

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 30, 2022

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

Commission File Number 1-14959

Wisconsin
(State or other jurisdiction of incorporation or organization)

39-0178960
(IRS Employer Identification No.)

6555 West Good Hope Road
Milwaukee, Wisconsin 53223
(Address of Principal Executive Offices and Zip Code)
(414) 358-6600
(Registrant's Telephone Number)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

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

Item 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On September 1, 2022, Brady Corporation (the “Company”) issued a press release announcing its fiscal 2022 fourth quarter financial results. A copy of the press release is being furnished to the Securities and Exchange Commission as Exhibit 99.1 attached hereto and is incorporated herein by reference.

Item 7.01 REGULATION FD DISCLOSURE

On September 1, 2022, the Company hosted a conference call related to its fiscal 2022 fourth quarter financial results. A copy of the slides referenced in the conference call, which is also posted on the Company’s website, is being furnished to the Securities and Exchange Commission as Exhibit 99.3 attached hereto and is incorporated herein by reference.

Item 8.01 OTHER EVENTS

Increase in Annual Dividend

On August 30, 2022, the Company’s Board of Directors approved an increase in the annual cash dividend on its Class A Common Stock from \$0.90 to \$0.92 per share. A quarterly dividend in the amount of \$0.23 per share will be paid on October 28, 2022, to shareholders of record as of the close of business on October 7, 2022. A copy of the press release regarding the dividend is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

| EXHIBIT NUMBER | DESCRIPTION |
|----------------|--|
| 99.1 | Press Release of Brady Corporation, dated September 1, 2022, relating to fourth quarter fiscal 2022 financial results. |
| 99.2 | Press Release of Brady Corporation, dated August 31, 2022, relating to increase in annual dividend. |
| 99.3 | Informational slides provided by Brady Corporation, dated September 1, 2022, relating to fourth quarter fiscal 2022 financial results. |
| 104 | Cover Page Interactive Data File (embedded within Inline XBRL document). |

SIGNATURE

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

BRADY CORPORATION

Date: September 1, 2022

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

For More Information:

Investor contact: Ann Thornton 414-438-6887

Media contact: Kate Venne 414-358-5176

Brady Corporation Reports Record EPS in its Fiscal 2022 Fourth Quarter and Announces its Fiscal 2023 EPS Guidance

- Sales for the quarter increased 5.8 percent. Organic sales increased 9.0 percent.
- Gross profit margin increased to 50.4 percent in the fourth quarter of F'22 compared to 48.2 percent in the fourth quarter of F'21.
- Diluted EPS increased 52.8 percent to an all-time high of \$0.81 in the fourth quarter of fiscal 2022 compared to \$0.53 in the same quarter of the prior year. Diluted EPS Excluding Certain Items* increased 16.0 percent to an all-time record high of \$0.87 in the fourth quarter of fiscal 2022 compared to \$0.75 in the same quarter of the prior year.
- During the quarter and year ended July 31, 2022, we returned \$35.5 million and \$155.2 million, respectively, to our shareholders in the form of dividends and share repurchases.
- Diluted EPS guidance for the year ending July 31, 2023 was announced at a range of \$3.13 to \$3.43 on a GAAP basis, and a range of \$3.30 to \$3.60 on a non-GAAP basis. This GAAP EPS guidance range is an increase of 7.9 percent to 18.3 percent compared to GAAP EPS of \$2.90 for the year ended July 31, 2022.

MILWAUKEE (September 1, 2022) -- Brady Corporation (NYSE: BRC) ("Brady" or "Company"), a world leader in identification solutions, today reported its financial results for its fiscal 2022 fourth quarter ended July 31, 2022.

Quarter Ended July 31, 2022 Financial Results:

Sales for the quarter ended July 31, 2022 increased 5.8 percent, which consisted of an organic sales increase of 9.0 percent, an increase of 2.5 percent from acquisitions and a decrease of 5.7 percent from foreign currency translation. Sales for the quarter ended July 31, 2022 were \$324.0 million compared to \$306.1 million in the same quarter last year. By segment, sales increased 9.6 percent in Identification Solutions and decreased 5.7 percent in Workplace Safety, which consisted of an organic sales increase of 10.8 percent in Identification Solutions and an organic sales increase of 3.3 percent in Workplace Safety.

Income before income taxes and losses of unconsolidated affiliate increased 29.7 percent to \$54.0 million for the quarter ended July 31, 2022, compared to \$41.6 million in the same quarter last year. Income Before Income Taxes Excluding Certain Items* for the quarter ended July 31, 2022, which was adjusted for amortization expense of \$3.7 million, was \$57.7 million, an increase of 19.2 percent compared to the fourth quarter of last year. Income Before Income Taxes Excluding Certain Items* for the quarter ended July 31, 2021, which was adjusted for non-recurring acquisition-related charges of \$3.7 million and amortization expense of \$3.0 million, was \$48.4 million.

Net income for the quarter ended July 31, 2022 was \$41.1 million compared to \$28.0 million in the same quarter last year. Earnings per diluted Class A Nonvoting Common Share were \$0.81 for the fourth quarter of fiscal 2022, compared to \$0.53 in the same quarter last year. Net Income Excluding Certain Items* for the quarter ended July 31, 2022 was \$43.9 million and Diluted EPS Excluding Certain Items* for the quarter ended July 31, 2022 was \$0.87. Net Income Excluding Certain Items* for the quarter ended July 31, 2021 was \$39.3 million, and Diluted EPS Excluding Certain Items* for the quarter ended July 31, 2021 was \$0.75.

Year Ended July 31, 2022 Financial Results:

Sales for the year ended July 31, 2022 increased 13.7 percent, which consisted of an organic sales increase of 9.4 percent, an increase of 6.9 percent from acquisitions and a decrease of 2.6 percent from foreign currency translation. Sales for the year ended July 31, 2022 were \$1.30 billion compared to \$1.14 billion in the same period last year. By segment, sales increased 20.1 percent in Identification Solutions and decreased 4.0 percent in Workplace Safety, which consisted of an organic sales increase of 12.8 percent in Identification Solutions and flat organic sales in Workplace Safety.

Income before income taxes and losses of unconsolidated affiliate increased 12.3 percent to \$192.0 million for the year ended July 31, 2022, compared to \$171.0 million in the same period last year. Income Before Income Taxes Excluding Certain Items* for the year ended July 31, 2022 was \$208.8 million, an increase of 14.8 percent compared to the same period of last year. Income Before Income Taxes Excluding Certain Items* for the year ended July 31, 2022 was adjusted for non-recurring charges primarily to streamline the cost structure of our Workplace Safety business of \$1.8 million and amortization expense of \$15.0 million. Income Before Income Taxes Excluding Certain Items* for the prior year ended July 31, 2021, which was adjusted for non-recurring acquisition-related charges of \$3.7 million and amortization expense of \$7.1 million, was \$181.8 million.

Net income for the year ended July 31, 2022 was \$150.0 million compared to \$129.7 million in the same period last year. Earnings per diluted Class A Nonvoting Common Share were \$2.90 for the year ended July 31, 2022, compared to \$2.47 in the same period last year. Net Income Excluding Certain Items* for the year ended July 31, 2022 was \$162.7 million and Diluted EPS Excluding Certain Items* for the year ended July 31, 2022 was \$3.15. Net Income Excluding Certain Items* for the year ended July 31, 2021 was \$144.0 million, and Diluted EPS Excluding Certain Items* for the year ended July 31, 2021 was \$2.75.

