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, 2020.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission file number 001-16583.

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

Delaware	**58-2632672**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

1170 Peachtree Street, N.E., Suite 2300, Atlanta, Georgia 30309-7676
(Address of principal executive offices)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 — 39,637,386 shares as of June 25, 2020.

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, 2020	August 31, 2019
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 520.6	$ 461.0
Accounts receivable, less reserve for doubtful accounts of $1.8 and $1.0, respectively	451.3	561.0
Inventories	355.3	340.8
Prepayments and other current assets	53.1	79.0
Total current assets	1,380.3	1,441.8
Property, plant, and equipment, net	275.1	277.3
Operating lease right-of-use assets	56.7	—
Goodwill	1,086.4	967.3
Intangible assets, net	612.9	466.0
Deferred income taxes	1.9	2.3
Other long-term assets	29.0	17.7
Total assets	$ 3,442.3	$ 3,172.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 331.3	$ 338.8
Current maturities of debt	17.8	9.1
Current operating lease liabilities	16.2	—
Accrued compensation	55.8	73.2
Other accrued liabilities	154.8	175.0
Total current liabilities	575.9	596.1
Long-term debt	385.8	347.5
Long-term operating lease liabilities	46.4	—
Accrued pension liabilities	94.7	99.7
Deferred income taxes	119.2	92.7
Self-insurance reserves	7.1	6.8
Other long-term liabilities	117.5	110.7
Total liabilities	1,346.6	1,253.5
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; 53,873,349 and 53,778,155 issued, respectively	0.5	0.5
Paid-in capital	958.0	930.0
Retained earnings	2,454.8	2,295.8
Accumulated other comprehensive loss	(161.6)	(151.4)
Treasury stock, at cost — 14,325,197 and 14,325,197 shares, respectively	(1,156.0)	(1,156.0)
Total stockholders' equity	2,095.7	1,918.9
Total liabilities and stockholders' equity	$ 3,442.3	$ 3,172.4

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, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Net sales	$ 776.2	$ 947.6	$ 2,435.1	$ 2,734.6
Cost of products sold	448.6	564.0	1,407.8	1,649.6
Gross profit	327.6	383.6	1,027.3	1,085.0
Selling, distribution, and administrative expenses	241.3	263.4	767.5	751.1
Special charges	3.3	(0.1)	11.8	1.3
Operating profit	83.0	120.3	248.0	332.6
Other expense:				
Interest expense, net	5.4	8.3	19.4	25.6
Miscellaneous (income) expense, net	(0.9)	0.2	1.5	2.6
Total other expense	4.5	8.5	20.9	28.2
Income before income taxes	78.5	111.8	227.1	304.4
Income tax expense	18.1	23.4	52.5	70.1
Net income	$ 60.4	$ 88.4	$ 174.6	$ 234.3
Earnings per share:				
Basic earnings per share	$ 1.53	$ 2.23	$ 4.42	$ 5.89
Basic weighted average number of shares outstanding	39.5	39.7	39.5	39.8
Diluted earnings per share	$ 1.52	$ 2.22	$ 4.40	$ 5.87
Diluted weighted average number of shares outstanding	39.7	39.8	39.7	39.9
Dividends declared per share	$ 0.13	$ 0.13	$ 0.39	$ 0.39
Comprehensive income:				
Net income	$ 60.4	$ 88.4	$ 174.6	$ 234.3
Other comprehensive income (loss) items:				
Foreign currency translation adjustments	(13.8)	(8.7)	(15.6)	(12.6)
Defined benefit plans, net of tax	1.8	1.3	5.4	5.3
Other comprehensive loss items, net of tax	(12.0)	(7.4)	(10.2)	(7.3)
Comprehensive income	$ 48.4	$ 81.0	$ 164.4	$ 227.0

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, 2020	May 31, 2019
Cash flows from operating activities:		
Net income	$ 174.6	$ 234.3
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	75.3	65.7
Share-based payment expense	32.5	22.9
Loss on sale or disposal of property, plant, and equipment	0.2	0.6
Asset impairment	1.4	—
Deferred income taxes	0.3	0.2
Accounts receivable	119.9	72.1
Inventories	1.0	20.5
Prepayments and other current assets	13.2	(23.6)
Accounts payable	(14.7)	(71.5)
Other current liabilities	(38.5)	(21.6)
Other	13.1	12.4
Net cash provided by operating activities	378.3	312.0
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(38.3)	(39.8)
Proceeds from sale of property, plant, and equipment	0.2	—
Acquisition of businesses, net of cash acquired	(303.0)	—
Other investing activities	(1.9)	2.9
Net cash used for investing activities	(343.0)	(36.9)
Cash flows from financing activities:		
Borrowings on credit facility	400.0	86.5
Repayments of borrowings on credit facility	(2.5)	(86.5)
Repayments of long-term debt	(350.7)	(0.3)
Repurchases of common stock	—	(48.7)
Proceeds from stock option exercises and other	0.7	0.5
Payments of taxes withheld on net settlement of equity awards	(5.1)	(4.9)
Dividends paid	(15.6)	(15.6)
Net cash provided by (used for) financing activities	26.8	(69.0)
Effect of exchange rate changes on cash and cash equivalents	(2.5)	(1.5)
Net change in cash and cash equivalents	59.6	204.6
Cash and cash equivalents at beginning of period	461.0	129.1
Cash and cash equivalents at end of period	$ 520.6	$ 333.7
Supplemental cash flow information:		
Income taxes paid during the period	$ 32.1	$ 89.0
Interest paid during the period	$ 26.9	$ 24.8

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. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other wholly-owned subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as “we,” “our,” “us,” “the Company,” or similar references) and was incorporated in 2001 under the laws of the State of Delaware. We are a market-leading industrial technology company that develops, manufactures, and provides lighting and building management solutions and services for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets. Our lighting and building management solutions include devices such as luminaires, lighting controls, controls for various building systems, power supplies, prismatic skylights, and drivers, as well as integrated systems designed to optimize energy efficiency and comfort for various indoor and outdoor applications. Additionally, we continue to expand our solutions portfolio, including software and services, to provide a host of other economic benefits resulting from data analytics that enables the Internet of Things (“IoT”), supports the advancement of smart buildings, and allows businesses to develop custom applications to scale their operations. We have one reportable segment serving the North American lighting market and select international markets.

We prepared the *Consolidated Financial Statements* in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) to present the financial position, results of operations, and cash flows of Acuity Brands 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, 2020, our consolidated comprehensive income for the three and nine months ended May 31, 2020 and 2019, and our consolidated cash flows for the nine months ended May 31, 2020 and 2019. Certain information and footnote disclosures normally included in our annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, we believe that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements as of and for the three years ended August 31, 2019 and notes thereto included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 29, 2019 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2020 and 2019 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to continued uncertainty of general economic conditions that may impact our key end markets for the remainder of fiscal 2020, seasonality, and the impact of any acquisitions, among other reasons. Additionally, we are uncertain of the future impact of the ongoing COVID-19 pandemic and of possible sustained deterioration in economic conditions to our sales channels, supply chain, manufacturing, and distribution as well as overall construction, renovation, and consumer spending.

Note 2 — Significant Accounting Policies

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications occurred during the current period.

Note 3 — Acquisitions

Fiscal 2020 Acquisitions

The Luminaires Group

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

LocusLabs, Inc.

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

Accounting for Fiscal 2020 Acquisitions

Acquisition-related costs were expensed as incurred. Preliminary amounts related to the acquisition accounting for TLG and LocusLabs are reflected on the *Consolidated Balance Sheets* as of May 31, 2020. The aggregate purchase price of these acquisitions reflects preliminary total goodwill and identified intangible assets of approximately $127.5 million and $180.7 million, respectively, as of May 31, 2020. Identified intangible assets consist of indefinite-lived marketing related intangibles as well as definite-lived customer-based and technology-based assets, which have a preliminary weighted average useful life of approximately 16 years. These amounts are deemed to be provisional until disclosed otherwise, as we continue to gather information related to the identification and valuation of intangible and other acquired assets and liabilities. These amounts are expected to change as we finalize the allocations. The operating results of the acquisitions have been included in our consolidated financial statements since the date of acquisition and are not material to our financial condition, results of operations, or cash flows.

Fiscal 2019 Acquisitions

WhiteOptics, LLC

On June 20, 2019, using cash on hand, we acquired all of the equity interests of WhiteOptics, LLC ("WhiteOptics"). WhiteOptics is headquartered in New Castle, Delaware and manufactures advanced optical components used to reflect, diffuse, and control light for light emitting diode ("LED") lighting used in commercial and institutional applications. The operating results of WhiteOptics have been included in our consolidated financial statements since the date of acquisition and are not material to our financial condition, results of operations, or cash flows.

Accounting for Fiscal 2019 Acquisitions

As of May 31, 2020, we have finalized the acquisition accounting for WhiteOptics, LLC. There were no material changes to our financial statements as a result of the finalization of the acquisition accounting.

Note 4 — New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2020

Accounting Standards Codification ("ASC") 842 — Leases ("ASC 842")

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU 2016-02"), which requires lessees to include most leases on the balance sheet as lease liabilities with an associated right-of-use ("ROU") asset. Since the issuance of ASU 2016-02, the FASB released several amendments to improve and clarify the implementation guidance, as well as to change the allowable adoption methods. These standards have been collectively codified within ASC 842, *Leases* ("ASC 842").

