UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended April 30, 2024

OR

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

For the Transition Period from to

Commission File Number 1-14959

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

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

6555 West Good Hope Road
Milwaukee, Wisconsin 53223
(Address of principal executive offices and zip code)

(414) 358-6600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Nonvoting Common Stock, par value $0.01 per share	BRC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

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

As of May 20, 2024, there were 43,941,713 outstanding shares of Class A Nonvoting Common Stock and 3,538,628 shares of Class B Voting Common Stock. The Class B Voting Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BRADY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	April 30, 2024	July 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160,458	$ 151,532
Accounts receivable, net of allowance for credit losses of $6,690 and $8,467, respectively	195,099	184,420
Inventories	153,272	177,078
Prepaid expenses and other current assets	12,443	11,790
Total current assets	521,272	524,820
Property, plant and equipment—net	194,732	142,149
Goodwill	588,095	592,646
Other intangible assets	53,893	62,096
Deferred income taxes	14,881	15,716
Operating lease assets	27,438	29,688
Other assets	23,785	22,142
Total	$ 1,424,096	$ 1,389,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 79,965	$ 79,855
Accrued compensation and benefits	73,697	71,470
Taxes, other than income taxes	14,462	13,575
Accrued income taxes	7,945	12,582
Current operating lease liabilities	12,230	14,726
Other current liabilities	64,850	65,828
Total current liabilities	253,149	258,036
Long-term debt	63,774	49,716
Long-term operating lease liabilities	15,552	16,217
Other liabilities	69,519	74,369
Total liabilities	401,994	398,338
Stockholders' equity:		
Class A nonvoting common stock—Issued 51,261,487 shares, and outstanding 43,941,713 and 45,008,724 shares, respectively	513	513
Class B voting common stock—Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	354,432	351,771
Retained earnings	1,129,739	1,021,870
Treasury stock—7,319,774 and 6,252,763 shares, respectively, of Class A nonvoting common stock, at cost	(356,210)	(290,209)
Accumulated other comprehensive loss	(106,407)	(93,061)
Total stockholders' equity	1,022,102	990,919
Total	$ 1,424,096	$ 1,389,257

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended April 30,		Nine months ended April 30,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 343,384	$ 337,116	$ 997,991	$ 985,934
Cost of goods sold	166,357	167,425	487,162	504,539
Gross margin	177,027	169,691	510,829	481,395
Operating expenses:				
Research and development	17,681	15,715	50,215	45,025
Selling, general and administrative	95,803	90,975	283,415	273,202
Total operating expenses	113,484	106,690	333,630	318,227
Operating income	63,543	63,001	177,199	163,168
Other income (expense):				
Investment and other income	1,596	785	4,718	1,596
Interest expense	(728)	(753)	(2,284)	(2,886)
Income before income taxes	64,411	63,033	179,633	161,878
Income tax expense	13,521	14,981	37,874	36,399
Net income	$ 50,890	$ 48,052	$ 141,759	$ 125,479
Net income per Class A Nonvoting Common Share:				
Basic	$ 1.06	$ 0.97	$ 2.94	$ 2.52
Diluted	$ 1.05	$ 0.96	$ 2.91	$ 2.51
Net income per Class B Voting Common Share:				
Basic	$ 1.06	$ 0.97	$ 2.92	$ 2.51
Diluted	$ 1.05	$ 0.96	$ 2.90	$ 2.49
Weighted average common shares outstanding:				
Basic	48,004	49,653	48,294	49,755
Diluted	48,386	50,001	48,640	50,033

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands, Unaudited)

	Three months ended April 30,		Nine months ended April 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 50,890	$ 48,052	$ 141,759	$ 125,479
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(6,537)	95	(12,310)	12,985
Cash flow hedges:				
Net gain recognized in other comprehensive (loss) income	447	496	1,236	2,165
Reclassification adjustment for gains included in net income	(173)	(463)	(1,712)	(1,261)
	274	33	(476)	904
Pension and other post-retirement benefits actuarial gain amortization	(152)	(151)	(454)	(267)
Other comprehensive (loss) income, before tax	(6,415)	(23)	(13,240)	13,622
Income tax (expense) benefit related to items of other comprehensive (loss) income	(51)	(8)	(106)	54
Other comprehensive (loss) income, net of tax	(6,466)	(31)	(13,346)	13,676
Comprehensive income	$ 44,424	$ 48,021	$ 128,413	$ 139,155

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in Thousands, Unaudited)

	Three months ended April 30, 2024					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at January 31, 2024	$ 548	$ 353,794	$ 1,090,045	$ (305,714)	$ (99,941)	$ 1,038,732
Net income	—	—	50,890	—	—	50,890
Other comprehensive loss, net of tax	—	—	—	—	(6,466)	(6,466)
Issuance of shares of Class A Common Stock under stock plan	—	(521)	—	436	—	(85)
Stock-based compensation expense	—	1,159	—	—	—	1,159
Repurchase of shares of Class A Common Stock, including excise taxes	—	—	—	(50,932)	—	(50,932)
Cash dividends on Common Stock:						
Class A — $0.2350 per share	—	—	(10,364)	—	—	(10,364)
Class B — $0.2350 per share	—	—	(832)	—	—	(832)
Balances at April 30, 2024	$ 548	$ 354,432	$ 1,129,739	$ (356,210)	$ (106,407)	$ 1,022,102

	Nine months ended April 30, 2024					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at July 31, 2023	$ 548	$ 351,771	$ 1,021,870	$ (290,209)	$ (93,061)	$ 990,919
Net income	—	—	141,759	—	—	141,759
Other comprehensive loss, net of tax	—	—	—	—	(13,346)	(13,346)
Issuance of shares of Class A Common Stock under stock plan	—	(3,910)	—	6,829	—	2,919
Tax benefit and withholdings from deferred compensation distributions	—	149	—	—	—	149
Stock-based compensation expense	—	6,422	—	—	—	6,422
Repurchase of shares of Class A Common Stock, including excise taxes	—	—	—	(72,830)	—	(72,830)
Cash dividends on Common Stock:						
Class A — $0.7050 per share	—	—	(31,454)	—	—	(31,454)
Class B — $0.6884 per share	—	—	(2,436)	—	—	(2,436)
Balances at April 30, 2024	$ 548	$ 354,432	$ 1,129,739	$ (356,210)	$ (106,407)	$ 1,022,102

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	Three months ended April 30, 2023					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at January 31, 2023	$ 548	$ 348,513	$ 947,051	$ (233,338)	$ (95,370)	$ 967,404
Net income	—	—	$ 48,052	—	—	48,052
Other comprehensive loss, net of tax	—	—	—	—	(31)	(31)
Issuance of shares of Class A Common Stock under stock plan	—	199	—	748	—	947
Stock-based compensation expense	—	2,046	—	—	—	2,046
Repurchase of shares of Class A Common Stock	—	—	—	(11,913)	—	(11,913)
Cash dividends on Common Stock:						
Class A — $0.2300 per share	—	—	(10,595)	—	—	(10,595)
Class B — $0.2300 per share	—	—	(814)	—	—	(814)
Balances at April 30, 2023	$ 548	$ 350,758	$ 983,694	$ (244,503)	$ (95,401)	$ 995,096

	Nine months ended April 30, 2023					
	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at July 31, 2022	$ 548	$ 345,266	$ 892,417	$ (217,856)	$ (109,077)	$ 911,298
Net income	—	—	125,479	—	—	125,479
Other comprehensive income, net of tax	—	—	—	—	13,676	13,676
Issuance of shares of Class A Common Stock under stock plan	—	(1,001)	—	3,127	—	2,126
Tax benefit and withholdings from deferred compensation distributions	—	66	—	—	—	66
Stock-based compensation expense	—	6,427	—	—	—	6,427
Repurchase of shares of Class A Common Stock	—	—	—	(29,774)	—	(29,774)
Cash dividends on Common Stock:						
Class A — $0.6900 per share	—	—	(31,819)	—	—	(31,819)
Class B — $0.6734 per share	—	—	(2,383)	—	—	(2,383)
Balances at April 30, 2023	$ 548	$ 350,758	$ 983,694	$ (244,503)	$ (95,401)	$ 995,096

