

# Annual Shareholders' Meeting

November 17, 2011



# Forward-looking Statements

Brady believes that certain statements in this presentation are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this presentation, including, without limitation, statements regarding Brady’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 are forward-looking statements. When used in this presentation, 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 the length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady’s ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; fluctuations in currency rates versus the US dollar; unforeseen tax consequences; potential write-offs of Brady’s substantial intangible assets; Brady’s ability to retain significant contracts and customers; risks associated with international operations; Brady’s ability to maintain compliance with its debt covenants; technology changes; business interruptions due to implementing business systems; environmental, health and safety compliance costs and liabilities; future competition; interruptions to sources of supply; Brady’s ability to realize cost savings from operating initiatives; difficulties associated with exports; risks associated with restructuring plans; risks associated with obtaining governmental approvals and maintaining regulatory compliance; and 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 located in Item 1A of Part I of Brady’s Form 10-K for the year ended July 31, 2011. 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.

We refer to certain non-GAAP financial measures in this presentation. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found within this presentation.

# Agenda



- Election of Board of Directors
- President's Report
- Financial Report
- Summary
- Questions & Answers

# Election of Board of Directors



- **Patrick W. Allender**  
Executive Vice  
President and Chief  
Financial Officer (ret.),  
Danaher Corp.



- **Dr. Frank W. Harris**  
President and CEO,  
Akron Polymer Systems



- **Gary Balkema**  
President (ret.),  
Worldwide Consumer  
Care Division, Bayer AG



- **Dr. Elizabeth Pungello**  
Developmental  
Psychologist, Frank Porter  
Graham Child Development  
Institute, Univ. of North  
Carolina at Chapel Hill



- **Chan W. Galbato**  
Senior Operating  
Executive, Cerberus  
Operations and Advisory  
Company, LLC



- **Bradley C. Richardson,**  
Executive Vice President and  
CFO, Diebold Inc.



- **Conrad G. Goodkind**  
Attorney (ret.),  
Quarles & Brady, LLC



- **Frank Jaehnert**  
President and CEO,  
Brady Corporation

# Election of Board of Directors

Shareholders of 100% of the Class B Common Voting Stock vote in favor of the election of the director nominees and they are therefore elected to a one-year term.

# Brady's Mission and Vision

Our mission is to  
Identify and Protect Premises Products and People



Our vision is to be the market leader  
in all our businesses  
in order to achieve  
sustainable long-term shareholder value.

# F'11 Highlights

## BUSINESS ACCOMPLISHMENTS:

- Another strong year of new product launches.
- Continued success in e-business.
- Market and customer intimacy initiatives providing results.
- BBPS driving noticeable results in our financials.

## FINANCIAL SUMMARY:

- Net Income up 32.6% to \$108.7 million on sales growth of 6.4%.
- Strong cash flow (free cash flow of \$146.9 million). \$390 million of cash on-hand.
- 26<sup>th</sup> consecutive year of annual dividend increases.

# Targeted Growth Strategy



# Initiatives to Increase Shareholder Value



## GROWTH INITIATIVES:

- New Product Development
- E-business/Multi-channel Marketing
- Unrivalled Customer Experience
- Market and Customer Segmentation
- Increase Growth in Developing Economies
- Growth through Acquisition

## PRODUCTIVITY INITIATIVES:

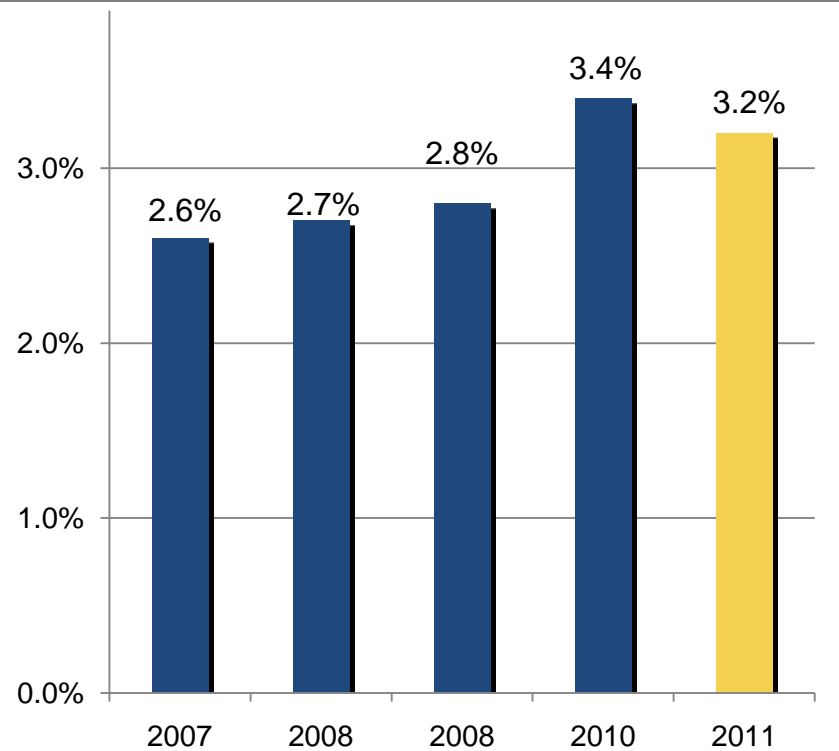
- BBPS
- Global Strategic Sourcing
- Improving Efficiency of SG&A Functions

# New Product Development









## COMMITMENT TO R&D:

- Fiscal 2010 and 2011 were the strongest years in Brady's history for new product launches.
- Innovation supports organic growth and high gross margins.

