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, 2023.

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 1200, Atlanta, Georgia 30309
(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 — 31,192,406 shares as of June 26, 2023.

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, 2023 (unaudited)	August 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 359.3	$ 223.2
Accounts receivable, less reserve for doubtful accounts of $1.3 and $1.2, respectively	545.0	665.9
Inventories	400.5	485.7
Prepayments and other current assets	103.6	91.2
Total current assets	1,408.4	1,466.0
Property, plant, and equipment, net	290.4	276.5
Operating lease right-of-use assets	84.8	74.9
Goodwill	1,096.7	1,084.3
Intangible assets, net	504.9	529.2
Deferred income taxes	1.3	1.3
Other long-term assets	52.4	48.0
Total assets	$ 3,438.9	$ 3,480.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 344.3	$ 397.8
Current maturities of debt	—	18.0
Current operating lease liabilities	19.2	15.7
Accrued compensation	83.1	88.0
Other current liabilities	177.6	214.1
Total current liabilities	624.2	733.6
Long-term debt	495.4	495.0
Long-term operating lease liabilities	78.0	67.4
Accrued pension liabilities	41.9	41.4
Deferred income taxes	103.2	102.1
Other long-term liabilities	126.4	128.9
Total liabilities	1,469.1	1,568.4
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; 54,400,920 and 54,241,069 issued, respectively	0.5	0.5
Paid-in capital	1,056.9	1,036.3
Retained earnings	3,426.6	3,176.2
Accumulated other comprehensive loss	(120.0)	(125.8)
Treasury stock, at cost, of 23,055,460 and 21,753,820 shares, respectively	(2,394.2)	(2,175.4)
Total stockholders' equity	1,969.8	1,911.8
Total liabilities and stockholders' equity	$ 3,438.9	$ 3,480.2

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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Net sales	$ 1,000.3	$ 1,060.6	$ 2,941.8	$ 2,895.8
Cost of products sold	553.0	615.5	1,671.3	1,685.6
Gross profit	447.3	445.1	1,270.5	1,210.2
Selling, distribution, and administrative expenses	304.0	302.4	899.9	850.1
Special charges	—	—	6.9	—
Operating profit	143.3	142.7	363.7	360.1
Other expense:				
Interest expense, net	3.9	6.2	16.2	18.1
Miscellaneous expense (income), net	0.7	(1.5)	6.1	(3.1)
Total other expense	4.6	4.7	22.3	15.0
Income before income taxes	138.7	138.0	341.4	345.1
Income tax expense	33.7	32.3	78.3	76.5
Net income	$ 105.0	$ 105.7	$ 263.1	$ 268.6
Earnings per share[1]:				
Basic earnings per share	$ 3.31	$ 3.10	$ 8.22	$ 7.75
Basic weighted average number of shares outstanding	31.682	34.079	32.006	34.659
Diluted earnings per share	$ 3.28	$ 3.07	$ 8.13	$ 7.66
Diluted weighted average number of shares outstanding	32.011	34.440	32.360	35.067
Dividends declared per share	$ 0.13	$ 0.13	$ 0.39	$ 0.39
Comprehensive income:				
Net income	$ 105.0	$ 105.7	$ 263.1	$ 268.6
Other comprehensive income (loss) items:				
Foreign currency translation adjustments	5.2	(1.8)	2.6	(8.9)
Defined benefit plans, net of tax	1.1	1.2	3.2	3.6
Other comprehensive income (loss) items, net of tax	6.3	(0.6)	5.8	(5.3)
Comprehensive income	$ 111.3	$ 105.1	$ 268.9	$ 263.3

[1] Earnings per share is calculated using unrounded numbers. Amounts in the table may not recalculate exactly due to rounding.

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, 2023	**May 31, 2022**
Cash flows from operating activities:		
Net income	$ 263.1	$ 268.6
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	70.4	71.4
Share-based payment expense	32.4	27.5
Gain on sale of property, plant, and equipment	—	(2.3)
Asset impairment	4.3	1.7
Loss on sale of a business	11.2	—
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	123.9	(27.2)
Inventories	82.6	(174.5)
Prepayments and other current assets	(9.6)	(38.3)
Accounts payable	(53.4)	58.9
Other	(53.4)	(20.1)
Net cash provided by operating activities	471.5	165.7
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(48.0)	(38.0)
Proceeds from sale of property, plant, and equipment	—	8.9
Acquisition of businesses, net of cash acquired	(35.4)	(12.2)
Other investing activities	7.0	(1.9)
Net cash used for investing activities	(76.4)	(43.2)
Cash flows from financing activities:		
Repayments on credit facility, net of borrowings	(18.0)	122.0
Repurchases of common stock	(216.2)	(403.5)
Proceeds from stock option exercises and other	2.1	10.6
Payments of taxes withheld on net settlement of equity awards	(13.9)	(8.0)
Dividends paid	(12.7)	(13.7)
Net cash used for financing activities	(258.7)	(292.6)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(3.0)
Net change in cash and cash equivalents	136.1	(173.1)
Cash and cash equivalents at beginning of period	223.2	491.3
Cash and cash equivalents at end of period	$ 359.3	$ 318.2
Supplemental cash flow information:		
Income taxes paid during the period	$ 83.8	$ 80.8
Interest paid during the period	$ 22.3	$ 19.2

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) is a market-leading industrial technology company. We use technology to solve problems in spaces and light. Through our two business segments, Acuity Brands Lighting and Lighting Controls (“ABL”) and the Intelligent Spaces Group (“ISG”), we design, manufacture, and bring to market products and services that make a valuable difference in people's lives. We achieve growth through the development of innovative new products and services, including lighting, lighting controls, building management solutions, and location-aware applications.

ABL Segment

ABL's portfolio of lighting solutions includes commercial, architectural, and specialty lighting in addition to lighting controls and components that can be combined to create integrated lighting controls systems. We offer devices such as luminaires that predominantly utilize light emitting diode (“LED”) technology designed to optimize energy efficiency and comfort for various indoor and outdoor applications. ABL's portfolio of products includes but is not limited to the following brands: A-Light™, Aculux™, American Electric Lighting®, Cyclone™, Dark to Light®, eldoLED®, Eureka®, Gotham®, Healthcare Lighting®, Holophane®, Hydrel®, Indy™, IOTA®, Juno®, Lithonia Lighting®, Luminaire LED™, Luminis®, Mark Architectural Lighting™, nLight®, OPTOTRONIC®, Peerless®, RELOC® Wiring Solutions, and Sensor Switch®.

Principal customers of ABL include electrical distributors, retail home improvement centers, electric utilities, national accounts, original equipment manufacturer (“OEM”) customers, digital retailers, lighting showrooms, and energy service companies. Our customers are located in North America and select international markets that serve new construction, renovation and retrofit, and maintenance and repair applications. ABL's lighting and lighting controls solutions are sold primarily through a network of independent sales agencies that cover specific geographic areas and market channels, by internal sales representatives, through consumer retail channels, directly to large corporate accounts, and directly to OEM customers. 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, our sales forces utilize a variety of distribution methods to meet specific individual customer or country requirements.

