BRADY CORP
Form 10-K
September 28, 2009

Table of Contents

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 31, 2009

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-14959

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

Wisconsin	**39-0178960**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

6555 West Good Hope Road,
Milwaukee, WI 53223
(Address of principal executive offices) (Zip Code)
(414) 358-6600
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Nonvoting Common Stock, Par Value $.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or four such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the non-voting common stock held by non-affiliates of the registrant as of January 30, 2009, was approximately $959,932,645 (based on closing sale price of $20.92 per share on that date as reported for the New York Stock Exchange). As of September 23, 2009, there were outstanding 48,800,759 shares of Class A Nonvoting Common Stock (the Class A Common Stock), and 3,538,628 shares of Class B Common Stock. The Class B Common Stock, all of which is held by affiliates of the registrant, is the only voting stock.

INDEX

Table of Contents

PART I

Brady Corporation and Subsidiaries are referred to herein as the Company, Brady, or we .

Item 1. ***Business***

(a) ***General Development of Business***

The Company, a Wisconsin corporation founded in 1914, currently operates 59 manufacturing or distribution facilities in Australia, Belgium, Brazil, Canada, China, France, Germany, India, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Singapore, South Korea, Sweden, Thailand, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Hong Kong, the Philippines, Slovakia, Spain, Taiwan, Turkey and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia. The Company s corporate headquarters are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and the telephone number is (414) 358-6600. The Company s Internet address is http://www.bradycorp.com.

(b) ***Financial Information About Industry Segments***

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(c) ***Narrative Description of Business***

Overview

Brady Corporation is an international manufacturer and marketer of identification solutions and specialty products that identify and protect premises, products and people. Brady s core capabilities in manufacturing, channel management, printing systems, precision engineering and materials expertise make it a leading supplier to customers in general manufacturing, maintenance and safety, process industries, construction, electrical, telecommunications, electronics, laboratory/healthcare, airline/transportation, security/brand education, governmental, public utility, and a variety of other industries. The Company s ability to provide customers with a broad range of differentiated solutions both through the organic development of its existing business and the acquisition of complementary and adjacent businesses, its commitment to quality and service, its global footprint and its diversified sales channels have made it a world leader in its markets.

Brady manufactures and markets a wide range of products for use in diverse applications. Major product lines include facility identification; safety and complementary products; wire and cable identification products; sorbent materials; people identification products; regulatory publishing; high-performance identification products for product identification and work-in-process identification; and bar-code labels and precision die-cut components for mobile telecommunications devices, hard disk drives, medical devices and supplies, and automotive and other electronics. Products are marketed through multiple channels, including distributors, resellers, business-to-business direct marketing and a direct sales force.

The need for the Company s products is driven, in part, by customer specifications, by regulatory compliance requirements imposed by agencies such as the Occupational Safety & Health Administration (OSHA) and the Environmental Protection Agency (EPA) in the United States and similar regulatory agencies around the world, and by the need to identify and track assets or to identify, direct, warn, inform, train and protect people or products.

The Company has a broad customer base, with its largest customer representing approximately 6% of net sales.

Table of Contents

Competitive Strengths

The Company believes the following competitive strengths will allow it to achieve its strategy:

Leader in Niche Markets. Brady competes in niche markets where it believes it is often the leading supplier with the manufacturing expertise, infrastructure, channels and sales resources necessary to provide the required product or comprehensive solution. For example, the Company believes it is the leading supplier of wire identification products to the North American MRO (Maintenance, Repair and Operations) market and of precision die-cut components to the mobile telecommunications market. The Company believes its leadership positions make it a preferred supplier to many of its customers and enables it to be successful in its markets, which are generally fragmented and populated with smaller or regional competitors.

Differentiated Solutions and Commitment to Innovation. The Company believes its sophisticated engineering and manufacturing capabilities, as well as its expertise in materials, give it a competitive advantage in supplying customized or high specification product solutions to meet individualized customer needs. The Company has been successful in identifying and incorporating innovative technologies to create integrated and precise solutions. Additionally, it is able to use its materials expertise and its investment in research and development to provide unique products to meet the demands of end-customers in new, faster growing markets adjacent to its traditional markets, such as laboratory identification, aerospace, defense, and mass transit.

Operational Excellence. Brady continues to improve in operational productivity. It employs well-developed problem solving techniques and invests in state-of-the-art equipment to capture efficiencies. The Company is largely vertically integrated and designs, manufactures and markets a majority of the products it sells. The Company has invested heavily over the last several years to centralize its North American distribution process and to standardize its SAP software applications. It has consistently generated positive cash flow from operations by continually reducing costs and optimizing the efficiency of its manufacturing operations.

Broad Customer Base and Geographic Diversity. Brady believes its global infrastructure and diverse market presence provide a solid platform for further expansion, and enable it to act as a primary supplier to many of its global customers. Sales from international operations increased from 44.4% of net sales in fiscal 2000 to 61.8% of net sales in fiscal 2009. The Company s broad product offering and global presence benefit many of its customers who seek a single or primary supplier. Brady has over 500,000 end-customers that operate in multiple industries.

Disciplined Acquisition and Integration Strategy. The Company has a dedicated team of experienced professionals that employ a disciplined acquisition strategy and process to acquire companies. It applies strict financial standards to evaluate all acquisitions using an expected return model based on a modified return on invested capital calculation. It also conducts disciplined integration reviews of acquired firms to track progress toward results expected at the time of acquisition. Since 1996, the Company has acquired and integrated 53 companies to increase market share in existing and new geographies, expand the product range it offers to both existing and new customers, as well as add new technological capabilities.

Channel Diversity and Strength. Brady utilizes a wide range of channels to reach customers across a broad array of industries. It employs direct marketing expertise to meet its customers need for convenience. The Company also has long-standing relationships with, and is a preferred supplier to, many of its largest distributors. In addition, the Company employs a global sales team to support both distributors and customers and to serve their productivity, tracking and safety requirements. The Company believes its strong brands and reputation for quality, innovation and on-time delivery contribute to the popularity of its products with distributors, original equipment manufacturers (OEMs), resellers and other customers.

Table of Contents

Deep and Talented Team. The Company believes that its team of employees has substantial depth in critical operational areas and has demonstrated success in reducing costs, integrating acquisitions and improving processes through economic cycles. The international experience of its management team and its commitment to developing strong management teams in each of the local operations is a competitive advantage. In addition, the Company believes it employs a world-class team of people and dedicates significant resources to recruiting people committed to excellence and investing in their potential. The depth and breadth of knowledge within the entire Brady organization strengthens relationships with its customers and suppliers and enables the Company to provide its customers with a high level of product and industry expertise.

Key Strategies

The Company s primary growth objectives are to build upon its leading market positions, to improve its performance and profitability and to expand its existing activities through a multi-pronged strategic approach that incorporates both organic growth and acquisitions. The Company s key strategies include:

Improve Profitability. The Company plans to continue its focus on improving operating efficiency, reducing costs, and improving productivity and return on invested capital. To this end, Brady is continuing to implement its Brady Business Performance System (BBPS) initiative and expanding it to most of its operations globally. This approach to improving profitability focuses on strategy deployment, operational efficiencies and lean manufacturing principles to drive cost-savings, enhance customer service and overall business performance. Productivity improvement investments made in 2009 include tools such as software systems that enhance efficiencies in the areas of accounts receivables, human resources and sales. In addition, each acquisition the Company makes provides additional opportunities to improve its own performance as well as the performance of the acquired company. The Company often continues to realize synergies with acquired companies several years after the acquisition date.

New Product Development. Through product innovation and development activities, Brady seeks to introduce new technologies and differentiated products that leverage its capabilities in specialty materials, die-cutting, software and printing systems. The Company continues to invest in research and development activities, and employs approximately 235 R&D professionals in the United States, Europe and Asia. In 2009 the Company expanded its R&D operations in Singapore and Beijing, China. Amounts incurred for research and development activities were 2.8% and 2.7% of sales in fiscal 2009 and 2008, respectively.

Capitalize on Growing Niche Markets. The Company seeks to leverage its premier reputation, global footprint and strength in manufacturing and materials expertise to capitalize on growth in existing niche markets. Growth prospects are driven primarily by the general expansion of regional economies, changes in legal and regulatory compliance requirements and the increased need of customers to identify and protect their assets and employees, as well as technological advances in markets such as mobile telecommunications and other electronic devices.

Increase Market Share. Many Brady markets are fragmented and populated with smaller or regional competitors. The Company seeks to leverage its investment in new product development and its global sales, operations and distribution capabilities to increase market share, as well as expand its distribution channels to capture new customers. The Company employs a dedicated and experienced sales team that works closely with existing distributors and customers to identify and capture new opportunities. In addition, Brady plans to leverage the strength of its brands, the quality of its products and its long-standing relationships with key customers to build upon current market positions.

Enter New Markets. The Company looks to leverage its quality products, global infrastructure, channel relationships and selling capabilities to effectively enter new markets, many of which are fragmented and populated with smaller competitors. The Company is also considering entering adjacent markets where its core competencies can be successfully leveraged. The Company reviews its product and market portfolio on a regular basis through its standardized review process in order to identify new opportunities.

Expand Geographically. Brady s long-term strategy involves the pursuit of growth opportunities in a number of markets outside of the United States. The Company is committed to being in close proximity to its customers and to low-cost manufacturing. Brady currently operates in 34 countries and employs approximately 6,800 people. Of the approximately 6,800 global employees, Asia-Pacific accounts for 43%, with the Americas (including Corporate and R&D resources) and Europe employing 37%, and 20% of the workforce, respectively. Brady has made strategic acquisitions and has invested heavily in its global infrastructure and flexible manufacturing capacity in order to follow its customers into new geographies. Brady s regional management structure is a key component in effectively entering and competing in new geographies.

Pursue Strategic Acquisitions. The Company intends to continue to make complementary strategic acquisitions to further its goals of strengthening its market positions and entering new markets and geographies. In addition, the Company is developing strategies for acquiring companies in adjacent markets where Brady competencies can be applied and social, economic and cultural trends can be positively leveraged. Brady works to drive substantial value creation through capitalizing on its acquisition and integration acumen.