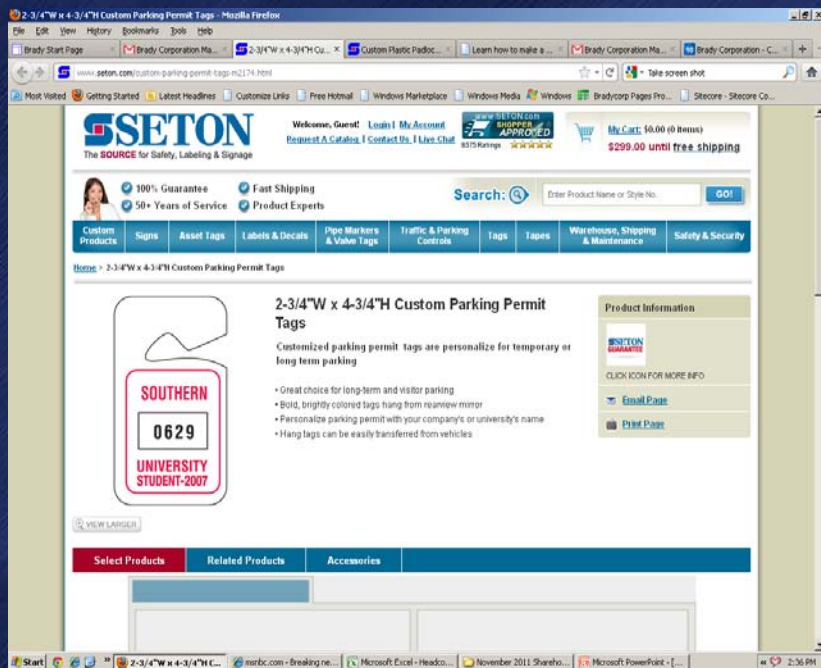
## INVESTMENT IN R&D AS % OF SALES



# F'11 New Product Launches

Q1	Q2	Q3	Q4
<p>ToughStripe™ Printable Floor Marking Tape</p> 	<p>Multi-Language Signage™ Software</p> 	<p>B-595™ Adhesive Marking Film</p> 	<p>Transtherm™ TsoftST F Thermal Gap Management Film</p>  <p>Without and with Heat Management Solution</p>
<p>BBP™31 Printer</p> 	<p>Tiscor InspectNTrack™ Premium software</p> 	<p>Identicard PremiSys™ 2.1</p> 	<p>European Safety Compliance Software CLP for Markware™</p> 

# E-business & Multi-Channel Marketing



## STRONG E-BUSINESS PRESENCE:

Providing 21<sup>st</sup> century customers with buying experiences that meet their needs and preferences:

- Design-Your-Own “anything” capability on Seton.com and Emedco.com.
- Instant price and preview for all custom products.

Multi-Channel marketing driving sales results through numerous customer touch-points.

**InformationWeek 500 2011**

Brady named to *InformationWeek* 500 for outstanding IT practices and organizational innovation.

# Unrivaled Customer Experience



research shows a direct link  
between good customer  
experiences and  
overall company growth

## CUSTOMER SERVICE ADVANTAGE:

- Our customers deserve and expect the ultimate buying experience.
- Managing the total customer experience at every interaction to give Brady a sustainable advantage.
- It is an Attitude backed by Actions that:
  - Anticipate Needs
    - Employees given additional knowledge tools to understand what the customer needs before they ask
  - Take Ownership
    - Employees empowered to make the right decision for the customer
    - More flexible policies
  - Leave a Lasting Impression
    - Solicit customer feedback and follow-up

# Market and Customer Segmentation

## FOCUSING ENERGIES IN THE RIGHT SPOTS:

Focusing on market segments with the highest potential:

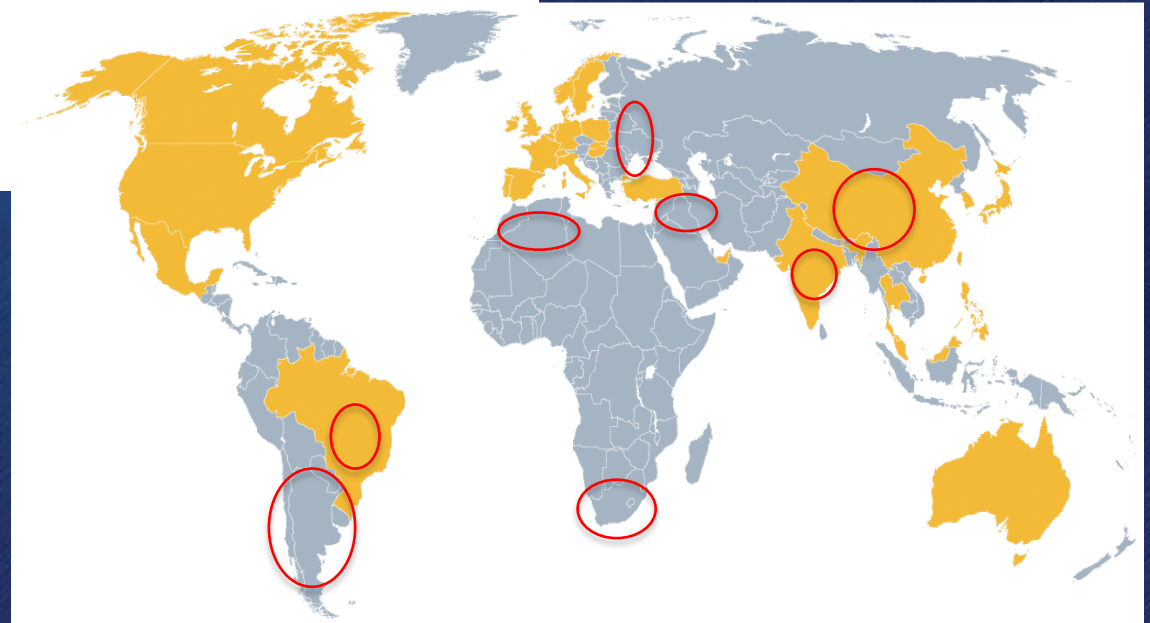
- Food & Beverage Processing Industries:  
Leverage our expertise in product identification and regulatory compliance.
- Oil & Gas and Marine Industries:  
High-performance labels for harsh environments.
- Continue expansion in laboratory, brand protection and aerospace/defense/mass transit industries.



