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AYI.N - Q2 2025 Acuity Brands Inc Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Charlotte McLaughlin** *Acuity Brands Inc - Vice President of Investor Relations*

**Neil Ashe** *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

**Karen Holcom** *Acuity Brands Inc - Chief Financial Officer, Senior Vice President*

## CONFERENCE CALL PARTICIPANTS

**Chris Snyder** *Morgan Stanley - Analyst*

**Ryan Merkel** *William Blair & Company, LLC - Analyst*

**Joe O'Dea** *Wells Fargo Securities, LLC - Analyst*

**Brian Lee** *Goldman Sachs - Analyst*

**Timothy Wojs** *Robert W. Baird & Co., Inc. - Analyst*

**Christopher Glynn** *Oppenheimer & Co., Inc. - Analyst*

**Jeffrey Sprague** *Vertical Research Partners LLC - Analyst*

## PRESENTATION

### Operator

Good morning and welcome to the Acuity fiscal 2025 second-quarter earnings call.

(Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to Charlotte McLaughlin, Vice President of Investor Relations.

Charlotte, please go ahead.

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**Charlotte McLaughlin** - *Acuity Brands Inc - Vice President of Investor Relations*

Thank you, operator.

Good morning and welcome to the Acuity fiscal 2025 second-quarter earnings call.

On the call with me this morning are Neil Ashe, our Chairman, President and Chief Executive Officer; and Karen Holcom, our Senior Vice President and Chief Financial Officer.

Today's call will include updates on our strategic progress and on our fiscal 2025 second quarter performance. There will be an opportunity for Q&A at the end of the call.

As a reminder, some of our comments today may be forward-looking statements. We intend these forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 as detailed on slide 2 of the accompanying presentation. Reconciliations of certain non-GAAP financial metrics with their corresponding GAAP measures are available in our 2025 second quarter earnings release and supplemental presentation both of which are available on our Investor Relations website at [www.investors.acuityinc.com](http://www.investors.acuityinc.com).

Thank you for your interest in Acuity.

I will now turn the call over to Neil Ashe.

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Charlotte, and thank you all for joining us today.

We delivered steady performance in the second quarter of fiscal 2025. We grew net sales, expanded our adjusted operating profit, and adjusted operating profit margin, and we increased our adjusted diluted earnings per share.

In March, we changed the name of our company from Acuity Brands to Acuity. This is an exciting step in our company's evolution. It builds on the legacy of our past while representing the scalability of our future. We are positioned for long term growth and to create stakeholder value and compound shareholder wealth.

We have updated and aligned the names of our segments. The Lighting segment will continue as Acuity Brands Lighting or ABL and the Intelligent Spaces segment has been renamed to Acuity Intelligent Spaces or AIS.

Now let's discuss ABL. We organize our business around luminaires and electronics. We've spoken a lot about our luminaires portfolio. So I want to spend some time focusing on our electronics portfolio. Our electronics portfolio is fundamental to our strategy of increasing product vitality, elevating service levels, using technology to improve and differentiate both our products and how we operate the business, and driving productivity for us and for our partners.

Within electronics, we have invested in our driver portfolio to control the technology in our luminaires and developed a market-leading lighting controls platform that includes sensors, controls, and software. Through eldoLED and OPTOTRONICS, we produce the majority of the drivers we use in our luminaires.

This allows us to improve our product vitality and drive productivity throughout our portfolio. Our nLight and SensorSwitch lighting controls platform includes standalone and embedded controls which can be cloud enabled.

Taken together, our electronics portfolio is a unique offering in the marketplace, extending from the drivers that power our luminaires to the sensors, controls, and software which control light in a space and connect with the cloud seamlessly through our Atrius DataLab.

Let me give you an example of how all of this comes together in practice. This quarter, we expanded our range of Gotham IVO products as part of our design select portfolio. We produce all the drivers for the entire Gotham IVO product portfolio, and each product can be sold embedded with our nLight controls.

