

Analyst:

AJ Lohr

Recommendation: **BUY**

As of:

10/07/2026

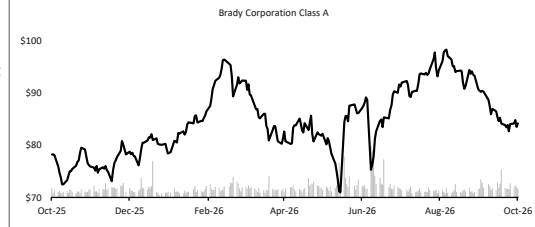
WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2027E) vs. ke	11.8% vs 8.7% → Above ke
---	--------------------------

Change in performance — ΔROIC (post-deal)	+0.4 pts, FY2028E vs FY2027E (post-deal base) → Improving
---	---

Lifecycle phase	Phase III — highest expectations
-----------------	----------------------------------

Valuation gap — target vs. price	+18.8% → Price below our value
----------------------------------	--------------------------------



BUSINESS DESCRIPTION

Brady Corp. engages in manufacturing and supplying identification solutions and workplace safety products that identify and protect premises, products and people. It operates in two geographical segments, including Americas & Asia and Europe & Australia. The Americas & Asia segment consists of operations in North America, South America, and Asia. The Europe & Australia segment includes operations in Europe, the Middle East, Africa and Australia. The company was founded by William H. Brady Jr. in 1914 and is headquartered in Milwaukee, WI.

INVESTMENT THESIS

Brady closed its largest deal ever on August 3, 2026: the \$1.4 billion cash purchase of Honeywell's Productivity Solutions and Services business, now its IPS segment. The market reads the drop in reported ROIC as a weaker business, but it is a deal step-down: invested capital roughly doubles, and on the post-deal base ROIC improves from FY2027E to FY2028E and stays well above our cost of equity. At about 15x FY2027E EPS against a peer median near 20x, IPS accretion and paydown of the \$1.6 billion of deal debt close the gap to our \$100 target.

MARKET SNAPSHOT

Current Price	\$84.14	Market Cap (\$B)	\$3.9	Beta	0.64
52-Week Range	\$71 – \$98	Inst. Ownership	79.7%	Insider Own.	6.7%
Shares Out. (mm)	47.3	Short Interest (% float)	2.4%	Dividend Yield	1.2%
Consensus L-T Growth	11.0%	Payout Ratio	22.8%	Cost of Equity	8.7%
Price Target	\$100.00	Upside to Target	18.8%	Value Range	\$94 – \$106

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$100.25	19.2%	15.0x P/E
Equity DCF – terminal P/S	\$94.26	12.0%	1.35x P/S
Equity DCF – terminal P/B	\$97.70	16.1%	2.5x P/B
Equity DCF – constant growth	\$105.63	25.5%	2.25% g, 8.7% ke
Average of methods	\$99.46	18.2%	Equal-weighted
Analyst price target	\$100.00	18.8%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 3 / 5

1. Fundamental improvement & valuation discipline	Post-deal ΔROIC +0.4 pts, ROIC 11.8% vs ke 8.7%; price is 0.85x our average value	Yes
2. Investing through company cycles	Phase III; EBIT margin 15.8% → 14.2%	No
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry	Yes
4. Capital allocation discipline	Net debt/EBIT -0.4x at FY2026, 2.9x in FY2027E after deal debt	No
5. Identifiable catalysts & conservative underwriting	Acquisition is the main driver, organic growth and business strength complement	Yes

VALUE CRITERIA — 10-Point Checklist · Score: 5 / 10

1. Catalyst / Investment Drivers	Yes
----------------------------------	-----

Driver 1 — IPS Integration & Accretion	IPS (Intelligent Productivity Solutions) is the \$1.4 billion Honeywell acquisition: mobile computers, barcode scanners and printers. Management expects about \$0.80 of FY2027 adjusted EPS accretion net of financing, mostly in the second half, on about \$1.15 billion of revenue at low double-digit margins. Monitor: IPS segment profit each quarter.
Driver 2 — Core IDS Organic Growth	IDS (Identification Solutions) is legacy Brady: labels, label printers, signage, and safety and healthcare ID, formerly reported as Americas & Asia and Europe & Australia. IDS grew 5.3% organically in FY2026 (Americas & Asia 7.5%, Europe & Australia 1.2%), and guidance calls for about 5% organic growth in FY2027 at a segment margin of about 20%. Monitor: Europe & Australia organic growth, which has lagged for two years.
Driver 3 — Debt Paydown & Cash Flow	Operating cash flow rose nearly 35% to \$244.1 million in FY2026, and Brady ended the year with \$172.2 million of net cash. The deal was funded with \$800 million of credit-facility borrowings and \$800 million of senior notes, so paying that debt down is the main path to equity value. Monitor: net leverage each quarter.
What does management say?	CEO Vineet Nargolwala, appointed in June 2026, calls IPS transformational and says the addressable market grows to \$14 billion. CFO Ann Thornton says the balance sheet supports organic investment, lower net leverage and continued dividends and buybacks.

