Brady Corporation
Investor Presentation

Fiscal 2019 – Q3

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; 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; Brady's ability to execute facility consolidations and maintain acceptable operational service metrics; foreign currency fluctuations; the impact of the Tax Reform Act and any other 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, 2018.

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's Mission & Vision

Brady will:

- 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.

Sustainable Long-Term Shareholder Value Growth

Summary

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.

Focused on Long-term Sustainable Results:

- Parallel focus on organic growth and long-term profitability improvements.
- Driving business fundamentals and sustainable efficiency gains.
- Investing in automation and capability-enhancing capital expenditures.
- Significantly increasing investments in innovation.

Strong Balance Sheet:

- Annual cash generation in excess of net earnings.
- Strong balance sheet. Net cash of $151M at January 31, 2019.

Patient & Disciplined Capital Allocation:

- Organic investment opportunities.
- Dividends (increased 33 consecutive years).
- Opportunistic share buybacks.
- Technology-based acquisitions that we can leverage.

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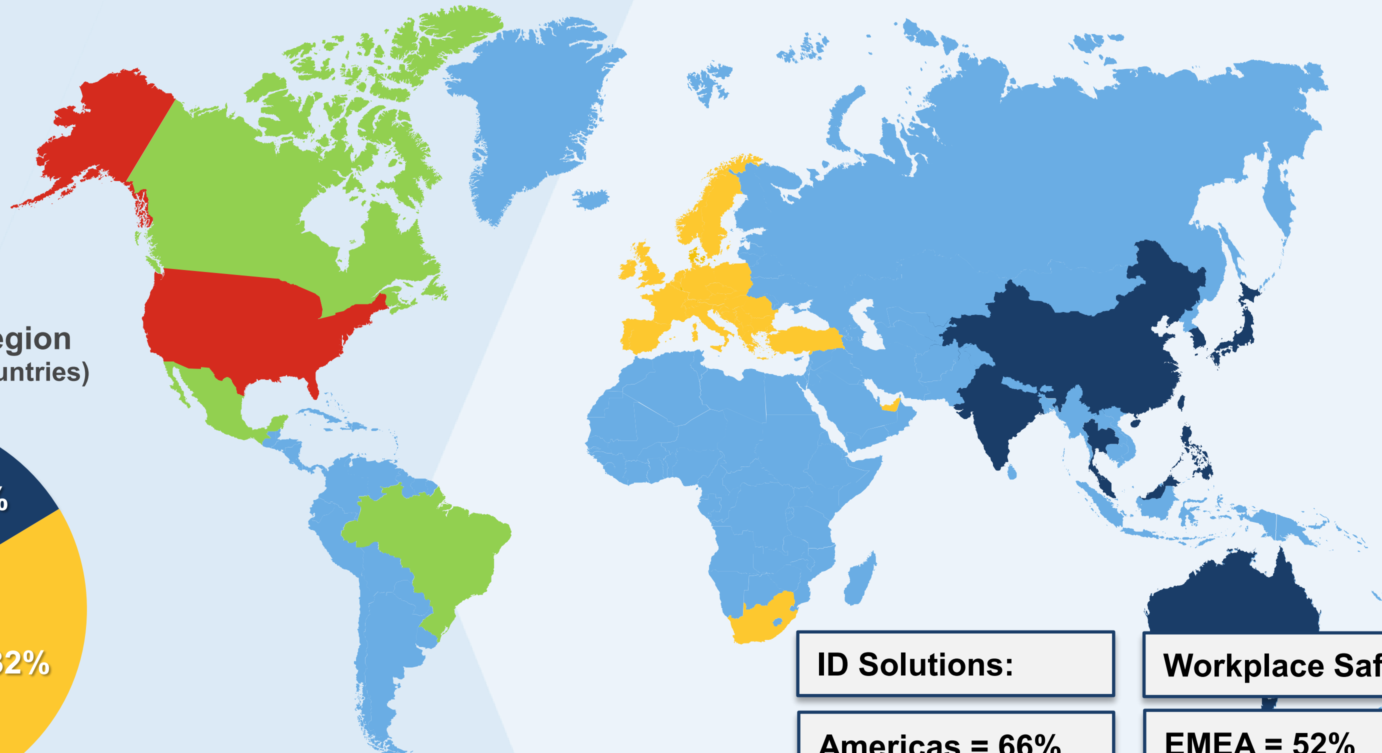
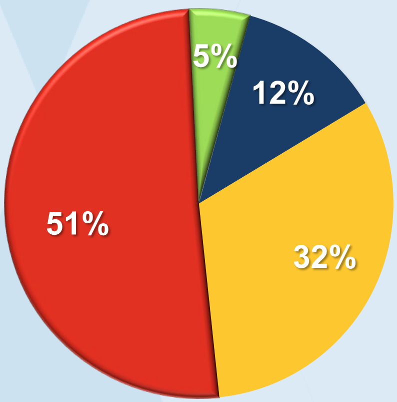
Geographical Presence



F'18 Sales by Region
(70 facilities in 33 countries)



ID Solutions:

Americas = 66%
EMEA = 23%
Asia = 11%

Workplace Safety:

EMEA = 52%
Americas = 33%
Australia = 15%

U.S.A.	Rest of Americas	Europe, Middle East & Africa	Asia-Pacific
	Canada, Mexico, Brazil.	Belgium, Denmark, France, Germany, Hungary, Italy, Netherlands, Norway, Poland, Qatar, Romania, Russia, Saudi Arabia, Slovakia, South Africa, Spain, Sweden, Turkey, UAE, U.K.	Australia, China, Hong Kong, India, Japan, South Korea, Malaysia, Singapore, Thailand.

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Global Divisions

Identification Solutions (approx. 70% of sales)

Products:

- Safety & Facility ID
- Wire ID
- Product ID
- People ID
- Healthcare 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. 30% of sales)

Products:

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

Primary Brands:

- Seton, Emed, Signals, Securimed.

Primary Channels:

- Primarily direct through Catalog, Internet, Telesales.

Geographic Presence:

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

Driving Operational Excellence

Right Culture for Success

- Custom manufacturing capabilities.
- Clarity, focus, and culture of innovation.
- Local ownership and individual accountability.
- Incentivize the right behaviors.
- Deliver what we promise.
- Customer at the center.

Operational Improvements

- Invest in more efficient, higher-quality equipment.
- Automation.
- Simplify processes in our manufacturing facilities (materials, scrap, freight, personnel costs, etc.).
- Drive efficiencies and execute fundamentals.
- Customer at the center.

SG&A Efficiency

- Reduce structural costs in a sustainable manner.
- Local ownership with standardized processes.
- Reduce centralized G&A structure and back-office selling expenses
- Relentless focus on streamlining processes in a sustainable manner.
- Customer at the center.