Commentary:

“This quarter, we generated an all-time record high EPS, capping off Brady’s best earnings year ever. For the full year ended July 31, 2022, we earned GAAP EPS of \$2.90, which was a 17.4 percent increase over the previous year, which was also a record,” said Brady’s President and Chief Executive Officer, Russell R. Shaller. “Our Identification Solutions segment is performing very well, with strong organic sales growth and a robust pipeline of new products, including products that position us well to help our customers become more efficient, thus taking advantage of the global trend towards increased factory automation. In our Workplace Safety segment, the actions we took to simplify our product offering, to streamline our cost structure, and to improve our price

competitiveness resulted in another strong quarter. Segment profit increased by more than 65 percent in our Workplace Safety segment this quarter. While we recognize that macro-economic challenges are clouding the global economic outlook, we are entering fiscal 2023 with positive momentum, a highly-engaged workforce, and a strong balance sheet, which we believe position us for future success.”

“Not only did we have total revenue growth of 13.7 percent and record EPS this year, we also used our strong balance sheet and cash generation to return funds to our shareholders in the form of share buybacks and increasing dividends. This year, we repurchased a total of 2.3 million shares for \$109.2 million and we returned another \$45.9 million to our shareholders in the form of dividends,” said Brady’s Chief Financial Officer, Aaron Pearce. “Even after returning more than \$155 million to our shareholders this year, we were still in a net cash position of \$19 million at July 31, 2022. We believe that we are well-positioned for the future, as we have built up inventory levels to ensure a steady supply of products to our customers and we have a solid balance sheet, which provides opportunities to drive shareholder value.”

Fiscal 2023 Guidance:

Brady expects GAAP earnings per diluted Class A Nonvoting Common Share to range from \$3.13 to \$3.43, which would be an increase of 7.9 percent to 18.3 percent over the GAAP earnings per diluted Class A nonvoting Common Share of \$2.90 for the year ended July 31, 2022.

Brady also expects Diluted EPS Excluding Certain Items* to range from \$3.30 to \$3.60 for the year ending July 31, 2023, which would be an increase of 4.8 percent to 14.3 percent over Diluted EPS Excluding Certain Items* of \$3.15 for the year ended July 31, 2022. Excluded from this Diluted EPS Excluding Certain Items* guidance is expected amortization expense equating to \$0.17 per share for the year ending July 31, 2023.

Included in our fiscal 2023 guidance are a full-year income tax rate of approximately 20 percent and depreciation and amortization expense ranging from \$32 million to \$34 million. Capital expenditures are expected to approximate \$32 million, which is inclusive of facility construction costs of approximately \$10 million. Our fiscal 2023 guidance is based on foreign currency exchange rates as of July 31, 2022 and assumes continued economic growth.

A webcast regarding Brady’s fiscal 2022 fourth quarter and full year financial results will be available at www.bradycorp.com/investors beginning at 9:30 a.m. central time today.

Brady Corporation is an international manufacturer and marketer of complete solutions that identify and protect people, products and places. Brady’s products help customers increase safety, security, productivity and performance and include high-performance labels, signs, safety devices, printing systems and software. Founded in 1914, the Company has a diverse customer base in electronics, telecommunications, manufacturing, electrical, construction, medical, aerospace and a variety of other industries. Brady is headquartered in Milwaukee, Wisconsin and as of July 31, 2022, employed approximately 5,700 people in its worldwide businesses. Brady’s fiscal 2022

sales were approximately \$1.30 billion. Brady stock trades on the New York Stock Exchange under the symbol BRC. More information is available on the Internet at www.bradyid.com.

* Income Before Income Taxes Excluding Certain Items, Net Income Excluding Certain Items, and Diluted EPS Excluding Certain Items are non-GAAP measures. See appendix for more information on these measures, including reconciliations to the most directly comparable GAAP measures.

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

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project,” “continue” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from: increased cost of raw materials, labor and freight as well as material shortages and supply chain disruptions; adverse impacts of the novel coronavirus (“COVID-19”) pandemic or other pandemics; decreased demand for our products; our ability to compete effectively or to successfully execute our strategy; our ability to develop technologically advanced products that meet customer demands; Brady's ability to identify, integrate, and grow acquired companies, and to manage contingent liabilities from divested businesses; difficulties in protecting our 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, 2022.

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

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

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|------------|---------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net sales | \$ 323,981 | \$ 306,130 | \$ 1,302,062 | \$ 1,144,698 |
| Cost of goods sold | 160,805 | 158,481 | 670,510 | 583,252 |
| Gross margin | 163,176 | 147,649 | 631,552 | 561,446 |
| Operating expenses: | | | | |
| Research and development | 15,753 | 13,167 | 58,548 | 44,551 |
| Selling, general and administrative | 94,507 | 93,680 | 379,992 | 349,768 |
| Total operating expenses | 110,260 | 106,847 | 438,540 | 394,319 |
| Operating income | 52,916 | 40,802 | 193,012 | 167,127 |
| Other income (expense): | | | | |
| Investment and other income | 1,587 | 961 | 244 | 4,333 |
| Interest expense | (513) | (149) | (1,276) | (437) |
| Income before income taxes and losses of unconsolidated affiliate | 53,990 | 41,614 | 191,980 | 171,023 |
| Income tax expense | 12,926 | 8,593 | 42,001 | 35,610 |
| Income before losses of unconsolidated affiliate | 41,064 | 33,021 | 149,979 | 135,413 |
| Equity in losses of unconsolidated affiliate | — | (4,994) | — | (5,754) |
| Net income | \$ 41,064 | \$ 28,027 | \$ 149,979 | \$ 129,659 |
| Net income per Class A Nonvoting Common Share: | | | | |
| Basic | \$ 0.82 | \$ 0.54 | \$ 2.92 | \$ 2.49 |
| Diluted | \$ 0.81 | \$ 0.53 | \$ 2.90 | \$ 2.47 |
| Net income per Class B Voting Common Share: | | | | |
| Basic | \$ 0.82 | \$ 0.54 | \$ 2.91 | \$ 2.48 |
| Diluted | \$ 0.81 | \$ 0.53 | \$ 2.89 | \$ 2.46 |
| Weighted average common shares outstanding: | | | | |
| Basic | 50,185 | 52,065 | 51,321 | 52,039 |
| Diluted | 50,437 | 52,611 | 51,651 | 52,409 |

