# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

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# FORM 8-K

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## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the**
**Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): February 16, 2016**

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# BRADY CORPORATION
**(Exact name of registrant as specified in its charter)**

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**Commission File Number 1-14959**

| | |
|---|---|
| **Wisconsin** | **39-0971239** |
| **(State of Incorporation)** | **(IRS Employer Identification No.)** |

**6555 West Good Hope Road**
**Milwaukee, Wisconsin 53223**
**(Address of Principal Executive Offices and Zip Code)**

**(414) 358-6600**
**(Registrant's Telephone Number)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On February 19, 2016, Brady Corporation (the “Company”) issued a press release announcing its fiscal 2016 second quarter financial results. A copy of the press release is being furnished to the Securities and Exchange Commission as Exhibit 99.1 attached hereto and is incorporated herein by reference.

Item 7.01 REGULATION FD DISCLOSURE

On February 19, 2016, the Company hosted a conference call related to its fiscal 2016 second quarter financial results. A copy of the slides referenced in the conference call, which is also posted on the Corporation’s website, is being furnished to the Securities and Exchange Commission as Exhibit 99.2 attached hereto and is incorporated herein by reference.

Item 8.01 OTHER EVENTS

On February 16, 2016, the Company’s Board of Directors authorized an increase in the Company’s share buyback program, authorizing the repurchase of up to two million shares of the Corporation’s Class A Common Stock, inclusive of the shares in the existing stock buyback program, available for repurchase as of February 16, 2016. The share repurchase plan may be implemented from time to time on the open market or in privately negotiated transactions. The repurchased shares will be available for use in connection with the Corporation’s stock-based plans and for other corporate purposes. The share buyback program was described in a press release issued by the Company in connection with its fiscal 2016 second quarter financial results, which is attached hereto as Exhibit 99.1.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 99.1 | Press Release of Brady Corporation, dated February 19, 2016, relating to second quarter fiscal 2016 financial results and increase in share buyback program. |
| 99.2 | Informational slides provided by Brady Corporation, dated February 19, 2016, relating to second quarter fiscal 2016 financial results. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRADY CORPORATION

Date: February 19, 2016

/s/ AARON J. PEARCE

Aaron J. Pearce

Senior Vice President, Chief Financial Officer and Chief Accounting Officer

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
| --- | --- |
| 99.1 | Press Release of Brady Corporation, dated February 19, 2016, relating to second quarter fiscal 2016 financial results and increase in share buyback program. |
| 99.2 | Informational slides provided by Brady Corporation, dated February 19, 2016, relating to second quarter fiscal 2016 financial results. |

**EXHIBIT 99.1**

For More Information:
Investor contact: Ann Thornton 414-438-6887
Media contact: Kate Venne 414-358-5176

**Brady Corporation Reports Fiscal 2016 Second Quarter Results and Increases its Fiscal 2016 EPS Guidance**

- Earnings per diluted Class A Nonvoting Common Share of $0.30 in the second quarter of fiscal 2016 were up 30.4 percent and 3.4 percent compared to GAAP and non-GAAP earnings from continuing operations per diluted Class A Nonvoting Common Share* of $0.23 and $0.29, respectively, in the same quarter of the prior year.
- Organic revenue growth of 0.4 percent for the quarter ended January 31, 2016.
- Net cash provided by operating activities was $27.9 million during the second quarter of fiscal 2016, compared to $5.3 million in the same quarter of the prior year.
- Returned $10.2 million to shareholders in the form of dividends and $7.2 million through the repurchase of 338,579 shares during the quarter ended January 31, 2016.
- Earnings per diluted Class A Common Share guidance for the full year ending July 31, 2016, increased to a range of $1.20 to $1.35.

MILWAUKEE (February 19, 2016)--Brady Corporation (NYSE: BRC) (“Brady” or “Company”), a world leader in identification solutions, today reported its financial results for its fiscal 2016 second quarter ended January 31, 2016.

**Quarter Ended January 31, 2016 Financial Results:**

Net earnings for the quarter ended January 31, 2016, were $15.3 million compared to $11.6 million in the same quarter last year. Non-GAAP net earnings* were $15.0 million for the quarter ended January 31, 2015.

Earnings per diluted Class A Nonvoting Common Share were $0.30 for the second quarter ended January 31, 2016, compared to $0.23 in the same quarter last year. Non-GAAP earnings per diluted Class A Nonvoting Common Share* were $0.29 for the quarter ended January 31, 2015.

Sales for the quarter ended January 31, 2016, decreased 5.0 percent to $268.6 million compared to $282.6 million in the second quarter of fiscal 2015. Total organic sales increased 0.4 percent and foreign currency translation decreased sales by 5.4 percent. By segment, organic sales increased 0.7 percent in Identification Solutions and decreased 0.1 percent in Workplace Safety.

**Six-Month Period Ended January 31, 2016 Financial Results:**

Net earnings for the six-month period ended January 31, 2016, were $34.0 million compared to $25.2 million in the same period last year. Non-GAAP earnings from continuing operations* were $33.5 million for the six-month period ended January 31, 2015.

Earnings per diluted Class A Nonvoting Common Share were $0.67 for the six-month period ended January 31, 2016, compared to earnings from continuing operations per diluted Class A Nonvoting Common Share of $0.53 in the same period in fiscal 2015. Non-GAAP earnings from continuing operations per diluted Class A Nonvoting Common Share* were $0.65 for the six-month period ended January 31, 2015.