Improve Working Capital. Brady continues to keep a strong focus on working capital management. The Company intends to drive increases in operating cash flow by heightened focus on inventory, accounts receivable, and accounts payable management. This focus is further evidenced by the incorporation of working capital targets in the majority of employee incentive plans.

Products

The Company is largely vertically integrated by designing, developing, and producing most of its identification products and printing systems. Brady materials are developed internally and manufactured out of a variety of films, many of which are coated by Brady, for applications in the following markets: electronic, industrial, electrical, utility, laboratory, safety and security. Brady also manufactures specialty tapes and related products that are characterized by high-performance printable top coats and adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used.

The Company s stock and custom products consist of over 500,000 stock-keeping units, including complete identification systems and other products used to create a safer work environment, improve operating efficiencies, and increase the utilization of assets through tracking and inventory process controls. Major product categories include: facility and safety signs, identification tags and markers, pipe and valve markers, asset identification labels, lockout/tagout products, security and traffic control products, printing systems and software for creating safety and regulatory labels and signs, spill control and clean up products, wire and cable markers, high-performance labels, laboratory identification labels and printing systems, stand-alone printing systems, bar-code and other software, automatic identification and data collection systems, personal identification products, and precision die-cut solutions.

Some of the Company s stock products were originally designed, developed and manufactured as custom products for a specific application. However, such products have frequently created wide industry acceptance and have become stock items offered by the Company through direct marketing and distributor sales. The Company s most significant types of products are described below.

Facility Identification

Informational signs, tags and labels, and do-it-yourself printers for use in a broad range of industrial, utility, commercial, governmental and institutional applications. These products are either self-adhesive or mechanically mounted, designed for both indoor and outdoor use and are manufactured to meet standards issued by the National Safety Council, OSHA and a variety of industry associations in the United States and abroad. The Company s sign products include admittance, directional and exit signs; electrical hazard warnings; energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; transformers and power pole markers; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings; employment law posters; and photo luminescent (glow-in-the-dark) products.

Table of Contents

Warehouse identification products including labels, tags, and printing systems used to locate and identify inventory in storage facilities such as warehouses, factories, stockrooms and other industrial facilities.

Pipe markers and valve tags including plastic or metal, self-adhesive or mechanically applied, stock or custom-designed pieces for the identification of pipes and control valves in the mechanical contractor and process industry markets. These products are designed to help identify and provide information as to the contents, direction of flow and special hazardous properties of materials contained in piping systems, and to facilitate repair or maintenance of the systems.

Asset-identification products that are an important part of an effective asset-management program in a wide variety of markets. These include self-adhesive or mechanically mounted labels or tags made of aluminum, brass, stainless steel, polycarbonate, vinyl, polyester, mylar and paper. These products are also offered in tamper-evident varieties, and can be custom designed to ensure brand protection from counterfeiting.

Safety and Security Products

Lockout/tagout products under OSHA regulations, all energy sources must be locked out while machines are being serviced or maintained to prevent accidental engagement and injury. The Company s products allow its customers to comply with these regulations and to ensure worker safety for a wide variety of energy- and fluid-transmission systems and operating machinery.

Security and traffic control products including a variety of security seals, parking permits and wristbands designed for visitor control in financial, governmental, educational and commercial facilities including meeting and convention sites. The Company also offers a wide variety of traffic control devices including traffic signs, directional and warning signs, parking tags and permits, barriers, cones and other products including barricading, visual warning systems, floor-marking products, safety badges, and first aid cabinets/kits, among others.

Spill control and clean-up products including natural and synthetic sorbent materials in a variety of shapes, sizes and configurations; spill kits, containment booms, industrial rugs, absorbing pillows and pads, barrier spill matting and granular absorbents; and other products for absorbing and controlling chemical, oil-based and water-based spills.

Wire and Cable Identification

Brady manufactures a broad range of wire and cable-marking products, including labels, sleeves, software that allows customers to create their own labels, and printers to print and apply them. These products mark and identify wires, cables and their termination points to facilitate manufacturing, construction, repair or maintenance of equipment, and data communication and electrical wiring systems used in virtually every industrial, power and communication market.

People Identification

Identification systems and products including photo ID card systems that combine biometrics, digital imaging and other technologies to positively identify people; self-expiring name tags that make use of migratory ink technology which, upon activation, starts a timed process resulting in an altered message, color or design to indicate expiration; software for visitor and employee identification; and identification accessories including lanyards, badge holders, badge reels and attachments, as well as photo identification kits.

High Performance Identification

Brady produces a complete line of label materials and printing systems to meet customers needs for identification requirements for product identification, work in process labeling and bar coding that perform under harsh or demanding conditions, such as extreme temperatures, or environmental or chemical exposure. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels.

Table of Contents

Precision Die-Cut Parts

The Company manufactures customized precision die-cut products that are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including mobile phones, personal data assistants, computer hard disk drives, computers and other devices. Solutions not only include the materials and converting, but also automatic placement and other value-added services. The Company also provides converting services to the medical market for materials used in in-vitro diagnostic kits, patient monitoring, and bandaging applications.

Other Products

The Company also designs and produces software for bar-coding and inspection automation, industrial thermal-transfer printers and other electromechanical devices to serve the growing and specialized needs of customers in a wide variety of markets. Industrial labeling systems, software, tapes, ribbons and label stocks provide customers with the resources and flexibility to produce signs and labels on demand at their site. The Company also offers poster printers, cutting systems, laminators and supplies to education and training markets.

Marketing and Sales

Brady seeks to offer high quality products with rapid response and superior service so that it can provide solutions to customers that are better, faster and more economical than those available from the Company s competitors. The Company markets and sells its products domestically and internationally through multiple channels including distributors, direct sales, mail-order-catalog marketing, retail, and electronic access through the Internet. The Company has long-standing relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. The Company s sales force seeks to establish and foster ongoing relationships with the end-users and distributors by providing technical application and product expertise.

The Company also direct markets certain products and those of other manufacturers by catalog sales, outbound telemarketing, and electronic access via the Internet in both domestic and international markets. Such products include industrial and facility identification products, safety and regulatory-compliance products and original equipment manufacturer component products, among others. Catalogs are distributed in the United States, Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Italy, the Netherlands, Portugal, Slovakia, Spain, Switzerland and the United Kingdom, and include foreign-language catalogs.

Brands

The Company s products go to market under a variety of brand names. The Brady brand includes high-performance labels, wire identification products, printers, software, safety and facility identification products, lock-out/tag-out products, people identification products, precision die-cut parts and specialty materials. Other die-cut materials are marketed as Balkhausen products. Safety and facility identification products are also marketed under the Safety Signs Service brand, with some lockout/tagout products offered under the Prinzing and Scafftag brands. In addition, identification products for the utility industry are marketed under the Electromark brand and spill-control products are marketed under the SPC and D.A.W.G. brands; poster printers and cutting systems for education and government markets are offered under the Varitronics brand; wire identification products are marketed under the Modernotecnica brand and the Carroll brand; direct marketing safety and facility identification products are offered under the Seton, Emedco, Signals, Safetyshop, Clement and Personnel Concepts names; security and identification badges and systems are included in the Temtec, B.I.G., Identicard/Identicam, STOPware, J.A.M. Plastics, PromoVision, and Quo-Luck brands; hand-held regulatory documentation systems are available under the Tiscor name; automatic identification and bar-code software is offered under the Teklynx brand; and security sealing and transportation identification is offered under the Transposafe Systems name.

Manufacturing Process and Raw Materials

The Company manufactures the majority of the products it sells, while purchasing certain items from other manufacturers. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company s manufacturing processes include compounding, coating, converting, printing, melt-blown operations, software development and printer design and assembly. The compounding process involves the mixing of chemical batches

for primers, top coatings and adhesives. The coatings and adhesives are applied to a wide variety of materials including polyester, polyimide, cloth, paper, metal and metal foil. The converting process may include embossing, perforating, laminating, die cutting, slitting, and printing or marking the materials as required.

The Company produces the majority of its pressure sensitive materials through an integrated manufacturing process. These integrated manufacturing processes permit greater flexibility to meet customer needs in product design and manufacture, and an improved ability to provide specialized products designed to meet the needs of specific applications. Brady s cellular manufacturing processes and just-in-time inventory control are designed to attain profitability in small orders by emphasizing flexibility and the optimal utilization of assets through quick turnaround and delivery, balanced with optimization of lot sizes. Many of the Company s manufacturing facilities have received ISO 9001 or 9002 certification.

The materials used in the products manufactured by the Company consist primarily of plastic sheets and films, paper, metal and metal foil, cloth, fiberglass, polypropylene, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers, solvents and electronic components and subassemblies. In addition, the Company purchases finished products for resale. The Company purchases raw materials, components and finished products from many suppliers. Overall, the Company is not dependent upon any single supplier for its most critical base materials or components; however the Company has chosen in certain situations to sole source materials, components or finished items for design or cost reasons. As a result, disruptions in supply could have an impact on results for a period of time, but generally these disruptions would simply require qualification of new suppliers and the disruption would be modest. In certain instances, the qualification process could be more costly or take a longer period of time and in rare circumstances, such as a global shortage of a critical material or component, the financial impact could be significant.

Technology and Product Development

The Company focuses its research and development efforts on material development, printing systems design and software development. Material development involves the application of surface chemistry concepts for top coatings and adhesives applied to a variety of base materials. Systems design integrates materials, embedded software and a variety of printing technologies to form a complete solution for customer applications or the Company s own production requirements. The Company s research and development team also supports production and marketing efforts by providing application and technical expertise.

The Company possesses patents covering various aspects of adhesive chemistry, electronic circuitry, printing systems for wire markers, systems for aligning letters and patterns, and visually changing paper, although the Company believes that its patents are a significant factor in maintaining market position for certain products, technology in the areas covered by many of the patents is evolving rapidly and may limit the value of such patents. The Company s business is not dependent on any single patent or group of patents.

The Company conducts much of its research and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin. Additionally, the Company has expanded its focus on research and development activity at its R&D facilities in Singapore and Beijing, China. The Company spent approximately $34.2 million, $40.6 million, and $36.0 million during the fiscal years ended July 31, 2009, 2008, and 2007, respectively, on its research and development activities. In fiscal 2009, approximately 235 employees were engaged in research and development activities for the Company. Additional research projects were conducted in Company facilities in other locations in the United States, Europe and Asia and under contract with universities, other institutions and consultants.

