



# Brady Corporation

## F'24 Q2 Financial Results



February 22, 2024

# 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, income, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations.

The use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “should,” “project,” “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 and labor as well as raw material shortages and supply chain disruptions; 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; difficulties in protecting our websites, networks and systems against security breaches; Brady's ability to identify, integrate, and grow acquired companies, and to manage contingent liabilities from divested businesses; 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; adverse impacts of regional epidemics or global pandemics; 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 and changes in the regulatory and business environment around dual-class voting structures; 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, 2023.

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.

# Q2 F'24 Highlights

## Organic Sales Growth

- ▶ Organic sales grew 1.6%, with organic growth in both regions.

## Improved GPM

- ▶ GPM of 50.2% compared to 48.0% in Q2 of F'23.
- ▶ Healthy gross profit margins demonstrate our high value-add.

## Expanding Earnings per Share

- ▶ GAAP EPS of \$0.90 was up 18.4% over Q2 of last year.
- ▶ Diluted EPS Excluding Certain Items\* increased 14.8% to \$0.93 in Q2 of F'24 compared to \$0.81 in Q2 of F'23.

## Regional Results

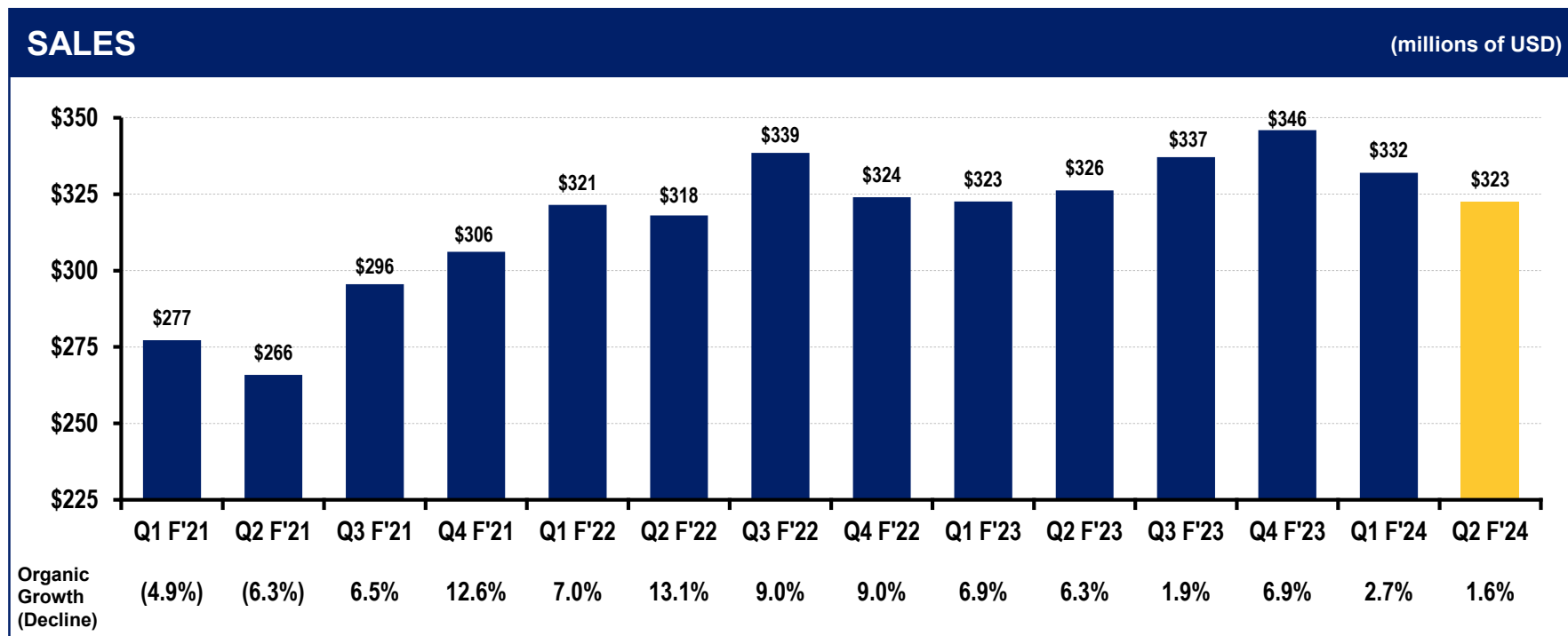
- ▶ Americas & Asia organic sales growth of 1.2%; segment profit increased 9.3%.
- ▶ Europe & Australia organic sales growth of 2.5%; segment profit increased 11.9%.

## Returning Capital to our Shareholders

- ▶ Purchased 143k shares for \$7.7M.
- ▶ Paid dividends of \$11.4M.
- ▶ In a net cash position of \$95.8M at January 31, 2024.