# Geographic Expansion

## INCREASE INVESTMENT IN DEVELOPING ECONOMIES:

- South America - Argentina, Chile, Peru, and further expansion in Brazil
- Eastern Europe - Turkey, Poland and Russia
- Africa - Maghreb and South Africa
- The Middle East
- Asia - Western China and further expansion in India



# Growth Through Acquisition

## DISCIPLINED ACQUISITION STRATEGY:

- Key Part of Capital Allocation & Growth Strategies
- Highly Systematic and Disciplined Acquisition Processes
- Identify the Most Attractive Adjacencies:
  - Understand the Market
  - Capitalize on Global Trends
  - Leverage Brady's Core Capabilities
  - Maintain Financial Discipline

24 acquisitions since F'06 (avg. price = \$25M):

- New geographies
- New technologies
- Market expansion and market share

## ID WAREHOUSE

New South Wales, Australia

People Identification and Security Solutions



# The Brady Business Performance System



**Enterprise-wide system focused on maximizing performance.**

## BBPS – The Way We Work:

- Beyond the manufacturing floor.
- The way we do business.
- BBPS is the toolset to enable profitable growth and economies of scale.
- Brady Thailand receives national LEAN award from the Technology Promotion Association.





# Improving Efficiency of SG&A

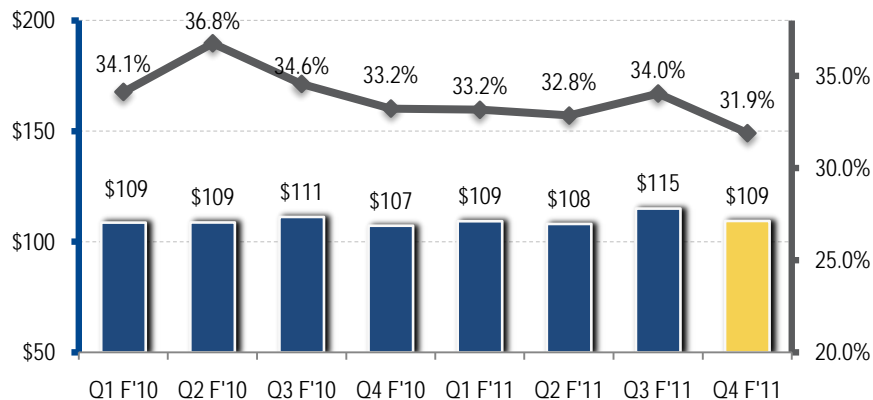
## SPENDING OUR SG&A DOLLARS IN THE MOST IMPACTFUL MANNER:

### Sales and Marketing Excellence:

- Scalable and Competitive Sales and Marketing Capabilities
- Standardized Best-in-Class Processes
- Customer Led-Growth and Voice of the Customer:
  - What Customers Want to Buy
  - How Customers Want to Buy

Moved BBPS from the shop floor to the carpet – HR, IT, and Finance

### SG&A & SG&A as % of SALES



# Sustainability – Doing the Right Thing



## COMMITTED TO ALL OUR STAKEHOLDERS:

### Sustainable Company:

- Conserve Energy & Preserve Resources
- Eliminate Waste
- Improve Safety

### Sustainable Customers:

- Products without Hazardous Materials
- Reduced Packaging Materials
- Use of Sustainable Materials

### Sustainable Communities:

- Brady Corporation Foundation
- Gifts-in-Kind Program
- Employee Volunteer Program
- Brady Academic All-Stars

# Brady Values – Winning the Right Way



## HIGH ETHICAL STANDARDS:

- Strong Internal Audit Function
- Committed to Highest Level of Ethics
- Brady's Values Underlie Our Actions:
  - Focus on the Customer
  - Invest in Our People
  - Embrace Teamwork
  - Excel at Everything We Do
  - Be Bold and Decisive
  - Protect Our Future
  - Win the Right Way

