

2011  
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4<sup>th</sup> Quarter  
Results

# BRADY CORPORATION

## Q4 F'11 CONFERENCE CALL



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## FORWARD-LOOKING STATEMENT

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 U.S. 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, 2010. 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.

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.

## F'11 Recap

- 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 vs. F'10.
  - 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) and an ending cash balance of \$390.0M at July 31, 2011.
- Announced 26<sup>th</sup> consecutive year of annual dividend increases and a share buyback program of up to 2 million Class A Common Shares.

## Q4 F'11 SUMMARY

- Net Income up 37.0% to \$29.6M vs. \$21.6M in Q4 of F'10.
  - Net Income, excluding restructuring\* up 19.1% to \$31.2M vs. \$26.2M in Q4 of F'10.
- Diluted EPS, up 34.1% to \$0.55 vs. \$0.41 in Q4 of F'10.
  - Diluted EPS, excluding restructuring\* up 18.4% to \$0.58 vs. \$0.49 in Q4 of F'10.
- Sales up 6.3% to \$343.1M vs. \$322.9M in Q4 of F'10.
- Gross Profit Margin of 48.1% vs. 49.2% in Q4 of F'10.
- SG&A Expense down 130 bps to 31.9% of sales vs. 33.2% in Q4 of F'10.
- 4<sup>th</sup> quarter free cash flow of \$50.0M (169% of net income).

\* Excluding after-tax restructuring charges.

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

## FULL YEAR F'12 GUIDANCE

|  | Full Year F'12         |
|--|------------------------|
| <b>Diluted EPS (Excl. Restructuring)</b> | <b>\$2.30 - \$2.50</b> |

### Guidance Assumptions:

- Full year capital expenditures of approximately \$25 million.
- Full year income tax rate in the mid-20% range.
- Depreciation and amortization expense of approximately \$45 million.
- Interest expense of approximately \$18 million.
- Foreign currency rates consistent with those as of September 9, 2011.

\*\*In accordance with our normal practice, this guidance does not include any future acquisitions or dispositions. Brady Corporation's policy is to reconfirm or change guidance only in a public forum.

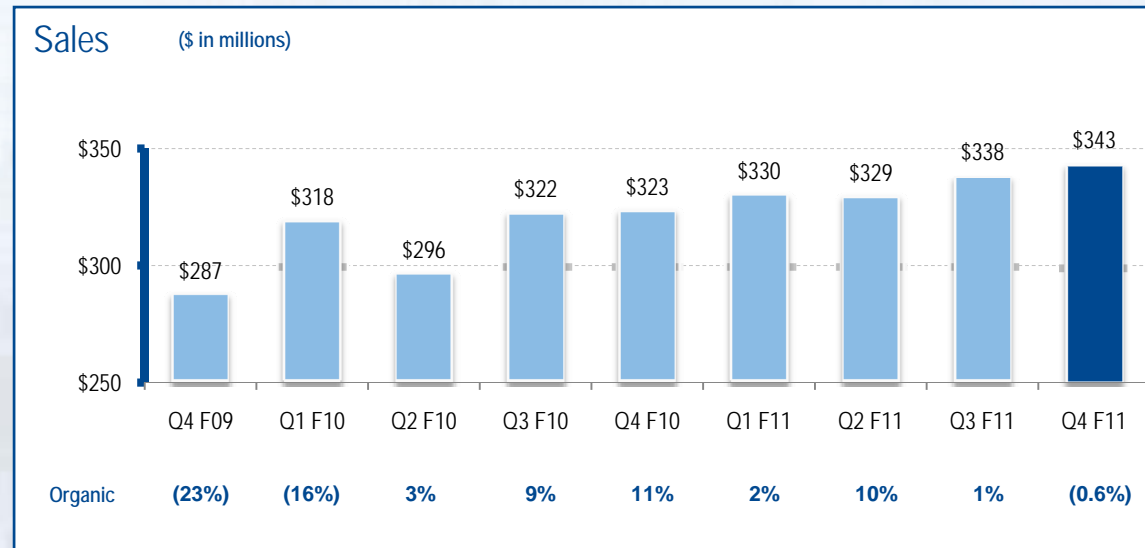
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# SALES OVERVIEW



