ACUITY BRANDS INC
Form 8-K
October 03, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) October 2, 2003

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

Delaware	001-16583	No. 58-2632672
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1170 Peachtree Street, N.E. Suite 2400, Atlanta, GA	30309
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (404) 853-1400

None
(Former name or former address, if changed since last report)

ITEM 12. Results of Operations and Financial Condition.

Attached hereto is a press release issued by Acuity Brands, Inc. (the "Registrant") on October 2, 2003. A copy of the press release is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

EXHIBIT NO.	DESCRIPTION
99.1	Press Release, issued by Registrant on October 2, 2003.

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 hereunto duly authorized.

Date: October 2, 2003

ACUITY BRANDS, INC.

BY: /S/ VERNON J. NAGEL

Vernon J. Nagel
Executive Vice President and
Chief Financial Officer

Exhibit 99.1

Company Contact:
Karen Holcom
Acuity Brands, Inc.
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ACUITY BRANDS REPORTS
2003 FOURTH QUARTER AND FULL YEAR RESULTS

ATLANTA, October 2, 2003 -- Acuity Brands, Inc. (NYSE: AYI) announced today that net income for the fourth quarter of fiscal 2003 was $14.3 million, or $0.34 per share, compared to $15.4 million, or $0.37 per share, reported for the fourth quarter of fiscal 2002. Included in net income and earnings per share for the fourth quarter of fiscal 2003 were $8.0 million of pre-tax expense (or $0.12 per share) related to the previously announced settlement of the litigation with the Genlyte Thomas Group LLC ("Genlyte") and approximately $2.7 million of pre-tax expense (or $0.04 per share) related to environmental matters discussed below. The settlement with Genlyte was paid in August 2003. In addition, the Company continued to reduce debt at a pace exceeding previous expectations, ending the quarter with total debt of $445.8 million, down $48.6 million from May 31, 2003 and $97.3 million from August 31, 2002.

Net sales for the fourth quarter ended August 31, 2003 were $533.7 million compared to $515.3 million reported in the year-ago period, an increase of $18.4 million, or 3.6 percent. The growth in net sales occurred primarily at Acuity Lighting Group (ALG) due largely to increased shipments through certain channels of distribution and the impact of previously announced price increases. Overall, consolidated gross profit margins advanced to 43.2 percent of net sales in the fourth quarter of fiscal 2003, from 40.5 percent reported in the year-ago period, due primarily to the higher net sales noted above and the impact of profit improvement programs that helped offset the cost of higher raw materials and expenses associated with the consolidation of certain manufacturing facilities at ALG. Consolidated operating expenses increased to 37.2 percent of net sales in the fourth quarter of fiscal 2003, compared to 34.5 percent reported in the year-ago period, due primarily to the settlement of the Genlyte litigation, charges related to environmental matters at Acuity Specialty Products Group discussed below, higher expenses for sales and marketing initiatives, higher logistics costs, and increased corporate expenses associated primarily with stock-based benefit programs. Consolidated operating profit of $31.9 million was $1.1 million higher in the fourth quarter of fiscal 2003 compared to the year-ago period as the improvement in gross profit more than offset the higher operating expenses. Excluding the Genlyte settlement and the environmental matters, the 38 percent increase in net income in the fourth quarter of fiscal 2003 compared to the year-ago period was due primarily to the contribution margin from the higher net sales noted above, a lower effective income tax rate, and lower interest expense associated with the decline in outstanding borrowings throughout the current period.

Fourth Quarter Segment and Corporate Overview

Net sales at Acuity Lighting Group in the fourth quarter of fiscal 2003 were $398.1 million compared to $382.0 million reported in the year-ago period, an increase of $16.1 million, or 4.2 percent. The increase in net sales at ALG was due primarily to greater shipments of products through channels of distribution serving national accounts and home improvement centers and the impact of price increases for certain products. This was partially offset by lower shipments to certain other key commercial and industrial markets due primarily to the continued economic weakness that prevailed throughout the quarter. The backlog at ALG increased $3.4 million to $136.1 million at August 31, 2003 from $132.7 million at May 31, 2003 and decreased $8.6 million, or 5.9 percent, from August 31, 2002. Operating profit at ALG increased $7.5 million to $26.8 million in the fourth quarter of fiscal 2003 from $19.3 million reported in the prior year. Operating profit margins at ALG improved to 6.7 percent of net sales from 5.0 percent reported in the year-ago period. The increase in operating profit was due primarily to the contribution margin from the higher net sales noted above and continuous improvement programs, including sourcing initiatives to lower product costs, and significant improvements in the operations at the facility in Matamoros, Mexico. This was partially offset by an $8.0 million charge for the settlement of the Genlyte litigation, costs associated with the consolidation of certain manufacturing facilities, higher raw material costs, greater spending for sales and marketing initiatives associated with new product introductions and further penetration of the home improvement channel, and higher logistics costs.

