



# Brady Corporation

## F'17 Annual Shareholders' Meeting

November 15, 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; decreased demand for our products; Brady's ability to retain large customers; extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities; Brady's ability to execute facility consolidations and maintain acceptable operational service metrics; litigation, including product liability claims; risks associated with the loss of key employees, divestitures and contingent liabilities from divestitures; Brady's ability to properly identify, integrate, and grow acquired companies; foreign currency fluctuations; changes in tax legislation and tax rates; 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, 2017.

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.

# Agenda

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

# Election of the Board of Directors



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



**Nancy Lee Gioia**  
*Director, Global  
Connectivity, Electrical  
and User Experience (ret.),  
Ford Motor Company*



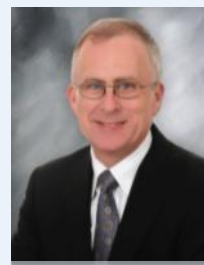
**Bradley C. Richardson**  
*Executive Vice President  
and Chief Financial Officer,  
PolyOne Corporation*



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



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



**J. Michael Nauman**  
*President and CEO,  
Brady Corporation*



**Dr. Elizabeth P. Bruno**  
*Ph.D., President, Brady  
Education Foundation;  
Research Associate  
Professor, University of  
N. Carolina at Chapel Hill*



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

# Election of the 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.**

# President's Report

**J. Michael Nauman**

*President and Chief Executive Officer*



WE'VE **REVOLUTIONIZED** | **PEOPLE**  
THE WAY WE | **PLACES**  
**IDENTIFY** | **PRODUCTS**



click



to view the video

# Strategic Vision Statement

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Brady is the expert in safety, identification, and compliance in a diverse range of workplaces. We possess deep expertise and knowledge in our industries, resulting in trusted partnerships with our customers.

We provide market leading, **innovative**, high-performance product solutions delivered via our custom manufacturing capabilities.





# RECAP OF F'17



Achieved our eighth consecutive quarter of earnings growth



\$144M in operating cash generation



Foundational improvements in all manufacturing metrics including improved quality, reduced errors, and decreased shipping time



Increased digital sales



Driving local ownership and accountability



Increased R&D investment

# DRIVING A CULTURE OF INNOVATION



Voice of customer is driving our innovation process

Rebuilding our sales engines, including industry-specific websites in WPS and a new BradyID.com

Leveraging our capabilities paired with new technologies

Robust product roadmaps

Software enhancements that compliment all our products



# Voice of Customer

## Customized Lock Out Tag Out Products - Australia

- **Brady Australia**
  - Identified several safety hazards within water treatment plants at multiple utilities
  - Brady developed customized range of Lock Out Tag Out solutions
  - Example of how innovation and listening to the customer has gained us entry to a new customer base as well as product enhancements
- **Example: Water Treatment Plant**
  - Slips, trips and falls risk for drop boarding plates identified in safety audit
  - Customized Lock Out Tag Out kit

Before:



After:



# Smart Technology

## Brady CenSys – RFID Technology

- New class of RFID hardware combined with cloud-based software
- Helps our customers with high-value asset tracking
- Simple installation and startup for automated asset tracking solutions
- Optimizes communications and reduces data load on wireless networks

### Uses include:

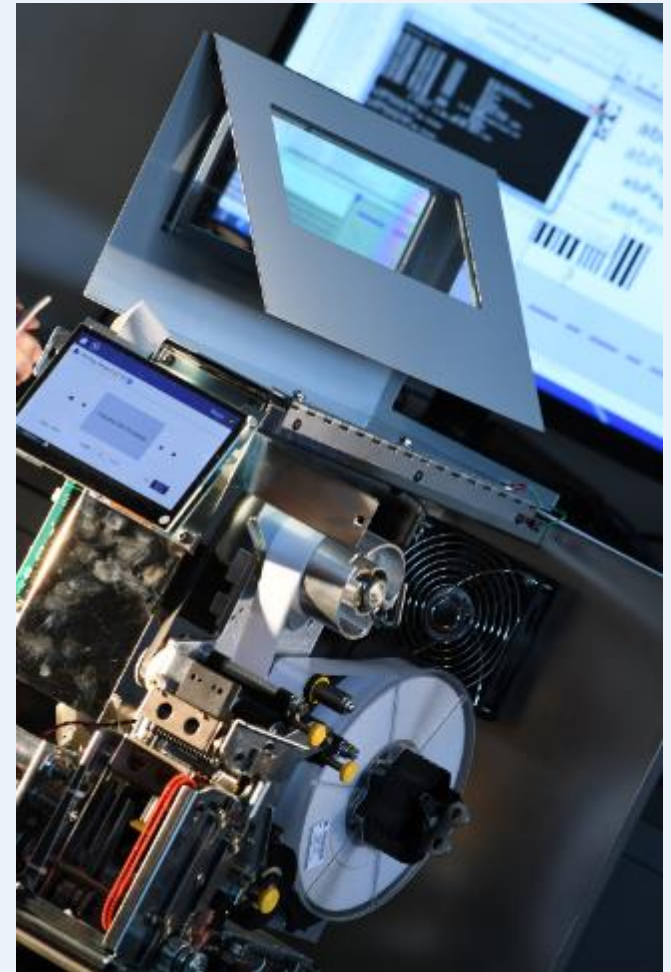
- Hospitals/medical facilities
- Legal and accounting – document management
- General asset check-in/check-out
- Livestock tracking
- Container management in food manufacturing