The new product launch included the Gotham IVO Deep Regressed Downlights and the Gotham IVO Cylinder. These innovative luminaires, when combined with our nLight controls platform, can be used to optimize the space for color and light distribution.

The end result is an optimized user experience with elevated aesthetics. These products are developed with our customers' needs in mind to reduce energy usage and maximize occupant comfort. In this quarter, our products have continued to be recognized by multiple industry organizations for doing this.

We won 14 2024 Product Innovation Awards from Architectural Products Magazine that celebrate the products, systems, and materials that help architects achieve new levels of creativity or performance in their design.

And seven of our products were recognized for design excellence as part of the LIT Lighting Design Awards, including Aculux for their 5° Precision Spot, which was designed for precise illumination to create dramatic effect or to highlight a visual point of interest.

Now switching to Acuity Intelligent Spaces, which delivered another strong quarter of sales growth and margin performance. This quarter, we welcome QSC to the portfolio, advancing our mission to make spaces smarter, safer, and greener through our strategy of connecting the edge with the cloud using disruptive technologies.

Through Atrius, Distech, and QSC, we control how a built space operates and the experiences that happen within that space. We have a unique collection of disruptive technologies which are delivering distinct end user outcomes.

In the future, we can continue to add to those end user outcomes through data interoperability. In Distech, we are focused on where we compete and what we can control to expand our addressable market. As part of our geographic expansion, this quarter, we continue to add systems integrator capacity in the UK and in Asia.

Distech ECLYPSE Facilities was awarded the 2025 AHR Expo Innovation Award in the Building Automation category. ECLYPSE Facilities is a software solution embedded directly within Distech Controls ECLYPSE devices that provides management and control for a variety of equipment types within buildings.

This quarter, we welcome QSC and we began the integration process. QSC is building the industry's most innovative full stack AV platform that unifies data, devices, and a cloud-first architecture to deliver real-time action, experiences, and insights.

And we're off to a great start. QSC continues to execute on their strategy and continues to have success in the marketplace. In March, I appointed Jatan Shah to lead QSC reporting to Peter Hahn, President of Acuity Intelligent Spaces.

Jatan joined QSC in 2010, and has held various leadership roles since then. Jatan is a leader in the industry. In addition to his role at QSC, he is also President and Chairman of the Board of AVIXA, the Audiovisual and Integrated Experience Association.

Jatan has been integral to the development and success of QSC, and I'm excited for his leadership going forward. And finally, I want to congratulate Joe Pham, who announced his retirement earlier this year. And I want to thank Joe for his contributions to both QSC and the industry over his 20 plus years with the company.

Now as we look forward, there is obviously uncertainty in the marketplace, specifically with regards to tariffs. We approach tariffs as the equivalent of a supply shock, and our financial priorities are, first, to manage the dollar impact, and second, to manage the margin impact.

Across the company, we have taken pricing actions in response to tariffs that were in place through the end of March. As the tariff policy continues to evolve, we will continue to take necessary pricing actions, and we will work to accelerate our productivity efforts.

We will continue to focus on factors within our control and take actions as needed. In ABL, we are focused on product vitality, elevating service levels, using technology to improve and differentiate both our products and how we operate the business, and driving productivity.

Our growth algorithm is clear. We will grow the market, take share, and enter new verticals. In Intelligent Spaces, we control how a built space operates and the experiences that happen within that space. We have a unique collection of disruptive technologies which are delivering distinct end user outcomes.

Our focus will continue to be on growth and the opportunity to expand margins. We have demonstrated that we have dexterity in how we operate, enabling us to continue to execute in dynamic market conditions. And we have demonstrated that we can deliver value to our market and drive margins in our business.

Now I'll turn the call over to Karen who will update you on our second quarter performance.

**Karen Holcom** - *Acuity Brands Inc - Chief Financial Officer, Senior Vice President*

Thank you, Neil, and good morning to everyone on the call.

In our second quarter of fiscal 2025, we grew net sales, improved our adjusted operating profit and adjusted operating profit margin, and increased our adjusted diluted earnings per share. We closed the acquisition of QSC during our second quarter of fiscal 2025, and two months of their performance are included in our results.