The Company s name and its registered trademarks are important to each of its business segments. In addition, the Company owns other important trademarks applicable to only certain of its products.

Table of Contents

International Operations

In fiscal 2009, 2008, and 2007, sales from international operations accounted for 61.8%, 62.9%, and 60.9%, respectively, of the Company s sales. Its global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, China, France, Germany, India, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Singapore, South Korea, Sweden, Thailand, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Hong Kong, the Philippines, Slovakia, Spain, Taiwan, Turkey and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia.

Competition

The markets for all of the Company s products are competitive. Brady believes that it is one of the leading producers in its specific markets of wire markers, safety signs, pipe markers, label printing systems, and bar-code-label-generating software. Brady competes for business principally on the basis of production capabilities, engineering, and research and development capabilities, materials expertise, its global footprint, global account management where needed, customer service and price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of its product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products, to some of the world s major adhesive and electrical product companies offering some competing products as part of their overall product lines. A number of Brady s competitors are larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that Brady provides a broader range of identification solutions than any of them, and that its global infrastructure is a significant competitive advantage in serving large multi-national customers.

Backlog

As of July 31, 2009, the amount of the Company s backlog orders believed to be firm was $27.5 million. This compares with $32.0 million and $25.3 million of backlog orders as of July 31, 2008 and 2007, respectively. Average delivery time for the Company s orders varies from same day delivery to one month, depending on the type of product, customer request or demand, and whether the product is stock or custom-designed and manufactured. The Company s backlog does not provide much visibility for future business.

Environment

The manufacturing processes for the Company s adhesive-based products utilize certain evaporative solvents, which, unless controlled, would be vented into the atmosphere. Emissions of these substances are regulated at the federal, state and local levels. The Company has implemented a number of systems and procedures to reduce atmospheric emissions and/or to recover solvents. Management believes the Company is substantially in compliance with all environmental regulations.

Employees

As of September 23, 2009, the Company employed approximately 6,800 individuals. Brady has never experienced a material work stoppage due to a labor dispute and considers its relations with employees to be good. The mix of employees is changing as the Company employs more people in developing countries where wage rates are lower and employee turnover tends to be higher than in developed countries.

Acquisitions

Information about the Company s acquisitions is provided in Note 2 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(d) ***Financial Information About Foreign and Domestic Operations and Export Sales***

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(e) ***Information Available on the Internet***

The Company s Corporate Internet address is http://www.bradycorp.com. The Company makes available, free of charge, on or through its Internet website copies of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 reports filed by the Company s insiders, and amendments to all such reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The Company is not including the information contained on or available through its website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

Before making an investment decision with respect to the Company s stock, you should carefully consider the risks set forth below and all other information contained in this report. If any of the events contemplated by the following risks actually occur, then the Company s business, financial condition, results of operations, cash flow, or liquidity could be materially adversely affected.

The Company s operating results, cash flows, and liquidity are susceptible to uncertainties arising from the length and severity of the current worldwide economic downturn, as well as the timing and strength of the subsequent recovery.

The global economic downturn has negatively impacted the Company s sales volumes and results of operations. All of the segments and most of the major product lines, channels, and markets served by the Company, have experienced significant declines in the current global economic downturn. As a result of the slowing economy, the credit market crisis, declining consumer and business confidence, increased unemployment, reduced levels of capital expenditures, fluctuating commodity prices, bankruptcies, and other challenges affecting the global economy, customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As a result, customers already have reduced or canceled orders and may continue to delay, cancel or further reduce their orders. In addition customers ability to pay their invoices may be reduced resulting in increased past due receivables or bad debt. Further, the Company s vendors may be experiencing similar conditions, which may impact their ability to fulfill their obligations leading to longer days sales outstanding. Although governments around the world are enacting various economic stimulus programs, there can be no assurance as to the timing or effectiveness of such programs. If the worldwide economic downturn continues for a significant period or there is further deterioration in the global economy, the Company s results of operations, financial position, and cash flows could be materially adversely affected. In response to the severe downturn, the Company has reduced its worldwide workforce by approximately 25%. This may cause disruptions in our operations, customer service, quality, and profitability.

Market demand for the Company s products may be susceptible to fluctuations in the economy that may cause volatility in its results of operations, cash flows, and liquidity.

Sales of the Company s products may be susceptible to changes in general economic conditions, namely general downturns in the regional economies in which the Company competes. The Company s business in the facility & safety identification and wire identification product lines tend to vary with the nominal GDP of the local economies in which the Company manufactures and sells. As a result, in periods of economic contraction, the business is likely to decline. In the current economic downturn, the Company s business has contracted severely, well in excess of GDP. In addition, the significant drop in non-residential construction has impacted the Company s MRO business. In the precision die-cut and high performance label product lines, the Company may be adversely affected by reduced demand for products due to downturns in the global economy as this is a more volatile business. This can result in higher degrees of volatility in the Company s net sales, results of operations, cash flows, and liquidity. These more volatile markets include, but are not limited to, mobile telecommunication devices, hard disk drives and electronics in personal computers and other electronic devices.

Table of Contents

Uncertainties in the global economy may put pressure on the Company s ability to maintain compliance with its debt covenants.

The Company s debt and revolving loan agreements require it to maintain certain financial covenants. The June 2004, February 2006, and March 2007 debt agreements require the Company to maintain a ratio of debt to the trailing twelve months earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). The October 2006 revolving loan agreement requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. Additionally, the revolving loan agreement requires the trailing twelve months earnings before interest and taxes (EBIT) to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). The debt agreements also require the aggregate net book value of the assets sold or otherwise disposed of by the Company and its subsidiaries in all dispositions, as defined in the agreement, in any fiscal year of the Company shall not exceed 15% of consolidated tangible net worth. Depending on the severity and duration of the current global economic crisis, uncertainties in the market may put pressure on the Company s ability to maintain compliance with its covenants.

The Company may experience unforeseen tax consequences.

The Company periodically reviews the probability of the realization of its deferred tax assets based on forecasts of taxable income in both the U.S. and foreign jurisdictions. As part of this review, the Company utilizes historical results, projected future operating results, eligible carry forward periods, tax planning opportunities, and other relevant considerations. Adverse changes in profitability and financial outlook in both the U.S. and foreign jurisdictions, or changes in its geographic footprint may require changes in the valuation allowances to reduce its deferred tax assets or increase tax payments. Such changes could result in material non-cash expenses in the period in which the changes are made and could have a material adverse impact on the Company s results of operations or financial condition.

Income tax regulations may change, thus negatively impacting the Company s future operating results.

The Company conducts business internationally. As a result, its financial results may be negatively impacted by changes in international taxation rules in the United States. If United States international tax law changes are enacted as currently outlined (for example, if the tax on deferred income generated outside the U.S. were enacted), it may have a significant negative impact on the Company s reported financial results and cash flows from operations.

The Company may be adversely impacted by an inability to identify, complete and integrate acquisitions.

A large part of the Company s growth since fiscal 2003 has come through acquisitions and a key component of its growth strategy is based upon acquisitions. The Company may not be able to identify acquisition targets or successfully complete acquisitions in the future due to the absence of quality companies, economic conditions, or price expectations from sellers. If the Company is unable to complete additional acquisitions, its growth may be limited.

Additionally, as the Company grows through acquisitions, it will continue to place significant demands on its management, operational and financial resources. Since the beginning of fiscal year 2004, the Company has acquired 28 companies. These recent and future acquisitions will require integration of sales and marketing, information technology, finance and administrative operations and information of the newly acquired business. The successful integration of acquisitions will require substantial attention from its management and the management of the acquired businesses, which could decrease the time management has to serve and attract customers. The Company cannot assure that it will be able to successfully integrate these recent or any future acquisitions, that these acquisitions will operate profitably or that it will be able to achieve the financial or operational success expected from the acquisitions. The Company s financial condition, cash flows and operational results could be adversely affected if it does not successfully integrate the newly acquired businesses or if its other businesses suffer on account of the increased focus on the newly acquired businesses.

Table of Contents

If the Company fails to develop new products or its customers do not accept the new products it develops, the Company s business could be affected adversely.

Development of proprietary products is key to the success of the Company s core growth and high gross margins now and in the future. Therefore, the Company must continue to develop new and innovative products and acquire and retain the necessary intellectual property rights in these products on an ongoing basis. If it fails to make innovations, launches products with quality problems, or the market does not accept its new products, then the Company s financial condition, results of operations, cash flows, and liquidity could be adversely affected. The Company continues to invest in the development and marketing of new products. These expenditures do not always result in products that will be accepted by the market. Failure to develop successful new products may also cause its customers to buy from a competitor or may cause the Company to lower its prices in order to compete. This could have an adverse impact on the Company s profitability.

The Company operates in competitive markets and may be forced to cut its prices or incur additional costs to remain competitive, which may have a negative impact on its profitability.

The Company faces substantial competition throughout its entire business, but particularly in the precision die-cut business. Competition may force the Company to cut its prices or incur additional costs to remain competitive. The Company competes on the basis of production capabilities, engineering and R&D capabilities, materials expertise, its global footprint, customer service and price. Present or future competitors may have greater financial, technical or other resources, lower production costs or other pricing advantages, any of which could put the Company at a disadvantage in the affected business by threatening its market share in some markets or reducing its profit margins. Additionally, in some of its other businesses, the Company s distributors/customers may seek lower cost sourcing opportunities, which could cause a loss of business that may adversely impact the Company s revenues.

Foreign currency fluctuations could adversely affect the Company s sales, profits, and cash balances.

More than 60 percent of the Company s revenues are derived outside the United States. As such, fluctuations in foreign currency exchange rates can have an adverse impact on its sales and profits as amounts that are measured in foreign currency are translated back to U.S. dollars. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect operating results from the Company s foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase operating results in the Company s foreign operations when translated into U.S. dollars. During fiscal year 2009, the strengthening U.S. dollar versus the majority of other currencies decreased sales by approximately $73.2 million.