Net sales at Acuity Specialty Products Group (ASP) in the fourth quarter of fiscal 2003 were $135.6 million, an increase of $2.3 million over the same period one year earlier. Net sales increased at ASP as greater shipments to mass merchandisers and home improvement centers and higher net sales in Europe and Canada were partially offset by softness in the core industrial and institutional channel attributable to weak economic conditions. Operating profit at ASP for the fourth quarter of fiscal 2003 declined $5.6 million to $10.3 million from $15.9 million reported in the year-ago period, while operating margins declined to 7.6 percent from 11.9 percent a year ago. The decline in operating profit was due primarily to the charges related to environmental matters discussed below and a $1.9 million charge to reflect the fair market value of certain inventories. In addition, profitability at ASP was impacted by rising costs for certain raw materials, partially offset by various initiatives to reduce expenses.

Corporate expenses were $5.3 million in the fourth quarter of fiscal 2003 compared to $4.3 million in the year-ago period. The increase was due primarily to higher expense associated with certain stock-based benefit programs, liability insurance, and expanded audit services. Net interest expense in the fourth quarter of fiscal 2003 declined to $8.9 million from $9.8 million reported in the year-ago period due to a reduction in outstanding debt balances.

Fiscal 2003 Full Year Results

In 2003, Acuity Brands increased net sales by $76.5 million, or 3.9 percent, to $2,049.3 million compared to $1,972.8 million reported for the prior year. Fiscal 2003 net income was $47.8 million, or $1.15 per share, compared to last year's net income of $52.0 million, or $1.26 pro forma earnings per share. Included in net income and earnings per share in fiscal 2003 were $8.0 million of pre-tax expense (or $0.12 per share) for the settlement of the Genlyte litigation and approximately $2.7 million of pre-tax expense (or $0.04 per share) for the environmental matters noted below. In addition, the Company incurred approximately $2.0 million in legal costs over the past two years associated with the Genlyte litigation. The Genlyte settlement and substantially all legal fees were paid by August 31, 2003. As of August 31, 2003, the outstanding debt balance was $445.8 million, a reduction of $97.3 million from the end of fiscal 2002. Stockholders' equity at August 31, 2003 was $408.3 million, an increase of $6.3 million from August 31, 2002. The increase in 2003 was primarily the result of net income partially offset by dividends and a tax-effected adjustment of $22.5 million related to the Company's pension obligations. Debt to total capitalization declined to 52.2 percent as of August 31, 2003 from 57.5 percent at the end of fiscal 2002.

Legal Matters

In August 2003, ASP received a grand jury subpoena from the United States Attorney for the Northern District of Georgia concerning the operation of ASP's wastewater pretreatment plant and ASP's management of hazardous waste at a facility in Atlanta, Georgia. The grand jury investigation appears to relate to the discharge of wastewater from the facility to the City of Atlanta's sanitary sewer system and ASP's practices in connection with the sampling of the facility's wastewater discharges for permitting purposes. ASP is cooperating with the investigation by the U.S. Attorney's Office and is in the process of collecting the required documents. The U.S. Attorney's Office investigation follows an inquiry by the City of Atlanta, which regulates the wastewater discharge at the facility. The Company has tentatively settled the matter with the City of Atlanta. For the fourth quarter of fiscal 2003, the Company recorded an aggregate charge of approximately $2.7 million to cover various costs including off-site disposal, the estimated costs of resolution of these proceedings with the City of Atlanta and the U.S. Attorney's Office, and the estimated legal expenses to be incurred by the Company in these matters. The proceedings with the U.S. Attorney are at a preliminary stage, and developments in the investigation and the terms of any final settlement or adjudication of these matters could cause the Company to record additional charges in future periods.