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

| | July 31, 2022 | July 31, 2021 |
|---|---------------|---------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 114,069 | \$ 147,335 |
| Accounts receivable, net of allowance for credit losses of \$7,355 and \$7,306, respectively | 183,233 | 170,579 |
| Inventories | 190,023 | 136,107 |
| Prepaid expenses and other current assets | 10,743 | 11,083 |
| Total current assets | 498,068 | 465,104 |
| Property, plant and equipment—net | 139,511 | 121,741 |
| Goodwill | 586,832 | 614,137 |
| Other intangible assets | 74,028 | 92,334 |
| Deferred income taxes | 15,881 | 16,343 |
| Operating lease assets | 31,293 | 41,880 |
| Other assets | 21,719 | 26,217 |
| Total | \$ 1,367,332 | \$ 1,377,756 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 81,116 | \$ 82,152 |
| Accrued compensation and benefits | 76,764 | 81,173 |
| Taxes, other than income taxes | 12,539 | 13,054 |
| Accrued income taxes | 8,294 | 3,915 |
| Current operating lease liabilities | 15,003 | 17,667 |
| Other current liabilities | 61,458 | 59,623 |
| Total current liabilities | 255,174 | 257,584 |
| Long-term debt | 95,000 | 38,000 |
| Long-term operating lease liabilities | 19,143 | 28,347 |
| Other liabilities | 86,717 | 90,797 |
| Total liabilities | 456,034 | 414,728 |
| Stockholders' equity: | | |
| Common stock: | | |
| Class A nonvoting common stock—Issued 51,261,487 shares, and outstanding 46,370,708 and 48,528,45 shares, respectively (aggregate liquidation preference of \$42,716) | 513 | 513 |
| Class B voting common stock—Issued and outstanding, 3,538,628 shares | 35 | 35 |
| Additional paid-in capital | 345,266 | 339,125 |
| Retained earnings | 892,417 | 788,369 |
| Treasury stock—4,890,779 and 2,733,242 shares, respectively of Class A nonvoting common stock, at cost | (217,856) | (109,061) |
| Accumulated other comprehensive loss | (109,077) | (55,953) |
| Total stockholders' equity | 911,298 | 963,028 |
| Total | \$ 1,367,332 | \$ 1,377,756 |

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

| | Year ended July 31, | |
|--|---------------------|------------|
| | 2022 | 2021 |
| Operating activities: | | |
| Net income | \$ 149,979 | \$ 129,659 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 34,182 | 25,483 |
| Stock-based compensation expense | 10,504 | 10,098 |
| Deferred income taxes | (1,645) | (8,965) |
| Equity in losses of unconsolidated affiliate | — | 5,754 |
| Other | 1,197 | (831) |
| Changes in operating assets and liabilities (net of effects of business acquisitions): | | |
| Accounts receivable | (25,330) | (12,614) |
| Inventories | (62,907) | 7,298 |
| Prepaid expenses and other assets | 807 | (4,498) |
| Accounts payable and accrued liabilities | 6,826 | 58,283 |
| Income taxes | 4,836 | (4,002) |
| Net cash provided by operating activities | 118,449 | 205,665 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (43,138) | (27,189) |
| Acquisition of businesses, net of cash acquired | — | (243,983) |
| Other | 67 | 2,580 |
| Net cash used in investing activities | (43,071) | (268,592) |
| Financing activities: | | |
| Payment of dividends | (45,931) | (45,746) |
| Proceeds from exercise of stock options | 1,082 | 1,765 |
| Payments for employee taxes withheld from stock-based awards | (5,127) | (2,783) |
| Purchase of treasury stock | (109,229) | (3,593) |
| Proceeds from borrowing on credit facilities | 243,716 | 101,957 |
| Repayment of borrowing on credit facilities | (186,716) | (63,957) |
| Other | 116 | 33 |
| Net cash used in financing activities | (102,089) | (12,324) |
| Effect of exchange rate changes on cash and cash equivalents | (6,555) | 4,943 |
| Net decrease in cash and cash equivalents | (33,266) | (70,308) |
| Cash and cash equivalents, beginning of period | 147,335 | 217,643 |
| Cash and cash equivalents, end of period | \$ 114,069 | \$ 147,335 |
| Supplemental disclosures: | | |
| Cash paid during the period for: | | |
| Interest | \$ 1,082 | \$ 373 |
| Income taxes | 33,834 | 46,852 |

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

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|-------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| NET SALES | | | | |
| ID Solutions | \$ 253,156 | \$ 231,024 | \$ 1,010,883 | \$ 841,508 |
| Workplace Safety | 70,825 | 75,106 | 291,179 | 303,190 |
| Total | <u>\$ 323,981</u> | <u>\$ 306,130</u> | <u>\$ 1,302,062</u> | <u>\$ 1,144,698</u> |
| SALES INFORMATION | | | | |
| ID Solutions | | | | |
| Organic | 10.8 % | 24.5 % | 12.8 % | 3.7 % |
| Acquisition | 3.3 % | 6.9 % | 9.4 % | 1.5 % |
| Currency | (4.5)% | 3.6 % | (2.1)% | 2.0 % |
| Total | <u>9.6 %</u> | <u>35.0 %</u> | <u>20.1 %</u> | <u>7.2 %</u> |
| Workplace Safety | | | | |
| Organic | 3.3 % | (12.7)% | 0.0 % | (3.8)% |
| Currency | (9.0)% | 5.9 % | (4.0)% | 6.0 % |
| Total | <u>(5.7)%</u> | <u>(6.8)%</u> | <u>(4.0)%</u> | <u>2.2 %</u> |
| Total Company | | | | |
| Organic | 9.0 % | 12.6 % | 9.4 % | 1.6 % |
| Acquisition | 2.5 % | 4.7 % | 6.9 % | 1.1 % |
| Currency | (5.7)% | 4.3 % | (2.6)% | 3.2 % |
| Total | <u>5.8 %</u> | <u>21.6 %</u> | <u>13.7 %</u> | <u>5.9 %</u> |
| SEGMENT PROFIT | | | | |
| ID Solutions | \$ 50,218 | \$ 42,420 | \$ 197,125 | \$ 169,238 |
| Workplace Safety | 9,323 | 5,647 | 23,240 | 22,754 |
| Total | <u>\$ 59,541</u> | <u>\$ 48,067</u> | <u>\$ 220,365</u> | <u>\$ 191,992</u> |
| SEGMENT PROFIT AS A PERCENT OF NET SALES | | | | |
| ID Solutions | 19.8 % | 18.4 % | 19.5 % | 20.1 % |
| Workplace Safety | 13.2 % | 7.5 % | 8.0 % | 7.5 % |
| Total | <u>18.4 %</u> | <u>15.7 %</u> | <u>16.9 %</u> | <u>16.8 %</u> |
| | | | | |
| | Three months ended July 31, | | Year ended July 31, | |
| | 2022 | 2021 | 2022 | 2021 |
| Total segment profit | \$ 59,541 | \$ 48,067 | \$ 220,365 | \$ 191,992 |
| Unallocated amounts: | | | | |
| Administrative costs | (6,625) | (7,265) | (27,353) | (24,865) |
| Investment and other income | 1,587 | 961 | 244 | 4,333 |
| Interest expense | (513) | (149) | (1,276) | (437) |
| Income before income taxes and losses of unconsolidated affiliate | <u>\$ 53,990</u> | <u>\$ 41,614</u> | <u>\$ 191,980</u> | <u>\$ 171,023</u> |

