

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): May 21, 2020

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 May 21, 2020, Brady Corporation (the “Company”) issued a press release announcing its fiscal 2020 third 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 May 21, 2020, the Company hosted a conference call related to its fiscal 2020 third 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 May 21, 2020, relating to third quarter fiscal 2020 financial results.
99.2	Informational slides provided by Brady Corporation, dated May 21, 2020, relating to third quarter fiscal 2020 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: May 21, 2020

/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 2020 Third Quarter Results and Withdraws Fiscal 2020 Financial Guidance

- Income before income taxes was \$22.2 million in the third quarter of fiscal 2020 compared to \$41.0 million in the same quarter of the prior year. Income before income taxes includes non-cash impairment charges of \$13.8 million in the third quarter of fiscal 2020.
- Diluted EPS was \$0.26 in the third quarter of fiscal 2020 compared to \$0.65 in the same quarter of the prior year. Non-cash impairment charges reduced diluted EPS by approximately \$0.21 in the third quarter of fiscal 2020. Diluted EPS in the third quarter of fiscal 2020 was also negatively impacted by an income tax rate of 38.5 percent.
- Sales for the quarter declined 8.2 percent. Organic sales declined 6.0 percent and the impact of foreign currency translation decreased sales by 2.2 percent.
- During the third quarter of fiscal 2020, we returned \$64.1 million to shareholders through share repurchases and \$11.3 million in the form of dividends.
- Due to the evolving and uncertain impact of the COVID-19 pandemic, the Company is withdrawing its previously communicated fiscal 2020 financial guidance.

MILWAUKEE (May 21, 2020) -- Brady Corporation (NYSE: BRC) ("Brady" or "Company"), a world leader in identification solutions, today reported its financial results for its fiscal 2020 third quarter ended April 30, 2020.

Quarter Ended April 30, 2020 Financial Results:

Income before income taxes declined 45.9 percent to \$22.2 million for the quarter ended April 30, 2020, compared to \$41.0 million in the same quarter last year. Income before income taxes for the quarter ended April 30, 2020 was reduced by non-cash impairment charges of \$13.8 million primarily related to the write down of certain of the tangible and intangible assets in the Company's Workplace Safety segment. These non-cash impairment charges were primarily driven by sales and profitability reductions and reduced forecasts for future sales and profitability growth in the WPS North American business.

Net income for the quarter ended April 30, 2020 declined 60.8 percent to \$13.6 million compared to \$34.8 million in the same quarter last year. Earnings per diluted Class A Nonvoting Common Share were \$0.26 for the third quarter of fiscal 2020, compared to \$0.65 in the same quarter last year. Diluted EPS for the quarter ended April 30, 2020 was reduced by non-cash impairment charges of approximately \$0.21 per share.

Sales for the quarter ended April 30, 2020 declined 8.2 percent, which consisted of an organic sales decline of 6.0 percent and a decline of 2.2 percent from foreign currency translation. Sales for the quarter ended April 30, 2020 were \$265.9 million compared to \$289.7 million in the same quarter last year. By segment, sales declined 9.7

percent in Identification Solutions and declined 3.9 percent in Workplace Safety, which consisted of an organic sales decline of 8.2 percent in Identification Solutions and organic sales growth of 0.2 percent in Workplace Safety.

Nine-Month Period Ended April 30, 2020 Financial Results:

Income before income taxes declined 9.8 percent to \$106.1 million for the nine-month period ended April 30, 2020, compared to \$117.6 million for the nine-month period ended April 30, 2019. Income before income taxes was reduced by non-cash impairment charges of \$13.8 million for the nine-month period ended April 30, 2020.

Net income for the nine-month period ended April 30, 2020 declined 10.5 percent to \$84.7 million compared to \$94.6 million in the same period last year. Earnings per diluted Class A Nonvoting Common Share were \$1.58 for the nine-month period ended April 30, 2020, compared to \$1.78 in the same period last year. Diluted EPS was reduced by non-cash impairment charges of approximately \$0.21 per share for the nine-month period ended April 30, 2020.

