UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended April 30, 2022

OR

☐ **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 its charter)

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

6555 West Good Hope Road
Milwaukee, Wisconsin 53233
(Address of principal executive offices and 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	**Trading Symbol**	**Name of each exchange on which registered**
Class A Nonvoting Common Stock, par value $0.01 per share	BRC	New York Stock Exchange

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 24, 2022, there were 46,687,050 outstanding shares of Class A Nonvoting Common Stock and 3,538,628 shares of Class B Voting Common Stock. The Class B Voting Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	April 30, 2022 (Unaudited)	July 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 103,068	$ 147,335
Accounts receivable, net of allowances for credit losses of $7,891 and $7,306, respectively	186,843	170,579
Inventories	177,156	136,107
Prepaid expenses and other current assets	12,550	11,083
Total current assets	479,617	465,104
Property, plant and equipment—net	125,014	121,741
Goodwill	591,780	614,137
Other intangible assets	78,238	92,334
Deferred income taxes	14,804	16,343
Operating lease assets	30,466	41,880
Other assets	24,325	26,217
Total	$ 1,344,244	$ 1,377,756
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 79,567	$ 82,152
Accrued compensation and benefits	70,195	81,173
Taxes, other than income taxes	12,910	13,054
Accrued income taxes	4,264	3,915
Current operating lease liabilities	15,619	17,667
Other current liabilities	61,215	59,623
Total current liabilities	243,770	257,584
Long-term debt	77,000	38,000
Long-term operating lease liabilities	17,591	28,347
Other liabilities	91,645	90,797
Total liabilities	430,006	414,728
Stockholders' equity:		
Class A nonvoting common stock—Issued 51,261,487 shares, and outstanding 46,890,714 and 48,528,245 shares, respectively	513	513
Class B voting common stock—Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	343,854	339,125
Retained earnings	862,583	788,369
Treasury stock—4,370,773 and 2,733,242 shares, respectively, of Class A nonvoting common stock, at cost	(193,859)	(109,061)
Accumulated other comprehensive loss	(98,888)	(55,953)
Total stockholders' equity	914,238	963,028
Total	$ 1,344,244	$ 1,377,756

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Amounts, Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Net sales	$ 338,551	$ 295,503	$ 978,081	$ 838,568
Cost of goods sold	174,525	146,656	509,705	424,771
Gross margin	164,026	148,847	468,376	413,797
Operating expenses:				
Research and development	14,923	11,305	42,795	31,384
Selling, general and administrative	96,214	90,817	285,485	256,088
Total operating expenses	111,137	102,122	328,280	287,472
Operating income	52,889	46,725	140,096	126,325
Other (expense) income:				
Investment and other (expense) income	(1,308)	1,181	(1,343)	3,372
Interest expense	(329)	(131)	(763)	(288)
Income before income taxes and losses of unconsolidated affiliate	51,252	47,775	137,990	129,409
Income tax expense	11,198	10,229	29,075	27,017
Income before losses of unconsolidated affiliate	40,054	37,546	108,915	102,392
Equity in losses of unconsolidated affiliate	—	(255)	—	(760)
Net income	$ 40,054	$ 37,291	$ 108,915	$ 101,632
Net income per Class A Nonvoting Common Share:				
Basic	$ 0.78	$ 0.72	$ 2.11	$ 1.95
Diluted	$ 0.78	$ 0.71	$ 2.09	$ 1.94
Net income per Class B Voting Common Share:				
Basic	$ 0.78	$ 0.72	$ 2.09	$ 1.94
Diluted	$ 0.78	$ 0.71	$ 2.08	$ 1.93
Weighted average common shares outstanding:				
Basic	51,326	52,050	51,700	52,030
Diluted	51,568	52,449	52,055	52,341

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands, Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Net income	$ 40,054	$ 37,291	$ 108,915	$ 101,632
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(20,180)	2,891	(42,754)	17,773
Cash flow hedges:				
Net gain recognized in other comprehensive (loss) income	475	118	674	1,266
Reclassification adjustment for gains included in net income	(44)	(292)	(647)	(21)
	431	(174)	27	1,245
Pension and other post-retirement benefits:				
Net loss recognized in other comprehensive (loss) income	—	—	(85)	(32)
Net actuarial gain amortization	(95)	(105)	(275)	(306)
	(95)	(105)	(360)	(338)
Other comprehensive (loss) income, before tax	(19,844)	2,612	(43,087)	18,680
Income tax (expense) benefit related to items of other comprehensive (loss) income	(105)	301	152	(751)
Other comprehensive (loss) income, net of tax	(19,949)	2,913	(42,935)	17,929
Comprehensive income	$ 20,105	$ 40,204	$ 65,980	$ 119,561

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands, Unaudited)

	Three months ended April 30, 2022					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at January 31, 2022	$ 548	$ 341,889	$ 833,981	$ (130,911)	$ (78,939)	$ 966,568
Net income	—	—	40,054	—	—	40,054
Other comprehensive loss, net of tax	—	—	—	—	(19,949)	(19,949)
Issuance of shares of Class A Common Stock under stock plan	—	(18)	—	262	—	244
Stock-based compensation expense	—	1,983	—	—	—	1,983
Repurchase of shares of Class A Common Stock	—	—	—	(63,210)	—	(63,210)
Cash dividends on Common Stock:						
Class A — $0.2250 per share	—	—	(10,655)	—	—	(10,655)
Class B — $0.2250 per share	—	—	(797)	—	—	(797)
Balances at April 30, 2022	$ 548	$ 343,854	$ 862,583	$ (193,859)	$ (98,888)	$ 914,238

	Nine months ended April 30, 2022					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at July 31, 2021	$ 548	$ 339,125	$ 788,369	$ (109,061)	$ (55,953)	$ 963,028
Net income	—	—	108,915	—	—	108,915
Other comprehensive loss, net of tax	—	—	—	—	(42,935)	(42,935)
Issuance of shares of Class A Common Stock under stock plan	—	(4,539)	—	132	—	(4,407)
Tax benefit and withholdings from deferred compensation distributions	—	115	—	—	—	115
Stock-based compensation expense	—	9,153	—	—	—	9,153
Repurchase of shares of Class A Common Stock	—	—	—	(84,930)	—	(84,930)
Cash dividends on Common Stock:						
Class A — $0.6750 per share	—	—	(32,370)	—	—	(32,370)
Class B — $0.6584 per share	—	—	(2,331)	—	—	(2,331)
Balances at April 30, 2022	$ 548	$ 343,854	$ 862,583	$ (193,859)	$ (98,888)	$ 914,238

	Three months ended April 30, 2021					
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total Stockholders' Equity**
Balances at January 31, 2021	$ 548	$ 334,077	$ 745,960	$ (109,789)	$ (51,461)	$ 919,335
Net income	—	—	37,291	—	—	37,291
Other comprehensive income, net of tax	—	—	—	—	2,913	2,913
Issuance of shares of Class A Common Stock under stock plan	—	348	—	661	—	1,009
Stock-based compensation expense	—	2,532	—	—	—	2,532
Repurchase of shares of Class A Common Stock	—	—	—	—	—	—
Cash dividends on Common Stock:						
Class A — $0.2200 per share	—	—	(10,675)	—	—	(10,675)
Class B — $0.2200 per share	—	—	(779)	—	—	(779)
Balances at April 30, 2021	$ 548	$ 336,957	$ 771,797	$ (109,128)	$ (48,548)	$ 951,626

	Nine months ended April 30, 2021					
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total Stockholders' Equity**
Balances at July 31, 2020	$ 548	$ 331,761	$ 704,456	$ (107,216)	$ (66,477)	$ 863,072
Net income	—	—	101,632	—	—	101,632
Other comprehensive income, net of tax	—	—	—	—	17,929	17,929
Issuance of shares of Class A Common Stock under stock plan	—	(2,839)	—	1,681	—	(1,158)
Tax benefit and withholdings from deferred compensation distributions	—	32	—	—	—	32
Stock-based compensation expense	—	8,003	—	—	—	8,003
Repurchase of shares of Class A Common Stock	—	—	—	(3,593)	—	(3,593)
Cash dividends on Common Stock:						
Class A — $0.6600 per share	—	—	(32,013)	—	—	(32,013)
Class B — $0.6434 per share	—	—	(2,278)	—	—	(2,278)
Balances at April 30, 2021	$ 548	$ 336,957	$ 771,797	$ (109,128)	$ (48,548)	$ 951,626

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands, Unaudited)

	Nine months ended April 30,	
	2022	**2021**
Operating activities:		
Net income	$ 108,915	$ 101,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,448	17,240
Stock-based compensation expense	9,153	8,003
Deferred income taxes	2,858	(3,957)
Equity in losses of unconsolidated affiliate	—	760
Other	(1,080)	(1,186)
Changes in operating assets and liabilities:		
Accounts receivable	(26,438)	(13,247)
Inventories	(47,784)	15,210
Prepaid expenses and other assets	(932)	(2,584)
Accounts payable and accrued liabilities	(5,584)	39,244
Income taxes	680	(6,207)
Net cash provided by operating activities	65,236	154,908
Investing activities:		
Purchases of property, plant and equipment	(22,130)	(21,411)
Other	59	2,567
Net cash used in investing activities	(22,071)	(18,844)
Financing activities:		
Payment of dividends	(34,701)	(34,290)
Proceeds from exercise of stock options	663	1,612
Payments for employee taxes withheld from stock-based awards	(5,070)	(2,772)
Purchase of treasury stock	(84,930)	(3,593)
Proceeds from borrowing on credit facilities	155,216	19,957
Repayment of borrowing on credit facilities	(116,216)	(20,220)
Other	3,276	32
Net cash used in financing activities	(81,762)	(39,274)
Effect of exchange rate changes on cash	(5,670)	7,368
Net (decrease) increase in cash and cash equivalents	(44,267)	104,158
Cash and cash equivalents, beginning of period	147,335	217,643
Cash and cash equivalents, end of period	$ 103,068	$ 321,801

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2022
(Unaudited)
(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the "Company," "Brady," "we," or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of April 30, 2022 and July 31, 2021, its results of operations and comprehensive income for the three and nine months ended April 30, 2022 and 2021, and cash flows for the nine months ended April 30, 2022 and 2021. The condensed consolidated balance sheet as of July 31, 2021, has been derived from the audited consolidated financial statements as of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended July 31, 2021.

