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ACUITY BRANDS INC
Form 8-K
October 03, 2002

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 3, 2002

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 5. Other Events.

Attached hereto is a press release issued by Acuity Brands, Inc. (the "Registrant") on October 3, 2002. A copy of the press release is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

The following exhibit is filed herewith:

| | |
|-------------|---|
| EXHIBIT NO. | DESCRIPTION |
| 99.1 | Press Release, issued by Registrant on October 3, 2002. |

SIGNATURES

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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 3, 2002

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.
(404) 853-1437

ACUITY BRANDS REPORTS 2002 FOURTH QUARTER RESULTS

Substantial Reduction in Debt

ATLANTA, October 3, 2002 - Acuity Brands, Inc. (NYSE: AYI) announced today that sales for its fourth quarter ended August 31, 2002 were \$515.3 million, up two percent from sales of \$505.6 million reported for the same period a year ago. Excluding the results of American Electric, which was acquired in the first quarter of 2002, net sales in the fourth quarter were down approximately one percent compared to last year's results. Record quarterly sales at Acuity Specialty Products were offset by reduced sales in the Acuity Lighting Group due to lower volumes and continued pricing pressure in certain commercial and industrial lighting markets caused by the continued weak economic environment.

Net income for the fourth quarter was \$15.4 million, or \$0.37 per share, compared to \$6.4 million, or \$0.16 per share, reported last year. This represents an increase of approximately 140 percent for net income and 130 percent for earnings per share. The fourth quarter included a pre-tax gain of \$3.1 million on the sale of assets while last year's fourth quarter included \$4.1 million in restructuring and asset impairment charges, a \$3.1 million charge for the termination of a purchase obligation, and \$3.0 million of amortization expense that has been discontinued. Excluding the impact of these items, earnings per share would have been \$0.32 in the fourth quarter of 2002 and \$0.34 in the fourth quarter of 2001. The lost contribution margin on lower sales (noted above) and continued higher expenses for certain non-discretionary costs were offset by the benefits obtained from continued aggressive expense control and profit improvement programs implemented throughout the company.

Fourth Quarter Segment and Corporate Overview

Net sales in the fourth quarter for the Acuity Lighting Group were \$382.0 million, up approximately two percent compared to last year's fourth quarter as well as to the 2002 third quarter. Excluding the sales contributed by American Electric, the Acuity Lighting Group's sales were down approximately two percent

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when compared to the fourth quarter of 2001. The decline in net sales was primarily the result of lower shipments to certain commercial and industrial markets and reduced selling prices for certain key products due to severe competition for available orders caused by weakened demand. Operating profit at the Acuity Lighting Group was \$19.3 million, down 24 percent compared to last year's \$25.3 million. The decline in operating profit was primarily due to product mix changes, lower selling prices for certain products, and increases for certain non-discretionary items. This decline was partially offset by profit improvement initiatives and cost containment programs implemented throughout the company. Additionally, the adoption of a new accounting standard that eliminated amortization for certain goodwill and intangibles contributed approximately \$2.5 million to lighting's fourth quarter operating profit.

Net sales in the fourth quarter for Acuity Specialty Products were \$133.3 million, up approximately two percent compared to the prior year, and represented record quarterly sales for Acuity Specialty Products, excluding the impact of certain divested operations from historical periods. The increase in sales was primarily due to continued strength in the retail sector and, to a lesser extent, in certain niche markets. Acuity Specialty Products also set a record with fourth quarter operating profit of \$15.9 million, a 52 percent increase over last year's \$10.4 million. This increase was primarily due to the profit contribution on higher volumes, the impact of profit improvement programs, and the elimination of \$0.5 million of amortization, which were partially offset by increased expenses for certain non-discretionary items and investments made to enhance the company's sales force capabilities in certain strategic markets.

Corporate expenses were \$4.3 million, down \$2.6 million from last year. The decline was due primarily to cost containment programs and the reorganization of the corporate staff. Net interest expense of \$9.8 million was below the prior year's \$11.2 million largely due to lower interest rates and debt outstanding.

Fiscal 2002 Results

In 2002, Acuity Brands generated net sales of approximately \$2.0 billion, which were essentially flat with the prior year's sales. Excluding the results from the divestiture of certain Acuity Specialty Products foreign operations and the acquisition of American Electric, net sales declined approximately three percent compared to 2001. This decline was primarily due to lower net sales at the Acuity Lighting Group caused by weakened customer demand and intense price competition for available orders, partially offset by the solid second half results posted by Acuity Specialty Products.

Net income for 2002 was \$52.0 million, or \$1.26 per share, up 28 percent compared to \$40.5 million, or \$0.99 per share, in 2001. Excluding \$3.2 million in gains on property sales and \$0.9 million in restructuring reversals, fiscal 2002 earnings per share would have been \$1.20 compared to last year's \$1.63, excluding a \$15.3 million loss from divested operations, \$4.1 million of restructuring and asset impairment charges, a \$3.1 million charge from the termination of a purchase obligation, and \$12.0 million in discontinued amortization expenses. In 2002, the company's effective tax rate declined to 37.2 percent from 41.4 percent reported the prior year. The decline in the rate was primarily the result of the legal entity restructuring that occurred in connection with the spin-off transaction and the elimination of amortization of goodwill.