The financials also include certain purchase accounting adjustments resulting from the acquisition. For total Acuity, we generated net sales in the second quarter of \$1 billion which was \$100 million or 11% above the prior year.

This improvement was driven by the continued growth in Intelligent Spaces and the inclusion of two months of QSC sales. During the quarter, our adjusted operating profit was \$163 million which was up around \$23 million or 16% from last year, and we expanded our adjusted operating profit margin to 16.2%, an increase of 70 basis points from the prior year.

This increase was primarily a result of the year over year improvement in our gross profit and the inclusion of the QSC results. Our adjusted diluted earnings per share of \$3.73 increased \$0.35 or 10% over the prior year.

ABL delivered sales of \$841 million which is \$3 million less than the prior year, primarily the result of declines in retail and corporate accounts due to general uncertainty in the wider market. This was partially offset by growth in both our independent sales channel and direct sales channel.

We price strategically to realize the value that our products bring to the marketplace. Since the quarter ended, we have taken pricing actions in response to the tariffs that were in place through March. We will continue to take both pricing and operational actions as the tariff policy evolves.

Despite the lower sales, adjusted operating profit increased \$5 million to \$141 million and we delivered adjusted operating profit margin of 16.8%, which was up 60 basis points compared to the prior year. Sales in Acuity Intelligent Spaces for the second quarter were \$172 million, an increase of \$103 million.

Atrius and Distech combined grew 12.2% during the quarter, with the remainder being the contribution from two months of QSC performance. AIS has also taken strategic pricing actions in response to the tariffs that were in place through the end of March.

These actions were directed primarily towards products sold in the US. Adjusted operating profit in Intelligent Spaces was \$32 million during the quarter, with an adjusted operating profit margin of 18.7%.

Now turning to our cash flow performance. Fiscal year-to-date, we've generated \$192 million of cash flow from operations. We continued to allocate capital effectively. We closed the QSC acquisition, financing it with \$600 million of additional debt and the remainder with cash on hand.

And post quarter, we repaid \$100 million of the additional debt. We increased our dividend during our January shareholder meeting by 13% to \$0.17 per share, and we allocated \$23 million to repurchase approximately 68,000 shares.

In summary, we delivered steady performance in the fiscal second quarter of 2025. ABL continued to deliver adjusted operating profit margin improvement while AIS delivered impressive results and began successfully integrating QSC.

We allocated capital effectively and we have positioned ourselves well to react to changes in our marketplace.

Thank you for joining us today. I will now pass you over to the operator to take your questions.

## QUESTIONS AND ANSWERS

### Operator

Chris Snyder, Morgan Stanley.

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### Chris Snyder - Morgan Stanley - Analyst

Maybe just starting off on the tariff announcements from yesterday. I know that hasn't been a lot of time maybe to digest it all. I would just be interested in high level, what you think it means for the company. You guys are obviously highly tied to Mexico.

My understanding is you're mostly USMCA compliant or largely compliant. And I think most of the competitors here are coming from Asia. So just any thoughts on that and what it could mean from like a competitive positioning standpoint?

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### Neil Ashe - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Thank you for that softball to open the Q&A.

So as we said in the prepared remarks, our view of the tariffs is that in practice, they're effectively a supply shock. So our focus number one is obviously on serving our customers. From a financial perspective, it's managing the dollar impact first and then the margin impact second.

So we have a high performing distributed global supply chain. So we are -- we have worked hard to get to where we are and have the dexterity that we do have. On a relative basis to our competitors, we feel confident in the position that we are in.

As you point out, we've got about 18% from Asia. So that is China plus other countries. About half comes from Mexico and almost all of that is USMCA compliant as you pointed out. So second though, I want to take a step back and walk through kind of how the tariffs actually work and how it will flow through us and frankly everybody else.