ISG Segment

ISG delivers products and services that make spaces smarter, safer, and greener. ISG offers a building management platform and location-aware applications. Our building management solutions include products for controlling heating, ventilation, air conditioning (“HVAC”), lighting, shades, refrigeration, and building access that deliver end-to-end optimization of those building systems. Our Atrius® intelligent building software 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 Atrius® software delivers different applications, allows clients to upgrade over time with natural refresh cycles, and deploys new capabilities through both software and hardware updates. Customers of ISG primarily include system integrators as well as retail stores, airports, and enterprise campuses throughout North America and select international locations. ISG products and solutions are marketed under multiple brand names, including but not limited to Atrius®, Distech Controls®, and KE2 Therm Solutions®.

Basis of Presentation

We have 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, 2023, our consolidated comprehensive income for the three and nine months ended May 31, 2023 and 2022, and our consolidated cash flows for the nine months ended May 31, 2023 and 2022. 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 in the period ended August 31, 2022 and notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 26, 2022 (File No. 001-16583) (“Form 10-K”).

Our business exhibits some seasonality, with net sales being affected by weather and seasonal demand on construction and installation programs, particularly during the winter months, as well as the annual budget cycles of major customers. Historically, with certain exceptions, we have experienced our highest sales in the last two quarters of each fiscal year due to these factors. We do not expect the remainder of fiscal 2023 to follow this historical trend.

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 may reclassify certain prior period amounts to conform to the current year presentation. No material reclassifications occurred during the current period.

Note 3 — Acquisitions and Divestitures

Acquisitions

On May 15, 2023, using cash on hand, we acquired all of the equity interests of KE2 Therm Solutions, Inc. ("KE2 Therm"). KE2 Therm develops and provides intelligent refrigeration control solutions that deliver the precision of digital controls to promote safety, efficiency, and reliability, while delivering cost savings to the customer. This acquisition is intended to expand ISG's technology and controls product portfolio and reach new customers.

There were no acquisitions during fiscal 2022. The $12.2 million of cash outflows reflected in the fiscal 2022 Consolidated Statements of Cash Flows relate to fiscal 2021 acquisitions primarily for working capital settlements.

Accounting for Acquisitions

We accounted for the acquisition of KE2 Therm in accordance with *Accounting Standards Codification (“ASC”) Topic 805, Business Combinations* (“ASC 805”). Acquired assets and liabilities were recorded at their estimated acquisition-date fair values, and acquisition-related costs were expensed as incurred. The aggregate purchase price of these acquisitions reflects preliminary goodwill within the ISG segment of $15.2 million, which is not expected to be deductible for tax purposes. The goodwill is primarily comprised of expected benefits related to expanding ISG's technology and controls product portfolio as well as the trained workforce acquired with these businesses and expected synergies from combining the operations of KE2 Therm with our operations.

We additionally recorded preliminary intangible assets of $18.0 million, which reflect estimates for definite-lived intangibles with a preliminary estimated weighted average useful life of approximately 15 years. Amounts recorded for acquired assets and liabilities are deemed to be provisional until disclosed otherwise as we continue to gather information related to the identification and valuation of acquired assets and liabilities including, but not limited to, intangible assets, tax-related items, and final net working capital adjustments, if any.

The operating results of KE2 Therm have been included in our financial statements since the date of acquisition and are not material to our financial condition, results of operations, or cash flows.

Divestitures

We sold our Sunoptics prismatic skylights business in November 2022. We transferred assets with a total carrying value of $15.1 million, which primarily consisted of intangibles with definite lives, inventories, and allocated goodwill from the ABL segment. We recognized a pre-tax loss on the sale of $11.2 million within *Miscellaneous expense, net* on the *Consolidated Statements of Comprehensive Income*. Additionally, we recorded impairment charges for certain retained assets as well as associate severance and other costs related to the sale. These items are included within *Special charges* on the *Consolidated Statements of Comprehensive Income*. See the *Special Charges* footnote of the *Notes to Consolidated Financial Statements* for further details.

Note 4 — New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2023

Accounting Standards Update ("ASU") 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08")

In October 2021, the Financial Accounting Standards Board (the "FASB") issued ASU 2021-08, which requires companies to recognize and measure contract assets and contract liabilities acquired in a business combination as if the acquiring company originated the related revenue contracts. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, or our fiscal 2024, with early adoption permitted, including in an interim period. We early adopted ASU 2021-08 as of May 15, 2023 on a prospective basis as permitted by the standard and applied its provisions to the acquisition of KE2 Therm. This standard did not have a material effect on the KE2 Therm acquisition or our financial condition, results of operations, or cash flows.

Accounting Standards Yet to Be Adopted

ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method ("ASU 2023-02")

In March 2023, the FASB issued ASU 2023-02, which expands the permitted use of the proportional amortization method of accounting for certain tax-related investments if certain conditions are met. ASU 2023-02 is effective for fiscal years beginning after December 15, 2023, or our fiscal 2025, with early adoption permitted, including in an interim period. As of May 15, 2023, we do not hold any qualifying investments. Therefore, we do not expect ASU 2023-02 to have a material impact on our financial condition, results of operations, or 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. Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"), establishes a three-level hierarchy that distinguishes between 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.

Financial Instruments Recorded at Fair Value

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 $359.3 million and $223.2 million as of May 31, 2023 and August 31, 2022, respectively.

We hold a small number of strategic investments totaling $9.5 million and $11.9 million as of May 31, 2023 and August 31, 2022, respectively. These investments are primarily equity instruments in privately-held entities over which we do not exercise significant influence or control. We generally account for these investments at fair value on a recurring basis; however, most of these investments do not have readily determinable fair value. We have elected the practical expedient in ASC Topic 321, *Investments—Equity Securities*, to measure such investments at cost less any impairment adjusted for observable price changes, if any. As such, these investments are excluded from the fair value hierarchy.

During the second quarter of fiscal 2023, we received cash for the cancellation of one of these strategic investments, whose underlying company was acquired by a third party. We also received preferred equity in the third party that is carried at fair value on a recurring basis and is accounted for under ASC 320, *Investments—Debt Securities* using discounted cash flows based on rates of similar instruments (Level 2).

Changes in the fair values of these financial instruments during the three and nine months ended May 31, 2023 and 2022 were not material to our financial condition, results of operations, or cash flows.

Disclosures of Fair Value of Financial Instruments

Disclosures of fair value information about financial instruments, 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, including the discount rate and estimates of future cash flows.