Sales for the nine-month period ended April 30, 2020 declined 4.1 percent, which consisted of an organic sales decline of 2.5 percent and a decline of 1.6 percent from foreign currency translation. Sales for the nine-month period ended April 30, 2020 were \$829.6 million compared to \$865.4 million in the same period last year. By segment, sales declined 4.3 percent in Identification Solutions and declined 3.6 percent in Workplace Safety, which consisted of organic sales declines of 3.2 percent in Identification Solutions and 0.5 percent in Workplace Safety.

Commentary:

“During these challenging times, as a highly-innovative essential business, Brady is more focused than ever on doing our part to serve the front-line workers and other essential companies with the products and services they need to help fight this global pandemic,” said Brady’s President and Chief Executive Officer, J. Michael Nauman. “Brady’s operations are up and running all around the globe producing products that are going to first responders, healthcare providers, food processing, transportation and many other critical industries. Our foremost focus has been on the safety of our employees as well as supporting our customers with the highest level of service that they have come to expect from Brady. This quarter, we saw strong demand for our products through the first half of March and then demand declined in late March and April as a result of the challenging macro environment. Demonstrating the strength of Brady, even in this tough environment, we posted cash flow from operating activities well in excess of net income.”

“Brady is financially strong. As of April 30, 2020, we had \$238.9 million of cash and less than \$50 million of debt, putting Brady in an enviable net cash position of \$190 million. This quarter, we generated \$42.8 million of cash flow from operating activities. Our strong cash generation and our strong balance sheet allows us to continue to execute our capital allocation strategy which involves continuing to invest in ROI-positive capital expenditures; to pay a strong dividend; to buyback our shares in an opportunistic manner; and to, of course, continue to invest in innovation, in sales-generating resources, in efficiency actions, and in actions that improve customer service,” said Brady’s Chief Financial Officer, Aaron Pearce.

Fiscal 2020 Financial Guidance Withdrawn:

Due to the uncertainty around the duration and depth of the economic contraction caused by the COVID-19 pandemic, the Company is withdrawing its previously communicated full-year fiscal 2020 financial guidance, which was provided on February 20, 2020.

A webcast regarding Brady's fiscal 2020 third 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, 2019, employed approximately 6,100 people in its worldwide businesses. Brady's fiscal 2019 sales were approximately \$1.16 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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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" 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 COVID-19 pandemic or other pandemics; our ability to compete effectively or to successfully execute our strategy; Brady's ability to develop technologically advanced products that meet customer demands; difficulties in protecting our websites, networks, and systems against security breaches; decreased demand for our products; raw material and other cost increases; extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities; risks associated with the loss of key employees; divestitures and contingent liabilities from divestitures; Brady's ability to properly identify, integrate, and grow acquired companies; litigation, including product liability claims; foreign currency fluctuations; the impact of the Tax Reform Act and any other changes in tax legislation and tax rates; potential write-offs of Brady's substantial intangible assets; differing interests of voting and non-voting shareholders; numerous other matters of national, regional and global scale, including major public health issues 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, 2019.

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 April 30,		Nine months ended April 30,	
	2020	2019	2020	2019
Net sales	\$ 265,943	\$ 289,745	\$ 829,555	\$ 865,367
Cost of goods sold	136,416	143,996	419,496	433,269
Gross margin	129,527	145,749	410,059	432,098
Operating expenses:				
Research and development	9,814	11,437	31,298	33,837
Selling, general and administrative	83,223	94,691	260,136	281,988
Impairment charges	13,821	—	13,821	—
Total operating expenses	106,858	106,128	305,255	315,825
Operating income	22,669	39,621	104,804	116,273
Other income (expense):				
Investment and other income	112	2,065	3,252	3,425
Interest expense	(628)	(708)	(1,976)	(2,137)
Income before income taxes	22,153	40,978	106,080	117,561
Income tax expense	8,520	6,197	21,396	22,916
Net income	\$ 13,633	\$ 34,781	\$ 84,684	\$ 94,645
Net income per Class A Nonvoting Common Share:				
Basic	\$ 0.26	\$ 0.66	\$ 1.60	\$ 1.80
Diluted	\$ 0.26	\$ 0.65	\$ 1.58	\$ 1.78
Dividends	\$ 0.22	\$ 0.21	\$ 0.65	\$ 0.64
Net income per Class B Voting Common Share:				
Basic	\$ 0.26	\$ 0.66	\$ 1.58	\$ 1.79
Diluted	\$ 0.26	\$ 0.65	\$ 1.57	\$ 1.76
Dividends	\$ 0.22	\$ 0.21	\$ 0.64	\$ 0.62
Weighted average common shares outstanding:				
Basic	52,607	52,766	53,023	52,499
Diluted	52,972	53,480	53,512	53,215