We adopted ASC 842 using the modified retrospective method and applied the standard to all leases existing as of September 1, 2019. Information for prior years presented has not been restated and continues to reflect the authoritative accounting standards in effect for those periods. We elected the package of transition practical expedients that allows us to carryforward our historical assessments of whether existing contracts contain leases, determinations of lease classification, and treatments of initial direct costs.

As of September 1, 2019, we recognized total operating lease liabilities of $64.7 million in our *Consolidated Balance Sheets*, of which $49.3 million was recorded within *Long-term operating lease liabilities* and $15.4 million was recorded within *Current operating lease liabilities.* We additionally derecognized $5.1 million of previously recorded net deferred rent balances and recorded ROU assets of $59.6 million related to our operating leases, which were reflected within *Operating lease right-of-use assets* in our *Consolidated Balance Sheets.*

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities as of March 12, 2020 and expire on December 31, 2022. The provisions of ASU 2020-04 did not have a material effect on our financial condition, results of operations, and cash flows as of May 31, 2020. We will continue to monitor any impacts of reference rate reform on our financial instruments.

Accounting Standards Yet to Be Adopted

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

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* ("ASU 2018-15"), which will require customers to apply internal-use software guidance to determine the implementation costs that are able to be capitalized. Capitalized implementation costs will be required to be amortized over the term of the arrangement, beginning when the cloud computing arrangement is ready for its intended use. ASU 2018-15 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019. The standard allows changes to be applied either retrospectively or prospectively. We will adopt the standard as required in fiscal 2021. The provisions of ASU 2018-15 are not expected to have a material effect on our financial condition, results of operations, or cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective.

We have an implementation team tasked with reviewing our financial assets and determining the impact of the new standard to our financial statements. The team is also tasked with identifying appropriate changes to our business processes, systems, and controls to support recognition and disclosure under the new standard. The implementation team has completed its review of our current portfolio of financial assets and is currently assessing the potential impacts of the new standard. Our current financial asset portfolio consists primarily of trade receivables, and we expect the application of the expected credit loss model will have an immaterial impact on our trade receivable allowances. The implementation team reports its findings and progress of the project to management on a frequent basis and to the Audit Committee of the Board of Directors on a quarterly basis. We will adopt the amendments as required in fiscal 2021.

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

Note 5 — Fair Value Measurements

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

We utilize valuation methodologies to determine the fair values of our financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period.

We used quoted market prices to determine the fair value of Level 1 assets and liabilities. 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.

Our cash and cash equivalents (Level 1), which are required to be carried at fair value and measured on a recurring basis, were $520.6 million and $461.0 million as of May 31, 2020 and August 31, 2019, respectively.

Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC 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.

The carrying values and estimated fair values of certain of our financial instruments (Level 2) were as follows as of the dates presented (in millions):

	May 31, 2020		August 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior unsecured public notes, net of unamortized discount and deferred costs	$ —	$ —	$ 349.9	$ 352.7
Borrowings under Term Loan Facility	397.5	397.5	—	—
Industrial revenue bond	4.0	4.0	4.0	4.0
Bank loans	2.1	2.2	2.7	2.9

Borrowings under our unsecured delayed draw term loan facility (the "Term Loan Facility") and the industrial revenue bond ("IRB") are carried at the outstanding balance as of the end of the reporting period. The borrowings under the Term Loan Facility and the IRB are variable-rate instruments that reset on a frequent short-term basis; therefore, we estimate that the face amounts of these instruments approximate their fair values as of May 31, 2020 based on instruments of similar terms and maturity (Level 2). See *Note 10 — Debt and Lines of Credit* for further details on our long-term borrowings.

The bank loans are carried at the outstanding balance as of the end of the reporting period. Fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2).

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

Note 6 — Inventories

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

	May 31, 2020		August 31, 2019	
Raw materials, supplies, and work in process [1]	$	191.1	$	179.4
Finished goods		204.4		183.7
Inventories excluding reserves		395.5		363.1
Less: Reserves		(40.2)		(22.3)
Total inventories	$	355.3	$	340.8

[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.

Note 7 — Property, Plant, and Equipment

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

	May 31, 2020		August 31, 2019	
Land	$	22.4	$	22.6
Buildings and leasehold improvements		195.4		190.7
Machinery and equipment		574.2		544.4
Total property, plant, and equipment, at cost		792.0		757.7
Less: Accumulated depreciation and amortization		(516.9)		(480.4)
Property, plant, and equipment, net	$	275.1	$	277.3

Note 8 — Leases

We lease property and equipment under operating lease arrangements, most of which relate to distribution centers and manufacturing facilities in the U.S., Mexico, and Canada. We include both the contractual term as well as any renewal option that we are reasonably certain to exercise in the determination of our lease terms. For leases with a term of greater than 12 months, we value lease liabilities and the related assets as the present value of the lease payments over the related term. We apply the short-term lease exception to leases with a term of 12 months or less and exclude such leases from our *Consolidated Balance Sheets*. Payments related to these short-term leases are expensed on a straight-line basis over the lease term and reflected as a component of lease cost within our *Consolidated Statements of Comprehensive Income*. Lease payments generally consist of fixed amounts, and variable amounts based on a market rate or an index are not material to our consolidated lease cost. We have elected to use the practical expedient present in ASC 842 to not separate lease and non-lease components for all significant underlying asset classes and instead account for them together as a single lease component in the measurement of our lease liabilities. Our leases do not contain significant terms and conditions for variable lease payments.

Generally, the rate implicit in our leases is not readily determinable. Therefore, we discount future lease payments using our estimated incremental borrowing rate at lease commencement. We determine this rate based on a credit-adjusted risk-free rate, which approximates a secured rate over the lease term. The weighted average discount rate for operating leases as of May 31, 2020 was 2.2%.

The following table presents the future undiscounted payments due on our operating lease liabilities as well as a reconciliation of those payments to our operating lease liabilities recorded as of the date presented (in millions):

Fiscal year	**May 31, 2020**
2020	$ 4.8
2021	16.4
2022	11.9
2023	8.9
2024	6.3
Thereafter	18.4
Total undiscounted lease payments	66.7
Less: Discount due to interest	(4.1)
Present value of lease liabilities	$ 62.6

The weighted average remaining lease term for our operating leases was six years as of May 31, 2020.

Lease cost is recorded within *Cost of products sold* or *Selling, distribution, and administrative expenses* in the *Consolidated Statements of Comprehensive Income* based on the primary use of the related ROU asset. The components of total lease cost were as follows for the period presented (in millions):

	Three Months Ended	**Nine Months Ended**
	May 31, 2020	**May 31, 2020**
Operating lease cost	$ 4.4	$ 13.7
Variable lease cost	0.6	1.8
Short-term lease cost	0.9	2.1
Total lease cost	$ 5.9	$ 17.6

Prior to the adoption of ASC 842, we recognized rent expense of $5.9 million and $16.8 million during the three and nine months ended May 31, 2019, respectively.

Cash paid for operating lease liabilities during the nine months ended May 31, 2020 was $14.0 million. ROU assets obtained in exchange for lease liabilities, including those obtained from recent acquisitions, during the nine months ended May 31, 2020 were $11.3 million.

We do not have material leases that have not yet commenced as of May 31, 2020 that create significant rights and obligations.

We have subleased certain properties. Lease income from these subleases is recognized in the *Consolidated Statements of Comprehensive Income* as it is earned and is not material to our consolidated results of operations. We do not have any other significant transactions in which we are the lessor.

Note 9 — Goodwill and Intangible Assets

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

We recorded amortization expense of $10.8 million and $7.7 million during the three months ended May 31, 2020 and 2019, respectively, and $30.8 million and $23.1 million during the nine months ended May 31, 2020 and 2019, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $41.5 million in fiscal 2020, $40.1 million in fiscal 2021, $40.0 million in fiscal 2022, $38.9 million in fiscal 2023, and $38.0 million in fiscal 2024.

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

	Nine Months Ended	
	May 31, 2020	May 31, 2019
Beginning balance	$ 967.3	$ 970.6
Provisional additions from acquired businesses	147.8	—
Adjustments to provisional amounts from acquired businesses	(21.6)	(0.2)
Foreign currency translation adjustments	(7.1)	(6.3)
Ending balance	$ 1,086.4	$ 964.1

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.

Impairment Analysis

We performed our annual impairment review for indefinite-lived intangible assets as of June 1, 2020, consisting of 13 trade names with a total carrying value of approximately $174.7 million immediately prior to the annual review. We utilized significant assumptions to estimate the fair value of these intangible assets using a fair value model based on discounted future cash flows (“fair value model”) in accordance with ASC 820. Future cash flows associated with each of our indefinite-lived trade names are calculated by multiplying a theoretical royalty rate a willing third party would pay for use of the particular trade name by estimated future net sales attributable to the relevant trade name. Based on the results of the indefinite-lived intangible asset analyses, we calculated an impairment charge of $1.4 million related to one trade name. We determined the facts and circumstances that gave rise to this impairment existed as of May 31, 2020 and recorded this charge within *Selling, distribution, and administrative expenses* during the third fiscal quarter. The impairment analyses of the other 12 indefinite-lived intangible assets indicated that their fair values exceeded their carrying values.

Our revenue assumptions were based on our fiscal 2021 projections and recent third-party lighting, controls, and building management solutions market growth estimates for fiscal 2022 through 2030. The long-term growth rate used in determining terminal value was estimated at 3% and was based primarily on our understanding of projections for expected long-term growth within our addressable market and historical long-term performance. Estimated theoretical royalty rates ranged between 1% and 4%. We utilized a range of estimated discount rates for the trade names between 10% and 13%, based on the Capital Asset Pricing Model, which considers the current risk-free interest rate, beta, market risk premium, and entity specific size premium. No reasonably likely change in the assumptions used in the analyses for our trade names, including revenue growth rates, royalty rates, and discount rates, would result in an impairment that is material to our financial condition or results of operations.