Driving Organic Growth

Workplace Safety

- Manage catalog-to-digital shift. Industry-leading digital marketplace.
- Leadership in safety identification products.
- Focus on compliance and customization for workplace safety critical industries.
- Solutions to provide enhanced value.

Identification Solutions

- Continual focus on improving the customer buying experience.
- Improved digital experience.
- Selected investments in commercial resources.
- Leverage expertise and innovation to solve ID challenges in healthcare.

Investing in Our Future

- Renewed innovation development process.
- Increased investments in new product development.
- Capability-enhancing capital expenditures.
- Incentivize the right behaviors to drive profitable growth.
- Invest in and grow the next generation of talent.

Patient & Disciplined Capital Allocation

Reinvest in the Business:

- Deliver strong customer service and operational excellence.
- Develop innovative new products that create value for our customers.
- Capital expenditures to enhance capabilities and deliver efficiency gains.
- Drive sustainable growth.

Dividends:

- Committed to consistently returning capital to shareholders.
- F'19 marks the 33rd consecutive year of dividend increases.

After funding organic growth investments and dividends, our capital allocation approach is patient and disciplined:

Share Buybacks:

- Opportunistic and patient use of share buybacks to drive shareholder value.
- Intrinsic-value based.

Acquisitions:

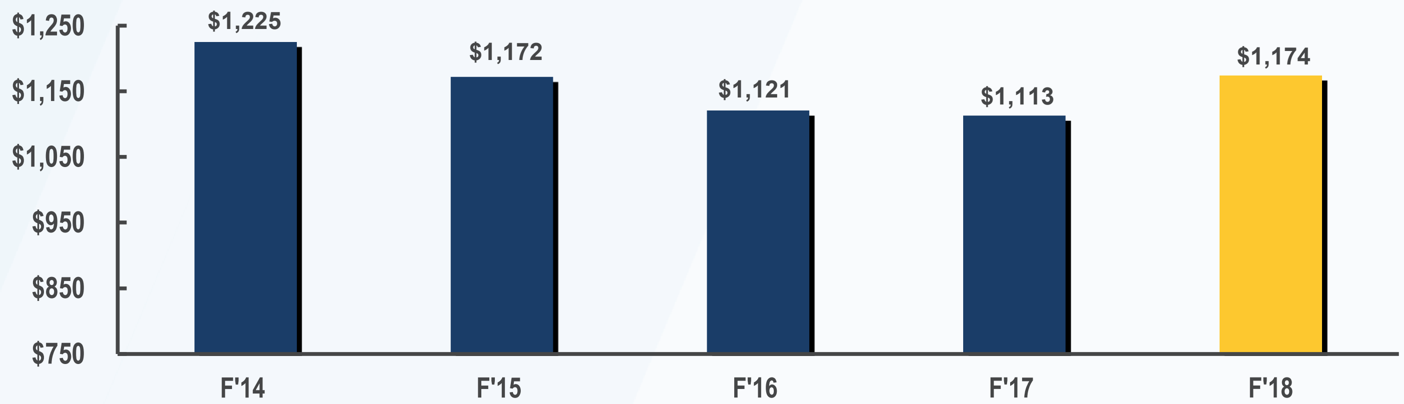
- Tuck-ins or clear technological advantages that allow Brady to leverage capabilities.

Financial Overview

Revenue Trend

SALES

(millions of USD)



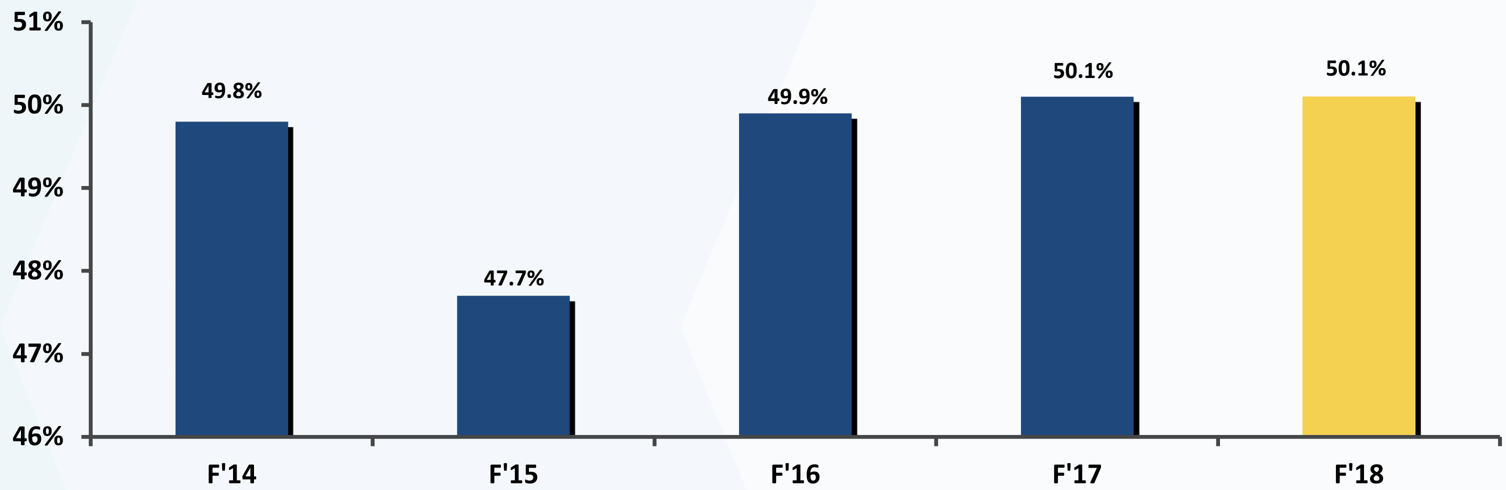
	F'14	F'15	F'16	F'17	F'18
Organic Growth	0.2%	1.0%	(0.7%)	0.5%	2.6%
Foreign Currency	(0.1%)	(5.4%)	(3.7%)	(1.2%)	3.0%
Divestitures	-- %	-- %	-- %	-- %	(0.2%)

SALES:

- Returned to organic sales growth and grew in each quarter of F’18 and the first half of F’19:
  - Q1 F’18 = 1.7%.
  - Q2 F’18 = 3.2%.
  - Q3 F’18 = 3.2%.
  - Q4 F’18 = 2.5%.
  - Q1 F’19 = 4.7%.
  - Q2 F’19 = 2.3%.