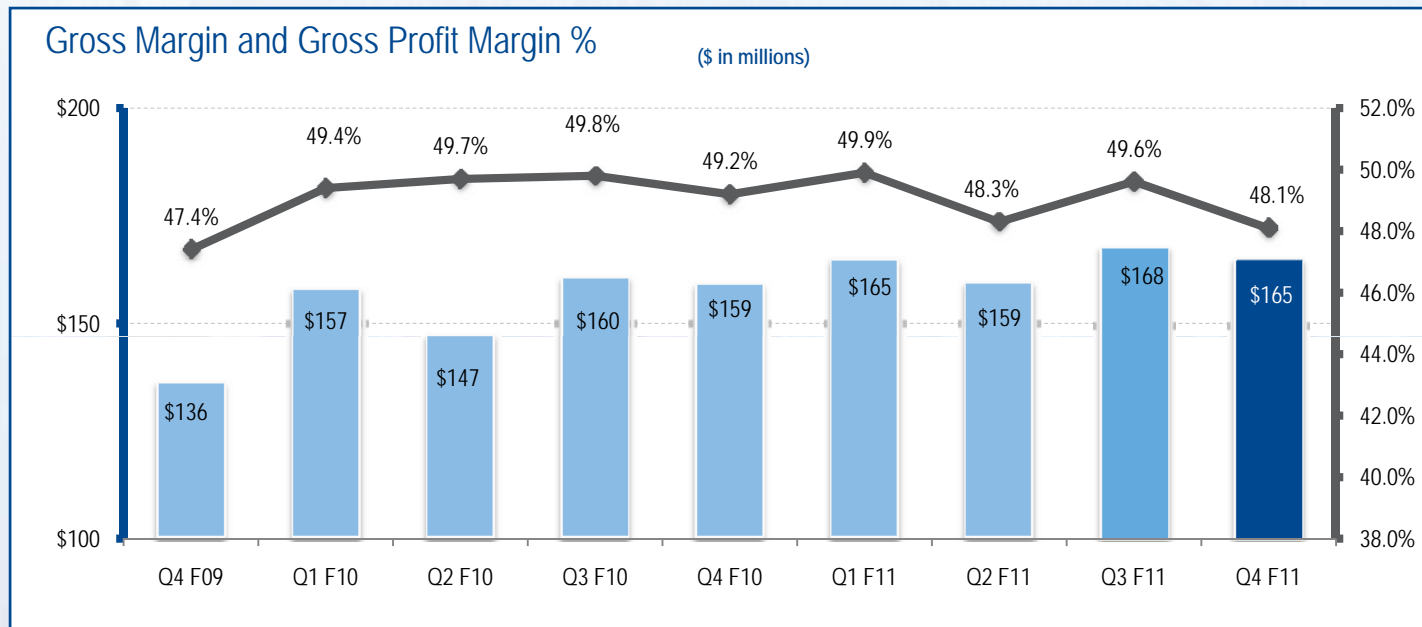
## Total Company Sales Growth – Q4 F'11:

- Total growth of 6.3%.
- Organic sales decline of 0.6%.
- Acquisition, net of divestitures reduced sales by 0.2%.
- Currency added 7.1%.

## Organic Sales Growth by Segment - Q4 F'11:

- Americas – (2.7%) organic sales decline.
  - 1.4% organic sales growth after adjusting for F'10 Gulf Oil Spill revenues.
- Europe – 2.0% organic sales growth.
- Asia-Pacific – 0.4% organic sales growth.

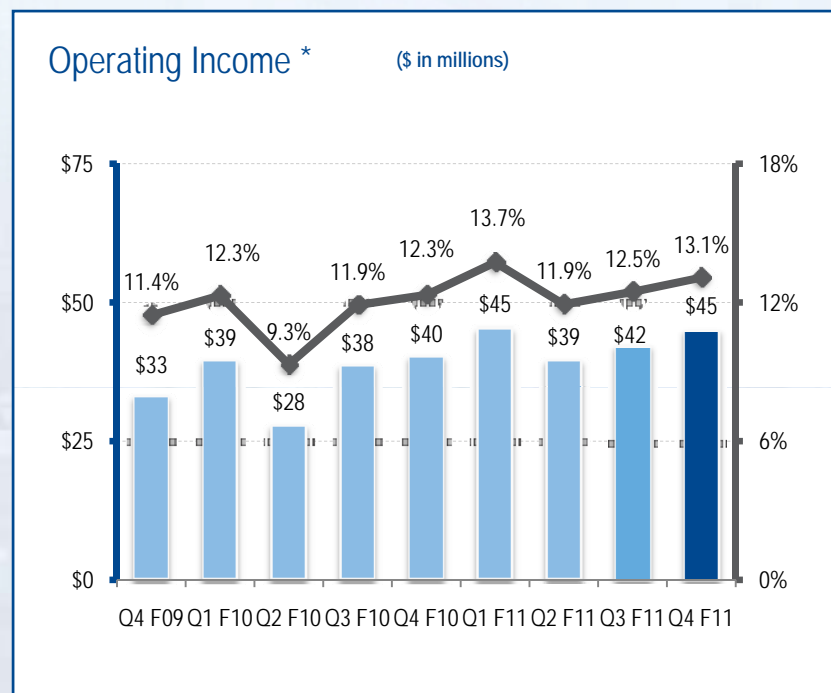
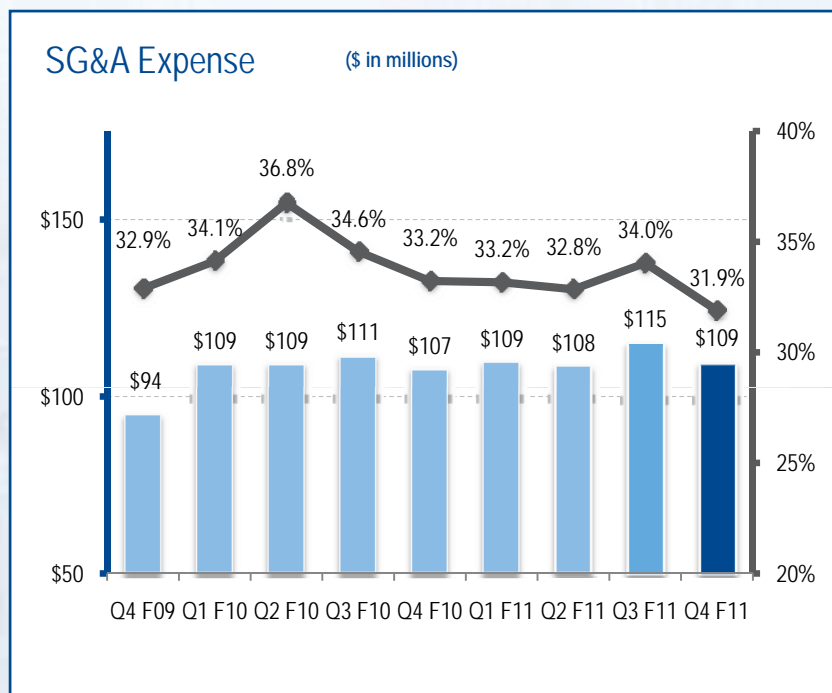
# GROSS PROFIT MARGIN



