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AYI.N - Q3 2022 Acuity Brands Inc Earnings Call

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OVERVIEW:

Co. reported 3Q22 net sales of over $1b and diluted EPS of $3.07.

CORPORATE PARTICIPANTS

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Karen J. Holcom *Acuity Brands, Inc. - Senior VP & CFO*

Neil M. Ashe *Acuity Brands, Inc. - Chairman, President & CEO*

CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Operator

Good morning, and welcome to the Acuity Brands Third Quarter Earnings Call of fiscal 2022. (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.

Charlotte McLaughlin - *Acuity Brands, Inc. - VP of IR*

Thank you, Michelle. Good morning, and welcome to the Acuity Brands Fiscal 2022 Third Quarter Earnings Call. As a reminder, some of our comments today may be forward-looking statements based on our management's beliefs and assumptions and information currently available to our management at this time. These beliefs are subject to known and unknown risks and uncertainties, many of which may be beyond our control, including those detailed in our periodic SEC filings. Please note that our company's actual results may differ materially from those anticipated, and we undertake no obligation to update these statements.

Reconciliations of certain non-GAAP financial metrics and their corresponding GAAP measures are available in our 2022 third quarter earnings release, which is available on our Investor Relations website at www.investor.acuitybrands.com.

With me this morning is Neil Ashe, our Chairman, President and Chief Executive Officer, who will provide an update on our strategy and highlights from the last quarter, and Karen Holcom, our Senior Vice President and Chief Financial Officer, who will walk us through our third quarter performance. There will be an opportunity for Q&A at the end of the call. (Operator Instructions) We are webcasting today's conference call live.

Thank you for your interest in Acuity Brands. I will now turn the call over to Neil Ashe.

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Thank you, Charlotte, and thank you to everyone on the call for joining us this morning. Our team delivered a strong quarter of sales and operating profit growth, driven by solid execution across both our lighting and spaces businesses. This performance is a direct result of the significant and ongoing improvements that our team has made over the last 2 years.

Third quarter sales continue to trend and marked a bit of a milestone. It was the fifth consecutive quarter of double-digit revenue growth. Sales were over $1 billion this quarter for only the second time in the company's history as we continue to successfully capture price and drive volume through product vitality and service in both the lighting and spaces businesses. This quarter, we were aggressive with our share repurchases. We repurchased about 5% of our shares outstanding in the third quarter. We are confident in the future of our company, and these repurchases add leverage to our future success and create permanent shareholder value.

Moving on to our segments. Both our lighting and spaces businesses performed well in the third quarter. First, on Acuity Brands Lighting. Our Lighting and Lighting Controls business had another very strong quarter, with top line growth driven by our product vitality efforts and our focus on service. Market demand in the third quarter remained strong, and we continue to work through our backlog, which continues to be above normal levels. Our strategy of increasing product vitality increasing service levels and using technology to differentiate both our products and our service is working. Our product vitality efforts are the combination of new product introductions and improvements to our existing products.

Over the last 2 years, we have dramatically accelerated these efforts. As a result, our products are more valuable to our customers and more profitable for us. One of our key product leaders recently finished a complete refresh of its product families. And he asked me, what do we do now? And my answer was simple. We do it again. With product vitality, I'd like to tell our team that if you're in front and you run faster than everyone else, no one can catch you. We believe that we have the best engineering and design teams in the industry, and they are delivering. Our service has also been strong. In May, several members of the ABL team and I went to the National Association of Electrical Distributors Annual Conference where we met with many of our key distributor partners. This was the first time this group has been together since the pandemic, and each company we met with had the same feedback for us. Acuity had the right products and was able to deliver throughout the pandemic and the subsequent supply chain shortages when others could not. It was great for the team to receive affirmation from the marketplace on the changes that they've made. It reflects the value of having the right products and being able to deliver them no matter what is going on in the world.

Now moving to our Intelligent Spaces Group. Spaces continue to perform well with strong sequential quarterly sales growth of 17% and 5% year-over-year growth as well as year-over-year margin improvement. The mission of our spaces group is to make spaces smarter, safer and greener. Our Distech Controls products, power controls, sensors and other activities in built spaces and our Atrius cloud-based applications deliver value to owners and end users in those spaces. I'd like to focus on smarter and greener for a few minutes. A few weeks ago, I was in California at the Distech Connect Conference, where we gathered together key systems integrators who buy and install our Distech products. It was the first time that this group was in person since 2018, and everyone was excited to be back together. Between 2018 and now, Distech has grown significantly through continued product development and strong partnership with these independent systems integrators. Our open protocol technology and continued product innovation is proving to be the way to make spaces smarter, faster. And our partnership with independent systems integrators allows us to move quickly and service more and more of the market. Distech powers the facilities and generates data. Atrius is a collection of cloud-based applications that use this data to solve specific problems in spaces. Distech and Atrius can operate independent of one another, but together, we can deliver true edge-to-cloud technology and applications.