Outlook

James S. Balloun, Chairman, President and Chief Executive Officer of Acuity Brands, said, "Our first year as a stand-alone publicly traded company was very challenging. During the year, events such as well-publicized lapses in proper corporate governance, sensational business bankruptcies, large layoffs, and the

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tragedy on September 11, 2001, all took their toll on an economy that had not experienced a downturn in over a decade. For our company, this created an economic environment characterized by weakened demand in key markets, particularly non-residential construction; rising costs for raw materials and other non-discretionary expenses; and intense price competition in certain markets for available orders. We responded and adapted to these changing and volatile market conditions by reducing costs, boosting productivity, and better managing our investments to produce solid earnings and cash flow for our shareholders. We were able to accomplish this without damaging our organizational development or stopping investments toward our future. I am proud of the manner in which our 12,000 employees performed under very trying circumstances and that we delivered earnings within the range of \$1.10 to \$1.30 per share, which we projected in December 2001.

"In the fourth quarter as well as the entire fiscal year, we continued to make progress toward our goal of building a more competitive company that can better meet the challenges of an uncertain economic environment and that is capable of delivering more consistent earnings and cash flow in the future. Our initiatives throughout the year included programs that helped us better manage discretionary spending, lower product costs, enhance manufacturing efficiencies, and penetrate channels of distribution and customer bases that allowed for greater diversification of our end markets and made us less dependent on the commercial construction market. I am pleased that we turned in a record quarter at Acuity Specialty Products. Additionally, I continue to be particularly pleased with our intense focus on delivering an improved balance sheet through better managing our investment in working capital. In fact, this effort has allowed us to reduce our outstanding debt to \$543 million as of August 31, 2002 from \$643 million at November 30, 2001, the effective date of the spin-off of Acuity Brands as a separate, publicly traded company."

Balloun continued, "As we conclude 2002 and look forward to 2003, we remain confident in the long-term potential of our company as a whole as well as each of our businesses. However, at this time we fail to see any real signs of a meaningful recovery or sustainable improvement in the business climate for our key markets, particularly in North America. While some economists predict that the economy will improve late in our fiscal 2003, we are preparing for another year of very difficult conditions. Therefore, our focus remains on improving the products and services we provide to our customers, becoming more productive and efficient, and enhancing our profitability while diversifying and expanding the many end markets and customers we serve. Assuming that economic conditions overall, and more specifically in our key markets, do not deteriorate beyond their already weakened state, we forecast our 2003 earnings to be between \$1.20 and \$1.40 per share. The low end of this range is based on the current economic environment and is essentially flat with our 2002 earnings per share, excluding gains on asset sales and restructuring reversals previously noted. Should the economy begin to improve in the second half of our fiscal 2003, however, we could potentially deliver earnings per share at the high end of the range. Sales are expected to increase modestly in 2003, based on current market conditions."

Dividend Declaration

On October 2, 2002, the board of directors of Acuity Brands declared a quarterly dividend of 15 cents per share. The dividend is payable on November 1, 2002 to shareholders of record on October 15, 2002.

Conference Call

The company will host a conference call to discuss fourth quarter results on October 3, 2002 at 4:00 p.m. EDT. Interested parties may listen to this call

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live today or hear a replay until October 24, 2002 at the following Web site:
www.AcuityBrands.com.

Acuity Brands, Inc., whose businesses had fiscal year 2002 sales of approximately \$2.0 billion, is comprised of the Acuity Lighting Group and Acuity Specialty Products. The Acuity Lighting Group is the world's leading lighting fixture manufacturer and includes brands such as Lithonia(R), Holophane(R), Peerless(R), and Hydrel(R). Acuity Specialty Products is a leading provider of specialty chemicals and includes brands such as Zep(R), Enforcer(R), and Selig(TM). Headquartered in Atlanta, Georgia, Acuity Brands employs 11,800 people and has operations throughout North America and in Europe.

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) expectations regarding no meaningful recovery or sustainable improvement in the business climate for the company's key markets; (b) the company's focus on improving products and services, becoming more productive and efficient, and enhancing profitability while diversifying and expanding end markets and customers; and (c) forecasted sales and earnings per share. 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 company's ability to realize the anticipated benefits of cost containment and productivity initiatives; (b) the uncertainty of general business and economic conditions, including the potential for a more severe slowdown in non-residential construction awards, interest rate changes, and fluctuations in commodity and raw material prices; (c) unexpected developments in the company's legal and environmental proceedings; and (d) the other risk factors described in the company's registration statement on Form 10 filed with the Securities and Exchange Commission on November 9, 2001.

ACUITY BRANDS, INC.

