

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): November 17, 2021

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)

39-0971239
(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 or 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 November 18, 2021, Brady Corporation (the “Company”) issued a press release announcing its fiscal 2022 first 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 5.07 SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 17, 2021, at the Company’s Annual Shareholders’ Meeting, the holders of all of the 3,538,628 shares of the Company’s Class B Common Stock voted unanimously in favor of electing the following persons to serve as the Company’s directors until the next annual meeting of shareholders and until their successors have been elected:

Patrick W. Allender
David S. Bem
Elizabeth P. Bruno
Nancy L. Gioia
Frank W. Harris
J. Michael Nauman
Bradley C. Richardson
Michelle E. Williams

Item 7.01 REGULATION FD DISCLOSURE

On November 18, 2021, the Company hosted a conference call related to its fiscal 2022 first quarter financial results. A copy of the slides referenced in the conference call, which is also posted on the Corporation’s website, is being furnished to the Securities and Exchange Commission as Exhibit 99.2 attached hereto and is incorporated herein by reference.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

EXHIBIT NUMBER	DESCRIPTION
99.1	Press Release of Brady Corporation, dated November 18, 2021, relating to first quarter fiscal 2022 financial results.
99.2	Informational slides provided by Brady Corporation, dated November 18, 2021, relating to first 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: November 18, 2021

/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 Fiscal 2022 First Quarter Results

- Sales for the quarter increased 16.0 percent. Organic sales increased 7.0 percent.
- Income before income taxes increased 5.8 percent to \$44.7 million in the first quarter of fiscal 2022 compared to \$42.2 million in the first quarter of fiscal 2021. Income Before Income Taxes Excluding Amortization* increased 11.3 percent to \$48.5 million in the first quarter of fiscal 2022 compared to \$43.6 million in the first quarter of fiscal 2021.
- Diluted EPS in the first quarter of fiscal 2022 increased 4.7 percent to \$0.67 compared to \$0.64 in the same quarter of the prior year. Diluted EPS Excluding Amortization* increased 9.1 percent to \$0.72 in the first quarter of fiscal 2022 compared to \$0.66 in the same quarter of the prior year.

MILWAUKEE (November 18, 2021) -- Brady Corporation (NYSE: BRC) ("Brady" or "Company"), a world leader in identification solutions, today reported its financial results for its fiscal 2022 first quarter ended October 31, 2021.

Quarter Ended October 31, 2021 Financial Results:

Income before income taxes and losses of unconsolidated affiliate increased 5.8 percent to \$44.7 million for the quarter ended October 31, 2021, compared to \$42.2 million in the same quarter last year. Income Before Income Taxes Excluding Amortization* for the quarter ended October 31, 2021 was \$48.5 million, an increase of 11.3 percent compared to the first quarter of last year.

Net income for the quarter ended October 31, 2021 was \$35.0 million compared to \$33.5 million in the same quarter last year. Earnings per diluted Class A Nonvoting Common Share were \$0.67 for the first quarter of fiscal 2022, compared to \$0.64 in the same quarter last year. Net Income Excluding Amortization* for the quarter ended October 31, 2021 was \$38.0 million and Diluted EPS Excluding Amortization* for the quarter ended October 31, 2021 was \$0.72.

Sales for the quarter ended October 31, 2021 increased 16.0 percent, which consisted of an organic sales increase of 7.0 percent, an increase of 8.3 percent from acquisitions and an increase of 0.7 percent from foreign currency translation. Sales for the quarter ended October 31, 2021 were \$321.5 million compared to \$277.2 million in the same quarter last year. By segment, sales increased 25.4 percent in Identification Solutions and decreased 7.8 percent in Workplace Safety, which consisted of an organic sales increase of 13.2 percent in Identification Solutions and an organic sales decline of 8.6 percent in Workplace Safety.

