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, 2021.

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)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.01 par value per share	AYI	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 — 35,708,130 shares as of June 29, 2021.

ACUITY BRANDS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

ACUITY BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	May 31, 2021	August 31, 2020
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 593.5	$ 560.7
Accounts receivable, less reserve for doubtful accounts of $2.1 and $2.6, respectively	509.0	500.3
Inventories	370.0	320.1
Prepayments and other current assets	66.0	58.6
Total current assets	1,538.5	1,439.7
Property, plant, and equipment, net	259.7	270.5
Operating lease right-of-use assets	60.2	63.4
Goodwill	1,096.2	1,080.0
Intangible assets, net	580.1	605.9
Deferred income taxes	2.5	2.7
Other long-term assets	23.1	29.5
Total assets	$ 3,560.3	$ 3,491.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 380.4	$ 326.5
Current maturities of debt	4.0	24.3
Current operating lease liabilities	16.4	17.2
Accrued compensation	105.0	85.4
Other accrued liabilities	165.6	164.2
Total current liabilities	671.4	617.6
Long-term debt	494.2	376.8
Long-term operating lease liabilities	48.4	56.8
Accrued pension liabilities	67.3	91.6
Deferred income taxes	103.3	94.9
Self-insurance reserves	6.4	6.5
Other long-term liabilities	130.2	120.0
Total liabilities	1,521.2	1,364.2
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; 54,004,441 and 53,885,165 issued, respectively	0.5	0.5
Paid-in capital	985.1	963.6
Retained earnings	2,717.0	2,523.3
Accumulated other comprehensive loss	(97.4)	(132.7)
Treasury stock, at cost — 18,265,031 and 15,012,449 shares, respectively	(1,566.1)	(1,227.2)
Total stockholders' equity	2,039.1	2,127.5
Total liabilities and stockholders' equity	$ 3,560.3	$ 3,491.7

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

ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In millions, except per-share data)

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net sales	$ 899.7	$ 776.2	$ 2,468.3	$ 2,435.1
Cost of products sold	513.1	448.6	1,412.6	1,407.8
Gross profit	386.6	327.6	1,055.7	1,027.3
Selling, distribution, and administrative expenses	268.0	241.3	759.4	767.5
Special charges	0.5	3.3	1.5	11.8
Operating profit	118.1	83.0	294.8	248.0
Other expense:				
Interest expense, net	6.2	5.4	17.7	19.4
Miscellaneous expense (income), net	2.7	(0.9)	6.5	1.5
Total other expense	8.9	4.5	24.2	20.9
Income before income taxes	109.2	78.5	270.6	227.1
Income tax expense	23.5	18.1	62.4	52.5
Net income	$ 85.7	$ 60.4	$ 208.2	$ 174.6
Earnings per share:				
Basic earnings per share	$ 2.40	$ 1.53	$ 5.70	$ 4.42
Basic weighted average number of shares outstanding	35.7	39.5	36.5	39.5
Diluted earnings per share	$ 2.37	$ 1.52	$ 5.66	$ 4.40
Diluted weighted average number of shares outstanding	36.2	39.7	36.8	39.7
Dividends declared per share	$ 0.13	$ 0.13	$ 0.39	$ 0.39
Comprehensive income:				
Net income	$ 85.7	$ 60.4	$ 208.2	$ 174.6
Other comprehensive income (loss) items:				
Foreign currency translation adjustments	22.3	(13.8)	33.6	(15.6)
Defined benefit plans, net of tax	(1.6)	1.8	1.7	5.4
Other comprehensive income (loss) items, net of tax	20.7	(12.0)	35.3	(10.2)
Comprehensive income	$ 106.4	$ 48.4	$ 243.5	$ 164.4

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

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

	Nine Months Ended	
	May 31, 2021	May 31, 2020
Cash flows from operating activities:		
Net income	$ 208.2	$ 174.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	75.0	75.3
Share-based payment expense	22.3	32.5
Asset impairment	4.0	1.4
Accounts receivable	(3.2)	119.9
Inventories	(47.8)	1.0
Prepayments and other current assets	(0.6)	13.2
Accounts payable	52.7	(14.7)
Other	5.6	(24.9)
Net cash provided by operating activities	316.2	378.3
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(30.6)	(38.3)
Proceeds from sale of property, plant, and equipment	4.7	0.2
Acquisition of businesses, net of cash acquired	(2.0)	(303.0)
Other investing activities	(3.5)	(1.9)
Net cash used for investing activities	(31.4)	(343.0)
Cash flows from financing activities:		
Issuance of long-term debt	493.9	400.0
Repayments of long-term debt	(397.1)	(353.2)
Repurchases of common stock	(340.9)	—
Proceeds from stock option exercises and other	2.0	0.7
Payments of taxes withheld on net settlement of equity awards	(3.9)	(5.1)
Dividends paid	(14.3)	(15.6)
Net cash (used for) provided by financing activities	(260.3)	26.8
Effect of exchange rate changes on cash and cash equivalents	8.3	(2.5)
Net change in cash and cash equivalents	32.8	59.6
Cash and cash equivalents at beginning of period	560.7	461.0
Cash and cash equivalents at end of period	$ 593.5	$ 520.6
Supplemental cash flow information:		
Income taxes paid during the period	$ 58.7	$ 32.1
Interest paid during the period	$ 15.6	$ 26.9

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

Note 1 — Description of Business and Basis of Presentation

Acuity Brands, Inc. (referred to herein as “we,” “our,” “us,” the “Company,” or similar references) was incorporated in 2001 under the laws of the State of Delaware. We are a market-leading industrial technology company that develops, manufactures, and brings to market products and services including building management systems, lighting, lighting controls, and location-aware applications. These products and services provide commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets. Beginning the third quarter of fiscal 2021, we have two reportable segments consisting of Acuity Brands Lighting and Lighting Controls (“ABL”) and Intelligent Spaces Group (“ISG”).

ABL offers devices such as luminaires, lighting controls, power supplies, prismatic skylights, and drivers as well as integrated systems designed to optimize energy efficiency and comfort for various indoor and outdoor applications. Principal customers of ABL include electrical distributors, retail home improvement centers, electric utilities, national accounts, digital retailers, lighting showrooms, and energy service companies located in North America and select international markets serving new construction, renovation and retrofit, and maintenance and repair applications. Our lighting and lighting controls solutions are sold primarily through independent sales agencies that cover specific geographic areas and market channels, by internal sales representatives, through consumer retail channels, and directly to large corporate accounts. Products are delivered directly from our manufacturing facilities or through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-managed truck fleet. To serve international customers, the sales forces utilize a variety of distribution methods to meet specific individual customer or country requirements. ABL products and solutions are marketed under numerous brand names, including but not limited to Lithonia Lighting®, Holophane®, Peerless®,Gotham®, Mark Architectural Lighting™, Winona®Lighitng, Juno®, Indy™, Aculux™, Healthcare Lighting®, Hydrel®, American Electric Lighting®, Sunoptics®, eldoLED®, nLight®, Sensor Switch®, IOTA®, A-Light™, Cyclone™, Eureka®, Lumniaire LED™, Luminis®, Dark to Light®, and RELOC Wiring Solutions.

ISG offers building management systems and location-aware applications and sells predominantly through system integrators. Our building management system includes Distech Controls® products for controlling heating, ventilation, and air conditioning (“HVAC”), lighting, shades, and access control that deliver end-to-end optimization of those building systems. We also offer Atrius™, our intelligent building platform that enhances the occupant experience, improves building system management, and automates labor intensive tasks while delivering operational energy efficiency and cost reductions. Through a connected and converged building system architecture, our platform delivers different applications, allows clients to upgrade over time with natural refresh cycles, and deploys new capability through both software and hardware updates. Principal customers of ISG include system integrators, electrical distributors, retail centers, airports, and enterprise campuses throughout North America and select international locations. ISG products and solutions are marketed under numerous brand names, including but not limited to Distech Controls®, DGLogik™, Atruis™ BuildingOS®, and LocusLabs™.

ABL and ISG comprised approximately 95% and 5% of consolidated revenues, respectively, during the three and nine months ended May 31, 2021 and 2020.

We prepared the *Consolidated Financial Statements* in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) to present the financial position, results of operations, and cash flows of Acuity Brands, Inc. and its wholly-owned subsidiaries.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to present fairly our consolidated financial position as of May 31, 2021, our consolidated comprehensive income for the three and nine months ended May 31, 2021 and 2020, and our consolidated cash flows for the nine months ended May 31, 2021 and 2020. Certain information and footnote disclosures normally included in our annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, we believe 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 as of and for the three years ended August 31, 2020 and notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 23, 2020 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2021 and 2020 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to continued uncertainty of general economic conditions that may impact our key end markets for the remainder of fiscal 2021, seasonality, and the impact of any acquisitions, among other reasons. Additionally, we are uncertain of the future impact of the ongoing COVID-19 pandemic or recovery of prior deterioration in economic conditions to our sales channels, supply chain, manufacturing, and distribution as well as overall construction, renovation, and consumer spending.

Note 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

We have recast prior period segment and disaggregated revenue information to conform to the current year presentation. See *Note 18 — Segment Information* for further details. No other material reclassifications occurred during the current period.

Note 3 — Acquisitions

Fiscal 2021 Acquisition

On May 18, 2021, using cash on hand, we acquired all of the equity interests of Rockpile Ventures, an accelerator of Edge artificial intelligence ("AI") startups. Rockpile Ventures helps early-stage artificial intelligence companies drive co-engineering and co-selling partnerships with major cloud ecosystems, enabling faster adoption from proof-of-concept trials to market scale.

Fiscal 2020 Acquisitions

The Luminaires Group

On September 17, 2019, using cash on hand and borrowings under available existing credit arrangements, we acquired all of the equity interests of The Luminaires Group ("TLG"), a leading provider of specification-grade luminaires for commercial, institutional, hospitality, and municipal markets, all of which complement our current and dynamic lighting portfolio. TLG's indoor and outdoor lighting fixtures are marketed to architects, landscape architects, interior designers, and engineers through five niche lighting brands: A-light™, Cyclone™, Eureka®, Luminaire LED™, and Luminis®.

LocusLabs, Inc.

On November 25, 2019, using cash on hand, we acquired all of the equity interests of LocusLabs, Inc ("LocusLabs"). The LocusLabs software platform supports navigation applications used on mobile devices, web browsers, and digital displays in airports, event centers, multi-floor office buildings, and campuses.

Accounting for Acquisitions

We accounted for the acquisition of Rockpile Ventures as well as the acquisitions of TLG and LocusLabs in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"). The TLG and LocusLabs acquisitions are referred to herein collectively as the "2020 Acquisitions." Acquired assets and liabilities were recorded at their estimated acquisition-date fair values, and acquisition-related costs were expensed as incurred. Amounts recognized for the acquisition of Rockpile Ventures are deemed to be provisional until disclosed otherwise, as we continue to gather information related to the identification and valuation of Rockpile Ventures' equity interests in AI startups as well as other acquired assets and liabilities.

We finalized the acquisition accounting for the 2020 Acquisitions during the first quarter of fiscal 2021. There were no material changes to our financial statements as a result of the finalization of the acquisition accounting for the 2020 Acquisitions. The aggregate purchase price of the 2020 Acquisitions reflects total goodwill and identified intangible assets of approximately $107.6 million and $180.6 million, respectively. Identified intangible assets consist of indefinite-lived marketing-related intangibles as well as definite-lived customer-based and technology-based assets, which have a weighted average useful life of approximately 16 years. Goodwill recognized from these acquisitions is comprised primarily of expected benefits related to complementing and expanding our solutions portfolio, including dynamic lighting and software, as well as the trained workforce acquired with these businesses and expected synergies from combining the operations of the acquired businesses with our operations. Goodwill from these acquisitions totaling $77.7 million is expected to be tax deductible.

Note 4 — New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2021

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which requires an entity to assess impairment of its financial instruments based on the entity's estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. These standards have been collectively codified within ASC Topic 326, *Credit Losses* (“ASC 326”). The provisions of ASC 326 are effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2019. We adopted the provisions of ASC 326 as of September 1, 2020 and applied these changes through an immaterial cumulative-effect adjustment of $0.2 million to retained earnings as of the date of adoption. Our estimation of current expected credit losses reflects our considerations of the impact of general economic conditions, including construction spending, unemployment rates, the effects of the COVID-19 pandemic, and macroeconomic growth, on our customers' ability to meet their obligations.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* (“ASU 2018-15”), which requires customers to apply internal-use software guidance to determine the implementation costs that are able to be capitalized. Capitalized implementation costs are required to be amortized over the term of the arrangement, beginning when the cloud computing arrangement is ready for its intended use. ASU 2018-15 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2019. We adopted ASU 2018-15 as of September 1, 2020 on a prospective basis. This standard did not have a material effect on our financial condition, results of operations, or cash flows.

