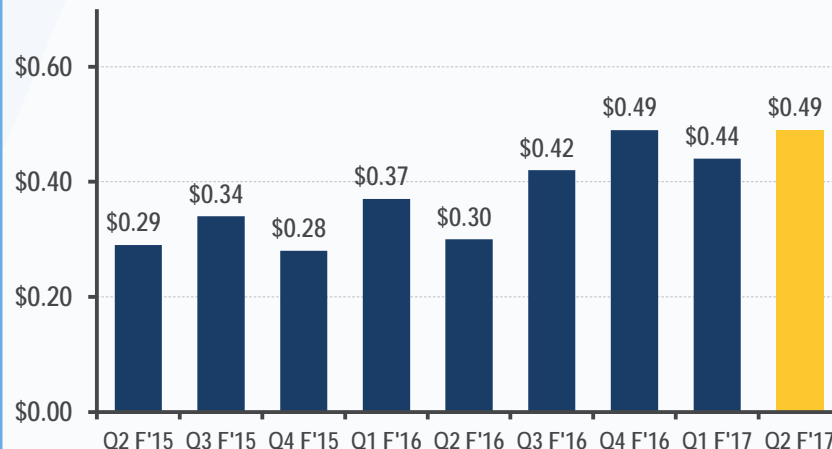
- SG&A expense declined \$5.5M, finishing at \$94.7M in Q2 of F'17 compared to \$100.2M in Q2 of F'16, continuing the general downward trend.
- The ongoing declines in SG&A expense are a direct result of focused efforts on driving efficiencies across the organization, while improving the overall customer buying experience.

Net Earnings & EPS

NET EARNINGS FROM CONTINUING OPERATIONS, EXCLUDING CERTAIN ITEMS IN F'15* (millions of USD)



NET EARNINGS FROM CONTINUING OPERATIONS PER CLASS A DILUTED SHARE, EXCLUDING CERTAIN ITEMS IN F'15*

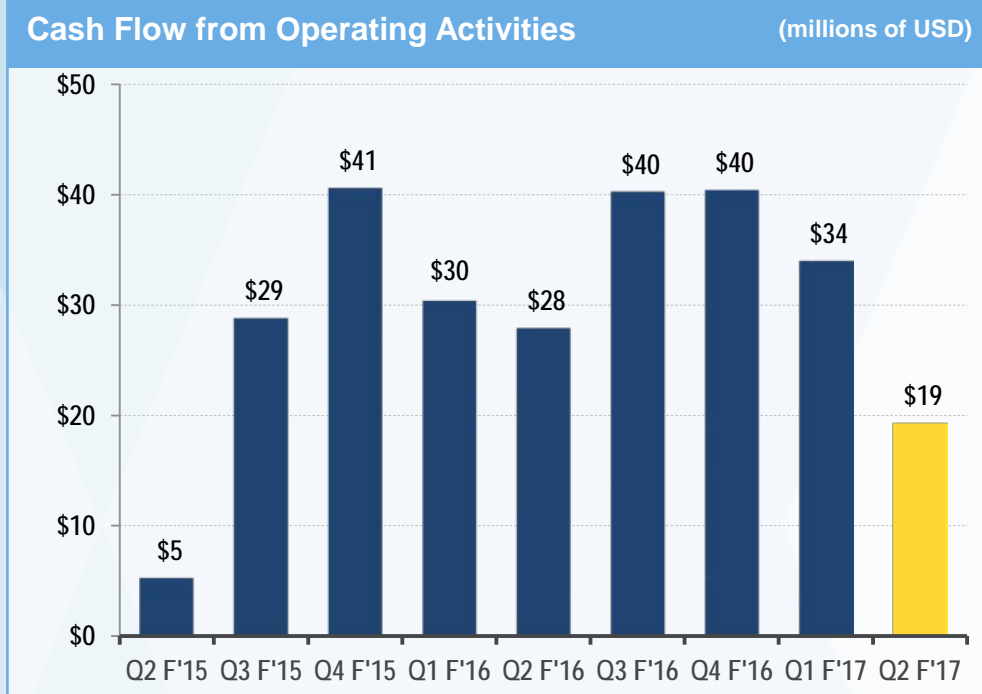


Q2 F'17 – NET EARNINGS & EPS:

- Q2 F'17 net earnings were \$25.3M compared to \$15.3M in Q2 of F'16.
- The increase in earnings was driven by improved gross profit margins, efficiencies in operating expenses, and a lower income tax rate.
- Net earnings were positively impacted by one time discrete tax benefits of \$0.09 per share, resulting in an income tax rate of 13.1% for the quarter ended January 31, 2017.