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

	April 30, 2020 (Unaudited)	July 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 238,880	\$ 279,072
Accounts receivable—net	145,133	158,114
Inventories	124,575	120,037
Prepaid expenses and other current assets	22,502	16,056
Total current assets	531,090	573,279
Property, plant and equipment—net	11,383	110,048
Goodwill	404,039	410,987
Other intangible assets	23,444	36,123
Deferred income taxes	7,006	7,298
Operating lease assets	41,553	—
Other assets	21,827	19,573
Total	\$ 1,040,342	\$ 1,157,308
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 58,819	\$ 64,810
Accrued compensation and benefits	41,591	62,509
Taxes, other than income taxes	7,667	8,107
Accrued income taxes	8,101	6,557
Current operating lease liabilities	14,381	—
Other current liabilities	48,473	49,796
Current maturities on long-term debt	48,927	50,166
Total current liabilities	227,959	241,945
Long-term operating lease liabilities	32,348	—
Other liabilities	59,433	64,589
Total liabilities	319,740	306,534
Stockholders' equity:		
Common stock:		
Class A nonvoting common stock—Issued 51,261,487 shares, and outstanding 48,431,617 and 49,458,841 shares, respectively	513	513
Class B voting common stock—Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	330,968	329,969
Retained earnings	688,079	637,843
Treasury stock—2,829,870 and 1,802,646 shares, respectively of Class A nonvoting common stock, at cost	(106,751)	(46,332)
Accumulated other comprehensive loss	(92,242)	(71,254)
Total stockholders' equity	820,602	850,774
Total	\$ 1,140,342	\$ 1,157,308

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

	Nine months ended April 30,	
	2020	2019
Operating activities:		
Net income	\$ 84,684	\$ 94,645
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,731	17,836
Stock-based compensation expense	7,180	10,311
Deferred income taxes	(309)	3,796
Impairment charges	13,821	—
Other	1,698	1,372
Changes in operating assets and liabilities:		
Accounts receivable	9,019	332
Inventories	(7,439)	(9,254)
Prepaid expenses and other assets	(5,653)	(2,204)
Accounts payable and accrued liabilities	(26,609)	(20,548)
Income taxes	1,790	616
Net cash provided by operating activities	95,913	96,902
Investing activities:		
Purchases of property, plant and equipment	(21,616)	(17,528)
Other	(4,419)	(1,810)
Net cash used in investing activities	(26,035)	(19,338)
Financing activities:		
Payment of dividends	(34,447)	(33,488)
Proceeds from exercise of stock options	5,212	22,468
Payments for employee taxes withheld from stock-based awards	(7,832)	(4,348)
Purchase of treasury stock	(64,113)	(3,182)
Proceeds from borrowing on credit facilities	—	13,637
Repayment of borrowings on credit facilities	—	(13,568)
Other	133	210
Net cash used in financing activities	(101,047)	(18,271)
Effect of exchange rate changes on cash	(9,023)	(2,288)
Net (decrease) increase in cash and cash equivalents	(40,192)	57,005
Cash and cash equivalents, beginning of period	279,072	181,427
Cash and cash equivalents, end of period	\$ 238,880	\$ 238,432

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

	Three months ended April 30,		Nine months ended April 30,	
	2020	2019	2020	2019
NET SALES				
ID Solutions	\$ 193,169	\$ 213,979	\$ 613,518	\$ 641,283
Workplace Safety	72,774	75,766	216,037	224,084
Total	<u>\$ 265,943</u>	<u>\$ 289,745</u>	<u>\$ 829,555</u>	<u>\$ 865,367</u>