# Capturing the Demands for Automation

## The Brady Wraptor

- Surge in growth in F'17 – 30% increase from F'16
- Our customers are demanding ways to achieve cost savings through process efficiencies
- Multiple updates with a significant new re-launch earlier this month





# New Search Tools

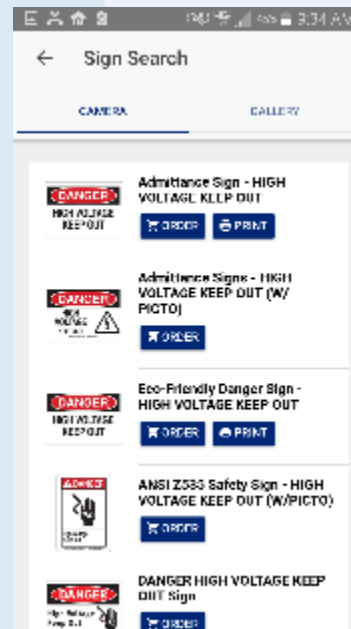
## Sign Search- Direct Order and Print

- Take a picture of a sign (Brady's or a competitor's)
- See the closest product matches on Brady's mobile app
- Order instantly!

### 1. Take picture



### 2. Show matches



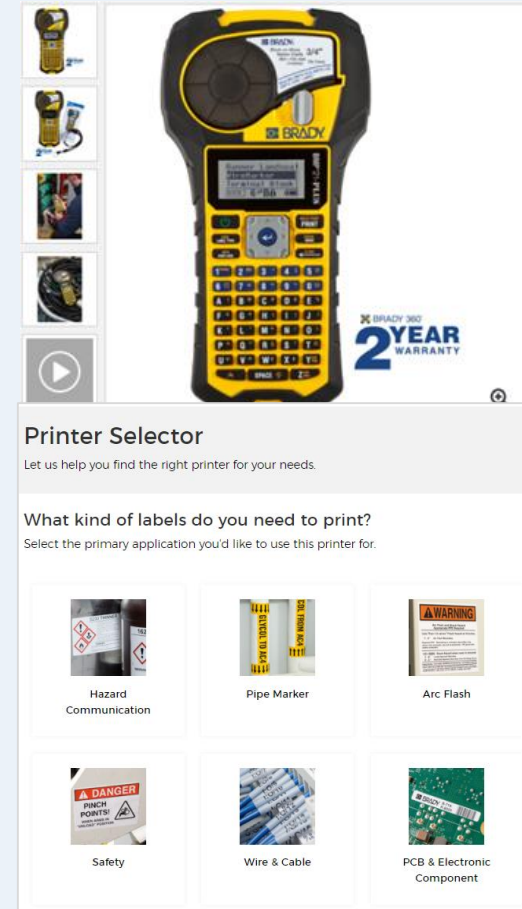
### 3. Order on the Brady mobile app



# Leveraging eCommerce

## BradyID.com Enhancements

- **Optimized content**
  - Product videos and literature easily accessible
- **Easier to find**
  - Product finders guide the customer to the right item
- **Machine learning-based recommendations**
  - Product recommendations help in selection and increase average order value







**Printer Selector**  
Let us help you find the right printer for your needs.





What kind of labels do you need to print?  
Select the primary application you'd like to use this printer for.

