ACUITY BRANDS INC
Form 10-K
October 27, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

R	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended August 31, 2015
OR	
o	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 (State or other jurisdiction of incorporation or organization)	58-2632672 (I.R.S. Employer Identification Number)
1170 Peachtree Street, N.E., Suite 2300, Atlanta, Georgia (Address of principal executive offices)	30309-7676 (Zip Code)
(404) 853-1400 (Registrant’s telephone number, including area code)	

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($0.01 Par Value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large Accelerated Filer þ	Accelerated Filer o	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Based on the closing price of the Registrant's common stock of $158.48 as quoted on the New York Stock Exchange on February 28, 2015, the aggregate market value of the voting stock held by nonaffiliates of the registrant was $6,883,007,480.

The number of shares outstanding of the registrant's common stock, $0.01 par value, was 43,635,497 shares as of October 23, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
Part II, Item 5	Proxy Statement for 2015 Annual Meeting of Stockholders
Part III, Items 10, 11, 12, 13, and 14	Proxy Statement for 2015 Annual Meeting of Stockholders

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PART I
Item 1. Business
($ in millions, except per-share data and as indicated)
Overview
Acuity Brands, Inc. (“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 the "Company”), and was incorporated in 2001 under the laws of the State of Delaware. The Company is one of the world’s leading providers of lighting solutions for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and select international markets. The Company’s lighting solutions include devices such as luminaires, lighting controls, lighting components, power supplies, prismatic skylights, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption (collectively referred to herein as “lighting solutions”). Additionally, the Company continues to expand its solutions portfolio for both indoor and outdoor applications in an effort to capitalize on the evolving and growing market for intelligent networked systems that collect and exchange data to increase efficiency as well as provide a host of other economic benefits resulting from data analytics to better enable smart buildings and smart cities. The transition to solid-state lighting provides the opportunity for lighting to be integrated with other building automation systems to create an optimal platform for enabling the “Internet of Things” (IoT), which will support the advancement of smart buildings, smart cities, and the smart grid.
On September 1, 2015, Acuity Brands acquired Distech Controls, Inc. (“Distech Controls”) a leading provider of building automation solutions that allow for the seamless integration of lighting, HVAC, access control, closed circuit television, and related systems. The acquisition of Distech Controls, coupled with Acuity Brands’ broad, industry-leading solid-state lighting portfolio, innovative control technologies and integrated digital solutions, is part of the Company’s strategy to offer a single digital ecosystem that will allow for the true end-to-end optimization of all aspects of a building, including a quality visual environment, seamless operation, energy efficiency, operational cost reductions, and increased digital functionality.
As a goal-oriented, customer-centric company, we expect to continue to align the unique capabilities and resources of our organization to drive profitable growth through a keen focus on providing comprehensive, differentiated, and integrated lighting and building automation solutions for our customers, driving world-class cost efficiency, and leveraging a culture of operational excellence through continuous improvement.
The Company manufactures or procures lighting devices primarily in North America, Europe, and Asia. These devices can be sold separately or as part of an integrated lighting system. Devices used in lighting systems vary significantly in terms of functionality and performance and are selected based on a customer's specification, including the aesthetic desires and performance requirements for a given lighting application. The Company’s lighting solutions are marketed under numerous brand names, including but not limited to Lithonia Lighting®, Holophane®, Peerless®, Gotham®, Mark Architectural Lighting™, Winona® Lighting, Healthcare Lighting®, Hydrel®, American Electric Lighting®, Carandini®, Antique Street Lamps™, Sunoptics®, RELOC® Wiring Solutions, eldoLED®, Distech Controls®, and Acuity Controls™. As of August 31, 2015, the Company manufactures products in 13 facilities in North America and two facilities in Europe.
Principal customers include electrical distributors, retail home improvement centers, electric utilities, lighting showrooms, national accounts, and energy service companies located in North America and select international markets serving new construction, renovation, and maintenance and repair applications. In North America, the Company’s lighting solutions are sold primarily by independent sales agents, electrical wholesalers, and sales representatives who cover specific geographic areas and market channels. Products are delivered directly or through a network of distribution centers, regional warehouses, and commercial warehouses using both common carriers and a company-owned truck fleet. To serve international customers, the sales forces utilize a variety of distribution methods to meet specific individual customer or country requirements. In fiscal 2015, sales originated in North America accounted for approximately 97% of net sales. See the Supplemental Disaggregated Information footnote of the Notes to Consolidated Financial Statements for more information concerning the domestic and international net sales of the

Company. The Company has one reportable segment serving the North American lighting market and select international markets.

Industry Overview

Based on industry sources and government information, the Company estimates that in fiscal 2015 the size of the North American lighting market served by the Company (also referred to herein as “N.A. addressable lighting market”) was approximately $14.5 billion and includes non-portable luminaires (as defined by the National Electrical Manufacturers Association), poles for outdoor lighting, emergency lighting fixtures, daylighting, and lighting controls. This market estimate is based on a combination of external industry data and internal estimates, and excludes portable and vehicular lighting fixtures and certain related lighting components, such as lighting ballasts and most lamps. The U.S. market, which represents approximately 80% of the North American market, is relatively fragmented.

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The Company operates in a highly competitive industry that is affected by volatility from a number of general business and economic factors, such as gross domestic product growth, employment levels, credit availability, energy costs, and commodity costs. The Company's market is based on residential and non-residential construction, both new and renovation and retrofit activity, which is sensitive to the volatility of these general economic factors. The Company is not aware of any data that accurately quantifies the split of the non-residential lighting market between new construction and renovation and retrofit activity; however, recent trends developed from industry sources and Company estimates suggest that renovation and retrofit activity represents a growing proportion of the total non-residential lighting market. Construction spending on infrastructure projects such as highways, streets, and urban developments has a material impact on the demand for the Company's infrastructure-focused lighting solutions. Demand for the Company's lighting solutions sold through certain retail channels is highly dependent on economic drivers, such as consumer spending and discretionary income, along with housing construction and home improvement spending.

A source of demand for the lighting industry is attributed to the renovation and retrofit of lighting systems in existing buildings. The Company estimates the potential market size of the installed base of U.S. lighting and lighting controls is significant (approximately $300 billion) based on square footage of existing buildings, of which a majority represents potential space for relighting activities as they contain older, less efficient lighting systems.

The residential and non-residential industry is influenced by: the development of new lighting technologies, including solid-state lighting, electronic drivers, embedded lighting controls, and more effective optical designs and lamps; federal, state, and local requirements for updated energy codes; incentives by federal, state, and local municipal authorities, as well as utility companies, for using more energy-efficient lighting solutions; and design technologies addressing sustainability all to facilitate smarter buildings and smarter cities. The Company is a leading provider of integrated lighting solutions based on these technologies and utilizes internally developed, licensed, or acquired intellectual property. Solid-state lighting and digital building automation systems provide the opportunity for lighting and building automation systems to be integrated in a manner resulting in the optimal platform for enabling the "Internet of Things" (IoT) that collect and exchange data to increase efficiency as well as provide a host of other economic benefits resulting from data analytics. The industry's addressable market is likely to meaningfully expand due to the benefits and value creation provided by intelligent networked lighting and building automation systems and, therefore, new entrants, including both well-established as well as new software companies, continue to develop capabilities and solutions that are both complementary as well as competitive to those of traditional industry participants.

In addition, the September 2015 acquisition of Distech Controls, Inc. expanded the Company's addressable market to include building automation systems ("BAS"). The Company estimates that the addressable global BAS market, excluding lighting controls, for fiscal 2015 was $8.7 billion. Sources of demand for the BAS market are similar to the lighting industry including new construction and renovation of existing structures.

Products and Solutions

The Company offers a broad portfolio of indoor and outdoor lighting products and solutions for commercial, institutional, industrial, infrastructure, and residential applications. The portfolio of products and solutions of the Company includes lighting products utilizing fluorescent, LED, organic LED ("OLED"), high intensity discharge, metal halide, and incandescent light sources to illuminate an extensive number of applications as well as standalone and embedded lighting control solutions from simple to sophisticated, wired and wireless. Lighting and controls products and solutions include the following: recessed, surface, and suspended lighting; downlighting; decorative lighting; emergency and exit lighting; track lighting; daylighting; special-use lighting; street and roadway lighting; parking garage lighting; underwater lighting; area pedestrian, flood, and decorative site lighting; landscape lighting; occupancy sensors; photocontrols; relay panels; architectural dimming panels; and integrated lighting controls systems.

The product and solutions portfolio of the Company also includes modular wiring, LED drivers, glass, and inverters sold primarily to original equipment manufacturers. In addition, the Company provides services across applications that primarily relate to monitoring and controlling lighting systems through network technologies and the commissioning of control systems.

Sales of lighting solutions, excluding services, accounted for approximately 99% of total consolidated net sales for Acuity Brands in fiscal 2015, 2014, and 2013.

Sales and Marketing

Sales. The Company sells lighting products and solutions to customers in the North American market utilizing numerous sales forces, including independent sales agencies, based on the channel served and geography. The Company also operates separate European sales forces, including independent international sales agencies, and an international sales group coordinating export sales outside of North America and Europe.

Marketing. The Company markets its portfolio and service capabilities to end users in multiple channels through a broad spectrum of marketing and promotional methods, including direct customer contact, trade shows, on-site training, print advertising

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in industry publications, product brochures and other literature, as well as the internet and social media. The Company operates training and display facilities in several locations throughout North America and Europe designed to enhance the lighting knowledge of customers and industry professionals.

