



# Brady Corporation

## Investor Presentation

November 2020 – February 2021



# 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,” “continue” 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: adverse impacts of the novel coronavirus (“COVID-19”) pandemic or other pandemics; decreased demand for our products; our ability to compete effectively or to successfully execute our strategy; Brady’s ability to develop technologically advanced products that meet customer demands; raw material and other cost increases; difficulties in protecting our websites, networks, and systems against security breaches; extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities; 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; litigation, including product liability claims; foreign currency fluctuations; potential write-offs of Brady’s intangible assets; changes in tax legislation and tax rates; differing interests of voting and non-voting shareholders; numerous other matters of national, regional and global scale, including major public health issues and 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, 2020.

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.


- Be the **expert** in safety, identification, and compliance.
- Possess deep knowledge in **niche** applications.
- Solve problems and provide solutions for our customers.
- **Innovate** to provide market-leading, high-performance products.
- Deliver via our own **manufacturing** capabilities and exceptional customer service.




# Summary

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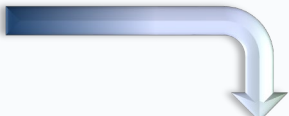
## Global Leader with Innovative Solutions:

- Leader in niche safety, identification, and compliance markets.
  - Diversified customer base, products, and geographic footprint.
  - 100+ year history of innovation & strong customer service.
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## Focused on Long-term Sustainable Results:

- Parallel focus on organic growth and long-term profitability improvements.
  - Continue to invest in innovation, marketing, digital, automation, and customer service.
  - Sustainable efficiency focus has enabled Brady to perform in challenging environments.
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## Strong Balance Sheet:

- Historical annual cash generation in excess of net income.
  - Net cash of \$256M as of October 31, 2020.
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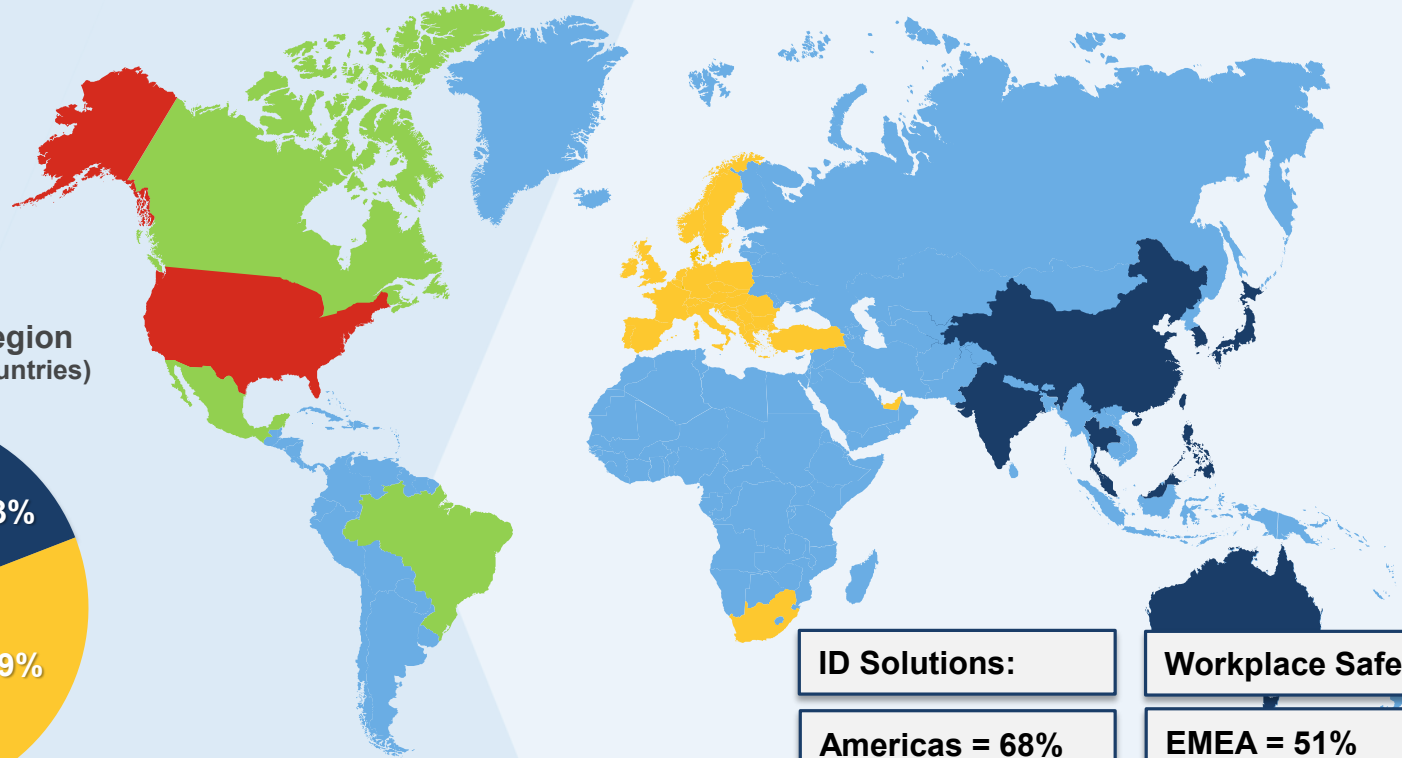
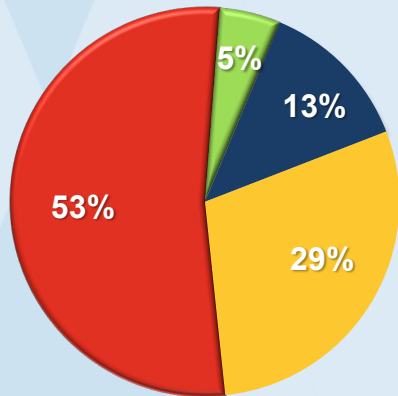
## Patient & Disciplined Capital Allocation:

- Organic investment opportunities.
- Dividends (increased 35 consecutive years).
- Technology-based acquisitions that fit our strategies.

# Geographical Presence

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**F'20 Sales by Region**  
(67 facilities in 32 countries)



## ID Solutions:

Americas = 68%  
EMEA = 21%  
Asia = 11%

## Workplace Safety:

EMEA = 51%  
Americas = 31%  
Australia = 18%

**U.S.A.**

**Rest of Americas**

Canada, Mexico, Brazil.

**Europe, Middle East & Africa**

Belgium, Denmark, France, Germany, Hungary, Italy, Netherlands, Norway, Qatar, Romania, Russia, Saudi Arabia, Slovakia, South Africa, Spain, Sweden, Turkey, UAE, U.K.

**Asia-Pacific**

Australia, China, India, Japan, South Korea, Malaysia, Singapore, Thailand.



# Global Divisions

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## Identification Solutions (approx. 73% of sales)

### Products:

- Safety & Facility ID
- Wire ID
- Product ID
- Healthcare ID
- People ID.



### Primary Brands:

- Brady and PDC.

### Primary Channels:

- Distrib. & GPOs. = 70%, remainder = Direct.

### Geographic Presence:

- Approx. 2/3 of sales are in the Americas.



## Workplace Safety (approx. 27% of sales)

### Products:

- Vast offering of workplace safety products (signs, tags, labels, safety equipment, etc.).