* Net Earnings from Continuing Operations, Excluding Certain Items in F'15 and Net Earnings from Continuing Operations Per Class A Diluted Share in F'15 are non-GAAP measures. See appendix.

Cash Generation & Uses



CASH FLOWS IN Q2 OF F'17:

- Cash flow from operating activities was \$19.3M in Q2 of F'17 compared to \$27.9M in Q2 of F'16.
- Free cash flow* was \$16.0M in Q2 of F'17 compared to \$26.3M in Q2 of F'16.
- Returned \$10.5M to our shareholders in the form of dividends in Q2 of F'17.
- Cash flow from operating activities in Q2 of F'17 was down versus Q2 of F'16 due to the timing of certain employee-related incentive compensation payments, which were paid in Q1 of F'16 vs. Q2 of F'17.

(millions of USD)

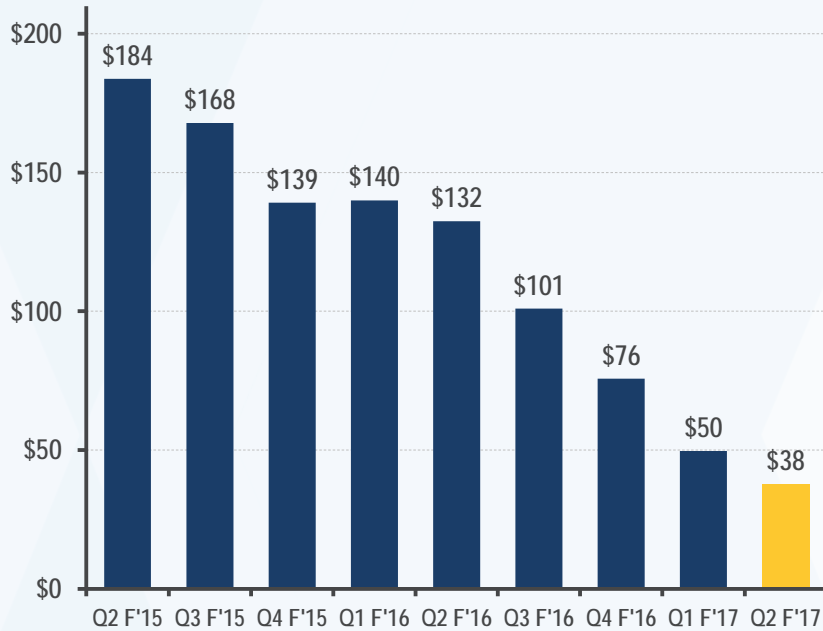
	3 Mos. Ended Jan. 31, 2017	3 Mos. Ended Jan. 31, 2016
Cash Balance - Beginning of Period	\$ 166.3	\$ 110.6
Cash Flow from Operating Activities	19.3	27.9
Capital Expenditures	(3.3)	(1.6)
Repurchase of Stock	-	(7.2)
Dividends	(10.5)	(10.2)
Debt (Repayments) Borrowings - Net	(50.9)	2.3
Effect of Exchange Rate on Cash	(1.3)	(2.3)
Other	5.6	0.7
Cash Balance - End of Period	\$ 125.2	\$ 120.2

* Free Cash Flow is calculated as Net Cash Provided by Operating Activities less Capital Expenditures.

