

ACUITY BRANDS INC
Form 10-Q
June 29, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the quarterly period ended May 31, 2016.

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 001-16583.

ACUITY BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware	58-2632672
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1170 Peachtree Street, N.E., Suite 2300, Atlanta, Georgia	30309-7676
(Address of principal executive offices)	(Zip Code)
(404) 853-1400	
(Registrant's telephone number, including area code)	

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 (§ 232.405 of this chapter) 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, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
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(Do not check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock — \$0.01 par value — 43,887,078 shares as of June 24, 2016.

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ACUITY BRANDS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statement

ACUITY BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per-share data)

	May 31, 2016 (unaudited)	August 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 337.0	\$ 756.8
Accounts receivable, less reserve for doubtful accounts of \$1.9 and \$1.3 as of May 31, 2016 and August 31, 2015, respectively	494.0	411.7
Inventories	288.9	224.8
Prepayments and other current assets	34.9	20.1
Total Current Assets	1,154.8	1,413.4
Property, Plant, and Equipment, at cost:		
Land	24.3	6.7
Buildings and leasehold improvements	179.8	128.4
Machinery and equipment	433.4	391.9
Total Property, Plant, and Equipment	637.5	527.0
Less — Accumulated depreciation and amortization	374.6	352.4
Property, Plant, and Equipment, net	262.9	174.6
Other Assets:		
Goodwill	889.8	565.0
Intangible assets, net	448.7	223.4
Deferred income taxes	3.2	3.5
Other long-term assets	23.8	27.1
Total Other Assets	1,365.5	819.0
Total Assets	\$ 2,783.2	\$ 2,407.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 353.9	\$ 311.1
Current maturities of long-term debt	0.2	—
Accrued compensation	77.8	78.2
Other accrued liabilities	152.7	131.6
Total Current Liabilities	584.6	520.9
Long-Term Debt		
Accrued Pension Liabilities, less current portion	79.6	83.9
Deferred Income Taxes	116.0	31.7
Self-Insurance Reserves, less current portion	7.7	6.9
Other Long-Term Liabilities	53.2	51.2
Total Liabilities	1,195.3	1,047.0
Commitments and Contingencies (see Commitments and Contingencies footnote)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized; 53,312,714 issued and 43,593,459 outstanding at May 31, 2016; 53,024,284 issued and 43,305,029 outstanding at August 31, 2015	0.5	0.5

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Paid-in capital	833.6	797.1
Retained earnings	1,283.8	1,093.0
Accumulated other comprehensive loss	(109.8)	(110.4)
Treasury stock, at cost, 9,719,255 shares at May 31, 2016 and August 31, 2015	(420.2)	(420.2)
Total Stockholders' Equity	1,587.9	1,360.0
Total Liabilities and Stockholders' Equity	\$ 2,783.2	\$ 2,407.0

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ACUITY BRANDS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In millions, except per-share data)

	Three Months Ended		Nine Months Ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Net Sales	\$851.5	\$683.7	\$2,365.9	\$1,947.2
Cost of Products Sold	473.6	388.1	1,331.7	1,122.9
Gross Profit	377.9	295.6	1,034.2	824.3
Selling, Distribution, and Administrative Expenses	247.2	196.0	683.9	550.0
Special Charge	9.7	0.4	10.2	9.8
Operating Profit	121.0	99.2	340.1	264.5
Other Expense (Income):				
Interest Expense, net	8.1	7.9	24.2	23.8
Miscellaneous Expense (Income), net	0.3	(9.5)	(1.5)	(10.5)
Total Other Expense (Income)	8.4	(1.6)	22.7	13.3
Income before Provision for Income Taxes	112.6	100.8	317.4	251.2
Provision for Income Taxes	38.6	36.3	109.5	89.2
Net Income	\$74.0	\$64.5	\$207.9	\$162.0
Earnings Per Share:				
Basic Earnings per Share	\$1.70	\$1.49	\$4.78	\$3.74
Basic Weighted Average Number of Shares Outstanding	43.5	43.2	43.4	43.1
Diluted Earnings per Share	\$1.69	\$1.48	\$4.75	\$3.72
Diluted Weighted Average Number of Shares Outstanding	43.8	43.5	43.7	43.4
Dividends Declared per Share	\$0.13	\$0.13	\$0.39	\$0.39
Comprehensive Income:				
Net Income	\$74.0	\$64.5	\$207.9	\$162.0
Other Comprehensive Income (Loss) Items:				
Foreign currency translation adjustments	10.0	(1.5)	(3.4)	(18.5)
Defined benefit pension plans, net of tax	1.3	0.9	4.0	1.6
Other Comprehensive Income (Loss), net of tax	11.3	(0.6)	0.6	(16.9)
Comprehensive Income	\$85.3	\$63.9	\$208.5	\$145.1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended	
	May 31, 2016	May 31, 2015
Cash Provided by (Used for) Operating Activities:		
Net income	\$207.9	\$162.0
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	49.0	34.2
Share-based compensation expense	19.9	12.8
Excess tax benefits from share-based payments	(19.7)	(12.6)
(Gain) loss on the sale or disposal of property, plant, and equipment	(1.1)	1.4
Deferred income taxes	—	0.4
Gain on financial instruments, net	—	(10.5)
Change in assets and liabilities, net of effect of acquisitions, divestitures, and effect of exchange rate changes:		
Accounts receivable	(15.9)	(25.5)
Inventories	(14.2)	(46.7)
Prepayments and other current assets	(9.0)	2.0
Accounts payable	18.9	17.0
Other current liabilities	12.4	28.2
Other	(4.3)	(4.5)
Net Cash Provided by Operating Activities	243.9	158.2
Cash Provided by (Used for) Investing Activities:		
Purchases of property, plant, and equipment	(61.8)	(42.3)
Proceeds from sale of property, plant, and equipment	2.3	1.0
Acquisition of businesses, net of cash acquired	(613.7)	(14.6)
Proceeds from settlement of financial instrument	—	14.4
Purchase of financial instrument	—	(4.1)
Net Cash Used for Investing Activities	(673.2)	(45.6)
Cash Provided by (Used for) Financing Activities:		
Issuance of long-term debt	1.7	—
Proceeds from stock option exercises and other	10.0	7.5
Excess tax benefits from share-based payments	19.7	12.6
Dividends paid	(17.1)	(17.0)
Other financing activities	—	(10.4)
Net Cash Provided by (Used for) Financing Activities	14.3	(7.3)
Effect of Exchange Rate Changes on Cash	(4.8)	(5.7)
Net Change in Cash and Cash Equivalents	(419.8)	99.6
Cash and Cash Equivalents at Beginning of Period	756.8	552.5
Cash and Cash Equivalents at End of Period	\$337.0	\$652.1
Supplemental Cash Flow Information:		
Income taxes paid during the period	\$88.7	\$79.3
Interest paid during the period	\$22.2	\$21.6