As you heard yesterday, the tariffs are immediate. In other words, they will start -- we will start accruing those as an expense when product starts to come across the border. It will take us a little bit of time, as both Karen and I mentioned in the remarks, we will be taking pricing actions.

So those pricing actions will take a little bit of time to be fully implemented. So there's a lag between the time that the price actions take effect and the tariffs are -- we are beginning to pay the tariffs. Those are balanced a little bit by what we already have in inventory in the US, but big picture, there's a lag between those.

Finally, there's also a lag from a cash flow perspective. So those tariffs are basically due in 30 days. So we will be paying those faster than we will be collecting ultimately from customers and those tariffs then need to flow through inventory as it flows through our system and to our customers.

So big picture, we will be working to cover the dollar cost first that there will be a little bit of a lag in our ability to do that just because of how the channel works. And there will be some cash flow impact as a result of the tariffs.

But big picture, I want to emphasize we have an outstanding, high performing diversified global supply chain. So we have the dexterity to move throughout our platform and we will do that going forward.

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### Chris Snyder - Morgan Stanley - Analyst

Maybe just to follow up on the market. ABL came in a little bit below seasonality this quarter. I sense there probably be some maybe project freezing just with all the cost uncertainty, maybe difficulty quoting and bidding and just getting activity to move forward.

So -- and are you seeing any kind of freezing up in the market? And I guess what do you think or what do you kind of see when you look into the back half of the year, as maybe there's better cost visibility in the market?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I'll start. Karen, you add if I leave anything out.

So big picture, we started the year with a fair amount of momentum on the lighting side. And I want to be clear now because Intelligent Spaces is a lot more impactful part of our company. So we'll keep that separate.

These comments are mostly directed towards towards lighting. We had a fair amount of momentum starting the year. And we had a fair amount of confidence in the economy in calendar '25 which all of our data pointed to that.

We did start to see the impact of uncertainty. Obviously, the marketplace abhors uncertainty and we felt the impact of that uncertainty kind of later in the second quarter. That's balanced by, as we rolled out our price increases, the first round of price increases that are out there, the market reacted as it usually does.

So the order volume reacted as it has when we've done these pricing activities in the past. So those are -- there's a balance. Yes. I think your hypothesis is correct. The market is uncertain. And there is -- there has been some -- there was some impact. It was pretty obvious that there was some impact.

I think it's too early to declare what the impact will be on demand for -- of this next round of changes. So we'll need a little bit of time to settle before we'll be able to definitively decide what we think the demand shape is going to be like for the rest of the year.

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**Operator**

Ryan Merkel, William Blair.

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**Ryan Merkel** - *William Blair & Company, LLC - Analyst*

I wanted to follow up on Chris's question on tariffs, specifically as it relates to your competitive position. My reaction to the tariffs last night is that it could be favorable for Acuity just given China had the bigger increase and you're protected in Mexico. Is that the right lead, Neil?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Big picture, Ryan, yes, I think that we probably are advantaged. Obviously, these tariffs are everywhere. So we'll have to dig in further with our -- both our own portfolio as well as how it relates to others. But we're really confident.

We structured our -- we've intentionally built our supply chain to have the dexterity to react to situations like this. So big picture, the kind of more of the normalization of the tariff amount between, say, Vietnam and Cambodia and China will impact many of the competitors that moved from China to Vietnam and Cambodia.

As a point of fact, we did too. So we're just bigger and more diversified. As long as the USMCA holds obviously, Mexico is a big advantage for us in there. And then finally, we've maintained and our manufacturing footprint here in the US.

So round numbers, 20% of our manufacturing happens here. And so we've maintained that and continue to drive productivity in that. So at net net, we feel as good as we can about what our global supply chain looks like. And I think on the margin, we're advantaged versus our competitors.

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**Ryan Merkel** - *William Blair & Company, LLC - Analyst*

And then a question on gross margin. I guess it's a two parter. It looked like gross margins were better than normal seasonality this quarter. Can you just talk about why that was? And then you mentioned that there could be a lag in terms of passing on price.