SALES INFORMATION

ID Solutions				
Organic	(8.2) %	4.0 %	(3.2) %	4.4 %
Currency	(1.5) %	(3.1) %	(1.1) %	(2.3) %
Total	<u>(9.7) %</u>	<u>0.9 %</u>	<u>(4.3) %</u>	<u>2.1 %</u>
Workplace Safety				
Organic	0.2 %	(1.6) %	(0.5) %	(0.2) %
Currency	(4.1) %	(5.3) %	(3.1) %	(3.7) %
Divestitures	— %	(5.3) %	— %	(5.8) %
Total	<u>(3.9) %</u>	<u>(12.2) %</u>	<u>(3.6) %</u>	<u>(9.7) %</u>
Total Company				
Organic	(6.0) %	2.4 %	(2.5) %	3.1 %
Currency	(2.2) %	(3.8) %	(1.6) %	(2.8) %
Divestitures	— %	(1.5) %	— %	(1.6) %
Total	<u>(8.2) %</u>	<u>(2.9) %</u>	<u>(4.1) %</u>	<u>(1.3) %</u>

SEGMENT PROFIT

ID Solutions	\$ 36,401	\$ 39,892	\$ 119,499	\$ 119,311
Workplace Safety	4,379	6,099	14,991	16,301
Total	<u>\$ 40,780</u>	<u>\$ 45,991</u>	<u>\$ 134,490</u>	<u>\$ 135,612</u>

SEGMENT PROFIT AS A PERCENT OF NET SALES

ID Solutions	18.8 %	18.6 %	19.5 %	18.6 %
Workplace Safety	6.0 %	8.0 %	6.9 %	7.3 %
Total	<u>15.3 %</u>	<u>15.9 %</u>	<u>16.2 %</u>	<u>15.7 %</u>

	Three months ended April 30,		Nine months ended April 30,	
	2020	2019	2020	2019
Total segment profit	\$ 40,780	\$ 45,991	\$ 134,490	\$ 135,612
Unallocated amounts:				
Administrative costs	(4,290)	(6,370)	(15,865)	(19,339)
Impairment charges	(13,821)	—	(13,821)	—
Investment and other income	112	2,065	3,252	3,425
Interest expense	(628)	(708)	(1,976)	(2,137)
Income before income taxes	<u>\$ 22,153</u>	<u>\$ 40,978</u>	<u>\$ 106,080</u>	<u>\$ 117,561</u>



Brady Corporation

F'20 Q3 Financial Results

May 21, 2020



Forward-Looking Statements

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

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project” or “plan” or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady’s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from: adverse impacts of the COVID-19 pandemic or other pandemics; our ability to compete effectively or to successfully execute our strategy; Brady’s ability to develop technologically advanced products that meet customer demands; difficulties in protecting our websites, networks, and systems against security breaches; decreased demand for our products; raw material and other cost increases; extensive regulations by U.S. and non-U.S. governmental and self-regulatory entities; risks associated with the loss of key employees; divestitures and contingent liabilities from divestitures; Brady’s ability to properly identify, integrate, and grow acquired companies; litigation, including product liability claims; foreign currency fluctuations; the impact of the Tax Reform Act and any other changes in tax legislation and tax rates; potential write-offs of Brady’s substantial intangible assets; differing interests of voting and non-voting shareholders; numerous other matters of national, regional and global scale, including major public health issues 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, 2019.

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.



Managing Through the Pandemic

Managing Through the Pandemic

- Thank you to all of the Brady employees and front-line workers.
- Brady is an essential business.
- Our factories are operational around the globe.

Brady is financially strong.

Strategies to Thrive:

- Invest in growth.
- Drive sustainable efficiencies and automation.
- Consistent deployment of capital.
- Reduce costs.



Q3 F'20 Financial Summary

- Sales were \$265.9M in Q3 of F'20 compared with \$289.7M in Q3 of F'19.
 - Organic sales declined 6.0%.
 - Foreign currency translation decreased sales 2.2%.
- Gross profit margin of 48.7% in Q3 of F'20 compared with 50.3% in Q3 of F'19.
- SG&A expense of \$83.2M (31.3% of sales) in Q3 of F'20 compared with \$94.7M (32.7% of sales) in Q3 of F'19.
- R&D expense of \$9.8M (3.7% of sales) in Q3 of F'20 compared with \$11.4M (3.9% of sales) in Q3 of F'19.
- Income before income taxes decreased 45.9% to \$22.2M in Q3 of F'20 compared with \$41.0M in Q3 of F'19.
 - Income before income taxes includes \$13.8M of non-cash impairment charges in Q3 of F'20.
- Net income per Class A Diluted Nonvoting Common Share decreased 60.0% to \$0.26 in Q3 of F'20 compared with \$0.65 in Q3 of F'19.
 - Diluted EPS includes \$11.1M of after-tax impairment charges in Q3 of F'20.
 - Diluted EPS was impacted by a higher-than-normal tax rate of 38.5% in Q3 of F'20.