Commentary:

"Our investments in sales, marketing, and research and development over the last several years are paying off. These investments, coupled with increased customer demand, and the acquisitions completed in the fourth

quarter of last year, helped us generate double-digit sales growth this quarter,” said Brady’s President and Chief Executive Officer, J. Michael Nauman. “Our strong 16.0 percent year-over-year sales growth was driven by our Identification Solutions division which had total sales growth of 25.4 percent this quarter. We remain excited about the three acquisitions completed last year, which are performing at or above our initial expectations. Supply chains for certain components remain tight and we are experiencing inflation in many areas including wages, freight, utilities, and raw materials. Even with these inflationary pressures, our gross profit margin was still an enviable 48.2 percent which was right in line with the gross profit margin experienced in the fourth quarter of last year. We believe that these gross margin challenges are temporary and once our pricing and efficiency initiatives catch up to the cost inflation, our strong sales growth and improved gross profit margins will drive significant bottom-line growth.”

“Brady is financially strong and continues to generate significant cash flow. This quarter, sales grew 16.0 percent and Diluted EPS Excluding Amortization* grew 9.1 percent, which represents another very strong quarter,” said Brady’s Chief Financial Officer, Aaron Pearce. “We have been increasing our inventory levels to ensure that we can meet the ongoing strong customer demand and our accounts receivable increased due to the strong revenue growth we experienced this quarter. This quarter, we returned \$30.5 million to our shareholders in the form of dividends and buybacks and we have a net cash balance of \$90.6 million as of October 31, 2021. We believe that Brady’s first quarter financial results combined with our solid balance sheet, position us well for future financial success.”

Fiscal 2022 Guidance:

The Company’s earnings per diluted Class A Nonvoting Common Share, excluding amortization guidance for the year ending July 31, 2022 remains unchanged at \$3.12 to \$3.32 per share, and earnings per diluted Class A Nonvoting Common Share on a GAAP basis remains unchanged at \$2.90 to \$3.10 per share. Included in this guidance is a full-year income tax rate of approximately 20 percent, depreciation and amortization expense ranging from \$34 million to \$36 million, and sales growth in excess of 12 percent for the year ending July 31, 2022. Capital expenditures, excluding facility purchases are expected to range from \$20 million to \$25 million during the year ending July 31, 2022. The Company’s fiscal 2022 guidance is based on foreign currency exchange rates as of October 31, 2021 and assumes a continued economic recovery.

A webcast regarding Brady’s fiscal 2022 first quarter 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, 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.bradyid.com.

* Income Before Income Taxes Excluding Amortization, Net Income Excluding Amortization, and Diluted EPS Excluding Amortization 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: adverse impacts of the novel coronavirus (“COVID-19”) pandemic or other pandemics; adverse impacts from vaccination mandates issued by U.S. and non-U.S. governmental entities; decreased demand for our products; our ability to compete effectively or to successfully execute our strategy; Brady's ability to develop technologically advanced products that meet customer demands; increased cost of raw materials, labor and freight as well as raw material shortages; Brady's ability to properly 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, 2021 and in any subsequent filings on Form 10-Q.

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 October 31,	
	2021	2020
Net sales	\$ 321,475	\$ 277,227
Cost of goods sold	166,487	141,799
Gross margin	154,988	135,428
Operating expenses:		
Research and development	13,907	10,203
Selling, general and administrative	96,746	83,037
Total operating expenses	110,653	93,240
Operating income	44,335	42,188
Other income (expense):		
Investment and other income	543	155
Interest expense	(182)	(106)
Income before income taxes and losses of unconsolidated affiliate	44,696	42,237
Income tax expense	9,650	8,582
Income before losses of unconsolidated affiliate	35,046	\$ 33,655
Equity in losses of unconsolidated affiliate	—	(174)
Net income	\$ 35,046	\$ 33,481
Net income per Class A Nonvoting Common Share:		
Basic	\$ 0.67	\$ 0.64
Diluted	\$ 0.67	\$ 0.64
Dividends	\$ 0.23	\$ 0.22
Net income per Class B Voting Common Share:		
Basic	\$ 0.66	\$ 0.63
Diluted	\$ 0.65	\$ 0.62
Dividends	\$ 0.21	\$ 0.20
Weighted average common shares outstanding:		
Basic	51,973	52,021
Diluted	52,436	52,292