Gross Profit Margin

GROSS PROFIT MARGIN



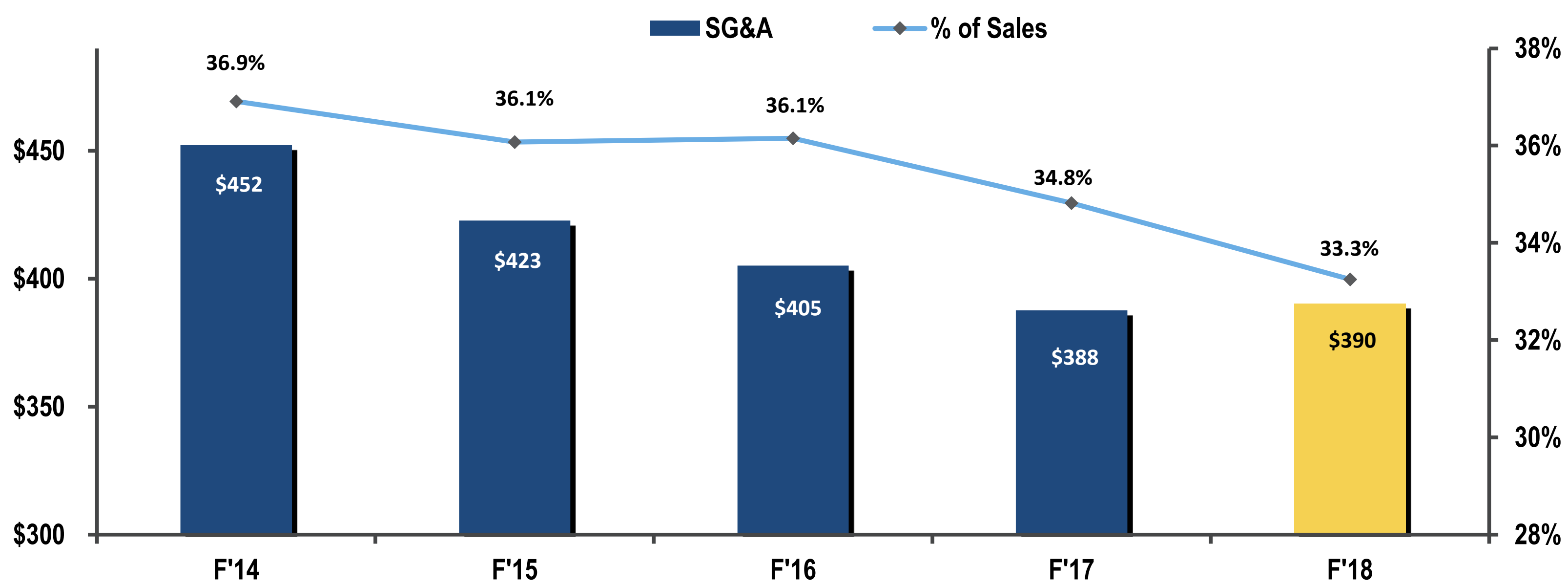
GROSS PROFIT MARGIN:

- On-going operational improvements and pricing actions are positively impacting our gross profit margin and effectively offsetting input cost increases.

SG&A Expense

SELLING, GENERAL & ADMIN EXPENSE

(millions of USD)



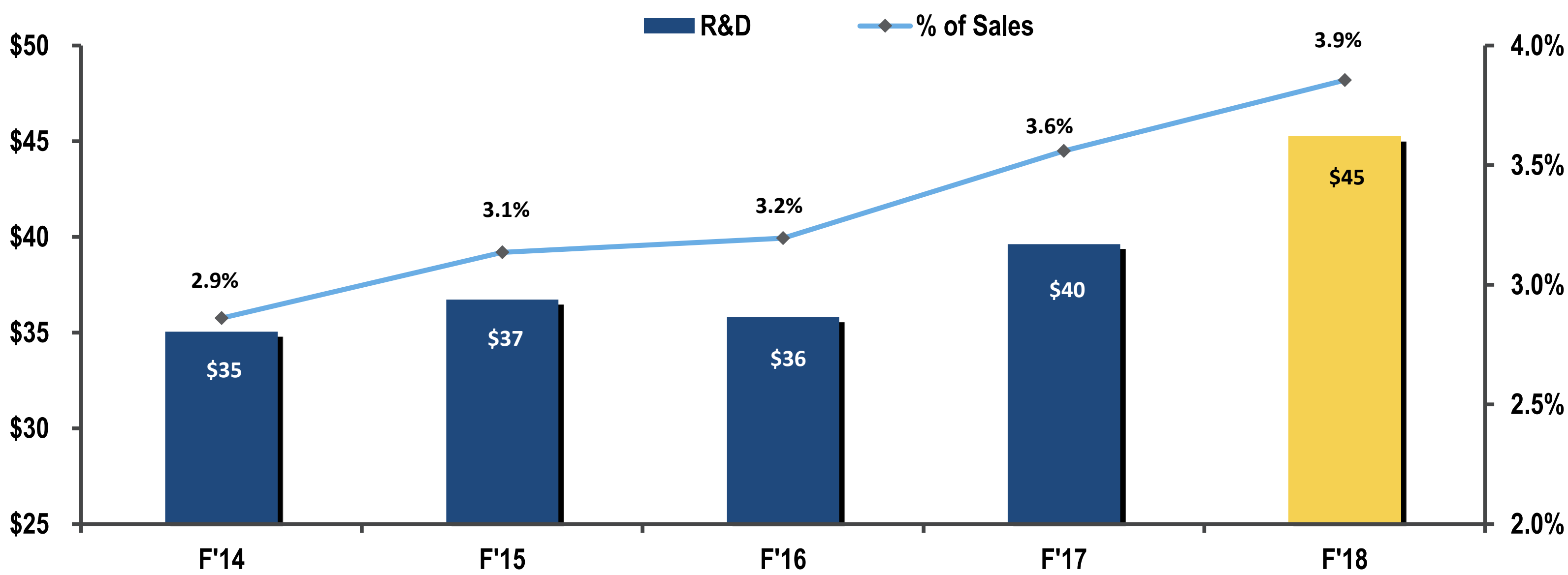
SG&A EXPENSE:

- 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)



