

Edgar Filing: ACUITY BRANDS INC - Form 8-K

ACUITY BRANDS INC
Form 8-K
December 20, 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) December 18, 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 December 18, 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 December 18, 2002.

SIGNATURES

Edgar Filing: ACUITY BRANDS INC - Form 8-K

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: December 20, 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 2003 FIRST QUARTER RESULTS

ATLANTA, December 18, 2002 - Acuity Brands, Inc. (NYSE: AYI) announced today that sales for its first quarter ended November 30, 2002 were \$505.2 million compared to \$481.7 million reported in the year ago period, an increase of \$23.5 million, or 4.9 percent. Sales increased 5.1 percent and 4.2 percent at Acuity Lighting Group (ALG) and Acuity Specialty Products Group (ASP), respectively. The current quarter included the full period results of American Electric Lighting (AEL), which was acquired in October 2001. Net income for the first quarter of fiscal 2003 was \$10.5 million, or \$0.25 per share, compared to \$11.5 million, or \$0.28 per share, reported in the first quarter of fiscal 2002. This represents a decrease in net income and earnings per share of approximately 9 percent and 11 percent, respectively. The decline in net income compared to the year ago period was primarily due to higher costs for certain raw materials, greater expenses for non-discretionary items, and increased spending for new product introductions and expanded marketing and logistics initiatives. The impact of these higher costs was partially offset by the contribution margin earned from the higher sales volume noted above, benefits from profit improvement initiatives, and cost containment programs. While these consolidated results were consistent with management's expectations, the Company continued to experience very difficult market conditions, including weak customer demand in the non-residential construction market and rising raw material and non-discretionary costs.

First Quarter Segment and Corporate Overview

Sales at Acuity Lighting Group in the first quarter of fiscal 2003 were \$382.7 million compared to \$364.1 million reported in the year ago period, an increase of \$18.5 million, or 5.1 percent. The increase in sales at ALG was primarily due to greater shipments of products through channels of distribution serving national accounts, utilities, and other key commercial and industrial markets; improved service capabilities; and available backlog. Sales at ALG in the first quarter of fiscal 2003 compared to the year ago period were benefited by \$6.7

Edgar Filing: ACUITY BRANDS INC - Form 8-K

million due to the inclusion of the full quarter results of American Electric Lighting, which was acquired in October 2001. Excluding the impact of AEL, net sales at Acuity Lighting Group increased 3.3 percent in the first quarter of fiscal 2003 compared to the year ago period. While sales increased in the current quarter, incoming orders remained soft reflecting the continued weak economic environment, particularly in the non-residential construction industry. Order rates, excluding AEL, for the first quarter were approximately 4 percent below order rates from the year ago period. The decline in order rates during the quarter, coupled with process improvement initiatives to reduce order cycle times and shorten lead times to customers, resulted in a lower backlog at November 30, 2002. The backlog at ALG decreased \$25.6 million, or 17.7 percent, to \$119.1 million at November 30, 2002 from August 31, 2002. Excluding the impact of AEL, the backlog declined 5.6 percent in the year ago period. Operating profit for Acuity Lighting Group improved \$1.0 million to \$26.1 million in the first quarter of fiscal 2003 from \$25.1 million reported in the prior year. Operating profit margins dropped nominally to 6.8 percent from 6.9 percent, as the variable contribution margin from the higher sales volume noted above was offset by continued pricing pressure and product mix changes, higher raw material costs, and non-discretionary spending for expenses such as insurance.

Sales at Acuity Specialty Products Group in the first quarter of fiscal 2003 were \$122.6 million, an increase of 4.2 percent over the same period one year earlier. The increase in sales was driven by greater product penetration in key channels of distribution including home improvement centers and certain industrial market segments, including food processing and preparation and vehicle wash. Operating profit at ASP for the first quarter of fiscal 2003 declined \$3.2 million to \$3.7 million from \$6.9 million reported in the year ago period. Operating margins declined to 3.0 percent from 5.9 percent. The decline in operating profit was primarily due to startup costs associated with a number of initiatives, including new product introductions and expanded marketing and logistics programs, all of which are expected to benefit future periods. In addition, ASP incurred higher costs for certain raw materials and certain non-discretionary spending, such as insurance, which were partially offset by increased selling prices and the greater contribution margin from the higher sales volume noted above.

Corporate expenses were \$3.5 million in the first quarter of fiscal 2003 compared to \$2.7 million in the year ago period. The increase was due primarily to increased expense associated with certain stock-based benefit plans and greater non-discretionary costs such as insurance. Interest expense of \$9.8 million in the first quarter of fiscal 2003 was lower than interest expense of \$10.4 million reported in the year ago period due to a reduction in both debt balances and interest rates.

Outlook

James S. Balloun, Chairman, President, and Chief Executive Officer of Acuity Brands, said, "Our first quarter results, which modestly exceeded internal expectations, reflected our ability to adapt to the difficult conditions that continue to prevail in certain key markets, particularly non-residential construction. I am pleased that we were able to partially offset the negative impact of these conditions by aggressively taking actions to make our businesses stronger, particularly at Acuity Lighting Group. Our results were benefited by numerous initiatives to reduce costs, improve customer service, enhance productivity, and further expand our product offerings and brands through a variety of channels. Overall, these efforts allowed us to essentially maintain gross profit margins while experiencing significant cost increases for raw materials and non-discretionary spending for insurance, as well as to fund key initiatives at both companies including certain sales and marketing programs. Also, during the quarter, we were able to generate sufficient cash flow to maintain our debt balance while paying our quarterly dividend and investing in

Edgar Filing: ACUITY BRANDS INC - Form 8-K

our businesses.