Accounting Standards Yet to Be Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC Topic 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. We are currently evaluating the impacts of the provisions of ASU 2019-12 on our financial condition, results of operations, and cash flows.

All other newly issued accounting pronouncements not yet effective have been deemed either immaterial or not applicable.

Note 5 — Fair Value Measurements

We determine fair value measurements based on the assumptions a market participant would use in pricing an asset or liability. ASC Topic 820, *Fair Value Measurement* ("ASC 820"), establishes a three-level hierarchy that categorizes market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

We utilize valuation methodologies to determine the fair values of our financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period. No transfers between the levels of the fair value hierarchy occurred during the current fiscal period. In the event of a transfer in or out of a level within the fair value hierarchy, the transfers would be recognized on the date of occurrence.

We used quoted market prices to determine the fair value of Level 1 assets and liabilities. Our cash and cash equivalents (Level 1), which are required to be carried at fair value and measured on a recurring basis, were $593.5 million and $560.7 million as of May 31, 2021 and August 31, 2020, respectively.

Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC Topic 825, *Financial Instruments* ("ASC 825"). In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, such as the discount rate and estimates of future cash flows.

The carrying values and estimated fair values of certain of our financial instruments were as follows as of the dates presented (in millions):

	May 31, 2021		August 31, 2020	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:				
Investments in unconsolidated affiliates	$ 7.3	$ 7.3	$ 6.0	$ 6.0
Liabilities:				
Senior unsecured public notes, net of unamortized discount and deferred costs	$ 494.2	$ 490.1	$ —	$ —
Borrowings under Term Loan Facility	—	—	395.0	395.0
Industrial revenue bond	4.0	4.0	4.0	4.0
Bank loans	—	—	2.1	2.3

We hold equity investments in unconsolidated affiliates without readily determinable fair values. These strategic investments represent less than a 20% ownership interest in each of the privately-held affiliates, and we do not maintain power over or control of the entities. We have elected the practical expedient in ASC Topic 321, *Investments—Equity Securities*, to measure these investments at cost less any impairment adjusted for observable price changes, if any. Based on these considerations, we estimate that the carrying value of the acquired shares represents the fair value of the investment as of May 31, 2021. During the first quarter of fiscal 2021, we recorded an impairment charge for one of these investments of $4.0 million as a recapitalization of the underlying company diluted our holding value. This impairment is reflected in *Miscellaneous expense, net* for the nine months ended May 31, 2021 within our *Consolidated Statements of Comprehensive Income.*

Our senior unsecured public notes are carried at the outstanding balance, net of unamortized bond discount and deferred costs, as of the end of the reporting period. Fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2). Our industrial revenue bond ("IRB") is carried at the outstanding balance as of the end of the reporting period. The IRB was a variable-rate instrument that reset on a frequent short-term basis and matured within one month from balance sheet date; therefore, we estimate that the face amount of this bond approximates its fair value as of May 31, 2021 based on instruments of similar terms and maturity (Level 2). See *Note 9 — Debt and Lines of Credit* for further details on our borrowings.

ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value to us. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating our management of liquidity and other risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

Note 6 — Inventories

Inventories include materials, labor, inbound freight, and related manufacturing overhead, are stated at the lower of cost (on a first-in, first-out or average cost basis) and net realizable value, and consist of the following as of the dates presented (in millions):

	May 31, 2021	August 31, 2020
Raw materials, supplies, and work in process [1]	$ 171.7	$ 170.3
Finished goods	241.9	199.1
Inventories excluding reserves	413.6	369.4
Less: Reserves	(43.6)	(49.3)
Total inventories	$ 370.0	$ 320.1

[1] Due to the immaterial amount of estimated work in process and the short lead times for the conversion of raw materials to finished goods, we do not believe the segregation of raw materials and work in process is meaningful information.

We review inventory quantities on hand and record a provision for excess or obsolete inventory primarily based on estimated future demand and current market conditions. A significant change in customer demand or market conditions could render certain inventory obsolete and could have a material adverse impact on our operating results in the period the change occurs.

Note 7 — Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of the dates presented (in millions):

	May 31, 2021	August 31, 2020
Land	$ 22.6	$ 22.2
Buildings and leasehold improvements	196.1	192.2
Machinery and equipment	612.0	588.4
Total property, plant, and equipment, at cost	830.7	802.8
Less: Accumulated depreciation and amortization	(571.0)	(532.3)
Property, plant, and equipment, net	$ 259.7	$ 270.5

Subsequent to May 31, 2021, one of our facilities, included within property, plant, and equipment, with a carrying value of $6.6 million met the criteria to be classified as held for sale and is expected to be sold within one year. We concluded the fair value less cost to sell of this asset exceeded its carrying value.

Note 8 — Goodwill and Intangible Assets

Through multiple acquisitions, we have acquired definite-lived intangible assets consisting primarily of trademarks and trade names associated with specific products, distribution networks, patented technology, non-compete agreements, and customer relationships, which are amortized over their estimated useful lives. Indefinite-lived intangible assets consist of trade names that are expected to generate cash flows indefinitely.

We recorded amortization expense of $10.2 million and $10.8 million during the three months ended May 31, 2021 and 2020, respectively, and $30.4 million and $30.8 million during the nine months ended May 31, 2021 and 2020, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $40.7 million in fiscal 2021, $40.6 million in fiscal 2022, $40.3 million in fiscal 2023, $40.1 million in fiscal 2024, and $33.3 million in fiscal 2025.

The following table summarizes the changes in the carrying amount of goodwill during the periods presented (in millions):

	Nine Months Ended	
	May 31, 2021	May 31, 2020
Beginning balance	$ 1,080.0	$ 967.3
Provisional additions from acquired businesses	3.1	147.8
Adjustments to provisional amounts from acquired businesses	—	(21.6)
Foreign currency translation adjustments	13.1	(7.1)
Ending balance	$ 1,096.2	$ 1,086.4

Further discussion of goodwill and other intangible assets is included within the *Significant Accounting Policies* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Note 9 — Debt and Lines of Credit

Long-term Debt

On November 10, 2020, Acuity Brands Lighting, Inc. issued $500.0 million aggregate principal amount of 2.150% senior unsecured notes due December 15, 2030 (the "Unsecured Notes"). The Unsecured Notes bear interest at a rate of 2.150% per annum and were issued at a price equal to 99.737% of their face value. Interest on the Unsecured Notes will be paid semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2021. The Unsecured Notes are fully and unconditionally guaranteed on a senior unsecured basis by Acuity Brands, Inc. and ABL IP Holding LLC, a wholly-owned subsidiary of Acuity Brands, Inc. Additionally, we recorded $4.8 million of deferred issuance costs related to the Unsecured Notes as a direct deduction from the face amount of the Unsecured Notes. These issuance costs are amortized over the 10-year term of the Unsecured Notes. As of May 31, 2021, the balance of the Unsecured Notes net of unamortized discount and deferred issuance costs was $494.2 million.

As of May 31, 2021, we also had $4.0 million of tax-exempt industrial revenue bonds that were paid at maturity on June 1, 2021. The carrying value of these bonds is reflected within *Current maturities of debt* on the *Consolidated Balance Sheets* as of May 31, 2021. Additionally, we had $2.1 million outstanding under fixed-rate bank loans at August 31, 2020 that we repaid during the second quarter of fiscal 2021, prior to their maturity date. Further discussion of our long-term debt is included within the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Lines of Credit

On June 29, 2018, we entered into a credit agreement (the “Credit Agreement”) with a syndicate of banks that provides us with a $400.0 million five-year unsecured revolving credit facility (the “Revolving Credit Facility”) and provided us with a $400.0 million unsecured delayed draw term loan facility (the “Term Loan Facility”). We had no borrowings outstanding under the Revolving Credit Facility as of May 31, 2021 or August 31, 2020. We had $395.0 million of borrowings under the Term Loan Facility as of August 31, 2020, which we fully repaid during the first quarter of fiscal 2021 using the proceeds from the Unsecured Notes. The Credit Agreement allows for no future borrowings under the Term Loan Facility.

Generally, amounts outstanding under the Revolving Credit Facility allow for borrowings to bear interest at either the Eurocurrency Rate or the base rate at our option, plus an applicable margin. Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the London Inter-Bank Offered Rate ("LIBOR") or screen rate for the applicable currency plus an applicable margin. The Eurocurrency Rate applicable margin is based on our leverage ratio, as defined in the Credit Agreement, with such margin ranging from 1.000% to 1.375%. Base rate advances bear interest at an alternate base rate plus an applicable margin. The base rate applicable margin is based on our leverage ratio with such margin ranging from 0.000% to 0.375%.

We are required to pay certain fees in connection with the Credit Agreement, including administrative service fees and an annual facility fee. The annual facility fee is payable quarterly, in arrears, and is determined by our leverage ratio. The annual facility fee ranges from 0.125% to 0.250% of the aggregate $400.0 million commitment of the lenders under the Credit Agreement. The Credit Agreement contains financial covenants, including a minimum interest expense coverage ratio ("Minimum Interest Expense Coverage Ratio") and a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to earnings before interest, tax, depreciation, and amortization ("EBITDA"), as such terms are defined in the Credit Agreement. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Credit Agreement generally allows for a Minimum Interest Expense Coverage Ratio of 2.50 and a Maximum Leverage Ratio of 3.50, subject to certain conditions.

We were in compliance with all financial covenants under the Credit Agreement as of May 31, 2021. At May 31, 2021, we had additional borrowing capacity under the Credit Agreement of $395.9 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less the outstanding letters of credit of $4.1 million issued under the Revolving Credit Facility. As of May 31, 2021, we had outstanding letters of credit totaling $8.3 million, primarily for securing collateral requirements under our casualty insurance programs and for providing credit support for our industrial revenue bond, which includes the $4.1 million issued under the Revolving Credit Facility.

Borrowings and repayments on our Revolving Credit Facility with terms of three months or less are reported on a net basis on our *Consolidated Statements of Cash Flows*.

Interest Expense, net

Interest expense, net, is comprised primarily of interest expense on long-term debt, obligations in connection with non-qualified retirement benefits, and Revolving Credit Facility borrowings, partially offset by interest income earned on cash and cash equivalents.

The following table summarizes the components of interest expense, net for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Interest expense	$ 6.4	$ 6.1	$ 18.4	$ 21.9
Interest income	(0.2)	(0.7)	(0.7)	(2.5)
Interest expense, net	$ 6.2	$ 5.4	$ 17.7	$ 19.4

Note 10 — Commitments and Contingencies

In the normal course of business, we are subject to the effects of certain contractual stipulations, events, transactions, and laws and regulations that may, at times, require the recognition of liabilities, such as those related to self-insurance estimated liabilities and claims, legal and contractual issues, environmental laws and regulations, guarantees, and indemnities. We establish estimated liabilities when the associated costs related to uncertainties or guarantees become probable and can be reasonably estimated. For the period ended May 31, 2021, no material changes have occurred in our estimated liabilities for self-insurance, litigation, environmental matters, guarantees and indemnities, or relevant events and circumstances, from those disclosed in the *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Product Warranty and Recall Costs

Our products generally have a standard warranty term of five years that assure our products comply with agreed upon specifications. We record an accrual for the estimated amount of future warranty costs when the related revenue is recognized. Estimated costs related to product recalls based on a formal campaign soliciting repair or return of that product are accrued when they are deemed to be probable and can be reasonably estimated. Estimated future warranty and recall costs are primarily based on historical experience of identified warranty and recall claims. However, there can be no assurance that future warranty or recall costs will not exceed historical amounts or that new technology products may not generate unexpected costs. If actual future warranty or recall costs exceed historical amounts, additional increases in the accrual may be required, which could have a material adverse impact on our results of operations and cash flows.