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

# Sales Overview



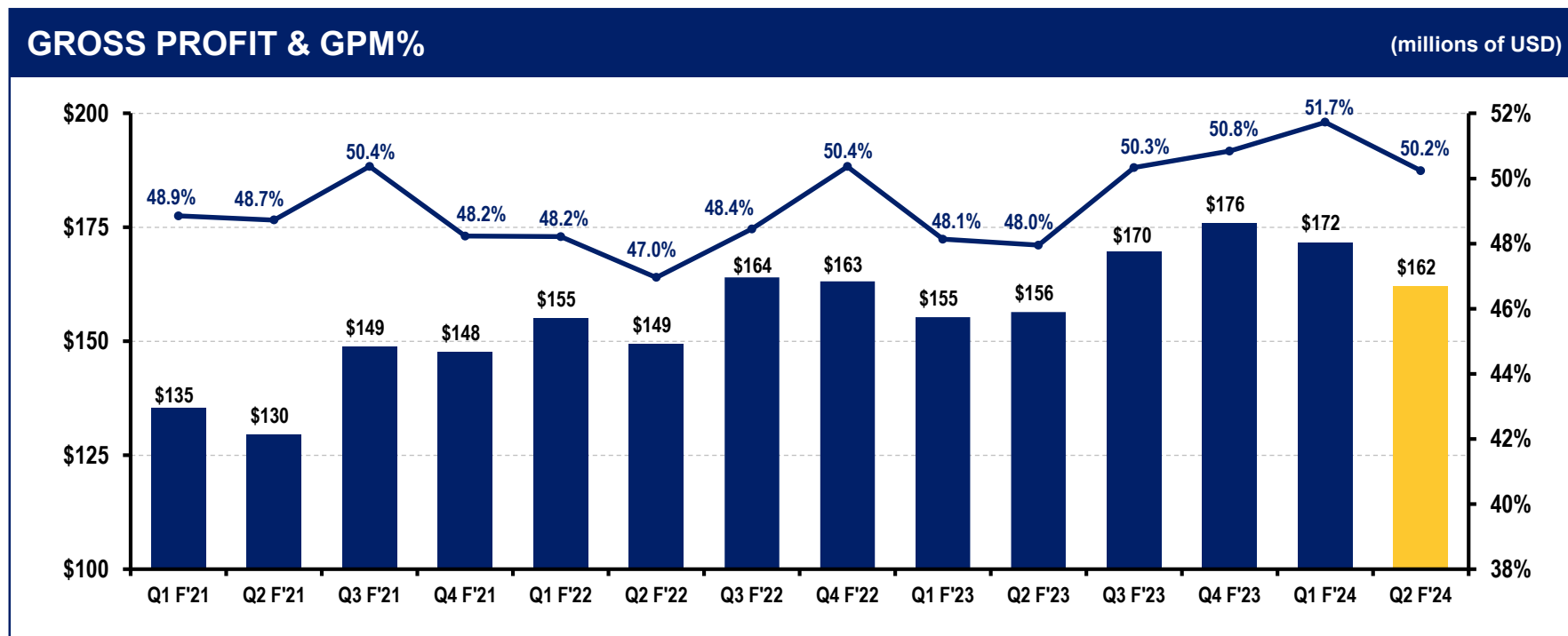
## Q2 F'24 SALES:

- ▶ Total sales decreased 1.1%.
- ▶ Organic sales increased 1.6%.
  - Americas & Asia – Organic sales increased 1.2%.
  - Europe & Australia – Organic sales increased 2.5%.
- ▶ Foreign currency translation increased sales 0.8%.
- ▶ Divestitures decreased sales 3.5%.

## Q2 F'24 SALES COMMENTARY:

- ▶ Organic sales were up 0.7% in the Americas with growth in all product lines except healthcare identification.
- ▶ Asia organic sales were up 5.1% with growth throughout the region.
- ▶ Organic sales were up 2.3% in Europe with growth in all major product lines.
- ▶ Australia organic sales were up 3.7%.

