ACUITY BRANDS INC
Form 10-Q
January 08, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended November 30, 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)	

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

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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock — $0.01 par value — 43,793,143 shares as of January 5, 2016.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statement
ACUITY BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share and per-share data)

	November 30, 2015 (unaudited)	August 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$560.2	$756.8
Accounts receivable, less reserve for doubtful accounts of $1.4 and $1.3 as of November 30, 2015 and August 31, 2015, respectively	415.7	411.7
Inventories	242.3	224.8
Prepayments and other current assets	37.0	20.1
Total Current Assets	1,255.2	1,413.4
Property, Plant, and Equipment, at cost:		
Land	7.7	6.7
Buildings and leasehold improvements	141.2	128.4
Machinery and equipment	404.6	391.9
Total Property, Plant, and Equipment	553.5	527.0
Less — Accumulated depreciation and amortization	362.2	352.4
Property, Plant, and Equipment, net	191.3	174.6
Other Assets:		
Goodwill	728.0	565.0
Intangible assets, net	303.0	223.4
Deferred income taxes	3.4	3.5
Other long-term assets	25.4	27.1
Total Other Assets	1,059.8	819.0
Total Assets	$2,506.3	$2,407.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$329.1	$311.1
Accrued compensation	34.0	78.2
Other accrued liabilities	149.6	131.6
Total Current Liabilities	512.7	520.9
Long-Term Debt	352.4	352.4
Accrued Pension Liabilities, less current portion	81.7	83.9
Deferred Income Taxes	57.3	31.7
Self-Insurance Reserves, less current portion	7.4	6.9
Other Long-Term Liabilities	59.9	51.2
Total Liabilities	1,071.4	1,047.0
Commitments and Contingencies (see Commitments and Contingencies footnote)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized; 53,229,382 issued and 43,510,127 outstanding at November 30, 2015; 53,024,284 issued and 43,305,029 outstanding at August 31, 2015	0.5	0.5
Paid-in capital	812.1	797.1

Retained earnings	1,155.7	1,093.0
Accumulated other comprehensive loss	(113.2)	(110.4)
Treasury stock, at cost, 9,719,255 shares at November 30, 2015 and August 31, 2015	(420.2)	(420.2)
Total Stockholders' Equity	1,434.9	1,360.0
Total Liabilities and Stockholders' Equity	$2,506.3	$2,407.0

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

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

	Three Months Ended	
	November 30, 2015	November 30, 2014
Net Sales	$736.6	$647.4
Cost of Products Sold	417.2	374.4
Gross Profit	319.4	273.0
Selling, Distribution, and Administrative Expenses	206.6	176.3
Special Charge	0.4	10.0
Operating Profit	112.4	86.7
Other Expense (Income):		
Interest Expense, net	7.9	7.9
Miscellaneous Income, net	(0.7)	(0.9)
Total Other Expense	7.2	7.0
Income before Provision for Income Taxes	105.2	79.7
Provision for Income Taxes	36.8	28.6
Net Income	$68.4	$51.1
Earnings Per Share:		
Basic Earnings per Share	$1.58	$1.18
Basic Weighted Average Number of Shares Outstanding	43.3	43.0
Diluted Earnings per Share	$1.57	$1.17
Diluted Weighted Average Number of Shares Outstanding	43.6	43.3
Dividends Declared per Share	$0.13	$0.13
Comprehensive Income:		
Net Income	$68.4	$51.1
Other Comprehensive Income (Expense) Items:		
Foreign currency translation adjustments	(4.2)	(7.2)
Defined benefit pension plans, net of tax	1.4	(0.1)
Other Comprehensive Expense, net of tax	(2.8)	(7.3)
Comprehensive Income	$65.6	$43.8