Estimated liabilities for product warranty and recall costs are included in *Other accrued liabilities* and *Other long-term liabilities* on the *Consolidated Balance Sheets.* The following table summarizes changes in the estimated liabilities for product warranty and recall costs for the periods presented (in millions):

	Nine Months Ended	
	May 31, 2021	May 31, 2020
Beginning balance	$ 16.1	$ 11.5
Warranty and recall costs	23.8	21.5
Payments and other deductions	(21.2)	(19.7)
Acquired warranty and recall liabilities	—	0.1
Ending balance	$ 18.7	$ 13.4

Securities Class Action

On January 3, 2018, a shareholder filed a class action complaint in the United States District Court for the District of Delaware against us and certain of our officers on behalf of all persons who purchased or otherwise acquired our stock between June 29, 2016 and April 3, 2017. On February 20, 2018, a different shareholder filed a second class action complaint in the same venue against the same parties on behalf of all persons who purchased or otherwise acquired our stock between October 15, 2015 and April 3, 2017. The cases were transferred on April 30, 2018, to the United States District Court for the Northern District of Georgia and subsequently were consolidated as In re Acuity Brands, Inc. Securities Litigation, Civil Action No. 1:18-cv-02140-MHC (N.D. Ga.). On October 5, 2018, the court-appointed lead plaintiff filed a consolidated amended class action complaint (the “Consolidated Complaint”), which supersedes the initial complaints. The Consolidated Complaint is brought on behalf of all persons who purchased our common stock between October 7, 2015 and April 3, 2017 and alleges that we and certain of our current and former officers/executives violated the federal securities laws by making false or misleading statements and/or omitting to disclose material adverse facts that (i) concealed known trends negatively impacting sales of our products and (ii) overstated our ability to achieve profitable sales growth. The plaintiffs seek unspecified monetary damages, costs, and attorneys’ fees. We dispute the allegations in the complaints and intend to vigorously defend against the claims. We filed a motion to dismiss the Consolidated Complaint. On August 12, 2019, the court entered an order granting our motion to dismiss in part and dismissing all claims based on 42 of the 47 statements challenged in the Consolidated Complaint but also denying the motion in part and allowing claims based on five challenged statements to proceed to discovery. The Eleventh Circuit Court of Appeals granted the Company permission to file an interlocutory appeal of the District Court’s class certification order, and the briefing of that appeal has been completed. Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult, particularly where the matters involve indeterminate claims for monetary damages and are in the stages of the proceedings where key evidential and legal issues have not been resolved. For these reasons, we are currently unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses resulting from the matters described above. We are insured, in excess of a self-retention, for Directors and Officers liability.

Litigation

We are subject to various other legal claims arising in the normal course of business, including patent infringement, employment matters, and product liability claims. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of any such matters, if unfavorable, could have a material adverse effect on our financial condition, results of operations, or cash flows in future periods. We establish estimated liabilities for legal claims when associated costs become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts accrued for such claims. However, we cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the accrued amounts.

Note 11 — Changes in Stockholders' Equity

The following tables summarize changes in the components of stockholders' equity for the periods presented (in millions):

	Common Stock Outstanding						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at cost	Total
Balance, August 31, 2020	38.9	$ 0.5	$ 963.6	$ 2,523.3	$ (132.7)	$ (1,227.2)	$ 2,127.5
Net income	—	—	—	59.6	—	—	59.6
Other comprehensive income	—	—	—	—	6.2	—	6.2
Cumulative effect of adoption of ASC 326 [1]	—	—	—	(0.2)	—	—	(0.2)
Share-based payment amortization, issuances, and cancellations	0.1	—	4.7	—	—	—	4.7
Employee stock purchase plan issuances	—	—	0.3	—	—	—	0.3
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.0)	—	—	(5.0)
Repurchases of common stock	(2.6)	—	—	—	—	(256.1)	(256.1)
Balance, November 30, 2020	36.4	0.5	968.6	2,577.7	(126.5)	(1,483.3)	1,937.0
Net income	—	—	—	62.9	—	—	62.9
Other comprehensive income	—	—	—	—	8.4	—	8.4
Share-based payment amortization, issuances, and cancellations	—	—	8.6	—	—	—	8.6
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.7)	—	—	(4.7)
Stock options exercised	—	—	0.4	—	—	—	0.4
Repurchases of common stock	(0.7)	—	—	—	—	(80.3)	(80.3)
Balance, February 28, 2021	35.7	0.5	977.8	2,635.9	(118.1)	(1,563.6)	1,932.5
Net income	—	—	—	85.7	—	—	85.7
Other comprehensive income	—	—	—	—	20.7	—	20.7
Share-based payment amortization, issuances, and cancellations	—	—	6.2	—	—	—	6.2
Employee stock purchase plan issuances	—	—	0.3	—	—	—	0.3
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.6)	—	—	(4.6)
Stock options exercised	—	—	0.8	—	—	—	0.8
Repurchases of common stock [2]	—	—	—	—	—	(2.5)	(2.5)
Balance, May 31, 2021	35.7	$ 0.5	$ 985.1	$ 2,717.0	$ (97.4)	$ (1,566.1)	$ 2,039.1

[1] See *Note 4 - New Accounting Pronouncements* for further details on our adoption of ASC 326.

[2] Represents repurchases of fewer than 0.1 million shares of common stock.

	Common Stock Outstanding						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at cost	Total
Balance, August 31, 2019	39.5	$ 0.5	$ 930.0	$ 2,295.8	$ (151.4)	$ (1,156.0)	$ 1,918.9
Net income	—	—	—	57.0	—	—	57.0
Other comprehensive income	—	—	—	—	3.8	—	3.8
Share-based payment amortization, issuances, and cancellations	—	—	12.6	—	—	—	12.6
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.2)	—	—	(5.2)
Balance, November 30, 2019	39.5	0.5	942.8	2,347.6	(147.6)	(1,156.0)	1,987.3
Net income	—	—	—	57.2	—	—	57.2
Other comprehensive loss	—	—	—	—	(2.0)	—	(2.0)
Share-based payment amortization, issuances, and cancellations	—	—	7.5	—	—	—	7.5
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.2)	—	—	(5.2)
Stock options exercised	—	—	0.1	—	—	—	0.1
Balance, February 29, 2020	39.5	0.5	950.6	2,399.6	(149.6)	(1,156.0)	2,045.1
Net income	—	—	—	60.4	—	—	60.4
Other comprehensive loss	—	—	—	—	(12.0)	—	(12.0)
Share-based payment amortization, issuances, and cancellations	—	—	7.2	—	—	—	7.2
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.2)	—	—	(5.2)
Balance, May 31, 2020	39.5	$ 0.5	$ 958.0	$ 2,454.8	$ (161.6)	$ (1,156.0)	$ 2,095.7

Note 12 — Revenue Recognition

We recognize revenue when we transfer control of goods and services to our customers. Revenue is measured as the amount of consideration we expect to receive in exchange for goods and services and is recognized net of allowances for rebates, sales incentives, product returns, and discounts to customers. Further details regarding revenue recognition are included within the *Revenue Recognition* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Contract Balances

Our rights related to collections from customers are unconditional and are reflected within *Accounts receivable* on the *Consolidated Balance Sheets*. We do not have any other significant contract assets. Contract liabilities arise when we receive cash or an unconditional right to collect cash prior to the transfer of control of goods or services.

The amount of transaction price from contracts with customers allocated to our contract liabilities consists of the following as of the periods presented (in millions):

	May 31, 2021	August 31, 2020
Current deferred revenues	$ 7.0	$ 5.4
Non-current deferred revenues	56.2	53.6

Current deferred revenues primarily consist of software licenses as well as professional service and sales-type warranty fees collected prior to performing the related service. Current deferred revenues are included within *Other current liabilities* on the *Consolidated Balance Sheets*. These services are expected to be performed within one year. Non-current deferred revenues primarily consist of long-term service-type warranties, which are typically recognized ratably as revenue between five and ten years from the date of sale, and are included within *Other long-term liabilities* on the *Consolidated Balance Sheets.* Revenue recognized from beginning balances of contract liabilities during the nine months ended May 31, 2021 totaled $4.8 million.

Unsatisfied performance obligations as of May 31, 2021 that do not represent contract liabilities consist primarily of orders for physical goods that have not yet been shipped, which are typically shipped within a few weeks of order receipt.

Disaggregated Revenues

Our ABL segment's lighting and lighting controls are sold primarily through independent sales agents who cover specific geographic areas and market channels, by internal sales representatives, through consumer retail channels, and directly to large corporate accounts. ISG sells predominantly through system integrators. The following table shows revenue from contracts with customers by sales channel and reconciles to our segment information for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
ABL:				
Independent sales network	$ 628.0	$ 549.4	$ 1,737.4	$ 1,679.2
Direct sales network	96.7	69.4	256.0	240.1
Retail sales	36.1	48.7	135.8	161.1
Corporate accounts	44.0	39.1	93.1	126.6
Other	45.2	35.0	118.1	120.8
Total ABL	850.0	741.6	2,340.4	2,327.8
ISG	55.4	37.7	139.5	116.1
Eliminations	(5.7)	(3.1)	(11.6)	(8.8)
Total	$ 899.7	$ 776.2	$ 2,468.3	$ 2,435.1

Note 13 — Share-based Payments

We account for share-based payments through the measurement and recognition of compensation expense for share-based payment awards made to employees and directors over the related requisite service period, including stock options, performance share units, and restricted shares (all part of our equity incentive plan), as well as share units representing certain deferrals into our director deferred compensation plan or our supplemental deferred savings plan.

The following table presents share-based payment expense for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Share-based payment expense	$ 7.1	$ 7.8	$ 22.3	$ 32.5

Further details regarding our stock options, restricted shares, and director compensation award programs as well as our share-based payments are included within the *Share-based Payments* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Note 14 — Pension Plans

We have several pension plans, both qualified and non-qualified, covering certain hourly and salaried employees. Benefits paid under these plans are based generally on employees' years of service and/or compensation during the final years of employment. We make at least the minimum annual contributions to the plans to the extent indicated by actuarial valuations and statutory requirements. Plan assets are invested primarily in equity and fixed income securities.

Service cost of net periodic pension cost is allocated between *Cost of products sold* and *Selling, distribution, and administrative expenses* in the *Consolidated Statements of Comprehensive Income* based on the nature of the employee's services. All other components of net periodic pension cost are included within *Miscellaneous expense, net* in the *Consolidated Statements of Comprehensive Income*. Net periodic pension cost included the following components before tax for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Service cost	$ 1.2	$ 1.2	$ 3.7	$ 3.5
Interest cost	1.6	1.8	4.7	5.5
Expected return on plan assets	(3.4)	(3.2)	(10.0)	(9.4)
Amortization of prior service cost	0.8	1.0	2.2	3.0
Recognized actuarial loss	1.4	1.4	4.1	4.2
Net periodic pension cost	$ 1.6	$ 2.2	$ 4.7	$ 6.8

Further details regarding our pension plans are included within the *Pension and Defined Contribution Plans* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Note 15 — Special Charges

During the first nine months of fiscal 2021, we recognized pre-tax special charges of $1.5 million, which consisted primarily of charges for relocation costs and adjustments related to severance costs associated with the previously announced transfer of activities from planned facility closures. Further details regarding our special charges are included within the *Special Charges* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

The following table summarizes costs reflected within *Special charges* on the *Consolidated Statements of Comprehensive Income* for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Severance and employee-related costs	$ 0.5	$ 2.4	$ 0.4	$ 8.1
Relocation and other restructuring costs	—	0.9	1.1	3.7
Total special charges	$ 0.5	$ 3.3	$ 1.5	$ 11.8

As of May 31, 2021, remaining restructuring liabilities were $1.3 million and are included in *Accrued compensation* on the *Consolidated Balance Sheets*. The changes in the reserves related to these programs during the period presented are summarized as follows (in millions):

	Nine Months Ended
	May 31, 2021
Balance, August 31, 2020	$ 3.0
Severance and employee-related costs	0.4
Payments made during the period	(2.1)
Balance, May 31, 2021	$ 1.3

Note 16 — Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised, all unvested share-based payment awards were vested, and other distributions related to deferred stock agreements were incurred.