### Primary Brands:

- Seton, Emed, Signals, Securimed.

### Primary Channels:

- Direct through Catalog, Internet, Telesales.

### Geographic Presence:

- Approx. 1/3 of sales are in the Americas.



# Managing Through the Pandemic

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## Managing Through the Pandemic:

- Brady is an essential business.
- Brady's products are helping in the fight of COVID-19.

## Key Messages – Q1 F'21:

- Workplace Safety performed well. We grew revenues and expanded our customer base.
- ID Solutions' revenue continued to trend positively, and profit as a percent of sales increased.
- Our reduced cost structure drove increased operating income.
- Strong balance sheet and cash generation.



# Our Focus

## Right Culture

- Clarity, focus, and culture of innovation.
- Think differently and react quickly.
- Speed.
- Customer at the center.

## Growth Focused

- Reach and interact with customers in new ways.
- Improve the customer experience.
- Invest in innovation, digital and marketing.
- Solve customer problems.
- Customer at the center.

## Efficiency Focused

- Consistent execution.
- Sustainable efficiencies.
- Automation.
- Simplify processes.
- Custom manufacturing.
- Operational excellence.
- Customer at the center.

## Invest in Our Future

- Long-term focus.
- Invest in organic growth throughout the pandemic.
- Accelerate efficiency investments.
- Capability-enhancing capital expenditures.
- Build the next generation of leaders.
- Customer at the center.



# Taking the Long View

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## Environmental, Social, Governance

### Environmental

- Upgraded Facilities.
- Reduced Footprint.
- Energy Efficiency.
- Waste Reduction.
- Biodegradable Products.

### Social

- Employee Engagement.
- Diversity & Affinity Groups.
- Data Privacy.
- Brady Foundation & Corp. Giving.

### Governance

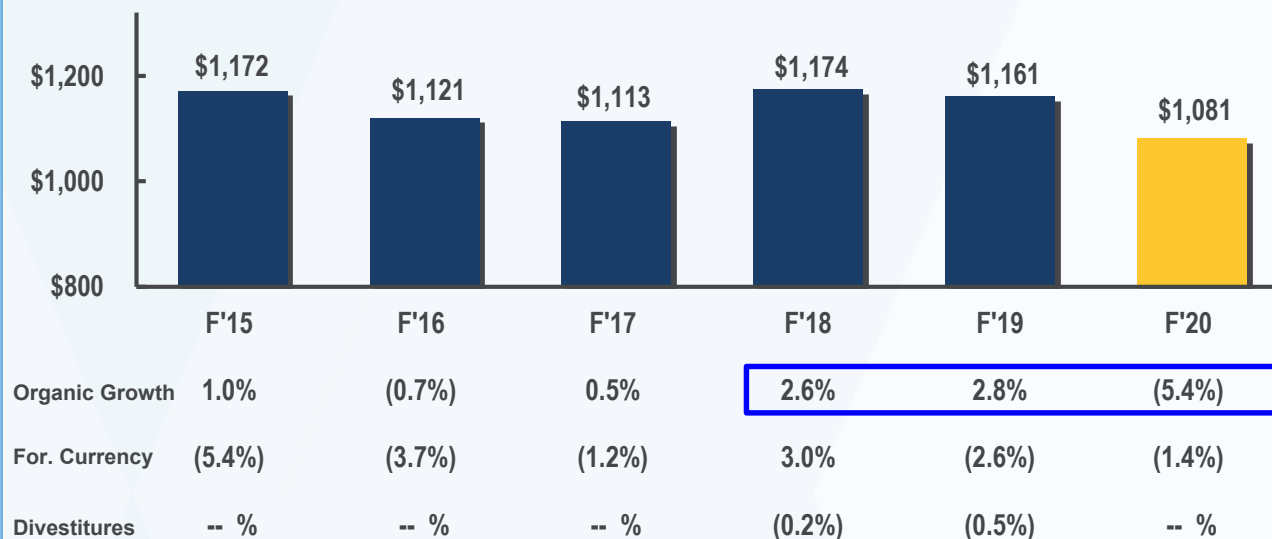
- Strong Culture.
- Executive Compensation.
- Diverse Board Composition.
- Financial Transparency.

## Long-term Shareholder Value

# Financial Overview

## SALES – ANNUAL TRENDS

(millions of USD)

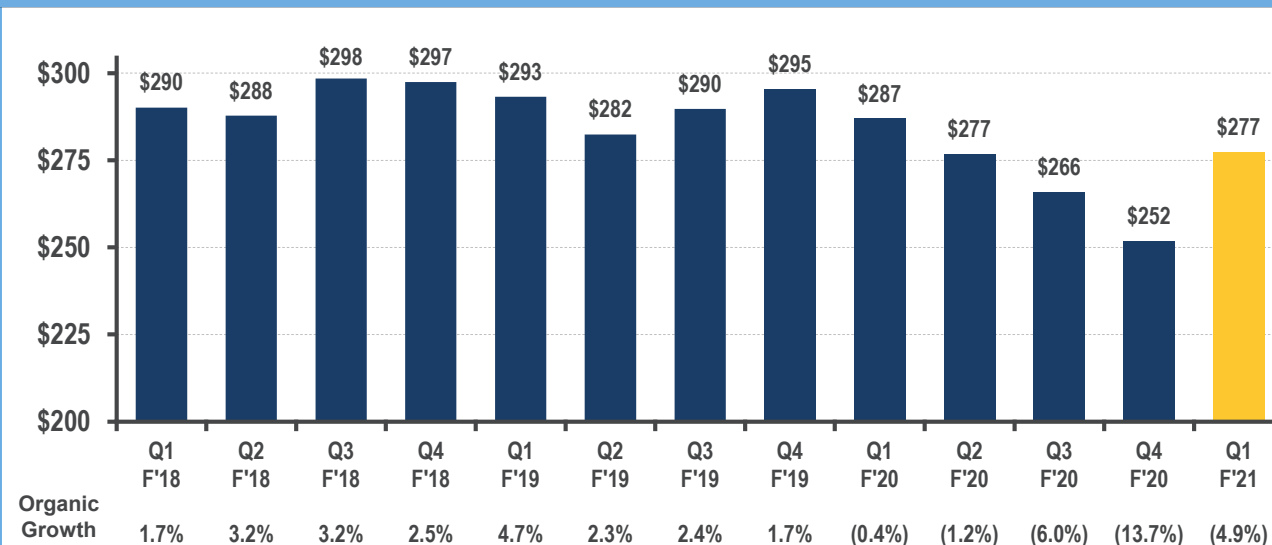


## SALES:

- Sales were growing prior to the pandemic.
- Recent results impacted by the Covid-19 pandemic.
- Sales are growing sequentially through the end of Q1 F'21.
- We will continue to invest in growth so we exit from the pandemic a stronger company.