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

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

Income Before Income Taxes Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Income Before Income Taxes Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our ongoing results. We believe this profit measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Income before income taxes and losses of unconsolidated affiliate to the non-GAAP measure of Income Before Income Taxes Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|--|-----------------------------|-----------|---------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income before income taxes and losses of unconsolidated affiliate (GAAP measure) | \$ 53,990 | \$ 41,614 | \$ 191,980 | \$ 171,023 |
| Amortization expense | 3,675 | 3,021 | 14,966 | 7,077 |
| Other non-routine charges | — | — | 1,841 | — |
| Non-recurring acquisition transaction fees and other expenses | — | 3,742 | — | 3,742 |
| Income Before Income Taxes Excluding Certain Items (non-GAAP measure) | \$ 57,665 | \$ 48,377 | \$ 208,787 | \$ 181,842 |

Income Tax Expense Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Income Tax Expense Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our ongoing results. We believe this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Income tax expense to the non-GAAP measure of Income Tax Expense Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|----------|---------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Income tax expense (GAAP measure) | \$ 12,926 | \$ 8,593 | \$ 42,001 | \$ 35,610 |
| Amortization expense | 873 | 720 | 3,545 | 1,734 |
| Other non-routine charges | — | — | 496 | — |
| Non-recurring acquisition transaction fees and other expenses | — | 689 | — | 689 |
| Acquisition-related tax charges | — | (942) | — | (942) |
| Income Tax Expense Excluding Certain Items (non-GAAP measure) | \$ 13,799 | \$ 9,060 | \$ 46,042 | \$ 37,091 |

Net Income Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Net Income Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our ongoing results. We believe this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Net income to the non-GAAP measure of Net Income Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|-----------|---------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (GAAP measure) | \$ 41,064 | \$ 28,027 | \$ 149,979 | \$ 129,659 |
| Amortization expense | 2,802 | 2,301 | 11,421 | 5,343 |
| Other non-routine charges | — | — | 1,345 | — |
| Non-recurring acquisition transaction fees and other expenses | — | 3,053 | — | 3,053 |
| Acquisition-related tax charges | — | 942 | — | 942 |
| Other-than-temporary impairment of unconsolidated affiliate | — | 4,994 | — | 4,994 |
| Net Income Excluding Certain Items (non-GAAP measure) | \$ 43,866 | \$ 39,317 | \$ 162,745 | \$ 143,991 |

Diluted EPS Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Diluted EPS Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements. We do not view these items to be part of our ongoing results. We believe this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Net income per Class A Nonvoting Common Share to the non-GAAP measure of Diluted EPS Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|---------|---------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income per Class A Nonvoting Common Share (GAAP measure) | \$ 0.81 | \$ 0.53 | \$ 2.90 | \$ 2.47 |
| Amortization expense | 0.06 | 0.04 | 0.22 | 0.10 |
| Other non-routine charges | — | — | 0.03 | — |
| Non-recurring acquisition transaction fees and other expenses | — | 0.06 | — | 0.06 |
| Acquisition-related tax charges | — | 0.02 | — | 0.02 |
| Other-than-temporary impairment of unconsolidated affiliate | — | 0.09 | — | 0.10 |
| Diluted EPS Excluding Certain Items (non-GAAP measure) | \$ 0.87 | \$ 0.75 | \$ 3.15 | \$ 2.75 |

Diluted EPS Excluding Certain Items Guidance:

| | Fiscal 2023 Expectations | |
|--|--------------------------|---------|
| | Low | High |
| Earnings per Class A Nonvoting Common Share (GAAP measure) | \$ 3.13 | \$ 3.43 |
| Amortization expense | 0.17 | 0.17 |
| Diluted EPS Excluding Certain Items (non-GAAP measure) | \$ 3.30 | \$ 3.60 |

For More Information Contact:

Investor contact: Ann Thornton 414-438-6887

Media contact: Kate Venne 414-358-5176

Brady Corporation increases its dividend to shareholders for the 37th consecutive year

MILWAUKEE (August 31, 2022) -- On August 30, 2022, Brady Corporation's (NYSE: BRC) Board of Directors approved an increase in the annual dividend to shareholders of the Company's Class A Common Stock from \$0.90 per share to \$0.92 per share. A quarterly dividend to shareholders of the Company's Class A Common Stock of \$0.23 per share will be paid on October 28, 2022, to shareholders of record at the close of business on October 7, 2022. This dividend represents the 37th consecutive annual increase in dividends.

Brady Corporation is an international manufacturer and marketer of complete solutions that identify and protect people, products and places. Brady's products help customers increase safety, security, productivity and performance and include high-performance labels, signs, safety devices, printing systems and software. Founded in 1914, the Company has a diverse customer base in electronics, telecommunications, manufacturing, electrical, construction, medical, aerospace and a variety of other industries. Brady is headquartered in Milwaukee, Wisconsin and as of July 31, 2021, employed approximately 5,700 people in its worldwide businesses. Brady's fiscal 2021 sales were approximately \$1.14 billion. Brady stock trades on the New York Stock Exchange under the symbol BRC. More information is available on the Internet at www.bradycorp.com.

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Brady Corporation

F'22 Q4 Financial Results

September 1, 2022



Forward-Looking Statements

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

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project,” “continue” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady’s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from: increased cost of raw materials, labor and freight as well as material shortages and supply chain disruptions; adverse impacts of the novel coronavirus (“COVID-19”) pandemic or other pandemics; decreased demand for our products; our ability to compete effectively or to successfully execute our strategy; Brady’s ability to identify, integrate, and grow acquired companies, and to manage contingent liabilities from divested businesses; difficulties in protecting our 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, 2022.

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.



Q4 F'22 Highlights

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Strong Sales Growth

- ▶ Organic sales grew 9.0%, with organic growth in both segments.

Improved GPM

- ▶ GPM of 50.4% compared to 48.2% in Q4 of F'21.
- ▶ Expect margins to remain challenged due to ongoing inflation.

Record GAAP & Non-GAAP EPS

- ▶ GAAP EPS of \$0.81 was up 52.8% over Q4 of last year.
- ▶ Diluted EPS Excluding Certain Items* increased 16.0% to \$0.87 in Q4 of F'22 compared to \$0.75 in Q4 of F'21.

Strong Divisional Results

- ▶ Workplace Safety segment profit increased 65.1%.
- ▶ Identification Solutions segment profit increased 18.4%.

Full-Year F'22 Highlights

Record GAAP & Non-GAAP EPS

- ▶ GAAP EPS was up 17.4% in F'22 to an all-time high of \$2.90.
- ▶ Diluted EPS Excluding Certain Items* was up 14.5% to an all-time high of \$3.15.

Returned \$155.2M to our Shareholders

- ▶ Purchased 2.3M shares in F'22 (approx. 4.4% of diluted shares).
- ▶ Paid dividends of \$45.9M and announced our 37th consecutive year of dividend increases.