The following table calculates basic earnings per common share and diluted earnings per common share for the periods presented (in millions, except per share data):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net income	$ 85.7	$ 60.4	$ 208.2	$ 174.6
Basic weighted average shares outstanding	35.7	39.5	36.5	39.5
Common stock equivalents	0.5	0.2	0.3	0.2
Diluted weighted average shares outstanding	36.2	39.7	36.8	39.7
Basic earnings per share	$ 2.40	$ 1.53	$ 5.70	$ 4.42
Diluted earnings per share	$ 2.37	$ 1.52	$ 5.66	$ 4.40

The following table presents stock options, performance stock awards, and restricted stock awards that were excluded from the diluted earnings per share calculation for the periods presented as the effect of inclusion would have been antidilutive (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Stock options	0.1	0.9	1.0	0.5
Restricted stock awards	—	0.2	—	0.2

Further discussion of our stock options and restricted stock awards is included within the *Common Stock and Related Matters* and *Share-based Payments* footnotes of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Note 17 — Comprehensive Income

Comprehensive income represents a measure of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. *Other comprehensive income (loss) items* include foreign currency translation and pension adjustments.

The following tables summarize the changes in each component of accumulated other comprehensive loss during the periods presented (in millions):

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2020	$ (53.5)	$ (79.2)	$ (132.7)
Other comprehensive income (loss) before reclassifications	33.6	(3.2)	30.4
Amounts reclassified from accumulated other comprehensive loss [(1)]	—	4.9	4.9
Net current period other comprehensive income	33.6	1.7	35.3
Balance at May 31, 2021	$ (19.9)	$ (77.5)	$ (97.4)

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2019	$ (65.4)	$ (86.0)	$ (151.4)
Other comprehensive loss before reclassifications	(15.6)	—	(15.6)
Amounts reclassified from accumulated other comprehensive loss [(1)]	—	5.4	5.4
Net current period other comprehensive (loss) income	(15.6)	5.4	(10.2)
Balance at May 31, 2020	$ (81.0)	$ (80.6)	$ (161.6)

[(1)] The before tax amounts of the defined benefit pension plan items are included in net periodic pension cost. See the *Pension and Defined Contribution Plans* footnote for additional details.

The following table summarizes the tax expense or benefit allocated to each component of other comprehensive income (loss) for the periods presented (in millions):

	Three Months Ended					
	May 31, 2021			May 31, 2020		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ 22.3	$ —	$ 22.3	$ (13.8)	$ —	$ (13.8)
Defined benefit pension plans:						
Tax adjustments	—	(3.2)	(3.2)	—	—	—
Amortization of defined benefit pension items:						
Prior service cost	0.8	(0.2)	0.6	1.0	(0.2)	0.8
Actuarial losses	1.4	(0.4)	1.0	1.4	(0.4)	1.0
Total defined benefit pension plans, net	2.2	(3.8)	(1.6)	2.4	(0.6)	1.8
Other comprehensive income (loss)	$ 24.5	$ (3.8)	$ 20.7	$ (11.4)	$ (0.6)	$ (12.0)

	Nine Months Ended					
	May 31, 2021			May 31, 2020		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ 33.6	$ —	$ 33.6	$ (15.6)	$ —	$ (15.6)
Defined benefit pension plans:						
Tax adjustments	—	(3.2)	(3.2)	—	—	—
Amortization of defined benefit pension items:						
Prior service cost	2.2	(0.5)	1.7	3.0	(0.7)	2.3
Actuarial losses	4.1	(0.9)	3.2	4.2	(1.1)	3.1
Total defined benefit pension plans, net	6.3	(4.6)	1.7	7.2	(1.8)	5.4
Other comprehensive income (loss)	$ 39.9	$ (4.6)	$ 35.3	$ (8.4)	$ (1.8)	$ (10.2)

Note 18 — Segment Information

During the third quarter of fiscal 2021, we completed a realignment of our operations and structure to better support our business strategy. As a result, beginning in the third quarter of fiscal 2021, we now report our financial results of operations in two reportable segments, ABL and ISG, consistent with how our chief operating decision maker currently evaluates operating results, assesses performance, and allocates resources within the Company. We have recast historical information to conform to the current segment structure.

ABL

ABL offers devices such as luminaires, lighting controls, power supplies, prismatic skylights, and drivers as well as integrated systems designed to optimize energy efficiency and comfort for various indoor and outdoor applications. Principal customers of ABL include electrical distributors, retail home improvement centers, electric utilities, national accounts, digital retailers, lighting showrooms and energy service companies located in North America and select international markets serving new construction, renovation and retrofit, and maintenance and repair applications. Our lighting and lighting controls solutions are sold primarily through independent sales agencies who cover specific geographic areas and market channels, by internal sales representatives, through consumer retail channels and directly to large corporate accounts. Products are delivered directly from our manufacturing facilities or through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-managed truck fleet. To serve international customers, the sales forces utilize a variety of distribution methods to meet specific individual customer or country requirements.

ISG

Our ISG segment offers building management systems and location-aware applications, which include products for controlling HVAC, lighting, shades, and access control that deliver end-to-end optimization of those building systems. Additionally, ISG includes our intelligent building platform that enhances the occupant experience, improves building system management, and automates labor intensive tasks while delivering operational energy efficiency and cost reductions. Through a connected and converged building system architecture, our platform delivers different applications, allows clients to upgrade over time with natural refresh cycles, and deploys new capability through both software and hardware updates. Principal customers of ISG include system integrators, electrical distributors, retail centers, airports, and enterprise campuses throughout North America and select international locations.

Corporate and Unallocated Amounts

Corporate expenses that are primarily administrative in nature and benefit the company on an entity-wide basis are not allocated to our segments. These include expenses related to governance, policy setting, compliance, and certain other shared services functions. Additionally, we do not allocate non-operating amounts, including net interest expense and miscellaneous expense, special charges, or assets to our segments. Accordingly, this information is not used by the chief operating decision maker to make operating decisions and assess performance and is therefore excluded from our disclosures.

The accounting policies of our reportable segments are the same as those described in the *Significant Accounting Policies* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K. The following table presents financial information by operating segment for the periods presented (in millions):

	ABL	ISG	Corporate	Eliminations[1]	Total
Three Months Ended May 31, 2021:					
Net sales	$ 850.0	$ 55.4	$ —	$ (5.7)	$ 899.7
Operating profit (loss)	126.5	7.2	(15.6)	—	118.1
Depreciation and amortization	21.0	3.7	0.3	—	25.0
Three Months Ended May 31, 2020:					
Net sales	741.6	37.7	—	(3.1)	776.2
Operating profit (loss)	98.6	(0.2)	(15.4)	—	83.0
Depreciation and amortization	20.8	4.4	0.3	—	25.5
Nine Months Ended May 31, 2021:					
Net sales	2,340.4	139.5	—	(11.6)	2,468.3
Operating profit (loss)	326.9	7.9	(40.0)	—	294.8
Depreciation and amortization	63.2	11.0	0.8	—	75.0
Nine Months Ended May 31, 2020:					
Net sales	2,327.8	116.1	—	(8.8)	2,435.1
Operating profit (loss)	304.0	(2.3)	(53.7)	—	248.0
Depreciation and amortization	62.5	12.0	0.8	—	75.3

[1] This column represents intersegment sales. Profit on these sales eliminates within gross profit on a consolidated basis.

The following table reconciles operating profit by segment to income before income taxes (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Operating profit - ABL	$ 126.5	$ 98.6	$ 326.9	$ 304.0
Operating profit (loss) - ISG	7.2	(0.2)	7.9	(2.3)
Unallocated corporate amounts	(15.6)	(15.4)	(40.0)	(53.7)
Operating profit	118.1	83.0	294.8	248.0
Interest expense, net	6.2	5.4	17.7	19.4
Miscellaneous expense (income), net	2.7	(0.9)	6.5	1.5
Income before income taxes	$ 109.2	$ 78.5	$ 270.6	$ 227.1

Note 19 — Subsequent Event

One June 4, 2021, the Company announced that it has signed a definitive agreement to purchase ams OSRAM's North American Digital Systems ("DS") business. This acquisition is intended to enable the Company to enhance our LED driver and controls technology portfolio and accelerate our innovation, expand our access to market through a more fulsome OEM product offering, and give us more control over our supply chain. The transaction is expected to close by end of day on July 1, 2021.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The purpose of this discussion and analysis is to enhance the understanding and evaluation of the results of operations, financial position, cash flows, indebtedness, and other key financial information of Acuity Brands, Inc. (referred to herein as "we," "our," "us," the "Company," or similar references) and its subsidiaries as of May 31, 2021 and for the three and nine months ended May 31, 2021 and 2020. The following discussion should be read in conjunction with the *Consolidated Financial Statements* and *Notes to Consolidated Financial Statements* included within this report. Also, please refer to Acuity Brands' Annual Report on Form 10-K for the fiscal year ended August 31, 2020, filed with the Securities and Exchange Commission (the "SEC") on October 23, 2020 ("Form 10-K").

Overview

Company

The Company was incorporated in 2001 under the laws of the State of Delaware. We are a market-leading industrial technology company that develops, manufactures, and brings to market products and services including building management systems, lighting, lighting controls, and location-aware applications. These products and services provide commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets.

During the third quarter of fiscal 2021, we completed a realignment of our operations and structure to better support our business strategy. As a result, beginning in the third quarter of fiscal 2021, we now report our financial results of operations in two reportable segments, Acuity Brands Lighting and Lighting Controls ("ABL") and Intelligent Spaces Group ("ISG"), consistent with how our chief operating decision maker currently evaluates operating results, assesses performance, and allocates resources within the Company. We have recast historical information to conform to the current segment structure. We achieve growth through the development of innovative new products and services. Through the Acuity Business System, we achieve customer-focused efficiencies that allow us to increase market share and deliver superior returns. We look to aggressively deploy capital to grow the business and to enter attractive new verticals.

We do not consider acquisitions a critical element of our strategy but seek opportunities to expand and enhance our portfolio of solutions, including the following transactions.

One June 4, 2021, the Company announced that it has signed a definitive agreement to purchase ams OSRAM's North American Digital Systems ("DS") business. This acquisition is intended to enable the Company to enhance our LED driver and controls technology portfolio and accelerate our innovation, expand our access to market through a more fulsome OEM product offering, and give us more control over our supply chain. The transaction is expected to close by end of day on July 1, 2021.

On May 18, 2021, using cash on hand, we acquired all of the equity interests of Rockpile Ventures, an accelerator of Edge artificial intelligence startups. Rockpile Ventures helps early-stage artificial intelligence companies drive co-engineering and co-selling partnerships with major cloud ecosystems, enabling faster adoption from proof-of-concept trials to market scale.

On September 17, 2019, using cash on hand and borrowings under available existing credit arrangements, we acquired all of the equity interests of The Luminaires Group ("TLG"), a leading provider of specification-grade luminaires for commercial, institutional, hospitality, and municipal markets, all of which complement our current and dynamic lighting portfolio. TLG's indoor and outdoor lighting fixtures are marketed to architects, landscape architects, interior designers, and engineers through five niche lighting brands: A-light™, Cyclone™, Eureka®, Luminaire LED™, and Luminis®.

On November 25, 2019, using cash on hand, we acquired all of the equity interests of LocusLabs, Inc ("LocusLabs"). The LocusLabs software platform supports navigation applications used on mobile devices, web browsers, and digital displays in airports, event centers, multi-floor office buildings, and campuses.

The results of operations for the three and nine months ended May 31, 2021 and 2020 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to continued uncertainty of general economic conditions that may impact our key end markets for fiscal 2021, seasonality, and the impact of any acquisitions, among other reasons. Additionally, we are uncertain of the future impact of the ongoing COVID-19 pandemic or recovery of prior deterioration in economic conditions to our sales channels, supply chain, manufacturing, and distribution as well as overall construction, renovation, and consumer spending.

The COVID-19 Pandemic

The COVID-19 pandemic has resulted in intermittent worldwide government restrictions on the movement of people, goods, and services resulting in increased volatility in and disruptions to global markets. However, our manufacturing operations are deemed essential and continue to operate. We remain committed to prioritizing the health and well-being of our associates and their families and ensuring that we operate effectively. We have implemented policies to screen associates, contractors, and vendors for COVID-19 symptoms upon entering our manufacturing, distribution, and open-office facilities in the United States, Mexico, and other locations as permitted by law. We have also implemented one-way traffic flows, additional cleaning requirements for common spaces, mandatory face coverings, hand sanitizer stations, socially-distanced workspaces, and self-serve pay stations within our cafeterias to mitigate the spread of the virus. Additionally, we have required certain employees whose job functions can be performed remotely to work primarily from home.