- Hazard Communication
- Pipe Marker
- Arc Flash
- Safety
- Wire & Cable
- PCB & Electronic Component

PEOPLE ALSO VIEWED

			
BSP45 Wire Identification Sleeve Applicator \$19,995.00 (USD)	BBP72 Label Printer \$9,500.00 (USD)	I7100 600dpi Industrial Label Printer \$4,299.00 (USD)	I7100 600dpi Industrial Label Printer Peel Model \$5,035.00 (USD)
<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>

SHOP TOP SELLERS

			
BMP21 Series Nylon Cloth Labels \$28.29 (USD)	BMP21 Series Indoor/Outdoor Vinyl Labels \$25.69 (USD)	BBP51 Sign and Label Printer \$1,795.00 (USD)	BMP61 Label Printer \$725.00 (USD)
<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>	<a href="#">ADD TO CART</a>

# New Software Product Launches



## BradyConnect

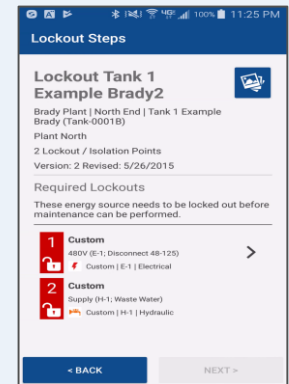
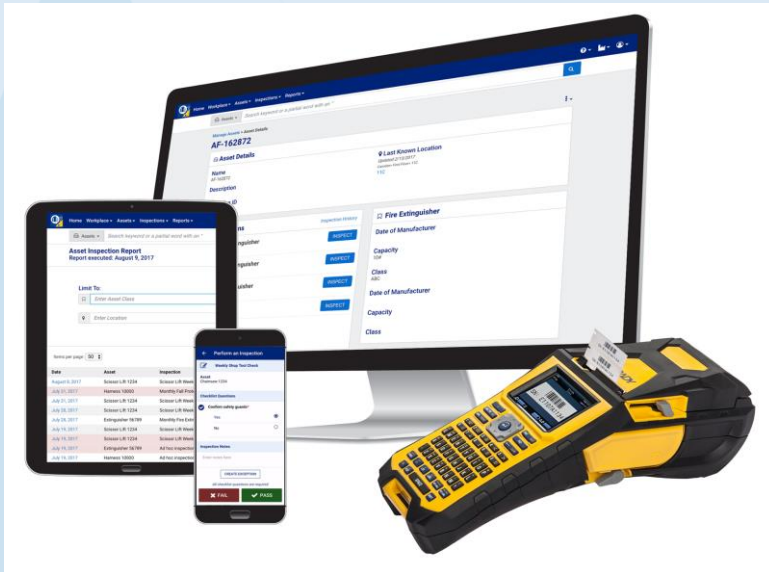
SAFETY. COMPLIANCE. PRODUCTIVITY.

Brady's first **fully integrated** safety, identification, and business productivity solution for asset and inspection management