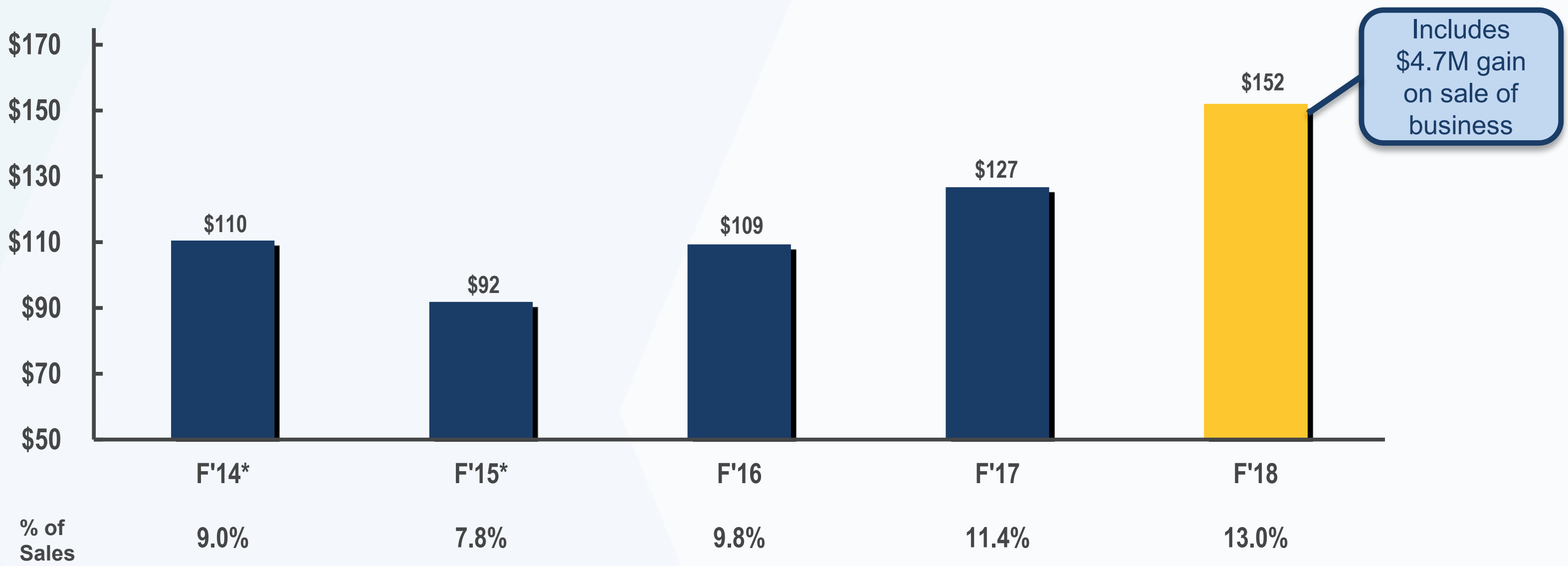
INCREASING OUR INVESTMENT IN RESEARCH & DEVELOPMENT:

- Investing in R&D to drive future organic sales growth.
- R&D expenses were up 14% in F’18.
- Increase in our new product pipeline.

Earnings Before Income Taxes

EARNINGS BEFORE INCOME TAXES*

(millions of USD)



EARNINGS BEFORE INCOME TAXES TRENDS:

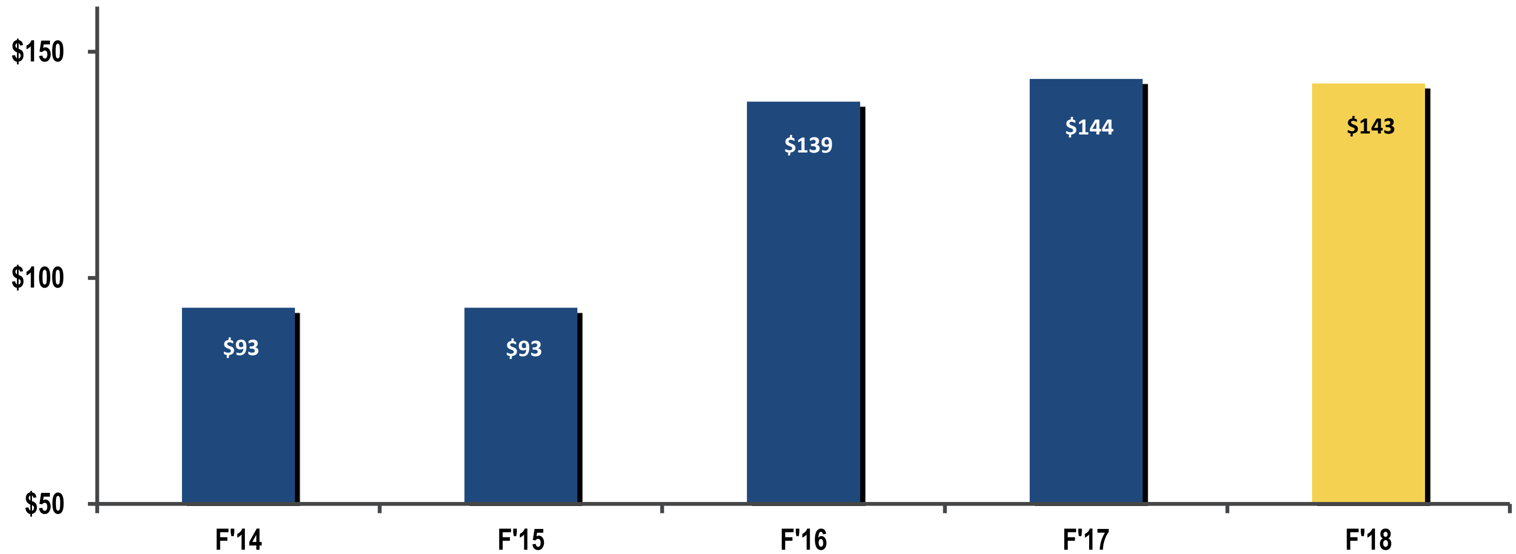
- Increased pre-tax earnings 14 consecutive quarters.
- Earnings before income taxes growth rates in the first half of F'19:
  - Q1 F'19 = 14.8%.
  - Q2 F'19 = 4.8%.

* See appendix for reconciliation of non-GAAP measures. No Non-GAAP adjustments after F'15.

Cash Generation

CASH FLOW FROM OPERATING ACTIVITIES

(millions of USD)

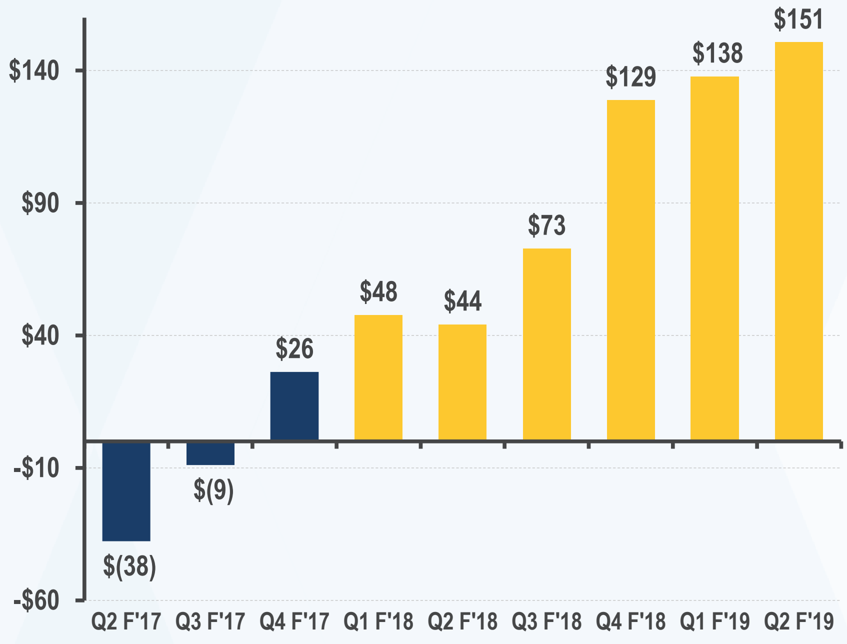


CASH GENERATION:

- Cash flow from operating activities was 157% of net earnings in F’18.
- Improvement in cash flow driven by increased profitability.
- Cash is deployed in accordance with our patient and disciplined capital allocation strategy.
- Cash flow from operating activities was up 4.1% in the first half of fiscal 2019.