## SALES – QUARTERLY TRENDS

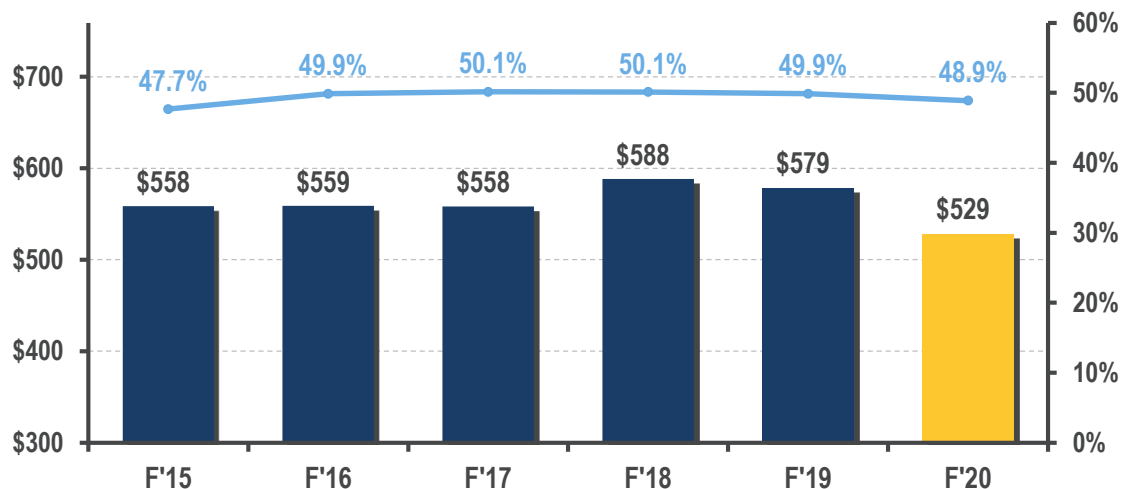
(millions of USD)



# Gross Profit Margins

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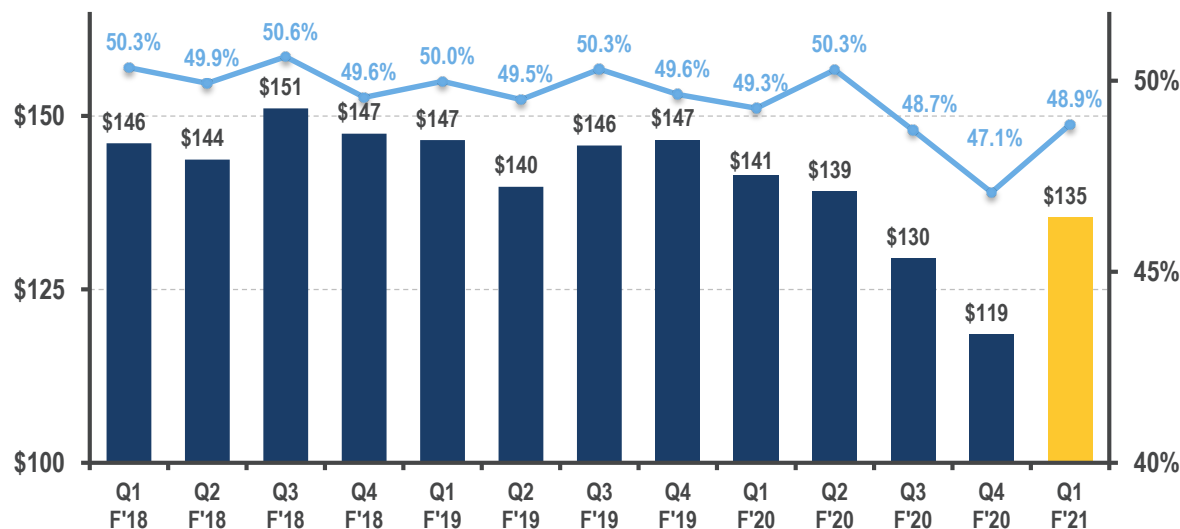
## GPM – ANNUAL TRENDS



## GROSS PROFIT MARGIN:

- Strong focus on sustainable operational improvements and automation throughout our businesses.
- History of strong gross profit margins approaching 50%.

## GPM – QUARTERLY TRENDS

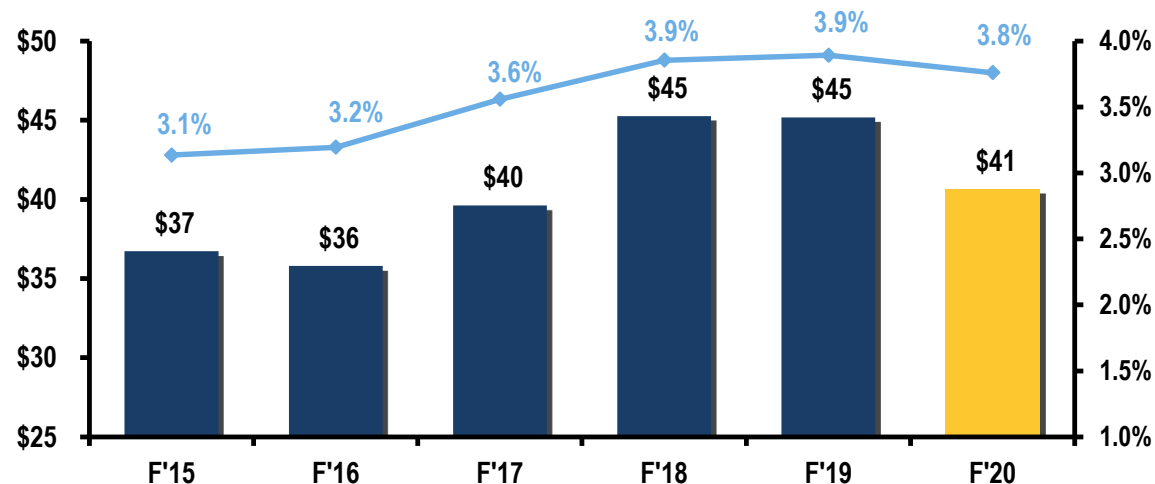


# Research & Development

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## R&D EXPENSE – ANNUAL TRENDING

(millions of USD)

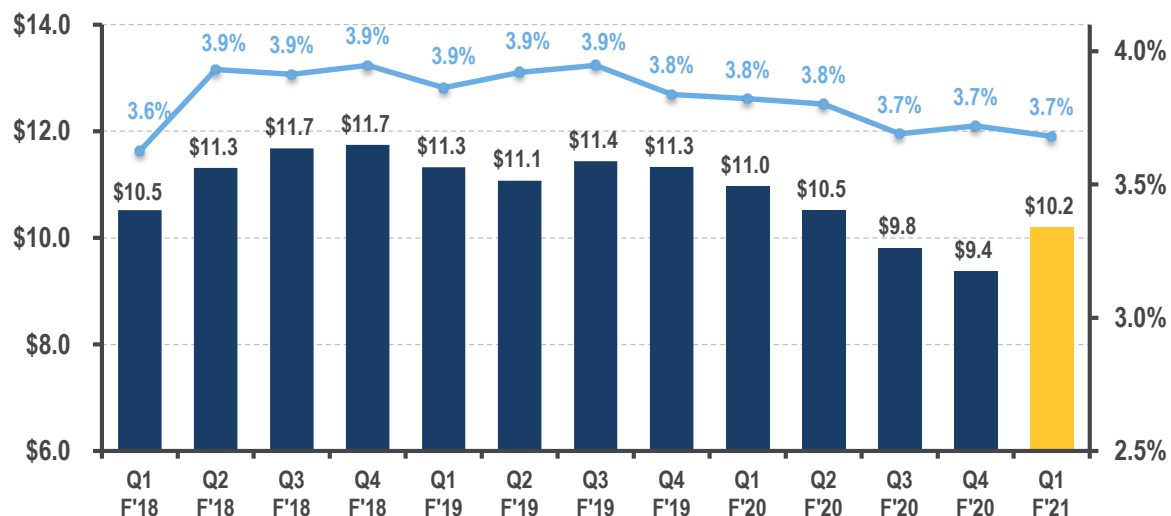


## R&D EXPENSE:

- Investing in R&D to drive future organic sales growth.
- Increased the strength and diversity of our new product pipeline.
- Focused on efficiency and shortening time to market.