2. Low P/E Ratio

	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E
EPS (model, GAAP)	\$4.10	\$3.97	\$4.34	\$5.55	\$6.21	\$6.55
P/E at current price	20.5x	21.2x	19.4x	15.2x	13.5x	12.8x
Peer median P/E (FactSet, subject excl.)	20.5x	FY2026A P/E vs. peer median (trailing)		(6%)		

3. Low Price / Cash Flow

FCFE / share	\$4.71	-\$0.26	\$1.03	-\$1.39	\$0.97	\$2.87
Price / FCFE	17.9x	NM	81.4x	NM	86.4x	29.4x
Peer median P/CF (FactSet, subject excl.)	13.8x	BRC P/CF (FactSet) vs. peer median		n/a		

4. Low Price / Book Value

	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E
Book value / share	\$22.17	\$25.02	\$28.71	\$33.28	\$38.40	\$42.75
Price / Book	3.8x	3.4x	2.9x	2.5x	2.2x	2.0x
ROE (EOY book)	18.5%	15.9%	15.1%	16.7%	16.2%	15.5%
Peer median P/B (FactSet, subject excl.)	5.1x	Price / book (today) vs. peer median		(42%)		

Brady Corporation Class A (BRC) — Value Criteria, continued	
Peer median Δ / Δ (percent), subject exch.	5.1%