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

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

	Three Months Ended November 30,	
	2015	2014
Cash Provided by (Used for) Operating Activities:		
Net income	$68.4	$51.1
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	14.3	11.3
Share-based compensation expense	6.4	4.1
Excess tax benefits from share-based payments	(13.9)	(9.2)
Gain on the sale or disposal of property, plant, and equipment	(1.1)	—
Deferred income taxes	—	0.4
Change in assets and liabilities, net of effect of acquisitions, divestitures, and effect of exchange rate changes:		
Accounts receivable	12.4	(0.7)
Inventories	(13.6)	(2.9)
Prepayments and other current assets	(13.6)	(8.8)
Accounts payable	10.8	(8.8)
Other current liabilities	(15.8)	6.7
Other	(3.2)	3.5
Net Cash Provided by Operating Activities	51.1	46.7
Cash Provided by (Used for) Investing Activities:		
Purchases of property, plant, and equipment	(23.1)	(18.5)
Proceeds from sale of property, plant, and equipment	2.1	—
Acquisition of business, net of cash acquired	(239.2)	—
Net Cash Used for Investing Activities	(260.2)	(18.5)
Cash Provided by (Used for) Financing Activities:		
Proceeds from stock option exercises and other	6.0	4.9
Excess tax benefits from share-based payments	13.9	9.2
Dividends paid	(5.7)	(5.6)
Other financing activities	—	(3.2)
Net Cash Provided by Financing Activities	14.2	5.3
Effect of Exchange Rate Changes on Cash	(1.7)	(3.0)
Net Change in Cash and Cash Equivalents	(196.6)	30.5
Cash and Cash Equivalents at Beginning of Period	756.8	552.5
Cash and Cash Equivalents at End of Period	$560.2	$583.0
Supplemental Cash Flow Information:		
Income taxes paid during the period	$11.4	$17.1
Interest paid during the period	$11.4	$10.7

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

ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Amounts in millions, except per-share data and as indicated)

1. Description of Business and Basis of Presentation

Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”) and other subsidiaries (Acuity Brands, ABL, and such other subsidiaries are collectively referred to herein as the "Company”). The Company’s lighting and energy management solutions include devices such as luminaires, lighting and building 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. 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. The Company has one reportable segment serving the North American and select international markets.

The Consolidated Financial Statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries. References made to years are for fiscal year periods.

These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of November 30, 2015, the consolidated statements of comprehensive income for the three months ended November 30, 2015 and 2014, and the consolidated cash flows for the three months ended November 30, 2015 and 2014. Certain information and footnote disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the three years ended August 31, 2015 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on October 27, 2015 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three months ended November 30, 2015 and 2014 are not necessarily indicative of the results to be expected for the full fiscal year because the net sales and net income of the Company historically have been higher in the second half of its fiscal year and because, among other reasons, the continued uncertainty of general economic conditions that may impact the key end markets of the Company for the remainder of fiscal 2016.

2. Significant Accounting Policies

Use of Estimates

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

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications occurred during the current period, except for the reclassification of current deferred income tax assets resulting from the adoption of Accounting Standards Update ("ASU") No. 2015-17, Balance Sheet Classification of Deferred Taxes, which is discussed further in the New Accounting Pronouncements footnote.

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3. Acquisitions and Investments

Distech Controls Acquisition

On September 1, 2015, using cash on hand, the Company acquired for approximately $240 all of the outstanding capital stock of Distech Controls Inc. ("Distech Controls"), a provider of building automation solutions that allow for the integration of lighting, HVAC, access control, closed circuit television, and related systems. Distech Controls is headquartered in Quebec, Canada. Distech Controls generates annual revenues of approximately $80 Canadian Dollars. The operating results of Distech Controls have been included in the Company's consolidated financial statements since the date of acquisition. Preliminary amounts related to the acquisition accounting are reflected in the Consolidated Balance Sheets as of November 30, 2015. These amounts are deemed to be provisional until disclosed otherwise, as the Company continues to gather information related to the identification and valuation of intangible and other acquired assets and liabilities.

Other Acquisitions and Investments

During the quarter ended May 31, 2015, using cash on hand, the Company acquired 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. The operating results of ByteLight have been included in the Company’s consolidated financial statements since the date of acquisition. Management finalized the acquisition accounting for ByteLight during the fourth quarter of fiscal 2015 and the amounts are reflected in the Consolidated Balance Sheets.

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.