## Gross Profit Margin Drivers:

- Experienced price increases on certain input costs, including fuel.
- Productivity initiatives and pricing not yet fully offsetting raw material cost increases.
- Benefits from lean and strategic sourcing along with selected price increases on August 1<sup>st</sup>, will be drivers of improvements to gross profit margins.

# SG&A EXPENSE AND OPERATING INCOME \*



- F'11 Q4 SG&A down 130 bps as a percent of sales to 31.9%, compared to 33.2% in F'10 Q4.

### SG&A Improvement Drivers:

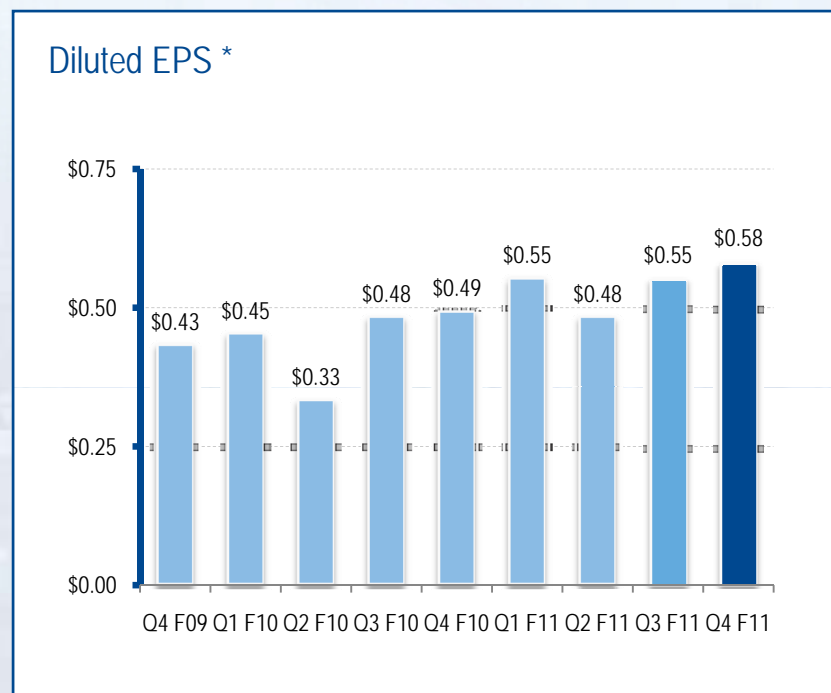
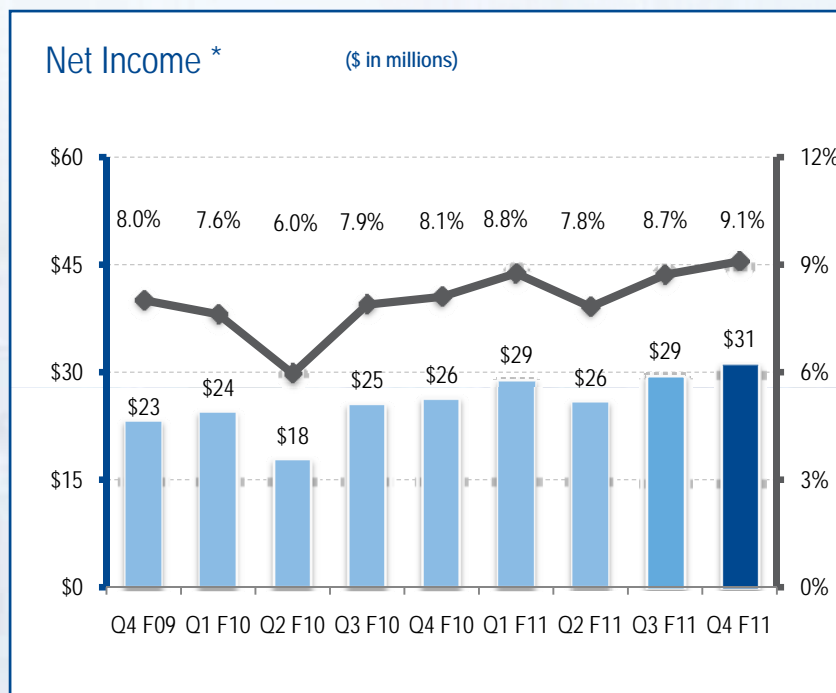
- Realigning sales and marketing organizations to improve efficiency and customer service.
- Focusing on simplifying, standardizing, and automating selling and administrative processes.