## R&D EXPENSE – QUARTERLY TRENDING

(millions of USD)



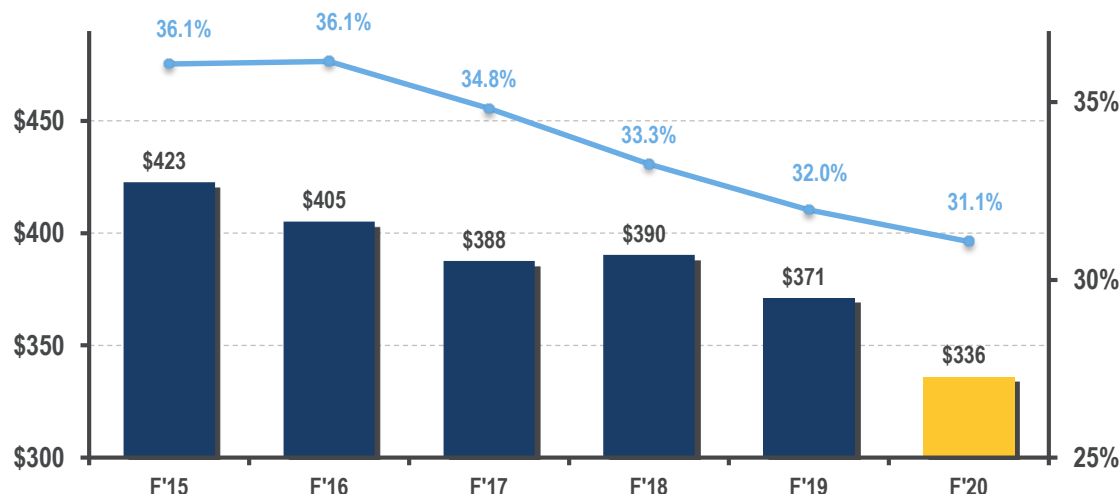


# SG&A Expense is Trending Downward

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## SG&A EXPENSE – ANNUAL TRENDING

(millions of USD)

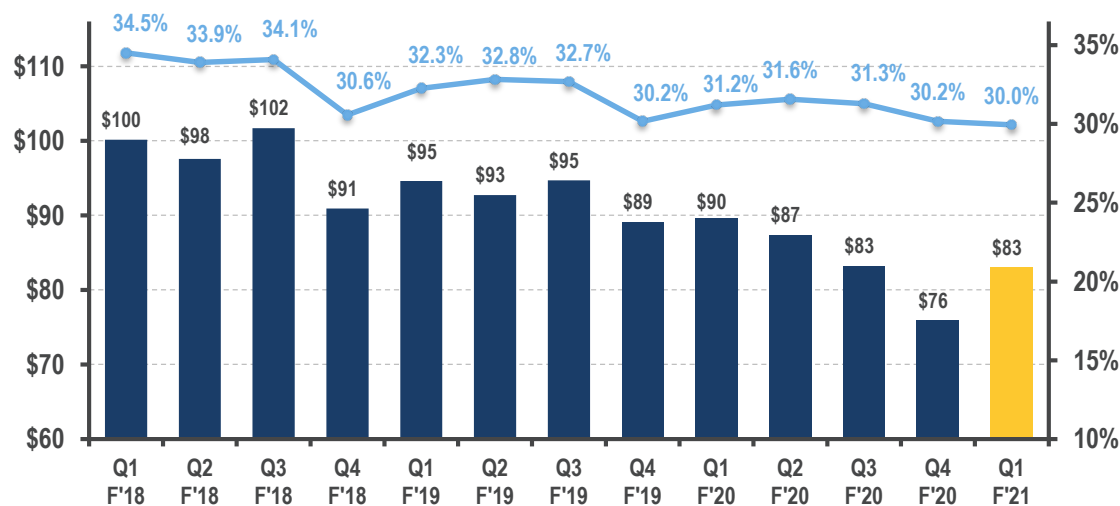


## SG&A EXPENSE:

- Simplified and streamlined organization focused on driving sustainable efficiency gains.
- Reducing SG&A structure while investing in growth.
- Have reduced costs during the pandemic.
- SG&A expense down in actual dollars and as a percent of sales.

## SG&A EXPENSE – QUARTERLY TRENDING

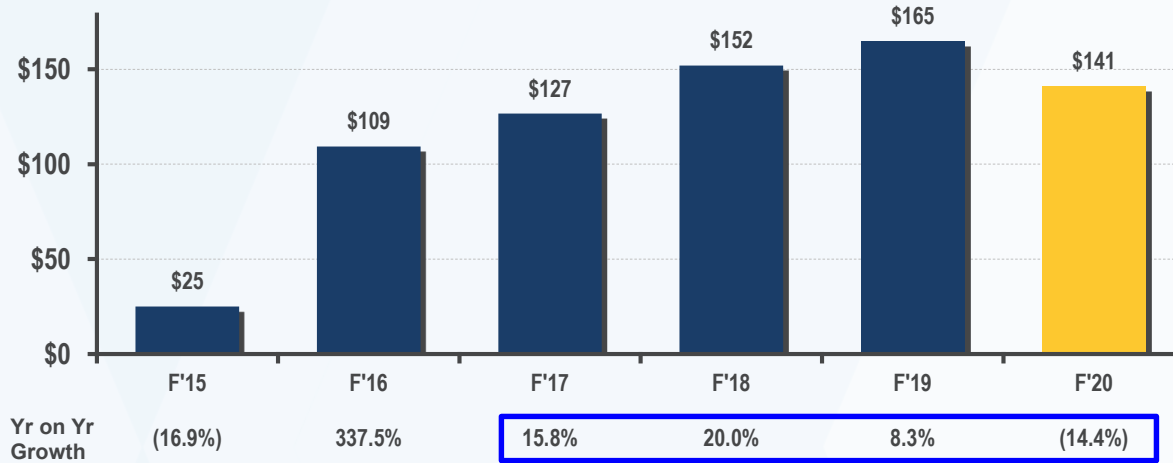
(millions of USD)