Customers

Customers of the Company include electrical distributors, retail home improvement centers, electric utilities, utility distributors, national accounts, U.S. government and municipalities, lighting showrooms, original equipment manufacturers ("OEMs"), and energy service companies. In addition, there are a variety of other professionals who could represent a significant influence in the product specification process for any given project. These generally include building owners, federal, state, and local governments, contractors, engineers, architects, and lighting designers.

A single customer of the Company, The Home Depot, accounted for approximately 11% of net sales in fiscal 2015, 12% in fiscal 2014, and 13% in fiscal 2013. These sales include products for resale as well as for lighting its facilities. The loss of The Home Depot's business could temporarily adversely affect the Company's results of operations.

Manufacturing

The Company operates 15 manufacturing facilities, including seven facilities in the United States, five facilities in Mexico, two facilities in Europe, and one in Canada. The Company utilizes a blend of internal and outsourced manufacturing processes and capabilities to fulfill a variety of customer needs in the most cost-effective manner. Certain critical processes, such as reflector forming and anodizing, high-end glass production, surface mount circuit board production, LED driver production, software development, and assembly are performed (not exclusively) at company-operated facilities, offering the ability to differentiate products through superior capabilities. Other critical components, such as lamps, LEDs, certain LED light engines, sockets, and ballasts are purchased primarily from third-party vendors. The Company's investment in its production facilities is focused primarily on improving capabilities, product quality, and manufacturing efficiency as well as environmental, health, and safety compliance. The Company also utilizes contract manufacturing from U.S., Asian, and European sources for certain products. Of total finished goods manufactured and purchased in fiscal 2015, the Company's U.S. operations produced approximately 25%; its Mexican operations produced approximately 52%; its European operations produced approximately 2%; and finished product manufactured by others accounted for approximately 21%.

Distribution

Lighting solutions are delivered directly from manufacturing facilities or through a network of strategically located distribution centers, regional warehouses, and commercial warehouses in North America using both common carriers and a company-owned truck fleet. For international customers, distribution methods are adapted to meet individual customer or country requirements.

Research and Development

Research and development ("R&D") is defined as the critical investigation aimed at discovery of new knowledge and the conversion of that knowledge into the design of a new product or significant improvement to an existing product. The Company invests in the development of new products and solutions as well as the enhancement of existing offerings with a focus on improving the performance-to-cost ratio and energy efficiency. R&D expenses consist of compensation, payroll taxes, employee benefits, materials, supplies, and other administrative costs, but do not include all new product development costs. For fiscal 2015, 2014, and 2013, research and development expense totaled $41.1, $35.3, and $32.7, respectively.

Competition

The lighting market served by the Company is highly competitive, with some of the largest suppliers of lighting components also serving many of the same markets and competing for the same customers. Competition is based on numerous factors, including features and benefits, brand name recognition, product quality, product and lighting system design, energy efficiency, customer relationships, service capabilities, and price. The Company's largest competitors in the North American lighting market include the lighting divisions of Koninklijke Philips N.V., Eaton Corporation, Hubbell Incorporated, Schneider Electric, Cree, Inc., and General Electric Company. The Company estimates that the largest publicly traded manufacturers (including Acuity Brands), which participate in varying degrees in the North American lighting market, have over half of the total market share. In addition to these large competitors, the Company also competes with hundreds of manufacturers of varying size.

The market for lighting solutions and services is competitive and continues to evolve. Certain global and more diversified electrical manufacturers may provide a broader product offering utilizing electrical, lighting, and building automation products.

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In addition, there have been a growing number of new competitors, from small startup companies to global consumer electronics companies, offering solid-state (primarily LED) lighting solutions and other new technologies.

Environmental Regulation

The operations of the Company are subject to numerous comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances, as well as solid and hazardous wastes, and to the remediation of contaminated sites. In addition, permits and environmental controls are required for certain of the Company's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. On an ongoing basis, the Company allocates resources, including investments in capital and operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years, and federal, state, and local governments domestically and internationally are considering new laws and regulations, including those governing raw material composition, air emissions, end-of-life product dispositions, and energy-efficiency. The Company is not aware of any pending legislation or proposed regulation related to environmental issues that would have a material adverse effect on the Company. The cost of responding to future changes, however, may be substantial.

Raw Materials

The products produced by the Company require certain raw materials, including certain grades of steel and aluminum, electrical and electronic components, plastics, and other petroleum-based materials and components. In fiscal 2015, the Company purchased approximately 95,000 tons of steel and aluminum. The Company estimates that approximately 8% of purchased raw materials are petroleum-based. Additionally, the Company estimates that approximately five million gallons of diesel fuel were consumed in fiscal 2015 through the Company's distribution activities. The Company purchases most raw materials and other components on the open market and relies on third parties for providing certain finished goods. While these items are generally available from multiple sources, the cost of products sold may be affected by changes in the market price of raw materials, as well as disruptions in availability of raw materials, components, and sourced finished goods.

The Company does not currently engage in or expect to engage in significant commodity hedging transactions for raw materials, though the Company has and will continue to commit to purchase certain materials for a period of up to 12 months. Significant increases in the prices of the Company's products due to increases in the cost of raw materials and components could have a negative effect on demand for products and on profitability. While the Company has generally been able to pass along these increases in cost in the form of higher selling prices for its products, there can be no assurance that future disruptions in either supply or price of these materials will not negatively affect future results.

The Company monitors and investigates alternative suppliers and materials based on numerous attributes including quality, service, and price. The Company currently sources raw materials and components from a number of suppliers, but the Company's ongoing efforts to improve the cost effectiveness of its products and services may result in a reduction in the number of its suppliers. A reduction in the number of suppliers could cause increased risk associated with reliance on a single or limited number of suppliers for certain raw materials, component parts (such as LEDs, lamps, ballasts, and power supplies), and finished goods.

Backlog Orders

The Company produces and stocks quantities of inventory at key distribution centers and warehouses throughout North America and to a much lesser degree, certain European markets. The backlog of orders at any given time is affected by various factors, including seasonality, cancellations, sales promotions, production cycle times, and the timing of receipt and shipment of orders, which are usually shipped within a few weeks of order receipt. Accordingly, a comparison of backlog orders from period to period is not necessarily meaningful and may not be indicative of future shipments.

Patents, Licenses, and Trademarks

The Company owns or has licenses to use various domestic and foreign patents and trademarks related to its products, processes, and businesses. These intellectual property rights are important factors for its businesses. To protect these proprietary rights, the Company relies on copyright, patent, trade secret, and trademark laws. Despite these protections, unauthorized parties may attempt to infringe on the intellectual property of the Company. Management is

not aware of any pending claims asserting that the Company does not have the right to use intellectual property that is material to the Company. While patents and patent applications in the aggregate are important to the competitive position of the Company, no single patent or patent application is individually material to the Company.
Seasonality and Cyclicality
The Company’s business exhibits some seasonality, with net sales being affected by the impact of weather and seasonal demand on construction and installation programs, particularly during the winter months, as well as the annual budget cycles of

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major customers. Because of these seasonal factors, the Company has experienced, and generally expects to experience, its highest sales in the last two quarters of each fiscal year.

The Company's lighting solutions are sold to customers in both the new construction and renovation and retrofit markets for residential and non-residential applications. The construction market is cyclical in nature and subject to changes in general economic conditions. Sales volume has a major impact on the profitability of the Company. Economic downturns and the potential decline in key construction markets may have a material adverse effect on the net sales and operating income of the Company.

International Operations

The Company manufactures and assembles products at numerous facilities, some of which are located outside the United States. Approximately 68% of the products produced by the Company are manufactured outside the United States, primarily in Mexico and Europe. In addition, the Company sources certain finished goods from third parties with operations outside the United States, primarily in Asia.

Of the products produced by the Company, approximately 65% are manufactured at five facilities in Mexico. Most of these facilities are authorized to operate as Maquiladoras by the Ministry of Economy of Mexico. Maquiladora status allows the Company to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated time frame. Maquiladora status, which is renewed every year, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations, which have become stricter in recent years.

During fiscal 2015, net sales initiated outside of the U.S. represented approximately 9% of total net sales. See the Supplemental Disaggregated Information footnote of the Notes to Consolidated Financial Statements for additional information regarding the geographic distribution of net sales, operating profit, and long-lived assets.

Information Concerning Acuity Brands

The Company makes its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K (and all amendments to these reports) and proxy statements, together with all reports filed pursuant to Section 16 of the Securities Exchange Act of 1934 by the Company’s officers, directors, and beneficial owners of 10% or more of the Company’s common stock, available free of charge through the “SEC Filings” link on the Company’s website, located at www.acuitybrands.com, as soon as reasonably practicable after they are filed with or furnished to the SEC. Information included on the Company’s website is not incorporated by reference into this Annual Report on Form 10-K. The Company’s reports are also available at the Securities and Exchange Commission’s Public Reference Room at 100 F. Street, NE, Washington, DC 20549 or on their website at www.sec.gov. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Additionally, the Company has adopted a written Code of Ethics and Business Conduct that applies to all of the Company’s directors, officers, and employees, including its principal executive officer and senior financial officers. The Code of Ethics and Business Conduct and the Company’s Corporate Governance Guidelines are available free of charge through the “Corporate Governance” link on the Company’s website. Any amendments to, or waivers of, the Code of Ethics and Business Conduct for our principal executive officer and senior financial officers will be disclosed on our website promptly following the date of such amendment or waiver. Additionally, the Statement of Responsibilities of Committees of the Board and the Statement of Rules and Procedures of Committees of the Board, which contain the charters for the Company’s Audit Committee, Compensation Committee, and Governance Committee, and the rules and procedures relating thereto, are available free of charge through the “Corporate Governance” link on the Company’s website. Each of the Code of Ethics and Business Conduct, the Corporate Governance Guidelines, the Statement of Responsibilities of Committees of the Board, and the Statement of Rules and Procedures of Committees of the Board is available in print to any stockholder of the Company that requests such document by contacting the Company’s Investor Relations department.