# Financial Overview

# F'11 Financial Recap

## STRONG FINANCIAL RESULTS DRIVING SHAREHOLDER VALUE:

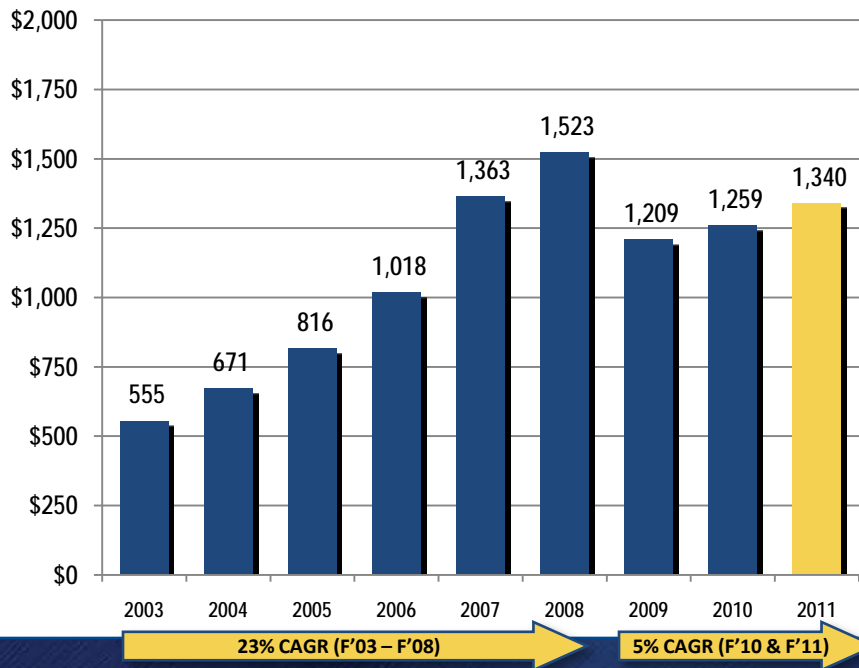
- Net Income up 32.6% to \$108.7M vs. \$82.0M in F'10.
  - Net Income, excluding restructuring\* up 23.4% to \$115.3M vs. \$93.4M in F'10.
- Diluted EPS, up 31.6% to \$2.04 vs. \$1.55 in F'10.
  - Diluted EPS, excluding restructuring\* up 22.7% to \$2.16 vs. \$1.76 in F'10.
- Sales up 6.4% to \$1.34 billion (Organic Growth of 2.9%).
- Gross Profit Margin of 49.0% vs. 49.5% in F'10.
- SG&A Expense down 160 bps to 33.0% of sales vs. 34.6% in F'10.
- Fiscal 2011 free cash flow of \$146.9M (135% of net income) .
- Ending cash balance of \$390.0M at July 31, 2011.
- Announced 26<sup>th</sup> consecutive year of annual dividend increases.

Free Cash Flow =  
Cash Flow from Operating Activities – Capital Expenditures

# Driving Shareholder Value

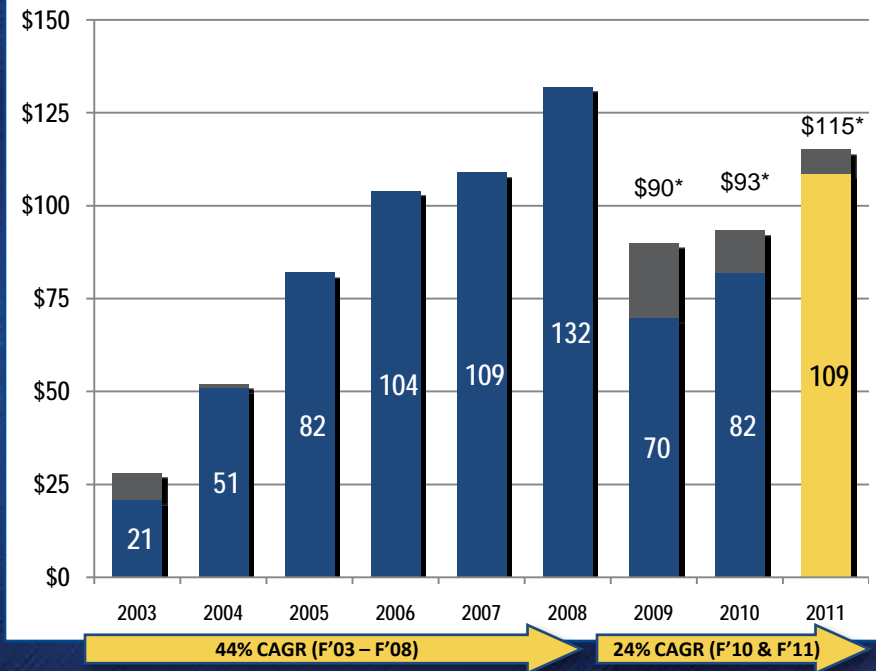
## SALES

(Millions of USD)



## NET INCOME

(Millions of USD)

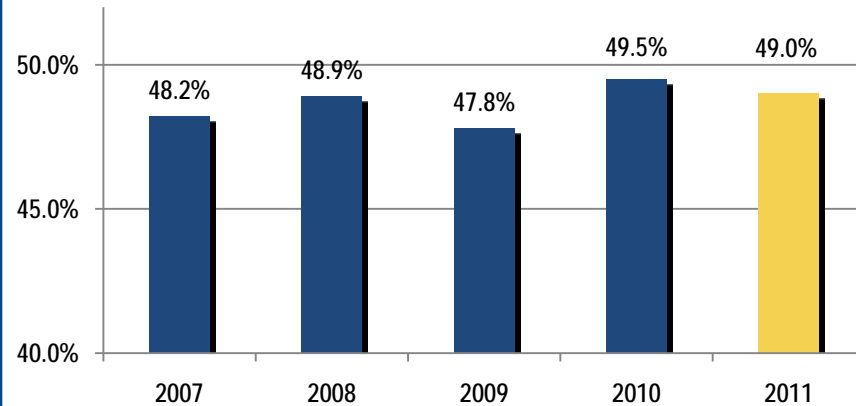


- Net Income Excluding Restructuring Charges (Gray represents post-tax restructuring impact.).