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

	Nine months ended April 30, 2024	Nine months ended April 30, 2023
Operating activities:		
Net income	$ 141,759	$ 125,479
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,406	24,522
Stock-based compensation expense	6,422	6,427
Gain on sale of business	—	(3,770)
Deferred income taxes	(6,902)	(5,947)
Other	1,358	(1,336)
Changes in operating assets and liabilities:		
Accounts receivable	(15,915)	1,744
Inventories	20,861	9,279
Prepaid expenses and other assets	(1,849)	(3,429)
Accounts payable and accrued liabilities	7,347	(19,704)
Income taxes	(4,393)	(3,404)
Net cash provided by operating activities	171,094	129,861
Investing activities:		
Purchases of property, plant and equipment	(69,157)	(12,912)
Sale of business	—	8,000
Other	(1,174)	11
Net cash used in investing activities	(70,331)	(4,901)
Financing activities:		
Payment of dividends	(33,890)	(34,202)
Proceeds from exercise of stock options	5,583	4,091
Payments for employee taxes withheld from stock-based awards	(2,664)	(1,965)
Purchase of treasury stock	(72,225)	(29,774)
Proceeds from borrowing on credit agreement	111,790	102,916
Repayment of borrowing on credit agreement	(97,732)	(147,067)
Other	149	66
Net cash used in financing activities	(88,989)	(105,935)
Effect of exchange rate changes on cash and cash equivalents	(2,848)	1,953
Net increase in cash and cash equivalents	8,926	20,978
Cash and cash equivalents, beginning of period	151,532	114,069
Cash and cash equivalents, end of period	$ 160,458	$ 135,047

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2024
(Unaudited)
(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the "Company," "Brady," "we," or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of April 30, 2024 and July 31, 2023, its results of operations and comprehensive income for the three and nine months ended April 30, 2024 and 2023, and cash flows for the nine months ended April 30, 2024 and 2023. The condensed consolidated balance sheet as of July 31, 2023 has been derived from the audited consolidated financial statements as of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended July 31, 2023.

NOTE B — New Accounting Pronouncements

Standards not yet adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.” The guidance requires expanded interim and annual disclosures of segment information including the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within segment profit and loss. The guidance is effective for the Company's fiscal 2025 Form 10-K and interim periods thereafter. The Company is currently evaluating the ASU to determine its impact on the Company's disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The guidance requires expanded annual disclosures including the standardization and disaggregation of income tax rate reconciliation categories and the amount of income taxes paid by jurisdiction. The guidance is effective for the Company’s fiscal 2026 Form 10-K. The Company is currently evaluating the ASU to determine its impact on the Company’s disclosures.

NOTE C — Additional Balance Sheet Information

Inventories

Inventories consisted of the following as of April 30, 2024 and July 31, 2023:

	April 30, 2024	July 31, 2023
Finished products	$ 89,054	$ 103,350
Work-in-process	24,663	26,884
Raw materials and supplies	39,555	46,844
Total inventories	$ 153,272	$ 177,078

Property, plant and equipment

Property, plant and equipment is presented net of accumulated depreciation in the amount of $ 302,424 and $292,680 as of April 30, 2024 and July 31, 2023, respectively.

NOTE D — Other Intangible Assets

Other intangible assets as of April 30, 2024 and July 31, 2023 consisted of the following:

	April 30, 2024				July 31, 2023			
	Weighted Average Amortization Period (Years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Book Value**	**Weighted Average Amortization Period (Years)**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Book Value**
Amortized other intangible assets:								
Tradenames	3	$ 600	$ (583)	$ 17	3	$ 1,114	$ (947)	$ 167
Customer relationships	9	64,048	(21,304)	42,744	9	64,513	(15,947)	48,566
Technology	5	9,240	(5,660)	3,580	5	9,313	(4,235)	5,078
Unamortized other intangible assets:								
Tradenames	N/A	7,552	—	7,552	N/A	8,285	—	8,285
Total		$ 81,440	$ (27,547)	$ 53,893		$ 83,225	$ (21,129)	$ 62,096

The decrease in the gross carrying amount of other intangible assets as of April 30, 2024 compared to July 31, 2023 was primarily due to the removal of a fully amortized tradename as well as a discontinued tradename during the nine-month period.

Amortization expense of intangible assets was $ 2,365 and $2,461 for the three months ended April 30, 2024 and 2023, respectively, and $ 7,084 and $9,350 for the nine months ended April 30, 2024 and 2023, respectively.

NOTE E — Leases

The Company leases certain manufacturing facilities, warehouse and office spaces, and vehicles accounted for as operating leases. Lease terms typically range from one year to ten years. As of April 30, 2024, the Company did not have any finance leases.

Operating lease expense was $3,688 and $3,997 for the three months ended April 30, 2024 and 2023, respectively, and $ 11,557 and $11,645 for the nine months ended April 30, 2024 and 2023, respectively, which was recognized in either "Cost of goods sold" or "Selling, general and administrative" expenses in the condensed consolidated statements of income, based on the nature of the lease. Short-term lease expense, variable lease expenses, and sublease income was immaterial to the condensed consolidated statements of income for the three and nine months ended April 30, 2024 and 2023.

Supplemental cash flow information related to the Company's operating leases for the nine months ended April 30, 2024 and 2023 was as follows:

	Nine months ended April 30,	
	2024	**2023**
Operating cash outflows from operating leases	$ 12,441	$ 13,196
Operating lease assets obtained in exchange for new operating lease liabilities[1]	8,903	6,545

[1] Includes new leases and remeasurements or modifications of existing leases.

NOTE F — Accumulated Other Comprehensive Loss

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

The following table illustrates the changes in the balances of each component of accumulated other comprehensive loss, net of tax, for the nine months ended April 30, 2024:

	Unrealized gain on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance, July 31, 2023	$ 1,641	$ 756	$ (95,458)	$ (93,061)
Other comprehensive income (loss) before reclassification	702	—	(12,310)	(11,608)
Amounts reclassified from accumulated other comprehensive loss	(1,284)	(454)	—	(1,738)
Ending balance, April 30, 2024	$ 1,059	$ 302	$ (107,768)	$ (106,407)

The increase in accumulated other comprehensive loss as of April 30, 2024 compared to July 31, 2023 was primarily due to the appreciation of the U.S. dollar against certain other currencies during the nine-month period.

The changes in accumulated other comprehensive loss by component, net of tax, for the nine months ended April 30, 2023 were as follows:

	Unrealized gain on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance, July 31, 2022	$ 954	$ 1,436	$ (111,467)	$ (109,077)
Other comprehensive income before reclassification	1,966	—	12,985	14,951
Amounts reclassified from accumulated other comprehensive loss	(946)	(329)	—	(1,275)
Ending balance, April 30, 2023	$ 1,974	$ 1,107	$ (98,482)	$ (95,401)

The decrease in accumulated other comprehensive loss as of April 30, 2023 compared to July 31, 2022 was primarily due to the depreciation of the U.S. dollar against certain other currencies during the nine-month period.

Of the amounts reclassified from accumulated other comprehensive loss during the nine months ended April 30, 2024 and 2023, unrealized gains on cash flow hedges were reclassified to "Cost of goods sold" and unamortized gains on post-retirement plans were reclassified into "Investment and other income" on the condensed consolidated statements of income.

The following table illustrates the income tax (expense) benefit on the components of other comprehensive (loss) income for the three and nine months ended April 30, 2024 and 2023:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
Income tax (expense) benefit related to items of other comprehensive (loss) income:				
Cash flow hedges	$ (51)	$ (8)	$ (106)	$ 116
Pension and other post-retirement benefits	—	—	—	(62)
Income tax (expense) benefit related to items of other comprehensive (loss) income	$ (51)	$ (8)	$ (106)	$ 54

NOTE G — Revenue Recognition

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

The Company offers extended warranty coverage that is included in the sales price of certain products, which it accounts for as service warranties. The Company accounts for the deferred revenue associated with extended service warranties as a contract liability. The balance of contract liabilities associated with service warranty performance obligations was $3,149 and $2,757 as of April 30, 2024 and July 31, 2023, respectively. The current portion and non-current portion of contract liabilities are included in “Other current liabilities” and “Other liabilities," respectively, on the condensed consolidated balance sheets. The Company recognized revenue of $325 and $311 during the three months ended April 30, 2024 and 2023, respectively, and $ 960 and $928 during the nine months ended April 30, 2024 and 2023, respectively, that was included in the contract liability balance at the beginning of the respective period from the amortization of extended service warranties. Of the contract liability balance outstanding at April 30, 2024, the Company expects to recognize 11% by the end of fiscal 2024, an additional 36% by the end of fiscal 2025, and the remaining balance thereafter.