Comments

James S. Balloun, Chairman, President, and Chief Executive Officer of Acuity Brands, said, "As we conclude fiscal 2003, I am pleased to report that, along with solid financial results, we continued to make substantial progress throughout the year in further implementing strategies and initiatives focused at making our businesses stronger and more successful financially. While we enjoyed many accomplishments in 2003, both financially and operationally, we also resolved the Genlyte litigation, which resulted in a $0.12 per share charge to earnings, and addressed certain environmental matters at ASP, which resulted in a $0.04 per share charge to earnings. Excluding the impact of those charges, our full year results would have been essentially in the middle of the range of our earnings guidance provided at the beginning of the year, while fourth quarter earnings per share would have advanced 35 percent over the year-ago period. We accomplished this while continuing to confront difficult economic conditions throughout much of the year in key markets, including commercial and industrial construction, electrical utilities, and other industrial manufacturing sectors. Also in 2003, profitability was impacted by numerous controllable and uncontrollable factors. Uncontrollable factors included pricing pressures from certain competitors, rising product related costs (including steel and petroleum-based components), and non-discretionary spending for various insurance programs. Controllable factors included investments made to expand our global supply chain, to develop and introduce new products, to accelerate sales and marketing initiatives (including the Genesis project designed to further strengthen the Zep sales force), and most importantly, to implement our new, robust organizational development program. The investments in these areas, which reduced profitability in 2003, are designed to strengthen our capabilities for the future. Overall in 2003, our business units were able to offset the cost of many of these initiatives and the negative influences impacting our key markets because of profit improvement programs implemented to better manage discretionary spending, to lower product costs (including strategic sourcing), and to enhance manufacturing efficiencies.

"In addition, we accelerated initiatives to streamline our manufacturing capabilities, improve margins through better pricing and selling effectiveness, and penetrate new markets with superior value propositions. These initiatives all had a positive impact on our financial and operational results in 2003. For example, in 2003, consolidated net sales grew by 3.9 percent, a significant achievement when most indicators showed that our primary markets had declined or were flat during the year. We accomplished this by further penetrating key channels at both business units, including home improvement centers, which had an added benefit of providing further diversification and growth opportunities to our business portfolio. While some of these growth initiatives had a short-term cost impact due to higher marketing and startup costs, thus lowering our profitability, we are confident about the growth potential of these and other key markets as we collaborate more closely with our strongest partners in each channel to more effectively serve the needs of the ultimate consumer. Another positive indicator of our many profit improvement initiatives was our consolidated gross margins, which advanced to 41.6 percent in 2003, almost one full point, from the year-ago period, reflecting the strength of our value propositions, benefits of price increases, and our effort to build a more globally competitive supply chain while absorbing the rising costs of raw materials and various insurance costs.

"As I have mentioned in previous press releases, our goal continues to be to generate more acceptable margins and cash flow to fund future innovations and to build greater customer service capabilities while providing higher returns to our shareholders. We advanced our gross profit margins while absorbing costs associated with ongoing efforts to consolidate our North American manufacturing base (these efforts are referred to as "MNT") at ALG to more cost-effective facilities within our supply chain network. We believe that this program to consolidate our manufacturing base, coupled with our strategic sourcing initiative, will have a significant impact on improving our future service capabilities, profitability, and cash flow. While the investment for this program and others will be significant over the next 18 months, both in terms of capital and management focus, we have worked diligently to improve our financial position in order to have the capacity to invest in initiatives, like MNT, which will provide shareholders with significant benefits in the future. Our financial position continued to strengthen throughout 2003 in light of our ability to generate cash flow, primarily through our many supply chain initiatives, which resulted in substantially lower debt. As of August 31, 2003, our outstanding debt balance was $445.8 million, a reduction of $97.3 million since the end of 2002 and approximately $197.8 million, or 30.7 percent, since November 30, 2001, when the Company became an independent entity. We have achieved this in 2003 while reinvesting in our businesses and continuing to pay to our shareholders approximately $6.0 million in quarterly dividends.