Employees

Acuity Brands employs approximately 7,800 people, of which approximately 3,200 are employed in the United States, approximately 4,300 in Mexico, and approximately 300 in other international locations, including Europe, Canada, and the Asia/Pacific region. Union recognition and collective bargaining arrangements are in place or in process, covering approximately 5,400 persons (including approximately 1,450 in the United States). Union recognition and collective bargaining arrangements covering approximately 4,800 persons will expire within the next fiscal year. The Company believes that it has a good relationship with both its unionized and non-unionized employees.

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Item 1a. Risk Factors

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. A variety of risks and uncertainties could cause Acuity Brands' actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Information" included in Management's Discussion and Analysis of Financial Condition and Results of Operations. These risks include, without limitation:

Risks Related to Economic Factors

General business, political, and economic conditions, including the strength of the construction market, political events, or other factors may affect demand for the Company's products and services, which could impact results of operations.

The Company competes based on such factors as name recognition and reputation, service, product features, innovation, and price. In addition, the Company operates in a highly competitive environment that is influenced by a number of general business and economic factors, such as economic vitality, employment levels, credit availability, interest rates, trends in vacancy rates and rent values, energy costs, and commodity costs. Sales of lighting equipment depend significantly on the level of activity in new construction and renovation/retrofits. Declines in general economic activity, appropriations, and regulations, including tax policy, may negatively impact new construction and renovation projects, which in turn may impact demand for the Company's product and service offerings. The impact of these factors could adversely affect the Company's financial position, results of operations, and cash flows.

Acuity Brands' results may be adversely affected by fluctuations in the cost or availability of raw materials, components, purchased finished goods, or services.

The Company utilizes a variety of raw materials and components in its production process including steel, aluminum, lamps, certain rare earth materials, LEDs, LED drivers, ballasts, wire, electronic components, power supplies, petroleum-based by-products, natural gas, and copper. The Company also sources certain finished goods externally. Future increases in the costs of these items could adversely affect profitability, as there can be no assurance that future price increases will be successfully passed through to customers. The Company generally sources these goods from a number of suppliers. However, there are a limited number of suppliers for certain components and certain purchased finished goods, which on a limited basis results in sole-source supplier situations. Disruptions in the supply of those items could negatively impact the Company's performance. In addition, the Company's ongoing efforts to improve the cost effectiveness of its products and services may result in a reduction in the number of its suppliers, and in turn, increased risk associated with reliance on a single or limited number of suppliers. Furthermore, volatility in certain commodities, such as oil, impacts all suppliers and, therefore, may cause the Company to experience significant price increases from time to time regardless of the number and availability of suppliers. Profitability and volume could be negatively impacted by limitations inherent within the supply chain of certain of these component parts, including competitive, governmental, and legal limitations, natural disasters, and other events that could impact both supply and price. Additionally, the Company is dependent on certain service providers for key operational functions. While there are a number of suppliers of these services, the cost to change service providers and set up new processes could be significant. Variability in cost and availability of raw materials, components, purchased finished goods, or services could adversely affect the Company's financial position, results of operations, and cash flows.

Tight credit conditions could impair the ability of the Company and other industry parties to effectively access capital markets, which could negatively impact the Company's capital position and demand for the Company's products and services.

The impact of tight credit conditions could impair the ability of real estate developers, property owners, and contractors to effectively access capital markets or obtain reasonable costs of capital on borrowed funds, resulting in depressed levels of construction and renovation projects. The inability of these constituents to borrow money to fund construction and renovation projects may reduce the demand for the Company's products and services and could adversely affect the Company's financial position, results of operations, and cash flows.

In addition to the impact on customers, tight credit conditions could impair the Company's ability to effectively access capital. This could impair the Company's ability to refinance debt as it becomes due or to obtain additional credit, if needed. The inability to effectively access capital markets could adversely affect the Company's financial position, results of operations, and cash flows.

The market price and trading volume of the Company’s shares may be volatile.

The market price of the Company’s common shares could fluctuate significantly for many reasons, including reasons unrelated to the Company’s specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by customers, competitors, or suppliers regarding their own performance, as well as general global economic, industry, and political conditions. To the extent that other large companies within the Company’s industry experience declines in share price, the

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Company's share price may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders could institute securities class action lawsuits against the Company. Such a lawsuit could cause the Company to incur substantial costs and could divert the time and attention of the Company's management and other resources.

Risks Related to the Company's Strategy

Acuity Brand's results may be adversely affected by the Company's inability to maintain pricing.

Aggressive pricing actions by competitors may affect the Company's ability to achieve desired revenue growth and profitability levels under its current pricing strategies. The Company may also decide to lower pricing to match the competition. Additionally, the Company may not be able to increase prices to cover rising costs of components and raw materials. Even if the Company were able to increase prices to cover costs, competitive pricing pressures may not allow the Company to pass on any more than the cost increases. Alternatively, if component and raw material costs were to decline, the marketplace may not allow the Company to hold prices at their current levels, which could negatively impact net sales, profitability, and cash flows.

The Company's inability to effectively introduce new products could adversely affect its ability to compete and its operating performance.

Continual introductions of new products and solutions, services, and technologies, enhancement of existing products and services, and effective servicing of customers are key to the Company's competitive strategy. The success of new product and solution introductions depends on a number of factors, including, but not limited to, timely and successful product development, market acceptance, the Company's ability to manage the risks associated with product life cycles, such as new products and production capabilities, the effective management of purchase commitments and inventory levels to support anticipated product manufacturing and demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects in the early stages of introduction. Accordingly, the Company cannot fully predict the ultimate effect of new product introductions and transitions on the Company's business, financial condition, results of operations, and cash flows.

Acuity Brands may pursue future growth through strategic acquisitions, alliances, or investments, which may not yield anticipated benefits.

The Company has strengthened its business through strategic acquisitions, alliances, and investments and may continue to do so as opportunities arise in the future. Such investments have been and may be in start-up or development stage entities. The Company will benefit from such activity only to the extent that it can effectively leverage and integrate the assets of the acquired businesses and alliances, including, but not limited to, personnel, technology, and operating processes. Uncertainty is inherent within the acquisition, alliance, and investment process and unforeseen circumstances arising from recent and future transactions could offset the anticipated benefits. In addition, unanticipated events, negative revisions to valuation assumptions and estimates, and/or difficulties in attaining synergies, among other factors, could adversely affect the Company's ability to recover initial and subsequent investments, particularly those related to acquired goodwill and intangible assets or non-controlling interests. Any of these factors could have a material adverse effect on the Company's financial condition, results of operations, and cash flows. In addition, such investment transactions may limit the Company's ability to invest in other activities, which could be more profitable or advantageous.

The risks associated with the inability to effectively execute its strategies could adversely affect the Company's financial condition and results of operations.

Various uncertainties and risks are associated with the implementation of a number of aspects of the Company's global business strategy, including but not limited to new product development, the development, marketing, and selling of lighting solutions, effective integration of acquisitions, and the development of production capacity related to components such as LED drivers. Those uncertainties and risks include, but are not limited to: diversion of management's attention; difficulty in retaining or attracting employees; negative impact on relationships with distributors and customers; obsolescence of current products and slow new product development; additional streamlining efforts; inability to produce certain components with quality, performance, and cost attributes equal to or better than provided by other component manufacturers; and unforeseen difficulties in the implementation of the management operating structure. Problems with strategy execution could offset anticipated benefits, disrupt service to customers, and impact product quality as well as adversely affect the Company's financial condition and results of operations.

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Acuity Brands may experience difficulties in streamlining activities which could impact shipments to customers, product quality, and the ability to realize the expected savings from streamlining actions.

The Company will benefit from its ongoing programs to streamline operations, including the consolidation of certain manufacturing facilities and the reduction of overhead costs, only to the extent that it can effectively leverage assets, personnel, and operating processes in the transition of production between manufacturing facilities. Uncertainty is inherent within the facility consolidation process and unforeseen circumstances could offset the anticipated benefits, disrupt service to customers, and impact product quality.

Risks Related to the Company's Operations

Technological developments and increased competition could affect the Company's operating profit margins and sales volume.

The Company competes in an industry where technology and innovation play major roles in the competitive landscape. The Company is highly engaged in the investigation, development, and implementation of new technologies and services. Securing key partnerships and alliances as well as employee talent, including having access to technologies, services, and solutions developed by others, and obtaining appropriate patents play a significant role in protecting the Company's intellectual property and development activities. Additionally, the continual development of new technologies (e.g., LED, OLED, lamp/ballast systems, drivers, lighting controls systems, etc.) by existing and new source suppliers — including non-traditional competitors with significant resources — looking for either direct market access or partnerships with competing large manufacturers, coupled with significant associated exclusivity and/or patent activity, could adversely affect the Company's ability to sustain operating profit margins and desirable levels of sales volume. Also, certain key suppliers of components compete with the Company and could choose to cease supplying the Company, which could temporarily disrupt production by the Company until alternative supplier relationships are established. In addition, there have been a growing number of new competitors, from small startup companies to global consumer electronics companies, offering solid-state (primarily LED) lighting solutions to compete with traditional lighting providers. Certain global and more diversified electrical manufacturers may be able to obtain a competitive advantage over the Company by offering broader and more integrated electrical solutions utilizing electrical, lighting, and building automation products, and small startup companies may offer more localized product sales and support services within individual regions, which could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Acuity Brands may be unable to sustain significant customer and/or channel partner relationships.