SUMMARY OF OPERATIONS (Unaudited)

| | THREE MONTHS ENDED AUGUST 31 | | |
|---|------------------------------|------------|---------------|
| (Amounts in thousands, except per-share data) | SALES | | OPERATING PRO |
| | 2002 | 2001 | 2002 |
| Lighting Equipment | \$ 382,024 | \$ 374,347 | \$ 19,265 |
| Specialty Products | 133,260 | 131,292 | 15,857 |
| | \$ 515,284 | \$ 505,639 | 35,122 |
| Corporate | | | (4,321) |
| Other income (expense), net (1) | | | 2,674 |
| Interest expense, net | | | (9,778) |
| | | | 23,697 |
| Income before taxes | | | 23,697 |
| Income taxes | | | 8,336 |
| | | | \$ 15,361 |
| | | | \$.37 |
| Earnings per Share: | | | |
| Basic earnings per share | | | \$.37 |

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| | |
|---|--------|
| Basic weighted-average shares outstanding during period | 41,341 |
| Diluted earnings per share: | \$.37 |
| Diluted weighted-average shares outstanding during period | 41,561 |
| Pro Forma Earnings per Share (2): | |
| Basic earnings per share | n/a |
| Basic weighted-average shares outstanding during period | n/a |

| YEAR ENDED AUGUST 31 | | | |
|---|--------------|--------------|---------------|
| (Amounts in thousands, except per-share data) | SALES | | OPERATING PRO |
| | 2002 | 2001 | 2002 |
| Lighting Equipment | \$ 1,474,882 | \$ 1,468,558 | \$ 89,553 |
| Specialty Products | 497,914 | 514,142 | 44,931 |
| | \$ 1,972,796 | \$ 1,982,700 | 134,484 |
| Corporate | | | (14,357) |
| Other income (expense), net (1) | | | 3,399 |
| Interest expense, net | | | (40,690) |
| Income before taxes | | | 82,836 |
| Income taxes | | | 30,812 |
| Net income | | | \$ 52,024 |
| Pro Forma Earnings per Share (2): | | | |
| Basic earnings per share | | | \$ 1.26 |
| Basic weighted-average shares outstanding during period | | | 41,286 |

(1) Other income (expense), net consists primarily of losses on the sale of businesses, gains or restructuring charges, 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 that comprise Acuity Brands were wholly owned subsidiaries of National Service Industries, Inc. d. Additionally, public trading of the Acuity Brands shares did not commence until December 3, 2001; market share prices exist for the calculation of the potential dilutive effect of stock options f second quarter of fiscal year 2002. As a result, pro forma diluted earnings per share is not pre

ACUITY BRANDS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

| (Amounts in thousands, except per-share data) | AUGUST 31 2002 | AUGUST 31 2001 (3) | |
|---|-------------------|-----------------------|-----------------------------------|
| Assets | | | Liabilities and Stockholders' Equ |
| Current Assets | | | |
| Cash and short-term investments | \$ 2,694 | \$ 8,006 | Current Liabilities |
| Receivables, net | 322,735 | 296,900 | Long-Term Debt, less current matu |
| Inventories | 216,942 | 210,783 | Deferred Income Taxes |
| Other current assets | 48,626 | 43,427 | Other Long-Term Liabilities |
| | ----- | ----- | Stockholders' Equity |
| Total Current Assets | 590,997 | 559,116 | |

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| | | | |
|-------------------------------------|-------------|-------------|-----------------------------------|
| Property, Plant, and Equipment, net | 240,679 | 248,423 | Current Ratio |
| Other Assets | 526,278 | 523,036 | Percent of Debt to Total Capitali |
| | ----- | ----- | |
| Total Assets | \$1,357,954 | \$1,330,575 | |
| | ===== | ===== | |

CONDENSED CONSOLIDATED CASH FLOWS (Unaudited)

| (Amounts in thousands) | YEAR ENDED | | |
|-------------------------------|------------|------------|--------------------------------|
| | 2002 | 2001 | |
| Cash Provided by (Used for): | | | Cash Provided by (Used for): |
| Operations- | | | Financing- |
| Net income | \$52,024 | \$40,503 | Debt |
| Depreciation and amortization | 49,494 | 62,911 | Dividends |
| Other operating activities | 40,482 | 79,001 | Net activity with NSI |
| | ----- | ----- | Other financing activities |
| Cash Provided by Operations | 142,000 | 182,415 | Cash Used for Financing |
| | ----- | ----- | |
| Investing- | | | Effect of Exchange Rate on Cas |
| Capital expenditures | (33,482) | (47,611) | |
| Acquisitions | (24,765) | - | Net Change in Cash |
| Sale of assets | 8,358 | 3,469 | Cash at Beginning of Year |
| Other investing activities | 4,841 | 1,238 | |
| | ----- | ----- | Cash at End of Period |
| Cash Used for Investing | \$(45,048) | \$(42,904) | |
| | ----- | ----- | |

(3) Certain prior period amounts have been reclassified to conform with the current year presenta