F'23 EPS Guidance

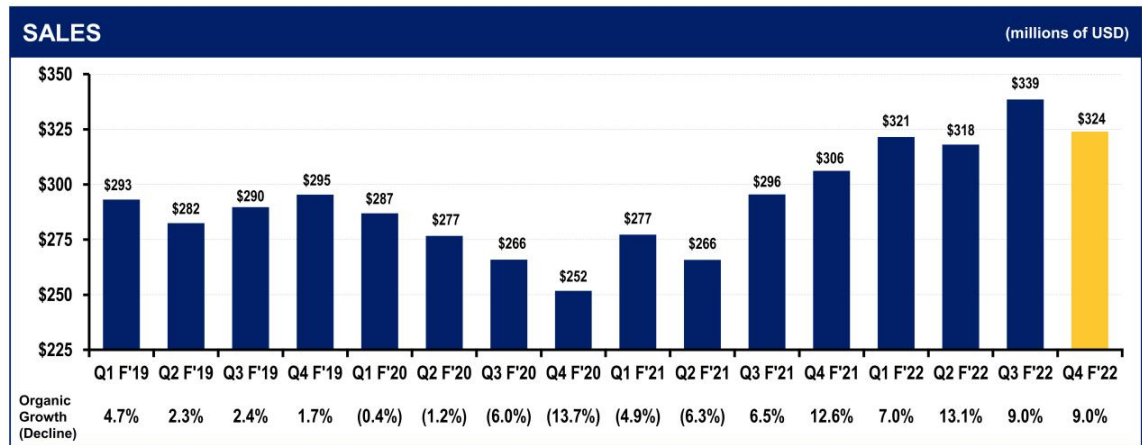
- ▶ F'23 GAAP EPS guidance of \$3.13 - \$3.43 (increase of 7.9% to 18.3% over F'22).
- ▶ F'23 Diluted EPS Excluding Certain Items* guidance of \$3.30 - \$3.60 (increase of 4.8% to 14.3% over F'22).

* Diluted EPS Excluding Certain Items is a non-GAAP measure. See appendix.



Sales Overview

4



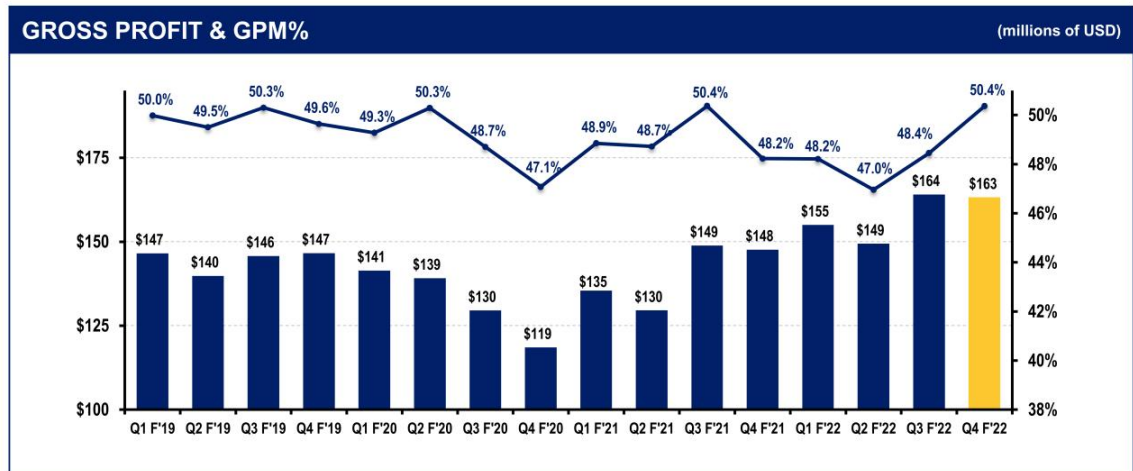
Q4 F'22 SALES:

- ▶ Total sales increased 5.8%.
- ▶ Organic sales increased 9.0%.
 - ID Solutions – Organic sales increased 10.8%.
 - Workplace Safety – Organic sales increased 3.3%.
- ▶ 2.5% increase due to acquisitions.
- ▶ 5.7% decrease due to foreign currency translation.

Q4 F'22 SALES COMMENTARY:

- ▶ ID Solutions experienced strong organic sales growth in all regions.
- ▶ Workplace Safety realized organic sales growth for the third consecutive quarter.
- ▶ Foreign currency translation is an increasing headwind due to the strengthening of the U.S. dollar against other major currencies, including the Euro.

Gross Profit Margin

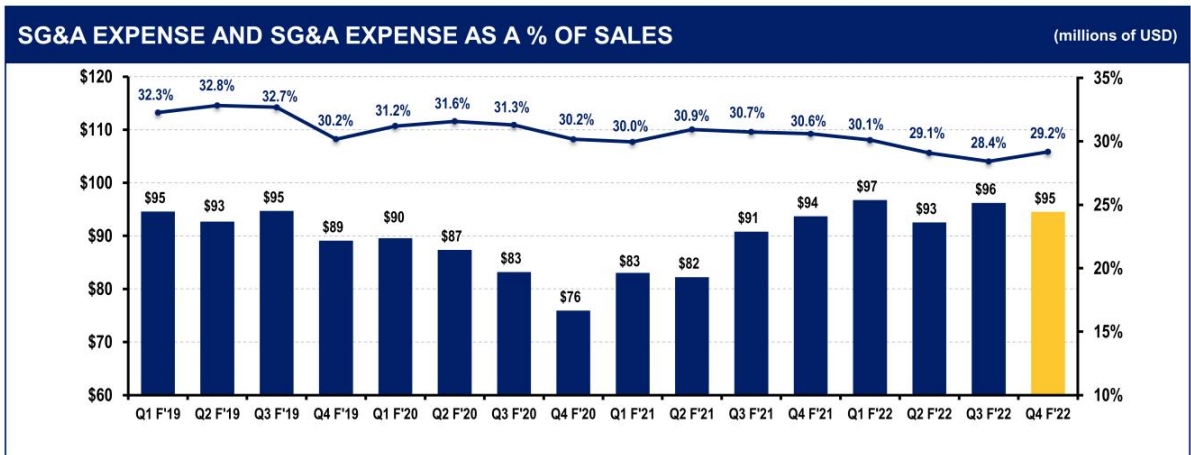


Q4 F'22 – GROSS PROFIT MARGIN:

- ▶ Gross profit margin of 50.4% compared to 48.2% in Q4 of F'21.
- ▶ Sequentially, gross profit margin improved from 48.4% last quarter to 50.4% this quarter.
- ▶ Price increases, efficiency gains, and automation partially offset the negative impacts of inflation.

SG&A Expense

6



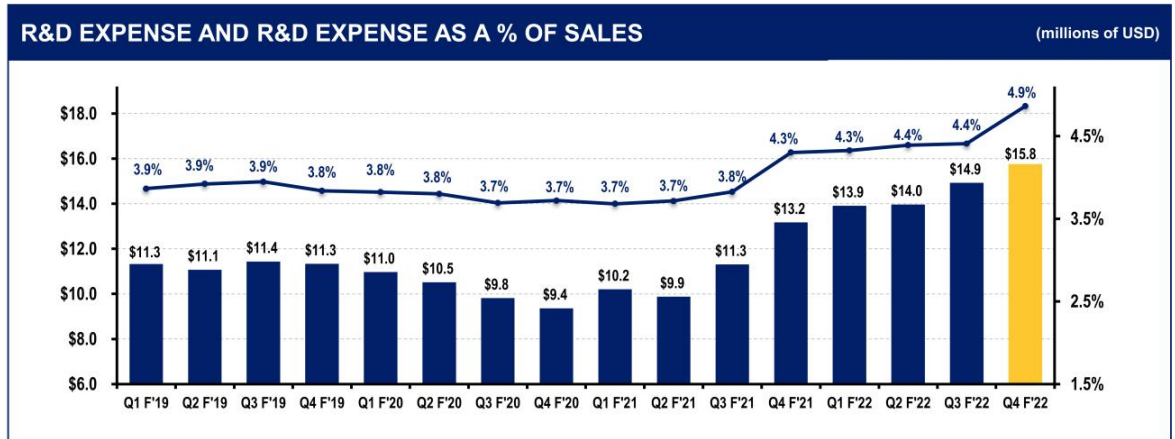
Q4 F'22 – SG&A EXPENSE:

- ▶ GAAP SG&A expense was 29.2% of sales compared to 30.6% of sales in the same quarter last year.
- ▶ SG&A expense was negatively impacted by both incremental amortization expense from the acquisitions completed in the fourth quarter of last year as well as inflation.
- ▶ We continue to focus on driving sustainable efficiency gains to continue reducing SG&A expense as a percent of sales.