Relationships with customers, including The Home Depot which historically has represented approximately 10% or more of the Company's total net sales, are directly impacted by the Company's ability to deliver quality products and services. The loss of or a substantial decrease in the volume of purchases by The Home Depot could harm the Company's sales, profitability, and cash flows. The Company also has relationships with channel partners such as electrical distributors and independent sales agencies. While the Company has experienced positive, and in most cases long-term, relationships with these channel partners, the loss of a number of these channel partners or a substantial decrease in the volume of purchases from a major channel partner or a group of channel partners could adversely affect the Company's sales, profitability, and cash flows.

Acuity Brands could be adversely affected by disruptions of its operations.

The breakdown of equipment or other events, including labor disputes, strikes, pandemics, cyber attacks, or catastrophic events such as war or natural disasters, leading to production interruptions in the Company's or one or more of its suppliers' facilities could have a material adverse effect on the Company's financial results and cash flows. Approximately 52% of the Company's finished products are manufactured in Mexico, a country that periodically experiences heightened civil unrest which could also disrupt supply of products to or from these facilities. Further, because many of the Company's customers are to varying degrees dependent on planned deliveries from the Company's facilities, those customers that have to reschedule their own production or delay opening a facility due to the Company's missed deliveries could pursue financial claims against the Company. The Company may incur costs to correct any of these problems in addition to facing claims from customers. Further, the Company's reputation among actual and potential customers may be harmed and result in a loss of business. While the Company has developed business continuity plans, including alternative capacity, to support responses to such events or disruptions and maintains insurance policies covering, among other things, physical damage and business interruptions, these policies may not cover all losses. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, loss of customers, and substantial losses in operational capacity, any of which could have a material adverse effect on its financial condition, results of operations, and cash flows.

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Failure of a Company operating or information system or a compromise of security with respect to an operating or information system or portable electronic device could adversely affect the Company's results of operations and financial condition or the effectiveness of internal controls over operations and financial reporting.

The Company is highly dependent on various software and automated systems to record and process operational and financial transactions. The Company could experience a failure of one or more of these software and automated systems or could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system. The Company could also experience a compromise of its security due to many reasons, including technical system flaws, clerical, data input or record-keeping errors, or tampering or manipulation of its systems by employees or unauthorized third parties. Information security risks also exist with respect to the use of portable electronic devices, such as laptops and smartphones, which are particularly vulnerable to loss and theft. The Company may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond its control (for example, natural disasters, acts of terrorism, cyber attacks, epidemics, computer viruses, and electrical/telecommunications outages). All of these risks are also applicable where the Company relies on outside vendors to provide services, which may operate in a cloud environment. The Company is dependent on the third-party vendors to operate secure and reliable systems which may include data transfers over the internet.

The Company also maintains information technology to support lighting controls systems in certain of its customer offerings, which are integral to the functionality of those integrated systems. In addition to the risks noted above, there are other risks associated with these customer offerings. Customers may be installing software on their networks and utilizing portable electronic devices, which may have security protocol variations that are outside of the Company's control and could result in a data security compromise.

The Company and certain of its third-party vendors may receive and store personal information in connection with human resources operations, customer offerings, and other aspects of the business. A material network breach in the security of these systems could include the theft of intellectual property, trade secrets, or employee and customer information. To the extent that any disruption or security breach results in a loss or damage to the Company's data, or an inappropriate disclosure of confidential or customer or employee information, it could cause significant damage to the Company's reputation, affect relationships with the Company's customers and employees, lead to claims against the Company, and ultimately harm the Company's business. In addition, the Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Operating system failures, ineffective system implementation or disruptions, or the compromise of security with respect to internal or external operating systems or portable electronic devices could subject the Company to liability claims, harm the Company's reputation, interrupt the Company's operations, disrupt customer operations, and adversely affect the Company's internal control over financial reporting, business, financial condition, results of operations, or cash flows.

Changes in the Company's relationship with employees, changes in U.S. or international employment regulations, an inability to attract and retain talented employees, or a loss of key employees could adversely impact the effectiveness of the Company's operations.

The Company employed approximately 7,800 people as of August 31, 2015, approximately 4,600 of whom are employed in international locations. As such, the Company has significant exposure to changes in domestic and foreign laws governing relationships with employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements, and payroll taxes, which likely would have a direct impact on the Company's operating costs. Union recognition and collective bargaining agreements are in place or in process covering approximately 69% of the Company's workforce. Collective bargaining agreements representing approximately 62% of the Company's workforce will expire within one year. While the Company believes that it has good relationships with both its unionized and non-unionized employees, the Company may become vulnerable to a strike, work stoppage, or other labor action by these employees that could have an adverse effect on the Company's business, financial condition, results of operations, or cash flows.

The Company relies upon the knowledge and experience of employees involved in functions throughout the organization that require technical expertise and knowledge of the industry. An inability to attract and retain such employees could adversely impact the Company’s ability to execute key operational functions and could adversely affect the Company’s operations.

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There are inherent risks in our solutions and services businesses.

Risks inherent in the sale of solutions and services include assuming greater responsibility for successfully delivering projects that meet a particular customer specification, including defining and controlling contract scope and timing, efficiently executing projects, and managing the performance and quality of the Company's subcontractors and suppliers. As the Company expands its service offerings, reliance on the technical infrastructure to provide services to customers will increase. If the Company fails to appropriately manage and secure the technical infrastructure required, customers could experience service outages or delays in implementation of services. If the Company is unable to manage and mitigate these risks, the Company could incur liabilities and other losses that would adversely affect the Company's results of operations.

Risks Related to Legal and Regulatory Matters

Acuity Brands is subject to a broad range of environmental, health, and safety laws and regulations in the jurisdictions in which it operates, and the Company may be exposed to substantial environmental, health, and safety costs and liabilities.

The Company is subject to a broad range of environmental, health, and safety laws and regulations in the jurisdictions in which the Company operates. These laws and regulations impose increasingly stringent environmental, health, and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment, and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, and working conditions for the Company's employees. Some environmental laws, such as Superfund, the Clean Water Act, and comparable laws in U.S. states and other jurisdictions world-wide, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct, on those persons who contributed to the release of a hazardous substance into the environment. The Company may also be affected by future laws or regulations, including those imposed in response to energy, climate change, geopolitical, or similar concerns. These laws may impact the sourcing of raw materials and the manufacture and distribution of the Company's products and place restrictions and other requirements on the products the Company can sell in certain geographical locations.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control capabilities, have been, and in the future could be, significant. In addition, these laws and regulations may result in substantial environmental liabilities associated with divested assets, third party locations, and past activities. The Company establishes reserves for environmental remediation activities and liabilities where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these reserves may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, the Company's potential liability to remediate sites for which provisions have not previously been established, and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital and other ongoing expenditures, any of which could have a material adverse effect on the Company's financial condition or results of operations. In addition, the presence of environmental contamination at the Company's properties could adversely affect its ability to sell a property, receive full value for a property, or use a property as collateral for a loan.

Acuity Brands may develop unexpected legal contingencies or matters that exceed insurance coverage.

The Company is subject to and in the future may be subject to various claims, including legal claims arising in the normal course of business, which may include without limitation employment claims, product recall or personal injury claims resulting from the use of our products or exposure to hazardous materials, contract disputes, intellectual property disputes, and product liability claims. The Company is insured up to specified limits for certain types of losses with a self-insurance retention per occurrence, including product liability claims, and is fully self-insured for certain other types of losses, including environmental, product recall, warranties, commercial disputes, and patent infringement. The Company establishes reserves for legal claims when the costs associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the level of insurance coverage held by the Company and/or the amounts reserved for such claims. In the event of unexpected future developments, it is possible that the ultimate resolutions of such matters, if unfavorable, could have a material adverse effect on the Company's results of operations, financial position, or cash flows. The Company's insurance coverage is negotiated on an annual basis, and insurance policies in the future may have coverage exclusions that could cause claim-related costs to rise.

If Acuity Brands' products are improperly designed, manufactured, packaged, or labeled, the Company may need to recall those items, may have increased warranty costs, and could be the target of product liability claims.

The Company may need to recall products if they are improperly designed, manufactured, packaged, or labeled, and the Company does not maintain insurance for such recall events. Many of the Company's products and solutions have become more

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complex in recent years and include more sophisticated and sensitive electronic components. The Company has increasingly manufactured certain of those components and products in its own facilities. The Company has previously initiated product recalls as a result of potentially faulty components, assembly, installation, and packaging of its products, and widespread product recalls could result in significant losses due to the costs of a recall, the destruction of product inventory, penalties, and lost sales due to the unavailability of a product for a period of time. In addition, products developed by the Company that incorporate new technologies, such as LED technology, generally provide for more extensive warranty protection which may result in higher costs if warranty claims on these products are higher than historical amounts. The Company may also be liable if the use of any of its products causes harm, and could suffer losses from a significant product liability judgment against the Company in excess of its insurance limits. The Company may not be able to obtain indemnity or reimbursement from its suppliers or other third parties for the warranty costs or liabilities associated with its products. A significant product recall, warranty claim, or product liability case could also result in adverse publicity, damage to the Company’s reputation, and a loss of consumer confidence in its products, which could have a material adverse effect on the Company’s business, financial condition, results of operations, and cash flows.