Government-mandated and voluntary social distancing measures have had, and continue to have, an adverse impact on our results of operations. The pandemic has caused reduced construction and renovation spending as well as a disruption in our supply chain for certain components, both of which negatively impacted our fiscal 2021 sales. In fiscal 2020 we experienced a limited number of temporary facility shutdowns due to government-mandated closures. Although our facilities are now open and new government-mandated restrictions have been gradually lifted, a resurgence in COVID-19 cases may lead to the reimposition of previously lifted business closure requirements, the imposition of new restrictions, or the issuance of new or revised local or national health guidance. We also continue to incur additional health and safety costs including expenditures for personal protection equipment and facility enhancements to maintain proper distancing guidelines issued by the Centers for Disease Control and Prevention. We have taken actions to reduce costs, including the realignment of headcount with current volumes, a limit on all non-essential employee travel, other efforts to decrease discretionary spending, and reductions in our real estate footprint. Additionally, we elected to defer certain employer payroll taxes as allowable under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act) signed into law on March 27, 2020. Half of these deferrals are due in December 2021, and the remaining deferrals are due in December 2022.

Although we have implemented significant measures to mitigate further spread of the virus, our employees, customers, suppliers, and contractors may continue to experience disruptions to business activities due to potential further government-mandated or voluntary shutdowns, general economic conditions, or other negative impacts of the COVID-19 pandemic. We are continuously monitoring the adverse effects of the pandemic and identifying steps to mitigate those effects. As the COVID-19 pandemic is continually evolving, we are uncertain of its ultimate duration and impact. See *Part I, Item 1a. Risk Factors* of our Form 10-K for further details regarding the potential impacts of COVID-19 to our results of operations, financial position, and cash flows.

Liquidity and Capital Resources

Our principal sources of liquidity are operating cash flows generated primarily from our business operations, cash on hand, and various sources of borrowings. Our ability to generate sufficient cash flow from operations or to access certain capital markets, including banks, is necessary to fund our operations and capital expenditures, pay dividends, repurchase shares, meet obligations as they become due, and maintain compliance with covenants contained in our financing agreements.

For the first nine months of fiscal 2021, we paid $30.6 million for property, plant, and equipment, primarily for tooling, new and enhanced information technology capabilities, equipment, and facility enhancements. We currently expect to invest approximately 1.5% of net sales on capital expenditures during fiscal 2021.

During the first nine months of fiscal 2021, we repurchased 3.3 million shares of our outstanding common stock. As of May 31, 2021, the maximum number of shares that may yet be repurchased under the share repurchase program authorized by the Board equaled 4.4 million shares. We expect to repurchase the remaining shares available for repurchase on an opportunistic basis subject to various factors including stock price, Company performance, market conditions, and other possible uses of cash.

Our short-term cash needs are expected to include funding operations as currently planned; funding possible acquisitions; making capital investments as currently anticipated; paying quarterly stockholder dividends as currently anticipated; paying principal and interest on debt as currently scheduled; making required contributions and distributions related to our employee benefit plans; and potentially repurchasing shares of our outstanding common stock. We believe that we will be able to meet our liquidity needs over the next 12 months based on our cash on hand, current projections of cash flow from operations, and borrowing availability under financing arrangements. Additionally, we believe that our cash flows from operations and sources of funding, including, but not limited to, future borrowings and borrowing capacity, will sufficiently support our long-term liquidity needs. In the event of a sustained market deterioration, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Cash Flow

We use available cash and cash flows from operations, borrowings, and proceeds from the exercise of stock options to fund operations, capital expenditures, and acquisitions if any; to repurchase Company stock; and to pay dividends.

Our cash position at May 31, 2021 was $593.5 million, an increase of $32.8 million from August 31, 2020. During the nine months ended May 31, 2021, we generated net cash flows from operations of $316.2 million. During November 2020, we issued long-term debt that contributed net proceeds of $493.9 million to our cash position. See more details below under the *Capitalization* section. Cash generated from operating activities, cash on hand, and funds from borrowings were used during the nine months ended May 31, 2021 primarily to repay borrowings on our Term Loan Facility (defined below) of $395.0 million as well as bank loans of $2.1 million, to fund share repurchases of $340.9 million, to fund capital expenditures of $30.6 million, to pay dividends to stockholders of $14.3 million, and to pay withholding taxes on the net settlement of equity awards of $3.9 million.

We generated $316.2 million of cash flows from operating activities during the nine months ended May 31, 2021 compared with $378.3 million in the prior-year period, a decrease of $62.1 million, due primarily to an increase in accounts receivable that resulted from the improvement in year-over-year sales, partially offset by payroll tax deferrals under the CARES Act as well as lower interest payments on long-term borrowings due to timing.

We believe that investing in assets and programs that will over time increase the overall return on our invested capital is a key factor in driving stockholder value. We paid $30.6 million and $38.3 million during the first nine months of fiscal 2021 and 2020, respectively, for property, plant, and equipment, primarily related to investments in tooling, new and enhanced information technology capabilities, equipment, and facility enhancements.

Capitalization

On November 10, 2020, Acuity Brands Lighting, Inc., a wholly-owned subsidiary of Acuity Brands, Inc. issued $500.0 million aggregate principal amount of 2.150% senior unsecured notes due December 15, 2030 (the "Unsecured Notes"). The Unsecured Notes bear interest at a rate of 2.150% per annum and were issued at a price equal to 99.737% of their face value. Interest on the Unsecured Notes is paid semi-annually in arrears on June 15 and December 15 of each year, which began on June 15, 2021. The Unsecured Notes are fully and unconditionally guaranteed on a senior unsecured basis by Acuity Brands, Inc. and ABL IP Holding LLC (“ABL IP Holding”, and, together with Acuity Brands, Inc. the “Guarantors”), a wholly-owned subsidiary of Acuity Brands, Inc. Additionally, we capitalized $4.8 million of deferred issuance costs related to the Unsecured Notes that are being amortized over the 10-year term. As of May 31, 2021, the balance of the Unsecured Notes net of unamortized discount and deferred issuance costs was $494.2 million.

As of May 31, 2021, we also had $4.0 million of tax-exempt industrial revenue bonds that were paid at maturity on June 1, 2021. The carrying value of these bonds is reflected within *Current maturities of debt* on the *Consolidated Balance Sheets* as of May 31, 2021. Additionally, we had $2.1 million outstanding under fixed-rate bank loans at August 31, 2020 that we repaid during the nine months ended May 31, 2021, prior to their maturity date. There have been no other material changes outside of the ordinary course of business in our contractual obligations since August 31, 2020.

The following tables present summarized financial information for Acuity Brands, Inc. Acuity Brands Lighting, Inc., and ABL IP Holding LLC on a combined basis after the elimination of all intercompany balances and transactions between the combined group as well as any investments in non-guarantors as of the dates and during the period presented (in millions):

Summarized Balance Sheet Information	**May 31, 2021**	**August 31, 2020**
Current assets	$ 1,185.1	$ 1,152.6
Non-current assets	1,368.8	1,416.0
Amounts due from non-guarantor affiliates	203.1	183.3
Current liabilities	583.5	530.2
Non-current liabilities	817.7	723.8

Summarized Income Statement Information		Nine Months Ended May 31, 2021
Net sales	$	2,046.7
Gross profit		889.1
Net income		204.7

As of May 31, 2021, our capital structure was comprised principally of the Unsecured Notes and equity of our stockholders. Total debt outstanding was $498.2 million at May 31, 2021 and consisted primarily of fixed-rate obligations. At August 31, 2020, total debt outstanding was $401.1 million and consisted primarily of variable-rate obligations.

On June 29, 2018, we entered into a credit agreement (the "Credit Agreement") with a syndicate of banks that provides us with a $400.0 million five-year unsecured revolving credit facility (the "Revolving Credit Facility") and provided us with a $400.0 million unsecured delayed draw term loan facility (the "Term Loan Facility)". We had no borrowings outstanding under the Revolving Credit Facility as of May 31, 2021 or August 31, 2020. We had no borrowings outstanding under the Term Loan Facility as of May 31, 2021. We had $395.0 million in borrowings outstanding under the Term Loan Facility as of August 31, 2020, which we fully repaid during the first quarter of fiscal 2021 using the proceeds from the Unsecured Notes. The Credit Agreement allows for no future borrowings under the Term Loan Facility.

We were in compliance with all financial covenants under the Credit Agreement as of May 31, 2021. At May 31, 2021, we had additional borrowing capacity under the Credit Agreement of $395.9 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less the outstanding letters of credit of $4.1 million issued under the Revolving Credit Facility. As of May 31, 2021, we had outstanding letters of credit totaling $8.3 million, primarily for securing collateral requirements under our casualty insurance programs and for providing credit support for our industrial revenue bond, which includes the $4.1 million issued under the Revolving Credit Facility. See the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* for more information.

During the first nine months of fiscal 2021, our consolidated stockholders' equity decreased $88.4 million to $2.0 billion at May 31, 2021, from $2.1 billion at August 31, 2020. The decrease was due primarily to repurchases of our outstanding common stock and dividend payments, partially offset by net income earned and favorable foreign currency translation adjustments. Our debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders' equity) was 19.6% and 15.9% at May 31, 2021 and August 31, 2020, respectively. The ratio of debt, net of cash, to total capitalization, net of cash, was (4.9)% and (8.1)% at May 31, 2021 and August 31, 2020, respectively.

Dividends

We paid dividends on our common stock of $14.3 million ($0.39 per share) and $15.6 million ($0.39 per share) during the nine months ended May 31, 2021 and 2020, respectively. All decisions regarding the declaration and payment of dividends are at the discretion of the Board and are evaluated regularly in light of our financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Board deems relevant.

Results of Operations

Third Quarter of Fiscal 2021 Compared with Third Quarter of Fiscal 2020

The following table sets forth information comparing the components of net income for the three months ended May 31, 2021 and 2020 (in millions except per share data):

	Three Months Ended		Increase (Decrease)	Percent Change
	May 31, 2021	May 31, 2020		
Net sales	$ 899.7	$ 776.2	$ 123.5	15.9 %
Cost of products sold	513.1	448.6	64.5	14.4 %
Gross profit	386.6	327.6	59.0	18.0 %
Percent of net sales	*43.0 %*	*42.2 %*	*80 bps*	
Selling, distribution, and administrative expenses	268.0	241.3	26.7	11.1 %
Special charges	0.5	3.3	(2.8)	NM
Operating profit	118.1	83.0	35.1	42.3 %
Percent of net sales	*13.1 %*	*10.7 %*	*240 bps*	
Other expense:				
Interest expense, net	6.2	5.4	0.8	14.8 %
Miscellaneous expense (income), net	2.7	(0.9)	3.6	NM
Total other expense	8.9	4.5	4.4	97.8 %
Income before income taxes	109.2	78.5	30.7	39.1 %
Percent of net sales	*12.1 %*	*10.1 %*	*200 bps*	
Income tax expense	23.5	18.1	5.4	29.8 %
Effective tax rate	*21.5 %*	*23.1 %*		
Net income	$ 85.7	$ 60.4	$ 25.3	41.9 %
Diluted earnings per share	$ 2.37	$ 1.52	$ 0.85	55.9 %
NM - not meaningful				

Net sales were $899.7 million for the three months ended May 31, 2021 compared with $776.2 million reported for the three months ended May 31, 2020, an increase of $123.5 million, or 15.9%. For the three months ended May 31, 2021, we reported net income of $85.7 million, an increase of $25.3 million, or 41.9%, compared with $60.4 million for the three months ended May 31, 2020. For the third quarter of fiscal 2021, diluted earnings per share increased 55.9% to $2.37 compared with $1.52 reported in the year-ago period.

The following table as well as the tables under *Segment Results* below reconcile certain U.S. generally accepted accounting principles ("U.S. GAAP") financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of our results of operations, which exclude the impact of acquisition-related items, amortization of acquired intangible assets, share-based payment expense, and special charges associated primarily with continued efforts to streamline the organization and integrate recent acquisitions. Although the impacts of some of these items have been recognized in prior periods and could recur in future periods, we typically exclude these charges during internal reviews of performance and use these non-U.S. GAAP measures for baseline comparative operational analysis, decision making, and other activities. These non-U.S. GAAP financial measures, including adjusted selling, distribution, and administrative ("SD&A") expenses and adjusted SD&A expenses as a percent of net sales, adjusted operating profit and adjusted operating profit margin for total company and by segment, adjusted net income, and adjusted diluted earnings per share, are provided to enhance the user's overall understanding of our current financial performance. Specifically, we believe these non-U.S. GAAP measures provide greater comparability and enhanced visibility into our results of operations. There are limitations to the use of non-U.S. GAAP financial measures and such non-U.S. GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, results prepared in accordance with U.S. GAAP. The non-U.S. GAAP measures as defined by us may not be comparable to similar non-U.S. GAAP measures presented by other companies. Our presentation of such measures, which may include adjustments to exclude unusual or non-recurring items, should not be construed as an inference that our future results will be unaffected by other unusual or non-recurring items.