- F'11 Q4 operating income of \$44.8 million\* (13.1% of sales) in the quarter, up 12.7% versus \$39.8 million\* (12.3% of sales) in the same quarter in F'10.

- Operating income improvements due primarily to decreased SG&A expense as a percent of sales.

\* Excluding restructuring charges.

# NET INCOME\* AND DILUTED EPS\*



- F'11 Q4 GAAP net income of \$29.6 million; an increase of 37.0% over the same quarter in F'10.
- F'11 Q4 net income\* excluding restructuring charges of \$31.2M increased 19.1% over the same quarter in F'10.
- As a percent of sales, F'11 Q4 net income\* was 9.1% compared to 8.1% in the same quarter in F'10.
- F'11 Q4 GAAP diluted EPS was up 34.1% to \$0.55 over the same quarter in F'10.
- Excluding after-tax restructuring charges, F'11 Q4 diluted EPS\* was up 18.4% to \$0.58 over the same quarter in F'10.

# CASH GENERATION

## Free Cash Flow

(\$ in millions)



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

## Full Year F'11 & Q4 F'11 Cash Balance Walk:

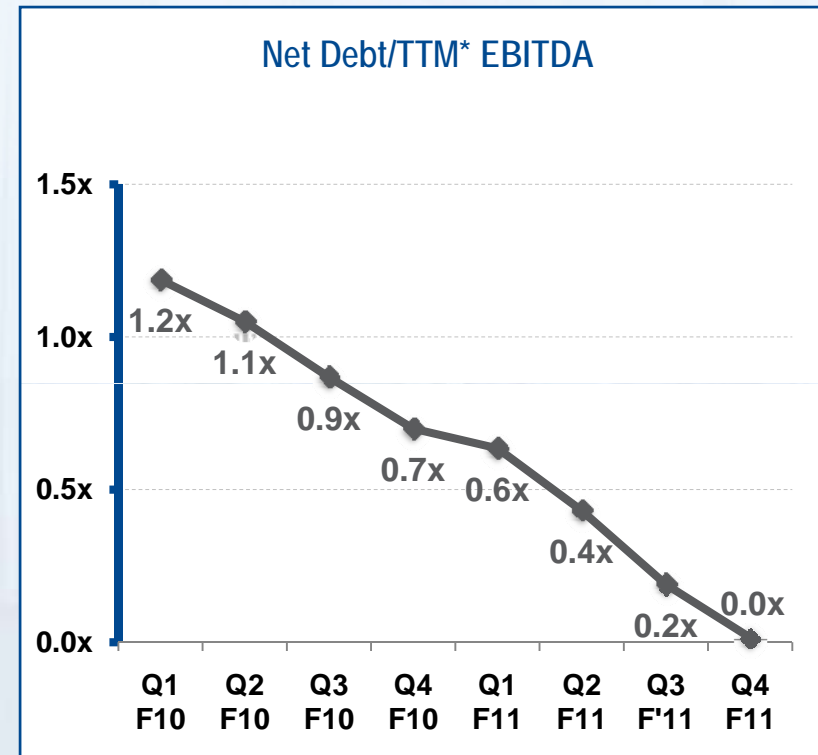
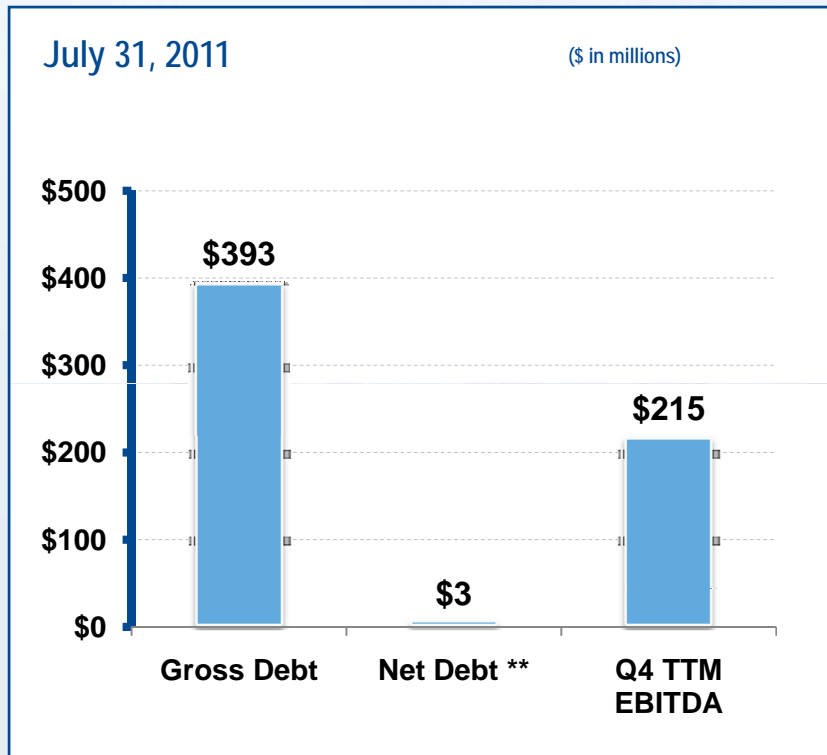
| (\$ in millions)                    | Q4 of F'11      | Full Year F'11  |
|-------------------------------------|-----------------|-----------------|
| Cash Balance - Beginning of Period  | \$ 374.0        | \$ 314.8        |
| Cash Flow from Operating Activities | 56.9            | 167.4           |
| Capital Expenditures                | (6.9)           | (20.5)          |
| Principal Payments on Debt          | (18.8)          | (61.3)          |
| Dividends                           | (9.6)           | (38.1)          |
| Effect of Exchange Rate on Cash     | 0.5             | 22.0            |
| Other                               | (6.1)           | 5.7             |
| <b>Cash Balance - July 31, 2011</b> | <b>\$ 390.0</b> | <b>\$ 390.0</b> |