### Smart Lockout Mobile App for Link360

*Next generation lockout productivity apps for safety and operations*



# OUR CONTINUED FOCUS: F'18



New Product Development



Customer Intimacy



Operational Excellence



Employee Engagement



Order Fulfillment Costs



Facility Optimization



Master Data

# Financial Report

**Aaron Pearce**

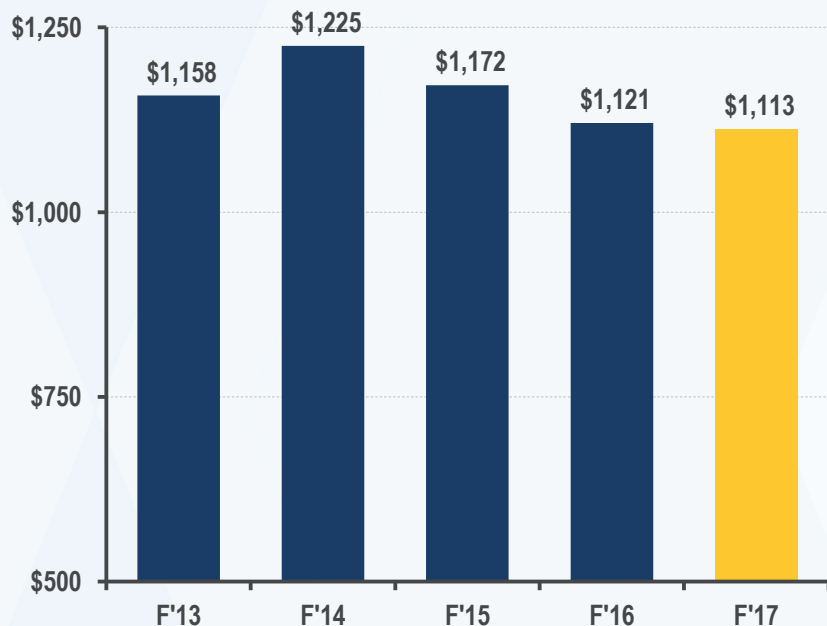
*Chief Financial Officer*



# Revenue & Earnings Trends

## SALES

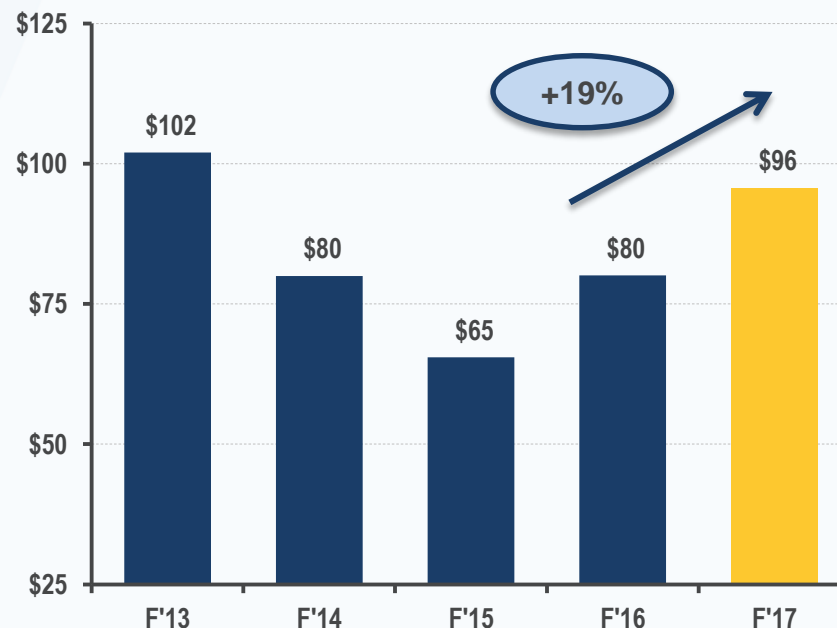
(millions of USD)



Organic Growth	(2.4%)	0.2%	1.0%	(0.7%)	0.5%
For. Currency	(0.8%)	(0.1%)	(5.4%)	(3.7%)	(1.2%)

## NON-GAAP NET EARNINGS FROM CONTINUING OPERATIONS\*

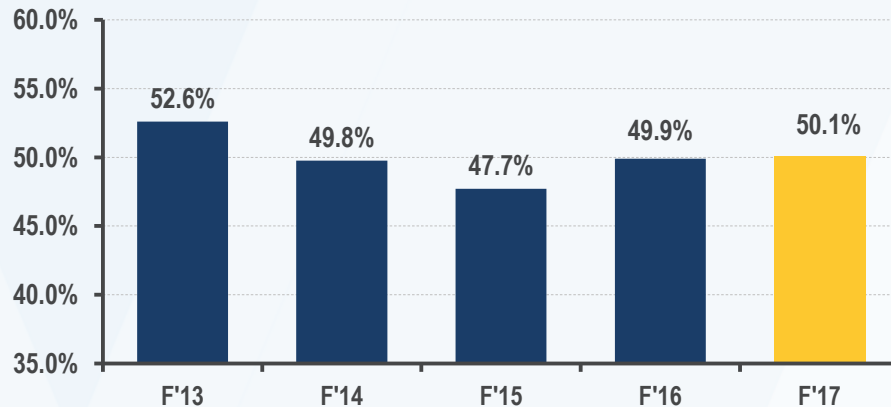
(millions of USD)



\* See appendix for reconciliation of non-GAAP measures in F'13, F'14, and F'15..

# GPM & SG&A Expense

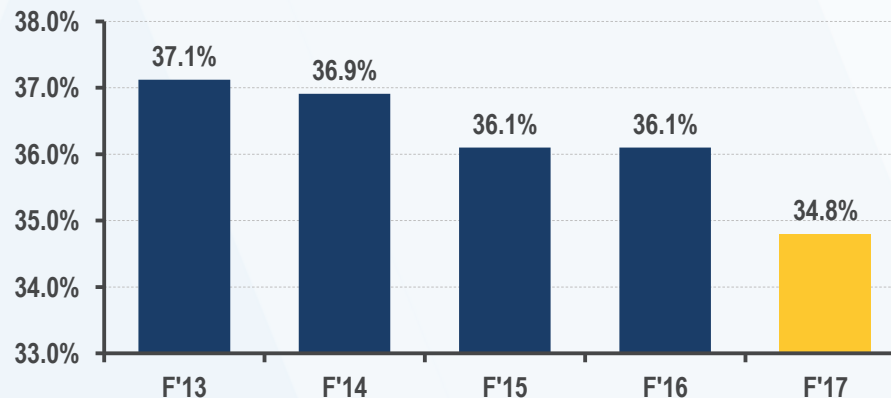
## GROSS PROFIT MARGIN



## GROSS PROFIT MARGIN:

- Pricing pressures in certain product categories.
- On-going operational improvements are positively impacting our gross profit margin.