Fair value for our outstanding debt obligations is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2). 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. The estimated fair value of our senior unsecured public notes was $401.4 million and $399.2 million as of May 31, 2023 and August 31, 2022, respectively. We had no short-term borrowings and $18.0 million of short-term borrowings outstanding under our revolving credit facility as of May 31, 2023 and August 31, 2022, respectively. These borrowings are variable-rate instruments that reset on a frequent short-term basis; therefore, we estimate that any outstanding carrying values, which are equal to the face amounts, of these instruments approximate their fair values. See *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* for further details on our outstanding 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, direct labor, inbound freight, customs, duties, tariffs, and related manufacturing overhead. Inventories are stated on a first-in, first-out basis at the lower of cost and net realizable value and consist of the following as of the dates presented (in millions):

	May 31, 2023	August 31, 2022
Raw materials, supplies, and work in process [1]	$ 231.0	$ 252.6
Finished goods	199.9	264.0
Inventories excluding reserves	430.9	516.6
Less: Reserves	(30.4)	(30.9)
Total inventories	$ 400.5	$ 485.7

[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, 2023	August 31, 2022
Land	$ 22.7	$ 22.0
Buildings and leasehold improvements	207.6	202.3
Machinery and equipment	710.2	667.6
Total property, plant, and equipment, at cost	940.5	891.9
Less: Accumulated depreciation and amortization	(650.1)	(615.4)
Property, plant, and equipment, net	$ 290.4	$ 276.5

Note 8 — Goodwill and Intangible Assets

Through multiple acquisitions, we acquired definite-lived intangible assets consisting primarily of customer relationships, patented technology, distribution networks, and trademarks and trade names associated with specific products, 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 for definite-lived intangible assets of $9.2 million and $10.2 million during the three months ended May 31, 2023 and 2022, respectively, and $32.1 million and $30.8 million during the nine months ended May 31, 2023 and 2022, respectively. Amortization expense is generally recorded on a straight-line basis.

The following table summarizes the expected amortization expense for the next five fiscal years as of the date presented (in millions):

Fiscal Year	May 31, 2023
2023	$ 41.9
2024	38.1
2025	30.6
2026	27.9
2027	26.4

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

	ABL	ISG	Total
Balance as of August 31, 2022	$ 1,014.2	$ 70.1	$ 1,084.3
Provisional amounts from acquired businesses	—	15.2	15.2
Derecognitions for divestitures	(0.7)	—	(0.7)
Foreign currency translation adjustments	(0.2)	(1.9)	(2.1)
Balance as of May 31, 2023	$ 1,013.3	$ 83.4	$ 1,096.7

	ABL	ISG	Total
Balance as of August 31, 2021	$ 1,022.2	$ 72.5	$ 1,094.7
Adjustments to provisional amounts from acquired businesses	0.6	—	0.6
Foreign currency translation adjustments	(4.3)	(0.1)	(4.4)
Balance as of May 31, 2022	$ 1,018.5	$ 72.4	$ 1,090.9

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 — Other Current Liabilities

Other current liabilities consist of the following as of the dates presented (in millions):

	May 31, 2023	August 31, 2022
Customer incentive programs[(1)]	$ 23.8	$ 40.7
Refunds to customers[(1)]	25.2	28.0
Current deferred revenues[(1)]	12.9	11.4
Sales commissions	31.1	41.9
Freight costs	16.0	22.8
Warranty and recall costs[(2)]	26.5	22.4
Tax-related items[(3)]	5.5	13.9
Interest on long-term debt[(4)]	5.0	2.3
Other	31.6	30.7
Total other current liabilities	$ 177.6	$ 214.1

(1) Refer to the *Revenue Recognition* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K for additional information.
(2) Refer to the *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* for additional information.
(3) Includes accruals for income, sales and use, and value added taxes.
(4) Refer to the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* for additional information.

Note 10 — 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”) 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. 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.

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.

Lines of Credit

On June 30, 2022, we entered into a credit agreement (the “Credit Agreement”) with a syndicate of banks that provides us with a $600.0 million five-year unsecured revolving credit facility (the “Revolving Credit Facility”) with the ability to request an additional $400.0 million of borrowing capacity. We had no short-term borrowings at May 31, 2023 and $18.0 million in short-term borrowings at August 31, 2022 outstanding under the Revolving Credit Facility.

The Revolving Credit Facility uses the Secured Overnight Financing Rate (“SOFR”) as the applicable benchmark for U.S. Dollar borrowings and an applicable benchmark rate for non-U.S. Dollar borrowings as defined in the Credit Agreement. The applicable margin pricing grid mechanics are based on the better of our public credit ratings or our net leverage ratio and range from 0.80% to 1.20% for base rate borrowings and from 0.00% to 0.20% for floating rate advances. We are also required to pay certain fees in connection with the Credit Agreement, including administrative service fees and annual facility fees, which range from 0.075% to 0.175% of the aggregate $600.0 million remaining commitment of the lenders under the Credit Agreement.

The Credit Agreement contains a leverage ratio covenant (“Maximum Leverage Ratio”) of total indebtedness to earnings before interest, tax, depreciation, and amortization (“EBITDA”), as such terms are defined in the Credit Agreement. This ratio is computed at the end of each fiscal quarter for the most recent 12-month period. The Credit Agreement generally allows for a Maximum Leverage Ratio of 3.75 (subject to a temporary increase to 4.25 in the event of a significant acquisition) and allows netting of all unrestricted cash and cash equivalents against debt.

We were in compliance with all covenants under the Credit Agreement as of May 31, 2023. At May 31, 2023, we had additional borrowing capacity under the Credit Agreement of $596.2 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $3.8 million issued under the Revolving Credit Facility, primarily for securing collateral requirements under our casualty insurance programs.

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, line of credit borrowings, and loans that are secured by and presented net of company-owned life insurance policies on our *Consolidated Balance Sheets*. Interest expense is 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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Interest expense	$ 6.3	$ 6.6	$ 21.8	$ 19.2
Interest income	(2.4)	(0.4)	(5.6)	(1.1)
Interest expense, net	$ 3.9	$ 6.2	$ 16.2	$ 18.1

Note 11 — 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, 2023, 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 other than the items discussed below as well as the dismissal of the shareholder derivative complaint as previously disclosed.

Product Warranty and Recall Costs

Our products generally have a standard warranty term of five years that assures 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 future warranty and recall costs are primarily based on historical experience of identified warranty and recall claims. Estimated costs related to product warranty and recall costs outside of our historical experience, which could include significant product recalls or formal campaigns soliciting repair or return of a product, are accrued when they are deemed to be probable and can be reasonably estimated. Any estimated or actual loss recoveries that offset our costs and payments are reflected as assets and included within *Other current assets* or *Other long-term assets* on the *Consolidated Balance Sheets* based on the expected timing of receipt of recovery.

There can be no assurance future warranty and recall costs will not exceed historical amounts, new technology products may not generate unexpected costs, and/or loss recoveries will not be fully collectible. 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 current liabilities* and *Other long-term liabilities* on the *Consolidated Balance Sheets* based upon when we expect to settle the incurred warranty. The following table summarizes changes in the estimated liabilities for product warranty and recall costs during the periods presented (in millions):

	Nine Months Ended	
	May 31, 2023	May 31, 2022
Beginning balance	$ 27.3	$ 20.3
Warranty and recall costs	36.1	21.4
Payments and other deductions	(32.2)	(21.3)
Ending balance	$ 31.2	$ 20.4

Data Security Incidents

On December 14, 2022, a former associate filed a putative class action complaint against the Company in the United States District Court for the Northern District of Georgia on behalf of all persons whose personal information was compromised as a result of data security incidents we experienced in October 2020 and/or December 2021. On January 25, 2023, a second putative class action complaint was filed in the same venue by two other former associates.