# Pre-Tax Income

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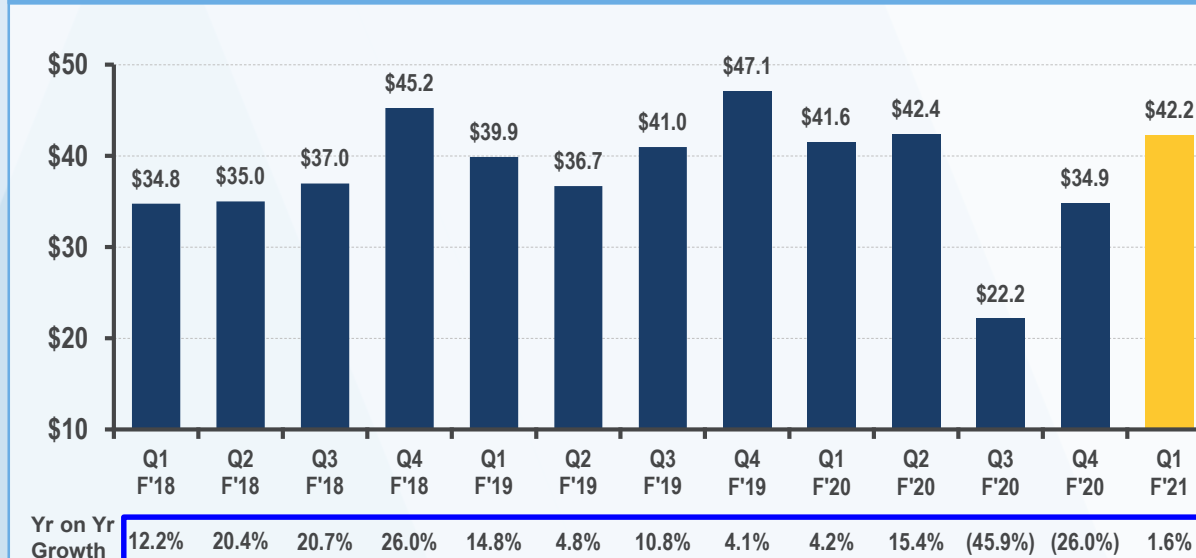
## INCOME BEFORE INCOME TAXES - ANNUAL TRENDS (millions of USD)



## INCOME BEFORE TAXES:

- Income before income taxes was negatively impacted by \$13.8M of non-cash impairment charges in Q3 of F'20.
- History of strong pre-tax earnings even in a challenging industrial economy.
- Returned to pre-tax income growth in Q1 of F'21.

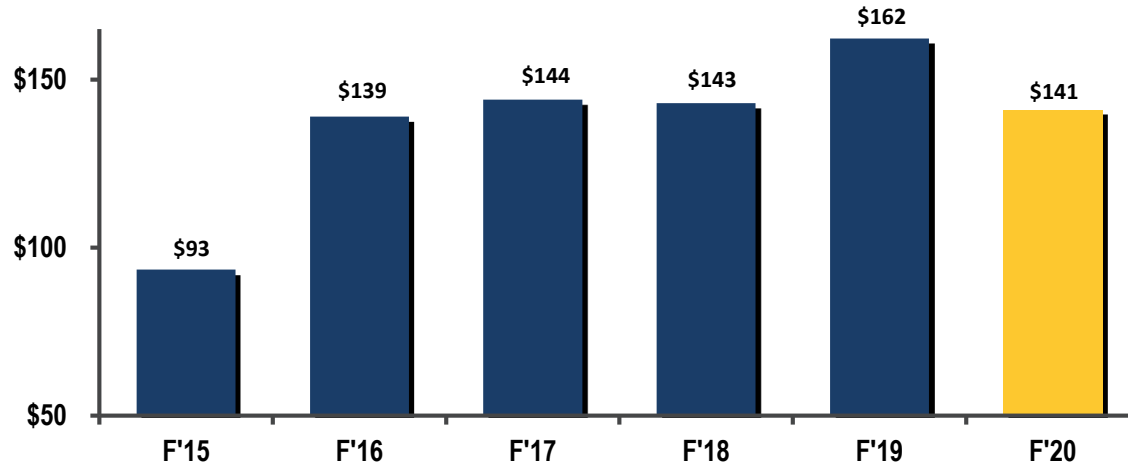
## INCOME BEFORE INCOME TAXES\* - QUARTERLY TRENDS (millions of USD)



# Cash Generation

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## CASH FROM OP. ACTIVITIES – ANNUAL TREND (millions of USD)



## CASH FROM OP. ACTIVITIES – QUARTERLY TREND (millions of USD)



## CASH GENERATION:

- Cash flow from operating activities was \$141M in F'20 (125% of net income). Free cash flow\* was \$113.7M in F'20 compared to \$129.4M in F'19.
- F'20 impacted by a temporary build-up of inventory to ensure an uninterrupted supply to our customers.
- We returned \$110.3M to our shareholders in F'20 (\$64.5M of buybacks and \$45.8M of dividends).
- Strong cash generation in Q1 of F'21.

## NET CASH

(millions of USD)



## STRONG BALANCE SHEET:

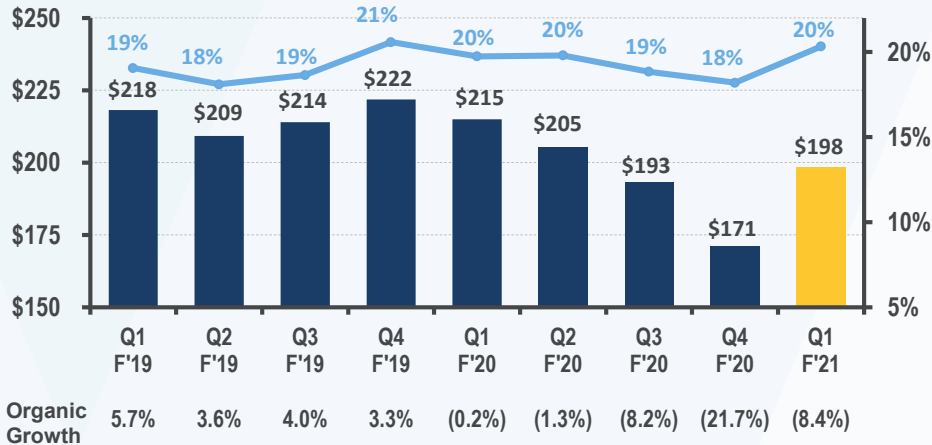
- October 31, 2020 cash = \$256.3M.
- Brady has no outstanding debt.
- Approximately 34% of our cash is held in the United States.
- Balance sheet provides flexibility for future investments.

# Global Divisional Results (Sales & Segment Profit %)

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## IDENTIFICATION SOLUTIONS

(millions of USD)

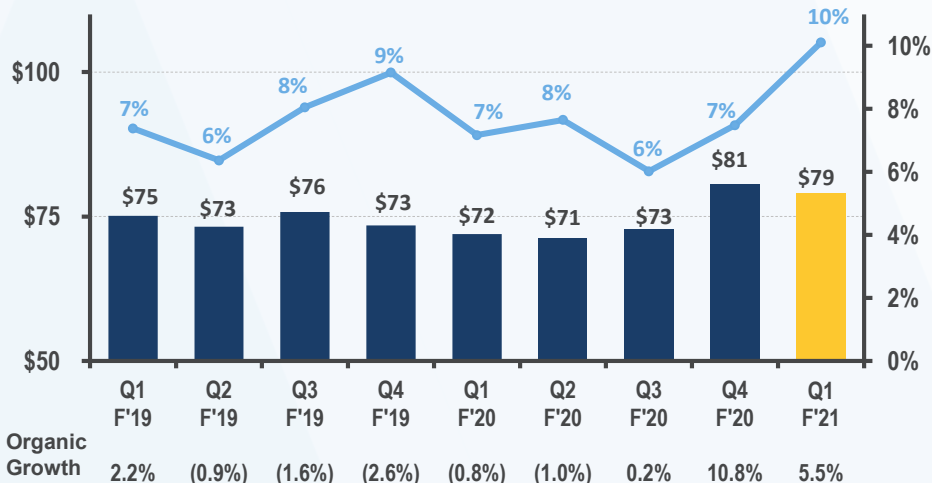


## Q1 F'21 IDENTIFICATION SOLUTIONS:

- Revenues declined - (7.8%):
  - Organic = - (8.4%).
  - Fx = + 0.6%
- Organic sales improved sequentially over each of the last 6 months.
- Expenses are down due to sustainable efficiency activities as well as strong cost containment.
- Segment profit as a percent of sales increased despite reduced sales volumes.