NOTE H — Segment Information

The Company is organized and managed within two regions: Americas & Asia and Europe & Australia, which are the reportable segments. The following is a summary of net sales by segment and geographic region for the three and nine months ended April 30, 2024 and 2023:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
Net sales:				
Americas & Asia				
Americas	$ 200,602	$ 198,074	$ 582,864	$ 584,505
Asia	24,164	24,739	75,171	76,870
Total	$ 224,766	$ 222,813	$ 658,035	$ 661,375
Europe & Australia				
Europe	$ 104,925	$ 100,480	$ 299,629	$ 284,432
Australia	13,693	13,823	40,327	40,127
Total	$ 118,618	$ 114,303	$ 339,956	$ 324,559
Total Company	$ 343,384	$ 337,116	$ 997,991	$ 985,934

The following is a summary of segment profit for the three and nine months ended April 30, 2024 and 2023:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
Segment profit:				
Americas & Asia	$ 49,697	$ 49,192	$ 143,489	$ 130,511
Europe & Australia	19,537	17,099	51,335	47,316
Total profit from reportable segments	$ 69,234	$ 66,291	$ 194,824	$ 177,827

Total profit from reportable segments is a measure of operating income that excludes administrative costs related to corporate functions that are otherwise included in the Company's operating income. The following is a reconciliation of total profit from reportable segments to income before income taxes for the three and nine months ended April 30, 2024 and 2023:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
Total profit from reportable segments	$ 69,234	$ 66,291	$ 194,824	$ 177,827
Unallocated amounts:				
Administrative costs	(5,691)	(7,060)	(17,625)	(18,429)
Gain on sale of business	—	3,770	—	3,770
Investment and other income	1,596	785	4,718	1,596
Interest expense	(728)	(753)	(2,284)	(2,886)
Income before income taxes	$ 64,411	$ 63,033	$ 179,633	$ 161,878

NOTE I — Net Income per Common Share

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

	Three months ended April 30,		Nine months ended April 30,	
	2024	**2023**	**2024**	**2023**
Numerator (in thousands):				
Net income (Numerator for basic and diluted income per Class A Nonvoting Common Share)	$ 50,890	$ 48,052	$ 141,759	$ 125,479
Less:				
Preferential dividends	—	—	(748)	(769)
Preferential dividends on dilutive stock options	—	—	(5)	(4)
Numerator for basic and diluted income per Class B Voting Common Share	$ 50,890	$ 48,052	$ 141,006	$ 124,706
Denominator (in thousands):				
Denominator for basic income per share for both Class A and Class B	48,004	49,653	48,294	49,755
Plus: Effect of dilutive equity awards	382	348	346	278
Denominator for diluted income per share for both Class A and Class B	48,386	50,001	48,640	50,033
Net income per Class A Nonvoting Common Share:				
Basic	$ 1.06	$ 0.97	$ 2.94	$ 2.52
Diluted	$ 1.05	$ 0.96	$ 2.91	$ 2.51
Net income per Class B Voting Common Share:				
Basic	$ 1.06	$ 0.97	$ 2.92	$ 2.51
Diluted	$ 1.05	$ 0.96	$ 2.90	$ 2.49

Potentially dilutive securities attributable to outstanding stock options and restricted stock units were excluded from the calculation of diluted earnings per share where the combined exercise price and average unamortized fair value were greater than the average market price of the Company's Class A Nonvoting Common Stock because the effect would have been anti-dilutive. The amount of anti-dilutive shares were 47,409 and 447,210 for the three months ended April 30, 2024 and 2023, respectively, and 136,919 and 555,247 for the nine months ended April 30, 2024 and 2023, respectively.

NOTE J — Fair Value Measurements

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

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

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

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

The following table summarizes the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2024 and July 31, 2023:

	April 30, 2024	**July 31, 2023**	**Fair Value Hierarchy**
Assets:			
Deferred compensation plan assets	$ 19,238	$ 18,288	Level 1
Foreign exchange contracts	602	492	Level 2
Liabilities:			
Foreign exchange contracts	—	189	Level 2

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

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

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

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

NOTE K — Derivatives and Hedging Activities

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

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

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

	April 30, 2024	July 31, 2023
Designated as cash flow hedges	$ 13,284	$ 39,661
Non-designated hedges	4,793	4,803
Total foreign exchange contracts	$ 18,077	$ 44,464

Cash Flow Hedges

The Company has designated a portion of its forward foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the condensed consolidated balance sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into income in the same period or periods during which the hedged transaction affects income. As of April 30, 2024 and July 31, 2023, unrealized gains of $1,104 and $1,580 have been included in OCI, respectively.

Net Investment Hedges

The Company has designated certain third party foreign currency denominated debt borrowed under its credit agreement as net investment hedges. These debt obligations, denominated in Euros and British Pounds, were designated as net investment hedges to hedge portions of the Company's net investment in its European operations. The Company's foreign currency denominated debt obligations are valued under a market approach using publicized spot prices, and the net gains or losses attributable to the changes in spot prices are recorded as cumulative translation within AOCI and are included in the foreign currency translation adjustments section of the condensed consolidated statements of comprehensive income. As of April 30, 2024 and July 31, 2023, the cumulative balances recognized in accumulated other comprehensive income were losses of $799 and $1,746, respectively, on any outstanding foreign currency denominated debt obligations.

The following table summarizes the amount of pre-tax gains and losses related to derivatives designated as hedging instruments:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
Gains (losses) recognized in OCI:				
Forward exchange contracts (cash flow hedges)	$ 447	$ 496	$ 1,236	$ 2,165
Foreign currency denominated debt (net investment hedges)	408	(661)	947	(1,502)
Gains reclassified from OCI into cost of goods sold				
Forward exchange contracts (cash flow hedges)	173	463	1,712	1,261

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

	April 30, 2024			July 31, 2023		
	Prepaid expenses and other current assets	Other current liabilities	Long-term obligations	Prepaid expenses and other current assets	Other current liabilities	Long-term obligations
Derivatives designated as hedging instruments:						
Foreign exchange contracts (cash flow hedges)	$ 595	$ —	$ —	$ 485	$ 189	$ —
Foreign currency denominated debt (net investment hedges)	—	—	35,774	—	—	36,716
Derivatives not designated as hedging instruments:						
Foreign exchange contracts (non-designated hedges)	7	—	—	7	—	—
Total derivative instruments	$ 602	$ —	$ 35,774	$ 492	$ 189	$ 36,716

NOTE L — Income Taxes

The income tax rate for the three months ended April 30, 2024 and 2023 was 21.0% and 23.8%, respectively. The income tax rate for the nine months ended April 30, 2024 and 2023, was 21.1% and 22.5%, respectively. The decrease in the tax rate in the nine-month period was primarily due to tax benefits from stock-based compensation and other permanent adjustments. The Company expects its ongoing annual income tax rate to be approximately 21% based on its current global business mix and based on tax laws and statutory rates currently in effect.

NOTE M — Contingencies

In the normal course of business, the Company is subject to a variety of investigations, claims, suits, and other legal proceedings, including but not limited to, intellectual property, employment, unclaimed property, tort, and breach of contract matters. Any legal proceedings are subject to inherent uncertainties, and these matters and their potential effects may change in the future. The Company records a liability for contingencies when a loss is deemed to be probable and the loss can be reasonably estimated. The Company currently believes that the outcomes of such proceedings will not have a material adverse impact on its business, financial position, results of operations or cash flows.

NOTE N — Subsequent Events

On May 20, 2024, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of $0.235 per share payable on July 31, 2024, to shareholders of record at the close of business on July 10, 2024.

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

Overview

Brady Corporation is a global manufacturer and supplier of identification solutions and workplace safety products that identify and protect premises, products and people. The Company is organized and managed on a geographic basis with two reportable segments: Americas & Asia and Europe & Australia. Within each of the reportable segments, the Company sells products under the product identification, wire identification, healthcare identification and safety and facility identification product lines to a diverse base of customers. The product identification, wire identification, and healthcare identification product lines include high-performance and innovative products that are designed, manufactured, and distributed within the Company's value chain. The safety and facility identification product line includes a broad range of stock and custom products that the Company manufactures, as well as a wide variety of products that the Company purchases and resells as a distributor.

The ability to provide customers with a broad range of proprietary, customized and diverse products for use in various applications across multiple industries and geographies, along with a commitment to quality and service, have made Brady a leader in many of its markets. Brady's long-term sales growth and profitability will depend not only on the overall economic environment and our ability to successfully navigate changes in the macro environment, but also on our ability to develop and market innovative products, deliver a high level of customer service, advance our digital capabilities, and continuously improve the efficiency of our global operations. Our strategy for growth includes an increased focus on certain industries and products, streamlining our product offerings, expanding into higher growth end-markets, improving the overall customer experience, developing technologically advanced, innovative, and proprietary products, and improving our digital capabilities.