NOTE B — New Accounting Pronouncements

Adopted Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, "Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740)." This guidance removes certain exceptions to the general principles in ASC 740 such as recognizing deferred taxes for equity investments, the incremental approach to performing intraperiod tax allocation and calculating income taxes in interim periods. The standard also simplifies accounting for income taxes under U.S. GAAP by clarifying and amending existing guidance, including the recognition of deferred taxes for goodwill, the allocation of taxes to members of a consolidated group and requiring that an entity reflect the effect of enacted changes in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company adopted ASC 2019-12 effective August 1, 2021, which did not have a material impact on its consolidated financial statements or disclosures.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." Subject to meeting certain criteria, this guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Inter-bank Offered Rate ("LIBOR") by the end of 2021. This guidance was effective upon issuance and allowed application to contract changes as early as January 1, 2020. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

Standards not yet adopted

In October 2021, the FASB issued ASU No. 2021-08, “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,” which requires contract assets and contract liabilities (e.g. deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, “Revenue from Contracts with Customers.” The guidance is effective for fiscal years beginning after December 15, 2022. The Company does not currently expect a material impact to the financial statements or disclosures from the adoption of this standard.

NOTE C — Additional Balance Sheet Information

Inventories

Inventories as of April 30, 2022, and July 31, 2021, consisted of the following:

	April 30, 2022	July 31, 2021
Finished products	$ 103,887	$ 87,489
Work-in-process	27,403	20,189
Raw materials and supplies	45,866	28,429
Total inventories	$ 177,156	$ 136,107

Property, plant and equipment

Property, plant and equipment is presented net of accumulated depreciation in the amount of $272,324 and $277,246 as of April 30, 2022, and July 31, 2021, respectively.

NOTE D — Other Intangible Assets

Other intangible assets as of April 30, 2022 and July 31, 2021, consisted of the following:

	April 30, 2022				July 31, 2021			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Tradenames	3	$ 1,761	$ (854)	$ 907	3	$ 1,821	$ (356)	$ 1,465
Customer relationships	9	105,867	(45,458)	60,409	9	110,950	(39,069)	71,881
Technology	5	9,208	(1,773)	7,435	5	9,578	(335)	9,243
Unamortized other intangible assets:								
Tradenames	N/A	9,487	—	9,487	N/A	9,745	—	9,745
Total		$ 126,323	$ (48,085)	$ 78,238		$ 132,094	$ (39,760)	$ 92,334

The change in the gross carrying amount of other intangible assets as of April 30, 2022 compared to July 31, 2021 was primarily due to the effect of currency fluctuations during the nine-month period.

Amortization expense of intangible assets was $3,735 and $1,352 for the three months ended April 30, 2022 and 2021, respectively, and $11,291 and $4,056 for the nine months ended April 30, 2022 and 2021, respectively.

NOTE E — Leases

The Company leases certain manufacturing facilities, warehouse and office spaces, and vehicles accounted for as operating leases. Lease terms typically range from one year to ten years. As of April 30, 2022, the Company did not have any finance leases.

Operating lease expense was $4,346 and $4,714 for the three months ended April 30, 2022 and 2021, respectively, and $13,198 and $12,956 for the nine months ended April 30, 2022 and 2021, respectively. Operating lease expense was recognized in either "Cost of goods sold" or "Selling, general and administrative" expenses in the condensed consolidated statements of income, based on the nature of the lease. Short-term lease expense, variable lease expenses, and sublease income was immaterial to the condensed consolidated statements of income for the three and nine months ended April 30, 2022 and 2021.

Supplemental cash flow information related to the Company's operating leases for the nine months ended April 30, 2022 and 2021, was as follows:

	Nine months ended April 30,	
	2022	2021
Operating cash outflows from operating leases	$ 14,582	$ 13,965
Operating lease assets obtained in exchange for new operating lease liabilities	2,553	5,832

NOTE F — Accumulated Other Comprehensive Loss

Other comprehensive loss consists of foreign currency translation adjustments which includes the settlements of net investment hedges, unrealized gains and losses from cash flow hedges, and the unamortized gain on post-retirement plans, net of their related tax effects.

The following table illustrates the changes in the balances of each component of accumulated other comprehensive loss, net of tax, for the nine months ended April 30, 2022:

	Unrealized gain on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance, July 31, 2021	$ 729	$ 1,888	$ (58,570)	$ (55,953)
Other comprehensive income (loss) before reclassification	307	(59)	(42,408)	(42,160)
Amounts reclassified from accumulated other comprehensive loss	(486)	(289)	—	(775)
Ending balance, April 30, 2022	$ 550	$ 1,540	$ (100,978)	$ (98,888)

The increase in accumulated other comprehensive loss as of April 30, 2022 compared to July 31, 2021, was primarily due to the appreciation of the U.S. dollar against certain other currencies during the nine-month period.

The changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended April 30, 2021, were as follows:

	Unrealized (loss) gain on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance, July 31, 2020	$ (200)	$ 2,181	$ (68,458)	$ (66,477)
Other comprehensive income (loss) before reclassification	1,189	(23)	16,848	18,014
Amounts reclassified from accumulated other comprehensive loss	(16)	(69)	—	(85)
Ending balance, April 30, 2021	$ 973	$ 2,089	$ (51,610)	$ (48,548)

The decrease in accumulated other comprehensive loss as of April 30, 2021, compared to July 31, 2020, was primarily due to the depreciation of the U.S. dollar against certain other currencies during the nine-month period.

Of the amounts reclassified from accumulated other comprehensive loss during the nine months ended April 30, 2022 and 2021, unrealized gains on cash flow hedges were reclassified to "Cost of goods sold" and unamortized gains on post-retirement plans were reclassified into "Investment and other income" on the condensed consolidated statements of income.

The following table illustrates the income tax (expense) benefit on the components of other comprehensive (loss) income for the three and nine months ended April 30, 2022 and 2021:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Income tax (expense) benefit related to items of other comprehensive (loss) income:				
Cash flow hedges	$ (15)	$ (71)	$ (206)	$ (72)
Pension and other post-retirement benefits	(3)	—	12	246
Other income tax adjustments and currency translation	(87)	372	346	(925)
Income tax (expense) benefit related to items of other comprehensive (loss) income:	$ (105)	$ 301	$ 152	$ (751)

NOTE G — Revenue Recognition

The Company recognizes revenue when control of the product or service transfers to the customer at an amount that represents the consideration expected to be received in exchange for those products and services. The Company's revenues are primarily from the sale of identification solutions and workplace safety products that are shipped and billed to customers. All revenue is from contracts with customers and is included in "Net sales" on the condensed consolidated statements of income. See Note H, "Segment Information," for the Company's disaggregated revenue disclosure.

The Company offers extended warranty coverage that is included in the sales price of certain products, which it accounts for as service warranties. The Company accounts for the deferred revenue associated with extended service warranties as a contract liability. The balance of contract liabilities associated with service warranty performance obligations was $2,687 and $2,519 as of April 30, 2022 and July 31, 2021, respectively. The current portion and non-current portion of contract liabilities are included in "Other current liabilities" and "Other liabilities," respectively, on the condensed consolidated balance sheets. The Company recognized revenue of $297 and $291 during the three months ended April 30, 2022 and 2021, respectively, and $882 during the nine months ended April 30, 2022 and April 30, 2021, that was included in the contract liability balance at the beginning of the respective period from the amortization of extended service warranties. Of the contract liability balance outstanding at April 30, 2022, the Company expects to recognize 11% by the end of fiscal 2022, an additional 38% by the end of fiscal 2023, and the remaining balance thereafter.

NOTE H — Segment Information

The Company is organized and managed on a global basis within three operating segments, Identification Solutions ("IDS"), Workplace Safety ("WPS"), and People Identification ("PDC"), which aggregate into two reportable segments that are organized around businesses with consistent products and services: IDS and WPS. The IDS and PDC operating segments aggregate into the IDS reporting segment, while the WPS reporting segment is comprised solely of the Workplace Safety operating segment.