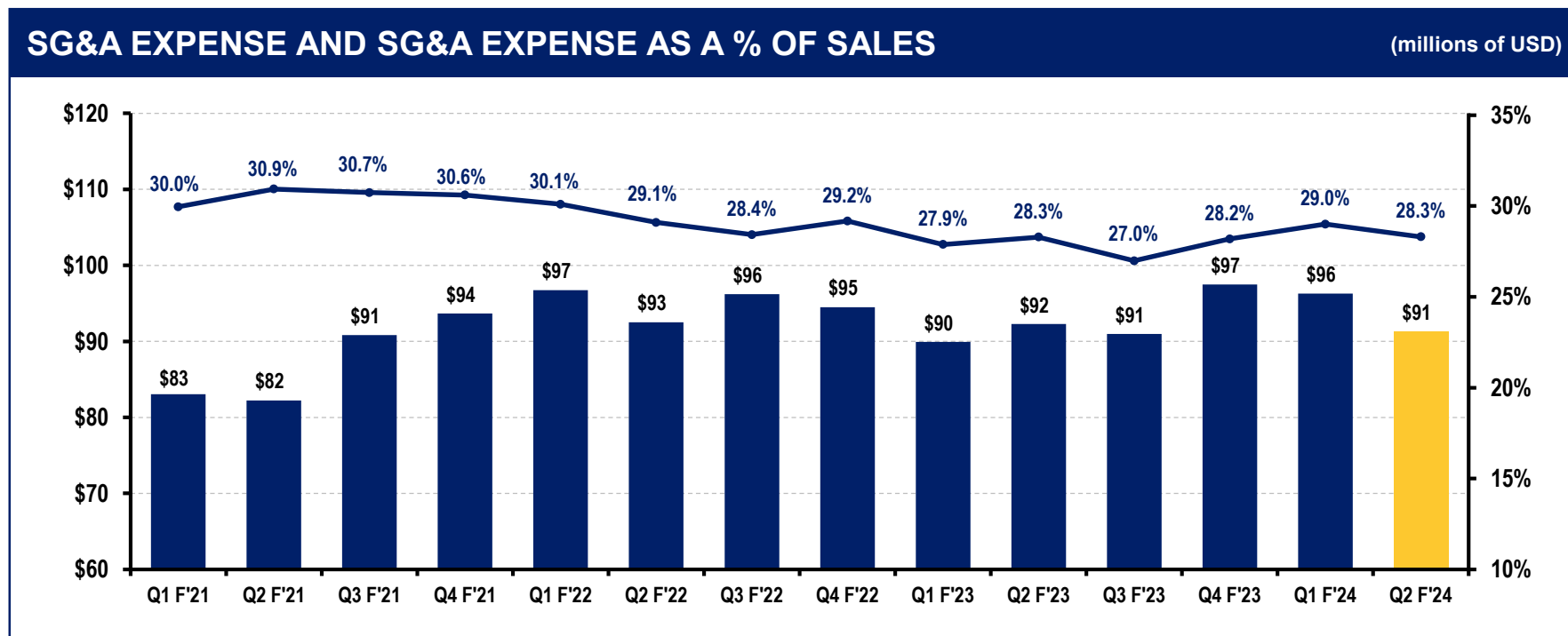
# Gross Profit Margin



## Q2 F'24 – GROSS PROFIT MARGIN:

- ▶ Gross profit margin of 50.2% compared to 48.0% in Q2 of F'23.
- ▶ Improved product mix was the primary driver of the increase in gross profit margin in Q2 of F'24.
- ▶ Inflation continues, but we are experiencing a reduced rate of inflation in certain geographies.