Both complaints contain similar allegations and claim that the Company failed to exercise reasonable caution in securing and safeguarding associate information. On that basis, the complaints assert claims for negligence, breach of contract, breach of implied contract, unjust enrichment, breach of fiduciary duty, invasion of privacy, and breach of confidence. The plaintiffs seek class certification, monetary damages, certain injunctive relief regarding our data-security measures, additional credit-monitoring services, other equitable relief (including disgorgement), attorneys' fees, costs, and pre- and post-judgment interest.

The Plaintiffs recently filed a notice of voluntary dismissal without prejudice, and we continue to prepare our response strategy to any forthcoming claims.

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 early stages of the proceedings where key evidential and legal issues have not been resolved. In addition, we have received inquiries from, and it is also possible that investigations or other actions are taken by, state and/or federal agencies regarding the data security incidents and related data privacy matters. 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 have insurance, subject to certain terms and conditions, for these types of matters.

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 12 — 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, 2022	32.5	$ 0.5	$ 1,036.3	$ 3,176.2	$ (125.8)	$ (2,175.4)	$ 1,911.8
Net income	—	—	—	74.9	—	—	74.9
Other comprehensive loss	—	—	—	—	(0.4)	—	(0.4)
Share-based payment amortization, issuances, and cancellations	0.2	—	(1.8)	—	—	—	(1.8)
Employee stock purchase plan issuances	—	—	0.5	—	—	—	0.5
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.3)	—	—	(4.3)
Stock options exercised	—	—	0.4	—	—	—	0.4
Repurchases of common stock	(0.5)	—	—	—	—	(77.6)	(77.6)
Balance, November 30, 2022	32.2	0.5	1,035.4	3,246.8	(126.2)	(2,253.0)	1,903.5
Net income	—	—	—	83.2	—	—	83.2
Other comprehensive loss	—	—	—	—	(0.1)	—	(0.1)
Share-based payment amortization, issuances, and cancellations	—	—	10.9	—	—	—	10.9
Employee stock purchase plan issuances	—	—	0.3	—	—	—	0.3
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.2)	—	—	(4.2)
Stock options exercised	—	—	0.5	—	—	—	0.5
Repurchases of common stock	(0.2)	—	—	—	—	(46.5)	(46.5)
Balance, February 28, 2023	32.0	0.5	1,047.1	3,325.8	(126.3)	(2,299.5)	1,947.6
Net income	—	—	—	105.0	—	—	105.0
Other comprehensive income	—	—	—	—	6.3	—	6.3
Share-based payment amortization, issuances, and cancellations	—	—	9.4	—	—	—	9.4
Employee stock purchase plan issuances	—	—	0.4	—	—	—	0.4
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.2)	—	—	(4.2)
Repurchases of common stock	(0.6)	—	—	—	—	(94.7)	(94.7)
Balance, May 31, 2023	31.4	$ 0.5	$ 1,056.9	$ 3,426.6	$ (120.0)	$ (2,394.2)	$ 1,969.8

	Common Stock Outstanding						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at cost	Total
Balance, August 31, 2021	35.2	$ 0.5	$ 995.6	$ 2,810.3	$ (98.2)	$ (1,663.7)	$ 2,044.5
Net income	—	—	—	87.6	—	—	87.6
Other comprehensive loss	—	—	—	—	(10.7)	—	(10.7)
Share-based payment amortization, issuances, and cancellations	0.1	—	0.4	—	—	—	0.4
Employee stock purchase plan issuances	—	—	0.6	—	—	—	0.6
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.7)	—	—	(4.7)
Stock options exercised	0.1	—	8.0	—	—	—	8.0
Repurchases of common stock	(0.3)	—	—	—	—	(52.8)	(52.8)
Balance, November 30, 2021	35.1	0.5	1,004.6	2,893.2	(108.9)	(1,716.5)	2,072.9
Net income	—	—	—	75.3	—	—	75.3
Other comprehensive income	—	—	—	—	6.0	—	6.0
Share-based payment amortization, issuances, and cancellations	—	—	9.4	—	—	—	9.4
Employee stock purchase plan issuances	—	—	0.4	—	—	—	0.4
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.6)	—	—	(4.6)
Stock options exercised	—	—	1.2	—	—	—	1.2
Repurchases of common stock	(0.3)	—	—	—	—	(56.3)	(56.3)
Balance, February 28, 2022	34.8	0.5	1,015.6	2,963.9	(102.9)	(1,772.8)	2,104.3
Net income	—	—	—	105.7	—	—	105.7
Other comprehensive loss	—	—	—	—	(0.6)	—	(0.6)
Share-based payment amortization, issuances, and cancellations	—	—	9.2	—	—	—	9.2
Employee stock purchase plan issuances	—	—	0.4	—	—	—	0.4
Cash dividends of $0.13 per share paid on common stock	—	—	—	(4.4)	—	—	(4.4)
Repurchases of common stock	(1.7)	—	—	—	—	(296.0)	(296.0)
Balance, May 31, 2022	33.1	$ 0.5	$ 1,025.2	$ 3,065.2	$ (103.5)	$ (2,068.8)	$ 1,918.6

Note 13 — 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. We allocate the expected consideration to be collected to each distinct performance obligation identified in a sale based on its standalone selling price. Sales and use taxes collected on behalf of governmental authorities are excluded from revenues.

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* at net realizable value. Further details regarding our method for developing our estimate of expected credit losses over the contractual term of our receivables are included within the *Significant Accounting Policies* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

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, 2023	August 31, 2022
Current deferred revenues	$ 12.9	$ 11.4
Non-current deferred revenues	49.2	53.1

Current deferred revenues primarily consist of software licenses as well as professional service and service-type warranty fees collected prior to performing the related service and are included within *Other current liabilities* on the *Consolidated Balance Sheets*. These services are expected to be performed within one year. Revenue recognized from beginning balances of contract liabilities during the nine months ended May 31, 2023 totaled $9.0 million.

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.*

Unsatisfied performance obligations that do not represent contract liabilities are generally expected to be satisfied within one year from May 31, 2023 and consist primarily of orders for physical goods that have not yet been shipped.

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, directly to large corporate accounts, and through other distribution methods, including directly to OEM customers. ISG sells predominantly to 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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
ABL:				
Independent sales network	$ 686.0	$ 725.9	$ 1,995.0	$ 1,977.0
Direct sales network	103.9	96.1	305.0	269.3
Retail sales	48.0	44.7	148.3	134.3
Corporate accounts	44.4	59.1	147.5	149.7
OEM and other	58.4	82.6	182.8	224.8
Total ABL	940.7	1,008.4	2,778.6	2,755.1
ISG	65.8	58.3	180.8	154.7
Eliminations	(6.2)	(6.1)	(17.6)	(14.0)
Total	$ 1,000.3	$ 1,060.6	$ 2,941.8	$ 2,895.8

Note 14 — 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 restricted stock, performance stock units, and stock options (all part of our equity incentive plan), as well as stock 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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Share-based payment expense	$ 10.4	$ 9.9	$ 32.4	$ 27.5

We recognized excess tax benefits of $1.7 million and $4.6 million related to share-based payment awards during the nine months ended May 31, 2023 and 2022, respectively.