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

	October 31, 2021 (Unaudited)	July 31, 2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 157,553	\$ 147,335
Accounts receivable, net of allowance for credit losses of \$7,265 and \$7,306, respectively	182,791	170,579
Inventories	152,295	136,107
Prepaid expenses and other current assets	12,452	11,083
Total current assets	505,091	465,104
Property, plant and equipment—net	128,618	121,741
Goodwill	610,836	614,137
Other intangible assets	88,219	92,334
Deferred income taxes	16,377	16,343
Operating lease assets	36,655	41,880
Other assets	24,682	26,217
Total	<u>\$ 1,410,478</u>	<u>\$ 1,377,756</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 79,497	\$ 82,152
Accrued compensation and benefits	89,283	81,173
Taxes, other than income taxes	13,061	13,054
Accrued income taxes	5,593	3,915
Current operating lease liabilities	17,129	17,667
Other current liabilities	61,930	59,623
Total current liabilities	266,493	257,584
Long-term debt	67,000	38,000
Long-term operating lease liabilities	23,434	28,347
Other liabilities	89,658	90,797
Total liabilities	446,585	414,728
Stockholders' equity:		
Common stock:		
Class A nonvoting common stock—Issued 51,261,487 shares, and outstanding 48,257,592 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	340,182	339,125
Retained earnings	811,820	788,369
Treasury stock—3,003,895 and 2,733,242 shares, respectively of Class A nonvoting common stock, at cost	(127,986)	(109,061)
Accumulated other comprehensive loss	(60,671)	(55,953)
Total stockholders' equity	963,893	963,028
Total	<u>\$ 1,410,478</u>	<u>\$ 1,377,756</u>

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

	Three months ended October 31,	
	2021	2020
Operating activities:		
Net income	\$ 35,046	\$ 33,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,509	5,635
Stock-based compensation expense	4,129	3,574
Deferred income taxes	(625)	(1,175)
Equity in losses of unconsolidated affiliate	—	174
Other	(187)	(266)
Changes in operating assets and liabilities:		
Accounts receivable	(13,302)	(11,371)
Inventories	(16,579)	14,758
Prepaid expenses and other assets	(655)	(1,398)
Accounts payable and accrued liabilities	9,499	17,363
Income taxes	1,656	2,063
Net cash provided by operating activities	27,491	62,838
Investing activities:		
Purchases of property, plant and equipment	(11,328)	(9,321)
Other	2	119
Net cash used in investing activities	(11,326)	(9,202)
Financing activities:		
Payment of dividends	(11,595)	(11,391)
Proceeds from exercise of stock options	151	160
Payments for employee taxes withheld from stock-based awards	(3,339)	(2,617)
Purchase of treasury stock	(18,924)	(2,720)
Proceeds from borrowing on credit facilities	56,200	12,971
Repayment of borrowing on credit facilities	(27,200)	(12,988)
Other	115	34
Net cash used in financing activities	(4,592)	(16,551)
Effect of exchange rate changes on cash	(1,355)	1,605
Net increase in cash and cash equivalents	10,218	38,690
Cash and cash equivalents, beginning of period	147,335	217,643
Cash and cash equivalents, end of period	\$ 157,553	\$ 256,333

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

	Three months ended October 31,	
	2021	2020
NET SALES		
ID Solutions	\$ 248,617	\$ 198,192
Workplace Safety	72,858	79,035
Total	<u>\$ 321,475</u>	<u>\$ 277,227</u>
SALES INFORMATION		
<i>ID Solutions</i>		
Organic	13.2 %	(8.4)%
Acquisition	11.6 %	— %
Currency	0.6 %	0.6 %
Total	<u>25.4 %</u>	<u>(7.8)%</u>
<i>Workplace Safety</i>		
Organic	(8.6)%	5.5 %
Currency	0.8 %	4.3 %
Total	<u>(7.8)%</u>	<u>9.8 %</u>
<i>Total Company</i>		
Organic	7.0 %	(4.9)%
Acquisition	8.3 %	— %
Currency	0.7 %	1.5 %
Total	<u>16.0 %</u>	<u>(3.4)%</u>
SEGMENT PROFIT		
ID Solutions	\$ 48,816	\$ 40,279
Workplace Safety	2,293	7,988
Total	<u>\$ 51,109</u>	<u>\$ 48,267</u>
SEGMENT PROFIT AS A PERCENT OF NET SALES		
ID Solutions	19.6 %	20.3 %
Workplace Safety	3.1 %	10.1 %
Total	<u>15.9 %</u>	<u>17.4 %</u>