**History of Strong Sales and Net Income Growth**

# GPM & SG&A Expense

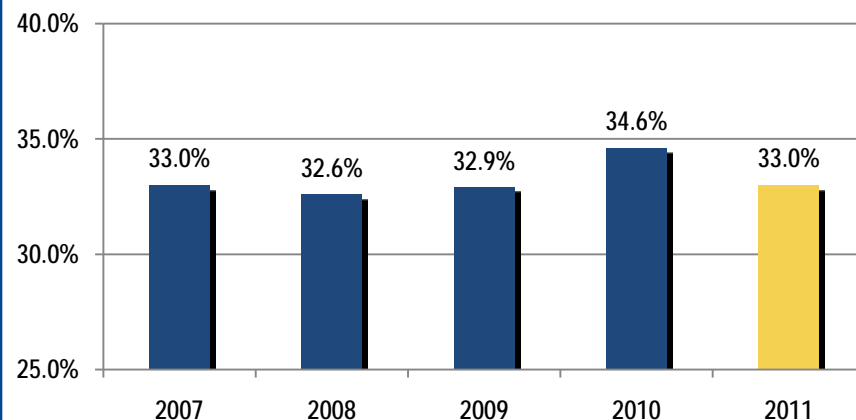
## GROSS PROFIT MARGIN



### STRONG GPM:

- Long history of sustaining near-50% GPM.

## SG&A as % of SALES



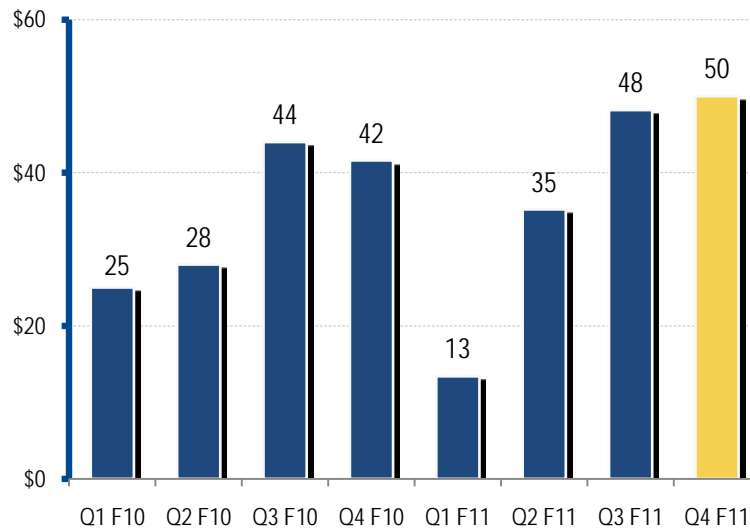
### SG&A EXPENSE:

- Using BBPS to manage SG&A spend.
- Opportunity for improvement.

# Quarterly Cash Generation

## FREE CASH FLOW

(Millions of USD)



Free Cash Flow =  
Cash Flow from Operating Activities – Capital Expenditures

## F'11 CASH WALK

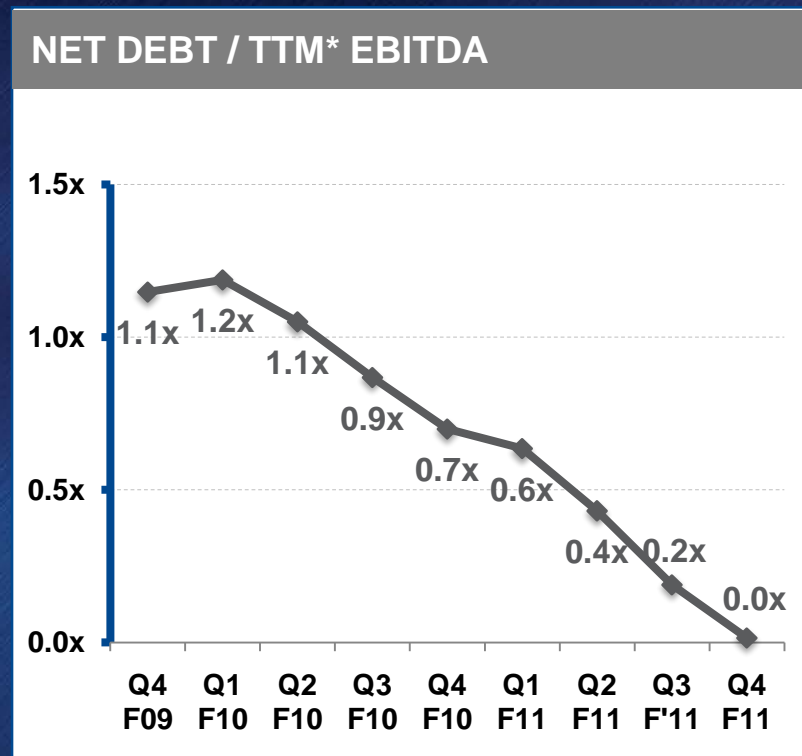
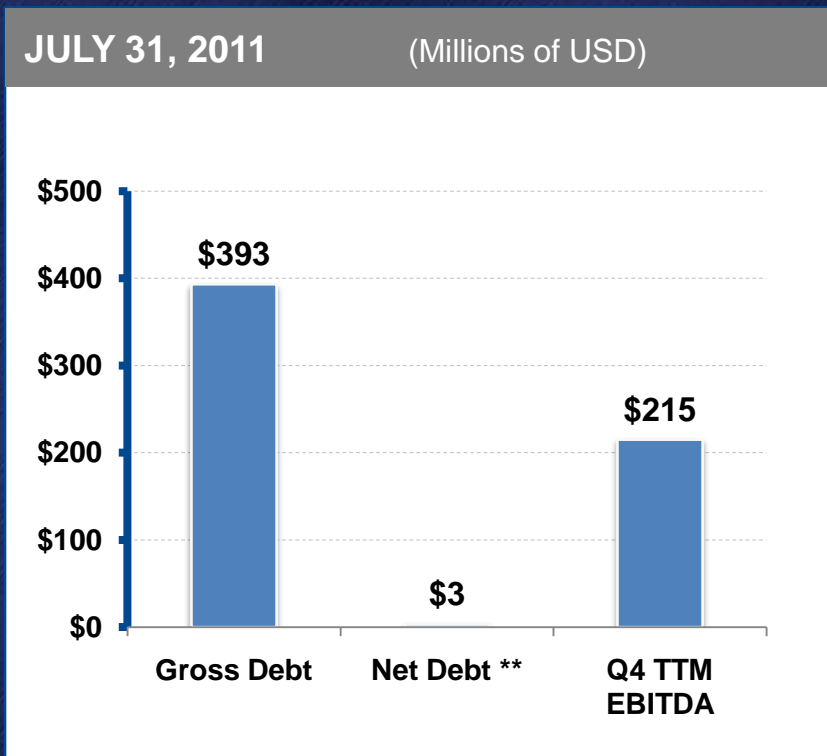
(Millions of USD)