Net Cash (Debt)

NET CASH (DEBT) (millions of USD)



DEBT STRUCTURE (millions of USD)

	Interest Rate	Jan. 31, 2019 Balance	July 31, 2018 Balance
Private Placements:			
EUR-den. 2010 Series (10-yr.)	4.24%	$ (51.6)	$ (52.6)
TOTAL DEBT		**$ (51.6)**	**$ (52.6)**
Cash and Cash Equivalents		**202.2**	**181.4**
NET CASH		**$ 150.6**	**$ 128.8**

STRONG BALANCE SHEET:

- January 31, 2019 cash = $202.2M and debt = $51.6M.
- Net cash increased $12.8M in Q2 of F'19.
- Approximately $76M of cash is held in the United States.
- Balance sheet provides flexibility for future investments.

Summary

- **Investing in R&D to Drive Long-Term Sales Growth.**
- **Investing in Cap. Ex. to drive Automation and Increase Capabilities.**
- **Driving <u>Sustainable</u> Efficiency Gains throughout the Organization.**
- **Increasing Organic Sales Growth.**
- **Improving Profitability and Cash Flow.**
- **Strong Balance Sheet.**

Investor Relations

Brady Contact:

Ann Thornton
414-438-6887

Ann_Thornton@Bradycorp.com

See our web site at
www.investor.bradycorp.com

BRC
Listed
NYSE
THE NEW YORK STOCK EXCHANGE
www.bradycorp.com

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Appendix -
Q2 F'19 Financials

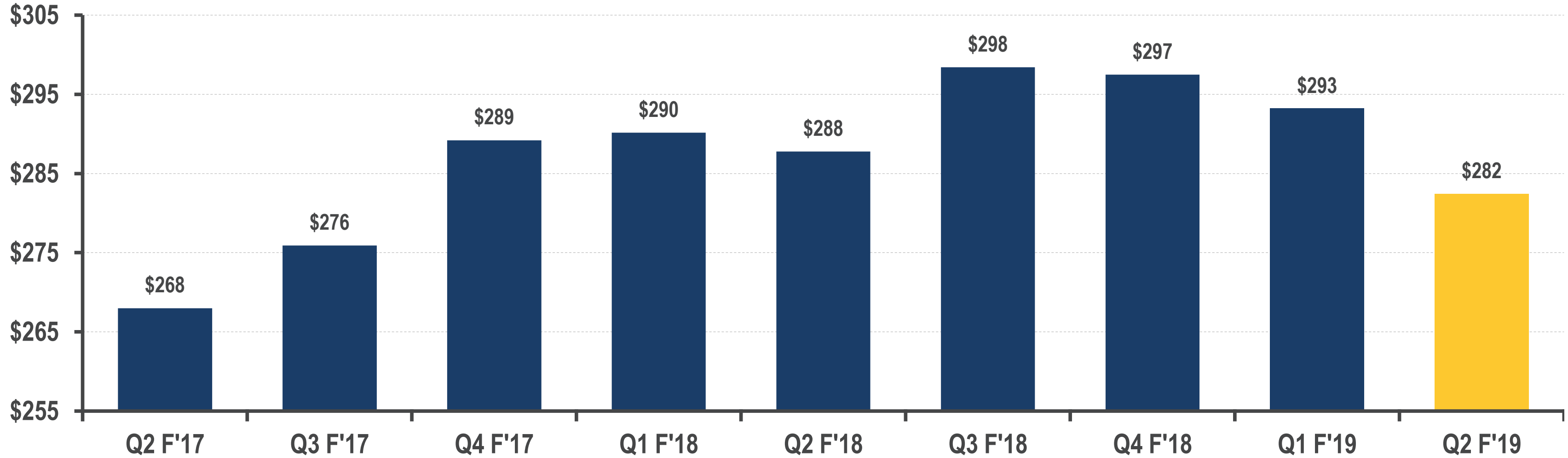
Q2 F'19 Financial Summary

- **Sales were $282.4M in Q2 of F'19 compared with $287.8M in Q2 of F'18.**
  - Organic sales increased 2.3%.
  - Foreign currency translation decreased sales 2.6%.
  - Sale of business decreased sales 1.6%.
- **Gross profit margin of 49.5% in Q2 of F'19 compared with 49.9% in Q2 of F'18.**
- **SG&A expense of $92.7M (32.8% of sales) in Q2 of F'19 compared with $97.6M (33.9% of sales) in Q2 of F'18.**
- **R&D expense of $11.1M (3.9% of sales) in Q2 of F'19 compared with $11.3M (3.9% of sales) in Q2 of F'18.**
- **Earnings before income taxes increased 4.8% to $36.7M in Q2 of F'19 compared with $35.0M in Q2 of F'18.**
- **Net earnings were $29.2M in Q2 of F'19 compared with $4.3M in Q2 of F'18.**
  - Q2 F'18 negatively impacted by $21.1M of tax charges.
- **Net earnings per Class A Diluted Nonvoting Common Share were $0.55 in Q2 of F'19 compared with $0.08 in Q2 of F'18.**
  - Q2 F'18 negatively impacted by $0.40 of tax charges.

Sales Overview

SALES

(millions of USD)



	Q2 F'17	Q3 F'17	Q4 F'17	Q1 F'18	Q2 F'18	Q3 F'18	Q4 F'18	Q1 F'19	Q2 F'19
Organic Sales Growth	1.3%	(1.9%)	3.0%	1.7%	3.2%	3.2%	2.5%	4.7%	2.3%

Q2 F'19 SALES:

- 2.3% increase in organic sales:
  - ID Solutions – Organic sales increased 3.6%.
  - Workplace Safety – Organic sales decreased 0.9%.
- 2.6% decrease due to foreign currency translation.
- 1.6% decrease due to the sale of a business.

Q2 F'19 SALES COMMENTARY:

- ID Solutions - Organic sales increased in all three regions.
- Workplace Safety - Organic sales increased in Europe and Australia and declined in North America.
- Foreign currency translation had a negative impact on sales in the quarter.