One of our core offerings under the Atrius brand is Atrius Building Insights, which is targeted to multi-building operators to provide a single source for their energy usage, carbon and cost management through data aggregation. Currently, this platform is used in thousands of buildings across North America. Similar to Distech, our customers include a diverse group of some of the smartest technology companies, commercial customers and institutions. Our Acuity buildings, of course, use Atrius Building Insights to monitor and reduce our energy usage, our carbon footprint and our costs and is a key part of our EarthLIGHT initiative. You'll see more about this when we publish our EarthLIGHT report later this year.

There's a lot to get excited about in ISG, and I look forward to sharing more developments in the future. Now I want to touch on capital allocation. Our capital allocation priorities remain the same. We will continue to prioritize investments for growth in our current businesses, invest in acquisitions, maintain our dividend and allocate capital for share repurchases when we perceive there is an opportunity to create permanent value for shareholders. Karen is going to talk about our decision to allocate capital to inventory later in the call and give more color on our additional share repurchases this quarter. But before I pass this to Karen, I want to leave you with a few thoughts. I'm proud of how our team continues to perform. They continued their focus on product vitality and service while managing the ongoing supply constraints. We expect the market conditions in the fourth quarter to remain largely consistent, and I'm confident that our team will continue to deliver.

Now I'll turn the call over to Karen, who will take a deeper dive into our third quarter performance, and I'll be back later in the call for Q&A and for some closing remarks.

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Thank you, Neil. We had a strong third quarter, exceeding market expectations across the board. We generated over $1 billion in sales. Our gross margin was 42% and operating profit increased by $25 million year-over-year. We allocated capital to inventory again this quarter, and we repurchased a significant amount of our outstanding shares.

Moving on to our sales performance. Net sales were just over $1 billion, an increase of 18% year-over-year. And as Neil said, this is a significant milestone. It is only the second quarter in the company's history that revenue has exceeded $1 billion. The increase this quarter was driven primarily by ABL and its focus on product vitality and service levels. Demand remains strong, and we continue to benefit from recent price increases and the OSRAM DS business acquisition. Gross profit was $445 million, an increase of $59 million or 15% over the prior year. The increase in gross profit was driven by the impact of price realization and volume while cost was impacted by inflation on components and freight.

Gross profit as a percentage of sales was 42%, which was a 100 basis point decrease from the prior year, but a 30 basis point improvement from the prior quarter. Gross profit margin has been impacted by the dilutive mix of the acquisition of the OSRAM DS business throughout the first 3 quarters of 2022. We also continue to leverage operating expenses and increase operating profit dollars and margin. Our reported operating profit in the third quarter was $143 million, an increase of $25 million or 21% over the prior year. Operating profit margin was 13.5%, an increase of 40 basis points over the prior year. Adjusted operating profit was $163 million, an increase of $26 million or 19% over the prior year. And adjusted operating profit margin was 15.3%, an increase of 10 basis points compared to the prior year.

Finally, we continued to grow earnings per share. Our diluted earnings per share of $3.07 was an increase of $0.70 or 30% year-over-year, while our adjusted diluted earnings per share of $3.52 increased $0.75 or 27% over the prior year. Share repurchases favorably impacted adjusted diluted EPS by $0.18 during the third quarter.

I now want to expand on our segment performance. Net sales at ABL increased to just over $1 billion, an increase of 19% compared with the prior year and was driven by product vitality and service as well as price increases and the benefit from the acquisition of the OSRAM DS business. Sales in our independent sales network of $726 million grew 16% in the third quarter driven by price realization and volume and continued strong demand across our end markets, particularly in commercial office, education and industrial facilities. Sales in the direct sales network of $96 million were flat with the prior year. Orders in this channel continued to be strong, but shipments were impacted by component availability. As we discussed previously, corporate account customers continue to move ahead with renovations that were previously deferred due to the pandemic. As a result, sales in the corporate account channel of $59 million increased 34% over the prior year.