(In millions, except per share data)	Three Months Ended May 31, 2021		Three Months Ended May 31, 2020		Increase (Decrease)	Percent Change
Selling, distribution, and administrative expenses	$ 268.0		$ 241.3		$ 26.7	11.1 %
Percent of net sales		*29.8 %*		*31.1 %*	*(130) bps*	
Less: Amortization of acquired intangible assets	(10.2)		(10.8)			
Less: Share-based payment expense	(7.1)		(7.8)			
Less: Acquisition-related items [(1)]	(0.9)		—			
Adjusted selling, distribution, and administrative expenses	$ 249.8		$ 222.7		$ 27.1	12.2 %
Percent of net sales		*27.8 %*		*28.7 %*	*(90) bps*	
Operating profit	$ 118.1		$ 83.0		$ 35.1	42.3 %
Percent of net sales		*13.1 %*		*10.7 %*	*240 bps*	
Add-back: Amortization of acquired intangible assets	10.2		10.8			
Add-back: Share-based payment expense	7.1		7.8			
Add-back: Acquisition-related items [(1)]	0.9		—			
Add-back: Special charges	0.5		3.3			
Adjusted operating profit	$ 136.8		$ 104.9		$ 31.9	30.4 %
Percent of net sales		*15.2 %*		*13.5 %*	*170 bps*	
Net income	$ 85.7		$ 60.4		$ 25.3	41.9 %
Add-back: Amortization of acquired intangible assets	10.2		10.8			
Add-back: Share-based payment expense	7.1		7.8			
Add-back: Acquisition-related items [(1)]	0.9		—			
Add-back: Special charges	0.5		3.3			
Total pre-tax adjustments to net income	18.7		21.9			
Income tax effects	(4.0)		(5.1)			
Adjusted net income	$ 100.4		$ 77.2		$ 23.2	30.1 %
Diluted earnings per share	$ 2.37		$ 1.52		$ 0.85	55.9 %
Adjusted diluted earnings per share	$ 2.77		$ 1.94		$ 0.83	42.8 %

[(1)] Acquisition-related items include professional fees.

Net Sales

Net sales for the three months ended May 31, 2021 increased $123.5 million, or 15.9%, to $899.7 million compared with $776.2 million in the prior-year period due primarily to higher volumes. From a sales channel perspective, sales through the independent sales network and direct sales network increased 14% and 39%, respectively, due primarily to our improved go-to-market activity, which leveraged improvements in the construction market and wider economy. Additionally, sales within the corporate accounts channel increased 13% as large retailers within this channel have begun to address previously deferred nonessential renovations. Retail sales declined 26% due primarily to a customer inventory rebalancing in fiscal 2021. Changes in foreign currency rates and revenues from acquired companies did not have a meaningful impact on net sales for the third quarter of fiscal 2021.

Gross Profit

Gross profit for the third quarter of fiscal 2021 increased $59.0 million, or 18.0%, to $386.6 million compared with $327.6 million in the prior-year period, and gross profit margin increased 80 basis points to 43.0% from 42.2%. The increase in gross profit and margin was primarily due to increased sales volumes as well as product and productivity improvements, partially offset by higher component and freight costs.

Operating Profit

SD&A expenses for the three months ended May 31, 2021 were $268.0 million compared with $241.3 million in the prior-year period, an increase of $26.7 million, or 11.1%. The increase in SD&A expense was due primarily to higher outbound freight and commissions costs associated with higher sales volumes as well as increased employee-related costs. SD&A expenses for the third quarter of fiscal 2021 were 29.8% of net sales compared with 31.1% for the prior-year period. Adjusted SD&A expenses for the three months ended May 31, 2021 were $249.8 million (27.8% of net sales) compared with $222.7 million (28.7% of net sales) in the prior-year period.

We recognized pre-tax special charges of $0.5 million during the third quarter of fiscal 2021 compared with $3.3 million recorded during the third quarter of fiscal 2020. Further details regarding our special charges are included in the *Special Charges* footnote of the *Notes to Consolidated Financial Statements*.

Operating profit for the third quarter of fiscal 2021 was $118.1 million (13.1% of net sales) compared with $83.0 million (10.7% of net sales) for the prior-year period, an increase of $35.1 million, or 42.3%. The increase in operating profit was due to higher gross profit and lower special charges, partially offset by higher SD&A expenses. The operating profit margin increase of 240 bps year over year reflects higher gross profit as well as our ability to successfully leverage our fixed costs. Adjusted operating profit increased $31.9 million, or 30.4%, to $136.8 million for the third quarter of fiscal 2021 compared with $104.9 million for the third quarter of fiscal 2020. Adjusted operating profit margin increased to 15.2% for the third quarter of fiscal 2021 compared with 13.5% for the year-ago period.

Other Expense

Other expense consists of net interest expense and net miscellaneous expense, which includes non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses.

Interest expense, net, was $6.2 million and $5.4 million for the three months ended May 31, 2021 and 2020, respectively. This increase was due primarily to less interest earned on cash investments compared to the prior year due primarily to unfavorable short-term investment rates.

We reported net miscellaneous expense of $2.7 million and net miscellaneous income of $0.9 million for the three months ended May 31, 2021 and 2020, respectively.

Income Taxes and Net Income

Our effective income tax rate was 21.5% and 23.1% for the three months ended May 31, 2021 and 2020, respectively. The decrease in the effective income tax rate was primarily due to favorable discrete items recognized in the third quarter of fiscal 2021. We currently estimate that our blended consolidated effective income tax rate, before any discrete items, will be approximately 23% for fiscal 2021, assuming the rates in our taxing jurisdictions remain generally consistent throughout the year.

Net income for the third quarter of fiscal 2021 increased $25.3 million, or 41.9%, to $85.7 million from $60.4 million reported for the prior-year period. The increase in net income resulted from an increased operating profit compared to the prior-year period, partially offset by higher net non-operating expenses and income tax expense associated with our increased profit. Diluted earnings per share for the three months ended May 31, 2021 increased $0.85, or 55.9%, to $2.37 compared with diluted earnings per share of $1.52 for the prior-year period. This increase reflects higher net income as well as lower outstanding diluted shares. Adjusted net income for the third quarter of fiscal 2021 was $100.4 million, compared with $77.2 million in the prior-year period, an increase of $23.2 million, or 30.1%. Adjusted diluted earnings per share for the three months ended May 31, 2021 increased $0.83, or 42.8%, to $2.77 compared with $1.94 for the prior-year period.

Segment Results

The following table sets forth information comparing the operating results of our segments, ABL and ISG, for the three months ended May 31, 2021 and 2020 (in millions except per share data). We have recast historical information to conform to the current segment structure.

ABL	Three Months Ended May 31, 2021	Three Months Ended May 31, 2020	Increase (Decrease)	Percent Change
Net sales	$ 850.0	$ 741.6	$ 108.4	14.6 %
Operating profit	126.5	98.6	27.9	28.3 %
Add-back: Amortization of acquired intangible assets	6.9	6.9		
Add-back: Share-based payment expense	2.4	2.9		
Adjusted operating profit	$ 135.8	$ 108.4	$ 27.4	25.3 %
Operating profit margin	14.9 %	13.3 %	160 *bps*	
Adjusted operating profit margin	16.0 %	14.6 %	140 *bps*	

ABL net sales for the three months ended May 31, 2021 increased 14.6% compared with the prior-year period due primarily to improvements within the independent sales network, direct sales network, and corporate accounts channels as our go-to-market activities leveraged improvements in the construction market and wider economy. These gains were partially offset by lower sales in the retail sales channel. Operating profit for ABL was $126.5 million (14.9% of ABL net sales) for the three months ended May 31, 2021 compared to $98.6 million (13.3% of ABL net sales) in the prior-year period, an increase of $27.9 million. The increase in operating profit was due primarily to higher sales volumes as well as product and productivity improvements, partially offset by higher component, freight, and SD&A costs. The operating profit margin increase year over year reflects higher sales volumes as well as our ability to successfully leverage our fixed costs. Adjusted operating profit for ABL increased $27.4 million to $135.8 million for the third quarter of fiscal 2021 compared with the prior year period.

ISG	Three Months Ended May 31, 2021	Three Months Ended May 31, 2020	Increase (Decrease)	Percent Change
Net sales	$ 55.4	$ 37.7	$ 17.7	46.9 %
Operating profit (loss)	7.2	(0.2)	7.4	NM
Add-back: Amortization of acquired intangible assets	3.3	3.9		
Add-back: Share-based payment expense	0.6	1.3		
Adjusted operating profit	$ 11.1	$ 5.0	$ 6.1	122.0 %
Operating profit (loss) margin	13.0 %	(0.5)%	1350 *bps*	
Adjusted operating profit margin	20.0 %	13.3 %	670 *bps*	

ISG net sales for the three months ended May 31, 2021 increased 46.9% compared with the prior-year period driven primarily by increased sales of building management products due primarily to improved market conditions as well as the benefit of a pull forward of sales from an announced price increase. ISG operating profit was $7.2 million for three months ended May 31, 2021 compared with a $0.2 million operating loss in the prior-year period, an increase of $7.4 million. This increase was due primarily to higher sales volumes, partially offset by increased employee costs. Adjusted operating profit for ISG increased $6.1 million to $11.1 million for the third quarter of fiscal 2021 compared with the prior-year period.

First Nine Months of Fiscal 2021 Compared with First Nine Months of Fiscal 2020

The following table sets forth information comparing the components of net income for the nine months ended May 31, 2021 and 2020 (in millions except per share data):

	Nine Months Ended			
	May 31, 2021	May 31, 2020	Increase (Decrease)	Percent Change
Net sales	$ 2,468.3	$ 2,435.1	$ 33.2	1.4 %
Cost of products sold	1,412.6	1,407.8	4.8	0.3 %
Gross profit	1,055.7	1,027.3	28.4	2.8 %
Percent of net sales	*42.8 %*	*42.2 %*	*60 bps*	
Selling, distribution, and administrative expenses	759.4	767.5	(8.1)	(1.1)%
Special charges	1.5	11.8	(10.3)	NM
Operating profit	294.8	248.0	46.8	18.9 %
Percent of net sales	*11.9 %*	*10.2 %*	*170 bps*	
Other expense:				
Interest expense, net	17.7	19.4	(1.7)	(8.8)%
Miscellaneous expense, net	6.5	1.5	5.0	NM
Total other expense	24.2	20.9	3.3	15.8 %
Income before income taxes	270.6	227.1	43.5	19.2 %
Percent of net sales	*11.0 %*	*9.3 %*	*170 bps*	
Income tax expense	62.4	52.5	9.9	18.9 %
Effective tax rate	*23.1 %*	*23.1 %*		
Net income	$ 208.2	$ 174.6	$ 33.6	19.2 %
Diluted earnings per share	$ 5.66	$ 4.40	$ 1.26	28.6 %
NM - not meaningful				

Net sales were $2.47 billion for the nine months ended May 31, 2021 compared with $2.44 billion reported for the nine months ended May 31, 2020, an increase of $33.2 million, or 1.4%. For the nine months ended May 31, 2021, we reported net income of $208.2 million, an increase of $33.6 million, or 19.2%, compared with $174.6 million for the nine months ended May 31, 2020. For the first nine months of fiscal 2021, diluted earnings per share increased 28.6% to $5.66 compared with $4.40 reported in the year-ago period.

The following table as well as the tables under *Segment Results* below reconcile certain U.S. GAAP financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of our results of operations, which exclude the impact acquisition-related items, amortization of acquired intangible assets, share-based payment expense, special charges associated primarily with continued efforts to streamline the organization and integrate recent acquisitions, and impairments of investments. These non-U.S. GAAP financial measures, including adjusted gross profit and adjusted gross profit margin, adjusted SD&A expenses and adjusted SD&A expenses as a percent of net sales, adjusted operating profit and adjusted operating profit margin for total company and by segment, adjusted other expense, adjusted net income, and adjusted diluted earnings per share, are provided to enhance the user's overall understanding of our current financial performance. Specifically, we believe these non-U.S. GAAP measures provide greater comparability and enhanced visibility into our results of operations. The non-U.S. GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, results prepared in accordance with U.S. GAAP.