5. Financial Soundness							No
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	
Total debt (\$mm)	130	159	84	1,284	1,046	885	
Net debt (\$mm)	-120	-16	-104	1,213	983	828	
Total debt / equity (gross)	12.2%	13.3%	6.2%	81.6%	57.6%	44.7%	
Total debt / assets (gross)	8.6%	9.1%	4.5%	36.4%	29.4%	24.7%	
Net debt / invested capital	-9.5%	-1.1%	-6.8%	41.4%	33.4%	28.1%	
Net debt / EBIT	-0.5x	-0.1x	-0.4x	2.9x	2.2x	1.9x	
Net cash at FY2026 becomes about 2.9x net debt/EBIT in FY2027E after the \$1.6 billion of deal debt.							
Tax rate (FY2026A)	20.8%	Book equity (\$mm)	1,358				
6. Positive Earnings Dynamics							Yes
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	
Sales growth	0.7%	12.8%	9.8%	74.0%	3.8%	3.5%	
EBIT margin	18.0%	15.7%	15.8%	14.7%	14.7%	14.2%	
EPS growth	16.2%	(3.1%)	9.3%	27.7%	12.0%	5.5%	
7. Business Strategy & Segment Mix							Yes
Strategy	Moving from a specialty label and safety supplier to an industrial technology platform: IDS (labels, printers, signage, safety and healthcare ID) plus IPS (mobile computers, barcode scanners, printing and voice guidance) for manufacturing, logistics, retail and healthcare.						
Segment / geography mix	FY2026 sales: Americas & Asia \$1,106.6 million (67%), Europe & Australia \$554.9 million (33%). From FY2027, IDS plus IPS, with IPS guided to about \$1.15 billion of revenue.						
8. Capable Management & Insider Ownership							No
Insider ownership	6.7%	Inst. ownership	79.7%	Dividends + buybacks, % of NOPAT		13.7%	
Insider activity / governance	Dual-class: listed Class A shares are nonvoting; voting control sits with 3,538,628 Class B shares. New CEO Vineet Nargolwala (June 2026) owns the integration.						
9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	11.8%	Cost of equity (ke)	8.7%	EVA spread (ROIC – ke)		3.1%	
Price target / upside	\$100.00	18.8%		Value / share range (low–high)		\$94 – \$106	
10. Uses of Capital — allocation discipline							No
Reinvestment 457% of NOPAT, dividends + buybacks 14% in FY2027E; the IPS deal was debt-funded in a record year, which our philosophy treats as overinvesting at the top.							
VALUE FIT SCORE — criteria met							5 / 10
FINANCIAL SUMMARY (\$mm except per share)							
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	CAGR 2024–2029
Sales	1,341	1,514	1,662	2,892	3,003	3,108	18.3%
Gross margin	51.1%	50.3%	51.7%	51.7%	51.7%	51.7%	
EBIT	241	237	263	425	443	442	12.9%
Net income	197	189	205	262	294	304	9.0%
EPS (basic, GAAP)	\$4.10	\$3.97	\$4.34	\$5.55	\$6.21	\$6.55	9.8%
Dividend / share	\$0.94	\$0.96	\$0.98	\$0.98	\$1.09	\$1.15	
FCFE / share	\$4.71	-\$0.26	\$1.03	-\$1.39	\$0.97	\$2.87	(9.4%)
Invested capital	1,264	1,419	1,513	2,934	2,942	2,949	18.5%
ROIC	18.9%	15.2%	15.7%	11.8%	12.2%	12.1%	
NOPAT margin	14.3%	12.5%	12.5%	11.6%	11.7%	11.3%	
Sales / NWC	13.65x	11.43x	10.20x	10.20x	10.20x	10.20x	
Sales / NFA	1.46x	1.36x	1.43x	1.12x	1.16x	1.20x	
Sales / invested capital (ex cash)	1.32x	1.22x	1.25x	1.01x	1.04x	1.07x	
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	Avg 2024–2029
NOPAT before reinvestment (\$mm)	192	189	208	337	350	350	
Uses, as % of NOPAT							
CapEx & acquisitions (Δ NFA)	26.8%	103.8%	24.5%	420.7%	1.4%	0.8%	96.3%
Working capital (Δ NWC)	(16.5%)	18.0%	14.7%	35.8%	3.1%	3.0%	9.7%
Dividends	23.5%	24.1%	22.2%	13.7%	14.7%	15.3%	18.9%
Share buybacks	39.8%	9.6%	(2.9%)	0.0%	0.0%	24.6%	11.8%
Debt repaid (neg. = borrowing)	(25.5%)	(15.3%)	36.0%	(356.5%)	67.7%	46.2%	(41.2%)
Cash & securities build	51.4%	(40.0%)	6.1%	(34.7%)	(2.0%)	(1.8%)	(3.5%)
Interest & other (residual)	0.6%	(0.2%)	(0.5%)	20.9%	15.1%	12.1%	8.0%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	10.3%	121.8%	39.1%	456.5%	4.5%	3.7%	106.0%
Dividends + buybacks, % of NOPAT	63.3%	33.6%	19.2%	13.7%	14.7%	39.9%	30.8%
Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.							
COMPS OVERVIEW (current multiples, FactSet)							
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT	
AVY	Avery Dennison Corporation	18.8x	1.4x	5.6x	10.6x	15.8x	
ZBRA	Zebra Technologies Corporation Class A	34.4x	3.1x	5.2x	18.5x	17.7x	
MSA	MSA Safety, Inc.	22.3x	3.6x	4.9x	17.1x	16.7x	
MMM	3M Company	28.9x	3.4x	28.5x	17.4x	19.7x	
EBF	Ennis, Inc.	14.7x	1.4x	1.8x	8.3x	9.6x	
DLX	Deluxe Corporation	10.5x	0.5x	1.5x	3.5x	8.4x	
Median	Peer median (subject excluded)	20.5x	2.3x	5.1x	13.8x	16.3x	
BRC	Subject, at current price	19.4x	2.4x	2.9x	NM	14.7x	
Premium / (discount) to peer median		(6%)	+6%	(42%)	n/a	(9%)	
Peer set from AutoTeaSheet-5Page!D14:D19. Median is of peers only and excludes blanks.							
KEY RISKS							
1. Integration: IPS adds about \$1.15 billion of revenue, roughly two-thirds the size of legacy Brady, at lower margins. Missing the \$0.80 accretion target would break Driver 1. Watch IPS segment profit.							
2. Leverage: \$1.6 billion of new debt turns a net cash balance sheet into a levered one. The fund trimmed OKE in May 2026 when acquisition debt cut the margin of safety; the same test applies here.							
3. Model risk: the four FCFE values run from \$94 to \$106 against a \$84.14 price. Terminal multiples sit near Brady's justified levels (P/E 15.0x vs 13.8x, P/S 1.35x vs 1.35x, P/B 2.50x vs 2.33x); the high end comes from the constant growth method.							
4. Governance: Class A holders cannot vote, so outside shareholders cannot force change.							
Sources: model outputs linked to Auto-FinancValInfo and AutoTeaSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.							