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in millions, except per-share data and as indicated)

1. Description of Business and Basis of Presentation

Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as the “Company”). The Company’s lighting and energy management solutions include devices such as luminaires, lighting and building controls, lighting components, power supplies, prismatic skylights, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption. Additionally, the Company continues to expand its solutions portfolio for both indoor and outdoor applications in an effort to capitalize on the evolving and growing market for intelligent networked systems that collect and exchange data to increase efficiency as well as provide a host of other economic benefits resulting from data analytics to better enable smart buildings and smart cities. The transition to solid-state lighting provides the opportunity for lighting to be integrated with other building automation systems to create an optimal platform for enabling the “Internet of Things” (IoT), which will support the advancement of smart buildings, smart cities, and the smart grid. The Company has one reportable segment serving the North American and select international markets.

The Consolidated Financial Statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries. References made to years are for fiscal year periods.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of May 31, 2016, the consolidated comprehensive income for the three and nine months ended May 31, 2016 and May 31, 2015, and the consolidated cash flows for the nine months ended May 31, 2016 and May 31, 2015. Certain information and footnote disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the three years ended August 31, 2015 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 27, 2015 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2016 and May 31, 2015 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to seasonality resulting in the net sales and net income of the Company generally being higher in the second half of its fiscal year, the impact of the acquisitions, and among other reasons, the continued uncertainty of general economic conditions that may impact the key end markets of the Company for the remainder of fiscal 2016.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications occurred during the current period.

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ACUITY BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

3. Acquisitions and Investments

Fiscal 2016 Acquisitions

Juno Lighting LLC

On December 10, 2015, using cash on hand, the Company acquired for approximately \$380 all of the equity interests of Juno Lighting LLC ("Juno Lighting"), a leading provider of downlighting and track lighting fixtures for both residential and commercial applications. Juno Lighting is headquartered in Des Plaines, Illinois. At the time of acquisition, Juno Lighting generated annual revenues of approximately \$250. The operating results of Juno Lighting have been included in the Company's consolidated financial statements since the date of acquisition.

Distech Controls Inc.

On September 1, 2015, using cash on hand, the Company acquired for approximately \$240 all of the outstanding capital stock of Distech Controls Inc. ("Distech Controls"), a provider of building automation solutions that allow for the integration of lighting, HVAC, access control, closed circuit television, and related systems. Distech Controls is headquartered in Quebec, Canada. At the time of acquisition, Distech Controls generated annual revenues of approximately \$80 Canadian Dollars. The operating results of Distech Controls have been included in the Company's consolidated financial statements since the date of acquisition.

Geometri LLC

On December 9, 2015, using cash on hand, the Company acquired certain assets and assumed certain liabilities of Geometri, LLC ("Geometri"), a provider of a software and services platform for mapping, navigation, and analytics. The operating results of Geometri have been included in the Company's consolidated financial statements since the date of acquisition.