(In millions, except per share data)	Nine Months Ended May 31, 2021		Nine Months Ended May 31, 2020		Increase (Decrease)	Percent Change
Gross profit	$ 1,055.7		$ 1,027.3		$ 28.4	2.8 %
Percent of net sales		*42.8 %*		*42.2 %*	*60 bps*	
Add-back: Acquisition-related items [1]	—		1.2			
Adjusted gross profit	$ 1,055.7		$ 1,028.5		$ 27.2	2.6 %
Percent of net sales		*42.8 %*		*42.2 %*	*60 bps*	
Selling, distribution, and administrative expenses	$ 759.4		$ 767.5		$ (8.1)	(1.1)%
Percent of net sales		*30.8 %*		*31.5 %*	*(70) bps*	
Less: Amortization of acquired intangible assets	(30.4)		(30.8)			
Less: Share-based payment expense	(22.3)		(32.5)			
Less: Acquisition-related items [1]	(0.9)		(1.3)			
Adjusted selling, distribution, and administrative expenses	$ 705.8		$ 702.9		$ 2.9	0.4 %
Percent of net sales		*28.6 %*		*28.9 %*	*(30) bps*	
Operating profit	$ 294.8		$ 248.0		$ 46.8	18.9 %
Percent of net sales		*11.9 %*		*10.2 %*	*170 bps*	
Add-back: Amortization of acquired intangible assets	30.4		30.8			
Add-back: Share-based payment expense	22.3		32.5			
Add-back: Acquisition-related items [1]	0.9		2.5			
Add-back: Special charges	1.5		11.8			
Adjusted operating profit	$ 349.9		$ 325.6		$ 24.3	7.5 %
Percent of net sales		*14.2 %*		*13.4 %*	*80 bps*	
Other expense	$ 24.2		$ 20.9		$ 3.3	15.8 %
Less: Impairment of investment	(4.0)		—			
Adjusted other expense	$ 20.2		$ 20.9		$ (0.7)	(3.3)%
Net income	$ 208.2		$ 174.6		$ 33.6	19.2 %
Add-back: Amortization of acquired intangible assets	30.4		30.8			
Add-back: Share-based payment expense	22.3		32.5			
Add-back: Acquisition-related items [1]	0.9		2.5			
Add-back: Special charges	1.5		11.8			
Add-back: Impairment of investment	4.0		—			
Total pre-tax adjustments to net income	59.1		77.6			
Income tax effect	(13.3)		(17.7)			
Adjusted net income	$ 254.0		$ 234.5		$ 19.5	8.3 %
Diluted earnings per share	$ 5.66		$ 4.40		$ 1.26	28.6 %
Adjusted diluted earnings per share	$ 6.90		$ 5.91		$ 0.99	16.8 %

[1] Acquisition-related items include profit in inventory and professional fees.

Net Sales

Net sales for the nine months ended May 31, 2021 increased $33.2 million, or 1.4%, to $2.47 billion compared with $2.44 billion in the prior-year period. From a sales channel perspective, sales through the independent sales network and direct sales network increased as we began to leverage improvements in the construction market and wider economy through our go-to-market activities. However, corporate accounts sales for the nine months ended May 31, 2021 were lower year over year due to fewer nonessential renovations from large retailers in the first half of the fiscal year. Additionally, retail sales in fiscal 2021 were lower than the prior-year period due primarily to a stronger pre-pandemic performance in the first half of the prior fiscal year combined with a customer inventory rebalancing in fiscal 2021. Changes in foreign currency rates and revenues from acquired companies did not have a meaningful impact on our net sales year over year.

Gross Profit

Gross profit of $1.06 billion for the first nine months of fiscal 2021 increased $28.4 million, or 2.8%, compared with $1.03 billion in the prior-year period. Gross profit margin increased to 42.8% for the nine months ended May 31, 2021 compared with 42.2% in the prior-year period. The improvement in gross profit margin was due primarily to product and productivity improvements. Adjusted gross profit for the nine months ended May 31, 2021 was $1.06 billion (42.8% of net sales) compared with $1.03 billion (42.2% of net sales) in the prior-year period.

Operating Profit

SD&A expenses for the nine months ended May 31, 2021 were $759.4 million compared with $767.5 million in the prior-year period, a decrease of $8.1 million, or 1.1%. The decrease in SD&A expenses was due primarily to lower travel expense and sales and marketing costs due to the COVID-19 pandemic. Additionally, share-based payment expense decreased in fiscal 2021 due to the discontinuation of certain retirement provisions in the equity incentive program that resulted in the acceleration of share-based payment expense for fiscal 2020 grants. These decreased costs were partially offset by higher employee-related costs. SD&A expenses for the first nine months of fiscal 2021 were 30.8% of net sales compared with 31.5% for the prior-year period. Adjusted SD&A expenses for the nine months ended May 31, 2021 were $705.8 million (28.6% of net sales) compared with $702.9 million (28.9% of net sales) in the prior-year period.

We recognized pre-tax special charges of $1.5 million during the first nine months of fiscal 2021, compared with pre-tax special charges of $11.8 million during the first nine months of fiscal 2020. Further details regarding our special charges are included in the *Special Charge* footnote of the *Notes to Consolidated Financial Statements*.

Operating profit for the first nine months of fiscal 2021 was $294.8 million (11.9% of net sales) compared with $248.0 million (10.2% of net sales) for the prior-year period, an increase of $46.8 million, or 18.9%. The increase in operating profit was due to higher gross profit, lower special charges, and decreased SD&A expenses. Adjusted operating profit increased by $24.3 million, or 7.5%, to $349.9 million for the first nine months of fiscal 2021 compared with $325.6 million for the first nine months of fiscal 2020. Adjusted operating profit margin for the first nine months of fiscal 2021 increased 80 basis points to 14.2% compared with 13.4% in the year-ago period.

Other Expense

Other expense consists of net interest expense and net miscellaneous expense, which includes non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses.

Interest expense, net, was $17.7 million and $19.4 million for the nine months ended May 31, 2021 and 2020, respectively. The decrease in interest expense was due primarily to interest savings associated with refinancing our debt. The current fiscal year interest savings were partially offset by lower interest earned on cash investments compared to the prior year due primarily to unfavorable short-term investment rates.

We reported net miscellaneous expense of $6.5 million and $1.5 million for the nine months ended May 31, 2021 and 2020, respectively. During the first quarter of fiscal 2021, we recorded an impairment charge of $4.0 million for an unconsolidated equity investment. Further details regarding the impairment charge are included in the *Fair Value Measurements* footnote of the *Notes to Consolidated Financial Statements*.

Income Taxes and Net Income

Our effective income tax rate was 23.1% for the nine months ended May 31, 2021 and 2020.

Net income for the first nine months of fiscal 2021 increased $33.6 million, or 19.2%, to $208.2 million from $174.6 million reported for the prior-year period. The increase in net income was due primarily to an increased operating profit and lower interest expense, partially offset by higher income tax expense associated with increased profit compared to the prior-year period. Diluted earnings per share for the nine months ended May 31, 2021 increased $1.26 to $5.66 compared with diluted earnings per share of $4.40 for the prior-year period. This increase reflects higher net income as well as lower outstanding diluted shares. Adjusted net income for the first nine months of fiscal 2021 was $254.0 million compared with $234.5 million in the prior-year period, an increase of $19.5 million, or 8.3%. Adjusted diluted earnings per share for the nine months ended May 31, 2021 increased $0.99, or 16.8%, to $6.90 compared with $5.91 for the prior-year period.

Segment Results

The following table sets forth information comparing the operating results of our segments, ABL and ISG, for the nine months ended May 31, 2021 and 2020 (in millions except per share data). We have recast historical information to conform to the current segment structure.

	Nine Months Ended							
ABL		**May 31, 2021**		**May 31, 2020**		**Increase (Decrease)**		**Percent Change**
Net sales	$	2,340.4	$	2,327.8	$	12.6		0.5 %
Operating profit	$	326.9	$	304.0	$	22.9		7.5 %
Add-back: Amortization of acquired intangible assets		20.8		20.2				
Add-back: Share-based payment expense		8.3		11.1				
Add-back: Acquisition-related items [1]		—		1.2				
Adjusted operating profit	$	356.0	$	336.5	$	19.5		5.8 %
Operating profit margin		14.0 %		13.1 %		90	*bps*	
Adjusted operating profit margin		15.2 %		14.5 %		70	*bps*	

[1] Acquisition-related items include profit in inventory.

ABL net sales for the nine months ended May 31, 2021 increased 0.5% compared with the prior-year period due primarily to higher sales volumes through the independent sales network and direct sales networks as our go-to-market activities began to leverage improvements in the construction market and wider economy during the third quarter of fiscal 2021. These higher sales volumes were partially offset by declines in the retail sales channel due to a customer inventory rebalancing and stronger pre-pandemic performance. Additionally, sales within the corporate accounts channel were lower due to fewer nonessential renovations from large retailers in the first half of the fiscal year. Operating profit for ABL was $326.9 million (14.0% of ABL net sales) for the nine months ended May 31, 2021 compared to $304.0 million (13.1% of ABL net sales) in the prior-year period, an increase of $22.9 million. The increase in operating profit was due primarily to higher sales, product and productivity improvements, as well as lower travel expenses and sales and marketing costs, partially offset by increased employee related costs. Adjusted operating profit increased $19.5 million to $356.0 million for the nine months ended May 31, 2021 compared with the prior year period.

	Nine Months Ended							
ISG		**May 31, 2021**		**May 31, 2020**		**Increase (Decrease)**		**Percent Change**
Net sales	$	139.5	$	116.1	$	23.4		20.2 %
Operating profit (loss)	$	7.9	$	(2.3)	$	10.2		NM
Add-back: Amortization of acquired intangible assets		9.6		10.6				
Add-back: Share-based payment expense		2.1		4.5				
Adjusted operating profit	$	19.6	$	12.8	$	6.8		53.1 %
Operating profit (loss) margin		5.7 %		(2.0)%		770	*bps*	
Adjusted operating profit margin		14.1 %		11.0 %		310	*bps*	

ISG net sales for the nine months ended May 31, 2021 increased 20.2% compared with the prior-year period primarily due to increased sales of building management products. ISG operating profit was $7.9 million for the nine months ended May 31, 2021 compared with a $2.3 million operating loss in the prior-year period, an increase of $10.2 million. This increase was due primarily to higher sales volumes, partially offset by increased employee related costs. Adjusted operating profit for ISG increased $6.8 million to $19.6 million for the nine months ended May 31, 2021 compared with the prior year period.

Outlook

As we look ahead, we expect to see continued improvements in the end markets we serve, and we are positioning ourselves to support higher levels of market growth. We anticipate some continued volatility in raw material costs and component and labor availability, and we will work to address the impact to our business. We plan to continue to invest in our business with the intention of becoming a larger, more dynamic company.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses the financial condition and results of operations as reflected in our *Consolidated Financial Statements*, which have been prepared in accordance with U.S. GAAP. As discussed in the *Description of Business and Basis of Presentation* footnote of the *Notes to Consolidated Financial Statements*, the preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the reporting period. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition; inventory valuation; amortization and the recoverability of long-lived assets, including goodwill and intangible assets; share-based payment expense; medical, product warranty and recall, and other estimated liabilities; retirement benefits; and litigation. We base our estimates and judgments on our substantial historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. We discuss the development of accounting estimates with the Audit Committee of the Board.

There have been no material changes in our critical accounting estimates during the current period. For a detailed discussion of other significant accounting policies that may involve a higher degree of judgment, refer to our Form 10-K.