- Continued strong cash generation. July 31, 2011 cash balance of \$390.0 million provides adequate flexibility to support future growth.
- Repaid \$61.3 million of debt in fiscal 2011 (\$18.8 million of debt was repaid in Q4 of F'11).
- Year-to-date free cash flow of \$146.9 million, or 135% of net income.

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## Q4 F'11 CAPITAL STRUCTURE



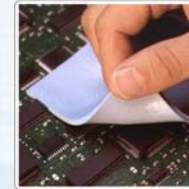
\* TTM = Trailing Twelve Months

\*\* ST debt and LT debt less Cash and Cash Equivalents

- Continued strong cash generation decreasing Net Debt/EBITDA.
- We maintain a conservative balance sheet with flexibility for future growth.

## Q4 F'11 R&D AND NEW PRODUCT LAUNCHES

**Asia-Pacific Die-Cut Application:**  
**Transtherm™ TsoftST F Thermal Gap Management Film** - Expansion of thermal management product line balancing thermal conductivity, hardness and abrasion resistance.



**New Label Materials:**  
**Brady Stickolor** - Enhanced materials and process capabilities to win automotive component business in Brazil at Brady Stickolor.

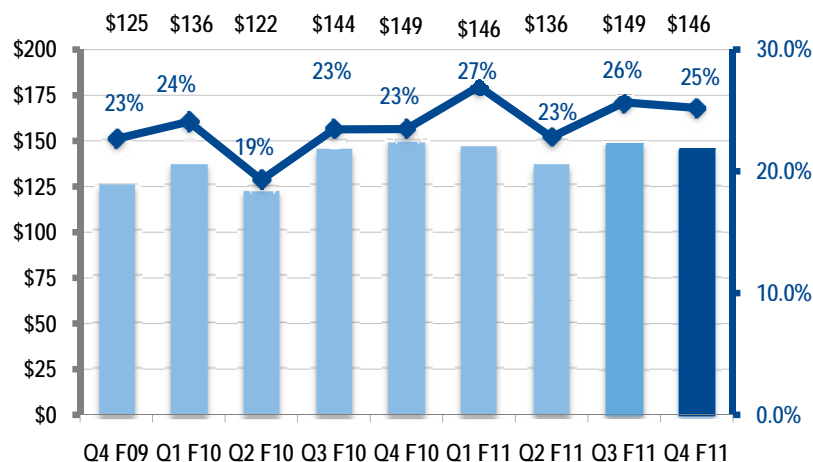


**European Safety Compliance Software:**  
**CLP for Markware™** - Expansion of Markware Software for fast and convenient safety and compliance sign and label printing for compliance to EU Regulation (EC) 1272/2008.