As we've said before, the corporate account channel is an attractive business. This business is dependent on when customers choose to make renovations to their facilities. And as a result, sales may be inconsistent from quarter-to-quarter. In the retail channel, we have now worked through the customer inventory transition that we mentioned on prior calls. Third quarter sales in the retail channel of $45 million increased by 24% which is a higher-than-normal growth rate as a result of the weaker prior year comparison. Finally, sales in the other channel increased due to our OEM business, which includes the impact of the acquisition of the OSRAM DS business.

In the third quarter, total sales in this channel were $83 million, an increase of $37 million compared with the prior year. ABL's operating profit for the third quarter of 2022 was $150 million, an increase of $23 million or 18% versus the prior year. Adjusted operating profit of $160 million improved $24 million or 18% versus the prior year.

Now moving on to ISG. The Spaces team had another good quarter with sales of $58 million and 5% growth year-over-year. As a reminder, they had a big quarter in the third quarter of fiscal 2021. Sequentially, from the second quarter of fiscal 2022, sales grew 17% in the third quarter. ISG's operating performance also improved while they continue to invest in the business. Operating profit in the third quarter of 2022 increased approximately $2 million to $9 million, while adjusted operating profit of $14 million with an increase of $3 million versus the prior year.

Moving on to cash flow. We generated $166 million of cash flow from operating activities in the first 9 months of fiscal 2022. This was down from the prior year as we allocated capital to inventory in order to support our growth as well as insulate our production facilities from inconsistent supply availability. Cash flow was also impacted by increased tax payments of an additional $22 million. We invested $38 million or 1.3% of net sales in capital expenditures during the first 9 months of fiscal 2022.

Finally, as Neil highlighted, we invested $296 million to repurchase 1.7 million shares during the third quarter. Since we began this repurchase effort in May of 2020 through the end of the third quarter of 2022, we have repurchased approximately 17% of our company shares at an average price of approximately $134 per share. We financed the share repurchases this quarter with cash from the balance sheet and with borrowings under our credit facility.

Now I want to spend a few minutes to walk you through 2 strategic topics, our inventory investment and our new credit facility. Our inventory has increased over the prior year in terms of dollars and days. There are 4 factors affecting inventory: First, increased lead times of Asian finished goods; second, increased inventory from the OSRAM DS acquisition; third, ongoing inflationary cost of materials; and finally, increased levels of components to mitigate the impact of shortages. This investment in inventory is intended to be temporary. Although it is up year-over-year from the end of the second quarter to the end of the third quarter, days has improved by 3 days.

To address the higher levels of inventory, we are doing the following. We've lowered our purchases of Asian finished goods now that we have seen an improvement in lead times. We have renegotiated terms with certain finished goods suppliers and we are controlling purchases of components and manufacturing of products in line with current demand. Now moving on to our new credit facility. This morning, we closed on our new $600 million revolving credit facility, which provides us with additional flexibility, if needed, to accomplish our capital allocation priorities. The new 5-year facility incorporates $200 million of additional borrowing capacity, improved pricing and more favorable covenants. Additional information around the terms of the facility is available in our third quarter 10-Q filing.

Just before I turn the call to the operator for questions, I want to leave you with this. These results highlight the effectiveness of the changes implemented over the last 2 years and our team's ability to drive performance. Our team has delivered meaningful sales growth and leveraged our operating expenses to deliver increases in operating profit and margin, demonstrating that we can deliver in a challenging environment. We've continued to generate cash, and we have effectively deployed capital in a way that generated permanent value. Thank you for joining us today. I will now pass you over to the operator to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Chris Snyder with UBS.

Christopher M. Snyder - *UBS Investment Bank, Research Division - Analyst*

So the Acuity and the broader industry has implemented a number of price increases over the last 18 months. Can you just provide some color on the company's pricing strategy going forward? Should we expect further price increases from here?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Chris. Thanks for joining us. Thanks for the question. So obviously, on the pricing front, we have successfully implemented a number of price increases. And we're -- in this inflationary market, we're evolving how we do price increases. So they are more, they're frequent and they're oftentimes more targeted. As long as the inflation -- inflationary market continues, I think you can expect that we will also be continuing to adjust our prices going forward.

Christopher M. Snyder - *UBS Investment Bank, Research Division - Analyst*

Appreciate that. And presumably, at a point in time, we won't be in such a hyperinflationary environment. So as we get back to a normal environment, wherever that may be, is your expectation that these industry price increases will plateau or potentially decline? And is the company expecting that it'll be able to maintain kind of the 42% gross margin target even in an environment of pricing declines eventually?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes. So I want to kind of emphasize a couple of things, Chris, because I think this is a really good question. So first, our strategy has been to invest in product vitality, invest in service and use technology to differentiate our products. So we have better products that are more valuable for our customers and more profitable for us on a relative basis to the rest of the industry. So as we look forward, we believe those are going to be the hallmarks of who our Acuity Brands Lighting business will be going forward. So we'll have the right products in the right place at the right price.