Further details regarding 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 15 — 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 fixed income and equity 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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Service cost	$ 1.1	$ 1.3	$ 3.4	$ 3.7
Interest cost	2.2	1.5	6.7	4.6
Expected return on plan assets	(2.3)	(3.5)	(7.1)	(10.4)
Amortization of prior service cost	0.7	0.7	2.0	2.1
Recognized actuarial loss	0.8	0.8	2.3	2.6
Net periodic pension cost	$ 2.5	$ 0.8	$ 7.3	$ 2.6

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 16 — Special Charges

During the first quarter of fiscal 2023, we recognized $6.9 million within *Special charges* on the *Consolidated Statements of Comprehensive Income* primarily for impairments of operating lease right-of-use assets for $4.3 million associated with our previously owned Sunoptics prismatic skylights business that were not transferred in connection with the sale. We additionally recognized associate severance and other costs totaling $2.6 million primarily in connection with the Sunoptics divestiture.

We recognized no special charges during the second or third quarter of fiscal 2023.

Note 17 — 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. Common stock equivalents are calculated using the treasury stock method. The dilutive effects of share-based payment awards subject to market and/or performance conditions that were not met during the period are excluded from the computation of diluted earnings per share.

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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Net income	$ 105.0	$ 105.7	$ 263.1	$ 268.6
Basic weighted average shares outstanding	31.682	34.079	32.006	34.659
Common stock equivalents	0.329	0.361	0.354	0.408
Diluted weighted average shares outstanding	32.011	34.440	32.360	35.067
Basic earnings per share[1]	$ 3.31	$ 3.10	$ 8.22	$ 7.75
Diluted earnings per share[1]	$ 3.28	$ 3.07	$ 8.13	$ 7.66

[1] Earnings per share is calculated using unrounded numbers. Amounts in the table may not recalculate exactly due to rounding.

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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Stock options	0.1	0.1	0.1	0.1
Performance stock awards	—	—	— *	—
Restricted stock awards	0.1	0.1	0.1	0.1

* Represents shares of less than 0.1 million.

Further discussion of our share-based payment 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 18 — 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. Comprehensive income includes our net income as well as other comprehensive income (loss) items, which are comprised of foreign currency translation and pension adjustments.

The following table presents the changes in each component of accumulated other comprehensive income (loss) net of tax during the periods presented (in millions):

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2022	$ (73.5)	$ (52.3)	$ (125.8)
Other comprehensive income before reclassifications	2.6	—	2.6
Amounts reclassified from accumulated other comprehensive income [1]	—	3.2	3.2
Net current period other comprehensive income	2.6	3.2	5.8
Balance at May 31, 2023	$ (70.9)	$ (49.1)	$ (120.0)

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2021	$ (40.2)	$ (58.0)	$ (98.2)
Other comprehensive loss before reclassifications	(8.9)	—	(8.9)
Amounts reclassified from accumulated other comprehensive income [1]	—	3.6	3.6
Net current period other comprehensive (loss) income	(8.9)	3.6	(5.3)
Balance at May 31, 2022	$ (49.1)	$ (54.4)	$ (103.5)

[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, 2023			May 31, 2022		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ 5.2	$ —	$ 5.2	$ (1.8)	$ —	$ (1.8)
Defined benefit pension plans:						
Amortization of defined benefit pension items:						
Prior service cost	0.7	(0.2)	0.5	0.7	(0.1)	0.6
Actuarial losses	0.8	(0.2)	0.6	0.8	(0.2)	0.6
Total defined benefit pension plans, net	1.5	(0.4)	1.1	1.5	(0.3)	1.2
Other comprehensive income (loss)	$ 6.7	$ (0.4)	$ 6.3	$ (0.3)	$ (0.3)	$ (0.6)

	Nine Months Ended					
	May 31, 2023			May 31, 2022		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ 2.6	$ —	$ 2.6	$ (8.9)	$ —	$ (8.9)
Defined benefit pension plans:						
Amortization of defined benefit pension items:						
Prior service cost	2.0	(0.5)	1.5	2.1	(0.5)	1.6
Actuarial losses	2.3	(0.6)	1.7	2.6	(0.6)	2.0
Total defined benefit pension plans, net	4.3	(1.1)	3.2	4.7	(1.1)	3.6
Other comprehensive income (loss)	$ 6.9	$ (1.1)	$ 5.8	$ (4.2)	$ (1.1)	$ (5.3)

Note 19 — Segment Information

We 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.

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. Corporate expenses that are primarily administrative in function 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. Beginning in fiscal 2023, we now allocate special charges to operating segment information presented to the chief operating decision maker on a prospective basis. Special charges during the nine months ended May 31, 2023 of $6.9 million pertained to the ABL segment. We recorded no special charges during the three months ended May 31, 2023 or during fiscal 2022.

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, 2023					
Net sales	$ 940.7	$ 65.8	$ —	$ (6.2)	$ 1,000.3
Operating profit (loss)	150.0	8.6	(15.3)	—	143.3
Depreciation and amortization	18.1	3.5	0.3	—	21.9
Three Months Ended May 31, 2022					
Net sales	$ 1,008.4	$ 58.3	$ —	$ (6.1)	$ 1,060.6
Operating profit (loss)	149.6	9.2	(16.1)	—	142.7
Depreciation and amortization	19.6	3.6	0.3	—	23.5
Nine Months Ended May 31, 2023					
Net sales	$ 2,778.6	$ 180.8	$ —	$ (17.6)	$ 2,941.8
Operating profit (loss)	391.7	22.7	(50.7)	—	363.7
Depreciation and amortization	58.9	10.5	1.0	—	70.4
Nine Months Ended May 31, 2022					
Net sales	$ 2,755.1	$ 154.7	$ —	$ (14.0)	$ 2,895.8
Operating profit (loss)	394.2	12.4	(46.5)	—	360.1
Depreciation and amortization	59.8	10.8	0.8	—	71.4

[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, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Operating profit - ABL	$ 150.0	$ 149.6	$ 391.7	$ 394.2
Operating profit - ISG	8.6	9.2	22.7	12.4
Unallocated corporate amounts	(15.3)	(16.1)	(50.7)	(46.5)
Operating profit	143.3	142.7	363.7	360.1
Interest expense, net	3.9	6.2	16.2	18.1
Miscellaneous expense (income), net	0.7	(1.5)	6.1	(3.1)
Income before income taxes	$ 138.7	$ 138.0	$ 341.4	$ 345.1

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, 2023 and for the three and nine months ended May 31, 2023 and 2022. 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, Inc.'s Annual Report on Form 10-K for the fiscal year ended August 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on October 26, 2022 (“Form 10-K”).

Overview

Company

We are a market-leading industrial technology company. We use technology to solve problems in spaces and light. Through our two business segments, Acuity Brands Lighting and Lighting Controls (“ABL”) and the Intelligent Spaces Group (“ISG”), we design, manufacture, and bring to market products and services that make a valuable difference in people's lives. We achieve growth through the development of innovative new products and services, including lighting, lighting controls, building management solutions, and location-aware applications.

Our business exhibits some seasonality, with net sales being affected by weather and seasonal demand on construction and installation programs, particularly during the winter months, as well as the annual budget cycles of major customers. Historically, with certain exceptions, we have experienced our highest sales in the last two quarters of each fiscal year due to these factors. We do not expect the remainder of fiscal 2023 to follow this historical trend.