The following are key initiatives supporting our strategy in fiscal 2024:

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

Macroeconomic Conditions and Trends

The Company has experienced, and expects to continue to experience, inflationary pressures and supply chain and other business disruptions through the end of fiscal 2024. While we have seen certain pressures alleviate, we expect raw materials and labor cost inflation to continue. Thus far, the Company has been able to mitigate the impact of inflation through pricing actions and the execution of sustainable efficiency gains.

We believe we have the financial strength to continue to invest in organic sales growth opportunities including sales, marketing and research and development ("R&D"), as well as inorganic sales opportunities including acquisitions, while continuing to drive sustainable efficiency gains and automation in our operations and selling, general and administrative ("SG&A") functions and return capital to our shareholders in the form of dividends and share repurchases. At April 30, 2024, we had cash of $160.5 million, as well as a credit agreement with $234.5 million available for future borrowing, which can be increased up to $1,084.5 million at the Company's option and subject to certain conditions, for total available liquidity of $1,245.0 million.

We believe that our financial resources and liquidity levels, including the remaining undrawn amount of the credit agreement and our ability to increase that credit line as necessary are sufficient to manage the continuing impact of economic or geopolitical events which may result in reduced sales, net income, or cash provided by operating activities. Refer to Risk Factors, included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2023, for further discussion of the possible impact of global economic or geopolitical events on our business.

Results of Operations

A comparison of results of operating income for the three and nine months ended April 30, 2024 and 2023, is as follows:

	Three months ended April 30,				Nine months ended April 30,			
(Dollars in thousands)	**2024**	**% Sales**	**2023**	**% Sales**	**2024**	**% Sales**	**2023**	**% Sales**
Net sales	$ 343,384		$ 337,116		$ 997,991		$ 985,934	
Gross margin	177,027	51.6 %	169,691	50.3 %	510,829	51.2 %	481,395	48.8 %
Operating expenses:								
Research and development	17,681	5.1 %	15,715	4.7 %	50,215	5.0 %	45,025	4.6 %
Selling, general and administrative	95,803	27.9 %	90,975	27.0 %	283,415	28.4 %	273,202	27.7 %
Total operating expenses	113,484	33.0 %	106,690	31.6 %	333,630	33.4 %	318,227	32.3 %
Operating income	$ 63,543	18.5 %	$ 63,001	18.7 %	$ 177,199	17.8 %	$ 163,168	16.5 %

References in this Form 10-Q to "organic sales" refer to sales calculated in accordance with GAAP, excluding the impact of foreign currency translation and sales recorded from divested companies up to the first anniversary of their divestiture. The Company's organic sales disclosures exclude the effects of foreign currency translation as foreign currency translation is subject to volatility that can obscure underlying business trends. Management believes that the non-GAAP financial measure of organic sales is meaningful to investors as it provides them with useful information to aid in identifying underlying sales trends in our businesses and facilitating comparisons of our sales performance with prior periods.

Net sales for the three months ended April 30, 2024 increased 1.9% to $343.4 million compared to $337.1 million in the same period in the prior year, which consisted of organic sales growth of 4.5%, partially offset by a decrease from foreign currency translation of 0.3% and a decrease due to divestitures of 2.3%. Organic sales grew 4.5% in the Americas & Asia segment and 4.4% in the Europe & Australia segment during the three months ended April 30, 2024.

Net sales for the nine months ended April 30, 2024 increased 1.2% to $998.0 million compared to $985.9 million in the same period in the prior year. The increase consisted of organic sales growth of 3.0% and an increase from foreign currency translation of 0.6%, which was partially offset by a decrease of 2.4% due to divestitures. Organic sales grew 3.0% in the Americas & Asia segment and 2.8% in the Europe & Australia segment during the nine months ended April 30, 2024.

Gross margin increased 4.3% to $177.0 million in the three months ended April 30, 2024 compared to $169.7 million in the same period in the prior year. As a percentage of net sales, gross margin increased to 51.6% from 50.3% in the three-month period. Gross margin increased 6.1% to $510.8 million in the nine months ended April 30, 2024 compared to $481.4 million in the same period in the prior year. As a percentage of net sales, gross margin increased to 51.2% from 48.8% in the nine-month period. The increase in gross margin as a percentage of net sales was primarily due to organic sales growth in higher gross margin product lines during both the three and nine-month periods.

R&D expenses increased 12.5% to $17.7 million in the three months ended April 30, 2024 compared to $15.7 million in the same period in the prior year. As a percentage of net sales, R&D expenses increased to 5.1% from 4.7% in the three-month period. R&D expenses increased 11.5% to $50.2 million in the nine months ended April 30, 2024 compared to $45.0 million in the same period in the prior year. As a percentage of net sales, R&D expenses increased to 5.0% from 4.6% in the nine-month period. The increase in R&D spending was primarily due to an increase in R&D headcount. The Company remains committed to investing in new product development to increase sales within our businesses. Investments in new printing systems, materials and an industrial track and trace solution remain the primary focus of R&D expenditures in fiscal 2024.

SG&A expenses include selling and administrative costs directly attributed to the Americas & Asia and Europe & Australia segments, as well as certain other administrative expenses including finance, information technology, human resources, and corporate administrative expenses. SG&A expenses increased 5.3% to $95.8 million in the three months ended April 30, 2024 compared to $91.0 million in the same period in the prior year. As a percentage of sales, SG&A increased to 27.9% from 27.0% in the three-month period. SG&A expenses increased 3.7% to $283.4 million for the nine months ended April 30, 2024 compared to $273.2 million in the same period in the prior year. As a percentage of net sales, SG&A increased to 28.4% from 27.7% in the nine-month period. SG&A expenses include a gain of $3.8 million from the sale of the PremiSys business during the three months ended April 30, 2023. The increase in SG&A expenses during the three and nine months ended April 30, 2024 was primarily due to increased headcount in sales and technology roles, investments in digital advertising and the gain on sale of business recorded in the prior period, which was partially offset by a decrease in headcount and advertising expense from divested businesses and a decrease in amortization expense.

Operating income increased 0.9% to $63.5 million and increased 8.6% to $177.2 million in the three and nine months ended April 30, 2024, respectively, compared to $63.0 million and $163.2 million in the same periods in the prior year. The increase in operating income in both the three and nine-month periods was primarily due to organic sales growth and increased gross margin, which was partially offset by investments in sales, technology and R&D personnel along with the gain of $3.8 million from the sale of the PremiSys business in the prior period.

OPERATING INCOME TO NET INCOME

	Three months ended April 30,				Nine months ended April 30,			
(Dollars in thousands)	**2024**	**% Sales**	**2023**	**% Sales**	**2024**	**% Sales**	**2023**	**% Sales**
Operating income	$ 63,543	18.5 %	$ 63,001	18.7 %	$ 177,199	17.8 %	$ 163,168	16.5 %
Other income (expense):								
Investment and other income	1,596	0.5 %	785	0.2 %	4,718	0.5 %	1,596	0.2 %
Interest expense	(728)	(0.2)%	(753)	(0.2)%	(2,284)	(0.2)%	(2,886)	(0.3)%
Income before income taxes	64,411	18.8 %	63,033	18.7 %	179,633	18.0 %	161,878	16.4 %
Income tax expense	13,521	3.9 %	14,981	4.4 %	37,874	3.8 %	36,399	3.7 %
Net income	$ 50,890	14.8 %	$ 48,052	14.3 %	$ 141,759	14.2 %	$ 125,479	12.7 %

Investment and other income was $1.6 million and $4.7 million in the three and nine months ended April 30, 2024, respectively, compared to $0.8 million and $1.6 million in the same periods in the prior year. The increase in income during the three and nine-month periods was primarily due to an increase in interest income and an increase in the market value of securities held in deferred compensation plans.

Interest expense decreased to $0.7 million and $2.3 million in the three and nine months ended April 30, 2024, respectively, compared to $0.8 million and $2.9 million in the same periods in the prior year. The decrease in interest expense was primarily due to a decrease in outstanding borrowings on the Company's credit agreement, which was partially offset by an increase in interest rates on the Company's credit agreement compared to the same periods in the prior year.

The Company's income tax rate was 21.0% and 23.8% in the three months ended April 30, 2024 and 2023, respectively, and the income tax rate was 21.1% and 22.5% for the nine months ended April 30, 2024 and 2023, respectively. Refer to Note L, "Income Taxes" for additional information on the Company's income tax rates.

Business Segment Operating Results

The Company evaluates short-term segment performance based on segment profit and customer sales. Interest expense, investment and other income, income tax expense, and certain corporate administrative expenses are excluded when evaluating segment performance.