We also performed our annual impairment test for goodwill as of June 1, 2020 and concluded the fair value of our one reporting unit exceeds its carrying value by a substantial margin. For more details on our testing procedures and significant assumptions related to our annual impairment tests, refer to the *Critical Accounting Estimates* section of our Form 10-K.

Note 10 — Debt and Lines of Credit

Lines of Credit

On June 29, 2018, we entered into a credit agreement (“Credit Agreement”) with a syndicate of banks that provides us with a $400.0 million five-year unsecured revolving credit facility (“Revolving Credit Facility”) and a $400.0 million unsecured delayed draw term loan facility (“Term Loan Facility”). We had no borrowings outstanding under the Revolving Credit Facility as of May 31, 2020 or August 31, 2019. We had $397.5 million in borrowings outstanding under the Term Loan Facility as of May 31, 2020 and no borrowings under the Term Loan Facility as of August 31, 2019. Based on the repayment schedule detailed below, $380.0 million of the borrowings under the Term Loan Facility are reflected within *Long-term debt* on the *Consolidated Balance Sheets* as of May 31, 2020.

Generally, amounts outstanding under the Revolving Credit Facility allow for borrowings to bear interest at either the Eurocurrency Rate or the base rate at our option, plus an applicable margin. Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the LIBOR or screen rate for the applicable currency plus an applicable margin. The Eurocurrency Rate applicable margin is based on our leverage ratio, as defined in the Credit Agreement, with such margin ranging from 1.000% to 1.375%. Base rate advances bear interest at an alternate base rate plus an applicable margin. The base rate applicable margin is based on our leverage ratio, as defined in the Credit Agreement, with such margin ranging from 0.000% to 0.375%. The Term Loan Facility allowed for borrowings to be drawn over a period ending December 31, 2019, utilizing up to four separate installments, which are U.S. Dollar denominated. Borrowings under the Term Loan Facility will amortize in equal quarterly installments of 2.5% per year in year one, 2.5% per year in year two, 5.0% per year in year three, 5.0% per year in year four, and 7.5% per year in year five. Any remaining borrowings under the Term Loan Facility are due and payable in full on June 29, 2023. The Term Loan Facility allows for borrowings to bear interest at either a Eurocurrency Rate or the base rate, at our option, in each case plus an applicable margin. Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the LIBOR or screen rate for the applicable currency plus an applicable margin. The Eurocurrency applicable margin is based on our leverage ratio, as defined in the Credit Agreement, with such margin ranging from 0.875% to 1.250%. Base Rate advances bear interest at an alternate base rate plus an applicable margin. The base rate applicable margin is based on our leverage ratio, as defined in the Credit Agreement, with such margin ranging from 0.0% to 0.25%.

We are required to pay certain fees in connection with the Credit Agreement, including administrative service fees and annual facility fees. The annual facility fee is payable quarterly, in arrears, and is determined by our leverage ratio as defined in the Credit Agreement. The facility fee ranges from 0.125% to 0.25% of the aggregate $800.0 million commitment of the lenders under the Credit Agreement. The Credit Agreement contains financial covenants, including a minimum interest expense coverage ratio ("Minimum Interest Expense Coverage Ratio") and a leverage ratio ("Maximum Leverage Ratio") of total indebtedness to earnings before interest, tax, depreciation, and amortization ("EBITDA"), as such terms are defined in the Credit Agreement. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Credit Agreement generally allows for a Minimum Interest Expense Coverage Ratio of 2.50 and a Maximum Leverage Ratio of 3.50, subject to certain conditions, as such terms are defined in the Credit Agreement.

We were in compliance with all financial covenants under the Credit Agreement as of May 31, 2020. At May 31, 2020, we had additional borrowing capacity under the Credit Agreement of $396.2 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less the outstanding letters of credit of $3.8 million issued under the Revolving Credit Facility. As of May 31, 2020, we had outstanding letters of credit totaling $8.1 million, primarily for securing collateral requirements under our casualty insurance programs and for providing credit support for our industrial revenue bond, which includes the $3.8 million issued under the Revolving Credit Facility.

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

Long-term Debt

On December 16, 2019, we repaid $350.0 million of senior unsecured notes in full plus accrued interest with borrowings under our Term Loan Facility.

In addition to the long-term portion of borrowings under the Term Loan Facility, we had $4.0 million of tax-exempt industrial revenue bonds that are scheduled to mature in June 2021 and $2.1 million outstanding under fixed-rate bank loans outstanding at May 31, 2020. Further discussion of our long-term debt is included within the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Interest Expense, net

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

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

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Interest expense	$ 6.1	$ 9.1	$ 21.9	$ 27.4
Interest income	(0.7)	(0.8)	(2.5)	(1.8)
Interest expense, net	$ 5.4	$ 8.3	$ 19.4	$ 25.6

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, 2020, no material changes have occurred in our estimated liabilities for self-insurance, litigation, environmental matters, guarantees and indemnities, or relevant events and circumstances, from those disclosed in the *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Product Warranty and Recall Costs

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

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

	Nine Months Ended	
	May 31, 2020	May 31, 2019
Beginning balance	$ 11.5	$ 27.3
Warranty and recall costs	21.5	12.9
Payments and other deductions	(19.7)	(14.2)
Acquired warranty and recall liabilities	0.1	—
ASC 606 adjustments [1]	—	(14.8)
Ending balance	$ 13.4	$ 11.2

[1] Certain service-type warranties accounted for as contingent liabilities prior to the adoption of ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), are now reflected as contract liabilities effective September 1, 2018.

Lighting Science Group Patent Litigation

On April 30, 2019 and May 1, 2019, Lighting Science Group Corp. ("LSG") filed complaints with the International Trade Commission and United States District Court for the District of Delaware, respectively, alleging infringement of eight patents by the Company and others. On May 17, 2019, LSG amended both of its complaints and dropped its claims regarding one of the patents. For the remaining seven patents, LSG's infringement allegations relate to certain of our LED luminaires and related systems. LSG seeks orders from the International Trade Commission to preclude the importation and sale of the accused products. LSG seeks unspecified monetary damages, costs, and attorneys' fees in the District of Delaware action. We dispute and have numerous defenses to the allegations, and we intend to vigorously defend against LSG's 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 a request for an exclusion order and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, we currently are unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses resulting from these matters.

Securities Class Action

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

Trade Compliance Matters

In the course of routine reviews of import and export activity, we previously determined that we misclassified and/or inaccurately valued certain international shipments of products. We are conducting a detailed review of this activity to determine the extent of any liabilities and implementing the appropriate remedial measures. At this time, we are unable to determine the likelihood or amount of loss, if any, associated with these shipments.

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

	Common Stock Outstanding						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at cost	Total
Balance, August 31, 2018	40.0	$ 0.5	$ 906.3	$ 1,999.2	$ (114.8)	$ (1,074.4)	$ 1,716.8
Net income	—	—	—	79.6	—	—	79.6
Other comprehensive loss	—	—	—	—	(6.2)	—	(6.2)
ASC 606 adjustments	—	—	—	(13.0)	—	—	(13.0)
Share-based payment amortization, issuances, and cancellations	0.1	—	3.8	—	—	—	3.8
Employee stock purchase plan issuances	—	—	0.1	—	—	—	0.1
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.2)	—	—	(5.2)
Repurchases of common stock	(0.2)	—	—	—	—	(25.0)	(25.0)
Balance, November 30, 2018	39.9	0.5	910.2	2,060.6	(121.0)	(1,099.4)	1,750.9
Net income	—	—	—	66.3	—	—	66.3
Other comprehensive income	—	—	—	—	6.3	—	6.3
Share-based payment amortization, issuances, and cancellations	—	—	7.1	—	—	—	7.1
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.3)	—	—	(5.3)
Repurchases of common stock	(0.2)	—	—	—	—	(23.7)	(23.7)
Balance, February 28, 2019	39.7	0.5	917.5	2,121.6	(114.7)	(1,123.1)	1,801.8
Net income	—	—	—	88.4	—	—	88.4
Other comprehensive loss	—	—	—	—	(7.4)	—	(7.4)
Share-based payment amortization, issuances, and cancellations	—	—	7.0	—	—	—	7.0
Employee stock purchase plan issuances	—	—	0.2	—	—	—	0.2
Cash dividends of $0.13 per share paid on common stock	—	—	—	(5.1)	—	—	(5.1)
Balance, May 31, 2019	39.7	$ 0.5	$ 924.7	$ 2,204.9	$ (122.1)	$ (1,123.1)	$ 1,884.9

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. Further details regarding revenue recognition are included within the *Revenue Recognition* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Contract Balances

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

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

	May 31, 2020	August 31, 2019
Current deferred revenues	$ 6.6	$ 4.7
Non-current deferred revenues	51.6	46.4

Current deferred revenues primarily consist of software licenses as well as professional service and sales-type warranty fees collected prior to performing the related service. Current deferred revenues are included within *Other current liabilities* on the *Consolidated Balance Sheets*. These services are expected to be performed within one year. Non-current deferred revenues primarily consist of long-term service-type warranties, which are typically recognized ratably as revenue between five and ten years from the date of sale, and are included within *Other long-term liabilities* on the *Consolidated Balance Sheets.* Revenue recognized from beginning balances of contract liabilities during the nine months ended May 31, 2020 totaled $3.9 million.