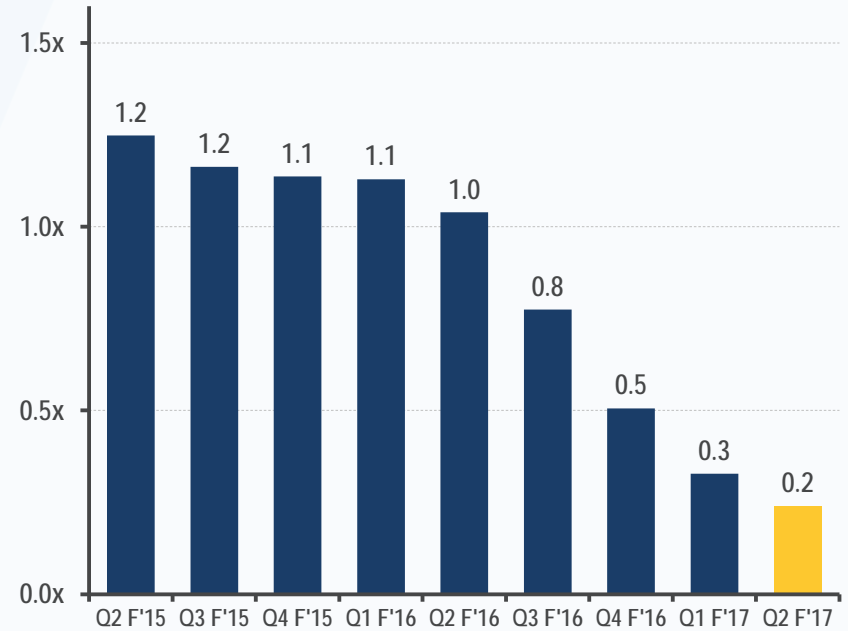
Net Debt & EBITDA

NET DEBT

(millions of USD)



NET DEBT / TTM EBITDA*



STRONG BALANCE SHEET:

- January 31, 2017 Cash = \$125.2M, Debt = \$162.9M, and trailing twelve month EBITDA = \$157.5M.
- Net Debt/EBITDA* = 0.2 to 1.
- Net debt declined \$94.8M over the last twelve months, finishing at \$37.7M at January 31, 2017 compared to \$132.5M at January 31, 2016.
- Balance sheet provides flexibility for future cash uses.

* EBITDA is a non-GAAP measure. See appendix for the reconciliation of net earnings to EBITDA.

Increasing Full Year F'17 EPS Guidance

F'17 Diluted EPS

\$1.75 to \$1.85

Guidance Assumptions:

- Low single digit organic sales declines to slight organic sales growth.
- Full-year depreciation and amortization expense of approximately \$30M.
- Full-year income tax rate in the mid-20% range and income tax expense for the second half of F'17 in the upper-20% range.
- Full-year capital expenditures of approximately \$20M.

Identification Solutions

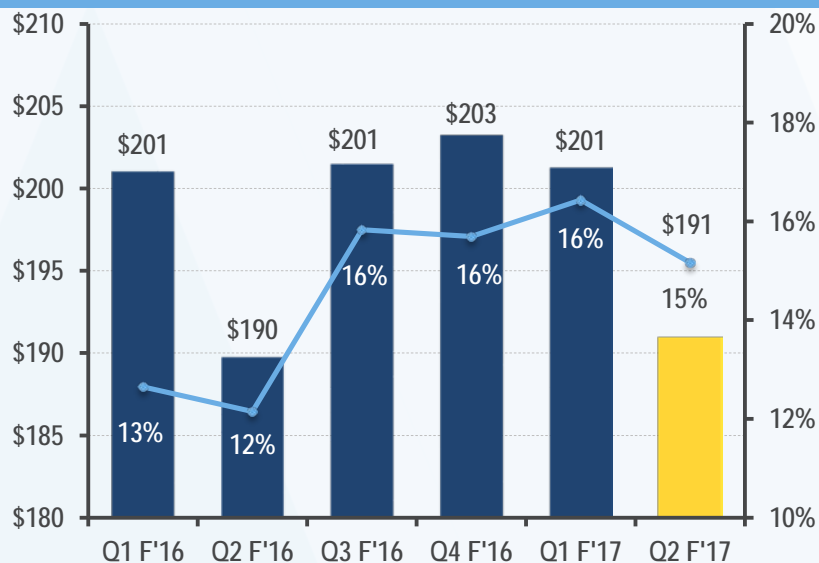
Q2 F'17 vs. Q2 F'16 PERFORMANCE (millions of USD)

	Q2 F'17	Q2 F'16	Change
Sales	\$ 191.0	\$ 189.8	+ 0.6%
Segment Profit	29.0	23.1	+ 25.6%
Segment Profit %	15.2%	12.1%	+ 3.1 pts

Q2 F'17 SUMMARY:

- Revenues up 0.6%:
 - Organic = 1.9%
 - Fx = - (1.3)%
- Organic sales growth in all regions with mid-single digit growth in European business.
- Segment profit as a percent of sales increased as a result of ongoing operational improvements and management of operating expenses.