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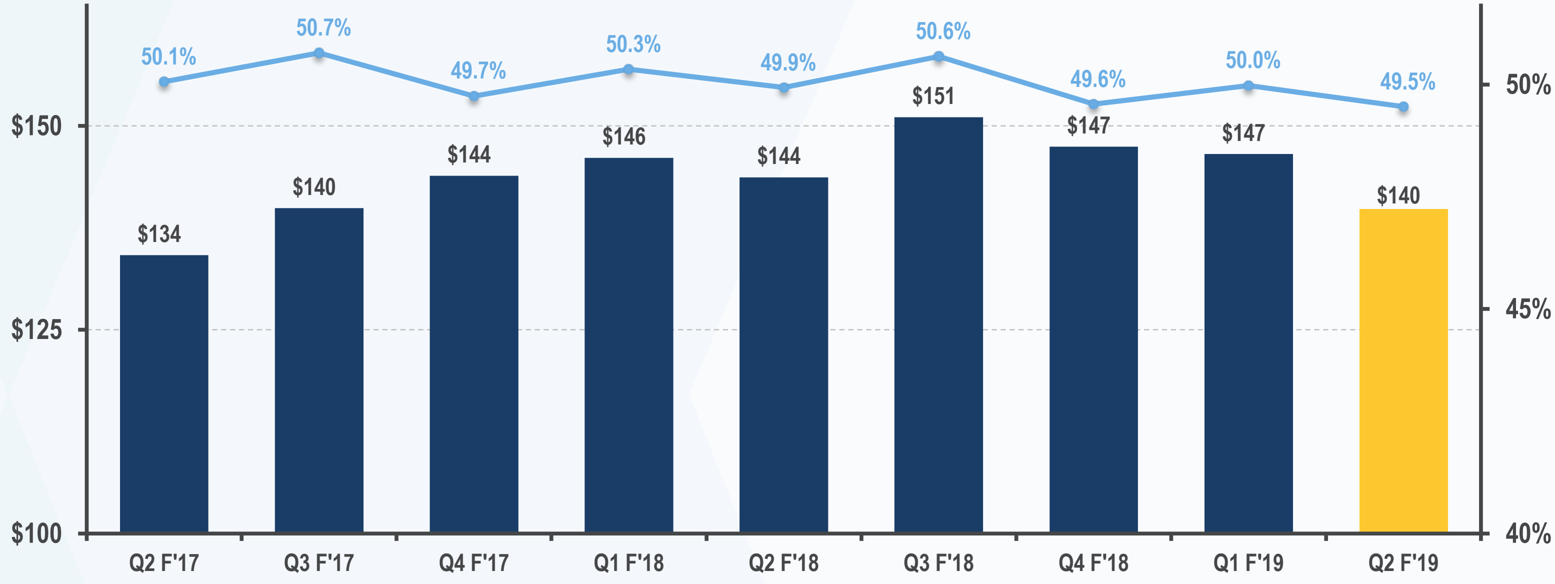
Gross Profit Margin

GROSS PROFIT & GPM%

(millions of USD)



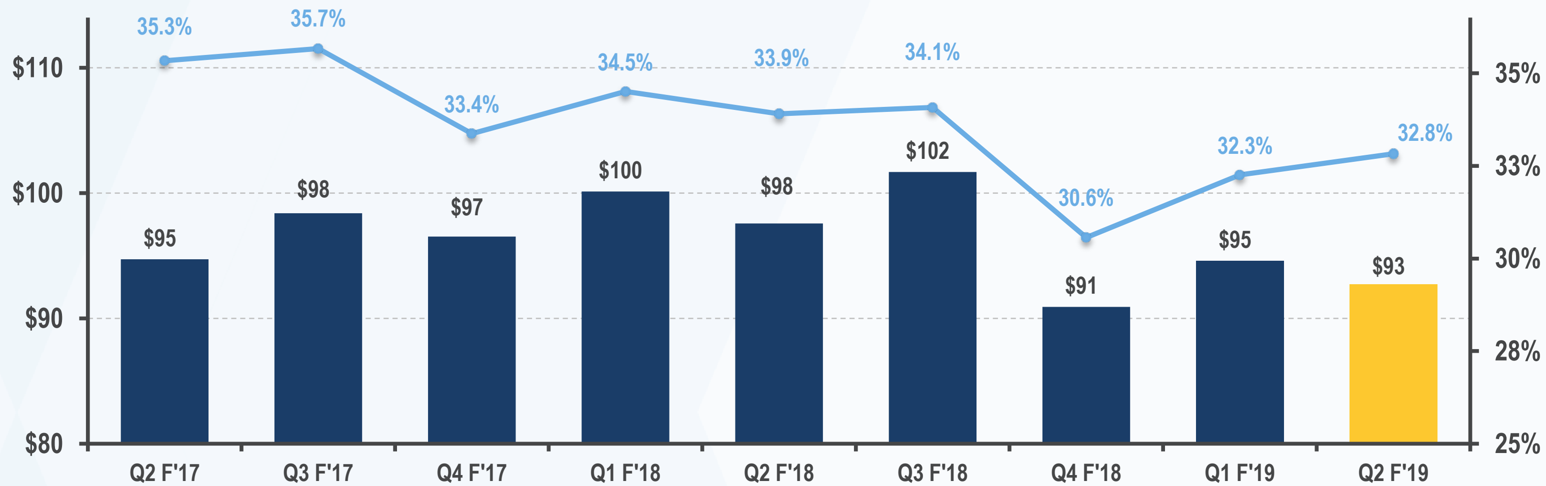
Q2 F’19 – GROSS PROFIT MARGIN:

- Slight decline in GPM from 49.9% in Q2 of F’18 to 49.5% in Q2 of F’19.
- Costs increased in certain areas including freight and personnel.
- We continue to invest in automation and manufacturing optimization to offset cost increases.

SG&A Expense

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

(millions of USD)



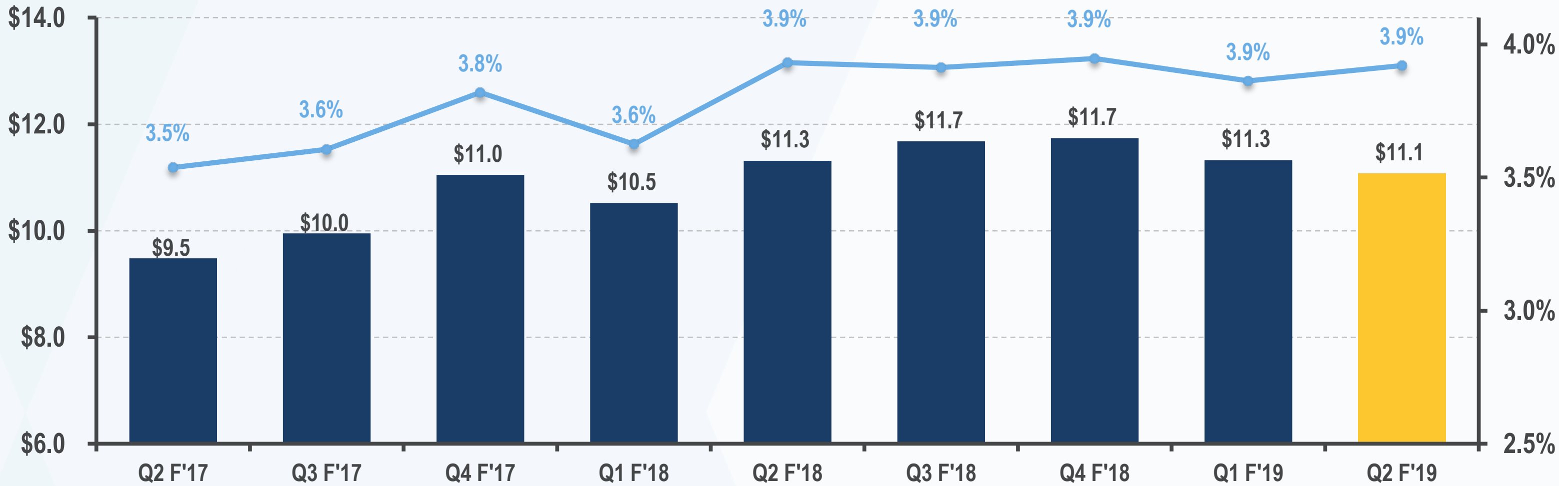
Q2 F'19 – SG&A EXPENSE:

- SG&A expense was $92.7M (32.8% of sales) in Q2 of F'19 compared to $97.6M (33.9% of sales) in Q2 of F'18.
- SG&A expense is down in absolute dollars as a result of foreign currency translation, the sale of a business in the fourth quarter of F'18, and due to on-going efficiency gains.
- We continue to drive sustainable efficiency gains in administrative expenses and non-customer facing selling expenses while investing in sales-generating resources.

R&D Expense

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

(millions of USD)



INCREASING OUR INVESTMENT IN RESEARCH & DEVELOPMENT:

- Investing in R&D to drive future organic sales growth.
- Improved new product pipeline.
- Anticipate R&D expense to be up approximately 6% for the full year ending July 31, 2019.

Earnings Before Income Taxes

EARNINGS BEFORE INCOME TAXES

(millions of USD)

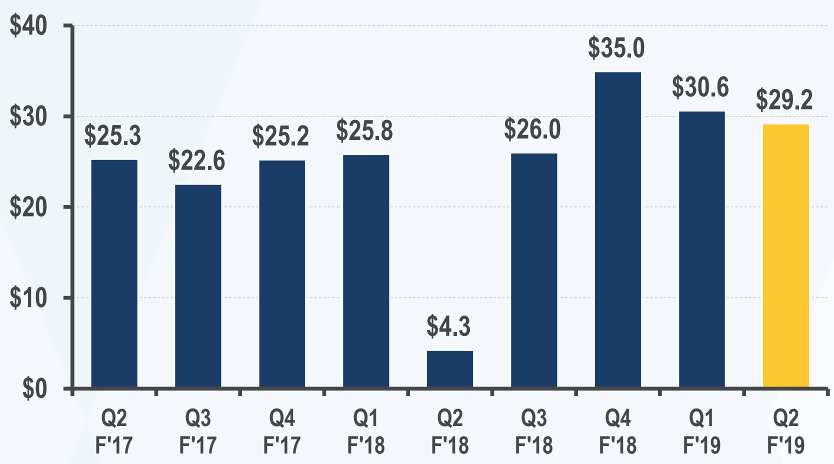
Year on Year Growth	42.2%	3.2%	12.2%	12.2%	20.4%	20.7%	26.0%	14.8%	4.8%

EARNINGS BEFORE INCOME TAXES:

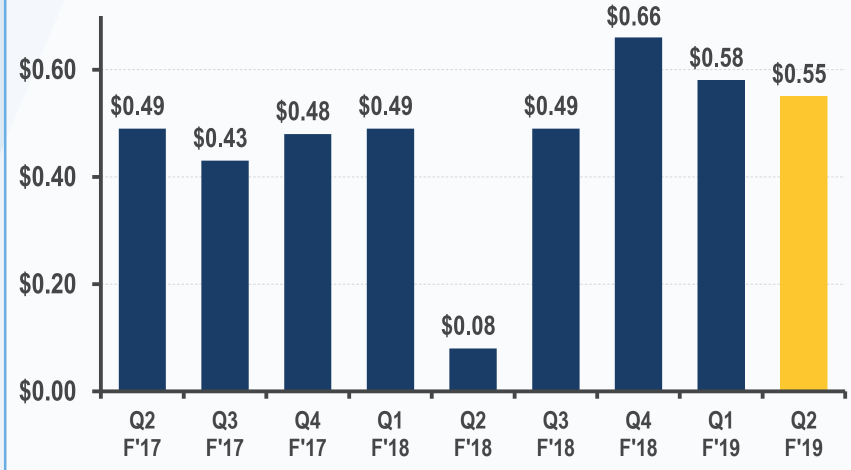
- Earnings before income taxes increased 4.8% to $36.7M in Q2 of F’19 compared to $35.0M in Q2 of F’18.
- The increase in pre-tax earnings was primarily driven by organic sales growth and reductions in SG&A expenses.

Net Earnings & Earnings per Share

NET EARNINGS (millions of USD)



NET EARNINGS PER CLASS A DILUTED SHARE

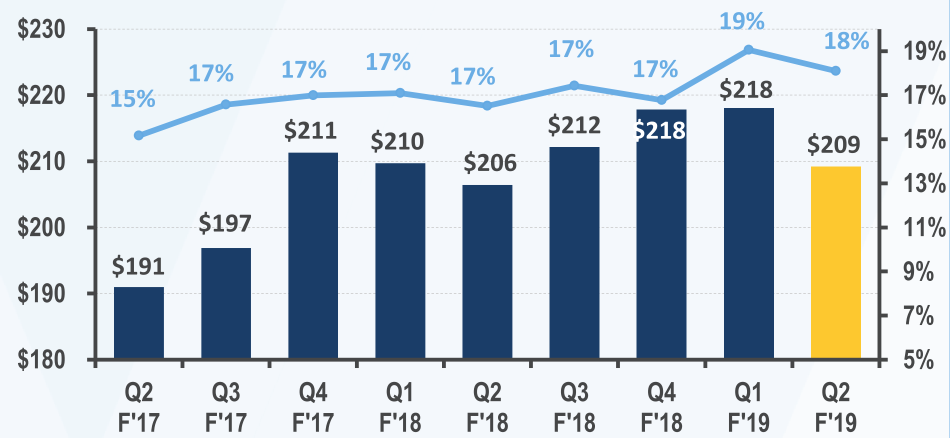


Q2 F’19 – NET EARNINGS & EPS:

- Net earnings increased to $29.2M in Q2 of F’19 compared to $4.3M in Q2 of F’18.
- Diluted EPS increased to $0.55 in Q2 of F’19 compared to $0.08 in Q2 of F’18.
- Net earnings in Q2 of F’18 includes a tax charge of $21.1M, or $0.40 of diluted EPS from the enactment of the U.S. Tax Cuts and Jobs Act.