## SELLING, GENERAL & ADMIN EXP as % of SALES



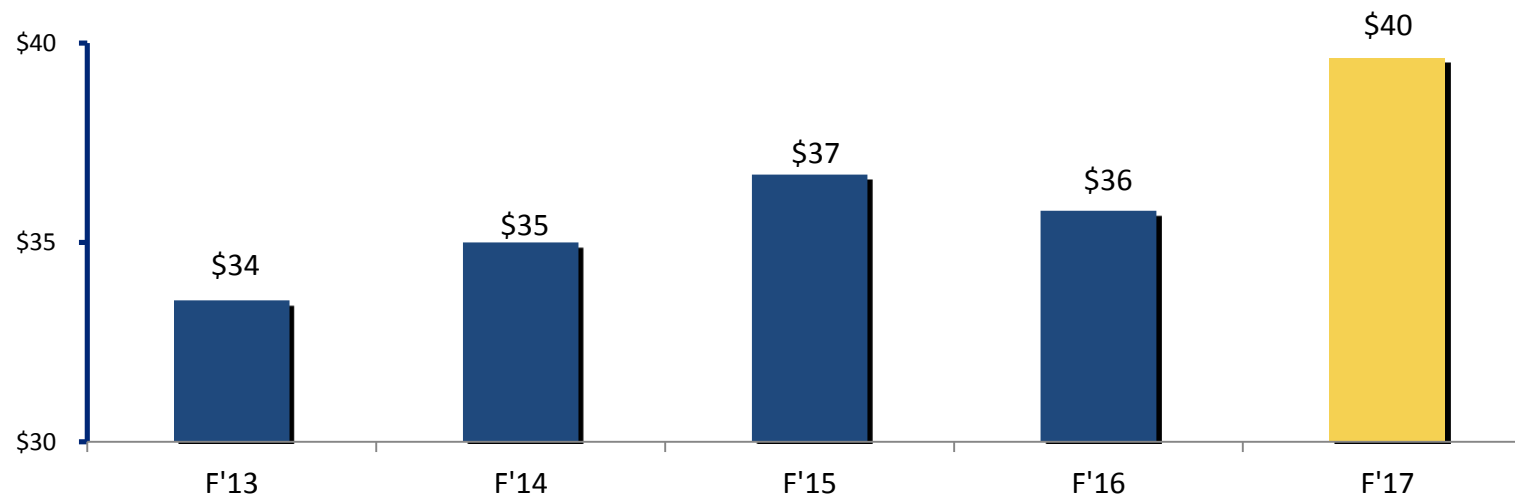
## SG&A EXPENSE:

- Decentralized operating philosophy, with standardized processes.
- Simplified and streamlined organization focused on driving sustainable efficiency gains.
- Reducing G&A structure while investing in growth.

# Increasing our Investment in R&D

## RESEARCH & DEVELOPMENT EXPENSE

(Millions of USD)



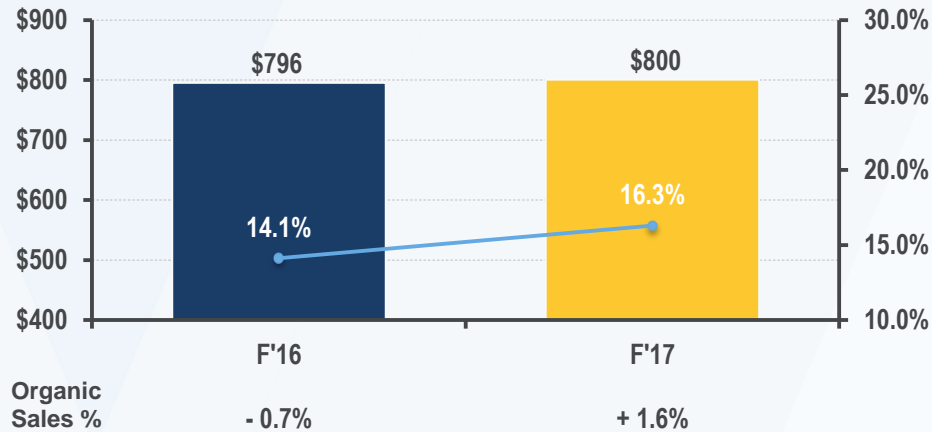
## INCREASING OUR INVESTMENT IN RESEARCH & DEVELOPMENT:

- Investing in R&D to drive future organic sales growth.
- R&D expenses were up 11% in F'17.
- Increase in our new product pipeline.
- Anticipate increased R&D expense in F'18.