Sales for the six-month period ended January 31, 2016, decreased 6.9 percent to $551.7 million compared to $592.9 million in the same period in fiscal 2015. Total organic sales decreased 0.9 percent and the impact of foreign currency translation decreased sales by 6.0 percent. Organic sales decreased 0.9 percent in both the Identification Solutions and Workplace Safety segments.

**Share Buyback Program:**

On February 16, 2016, Brady's Board of Directors authorized an increase in the Company's share buyback program, bringing the amount of the Company's Class A Common Stock authorized for repurchase up to a total of two million shares, inclusive of the shares in the existing share buyback program. The share buyback plan may be implemented from time to time on the open market or in privately negotiated transactions.

**Commentary:**

"Our focus on operational efficiency and local accountability resulted in increased organic sales and net earnings in the second quarter. Our GAAP EPS increased 30.4 percent and our Non-GAAP EPS* increased 3.4 percent when compared with the second quarter of last year. We continue making improvements in our customer service metrics while gaining efficiencies throughout the organization," said Brady's President and Chief Executive Officer, J. Michael Nauman. "Although organic sales increased in the second quarter, we expect to continue to be challenged by macro-economic conditions in certain industrial markets and geographies, including the U.S., Canada, Brazil, and China, which will continue to work against our efforts to improve results. Our top priorities include growing our pipeline of innovative new products while delivering operational efficiencies, which will position Brady to compete successfully and deliver improved results to our shareholders. These results include our efforts to invest properly in creating complete solutions for our customers' current and future needs. We are pleased that we have been able to improve our performance while simultaneously driving a longer-term vision."

"Our focus on driving increased cash flow is apparent in our second quarter financial results where net cash provided by operating activities increased more than 400 percent over the second quarter of last year. Our year-to-date net cash provided by operating activities has more than doubled as we finished with $58.3 million for the six-month period ended January 31, 2016, compared with $23.9 million for the same period last year," said Brady's Chief Financial Officer, Aaron Pearce. "In the first six months of this year, we have returned $20.4 million to our shareholders in the form of dividends and we have repurchased 1,146,271 shares for a total of $23.4 million, all while reducing our net debt position by $6.7 million since the start of this fiscal year. We will continue to be diligent in the allocation of our capital with our first priority being to drive organic growth and our remaining priorities to return funds to our shareholders in the form of dividends and to execute share buybacks in an opportunistic manner to ensure that our uses of cash are generating incremental value for our shareholders."

**Fiscal 2016 Guidance:**

The Company is increasing its earnings per share guidance for the full year ending July 31, 2016, and currently anticipates earnings per diluted Class A Common Share to range from $1.20 to $1.35. Included in this guidance is a low-single digit decline in organic sales for the full fiscal year, which is reflective of economic challenges in certain industrial markets and geographies. Offsetting the weaker sales outlook are expected efficiency gains in the Company's manufacturing facilities as well as improvements in selling, general and administrative expenses. This guidance is based upon exchange rates as of January 31, 2016, a full-year income tax rate in the mid-to-upper 20 percent range, depreciation and amortization of approximately $35 million to $38 million, and capital expenditures of approximately $17 million to $20 million.

A webcast regarding Brady's fiscal 2016 second quarter financial results will be available at www.bradycorp.com beginning at 9:30 a.m. Central Time today.

Brady Corporation is an international manufacturer and marketer of complete solutions that identify and protect people, products and places. Brady's products help customers increase safety, security, productivity and performance and include high-performance labels, signs, safety devices, printing systems and software. Founded in 1914, the Company has a diverse customer base in electronics, telecommunications, manufacturing, electrical, construction, medical, aerospace and a variety of other industries. Brady is headquartered in Milwaukee, Wisconsin and as of July 31, 2015, employed approximately 6,400 people in its worldwide businesses. Brady's fiscal 2015 sales were approximately $1.17 billion. Brady stock trades on the New York Stock Exchange under the symbol BRC. More information is available on the Internet at www.bradycorp.com.

* See accompanying notes for Non-GAAP measures.

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In this news release, 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: implementation of the Workplace Safety strategy; Brady’s ability to develop and successfully market technologically advanced new products; technology changes and potential security violations to the Company’s information technology systems; future competition; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, hard disk drive, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, healthcare and transportation; fluctuations in currency rates versus the U.S. dollar; risks associated with international operations; difficulties associated with exports; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; Brady’s ability to retain significant contracts and customers; risk associated with loss of key talent; risks associated with obtaining governmental approvals and maintaining regulatory compliance; risk associated with product liability claims; environmental, health and safety compliance costs and liabilities; potential write-offs of Brady’s substantial intangible assets; unforeseen tax consequences; risks associated with restructuring plans and maintaining acceptable operational service metrics; risks associated with divestitures; risks associated with identifying, completing, and integrating acquisitions; risks associated with our ownership structure; Brady’s ability to maintain compliance with its debt covenants; increase in our level of debt; 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 within Item 1A of Part I of Brady’s Form 10-K for the year ended July 31, 2015.

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.