Cautionary Statement Regarding Forward-Looking Statements and Information

This filing contains forward-looking statements within the meaning of the federal securities laws. Statements made herein that may be considered forward-looking include statements incorporating terms such as "expects," "believes," "intends," "anticipates," and similar terms that relate to future events, performance, or results of the Company. In addition, the Company, or the executive officers on the Company's behalf, may from time to time make forward-looking statements in reports and other documents we file with the U.S. Securities and Exchange Commission or in connection with oral statements made to the press, current and potential investors, or others. Forward-looking statements include, without limitation: (a) our projections regarding financial performance, liquidity, capital structure, capital expenditures, investments, share repurchases, and dividends; (b) expectations about the impact of any changes in demand, including improvements in our end markets, as well as volatility, challenges, and uncertainty in general economic conditions; (c) expectations about volatility in raw material costs and component and labor availability; (d) our ability to execute and realize benefits from initiatives related to streamlining our operations and integrating recent acquisitions, realize synergies from acquisitions, capitalize on growth opportunities with the intention of becoming a larger, more dynamic company, and introduce innovative products and services; (e) our estimate of our fiscal 2021 effective income tax rate, results of operations, and cash flows; (f) our estimate of future amortization expense; (g) our ability to achieve our long-term financial goals and outperform the markets we serve; (h) our expectations about the resolution of securities class action and other legal matters; (i) our expectations of the impact of the ongoing COVID-19 pandemic; and (j) our expectation that the OSRAM DS transaction will close by end of day on July 1, 2021 and deliver the expected benefits to the Company and its customers. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this quarterly report. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events. Our forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and management's present expectations or projections. These risks and uncertainties that could cause our actual results to differ materially from those expressed in our forward-looking statements are discussed in *Part I, Item 1a. Risk Factors* of our Form 10-K.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

General. We are exposed to market risks that may impact our *Consolidated Balance Sheets*, *Consolidated Statements of Comprehensive Income,* and *Consolidated Statements of Cash Flows* due primarily to fluctuations in interest rates, foreign exchange rates, and commodity prices. Our long-term debt as of August 31, 2020 consisted primarily of variable-rate obligations, whereas at May 31, 2021, our variable-rate debt was solely comprised of the $4.0 million industrial revenue bond. We had no borrowings outstanding under the Revolving Credit Facility or the Term Loan Facility as of May 31, 2021. A 10% increase in market interest rates during May 31, 2021, would have resulted in a de minimis amount of additional annual after-tax interest expense. A fluctuation in interest rates would not affect interest expense or cash flows related to the Company's fixed-rate debt, which includes $500.0 million of senior unsecured notes. A 10% increase in market interest rates at May 31, 2021 would have decreased the estimated fair value of the senior unsecured notes by approximately $9.9 million. Except for the change in our long-term debt from primarily variable to fixed-rate obligations and the broad effects of the COVID-19 pandemic as a result of its impact on the global economy and major financial markets, there have been no other material changes to our exposure from market risks from those disclosed in *Part II, Item 7a. Quantitative and Qualitative Disclosures About Market Risk* of our Form 10-K.

Item 4. ***Controls and Procedures***

Disclosure controls and procedures are controls and other procedures that are designed to reasonably ensure that information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission (the "SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to reasonably ensure that information required to be disclosed by us in the reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of May 31, 2021. This evaluation was carried out under the supervision and with the participation of management, including the principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective at a reasonable assurance level as of May 31, 2021. However, because all disclosure procedures must rely to a significant degree on actions or decisions made by employees throughout the organization, such as reporting of material events, the Company and its reporting officers believe that they cannot provide absolute assurance that all control issues and instances of fraud or errors and omissions, if any, within the Company will be detected. Limitations within any control system, including our control system, include faulty judgments in decision-making or simple errors or mistakes. In addition, controls can be circumvented by an individual, by collusion between two or more people, or by management override of the control. Because of these limitations, misstatements due to error or fraud may occur and may not be detected.

During the nine months ended May 31, 2021, we completed our acquisition of Rockpile Ventures ("Rockpile"). SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, management has not assessed Rockpile's internal control over financial reporting as of May 31, 2021. Excluding the acquisition, there have been no changes in our internal control over financial reporting that occurred during our most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We began integrating Rockpile into our existing control procedures from the date of acquisition. We do not anticipate the integration Rockpile to result in changes that would materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Securities Class Action

On January 3, 2018, a shareholder filed a class action complaint in the United States District Court for the District of Delaware against us and certain of our officers on behalf of all persons who purchased or otherwise acquired our stock between June 29, 2016 and April 3, 2017. On February 20, 2018, a different shareholder filed a second class action complaint in the same venue against the same parties on behalf of all persons who purchased or otherwise acquired our stock between October 15, 2015 and April 3, 2017. The cases were transferred on April 30, 2018, to the United States District Court for the Northern District of Georgia and subsequently were consolidated as In re Acuity Brands, Inc. Securities Litigation, Civil Action No. 1:18-cv-02140-MHC (N.D. Ga.). On October 5, 2018, the court-appointed lead plaintiff filed a consolidated amended class action complaint (the “Consolidated Complaint”), which supersedes the initial complaints. The Consolidated Complaint is brought on behalf of all persons who purchased our common stock between October 7, 2015 and April 3, 2017 and alleges that we and certain of our current and former officers/executives violated the federal securities laws by making false or misleading statements and/or omitting to disclose material adverse facts that (i) concealed known trends negatively impacting sales of our products and (ii) overstated our ability to achieve profitable sales growth. The plaintiffs seek unspecified monetary damages, costs, and attorneys’ fees. We dispute the allegations in the complaints and intend to vigorously defend against the claims. We filed a motion to dismiss the Consolidated Complaint. On August 12, 2019, the court entered an order granting our motion to dismiss in part and dismissing all claims based on 42 of the 47 statements challenged in the Consolidated Complaint but also denying the motion in part and allowing claims based on five challenged statements to proceed to discovery. The Eleventh Circuit Court of Appeals granted the Company permission to file an interlocutory appeal of the District Court’s class certification order, and the briefing of that appeal has been completed. Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult, particularly where the matters involve indeterminate claims for monetary damages and are in the stages of the proceedings where key evidentiary and legal issues have not been resolved. For these reasons, we are currently unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses resulting from the matters described above. We are insured, in excess of a self-retention, for Directors and Officers liability.

Litigation

We are subject to various other legal claims arising in the normal course of business, including patent infringement, employment matters, and product liability claims. Based on information currently available, it is the opinion of management that the ultimate resolution of pending and threatened legal proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of any such matters, if unfavorable, could have a material adverse effect on our financial condition, results of operations, or cash flows in future periods. We establish estimated liabilities for legal claims when associated costs become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts accrued for such claims. However, we cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the accrued amounts.

Information regarding reportable legal proceedings is contained in *Part I, Item 3. Legal Proceedings* in our Form 10-K. Information set forth in this report’s *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* describes any legal proceedings that became reportable during the quarter ended May 31, 2021, and updates any descriptions of previously reported legal proceedings in which there have been material developments during such quarter. The discussion of legal proceedings included within the *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* is incorporated into this Item 1 by reference.

Item 1a. *Risk Factors*

There have been no material changes in our risk factors from those disclosed in *Part I, Item 1a. Risk Factors* of our Form 10-K.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

In March 2018, the Board of Directors (the "Board") authorized the repurchase of up to six million shares of our common stock. As of October 22, 2020, 2.2 million shares were available for repurchase under this authorization. On October 23, 2020, the Board authorized the repurchase of an additional 3.8 million shares of our common stock, bringing our total authorization back to six million shares at that time. Under the new increased share repurchase authorization, we may repurchase shares of our common stock from time to time at prevailing market prices, depending on market conditions, through open market or privately negotiated transactions. No date has been established for the completion of the share repurchase program, and we are not obligated to repurchase any shares. Subject to applicable corporate securities laws, repurchases may be made at such times and in such amounts as management deems appropriate. Repurchases under the program can be discontinued at any time management feels additional repurchases are not warranted.

As of May 31, 2021, the maximum number of shares that may yet be repurchased under the share repurchase program authorized by the Board equaled 4.4 million shares. The following table reflects activity related to equity securities we repurchased during the quarter ended May 31, 2021:

Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
3/1/2021 through 3/31/2021	20,218	$ 124.97	20,218	4,399,804
4/1/2021 through 4/30/2021	—	$ —	—	4,399,804
5/1/2021 through 5/31/2021	—	$ —	—	4,399,804
Total	20,218	$ 124.97	20,218	4,399,804

Item 5. ***Other Information***

Declaration of Dividend

On June 25, 2021, the Board of Directors (the "Board") declared a quarterly dividend of $0.13 per share. The dividend is payable on August 2, 2021 to stockholders of record on July 16, 2021.

Item 6. ***Exhibits***

Exhibits are listed on the Index to Exhibits.

INDEX TO EXHIBITS

EXHIBIT 3	(a)	Restated Certificate of Incorporation of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.	Reference is made to Exhibit 3.1 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(b)	Certificate of Amendment of Restated Certification of Incorporation of Acuity Brands, Inc. (formerly Acuity Brands Holdings, Inc.), dated as of September 26, 2007.	Reference is made to Exhibit 3.2 of registrant's Form 8-K as filed with the Commission on September 26, 2007, which is incorporated herein by reference.
	(c)	Certificate of Amendment to the Restated Certificate of Incorporation of Acuity Brands, Inc., dated as of January 6, 2017.	Reference is made to Exhibit 3.C of registrant's Form 10-Q as filed with the Commission on January 9, 2017, which is incorporated herein by reference.
	(d)	Certificate of Amendment to the Restated Certificate of Incorporation of Acuity Brands, Inc., dated as of January 7, 2021.	Reference is made to Exhibit 3.D of registrant's Form 10-Q as filed with the Commission on January 7, 2020, which is incorporated herein by reference.
	(e)	Amended and Restated Bylaws of Acuity Brands, Inc., dated as of January 7, 2021.	Reference is made to Exhibit 3.E of registrant's Form 10-Q as filed with the Commission on January 7, 2020, which is incorporated herein by reference.
EXHIBIT 22		List of Guarantors and Subsidiary Issuers of Guaranteed Securities.	Reference is made to Exhibit 22 of registrant's Form 10-K as filed with the Commission on October 23, 2020, which is incorporated herein by reference.
EXHIBIT 31	(a)	Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
	(b)	Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
EXHIBIT 32	(a)	Certification of the Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
	(b)	Certification of the Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed with the Commission as part of this Form 10-Q.
EXHIBIT 101	.INS	XBRL Instance Document	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
	.SCH	XBRL Taxonomy Extension Schema Document.	Filed with the Commission as part of this Form 10-Q.
	.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed with the Commission as part of this Form 10-Q.
	.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed with the Commission as part of this Form 10-Q.
	.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed with the Commission as part of this Form 10-Q.
	.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed with the Commission as part of this Form 10-Q.
EXHIBIT 104		Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	Filed with the Commission as part of this Form 10-Q

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, thereunto duly authorized.

ACUITY BRANDS, INC.

Date: July 1, 2021	By:	/S/ NEIL M. ASHE
		NEIL M. ASHE **CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER**
Date: July 1, 2021	By:	/S/ KAREN J. HOLCOM
		KAREN J. HOLCOM **SENIOR VICE PRESIDENT AND** **CHIEF FINANCIAL OFFICER (Principal Financial and Accounting Officer)**

EXHIBIT 31(a)

I, Neil M. Ashe, certify that:

1. I have reviewed this report on Form 10-Q of Acuity Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2021

/s/ Neil M. Ashe

Neil M. Ashe
Chairman, President and Chief Executive Officer

[A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Acuity Brands, Inc., and will be retained by Acuity Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.]

EXHIBIT 31(b)

I, Karen J. Holcom, certify that:

1. I have reviewed this report on Form 10-Q of Acuity Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 1, 2021

/s/ Karen J. Holcom

Karen J. Holcom
Senior Vice President and Chief Financial Officer

[A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act has been provided to Acuity Brands, Inc., and will be retained by Acuity Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.]

EXHIBIT 32(a)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Acuity Brands, Inc. (the "Corporation") for the quarter ended May 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the President and Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Neil M. Ashe

Neil M. Ashe
Chairman, President and Chief Executive Officer
July 1, 2021

[A signed original of this written statement required by Section 906 has been provided to Acuity Brands, Inc., and will be retained by Acuity Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.]

EXHIBIT 32(b)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Acuity Brands, Inc. (the “Corporation”) for the quarter ended May 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Senior Vice President and Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Karen J. Holcom

Karen J. Holcom
Senior Vice President and Chief Financial Officer
July 1, 2021

[A signed original of this written statement required by Section 906 has been provided to Acuity Brands, Inc., and will be retained by Acuity Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.]