# AMERICAS – Q4 F'11 SUMMARY

Sales and Segment Profit % (\$ in millions)



Year-on-Year Sales

|                  | Q4 F'09 | Q1 F'10 | Q2 F'10 | Q3 F'10 | Q4 F'10 | Q1 F'11 | Q2 F'11 | Q3 F'11 | Q4 F'11 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Organic</b>   | (24%)   | (15%)   | (4%)    | 10%     | 15%     | 4%      | 10%     | 3%      | (2.7%)  |
| <b>Currency</b>  | (2%)    | -       | 3%      | 3%      | 1%      | 1%      | 1%      | 1%      | 1.6%    |
| <b>Acq./Div.</b> | -       | -       | -       | 2%      | 3%      | 2%      | 1%      | (1%)    | (0.7%)  |
| <b>Total</b>     | (26%)   | (15%)   | (1%)    | 15%     | 19%     | 7%      | 12%     | 3%      | (1.8%)  |

## Full Year F'11 Recap:

- Sales up 4.8% over F'10 (3.2% organic growth).
- Segment profit up 16.3% to \$145.5 million (25.2% of sales) vs. \$125.2 million (22.7% of sales) in F'10.

## Q4 F'11 Summary:

- Segment profit up 5.4% to \$36.9 million (25.2% of sales) vs. \$35.0 million (23.5% of sales) in Q4 of F'10.
- (2.7%) organic sales decline, 1.6% growth from currency and a reduction of (0.7%) from the sale of the Teklynx software business.
- Excluding the Q4 F'10 Gulf Oil Spill revenues, organic growth was 1.4% in Q4 of F'11.

## Organic Growth Drivers:

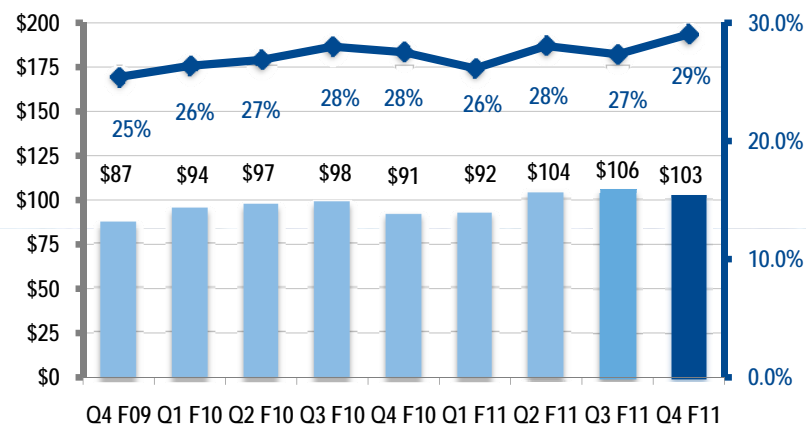
- Internet Sales.
- New product sales.
- Increased customer file, retention and conversion in direct marketing businesses.

## F'12 Outlook:

- Low single-digit organic sales growth.

# EUROPE – Q4 F'11 SUMMARY

Sales and Segment Profit % (\$ in millions)



## Year-on-Year Sales

|                  | Q4 F'09 | Q1 F'10 | Q2 F'10 | Q3 F'10 | Q4 F'10 | Q1 F'11 | Q2 F'11 | Q3 F'11 | Q4 F'11 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Organic</b>   | (25%)   | (12%)   | (2%)    | 6%      | 10%     | 1%      | 12%     | 4%      | 2.0%    |
| <b>Currency</b>  | (9%)    | (1%)    | 11%     | 6%      | (9%)    | (7%)    | (7%)    | 4%      | 12.8%   |
| <b>Acq./Div.</b> | -       | -       | 2%      | 4%      | 5%      | 4%      | 3%      | 0%      | (1.6%)  |
| <b>Total</b>     | (34%)   | (13%)   | 11%     | 16%     | 6%      | (2%)    | 8%      | 8%      | 13.2%   |

## Full Year F'11 Recap:

- Sales up 6.5% over F'10 (4.7% organic growth).
- Segment profit up 8.5% to \$112.0 million (27.7% of sales) vs. \$103.3 million (27.2% of sales) in F'10.

## Q4 F'11 Summary:

- Segment profit up 19.4% to \$29.9 million (29.0% of sales) vs. \$25.0 million (27.5% of sales) in Q4 of F'10.
- 2.0% organic sales growth, 12.8% growth from foreign currency translation and a reduction of 1.6% due to the sale of the Teklynx software business.

