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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the Acuity fiscal 2026 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.

Charlotte McLaughlin - Acuity Inc - Vice President of Investor Relations

Thank you, operator. Good morning, and welcome to the Acuity fiscal 2026 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 our fiscal 2026 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 2026 second quarter earnings release and supplemental presentation, both of which are available on our Investor Relations website at www.investors.acuityinc.com.

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

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

Thank you, Charlotte, and thank you all for joining us today. We demonstrated strong execution in our second quarter of fiscal 2026. We grew net sales, we expanded our adjusted operating profit and adjusted operating profit margin, and we increased our adjusted diluted earnings per share.

We generated strong cash flow and allocated capital effectively. In Acuity Brands Lighting, we are managing our business aggressively in a soft lighting environment. We are aligning our cost structure to current market dynamics while continuing to serve customers effectively.

Over the last five years, we've made meaningful progress accelerating 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.

These efforts have expanded capacity in our manufacturing network and given us greater flexibility to evaluate our production costs.

As a result, this quarter, we took certain actions, including targeted labor cost reductions, which Karen will discuss later in the call. We are managing gross profit margin through the combination of strategic pricing and product and productivity improvements.

This enables us to deliver in this market environment and positions us well for the future. Now I want to spend a moment on our growth algorithm, which is designed to ensure that we outgrow the lighting market. We enter new verticals, we take share, and we grow with the market.

Last year, we strengthened our floodlight portfolio with the acquisition of M3 Innovation. These solutions are used in education, municipalities and infrastructure and are designed to reduce total installation costs and enhance the user experience.

We have won several notable projects that include retrofit and new construction across verticals, including parks and rec and education. One of our larger projects was an installation at Baldwinsville High School in New York.

This project retrofitted an existing football field and installed our solution at a new athletics field. Combined with our lighting controls, we created dynamic control capabilities for a high-impact game day environment across both facilities, all managed from a single control device.

The industry continues to recognize the strength of our products and the value they bring our customers.

This quarter, several products in our portfolio were awarded the Architecture MasterPrize by the Farmani Group, including the Eureka Junction, a made-to-order luminaire that can be configured to create custom installations that are compatible with our nLight controls for use in large shared interior spaces such as lobbies, atriums, reception areas and event venues.

Multiple products were also awarded Product Innovation Awards by Architectural Products magazine, including the Juno Trac Linear Ambient family in our Design Select portfolio, that offers architects, lighting designers and installers versatile options for combining accent and ambient illumination within a single system, simplifying specification and expanding creative possibilities.

Now switching to Acuity Intelligent Spaces, which continued to deliver strong sales and margin performance. Atrius and Distech control the management of the space, and QSC manages the experiences in the space.

And over time, we will use data from both to enhance productivity outcomes through data interoperability. Taken together, this is how we can make spaces autonomous. Both Distech and QSC performed well this quarter.

Within Distech Controls, our Eclipse portfolio is a strategic differentiator. It is a comprehensive building automation platform that unifies hardware and software into a cohesive ecosystem for intelligent building management.

The portfolio includes hardware devices and software used to manage how a building operates, including HVAC control, lighting and refrigeration. During the quarter, we released the Eclipse retrofit solution, a building controls upgrade designed for use in buildings with legacy wiring and control architectures.

This solution allows newer Eclipse-based control capabilities to be deployed, providing IP-based performance, embedded edge intelligence and modern user interfaces without the associated cost or disruption of completely rewiring the space.

We are also expanding our addressable market at QSC. Q-SYS 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.

Historically, the Q-SYS solutions were developed for use in large rooms and spaces. This quarter, we expanded our Q-SYS solution into smaller and medium-sized collaboration spaces with the introduction of the RoomSuite Modular System.

This gives customers the option to increase their room capabilities using audio, video and integrated networking, all supported by Q-SYS Reflect. AIS continues to gain industry recognition.

Earlier this quarter, the Q-SYS RoomSuite Modular System won the Best of Show Award at the ISE 2026 in Europe, the largest AV trade show in the world, while Q-SYS loudspeakers won in both the NAMM Best of Show Award and in the NAMM TEC Award.

Distech Controls received the 2025 Global Company of the Year for Excellence in Integrated Smart Building Solutions by Frost & Sullivan and won the Smart HVAC Product of the Year category at the UK HVR Awards for our Resense Move.

Now moving to our outlook. Acuity Brands Lighting remains the best-performing lighting company in the world. Given our performance year-to-date and our expectations for the lighting market for the remainder of the year, we now expect our full year ABL sales performance will be flat to down low single digits year-over-year.

We will continue to control what we can control. 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.

We are executing on our growth algorithm. We are managing gross profit margin through the combination of strategic pricing and product and productivity improvements. This positions us well for today and for the future.