Unsatisfied performance obligations as of May 31, 2020 that do not represent contract liabilities consist primarily of orders for physical goods that have not yet been shipped, which are typically shipped within a few weeks of order receipt.

Disaggregated Revenues

Our lighting and building management solutions are sold primarily through independent sales agents who cover specific geographic areas and market channels, by internal sales representatives, through consumer retail channels, and directly to large corporate accounts. The following table shows revenue from contracts with customers by sales channel for the periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Independent sales network	$ 584.3	$ 650.5	$ 1,799.2	$ 1,873.9
Direct sales network	67.3	97.2	224.9	283.5
Retail sales	48.0	58.7	158.2	217.5
Corporate accounts	39.4	96.1	127.7	221.7
Other	37.2	45.1	125.1	138.0
Total	$ 776.2	$ 947.6	$ 2,435.1	$ 2,734.6

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 stock options, performance share units, and restricted shares (all part of our equity incentive plan), as well as share units representing certain deferrals into our director deferred compensation plan or our supplemental deferred savings plan.

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

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Share-based payment expense	$ 7.8	$ 7.6	$ 32.5	$ 22.9

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

Equity Plan Updates

Beginning in fiscal 2020, the Board of Directors (the "Board") approved grants of performance share units to certain executives and key employees. These shares vest over a three-year period and are valued at the closing stock price on the date of grant. During the second quarter, additional performance shares were issued to certain key employees that vest over a two-year period based on the level of achievement of established performance thresholds and were valued at the closing stock price on the date of grant. The actual number of performance shares earned for these awards will be determined at the end of the related two-year or three-year period based on the level of achievement of established performance thresholds. We recognize compensation expense for these awards proportionately over the requisite service period for each employee when it becomes probable that the performance metric will be satisfied. As of May 31, 2020, we had approximately 67,000 performance share units outstanding.

Additionally, effective for restricted stock and performance share grants awarded in October 2019 and thereafter, the Board reinstated a policy that provides for the continued vesting of stock awards following retirement for all eligible participants who have attained age 60 and have at least 10 years of service with the Company. As such, for awards granted in October 2019 and later, we deem the requisite service period for a participant to be the shorter of either the award's stated vesting period or the time from grant until the participant satisfies the age and service criteria.

Stock Options

As of May 31, 2020, we had approximately 917,000 options outstanding to officers and other key employees. The increase from the prior fiscal year end was due to a grant on January 31, 2020 of 500,000 options that have an exercise price equal to or greater than the fair market value of our stock as of the grant date. Of these options, 400,000 vest and become exercisable over a three year period (the "Service Options"). The remaining 100,000 vest and become exercisable over a four year period and are also subject to a market condition (the "Market Options"). All of these options expire after ten years from the date of grant.

The following weighted average assumptions were used to estimate the fair value of stock options granted in the second quarter of fiscal 2020:

	Service Options	Market Options
Valuation Methodology	Black-Scholes	Monte Carlo Simulation
Dividend yield	0.4%	0.4%
Expected volatility	33.7%	33.7%
Risk-free interest rate	1.3%	1.5%
Expected life of options	5 years	7 years
Weighted-average fair value of options	$34.22	$44.74

The dividend yield was calculated based on annual dividends paid and the trailing 12-month average closing stock price at the time of grant. Expected volatility was based on historical volatility of our stock, calculated using the most recent time period equal to the expected life of the options. The risk-free interest rate was based on the U.S. Treasury yield for a term equal to the expected life of the options at the time of grant for the Service Options and equal to the contractual term for the Market Options. We used historical exercise behavior data of similar employee groups to determine the expected life of options. All inputs noted above are estimates made at the time of grant. Actual realized value of each option grant could materially differ from these estimates, without impact to future reported net income. No options were granted during the third quarter of fiscal 2020.

Stock option activity during the periods presented was as follows:

	Outstanding			Exercisable		
	Number of Shares (in millions)		Weighted Average Exercise Price	Number of Shares (in millions)		Weighted Average Exercise Price
Outstanding at August 31, 2019	0.4		$146.70	0.3		$147.51
Granted	0.5		$121.87			
Exercised	—	*	$116.36			
Canceled	—	*	—			
Outstanding at May 31, 2020	0.9		$133.18	0.4		$151.07
Range of option exercise prices:						
$40.01 - $100.00 (average life - 2.4 years)	0.1		$62.25	0.1		$62.25
$100.01 - $160.00 (average life - 8.6 years)	0.7		$123.02	0.2		$126.16
$160.01 - $210.00 (average life - 5.4 years)	0.1		$207.80	0.1		$207.80
$210.01 - $239.76 (average life - 6.4 years)	—	*	$239.76	—	*	$239.76

* Represents shares of less than 0.1 million.

There were 522 shares issued from option exercises during fiscal 2020, and no options were exercised during fiscal 2019. As of May 31, 2020, the total intrinsic value of options outstanding was $1.5 million, the total intrinsic value of options expected to vest was zero, and the total intrinsic value of options exercisable was $1.5 million. As of May 31, 2020, there was $16.8 million of total unrecognized compensation cost related to unvested options. That cost is expected to be recognized over a weighted-average period of approximately 2.0 years.

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 equity and fixed income securities.

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

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Service cost	$ 1.2	$ 0.8	$ 3.5	$ 2.4
Interest cost	1.8	2.2	5.5	6.7
Expected return on plan assets	(3.2)	(3.1)	(9.4)	(9.4)
Amortization of prior service cost	1.0	0.8	3.0	2.3
Settlement loss	—	—	—	0.4
Recognized actuarial loss	1.4	1.0	4.2	3.1
Net periodic pension cost	$ 2.2	$ 1.7	$ 6.8	$ 5.5

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 six months of fiscal 2020, we recognized pre-tax special charges of $8.5 million, which consisted primarily of severance costs and ROU asset lease impairments related to planned facility closures. Additionally, we recognized charges for relocation costs and ROU lease asset impairment charges associated with the previously announced transfer of activities from planned facility closures. We expect these actions to streamline our business activities and to integrate recent acquisitions will allow us to reduce spending in certain areas while permitting continued investment in future growth initiatives, such as new products, expanded market presence, and technology and innovation. Further details regarding our special charges are included within the *Special Charges* footnote of the *Notes to Consolidated Financial Statements* within our Form 10-K.

Additionally, we recognized pre-tax special charges of $3.3 million during the three months ended May 31, 2020, which consisted primarily of severance and employee-related charges for actions taken in response to reduced demand due to the COVID-19 pandemic.

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

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Severance and employee-related costs	$ 2.4	$ —	$ 8.1	$ (0.8)
Other restructuring costs	0.9	(0.1)	3.7	2.1
Total special charges	$ 3.3	$ (0.1)	$ 11.8	$ 1.3

As of May 31, 2020, remaining restructuring reserves were $4.2 million and are included in *Accrued compensation* on the *Consolidated Balance Sheets*. The changes in the reserves related to these programs during the period presented are summarized as follows (in millions):

	Fiscal 2020 Actions	Fiscal 2019 Actions	Fiscal 2018 Actions	Total
Balance at August 31, 2019	$ —	$ 1.3	$ 0.6	$ 1.9
Severance costs	8.2	0.1	(0.2)	8.1
Payments made during the period	(4.2)	(1.2)	(0.4)	(5.8)
Balance at May 31, 2020	$ 4.0	$ 0.2	$ —	$ 4.2

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.

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, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Net income	$ 60.4	$ 88.4	$ 174.6	$ 234.3
Basic weighted average shares outstanding	39.5	39.7	39.5	39.8
Common stock equivalents	0.2	0.1	0.2	0.1
Diluted weighted average shares outstanding	39.7	39.8	39.7	39.9
Basic earnings per share	$ 1.53	$ 2.23	$ 4.42	$ 5.89
Diluted earnings per share	$ 1.52	$ 2.22	$ 4.40	$ 5.87

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:

	Three Months Ended		Nine Months Ended	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
Stock options	852,719	283,731	528,225	297,445
Performance stock awards	31,604	—	7,351	—
Restricted stock awards	239,528	107,800	229,315	169,672

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

Note 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. *Other comprehensive income (loss) items* includes foreign currency translation and pension adjustments.

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

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

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2018	$ (53.9)	$ (60.9)	$ (114.8)
Other comprehensive (loss) income before reclassifications	(12.6)	0.9	(11.7)
Amounts reclassified from accumulated other comprehensive loss [1]	—	4.4	4.4
Net current period other comprehensive (loss) income	(12.6)	5.3	(7.3)
Balance at May 31, 2019	$ (66.5)	$ (55.6)	$ (122.1)

[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, 2020			May 31, 2019		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ (13.8)	$ —	$ (13.8)	$ (8.7)	$ —	$ (8.7)
Defined benefit pension plans:						
Amortization of defined benefit pension items:						
Prior service cost	1.0	(0.2)	0.8	0.8	(0.2)	0.6
Actuarial losses	1.4	(0.4)	1.0	1.0	(0.3)	0.7
Total defined benefit pension plans, net	2.4	(0.6)	1.8	1.8	(0.5)	1.3
Other comprehensive loss	$ (11.4)	$ (0.6)	$ (12.0)	$ (6.9)	$ (0.5)	$ (7.4)

	Nine Months Ended					
	May 31, 2020			May 31, 2019		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	$ (15.6)	$ —	$ (15.6)	$ (12.6)	$ —	$ (12.6)
Defined benefit pension plans:						
Actuarial gain or loss	—	—	—	1.3	(0.4)	0.9
Amortization of defined benefit pension items:						
Prior service cost	3.0	(0.7)	2.3	2.3	(0.5)	1.8
Actuarial losses	4.2	(1.1)	3.1	3.1	(0.8)	2.3
Settlement losses	—	—	—	0.4	(0.1)	0.3
Total defined benefit pension plans, net	7.2	(1.8)	5.4	7.1	(1.8)	5.3
Other comprehensive loss	$ (8.4)	$ (1.8)	$ (10.2)	$ (5.5)	$ (1.8)	$ (7.3)

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. ("Acuity Brands") and its subsidiaries as of May 31, 2020 and for the three and nine months ended May 31, 2020 and 2019. The following discussion should be read in conjunction with the *Consolidated Financial Statements* and *Notes to Consolidated Financial Statements* included within this report. Also, please refer to Acuity Brands' Annual Report on Form 10-K for the fiscal year ended August 31, 2019, filed with the Securities and Exchange Commission (the "SEC") on October 29, 2019 ("Form 10-K").