Failure to effectively estimate employer-sponsored health insurance premiums and incremental costs due to the Affordable Care Act could materially and adversely affect the Company's financial condition, results of operations, and cash flows.

In March 2010, the United States federal government enacted comprehensive health care reform legislation, which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded, and imposes new taxes on health insurers, self-insured companies, and health care benefits. The legislation imposes implementation effective dates that began in 2010 and extend through 2020 with many of the changes requiring additional guidance and regulations from federal agencies. Possible adverse effects could include increased costs, exposure to expanded liability, and requirements for the Company to revise the ways in which healthcare and other benefits are provided to employees. To date, the Company has experienced increased costs related to such legislation; however, due to the phased-in nature of the implementation and the lack of interpretive guidance, the Company continues to monitor the potential impacts the health care reform legislation will have on the Company’s financial results. Future costs could have a material adverse effect on the Company's financial condition, results of operations, and cash flows.

The Company may not be able to adequately protect its intellectual property.

The Company owns certain patents, trademarks, copyrights, trade secrets, and other intellectual property. In addition, the Company continues to file patent applications, when appropriate. The Company cannot be certain that others have not and will not infringe on its intellectual property rights; however, the Company seeks to establish and protect those rights, which could result in significant legal expenses and adversely affect the Company's financial condition and results of operations.

Compliance with new reporting requirements related to the use of conflict minerals, within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act, may result in additional expense, supply chain limitations, or loss of customers.

In July 2010, the United States federal government enacted the Dodd–Frank Wall Street Reform and Consumer Protection Act, which contained provisions that mandated the creation of rules by the SEC for public companies to ascertain the region of origin of conflict minerals (i.e., cassiterite, wolframite, coltan, and gold) used in the production of goods. In August 2012, the SEC adopted new rules requiring disclosures of conflict minerals that are necessary to the functionality or production of products manufactured or contracted to be manufactured by public companies. The new rule requires companies to perform due diligence and disclose through the issuance of a report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. The new rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of the Company’s products, including tantalum, tin, tungsten, and gold. The number of suppliers who provide conflict-free minerals may be limited, which could have an adverse effect on the Company’s ability to source these products in the future. In addition, due to the complexity and sophistication of the Company's supply chain, compliance with the rules requires significant efforts from a cross-functional project team, including identifying and contacting the Company's suppliers (who in turn may be required to contact their suppliers), compiling and documenting the findings, and possibly providing for an independent third party audit. Therefore, costs attributable to compliance with the disclosure requirements of the SEC’s new rules will be incurred and could be material. In addition, pressure from customers for more information or due diligence could result in increased costs or potentially the loss of certain customers. Jurisdictions other than the U.S. federal government, such as U.S. states and the European Union, may adopt similar rules and regulations, which could have different reporting requirements or time lines. The costs of compliance, including those related to supply chain research, unexpected consequences to the Company’s reputation or customer relationships, the limited number of suppliers, and possible changes in the sourcing of these materials could adversely affect the Company’s results of operations and cash flows.

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Risks Related to Other Factors

The Company may be subject to risk in connection with third party relationships necessary to operate the Company's business.

The Company utilizes strategic partners and third party relationships in order to operate and grow its business. For instance, the Company utilizes third parties for contract manufacturing for certain products, a portion of its sales function and some of its distribution requirements. The Company cannot control the actions or performance of these third parties and therefore, cannot be certain that the Company or its end-users will be satisfied. Any future actions of or any failure to act by any third party on which the Company's business relies could cause the Company to incur losses or interruptions in its operations and adversely affect the Company's financial condition and results of operations.

Acuity Brands is subject to risks related to operations outside the United States.

The Company has substantial activities outside of the United States, including sourcing of products, materials, components and purchased finished goods. The Company's operations, as well as those of key vendors, are therefore subject to regulatory, economic, political, military, and other events in countries where these operations are located, particularly Mexico. In addition to the risks that are common to both the Company's domestic and international operations, the Company faces risks specifically related to its foreign operations, including but not limited to: foreign currency fluctuations; unstable political, social, regulatory, economic, financial, and market conditions; laws that prohibit shipments to certain countries or restricted parties and that prohibit improper payments to government officials such as the Foreign Corrupt Practices Act and the U.K. Bribery Act; potential for privatization and other confiscatory actions; trade restrictions and disruption; criminal activities; unforeseen increases in tariffs and taxes; corruption; and other changes in regulation in international jurisdictions that could result in substantial additional legal or compliance obligations for the Company. The Company operates five manufacturing facilities in Mexico, which are authorized to operate as Maquiladoras by the Ministry of Economy of Mexico. Maquiladora status allows the Company to import certain items from the United States into Mexico duty-free, provided that such items, after processing, are exported from Mexico within a stipulated time frame. Maquiladora status, which is renewed periodically, is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations, which have become stricter in recent years.

Certain regulations related to the Maquiladora program became effective in January 2015. The Company may not be able to comply with certain of the regulations within the stipulated time frames. Failure to comply with these new regulations could have a material adverse effect on the Company's financial position, results of operations, and cash flows primarily because the Company would in such event be required to pay value-added tax on material imported into Mexico and then seek a refund of those amounts months later after the material is exported from Mexico.

The Company continues to monitor conditions affecting its international locations, including potential changes in income from a strengthening or weakening in foreign exchange rates in relation to the U.S. dollar. Some of these risks, including but not limited to foreign exchange risk, violations of laws, and higher costs associated with changes in regulation, could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows.

Risks related to the Company's defined benefit retirement plans may adversely impact results of operations and cash flows.

Significant changes in actual investment returns on defined benefit plan assets, discount rates, and other factors could adversely affect the Company's results of operations and the amount of contributions the Company is required to make to the defined benefit plans in future periods. As the Company's defined benefit plan assets and liabilities are marked-to-market on an annual basis, large non-cash gains or losses could be recorded in the fourth quarter of each fiscal year. In accordance with United States generally accepted accounting principles the income or expense for the plans is calculated using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for the defined benefit plans are dependent upon, among other things, interest rates, underlying asset returns, and the impact of legislative or regulatory changes related to defined benefit funding obligations. Unfavorable changes in these factors could have an adverse effect on the Company's financial position, results of operations, and cash flows.

Item 1b. Unresolved Staff Comments

None.

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Item 2. Properties

The general corporate offices of Acuity Brands are located in Atlanta, Georgia. Because of the diverse nature of operations and the large number of individual locations, it is neither practical nor meaningful to describe each of the operating facilities owned or leased by the Company. The following listing summarizes the significant facility categories as of August 31, 2015:

Nature of Facilities	Owned	Leased
Manufacturing Facilities	9	6
Warehouses	—	3
Distribution Centers*	1	6
Offices	4	14

* The majority of the distribution centers also have certain manufacturing and assembly capabilities.

The following table provides additional geographic information related to Acuity Brands' manufacturing facilities as of August 31, 2015:

	United States	Mexico	Europe	Canada	Total
Owned	4	4	1	—	9
Leased	3	1	1	1	6
Total	7	5	2	1	15

Acuity Brands believes that its properties are well maintained and in good operating condition and that its properties are suitable and adequate for its present needs. During fiscal 2016, the Company expects to make investments to expand capacity at certain manufacturing and other non-manufacturing facilities. In addition, initiatives related to enhancing the global supply chain may result in the future consolidation of certain facilities.

Although a loss at any of the facilities could temporarily impact the Company's ability to serve the needs of its customers, a substantial loss at the Company's largest manufacturing facilities in Mexico could have a material, adverse effect on the Company's financial position, results of operations, and cash flows. The Company believes the financial impact of any loss would be partially mitigated by various insurance programs in place as well as capacity contingencies developed as part of an enterprise-wide contingency plan.

Item 3. Legal Proceedings

General

Acuity Brands is subject to various legal claims arising in the normal course of business, including, but not limited to, patent infringement, product liability claims, and employment matters. Acuity Brands is self-insured up to specified limits for certain types of claims, including product liability, and is fully self-insured for certain other types of claims, including environmental, product recall, and patent infringement. 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 the financial condition, results of operations, or cash flows of Acuity Brands. 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 the financial condition, results of operations, or cash flows of Acuity Brands in future periods. Acuity Brands establishes reserves for legal claims when the costs associated with the claims become probable and can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher than the amounts reserved for such claims. However, the Company cannot make a meaningful estimate of actual costs to be incurred that could possibly be higher or lower than the amounts reserved.

Environmental Matters

The operations of the Company are subject to numerous comprehensive laws and regulations relating to the generation, storage, handling, transportation, and disposal of hazardous substances, as well as solid and hazardous wastes, and to the remediation of contaminated sites. In addition, permits and environmental controls are required for certain of the Company's operations to limit air and water pollution, and these permits are subject to modification, renewal, and revocation by issuing authorities. On an ongoing basis, Acuity Brands invests capital and incurs operating costs relating to environmental compliance. Environmental laws and regulations have generally become stricter in recent years. The cost of responding to future changes may be substantial. Acuity Brands establishes reserves for known environmental claims when the costs associated with the claims become probable and can be reasonably estimated. The actual cost of environmental issues may be substantially higher than that reserved due to difficulty in estimating such costs.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of Acuity Brands, Inc. ("Acuity Brands" or the "Company") is listed on the New York Stock Exchange under the symbol "AYI". At October 23, 2015, there were 2,886 stockholders of record. The following table sets forth the New York Stock Exchange high and low sale prices and the dividend payments for Acuity Brands' common stock for the periods indicated.