Sales Overview

SALES

(millions of)



Q3 F'20 SALES:

- 6.0% organic sales decline:
 - ID Solutions – Organic sales decline of 8.2%.
 - Workplace Safety – Organic sales growth of 0.2%.
- 2.2% decrease due to foreign currency translation.

Q3 F'20 SALES COMMENTARY:

- Q3 F'20 organic sales grew 2.7% through March 3 2020, but declined 22.6% in April 2020.
- ID Solutions – Organic sales were down high-single digits in the Americas, down in the low-teens in Europe, and up modestly in Asia.
- Workplace Safety – Organic sales were down mid-teens in the Americas, up in the low-single digits in Europe, and up more than 30% in Australia.



Gross Profit Margin

GROSS PROFIT & GPM%

(millions of)



Q3 F'20 – GROSS PROFIT MARGIN:

- Gross profit margin of 48.7% compared to 50.3% in Q3 of F'19.
- We continue to invest in automation and manufacturing efficiencies.
- Gross profit margin was impacted by costs incurred to ensure we could serve our customers, increased personnel costs, product mix, and costs to right-size our cost structure.



SG&A Expense

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

(millions of U.S. dollars)



Q3 F'20 – SG&A EXPENSE:

- The \$11.5M reduction in SG&A expense compared to Q3 of F'19 was a combination of:
 - Ongoing efforts to drive efficiency gains and reduce costs.
 - Foreign currency translation.
 - Reduced deferred compensation expense, reduced incentive-based compensation, net of incremental charges such as severance and other charges.



R&D Expense

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

(millions of U.S. dollars)



Q3 F'20 – R&D EXPENSE:

- We continue to invest in R&D to drive future organic sales growth.
- Solid new product pipeline.
- Focused on ensuring our R&D spend is both efficient and effective.



Income Before Income Taxes

INCOME BEFORE INCOME TAXES

(millions of)



Q3 F'20 - INCOME BEFORE INCOME TAXES:

- Income before income taxes decreased 45.9% to \$22.2M in Q3 of F'20 compared to \$41.0M in Q3 of F'19.
- Income before income taxes was negatively impacted by \$13.8M of non-cash impairment charges.



Net Income & Diluted EPS

NET INCOME PER CLASS A DILUTED SHARE



NET INCOME

(millions of)



Q3 F'20 – NET INCOME & DILUTED EPS:

- Net income decreased 60.8% to \$13.6M in Q3 of F'20 compared to \$34.8M in Q3 of F'19.
- Diluted EPS decreased 60.0% to \$0.26 in Q3 of F'20 compared to \$0.65 in Q3 of F'19.
- Net income and diluted EPS were negatively impacted by the following:
 - \$13.8M of impairment charges (\$11.1M after tax).
 - Higher-than-normal income tax rate of 38.5% primarily due to an increase in valuation allowances against foreign tax credit carryforwards.
- Diluted EPS benefited from the buyback of 1,407,393 shares during the quarter ended April 30, 2020.



Cash Generation & Uses

CASH FLOW FROM OPERATING ACTIVITIES (millions of USD)



CASH FLOWS IN Q3 OF F'20:

- Cash flow from operating activities was \$42.8M in Q3 of F'20 compared to \$52.7M in Q3 of F'19.
- Cash flow from operating activities was significantly in excess of net earnings during quarter ended April 30, 2020.
- Free cash flow* was \$34.3M in Q3 of F'20 compared to \$47.3M in Q3 of F'19.
- We returned \$11.3M to our shareholders in form of dividends and returned \$64.1M to shareholders in the form of share buybacks in Q3 of F'20.