(\$ in millions)	F'11
Cash Balance - Beginning of Period	\$ 314.8
Cash Flow from Operating Activities	167.4
Capital Expenditures	(20.5)
Principal Payments on Debt	(61.3)
Dividends	(38.1)
Effect of Exchange Rate on Cash	22.0
Other	5.7
<b>Cash Balance - July 31, 2011</b>	<b>\$ 390.0</b>

## STRONG CASH GENERATION:

- F'11 Free cash flow of \$147 million, or 135% of net income.
- F'11 Cash Flow from Operating Activities = 154% of net income.

# Conservative Financial Position



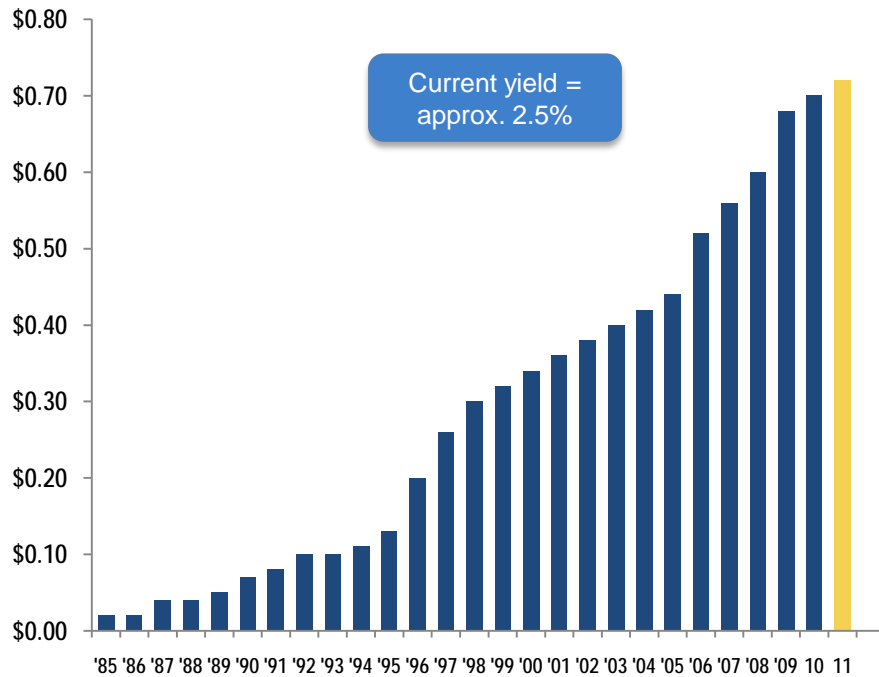
\* TTM = Trailing Twelve Months  
 \*\* ST debt and LT debt less Cash and Cash Equivalents

## CONSERVATIVE FINANCIAL POSITION:

- Strong balance sheet provides flexibility to drive future shareholder value through business expansion or the returning of funds to shareholders.