As of July 31, 2009, approximately 79% of the Company s cash and cash equivalents were held outside the United States. As a result, fluctuations in foreign currency can have an adverse impact on the Company s cash balances. Any increase in the value of the U.S. dollar in relation to the value of various foreign currencies will have a negative impact on cash balances when translated into U.S. dollars. Weakening of the U.S. dollar against foreign currencies will have a positive impact on cash balances when foreign currencies are translated into U.S. dollars.

The Company s goodwill or other intangible assets may become impaired, which may negatively impact its results of operations.

The Company has a substantial amount of goodwill and other intangible assets on its balance sheet as a result of its acquisitions. As of July 31, 2009, the Company had $751.2 million of goodwill on its balance sheet, representing the excess of the total purchase price for its acquisitions over the fair value of the net assets it acquired, and $115.8 million of other intangible assets, primarily representing the fair value of the customer relationships, patents and trademarks it acquired in its acquisitions. At July 31, 2009, goodwill and other intangible assets represented approximately 54.8% of its total assets. The Company evaluates goodwill at least annually for impairment based on the fair value of each operating segment. It assesses the impairment of other intangible assets at least annually based upon the expected future cash flows of the respective assets. These valuations include management s estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures, and other assumptions. A worldwide economic downturn, credit crisis, or uncertainty in the

Table of Contents

markets the Company serves can adversely impact the assumptions in these valuations. If the estimated fair values of the Company s operating segments change in future periods, it may be required to record an impairment charge related to goodwill or other intangible assets, which would have the effect of decreasing its earnings in such period.

The Company has a concentration of business with several large key customers and distributors and loss of one or more of these customers could significantly affect the Company s results of operations, cash flows, and liquidity.

Several of the Company s large key customers in the precision die-cut business together comprise a significant portion of its revenues. The Company s largest customer represents approximately 6% of its net sales. Additionally, the Company does business with several large distribution companies. The Company s dependence on these large customers makes its relationships with these customers important to its business. The Company cannot guarantee that it will be able to maintain these relationships and retain this business in the future. Because these large customers account for a significant portion of the Company s revenues, they possess relatively greater capacity to negotiate a reduction in the prices the Company charges for its products. If the Company is unable to provide products to its customers at the quality and prices acceptable to them or adapt to technological changes, some of its customers may in the future elect to shift some or all of this business to competitors or to substitute other manufacturer s products. If one of the Company s key customers consolidates, is acquired by another company or loses market share, the result of that event may have an adverse impact on the Company s business. The loss of or reduction of business from one or more of these large key customers could have a material adverse impact on the Company s financial condition, results of operations, cash flows, and liquidity.

The Company increasingly conducts a sizable amount of its manufacturing outside of the United States, which may present additional risks to its business.

As a result of its strong growth in developing economies, particularly in Asia, a significant portion of the Company s sales are attributable to products manufactured outside of the United States. More than half of the Company s approximately 6,800 employees and more than half of its manufacturing locations are outside of the United States. The Company s international operations are generally subject to various risks including political, economic and societal instability, the imposition of trade restrictions, local labor market conditions, the effects of income taxes, and differences in business practices. The Company may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory and business climate in countries where the Company has operations could have a material adverse effect on its financial condition, results of operations, and cash flows.

The Company depends on its key personnel and the loss of these personnel could have an adverse effect on the Company s operations.

The Company s success depends to a large extent upon the continued services of its key executives, managers and other skilled personnel. The Company cannot ensure that it will be able to retain its key officers and employees. The departure of key personnel without adequate replacement could severely disrupt business operations. Additionally, the Company needs qualified managers and skilled employees with technical and manufacturing industry experience to operate its business successfully. If it is unable to attract and retain qualified individuals or the costs to do so increase significantly, the Company s operations would be materially adversely affected. Due to the severe economic downturn, the Company reduced its workforce by approximately 25%. While the Company believes it can adequately operate the business at current staffing levels, sudden changes in demand may be difficult to react to with a reduced workforce. Additionally, the potential impact of a serious virus such as H1N1 may affect the Company s workforce and its ability to operate the business successfully.

The Company may be unable to successfully implement anticipated changes to its information technology system.

The Company is in the process of upgrading certain portions of its information technology. Part of this upgrade includes continued implementations of SAP and additional functionality for financial systems. The Company expects that these migrations will enable it to more effectively and efficiently manage its operations and further improve business processes. The Company is also in the process of upgrading its

e-business and sales force applications in fiscal 2010. The Company expects these upgrades will enable improvements of its on-line business and increase productivity. The Company s failure to successfully manage these improvements as scheduled could cause it to incur unexpected costs or to lose customers or sales, which could have a material adverse effect on its financial results.

An increase in the Company s level of indebtedness could adversely affect its financial health and make it vulnerable to adverse economic conditions.

Any increase in the Company s level of indebtedness, which historically has occurred to finance acquisitions and for other general corporate purposes, could have adverse consequences, such as:

- it may be difficult for the Company to fulfill its obligations under its credit or other debt agreements;
- it may be more challenging or costly to obtain additional financing to fund future growth;
- the Company may be more vulnerable to future interest rate fluctuations;
- the Company may be required to dedicate a substantial portion of its cash flows to service its debt, thereby reducing the amount of cash available to fund new product development, capital expenditures, working capital and other general corporate activities;
- it may place the Company at a competitive disadvantage relative to its competitors that have less debt; and
- it may limit the Company s flexibility in planning for and reacting to changes in its business.

Environmental, health and safety laws and regulations could adversely affect the Company s business.

The Company s facilities and operations are subject to numerous laws and regulations relating to air emissions, wastewater discharges, the handling of hazardous materials and wastes, manufacturing and disposal of certain materials, and regulations otherwise relating to health, safety and the protection of the environment. The Company s products may also be governed by regulations in the countries where they are sold. As a result, the Company may need to devote management time or expend significant resources on compliance, and has incurred and will continue to incur capital and other expenditures to comply with these regulations. Any significant costs may have a material adverse impact on the Company s financial condition, results of operations or cash flows. Further, these laws and regulations are constantly evolving and it is impossible to predict accurately the effect they may have upon the Company s financial condition, results of operations or cash flows.

The Company s businesses are subject to regulation; failure to comply with those regulations could adversely affect its financial condition, results of operations and reputation.

In addition to the environmental regulations noted above, the Company s businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the federal, state and local levels, including the following:

The Company is required to comply with various import laws and export control and economic sanctions laws, which may affect its transactions with certain customers, business partners and other persons and dealings with or between its employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances the Company may be required to obtain an export license before exporting the controlled item.

The Company also has agreements relating to the sale of products to government entities or supply products to companies who resell these products to government entities and are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts. The Company is also subject to investigation and audit for compliance with the requirements governing government contracts, including requirements related to procurement integrity, export control, employment practices, the accuracy of records and the recording of costs. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting.

The Company may be unable to successfully complete its restructuring plans to reduce costs and increase efficiencies in its businesses and, therefore, it may not achieve projected financial statement benefits.

The Company continues to initiate several measures to address its cost structure and projected operational and market requirements. Successful implementation of such initiatives is critical to the Company s future competitiveness and its ability to improve profitability. Further actions to reduce the Company s cost structure and the charges related to these actions may have a material adverse effect on the Company s results of operations and financial condition.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The Company currently operates 59 manufacturing or distribution facilities in the following regions:

Americas: Sixteen are located in the United States; three in Brazil, two in Mexico; and one in Canada.

Europe: Four each located in the United Kingdom and Germany; three each located in Belgium and France; two each in Italy and the Netherlands; and one each in Norway, Poland, and Sweden.

Asia-Pacific: Seven are located in China; three in Australia; and one each in Japan, Thailand, Singapore, India, South Korea, and Malaysia.

The Company s present operating facilities contain a total of approximately 3.5 million square feet of space, of which approximately 2.4 million square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.

Item 3. ***Legal Proceedings***

The Company is, and may in the future be, party to litigation arising in the normal course of business. The Company is not currently a party to any material pending legal proceedings in which management believes the ultimate resolution would have a material adverse effect on the Company s consolidated financial statements.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended July 31, 2009.

See Part II, Item 9B for a description of actions taken by unanimous written consent of the holders of the Company s Class B Voting Common Stock on September 24, 2009.

Table of Contents

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

(a) ***Market Information***

Brady Corporation Class A Nonvoting Common Stock trades on the New York Stock Exchange under the symbol BRC. The quarterly stock price history on the New York Stock Exchange is as follows for each of the quarters in the fiscal years ended July 31:

	2009		2008		2007	
	High	**Low**	**High**	**Low**	**High**	**Low**
4th Quarter	$29.41	$21.33	$39.04	$32.99	$37.73	$32.73
3rd Quarter	$23.08	$14.61	$34.00	$28.58	$38.37	$30.91
2nd Quarter	$31.07	$16.38	$40.03	$29.44	$40.52	$35.70
1st Quarter	$39.68	$25.18	$43.78	$34.04	$38.68	$33.16

There is no trading market for the Company s Class B Voting Common Stock.

(b) ***Holders***

As of September 23, 2009, there were 715 Class A Common Stock shareholders of record and approximately 4,100 beneficial shareholders. There are three Class B Common Stock shareholders.

(c) ***Issuer Purchases of Equity Securities***

No share repurchases were made in the quarter ended July 31, 2009.

(d) ***Dividends***

The Company has followed a practice of paying quarterly dividends on outstanding common stock. Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, noncumulative cash dividend of $0.01665 per share (subject to adjustment in the event of future stock splits, stock dividends or similar events involving shares of Class A Common Stock). Thereafter, any further dividend in that fiscal year must be paid on all shares of Class A Common Stock and Class B Common Stock on an equal basis. The Company s revolving credit agreement restricts the amount of certain types of payments, including dividends, that can be made annually to $50 million plus 75% of the consolidated net income excluding all extraordinary non-cash items for the prior fiscal year. The Company believes that based on its historic dividend practice, this restriction will not impede it in following a similar dividend practice in the future.