I would just love to get any more color there. Is it going to be significant or do you think that's something that you can manage?

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**Karen Holcom** - *Acuity Brands Inc - Chief Financial Officer, Senior Vice President*

Yeah, Ryan, I'll start and then Neil can add on about the tariff impact. So when you look at the underlying business, the gross margin continues to be strong and this really is a factor of a couple things.

First, I'd highlight that AIS is continuing to be a bigger part of the company and their gross margins are more favorable. And the impact of the acquisition of QSC had a favorable impact on gross margins. The other thing I'd highlight is the execution of the strategy at ABL around product vitality, service, technology, and productivity, that's continuing to have an impact.

So the products like you saw today on the presentation with IVO, they're going to continue to drive more value for us, our channel partners and our customers, and have lower input costs. So it's really both of those things, the greater portion of AIS contributing favorably as well as the underlying performance of the lighting business.

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. And Ryan, to pick up on my comment on the lag. So we put a price increase in -- it gets quoted, it gets bought, and ultimately, it gets shipped. That's the gap that we're talking about. So during the pandemic, that ranged from 30 to 90 days based on when we were doing price increases there. As -- so it's tough to predict exactly.

The second, but it was in that order of magnitude. So it's interesting but not terribly determinative. The second thing that I would just make sure everyone understands is we'll -- when we say we're focused on dollars, if there's \$100 of impact, we're going to pass on at least \$100 of price.

And let's ignore the impact to demand for a second. But we will do -- we will at least pass on \$100 of price. The impact then would be mildly diluted to the percentage margins in the periods in which we are cycling through this.

So that's why we refer to it as a supply shock, and we experienced the same thing during kind of the rapid inflation periods of the pandemic. But as Karen pointed out, the quality of our underlying business is both businesses is incredibly high.

So the performance on the lighting business is wildly different than any other company in the lighting industry anywhere else in the world. So the strategy of driving product vitality, service, technology, and productivity has led to the expanding margins. And while we'll take a pause, while we digest these tariffs, we will continue on that path going forward and we're confident of what we can do with that.

Second is that we've built a very interesting data and controls business inside of Acuity over the last five years, both inside of ABL with our electronics business, as well as Intelligent Spaces. Those are highly attractive businesses with outstanding margin structure and growth opportunities.

So once we get past this kind of bump in the road, we'll start to see that performance shine through again.

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**Operator**

Joe O'Dea, Wells Fargo.

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**Joe O'Dea** - Wells Fargo Securities, LLC - Analyst

Just a clarification on guidance. I didn't hear anything, haven't seen the slides. Just how are you approaching that?

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**Karen Holcom** - Acuity Brands Inc - Chief Financial Officer, Senior Vice President

Sure, Joe. We've really been clear about our performance to date. So where we are? We're half of our fiscal year and we've talked about what we know for the remainder of the fiscal year. As a reminder, we did modify our guidance in Q1 to reflect the addition of QSC.

And so that's where we are and we're just going to continue to execute accordingly for the remainder of the year.

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**Joe O'Dea** - Wells Fargo Securities, LLC - Analyst

And so given all the uncertainty, it's reasonable to assume that those ranges are still intact for your expectations.

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**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

No change.

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**Joe O'Dea** - Wells Fargo Securities, LLC - Analyst

No change.

How do you do the pricing on this when we think about a 50% tariff? Is that we take those products and we're just going to go raise prices by 25% to offset it or you look across the portfolio and I think in total, it would mean pricing would have to be up about 5% for the total company to offset something like this?

But just curious in terms of how you approach this. And then should we be thinking that these announcements are coming in the next week because you're operating against an April 5 or April 9 kind of timeline?

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**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. So we've been very clear. As part of the strategy, we have transitioned to strategic pricing. Strategic pricing for us means that we charge for the value that our products deliver in the marketplace, and we are mindful of where they are positioned competitively.