"While the near-term economic outlook remains somewhat cloudy, we remain confident that the long-term potential for the businesses that comprise Acuity Brands is bright. Our results and accomplishments in 2003 confirm that we are moving in the right direction. We continue to make substantial progress in further implementing initiatives and expanding programs aimed at making our businesses stronger and more successful financially even in this stagnant economic climate. While we cannot predict the pace at which the economies of the world will rebound, we can continue to make our company a better investment for our shareholders by staying focused and executing well on the initiatives and strategies in place. In that respect, we intend to build on the positive momentum generated in 2003 as we enter 2004. Earnings projections for fiscal 2004 will be provided later in October, once the business plan for fiscal 2004 has been approved by the Board of Directors."

Conference Call and Board News

As previously announced, the Company will host a conference call to discuss fourth quarter and full year results on October 2, 2003 at 4:00 p.m. EDT. Interested parties may listen to this call live today or hear a replay until October 23, 2003 at the Company's Web site: www.acuitybrands.com.

The Board of Directors will hold its regular quarterly meeting on October 11, 2003.

Acuity Brands, Inc., with fiscal year 2003 net sales of approximately $2.0

billion, is comprised of Acuity Lighting Group and Acuity Specialty Products Group. Acuity Lighting Group is the world's leading lighting fixture manufacturer and includes brands such as Lithonia Lighting(R), Holophane(R), Peerless(R), Hydrel(R), and American Electric Lighting(R). Acuity Specialty Products Group is a leading provider of specialty chemicals and includes brands such as Zep(R), Enforcer(R), and Selig Industries(TM). Headquartered in Atlanta, Georgia, Acuity Brands employs approximately 11,400 people and has operations throughout North America and in Europe and Asia.

Forward-Looking Statements

Certain information contained in this press release constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are inherently uncertain and involve risks. Consequently, actual results may differ materially from those indicated by the forward-looking statements. Statements made herein that may be considered forward-looking include statements concerning: (a) the impact of certain investments to expand the Company's global supply chain, to develop and introduce new products, to accelerate sales and marketing initiatives, and to implement the Company's organizational development program on the Company's future capabilities; (b) the Company's expectations regarding the potential outcome of the investigation of the U.S. Attorney for the Northern District of Georgia into ASP's wastewater pretreatment plant and hazardous waste management; (c) the anticipated growth potential of certain markets, including the home improvement centers, at both business units; (d) the impact of the Company's investment in MNT and other programs, including the strategic sourcing initiative, at ALG on future service capabilities, profitability, and cash flow; (e) anticipated future shareholder benefits related to the Company's initiatives; and (f) the long-term potential for the businesses that comprise Acuity Brands. A variety of risks and uncertainties could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties include without limitation the following: (a) the uncertainty of general business and economic conditions, including the potential for a more severe slowdown in non-residential construction, changes in interest rates, and fluctuations in commodity and raw material prices or foreign currency rates; (b) the Company's ability to realize the anticipated benefits of initiatives expected to reduce costs, improve profits, enhance customer service, increase manufacturing efficiency, reduce debt, and expand product offerings and brands in the market through a variety of channels; (c) the risk that projected future cash flows from operations are not realized; (d) unexpected developments in the Company's legal and environmental matters; and (e) the other risk factors more fully described in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 11, 2002.

ACUITY BRANDS, INC.

SUMMARY OF OPERATIONS (Unaudited)

	THREE MONTHS ENDED AUGUST 31		
	NET SALES		OPERATING PRO
(Amounts in thousands, except per-share data)	2003	2002	2003
Lighting Equipment	$ 398,058	$ 382,024	$ 26,832
Specialty Products	135,596	133,260	10,337
	$ 533,654	$ 515,284	37,169
Corporate			(5,297)
Other income (expense), net (1)			(764)
Interest expense, net			(8,860)

Income before taxes	22,248
Income taxes	7,959
Net income	$ 14,289
Earnings per Share:	
Basic earnings per share	$ .34
Basic weighted-average shares outstanding during period	41,516
Diluted earnings per share:	$ .34
Diluted weighted-average shares outstanding during period	42,168

YEAR ENDED AUGUST 31

	NET SALES		OPERATING PRO
(Amounts in thousands, except per-share data)	2003	2002	2003
Lighting Equipment	$1,538,751	$1,474,882	$ 96,825
Specialty Products	510,557	497,914	31,313
	$2,049,308	$1,972,796	128,138
Corporate			(17,862)
Other income (expense), net (1)			1,688
Interest expense, net			(37,383)
Income before taxes			74,581
Income taxes			26,799
Net income			$ 47,782
Earnings per Share:			
Basic earnings per share			$ 1.15
Basic weighted-average shares outstanding during period			41,459
Diluted earnings per share:			$ 1.15
Diluted weighted-average shares outstanding during period			41,721
Pro Forma Earnings per Share (2):			
Basic earnings per share			n/a
Basic weighted-average shares outstanding during period			n/a

(1) Other income (expense), net consists primarily of gains or losses on the sale of assets and foreign currency gains or losses.