The following is a summary of segment information for the three and nine months ended April 30, 2024 and 2023:

	Three months ended April 30,		Nine months ended April 30,	
	2024	2023	2024	2023
SALES GROWTH INFORMATION				
Americas & Asia				
Organic	4.5 %	1.2 %	3.0 %	4.0 %
Currency	(0.1)%	(0.8)%	— %	(1.1)%
Divestiture	(3.5)%	(0.3)%	(3.5)%	(0.1)%
Total	0.9 %	0.1 %	(0.5)%	2.8 %
Europe & Australia				
Organic	4.4 %	3.4 %	2.8 %	7.0 %
Currency	(0.6)%	(4.8)%	1.9 %	(10.1)%
Total	3.8 %	(1.4)%	4.7 %	(3.1)%
Total Company				
Organic	4.5 %	1.9 %	3.0 %	5.0 %
Currency	(0.3)%	(2.1)%	0.6 %	(4.1)%
Divestiture	(2.3)%	(0.2)%	(2.4)%	(0.1)%
Total	1.9 %	(0.4)%	1.2 %	0.8 %
SEGMENT PROFIT				
Americas & Asia	$ 49,697	$ 49,192	$ 143,489	$ 130,511
Europe & Australia	19,537	17,099	51,335	47,316
Total	$ 69,234	$ 66,291	$ 194,824	$ 177,827
SEGMENT PROFIT AS A PERCENT OF NET SALES				
Americas & Asia	22.1 %	22.1 %	21.8 %	19.7 %
Europe & Australia	16.5 %	15.0 %	15.1 %	14.6 %
Total	20.2 %	19.7 %	19.5 %	18.0 %

Americas & Asia

Americas & Asia net sales increased 0.9% to $224.8 million in the three months ended April 30, 2024 compared to $222.8 million in the same period in the prior year, which consisted of organic sales growth of 4.5% and decreases from foreign currency translation of 0.1% and divestitures of 3.5%. Americas & Asia net sales declined 0.5% to $658.0 million in the nine months ended April 30, 2024 compared to $661.4 million in the same period in the prior year, which consisted of organic sales growth of 3.0% that was offset by a decrease due to divestitures of 3.5%.

Organic sales in the Americas increased in the mid-single digits in the three months ended April 30, 2024 and increased in the low-single digits in the nine months ended April 30, 2024 compared to the same periods in the prior year. Organic sales growth during the three-month period was driven by growth in all major product lines with the strongest growth in the safety and facility identification and wire identification product lines. Organic sales growth during the nine-month period was primarily driven by growth in the wire identification, safety and facility identification and product identification product lines, which was partially offset by an organic sales decline in the healthcare identification product line.

Organic sales in Asia increased in the low-single digits in both the three and nine-month periods ended April 30, 2024 compared to the same periods in the prior year. The organic sales increase during the three and nine-month periods was driven by sales growth in India, Singapore and Japan, which was partially offset by a decline in volume in China.

Americas & Asia segment profit increased 1.0% to $49.7 million in the three months ended April 30, 2024 compared to $49.2 million in the same period in the prior year. Segment profit increased 9.9% to $143.5 million in the nine months ended April 30, 2024 compared to $130.5 million in the same period in the prior year. As a percentage of net sales, segment profit remained flat at 22.1% in the three-month period and segment profit increased to 21.8% from 19.7% in the nine-month period ended April 30, 2024 compared to the same periods in the prior year. The increase in segment profit was primarily due to organic sales growth in higher gross margin product lines and a decrease in headcount and advertising expenses from divested businesses, which was partially offset by increased headcount in sales and R&D roles during both the three and nine-month periods.

Europe & Australia

Europe & Australia net sales increased 3.8% to $118.6 million in the three months ended April 30, 2024 compared to $114.3 million in the same period in the prior year, which consisted of organic sales growth of 4.4% and a decrease from foreign currency translation of 0.6%. Europe & Australia net sales increased 4.7% to $340.0 million in the nine months ended April 30, 2024 compared to $324.6 million in the same period in the prior year, which consisted of organic sales growth of 2.8% and an increase from foreign currency translation of 1.9%.

Organic sales in Europe increased in the mid-single digits in the three months ended April 30, 2024 and increased in the low-single digits in the nine months ended April 30, 2024 compared to the same periods in the prior year. Organic sales during the three and nine-month periods grew in all major product lines with the strongest growth in the safety and facility identification product line. Organic sales in the three-month period were stronger than the first half of the fiscal year primarily due to growth in Western Europe, specifically due to an increased growth rate in France and Germany.

Organic sales in Australia increased in the low-single digits in both the three and nine months ended April 30, 2024 compared to the same periods in the prior year. Organic sales growth during the three and nine-month periods was primarily driven by the wire identification product line and, to a lesser extent, the product identification product line.

Europe & Australia segment profit increased 14.3% to $19.5 million in the three months ended April 30, 2024 compared to $17.1 million in the same period in the prior year. Segment profit increased 8.5% to $51.3 million in the nine months ended April 30, 2024 compared to $47.3 million in the same period in the prior year. As a percentage of net sales, segment profit increased to 16.5% from 15.0% for the three-month period and segment profit increased to 15.1% from 14.6% for the nine-month period ended April 30, 2024 compared to the same periods in the prior year. The increase in segment profit during both periods was primarily due to organic sales growth and improved gross margins due to product mix and reductions in freight expenses, which was partially offset by increased headcount in sales and R&D roles.

Liquidity and Capital Resources

The Company's cash balances are generated and held in numerous locations throughout the world. At April 30, 2024, 97% of the Company's cash and cash equivalents were held outside the United States. The Company's organic and inorganic growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash flow from operating activities and its borrowing capacity are sufficient to fund its anticipated requirements for working capital, capital expenditures, research and development, share repurchases, and dividend payments for the next 12 months and beyond. Although the Company believes these sources of cash are currently sufficient to fund domestic operations, annual cash needs could require repatriation of cash to the U.S. from foreign jurisdictions, which may result in additional tax payments.

Cash Flows

Cash and cash equivalents were $160.5 million at April 30, 2024, an increase of $8.9 million from July 31, 2023. The significant changes were as follows:

	Nine months ended April 30,	
(Dollars in thousands)	**2024**	**2023**
Net cash flow provided by (used in):		
Operating activities	$ 171,094	$ 129,861
Investing activities	(70,331)	(4,901)
Financing activities	(88,989)	(105,935)
Effect of exchange rate changes on cash	(2,848)	1,953
Net increase in cash and cash equivalents	$ 8,926	$ 20,978

Net cash provided by operating activities was $171.1 million in the nine months ended April 30, 2024 compared to $129.9 million in the same period of the prior year. The increase in cash provided by operating activities was primarily due to improved profitability, reduced inventory spend and lower annual incentive compensation payments compared to the same period in the prior year.

Net cash used in investing activities was $70.3 million in the nine months ended April 30, 2024 compared to $4.9 million in the same period of the prior year. The increase in cash used in investing activities was primarily due to the purchase of a previously leased facility in Mexico, in addition to facility construction costs in Belgium.

Net cash used in financing activities was $89.0 million in the nine months ended April 30, 2024 compared to $105.9 million in the same period in the prior year. The decrease in cash used in financing activities was primarily due to increased net borrowings to fund higher level of capital expenditures during the nine months ended April 30, 2024, which was partially offset by an increase in share repurchases.

Material Cash Requirements

Our material cash requirements for known contractual obligations include capital expenditures, borrowings on our credit agreement and lease obligations. We believe that net cash provided by operating activities will continue to be adequate to meet our liquidity and capital needs for these items over the next 12 months and in the long-term beyond the next 12 months. We also have cash requirements for purchase orders and contracts for the purchase of inventory and other goods and services, which are based on current and anticipated customer needs and are fulfilled by our suppliers within short time horizons. We do not have significant agreements for the purchase of inventory or other goods or services specifying minimum order quantities. In addition, we may have liabilities for uncertain tax positions, but we do not believe that the cash requirements to meet any of these liabilities will be material.

Credit Agreement

On August 1, 2019, the Company and certain of its subsidiaries entered into an unsecured $200 million multi-currency credit agreement with a group of five banks.

On December 21, 2021, the Company and certain of its subsidiaries entered into an amendment to the credit agreement dated August 1, 2019 to adjust to alternative benchmarks due to the elimination of the London Inter-bank Offered Rate (LIBOR).