During the two most recent fiscal years and for the first quarter of fiscal 2010, the Company declared the following dividends per share on its Class A and Class B Common Stock for the years ended July 31:

	2010	2009				2008			
	1st Qtr	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**
Class A	$ 0.175	$ 0.17	$0.17	$0.17	$0.17	$ 0.15	$0.15	$0.15	$0.15
Class B	0.15835	0.15335	0.17	0.17	0.17	0.13335	0.15	0.15	0.15

Table of Contents

(e) ***Common Stock Price Performance Graph***

The graph below shows a comparison of the cumulative return over the last five fiscal years had $100 been invested at the close of business on July 31, 2004, in each of Brady Corporation Class A Common Stock, The Standard & Poor s (S&P) 500 index, the Standard and Poor s SmallCap 600 index, and the Russell 2000 index.

Comparison of 5 Year Cumulative Total Return*
Among Brady Corporation, The S&P 500 Index,
The S&P SmallCap 600 Index and The Russell 2000 Index

* $100 invested on 7/31/04 in stock or index including reinvestment of dividends. Fiscal year ended July 31.

	7/31/2004	7/31/2005	7/31/2006	7/31/2007	7/31/2008	7/31/2009
Brady Corporation	100.00	153.59	153.94	162.08	172.85	142.48
S&P 500 Index	100.00	114.05	120.19	139.58	124.10	99.33
S&P SmallCap 600 Index	100.00	127.25	132.04	150.66	138.19	111.57
Russell 2000 Index	100.00	124.78	130.08	145.84	136.05	108.06

Table of Contents

Item 6. ***Selected Financial Data***

CONSOLIDATED STATEMENTS OF INCOME AND SELECTED FINANCIAL DATA
Years Ended July 31, 2005 through 2009

	2009	2008	2007	2006	2005
	(In thousands, except per share amounts)				
Operating Data (1)					
Net Sales	$ 1,208,702	$ 1,523,016	$ 1,362,631	$ 1,018,436	$ 816,447
Gross Margin	577,583	744,195	657,044	525,755	433,276
Operating Expenses:					
Research and development	34,181	40,607	35,954	30,443	25,078
Selling, general and administrative	397,180	495,904	449,103	338,796	285,746
Restructuring charge (2)	25,849				
Total operating expenses	457,210	536,511	485,057	369,239	310,824
Operating Income	120,373	207,684	171,987	156,516	122,452
Other Income (Expense):					
Investment and other income net	1,800	4,888	2,875	2,403	1,369
Interest expense	(24,901)	(26,385)	(22,934)	(14,231)	(8,403)
Net other expense	(23,101)	(21,497)	(20,059)	(11,828)	(7,034)
Income before income taxes	97,272	186,187	151,928	144,688	115,418
Income Taxes (2)	27,150	53,999	42,540	40,513	33,471
Net Income	$ 70,122	$ 132,188	$ 109,388	$ 104,175	$ 81,947
Net Income Per Common Share (Diluted):					
Class A nonvoting	$ 1.33	$ 2.41	$ 2.00	$ 2.07	$ 1.64
Class B voting	$ 1.31	$ 2.39	$ 1.98	$ 2.05	$ 1.63
Cash Dividends on:					
Class A common stock	$ 0.68	$ 0.60	$ 0.56	$ 0.52	$ 0.44
Class B common stock	$ 0.66	$ 0.58	$ 0.54	$ 0.50	$ 0.42
Balance Sheet at July 31:					
Working capital	$ 286,955	$ 390,524	$ 303,359	$ 240,537	$ 141,560
Total assets	1,583,267	1,850,513	1,698,857	1,365,186	850,147
Long-term obligations, less current maturities	346,457	457,143	478,575	350,018	150,026
Stockholders investment	951,092	1,021,808	891,012	746,046	497,274
Cash Flow Data:					
Net cash provided by operating activities	126,645	225,554	136,018	114,896	119,103
Depreciation and amortization	54,851	60,587	53,856	35,144	26,822
Capital expenditures	(24,027)	(26,407)	(51,940)	(39,410)	(21,920)

(1) Financial data has been

impacted by the acquisitive nature of the Company as two, seven, eleven and four acquisitions were completed in fiscal years ended July 31, 2008, 2007, 2006 and 2005, respectively. There were no acquisitions in fiscal 2009. See Note 2 in Item 8 for further information on the acquisitions that were completed in each of the years.

(2) In fiscal 2009, in response to the global economic downturn, the Company initiated several measures to address its cost structure, including the reduction in its workforce and decreased discretionary spending. In addition to the restructuring charges, $1.6 million of income tax expense was incurred related to the anticipated repayment of

certain tax holidays due to site consolidation actions.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Overview

In fiscal 2009, the Company posted sales of $1,208.7 million and net income of $70.1 million, a decrease of 20.6% and 47.0%, respectively, from fiscal 2008. Of the 20.6% decrease in sales, organic sales declined 16.4%, the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar reduced sales by 4.8%, partially offset by a 0.6% increase from acquisitions. Regionally, sales in the Americas, Europe, and Asia-Pacific decreased 19.9%, 26.1%, and 14.5%, respectively.

Net income for fiscal 2009 declined 47.0% to $70.1 million or $1.33 per diluted share of Class A Common Stock, compared to $132.2 million, or $2.41 per diluted share of Class A Common Stock in fiscal 2008. Fiscal 2009 net income before restructuring related expenses was $90.3 million, or $1.71 per diluted share of Class A Common Stock.

In fiscal 2009, the Company generated $126.6 million of cash from operations, a decrease of $98.9 million from the prior fiscal year. The decrease was the result of decreased net income as discussed above and the increase in working capital. The increase in working capital was due to the decrease in other current liabilities resulting from the cash payment of the fiscal 2008 bonus and the elimination of the fiscal 2009 bonus accrual, offset by decreases in inventory and accounts receivable.

Results of Operations

Year Ended July 31, 2009, Compared to Year Ended July 31, 2008

The comparability of the operating results for the fiscal years ended July 31, 2009 to July 31, 2008, has been impacted by the annualized impact of the following acquisitions completed in fiscal 2008.

Acquisitions:	**Segment**	**Date Completed**
Transposafe Systems B.V. and Holland Mounting Systems B.V. (collectively Transposafe)	Europe	November 2007
DAWG, Inc. (DAWG)	Americas	March 2008

Fiscal 2009 sales decreased $314.3 million, or 20.6% from fiscal 2008. Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions owned less than one year and foreign currency translation effects), were down 16.4% compared to fiscal 2008. The decrease in organic sales was primarily due to the effects of the economic downturn in fiscal 2009. The acquisitions listed above increased sales by $9.0 million or 0.6% in fiscal 2009. Fluctuations in the exchange rates used to translate financial results into the United States Dollar decreased sales by $73.2 million or 4.8% for the year.

The gross margin as a percentage of sales decreased to 47.8% in fiscal 2009 from 48.9% in fiscal 2008. The decrease in gross margin as a percentage of sales was primarily due to the sales decline, partially offset by the result of cost reduction actions taken during fiscal 2008 and fiscal 2009.

Research and development expenses decreased to $34.2 million in fiscal 2009 from $40.6 million in fiscal 2008, and increased slightly as a percentage of sales in fiscal 2009 to 2.8% compared to 2.7% in fiscal 2008, reflecting the reduced discretionary spending and the Company s continued commitment to investing in new product development.

Selling, general, and administrative (SG&A) expenses decreased to $397.2 million in fiscal 2009 as compared to $495.9 million in fiscal 2008. The decrease in SG&A expenses was primarily related to the savings resulting from restructuring activities that took place during fiscal 2009, a decline in discretionary spending, and reduced incentive compensation expense compared to the prior year. As a percentage of sales, SG&A increased to 32.9% in fiscal 2009 from 32.6% in fiscal 2008.

Restructuring charges were $25.8 million during fiscal 2009. Additionally, $1.6 million of income tax expense was also incurred related to the anticipated repayment of certain tax holidays due to site consolidation actions. In response to the global economic downturn, the

Company implemented a plan to reduce its cost structure. During fiscal 2009, the Company incurred costs related to the reduction of its workforce and facility consolidations. Restructuring costs related primarily to employee separation costs, consisting of severance pay, outplacement services, medical, and other related benefits for approximately 25 percent of the Company s work force.

Other income decreased $3.1 million in fiscal 2009 to $1.8 million from $4.9 million in the prior year. The income recorded in fiscal 2009 and fiscal 2008 was primarily due to interest income earned on cash and marketable securities investments. The $1.8 million of other income recorded in fiscal 2009 consisted of $2.5 million of interest income and $0.9 million in foreign exchange gains, partially offset by the $1.6 million loss of securities held in executive deferred compensation plans. The decrease in interest income in fiscal 2009 was the result of both lower interest rates and decreased cash generated from the operating activities and lower average cash balances.

Interest expense decreased to $24.9 million from $26.4 million for fiscal 2009 as compared to fiscal 2008. In fiscal 2009, the Company repaid approximately $87.2 million of debt. As a result of the lower principle balance under the related debt agreement, the Company s interest expense decreased as compared to the prior year.

The Company s effective tax rate was 27.9% for fiscal 2009 as compared to 29.0% for fiscal 2008. The decreased tax rate in fiscal 2009 was primarily due to decreased profits in higher tax countries.

Net income for the fiscal year ended July 31, 2009, decreased 47% to $70.1 million, compared to $132.2 million for the fiscal year ended July 31, 2008, as a result of the factors noted above. Net income as a percentage of sales decreased to 5.8% from 8.7% for the fiscal year ended July 31, 2009 compared the same period in the prior year. Diluted net income per share decreased 44.8% to $1.33 per share for fiscal 2009 compared to $2.41 per share for the fiscal year ended July 31, 2008. Fiscal 2009 net income before restructuring related expenses was $90.3 million, or $1.71 per diluted share of Class A Common Stock.

Year Ended July 31, 2008, Compared to Year Ended July 31, 2007

The comparability of the operating results for the fiscal years ended July 31, 2008 to July 31, 2007, has been impacted by the following acquisitions completed in fiscal 2008, as well as the annualized impact of the acquisitions completed in fiscal 2007.

Acquisitions:	**Segment**	**Date Completed**
Transposafe Systems B.V. and Holland Mounting Systems B.V. (collectively Transposafe)	Europe	November 2007
DAWG, Inc. (DAWG)	Americas	March 2008

Fiscal 2008 sales increased $160.4 million, or 11.8% from fiscal 2007. Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions owned less than one year and foreign currency effects), were flat compared to fiscal 2007. The acquisitions listed above and the annualized impact of the fiscal 2007 acquisitions increased sales by $78.7 million or 5.8% in fiscal 2008 compared to fiscal 2007. Fluctuations in the exchange rates used to translate financial results into the United States dollar resulted in a sales increase of $81.7 million or 6.0% for the year.