	Three months ended October 31,	
	2021	2020
Total segment profit	\$ 51,109	\$ 48,267
Unallocated amounts:		
Administrative costs	(6,774)	(6,079)
Investment and other income	543	155
Interest expense	(182)	(106)
Income before income taxes and losses of unconsolidated affiliate	<u>\$ 44,696</u>	<u>\$ 42,237</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 October 31,	
	2021	2020
Income before income taxes and losses of unconsolidated affiliate (GAAP measure)	\$ 44,696	\$ 42,237
Amortization expense	3,807	1,351
Income Before Income Taxes Excluding Certain Items (non-GAAP measure)	\$ 48,503	\$ 43,588

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 October 31,	
	2021	2020
Income tax expense (GAAP measure)	\$ 9,650	\$ 8,582
Amortization expense	900	338
Income Tax Expense Excluding Certain Items (non-GAAP measure)	\$ 10,550	\$ 8,920

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 October 31,	
	2021	2020
Net income (GAAP measure)	\$ 35,046	\$ 33,481
Amortization expense	2,907	1,013
Net Income Excluding Certain Items (non-GAAP measure)	\$ 37,953	\$ 34,494

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 (Note that certain amounts will not foot due to rounding):

	Three months ended July 31,			
	2021		2020	
Net income per Class A Nonvoting Common Share (GAAP measure)	\$	0.67	\$	0.64
Amortization expense		0.06		0.02
Diluted EPS Excluding Certain Items (non-GAAP measure)	\$	0.72	\$	0.66



Brady Corporation

F'22 Q1 Financial Results

November 18, 2021



Forward-Looking Statements

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

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project,” “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: adverse impacts of the novel coronavirus (“COVID-19”) pandemic or other pandemics; adverse impacts from vaccination mandates issued by U.S. and non-U.S. governmental entities; decreased demand for our products; our ability to compete effectively or to successfully execute our strategy; Brady’s ability to develop technologically advanced products that meet customer demands; increased cost of raw materials, labor and freight as well as raw material shortages; Brady’s ability to properly 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, 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.

Q1 F'22 Financial Summary

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- **Sales grew 16.0% to \$321.5M in Q1 of F'22 compared with \$277.2M in Q1 of F'21.**
 - Organic sales grew 7.0%, acquisitions increased sales by 8.3% and foreign currency translation increased sales 0.7%.
- **Gross profit margin of 48.2% in Q1 of F'22 compared with 48.9% in Q1 of F'21.**
- **SG&A expense of \$96.7M (30.1% of sales) in Q1 of F'22 compared with \$83.0M (30.0% of sales) in Q1 of F'21.**
- **GAAP Income before income taxes and losses of unconsolidated affiliate increased 5.8% to \$44.7M in Q1 of F'22 compared with \$42.2M in Q1 of F'21.**
 - Income Before Income Taxes Excluding Amortization* in the first quarter of fiscal 2022 increased 11.3% to \$48.5M compared with \$43.6M in Q1 of F'21.
- **GAAP Diluted EPS in the first quarter of fiscal 2022 increased 4.7% to \$0.67, compared with \$0.64 in the first quarter of the prior year.**
 - Diluted EPS Excluding Amortization* increased 9.1% to \$0.72 in the first quarter of fiscal 2022.

* Income Before Income Taxes Excluding Amortization and Diluted EPS Excluding Amortization are non-GAAP measures. See appendix.