# Segment Financial Results (Sales & Segment Profit %)

## IDENTIFICATION SOLUTIONS

(millions of USD)

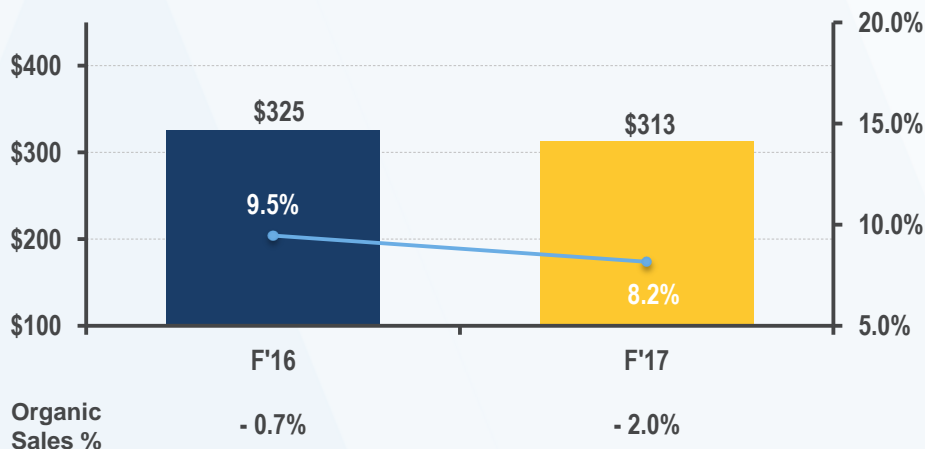


## IDENTIFICATION SOLUTIONS:

- Organic sales growth of 1.6% and segment profit increased from \$112.3M to \$130.6M.
- Sales and profitability grew in all three geographies, while we increased our investment in R&D.

## WORKPLACE SAFETY

(millions of USD)



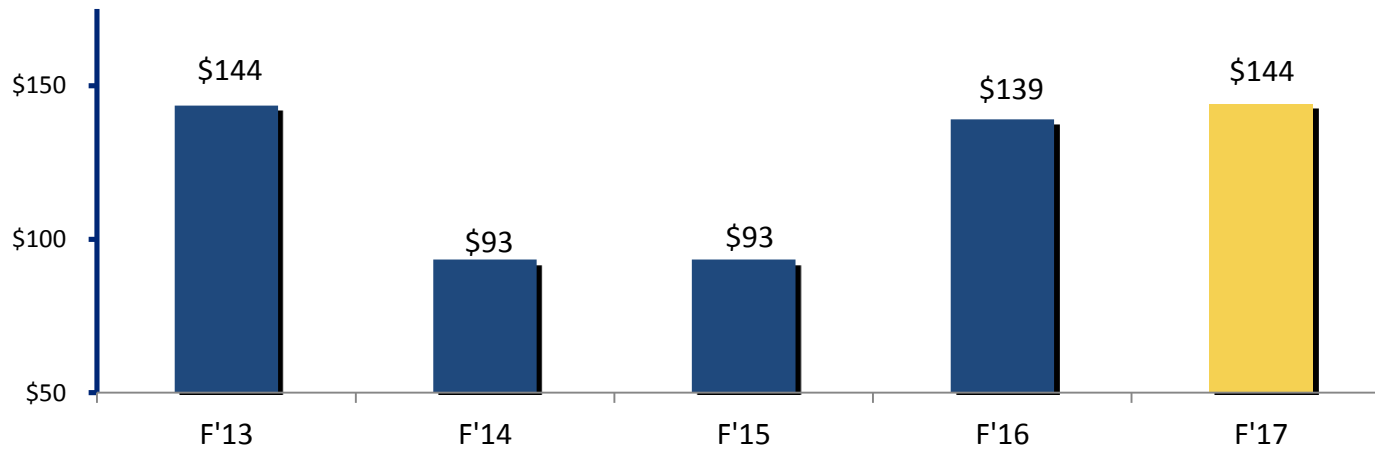
## WORKPLACE SAFETY:

- Organic sales and profitability declined due to competitive challenges in our North American business.
- Our Australian and European businesses performed well.
- Digital sales are improving.
- We are focused on improving our North American Workplace Safety business.