So on the lighting side, as we look forward, there we have a pricing strategy for contractors select. We have a pricing strategy for design select, and we have a pricing strategy for made to order. So we will look to strategically evaluate where we want to put that price to cover any of the additional cost -- increases in cost of goods sold as a result of the tariffs.

So we're trying to play offense a little bit through this process as well with our strategic pricing. As Karen mentioned, we have introduced pricing actions that were in place through March 31. Obviously, we all learned the same time you did yesterday about what these actions, what the tariffs -- the new tariffs are, and we will take appropriate actions very quickly.

**Joe O'Dea** - Wells Fargo Securities, LLC - Analyst

And then just one on the QSC margin. Based on some of the details in the Q, I don't know if we're doing this right, but it looks like that was like a 17.4% adjusted op margin. Is that right? And I think previously like based on acquisition math, it was coming in at about 15%. So anything that you did in a short period of time on those margins?

**Karen Holcom** - Acuity Brands Inc - Chief Financial Officer, Senior Vice President

I think Joe directionally, that's pretty close. When we look at QSC, it is highly aligned to the Atrius Distech business of the legacy AIS business. It's pretty similar in terms of growth. It's similar in terms of margin profile, not quite as strong yet, but it's pretty close. So I think you're directionally there.

**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Joe, we were clear that we're excited about the opportunities here. We'll focus on growth, but we do believe that there's margin opportunity going forward.

**Joe O'Dea** - Wells Fargo Securities, LLC - Analyst

Yeah. It just seemed to come through a little faster than we anticipated it. So good story there.

**Operator**

Brian Lee, Goldman Sachs.

**Brian Lee** - Goldman Sachs - Analyst

I know a lot on tariffs. I'll just throw one more in.

I mean the ink isn't even dry yet. So I know it's super early days, but what are your thoughts around kind of you mentioned with the tariffs that you already priced in through the end of March. You saw kind of the customer behavior that you would expect.

If you could just elaborate on that a bit. And then with these tariffs potentially just being a point of negotiation, would you anticipate again, I know it's early days, you probably don't even have customer feedback, but is there the risk that customers kind of wait on placing orders, especially for kind of longer lead time projects in the anticipation that maybe tariffs do come down or there's some negotiations with certain countries where the impact is going to be lessened over time?

**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Yeah. Brian, so let me take the -- let me take what is normal customer behavior that I alluded to. So every time we put a price increase, it basically shakes loose some of the activity that would have come over the course of the last of the next call it month or two.

So we'll see an accelerated order rate for people that are ready to pull the trigger on a project that they're in the midst of so that they can ensure that they lock in a cost. And they may take that sooner than they wanted it. But they'll do that in order to lock in that price.

That's what we saw -- that's about what we saw as it relates to the price increases that we have already put in place. The impact of that would be we believe contained inside of our fiscal third quarter. So just to give you kind of orders of magnitude.

Then, as we look forward, none of us know what -- whether these are permanent or temporary or up for negotiation or not up for negotiation. So we have to operate based on what we know. So our policy here is we focus on what the administration actually does, and as a point of fact, they've implemented these tariffs. So we're reacting to these tariffs as accordingly.

The second thing that I would say then is obviously, that's going to create uncertainty in the marketplace for people that are dependent on kind of these orders over the next period. So we'll figure out what that's going to be. It may be small. That's why we highlighted that there was normal order activity related to the first price increase.

And then anecdotally, I would tell you on the customer front, obviously, we haven't had time to talk to customers, but we were speaking to one of the major distributors yesterday and they were sharing with us that they had 120 different price letters -- price increase letters that they were processing currently.

So obviously, the effects of this are not isolated to our company.

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**Brian Lee** - *Goldman Sachs - Analyst*

And just maybe a follow up on the QSC integration. Again that's you're two months into it, but can you kind of give us a sense of what sort of progress you're seeing? Any visibility into either cost or products energy that you might have on the horizon, whether later this year or into next year?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So taking a step back, we are enthusiastic about what we are building with Intelligent Spaces, smarter, safer, and greener, connecting the edge with the cloud through disruptive technologies. Atrius, Distech and QSC. QSC fits really, really well with us from a strategy perspective, from a product perspective, and from a culture perspective.