Our pricing strategy is really straightforward. We compete effectively where we need to on everyday lighting products, and we're the best solution sold through our independent sales network and direct sales network for broader product business. So I believe that because of our product vitality and because of our service, we are positioned well for whatever market presents itself to us over the next 3 to 5 years.

Operator

Our next question comes from John Walsh with Credit Suisse.

John Fred Walsh - *Crédit Suisse AG, Research Division - Director*

Nice quarter. So maybe we could follow on with that line of questioning, but also bring in the cost piece of that equation, right? Because it's not just price, but it's price cost. So can you, one, talk about, I guess, on the pricing front, what's changed in the organization? I think last Analyst Day, you really highlighted pricing is now more of a corporate function, where I think it was a little bit more down in the brands maybe last time? And then about your ability, if you do see deflation or some type of softness, your kind of variable cost structure around your manufacturing because it is a price cost equation, right?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes. So let me kind of unpack both of those, John. First, on the pricing execution. So I spend a second on pricing strategy before, so now pricing execution. At the -- in the lighting business, the pricing execution is centralized in a consolidated function that is powered by a combination of our team who has a lot of, obviously, domain experience and the introduction of technology, which is allowing them better data to make better decisions. So that's an evolution from where the company was, say, 3 years ago. And we'll continue to invest there. And I think that there's continued opportunity for improvement in execution around the strategy that I outlined earlier.

On the cost side, you emphasized kind of two key points there or you emphasized one, I'm going to emphasize two. The first is the cost of the inputs. The second is the scalability of our supply chain, the manufacturing and the distribution piece. So first on the components, obviously, we're competing in an inflationary environment. So you see the movement in component prices from components to freight, et cetera. We have demonstrated that we are -- have been pretty dexterous in our management of those going forward. And I've told our team that while I would like to tell them that I think the next 2 years are going to be easier than the last 2 years, there's no indication that it will be. So they're ready to continue to attack those challenges. The second then is the scalability of our supply chain, manufacturing and distribution.

We've demonstrated that -- if you go back to the kind of the pandemic and as we all went into it and no one knew what would happen, we demonstrated the ability to manage effectively through a period where revenue dropped. And now we're -- I believe we've demonstrated our ability to execute in a period where revenue increased. And I think that highlights -- it's a good way to think about the 2 things. One is the scalability of our manufacturing and distribution number one, and number two, our team's ability to manage and deliver in wildly different environments in a really short period of time. So that, I think, positions us again for what's going forward. And as I said, none of us know what the next 2 years are going to be like, but we know that they're not going to be straightforward. So we're in a -- but I believe we're in a good position to manage through that.

John Fred Walsh - *Crédit Suisse AG, Research Division - Director*

Great. And then maybe just my second question, just around the outlook. So I think you said Q4 remains largely consistent. I just want to unpack that a little bit, if you could. I mean, typically, you see a seasonal lift Q3 to Q4. Is there anything that you're seeing on why that wouldn't play out?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes. So I will unpack that. Thanks, John. First, on the seasonality impact. For us, we have more shipping days in the fourth quarter than we do in the third quarter. So that's the natural kind of -- that's a piece of the natural seasonality. We -- as you look at our Q3 performance, we hit on pretty much all of -- as Karen indicated, all of our key distribution channels. So for example, corporate accounts had a big quarter. And as she mentioned, that's not always consistent because it's dependent on when those customers choose to make renovations. Having said that, we continue to have backlog levels above normal levels. The demand continues. And so as we look forward, we're -- we think that, as I said, it will be more of the same. Obviously, we're not going to grow 18% every quarter kind of for the foreseeable future. But things are more the same and different in the fourth quarter.

Operator

Our next question comes from Christopher Glynn with Oppenheimer.

Christopher D. Glynn - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

I was curious about the kind of volume price split, if you could frame that up any way for ABL. As it is, unit volume for comparisons is kind of the basis to evaluate where we are from cyclical strength and kind of a key input for modeling the out year.