# Cash Generation

## CASH FLOW FROM OPERATING ACTIVITIES

(Millions of USD)



## What did we do with our cash?

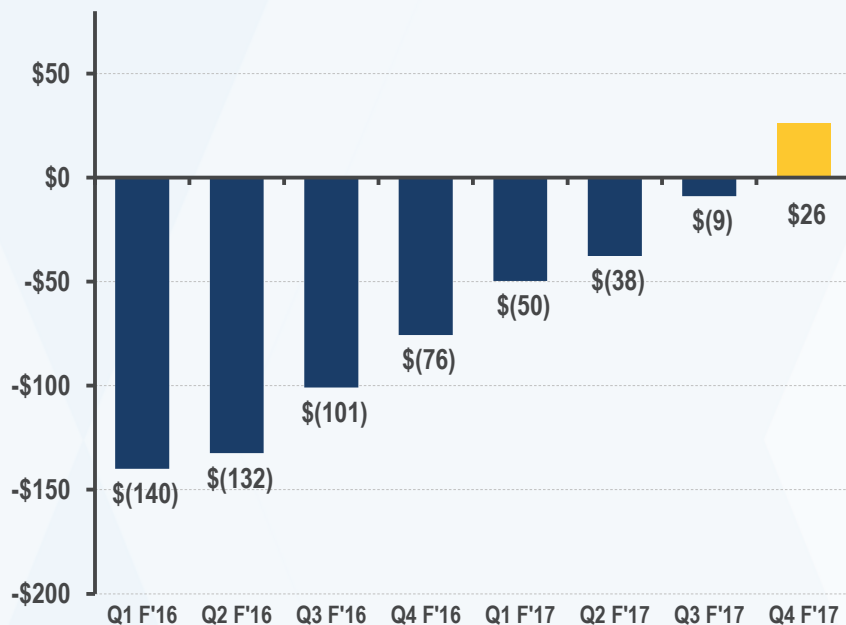
<b>F'17 Cash Flow from Operating Activities</b>	<b>\$ 144M</b>
Uses:	
Capital Expenditures	(15M)
Dividends	(42M)
All Other	<u>15M</u>
<b>Increase in Net Cash</b>	
<b>(strengthening balance sheet)</b>	<b><u>\$ 102M</u></b>



# Net Cash (Debt)

## NET CASH (DEBT)

(millions of USD)



## DEBT STRUCTURE

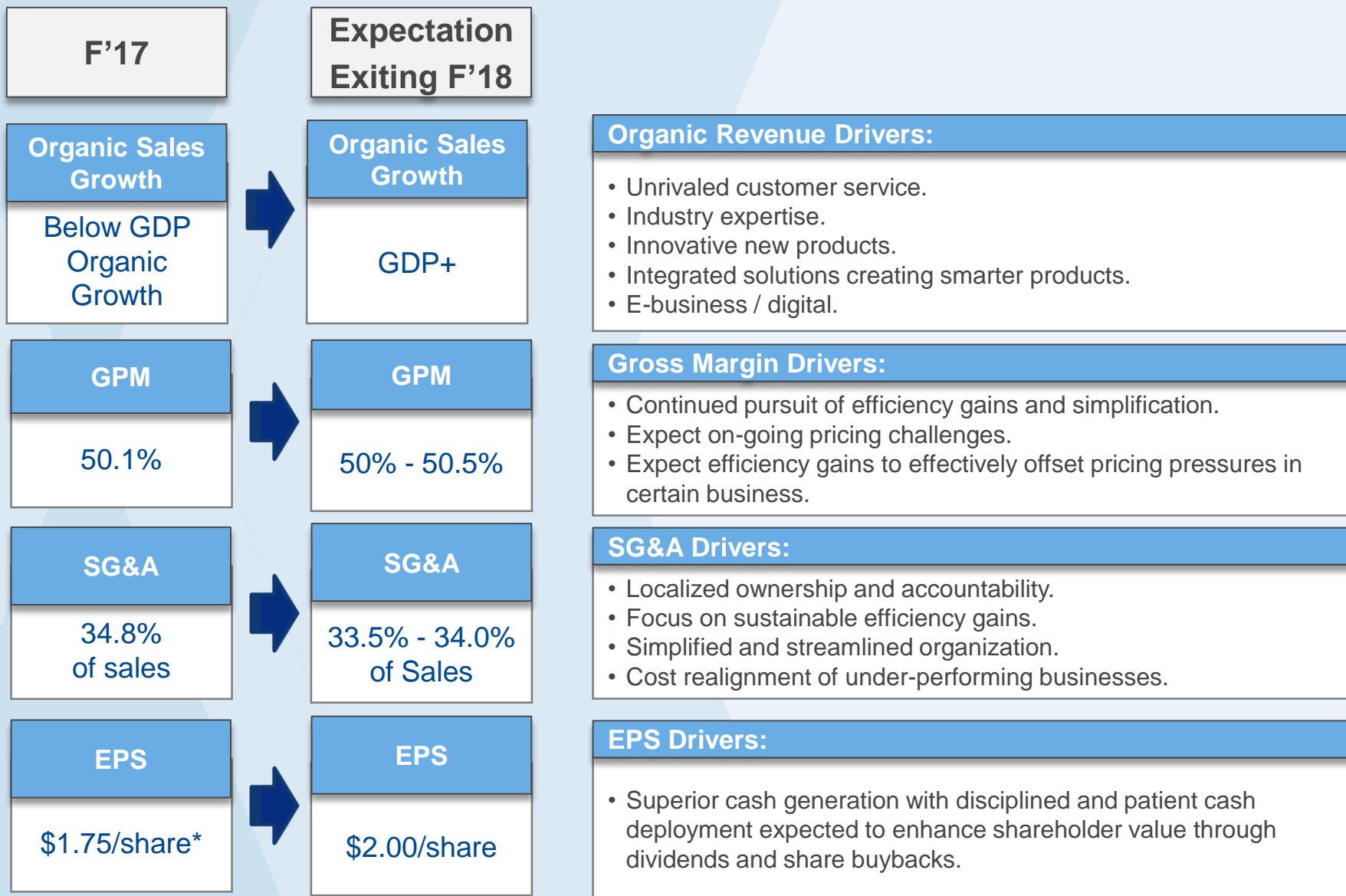
(millions of USD)