**BRADY CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF EARNINGS**
**(Unaudited; Dollars in thousands, except per share data)**

| | Three months ended January 31, | | Six months ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales | $ 268,630 | $ 282,628 | $ 551,703 | $ 592,868 |
| Cost of products sold | 135,738 | 144,425 | 279,462 | 304,503 |
| Gross margin | 132,892 | 138,203 | 272,241 | 288,365 |
| Operating expenses: | | | | |
| Research and development | 9,097 | 8,948 | 17,666 | 18,579 |
| Selling, general and administrative | 100,206 | 107,565 | 200,884 | 216,846 |
| Restructuring charges | — | 4,879 | — | 9,157 |
| Total operating expenses | 109,303 | 121,392 | 218,550 | 244,582 |
| Operating income | 23,589 | 16,811 | 53,691 | 43,783 |
| Other (expense) income: | | | | |
| Investment and other (expense) income | (992) | 211 | (1,751) | 535 |
| Interest expense | (2,130) | (3,000) | (4,281) | (5,891) |
| Earnings from continuing operations before income taxes | 20,467 | 14,022 | 47,659 | 38,427 |
| Income tax expense | 5,177 | 2,438 | 13,666 | 11,344 |
| Earnings from continuing operations | $ 15,290 | $ 11,584 | $ 33,993 | $ 27,083 |
| Loss from discontinued operations, net of income taxes | — | — | — | (1,915) |
| Net earnings | $ 15,290 | $ 11,584 | $ 33,993 | $ 25,168 |
| Earnings from continuing operations per Class A Nonvoting Common Share: | | | | |
| Basic | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.53 |
| Diluted | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.53 |
| Earnings from continuing operations per Class B Voting Common Share: | | | | |
| Basic | $ 0.30 | $ 0.23 | $ 0.65 | $ 0.51 |
| Diluted | $ 0.30 | $ 0.23 | $ 0.65 | $ 0.51 |
| Loss from discontinued operations per Class A Nonvoting Common Share: | | | | |
| Basic | $ — | $ — | $ — | $ (0.04) |
| Diluted | $ — | $ — | $ — | $ (0.04) |
| Loss from discontinued operations per Class B Voting Common Share: | | | | |
| Basic | $ — | $ — | $ — | $ (0.03) |
| Diluted | $ — | $ — | $ — | $ (0.04) |
| Net earnings per Class A Nonvoting Common Share: | | | | |
| Basic | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.49 |
| Diluted | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.49 |
| Dividends | $ 0.20 | $ 0.20 | $ 0.41 | $ 0.40 |
| Net earnings per Class B Voting Common Share: | | | | |
| Basic | $ 0.30 | $ 0.23 | $ 0.65 | $ 0.48 |
| Diluted | $ 0.30 | $ 0.23 | $ 0.65 | $ 0.47 |
| Dividends | $ 0.20 | $ 0.20 | $ 0.39 | $ 0.38 |
| Weighted average common shares outstanding (in thousands): | | | | |
| Basic | 50,527 | 51,272 | 50,778 | 51,262 |
| Diluted | 50,647 | 51,348 | 50,868 | 51,330 |

**BRADY CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(Unaudited; Dollars in thousands)**

| | January 31, 2016 | July 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 120,198 | $ 114,492 |
| Accounts receivable—net | 150,615 | 157,386 |
| Inventories: | | |
| Finished products | 62,127 | 66,700 |
| Work-in-process | 15,445 | 16,958 |
| Raw materials and supplies | 21,681 | 20,849 |
| Total inventories | 99,253 | 104,507 |
| Prepaid expenses and other current assets | 35,843 | 32,197 |
| **Total current assets** | 405,909 | 408,582 |
| **Other assets:** | | |
| Goodwill | 427,460 | 433,199 |
| Other intangible assets | 63,630 | 68,888 |
| Deferred income taxes | 16,333 | 22,310 |
| Other | 16,497 | 18,704 |
| **Property, plant and equipment:** | | |
| Cost: | | |
| Land | 5,012 | 5,284 |
| Buildings and improvements | 92,672 | 94,423 |
| Machinery and equipment | 258,044 | 270,086 |
| Construction in progress | 2,577 | 2,164 |
| | 358,305 | 371,957 |
| Less accumulated depreciation | 256,849 | 260,743 |
| **Property, plant and equipment—net** | 101,456 | 111,214 |
| **Total** | $ 1,031,285 | $ 1,062,897 |
| **LIABILITIES AND STOCKHOLDERS' INVESTMENT** | | |
| **Current liabilities:** | | |
| Notes payable | $ 4,974 | $ 10,411 |
| Accounts payable | 66,189 | 73,020 |
| Wages and amounts withheld from employees | 33,767 | 30,282 |
| Taxes, other than income taxes | 6,682 | 7,250 |
| Accrued income taxes | 5,091 | 7,576 |
| Other current liabilities | 40,429 | 38,194 |
| Current maturities on long-term debt | — | 42,514 |
| **Total current liabilities** | 157,132 | 209,247 |
| **Long-term obligations, less current maturities** | 247,689 | 200,774 |
| **Other liabilities** | 63,976 | 65,188 |
| **Total liabilities** | 468,797 | 475,209 |
| **Stockholders' investment:** | | |
| Common Stock: | | |
| Class A nonvoting common stock—Issued 51,261,487 and 51,261,487 shares, respectively and outstanding 46,705,559 and 47,781,184 shares, respectively | 513 | 513 |
| Class B voting common stock—Issued and outstanding, 3,538,628 shares | 35 | 35 |
| Additional paid-in capital | 314,905 | 314,403 |
| Earnings retained in the business | 427,637 | 414,069 |
| Treasury stock—4,555,928 and 3,480,303 shares, respectively of Class A nonvoting common stock, at cost | (114,547) | (93,234) |
| Accumulated other comprehensive loss | (62,355) | (45,034) |
| Other | (3,700) | (3,064) |
| **Total stockholders' investment** | 562,488 | 587,688 |
| **Total** | $ 1,031,285 | $ 1,062,897 |