R&D Expense

7



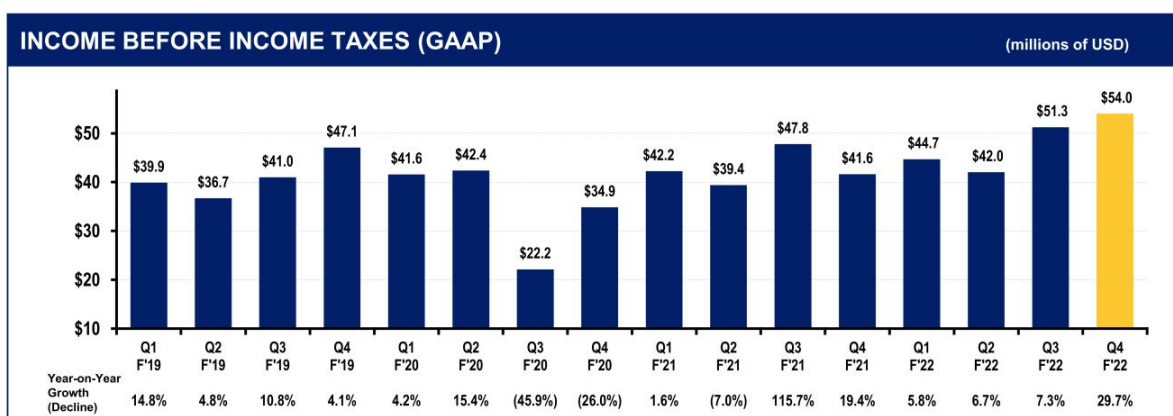
Q4 F'22 – R&D EXPENSE:

- ▶ R&D expense is up as a result of investments made to drive future sales growth combined with additional R&D expense from the acquisitions completed in the fourth quarter of F'21 and our initiatives in industrial track and trace.
- ▶ We have a solid new product pipeline of high-quality materials and products to make our customers more efficient.
- ▶ We are focused on ensuring that our R&D spend is both efficient and effective.



Income Before Income Taxes

8



Q4 F'22 – INCOME BEFORE INCOME TAXES:

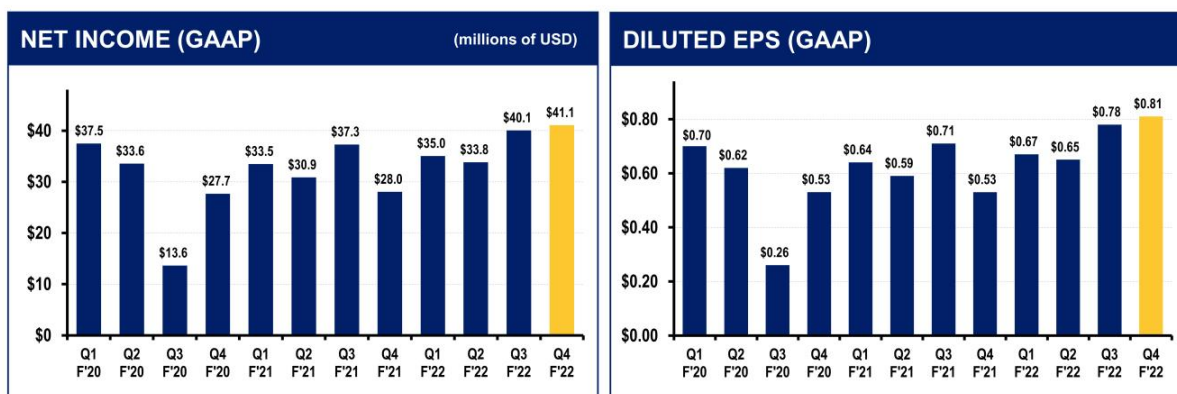
- ▶ GAAP Income before income taxes was up 29.7% to \$54.0M in Q4 of F'22 compared to \$41.6M in Q4 of F'21.
- ▶ As a result of the three acquisitions completed in Q4 of F'21, amortization expense was removed from both Q4 of F'22 and Q4 of F'21 and \$3.7M of acquisition-related non-recurring expenses were also removed from Q4 of F'21 income before income taxes to arrive at the non-GAAP measure of Income Before Income Taxes Excluding Certain Items.*
- ▶ Income Before Income Taxes Excluding Certain Items* increased 19.2% to \$57.7M in Q4 of F'22 compared to \$48.4M in Q4 of F'21.

* Income Before Income Taxes Excluding Certain Items is a non-GAAP measure. See appendix.



Net Income & Diluted EPS

9



Q4 F'22 – NET INCOME & DILUTED EPS:

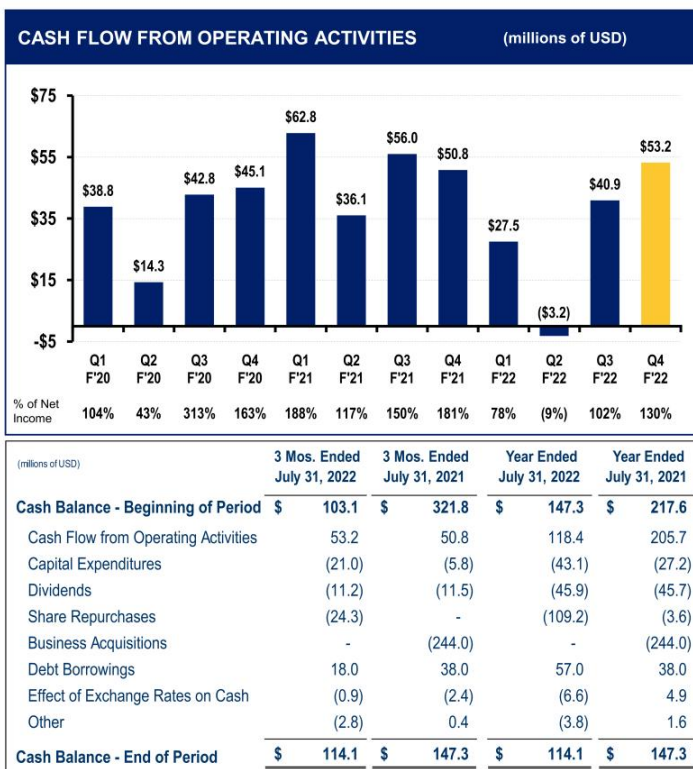
- ▶ GAAP Net Income was \$41.1M in Q4 of F'22 compared to \$28.0M in Q4 of F'21 (an increase of 46.5%).
 - Net Income Excluding Certain Items* was \$43.9M in Q4 of F'22 compared to \$39.3M in Q4 of F'21 (an increase of 11.6%).
- ▶ GAAP Diluted EPS was \$0.81 in Q4 of F'22 compared to \$0.53 in Q4 of F'21 (an increase of 52.8%).
 - Diluted EPS Excluding Certain Items* was \$0.87 in Q4 of F'22 compared to \$0.75 in Q4 of F'21 (an increase of 16.0%).