The following is a summary of net sales by segment and geographic region for the three and nine months ended April 30, 2022 and 2021:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Net sales:				
ID Solutions				
Americas	$ 175,648	$ 143,348	$ 499,557	$ 401,585
Europe	63,163	50,416	177,326	137,038
Asia	25,313	24,301	80,844	71,861
Total	$ 264,124	$ 218,065	$ 757,727	$ 610,484
Workplace Safety				
Americas	$ 21,618	$ 21,425	$ 62,891	$ 65,656
Europe	39,646	42,491	119,100	123,922
Australia	13,163	13,522	38,363	38,506
Total	$ 74,427	$ 77,438	$ 220,354	$ 228,084
Total Company				
Americas	$ 197,266	$ 164,773	$ 562,448	$ 467,241
Europe	102,809	92,907	296,426	260,960
Asia-Pacific	38,476	37,823	119,207	110,367
Total	$ 338,551	$ 295,503	$ 978,081	$ 838,568

The following is a summary of segment profit for the three and nine months ended April 30, 2022 and 2021:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Segment profit:				
ID Solutions	$ 53,962	$ 47,539	$ 146,907	$ 126,818
Workplace Safety	7,109	5,656	13,917	17,107
Total Company	$ 61,071	$ 53,195	$ 160,824	$ 143,925

The following is a reconciliation of segment profit to income before income taxes and losses of unconsolidated affiliate for the three and nine months ended April 30, 2022 and 2021:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Total profit from reportable segments	$ 61,071	$ 53,195	$ 160,824	$ 143,925
Unallocated amounts:				
Administrative costs	(8,182)	(6,470)	(20,728)	(17,600)
Investment and other (expense) income	(1,308)	1,181	(1,343)	3,372
Interest expense	(329)	(131)	(763)	(288)
Income before income taxes and losses of unconsolidated affiliate	$ 51,252	$ 47,775	$ 137,990	$ 129,409

NOTE I — Net Income per Common Share

Reconciliations of the numerator and denominator of the basic and diluted per share computations for the Company’s Class A and Class B common stock are summarized as follows:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Numerator (in thousands):				
Net Income (Numerator for basic and diluted income per Class A Nonvoting Common Share)	$ 40,054	$ 37,291	$ 108,915	$ 101,632
Less:				
Preferential dividends	—	—	(803)	(808)
Preferential dividends on dilutive stock options	—	—	(8)	(4)
Numerator for basic and diluted income per Class B Voting Common Share	$ 40,054	$ 37,291	$ 108,104	$ 100,820
Denominator: (in thousands)				
Denominator for basic income per share for both Class A and Class B	51,326	52,050	51,700	52,030
Plus: Effect of dilutive equity awards	242	399	355	311
Denominator for diluted income per share for both Class A and Class B	51,568	52,449	52,055	52,341
Net income per Class A Nonvoting Common Share:				
Basic	$ 0.78	$ 0.72	$ 2.11	$ 1.95
Diluted	$ 0.78	$ 0.71	$ 2.09	$ 1.94
Net income per Class B Voting Common Share:				
Basic	$ 0.78	$ 0.72	$ 2.09	$ 1.94
Diluted	$ 0.78	$ 0.71	$ 2.08	$ 1.93

Potentially dilutive securities attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted earnings per share where the combined exercise price and average unamortized fair value were greater than the average market price of the Company's Class A Nonvoting Common Stock because the effect would have been anti-dilutive. The amount of anti-dilutive shares were 526,603 and 239,707 for the three months ended April 30, 2022 and 2021, respectively, and 492,527 and 603,356 for the nine months ended April 30, 2022 and 2021, respectively.

NOTE J — Fair Value Measurements

In accordance with fair value accounting guidance, the Company determines fair value based on the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The inputs used to measure fair value are classified into the following hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical instruments that are accessible as of the reporting date.

Level 2 — Other significant pricing inputs that are either directly or indirectly observable.

Level 3 — Significant unobservable pricing inputs, which result in the use of management's own assumptions.

The following table summarizes the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2022 and July 31, 2021:

	April 30, 2022	July 31, 2021	Fair Value Hierarchy
Assets:			
Deferred compensation plan assets	$ 18,529	$ 20,135	Level 1
Foreign exchange contracts	433	150	Level 2
Liabilities:			
Foreign exchange contracts	433	51	Level 2

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Deferred compensation plan assets: The Company's deferred compensation investments consist of investments in mutual funds, which are included in "Other assets" on the condensed consolidated balance sheets. These investments were classified as Level 1 as the shares of these investments trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign exchange contracts: The Company's foreign exchange contracts were classified as Level 2 as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign exchange rates. See Note K, "Derivatives and Hedging Activities," for additional information.

The fair values of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities approximated carrying values due to their short-term nature.

NOTE K — Derivatives and Hedging Activities

The Company utilizes forward foreign exchange currency contracts to reduce the exchange rate risk of specific foreign currency denominated transactions. These contracts typically require the exchange of a foreign currency for U.S. dollars at a fixed rate on a future date, with maturities of less than 18 months, which qualify as cash flow hedges or net investment hedges under the accounting guidance for derivative instruments and hedging activities. The primary objective of the Company's foreign currency exchange risk management program is to minimize the impact of currency movements due to transactions in other than the respective subsidiaries' functional currency and to minimize the impact of currency movements on the Company's net investment denominated in a currency other than the U.S. dollar. To achieve this objective, the Company hedges a portion of known exposures using forward foreign exchange currency contracts.

Main foreign currency exposures are related to transactions denominated in the British Pound, Euro, Canadian dollar, Australian dollar, Mexican Peso, Chinese Yuan, Malaysian Ringgit and Singapore dollar. Generally, these risk management transactions will involve the use of foreign currency derivatives to minimize the impact of currency movements on non-functional currency transactions.

The U.S. dollar equivalent notional amounts of outstanding forward exchange contracts were as follows:

	April 30, 2022	July 31, 2021
Designated as cash flow hedges	$ 7,690	$ 30,724
Non-designated hedges	20,342	3,580
Total foreign exchange contracts	$ 28,032	$ 34,304

Cash Flow Hedges

The Company has designated a portion of its forward foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the condensed consolidated balance sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into income in the same period or periods during which the hedged transaction affects income. As of April 30, 2022 and July 31, 2021, unrealized gains of $694 and $770 have been included in OCI, respectively.

The following table summarizes the amount of pre-tax gains and losses related to foreign exchange contracts designated as cash flow hedging instruments:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
Gains recognized in OCI	$ 475	$ 118	$ 674	$ 1,266
Gains reclassified from OCI into cost of goods sold	44	292	647	21

Fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	April 30, 2022		July 31, 2021	
	Prepaid expenses and other current assets	Other current liabilities	Prepaid expenses and other current assets	Other current liabilities
Derivatives designated as hedging instruments:				
Foreign exchange contracts (cash flow hedges)	$ 433	$ —	$ 150	$ 51
Derivatives not designated as hedging instruments:				
Foreign exchange contracts (non-designated hedges)	—	433	—	—
Total derivative instruments	$ 433	$ 433	$ 150	$ 51

NOTE L — Income Taxes

The income tax rate for the three months ended April 30, 2022 and 2021, was 21.8% and 21.4%, respectively. The income tax rate for the nine months ended April 30, 2022 and 2021, was 21.1% and 20.9%, respectively. The Company expects its ongoing annual income tax rate to be approximately 20% based on its current global business mix and based on tax laws and statutory tax rates currently in effect.

NOTE M — Subsequent Events

On May 24, 2022, the Board of Directors declared a quarterly cash dividend to shareholders of the Company’s Class A and Class B Common Stock of $0.225 per share payable on July 29, 2022, to shareholders of record at the close of business on July 8, 2022.

Subsequent to April 30, 2022, the Company has purchased 203,664 shares of its Class A Nonvoting Common Stock under its share repurchase program for an aggregate purchase price of $9.3 million and an average purchase price per share of $45.71, which fully exhausted all shares available for repurchase under the existing repurchase program.

On May 24, 2022, the Company's Board of Directors authorized an increase in the Company's share repurchase program, authorizing the repurchase of up to $100.0 million of the Company's Class A Nonvoting Common Stock. The share repurchase program may be implemented from time to time on the open market or in privately negotiated transactions and has no expiration date. The repurchased shares will be available for use in connection with the Company's stock-based plans and for other corporate purposes.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Brady Corporation is a global manufacturer and supplier of identification solutions and workplace safety products that identify and protect premises, products and people. The IDS segment is primarily involved in the design, manufacture, and distribution of high-performance and innovative safety, identification and healthcare products. The WPS segment manufactures a broad range of stock and custom identification products and sells a broad range of resale products.

The ability to provide customers with a broad range of proprietary, customized and diverse products for use in various applications across multiple industries and geographies, along with a commitment to quality and service, have made Brady a leader in many of its markets. The long-term sales growth and profitability of our segments will depend not only on improved demand in end markets and the overall economic environment, but also on our ability to continuously improve the efficiency of our global operations, deliver a high level of customer service, develop and market innovative new products, and to advance our digital capabilities. In our IDS business, our strategy for growth includes an increased focus on certain industries and products, a focus on improving the customer buying experience, and the development of technologically advanced, innovative and proprietary products. In our WPS business, our strategy for growth includes a focus on workplace safety critical industries, innovative new product offerings, compliance expertise, customization expertise, and improving our digital capabilities.

