

BRADY CORP
Form 10-Q
May 24, 2018
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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, 2018

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 (I.R.S. Employer
incorporation or organization) Identification No.)
6555 West Good Hope Road, Milwaukee, Wisconsin 53223
(Address of principal executive offices) (Zip Code)
(414) 358-6600
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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

APPLICABLE ONLY TO CORPORATE ISSUERS

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 21, 2018, there were 48,200,663 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, Unaudited)

	April 30, 2018	July 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,903	\$ 133,944
Accounts receivable—net	161,319	149,638
Inventories:		
Finished products	72,809	69,760
Work-in-process	20,126	18,117
Raw materials and supplies	22,598	19,147
Total inventories	115,533	107,024
Prepaid expenses and other current assets	17,295	17,208
Total current assets	425,050	407,814
Other assets:		
Goodwill	435,426	437,697
Other intangible assets	48,036	53,076
Deferred income taxes	8,688	35,456
Other	17,758	18,077
Property, plant and equipment:		
Cost:		
Land	7,332	7,470
Buildings and improvements	98,005	98,228
Machinery and equipment	268,736	261,192
Construction in progress	6,557	4,109
	380,630	370,999
Less accumulated depreciation	282,181	272,896
Property, plant and equipment—net	98,449	98,103
Total	\$ 1,033,407	\$ 1,050,223
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Notes payable	\$—	\$ 3,228
Accounts payable	68,627	66,817
Wages and amounts withheld from employees	56,995	58,192
Taxes, other than income taxes	7,772	7,970
Accrued income taxes	5,564	7,373
Other current liabilities	42,436	43,618
Total current liabilities	181,394	187,198
Long-term obligations	58,157	104,536
Other liabilities	59,209	58,349
Total liabilities	298,760	350,083
Stockholders' investment:		
Class A nonvoting common stock—Issued 51,261,487 and 51,261,487 shares, respectively, and outstanding 48,205,763 and 47,814,818 shares, respectively	513	513

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Class B voting common stock—Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	327,401	322,608
Earnings retained in the business	531,135	507,136
Treasury stock—3,055,724 and 3,446,669 shares, respectively, of Class A nonvoting common stock, at cost	(76,291)	(85,470)
Accumulated other comprehensive loss	(48,146)	(44,682)
Total stockholders' investment	734,647	700,140
Total	\$1,033,407	\$1,050,223

See Notes to Condensed Consolidated Financial Statements.

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BRADY CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Dollars in Thousands, Except Per Share Amounts, Unaudited)

	Three months ended		Nine months ended	
	April 30,		April 30,	
	2018	2017	2018	2017
Net sales	\$298,421	\$275,927	\$876,352	\$824,104
Cost of products sold	147,339	136,018	435,513	409,679
Gross margin	151,082	139,909	440,839	414,425
Operating expenses:				
Research and development	11,678	9,950	33,512	28,577
Selling, general and administrative	101,695	98,409	299,411	291,128
Total operating expenses	113,373	108,359	332,923	319,705
Operating income	37,709	31,550	107,916	94,720
Other income (expense):				
Investment and other income	31	453	1,303	