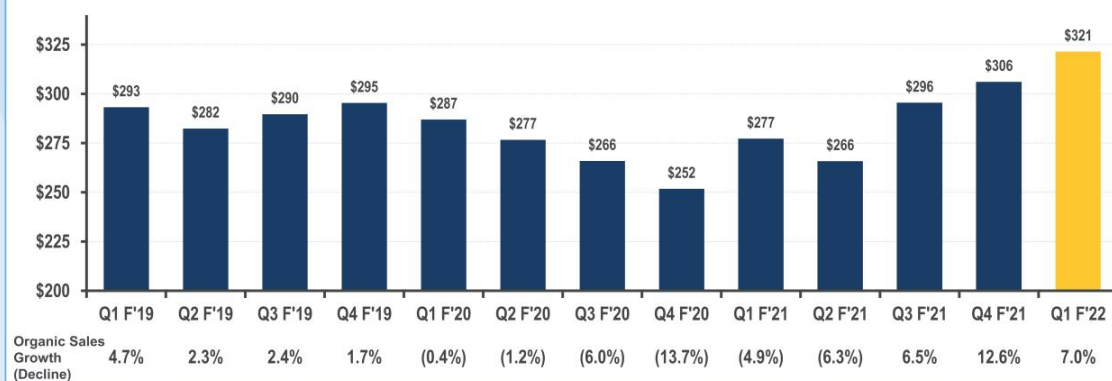


Sales Overview

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SALES

(millions of USD)



Q1 F'22 SALES:

- Total sales increased 16.0%.
- Organic sales increased 7.0%:
 - ID Solutions – Organic sales increased 13.2%.
 - Workplace Safety – Organic sales declined 8.6%.
- 8.3% increase due to acquisitions.
- 0.7% increase due to foreign currency translation.

Q1 F'22 SALES COMMENTARY:

- Brady's total sales are a full 12% above the pre-pandemic quarter ended October 31, 2019.
- Both Identification Solutions and Workplace Safety sales are above pre-pandemic levels.

Gross Profit Margin

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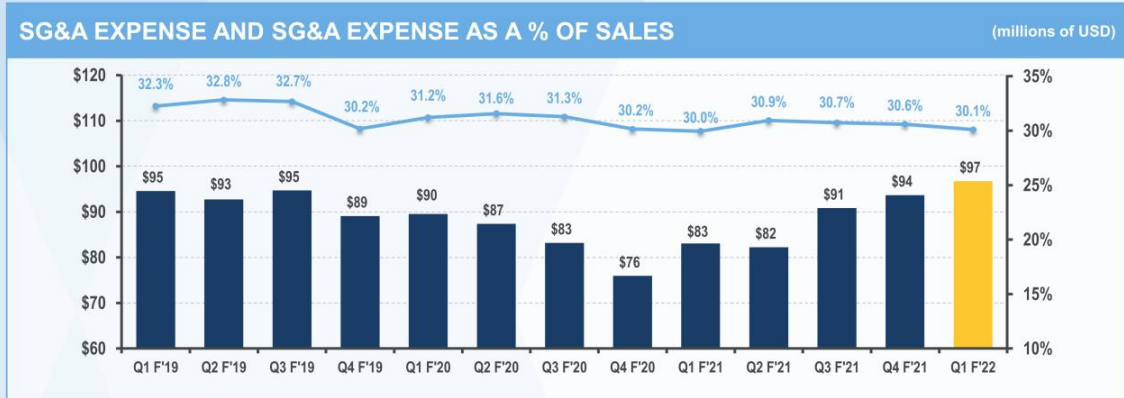


Q1 F'22 – GROSS PROFIT MARGIN:

- Gross profit margin of 48.2% compared to 48.9% in Q1 of F'21.
- Gross margin has been negatively impacted by inflationary pressures including wage increases, freight increases, and raw material cost increases.
- Efficiency gains, automation and selected price increases have partially offset the negative impacts caused by input-cost pressures.

SG&A Expense

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Q1 F'22 – SG&A EXPENSE:

- SG&A expense was 30.1% of sales compared to 30.0% of sales in the same quarter last year.
- SG&A expense was negatively impacted by an increase in amortization expense from the acquisitions completed in the fourth quarter of last year.
- Amortization expense was \$3.8M in Q1 of F'22 and \$1.4M in Q1 of F'21.
- We continue to drive efficiencies in SG&A expenses while also investing in sales and marketing activities to accelerate sales growth.