Global Divisional Results (Sales & Segment Profit %)

IDENTIFICATION SOLUTIONS (millions of USD)

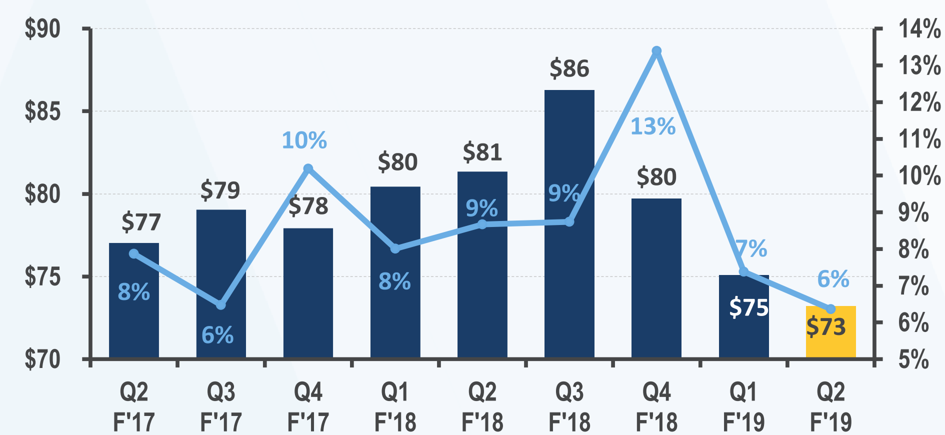


Organic Growth	1.9%	(0.8%)	4.4%	2.9%	4.7%	4.7%	2.4%	5.7%	3.6%

Q2 F'19 IDENTIFICATION SOLUTIONS:

- Q2 F'19 organic revenues increased 3.6%.
- Organic sales increased in the mid-single digits in the Americas and Asia and increased in the low-single digits in Europe.
- Segment profit as a percent of sales increased due to ongoing efficiency gains in our operations and SG&A structure.

WORKPLACE SAFETY (millions of USD)



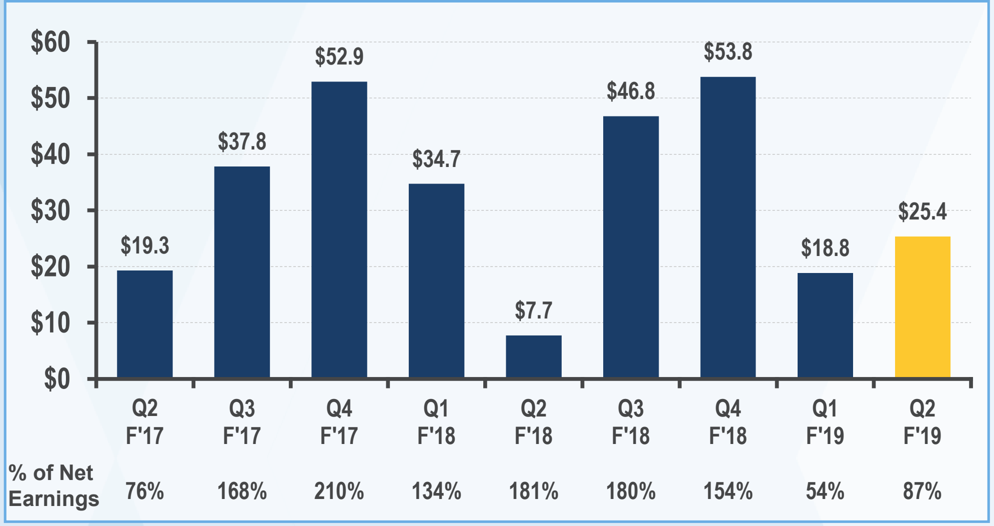
Organic Growth	(0.2%)	(4.6%)	(0.6%)	(1.4%)	(0.5%)	1.7%	3.0%	2.2%	(0.9%)

Q2 F'19 WORKPLACE SAFETY:

- Q2 F'19 organic revenues decreased 0.9%.
- Organic sales increased in the mid-single digits in Australia, increased in the low-single digits in Europe and decreased in the high-single digits in North America.
- Segment profit negatively impacted by organic sales decline, foreign currency translation, certain costs to right-size the cost structure, and the sale of the Runelandhs business in Q4 of F'18.

Cash Generation & Uses

CASH FLOW FROM OPERATING ACTIVITIES (millions of USD)



CASH FLOWS IN Q2 OF F'19:

- Cash flow from operating activities was $25.4M in Q2 of F'19 compared to $7.7M in Q2 of F'18.
- Free cash flow* was $19.3M in Q2 of F'19 compared to $3.0M in Q2 of F'18.
- The increase in cash flow from operating activities was primarily due to the change in timing of the annual incentive payments. In F'19, a portion of the annual incentive awards was paid in Q1 whereas all incentive compensation payments were made in Q2 of the prior year.

(millions of USD)	3 Mos. Ended Jan. 31, 2019	3 Mos. Ended Jan. 31, 2018	6 Mos. Ended Jan. 31, 2019	6 Mos. Ended Jan. 31, 2018
Cash Balance - Beginning of Period	**$ 192.2**	**$ 142.2**	**$ 181.4**	**$ 133.9**
Cash Flow from Operating Activities	25.4	7.7	44.2	42.4
Capital Expenditures	(6.1)	(4.7)	(12.1)	(8.5)
Dividends	(11.2)	(10.7)	(22.3)	(21.3)
Debt Borrowings (Repayments) - Net	(3.5)	(27.9)	-	(39.9)
Effect of Exchange Rates on Cash	2.3	3.7	(0.8)	1.8
Other	3.1	5.0	11.8	6.9
Cash Balance - End of Period	**$ 202.2**	**$ 115.3**	**$ 202.2**	**$ 115.3**

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

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Appendix -
Non-GAAP Reconciliation

Non-GAAP Earnings Before Income Taxes

Reconciliation of Non-GAAP Earnings Before Income Taxes

('000s of USD)

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

	Fiscal Year Ended July 31,				
	2014	2015	2016	2017	2018
(Loss) Earnings from Continuing Operations Before Income Taxes (GAAP measure)	$ (53,109)	$ 24,995	$ 109,345	$ 126,632	$ 152,015
Postretirement benefit plan curtailment gain	—	(4,296)	—	—	—
Other non-routine charges	—	7,430	—	—	—
Restructuring charges	15,012	16,821	—	—	—
Impairment charges	148,551	46,867	—	—	—
Gain on sale of business	—	—	—	—	—
Earnings from Continuing Operations Before Income Taxes Excluding Certain Items (non-GAAP measure)	$ 110,454	$ 91,817	$ 109,345	$ 126,632	$ 152,015