Russia and Ukraine Conflict

The current conflict between Russia and Ukraine and the related sanctions and other penalties imposed by countries across the globe against Russia are creating substantial uncertainty in the global economy. While we do not have operations in Russia or Ukraine and do not have significant direct exposure to customers and vendors in those countries, we are unable to predict the impact that these actions will have on the global economy or on our financial condition, results of operations, and cash flows as of the date of these financial statements.

Financial Condition, Capital Resources, and Liquidity

We have numerous sources of capital, including cash on hand and cash flows generated from operations, as well as various sources of financing. Our ability to generate sufficient cash flows from operations or to access certain capital markets, including banks, is necessary to meet our capital allocation priorities, which are to invest in our current business for growth, to invest in mergers and acquisitions, to maintain our dividend, and to make share repurchases. Sufficient cash flow generation is also critical to fund our operations in the short and long terms and to maintain compliance with covenants contained in our financing agreements.

Our significant contractual cash requirements primarily include principal and interest on our unsecured notes and borrowings under our credit agreement, payments for operating lease liabilities, and certain purchase obligations incurred in the ordinary course of business that are enforceable and legally binding. Our obligations related to these items are described further within *Management’s Discussion and Analysis of Financial Condition and Results of Operations* within our Annual Report filed on Form 10-K. 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 flows 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 capital, which would require us to evaluate available alternatives and take appropriate actions.

Cash

Our cash position at May 31, 2023 was $359.3 million, an increase of $136.1 million from August 31, 2022. Cash generated from operating activities and cash on hand were used during the current year to fund our capital allocation priorities as discussed below.

We generated $471.5 million of cash flows from operating activities during the nine months ended May 31, 2023, compared with $165.7 million in the prior-year period, an increase of $305.8 million. This increase was due primarily to increased cash collections from customers and fewer inventory purchases during the current period, partially offset by the timing of payments for purchases on account.

Financing Arrangements

See the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* for discussion of the terms of our various financing arrangements, including the $500.0 million aggregate principal amount of 2.150% senior unsecured notes due December 15, 2030 (the "Unsecured Notes") as well as the terms of our $600.0 million five-year unsecured revolving credit facility ("Revolving Credit Facility").

At May 31, 2023, our outstanding debt balance was $495.4 million, which consisted solely of our Unsecured Notes, compared to our cash position of $359.3 million. We were in compliance with all covenants under our financing arrangements as of May 31, 2023.

At May 31, 2023, we had additional borrowing capacity under the Revolving Credit Facility of $596.2 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $3.8 million issued under the facility. As of May 31, 2023, our cash on hand combined with the additional borrowing capacity under the Revolving Credit Facility totaled $955.5 million.

The Unsecured Notes were issued by Acuity Brands Lighting, Inc., a wholly-owned subsidiary of Acuity Brands, Inc. 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. 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, 2023**	**August 31, 2022**
Current assets	$ 1,028.2	$ 1,056.6
Amounts due from non-guarantor affiliates	322.7	280.2
Non-current assets	1,386.4	1,414.3
Current liabilities	514.1	620.4
Non-current liabilities	815.6	821.0

Summarized Income Statement Information	**Nine Months Ended May 31, 2023**
Net sales	$ 2,472.7
Gross profit	1,063.2
Net income	241.2

Capital Allocation Priorities

Our capital allocation priorities are to invest in our current business for growth, to invest in mergers and acquisitions, to maintain our dividend, and to make share repurchases.

Investments in Current Business for Growth

We invested $48.0 million and $38.0 million in property, plant, and equipment during the nine months ended May 31, 2023 and 2022, respectively. We invested more in fiscal 2023 primarily for investments in new and enhanced equipment, facility improvements, and information technology.

Strategic Acquisitions, Investments, and Divestitures

We seek opportunities to strategically expand and enhance our portfolio of solutions. On May 15, 2023, using cash on hand, we acquired all of the equity interests of KE2 Therm Solutions, Inc. ("KE2 Therm"). KE2 Therm develops and provides intelligent refrigeration control solutions that deliver the precision of digital controls to promote safety, efficiency, and reliability, while delivering cost savings to the customer. This acquisition is intended to expand ISG's technology and controls product portfolio and reach new customers.

We sold our Sunoptics prismatic skylights business in November 2022. We recognized a pre-tax loss of $11.2 million on the sale of this business.

There were no acquisitions during the first nine months of fiscal 2022. The $12.2 million of cash outflows reflected in the fiscal 2022 *Consolidated Statements of Cash Flows* relate to working capital settlements for fiscal 2021 acquisitions.

Please refer to the *Acquisitions and Divestitures* footnote of the *Notes to Consolidated Financial Statements* for more information.

Dividends

We paid dividends on our common stock of $12.7 million ($0.39 per share) and $13.7 million ($0.39 per share) during the nine months ended May 31, 2023 and 2022, respectively. All decisions regarding the declaration and payment of dividends are at the discretion of the Board of Directors (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.

Share Repurchases

During the first nine months of fiscal 2023, we repurchased 1.3 million shares of our outstanding common stock for $218.8 million. Total cash outflows for share repurchases during the nine months ended May 31, 2023 were $216.2 million. We expect to repurchase shares on an opportunistic basis subject to various factors including stock price, Company performance, market conditions, and other possible uses of cash. As of May 31, 2023, the maximum number of shares that may yet be repurchased under the share repurchase program authorized by the Board equaled 1.5 million shares.

Results of Operations

Third Quarter of Fiscal 2023 Compared with Third Quarter of Fiscal 2022

The following table sets forth information comparing the components of net income for the three months ended May 31, 2023 and 2022 (in millions except per share data):

	Three Months Ended			
	May 31, 2023	May 31, 2022	Increase (Decrease)	Percent Change
Net sales	$ 1,000.3	$ 1,060.6	$ (60.3)	(5.7) %
Cost of products sold	553.0	615.5	(62.5)	(10.2) %
Gross profit	447.3	445.1	2.2	0.5 %
Percent of net sales	*44.7 %*	*42.0 %*	*270 bps*	
Selling, distribution, and administrative expenses	304.0	302.4	1.6	0.5 %
Operating profit	143.3	142.7	0.6	0.4 %
Percent of net sales	*14.3 %*	*13.5 %*	*80 bps*	
Other expense:				
Interest expense, net	3.9	6.2	(2.3)	(37.1) %
Miscellaneous expense (income), net	0.7	(1.5)	2.2	NM
Total other expense	4.6	4.7	(0.1)	(2.1) %
Income before income taxes	138.7	138.0	0.7	0.5 %
Percent of net sales	*13.9 %*	*13.0 %*	*90 bps*	
Income tax expense	33.7	32.3	1.4	4.3 %
Effective tax rate	*24.3 %*	*23.4 %*		
Net income	$ 105.0	$ 105.7	$ (0.7)	(0.7) %
Diluted earnings per share	$ 3.28	$ 3.07	$ 0.21	6.8 %

NM - not meaningful

Net Sales

Net sales for the three months ended May 31, 2023 decreased $60.3 million, or 5.7%, to $1.0 billion, compared with $1.1 billion in the prior-year period due to declines in sales within our ABL segment, partially offset by higher sales within our ISG segment. Changes in foreign currency rates, the divestiture from our Sunoptics prismatic skylight business, and the acquisition of KE2 Therm did not have meaningful impacts on net sales for the third quarter of fiscal 2023.