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Yes. Chris, this is Karen. Let me give you some color around our price volume. So we are managing, as Neil mentioned, that relationship between price and volume. And if you look at the ABL business and their performance this quarter, it really demonstrating the ability to do both. So we were able to capture and realize price to offset the inflationary cost that we mentioned. We were able to grow our volume this year, year-over-year, and we also benefited from the acquisition of OSRAM, as we mentioned. So I think this quarter is really a good reflection of our ability to manage both of those components.

Christopher D. Glynn - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Do you think the organic side of ABL was split maybe 50-50 volume price?

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Without getting into precise numbers, I would say that we had a healthy mix of both this quarter.

Christopher D. Glynn - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Okay. That's great. And then a question on ISG. Curious how to think about the fundamental margin and profitability model there. You had almost 100% sequential incrementals and over 80% year-over-year incrementals. I don't think we'll see that kind of leverage in perpetuity. But yes, just in terms of informing our view of the kind of run rate, how to think about it in terms of margin index.

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes, Chris, I'll take on that. As I indicated in the prepared remarks, obviously, ISG is a combination of Distech, which is on-prem and Atrius, which is in the cloud. So what -- where we've guided kind of their strategic development is that we are going to continue to demonstrate that we can deliver to profitability while we invest in new products and in new software and data capabilities. So you see in this quarter, I think, is a responsible representation of the ability to do both. The ability to grow and the ability to deliver some profit. So going forward, we expect to continue to do that. So we'll continue to demonstrate profit while we invest in growth. The priority would be growth if we are forced to choose. But as we've demonstrated, I think we can do both.

Operator

Our next question comes from Ryan Merkel with William Blair.

Ryan James Merkel - *William Blair & Company L.L.C., Research Division - Research Analyst*

Nice quarter. So Neil, I wanted to start with a question on the macro. Are you starting to see any signs of a slowdown either in quoting activity or any feedback from the channel that maybe people are getting a little bit more nervous?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

So not to be -- not to make a pun, but I'll start -- on the macro question, I'll start with the macro, which is obviously, we're all competing in the same economy, and we're eyeing the same data that you are eyeing and we're positioning ourselves appropriately for what could happen; because I don't think any of us know what will happen. As of now, as we indicated, things are more the same than they are different from an outlook perspective. So we continue to see the order and quoting volume. We have above normal backlog as we indicated, and so that positions us going forward. Of course, we acknowledge though that there's a lot of discussion about things potentially changing. So -- but we're -- as of now, things are more the same than they are different.

Ryan James Merkel - *William Blair & Company L.L.C., Research Division - Research Analyst*

Got it. Okay. And then a question on inflation. Are you starting to see peak inflation at this point? Or are costs still rising such that you may need to increase prices again back to the earlier question?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes, I think we're being pretty strategic about how we think about pricing. So we announced another price increase yesterday, which was targeted and specific. And I think pricing in our industry should become more -- a little bit more dynamic over time, and we're leading that. From a cost perspective, we see things about the same as they have been in the past. Obviously, we have some cost in our inventory, which we will be working through over the next couple of quarters. But going forward, we feel like we're more and more comfortable in a market where price is changing and costs are changing.

Operator

Our next question comes from Josh Chan with Baird.

Joshua K. Chan - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Congrats on the quarter. I guess on the topic about the outlook, you guys mentioned that the backlog is above normal. And if you take a look at sort of beyond your backlog, your project pipeline, assuming all the projects kind of progress as you would expect, how much visibility do you have right now that you're comfortable about? I guess I'm asking because if demand were to slow, I guess, how long will it take for you to kind of see it based on the very strong activity that you're currently experiencing?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

So obviously, we spent a lot of time focused on this, and we think about kind of where our growth is going to come from. So to tie this question to an earlier one that Karen answered, we are seeing a healthy combination of price and volume growth, which are -- and unit growth, which are driving our sales. So as we look forward, we believe that we have -- because of the investments in product vitality and because we have an investment in service, we have a runway that we're going to continue to execute against. So the relationship then between daily order rate obviously and shipments will be important, but it will be less pronounced perhaps than it was in years past. So we do have some runway as we look forward to changes. And our objective is to deliver as consistently as we can through in economic times, which are inconsistent.