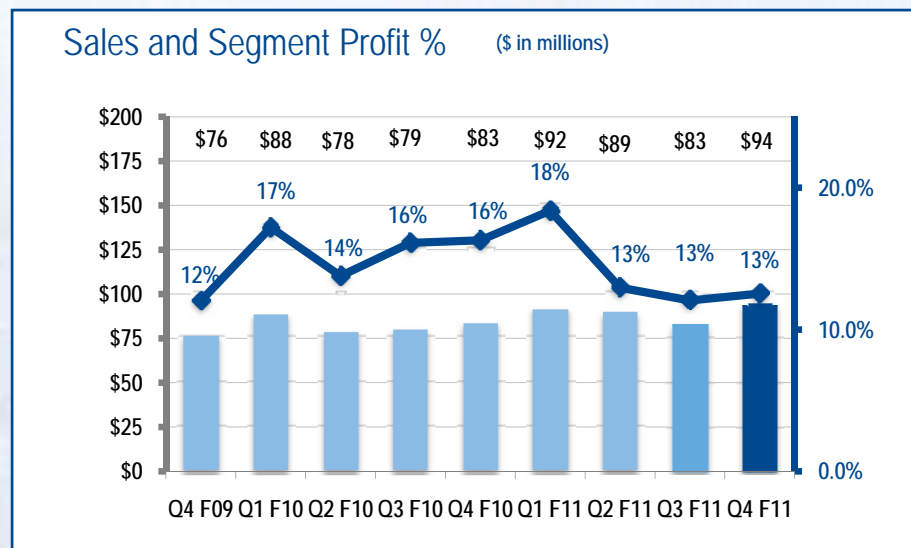
## Organic Growth Drivers:

- Focus on process industries, success of Lock-Out, Tag-Out range, deeper market penetration and new geographies.
- Internet sales.
- Increased customer file, retention and conversion in direct marketing businesses.

## F'12 Outlook:

- Low single-digit organic sales growth.

# ASIA-PACIFIC- Q4 F'11 SUMMARY



Year-on-Year Sales

|                  | Q4 F'09 | Q1 F'10 | Q2 F'10 | Q3 F'10 | Q4 F'10 | Q1 F'11 | Q2 F'11 | Q3 F'11 | Q4 F'11 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Organic</b>   | (15%)   | (20%)   | 26%     | 9%      | 5%      | - %     | 7%      | (5%)    | 0.4%    |
| <b>Currency</b>  | (6%)    | 1%      | 12%     | 11%     | 4%      | 4%      | 6%      | 7%      | 10.5%   |
| <b>Acq./Div.</b> | -       | -       | -       | -       | -       | -       | 2%      | 2%      | 2.3%    |
| <b>Total</b>     | (21%)   | (19%)   | 38%     | 20%     | 9%      | 4%      | 15%     | 4%      | 13.2%   |

## Full Year F'11 Recap:

- Sales up 9.0% over F'10 (0.4% organic growth).
- Segment profit down 3.8% to \$50.1 million (14.0% of sales) vs. \$52.1 million (15.9% of sales) in F'10.

## Q4 F'11 Summary:

- Segment profit down \$1.7 million to \$11.8 million (12.5% of sales) vs. \$13.5 million in Q4 of F'10.
- 0.4% organic sales growth. Sales growth limited due to weaknesses at a key mobile handset customer.

## Organic Growth Drivers:

- Increasing reach into adjacent spaces in OEM business included LCD and tablets.
- Growth in selected vertical markets for MRO products and expanding distribution networks.

## F'12 Outlook:

- OEM sales growth contingent upon successful allocations in the new cycle of mobile handsets and hard disk drives, and continued push into adjacent spaces.
- Continued growth in our MRO business across APAC.

## Fiscal 2012 – Summary of Initiatives

### Growth Initiatives:

- New Product Development
- E-business and Multi-Channel Marketing
- Market and Customer Segmentation
- Growth Through Acquisition

### Productivity Initiatives:

- Brady Business Performance System
- Improving the Efficiency of our SG&A Functions
- Global Strategic Sourcing

## FOR MORE INFORMATION

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See our web site at  
[www.investor.bradycorp.com](http://www.investor.bradycorp.com)



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# BALANCE SHEET

| (\$'s in Millions)                    | July 31, 2011   | July 31, 2010   |
|---------------------------------------|-----------------|-----------------|
| <b>Assets</b>                         |                 |                 |
| Current Assets:                       |                 |                 |
| Cash and Cash Equivalents             | \$ 390          | \$ 315          |
| Accounts Receivable                   | 228             | 222             |
| Inventories                           | 104             | 95              |
| Other Current Assets                  | 36              | 38              |
| Other Assets:                         |                 |                 |
| Goodwill and Intangibles              | 890             | 872             |
| Other Assets                          | 74              | 60              |
| Net Property, Plant and Equipment     | 140             | 145             |
| <b>Total Assets</b>                   | <b>\$ 1,862</b> | <b>\$ 1,747</b> |
| <b>Liabilities</b>                    |                 |                 |
| Current Liabilities:                  |                 |                 |
| Other Current Liabilities             | \$ 240          | \$ 233          |
| Current Maturities on Long-Term Debt  | 62              | 61              |
| Long Term Debt and Other Liabilities: |                 |                 |
| Long Term Debt                        | 332             | 383             |
| Other Liabilities                     | 72              | 65              |
| Equity:                               |                 |                 |
| Stockholders' Investment              | 1,156           | 1,005           |
| <b>Total Liabilities and Equity</b>   | <b>\$ 1,862</b> | <b>\$ 1,747</b> |
| <b>Debt/Equity</b>                    | <b>34%</b>      | <b>44%</b>      |
| <b>Debt/Total Capitalization</b>      | <b>25%</b>      | <b>31%</b>      |