On November 14, 2022, the Company and certain of its subsidiaries entered into a Second Amendment to Credit Agreement (“Amendment No. 2”) with a group of six banks, which amended the original credit agreement dated August 1, 2019. Amendment No. 2 amended the credit agreement to, among other items, (a) increase the lending commitments by $100 million for total lending commitments of $300 million, (b) extend the final maturity date to November 14, 2027, (c) increase the interest rate on certain borrowings by 0.125%, and (d) increase the available amount under the credit agreement, at the Company's option and subject to certain conditions, from $300 million up to (i) an amount equal to the incremental borrowing necessary to bring the Company's consolidated net debt-to-EBITDA ratio as defined in the credit agreement to 2.5 to 1.0 plus (ii) $200 million. Borrowings under Amendment No. 2 are unsecured and are guaranteed by certain of the Company's domestic subsidiaries.

As of April 30, 2024, the outstanding balance on the Company's credit agreement was $63.8 million. The maximum amount outstanding on the credit agreement during the nine months ended April 30, 2024 was $64.7 million. As of April 30, 2024, the U.S. dollar-denominated borrowings of $28.0 million bear interest at 6.3%; the Euro-denominated borrowings of €24.0 million bear interest at 4.7%; and the British Pound-denominated borrowings of £8.0 million bear interest at 6.1% for a weighted average interest rate of 5.6%. The Company had letters of credit outstanding under the credit agreement of $1.7 million as of April 30, 2024, and there was $234.5 million available for future borrowing, which can be increased to $1,084.5 million at the Company's option, subject to certain conditions. The credit agreement has a final maturity date of November 14, 2027. As such, borrowings were classified as long-term on the condensed consolidated balance sheets.

Covenant Compliance

The Company's credit agreement requires it to maintain certain financial covenants, including a ratio of debt to the trailing twelve months EBITDA, as defined in the credit agreement, of not more than a 3.5 to 1.0 ratio (leverage ratio) and the trailing twelve months EBITDA to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of April 30, 2024, the Company was in compliance with these financial covenants, with a ratio of debt to EBITDA, as defined by the agreement, equal to 0.2 to 1.0 and the interest expense coverage ratio equal to 98.1 to 1.0.

Forward-Looking Statements

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

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

- Increased cost of raw materials and labor as well as raw material shortages and supply chain disruptions
- Decreased demand for the Company's products
- Ability to compete effectively or to successfully execute the Company's strategy
- Ability to develop technologically advanced products that meet customer demands
- Difficulties in protecting websites, networks, and systems against security breaches and difficulties in preventing phishing attacks, social engineering or malicious break-ins
- 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Company’s Annual Report on Form 10-K for the year ended July 31, 2023. There has been no material change in this information since the 2023 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note M, "Contingencies" included in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The Company’s business, results of operations, financial condition, and cash flows are subject to various risks and uncertainties, including those described in Part I, Item 1A, “Risk Factors” of Company’s Annual Report on Form 10-K for the year ended July 31, 2023. There have been no material changes from the risk factors set forth in the 2023 Form 10-K.

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

The Company maintains a share repurchase program for the Company's Class A Nonvoting Common Stock. The program may be implemented by purchasing shares in the open market or in privately negotiated transactions, with repurchased shares available for use in connection with the Company's stock-based plans and for other corporate purposes.

On August 30, 2023, the Company's Board of Directors authorized an increase in the Company's share repurchase program, authorizing the repurchase of an additional $100.0 million of the Company's Class A Nonvoting Common Stock, which expanded upon the Company's prior authorization. The share repurchase program may be implemented from time to time on the open market or in privately negotiated transactions and has no expiration date. As of April 30, 2024, there was $37.8 million worth of repurchase authority remaining pursuant to the existing share repurchase program.

The following table provides information with respect to the purchases by the Company of Class A Nonvoting Common Stock during the three months ended April 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (Dollars in Thousands)
February 1, 2024 - February 29, 2024	85,382	$ 57.12	85,382	$ 83,339
March 1, 2024 - March 31, 2024	449,459	57.96	449,459	57,288
April 1, 2024 - April 30, 2024	328,524	59.35	328,524	37,788
Total	863,365	$ 58.41	863,365	$ 37,788

ITEM 5. OTHER INFORMATION

During the three months ended April 30, 2024, no director or Section 16 officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is identified in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.1	Put Option Letter, dated as of March 15, 2024, by and between Brady Corporation and MML Capital Europe VI II S.A. and other institutional and individual holders
31.1	Rule 13a-14(a)/15d-14(a) Certification of Russell R. Shaller
31.2	Rule 13a-14(a)/15d-14(a) Certification of Ann E. Thornton
32.1	Section 1350 Certification of Russell R. Shaller
32.2	Section 1350 Certification of Ann E. Thornton
101.INS	XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.)
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Label Linkbase Document
104	Cover Page Inline XBRL data (contained in Exhibit 101)

SIGNATURES

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

BRADY CORPORATION

Date: May 22, 2024

/s/ RUSSELL R. SHALLER

Russell R. Shaller
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 22, 2024

/s/ ANN E. THORNTON

Ann E. Thornton
Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

<u>EXHIBIT 10.1</u>

<u>To</u>:

MML Capital Europe VI Equity II S.A.
8, rue Lou Hemmer
L-1748 Senningerberg
Luxembourg
<u>To the attention of Mr. Fabrice Badouraly and Mrs. Anne-Cécile Jourdren</u>

MML Capital Europe VI S.A.
8, rue Lou Hemmer
L-1748 Senningerberg
Luxembourg
<u>To the attention of Mr. Fabrice Badouraly and Mrs. Anne-Cécile Jourdren</u>

Mr. Arnaud Linquette
8, parc de Diane
78350 Jouy-en-Josas
France

FPCI FIC 5
Represented by its management company Bpifrance Investissement
27/31, avenue du Général Leclerc
94710 Maisons-Alfort
France
<u>To the attention of Mr. Arnaud Legardeur</u>

Mr. Gérard Guyard
3140 Ferncliff Commons, NE
Atlanta, GA 30324
United-States of America;

(the "**Beneficiaries**")

The Beneficiaries hereby appoint, with effect on and as of the date hereof, (i) MML Capital Europe VI Equity II SA, (ii) FPCI FIC 5, represented by Bpifrance Investissement and (iii) Mr. Arnaud Linquette as sellers' agent (the "**Sellers' Agents**") for the purpose of this Put-Option, with Clause 1.4 (*Sellers' Agents*) of the SPA applying *mutatis mutandis* to this Put Option.

Paris, March 15, 2024

Re.: Acquisition of the Gravotech Group

Dear Sirs,

1. Irrevocable commitment to acquire the Gravotech Group

1.1 We Braton Europe Sarl (the "**Purchaser**"), a French *société à responsabilité limitée* incorporated under the laws of France, having its registered office located at 2 rue de la Troisième Révolution Industrielle Pa Pierre Mauroy, 59223 Roncq, France, identified under number 423 444 033 R.C.S. Lille Metropole and controlled directly or indirectly by Brady Worlwide, Inc., a company having its registered office located at 6555 Good Hope Road, Milwaukee, Wisconsin 53223, United States of America, hereby confirm our irrevocable commitment under the terms and conditions set forth herein (the "**Put Option**") to acquire directly or indirectly one hundred percent (100%) of the share capital and voting rights (on a fully diluted basis) of Gravotech Holding, a French société par actions simplifiée incorporated under the laws of France with a share capital of €17,924,888, having its registered office at 466, rue des Mercières, Zone Industrielle Perica, 69140 Rillieux-la-Pape, France ("**Gravotech Holding**") through the acquisition of the securities (including the convertible bonds) issued by Gravotech Holding on the terms and conditions set forth in the agreed form Securities Sale and Purchase Agreement attached to this Put Option as **Schedule 1** hereto (the "**SPA**"), such acquisition being defined hereinafter as the "**Transaction**".

1.2 Capitalized terms and expressions not otherwise defined in this Put Option shall have the meaning given to them in the SPA.

1.3 Following our discussions, we understand and hereby acknowledge that, before the Beneficiaries are in a position to take any decision to sell the Sold Securities:

(a) the employees of Gravotech Holding shall be informed of their right to make an offer to purchase the securities giving access to the majority of the share capital of Gravotech Holding (the "**Hamon Law Process**") and the Hamon Law Process shall be completed in accordance with article L.23-10-1 and seq. of the French Commercial Code (*Code de commerce*) and clause 6 (*Social and Economic Committee Consultation Process – Hamon Law Process*) of this Put Option; and

(b) the Social and Economic Committee (*Comité social et économique central*) of Gravotech Marking and, as the case may arise depending on the direct impact of the Transaction on the sites of Gravotech Marking, the Social and Economic Committees of the sites of Gravotech Marking in Rillieux-la-Pape and La Chapelle-Saint Luc (*Comités sociaux et économiques d'établissements des sites de Rillieux-la-Pape et de La-Chapelle-Saint-Luc*) (together the "**SEC**") shall be informed and consulted in connection with the Transaction (the "**SEC Process**") (the SEC Process together with the Hamon Law Process being hereinafter defined as the "**Information and Consultation Processes**") in accordance with article L. 2312-8 of the French Labor Code (*Code du travail*) and clause 6 (*Social and Economic Committee Consultation Process – Hamon Law Process*) of this Put Option.