Acquisitions Subsequent to Quarter-end

Juno Lighting Acquisition

On December 10, 2015, using cash on hand, the Company acquired for approximately $380 all of the equity interests of Juno Lighting LLC ("Juno Lighting"), a leading provider of downlighting and track lighting fixtures for both residential and commercial applications. Juno Lighting is headquartered in Des Plaines, Illinois. Juno Lighting generates annual revenues of approximately $250.

Geometri Acquisition

On December 9, 2015, using cash on hand, the Company acquired all of the equity interests of Geometri, LLC ("Geometri"),
a provider of a software and services platform for mapping, navigation, and analytics.

4. New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2016

In November 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), requiring that all tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016. The Company early adopted ASU 2015-17, which resulted in the reclassification of $23.1 from current deferred income taxes to noncurrent deferred income taxes on the Consolidated Balance Sheets as of August 31, 2015.

Accounting Standards Yet to Be Adopted

In July 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"), which simplifies the accounting for measurement-period adjustments to provisional amounts recognized in a business combination. ASU 2015-16 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The provisions of ASU 2015-16 are not expected to have a material effect on the Company's financial condition, results of operations, or cash flows.

In April 2015, the FASB issued ASU No. 2015-05, Customer's Accounting For Fees Paid In A Cloud Computing Arrangement (“ASU 2015-05”), which provides guidance for a customer's accounting for cloud computing costs. ASU 2015-05 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2015. The provisions

of ASU 2015-05 are not expected to have a material effect on the Company's financial condition, results of operations, or cash flows.
In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts With Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASU 2014-09 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of ASU 2014-09.

5. Fair Value Measurements
The Company determines fair value measurements based on the assumptions a market participant would use in pricing the asset or liability. Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).
The following table presents information about assets and liabilities required to be carried at fair value and measured on a recurring basis as of November 30, 2015 and August 31, 2015:

	Fair Value Measurements as of:			
	November 30, 2015		August 31, 2015	
	Level 1	Total Fair Value	Level 1	Total Fair Value
Assets:				
Cash and cash equivalents	$560.2	$560.2	$756.8	$756.8
Other	0.5	0.5	0.5	0.5
Liabilities:				
Other	$0.5	$0.5	$0.5	$0.5

The Company utilizes valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period.
The Company used quoted market prices to determine the fair value of Level 1 assets and liabilities. No transfers between the levels of the fair value hierarchy occurred during the current fiscal period. In the event of a transfer in or out of a level within the fair value hierarchy, the transfers would be recognized on the date of occurrence.
Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC Topic 825, Financial Instruments ("ASC 825"). In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

The carrying values and estimated fair values of certain of the Company's financial instruments were as follows at November 30, 2015 and August 31, 2015:

	November 30, 2015		August 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Investment in noncontrolling affiliate	$8.0	$8.0	$8.0	$8.0
Liabilities:				
Senior unsecured public notes, net of unamortized discount and deferred costs	$348.4	$378.0	$348.4	$386.4
Industrial revenue bond	4.0	4.0	4.0	4.0

Investment in noncontrolling affiliate represents a strategic investment accounted for using the cost method. The Company estimates that the historical cost of the acquired shares represents the fair value of the investment (Level 3).

The senior unsecured public notes are carried at the outstanding balance, net of bond discounts, as of the end of the reporting period. Fair value is estimated based on discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2).

The tax-exempt industrial revenue bond is carried at the outstanding balance as of the end of the reporting period. The industrial revenue bond is a variable-rate instrument that resets on a weekly basis; therefore, the Company estimates that the face amount of the bond approximates fair value as of November 30, 2015 based on bonds of similar terms and maturity (Level 2).

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

6. Goodwill and Intangible Assets

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

The Company recorded amortization expense of $5.0 and $2.9 during the three months ended November 30, 2015 and 2014, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $19.6 in fiscal 2016, $19.3 in fiscal 2017, $19.3 in fiscal 2018, $19.3 in fiscal 2019, and $18.9 in fiscal 2020. Since the Juno and Geometri acquisitions were not completed as of November 30, 2015, these projections exclude any impact to amortization expense related to potential intangible assets associated with those transactions.