# SG&A Expense

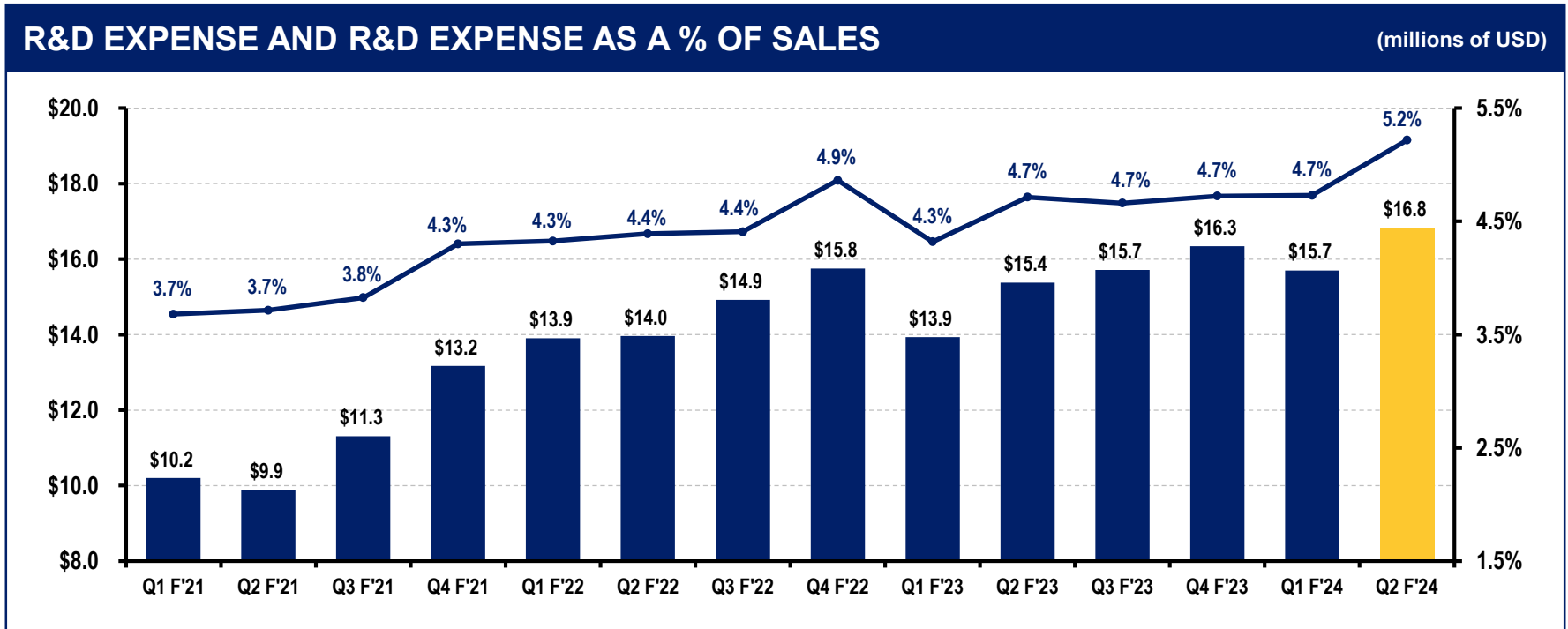


## Q2 F'24 – SG&A EXPENSE:

- ▶ SG&A expense was 28.3% of sales in both Q2 of F'24 and Q2 of F'23. Excluding amortization\* from both periods, SG&A expense was 27.6% of sales compared to 27.3% of sales in the same quarter last year.
- ▶ Inflation continues in certain geographies. We continue to focus on executing sustainable efficiency gains in order to offset cost increases, while making the necessary investments to drive future sales growth.

\* See appendix for non-GAAP measures.

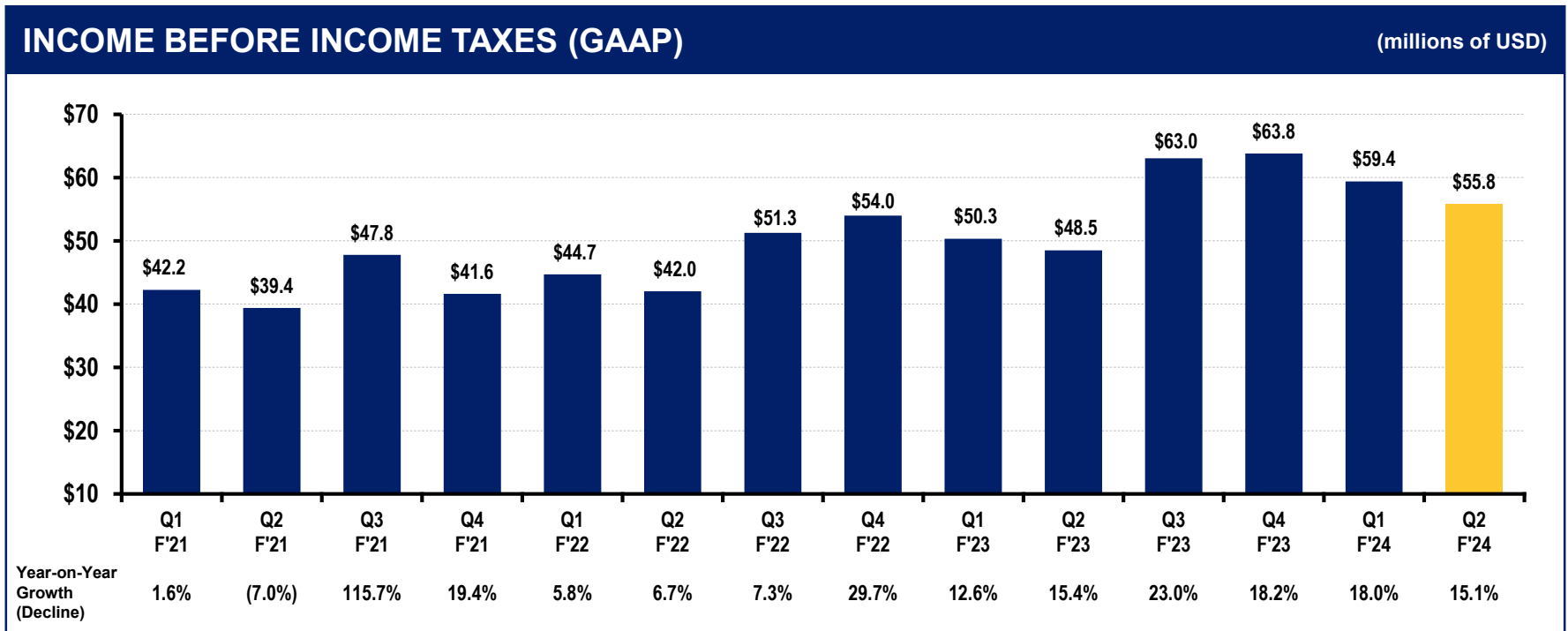
# R&D Expense



## Q2 F'24 – R&D EXPENSE:

- ▶ We remain committed to our investments in R&D, our new product pipeline includes innovative products that solve problems for our customers.
- ▶ We are focused on ensuring that our R&D spend is both efficient and effective.