Each one of those things we knew going in, but they -- and each one of those have exceeded our expectations so far. So as Karen mentioned on the -- in kind of the discussion of margins, we've essentially already completed or mostly completed the enablement function integration. That's giving us opportunities on margin.

They're continuing to perform really well in the marketplace from a consistent business perspective. The feedback they're getting is it's great to be part of a bigger platform and they're excited about the opportunity to be part of a bigger platform.

We've brought together the commercial and productive engineering teams to start to brainstorm end user outcomes which can be affected. As we said when we talked about, we are really confident about those and also we don't want to rush those. So we want those to be pulled by the marketplace as opposed to us jamming through.

So on the arc of time, we have a run rate \$1 billion-ish data and controls business now and Intelligent Spaces. That has an opportunity to continue to grow at the rates it's growing at and the opportunity to continue to expand margins.

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**Operator**

Tim Wojs, Baird.

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**Timothy Wojs** - *Robert W. Baird & Co., Inc. - Analyst*

So last for me to uncover. Just two kind of clarification questions for me. So I guess the first is and maybe I missed it, can you just quantify the price that you took before the tariff announcements yesterday just in terms of percentages?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So we're not going to give the percentages, Tim, just for competitive reasons, but kind of think lower middle single digits.

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**Timothy Wojs** - *Robert W. Baird & Co., Inc. - Analyst*

And then I guess from a capital kind of allocation perspective, just with the leverage that you kind of took for QSC, how do you think about deploying cash flow over the next call it 12 to 18 months? Are buybacks still kind of in play?

Do you kind of prioritize debt pay down? Just how are you kind of thinking about the cash flow kind of utilization over the next 1, 1.5 years?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So let's focus on the obvious first. We are highly cash generative and we've got a tremendous amount of financial capacity. So the performance of our business will continue to drive that level of cash generation. And we've been very clear and consistent about what our priorities are.

We want to grow our current businesses. We want to grow through M&A. We have increased our dividend and we will repurchase shares sometimes more than -- sometimes a lot, sometimes a little. As we look at kind of where we are right now from a capacity perspective, our capacity remains very, very high.

So we're positioned well for whatever happens now. If there's dislocation in the marketplace, which makes acquisitions more attractive, we will evaluate those. We have a healthy pipeline. If there's dislocation in the market that affects Acuity shares, we can -- we have the capacity to be aggressive there.

And finally, we have the ability to do all of the above. So I feel really good about where we're positioned right now from a capital perspective, all options are available to us.

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**Operator**

Christopher Glynn, Oppenheimer.

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**Christopher Glynn** - *Oppenheimer & Co., Inc. - Analyst*

Just following up on Tim's question there. All options being available, being clear punchline there. Just want to talk about how is the pipeline in terms of scope and breadth of activity. And are you in the market for another QSC? A, does it exist?

B, do you have enough on your plate right now, or would something like that be within the square of reasonable expectations over the next 12 to 24 months, call it?

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah, it's a good question.

Obviously, the financial capacity is not an issue. So as we've identified. Second, our operating capacity is quickly not becoming an issue. So the company has learned a lot through the integration of QSC, and I'm confident in our ability to continue to execute on opportunities like QSC going forward.

As in the kind of the next 6 to 12 months, there is not anything of the magnitude of QSC in our -- in the pipeline, the short term pipeline like that, but we do have attractive opportunities in that short term pipeline that we will continue to execute against.

To the qualitative question, are we looking for another QSC and do they exist? The answer is yes and yes. And we're confident that we can continue to add attractive companies like that to the portfolio that fit our strategy and are more valuable as a result of being part of the portfolio.

So in summary, we have plenty of capacity. The short term pipeline does not include an acquisition of the scale of QSC. But longer term, we will for sure be looking for more of those acquisitions.