**BRADY CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited; Dollars in thousands)**

| | Six months ended January 31, | |
|---|---|---|
| | 2016 | 2015 |
| Operating activities: | | |
| Net earnings | $ 33,993 | $ 25,168 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 17,502 | 20,066 |
| Non-cash portion of stock-based compensation expense | 4,569 | 2,471 |
| Non-cash portion of restructuring charges | — | 896 |
| Loss on sale of business, net | — | 426 |
| Deferred income taxes | 3,338 | (781) |
| Changes in operating assets and liabilities (net of effects of business acquisitions/divestitures): | | |
| Accounts receivable | 3,204 | 10,918 |
| Inventories | 3,403 | (10,840) |
| Prepaid expenses and other assets | (3,811) | (3,053) |
| Accounts payable and accrued liabilities | (1,618) | (15,423) |
| Income taxes | (2,326) | (5,918) |
| Net cash provided by operating activities | 58,254 | 23,930 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (3,928) | (17,808) |
| Sale of business, net of cash retained | — | 6,111 |
| Other | 2,521 | 4,173 |
| Net cash used in investing activities | (1,407) | (7,524) |
| Financing activities: | | |
| Payment of dividends | (20,425) | (20,449) |
| Proceeds from issuance of common stock | 53 | 847 |
| Purchase of treasury stock | (23,397) | — |
| Net (repayments) proceeds from borrowing on credit facilities | (437) | 29,428 |
| Debt issuance costs | (803) | — |
| Income tax on equity-based compensation, and other | (1,299) | (3,830) |
| Net cash (used in) provided by financing activities | (46,308) | 5,996 |
| Effect of exchange rate changes on cash | (4,833) | (10,937) |
| Net increase in cash and cash equivalents | 5,706 | 11,465 |
| Cash and cash equivalents, beginning of period | 114,492 | 81,834 |
| Cash and cash equivalents, end of period | $ 120,198 | $ 93,299 |

**BRADY CORPORATION AND SUBSIDIARIES**
**SEGMENT INFORMATION**
**(Unaudited; Dollars in thousands)**

| | Three months ended January 31, | | Six months ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **SALES TO EXTERNAL CUSTOMERS** | | | | |
| ID Solutions | $ 184,880 | $ 192,065 | $ 381,207 | $ 404,162 |
| Workplace Safety | 83,750 | 90,563 | 170,496 | 188,706 |
| Total | $ 268,630 | $ 282,628 | $ 551,703 | $ 592,868 |
| | | | | |
| **SALES INFORMATION** | | | | |
| ***ID Solutions*** | | | | |
| Organic | 0.7 % | 1.9 % | (0.9)% | 2.1 % |
| Currency | (4.4)% | (3.3)% | (4.8)% | (2.1)% |
| Total | (3.7)% | (1.4)% | (5.7)% | — % |
| ***Workplace Safety*** | | | | |
| Organic | (0.1)% | 0.6 % | (0.9)% | 1.5 % |
| Currency | (7.4)% | (6.7)% | (8.7)% | (4.5)% |
| Total | (7.5)% | (6.1)% | (9.6)% | (3.0)% |
| ***Total Company*** | | | | |
| Organic | 0.4 % | 1.4 % | (0.9)% | 1.9 % |
| Currency | (5.4)% | (4.3)% | (6.0)% | (2.9)% |
| Total | (5.0)% | (2.9)% | (6.9)% | (1.0)% |
| | | | | |
| **SEGMENT PROFIT** | | | | |
| ID Solutions | $ 37,004 | $ 35,719 | $ 77,008 | $ 79,186 |
| Workplace Safety | 13,395 | 12,776 | 30,059 | 28,315 |
| Total | $ 50,399 | $ 48,495 | $ 107,067 | $ 107,501 |
| **SEGMENT PROFIT AS A PERCENT OF SALES** | | | | |
| ID Solutions | 20.0 % | 18.6 % | 20.2 % | 19.6 % |
| Workplace Safety | 16.0 % | 14.1 % | 17.6 % | 15.0 % |
| Total | 18.8 % | 17.2 % | 19.4 % | 18.1 % |

| | Three months ended January 31, | | Six months ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Total segment profit | $ 50,399 | $ 48,495 | $ 107,067 | $ 107,501 |
| Unallocated amounts: | | | | |
| Administrative costs | (26,810) | (26,805) | (53,376) | (54,561) |
| Restructuring charges | — | (4,879) | — | (9,157) |
| Investment and other (expense) income | (992) | 211 | (1,751) | 535 |
| Interest expense | (2,130) | (3,000) | (4,281) | (5,891) |
| Earnings from continuing operations before income taxes | $ 20,467 | $ 14,022 | $ 47,659 | $ 38,427 |

**NON-GAAP MEASURES**
**(Unaudited; Dollars in Thousands, Except Per Share Amounts)**

In accordance with the U.S. Securities and Exchange Commission's Regulation G, the following provides definitions of the non-GAAP measures used in the earnings release and the reconciliation to the most closely related GAAP measure.