	Price per Share		Dividends
	High	Low	per Share
2014			
First Quarter	$106.33	$83.61	$0.13
Second Quarter	$143.54	$99.16	$0.13
Third Quarter	$146.28	$116.77	$0.13
Fourth Quarter	$138.46	$104.69	$0.13
2015			
First Quarter	$143.67	$117.19	$0.13
Second Quarter	$164.13	$127.85	$0.13
Third Quarter	$183.53	$157.05	$0.13
Fourth Quarter	$211.82	$174.60	$0.13

The indicated annual dividend rate on the Company's common stock is $0.52 per share. However, all decisions regarding the declaration and payment of dividends are at the discretion of the Board of Directors of the Company (the "Board") and will be evaluated regularly in light of the Company's financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors that the Board deems relevant. The information required by this item with respect to equity compensation plans is included under the caption Equity Compensation Plans in the Company's proxy statement for the annual meeting of stockholders to be held January 6, 2016, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Issuer Purchases of Equity Securities

In September 2011, the Board authorized the repurchase of two million shares of the Company's outstanding common stock. None of the Company's outstanding common stock has been repurchased under the current plan; therefore, the maximum number of shares that may yet be purchased under the program equals two million.

Depending on market conditions, shares may be repurchased from time to time at prevailing market prices through open market or privately negotiated transactions. No date has been established for the completion of the share repurchase program and the Company is not obligated to repurchase any shares. Subject to applicable corporate securities laws, repurchases may be made at such times and in such amounts as management deems appropriate. Repurchases under the program can be discontinued at any time management feels additional repurchases are not warranted.

Company Stock Performance

The following information in this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

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The following graph compares the cumulative total return to shareholders on the Company's outstanding stock during the five years ended August 31, 2015, with the cumulative total returns of the Standard & Poor's ("S&P") MidCap 400 Index, the Dow Jones U.S. Electrical Components & Equipment Index, and the Dow Jones U.S. Building Materials & Fixtures Index. The Company is a component of both the S&P Midcap 400 Index and Dow Jones U.S. Building Materials & Fixtures Index. The Dow Jones U.S. Electrical Components & Equipment Index is also included in the following graph as the parent companies of several major lighting companies are included in the index.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*
Among Acuity Brands, Inc., the S&P Midcap 400 Index,
the Dow Jones US Electrical Components & Equipment Index,
and the Dow Jones US Building Materials & Fixtures Index

*Assumes $100 invested on August 31, 2010 in stock or index, including reinvestment of dividends.

	Aug-10	Aug-11	Aug-12	Aug-13	Aug-14	Aug-15
Acuity Brands, Inc.	$100	$120	$169	$227	$330	$521
S&P Midcap 400 Index	$100	$123	$139	$171	$211	$211
Dow Jones US Electrical Components & Equipment Index	$100	$124	$154	$192	$241	$217
Dow Jones US Building Materials & Fixtures Index	$100	$112	$168	$213	$266	$307

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Item 6. Selected Financial Data

The following table sets forth certain selected consolidated financial data of Acuity Brands which has been derived from the Consolidated Financial Statements for each of the five years in the period ended August 31, 2015. This historical information may not be indicative of the Company's future performance. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and the notes thereto.

	Years Ended August 31,				
	2015(1)	2014(2)	2013(3)	2012(4)	2011
	(In millions, except per-share data)				
Net sales	$2,706.7	$2,393.5	$2,089.1	$1,933.7	$1,795.7
Net income	222.1	175.8	127.4	116.3	105.5
Basic earnings per share	5.13	4.07	2.97	2.75	2.46
Diluted earnings per share	5.09	4.05	2.95	2.72	2.42
Cash and cash equivalents	756.8	552.5	359.1	284.5	170.2
Total assets(5)	2,429.6	2,166.4	1,901.8	1,734.6	1,594.8
Long-term debt(5)	352.4	351.9	351.6	351.2	350.8
Total debt(5)	352.4	351.9	351.6	351.2	350.8
Stockholders' equity	1,360.0	1,163.5	993.5	834.0	757.0
Cash dividends declared per common share	0.52	0.52	0.52	0.52	0.52

(1) Net Income, Basic Earnings per Share, and Diluted Earnings per Share for fiscal 2015 include a) pre-tax special charges of $12.4 ($7.7 after-tax), or $0.19 per share, related to streamlining initiatives, b) non tax-deductible professional fees of $3.2, or $0.08 per share, related to acquisitions, and c) pre-tax net loss on financial instruments of $2.6 ($1.7 after-tax), or $0.03 per share.

(2) Net Income, Basic Earnings per Share, and Diluted Earnings per Share for fiscal 2014 include a) pre-tax recoveries of $5.8 ($3.6 after-tax), or $0.08 per share, associated with fraud at the Company's former freight payment and audit service provider, and b) a pre-tax special charge reversal of $0.2 ($0.1 after-tax), or $0.00 per share, related to initiatives to simplify and streamline the Company's operations.

(3) Net Income, Basic Earnings per Share, and Diluted Earnings per Share for fiscal 2013 include a) pre-tax incremental costs of $8.4 ($5.2 after-tax), or $0.12 per share, incurred due to manufacturing inefficiencies directly related to the Cochran, GA manufacturing facility closure; b) pre-tax costs of $8.1 ($5.0 after-tax), or $0.12 per share, as a result of fraud at the Company's former freight payment and audit service provider; and c) a pre-tax special charge of $8.5 ($5.5 after-tax), or $0.12 per share, related to initiatives to simplify and streamline the Company's operations.

(4) Net Income, Basic Earnings per Share, and Diluted Earnings per Share for fiscal 2012 include expenses incurred in the closing of the Cochran, GA manufacturing facility and other streamlining activities. Amounts related to these streamlining activities were comprised of the following: a) $13.3 of pre-tax special charges ($8.8 after-tax), or $0.21 per share, primarily related to severance and production transfer costs; b) pre-tax non-cash impairments of $1.2 ($0.8 after-tax), or $0.02 per share, attributable to the abandonment of inventory that was not transferred to other facilities; and c) pre-tax incremental costs incurred due to manufacturing inefficiencies directly related to the Cochran facility closure, which amounted to approximately $3.2 ($2.0 after-tax), or $0.05 per share.

(5) Fiscal 2014, 2013, 2012, and 2011 amounts include the reclassification of deferred debt issuance costs related to the adoption of ASU 2015-03. See the New Accounting Pronouncements footnote for more information.

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
($ in millions, except per-share data and as indicated)
The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes included within this report. References made to years are for fiscal year periods.
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 and its subsidiaries for the years ended August 31, 2015 and 2014. For a more complete understanding of this discussion, please read the Notes to Consolidated Financial Statements included in this report.
Overview
Company
Acuity Brands, Inc. (“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 the "Company”). The Company, with its principal office in Atlanta, Georgia, employs approximately 7,800 people worldwide.
The Company designs, produces, and distributes a broad array of lighting solutions, components, and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company's lighting solutions include devices such as luminaires, lighting controls, power supplies, prismatic skylights, drivers, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption (collectively referred to herein as “lighting solutions”). The Company is one of the world's leading producers and distributors of lighting solutions, with a broad, highly configurable product offering, consisting of a diversified portfolio of lighting, controls, and daylighting brands. The Company integrates conventional and advanced solid-state lighting fixtures with digital controls and daylighting products to create greater energy efficiencies and higher quality of light for a broad and diverse customer base. As of August 31, 2015, the Company operated 15 manufacturing facilities and seven distribution facilities along with three warehouses to serve its extensive customer base.
The Company continues to expand and enhance its portfolio of lighting solutions, including the following transactions:
On April 15, 2015, the Company acquired for cash substantially all of the assets and assumed certain liabilities of ByteLight, Inc. ("ByteLight"), a provider of indoor location software for light-emitting diode (“LED”) lighting. ByteLight is headquartered in Boston, Massachusetts.
In addition, during fiscal 2015, the Company made a strategic, non-controlling investment in a company specializing in light sensory networks. This investment was accounted for using the cost method and is reflected in Other long term assets on the Consolidated Balance Sheets.
On March 13, 2013, the Company acquired for cash, including additional cash payments that were paid in future periods under earn-out provisions, all of the ownership interests in eldoLAB Holding B.V. (“eldoLED”), a leading provider of high-performance drivers for LED lighting systems based in Eindhoven, The Netherlands. The operating results of eldoLED have been included in the Company's consolidated financial statements since the date of acquisition.
Strategy
The Company's strategy is to extend its leadership position in the North American lighting market and certain markets internationally by delivering superior lighting solutions. With the September 2015 acquisition of Distech Controls, the Company’s product offerings now include a wide-breadth of innovative products, services, and solutions that optimize comfort and energy efficiency in buildings. As a goal-oriented, customer-centric company, management will continue to align the unique capabilities and resources of the organization to drive profitable growth through a keen focus on providing comprehensive and differentiated lighting solutions and building automation products for its customers, driving world-class cost efficiency, and leveraging a culture of continuous improvement.
Throughout fiscal 2015, the Company believes it made significant progress towards achieving its strategic objectives, including expanding its access to the market, introducing new lighting solutions, and enhancing its operations to

create a stronger, more effective organization. The strategic objectives were developed to enable the Company to meet or exceed the following financial goals during an entire business cycle:

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- Operating margins in the mid-teens or higher;
- Earnings per share growth in excess of 15% per annum;
- Return on stockholders' equity of 20% or better per annum; and
- Cash flow from operations, less capital expenditures, that is in excess of net income.