The gross margin as a percentage of sales increased to 48.9% in fiscal 2008 from 48.2% in fiscal 2007. The increase in gross margin as a percentage of sales was primarily the result of cost reduction actions taken during fiscal 2007 and fiscal 2008.

Research and development expenses increased to $40.6 million in fiscal 2008 from $36.0 million in fiscal 2007, and increased slightly as a percentage of sales in fiscal 2008 to 2.7% compared to 2.6% in fiscal 2007, reflecting the Company s continued commitment to investing in new product development.

Selling, general, and administrative (SG&A) expenses increased to $495.9 million in fiscal 2008 as compared to $449.1 million in fiscal 2007. The increase in SG&A expenses was primarily the result of the effect of currencies and acquisitions made during fiscal 2007 and fiscal 2008. As a percentage of sales, SG&A decreased to 32.6% in fiscal 2008 from 33.0% in fiscal 2007.

Table of Contents

Investment and other income increased $2.0 million in fiscal 2008 to $4.9 million from $2.9 million in the prior year. The income recorded in fiscal 2008 and fiscal 2007 was primarily due to interest income earned on cash and marketable securities investments. The $4.9 million of investment and other income recorded in fiscal 2008 consisted of $5.9 million of interest income, partially offset by $1.0 million in foreign exchange losses. The increase in interest income in fiscal 2008 was the result of both increased net income and working capital initiatives that have increased cash balances.

Interest expense increased to $26.4 million from $22.9 million for fiscal 2008 as compared to fiscal 2007. The increase in interest expense was mainly due to interest on the $150 million private placement of senior notes that the Company completed in the third quarter of fiscal 2007.

The Company s effective tax rate was 29.0% for fiscal 2008 as compared to 28.0% for fiscal 2007. The increased tax rate in fiscal 2008 was primarily due to increased profits in higher tax countries.

Net income for the fiscal year ended July 31, 2008, increased 20.8% to $132.2 million, compared to $109.4 million for the fiscal year ended July 31, 2007, as a result of the factors noted above. Diluted net income per share increased 20.5% to $2.41 per share for fiscal 2008 compared to $2.00 per share for the fiscal year ended July 31, 2007.

Business Segment Operating Results

The Company is organized and managed on a geographic basis by region. Each of these regions, Americas, Europe and Asia Pacific, has a President that reports directly to the Company s chief operating decision maker, its Chief Executive Officer. Each region has its own distinct operations, is managed locally by its own management team, maintains its own financial reports and is evaluated based on regional segment profit. In applying the criteria set forth in Statement of Financial Accounting Standards (SFAS) No. 131 Disclosures about Segments of an Enterprise and Related Information, the Company has determined that these regions comprise its reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance. Segment results are as follows:

(Dollars in thousands)	Americas	Europe	Asia-Pacific	Total Regions	Corporate and Eliminations	Total Company
SALES TO EXTERNAL CUSTOMERS						
Years ended:						
July 31, 2009	$534,440	$367,156	$307,106	$1,208,702	$	$1,208,702
July 31, 2008	667,106	496,715	359,195	1,523,016		1,523,016
July 31, 2007	609,855	416,514	336,262	1,362,631		1,362,631
SALES GROWTH INFORMATION						
Year ended July 31, 2009:						
Organic	(18.5)%	(18.1)%	(10.3)%	(16.4)%		(16.4)%
Currency	(1.7)%	(9.4)%	(4.2)%	(4.8)%		(4.8)%
Acquisitions	0.3%	1.4%	0.0%	0.6%		(0.6)%
Total	(19.9)%	(26.1)%	(14.5)%	(20.6)%		(20.6)%
Year ended July 31, 2008:						
Organic	0.9%	(0.4)%	(1.1)%	0.0%		0.0%
Currency	2.0%	10.6%	7.6%	6.0%		6.0%
Acquisitions	6.5%	9.1%	0.3%	5.8%		5.8%
Total	9.4%	19.3%	6.8%	11.8%		11.8%

Table of Contents

(Dollars in thousands)	Americas	Europe	Asia-Pacific	Total Regions	Corporate and Eliminations	Total Company
SEGMENT PROFIT						
Years ended:						
July 31, 2009	$ 114,404	$ 99,875	$ 42,575	$ 256,854	$ (7,952)	$ 248,903
July 31, 2008	157,523	135,426	58,234	351,183	(9,048)	342,135
July 31, 2007	144,583	107,552	57,236	309,371	(10,485)	298,886

NET INCOME RECONCILIATION

(Dollars in thousands)	Years ended: July 31, 2009	July 31, 2008	July 31, 2007
Total profit for reportable segments	$ 256,854	$ 351,183	$ 309,371
Corporate and eliminations	(7,952)	(9,048)	(10,485)
Unallocated amounts:			
Administrative costs	(102,680)	(134,451)	(126,899)
Restructuring costs	(25,849)		
Investment and other income net	1,800	4,888	2,875
Interest expense	(24,901)	(26,385)	(22,934)
Income before income taxes	97,272	186,187	151,928
Income taxes (1)	(27,150)	(53,999)	(42,540)
Net income	$ 70,122	$ 132,188	$ 109,388

(1) In fiscal 2009, in response to the global economic downturn, the Company initiated several measures to address its cost structure, including the reduction in its workforce and decreased discretionary spending. In addition to the restructuring charges, $1.6 million of income tax

expense was incurred related to the anticipated repayment of certain tax holidays due to site consolidation actions.

The Company evaluates performance of the businesses using sales and segment profit. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology and human resources, which are managed as global functions. Restructuring charges, stock options, interest, investment and other income and income taxes are also excluded when evaluating performance.

Americas

Sales in the Americas region decreased 19.9% from fiscal 2008 to fiscal 2009, and increased 9.4% from fiscal 2007 to fiscal 2008. Organic sales declined 18.5% in 2009 and grew 0.9% in 2008. The segment experienced declines in organic sales in fiscal 2009 due to the global economic downturn. The decrease in sales also resulted from the declining volumes of the manufacturing and construction sectors, as well as the impact of declining inventories of the Company s distribution partners and other customers. The organic growth in fiscal 2008 was due to strong performance in the education and OEM markets, offset partially by the softness in the manufacturing, construction, and utility markets. The acquisition of DAWG, Inc. (DAWG) in fiscal 2008 added 0.3% to fiscal 2009 sales. The acquisitions of Comprehensive Identification Products, Inc. (CIPI), Precision Converters L.P (Precision Converters), Scafftag Ltd., Safetrak, Ltd. And Scafftag Pty., Ltd (collectively Scafftag), Asterisco Artes Graficas Ltda. (Asterisco), Clement Communications, Inc. (Clement) and Sorbent Products Co., Inc. (SPC) in fiscal 2007 and DAWG in fiscal 2008 added 6.5% to fiscal 2008 sales. Fluctuations in the exchange rates used to translate financial results into U.S. dollars decreased sales in the segment by 1.7% in fiscal 2009 and increased sales by 2.0% in fiscal 2008, when compared to the prior fiscal years.

In the Americas region, segment profit decreased 27.4% to $114.4 million in fiscal 2009 from $157.5 million in fiscal 2008. Segment profit as a percentage of sales decreased to 21.4% in 2009 from 23.6% in 2008. This decrease was primarily due to the decrease in sales volume, impacting the segment s ability to absorb fixed costs. Cost savings partially offset this decrease. Costs savings came from the restructuring activities in addition to reductions in discretionary spending. Comparing fiscal 2008 to 2007, segment profit as a percentage of sales decreased slightly to 23.6% in 2008 from 23.7% in 2007. This decrease was primarily due to the slowing growth in high margin organic sales during fiscal 2008, mostly offset by cost control efforts and improvements made in the prior year to lower performing businesses.

Table of Contents

Europe

Sales in the European region decreased 26.1% in fiscal 2009 from fiscal 2008, and increased 19.3% in fiscal 2008 from fiscal 2007. Organic sales declined 18.1% in fiscal 2009 and 0.4% in fiscal 2008 as compared to prior years. The segment s organic sales continued to be adversely impacted by the global economic downturn in fiscal 2009. Organic sales in the private sector to the automotive and electronics markets declined in the Europe segment, with sales to governments and public utilities partially offsetting these declines. The decline in organic sales in fiscal 2008 was primarily the result of a weakening European economy as well as tough comparables over the prior year due to the implementation of No Smoking legislation in the U.K. and France, as these sales did not recur in fiscal 2008. Sales were negatively affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which decreased sales within the segment by 9.4% in fiscal 2009. Foreign currency translation increased the segment s sales 10.6% in 2008. The acquisition of Transposafe Systems B.V. and Holland Mounting Systems B.V. (collectively Transposafe) in fiscal 2008 added 1.4% to the region s sales in fiscal 2009 and the acquisitions of CIPI, Scafftag, Modernotecnica SpA (Moderno), and SPC in fiscal 2007 and Transposafe in fiscal 2008 added 9.1% to the region s sales in fiscal 2008.

In the Europe region, segment profit decreased 26.3% to $99.9 million in fiscal 2009 from $135.4 million in fiscal 2008. Segment profit as a percentage of sales decreased slightly to 27.2% in fiscal 2009 from 27.3% in fiscal 2008. The decline in segment profit in fiscal 2009 was attributable to the declining sales volumes and the impact of foreign currency translation. In response to the sales downturn, the segment implemented various cost saving measures during fiscal year 2009 that have generated savings to partially offset the impact of lower sales volumes. Comparing fiscal 2008 to 2007, segment profit as a percentage of sales increased to 27.3% in 2008 from 25.8% in 2007. The increase in segment profit in fiscal 2008 was driven by the sales increases noted above in addition to the realization of savings from cost reduction activities taken at the end of fiscal 2007.