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**Christopher Glynn** - *Oppenheimer & Co., Inc. - Analyst*

And also I have kind of a pan-out question. Acuity has had in its long history some years of accelerated performance and competitive differentiation. I think as you describe every quarter right now, it's a different shade of drivers right now to be sustainable.

But competitors see what you're doing when you have some resource competitors. Not that it's easy. You've brought a lot of diverse talent and tough to replicate, particularly with the benefits of scale. But I'm curious if you're seeing any competitors start to demonstrate times of raising their game as well.

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**Neil Ashe** - *Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I mean I think competitors are absolutely reacting. And it's funny. I'm looking at Karen because in our QBR, we made this exact point to the lighting team. It's like you can't expect that we are going to continually beat up our competitors and they're not going to do anything in reaction.

So the answer is yes, they are reacting. And that is generally on the margin as opposed to kind of straight on the core. I'm not aware of a company that can execute our strategy the way we are executing it. So the -- our electronics portfolio is central to the differentiation of the lighting business in the marketplace.

So the ability to control from the driver to the sensor to the control to the software and then with Atrius DataLab to the cloud, I believe is unique in the marketplace. That creates our ability to deliver solutions that others can't in the marketplace.

So we may intentionally lose on the edge to a super low price competitor that is low featured, but we will continue to win over time with the solutions that matter in the marketplace. And then big picture, the whole company is basically a data and controls company with a luminaire business as opposed to a luminaire business with a small electronics business.

That is unique in the marketplace.

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**Operator**

Jeffrey Sprague, Vertical Research.

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**Jeffrey Sprague** - Vertical Research Partners LLC - Analyst

Hey, a lot of ground uncovered. I just want to come back to kind of the early read on maybe demand destruction or customer behavior. I mean given lights are kind of late in the project, right? I assume kind of larger projects continue to move forward at least up to this point.

So this weakness you're seeing, is it more smaller run out projects or in fact, larger projects are slowing down, that sort of dynamic? Is there any color you could shed there?

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**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Jeff, I think the most obvious answer or observation we could make in the immediate term. So think kind of second quarter and what we're executing on now is it's all just timing. So people may have slowed some orders down in the second quarter to try and get a lay of the land, and then they accelerated those orders once they realized we were increasing prices.

That's the simplest explanation of kind of the up and down. As we look forward, we'll have to see how -- what the total impact is on everybody. And then as a result, the decisions that people take on demand going forward.

So we're more in steady as you go to mode right now. So we're confident we can execute in a differentiated manner. So I think it's too early to tell what the impact will be on demand.

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**Jeffrey Sprague** - Vertical Research Partners LLC - Analyst

Right. And you were quite clear about sort of the normal lag between when you raise price and when you get it and how it's got to work through inventory and everything else. But I'm wondering can you shorten that window, and not let customers or lack of a better term, quote-unquote over order and get in front of kind of the cost bow wave to kind of accelerate to catch up on your end?

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**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Jeff, you can feel confident that we are doing everything in our power to do that.

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**Operator**

And I'm showing no further questions in queue at this time. I'd like to turn the call back to Neil Ashe for any closing remarks.

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**Neil Ashe** - Acuity Brands Inc - Chairman of the Board, President, Chief Executive Officer

Well, first of all, thank you all for joining us this morning and it's a pleasure to be the first major company to report after 4:00 news yesterday afternoon. So in that context, I want to take a step back and say we are incredibly proud of the company that we are building here and we will continue that path.

We have a market leading lighting and lighting controls business with an outstanding electronics portfolio which is differentiated in the marketplace and is delivering differentiated results in the marketplace. We have an outstanding Intelligent Spaces business with a different theory of the case that we can combine the data of a built space and deliver outcomes for end users and for the people that provide that space to those end users.

That we're really confident about. And taken together, we have a super high quality business that is clear with a demonstrated ability and strategy, is clear with a demonstrated ability to execute in multiple different marketplaces.

And we're going to go out and do that. And we will create differentiated value as a result. So thank you for spending time with us this morning and we look forward to catching up with you next quarter.

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**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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