* Net Income Excluding Certain Items and Diluted EPS Excluding Certain Items are non-GAAP measures. See appendix.



Cash Generation and Uses

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CASH FLOWS IN Q4 OF F'22:

Overview:

- ▶ Cash flow from operating activities was \$53.2M in Q4 of F'22 compared to \$50.8M in Q4 of F'21.
- ▶ Free cash flow* was \$32.2M in Q4 of F'22 compared to \$45.0M in Q4 of F'21.
- ▶ Cash generation was impacted by an intentional increase in inventories to ensure that we can serve the needs of our customers, as well as increased cash outlays for strategic manufacturing sites.

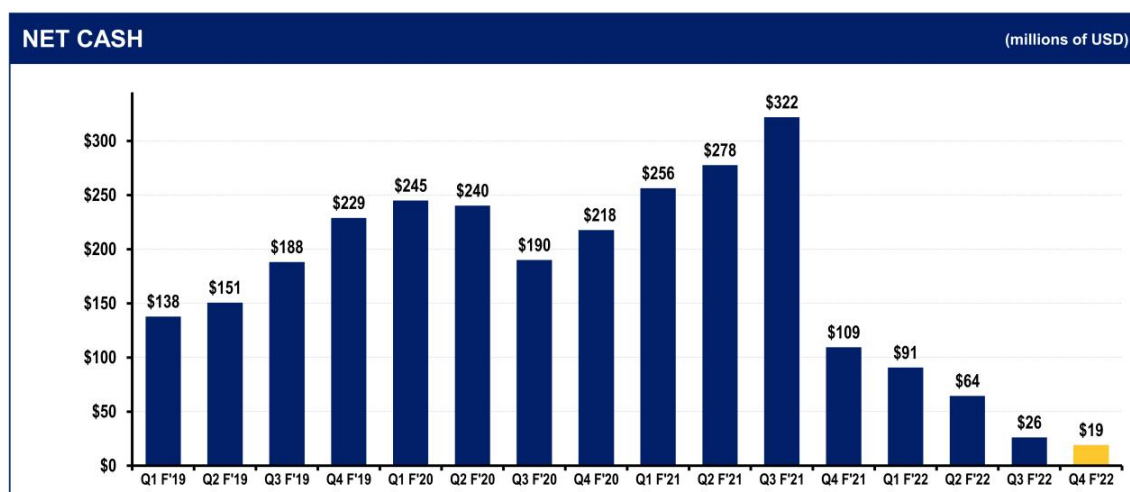
Returning Funds to our Shareholders:

In F'22, we returned a total of \$155.2M to our shareholders in the form of dividends and buybacks.

- ▶ **Dividends** – Announced an increase in our annual dividends for the 37th consecutive year.
- ▶ **Buybacks** – Approach buybacks opportunistically. Repurchased 2.3M shares in F'22 for \$109.2M.

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





STRONG BALANCE SHEET:

- ▶ July 31, 2022 cash = \$114.1M.
- ▶ July 31, 2022 debt = \$95.0M.
- ▶ Brady is in a net cash position of \$19.1M.
- ▶ Balance sheet provides flexibility for future organic and inorganic investments.

F'22 Financial Summary

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| | Year Ended July 31, | | |
|--|---------------------|------------|--------|
| | 2022 | 2021 | Change |
| Sales | \$ 1,302.1 | \$ 1,144.7 | 13.7% |
| <i>Organic Sales Growth (Decline)</i> | 9.4% | 1.6% | |
| Gross Margin | 631.6 | 561.4 | 12.5% |
| <i>% of Sales</i> | 48.5% | 49.0% | |
| Research and Development | (58.5) | (44.6) | 31.4% |
| Selling, General and Administrative | (380.0) | (349.8) | 8.6% |
| <i>% of Sales</i> | (29.2%) | (30.6%) | |
| Operating Income | 193.0 | 167.1 | 15.5% |
| Other (Expense) Income | (1.0) | 3.9 | |
| Income Before Income Taxes and Losses of Unconsolidated Affiliate | \$ 192.0 | \$ 171.0 | 12.3% |
| Net Income | \$ 150.0 | \$ 129.7 | 15.7% |
| Diluted EPS | \$ 2.90 | \$ 2.47 | 17.4% |
| Non-GAAP Measures: | | | |
| Net Income Excluding Certain Items* | \$ 162.7 | \$ 144.0 | 13.0% |
| Diluted EPS Excluding Certain Items* | \$ 3.15 | \$ 2.75 | 14.5% |

| | | |
|--------------------------|---------|----------|
| Net Cash Position | \$ 19.1 | \$ 109.3 |
|--------------------------|---------|----------|



F'23 Diluted EPS Guidance

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**Diluted EPS
Excluding Certain Items*** **\$3.30 to \$3.60** (+4.8% to +14.3% vs. F'22)

GAAP Diluted EPS **\$3.13 to \$3.43** (+7.9% to +18.3% vs. F'22)

Guidance Assumptions:

- ▶ Organic sales growth in the mid-to-high single digit percentages.
- ▶ Negative foreign currency impact of approximately 3.5% on net sales.
- ▶ The only difference between GAAP Diluted EPS and Diluted EPS Excluding Certain Items* F'23 guidance is the impact of amortization expense of \$0.17 per share.
- ▶ Full-year income tax rate of approximately 20%.
- ▶ Foreign currency exchange rates as of July 31, 2022.
- ▶ Depreciation and amortization expense of \$32M to \$34M.
- ▶ Capital expenditures of approximately \$32M (inclusive of \$10M related to the construction of previously leased critical manufacturing facilities).

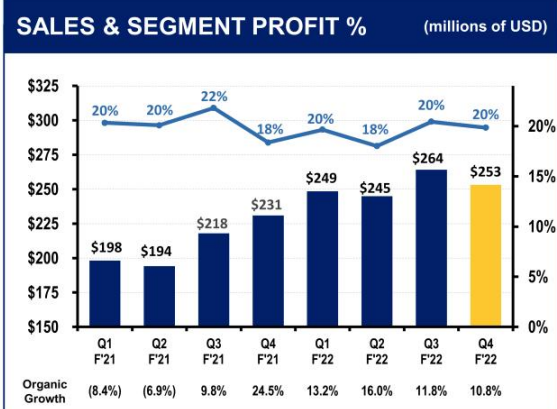
* Diluted EPS Excluding Certain Items is a non-GAAP measure. See appendix.