SALES & SEGMENT PROFIT % (millions of USD)



OUTLOOK:

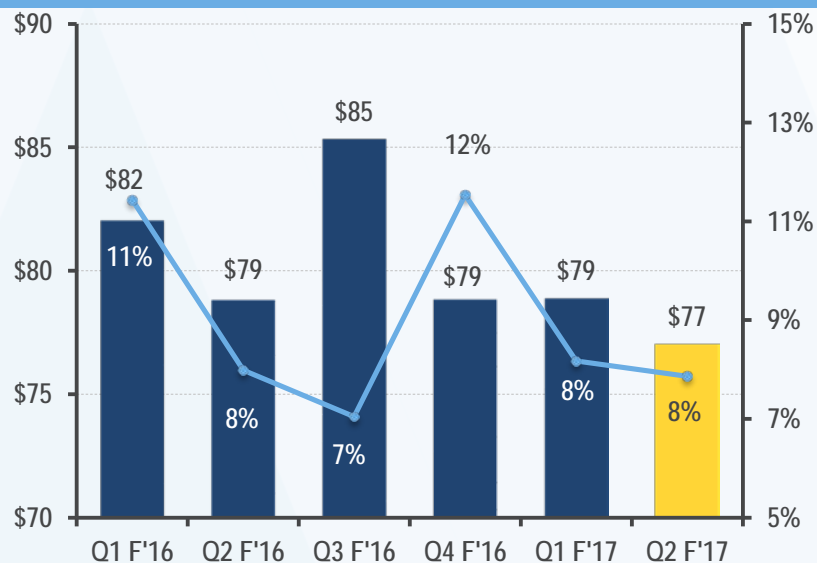
- Expect low-single digit organic sales growth in F'17.
- Expect segment profit to continue to be in the mid-teens as a percent of sales in F'17.

Workplace Safety

Q2 F'17 vs. Q2 F'16 PERFORMANCE (millions of USD)

	Q2 F'17	Q2 F'16	Change
Sales	\$ 77.0	\$ 78.9	- 0.2%
Segment Profit	6.1	6.3	- 3.8%
Segment Profit %	7.9%	8.0%	- 0.1 pts

SALES & SEGMENT PROFIT % (millions of USD)



Q2 F'17 SUMMARY:

- Revenues decreased (2.3%):
 - Organic = - (0.2)%
 - Fx = - (2.1)%
- Continued organic growth in Europe offset by high-single digit declines in the U.S.
- Australia has returned to growth, with mid single-digit organic sales growth in Q2 of F'17.
- Digital sales increased by nearly 20% in Europe.
- Segment profit declined due to decreases in sales and compressed gross profit margins partially caused by business mix.

OUTLOOK:

- Expect low-single digit organic sales declines in F'17.
- Expect segment profit to be in the upper single digits as a % of sales in F'17.

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See our web site at
www.bradycorp.com



Appendix

Comparable Income Statements

COMPARABLE INCOME STATEMENTS

(millions of USD)

	Three Months Ended January 31,		
	2017	2016	Change
Sales	\$ 268.0	\$ 268.6	\$ (0.6)
Gross Margin	134.2	132.9	1.3
<i>% of Sales</i>	<i>50.1%</i>	<i>49.5%</i>	
Research and Development	(9.5)	(9.1)	(0.4)
Selling, General and Admin.	(94.7)	(100.2)	5.5
<i>% of Sales</i>	<i>(35.3%)</i>	<i>(37.3%)</i>	<i>2.0 pts</i>
Operating Income	30.0	23.6	6.4
Interest and Other	(0.9)	(3.1)	2.2
Income Taxes	(3.8)	(5.2)	1.4
Net Earnings	\$ 25.3	\$ 15.3	\$ 10.0
<i>% of Sales</i>	<i>9.4%</i>	<i>5.7%</i>	<i>3.7 pts</i>
Net Earnings per diluted Class A Nonvoting Common Share	\$ 0.49	\$ 0.30	\$ 0.19