(millions of USD)	3 Mos. Ended April 30, 2020	3 Mos. Ended April 30, 2019	9 Mos. Ended April 30, 2020	9 Mos. Ended April 30, 2019
Cash Balance - Beginning of Period	\$ 289.8	\$ 202.2	\$ 279.1	\$ 181.4
Cash Flow from Operating Activities	42.8	52.7	95.9	96.9
Capital Expenditures	(8.5)	(5.4)	(21.6)	(17.5)
Dividends	(11.3)	(11.2)	(34.4)	(33.5)
Share Repurchases	(64.1)	(3.2)	(64.1)	(3.2)
Effect of Exchange Rates on Cash	(9.2)	(1.5)	(9.0)	(2.3)
Other	(0.7)	4.8	(7.0)	16.6
Cash Balance - End of Period	\$ 238.8	\$ 238.4	\$ 238.8	\$ 238.4

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



Net Cash

NET CASH

(millions of USD)



DEBT STRUCTURE

(millions of US)

	Interest Rate	Apr. 30, 2020 Balance	July 3 Ba
Private Placements:			
EUR-den. 2010 Series (10-yr.)	4.24%	\$ (48.9)	\$
TOTAL DEBT		\$ (48.9)	\$
Cash and Cash Equivalents		238.9	
NET CASH		\$ 190.0	\$

STRONG BALANCE SHEET:

- April 30, 2020 cash = \$238.9M and debt = \$48.9M.
- Approximately \$88M of our cash is held in the United States.
- Balance sheet provides flexibility for future investments.
- Private placement debt was fully repaid in May 2020.



Guidance

Withdrawing financial guidance for the balance of fiscal 2020 due to the lack of visibility.

We intend to:

- Continue investing in ROI-positive capital expenditures that improve capabilities or drive automation.
- Continue paying dividends.
- Continue opportunistically repurchasing shares.
- Continue investing in innovation, in sales-generating resources, in efficiency action and other actions that improve our customers' experience.

Brady's strong balance sheet and cash generation afford us the opportunity to stay true to our operating and capital allocation strategies.



Identification Solutions

Q3 F'20 vs. Q3 F'19

(millions of USD)

	Q3 F'20	Q3 F'19	Change
Sales	\$ 193.2	\$ 214.0	- 9.7%
Segment Profit	36.4	39.9	- 8.8%
Segment Profit %	18.8%	18.6%	+ 20 bps

SALES & SEGMENT PROFIT %

(millions of USD)



Q3 F'20 SUMMARY:

- Revenues declined - (9.7%):
 - Organic = - (8.2%).
 - Fx = - (1.5%).
- Organic sales decreased due to an overall slowdown in economic activity in April 2020.
- Certain expenses were incurred, including severance and facility closure costs, in response to reduced sales levels. These incremental costs were more than offset by reduced incentive-based compensation.
- Segment profit as a percent of sales increased due to ongoing efficiency gains and cost reductions in our operations and SG&A structure.

OUTLOOK:

- Exited Q3 of F'20 with April organic sales down 27.6%.
- May organic sales are trending below prior year levels.
- We anticipate our fiscal 4th quarter ending July 31, 2020 to be challenging, but do not yet have clarity to future revenues or earnings.



Workplace Safety

Q3 F'20 vs. Q3 F'19

(millions of USD)

	Q3 F'20	Q3 F'19	Change
Sales	\$ 72.8	\$ 75.8	- 3.9%
Segment Profit	4.4	6.1	- 28.2%
Segment Profit %	6.0%	8.0%	- 200 bps

SALES & SEGMENT PROFIT %

(millions of USD)



Q3 F'20 SUMMARY:

- Revenues declined - (3.9%):
 - Organic growth = + 0.2%.
 - Fx = - (4.1%).
- Organic sales increased in both Europe and Australia, but declined mid-teens in the Americas.
- Certain expenses were incurred, including severar and the write-down of capitalized catalog costs, in response to reduced sales levels in April. These incremental costs were partially, but not fully, offset by the reduction in incentive-based compensation.
- Segment profit as a percent of sales decreased due to the impact of certain charges, net of reduced incentive-based compensation.

OUTLOOK:

- Exited Q3 of F'20 with April organic sales down 7.4%.
- May organic sales are trending below prior year levels.
- We anticipate our fiscal 4th quarter ending July 31, 2020 to be challenging, but do not yet have clarity to future revenues or earnings.



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