Gross Profit

Gross profit for the third quarter of fiscal 2023 increased $2.2 million, or 0.5%, to $447.3 million, compared with $445.1 million in the prior-year period, and gross profit margin increased 270 basis points to 44.7% from 42.0% compared with the prior-year period. Our gross profit increased compared with the prior year as price increases as well as favorable material and freight costs were partially offset by labor and other cost escalations.

Operating Profit

Selling, distribution, and administrative expenses ("SD&A") expenses for the three months ended May 31, 2023 were $304.0 million, compared with $302.4 million in the prior-year period, an increase of $1.6 million, or 0.5%. The increase in SD&A expenses was due primarily to higher employee-related costs.

Operating profit for the third quarter of fiscal 2023 was $143.3 million (14.3% of net sales), compared with $142.7 million (13.5% of net sales) for the prior-year period, an increase of $0.6 million, or 0.4%. The increase in operating profit was due to the increase in gross profit, partially offset by higher SD&A expenses.

Interest Expense, net

Interest expense, net, was $3.9 million and $6.2 million for the third quarter of fiscal 2023 and 2022, respectively. The decrease in net interest expense was due to changes in investing rates compared to the prior year as well as changes in average short-term borrowings outstanding.

Miscellaneous Expense, net

Miscellaneous expense, net consists of non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses.

We reported net miscellaneous expense of $0.7 million and net miscellaneous income $1.5 million for the third quarter of fiscal 2023 and 2022, respectively. This year-over-year increase in net miscellaneous expense is due primarily to an increase in net pension cost and, to a lesser extent, unfavorable foreign currency transaction net gains and losses.

Income Taxes and Net Income

Our effective income tax rate was 24.3% and 23.4% for the third quarter of fiscal 2023 and 2022, respectively.

Net income for the third quarter of fiscal 2023 decreased $0.7 million, or 0.7%, to $105.0 million, from $105.7 million reported for the prior-year period. Diluted earnings per share for the three months ended May 31, 2023 increased $0.21, or 6.8%, to $3.28 compared with diluted earnings per share of $3.07 for the prior-year period. This increase reflects lower outstanding diluted shares, partially offset by lower net income.

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, 2023 and 2022 (in millions):

	Three Months Ended			
	May 31, 2023	**May 31, 2022**	**Increase (Decrease)**	**Percent Change**
ABL:				
Net sales	$ 940.7	$ 1,008.4	$ (67.7)	(6.7) %
Operating profit	150.0	149.6	0.4	0.3 %
Operating profit margin	15.9 %	14.8 %	110 *bps*	
ISG:				
Net sales	$ 65.8	$ 58.3	$ 7.5	12.9 %
Operating profit	8.6	9.2	(0.6)	(6.5) %
Operating profit margin	13.1 %	15.8 %	(270) *bps*	

ABL net sales for the three months ended May 31, 2023 decreased $67.7 million, or 6.7%, to $940.7 million, compared with $1.0 billion in the prior-year period. Sales within the ABL segment decreased due to lower net sales within the independent sales network, the OEM and other, and corporate accounts channels, partially offset by increased net sales in our direct sales network and retail sales channels.

Operating profit for ABL was $150.0 million (15.9% of ABL net sales) for the three months ended May 31, 2023, compared with $149.6 million (14.8% of ABL net sales) in the prior-year period, an increase of $0.4 million. The increase in operating profit was due primarily to improved profitability on lower sales, partially offset by increased employee-related costs.

ISG net sales for the three months ended May 31, 2023 increased $7.5 million, or 12.9%, to $65.8 million, compared with $58.3 million in the prior-year period. Sales within the ISG segment increased due to price increases as well as favorable product mix. ISG operating profit was $8.6 million for the three months ended May 31, 2023, compared with $9.2 million in the prior-year period, a decrease of $0.6 million. This decrease was due primarily to increased employee-related costs, partially offset by contributions from higher sales.

First Nine Months of Fiscal 2023 Compared with First Nine Months of Fiscal 2022

The following table sets forth information comparing the components of net income for the nine months ended May 31, 2023 and 2022 (in millions except per share data):

	Nine Months Ended			
	May 31, 2023	**May 31, 2022**	**Increase (Decrease)**	**Percent Change**
Net sales	$ 2,941.8	$ 2,895.8	$ 46.0	1.6 %
Cost of products sold	1,671.3	1,685.6	(14.3)	(0.8)%
Gross profit	1,270.5	1,210.2	60.3	5.0 %
Percent of net sales	*43.2 %*	*41.8 %*	*140 bps*	
Selling, distribution, and administrative expenses	899.9	850.1	49.8	5.9 %
Special charges	6.9	—	6.9	NM
Operating profit	363.7	360.1	3.6	1.0 %
Percent of net sales	*12.4 %*	*12.4 %*	*— bps*	
Other expense:				
Interest expense, net	16.2	18.1	(1.9)	(10.5)%
Miscellaneous expense (income), net	6.1	(3.1)	9.2	NM
Total other expense	22.3	15.0	7.3	48.7 %
Income before income taxes	341.4	345.1	(3.7)	(1.1)%
Percent of net sales	*11.6 %*	*11.9 %*	*(30) bps*	
Income tax expense	78.3	76.5	1.8	2.4 %
Effective tax rate	*22.9 %*	*22.2 %*		
Net income	$ 263.1	$ 268.6	$ (5.5)	(2.0)%
Diluted earnings per share	$ 8.13	$ 7.66	$ 0.47	6.1 %
NM - not meaningful				

Net Sales

Net sales for the nine months ended May 31, 2023 increased $46.0 million, or 1.6%, to $2.94 billion compared with $2.90 billion in the prior-year period. Both our ABL and ISG segments benefited from recent price increases. Changes in foreign currency rates, the divestiture from our Sunoptics prismatic skylight business, and the acquisition of KE2 Therm did not have a meaningful impact on net sales for the first nine months of fiscal 2023.

Gross Profit

Gross profit for the nine months ended May 31, 2023 increased $60.3 million, or 5.0%, to $1.3 billion compared with $1.2 billion in the prior-year period. Gross profit margin increased 140 basis points to 43.2% for the nine months ended May 31, 2023 compared with 41.8% in the prior-year period. Our gross profit increased compared with the prior year as price increases more than offset materials, labor, and other cost escalations.

Operating Profit

SD&A expenses for the nine months ended May 31, 2023 were $899.9 million compared with $850.1 million in the prior-year period, an increase of $49.8 million, or 5.9%. The increase in SD&A expense was due primarily to higher commissions associated with higher sales as well as higher employee-related costs.

Additionally, in the first quarter of fiscal 2023 we recorded $4.0 million of accelerated amortization for intangibles associated with certain brands that were discontinued. We also recognized special charges of $6.9 million during the first quarter of fiscal 2023. Please refer to the *Special Charges* footnote of the *Notes to Consolidated Financial Statements* for further details.