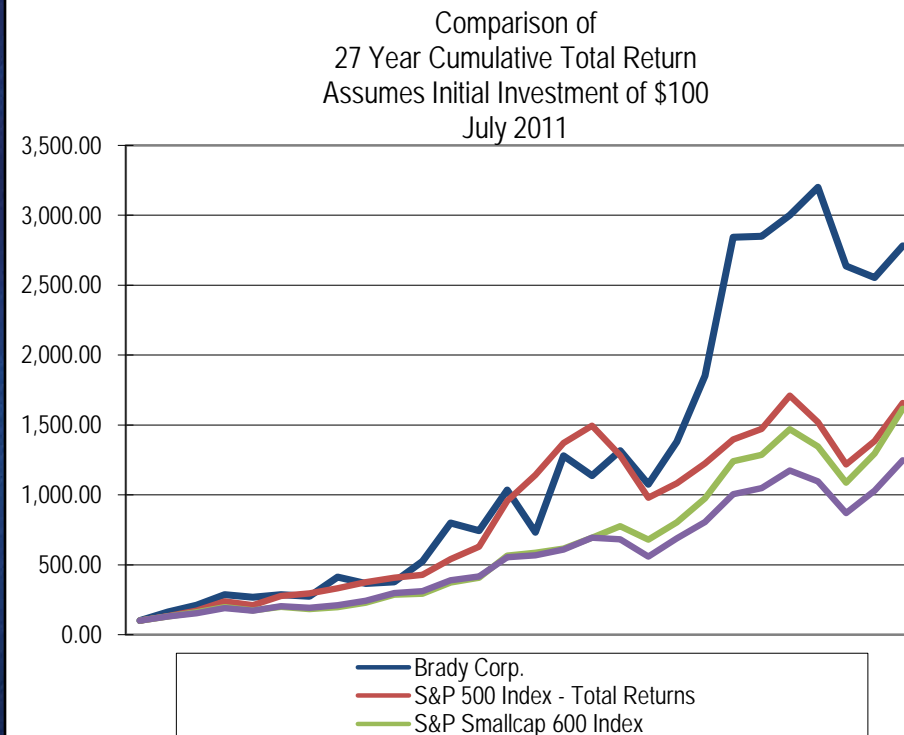
# Shareholder Return

## DIVIDENDS PER SHARE



**Raised Dividends for 26 Consecutive Years.**

## CUMULATIVE TOTAL RETURN



**\$100 invested in BRC in 1984 is worth \$2,780 today (with dividends reinvested).**

# Looking Ahead

## DRIVING SHAREHOLDER VALUE

- Maximize long-term, sustainable shareholder value:
  - **Grow Revenues** organically and through acquisition.
  - **Improve profitability and cash flow** by driving efficiency and processes through BBPS.
  - Take a **balanced long-term capital allocation strategy**. Use our cash generation to drive further revenue growth opportunities, profitability improvement initiatives, and consistently returning funds to you. . .our shareholders.

# THANK YOU!

To all our employees  
for your hard  
work, discipline, and focus.

To Brady's Board of Directors  
for your high expectations,  
support, and encouragement.

AND TO YOU, OUR  
SHAREHOLDERS, FOR YOUR  
CONTINUED SUPPORT.

# QUESTIONS & ANSWERS

## For More Information...

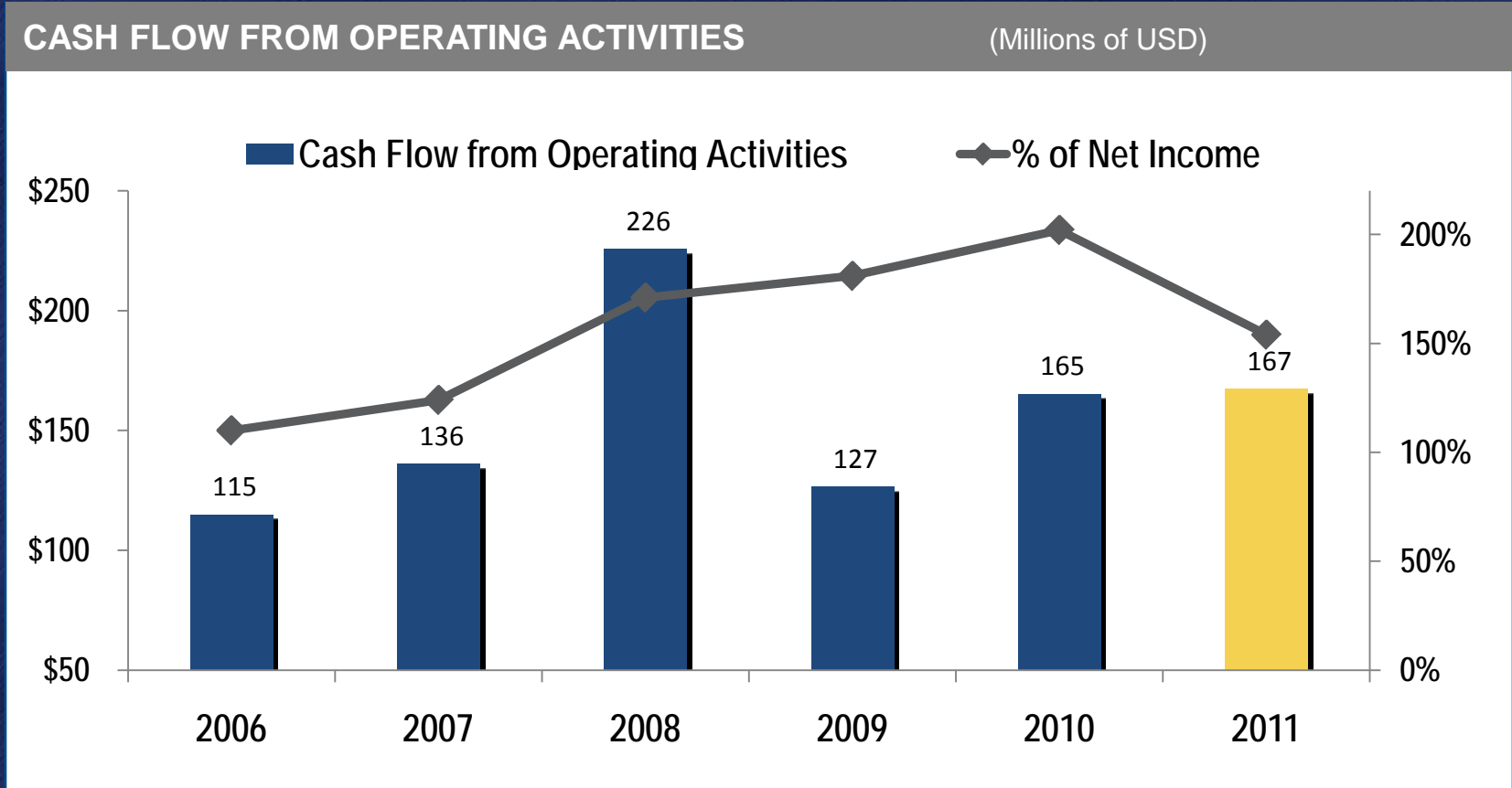
### Contact:

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And see our Web site at  
[www.investor.bradycorp.com](http://www.investor.bradycorp.com)