The following are key initiatives supporting our strategy in fiscal 2022:

- Investing in organic growth by enhancing our research and development process and utilizing customer feedback to develop innovative new products.
- Investing in acquisitions that enhance our strategic position and accelerate long-term sales growth.
- Providing our customers with the highest level of customer service.
- Expanding and enhancing our sales capabilities through an improved digital presence and the use of data-driven marketing automation tools.
- Maintaining profitability through pricing mechanisms to mitigate the impacts of supply chain disruptions and inflationary pressures.
- Driving operational excellence and executing sustainable efficiency gains within our selling, general and administrative and global operations structures including insourcing of critical products and manufacturing activities.
- Building on our culture of diversity, equity and inclusion to increase employee engagement and enhance recruitment and retention practices.

Impact of the COVID-19 Pandemic and other Global Geopolitical Events on Our Business

The Company has experienced, and expects to continue to experience, increased freight and input material cost inflation as a result of increased global demand, disruptions caused by COVID-19 and government-mandated actions in response to COVID-19, the conflict in the Ukraine, as well as labor shortages. The Company has taken and will continue to take actions to mitigate inflation issues, but thus far has not fully offset the impact of these trends partially due to advance notice requirements of certain distributors. As a result, these trends have negatively impacted the Company's gross profit margin, and we expect ongoing inflationary pressures and supply chain issues will continue to negatively impact profitability in the fourth quarter of fiscal 2022.

We believe we have the financial strength to continue to invest in organic sales growth opportunities including sales, marketing, and research and development ("R&D") and inorganic sales opportunities including acquisitions, while continuing to drive sustainable efficiencies and automation in our operations and selling, general and administrative ("SG&A") functions. At April 30, 2022, we had cash of $103.1 million, as well as a credit facility with $121.3 million available for future borrowing, which can be increased up to $321.3 million at the Company's option and subject to certain conditions, for total available liquidity of approximately $424.4 million.

We believe that our financial resources and liquidity levels including the remaining undrawn amount of the credit facility and our ability to increase that credit line as necessary are sufficient to manage the continuing impact of geopolitical events including supply chain disruptions as a result of the conflict in the Ukraine as well as the COVID-19 pandemic, including the spread of variants that could result in additional government actions around the world to contain the virus or prevent further spread which may result in reduced sales, reduced net income, and reduced cash provided by operating activities. Refer to Risk Factors, included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2021, for further discussion of the possible impact of the COVID-19 pandemic on our business.

Results of Operations

The comparability of the operating results for the three and nine months ended April 30, 2022 to the prior year has been impacted by the following acquisitions:

Acquisitions	Segment	Date Completed
Magicard Holdings Limited ("Magicard")	IDS	May 2021
Nordic ID Oyj ("Nordic ID")	IDS	May 2021
The Code Corporation ("Code")	IDS	June 2021

A comparison of results of operating income for the three and nine months ended April 30, 2022 and 2021, is as follows:

	Three months ended April 30,				Nine months ended April 30,			
(Dollars in thousands)	**2022**	**% Sales**	**2021**	**% Sales**	**2022**	**% Sales**	**2021**	**% Sales**
Net sales	$ 338,551		$ 295,503		$ 978,081		$ 838,568	
Gross margin	164,026	48.4 %	148,847	50.4 %	468,376	47.9 %	413,797	49.3 %
Operating expenses:								
Research and development	14,923	4.4 %	11,305	3.8 %	42,795	4.4 %	31,384	3.7 %
Selling, general and administrative	96,214	28.4 %	90,817	30.7 %	285,485	29.2 %	256,088	30.5 %
Total operating expenses	111,137	32.8 %	102,122	34.6 %	328,280	33.6 %	287,472	34.3 %
Operating income	$ 52,889	15.6 %	$ 46,725	15.8 %	$ 140,096	14.3 %	$ 126,325	15.1 %

References in this Form 10-Q to “organic sales” refer to sales calculated in accordance with GAAP, excluding the impact of foreign currency translation and sales recorded from acquired companies prior to the first anniversary date of their acquisition which, for the periods reported in this Form 10-Q, includes each of Magicard, Nordic ID and Code. The Company's organic sales disclosures exclude the effects of foreign currency translation as foreign currency translation is subject to volatility that can obscure underlying business trends. Management believes that the non-GAAP financial measure of organic sales is meaningful to investors as it provides them with useful information to aid in identifying underlying sales trends in our businesses and facilitating comparisons of our sales performance with prior periods.

Net sales for the three months ended April 30, 2022 increased 14.6% to $338.6 million, compared to $295.5 million in the same period in the prior year. The increase consisted of organic sales growth of 9.0%, sales growth from acquisitions of 8.6% and a decrease from foreign currency translation of 3.0%. Organic sales grew 11.8% in the IDS segment and 0.9% in the WPS segment during the three months ended April 30, 2022, compared to the same period in the prior year.

In the first quarter of fiscal 2021, the IDS business began to recover from a decline in sales due to the impacts of the COVID-19 pandemic on a large demographic of our customers and the overall global economy, while the WPS segment realized strong organic sales growth due to increased sales of personal protective equipment and other pandemic-related products. As a result, the recovery from the COVID-19 pandemic had a significant impact on year-to-date organic sales through the third quarter of fiscal 2022, with the impact varying between the IDS and WPS businesses due to sales patterns realized during the height of the pandemic in fiscal 2021.

Net sales for the nine months ended April 30, 2022, increased 16.6% to $978.1 million, compared to $838.6 million in the same period in the prior year. The increase consisted of organic sales growth of 9.6%, sales growth from acquisitions of 8.5% and a decrease from foreign currency translation of 1.5%. Organic sales increased 13.6% in the IDS segment and declined 1.1% in the WPS segment during the nine months ended April 30, 2022, compared to the same period in the prior year.

Gross margin increased 10.2% to $164.0 million in the three months ended April 30, 2022, compared to $148.8 million in the same period in the prior year. As a percentage of net sales, gross margin decreased to 48.4% compared to 50.4% in the same period in the prior year. Gross margin increased 13.2% to $468.4 million for the nine months ended April 30, 2022, compared to $413.8 million in the same period in the prior year. As a percentage of net sales, gross margin decreased to 47.9% compared to 49.3% in the same period in the prior year. The decrease in gross margin as a percentage of net sales was primarily due to an increase in the cost of materials, labor and freight, which was partially mitigated by our ongoing efforts to increase prices streamline manufacturing processes, and drive sustainable operational efficiencies.

R&D expenses increased 32.0% to $14.9 million and increased 36.4% to $42.8 million for the three and nine months ended April 30, 2022, respectively, compared to $11.3 million and $31.4 million in the same periods in the prior year. The increase in R&D spending for both the three and nine-month periods was primarily due to the acquisitions of Code and Nordic ID, as these companies operate with a greater amount of R&D spend as a percentage of net sales compared to Brady's organic business. In addition, R&D headcount increased in the IDS business. The Company remains committed to investing in new product development to increase sales within our IDS and WPS businesses. Investments in new printers, materials, and the building out of a comprehensive industrial track and trace solution continue to be the primary focus of R&D expenditures for the remainder of fiscal 2022.

SG&A expenses include selling and administrative costs directly attributed to the IDS and WPS segments, as well as certain other general and administrative expenses including finance, information technology, human resources, and other administrative expenses. SG&A expenses increased 5.9% to $96.2 million in the three months ended April 30, 2022, compared to $90.8 million in the same period in the prior year. SG&A expenses increased 11.5% to $285.5 million for the nine months ended April 30, 2022, compared to $256.1 million in the same period in the prior year. The increase in SG&A expenses in both the three and nine-month periods was primarily due to the acquisitions of Code, Magicard and Nordic ID, and to a lesser extent an increase in sales headcount in the IDS business, which was partially offset by a decrease due to foreign currency translation. As a percentage of net sales, SG&A decreased to 28.4% compared to 30.7% in the three-month period and decreased to 29.2% compared to 30.5% in the nine-month period ended April 30, 2022, compared to the same periods in the prior year. The decrease in SG&A expense as a percentage of sales for the three and nine-month periods ended April 30, 2022 was primarily due to ongoing efficiency activities throughout SG&A.

Operating income increased 13.2% to $52.9 million and increased 10.9% to $140.1 million for the three and nine months ended April 30, 2022, respectively, compared to $46.7 million and $126.3 million in the same periods in the prior year. The increase in operating income in both the three- and nine-month periods was primarily due to the increase in segment profit in the IDS segment as a result of organic sales growth, and to a lesser extent an increase in segment profit in the WPS segment due to its reduced cost structure.

OPERATING INCOME TO NET INCOME

	Three months ended April 30,				Nine months ended April 30,			
(Dollars in thousands)	**2022**	**% Sales**	**2021**	**% Sales**	**2022**	**% Sales**	**2021**	**% Sales**
Operating income	$ 52,889	15.6 %	$ 46,725	15.8 %	$ 140,096	14.3 %	$ 126,325	15.1 %
Other (expense) income:								
Investment and other (expense) income	(1,308)	(0.4)%	1,181	0.4 %	(1,343)	(0.1)%	3,372	0.4 %
Interest expense	(329)	(0.1)%	(131)	— %	(763)	(0.1)%	(288)	— %
Income before income tax and losses of unconsolidated affiliate	51,252	15.1 %	47,775	16.2 %	137,990	14.1 %	129,409	15.4 %
Income tax expense	11,198	3.3 %	10,229	3.5 %	29,075	3.0 %	27,017	3.2 %
Income before losses of unconsolidated affiliate	40,054	11.8 %	37,546	12.7 %	108,915	11.1 %	102,392	12.2 %
Equity in losses of unconsolidated affiliate	—	— %	(255)	(0.1)%	—	— %	(760)	(0.1)%
Net income	$ 40,054	11.8 %	$ 37,291	12.6 %	$ 108,915	11.1 %	$ 101,632	12.1 %

Investment and other expense was $1.3 million in both the three and nine months ended April 30, 2022, compared to investment and other income of $1.2 million in the three-month period and $3.4 million in the nine-month period ended April 30, 2021. The decrease in the three and nine-month periods was primarily due to a decrease in the market value of securities held in deferred compensation plans.