**Earnings from Continuing Operations Before Income Taxes Excluding Certain Items:**

Brady is presenting the Non-GAAP measure "Earnings from Continuing Operations Before Income Taxes 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 profit 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 Earnings from Continuing Operations Before Income Taxes to Earnings from Continuing Operations Before Income Taxes Excluding Certain Items:

| | Three Months Ended January 31, | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Earnings from Continuing Operations Before Income Taxes (GAAP Measure)** | $ 20,467 | $ 14,022 | $ 47,659 | $ 38,427 |
| Restructuring charges | — | 4,879 | — | 9,157 |
| **Earnings from Continuing Operations Before Income Taxes Excluding Certain Items (non-GAAP measure)** | **$ 20,467** | **$ 18,901** | **$ 47,659** | **$ 47,584** |

**Income Taxes on Continuing Operations Excluding Certain Items:**

Brady is presenting the Non-GAAP measure "Income Taxes on 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 Income Taxes on Continuing Operations to Income Taxes on Continuing Operations Excluding Certain Items:

| | Three Months Ended January 31, | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Income Taxes on Continuing Operations (GAAP measure)** | $ 5,177 | $ 2,438 | $ 13,666 | $ 11,344 |
| Restructuring charges | — | 1,434 | — | 2,770 |
| **Income Taxes on Continuing Operations Excluding Certain Items (non-GAAP measure)** | **$ 5,177** | **$ 3,872** | **$ 13,666** | **$ 14,114** |

**Net Earnings from Continuing Operations Excluding Certain Items:**

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:

| | Three Months Ended January 31, | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Net Earnings from Continuing Operations (GAAP measure)** | $ 15,290 | $ 11,584 | $ 33,993 | $ 27,083 |
| Restructuring charges | — | 3,445 | — | 6,387 |
| **Net Earnings from Continuing Operations Excluding Certain Items (non-GAAP measure)** | **$ 15,290** | **$ 15,029** | **$ 33,993** | **$ 33,470** |

**NON-GAAP MEASURES**
**(Unaudited; Dollars in Thousands, Except Per Share Amounts)**

**Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items:**

Brady is presenting the Non-GAAP measure "Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share 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 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, | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share (GAAP measure)** | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.53 |
| Restructuring charges | — | 0.07 | — | 0.12 |
| **Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items (non-GAAP measure)** | **$ 0.30** | **$ 0.29** | **$ 0.67** | **$ 0.65** |

# Brady Corporation
## F'16 Q2 Financial Results

February 19, 2016

# 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: implementation of the Workplace Safety strategy; Brady's ability to develop and successfully market technologically advanced new products; technology changes and potential security violations to the Company's information technology systems; future competition; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, hard disk drive, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, healthcare and transportation; fluctuations in currency rates versus the U.S. dollar; risks associated with international operations; difficulties associated with exports; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; Brady's ability to retain significant contracts and customers; risk associated with loss of key talent; risks associated with obtaining governmental approvals and maintaining regulatory compliance; risk associated with product liability claims; environmental, health and safety compliance costs and liabilities; potential write-offs of Brady's substantial intangible assets; unforeseen tax consequences; risks associated with restructuring plans and maintaining acceptable operational service metrics; risks associated with divestitures; risks associated with identifying, completing, and integrating acquisitions; risks associated with our ownership structure; Brady's ability to maintain compliance with its debt covenants; increase in our level of debt; 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 within Item 1A of Part I of Brady's Form 10-K for the year ended July 31, 2015.

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'16 Financial Summary



- **Sales down 5.0% to $268.6M in Q2 of F'16 vs. $282.6M in Q2 of F'15.**
  - Organic sales increased 0.4%. Foreign currency translation reduced sales by 5.4%.
- **Gross profit margin of 49.5% in Q2 of F'16 compared with 48.9% in Q2 of F'15.**
- **SG&A expense of $100.2M (37.3% of sales) in Q2 of F'16 compared with $107.6M (38.1% of sales) in Q2 of F'15.**
- **Net earnings of $15.3M in Q2 of F'16 compared with GAAP earnings from continuing operations of $11.6M and non-GAAP earnings* of $15.0M in Q2 of F'15, respectively.**
- **Net earnings per Class A Diluted Nonvoting Share of $0.30 in Q2 of F'16, up 30.4% compared with Net Earnings from Continuing Operations per Class A Diluted Nonvoting Share of $0.23 in Q2 of F'15 and up 3.4% compared with non-GAAP Earnings per Share* of $0.29 in Q2 of F'15.**
- **Net cash provided by operating activities of $27.9M in Q2 of F'16 vs. $5.3M in Q2 of F'15.**

* Non-GAAP earnings and non-GAAP Earnings per Share are non-GAAP measures. See appendix.

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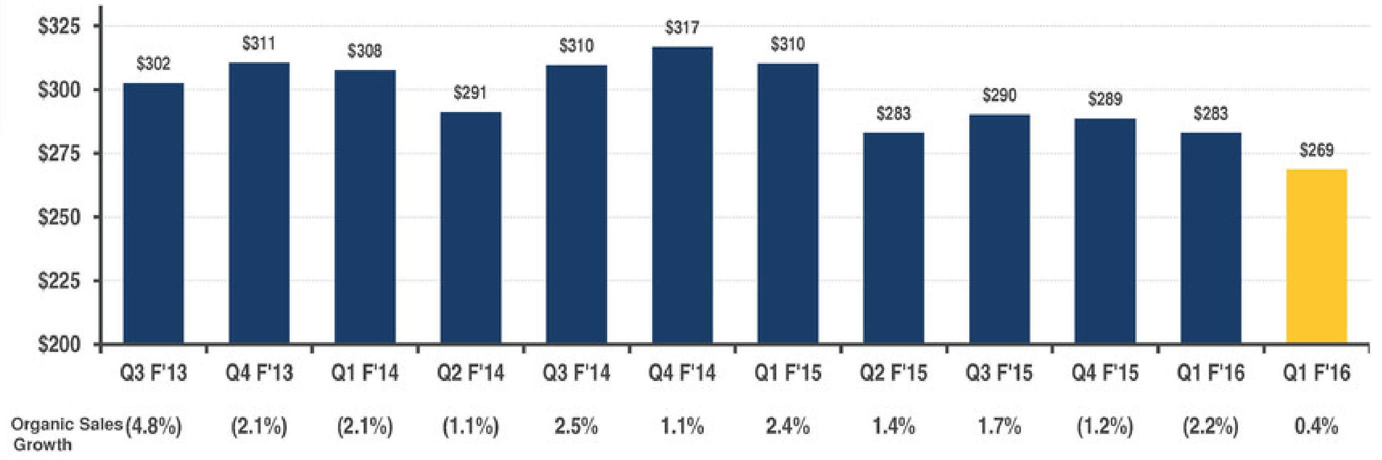
# Sales Overview



## SALES

(millions of USD)




## Q2 F'16 SALES:

- 0.4% organic sales growth:
  - ID Solutions – Organic sales growth of 0.7%.
  - Workplace Safety – Organic sales decline of (0.1%).
- (5.4%) decrease due to currency translation.