"I am pleased with our continued progress in making each business a stronger and more competitive organization in spite of prevailing market conditions, which have made it difficult to produce more favorable results. We continue to innovate, to find ways to more effectively serve our customers, and to improve our margins. We are doing this through better management of pricing, including price increases which have been previously announced by our businesses; greater sales to an expanding customer base; and enhanced productivity. We continue to pursue more profitable growth by focusing on and better serving our best customers and introducing innovative and more effective products. While these efforts are not without short-term costs, we anticipate that these initiatives, in addition to our relentless focus on cost reduction and productivity enhancements, will allow us to create greater value for our customers and our shareholders.

"We remain optimistic about the long-term potential of the solid businesses that comprise Acuity Brands. However, we are cautious about our near-term results due to uncertainty in the economic environment, particularly for non-residential construction, which is one of the key drivers of the lighting fixture market and where incoming orders for Acuity Lighting Group declined year over year in the first quarter of fiscal 2003. We anticipate that the second quarter of our fiscal year, which is historically the Company's weakest, will be an even greater challenge due to the current economic situation. We continue to expect our full year earnings to be in the range of \$1.20 to \$1.40 per share, assuming a modest rebound in the economy in the second half of our fiscal 2003."

Conference Call and Board News

As previously announced, the Company will host a conference call to discuss first quarter results on December 18, 2002 at 4:00 p.m. EST. Interested parties may listen to this call live today or hear a replay until January 8, 2003 at the Company's Web site: www.acuitybrands.com.

The Board of Directors will hold its quarterly meeting on December 19, 2002, the date of the annual meeting of stockholders.

Acuity Brands, Inc., with fiscal year 2002 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(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 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) expected future benefits of a number of initiatives for which startup costs were incurred, including new product introductions and expanded marketing and logistics programs at Acuity Specialty Products Group; (b) the impact of the Company's focus on servicing customers, introducing innovative and more effective products, cost reduction, and productivity enhancements on increased value for the Company's customers and shareholders; and (c) forecasted earnings per share for fiscal 2003. 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

Edgar Filing: ACUITY BRANDS INC - Form 8-K

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 proceedings; 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)

(Amounts in thousands, except per-share data)	THREE MONTHS ENDED NOVEMBER 30		OPERATING PRO
	2002	2001	
	SALES		
Lighting Equipment	\$ 382,658	\$ 364,110	\$ 26,067
Specialty Products	122,568	117,581	3,671
	\$ 505,226	\$ 481,691	29,738
Corporate			(3,456)
Other income (expense), net (1)			(118)
Interest expense, net			(9,774)
			16,390
Income before taxes			5,900
Income taxes			\$ 10,490
Net income			\$ 10,490
Earnings per Share:			
Basic earnings per share			\$.25
Basic weighted-average shares outstanding during period			41,391
Diluted earnings per share:			
Diluted earnings per share			\$.25
Diluted weighted-average shares outstanding during period			41,432
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 f
(2) Actual per share data has not been presented for periods prior to the 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)

Edgar Filing: ACUITY BRANDS INC - Form 8-K

(Amounts in thousands, except per-share data)	NOVEMBER 30 2002	AUGUST 31 2002	
Assets			Liabilities and Stockholders' Equity
Current Assets			Current Liabilities
Cash and short-term investments \$	4,674	\$ 2,694	Long-Term Debt, less current maturities
Receivables, net	307,826	322,735	Deferred Income Taxes
Inventories	216,459	216,942	Other Long-Term Liabilities
Other current assets	50,179	48,626	Stockholders' Equity
	-----	-----	
Total Current Assets	579,138	590,997	
Property, Plant, and Equipment, net	235,558	240,679	Current Ratio
Other Assets	523,082	526,278	Percent of Debt to Total Capitalization
	-----	-----	
Total Assets	\$1,337,778	\$1,357,954	
	=====	=====	

CONDENSED CONSOLIDATED CASH FLOWS (Unaudited)

THREE MONTHS ENDED
NOVEMBER 30

(Amounts in thousands)	2002	2001 (3)	
Cash Provided by (Used for):			Cash Provided by (Used for):
Operations-			Financing-
Net income	\$10,490	\$11,534	Debt
Depreciation and amortization	11,766	12,756	Dividends
Other operating activities	(8,141)	(776)	Net activity with NSI
	-----	-----	Other financing activities
Cash Provided by Operations	14,115	23,514	Cash (Used for) Provided by Financing
	-----	-----	
Investing-			Effect of Exchange Rate on Cash
Capital expenditures	(7,257)	(8,945)	
Acquisitions	-	(26,387)	Net Change in Cash
Sale of assets	375	180	Cash at Beginning of Year
	-----	-----	
Cash Used for Investing	\$ (6,882)	\$ (35,152)	Cash at End of Period
	-----	-----	

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