	Interest Rate	July 31, 2017 Balance	July 31, 2016 Balance
<b>Revolver Borrowings:</b>			
USD-denominated	1.94%	\$ (17.0)	\$ (112.0)
EUR-denominated	0.75%	(34.3)	-
<b>China Borrowings:</b>			
USD & CNY-denominated	3.52%	(3.2)	(4.9)
<b>Private Placements:</b>			
USD-denominated 2007 Series	5.33%	-	(16.3)
EUR-den. 2010 Series (7-yr.)	3.71%	-	(33.5)
EUR-den. 2010 Series (10-yr.)	4.24%	(53.2)	(50.2)
<b>TOTAL DEBT</b>		<b>\$ (107.7)</b>	<b>\$ (216.9)</b>
<b>Cash and Cash Equivalents</b>		<b>133.9</b>	<b>141.2</b>
<b>NET CASH (DEBT)</b>		<b>\$ 26.2</b>	<b>\$ (75.7)</b>

## STRONG BALANCE SHEET:

- July 31, 2017 cash = \$134M and debt = \$108M.
- Net debt declined \$102M in F'17, finishing in a net cash position of \$26M at July 31, 2017 compared to net debt of \$76M at July 31, 2016.
- Balance sheet provides flexibility for future cash uses.

# Future Financial Performance



\* The actual F'17 diluted EPS of \$1.84 was adjusted to normalize the income tax rate to 28%.

# Questions?

# Thank You

## Brady Contact:

Ann Thornton  
414-438-6887

[Ann\\_Thornton@Bradycorp.com](mailto:Ann_Thornton@Bradycorp.com)

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





# Appendix - Non-GAAP Reconciliation

# Non-GAAP Earnings from Continuing Operations

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## Reconciliation of Non-GAAP Net Earnings from Continuing Operations

('000s of USD)

Brady is presenting the Non-GAAP measure "Net Earnings from Continuing Operations Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this Non-GAAP measure 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 this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of Net Earnings from Continuing Operations to Net Earnings from Continuing Operations Excluding Certain Items:

	Fiscal Year Ended July 31,				
	2013	2014	2015	2016	2017
<b>Net Earnings (Loss) from Continuing Operations (GAAP measure)</b>	<b>\$ (138,257)</b>	<b>\$ (48,146)</b>	<b>\$ 4,902</b>	<b>\$ 80,110</b>	<b>\$ 95,645</b>
Purchase accounting expense related to inventory	949	—	—	—	—
PDC acquisition-related expenses	2,959	—	—	—	—
Reversal of restricted stock grant expense	(2,624)	—	—	—	—
Postretirement benefit plan curtailment gain	—	—	(2,792)	—	—
Other non-routine charges	—	—	4,757	—	—
Restructuring charges	18,889	10,261	11,743	—	—
Impairment charges	191,556	117,394	46,867	—	—
Non-cash income tax charges	28,976	—	—	—	—
<b>Net Earnings from Continuing Operations Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 102,448</b>	<b>\$ 79,509</b>	<b>\$ 65,477</b>	<b>\$ 80,110</b>	<b>\$ 95,645</b>