Interest expense increased to $0.3 million and $0.8 million for the three and nine months ended April 30, 2022, respectively, compared to $0.1 million and $0.3 million in the same periods in the prior year. The increase in interest expense for both the three and nine-month periods was due to increased borrowing on our credit facility compared to the same periods in the prior year.

The Company's income tax rate was 21.8% and 21.4% for the three months ended April 30, 2022 and 2021, respectively, and the income tax rate was 21.1% and 20.9% for the nine months ended April 30, 2022 and 2021, respectively. Refer to Note L, "Income Taxes" for additional information on the Company's income tax rates.

Equity in losses of unconsolidated affiliate of $0.3 million and $0.8 million for the three and nine months ended April 30, 2021, respectively, represented the Company's proportionate share of the loss in its equity interest in React Mobile, Inc., an employee safety software and hardware company based in the United States. In the fourth quarter of fiscal 2021, the Company recorded an other-than-temporary impairment charge for the Company's remaining equity interest in React Mobile, Inc.

Business Segment Operating Results

The Company evaluates short-term segment performance based on segment profit and customer sales. Interest expense, investment and other (expense) income, income tax expense, equity in losses of unconsolidated affiliate, and certain corporate administrative expenses are excluded when evaluating segment performance.

The following is a summary of segment information for the three and nine months ended April 30, 2022 and 2021:

	Three months ended April 30,		Nine months ended April 30,	
	2022	2021	2022	2021
SALES GROWTH INFORMATION				
ID Solutions				
Organic	11.8 %	9.8 %	13.6 %	(2.1)%
Acquisitions	11.7 %	— %	11.8 %	— %
Currency	(2.4)%	3.1 %	(1.3)%	1.6 %
Total	21.1 %	12.9 %	24.1 %	(0.5)%
Workplace Safety				
Organic	0.9 %	(2.2)%	(1.1)%	(0.5)%
Currency	(4.8)%	8.6 %	(2.3)%	6.1 %
Total	(3.9)%	6.4 %	(3.4)%	5.6 %
Total Company				
Organic	9.0 %	6.5 %	9.6 %	(1.7)%
Acquisitions	8.6 %	— %	8.5 %	— %
Currency	(3.0)%	4.6 %	(1.5)%	2.8 %
Total	14.6 %	11.1 %	16.6 %	1.1 %
SEGMENT PROFIT				
ID Solutions	$ 53,962	$ 47,539	$ 146,907	$ 126,818
Workplace Safety	7,109	5,656	13,917	17,107
Total	$ 61,071	$ 53,195	$ 160,824	$ 143,925
SEGMENT PROFIT AS A PERCENT OF NET SALES				
ID Solutions	20.4 %	21.8 %	19.4 %	20.8 %
Workplace Safety	9.6 %	7.3 %	6.3 %	7.5 %
Total	18.0 %	18.0 %	16.4 %	17.2 %

ID Solutions

IDS net sales increased 21.1% to $264.1 million for the three months ended April 30, 2022, compared to $218.1 million in the same period in the prior year, which consisted of organic sales growth of 11.8%, sales growth from acquisitions of 11.7% and a decrease from foreign currency translation of 2.4%. IDS net sales increased 24.1% to $757.7 million for the nine months ended April 30, 2022, compared to $610.5 million in the same period in the prior year, which consisted of organic sales growth of 13.6%, sales growth from acquisitions of 11.8% and a decrease from foreign currency translation of 1.3%. Organic sales grew in all major product lines with the strongest growth in the safety and facility identification and wire identification product lines in both the three and nine months ended April 30, 2022. Organic sales increased in all three regions as our businesses continue to recover from the economic slowdown caused by the COVID-19 pandemic.

Segment profit increased 13.5% to $54.0 million for the three months ended April 30, 2022, compared to $47.5 million in the same period in the prior year. Segment profit increased 15.8% to $146.9 million for the nine months ended April 30, 2022, compared to $126.8 million in the same period in the prior year. As a percentage of net sales, segment profit decreased to 20.4% from 21.8% for the three-month period, and segment profit decreased to 19.4% from 20.8% for the nine-month period ended April 30, 2022 compared to the same periods in the prior year. The decrease in segment profit as a percentage of net sales was primarily due to gross margin compression resulting from an increase in the cost of materials, labor and freight, as well as incremental amortization expense of $2.4 million and $7.2 million in the three and nine months ended April 30, 2022, respectively, which was partially offset by pricing actions, compared to the same periods in the prior year.

Workplace Safety

WPS net sales decreased 3.9% to $74.4 million for the three months ended April 30, 2022, compared to $77.4 million in the same period in the prior year, which consisted of organic sales growth of 0.9% and a decrease from foreign currency translation of 4.8%. Digital sales increased in the low-single digits while catalog channel sales were essentially flat in the three-month period ended April 30, 2022.

WPS net sales decreased 3.4% to $220.4 million for the nine months ended April 30, 2022, compared to $228.1 million in the same period in the prior year, which consisted of an organic sales decline of 1.1% and a decrease from foreign currency translation of 2.3%. The economic effect of the COVID-19 pandemic had a significant impact on organic sales trends during the prior year. The WPS business realized strong organic sales growth through the first quarter of fiscal 2021 due to increased sales of personal protective equipment and other pandemic-related products. As a result, WPS organic sales declined year-to-date in fiscal 2022 primarily due to the decrease in demand for and sales of COVID-19 products. Digital sales were essentially flat and catalog channel sales decreased in the low-single digits organically in the nine-month period ended April 30, 2022.

Organic sales in Europe were essentially flat in both the three and nine months ended April 30, 2022, compared to the same periods in the prior year. Both digital sales and catalog channel sales were essentially flat in both the three and nine-month periods ended April 30, 2022. Increased demand for core safety and identification products was offset by a decrease in demand for personal protective equipment and other pandemic-related products.

Organic sales in North America were essentially flat in the three months ended April 30, 2022, compared to the same period in the prior year. Digital sales increased in the low-teens and catalog channel sales were essentially flat in the three months ended April 30, 2022. Organic sales in North America declined in the mid-single digits in the nine months ended April 30, 2022, compared to the same period in the prior year. Digital sales were essentially flat and catalog channel sales decreased in the mid-single digits in the nine-month period ended April 30, 2022.

Organic sales in Australia increased in the low-single digits in both the three and nine months ended April 30, 2022, compared to the same periods in the prior year. Digital sales increased in the low-teens and catalog channel sales were essentially flat in the three months ended April 30, 2022, compared to the same period in the prior year. Both digital and catalog channel sales increased in the low-single digits in the nine months ended April 30, 2022, compared to the same period in the prior year.

Segment profit increased 25.7% to $7.1 million from $5.7 million, and as a percentage of net sales, segment profit increased to 9.6% from 7.3% for the three months ended April 30, 2022, compared to the same period in the prior year. The increase in segment profit was due to actions taken during the current three-month period to reduce the cost structure, including reductions in headcount and advertising expenses. Segment profit decreased 18.6% to $13.9 million from $17.1 million and as a percentage of net sales, segment profit decreased to 6.3% from 7.5% for the nine months ended April 30, 2022, compared to the same period in the prior year. The decrease in segment profit in the nine-month period was primarily due to the decrease in sales volumes as compared to prior year.

Liquidity and Capital Resources

The Company's cash balances are generated and held in numerous locations throughout the world. At April 30, 2022, approximately 94% of the Company's cash and cash equivalents were held outside the United States. The Company's organic and inorganic growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash flow from operating activities and its borrowing capacity are sufficient to fund its anticipated requirements for working capital, capital expenditures, research and development, common stock repurchases, and dividend payments for the next 12 months and beyond. Although the Company believes these sources of cash are currently sufficient to fund domestic operations, annual cash needs could require repatriation of cash to the U.S. from foreign jurisdictions, which may result in additional tax payments.

Cash Flows

Cash and cash equivalents were $103.1 million at April 30, 2022, a decrease of $44.3 million from July 31, 2021. The significant changes were as follows:

	Nine months ended April 30,	
(Dollars in thousands)	**2022**	**2021**
Net cash flow provided by (used in):		
Operating activities	$ 65,236	$ 154,908
Investing activities	(22,071)	(18,844)
Financing activities	(81,762)	(39,274)
Effect of exchange rate changes on cash	(5,670)	7,368
Net (decrease) increase in cash and cash equivalents	$ (44,267)	$ 104,158

Net cash provided by operating activities was $65.2 million for the nine months ended April 30, 2022, compared to $154.9 million in the same period of the prior year. The decrease was primarily due to cash outflows for inventory purchases in order to reduce the risk of supply chain disruption. In addition, annual incentive compensation payments were higher in the current nine-month period than they were in the same period in the prior year.