## Q2 F'16 SALES COMMENTARY:

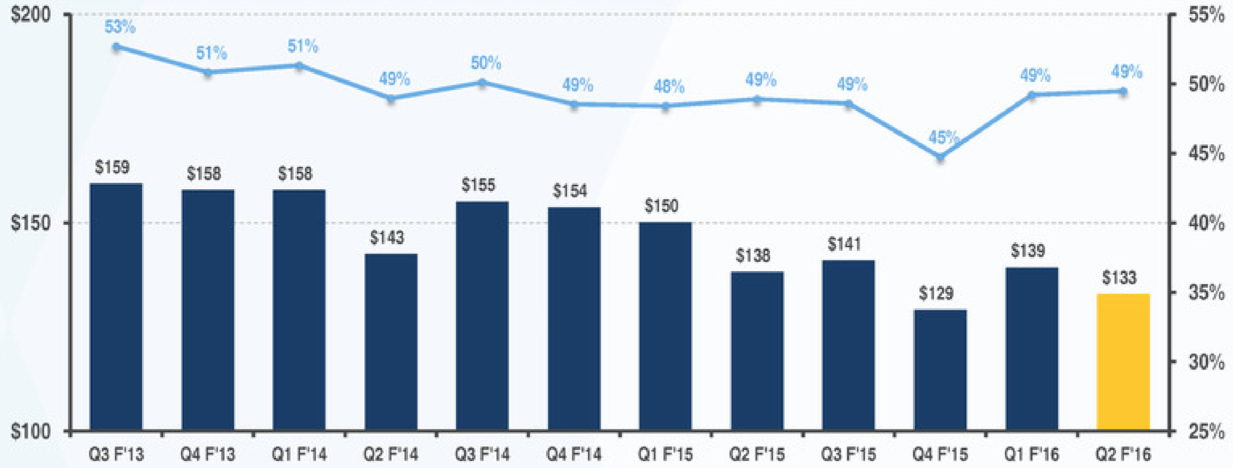
- Our European businesses in both IDS and WPS performed well, with continued organic growth in Q2 and year-to-date.
- Challenges persist in Asia and Australia where organic sales were down vs. Q2 of F'15.

# Gross Profit Margin



## GROSS PROFIT & GPM%

(millions of USD)




## GROSS PROFIT MARGIN COMMENTARY:

- GPM of 49.5% in Q2 of F'16 compared with 48.9% in Q2 of F'15.
- GPM in Q2 of F'15 was impacted by facility consolidation-related costs.
- On-going operational improvements are positively impacting profitability.

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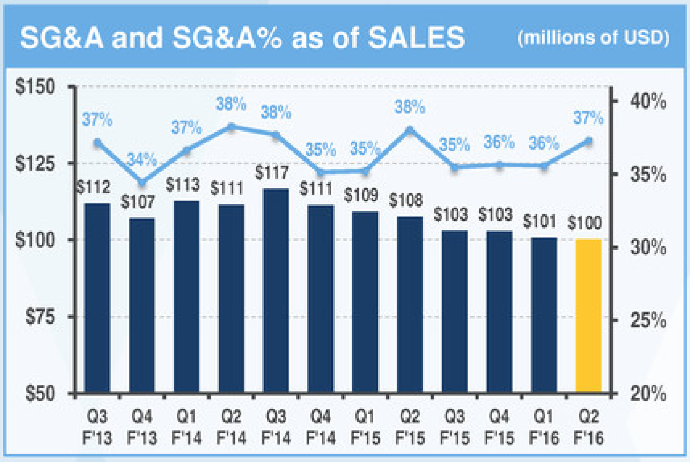
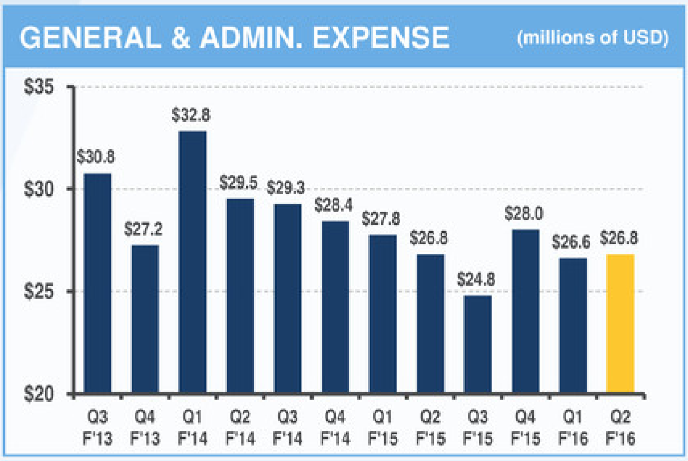
# SG&A Expense and G&A Expense






## SG&A EXPENSE:

- SG&A expense was down $7.4M to $100.2M in Q2 of F'16 compared to $107.6M in Q2 of F'15.
- Approximately 3/4ths of the decline in SG&A expense was caused by the strengthening of the U.S. dollar against other major currencies and the remaining 1/4th was due to efficiency gains.