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# INCOME STATEMENT

| (\$'s in Millions)                               | Three Months Ended July 31, |                |                |
|--|-----------------------------|----------------|----------------|
|  | 2011                        | 2010           | Change         |
| <b>Sales</b>                                     | \$ 343.1                    | \$ 322.9       | \$ 20.2        |
| <b>Gross Margin</b>                              | <b>165.0</b>                | <b>158.7</b>   | <b>6.3</b>     |
| <i>% of Sales</i>                                | 48.1%                       | 49.2%          | (1.1) pts      |
| Research and Development                         | (10.8)                      | (11.7)         | 0.9            |
| Selling, General and Admin.                      | (109.4)                     | (107.3)        | (2.1)          |
| <i>% of Sales</i>                                | 31.9%                       | 33.2%          | 1.3 pts        |
| Restructuring Charges                            | (2.2)                       | (5.7)          | 3.5            |
| <b>Operating Income</b>                          | <b>42.6</b>                 | <b>34.1</b>    | <b>8.5</b>     |
| Interest Expense                                 | (5.5)                       | (5.7)          | 0.2            |
| Investment and Other Income                      | 1.1                         | (0.1)          | 1.2            |
| Income Taxes                                     | (8.7)                       | (6.6)          | (2.1)          |
| <i>Income Tax Rate</i>                           | 22.7%                       | 23.5%          | 0.8 pts        |
| <b>Net Income</b>                                | <b>\$ 29.6</b>              | <b>\$ 21.6</b> | <b>\$ 8.0</b>  |
| <i>% of Sales</i>                                | 8.6%                        | 6.7%           | 1.9 pts        |
| <b>Diluted EPS</b>                               | <b>\$ 0.55</b>              | <b>\$ 0.41</b> | <b>\$ 0.14</b> |
| After Tax Restructuring Charges                  | \$ 1.6                      | \$ 4.6         | \$ (3.0)       |
| <b>Net Income (excl. Restructuring Charges)</b>  | <b>\$ 31.2</b>              | <b>\$ 26.2</b> | <b>\$ 5.0</b>  |
| <i>% of Sales</i>                                | 9.1%                        | 8.1%           | 1.0 pts        |
| <b>Diluted EPS (excl. Restructuring Charges)</b> | <b>\$ 0.58</b>              | <b>\$ 0.50</b> | <b>\$ 0.08</b> |
| Weighted Average Shares Outstanding              | 53.3                        | 52.9           | 0.4            |
| <b>EBITDA</b>                                    | <b>\$ 55.0</b>              | <b>\$ 48.9</b> | <b>\$ 6.1</b>  |
| <i>% of Sales</i>                                | 16.0%                       | 15.1%          | 0.9 pts        |

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# EBITDA RECONCILIATION

| (\$'s in Millions)   | F'11           |                |                |                | F'11            |
|--|----------------|----------------|----------------|----------------|-----------------|
|  | Q1             | Q2             | Q3             | Q4             |                 |
| EBITDA <sup>(1)</sup>  |                |                |                |                |                 |
| Net Income   | \$ 26.3        | \$ 24.2        | \$ 28.6        | \$ 29.6        | \$ 108.7        |
| Interest Expense   | 5.7            | 5.9            | 5.1            | 5.5            | 22.2            |
| Income Taxes   | 9.9            | 8.2            | 8.6            | 8.6            | 35.3            |
| Depreciation and Amortization  | 12.6           | 12.9           | 12.0           | 11.3           | 48.8            |
| EBITDA   | <u>\$ 54.5</u> | <u>\$ 51.2</u> | <u>\$ 54.3</u> | <u>\$ 55.0</u> | <u>\$ 215.0</u> |
|  |                |                |                |                |                 |
| (\$'s in Millions)   | F'10           |                |                |                | F'10            |
|  | Q1             | Q2             | Q3             | Q4             |                 |
| EBITDA <sup>(1)</sup>  |                |                |                |                |                 |
| Net Income   | \$ 21.7        | \$ 15.0        | \$ 23.7        | \$ 21.6        | \$ 82.0         |
| Interest Expense   | 5.2            | 5.2            | 5.1            | 5.8            | 21.3            |
| Income Taxes   | 8.8            | 4.8            | 7.2            | 6.6            | 27.4            |
| Depreciation and Amortization  | 13.8           | 13.5           | 12.9           | 12.8           | 53.0            |
| EBITDA   | <u>\$ 49.5</u> | <u>\$ 38.5</u> | <u>\$ 48.9</u> | <u>\$ 46.7</u> | <u>\$ 183.6</u> |
| <p>(1) 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 income before interest expense, income taxes and depreciation and amortization. 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 Condensed Consolidated Statements of Income data. EBITDA should not be considered as an alternative to net income or operating income as an indicator of the company's operating performance, or as an alternative to operating cash flows as a measure of liquidity. However, 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.</p> |                |                |                |                |                 |