Acuity Brands Reports 2002 First Quarter Results And Revises Earnings Estimate for FY2002

December 19, 2001

ATLANTA, Dec 19, 2001 /PRNewswire via COMTEX/ -- Acuity Brands, Inc. (NYSE: AYI), spun off from National Service Industries, Inc. (NYSE: NSI) on November 30, 2001, today reported that sales for its first quarter ended November 30, 2001 were $481.7 million, a 4.2 percent decrease from sales of $502.6 million for the same quarter last year. Net income for the quarter was $11.5 million, a 14.6 percent decrease from last year's $13.5 million. First quarter pro forma earnings per share was 28 cents compared to 33 cents in the prior year. The decline in the earnings for the first quarter of 2002 was primarily due to lost contribution margin on lower sales caused by a continued weak economy. This decline was partially offset by previously implemented cost containment programs, profit improvement initiatives, and the adoption of a new accounting standard that eliminated the amortization of goodwill and certain intangibles.

In addition, based on its reassessment of the economic outlook for 2002, management today revised its estimated range of fiscal year 2002 earnings to $1.10 to $1.30 per diluted share compared with the previous estimate of $1.60 to $1.80 per diluted share.

First Quarter Segment and Corporate Overview

First quarter sales of the Acuity Lighting Group were $364.1 million, a 3.5 percent decrease from the prior year. Excluding sales associated with the acquisition of the American Electric Lighting(R) and Dark-to-Light(R) product lines, which was completed in October 2001, sales would have declined 6.4 percent. In general, the drop in sales of the Lighting Group was consistent with the declines experienced in many of the key lighting markets served by the company. This suggests that the Lighting Group was able to maintain its leadership position in these key markets despite overall softness in customer demand and the negative impact of price competition. Operating profit for the Lighting Group was $24.9 million compared to $33.3 million in the prior year. The decline in operating profit was due to the lost contribution margin on the lower sales, increased medical and property insurance costs, and continued investments in strategic initiatives. These higher costs were partially offset by reduced costs resulting from numerous profit improvement initiatives including better material sourcing and improved manufacturing efficiency. Operating profit was not materially impacted in the quarter by the addition of the American Electric Lighting and Dark-to-Light product lines. Additionally, operating profit benefited by approximately $2.5 million in the first quarter of 2002 as a result of the adoption of a new accounting standard for amortization of goodwill and intangibles.

Acuity Specialty Products' sales for the quarter were $117.6 million, down 6.1 percent from the prior year. Excluding prior year sales of the French and Australian operations, which were divested in the third quarter of fiscal 2001, sales were flat with the prior year. However, the company was able to gain share in certain niche markets from greater penetration of its numerous product brands in spite of continued weak demand in various specialty chemical markets served by the company. Specialty Products' operating profit increased 4.7 percent to $6.8 million. This increase was the result of divesting the French and Australian operations, which historically operated at a loss, and cost savings related to a sourcing initiative, hiring controls, delays in discretionary spending, and the elimination of $0.4 million of goodwill and intangible amortization.

Corporate expenses declined $1.8 million from the prior year primarily due to lower compensation expense. Interest expense of $10.5 million was $2.3 million less than the prior year due to lower interest rates.

Outlook

"The economy, which is currently in recession, continues to have a negative impact on our performance," said James S. Balloun, chairman and chief executive officer of Acuity Brands. "However, we continue to implement programs that leverage the strength and market penetration of our many brands, enhance manufacturing efficiencies, and improve margins. Although we remain confident in the long-term potential of our businesses, we are cautious regarding our short-term results.

"In September, we forecasted fiscal 2002 earnings to be $1.60 to $1.80 per share. This estimate was based on our anticipation of a strong economic recovery in the second half of our fiscal year. Based on current market trends, however, we do not see the recovery developing at this time. As a consequence, sales for fiscal year 2002 compared to 2001 could be down as much as five percent, especially within the Lighting Group, resulting in lost contribution margin and lower earnings. Accordingly, we are lowering our full year earnings estimate to $1.10 to $1.30 per share. In addition, we anticipate that the second quarter of our fiscal year, which is historically the company's weakest, will be an even greater challenge due to the current economic situation.

"We are pleased, however, that as a result of profit improvement initiatives underway in the last two years, our current margins in the Lighting Group are two percentage points better than those experienced in the 1991 recession. Performance improvement is central to our strategy, and we will continue to aggressively pursue initiatives that will make Acuity Brands a better business. These initiatives include actions to reduce costs, improve customer service, increase manufacturing efficiency, drive down our asset base, and expand our product offerings and brands in the market through a variety of channels."