During the three months ended November 30, 2015, as a result of the Distech Controls acquisition, the Company recorded a customer relationships intangible asset of approximately $39.5, with a weighted-average useful life of 12 years, and a patented technology intangible asset of approximately $32.0, with a weighted-average useful life of approximately 7 years. The Company also recorded an indefinite-lived tradename intangible asset of approximately $14.1. The acquisition accounting and the related useful lives and amortization expense are preliminary as the Company continues to gather information related to the identification and valuation of intangible assets acquired.

The change in the carrying amount of goodwill during the three months ended November 30, 2015 is summarized as follows:

Balance at August 31, 2015	$565.0
Addition from acquired business	163.9
Foreign currency translation adjustments	(0.9)
Balance at November 30, 2015	$728.0

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

7. Inventories

Inventories include materials, labor, in-bound freight, and related manufacturing overhead, are stated at the lower of cost (on a first-in, first-out or average cost basis) or market, and consist of the following:

	November 30, 2015	August 31, 2015
Raw materials, supplies, and work in process[1]	$131.1	$125.7
Finished goods	127.7	113.9
	258.8	239.6
Less: Reserves	(16.5)	(14.8)
Total Inventory	$242.3	$224.8

(1) Due to the immaterial amount of estimated work in process and the short lead times for the conversion of raw materials to finished goods, the Company does not believe the segregation of raw materials and work in process to be meaningful information.

8. Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding, which has been modified to include the effects of all participating securities (unvested share-based payment awards with a right to receive nonforfeitable dividends) as prescribed by the two-class method under ASC Topic 260, Earnings Per Share ("ASC 260"), during the period. The equity plan approved by stockholders in January 2013 changed the dividend provisions causing share-based payment awards to lose the right to receive nonforfeitable dividends. Due to this change, any shares granted after January 2013 are not participating securities as prescribed by the two-class method under ASC 260 and are accounted for in the diluted earnings per share calculation described below.

Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised, restricted stock awards (unvested share-based payment awards without a right to receive nonforfeitable dividends) were vested, and other distributions related to deferred stock agreements were incurred. Stock options of approximately 28,133 and 76,617 for the three months ended November 30, 2015 and 2014, respectively, were excluded from the diluted earnings per share calculation as the effect of inclusion would have been antidilutive. Restricted stock shares of 45,555 and 37,429 were excluded from the diluted earnings per share calculation for the three months ended November 30, 2015, and 2014, respectively, as the effect of inclusion would have been antidilutive. Further discussion of the Company's stock options and restricted stock awards is included within the Common Stock and Related Matters and Share-Based Payments footnotes of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

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The following table calculates basic earnings per common share and diluted earnings per common share for the three months ended November 30, 2015 and 2014:

	Three Months Ended November 30, 2015	November 30, 2014
Basic Earnings per Share:		
Net income	$68.4	$51.1
Less: Income attributable to participating securities	(0.1)	(0.3)
Net income available to common shareholders	$68.3	$50.8
Basic weighted average shares outstanding	43.3	43.0
Basic earnings per share	$1.58	$1.18
Diluted Earnings per Share:		
Net income	$68.4	$51.1
Less: Income attributable to participating securities	(0.1)	(0.3)
Net income available to common shareholders	$68.3	$50.8
Basic weighted average shares outstanding	43.3	43.0
Common stock equivalents	0.3	0.3
Diluted weighted average shares outstanding	43.6	43.3
Diluted earnings per share	$1.57	$1.17

9. Comprehensive Income

Comprehensive income represents a measure of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. Other comprehensive income for the Company includes foreign currency translation and pension adjustments.