1.4 This Put Option is granted for the benefit of the Beneficiaries and shall benefit them as soon as this Put Option will be exercised under the conditions provided for herein. By countersigning this Put Option, the Beneficiaries accept the benefit of the Put Option as an option solely, without undertaking to exercise such option.

2. Validity and Exercise of this Put Option

2.1 This Put Option is valid as from the date hereof and can be exercised until the earlier of (i) the tenth (10th) calendar day following the completion of the Information and Consultation Processes and (ii) four (4) months after the date hereof (the "**Expiry Date**").

2.2 The exercise of this Put Option shall be made by means of a registered letter with acknowledgement of receipt, or by any other means evidencing the delivery and receipt of a written notification, sent to the Purchaser by the Sellers' Agents (the "**Exercise Notice**"). The Exercise Notice shall confirm to the Purchaser completion of both the SEC Process and the Hamon Law Process (and contain written evidence of such completion satisfactory to the Purchaser) and shall include, in order to be valid, an original copy of the SPA duly signed by all Sellers (it being specified that MML Capital Europe VI Equity II SA and MML Capital Europe VI SA undertake, in the case where one of the Sellers would have decided not to sign the SPA, to implement the drag along provisions provided for in the shareholders agreement entered into between the current shareholders of Gravotech Holding).

2.3 This Put Option may not be revoked, withdrawn or varied upon in any matter until the Expiry Date without the written consent of the Sellers' Agents and the Purchaser.

2.4 Absent the sending of the Exercise Notice before the Expiry Date in accordance with the abovementioned provisions, our and your undertakings under this Put Option shall lapse as of the Expiry Date without any liability on any party hereto (other than as a result of a breach by such party of its obligations hereunder) but without prejudice to the provisions set forth in clauses 4 (*Exclusivity*), 9 (*Confidentiality*), 10 (*Miscellaneous*) and 11 (*Governing law and jurisdiction*) of this Put Option which shall remain in full force and effect.

3. Sale and Purchase Agreement

3.1 We hereby unconditionally and irrevocably undertake to execute the SPA at the latest on the tenth (10th) Business Day following the receipt of the Exercise Notice (the "**Execution Date**").

3.2 Prior to the Execution Date, each party hereto undertakes:

(a) to complete and agree upon, in good faith and to the extent necessary, the texts in brackets and the missing schedules of the SPA and, if necessary, to agree upon minor changes in the SPA, but only to the extent such changes, additions or amendments could not reasonably be expected to have any adverse effect on the Purchaser; and

(b) to provide to the other party hereto with all the relevant documentation and other evidence, as being necessary to complete their "know your customer"/anti money laundering checks in respect of (i) the Purchaser and (ii) the Sellers.

3.3 The Put Option constitutes a "*promesse unilatérale*" governed by article 1124 of the French Civil Code (*Code civil*) (and does not constitute an offer ("*offre*") governed by article 1114 *et seq.* of the French Civil Code (*Code civil*)) and is irrevocable (either prior or after the exercise of the Put Option) until the Expiry Date.

3.4 Should we fail to execute the SPA on the Execution Date, we agree that the Beneficiaries may in their absolute discretion seek to force us to comply with our obligations under this Put Option and in respect of the Transaction as provided under the SPA. In this respect, we hereby agree and acknowledge that this Put Option is subject, following the sending of a prior notice (*mise en demeure*), to specific performance (*exécution en nature*) by you in accordance with the provisions of article 1221 of the French Civil Code (*Code civil*) and we acknowledge that such specific performance is not impossible and will not create any manifest disproportion between its cost for us and its interest for you.

3.5 It is hereby expressly specified that the validity and enforceability of the Put Option is not subject to the execution of the SPA and, accordingly, upon exercise of the Put Option, the sale of the Sold Securities at the price and under the other terms and conditions set forth in the SPA shall be definitive (subject to the Condition Precedent and the Additional Conditions Precedent), whether or not the SPA is executed by the Purchaser (on the Execution Date or at any other date).

4. Exclusivity

4.1 As from the countersigning of the Put Option by the Beneficiaries and until the date that is the earlier of (i) the Execution Date and (ii) eight (8) months as from the date hereof, the Beneficiaries shall not, directly or indirectly (including through their advisors), and shall procure that none of their Related Parties and none of the Group Companies shall, directly or indirectly (including through their respective directors, officers, employees and advisors):

(a) pursue, initiate or follow up any discussions or negotiations, or enter into any contract, agreement or understanding, with any person (other than the Purchaser and/or its Affiliates), or solicit or encourage any person (other than the Purchaser and/or its Affiliates), with a view to sell or transfer all or part of the share capital, voting rights or securities of any of the Group Companies and/or all or part of their assets to any person (other than the Purchaser and/or its Affiliates), or to proceed with the merger, spin-off, contribution, business combination, recapitalization, or any similar transaction involving any Group Company with any person (other than the Purchaser and/or its Affiliates) (an "**Alternative Transaction**");

(b) provide or consent to provide any information with respect to the Group Companies to any person (other than the Purchaser and/or its Affiliates) with a view to solicit, initiate, pursue, or undertake any Alternative Transaction;

(c) solicit or encourage offers or expressions of interest or otherwise cooperate with a view to solicit, initiate, pursue, or undertake any Alternative Transaction; or

(d) more generally, undertake any action which may jeopardize the completion of the Transaction.

5. Purchaser's Financing

We hereby represent that we have or have access to all funds necessary as of the date hereof and shall unconditionally have or have access to all funds necessary and immediately available on the Completion Date (i) to pay the Purchase Price, (ii) to repay the Existing Financial Debt as of the Completion Date (including all interests, fees, related hedge, swap, or any other derivative agreement commitments, commissions and penalties relating thereto) in accordance with the provisions of Clause 3.4 of the SPA.

6. Social and Economic Committee Consultation Process – Hamon Law Process

6.1 The Beneficiaries shall, and shall procure that the management of the relevant Group Companies shall:

(a) initiate the SEC Process within ten (10) Business Days from the date hereof;

(b) initiate the Hamon Law Process within ten (10) Business Days from the date hereof;

(c) conduct diligently the Information and Consultation Processes with a view to completing the Information and Consultation Processes as soon as practicable and, in any event, in accordance with applicable Law;

(d) promptly, and in any event no later than three (3) Business Days following receipt of such communication, provide the Purchaser with any written substantive communication from the SEC or any expert that may be appointed by the SEC and keep the Purchaser reasonably informed of the progress of the Information and Consultation Processes and of any material issues arising therefrom;

(e) inform the Purchaser of completion of the Information and Consultation Processes within five (5) calendar days as from such completion;

(f) grant the Purchaser the opportunity to review and comment the information notice that will be provided during the first meeting with the SEC prior to such document/communication being submitted and to take into account any reasonable comment from the Purchaser;

(g) not, directly or indirectly, enter into any binding agreements, collective bargaining agreements or, more generally, take any commitment with regards to the SEC, the employees and the unions of the Group without the prior written consent of the Purchaser;

(h) more generally, act and provide all reasonable assistance and cooperation, in accordance with legal requirements and standard practice in similar transactions, with a view to completing the Information and Consultation Processes as soon as reasonably practicable and, in any event, prior to the Expiry Date.

6.2 The Purchaser agrees that it shall, and shall cause its Affiliates to:

(a) provide all usual presentations and other information relating to them as reasonably required, with prior notice, by the Sellers' Agents in connection with the SEC Process and following a corresponding request by the SEC or the expert appointed by it, including as the case may be, a document setting forth their background and history, including their plans for the Group;

(b) procure that senior representatives of the Purchaser and its Affiliates (as chosen by the Purchaser) attend at least one meeting of the SEC and meet with the relevant employees and employee representatives where and when reasonably requested;

(c) use all reasonable endeavors to avoid any act reasonably likely to prejudice an expeditious outcome of the SEC Process; and

(d) more generally, provide all reasonable assistance and cooperation with a view to completing the SEC Process in a timely manner and, in any event, before the Expiry Date.