Asia-Pacific

Asia-Pacific sales decreased 14.5% in fiscal 2009, and increased 6.8% in fiscal 2008 from fiscal 2007. Organic sales declined 10.3% in fiscal 2009 and declined 1.1% in fiscal 2008. The decline in organic sales in fiscal 2009 was primarily due to the overall decline in the electronics and mobile handset markets and aggressive pricing demands from customers, slightly offset by increased demand for MRO products to support infrastructure development sponsored by government stimulus spending in the region. The decline in organic sales in fiscal 2008 primarily resulted from a drop in sales to OEM customers in the mobile handset market, in addition to the competitive, less profitable business the Company chose to deemphasize. Declines in the mobile handset business were partially offset by solid growth in the smaller business lines of high performance labels, safety and facility identification, and hard disk drives during fiscal 2008. Foreign currency translation decreased the region s sales by 4.2% from fiscal 2009 and increased the region s sales by 7.6% in fiscal 2008, as compared to prior years.

In the Asia-Pacific region, segment profit decreased 26.9% to $42.6 million in fiscal 2009 from $58.2 million in fiscal 2008. Segment profit as a percentage of sales decreased to 13.9% in fiscal 2009 from 16.2% in fiscal 2008. The decline in the profit in fiscal 2009 was primarily the result of decreased sales, offset by savings generated from restructuring activities, shortened work weeks, and reduced discretionary spending. Comparing fiscal 2008 to 2007, segment profit as a percentage of sales declined to 16.2% in 2008 from 17.0% in 2007. The decline in segment profit as a percentage of sales in fiscal 2008 was due to the industry mix shift from high-end, feature rich mobile phones to low-end basic mobile phones and continued pricing pressures within the mobile handset supply chain, partially offset by activities initiated in fiscal 2007.

Liquidity and Capital Resources

Cash and cash equivalents were $188.2 million at July 31, 2009, compared to $258.4 million at July 31, 2008. The decrease in the cash of $70.2 million was the result of cash provided by operations of $126.6 million, offset by cash used in investing activities of $19.0 million, cash used in financing activities of $160.3 million, including $87.2 million related to debt payments, $40.3 million related to the repurchase of treasury stock, and $35.8 million dividend payments, and the effects on the fluctuations of the U.S. dollar against other currencies, which negatively impacted cash in the amount of $17.5 million during fiscal 2009.

Table of Contents

Accounts receivable balances decreased $71.3 million from July 31, 2008 to July 31, 2009. The decrease in accounts receivable was due primarily to the decline in sales volumes and the impact of foreign currency translation on the Company s foreign accounts receivables. Inventories decreased $40.8 million from July 31, 2008 to July 31, 2009 due to reduced business activity, focused inventory reduction initiatives, and the impact of foreign currency translation. Current liabilities decreased $86.1 million over the same period primarily due to a reduction in wages payable resulting from reduced headcount, cancellation of incentive compensation plans for fiscal 2009, and reduction of accrued income taxes, offset by an increase in the Company s current maturities on long term debt.

The Company has maintained strong operating cash flow, which totaled $126.6 million for fiscal 2009, $225.6 million for fiscal 2008 and $136.0 million for fiscal 2007. The decrease in operating cash flow from fiscal 2008 to fiscal 2009 was the result of a decline in net income of $62.1 million and the changes in working capital discussed above.

The Company did not complete any acquisitions during fiscal 2009, compared to $29.3 million and $159.5 million of cash used for acquisitions in fiscal 2008 and 2007, respectively. The Company has reached a settlement with the former owners of Tradex related to the purchase price of the Tradex acquisition. The Company received approximately $3.5 million as the result of the settlement during fiscal 2009. Payments of $0.7 million and $0.7 million were made during fiscal 2009 to satisfy the earnout and holdback liabilities of the Transposafe and Asterisco acquisitions, respectively. Contingent consideration payments of $4.4 million, $1.2 million, and $0.2 million were made during fiscal 2008 to satisfy the earnout and holdback liabilities of the fiscal 2006 acquisitions of Daewon Industry Corporation and STOPware, Inc., and the fiscal 2007 acquisition of Asterisco, respectively.

Capital expenditures were $24.0 million in fiscal 2009, $26.4 million in fiscal 2008 and $51.9 million in fiscal 2007. Capital expenditures in fiscal 2009 were similar to fiscal 2008 reflecting a normalized spend rate. The Company s capital expenditures slowed in fiscal 2008, following two years of significant spending due to the global implementation of SAP in addition to the expansion of facilities in various countries. Fiscal 2007 capital expenditures included $9.8 million in spending on implementing SAP in 16 of Brady s global operations and ultimately increasing the coverage of business units operating SAP to approximately 80% of total revenue in fiscal 2009. The remainder of the increase in capital expenditures in fiscal 2007 was due to expansions in China, Canada, India, Mexico, the Philippines, Slovakia and other locations.

Financing activities used $160.3 million in fiscal 2009, used $76.9 million in fiscal 2008 and provided $129.4 million in fiscal 2007. Cash used for dividends to shareholders was $35.8 million in fiscal 2009, $32.5 million in fiscal 2008, and $30.1 million in fiscal 2007. Cash received from the exercise of stock options was $1.7 million in fiscal 2009, $14.5 million in fiscal 2008, and $6.8 million in fiscal 2007. The Company purchased treasury stock of $40.3 in fiscal 2009 and $42.2 million in fiscal 2008; however, it did not purchase treasury stock in fiscal 2007. During fiscal 2008 and fiscal 2009, the Company s Board of Directors authorized share repurchase plans for the Company s Class A Nonvoting Common Stock. The share repurchase plans were implemented by purchasing shares in the open market, with repurchased shares available for use in connection with the Company s stock-based plans and for other corporate purposes. The Company reacquired approximately 1,345,000 shares of its Class A Common Stock for $40.3 million in fiscal 2009 in connection with its stock repurchase plans. The Company reacquired approximately 1,349,000 shares of its Class A Common Stock for $42.2 million in fiscal 2008. As of July 31, 2009, the Company was authorized to purchase up to approximately 306,000 additional shares in connection with the share repurchase plans.

On May 28, 2009, the Company commenced a cash tender offer to purchase up to $100 million aggregate principal amount of its outstanding Series 2004-A Senior Notes due 2014, Series 2006-A Senior Notes due 2016, and Series 2007-A Senior Notes due 2017. On June 29, 2009, the Company completed the purchase of approximately $65.8 million aggregate principal amount of its senior notes pursuant to this tender offer. The purchase price for the notes included the payment of the face value of the notes plus accrued and unpaid interest from the last interest payment date to and including the date of close. The Company utilized cash on hand to fund the purchase of the notes.

Table of Contents

On November 24, 2008, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC), which will allow the Company to issue and sell, from time to time in one or more offerings, an indeterminate amount of Class A Non-Voting Common Stock and debt securities as it deems prudent or necessary to raise capital at a later date. The shelf registration statement became effective upon filing with the SEC. The Company plans to use the proceeds from any future offerings under the shelf registration for general corporate purposes, including, but not limited to, acquisitions, capital expenditures, and refinancing of debt.

On March 23, 2007, the Company completed the private placement of $150 million in ten-year fixed notes at 5.33% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2011 with interest payable on the notes semiannually on September 23 and March 23, which began in September 2007. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company s U.S.- based subsidiaries. The Company used the net proceeds of the offering to reduce outstanding indebtedness under the Company s revolving loan agreement and fund its ongoing strategic growth plans. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The penalties under the agreement have been waived for early prepayment. The agreement also requires the Company to maintain a financial covenant. On June 29, 2009, the Company purchased $35.4 million of the outstanding aggregate principal amount of the Series 2007-A Senior Notes from certain note-holders.

On October 5, 2006, the Company entered into a $200 million multi-currency revolving loan agreement with a group of five banks that replaced the Company s previous credit agreement. At the Company s option, and subject to certain standard conditions, the available amount under the new credit facility may be increased from $200 million up to $300 million. Under the credit agreement, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company s consolidated leverage ratio). A commitment fee is payable on the unused amount of the facility. The agreement restricts the amount of certain types of payments, including dividends, which can be made annually to $50 million plus an amount equal to 75% of consolidated net income excluding all extraordinary non-cash items for the prior fiscal year of the Company. The Company believes that based on historic dividend practice, this restriction would not impede the Company in following a similar dividend practice in the future. On March 18, 2008, the Company entered into an amendment to the revolving loan agreement which extended the maturity date from October 5, 2011 to March 18, 2013. All other terms of the revolving loan agreement remained the same. As of July 31, 2009, there were no outstanding borrowings under the credit facility.

On February 14, 2006, the Company completed the private placement of $200 million in ten-year fixed notes at 5.3% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2010 with interest payable on the notes semiannually on August 14 and February 14, which began in August 2006. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company s domestic subsidiaries. The Company used the net proceeds of the offering to finance acquisitions completed in fiscal 2006 and 2007 and for general corporate purposes. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The penalties under the agreement have been waived for early prepayment. The agreement also requires the Company to maintain a financial covenant. On June 29, 2009, the Company purchased $17.0 million of the outstanding aggregate principal amount of the Series 2006-A Senior Notes from certain note-holders.

On June 30, 2004, the Company finalized a debt offering of $150 million of 5.14% unsecured senior notes due in 2014 in an offering exempt from the registration requirements of the Securities Act of 1933. The debt offering was in conjunction with the Company s acquisition of EMED. The notes will be paid over seven years beginning in 2008, with interest payable on the notes being due semiannually on June 28 and December 28, which began in

December 2004. The Company used the proceeds of the offering to reduce outstanding indebtedness under the Company s revolving credit facilities used to initially fund the EMED acquisition. The debt has certain prepayment penalties for repaying the debt prior to its maturity date. Under the debt agreement, the Company paid equal installments of $21.4 million in June 2008 and June 2009. The penalties under the agreement have been waived for early prepayment. The agreement also requires the Company to maintain a financial covenant. On June 29, 2009, the Company purchased $13.4 million of the outstanding aggregate principal amount of the Series 2004-A Senior Notes from certain note-holders.