To increase the probability of the Company achieving these financial goals, management will continue to implement programs to enhance its capabilities at providing unparalleled customer service; creating a globally competitive cost structure; improving productivity; and introducing new and innovative solutions and services more rapidly and cost effectively. In addition, the Company has invested considerable resources to teach and train associates to utilize tools and techniques that accelerate success in these key areas, as well as to create a culture that demands excellence through continuous improvement. Additionally, the Company promotes a "pay-for-performance" culture that rewards achievement, while closely monitoring appropriate risk-taking. The expected outcome of these activities will be to better position the Company to deliver on its full potential, to provide a platform for future growth opportunities, and to allow the Company to achieve its long-term financial goals. See the Outlook section below for additional information.

Liquidity and Capital Resources

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

In recent years, the Company strengthened its liquidity position and extended its debt maturity profile following the issuance of $350.0 of senior unsecured notes due in fiscal 2020 (the "Notes") and the execution of a $250.0 revolving credit facility scheduled to mature in fiscal 2019 (the "Revolving Credit Facility"). See the Capitalization section below and the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements for more information.

Based on its cash on hand, availability under existing financing arrangements, and current projections of cash flow from operations, the Company believes that it will be able to meet its liquidity needs over the next 12 months. Short-term needs are expected to include funding its operations as currently planned, making anticipated capital investments, funding potential acquisitions, paying quarterly stockholder dividends as currently anticipated, paying interest on borrowings as currently scheduled, and making required contributions into its employee benefit plans, as well as potentially repurchasing shares of its outstanding common stock as authorized by the Board of Directors. Two million shares of the Company's common stock are currently authorized and available for repurchase under the existing repurchase program. The Company expects to repurchase shares on an opportunistic basis. During fiscal 2016, the Company currently expects to invest approximately 2.5 percent of net sales in capital expenditures primarily for equipment, tooling, facility enhancements, and new and enhanced information technology capabilities. Additionally, management believes that the Company's cash flow from operations and sources of funding, including, but not limited to, borrowing capacity, will sufficiently support the long-term liquidity needs of the Company.

Cash Flow

The Company uses available cash and cash flow from operations, as well as proceeds from the exercise of stock options, to fund operations and capital expenditures, repurchase Company stock, fund acquisitions, and pay dividends. The Company's cash position at August 31, 2015 was $756.8, an increase of $204.3 from August 31, 2014. During the year ended August 31, 2015, the Company generated net cash from operating activities of $288.9 with additional cash received of $11.6 from stock issuances primarily in connection with stock option exercises. Cash generated from operating activities, as well as cash on-hand, was used during the current year primarily to fund capital expenditures of $56.5 and pay dividends to stockholders of $22.7. Foreign currency related items had an unfavorable effect on cash flows of $8.3 during the current year.

During fiscal 2015, net cash generated from operating activities increased $55.8 to $288.9 compared with $233.1 generated in the prior-year period due primarily to higher net income partially offset by higher operating working capital requirements. Operating working capital (calculated by adding accounts receivable plus inventories, and subtracting accounts payable-net of acquisitions and the impact of foreign exchange rate changes) increased by approximately $38.1 during fiscal 2015 compared to an increase of $26.8 during fiscal 2014. In both periods, inventory and accounts payable increased due primarily to greater production and purchases to support the higher level of net sales, which in turn resulted in increased accounts receivable.

Management believes that investing in assets and programs that will over time increase the overall return on the Company's invested capital is a key factor in driving stockholder value. The Company invested $56.5 and $35.3 in fiscal 2015 and 2014, respectively, primarily for new tooling, machinery, equipment, facility enhancements, and information technology.

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Contractual Obligations

The following table summarizes the Company's contractual obligations at August 31, 2015:

		Payments Due by Period[6]			
	Total	Less than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Debt[1]	$354.0	$—	$—	$350.0	$4.0
Interest Obligations[2]	195.6	31.2	63.9	55.1	45.4
Operating Leases[3]	52.7	14.2	22.3	11.5	4.7
Purchase Obligations[4]	147.2	147.2	—	—	—
Other Long-term Liabilities[5]	41.1	5.6	7.1	4.3	24.1
Total	$790.6	$198.2	$93.3	$420.9	$78.2

(1) These amounts (which represent the amounts outstanding at August 31, 2015) are included in the Company's Consolidated Balance Sheets. See the Debt and Lines of Credit footnote for additional information regarding debt and other matters.

(2) These amounts represent primarily the expected future interest payments on outstanding debt held by the Company at August 31, 2015 and the Company's outstanding loans related to its corporate-owned life insurance policies ("COLI"), which constitute a small portion of the total amounts shown. COLI-related interest payments included in this table are estimates. These estimates are based on various assumptions, including age at death, loan interest rate, and tax bracket. The amounts in this table do not include COLI-related payments after ten years due to the difficulty in calculating a meaningful estimate that far in the future. Note that payments related to debt and the COLI are reflected in the Company's Consolidated Statements of Cash Flows.

(3) The Company's operating lease obligations are described in the Commitments and Contingencies footnote.

(4) Purchase obligations include commitments to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including open purchase orders.

(5) These amounts are included in the Company's Consolidated Balance Sheets and largely represent other liabilities for which the Company is obligated to make future payments under certain long-term employee benefit programs. Estimates of the amounts and timing of these amounts are based on various assumptions, including expected return on plan assets, interest rates, and other variables. The amounts in this table do not include amounts related to future funding obligations under the defined benefit pension plans. The amount and timing of these future funding obligations are subject to many variables and are also dependent on whether or not the Company elects to make contributions to the pension plans in excess of those required under ERISA. Such voluntary contributions may reduce or defer the funding obligations. See the Pension and Profit Sharing Plans footnote for additional information. These amounts exclude $4.5 of unrecognized tax benefits as the period of cash settlement with the respective taxing authorities cannot be reasonably estimated.

(6) Deferred income tax liabilities as of August 31, 2015 were approximately $118.9 million. Refer to the Income Taxes footnote for more information. This amount is not included in the total contractual obligations table because the Company believes this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax bases of assets and liabilities and their respective book bases, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

Capitalization

The current capital structure of the Company is comprised principally of senior unsecured notes and equity of its stockholders. Total debt outstanding, consisting primarily of fixed-rate obligations net of discount and deferred costs, was $352.4 at August 31, 2015 compared with $351.9 at August 31, 2014.

On December 8, 2009, ABL issued the Notes in a private placement transaction with an aggregate principle amount of $350.0. The Notes were subsequently exchanged for SEC-registered notes with substantially identical terms. The Notes bear interest at a rate of 6% per annum and were issued at a price equal to 99.797% of their face value and for a term of 10 years. See the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements for more information.

On August 27, 2014, the Company executed the Revolving Credit Facility with a borrowing capacity of $250.0. The Revolving Credit Facility replaced the Company's prior $250.0 revolving credit facility, which was scheduled to mature on January 31, 2017. The Revolving Credit Facility will mature and all amounts outstanding thereunder will be due and payable on August 27, 2019. The Company was compliant with all financial covenants under the Revolving Credit Facility as of August 31, 2015. As of August 31, 2015, the Company had outstanding letters of credit totaling $10.3, primarily for securing collateral requirements under the casualty insurance programs for Acuity Brands and providing credit support for the Company's industrial revenue bond. At August 31, 2015, the Company had additional borrowing capacity under the Revolving Credit Facility of $243.9 under the most restrictive covenant in effect at the time, which represents the full amount of the Revolving Credit Facility less outstanding letters of credit of $6.1 issued under the Revolving Credit Facility. See the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements.

During fiscal 2015, the Company’s consolidated stockholders’ equity increased $196.5 to $1,360.0 at August 31, 2015 from $1,163.5 at August 31, 2014. The increase was due primarily to net income earned in the period, as well as amortization of stock-based compensation, and stock issuances resulting primarily from the exercise of stock options, partially offset by payment of dividends, pension plan adjustments, and foreign currency translation adjustments. The Company’s debt to total capitalization ratio (calculated by dividing total debt by the sum of total debt and total stockholders' equity) was 20.6% and 23.2% at August 31, 2015 and August 31, 2014, respectively. The ratio of debt, net of cash, to total capitalization, net of cash, decreased to (42.3)% at August 31, 2015 from (20.8)% at August 31, 2014 due primarily to the substantial increase in the Company's cash balance and stockholders' equity in the current year.

Dividends

Acuity Brands paid dividends on its common stock of $22.7 ($0.52 per share) in fiscal 2015 and $22.5 ($0.52 per share) in fiscal 2014. The indicated quarterly dividend rate is $0.13 per share. However, all decisions regarding the declaration and payment of dividends by Acuity Brands are at the discretion of the Company's Board of Directors and are evaluated regularly in light of the Company's financial condition, earnings, growth prospects, funding requirements, applicable law, and any other factors the Company's Board of Directors deems relevant.