R&D Expense

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

(millions of USD)



Q1 F'22 – R&D EXPENSE:

- R&D expense increased as a result of investments made to drive future organic sales growth combined with additional R&D expense from the acquisitions completed in the fourth quarter of F'21.
- The acquisitions of Magicard, Code, and Nordic ID carry higher R&D expense levels than Brady's core business.
- We have a solid new product pipeline and we are focused on ensuring that our R&D spend is both efficient and effective.

Income Before Income Taxes

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INCOME BEFORE INCOME TAXES

(millions of USD)



Q1 F'22 - INCOME BEFORE INCOME TAXES:

- GAAP Income before income taxes was \$44.7M in Q1 of F'22 compared to \$42.2M in Q1 of F'21.
- Q1 of F'22 income before income taxes was negatively impacted by an increase in amortization expense resulting from the acquisitions completed last year.
- Income Before Income Taxes Excluding Amortization* increased 11.3% to \$48.5M in Q1 of F'22 compared to \$43.6M in Q1 of F'21.

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



Net Income & Diluted EPS

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Q1 F'22 – NET INCOME & DILUTED EPS:

- GAAP Net income was \$35.0M in Q1 of F'22 compared to \$33.5M in Q1 of F'21.
 - Net Income Excluding Amortization* was \$38.0M in Q1 of F'22 compared to \$34.5M in Q1 of F'21.
- GAAP Diluted EPS was \$0.67 in Q1 of F'22 compared to \$0.64 in Q1 of F'21.
 - Diluted EPS Excluding Amortization* was \$0.72 in Q1 of F'22 compared to \$0.66 in Q1 of F'21.

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



Cash Generation & Uses

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CASH FLOW FROM OPERATING ACTIVITIES (millions of USD)



	3 Mos. Ended Oct. 31, 2021	3 Mos. Ended Oct. 31, 2020
Cash Balance - Beginning of Period	\$ 147.3	\$ 217.6
Cash Flow from Operating Activities	27.5	62.8
Capital Expenditures	(11.3)	(9.3)
Dividends	(11.6)	(11.4)
Share Repurchases	(18.9)	(2.7)
Debt Borrowings	29.0	-
Effect of Exchange Rates on Cash	(1.4)	1.6
Other	(3.0)	(2.3)
Cash Balance - End of Period	\$ 157.6	\$ 256.3

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

CASH FLOWS IN Q1 OF F'22:

- Cash flow from operating activities was \$27.5M in Q1 of F'22 compared to \$62.8M in Q1 of F'21.
- Free cash flow* was \$16.2M in Q1 of F'22 compared to \$53.5M in Q1 of F'21.
- Cash generation in the first quarter of last year was positively impacted by reductions in inventory levels that did not repeat in Q1 of F'22. We are actively increasing inventories to ensure that we can appropriately service the needs of our customers.
- Capital expenditures were higher than historical averages as we purchased two previously leased facilities this quarter for \$7.6M.
- We returned \$30.5M to our shareholders in the form of dividends and share buybacks in Q1 of F'22.



Net Cash

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NET CASH

(millions of USD)



STRONG BALANCE SHEET:

- October 31, 2021 cash = \$157.6M.
- October 31, 2021 debt = \$67.0M.
- Brady is in a net cash position of \$90.6M.
- Balance sheet provides flexibility for future organic and inorganic investments.

F'22 Diluted EPS Guidance

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F'22 Diluted EPS, Excluding Amortization	\$3.12 to \$3.32
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GAAP Diluted EPS

\$2.90 to \$3.10

Includes an increase in after-tax amortization expense of \$0.12/share (from \$0.10/share in F'21 to \$0.22/share in F'22).

Guidance Assumptions:

- Continued economic expansion.
- Full-year income tax rate in the 20% range.
- Foreign currency exchange rates as of October 31, 2021.
- Total sales growth in excess of 12%.
- Depreciation and amortization expense of approximately \$34M to \$36M.
- Capital expenditures, excluding facility purchases, of approximately \$20M to \$25M.