Overview

Company

Acuity Brands is the parent company of Acuity Brands Lighting, Inc. ("ABL") and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as "we," "our," "us," "the Company," or similar references). Our principal office is located in Atlanta, Georgia.

We are a market-leading industrial technology company that develops, manufactures, and provides lighting and building management solutions and services for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets. Our lighting and building management solutions include devices such as luminaires, lighting controls, controls for various building systems, power supplies, prismatic skylights, and drivers, as well as integrated systems designed to optimize energy efficiency and comfort for various indoor and outdoor applications. Additionally, we continue to expand our solutions portfolio, including software and services, to provide a host of other economic benefits resulting from data analytics that enables the Internet of Things ("IoT"), supports the advancement of smart buildings, and allows businesses to develop custom applications to scale their operations. As of May 31, 2020, we operate 20 manufacturing facilities and eight distribution facilities along with three warehouses to serve our extensive customer base.

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

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

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

The results of operations for the three and nine months ended May 31, 2020 and 2019 are not necessarily indicative of the results to be expected for the full fiscal year due primarily to continued uncertainty of general economic conditions that may impact our key end markets for the remainder of fiscal 2020, seasonality, and the impact of any acquisitions, among other reasons. Additionally, we are uncertain of the future impact of the ongoing COVID-19 pandemic and of possible sustained deterioration in economic conditions to our sales channels, supply chain, manufacturing, and distribution as well as overall construction, renovation, and consumer spending.

The COVID-19 Pandemic

During March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. This pandemic has resulted in worldwide government restrictions on the movement of people, goods, and services resulting in increased volatility in and disruptions to global markets. However, our manufacturing operations are deemed essential and continue to operate. We remain committed to prioritizing the health and well-being of our associates and their families and ensuring that we operate effectively. We have implemented policies to screen associates, contractors, and vendors for COVID-19 symptoms upon entering our manufacturing and distribution and open office facilities in the United States, Mexico, and other locations as permitted by law. We have also implemented one-way traffic flows, additional cleaning requirements for common spaces, mandatory face coverings, hand sanitizer stations, social-distanced workspaces, and self-serve pay stations within our cafeterias to mitigate the spread of the virus. Additionally, we are requiring certain employees whose job functions can be performed remotely to work from home into the forseeable future.

During the third quarter of fiscal 2020, government-mandated and voluntary social distancing measures had an adverse impact on our results of operations. The pandemic has caused reduced construction and renovation spending during the quarter as well as a disruption in our supply chain for certain components, both of which negatively impacted our third quarter fiscal 2020 sales volumes. We also experienced a limited number of temporary facility shutdowns due to government-mandated closures as well as additional health and safety costs including expenditures for personal protection equipment and facility enhancements to maintain proper distancing guidelines issued by the Centers for Disease Control and Prevention. In response to our sales volume declines, we have taken actions to reduce costs, including the realignment of headcount with current volumes, a freeze on all non-essential employee travel, and other efforts to decrease discretionary spending.

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

Liquidity and Capital Resources

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

For the first nine months of fiscal 2020, we paid $38.3 million for property, plant, and equipment, primarily for tooling, equipment, new and enhanced information technology capabilities, and facility enhancements. We currently expect to invest between $10 million and $15 million on capital expenditures during the fourth quarter of fiscal 2020.

In March 2018, the Board of Directors (the “Board”) authorized the repurchase of up to six million shares of the Company's common stock. As of May 31, 2020, 1.45 million shares had been repurchased under this authorization. No shares were repurchased in fiscal 2020. We expect to repurchase the remaining shares available for repurchase on an opportunistic basis subject to various factors including stock price, Company performance, market conditions, and other possible uses of cash.

Our short-term cash needs are expected to include funding operations as currently planned; making capital investments as currently anticipated; paying quarterly stockholder dividends as currently anticipated; paying principal and interest on debt as currently scheduled, including our borrowings under our unsecured delayed draw term loan facility (the “Term Loan Facility”); making required contributions to our employee benefit plans; funding possible acquisitions; and potentially repurchasing shares of our outstanding common stock. We believe that we will be able to meet our liquidity needs over the next 12 months based on our cash on hand, current projections of cash flow from operations, and borrowing availability under financing arrangements. Additionally, we believe that our cash flows from operations and sources of funding, including, but not limited to, future borrowings and capacity, will sufficiently support our long-term liquidity needs. However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess our liquidity needs. A continued worldwide disruption could materially affect our future access to our sources of liquidity, particularly our cash flows from operations, financial condition, capitalization, and capital investments. In the event of a sustained market deterioration, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions.

Cash Flow

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

Our cash position at May 31, 2020 was $520.6 million, an increase of $59.6 million from August 31, 2019. During the nine months ended May 31, 2020, we generated net cash flows from operations of $378.3 million. Cash generated from operating activities, cash on-hand, and additional long-term debt borrowings were used during the nine months ended May 31, 2020 primarily to repay long term debt obligations due of $350.7 million, to fund acquisitions of $303.0 million, to fund capital expenditures of $38.3 million, to pay dividends to stockholders of $15.6 million, and to pay withholding taxes on the net settlement of equity awards of $5.1 million.

We generated $378.3 million of cash flows from operating activities during the nine months ended May 31, 2020 compared with $312.0 million in the prior-year period, an increase of $66.3 million, due primarily to lower working capital requirements, partially offset by lower net income.

We believe that investing in assets and programs that will over time increase the overall return on our invested capital is a key factor in driving stockholder value. We paid $38.3 million and $39.8 million during the first nine months of fiscal 2020 and 2019, respectively, for property, plant, and equipment, primarily related to investments in tooling, equipment, new and enhanced information technology capabilities, and facility enhancements.

Capitalization

As of May 31, 2020, our capital structure was comprised principally of borrowings on the Term Loan Facility and equity of our stockholders. Total debt outstanding was $403.6 million at May 31, 2020 and consisted primarily of variable-rate obligations. At August 31, 2019, total debt outstanding was $356.6 million and consisted primarily of fixed-rate obligations.

On June 29, 2018, we entered into a credit agreement (“Credit Agreement”) with a syndicate of banks that provides us with a $400.0 million five-year unsecured revolving credit facility (“Revolving Credit Facility”) and a $400.0 million Term Loan Facility. We had no borrowings outstanding under the Revolving Credit Facility as of May 31, 2020 or August 31, 2019. We had $397.5 million in borrowings outstanding under the Term Loan Facility as of May 31, 2020 and no borrowings outstanding under the Term Loan Facility as of August 31, 2019. Based on the repayment schedule, $380.0 million of the borrowings under the Term Loan Facility are reflected within *Long-term debt* on the *Consolidated Balance Sheets* as of May 31, 2020.

In December 2019, we borrowed the full $400.0 million available under our Term Loan Facility. The proceeds were primarily used to repay the $350.0 million of senior unsecured notes, which matured on December 15, 2019, and the related accrued interest in full. Borrowings under the Term Loan Facility amortize in equal quarterly installments per year as described in the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements*. Any remaining borrowings under the Term Loan Facility are due and payable in full on June 29, 2023. Additionally, see the *Debt and Lines of Credit* footnote for interest rates related to the Term Loan Facility. There have been no other material changes outside of the ordinary course of business in our contractual obligations since August 31, 2019.

We were in compliance with all financial covenants under the Credit Agreement as of May 31, 2020. At May 31, 2020, we had additional borrowing capacity under the Credit Agreement of $396.2 million under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less the outstanding letters of credit of $3.8 million issued under the Revolving Credit Facility. As of May 31, 2020, we had outstanding letters of credit totaling $8.1 million, primarily for securing collateral requirements under our casualty insurance programs and for providing credit support for our industrial revenue bond, which includes the $3.8 million issued under the Revolving Credit Facility. See the *Debt and Lines of Credit* footnote of the *Notes to Consolidated Financial Statements* for more information.

During the first nine months of fiscal 2020, our consolidated stockholders’ equity increased $176.8 million to $2.1 billion at May 31, 2020, from $1.9 billion at August 31, 2019. The increase was due primarily to comprehensive income, partially offset by the payment of dividends. Our debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders’ equity) was 16.1% and 15.7% at May 31, 2020 and August 31, 2019, respectively. The ratio of debt, net of cash, to total capitalization, net of cash, was (5.9)% and (5.8)% at May 31, 2020 and August 31, 2019, respectively.

Dividends

We paid dividends on our common stock of $15.6 million ($0.39 per share) during the nine months ended May 31, 2020 and 2019. All decisions regarding the declaration and payment of dividends are at the discretion of the Board and are evaluated regularly in light of our financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Board deems relevant.