# Income Before Income Taxes



## Q2 F'24 – INCOME BEFORE INCOME TAXES:

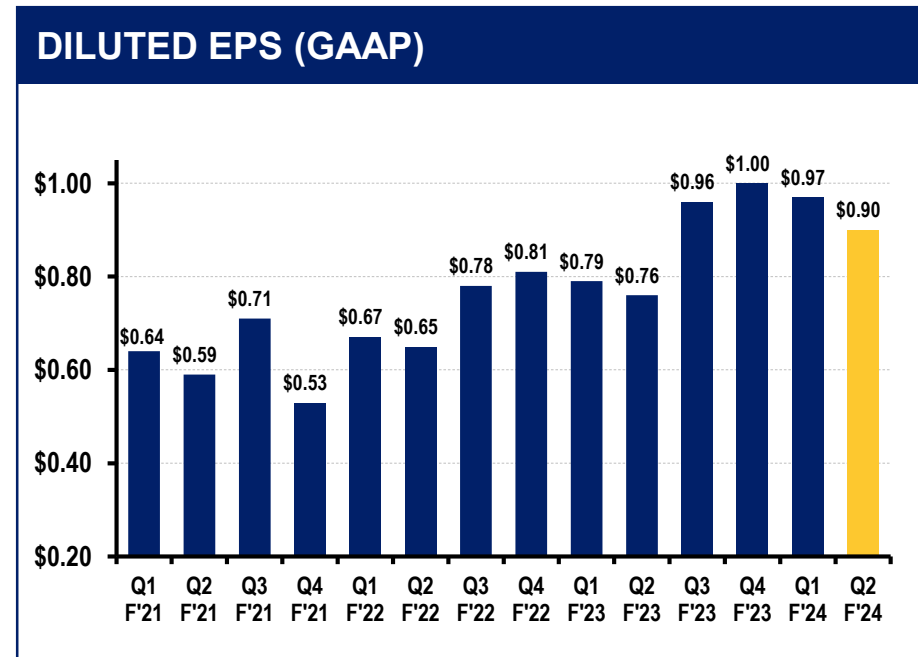
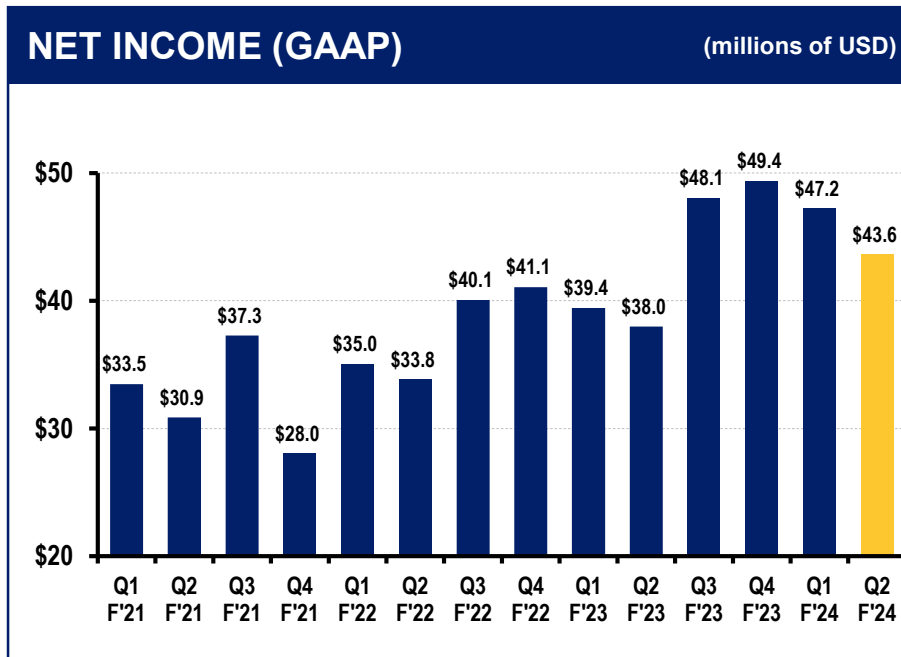
- ▶ GAAP Income before income taxes was up 15.1% to \$55.8M in Q2 of F'24 compared to \$48.5M in Q2 of F'23.
- ▶ Income Before Income Taxes Excluding Certain Items\*, which only removes amortization expense from each period presented, increased 12.4% to \$58.2M in Q2 of F'24 compared to \$51.8M in Q2 of F'23.



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



# Net Income & Diluted EPS



## Q2 F'24 – NET INCOME & DILUTED EPS:

- ▶ GAAP Net Income was \$43.6M in Q2 of F'24 compared to \$38.0M in Q2 of F'23 (an increase of 14.9%).
  - Net Income Excluding Certain Items\* was \$45.4M in Q2 of F'24 compared to \$40.5M in Q2 of F'23 (an increase of 12.3%).
- ▶ GAAP Diluted EPS was \$0.90 in Q2 of F'24 compared to \$0.76 in Q2 of F'23 (an increase of 18.4%).
  - Diluted EPS Excluding Certain Items\* was \$0.93 in Q2 of F'24 compared to \$0.81 in Q2 of F'23 (an increase of 14.8%).