The following table presents the changes in each component of accumulated other comprehensive loss:

	Foreign Currency Items	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss Items
Balance at August 31, 2015	$(42.1)	$(68.3)	$(110.4)
Other Comprehensive Expense before reclassifications	(4.2)	—	(4.2)
Amounts reclassified from accumulated other comprehensive income	—	1.4	1.4
Net current-period Other Comprehensive Income (Expense)	(4.2)	1.4	(2.8)
Balance at November 30, 2015	$(46.3)	$(66.9)	$(113.2)

The following table presents the tax expense or benefit allocated to each component of other comprehensive income (expense) for the three months ended November 30, 2015 and 2014:

	Three Months Ended					
	November 30, 2015			November 30, 2014		
	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) or Benefit	Net of Tax Amount
Foreign Currency Translation Adjustments	$(4.2)	$ —	$(4.2)	$(7.2)	$ —	$(7.2)
Defined Benefit Pension Plans:						
Actuarial gain or loss	—	—	—	(1.3)	0.3	(1.0)
Amortization of defined benefit pension items:						
Prior service cost	0.8 [1]	(0.2)	0.6	0.2 [1]	(0.1)	0.1
Actuarial losses	1.2 [1]	(0.4)	0.8	1.1 [1]	(0.3)	0.8
Total Defined Benefit Pension Plans, net	2.0	(0.6)	1.4	—	(0.1)	(0.1)
Other Comprehensive Expense	$(2.2)	$ (0.6)	$(2.8)	$(7.2)	$ (0.1)	$(7.3)

(1) These accumulated other comprehensive income components are included in net periodic pension cost. See Pension and Profit Sharing Plans footnote within the Notes to Consolidated Financial Statements for additional details.

10. Debt

Lines of Credit

On August 27, 2014, the Company executed a $250.0 revolving credit facility (the “Revolving Credit Facility”). The Revolving Credit Facility will mature and all amounts outstanding will be due and payable on August 27, 2019.

The Revolving Credit Facility contains financial covenants, including a minimum interest coverage ratio (“Minimum Interest Coverage Ratio”) and a leverage ratio (“Maximum Leverage Ratio”) of total indebtedness to EBITDA (earnings before interest, taxes, depreciation, and amortization expense), as such terms are defined in the Revolving Credit Facility agreement. These ratios are computed at the end of each fiscal quarter for the most recent 12-month period. The Revolving Credit Facility allows for a Maximum Leverage Ratio of 3.50 and a Minimum Interest Coverage Ratio of 2.50, subject to certain conditions defined in the financing agreement. As of November 30, 2015, the Company was in compliance with all financial covenants under the Revolving Credit Facility. At November 30, 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. As of November 30, 2015, the Company had outstanding letters of credit totaling $11.0, primarily for securing collateral requirements under the casualty insurance programs for Acuity Brands and providing credit support for the Company’s industrial revenue bond, including $6.1 issued under the Revolving Credit Facility.

Generally, amounts outstanding under the Revolving Credit Facility bear interest at a “Eurocurrency Rate.” Eurocurrency Rate advances can be denominated in a variety of currencies, including U.S. Dollars, and amounts outstanding bear interest at a periodic fixed rate equal to the London Inter Bank Offered Rate (“LIBOR”) for the applicable currency plus a margin as determined by the Company's leverage ratio (“Applicable Margin”). The Applicable Margin is based on the Company’s leverage ratio, as defined in the Revolving Credit Facility, with such margin ranging from 1.000% to 1.575%.

The Company is required to pay certain fees in connection with the Revolving Credit Facility, including administrative service fees and an annual facility fee. The annual facility fee is payable quarterly, in arrears, and is determined by the Company’s leverage ratio as defined in the Revolving Credit Facility. This facility fee ranges from

0.125% to 0.300% of the aggregate $250.0 commitment of the lenders under the Revolving Credit Facility.

Notes

At November 30, 2015, the Company had $350.0 of publicly-traded, senior unsecured notes outstanding at a 6% interest rate that are scheduled to mature in December 2019 (the "Notes") and $4.0 of tax-exempt industrial revenue bonds that are scheduled to mature in 2021. Further discussion of the Company's debt is included within the Debt and Lines of Credit footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

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ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Interest Expense
Interest expense, net, is comprised primarily of interest expense on long-term debt, obligations in connection with non-qualified retirement benefits, and Revolving Credit Facility borrowings partially offset by interest income on cash and cash equivalents.
The following table summarizes the components of interest expense, net:

	Three Months Ended	
	November 30, 2015	November 30, 2014
Interest expense	$	