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Results of Operations

Third Quarter of Fiscal 2020 Compared with Third Quarter of Fiscal 2019

The following table sets forth information comparing the components of net income for the three months ended May 31, 2020 and 2019 (in millions except per share data):

	Three Months Ended			
	May 31, 2020	May 31, 2019	Increase (Decrease)	Percent Change
Net sales	$ 776.2	$ 947.6	$ (171.4)	(18.1)%
Cost of products sold	448.6	564.0	(115.4)	(20.5)%
Gross profit	327.6	383.6	(56.0)	(14.6)%
Percent of net sales	*42.2%*	*40.5%*	*170 bps*	
Selling, distribution, and administrative expenses	241.3	263.4	(22.1)	(8.4)%
Special charges	3.3	(0.1)	3.4	NM
Operating profit	83.0	120.3	(37.3)	(31.0)%
Percent of net sales	*10.7%*	*12.7%*	*(200) bps*	
Other expense:				
Interest expense, net	5.4	8.3	(2.9)	(34.9)%
Miscellaneous (income) expense, net	(0.9)	0.2	(1.1)	NM
Total other expense	4.5	8.5	(4.0)	(47.1)%
Income before income taxes	78.5	111.8	(33.3)	(29.8)%
Percent of net sales	*10.1%*	*11.8%*	*(170) bps*	
Income tax expense	18.1	23.4	(5.3)	(22.6)%
Effective tax rate	*23.1%*	*20.9%*		
Net income	$ 60.4	$ 88.4	$ (28.0)	(31.7)%
Diluted earnings per share	$ 1.52	$ 2.22	$ (0.70)	(31.5)%
NM - not meaningful				

Net sales were $776.2 million for the three months ended May 31, 2020 compared with $947.6 million reported for the three months ended May 31, 2019, a decrease of $171.4 million, or 18.1%. For the three months ended May 31, 2020, we reported net income of $60.4 million, a decrease of $28.0 million, or 31.7%, compared with $88.4 million for the three months ended May 31, 2019. For the third quarter of fiscal 2020, diluted earnings per share decreased 31.5% to $1.52 compared with $2.22 reported in the year-ago period.

The following table reconciles certain U.S. generally accepted accounting principles ("U.S. GAAP") financial measures to the corresponding non-U.S. GAAP measures referred to in the discussion of our results of operations, which exclude the impact of amortization of acquired intangible assets, share-based payment expense, and special charges associated primarily with continued efforts to streamline the organization and integrate recent acquisitions. Although the impacts of some of these items have been recognized in prior periods and could recur in future periods, we typically exclude these charges during internal reviews of performance and use these non-U.S. GAAP measures for baseline comparative operational analysis, decision making, and other activities. These non-U.S. GAAP financial measures, including adjusted selling, distribution, and administrative ("SD&A") expenses and adjusted SD&A expenses as a percent of net sales, adjusted operating profit and margin, adjusted net income, and adjusted diluted earnings per share, are provided to enhance the user's overall understanding of our current financial performance. Specifically, we believe these non-U.S. GAAP measures provide greater comparability and enhanced visibility into our results of operations. The non-U.S. GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, results prepared in accordance with U.S. GAAP.

(In millions, except per share data)	Three Months Ended May 31, 2020		May 31, 2019		Increase (Decrease)	Percent Change
Selling, distribution, and administrative expenses	$ 241.3		$ 263.4		$ (22.1)	(8.4)%
Percent of net sales		*31.1%*		*27.8%*	*330 bps*	
Less: Amortization of acquired intangible assets	(10.8)		(7.7)			
Less: Share-based payment expense	(7.8)		(7.6)			
Adjusted selling, distribution, and administrative expenses	$ 222.7		$ 248.1		$ (25.4)	(10.2)%
Percent of net sales		*28.7%*		*26.2%*	*250 bps*	
Operating profit	$ 83.0		$ 120.3		$ (37.3)	(31.0)%
Percent of net sales		*10.7%*		*12.7%*	*(200) bps*	
Add-back: Amortization of acquired intangible assets	10.8		7.7			
Add-back: Share-based payment expense	7.8		7.6			
Add-back: Special charges	3.3		(0.1)			
Adjusted operating profit	$ 104.9		$ 135.5		$ (30.6)	(22.6)%
Percent of net sales		*13.5%*		*14.3%*	*(80) bps*	
Net income	$ 60.4		$ 88.4		$ (28.0)	(31.7)%
Add-back: Amortization of acquired intangible assets	10.8		7.7			
Add-back: Share-based payment expense	7.8		7.6			
Add-back: Special charges	3.3		(0.1)			
Total pre-tax adjustments to net income	21.9		15.2			
Income tax effects	(5.1)		(3.0)			
Adjusted net income	$ 77.2		$ 100.6		$ (23.4)	(23.3)%
Diluted earnings per share	$ 1.52		$ 2.22		$ (0.70)	(31.5)%
Adjusted diluted earnings per share	$ 1.94		$ 2.53		$ (0.59)	(23.3)%

Net Sales

Net sales for the three months ended May 31, 2020 decreased 18.1% compared with the prior-year period due primarily to a 20% decrease in sales volumes, partially offset by a contribution from acquired businesses of approximately 2%. Fiscal 2020 third quarter sales volumes decreased compared with the prior year due primarily to the negative impacts of the COVID-19 pandemic. The change in product prices and mix of products sold (“price/mix”) was flat year over year as a favorable shift in sales channel mix was offset by overall lower pricing. Due to the changing dynamics of our product portfolio, it is not possible to precisely quantify or differentiate the individual components of volume, price, and mix.

Gross Profit

Gross profit for the third quarter of fiscal 2020 decreased $56.0 million, or 14.6%, to $327.6 million compared with $383.6 million in the prior-year period, due primarily to lower sales volumes as a result of the COVID-19 pandemic as described above, partially offset by lower costs for certain inputs as well as the contribution from acquisitions. Tariffs also continue to impact cost of goods sold and are expected to continue. Gross profit margin increased 170 basis points to 42.2% for the three months ended May 31, 2020 compared with 40.5% in the prior-year period. The improvement in gross profit margin was due primarily to lower costs for certain inputs, contributions from acquisitions, and favorable sales channel mix partially offset by lower average selling prices.

Operating Profit

SD&A expenses for the three months ended May 31, 2020 were $241.3 million compared with $263.4 million in the prior-year period, a decrease of $22.1 million, or 8.4%. The decrease in SD&A expenses was due primarily to decreased freight and commissions associated with lower sales volumes, travel expenses, sales and marketing expenses, and salaried employee costs due in part to the COVID-19 pandemic. These declines were partially offset by additional costs from recent acquisitions, including additional amortization of acquired intangibles, and employee costs. SD&A expenses for the third quarter of fiscal 2020 were 31.1% of net sales compared with 27.8% for the prior-year period.

This increase was due primarily to higher overall commission rates associated with channel mix and acquisitions, increased amortization of acquired intangibles, and higher employee costs from acquisitions. Adjusted SD&A expenses for the three months ended May 31, 2020 were $222.7 million (28.7% of net sales) compared with $248.1 million (26.2% of net sales) in the prior-year period.

We recognized pre-tax special charges of $3.3 million during the third quarter of fiscal 2020 compared with pre-tax special charge credits of $0.1 million recorded during the third quarter of fiscal 2019. Further details regarding our special charges are included in the *Special Charges* footnote of the *Notes to Consolidated Financial Statements*.

Operating profit for the third quarter of fiscal 2020 was $83.0 million (10.7% of net sales) compared with $120.3 million (12.7% of net sales) for the prior-year period, a decrease of $37.3 million, or 31.0%. The decrease in operating profit was due to lower gross profit and increased special charges, partially offset by lower SD&A expenses. Adjusted operating profit decreased $30.6 million, or 22.6%, to $104.9 million for the third quarter of fiscal 2020 compared with $135.5 million for the third quarter of fiscal 2019. Adjusted operating profit margin decreased to 13.5% for the third quarter of fiscal 2020 compared with 14.3% for the year-ago period.

Other Expense

Other expense consists of net interest expense and net miscellaneous (income) expense, which includes non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses. Interest expense, net, was $5.4 million and $8.3 million for the three months ended May 31, 2020 and 2019, respectively. The decrease in interest expense was due primarily to the interest savings associated with refinancing the previously outstanding 6% senior unsecured notes with funds under the Term Loan Facility, which are subject to lower short-term borrowing rates. We reported net miscellaneous income of $0.9 million and net miscellaneous expense $0.2 million for the three months ended May 31, 2020 and 2019, respectively.

Income Taxes and Net Income

Our effective income tax rate was 23.1% and 20.9% for the three months ended May 31, 2020 and 2019, respectively. The increase in the current fiscal tax rate was due primarily to the recognition in fiscal 2019 of certain research and development cost tax credits, including claims for prior periods, that did not recur in the current fiscal year. We currently estimate that our blended consolidated effective income tax rate, before any discrete items, will be approximately 23% for fiscal 2020, assuming the rates in our taxing jurisdictions remain generally consistent throughout the year.

Net income for the third quarter of fiscal 2020 decreased $28.0 million, or 31.7%, to $60.4 million from $88.4 million reported for the prior-year period. The decrease in net income resulted primarily from a decreased operating profit compared to the prior-year period partially offset by lower interest expense and income tax expense. Diluted earnings per share for the three months ended May 31, 2020 decreased $0.70 to $1.52 compared with diluted earnings per share of $2.22 for the prior-year period. This decrease reflects lower net income. Adjusted net income for the third quarter of fiscal 2020 was $77.2 million, compared with $100.6 million in the prior-year period, a decrease of $23.4 million, or 23.3%. Adjusted diluted earnings per share for the three months ended May 31, 2020 decreased $0.59, or 23.3%, to $1.94 compared with $2.53 for the prior-year period.