Results of Operations

Fiscal 2015 Compared with Fiscal 2014

The following table sets forth information comparing the components of net income for the year ended August 31, 2015 with the year ended August 31, 2014:

	Years Ended August 31, 2015	2014	Increase (Decrease)	Percent Change
Net Sales	$2,706.7	$2,393.5	$313.2	13.1 %
Cost of Products Sold	1,561.1	1,414.3	146.8	10.4 %
Gross Profit	1,145.6	979.2	166.4	17.0 %
Percent of net sales	42.3 %	40.9 %	140 bps	
Selling, Distribution, and Administrative Expenses	756.9	680.3	76.6	11.3 %
Special Charge	12.4	(0.2)	12.6	NM
Operating Profit	376.3	299.1	77.2	25.8 %
Percent of net sales	13.9 %	12.5 %	140 bps	
Other Expense (Income):				
Interest Expense, net	31.5	32.1	(0.6)	(1.9)%
Miscellaneous Expense, net	1.2	1.3	(0.1)	7.7 %
Total Other Expense	32.7	33.4	(0.7)	(2.1)%
Income before Provision for Income Taxes	343.6	265.7	77.9	29.3 %
Percent of net sales	12.7 %	11.1 %	160 bps	
Provision for Income Taxes	121.5	89.9	31.6	35.2 %
Effective tax rate	35.4 %	33.8 %		
Net Income	$222.1	$175.8	$46.3	26.3 %
Diluted Earnings per Share	$5.09	$4.05	$1.04	25.7 %

NM - not meaningful

Net sales increased $313.2, or 13.1%, to $2,706.7 for the year ended August 31, 2015 compared with $2,393.5 reported for the year ended August 31, 2014. For the year ended August 31, 2015, the Company reported net income of $222.1 compared with $175.8 for the year ended August 31, 2014, an increase of $46.3, or 26.3%. For fiscal 2015, diluted earnings per share increased 25.7% to $5.09 from $4.05 for the prior-year 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 the Company's results of operations, which exclude acquisition-related professional fees, incremental recoveries related to a fraud at a freight service provider, restructuring charges associated primarily with continued efforts to streamline the organization, and net losses associated with financial instruments. Although special charges related to efforts to improve overall Company efficiency have been recognized in prior periods and could recur in future periods, management typically excludes the impact of special charges during internal reviews of performance and uses 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 expenses, adjusted operating profit and margin, adjusted other income/expense, adjusted net income, and adjusted diluted earnings per share, are provided to enhance the user's overall understanding of the Company's current financial performance. Specifically, the Company believes these non-U.S. GAAP measures provide greater

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comparability and enhanced visibility into the 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.

	Years Ended August 31, 2015	2014	Increase (Decrease)	Percent Change
Selling, Distribution, and Administrative Expenses	$756.9	$680.3		
Less: Acquisition-related professional fees	(3.2)	—		
Add-back: Freight service provider fraud-related recoveries	—	5.8		
Adjusted Selling, Distribution, and Administrative Expenses	$753.7	$686.1	$67.6	9.9%
Percent of net sales	27.8%	28.7%	(90) bps	
Operating Profit	$376.3	$299.1		
Add-back: Acquisition-related professional fees	3.2	—		
Less: Freight service provider fraud-related recoveries	—	(5.8)		
Add-back/(Less): Special Charge	12.4	(0.2)		
Adjusted Operating Profit	$391.9	$293.1	$98.8	33.7%
Percent of net sales	14.5%	12.2%	230 bps	
Other Expense (Income)	$32.7	$33.4		
Less: Net loss on financial instruments	(2.6)	—		
Adjusted Other Expense (Income)	$30.1	$33.4	$(3.3)	(9.9)%
Net Income	$222.1	$175.8		
Add-back: Net loss on financial instruments, net of tax	1.7	—		
Add-back: Acquisition-related professional fees	3.2	—		
Less: Freight service provider fraud-related recoveries, net of tax	—	(3.6)		
Add-back/(Less): Special Charge, net of tax	7.7	(0.1)		
Adjusted Net Income	$234.7	$172.1	$62.6	36.4%
Diluted Earnings per Share	$5.09	$4.05		
Add-back: Net loss on financial instruments, net of tax	0.03	—		
Add-back: Acquisition-related professional fees	0.08	—		
Less: Freight service provider fraud-related recoveries, net of tax	—	(0.08)		
Add-back/(Less): Special Charge, net of tax	0.19	—		
Adjusted Diluted Earnings per Share	$5.39	$3.97	$1.42	35.8%

Net Sales

Net sales for the year ended August 31, 2015 increased by 13.1% compared with the prior-year period due primarily to an increase in sales volumes of approximately 15%, partially offset by the impact of an unfavorable change in product prices and the mix of products sold ("price/mix") of approximately 1% and unfavorable foreign currency rate changes of 1%. Sales volume was higher across most product categories and key sales channels as the Company realized greater demand for LED-based luminaires. Sales of LED-based luminaires during the year ended August 31, 2015 increased 57% compared to the year-ago period and represented 46% of total net sales. The change in price/mix was due primarily to unfavorable pricing on LED luminaires, reflecting the decline in certain LED component costs, as well as a change in sales channel mix. Due to the changing dynamics of the Company's product portfolio, including the increase of integrated lighting solutions as well as the proliferation of new products due to the adoption of solid-state lighting, it is not possible to precisely quantify volume or differentiate the individual components of price/mix.

Gross Profit

Gross profit for fiscal 2015 increased $166.4, or 17.0%, to $1,145.6 compared with $979.2 for the prior year. The increase in gross profit margin was due primarily to additional contribution on higher net sales, lower material and component costs, and improved manufacturing productivity. These items were partially offset by unfavorable price/mix and the unfavorable impact of foreign currency rate changes. As a result of these factors, gross profit margin increased 140 basis points to 42.3% for the year ended August 31, 2015 compared with 40.9% for the year ended August 31, 2014.

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Operating Profit

Selling, Distribution, and Administrative (“SD&A”) expenses for the year ended August 31, 2015 increased $76.6, or 11.3%, to $756.9 compared with $680.3 in the prior year. The increase in SD&A expenses was due primarily to higher costs to support the greater sales volume, including freight and commissions, and higher employee-related costs, including variable incentive compensation costs, partially offset by savings from recent streamlining efforts. Compared with the prior-year period, SD&A expenses as a percent of sales declined 40 basis points to 28.0% for fiscal 2015 from 28.4% in fiscal 2014. Adjusted SD&A expenses were $753.7, or 27.8% of net sales, in fiscal 2015 compared to $686.1, or 28.7% of net sales, in the year-ago period.

During the year ended August 31, 2015, the Company recognized pre-tax special charges of $12.4 related primarily to the Company's continued efforts to streamline the organization by realigning certain responsibilities primarily within various selling, distribution, and administrative departments and the consolidation of certain production activities. During fiscal 2014, the Company recorded a reversal of pre-tax special charges of $0.2 due primarily to lower-than-anticipated costs related to previously-initiated streamlining efforts of $0.6 partially offset by production transfer costs of $0.4. Further details regarding the Company's special charges are included in the Special Charge footnote of the Notes to Consolidated Financial Statements.

Operating profit for fiscal 2015 was $376.3 compared with $299.1 reported for the prior-year period, an increase of $77.2, or 25.8%. Operating profit margin increased 140 basis points to 13.9% for fiscal 2015 compared with 12.5% for fiscal 2014 due primarily to higher gross profit, partially offset by higher costs to support greater sales volume, special charges, and employee-related costs, including variable incentive compensation.

Adjusted operating profit increased $98.8, or 33.7%, to $391.9 compared with $293.1 for fiscal 2014. Adjusted operating profit margin increased 230 basis points to 14.5% compared with adjusted operating profit margin of 12.2% in the year-ago period.

Other Expense (Income)

Other expense (income) for the Company consists principally of net interest expense and net miscellaneous expense (income) which includes gains and losses related to foreign exchange rate changes. Interest expense, net, was $31.5 and $32.1 for the years ended August 31, 2015 and 2014, respectively. The Company reported net miscellaneous expense of $1.2 in fiscal 2015 compared with $1.3 in fiscal 2014.

Provision for Income Taxes and Net Income

The effective income tax rate was 35.4% and 33.8% for the years ended August 31, 2015 and 2014, respectively. The prior-year effective tax rate benefited from a reduction in certain income tax reserves which did not recur in the current year. The Company estimates that its effective tax rate for fiscal 2016 will be approximately 35.5% before any discrete items and assuming the rates in its taxing jurisdictions remain generally consistent throughout the year.

Net income for fiscal 2015 increased $46.3, or 26.3%, to $222.1 from $175.8 reported for the prior year. The increase in net income resulted primarily from higher operating profit partially offset by higher tax expense.

Adjusted net income for fiscal 2015 increased 36.4% to $234.7 compared with $172.1 in the year-ago period. Adjusted diluted earnings per share for fiscal 2015 were $5.39 compared with $3.97 for the prior-year period, which represented an increase of $1.42, or 35.8%.

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Fiscal 2014 Compared with Fiscal 2013

The following table sets forth information comparing the components of net income for the year ended August 31, 2014 with the year ended August 31, 2013:

	Years Ended August 31,				Increase		Percent	
	2014		2013		(Decrease)		Change	
Net Sales	$2,393.5		$2,089.1		$304.4		14.6	%
Cost of Products Sold	1,414.3		1,251.5		162.8		13.0	%
Gross Profit	979.2		837.6		141.6		16.9	%
Percent of net sales	40.9	%	40.1	%	80	bps		
Selling, Distribution, and Administrative Expenses	680.3		607.6		72.7		12.0	%
Special Charge	(0.2	)	8.5		(8.7	)	(102.4	)%
Operating Profit	299.1		221.5		77.6		35.0	%
Percent of net sales	12.5	%	10.6					