## WORKPLACE SAFETY

(millions of USD)



## Q1 F'21 WORKPLACE SAFETY:

- Revenues increased + 9.8%:
  - Organic = + 5.5%.
  - Fx = + 4.3%.
- Organic sales increased due to increased sales of products directly related to the fight of the Covid-19 pandemic.
- Segment profit as a percent of sales increased due to leverage on the increased organic sales volumes and a continual focus on delivering sustainable efficiency gains.



## **We are Weathering the Pandemic:**

- Brady's products are in demand.
- Organic sales growth in Workplace Safety division.
- Positive sales trends in Identification Solutions division.
- Streamlined cost structure.
- Strong cash generation.

## **Brady is Financially Strong:**

- Cash of \$256M and no outstanding debt.
- Consistent cash generation in excess of net income.

## **Financial Strength Enables us to:**

- Invest in innovation.
- Invest in other sales-generating activities.
- Invest in sustainable efficiency activities.
- Exit the pandemic stronger than our competition.

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



# **Appendix -**

## **Q1 F'21 Financial Review**

# Q1 F'21 Financial Summary

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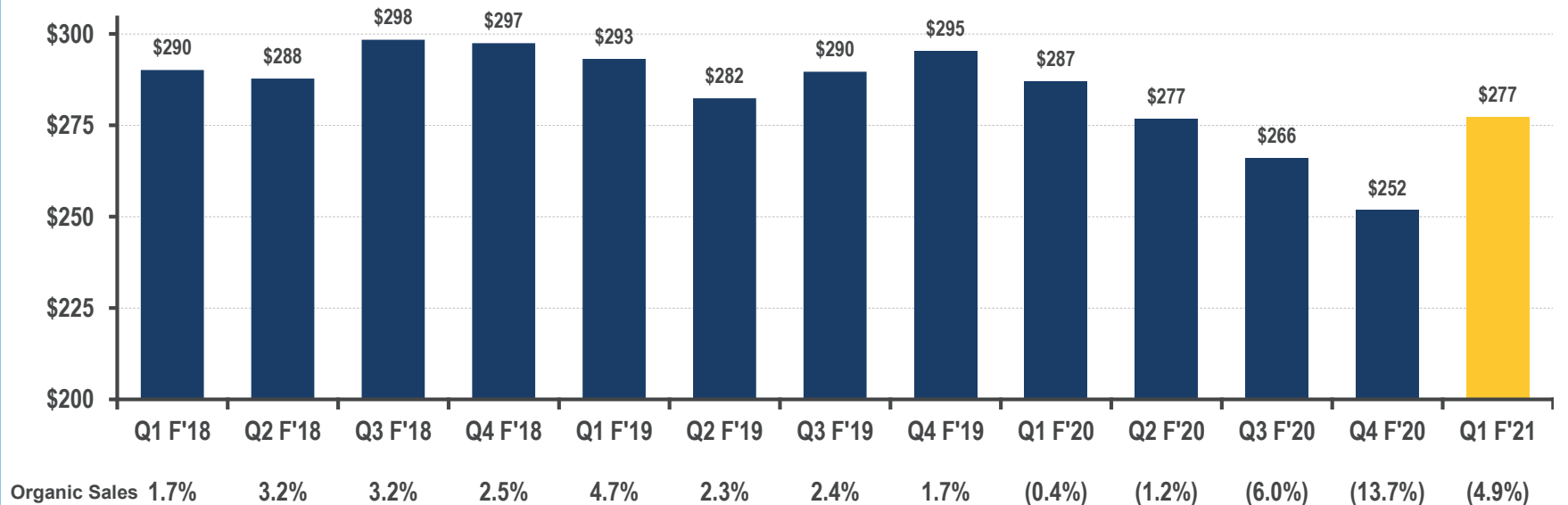
- **Sales were \$277.2M in Q1 of F'21 compared with \$286.9M in Q1 of F'20.**
  - Organic sales declined 4.9%.
  - Foreign currency translation increased sales 1.5%.
- **Gross profit margin of 48.9% in Q1 of F'21 compared with 49.3% in Q1 of F'20.**
- **SG&A expense of \$83.0M (30.0% of sales) in Q1 of F'21 compared with \$89.5M (31.2% of sales) in Q1 of F'20.**
- **R&D expense of \$10.2M (3.7% of sales) in Q1 of F'21 compared with \$11.0M (3.8% of sales) in Q1 of F'20.**
- **Income before income taxes and losses of unconsolidated affiliate increased 1.6% to \$42.2M in Q1 of F'21 compared with \$41.6M in Q1 of F'20.**
- **Net income per Class A Diluted Nonvoting Common Share was \$0.64 in Q1 of F'21 compared with \$0.70 in Q1 of F'20.**
- **Net cash provided by operating activities increased 61.8% to \$62.8M in Q1 of F'21 compared to \$38.8M in Q1 of F'20.**

# Sales Overview

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## SALES

(millions of USD)



### Q1 F'21 SALES:

- Total sales declined 3.4%.
- Organic sales declined 4.9%:
  - ID Solutions – Organic sales decline of 8.4%.
  - Workplace Safety – Organic sales growth of 5.5%.
- 1.5% increase due to foreign currency translation.

### Q1 F'21 SALES COMMENTARY:

- Workplace Safety – Continued strong organic sales growth driven by the sale of products directly supporting the fight of Covid-19.
- ID Solutions – Organic sales trends continued to improve as we progressed throughout the quarter.