Net cash used in investing activities was $22.1 million in the nine months ended April 30, 2022, compared to $18.8 million used in the same period in the prior year, which consisted primarily of capital expenditures in both periods.

Net cash used in financing activities was $81.8 million in the nine months ended April 30, 2022, which consisted of share repurchases of $84.9 million, dividend payments of $34.7 million, and tax withholding from stock-based awards of $5.1 million, partially offset by $39.0 million net borrowing on the credit facility. Net cash used in financing activities in the nine months ended January 31, 2021 of $39.3 million primarily consisted of dividend payments of $34.3 million and share repurchases of $3.6 million.

Credit Facilities

On August 1, 2019, the Company and certain of its subsidiaries entered into an unsecured $200 million multi-currency revolving loan agreement with a group of five banks. At the Company's option, and subject to certain conditions, the available amount under the revolving loan agreement may be increased from $200 million to $400 million.

On December 21, 2021, the Company and certain of its subsidiaries entered into an amendment to the revolving loan agreement, which amends the revolving loan agreement dated August 1, 2019. The amendment amends the revolving loan agreement to, among other things, (a) change the interest rate under the revolving loan agreement for borrowings (i) denominated in British Pounds from the London Inter-bank Offered Rate ("LIBOR") to a daily simple SONIA-based rate, (ii) denominated in Euro from a LIBOR-based rate to a rate based on the Euro Interbank Offered Rate and (iii) denominated in Japanese Yen from a LIBOR-based rate to a rate based on the Tokyo Interbank Offered Rate, in each of the foregoing cases subject to certain adjustments specified in the revolving loan agreement; and (b) provide mechanics relating to a transition away from U.S. dollar LIBOR (with respect to borrowings denominated in U.S. dollars) and the designated benchmarks for the other eligible currencies as benchmark interest rates and the replacement of any such benchmark by a replacement benchmark rate. The amendment to the revolving loan agreement did not have a material impact on the interest rate or related balances in the Company's consolidated financial statements.

As of April 30, 2022, the outstanding balance on the Company's revolving loan agreement was $77.0 million. The maximum amount outstanding on the credit facility during the nine months ended April 30, 2022 was $101.0 million. The borrowings bear interest at 1.28% as of April 30, 2022. The Company had letters of credit outstanding under the loan agreement of $1.7 million as of April 30, 2022, and there was $121.3 million available for future borrowing, which can be increased to $321.3 million at the Company's option, subject to certain conditions. The revolving loan agreement has a final maturity date of August 1, 2024. As such, borrowings were classified as long-term on the condensed consolidated balance sheets.

Covenant Compliance

The Company's revolving loan agreement requires it to maintain certain financial covenants, including a ratio of debt to the trailing twelve months EBITDA, as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio) and the trailing twelve months EBITDA to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of April 30, 2022, the Company was in compliance with these financial covenants, with a ratio of debt to EBITDA, as defined by the agreements, equal to 0.31 to 1.0 and the interest expense coverage ratio equal to 255.5 to 1.0.

Other Commitments

The Company does not have material off-balance sheet arrangements. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risk factors described in this and other filings with the Securities and Exchange Commission. However, the following additional information is provided to assist those reviewing the Company’s financial statements.

Purchase Commitments - The Company has purchase commitments for materials, supplies, services, and property, plant and equipment as part of the ordinary conduct of its business. In the aggregate, such commitments are not in excess of current market prices and are not material to the financial position of the Company. 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.

Forward-Looking Statements

In this quarterly report on Form 10-Q, statements that are not reported financial results or other historic information are “forward-looking statements.” These forward-looking statements relate to, among other things, the Company's future financial position, business strategy, targets, projected sales, costs, income, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations.

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from:

- Adverse impacts of the novel coronavirus ("COVID-19") pandemic or other pandemics
- Decreased demand for the Company's products
- Ability to compete effectively or to successfully execute its strategy
- Increased cost of raw materials, labor and freight as well as raw material shortages and supply chain disruptions
- Ability to develop technologically advanced products that meet customer demands
- Ability to identify, integrate, and grow acquired companies, and to manage contingent liabilities from divested businesses
- Difficulties in protecting websites, networks, and systems against security breaches
- Risks associated with the loss of key employees
- Extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities
- Litigation, including product liability claims
- Foreign currency fluctuations
- Potential write-offs of goodwill and other intangible assets
- Changes in tax legislation and tax rates
- Differing interests of voting and non-voting shareholders
- Numerous other matters of national, regional and global scale, including major public health crises and government responses thereto and those of a political, economic, business, competitive, and regulatory nature contained from time to time in Brady's U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the “Risk Factors” section within Item 1A of Part I of Brady's Form 10-K for the year ended July 31, 2021.

These uncertainties may cause Brady's actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Company’s annual report on Form 10-K for the year ended July 31, 2021. There has been no material change in this information since July 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Brady Corporation maintains a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed by the Company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports the Company files under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its President and Chief Executive Officer and its Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company’s President & Chief Executive Officer and Chief Financial Officer and Treasurer concluded that the Company’s disclosure controls and procedures are effective as of the end of the period covered by this report.

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company has a share repurchase program for the Company's Class A Nonvoting Common Stock. The plan may be implemented by purchasing shares in the open market or in privately negotiated transactions, with repurchased shares available for use in connection with the Company's stock-based plans and for other corporate purposes. On September 1, 2021, Brady’s Board of Directors authorized an increase in the Company’s share buyback program, bringing the amount of the Company’s Class A Common Stock authorized for repurchase up to a total of two million shares, inclusive of the shares in the existing share buyback program. As of April 30, 2022, 203,664 shares remained authorized for purchase in connection with this share repurchase program. Subsequent to April 30, 2022, the Company has purchased 203,664 shares of its Class A Nonvoting Common Stock under its share repurchase program for an aggregate purchase price of $9.3 million and an average purchase price per share of $45.71, which fully exhausted all shares available for repurchase under the existing repurchase program.

On May 24, 2022, the Company's Board of Directors authorized an increase in the Company's share repurchase program, authorizing the repurchase of up to $100.0 million of the Company's Class A Nonvoting Common Stock. The share repurchase program may be implemented from time to time on the open market or in privately negotiated transactions and has no expiration date. The repurchased shares will be available for use in connection with the Company's stock-based plans and for other corporate purposes.

The following table provides information with respect to the purchases by the Company of Class A Nonvoting Common Stock during the three months ended April 30, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares That May Yet Be Purchased Under the Plans
February 1, 2022 - February 28, 2022	311,234	$ 48.29	311,234	1,258,010
March 1, 2022 - March 31, 2022	467,660	45.79	467,660	790,350
April 1, 2022 - April 30, 2022	586,686	45.63	586,686	203,664
Total	1,365,580	$ 46.29	1,365,580	203,664

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.1	Complete and Permanent Release and Retirement Agreement between the Company and Mr. Nauman dated as of March 10, 2022 (incorporated by reference to Registrant's Current report on Form 8-K filed March 16, 2022).*
10.2	Employment Offer Letter between the Company and Mr. Shaller dated as of March 11, 2022 (incorporated by reference to Registrant's Current report on Form 8-K filed March 16, 2022).*
10.3	Restricted Stock Unit Agreement between the Company and Mr. Shaller dated as of April 1, 2022.*
10.4	Change of Control Agreement between the Company and Mr. Shaller dated as of April 1, 2022 (incorporated by reference to Registrant's Current report on Form 8-K filed March 16, 2022).*
10.5	Complete and Permanent Release and Resignation Agreement between the Company and Ms. Nelligan dated as of April 5, 2022 (incorporated by reference to Registrant's Current report on Form 8-K filed April 7, 2022).*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Russell R. Shaller
31.2	Rule 13a-14(a)/15d-14(a) Certification of Aaron J. Pearce
32.1	Section 1350 Certification of Russell R. Shaller
32.2	Section 1350 Certification of Aaron J. Pearce
101.INS	XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.)
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Label Linkbase Document
104	Cover Page Inline XBRL data (contained in Exhibit 101)

* Management contract or compensatory plan or arrangement

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

SIGNATURES

BRADY CORPORATION

Date: May 26, 2022

/s/ RUSSELL R. SHALLER
Russell R. Shaller
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 26, 2022

/s/ AARON J. PEARCE
Aaron J. Pearce
Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 10.3

BRADY CORPORATION

RESTRICTED STOCK UNIT AGREEMENT

Upon management's recommendation, the Management Development and Compensation Committee (the "Committee") of the Brady Corporation Board of Directors has awarded to Russell Shaller ("Employee") a restricted stock unit award effective April 1, 2022 pursuant to the terms of the Brady Corporation 2017 Omnibus Incentive Plan (the "Plan"). The Corporation's records shall be the official record of the grant described herein and, in the event of any conflict between this description and the Corporation's records, the Corporation's records shall control.

1. Number of Units

This Restricted Stock Unit Award applies to 5,354 Shares of the presently authorized Class A Nonvoting Common Stock of the Corporation, $.01 par value (the "Restricted Stock Units"). The Restricted Stock Units granted under this Agreement are units that will be reflected in a book account maintained by the Corporation until they become vested or have been forfeited.