## G&A EXPENSE (subset of SG&A):

- G&A expense was flat at $26.8M in Q2 of F'16 and Q2 of F'15.
- At constant foreign exchange rates, G&A expense increased slightly.
- The general downward trend in G&A expense continues as we focus on driving efficiencies.

# Net Earnings & EPS From Continuing Operations



**NET EARNINGS FROM CONTINUING OPERATIONS, EXCLUDING CERTAIN ITEMS*** (millions of USD)


**NET EARNINGS FROM CONTINUING OPERATIONS PER CLASS A DILUTED NONVOTING SHARE, EXCLUDING CERTAIN ITEMS***


## Q2 F'16 – Net Earnings

- Q2 F'16 net earnings were $15.3M compared to Non-GAAP net earnings* of $15.0M in Q2 of F'15.
- Earnings negatively impacted by the significant strengthening of the U.S. dollar when compared with Q2 of F'15.
- Increase in earnings driven by improved gross profit margins in IDS and efficiencies in operating expenses.

## Q2 F'16 – EPS

- Q2 F'16 Diluted EPS was $0.30 compared to GAAP EPS of $0.23 and Non-GAAP EPS* of $0.29 in Q2 of F'15.
- EPS modestly impacted by a reduction in diluted weighted average common shares outstanding which decreased from 51.3M in Q2 of F'15 to 50.6M in Q2 of F'16.

* Non-GAAP Net Earnings from Continuing Operations and Non-GAAP Net Earnings from Continuing Operations Per Class A Diluted Nonvoting Share are non-GAAP measures. See appendix.

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# Cash Generation & Uses


| (millions of USD) | 3 Mos. Ended Jan. 31, 2016 | 3 Mos. Ended Jan. 31, 2015 |
|---|---|---|
| **Cash Balance - Beginning of Period** | **$ 110.6** | **$ 116.5** |
| Cash Flow from Operating Activities | 27.9 | 5.3 |
| Capital Expenditures | (1.6) | (6.4) |
| Repurchase of Stock | (7.2) | - |
| Dividends | (10.2) | (10.3) |
| Debt Borrowings (Repayments) - Net | 2.3 | (3.9) |
| Effect of Exchange Rate on Cash | (2.3) | (7.2) |
| Other | 0.9 | (0.9) |
| **Cash Balance - End of Period** | **$ 120.2** | **$ 93.3** |

## CASH FLOWS IN Q2 OF F'16:

- Cash flow from operating activities of $27.9M in Q2 of F'16 compared to $5.3M in Q2 of F'15.
- Free cash flow* of $26.3M in Q2 of F'16 compared to $(1.0M) in Q2 of F'15.
- Returned $10.2M to our shareholders in the form of dividends in Q2 of F'16.
- Returned $7.2M to our shareholders in the form of share buybacks as 338,579 shares were repurchased at an average purchase price of $21.37 per share during Q2 of F'16.

* 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, 2016 Cash = $120.2M, Debt = $252.7M (net debt = $132.5M), and TTM EBITDA = $127.5M.
- Net Debt/EBITDA* = 1.0 to 1.
- Net debt declined in Q2 of F'16 even after returning a total of $17.5M to shareholders in the form of dividends and share buybacks.
- Balance sheet continues to provide flexibility for future cash uses.

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

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# F’16 Guidance



| F’16 Diluted EPS | $1.20 to $1.35 |
|---|---|

## Guidance Assumptions:

- Low single digit organic sales declines in fiscal 2016, which is reflective of economic challenges in certain industrial markets and geographies.
- Exchange rates consistent with those as of January 31, 2016.
- Full-year depreciation and amortization expense of approximately $35M to $38M.
- Full-year tax rate in the mid-to-upper 20% range.
- Full-year capital expenditures of approximately $17M to $20M.

# Identification Solutions



## Q2 F'16 vs. Q2 F'15 PERFORMANCE (millions of USD)

| | Q2 F'16 | Q2 F'15 | Change |
|---|---|---|---|
| Sales | $ 184.9 | $ 192.1 | - 3.7% |
| Segment Profit | 37.0 | 35.7 | + 3.6% |
| Segment Profit % | 20.0% | 18.6% | + 1.4 pts |

## SALES & SEGMENT PROFIT % (millions of USD)


## Q2 F'16 SUMMARY:

- Revenues down 3.7%:
  - Organic = +0.7%
  - Fx = -(4.4)%
- Strong organic sales growth in Europe-based business.
- Organic sales down in Asia.
- Segment profit as a percent of sales increased as a result of operational improvements in recently consolidated facilities and the management of operating expenses.

## OUTLOOK:

- Expect low-single digit organic sales declines for F'16.
- Expect segment profit to be approximately 20% of sales in F'16.

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# Workplace Safety



## Q2 F'16 vs. Q2 F'15 PERFORMANCE (millions of USD)

| | Q2 F'16 | Q2 F'15 | Change |
|---|---|---|---|
| Sales | $ 83.8 | $ 90.6 | - 7.5% |
| Segment Profit | 13.4 | 12.8 | + 4.8% |
| Segment Profit % | 16.0% | 14.1% | + 1.9 pts |

## SALES & SEGMENT PROFIT % (millions of USD)


## Q2 F'16 SUMMARY:

- Revenues down 7.5%:
  - Organic = -(0.1)%
  - Fx = -(7.4)%
- Strengthening of the U.S. dollar had a more significant impact on the Workplace Safety platform as approximately half of WPS revenues are generated in Western Europe.
- Segment profit of 16.0% is an improvement compared to the prior year of 14.1% due to efficiencies in catalog advertising and other selling expenses.