Operating profit for the first nine months of fiscal 2023 was $363.7 million (12.4% of net sales) compared with $360.1 million (12.4% of net sales) for the prior-year period, an increase of $3.6 million, or 1.0%. The increase in operating profit was due primarily to higher gross profit associated with the increase in sales, partially offset by higher SD&A expenses, which includes the aforementioned acceleration of amortization and special charges in the first quarter of fiscal 2023.

Interest Expense, net

Interest expense, net, was $16.2 million and $18.1 million for the nine months ended May 31, 2023 and 2022, respectively. The decrease in net interest expense was due to increased investing rates compared to the prior year, partially offset by changes in average short-term borrowings outstanding.

Miscellaneous Expense, net

Miscellaneous expense, net consists of non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses.

We reported net miscellaneous expense of $6.1 million for the nine months ended May 31, 2023 and net miscellaneous income of $3.1 million for the nine months ended May 31, 2022. This year-over-year change was largely due to the $11.2 million loss of the sale of the Sunoptics prismatic skylights business during fiscal 2023 as well as higher net pension cost, partially offset by higher gains on foreign currency-related items compared to the prior year.

The details of the Sunoptics sale are described in the *Acquisitions and Divestitures* footnote of the *Notes to Consolidated Financial Statements.*

Income Taxes and Net Income

Our effective income tax rate was 22.9% and 22.2% for the nine months ended May 31, 2023 and 2022, respectively.

Net income for the first nine months of fiscal 2023 decreased $5.5 million, or 2.0%, to $263.1 million from $268.6 million reported for the prior-year period. The decrease in net income resulted primarily from $22.1 million in combined pre-tax losses and special charges recognized from the Sunoptics sale and other restructuring activities as well as accelerated amortization of intangible assets during the first quarter of fiscal 2023, partially offset by the fall through of higher sales. Diluted earnings per share for the nine months ended May 31, 2023 increased $0.47 to $8.13 compared with diluted earnings per share of $7.66 for the prior-year period. This increase reflects lower outstanding diluted shares, partially offset by lower net income.

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, 2023 and 2022 (in millions):

	Nine Months Ended			
	May 31, 2023	May 31, 2022	Increase (Decrease)	Percent Change
ABL:				
Net sales	$ 2,778.6	$ 2,755.1	$ 23.5	0.9 %
Operating profit	391.7	394.2	(2.5)	(0.6)%
Operating profit margin	14.1 %	14.3 %	(20) *bps*	
ISG:				
Net sales	$ 180.8	$ 154.7	$ 26.1	16.9 %
Operating profit	22.7	12.4	10.3	83.1 %
Operating profit margin	12.6 %	8.0 %	460 *bps*	

ABL net sales for the nine months ended May 31, 2023 increased 0.9% compared with the prior-year period due primarily to higher net sales within the independent sales network, direct sales network, and retail sales channels, partially offset by declines in our OEM and other channel.

Operating profit for ABL was $391.7 million (14.1% of ABL net sales) for the nine months ended May 31, 2023 compared to $394.2 million (14.3% of ABL net sales) in the prior-year period, a decrease of $2.5 million. The decrease in operating profit was due primarily to the recognition of nonrecurring items in the first quarter of fiscal 2023, including special charges of $6.9 million and acceleration of amortization for definite-lived intangibles related to brands that were discontinued of $4.0 million, as well as increased commission rates. These unfavorable impacts were partially offset by profit realized on increased sales.

ISG net sales for the nine months ended May 31, 2023 increased 16.9% compared with the prior-year period primarily driven by price increases as well as strong demand for building management controls. ISG operating profit was $22.7 million for the nine months ended May 31, 2023 compared with $12.4 million in the prior-year period, an increase of $10.3 million. This increase was due primarily to contributions from higher sales, partially offset by increased employee-related costs.

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. generally accepted accounting principles ("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; goodwill and indefinite-lived intangible assets; share-based payment expense; and product warranty and recall costs. 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 critical accounting estimates with the Audit Committee of the Board of Directors on a recurring basis.

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 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements use words such as "expect," "believe," "intend," "anticipate," "indicative," "projection," "predict," "plan," "may," "could," "should," "would," "potential," and words of similar meaning, as well as other words or expressions referencing future events, conditions, or circumstances. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Act. Statements that describe or relate to the Company's plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. Forward-looking statements are not guarantees of future performance. Our forward-looking statements are based on our current beliefs, expectations, and assumptions, which may not prove to be accurate, and are subject to known and unknown risks and uncertainties, many of which are outside of our control. These risks and uncertainties could cause actual results to differ materially from our historical experience and management's present expectations or projections.These risks and uncertainties are discussed in our filings with the U.S. Securities and Exchange Commission, including our most recent annual report on Form 10-K (including, but not limited to, *Part I, Item 1a. Risk Factors*), quarterly reports on Form 10-Q, and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. You are cautioned not to place undue reliance on any forward-looking statements. 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, whether as a result of new information, future events, or otherwise.

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

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. There have been no 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, 2023. 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, 2023. 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.

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.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

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 three and nine months ended May 31, 2023, and updates any descriptions of previously reported legal proceedings in which there have been material developments during such period. 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*

The instability of certain financial institutions may have adverse impacts on certain of our vendors and customers and/or on our ability to access our cash deposits, which could negatively impact our cash flows, results of operations, and financial condition.

During fiscal 2023, there have been public reports of instability at certain financial institutions. Although we do not hold material deposits or investments at these financial institutions, and despite the steps taken to date by U.S. and foreign agencies and institutions to protect depositors, the follow-on effects of the events surrounding recent bank failures and pressure on other financial institutions are unknown, could include failures of other financial institutions to which we face direct or indirect exposure, and may lead to significant disruptions to the cash flows, operations and financial condition of our vendors, customers, and/or us. Additionally, tight credit conditions could impair the ability of real estate developers, property owners, and contractors to effectively access capital markets or obtain reasonable costs of capital on borrowed funds, resulting in depressed levels of construction and renovation projects. The inability of these constituents to borrow money to fund construction and renovation projects may reduce the demand for the Company's products and services.

Other than the item listed above, 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*

On March 31, 2022, the Board of Directors (the "Board") authorized the repurchase of up to five million shares of our common stock. Under the current 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, 2023, the maximum number of shares that may yet be repurchased under the share repurchase program authorized by the Board equaled 1.5 million shares. The following table reflects activity related to equity securities we repurchased during the quarter ended May 31, 2023:

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
3/1/2023 through 3/31/2023	78,885	$ 187.15	78,885	2,037,257
4/1/2023 through 4/30/2023	221,091	$ 160.78	221,091	1,816,166
5/1/2023 through 5/31/2023	279,640	$ 158.92	279,640	1,536,526
Total	579,616	$ 163.47	579,616	1,536,526

Item 5. *Other Information*

None.

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, 2021, 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, 2021, 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 26, 2022, 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: June 29, 2023	By:	/S/ NEIL M. ASHE
		NEIL M. ASHE **CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER**
Date: June 29, 2023	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 quarterly 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: June 29, 2023

/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 quarterly 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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: June 29, 2023

/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 18 U.S.C. Section 1350, as adopted pursuant to 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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the Chairman, 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
June 29, 2023

[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 18 U.S.C. Section 1350, as adopted pursuant to 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, 2023, 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
June 29, 2023

[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.]