Debt Structure

('000s of USD)

	Interest Rate		January 31, 2017 Balance	July 31, 2016 Balance
Revolver Borrowings:				
USD-denominated	1.60%	Variable	\$ 18,000	\$ 112,000
EUR-denominated	0.88%	Variable	42,768	-
China Borrowings:				
USD & CNY-denominated notes payable	3.73%	Variable	5,691	4,928
Private Placements:				
USD-denominated 2007 Series	5.33%	Fixed	16,334	16,334
EUR-denominated 2010 Series (7-yr.)	3.71%	Fixed	32,076	33,510
EUR-denominated 2010 Series (10-yr.)	4.24%	Fixed	48,045	50,138
TOTAL DEBT			\$ 162,914	\$ 216,910

EBITDA Reconciliation

EBITDA

('000s of USD)

Brady is presenting EBITDA because it is used by many of our investors and lenders, and is presented as a convenience to them. EBITDA represents net earnings before interest expense, income taxes, depreciation, amortization and impairment charges. EBITDA is not a calculation based on generally accepted accounting principles ("GAAP"). The amounts included in the EBITDA calculation, however, are derived from amounts included in the Consolidated Statements of Earnings data. EBITDA should not be considered as an alternative to net earnings or operating income as an indicator of the Company's operating performance, or as an alternative to net cash provided by operating activities as a measure of liquidity. The EBITDA measure presented may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

	Fiscal 2017				
	Q1	Q2	Q3	Q4	Total
EBITDA:					
Net earnings	\$ 22,553	\$ 25,297			\$ 47,850
Interest expense	1,732	1,458			3,190
Income taxes	8,434	3,803			12,237
Depreciation and amortization	7,234	6,868			14,102
EBITDA (non-GAAP measure)	\$ 39,953	\$ 37,426	\$ -	\$ -	\$ 77,379

	Fiscal 2016				
	Q1	Q2	Q3	Q4	Total
EBITDA:					
Net earnings	\$ 18,703	\$ 15,290	\$ 20,981	\$ 25,136	\$ 80,110
Interest expense	2,151	2,130	1,838	1,705	7,824
Income taxes	8,489	5,177	8,686	6,883	29,235
Depreciation and amortization	8,889	8,613	7,394	7,536	32,432
EBITDA (non-GAAP measure)	\$ 38,232	\$ 31,210	\$ 38,899	\$ 41,260	\$ 149,601

Reconciliations of F'15 Non-GAAP Net Earnings from Continuing Operations

('000s of USD)

Brady is presenting the Non-GAAP measures "Net Earnings from Continuing Operations Excluding Certain Items" and "Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items." These are not calculations based upon GAAP. The amounts included in these Non-GAAP measures are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our sustainable results. We believe these measures provide an important perspective of underlying business trends and results and provide more comparable measures from year to year. The tables below provide reconciliations of Net Earnings from Continuing Operations to Net Earnings from Continuing Operations Excluding Certain Items, and Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share to Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items.

	Three months ended		
	January 31, 2015	April 30, 2015	July 31, 2015
Net Earnings (Loss) from Continuing Operations (GAAP measure)	\$ 11,584	\$ 17,213	\$ (39,394)
Restructuring charges	3,445	3,198	2,158
Impairment charges	-	-	46,867
Other non-routine charges	-	-	4,757
Postretirement benefit plan curtailment gain	-	(2,792)	-
Net Earnings from Continuing Operations Excluding Certain Items (non-GAAP measure)	\$ 15,029	\$ 17,619	\$ 14,388

	Three months ended		
	January 31, 2015	April 30, 2015	July 31, 2015
Net Earnings (Loss) from Continuing Operations Per Diluted Class A Nonvoting Common Share (GAAP measure)	\$ 0.23	\$ 0.33	\$ (0.77)
Restructuring charges	0.07	0.06	0.04
Impairment charges	-	-	0.91
Other non-routine charges	-	-	0.09
Postretirement benefit plan curtailment gain	-	(0.05)	-
Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items (non-GAAP measure)	\$ 0.29	\$ 0.34	\$ 0.28