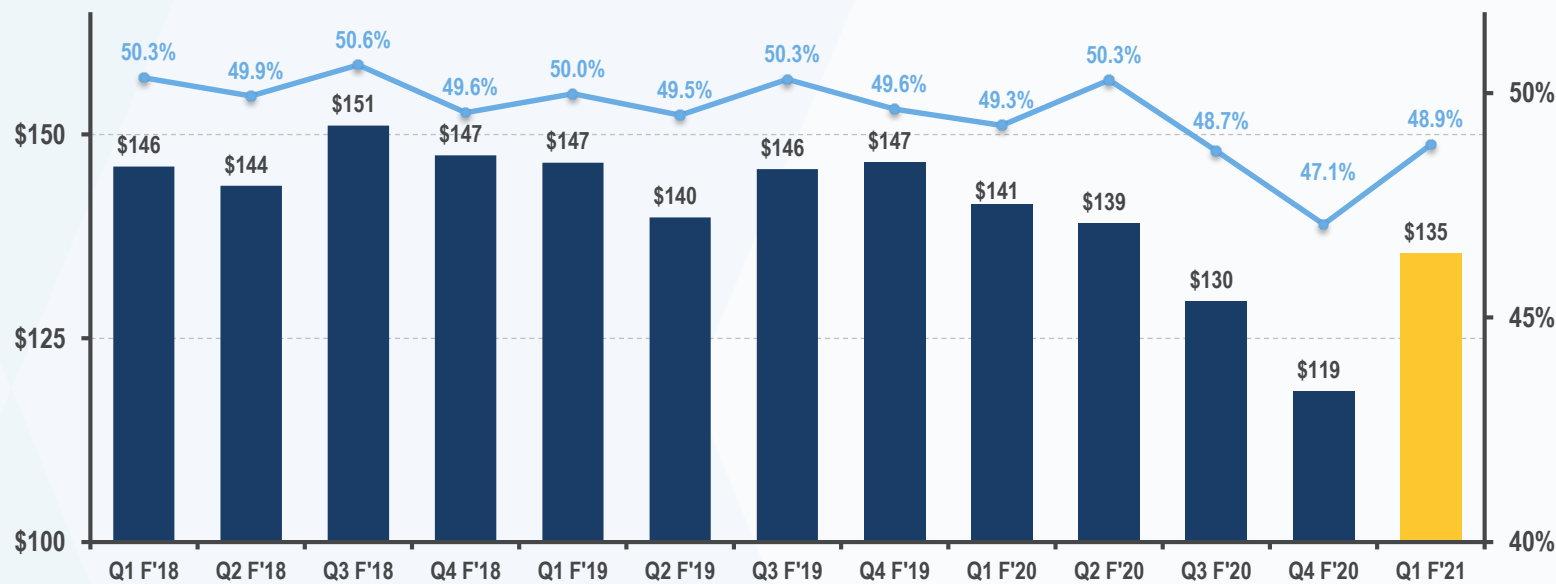


# Gross Profit Margin

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## GROSS PROFIT & GPM%

(millions of USD)



## Q1 F'21 – GROSS PROFIT MARGIN:

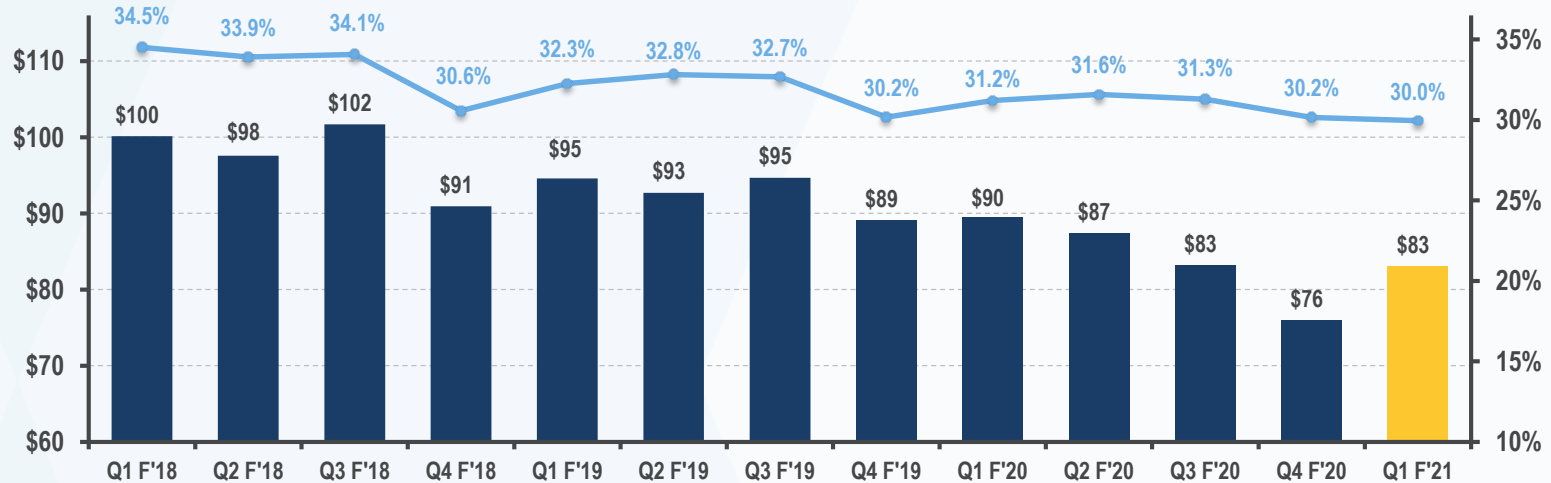
- Gross profit margin of 48.9% compared to 49.3% in Q1 of F'20.
- We continue to invest in automation and manufacturing efficiencies.
- Gross profit margin was negatively impacted by reduced sales and production volumes in our ID Solutions business along with product mix in our Workplace Safety business.

# SG&A Expense

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## SG&A EXPENSE AND SG&A EXPENSE AS A % of SALES

(millions of USD)



### Q1 F'21 – SG&A EXPENSE:

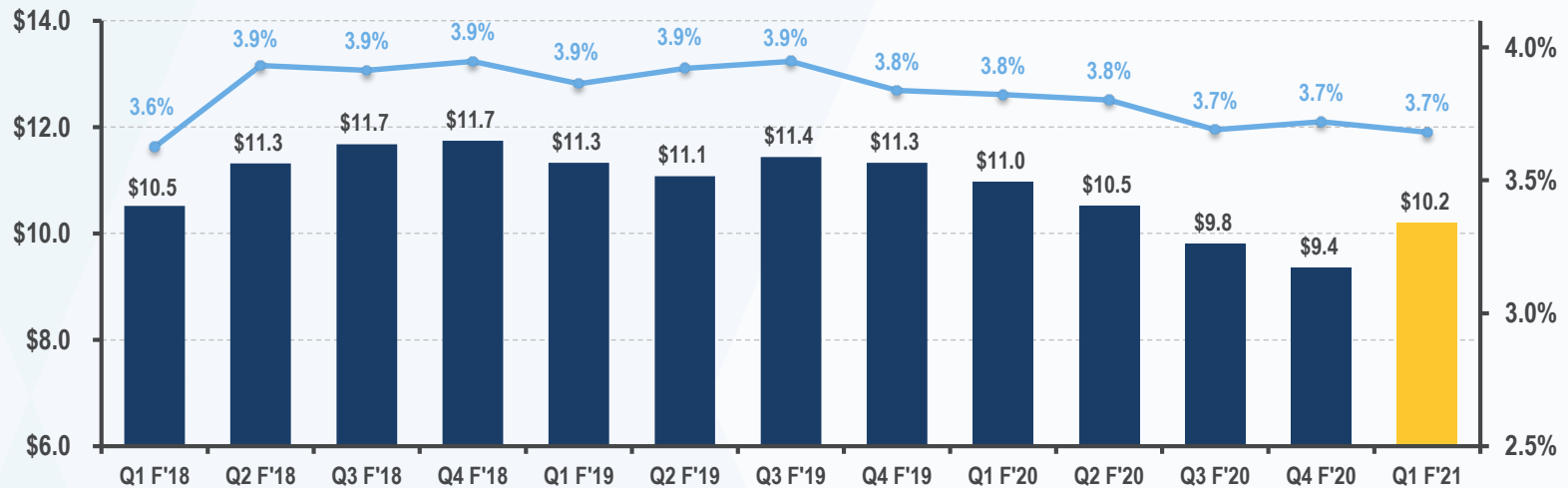
- The \$6.5M reduction in SG&A expense compared to Q1 of F'20 was due to ongoing benefits from efficiency actions combined with a reduction in discretionary spend.
- Sequentially, SG&A expense was up \$7.1M compared to the fourth quarter of last year. This increase was primarily due to increased incentive-based compensation.