6.3 The SEC Process shall be deemed completed:

(a) on the date on which the SEC delivered its opinion (whether positive or negative) in relation to the Transaction before the expiration of the consultation period provided under article R. 2312-6 of the French Labor Code (*Code du travail*) (or before the expiration of such longer time period as may be ordered by the competent court, in accordance with article L. 2312-15 of the French Labor Code (*Code du travail*)) (the "**SEC Consultation Period**"); or

(b) in the absence of such express opinion (i) upon the expiry of the SEC Consultation Period as determined by applicable laws (in the absence of judicial proceedings initiated by the SEC during the SEC Consultation Period requesting an extension of the Consultation Period), or (ii) upon the expiry of the extended SEC Consultation Period in case of judicial proceedings initiated by the SEC and granting such extension.

6.4 The Hamon Law Process shall be deemed to have been completed in relation to the Transaction when:

(a) each of the employees of Gravotech Holding has either submitted an acquisition offer concerning Gravotech Holding in accordance with article L. 23-10-1 of the French Commercial Code (*Code de commerce*) or signed a nominative waiver in writing with respect to his right to submit such an offer; or

(b) a two-month period has lapsed from the date on which the employees of Gravotech Holding were informed of the Transaction and on which they were entitled to submit an acquisition offer in this respect.

6.5 The Information and Consultation Processes shall be deemed completed in relation to the Transaction upon the date on which both the SEC Process and the Hamon Law Process shall be deemed to have been completed.

6.6 The Sellers' Agents shall notify us the Exercise Notice which will confirm the completion of the Information and Consultation Processes within five (5) calendar days as from such completion, along with the relevant documentation or information evidencing such completion.

7. Representations and Covenants

7.1 The Purchaser warrants to the Beneficiaries that: (i) it has the power and authority required and have obtained or satisfied all corporate or regulatory approvals or other conditions necessary to enter into this Put Option and to perform the obligations to which it is bound hereunder (for such obligations which exist prior to the exercise of the Put Option), (ii) it is not a Sanctioned Person and complies with the Fight Against Money Laundering regulations, the Financing of Terrorism regulations and any Sanctions regulations, (iii) the entry into this Put Option will not result in a breach of, or give rise to a default under, any contract or other instrument to which it is a party or by which it is bound and (iv) this Put Option constitutes valid and legally binding obligations for the Purchaser enforceable in accordance with the terms hereof.

7.2 The Beneficiaries warrants to the Purchaser that: (i) they have the power and authority required and have obtained or satisfied all corporate or regulatory approvals or other conditions necessary to enter into this Put Option and to perform the obligations to which they are bound hereunder (for such obligations which exist prior to the exercise of the Put Option), (ii) the entry into this Put Option will not result in a breach of, or give rise to a default under, any contract or other instrument to which it is a party or by which it is bound and iii) this Put Option constitutes valid and legally binding obligations for each Seller enforceable in accordance with the terms hereof.

7.3 During the period from the countersigning of the Put Option to the first to occur of (i) the Execution Date, and (ii) the Expiry Date, each of the Beneficiaries, within the limits of its powers, shall perform and comply, for itself and not for any other Seller, with the obligations of the Sellers set forth in Clause 6.3 (*Covenants of the Sellers*) of the SPA as if such obligations had been set forth in full in this Put Option, *mutatis mutandis*, with effect on and as of the date hereof, and as if references in these clauses to the "Agreement", the "Parties", the "Purchaser", the "Sellers" or the "date hereof" (or similar expressions) were respectively references to this Put Option, the parties hereto, the Purchaser, the Beneficiaries and the date of this Put Option.

8. Regulatory Clearance

8.1 The Purchaser will at its own costs make appropriate pre-notification(s) (of any a nature whatsoever) with the Required Regulatory Authority as soon as practicable after the date of this Put Option and in any event within twenty (20) Business Days of the date of this Put Option with a view to obtain the Regulatory Clearance.

8.2 The provisions of paragraphs (a) to (i) of Clause 4.2 (*Undertakings and Co-Operation relating to the Regulatory Clearance*) of the SPA shall be incorporated in this Put Option by reference as if set out herein and shall apply *mutatis mutandis* as if references in those clauses to the "Agreement" (or similar expression), the "Purchaser", "the date of the Agreement" and the "Sellers' Agents" were respectively mean this Put Option, the Purchaser, the date of this Put Option and the Beneficiaries.

9. Confidentiality

The provisions of Clause 10.2 (*Confidentiality and Public Announcement*) of the SPA shall apply *mutatis mutandis* to this Put Option, subject only to such disclosures that are required or contemplated under this Put Option.

10. Miscellaneous

10.1 Any provision of this Put Option which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent that such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Put Option invalid, illegal or unenforceable in any other jurisdiction.

10.2 The provisions of Clause 10.7 (*Absence of Third Party Rights – Assignment – Substitution*) of the SPA shall apply *mutatis mutandis* to this Put Option.

10.3 This Put Option and the SPA, as well as any other documents and writings referred to herein or delivered pursuant hereto contain the entire understanding of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof and thereof (including notably, in their whole extent, any prior offer made to you in connection with the Transaction).

11. Governing Law and Jurisdiction

11.1 This Put Option is subject to French law.

11.2 The parties hereto hereby irrevocably agree that the commercial court of Paris (*Tribunal de Commerce de Paris*) shall have exclusive jurisdiction to settle any disputes arising out of or in connection with this Put Option and that, accordingly, any proceedings arising out of or in connection with this Put Option shall be brought in such courts.

11.3 Each party hereby irrevocably waives, to the fullest extent possible, any objection the other party may now or hereafter have to the jurisdiction or venue of such proceedings on the basis of the lack of personal jurisdiction, *forum non conveniens* or otherwise.

12. Electronic Signature

12.1 Electronic Signature Laws and Regulations means articles 1366 and 1367 of the French Civil Code (*Code civil*) and the decree no. 2017-1416 dated 28 September 2017 on the electronic signature and the EIDAS Regulation.

12.2 This Put Option has been entered into on the date stated at the beginning of it. In accordance with articles 1367 and 1368 of the French Civil Code (*Code civil*), the parties hereto agree that each party hereto or its authorized representative can duly execute this Put Option electronically, including by appending an electronic signature generated through DocuSign© or any similar service, and acknowledge that such electronic signature carries the same legal value as their handwritten signature.

12.3 Each party hereto acknowledges and agrees that its signing or the signing by its authorized representative of this Put Option *via* the abovementioned electronic process is made in full knowledge of the technology implemented, its related terms of use and the Electronic Signature Laws and Regulations, and, accordingly, hereby irrevocably and unconditionally waives any right such party may have to initiate any claim and/or legal action, directly or indirectly arising out of or relating to the reliability of said electronic signature process and/or the evidence of its intention to enter into this Put Option in this respect.

Yours faithfully,

The Purchaser

/s/ ANN E. THORNTON

Braton Europe Sarl
Represented by its Co-Managing Director
Mrs. Ann Thornton

Acknowledged and accepted by the Beneficiaries:

By countersigning this letter, the Beneficiaries hereby acknowledge and agree on the terms and conditions of the Put Option (including the granting of an exclusivity and the Beneficiaries' other commitments provided herein), without any obligation to exercise such Put Option

/s/ FABRICE BADOURALY /s/ ANNE-CÉCILE JOURDREN

MML CAPITAL EUROPE VI EQUITY II S.A
Represented by Mr. Fabrice Badouraly and
Mrs. Anne-Cécile Jourdren

/s/ FABRICE BADOURALY /s/ ANNE-CÉCILE JOURDREN

MML CAPITAL EUROPE VI S.A
Represented by Mr. Fabrice Badouraly and
Mrs. Anne-Cécile Jourdren

/s/ ARNAUD LINQUETTE

Mr. Arnaud Linquette

/s/ ARNAUD LEGARDEUR

FPCI FIC 5
Represented by its management company
Bpifrance Investissement
Itself represented by Mr. Arnaud Legardeur

/s/ GÉRARD GUYARD

Mr. Gérard Guyard

Schedule 1

SPA

[Intentionally Omitted - Agreement Not Finalized or Executed as of the Date of Filing]

EXHIBIT 31.1

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

I, Russell R. Shaller, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 22, 2024

/s/ RUSSELL R. SHALLER

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

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

I, Ann E. Thornton, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 22, 2024

/s/ ANN E. THORNTON

Chief Financial Officer, Chief Accounting Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION

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

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 22, 2024

/s/ RUSSELL R. SHALLER

President and Chief Executive Officer

(Principal Executive Officer)

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

EXHIBIT 32.2

SECTION 1350 CERTIFICATION

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

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 22, 2024

/s/ ANN E. THORNTON

Chief Financial Officer, Chief Accounting Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

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