## OUTLOOK:

- Expect low-single digit organic sales declines for F'16.
- Expect segment profit to continue to be in the mid-to-upper teens as a % of sales in F'16.

# Investor Relations

## Brady Contact:

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Investor Relations
414-438-6887

Ann_Thornton@bradycorp.com

See our web site at
www.bradycorp.com

# Appendix

# Comparable Income Statements



## COMPARABLE INCOME STATEMENTS

(millions of USD)

| | Three Months Ended January 31, | | |
|---|---|---|---|
| | 2016 | 2015 | Change |
| **Sales** | $ 268.6 | $ 282.6 | $ (14.0) |
| **Gross Margin** | 132.9 | 138.2 | (5.3) |
| *% of Sales* | *49.5%* | *48.9%* | |
| Research and Development | (9.1) | (8.9) | (0.2) |
| Selling, General and Admin. | (100.2) | (107.6) | 7.4 |
| *% of Sales* | *(37.3%)* | *(38.1%)* | *(0.8) pts* |
| Restructuring Charges | - | (4.9) | 4.9 |
| **Operating Income** | 23.6 | 16.8 | 6.8 |
| Interest and Other | (3.1) | (2.8) | (0.3) |
| Income Taxes | (5.2) | (2.4) | (2.8) |
| **Earnings from Continuing Operations** | $ 15.3 | $ 11.6 | $ 3.7 |
| *% of Sales* | *5.7%* | *4.1%* | *1.6 pts* |
| **Earnings from Continuing Operations per Class A Nonvoting Common Share** | $ 0.30 | $ 0.23 | $ 0.07 |
| **Net Earnings from Continuing Operations, Excluding Certain Items (Non-GAAP measure)*** | $ 15.3 | $ 15.0 | $ 0.3 |
| *% of Sales* | *5.7%* | *5.3%* | *0.4 pts* |
| **Net Earnings from Continuing Operations Per Class A Diluted Nonvoting Share, Excluding Certain Items (Non-GAAP measure)*** | $ 0.30 | $ 0.29 | $ 0.01 |

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# Debt Structure



('000s of USD)

| | Interest Rate | | January 31, 2016 Balance | | July 31, 2015 Balance | |
|---|---|---|---|---|---|---|
| **Revolver Borrowings:** | | | | | | |
| USD-denominated | 1.30% | Variable | $ | 107,000 | $ | 102,000 |
| **China Borrowings:** | | | | | | |
| USD & CNY-denominated notes payable | 3.85% | Variable | | 4,974 | | 10,411 |
| **Private Placements:** | | | | | | |
| USD-denominated 2006 Series | 5.30% | Fixed | | 26,143 | | 26,143 |
| USD-denominated 2007 Series | 5.33% | Fixed | | 32,675 | | 32,743 |
| EUR-denominated 2010 Series (7-yr.) | 3.71% | Fixed | | 32,811 | | 32,960 |
| EUR-denominated 2010 Series (10-yr.) | 4.24% | Fixed | | 49,060 | | 49,442 |
| **TOTAL DEBT** | | | **$** | **252,663** | **$** | **253,699** |

# EBITDA Reconciliation – Total Company



## EBITDA - Total Company

('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 2016 | | | | |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total |
| EBITDA from Continuing Operations: | | | | | |
| Earnings from continuing operations | $ 18,703 | $ 15,290 | | | $ 33,993 |
| Interest expense | 2,151 | 2,130 | | | 4,281 |
| Income taxes | 8,489 | 5,177 | | | 13,666 |
| Depreciation and amortization | 8,889 | 8,613 | | | 17,502 |
| EBITDA from Continuing Operations (non-GAAP measure) | $ 38,232 | $ 31,210 | | | $ 69,442 |

| | Fiscal 2015 | | | | |
|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total |
| EBITDA from Continuing Operations: | | | | | |
| Earnings (loss) from continuing operations | $ 15,499 | $ 11,584 | $ 17,213 | $ (39,394) | $ 4,902 |
| Interest expense | 2,891 | 3,000 | 2,503 | 2,762 | 11,156 |
| Income taxes | 8,906 | 2,438 | 5,003 | 3,746 | 20,093 |
| Depreciation and amortization | 10,123 | 9,943 | 11,415 | 7,977 | 39,458 |
| Impairment charges | — | — | — | 46,867 | 46,867 |
| EBITDA from Continuing Operations (non-GAAP measure) | $ 37,419 | $ 26,965 | $ 36,134 | $ 21,958 | $122,476 |

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# Non-GAAP Reconciliations

## Reconciliations of 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 | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Net Earnings from Continuing Operations (GAAP measure)** | $ 15,290 | $ 11,584 | $ 33,993 | $ 27,083 |
| **Restructuring charges** | - | 3,445 | - | 6,387 |
| **Net Earnings from Continuing Operations Excluding Certain Items (non-GAAP measure)** | $ 15,290 | $ 15,029 | $ 33,993 | $ 33,470 |

| | Three Months Ended January | | Six Months Ended January 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share (GAAP measure)** | $ 0.30 | $ 0.23 | $ 0.67 | $ 0.53 |
| **Restructuring charges** | - | 0.07 | - | 0.12 |
| **Net Earnings from Continuing Operations Per Diluted Class A Nonvoting Common Share Excluding Certain Items (non-GAAP measure)** | $ 0.30 | $ 0.29 | $ 0.67 | $ 0.65 |