First Nine Months of Fiscal 2020 Compared with First Nine Months of Fiscal 2019

The following table sets forth information comparing the components of net income for the nine months ended May 31, 2020 and 2019 (in millions except per share data):

	Nine Months Ended			
	May 31, 2020	**May 31, 2019**	**Increase (Decrease)**	**Percent Change**
Net sales	$ 2,435.1	$ 2,734.6	$ (299.5)	(11.0)%
Cost of products sold	1,407.8	1,649.6	(241.8)	(14.7)%
Gross profit	1,027.3	1,085.0	(57.7)	(5.3)%
Percent of net sales	*42.2%*	*39.7%*	*250 bps*	
Selling, distribution, and administrative expenses	767.5	751.1	16.4	2.2 %
Special charges	11.8	1.3	10.5	NM
Operating profit	248.0	332.6	(84.6)	(25.4)%
Percent of net sales	*10.2%*	*12.2%*	*(200) bps*	
Other expense:				
Interest expense, net	19.4	25.6	(6.2)	(24.2)%
Miscellaneous expense, net	1.5	2.6	(1.1)	(42.3)%
Total other expense	20.9	28.2	(7.3)	(25.9)%
Income before income taxes	227.1	304.4	(77.3)	(25.4)%
Percent of net sales	*9.3%*	*11.1%*	*(180) bps*	
Income tax expense	52.5	70.1	(17.6)	(25.1)%
Effective tax rate	*23.1%*	*23.0%*		
Net income	$ 174.6	$ 234.3	$ (59.7)	(25.5)%
Diluted earnings per share	$ 4.40	$ 5.87	$ (1.47)	(25.0)%
NM - not meaningful				

Net sales were $2.4 billion for the nine months ended May 31, 2020 compared with $2.7 billion reported for the nine months ended May 31, 2019, a decrease of $299.5 million, or 11.0%. For the nine months ended May 31, 2020, we reported net income of $174.6 million, a decrease of $59.7 million, or 25.5%, compared with $234.3 million for the nine months ended May 31, 2019. For the first nine months of fiscal 2020, diluted earnings per share decreased 25.0% to $4.40 compared with $5.87 reported in the year-ago period.

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

(In millions, except per share data)	Nine Months Ended					
	May 31, 2020		May 31, 2019		Increase (Decrease)	Percent Change
Gross profit	$ 1,027.3		$ 1,085.0		$ (57.7)	(5.3)%
Percent of net sales		*42.2%*		*39.7%*	*250 bps*	
Add-back: Manufacturing inefficiencies [1]	—		0.9			
Add-back: Acquisition-related items [2]	1.2		1.2			
Adjusted gross profit	$ 1,028.5		$ 1,087.1		$ (58.6)	(5.4)%
Percent of net sales		*42.2%*		*39.8%*	*240 bps*	
Selling, distribution, and administrative expenses	$ 767.5		$ 751.1		$ 16.4	2.2 %
Percent of net sales		*31.5%*		*27.5%*	*400 bps*	
Less: Amortization of acquired intangible assets	(30.8)		(23.1)			
Less: Share-based payment expense	(32.5)		(22.9)			
Less: Acquisition-related items [2]	(1.3)		—			
Adjusted selling, distribution, and administrative expenses	$ 702.9		$ 705.1		$ (2.2)	(0.3)%
Percent of net sales		*28.9%*		*25.8%*	*310 bps*	
Operating profit	$ 248.0		$ 332.6		$ (84.6)	(25.4)%
Percent of net sales		*10.2%*		*12.2%*	*(200) bps*	
Add-back: Amortization of acquired intangible assets	30.8		23.1			
Add-back: Share-based payment expense	32.5		22.9			
Add-back: Manufacturing inefficiencies [1]	—		0.9			
Add-back: Acquisition-related items [2]	2.5		1.2			
Add-back: Special charges	11.8		1.3			
Adjusted operating profit	$ 325.6		$ 382.0		$ (56.4)	(14.8)%
Percent of net sales		*13.4%*		*14.0%*	*(60) bps*	
Net income	$ 174.6		$ 234.3		$ (59.7)	(25.5)%
Add-back: Amortization of acquired intangible assets	30.8		23.1			
Add-back: Share-based payment expense	32.5		22.9			
Add-back: Manufacturing inefficiencies [1]	—		0.9			
Add-back: Acquisition-related items [2]	2.5		1.2			
Add-back: Special charges	11.8		1.3			
Total pre-tax adjustments to net income	77.6		49.4			
Income tax effect	(17.7)		(11.3)			
Adjusted net income	$ 234.5		$ 272.4		$ (37.9)	(13.9)%
Diluted earnings per share	$ 4.40		$ 5.87		$ (1.47)	(25.0)%
Adjusted diluted earnings per share	$ 5.91		$ 6.83		$ (0.92)	(13.5)%

[1] Incremental costs incurred due to manufacturing inefficiencies directly related to the closure of a facility.
[2] Acquisition-related items include profit in inventory and professional fees.

Net Sales

Net sales for the nine months ended May 31, 2020 decreased $299.5 million, or 11.0%, compared with the prior-year period due primarily to a decrease in sales volume of approximately 14%, partially offset by a contribution from acquired businesses of approximately 2% as well as a net favorable change in price/mix of 1%. Fiscal 2020 sales volumes decreased compared with the prior year due primarily to the negative impacts of the COVID-19 pandemic, and to a lesser extent the elimination of certain products in our portfolio negatively impacted by the increases in tariffs sold primarily through the retail sales channel that did not meet our return objectives. Price/mix was primarily impacted by a favorable shift in sales channel mix. Due to the changing dynamics of our product portfolio, it is not possible to precisely quantify or differentiate the individual components of volume, price, and mix.

Gross Profit

Gross profit for the first nine months of fiscal 2020 decreased $57.7 million compared to the prior-year period, while gross profit margin increased to 42.2% for the nine months ended May 31, 2020 compared with 39.7% in the prior-year period. The improvement in gross profit margin was due primarily to favorable sales channel mix, lower costs for certain inputs, and contribution from acquisitions, partially offset by lower net sales volume. Additionally, tariffs continued to have an impact on cost of goods sold. Adjusted gross profit for the nine months ended May 31, 2020 was $1.0 billion (42.2% of net sales) compared with $1.1 billion (39.8% of net sales) in the prior-year period.

Operating Profit

SD&A expenses for the nine months ended May 31, 2020 were $767.5 million compared with $751.1 million in the prior-year period, an increase of $16.4 million, or 2.2%. The increase in SD&A expenses was due primarily to higher share-based payment expense, the addition of acquisitions, including employee costs and amortization of acquired intangibles, and higher professional fees. Share-based payment expense increased due to changes made to the equity incentive program as part of the Company's comprehensive review of its compensation programs, which resulted in the acceleration of share-based payment expense in the first quarter of fiscal 2020.

SD&A expenses for the first nine months of fiscal 2020 were 31.5% of net sales compared with 27.5% for the prior-year period. Adjusted SD&A expenses for the nine months ended May 31, 2020 were $702.9 million (28.9% of net sales) compared with $705.1 million (25.8% of net sales) in the prior-year period.

We recognized pre-tax special charges of $11.8 million during the first nine months of fiscal 2020, compared with pre-tax special charges of $1.3 million during the first nine months of fiscal 2019. Further details regarding our special charges are included in the *Special Charge* footnote of the *Notes to Consolidated Financial Statements*.

Operating profit for the first nine months of fiscal 2020 was $248.0 million (10.2% of net sales) compared with $332.6 million (12.2% of net sales) for the prior-year period, a decrease of $84.6 million, or 25.4%. The decrease in operating profit was due to lower gross profit, an increase in SD&A expenses, and higher pre-tax special charges. Adjusted operating profit decreased by $56.4 million, or 14.8%, to $325.6 million for the first nine months of fiscal 2020 compared with $382.0 million for the first nine months of fiscal 2019. Adjusted operating profit margin for the first nine months of fiscal 2020 decreased 60 basis points to 13.4% compared with 14.0% in the year-ago period.

Other Expense

Other expense consists of net interest expense and net miscellaneous expense, which includes non-service related components of net periodic pension cost, gains and losses associated with foreign currency-related transactions, and non-operating gains and losses. Interest expense, net, was $19.4 million and $25.6 million for the nine months ended May 31, 2020 and 2019, respectively. The decrease in interest expense was due primarily to the interest savings associated with refinancing the previously outstanding 6% senior unsecured notes with funds under the Term Loan Facility, which are subject to lower short-term borrowing rates. We reported net miscellaneous expense of $1.5 million and $2.6 million for the nine months ended May 31, 2020 and 2019, respectively.

Income Taxes and Net Income

Our effective income tax rate was 23.1% and 23.0% for the nine months ended May 31, 2020 and 2019, respectively.

Net income for the first nine months of fiscal 2020 decreased $59.7 million, or 25.5%, to $174.6 million from $234.3 million reported for the prior-year period. The decrease in net income resulted primarily from a decreased operating profit compared to the prior-year period partially offset by lower interest expense and income tax expense. Diluted earnings per share for the nine months ended May 31, 2020 decreased $1.47 to $4.40 compared with diluted earnings per share of $5.87 for the prior-year period. This decrease reflects lower net income. Adjusted net income for the first nine months of fiscal 2020 was $234.5 million compared with $272.4 million in the prior-year period, a decrease of $37.9 million, or 13.9%. Adjusted diluted earnings per share for the nine months ended May 31, 2020 decreased $0.92, or 13.5%, to $5.91 compared with $6.83 for the prior-year period.