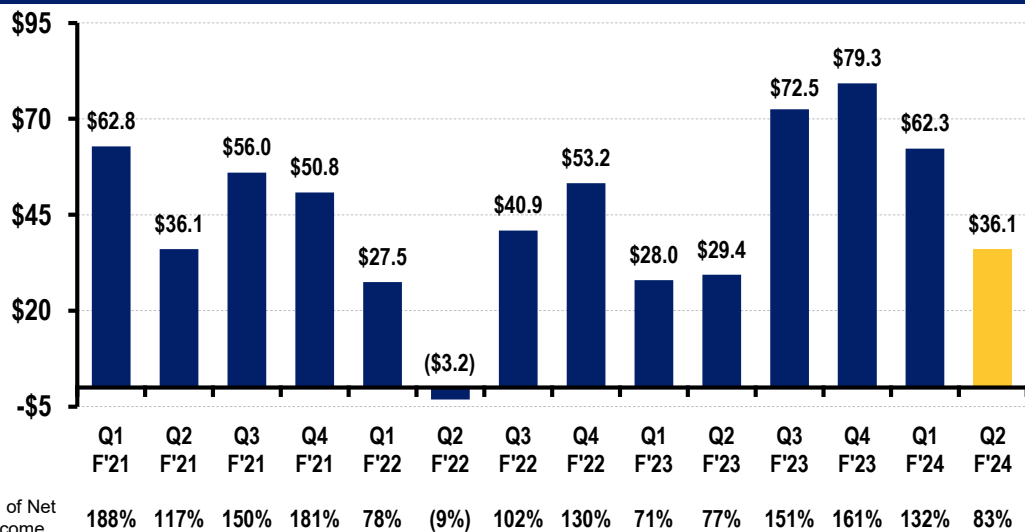


\* Net Income Excluding Certain Items and Diluted EPS Excluding Certain Items are non-GAAP measures. See appendix.

# Cash Generation

## CASH FLOW FROM OPERATING ACTIVITIES

(millions of USD)



## CASH FLOWS IN Q2 OF F'24:

### Overview:

- ▶ Cash flow from operating activities was up 22.8% in Q2 of F'24; increasing from \$29.4M in Q2 of last year to \$36.1M in the current quarter.
- ▶ Free cash flow\* was (\$13.5M) in Q2 of F'24 compared to \$25.1M in Q2 of F'23.
- ▶ Free cash flow was negative in Q2 of F'24 due to the purchase of a previously leased facility.

### Returning Funds to our Shareholders:

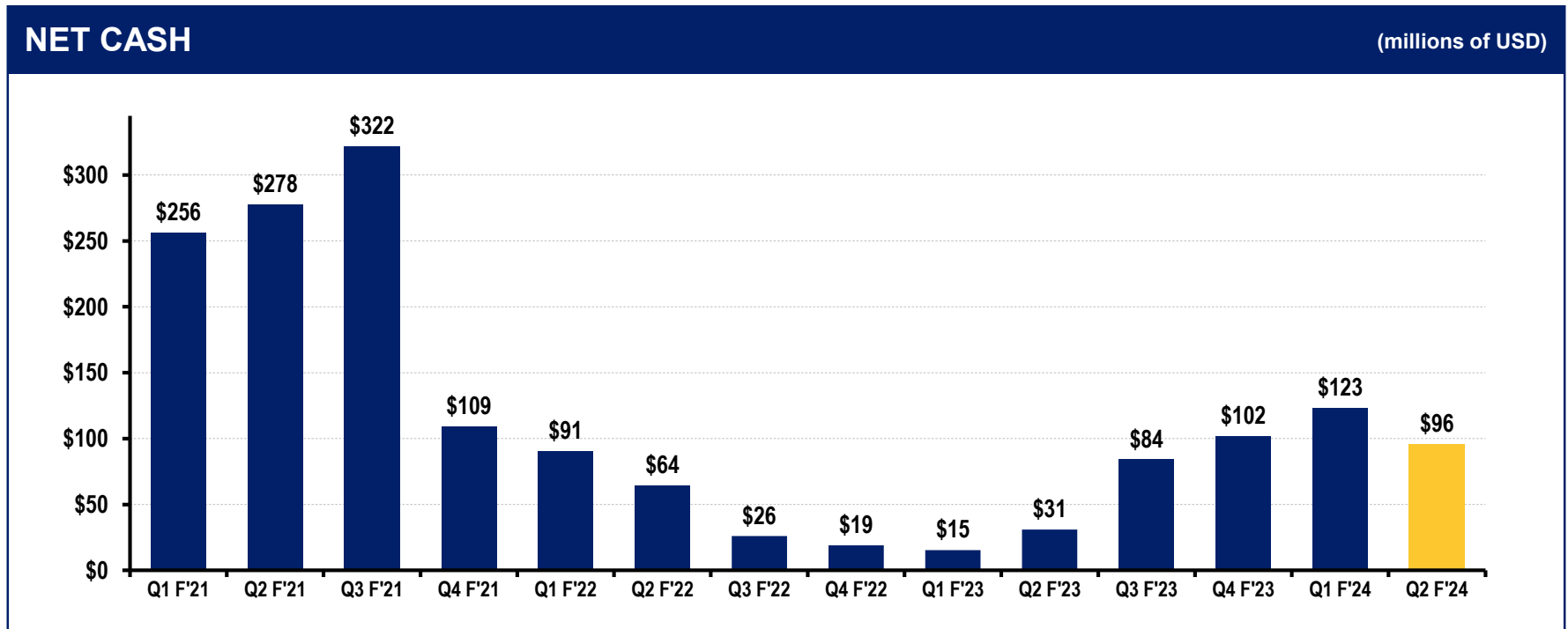
In Q2 of F'24, we returned a total of \$19.0M to our shareholders in the form of dividends and share buybacks.