Joshua K. Chan - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

All right. And I guess my second question, on supply constraints, it sounds like the imported products might be getting a little bit better. Could you talk about where the bottlenecks still are in your supply chain? And how you feel like you're stacking against competitors in terms of procurement?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes, I'll start, Karen, if you want to add anything to this. So the -- if there are bottlenecks, they are really around chips. So kind of it all starts with silicon, as you've heard. We've obviously demonstrated an ability to do that better than others. But because we have a higher backlog, we've also are demonstrating to ourselves that we could still use more. So that's the place where we spend a lot of our time and effort. And to think through kind of the impact of that, I'll just kind of anecdotally give a piece of color, that's a relatively inexpensive piece but a highly important piece of the entire build of Luminaires. So the electronics that are part of the driver, the driver is part of the Luminaires. So that relatively inexpensive component ties up a lot of other components, which are waiting to be assembled into the final Luminaire. That's part of the reason why our inventory is higher. Our raw material inventory is higher because we're positioned so that when we do get those chips, we can we can perform.

I want to take my hat off to our sourcing team and their ability to be creative and to be dexterous about kind of finding these components. I told a story last quarter, I believe, or the quarter before, where we were even sourcing products for some of our competitors who are our suppliers because they didn't have access to them. So we're doing everything that we can to differentiate ourselves. And as that starts to -- as those chips and silicon start to flow more consistently, which we believe that they will, it's just a matter of when, as they -- then we can more consistently kind of work through the rest of our inventory position and continue to work through our backlog.

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Yes. And Josh, I would just add that where we've seen some improvement is really around the flow of the purchased finished goods at the port. So we're able to now get those products so that we can ship them. So that -- you'll see that work through some of the inventory as well, now that we've seen that improvement.

Joshua K. Chan - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Thank you both for the color and good luck finishing off fiscal year.

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Thank you.

Operator

Our next question comes from Jeff Osborne with Cowen & Company.

Jeffrey David Osborne - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

I might have missed this, but I was just wondering if you could give us a sense of perspective, Karen, on the OSRAM contribution in the quarter for both revenue and gross margins.

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Sure. From a top line perspective, OSRAM contributed about 300 basis points of the growth that you see year-over-year. As we mentioned, in the near term, it is dilutive to gross profit margins. We've had them almost a full year now, I think, July 1, will be a full year since we purchased that business. And so we have been working to improve the profitability of the business and still have some work to do, but it was a bit dilutive to the gross profit margin.

Jeffrey David Osborne - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Got it. And then on the share repurchase, great to see in the quarter. Can you remind me, I think it's 3.5 million or so outstanding. Is that something you're active with now? And can you remind me when that expires or if that would be something you need to reinstate?

Karen J. Holcom - *Acuity Brands, Inc. - Senior VP & CFO*

Yes. So last quarter, we did get into -- I believe it was last quarter got additional authorization from the Board. So we have plenty of runway left for our share repurchases. We've now repurchased, as I mentioned, about 17% of our shares outstanding since we began this repurchase effort in May of 2020. And we have plenty of runway left should we decide to do more.

Operator

Our next question comes from Brian Lee with Goldman Sachs.

Miguel E. De Jesus - *Goldman Sachs Group, Inc., Research Division - Associate*

This is Miguel on for Brian. Just a quick question on ABL. With the $1 billion you reported this quarter, it seems like you're now tracking well above the high single-digit growth target for the year, assuming if the fourth quarter is flat or even slightly declining quarter-on-quarter. Is that right? And how do we think about that target for the year or the cadence through the rest of the year for ABL?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Miguel, I compliment you on your Algebra. That's where we're rolling out for the rest of the year. Obviously, we're not going to continue to grow at 18% as I indicated earlier. But the algebra would suggest that we will be above single digit remainders for the full year. Are you okay?

Miguel E. De Jesus - *Goldman Sachs Group, Inc., Research Division - Associate*

Great. Yes. I just had 1 quick follow-up there. On the general just the demand backdrop as it relates to pricing, are you seeing anything on the customer appetite changing due to price increases or seeing any stress on demand or worried about pricing getting a bit too intense for customers?

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Yes. As we said on the outlook, I think things are -- as of now, things are more the same than they are different. So we continue -- as Karen indicated in our kind of disaggregated revenue we have strong performance through all of our channels. So as of now, things are more the same than they are different.

Operator

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

Neil M. Ashe - *Acuity Brands, Inc. - Chairman, President & CEO*

Thank you all for joining us this morning. We appreciate your interest in Acuity. I just want to reiterate that I'm really proud of how our team is performing through downtimes, now uptimes. They are continuing their focus on product vitality and service while they manage through the ongoing supply constraints. And so I want to take my hat off to our team for their performance, and we look forward to continuing that. And we look forward to talking to you again soon. Have a good rest of your day.

Operator

This concludes the program. You may now disconnect.