2. Service Vesting Requirement

The vesting of this Award (other than pursuant to accelerated vesting in certain circumstances as provided in Section 3 below) shall be subject to the satisfaction of the condition set forth in Section 2(a) below:

(a) Vesting. The Award shall be subject to the following service vesting requirement. If the Employee continues in employment through the vesting dates listed below, the Restricted Stock Units shall be vested as listed in the following table:

Vesting Date	Cumulative Percentage of Vested Restricted Stock Units
First anniversary of grant date	33-1/3%
Second anniversary of grant date	66-2/3%
Third anniversary of grant date	100%

3. Termination of Employment

Notwithstanding the terms and conditions of Section 2 hereof:

(a) In the event of the Employee's resignation or termination of employment by the Company without Cause prior to the satisfaction of the vesting requirements set forth in Section 2(a), the Restricted Stock Units shall continue to vest as provided in Section 2(a) above.

(b) In the event of the involuntary termination of the Employee's employment by the Corporation for Cause prior to the satisfaction of the vesting requirements set forth in Section 2(a) above, any unvested Restricted Stock Units shall immediately be forfeited. The period of time during which the Restricted Stock Units covered by this Award are forfeitable is referred to as the "Restricted Period."

(c) In the event of the termination of the Employee's employment with the Corporation (and any Affiliate) prior to the end of the Restricted Period due to (i) death or Disability, as defined in Section 22(e)(3) of the Code, the Restricted Stock Units shall become fully vested, and (ii) retirement (separation not for Cause after age 60 with at least five years of employment with the Corporation or an Affiliate), the Restricted Stock Units shall continue to vest as provided in Section 2 hereof.

(d) In the event of a Change in Control (as defined in Exhibit A), all restrictions imposed on any then-outstanding Restricted Stock Units shall terminate such that any Restricted Stock Units shall become fully vested immediately prior to the Change in Control (as defined in Exhibit A). No event described in Section

13.05 of the Plan shall cause the Restricted Stock Units to become unrestricted and fully vested unless such event is a Change in Control (as defined in Exhibit A).

4. **No Dividends**

No dividends will be paid or accrued on any Restricted Stock Units prior to the issuance of the Shares.

5. **Settlement of Restricted Stock Units**

As soon as practicable after Restricted Stock Units become vested, the Company shall deliver to the Employee one Share for each Restricted Stock Unit which becomes vested.

6. **Transfer Restrictions**

This Award is non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Restricted Stock Units shall be forfeited.

7. **Withholding Taxes**

The Corporation may require, as a condition to the issuance of a stock certificate, that the Employee concurrently pay to the Corporation (either in cash or, at the request of Employee, but subject to such rules and regulations as the Administrator may adopt from time to time, in Shares of Delivered Stock) the entire amount or a portion of any taxes which the Corporation is required to withhold by reason of the lapse of stock restrictions, in such amount as the Administrator or the Corporation in its discretion may determine. If and to the extent that withholding of any federal, state or local tax is required in connection with the lapse of stock restrictions, the Employee may, subject to such rules and regulations as the Corporation may adopt from time to time, elect to have the Corporation hold back from the Shares to be issued upon the lapse of stock restrictions, Shares, the Fair Market Value of which is to be applied to the Employee's withholding obligations; provided that the Shares withheld may not have a Fair Market Value exceeding the maximum statutory tax rates in the Employee's applicable jurisdictions.

8. **Death of Employee**

If the Restricted Stock Units shall vest upon the death of the Employee, the Shares shall be issued and paid to the estate of the Employee unless the Corporation shall have theretofore received in writing a beneficiary designation, in which event they shall be issued and paid to the designated beneficiary.

9. **Confidentiality, Non-Solicitation and Non-Compete**

As consideration for the grant of this Award, Employee agrees to, understands and acknowledges the following:

(a) During Employee's employment with the Corporation and its Affiliates (the "Company"), the Company will provide Employee with Confidential Information relating to the Company, its business and clients, the disclosure or misuse of which would cause severe and irreparable harm to the Company. During Employee's employment with Company, and thereafter, Employee agrees not to use or disclose Company's Confidential Information except as necessary in executing Employee's duties for Company. Employee shall keep Confidential Information constituting a trade secret under applicable law confidential for so long as such information constitutes a trade secret (i.e., protection as to trade secrets shall not necessarily expire at the end of the two (2)-year period). Employee agrees that all Confidential Information is and shall remain the sole and absolute property of the Company. Upon the termination of Employee's employment with the Company for any reason, Employee shall immediately return to the Company all documents and materials that contain or constitute Confidential Information, in any form whatsoever, including but not limited to, all copies, abstracts, electronic versions, and summaries thereof. As to any electronically stored copies of Confidential Information, Employee shall contact their supervisor or Company's General Counsel to discuss the proper method for returning such items. Employee hereby consents and agrees that Company may access any of Employee's personal computers and other electronic storage devices (including personal phones) and any electronic storage accounts (such as dropbox) so as to allow Company to ascertain the presence of Company's Confidential Information and how such information has been used by Employee and to remove any such items from such devices and accounts. Employee further agrees that, without the written consent of the Chief Executive Officer of the Corporation or, in the case of the Chief Executive Officer of the Corporation, without the written approval of the Board of Directors of the Corporation, Employee will not disclose, use, copy or duplicate, or otherwise permit the use, disclosure, copying or duplication of any Confidential Information of the Company, other than in connection with the authorized activities conducted in the course of Employee's employment with the Company. Employee agrees to take all reasonable steps and precautions to prevent any unauthorized disclosure, use, copying or duplication of Confidential Information. For purposes of this Agreement, Confidential Information means any and all financial, technical, commercial or other information concerning the business and affairs of the Company that is confidential and proprietary to the Company, including without limitation,

(i) information relating to the Company's past and existing customers and vendors and development of prospective customers and vendors, including specific customer product requirements, pricing arrangements, payments terms, customer lists and other similar information;

(ii) inventions, designs, methods, discoveries, works of authorship, creations, improvements or ideas developed or otherwise produced, acquired or used by the Company;

(iii) the Company's proprietary programs, processes or software, consisting of but not limited to, computer programs in source or object code and all related documentation and training materials, including all upgrades, updates, improvements, derivatives and modifications thereof and including programs and documentation in incomplete stages of design or research and development;

(iv) the subject matter of the Company's patents, design patents, copyrights, trade secrets, trademarks, service marks, trade names, trade dress, manuals, operating instructions, training materials, and other industrial property, including such information in incomplete stages of design or research and development; and

(v) other confidential and proprietary information or documents relating to the Company's products, business and marketing plans and techniques, sales and distribution networks and any other information or documents which the Company reasonably regards as being confidential.

(vi) Confidential Information does not include information which: (i) is already available to the public without wrongful act or breach by Employee; (ii) becomes available to the public through no fault of Employee; or (iii) is required to be disclosed pursuant to a court order or order of government authority, provided that Employee promptly notifies Company of such request so Company may seek a protective order.

(b) Post-Employment Customer Non-Solicitation Agreement. For one (1) year following Employee's separation from Company, Employee will not contact—or support others in contacting—customers of Company with whom Employee had business contact during the last two (2) years of Employee's employment with Company, for the purpose of selling or providing products or services competitive with those offered by Company ("Competitive Products"). "Competitive Products" shall mean products and services competitive with those products and services for which Employee was responsible during the last two (2) years of Employee's employment with Company.

(c) Post-Employment Non-Solicitation Agreement Based Upon Customer Knowledge. For one (1) year following Employee's separation from Company, Employee will not contact—or support others in contacting—customers of Company about whom Employee possesses Confidential Information or for whom Employee supervised others in serving during the last two (2) years of Employee's employment with Company, for the purpose of selling or providing products or services competitive with those offered by Company ("Competitive Products"). "Competitive Products" shall mean products and services competitive with those products and services for which Employee was responsible during the last two (2) years of Employee's employment with Company.

(d) Post-Employment Non-Compete Agreement. For one (1) year following Employee's separation from Company, Employee will not, directly or indirectly, within the United States, provide services similar to any of those Employee provided to Company during the last two (2) years of Employee's employment with Company to a competitor of Company or a person or entity preparing to compete with Company.

(e) Post-Employment Restriction on Working With Competitive Products. For one (1) year following Employee’s separation from Company, Employee will not, work in the development, design, modification, improvement, or creation of products or services competitive with any products or services with which Employee was involved in the development, design, modification, improvement or creation for Company during the last two (2) years of Employee’s employment.

(f) Post-Employment Restriction on Advising Investors. For one (1) year following Employee’s separation from Company, Employee will not, directly or indirectly, advise a private equity firm or other investor regarding buying, investing in, or divesting from Company or any of its competitors.

(g) Post-Employment Restriction on Soliciting Employees. For one (1) year following Employee’s separation from Company, Employee will not solicit or encourage other employees of Company to provide services to a competitor of Company or to otherwise terminate their relationship with Company.

(h) Duty of Loyalty and Related Obligations. Employee acknowledges and agrees that Employee owes Company a duty of loyalty while employed by Company. During Employee’s employment with Company, Employee agrees not to take action that will harm Company, such as, encouraging employees, vendors, suppliers, contractors, or customers to terminate their relationships with Company, usurping a business opportunity from Company, engaging in conduct that would injure Company’s reputation, providing services or assistance to a competitive enterprise, or otherwise competing with Company.

(i) Non-Disparagement and Social Media. Employee agrees not to disparage Company or any of its officers, directors, or employees on social media, on any public platform, or to persons external to Company when such comments have the potential to harm Company (*i.e.*, making disparaging comments about Company to distributors, customers, suppliers, etc.).