- ▶ **Dividends** – Increased our annual dividend for the 38<sup>th</sup> consecutive year.
- ▶ **Share Buybacks** – Repurchased 143,115 shares in Q2 of F'24 for \$7.7M (average price of \$53.63/share).

(millions of USD)	3 Mos. Ended Jan. 31, 2024	3 Mos. Ended Jan. 31, 2023	6 Mos. Ended Jan. 31, 2024	6 Mos. Ended Jan. 31, 2023
<b>Cash Balance - Beginning of Period</b>	\$ 175.4	\$ 114.5	\$ 151.5	\$ 114.1
Cash Flow from Operating Activities	36.1	29.4	98.4	57.4
Capital Expenditures	(49.6)	(4.3)	(60.8)	(8.2)
Dividends	(11.4)	(11.4)	(22.7)	(22.8)
Share Repurchases	(7.7)	(5.8)	(21.8)	(17.9)
Debt Repayments	(4.1)	(21.7)	(1.6)	(17.7)
Effect of Exchange Rates on Cash	3.5	5.2	(2.2)	2.0
Other	1.7	2.3	3.1	1.3
<b>Cash Balance - End of Period</b>	<b>\$ 143.9</b>	<b>\$ 108.2</b>	<b>\$ 143.9</b>	<b>\$ 108.2</b>



\* Free cash flow is calculated as Net Cash Provided by Operating Activities less Capital Expenditures.



## STRONG BALANCE SHEET:

- ▶ January 31, 2024 cash = \$143.9M.
- ▶ January 31, 2024 debt = \$48.1M.
- ▶ Balance sheet provides flexibility for future organic and inorganic investments.

# F'24 Diluted EPS Guidance

**GAAP Diluted EPS** **\$3.80 to \$3.95** (+8.3% to +12.5% vs. F'23)

**F'24 Diluted EPS,  
Excluding Certain Items\*** **\$3.95 to \$4.10** (+8.5% to +12.6% vs. F'23)

## Guidance Assumptions:

- ▶ F'24 organic sales growth in the low-single digit percentages.
- ▶ The only difference between GAAP Diluted EPS and Diluted EPS, Excluding Certain Items\* F'24 guidance is the impact of amortization expense of \$0.15 per share.
- ▶ Full-year income tax rate of approximately 22%.
- ▶ Foreign currency exchange rates as of January 31, 2023.
- ▶ Depreciation and amortization expense of \$30M to \$32M.
- ▶ Capital expenditures of approximately \$75M (inclusive of \$55M related to the conversion of previously leased critical manufacturing facilities).

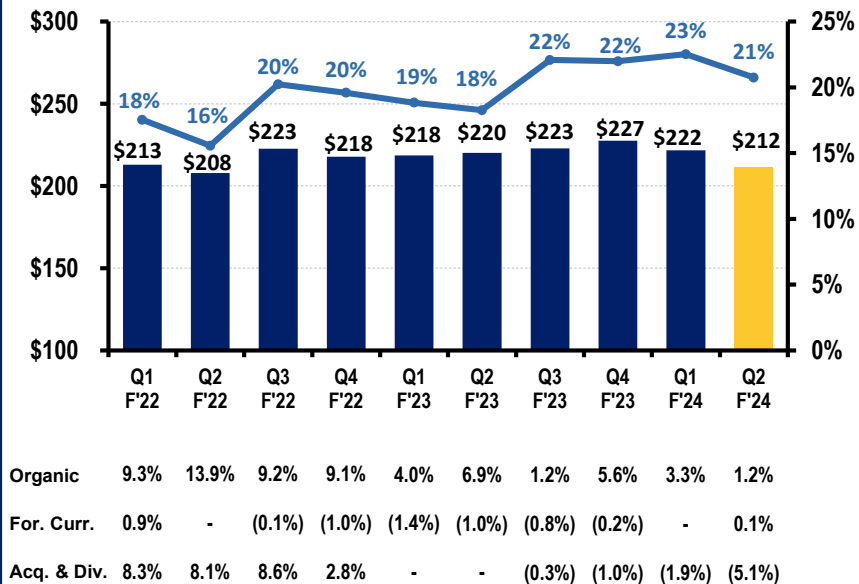
## Q2 F'24 vs. Q2 F'23

(millions of USD)

	Q2 F'24	Q2 F'23	Change
Sales	\$ 211.6	\$ 220.1	(3.8%)
Segment Profit	43.9	40.2	+ 9.3%
Segment Profit %	20.7%	18.3%	+ 240 bps

## SALES & SEGMENT PROFIT %

(millions of USD)



## Q2 F'24 SUMMARY:

- Revenues decreased 3.8% in Q2 of F'24:
  - Organic growth = + 1.2%.
  - Fx increase = + 0.1%.
  - Divestiture = (5.1%).
- Organic sales grew 0.7% in the Americas. Growth in wire identification, safety and facility identification, and product identification, decline in healthcare identification.
- Organic sales grew 5.1% in Asia; growth throughout the region.
- Segment profit increased due to organic sales growth in higher gross margin product lines.