# R&D Expense

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## R&D EXPENSE AND R&D EXPENSE AS A % of SALES

(millions of USD)



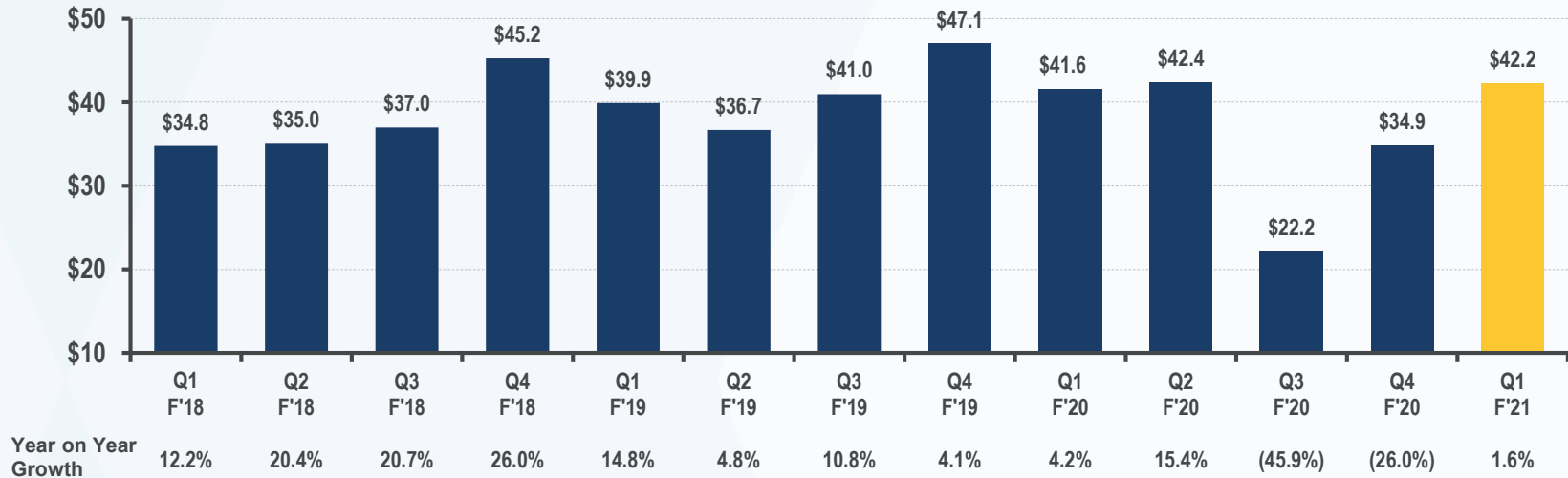
### Q1 F'21 – R&D EXPENSE:

- We continue to invest in R&D to drive future organic sales growth.
- Solid new product pipeline.
- Focused on ensuring our R&D spend is both efficient and effective.

# Income Before Income Taxes

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## INCOME BEFORE INCOME TAXES AND LOSSES OF UNCONSOLIDATED AFFILIATE (millions of USD)



### Q1 F'21 - INCOME BEFORE INCOME TAXES AND LOSSES OF UNCONSOLIDATED AFFILIATE:

- Income before income taxes and losses of unconsolidated affiliate increased 1.6% to \$42.2M in Q1 of F'21 compared to \$41.6M in Q1 of F'20.

# Net Income & Diluted EPS

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## NET INCOME PER CLASS A DILUTED SHARE



## NET INCOME

(millions of USD)



## Q1 F'21 – NET INCOME & DILUTED EPS:

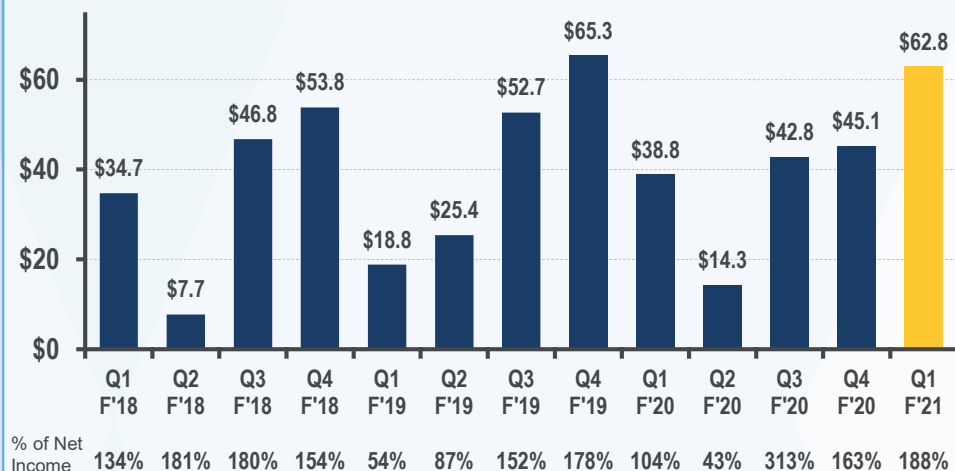
- Diluted EPS and net income in Q1 of the prior year was positively impacted by a reduced income tax rate of 9.8% primarily due to a favorable tax audit settlement and tax benefits from equity-based compensation. If tax rates were consistent both net income and diluted EPS would have increased in Q1 of F'21 compared to Q1 of F'20.
- Net income was \$33.5M in Q1 of F'21 compared to \$37.5M in Q1 of F'20.
- Diluted EPS was \$0.64 in Q1 of F'21 compared to \$0.70 in Q1 of F'20.



# Cash Generation & Uses

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## CASH FLOW FROM OPERATING ACTIVITIES (millions of USD)



## CASH FLOWS IN Q1 OF F'21:

- Cash flow from operating activities was \$62.8M in Q1 of F'21 compared to \$38.8M in Q1 of F'20.
- Cash flow from operating activities was significantly in excess of net earnings during the quarter ended October 31, 2020.
- Free cash flow\* was \$53.5M in Q1 of F'21 compared to \$31.1M in Q1 of F'20.
- We returned \$14.1M to our shareholders in the form of dividends and share buybacks in Q1 of F'21.

(millions of USD)

	3 Mos. Ended Oct. 31, 2020	3 Mos. Ended Oct. 31, 2019
<b>Cash Balance - Beginning of Period</b>	<b>\$ 217.6</b>	<b>\$ 279.1</b>
Cash Flow from Operating Activities	62.8	38.8
Capital Expenditures	(9.3)	(7.7)
Dividends	(11.4)	(11.5)
Share Repurchases	(2.7)	-
Effect of Exchange Rates on Cash	1.6	(0.3)
Other	(2.3)	(3.3)
<b>Cash Balance - End of Period</b>	<b>\$ 256.3</b>	<b>\$ 295.1</b>

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