Outlook

We believe the execution of our strategy will provide attractive opportunities for profitable growth over the long term. Although we are aggressively managing our response to the recent COVID-19 pandemic, its impact on our full year fiscal 2020 results and beyond is uncertain. We believe that the most significant elements of uncertainty are the intensity and duration of the impact on construction, renovation, and consumer spending as well as the ability of our sales channels, supply chain, manufacturing, and distribution to continue to operate with minimal disruption for the remainder of fiscal 2020 and beyond, all of which could negatively impact our financial position, results of operations, cash flows, and outlook.

Critical Accounting Estimates

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

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

Cautionary Statement Regarding Forward-Looking Information

This filing contains forward-looking statements within the meaning of the federal securities laws. Statements made herein that may be considered forward-looking include statements incorporating terms such as "expects," "believes," "intends," "anticipates," and similar terms that relate to future events, performance, or results of the Company. In addition, the Company, or the executive officers on the Company's behalf, may from time to time make forward-looking statements in reports and other documents we file with the U.S. Securities and Exchange Commission or in connection with oral statements made to the press, current and potential investors, or others. Forward-looking statements include, without limitation: (a) our projections regarding financial performance, liquidity, capital structure, capital expenditures, investments, share repurchases, and dividends; (b) expectations about the impact of any changes in demand as well as volatility and uncertainty in general economic conditions; (c) our ability to execute and realize benefits from initiatives related to streamlining our operations, capitalize on growth opportunities, and introduce new lighting and building management solutions; (d) our estimate of our fiscal 2020 effective income tax rate, results of operations, and cash flows; (e) our estimate of future amortization expense; (f) our ability to achieve our long-term financial goals and measures and outperform the markets we serve; (g) the impact of changes in the political landscape and related policy changes, including monetary, regulatory, and trade policies; (h) our expectations related to mitigating efforts around recently imposed tariffs; (i) our expectations about the resolution of patent litigation, securities class action, trade compliance, and/or other legal matters; and (j) our expectations of the impact of the current COVID-19 pandemic. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this quarterly report. Except as required by law, we undertake no obligation to publicly update or release any revisions to these forward-looking statements to reflect any events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events. Our forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and management's present expectations or projections. These risks and uncertainties that could cause our actual results to differ materially from those expressed in our forward-looking statements are discussed in *Part II, Item 1a. Risk Factors* below and *Part I, Item 1a. Risk Factors* of our Form 10-K.

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

General. We are exposed to market risks that may impact our *Consolidated Balance Sheets*, *Consolidated Statements of Comprehensive Income,* and *Consolidated Statements of Cash Flows* due primarily to fluctuations in interest rates, foreign exchange rates, and commodity prices. Our long-term debt as of August 31, 2019 consisted primarily of fixed rate obligations, whereas we had $401.5 million of variable-rate obligations outstanding as of May 31, 2020, consisting primarily of borrowings under our unsecured delayed draw term loan facility. A 10% increase in market rates at May 31, 2020 would have resulted in $0.2 million and $0.4 million of additional after-tax interest tax interest expense for the three and nine months ended May 31, 2020, respectively. Except for the change in our long-term debt from primarily fixed to variable rate obligations and the broad effects of the COVID-19 pandemic as a result of its negative impact on the global economy and major financial markets there have been no other material changes to our exposure from market risks from those disclosed in *Part II, Item 7a. Quantitative and Qualitative Disclosures About Market Risk* of our Form 10-K.

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

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

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of May 31, 2020. 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, 2020. However, because all disclosure procedures must rely to a significant degree on actions or decisions made by employees throughout the organization, such as reporting of material events, the Company and its reporting officers believe that they cannot provide absolute assurance that all control issues and instances of fraud or errors and omissions, if any, within the Company will be detected. Limitations within any control system, including our control system, include faulty judgments in decision-making or simple errors or mistakes. In addition, controls can be circumvented by an individual, by collusion between two or more people, or by management override of the control. Because of these limitations, misstatements due to error or fraud may occur and may not be detected.

During the nine months ended May 31, 2020, we completed our acquisitions of The Luminaires Group (“TLG”) and LocusLabs, Inc (“LocusLabs”). SEC guidance permits management to omit an assessment of an acquired business' internal control over financial reporting from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, management has not assessed TLG's or LocusLab's internal control over financial reporting as of May 31, 2020. Excluding the acquisitions, there have been no changes in our internal control over financial reporting that occurred during our most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We began integrating TLG and LocusLabs into our existing control procedures from their respective dates of acquisition. We do not anticipate the integration of the acquired companies to result in changes that would materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

Lighting Science Group Patent Litigation

On April 30, 2019 and May 1, 2019, Lighting Science Group Corp. ("LSG") filed complaints with the International Trade Commission and United States District Court for the District of Delaware, respectively, alleging infringement of eight patents by the Company and others. On May 17, 2019, LSG amended both of its complaints and dropped its claims regarding one of the patents. For the remaining seven patents, LSG's infringement allegations relate to certain of our LED luminaires and related systems. LSG seeks orders from the International Trade Commission to preclude the importation and sale of the accused products. LSG seeks unspecified monetary damages, costs, and attorneys' fees in the District of Delaware action. We dispute and have numerous defenses to the allegations, and we intend to vigorously defend against LSG's 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 a request for an exclusion order and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, we currently are unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses resulting from these matters.

Securities Class Action

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

Trade Compliance Matters

In the course of routine reviews of import and export activity, we previously determined that we misclassified and/or inaccurately valued certain international shipments of products. We are conducting a detailed review of this activity to determine the extent of any liabilities and implementing the appropriate remedial measures. At this time, we are unable to determine the likelihood or amount of loss, if any, associated with these shipments.

Litigation

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

Information regarding reportable legal proceedings is contained in *Part I, Item 3. Legal Proceedings* in our Form 10-K. Information set forth in this report's *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* describes any legal proceedings that became reportable during the quarter ended May 31, 2020, and updates any descriptions of previously reported legal proceedings in which there have been material developments during such quarter. The discussion of legal proceedings included within the *Commitments and Contingencies* footnote of the *Notes to Consolidated Financial Statements* is incorporated into this Item 1 by reference.

Item 1a. *Risk Factors*

The COVID-19 pandemic could have a material adverse effect our ability to operate, results of operations, financial condition, liquidity, and capital investments.

The World Health Organization has declared the COVID-19 outbreak a pandemic, and the virus continues to spread in areas where we operate and sell our products and services. The COVID-19 pandemic and similar issues in the future could have a material adverse effect on our ability to operate, results of operations, financial condition, liquidity, and capital investments. Several public health organizations have recommended, and some local governments have implemented, certain measures to slow and limit the transmission of the virus, including shelter in place and social distancing ordinances. The pandemic and such preventive measures, or others required or that we may voluntarily put in place, may have a material adverse effect on our business for an indefinite period of time, such as the potential shut down of certain locations; decreased employee availability; increased claims or other expenses; potential border closures; disruptions to the businesses of our channel partners; and others. Our suppliers and customers have also faced these and other challenges, which has led to a disruption in our supply chain for certain components as well as decreased construction and renovation spending and consumer demand for our products and services. These disruptions and challenges may continue for an indefinite period of time and may also materially affect our future access to our sources of liquidity, particularly our cash flows from operations, financial condition, capitalization, and capital investments. Although these disruptions may continue to occur, the long-term economic impact and near-term financial impacts of the COVID-19 pandemic, including but not limited to, possible impairment, restructuring, and other charges, cannot be reliably quantified or estimated at this time due to the uncertainty of future developments.

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 5. *Other Information*

Declaration of Dividend

On June 25, 2020, the the Board of Directors (the "Board") declared a quarterly dividend of $0.13 per share. The dividend is payable on August 3, 2020 to stockholders of record on July 17, 2020.

Item 6. *Exhibits*

Exhibits are listed on the Index to Exhibits.

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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)	Amended and Restated Bylaws of Acuity Brands, Inc., dated as of January 6, 2017.	Reference is made to Exhibit 3.D of registrant's Form 10-Q as filed with the Commission on January 9, 2017, 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 30, 2020	By:	/S/ NEIL M. ASHE
		NEIL M. ASHE **PRESIDENT AND CHIEF EXECUTIVE OFFICER**
Date: June 30, 2020	By:	/S/ KAREN J. HOLCOM
		KAREN J. HOLCOM **SENIOR VICE PRESIDENT AND** **CHIEF FINANCIAL OFFICER (Principal Financial and Accounting Officer)**

EXHIBIT 31(a)

I, Neil M. Ashe, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 30, 2020

/s/ Neil M. Ashe

Neil M. Ashe
President and Chief Executive Officer

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

EXHIBIT 31(b)

I, Karen J. Holcom, certify that:

1. I have reviewed this report on Form 10-Q of Acuity Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 30, 2020

/s/ Karen J. Holcom

Karen J. Holcom

Senior Vice President and Chief Financial Officer

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

Exhibit 32(a)

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Acuity Brands, Inc. (the “Corporation”) for the quarter ended May 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, the President and Chief Executive Officer of the Corporation, certifies that:

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

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

/s/ Neil M. Ashe

Neil M. Ashe
President and Chief Executive Officer
June 30, 2020

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

Exhibit 32(b)

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Acuity Brands, Inc. (the “Corporation”) for the quarter ended May 31, 2020, 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 30, 2020

[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.]