The Company s debt and revolving loan agreements require it to maintain certain financial covenants. The Company s June 2004, February 2006, and March 2007 debt agreements require the Company to maintain a ratio of debt to the trailing twelve months earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). The Company s October 2006 revolving loan agreement requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. As of July 31, 2009, the Company was in compliance with the financial covenant of these debt agreements, with the ratio of debt to EBITDA, as defined by the agreements, equal to 2.1 to 1.0. Additionally, the revolving loan agreement requires the Company s trailing twelve months earnings before interest and taxes (EBIT) to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of July 31, 2009, the Company was in compliance with the financial covenants of the revolving loan agreement, with the ratio of debt to EBITDA, as defined by the agreement, equal to 2.1 to 1.0 and the interest expense coverage ratio equal to 5.2 to 1.0.

Long-term obligations as a percentage of long-term obligations plus stockholders investment were 26.7% at July 31, 2009, and 30.9% at July 31, 2008. Long-term obligations decreased by $110.7 million from July 31, 2008 to July 31, 2009 due to the debt repayments in fiscal 2009. The debt repayments consisted of the scheduled $21.4 million on the 2004 private placement in addition to the prepayment of $65.8 million. An additional $23.5 million was reclassified to current maturities on long-term obligations. Stockholders investment decreased $70.7 million during fiscal 2009 primarily due to dividends on Class A and Class B Common Stock of $33.5 million and $2.3 million, respectively, the repurchase of treasury shares of $40.3 million, and changes in accumulated other comprehensive income of $75.1 million, partially offset by net earnings of $70.1 million and the stock-based compensation expense of $8.1 million in additional paid in capital. The decrease in the accumulated other comprehensive income was primarily due to the foreign currency translation.

The Company intends to fund its short-term and long-term operating cash requirements, including its fiscal 2010 dividend payments and 2010 debt payments, primarily through net cash provided by operating activities.

While the Company strives to maximize investment income on its cash, preservation of principal is the first priority. Especially in volatile markets, as the Company has recently experienced, the Company s investment policy is intended to preserve principal as its primary goal, resulting in investment yields lower than those historically achieved.

The Company s growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash from operations, in addition to its sources of borrowings, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases, scheduled debt repayments, and dividend payments. As of the date of this Form 10-K, the credit and financial markets are in a period of substantial instability and uncertainty that is affecting the availability of credit to borrowers. The Company believes its current credit arrangements are sound and that the strength of its balance sheet will allow the Company the financial flexibility to respond to both internal growth opportunities and those available through acquisitions.

Subsequent Events Affecting Liquidity and Capital Resources

The Company has evaluated subsequent events through the date these financial statements were issued, September 28, 2009.

On September 10, 2009, the Board of Directors announced an increase in the annual dividend to shareholders of the Company s Class A Common Stock, from $0.68 to $0.70 per share. A quarterly dividend of $0.175 will be paid on October 30, 2009, to shareholders of record at the close of business on October 9, 2009. This dividend represents an increase of 3% and is the 24th consecutive annual increase in dividends since the Company went public in 1984.

Table of Contents

By unanimous written consent effective September 24, 2009, the holders of the Company s Class B Common Stock approved the Brady Corporation 2010 Omnibus Incentive Stock Plan (the 2010 Omnibus Plan) and the Brady Corporation 2010 Nonqualified Stock Option Plan for Non-employee Directors (the 2010 Directors Plan). Under the terms of the 2010 Omnibus Plan, pursuant to which 3,000,000 shares of the Company s Class A Common Stock have been authorized for issuance, the Company may grant nonqualified stock options, incentive stock options, shares of restricted stock and restricted stock units to eligible employees of the Company and its affiliates. The 2010 Omnibus Plan, which became effective upon shareholder approval, provides that after December 31, 2009, no further awards or grants shall be made under the Company s 2006 Omnibus Incentive Stock Plan. Under the terms of the 2010 Directors Plan, pursuant to which 200,000 shares of the Company s Class A Common Stock have been authorized for issuance, each non-employee Director is granted an option to purchase 10,000 shares of the Company s common stock two weeks after first becoming a director and 8,400 shares of the Company s common stock on an annual basis thereafter. The 2010 Directors Plan became effective upon shareholder approval.

Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements or related party transactions. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risks discussed in this filing and presented in other Company filings. However, the following additional information is provided to assist financial statement users.

Operating Leases These leases generally are entered into for investments in facilities such as manufacturing facilities, warehouses and office space, computer equipment and Company vehicles, when the economic profile is favorable.

Purchase Commitments The Company has purchase commitments for materials, supplies, services, and property, plant and equipment entered into in the ordinary course of business. Such commitments are not in excess of current market prices.

Due to the proprietary nature of many of the Company s materials and processes, certain supply contracts contain penalty provisions for early termination. The Company does not believe a material amount of penalties will be incurred under these contracts based upon historical experience and current expectations.

Other Contractual Obligations The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity other than those discussed below under Payments Due Under Contractual Obligations.

Related Party Transactions The Company does not have material related party transactions that affect the results of operations, cash flow or financial condition.

Payments Due Under Contractual Obligations

The Company s future commitments at July 31, 2009, for long-term debt, operating lease obligations, purchase obligations, interest obligations and other obligations are as follows (dollars in thousands):

		Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Uncertain Timeframe**
Long-Term Debt Obligations	$ 391,350	$ 44,893	$ 122,529	$ 122,528	$ 101,400	$
Operating Lease Obligations	67,172	22,613	29,865	11,468	3,226	
Purchase Obligations (1)	55,879	29,864	11,640	14,375		
Interest Obligations	83,926	21,469	33,331	20,444	8,682	
Tax Obligations	19,462					19,462
Other Obligations (2)	14,311	825	1,755	2,009	9,722	
Total	$ 632,100	$ 119,664	$ 199,120	$ 170,824	$ 123,030	$ 19,462

(1) Purchase obligations include all open purchase orders as of July 31, 2009.

Table of Contents

(2) Other obligations represent expected payments under the Company s postretirement medical, dental, and vision plans as disclosed in Note 3 to the consolidated financial statements, under Item 8 of this report.

Inflation and Changing Prices

Essentially all of the Company s revenue is derived from the sale of its products in competitive markets. Because prices are influenced by market conditions, it is not always possible to fully recover cost increases through pricing. Changes in product mix from year to year, timing differences in instituting price changes and the large amount of part numbers make it impracticable to accurately define the impact of inflation on profit margins.

Critical Accounting Estimates

Income Taxes

The Company s effective tax rate is based on pre-tax income and the tax rates applicable to that income in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company s effective income tax rate and in evaluating its tax positions. The Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on August 1, 2007. The Company establishes FIN 48 liabilities when it is not more likely than not that the Company will realize the full tax benefit of the position. The Company adjusts these FIN 48 liabilities in light of changing facts and circumstances.

Tax regulations may require items of income and expense to be included in a tax return in different periods than the items are reflected in the consolidated financial statements. As a result, the effective income tax rate reflected in the consolidated financial statements may be different than the tax rate reported in the income tax return. Some of these differences are permanent, such as expenses that are not deductible on the income tax return, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as tax deductions or credits in the tax return in future years for which the Company has already recorded the tax benefit in the consolidated financial statements. The Company establishes valuation allowances against its deferred tax assets when it is more likely than not that the amount of expected future taxable income will not support the use of the deduction or credit. Deferred tax liabilities generally represent tax expense recognized in the consolidated financial statements for which payment has been deferred or expense for which the Company has already taken a deduction on an income tax return, but has not yet recognized as expense in the consolidated financial statements.

Goodwill and Intangible Assets

The allocation of purchase price for business combinations requires management estimates and judgment as to expectations for future cash flows of the acquired business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair value for purchase price allocation purposes. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill or require acceleration of the amortization expense of finite-lived intangible assets. In addition, SFAS No. 142, Goodwill and Other Intangible Assets, requires that goodwill and other indefinite-lived intangible assets be tested at least annually for impairment. Changes in management s estimates or judgments could result in an impairment charge, and such a charge could have an adverse effect on the Company s financial condition and results of operations. To aid in establishing the value of goodwill and other intangible assets at the time of acquisition, Company policy requires that all acquisitions with a purchase price above $5 million must be further evaluated in a more detailed review.

The Company has identified five reporting units within its three reportable segments in accordance with SFAS No. 142. The Company s methodologies for valuing goodwill are applied consistently on a year-over-year basis; the assumptions used in performing the 2009 impairment calculations were evaluated in light of market and business conditions. Brady continues to believe that the discounted cash flow model provides a reasonable and meaningful fair value estimate based upon the reporting units projections of future operating results and cash flows and replicates how market participants would value the Company s reporting units.

In performing the Company s annual impairment assessment the Company performed a sensitivity analysis on the material assumptions used in the discounted cash flow valuation models for each of its reporting units. Based on the Company s fiscal 2009 impairment testing and assuming a hypothetical 10% decrease in the estimated fair values of each of its reporting units, the hypothetical fair value of each of the Company s reporting units would have been greater than the carrying value. See Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data for further information about goodwill and intangible assets.

Table of Contents

Reserves and Allowances

The Company has recorded reserves or allowances for inventory obsolescence, uncollectible accounts receivable, credit memos, and income tax contingencies. These reserves require the use of estimates and judgment. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company believes that such estimates are made with consistent and appropriate methods. Actual results may differ from these estimates under different assumptions or conditions.

New Accounting Standards

The information required by this Item is provided in Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

Forward-Looking Statements

Brady believes that certain statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this Form10-K, including, without limitation, statements regarding Brady s future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations are forward-looking statements. When used in this Form 10-K, words such as may, will, expect, intend, estimate, anticipate, believe, should, project or plan or similar terminology are g to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions and other factors, some of which are beyond Brady s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from the length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady s ability to retain significant contracts and customers; future competition; Brady s ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; interruptions to sources of supply; environmental, health and safety compliance costs and liabilities; Brady s ability to realize cost savings from operating initiatives; Brady s ability to attract and retain key talent; difficulties associated with exports; risks associated with international operations; fluctuations in currency rates versus the US dollar; technology changes; potential write-offs of Brady s substantial intangible assets; Brady s ability to maintain its debt covenants; unforeseen tax consequences; risks associated with obtaining governmental approvals and maintaining regulatory compliance for new and existing products; business interruptions due to implementing business systems; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature contained from time to time in Brady s U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the Risk Factors section located in Item 1A of Part I of this Form 10-K. These uncertainties may cause Brady s actual future results to be materially different th