## OUTLOOK:

- Organic sales growth in the low-single digit percentages in F'24.
- Continued growth in segment profit.

# Europe & Australia

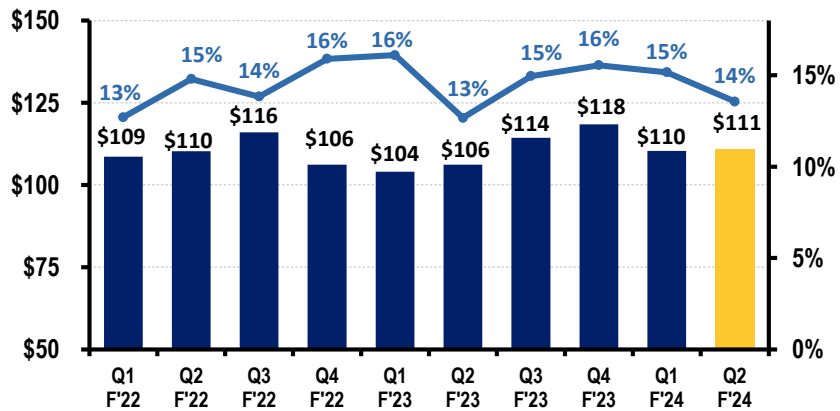
## Q2 F'24 vs. Q2 F'23

(millions of USD)

	Q2 F'24	Q2 F'23	Change
Sales	\$ 111.0	\$ 106.2	+ 4.5%
Segment Profit	15.1	13.5	+ 11.9%
Segment Profit %	13.6%	12.7%	+ 90 bps

## SALES & SEGMENT PROFIT %

(millions of USD)



Organic	2.6%	11.7%	8.5%	8.8%	12.8%	5.2%	3.4%	9.5%	1.4%	2.5%
For. Curr.	0.6%	(5.8%)	(8.2%)	(13.9%)	(17.0%)	(8.9%)	(4.8%)	2.0%	4.6%	2.0%
Acquisitions	8.2%	9.6%	8.7%	1.8%	-	-	-	-	-	-

## Q2 F'24 SUMMARY:

- Revenues increased 4.5% in Q2 of F'24:
  - Organic growth = + 2.5%.
  - Fx increase = + 2.0%.
- Organic sales grew 2.3% in Europe driven by growth in all major product lines.
- Organic sales grew 3.7% in Australia due to increased volume and pricing.
- Segment profit increased due to organic growth and operational efficiencies.

## OUTLOOK:

- Organic sales growth in the low-single digit percentages in F'24.
- Growth in segment profit.

# Investor Relations

## Brady Contact:

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**See our website at**

**[www.bradycorp.com/investors](http://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 to the non-GAAP measure of Income Before Income Taxes Excluding Certain Items:

	Three months ended January 31,		Six months ended January 31,	
	2024	2023	2024	2023
<b>Income before income taxes</b>	\$ 55,820	\$ 48,510	\$ 115,222	\$ 98,845
Amortization expense	2,364	3,258	4,719	6,889
<b>Income Before Income Taxes Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 58,184</b>	<b>\$ 51,768</b>	<b>\$ 119,941</b>	<b>\$ 105,734</b>

### 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 January 31,		Six months ended January 31,	
	2024	2023	2024	2023
<b>Income tax expense (GAAP measure)</b>	\$ 12,192	\$ 10,524	\$ 24,353	\$ 21,418
Amortization expense	548	769	1,094	1,634
<b>Income Tax Expense Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 12,740</b>	<b>\$ 11,293</b>	<b>\$ 25,447</b>	<b>\$ 23,052</b>

# 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:

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 January 31,		Six months ended January 31,	
	2024	2023	2024	2023
<b>Net income (GAAP measure)</b>	\$ 43,628	\$ 37,986	\$ 90,869	\$ 77,427
Amortization expense	1,816	2,489	3,625	5,255
<b>Net Income Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 45,444</b>	<b>\$ 40,475</b>	<b>\$ 94,494</b>	<b>\$ 82,682</b>

### 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 January 31,		Six months ended January 31,	
	2024	2023	2024	2023
<b>Net income per Class A Nonvoting Common Share (GAAP measure)</b>	\$ 0.90	\$ 0.76	\$ 1.86	\$ 1.55
Amortization expense	0.04	0.05	0.07	0.10
<b>Diluted EPS Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 0.93</b>	<b>\$ 0.81</b>	<b>\$ 1.94</b>	<b>\$ 1.65</b>

### Diluted EPS Excluding Certain Items Guidance:

	Fiscal 2024 Expectations	
	Low	High
<b>Earnings per diluted Class A Common Share (GAAP measure)</b>	\$ 3.80	\$ 3.95
Amortization expense	0.15	0.15
<b>Diluted EPS Excluding Certain Items (non-GAAP measure)</b>	<b>\$ 3.95</b>	<b>\$ 4.10</b>