(2) Actual per share data has not been presented for periods prior to the second quarter of fiscal year 2002 since the businesses that comprise Acuity Brands were wholly owned subsidiaries of National Service Industries, Inc. during those periods. Additionally, public trading of the Acuity Brands shares did not commence until December 3, 2001; therefore, no historical market share prices exist for the calculation of the potential dilutive effect of stock options for the periods prior to the second quarter of fiscal year 2002. As a result, pro forma diluted earnings per share is not presented for those periods.

ACUITY BRANDS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Amounts in thousands, except per-share data)	AUGUST 31 2003	AUGUST 31 2002	
Assets			Liabilities and Stockholders' Equ
Current Assets			Current Liabilities
Cash and short-term investments	$ 16,053	$ 2,694	Short-term debt
Receivables, net	302,276	322,735	Accounts payable
Inventories, net	188,799	216,942	Accrued salaries, commissions,
Other current assets	51,424	48,626	Other accrued liabilities
			Total Current Liabilities
Total Current Assets	558,552	590,997	
			Long-Term Debt, less current matu
			Other Long-Term Liabilities
Property,Plant,and Equipment,net	222,558	240,679	Stockholders' Equity
Other Assets	507,109	526,278	
			Total Liabilities & Stockholder
Total Assets	$1,288,219	$1,357,954	
			Current Ratio
			Percent of Debt to Total Capitali

CONDENSED CONSOLIDATED CASH FLOWS (Unaudited)

(Amounts in thousands)	YEAR ENDED AUGUST 31 2003	2002	
Cash Provided by (Used for):			Cash Provided by (Used for):
Operations-			Financing-
Net income	$ 47,782	$52,024	Debt
Depreciation and amortization	46,039	49,494	Dividends
Other operating activities	66,524	45,323	Net activity with NSI
			Other financing activities
Cash Provided by Operations	160,345	146,841	
			Cash Used for Financing
Investing-			Effect of Exchange Rate on Cas
Capital expenditures	(28,154)	(33,482)	
Acquisitions	-	(24,765)	
Sale of assets	1,815	8,358	Net Change in Cash
			Cash at Beginning of Year
Cash Used for Investing	$(26,339)	$(49,889)	Cash at End of Year

ACUITY BRANDS, INC.

NET INCOME AND EARNINGS PER SHARE RECONCILIATION (Unaudited)

(Amounts in thousands, except per-share data)	THREE MONTHS NET INCOME 2003	2002
Income before patent litigation settlement and wastewater charges	$ 21,137	$ 15,361
Patent litigation settlement	(5,120)	-
Wastewater facility charges	(1,728)	-

Net income	$ 14,289	$ 15,361

	YEAR ENDE	
	NET INCOME	
(Amounts in thousands, except per-share data)	2003	2002
Income before patent litigation settlement and wastewater charges	$ 54,630	$ 52,024
Patent litigation settlement	(5,120)	-
Wastewater facility charges	(1,728)	-
Net income	$ 47,782	$ 52,024

RATIO OF DEBT TO TOTAL CAPITALIZATION

(Amounts in thousands, except per-share data)	AUGUST 31 2003	AUGUST 31 2002
Total debt	$445,808	$543,121
Total stockholders' equity	408,294	401,952
Total capitalization	$854,102	$945,073
Debt-to-total-capitalization ratio	52.2%	57.5%

(1) Actual per share data has not been presented for periods prior to the second quarter of fiscal year 2002 since the businesses that comprise Acuity Brands were wholly owned subsidiaries of National Service Industries, Inc. during those periods. Additionally, public trading of the Acuity Brands shares did not commence until December 3, 2001; therefore, no historical market share prices exist for the calculation of the potential dilutive effect of stock options for the periods prior to the second quarter of fiscal year 2002. As a result, pro forma diluted earnings per share is not presented for those periods.