Conference Call

The company will host a conference call to discuss first quarter results on December 19, 2001 at 4:00 p.m. EST. Interested parties may listen to this call live today or hear a replay until January 9, 2002 at the following Web site: www.acuitybrands.com .

Acuity Brands, Inc., whose businesses had fiscal year 2001 sales of approximately $2.0 billion, is comprised of the Acuity Lighting Group and Acuity Specialty Products. The Acuity Lighting Group is the world's largest lighting fixture manufacturer and includes brands such as Lithonia(R), Holophane(R), Peerless(R), and Hydrel(R). Acuity Specialty Products is a leading provider of specialty chemicals and includes brands such as Zep(R), Enforcer(R), and Selig(TM). Headquartered in Atlanta, Georgia, Acuity Brands employs 11,800 people and has operations throughout North America and in Europe.

Forward-Looking Statements

Certain information contained in this press release constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are inherently uncertain and involve risks. Consequently, actual results may differ materially from those indicated by the forward-looking statements. Statements made herein that may be considered forward looking include statements concerning: (a) the estimated range of earnings for fiscal 2002; (b) expectations regarding market recovery; (c) estimated declines in sales in 2002; (d) the impact of the economic situation on the company's second quarter; and (e) the pursuit of initiatives that will make Acuity Brands a better business. A variety of risks and uncertainties could cause the company's actual results to differ materially from the anticipated results or other expectations expressed in the company's forward-looking statements. The risks and uncertainties include without limitation the following: (a) the company's ability to realize the anticipated benefits of strategic initiatives; (b) the uncertainty of general business and economic conditions, including the potential for a greater-than-expected slowdown in non- residential construction awards, interest rate changes, and fluctuations in commodity and raw material prices; and (c) unexpected developments in the company's legal and environmental proceedings.

ACUITY BRANDS, INC.

SUMMARY OF OPERATIONS (Unaudited)

THREE MONTHS ENDED NOVEMBER 30

(Amounts in thousands, except per-share data)

	SALES		OPERATING PROFIT (LOSS)	
	2001	2000	2001	2000
Lighting Equipment	$364,110	$377,394	$ 24,933	$ 33,276
Chemical	117,581	125,252	6,845	6,537
	$481,691	$502,646	31,778	39,813
Corporate			(2,657)	(4,479)
Interest expense, net			(10,521)	(12,822)
Income before taxes			18,600	22,512
Income taxes			7,066	9,005
Net income			$ 11,534	$ 13,507
Pro Forma Earnings per Share:				
Basic earnings per share			$ .28	$ .33
Basic weighted-average shares outstanding during period			41,221	40,941

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Amounts in thousands)	NOVEMBER 30 2001	AUGUST 31 2001
Assets		
Current Assets		
Cash and short-term investments	$ 15,427	$ 10,337
Receivables, net	300,418	297,762
Inventories	224,884	210,783
Other current assets	47,095	40,234
Total Current Assets	587,824	559,116
Property, Plant, and Equipment, net	254,462	248,423
Other Assets	519,870	523,036
Total Assets	$1,362,156	$1,330,575

	NOVEMBER 30 2001	AUGUST 31 2001
Liabilities and Stockholders' Equity		
Current Liabilities	$ 494,242	$ 442,067
Long-Term Debt, less current maturities	371,315	373,707
Deferred Income Taxes	28,728	31,759
Other Long-Term Liabilities	91,138	99,744

Stockholders' Equity	376,733	383,298
	$1,362,156	$1,330,575
Current Ratio	1.2	1.3
Percent of Debt to Total Capitalization	63.1%	61.4%

CONDENSED CONSOLIDATED CASH FLOWS (Unaudited)

	THREE MONTHS ENDED NOVEMBER 30	
(Amounts in thousands)	2001	2000
Cash Provided by (Used for):		
Operations-		
Net income	$ 11,534	$ 13,507
Depreciation and amortization	12,756	15,573
Other operating activities	(4,675)	(14,960)
Cash Provided by Operations	19,615	14,120
Investing-		
Capital expenditures	(8,945)	(11,349)
Acquisitions	(26,387)	--
Sale of assets	180	406
Other investing activities	4,500	3,192
Cash Used for Investing	$(30,652)	$ (7,751)

	THREE MONTHS ENDED NOVEMBER 30	
	2001	2000
Cash Provided by (Used for):		
Financing-		
Debt	$ 34,822	$ 7,358
Net activity with NSI	(18,723)	(7,312)
Cash Provided by (Used for) Financing	$ 16,099	46
Effect of Exchange Rate on Cash	28	(33)
Net Change in Cash	5,090	6,382
Cash at Beginning of Year	10,337	1,510
Cash at End of Period	$ 15,427	$ 7,892

SOURCE Acuity Brands, Inc.

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