Identification Solutions

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| Q4 F'22 vs. Q4 F'21 | | (millions of USD) | |
|---------------------|----------|-------------------|----------|
| | Q4 F'22 | Q4 F'21 | Change |
| Sales | \$ 253.2 | \$ 231.0 | + 9.6% |
| Segment Profit | 50.2 | 42.4 | + 18.4% |
| Segment Profit % | 19.8% | 18.4% | +140 bps |



Q4 F'22 SUMMARY:

- Revenues increased 9.6%:
 - Organic growth = + 10.8%.
 - Acquisition growth = + 3.3%.
 - Fx reduction = (4.5%).
- Strong organic sales growth in all regions.
- Segment profit negatively impacted by a \$0.7M increase in amortization expense.
- Excluding amortization expense and the non-routine charges in Q4 of F'21, segment profit as a percent of sales would have been 21.3% in Q4 of F'22 and 20.9% in Q4 of F'21.
- We have increased our innovation investments and are actively investing in sales-generating resources.

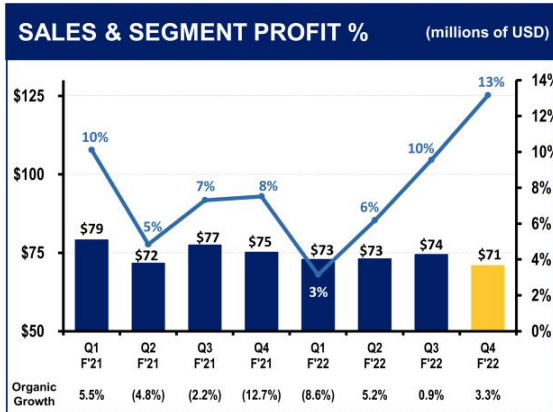
OUTLOOK:

- Organic sales growth in the mid-to-high single-digit percentages in F'23.
- Continued profit growth, partially offset by the negative impact of inflation on gross profit margins.

Workplace Safety

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| Q4 F'22 vs. Q4 F'21 (millions of USD) | | | |
|---------------------------------------|---------|---------|----------|
| | Q4 F'22 | Q4 F'21 | Change |
| Sales | \$ 70.8 | \$ 75.1 | - 5.7% |
| Segment Profit | 9.3 | 5.6 | + 65.1% |
| Segment Profit % | 13.2% | 7.5% | +570 bps |



Q4 F'22 SUMMARY:

- Revenues declined 5.7%:
 - Organic growth = + 3.3%.
 - Fx reduction = (9.0%).
- Segment profit increased substantially as a result of our actions to:
 - Streamline our product offering.
 - Simplify and reduce our cost structure.
 - Improve our price competitiveness.
- Due to seasonality, our fourth quarter is typically our most profitable quarter.

OUTLOOK:

- Organic sales growth in the low single-digit percentages in F'23 and continued foreign currency headwinds.
- Continued profit improvements, partially offset by inflation and foreign currency.



Investor Relations

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See our website at
www.bradycorp.com/investors



Appendix

GAAP to Non-GAAP Reconciliations



Non-GAAP Reconciliations

GAAP to NON-GAAP MEASURES

(Unaudited; Dollars in Thousands, Except Per Share Amounts)

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

Income Before Income Taxes Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Income Before Income Taxes Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our ongoing results. We believe this profit measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Income before income taxes and losses of unconsolidated affiliate to the non-GAAP measure of Income Before Income Taxes Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|------------------|---------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income before income taxes and losses of unconsolidated affiliate (GAAP measure) | \$ 53,990 | \$ 41,614 | \$ 191,980 | \$ 171,023 |
| Amortization expense | 3,675 | 3,021 | 14,966 | 7,077 |
| Other non-routine charges | - | - | 1,841 | - |
| Non-recurring acquisition transaction fees and other expenses | - | 3,742 | - | 3,742 |
| Income Before Income Taxes Excluding Certain Items (non-GAAP measure) | \$ 57,665 | \$ 48,377 | \$ 208,787 | \$ 181,842 |

Income Tax Expense Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Income Tax Expense Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements and supporting footnote disclosures. We do not view these items to be part of our ongoing results. We believe this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Income tax expense to the non-GAAP measure of Income Tax Expense Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|--|-----------------------------|-----------------|---------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income tax expense (GAAP measure) | \$ 12,926 | \$ 8,593 | \$ 42,001 | \$ 35,610 |
| Amortization expense | 873 | 720 | 3,545 | 1,734 |
| Other non-routine charges | - | - | 496 | - |
| Non-recurring acquisition transaction fees and other expenses | - | 689 | - | 689 |
| Acquisition-related tax charges | - | (942) | - | (942) |
| Income Tax Expense Excluding Certain Items (non-GAAP measure) | \$ 13,799 | \$ 9,060 | \$ 46,042 | \$ 37,091 |

Non-GAAP Reconciliations

GAAP to NON-GAAP MEASURES

(Unaudited; Dollars in Thousands, Except Per Share Amounts)

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

Net Income Excluding Certain Items:

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| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|------------------|---------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (GAAP measure) | \$ 41,064 | \$ 28,027 | \$ 149,979 | \$ 129,659 |
| Amortization expense | 2,802 | 2,301 | 11,421 | 5,343 |
| Other non-routine charges | - | - | 1,345 | - |
| Non-recurring acquisition transaction fees and other expenses | - | 3,053 | - | 3,053 |
| Acquisition-related tax charges | - | 942 | - | 942 |
| Other-than-temporary impairment of unconsolidated affiliate | - | 4,994 | - | 4,994 |
| Net Income Excluding Certain Items (non-GAAP measure) | \$ 43,866 | \$ 39,317 | \$ 162,745 | \$ 143,991 |

Diluted EPS Excluding Certain Items:

Brady is presenting the non-GAAP measure, "Diluted EPS Excluding Certain Items." This is not a calculation based upon GAAP. The amounts included in this non-GAAP measure are derived from amounts included in the Consolidated Financial Statements. We do not view these items to be part of our ongoing results. We believe this measure provides an important perspective of underlying business trends and results and provides a more comparable measure from year to year. The table below provides a reconciliation of the GAAP measure of Net income per Class A Nonvoting Common Share to the non-GAAP measure of Diluted EPS Excluding Certain Items:

| | Three months ended July 31, | | Year ended July 31, | |
|---|-----------------------------|----------------|---------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income per Class A Nonvoting Common Share (GAAP measure) | \$ 0.81 | \$ 0.53 | \$ 2.90 | \$ 2.47 |
| Amortization expense | 0.06 | 0.04 | 0.22 | 0.10 |
| Other non-routine charges | - | - | 0.03 | - |
| Non-recurring acquisition transaction fees and other expenses | - | 0.06 | - | 0.06 |
| Acquisition-related tax charges | - | 0.02 | - | 0.02 |
| Other-than-temporary impairment of unconsolidated affiliate | - | 0.09 | - | 0.10 |
| Diluted EPS Excluding Certain Items (non-GAAP measure) | \$ 0.87 | \$ 0.75 | \$ 3.15 | \$ 2.75 |

Diluted EPS Excluding Certain Items Guidance:

| | Fiscal 2023 Expectations | |
|---|--------------------------|----------------|
| | Low | High |
| Earnings per diluted Class A Common Share (GAAP measure) | \$ 3.13 | \$ 3.43 |
| Amortization expense | 0.17 | 0.17 |
| Diluted EPS Excluding Certain Items (non-GAAP measure) | \$ 3.30 | \$ 3.60 |