Identification Solutions

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Q1 F'22 vs. Q1 F'21

(millions of USD)

	Q1 F'22	Q1 F'21	Change
Sales	\$ 248.6	\$ 198.2	+ 25.4%
Segment Profit	48.8	40.3	+ 21.2%
Segment Profit %	19.6%	20.3%	(70 bps)

SALES & SEGMENT PROFIT %

(millions of USD)



Q1 F'22 SUMMARY:

- Revenues increased 25.4%:
 - Organic growth = + 13.2%.
 - Acquisition growth = + 11.6%.
 - Fx growth = + 0.6%.
- Organic sales grew in all regions.
- Segment profit negatively impacted by a \$2.5M increase in amortization expense. Excluding amortization expense, segment profit as a percent of sales increased by 10 basis points from Q1 of F'21 to Q1 of F'22.
- We have increased our innovation investments and are actively investing in sales-generating resources.

OUTLOOK:

- Anticipate mid-teen percentage sales growth in fiscal 2022, inclusive of the acquisitions completed in the fourth quarter of fiscal 2021.
- Continued strong profitability and cash generation.

Workplace Safety

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Q1 F'22 vs. Q1 F'21

(millions of USD)

	Q1 F'22	Q1 F'21	Change
Sales	\$ 72.9	\$ 79.0	(7.8%)
Segment Profit	2.3	8.0	(71.3%)
Segment Profit %	3.1%	10.1%	(700 bps)

SALES & SEGMENT PROFIT %

(millions of USD)



Q1 F'22 SUMMARY:

- Revenues declined 7.8%:
 - Organic sales declined 8.6%.
 - Fx = + 0.8%.
- Organic sales declined in all regions due to reduced sales of Covid-related products.
- Q1 of F'22 sales were above the pre-pandemic levels experienced in Q1 of F'20.
- Segment profit decreased due to the reduced sales levels, inflationary pressures, and approximately \$2.5M of investments to drive revenue growth in future periods.

OUTLOOK:

- Improving year-on-year revenue growth as we progress throughout the remainder of this fiscal year and improving profitability in the 2nd half of this fiscal year.
- Anticipate increased core product sales to offset the slowdown in Covid-related product sales as we enter the second half of this fiscal year.

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Appendix

GAAP to Non-GAAP Reconciliations

Non-GAAP Reconciliations

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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 Amortization:

Brady is presenting the non-GAAP measure, "Income Before Income Taxes Excluding Amortization." 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 Amortization:

	Three months ended October 31,	
	2021	2020
Income before income taxes and losses of unconsolidated affiliate (GAAP measure)	\$ 44,696	\$ 42,237
Amortization expense	3,807	1,351
Income Before Income Taxes Excluding Amortization (non-GAAP measure)	\$ 48,503	\$ 43,588

Income Tax Expense Excluding Amortization:

Brady is presenting the non-GAAP measure, "Income Tax Expense Excluding Amortization." 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 Amortization:

	Three months ended October 31,	
	2021	2020
Income tax expense (GAAP measure)	\$ 9,650	\$ 8,582
Amortization expense	900	338
Income Tax Expense Excluding Amortization (non-GAAP measure)	\$ 10,550	\$ 8,920



Non-GAAP Reconciliations

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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 Amortization:

Brady is presenting the non-GAAP measure, "Net Income Excluding Amortization." 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 Amortization:

	Three months ended October 31,	
	2021	2020
Net income (GAAP measure)	\$ 35,046	\$ 33,481
Amortization expense	2,907	1,013
Net Income Excluding Amortization (non-GAAP measure)	\$ 37,953	\$ 34,494

Diluted EPS Excluding Amortization:

Brady is presenting the non-GAAP measure, "Diluted EPS Excluding Amortization." 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 Amortization (Note that certain amounts will not foot due to rounding):

	Three months ended October 31,	
	2021	2020
Net income per Class A Nonvoting Common Share (GAAP measure)	\$ 0.67	\$ 0.64
Amortization expense	0.06	0.02
Diluted EPS Excluding Amortization (non-GAAP measure)	\$ 0.72	\$ 0.66