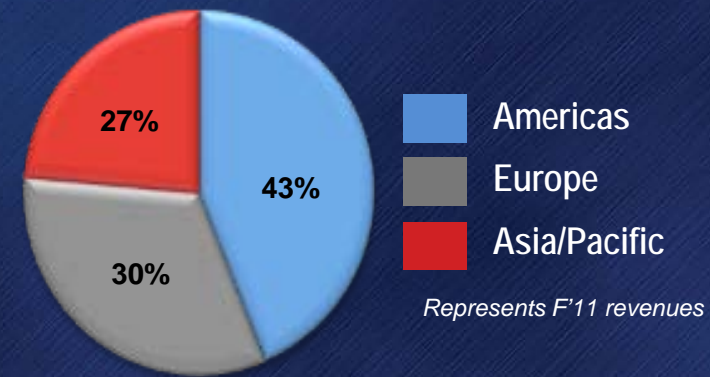
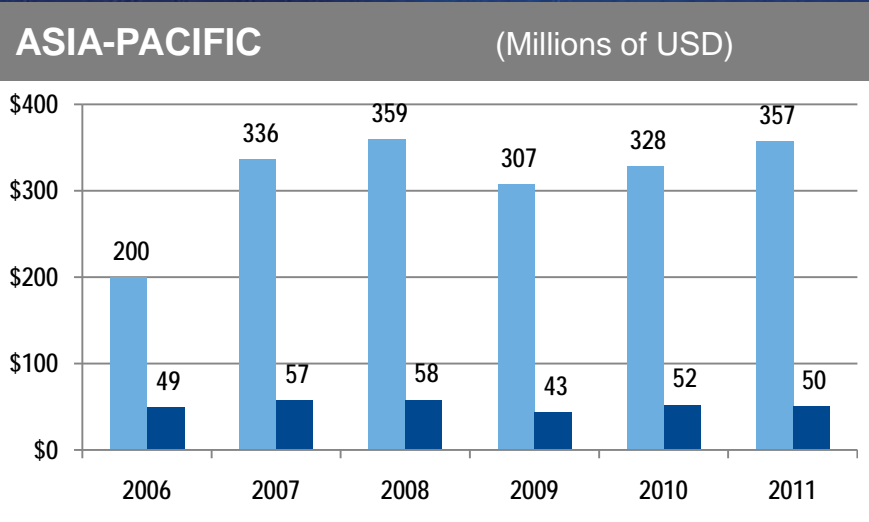
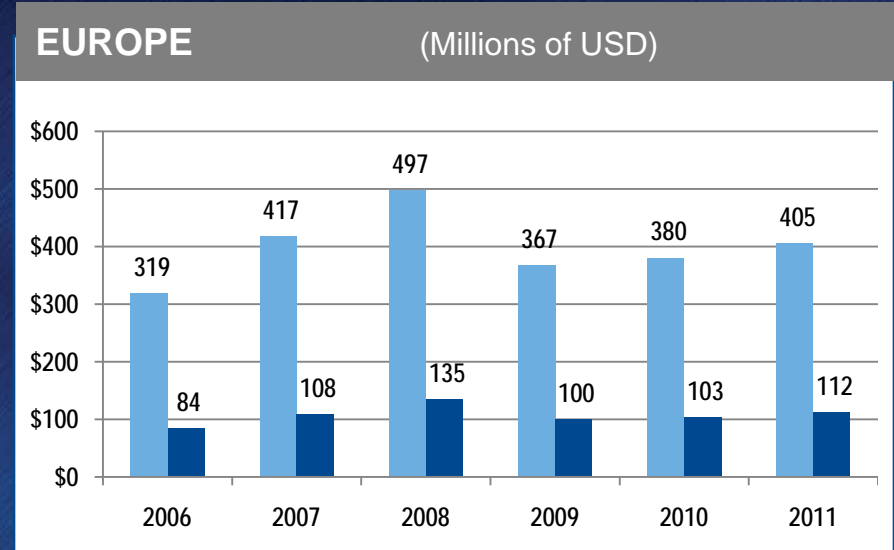
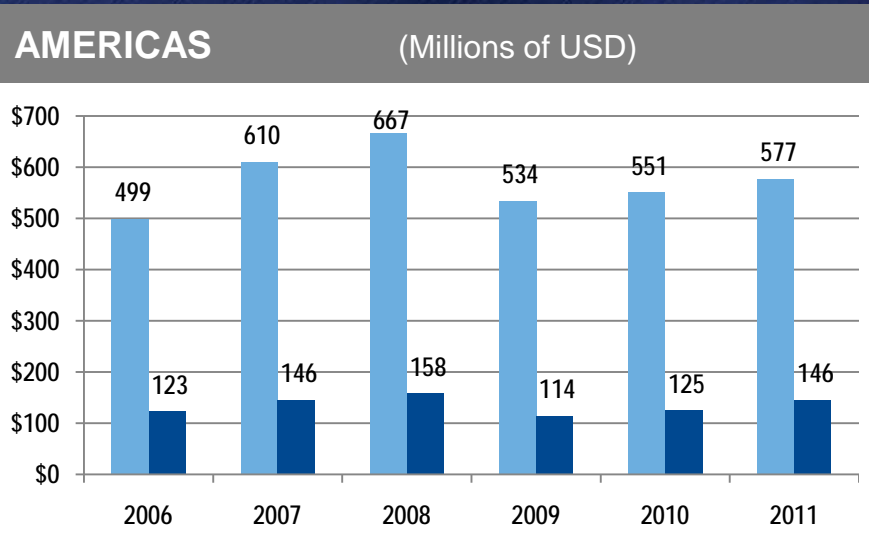
# Strong Cash Generation



**FOCUSED ON CASH GENERATION:**

- Minimal on-going cash needs. Cap. Ex. historically runs less than 2% of revenues.
- \$390 million of cash on-hand.

# Global Presence – F'06 – F'11



■ Revenue  
■ Segment Profit