(j) Other Business Relationships. Employee agrees, for a one (1)-year period following Employee’s separation from Company, not to encourage or advise any vendors, suppliers, or others possessing a business relationship with Company to terminate that relationship or to otherwise modify that relationship to Company’s detriment.

(k) Employee acknowledges and agrees that compliance with this Section 9 is necessary to protect the Company, and that a breach of any of this Section 9 will result in irreparable and continuing damage to the Company for which there will be no adequate remedy at law. In the event of a breach of this Section 9, or any part thereof, the Company, and its successors and assigns, shall be entitled to injunctive relief and to such other and further relief as is proper under the circumstances. The Company shall institute and prosecute proceedings in any Court of competent jurisdiction either in law or in equity to obtain damages for any such breach of this Section 9, or to enjoin Employee from performing services in breach of Section 9. Employee hereby agrees to submit to the jurisdiction of any Court of competent jurisdiction in any disputes that arise under this Agreement.

(l) Employee further agrees that, in the event of a breach of this Section 9, the Corporation may elect to recover all or part of the value of any amounts previously paid or payable or any Shares (or the value of any Shares) delivered or deliverable to Employee pursuant to any Company bonus program, this Agreement, and any other Company plan or arrangement.

(m) Employee agrees that the terms of this Section 9 shall survive the termination of Employee's employment with the Company.

(n) EMPLOYEE HAS READ THIS SECTION 9 AND AGREES THAT THE CONSIDERATION PROVIDED BY THE CORPORATION IS FAIR AND REASONABLE AND FURTHER AGREES THAT GIVEN THE IMPORTANCE TO THE COMPANY OF ITS CONFIDENTIAL AND PROPRIETARY INFORMATION, THE POST-EMPLOYMENT RESTRICTIONS ON EMPLOYEE'S ACTIVITIES ARE LIKEWISE FAIR AND REASONABLE.

10. **Clawback**

This Award is subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of Awards or any Shares or other cash or property received with respect to the Awards (including any value received from a disposition of the Shares acquired upon payment of the Awards).

11. **Provisions of Plan Controlling**

This Award is subject in all respects to the provisions of the Plan. In the event of any conflict between any provisions of this Award and the provisions of the Plan, the provisions of the Plan shall control, except to the extent the Plan permits the Committee to modify the terms of an Award grant and has done so herein. Terms defined in the Plan where used herein shall have the meanings as so defined. Employee acknowledges receipt of a copy of the Plan.

12. **Wisconsin Contract**

This Award has been granted in Wisconsin and shall be construed under the laws of that state.

13. **Severability**

Wherever possible, each provision of this Award will be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions hereof. A court of competent jurisdiction is expressly authorized to modify overbroad provisions so as to make them enforceable to the maximum extent permitted by law and is further authorized to strike whole provisions that cannot be so modified.

14. **At-Will Employment**

Nothing in this Agreement is intended to change Employee’s status as an at-will employee. Employee understands that Employee is an at-will employee and that Employee’s employment can be terminated at any time, with or without notice or cause, by either Employee or Corporation.

15. **Notice of Immunity**

In accordance with the Defend Trade Secrets Act, Employee is hereby advised that:

An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

16. **Nature of the Award**

In accepting the grant of this Award, Employee agrees to, understands and acknowledges the following:

(a) The grant of the Award is discretionary, voluntary and occasional and does not create any contractual or other right to receive any future awards, or benefits in lieu of awards, even if awards have been granted in the past. All decisions with respect to future awards, if any, will be at the sole discretion of the Company and the Committee.

(b) The grant of the Award will not be considered to be an employment contract or part of the Employee’s terms and conditions of employment or the Employee’s salary or compensation and is not intended to replace any pension rights or compensation.

(c) The Award, any shares of Common Stock acquired under the Plan and the income from and value of same, are not part of normal or expected compensation or salary for any purposes, including but not limited to calculating any severance, resignation, termination, redundancy, dismissal end of service payments, bonuses, long-service awards, holiday or vacation pay, pension or retirement or welfare benefits or similar payments.

(d) Unless otherwise agreed with the Company in writing, the Awards and any shares of Common Stock acquired under the Plan, and the income from and value of same, are not granted in consideration for, or in connection with, the service the Employee may provide as an officer or director of a subsidiary.

17. **<u>Data Privacy</u>**

In accepting the grant of this Award, the Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Agreement and any other grant materials by and among, as applicable, the Company for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.

The Employee understands that personal information about the Employee, including, but not limited to, the Employee's name, home address, email address and telephone number, date of birth, social insurance number, salary, nationality, job title, any shares of Common Stock held in the Company, details of all awards or any other entitlement to shares of Common Stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), may be collected, recorded, held, used and disclosed by the Company and any non-Brady entities engaged by the Company to provide services in connection with this grant (a "Third Party Administrator"), for the exclusive purpose of implementing, administering and managing the Plan. You understand that the Company may transfer such information to Third Party Administrators, regardless of whether such Third Party Administrators are located within your country of residence.

The Employee understands that the Employee may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case, without cost, by contacting the Employee's local human resources representative. Further, the Employee understands that the Employee is providing the consents herein on a purely voluntary basis. If the Employee does not consent, or if the Employee later seeks to revoke the Employee's consent, the Employee's employment status or service relationship with the Employer will not be affected; the only consequence of refusing or withdrawing the Employee's consent is that the Company would not be able to grant Awards to the Employee or administer or maintain such awards. Therefore, the Employee understands that refusing or withdrawing the Employee's consent may affect the Employee's ability to participate in the Plan.

18. **<u>Electronic Delivery and Acceptance</u>**

The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a Third Party Administrator designated by the Company. Further, the parties hereto shall be entitled to rely on electronic delivery of this Agreement, and delivery by either party of shall be legally effective to create a valid and binding agreement between the parties in accordance with the terms hereof.

IN WITNESS WHEREOF, the Corporation has granted this Award as of the day and year first above written.

BRADY CORPORATION

By:	/s/ BRADLEY C. RICHARDSON
Name:	Bradley C. Richardson
Its:	Chair of the Board

EMPLOYEE'S ACCEPTANCE

I, Russell Shaller, hereby accept the foregoing Award and agree to the terms and conditions thereof, including the restrictions contained in Section 9 of this Agreement.

EMPLOYEE:

Signature:	/s/ RUSSELL SHALLER
Print Name:	Russell Shaller

EXHIBIT A

Change in Control Definition

A **"Change in Control"** means the occurrence of any one of the following events:

(a) A direct or indirect acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of voting securities of the Company where such acquisition causes any such Person to own more than 50% of the combined voting power of the Company's voting securities entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following shall not be deemed to result in a Change in Control, (i) any acquisition or holding by the members of the family of William H. Brady Jr. and their descendants or trusts for their benefit, and the William H. Brady III Living Trust, (ii) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (iii) any acquisition by the Company or a wholly owned Subsidiary, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, (v) any underwriter temporarily holding securities pursuant to an offering of such securities, or (vi) any acquisition by any entity pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; or

(b) A change in the composition of the Board such that the individuals who, as of August 1, 2016, constitute the Board (the "Incumbent Board") cease for any reason to constitute a majority of the Board; provided, however, that any individual who becomes a member of the Board subsequent to August 1, 2016, whose election, or nomination for election by the Company's shareholders, was approved by a vote of a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; provided, further, however, that a director who has been approved by members of the family of William H. Brady Jr. and their descendants or trusts for their benefit, and the William H. Brady III Living Trust while they beneficially own collectively more than 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors shall be deemed to be an Incumbent Director; or

(c) Approval by the shareholders of the Company and the subsequent consummation of a reorganization, merger or consolidation (a "Business Combination"), in each case, unless, following such Business Combination: (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the total number of outstanding shares of both Class A Common Stock and Class B Common Stock (the "Outstanding Company Common Stock") and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries); (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifty percent (50%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination, or

(d) Approval by the shareholders of the Company and the subsequent consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, unless the sale or other disposition is to a corporation, with respect to which following such sale or other disposition, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the total number of outstanding shares of both Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of such other corporation, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation) beneficially owns, directly or indirectly, fifty percent (50%) or more of, respectively, the then outstanding shares of common stock of such corporation or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the sale or other disposition, and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.

Notwithstanding the foregoing, for purposes of any Award subject to Section 409A of the Code, no Change in Control shall deemed to have occurred upon an event described in this definition unless the event constitutes a change in ownership of the Company, a change in effective control of the Company, a change in ownership of a substantial portion of the Company's assets, each under Section 409A of the Code or otherwise constitutes a change on control within the meaning of Section 409A of the Code; provided, however, if the Company treats an event as a Change in Control that does not meet the requirements of Section 409A of the Code, such Award shall be paid when it would otherwise have been paid but for the Change in Control.

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Russell R. Shaller, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material act necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 26, 2022

/s/ RUSSELL R. SHALLER

President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Aaron J. Pearce, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material act necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 26, 2022

/s/ AARON J. PEARCE

Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Brady Corporation (the “Company”) certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: May 26, 2022

/s/ RUSSELL R. SHALLER

President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Brady Corporation (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: May 26, 2022

/s/ AARON J. PEARCE

Chief Financial Officer and Treasurer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.