Acuity Intelligent Spaces is strategically differentiated. We have unique and disruptive technologies that are driving productivity for people experiencing spaces and for the people providing those spaces.

Our focus will continue to be on growth, and we have the opportunity to expand margins over time. We are confident in the long-term performance of both the lighting and spaces businesses.

We have demonstrated that we have dexterity in how we operate, enabling us to continue to execute in dynamic market conditions. Now I'll turn the call over to Karen, who will update you on our second quarter performance.

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

Thank you, Neil, and good morning, everyone. Our strong execution delivered solid performance in the second quarter of fiscal 2026. We grew net sales, improved adjusted operating profit and adjusted operating profit margin and increased our adjusted diluted earnings per share.

For total Acuity, we generated net sales of \$1.1 billion which was \$49 million or 5% above the prior year. This was driven by growth in AIS, which included an additional month of QSC sales, partially offset by revenue declines at ABL.

During the quarter, our adjusted operating profit was \$176 million, an increase of \$13 million or 8% from last year. Adjusted operating profit margin during the quarter was 16.7%, an increase of 50 basis points from the prior year, with margin improvement at both ABL and AIS.

Our adjusted diluted earnings per share was \$4.14, which was an increase of \$0.41 or 11% compared to the prior year, primarily reflecting higher profitability and to a lesser extent, lower diluted shares outstanding.

ABL sales of \$817 million decreased \$23 million or 3% versus the prior year, driven by declines in the direct sales channel. This was due in part to several large projects in the same period last year that did not repeat.

Despite the sales declines, ABL delivered gross profit margin of 45.7%, an increase of 70 basis points compared to the prior year, driven largely by strategic pricing and product and productivity improvements.

Adjusted operating profit increased \$1 million to \$142 million, and we delivered adjusted operating profit margin of 17.3%, which was an improvement of 50 basis points compared to the prior year. This is a result of the improvement in gross profit margin.

As Neil mentioned earlier, this quarter, as a result of our productivity improvements, we took certain actions, including the reduction of labor. This resulted in a \$6 million special charge.

Now moving to Acuity Intelligent Spaces. Sales for the second quarter were \$248 million, an increase of \$77 million driven by strong growth in Distech and QSC, and as a result of the inclusion of an additional one month of QSC compared to last year.

AIS delivered adjusted gross profit margin of 59.1%, an increase of 60 basis points compared to the prior year. Adjusted operating profit in Intelligent Spaces was \$48 million, with an adjusted operating profit margin of 19.3%, which was up 60 basis points compared to the prior year.

Now turning to our cash flow performance. In the first half of fiscal 2026, we generated \$230 million of cash flow from operations, which was \$38 million higher than the same period in fiscal 2025, primarily due to higher profitability.

During the quarter, we repaid another \$100 million of our term loan, bringing the total repaid this year to \$200 million. We now have \$200 million of the debt remaining from the financing of the QSC acquisition.

We increased our quarterly dividend during our January shareholder meeting by 18% to \$0.20 per share, and we allocated \$106 million to repurchase 318,000 shares. In summary, our execution remains strong. ABL is driving margin improvement in the current market environment and AIS continues to perform.

We continue to generate strong cash flow and allocate capital effectively, aggressively taking advantage of market dislocations. Thank you for joining us today. I will now pass you over to the operator to take your questions.

QUESTIONS AND ANSWERS

Operator

Our first question comes from Joe O'Dea at Wells Fargo.

Joseph O'Dea - Wells Fargo Securities LLC - Analyst

Can we just start on demand trends? And so when you think about what you've observed in ABL year-to-date and the prior outlook for up low single digits, now seeing kind of flat to down low single digits.

Just additional color on these demand trends and in particular, what you're seeing in independent sales network, where things have trended softer regionally by end market? And then on the direct sales network side of things, the project business that didn't recur, whether you had line of sight to that or if that was a surprise?

And then long-winded question, but just what you're seeing on market share trends with respect to kind of the softer market you see versus peers? I guess some questions out there, whether price has any impact on demand trends for you.

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

Joe, anything else you want to add before we get started?

Joseph O'Dea - *Wells Fargo Securities LLC - Analyst*

I got a follow-up, too.

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

All right. We'll save that for after we start. So let's first talk about general demand trends and I'd highlight really two things that we think are going on.

The first, we've been highly consistent about, which is we believe that the market is looking for consistency or at least consistent direction around policy, around tariffs, around rates, et cetera. The second is the impact of data centers and their flow-through on everything else.

So they're creating a bit of a crowding out, both from a labor perspective, and I'm sure we'll talk about memory at some point in the call, but their impact on the market is being felt.

The way that manifests is that we -- on the lighting side is there are a significant number of projects that are in queue in either our independent sales network or our direct sales network, which are releasing at slower paces than they have historically.

So our conversion rates are about the same, but the time to release is increasing. So we've talked about this in other quarters where we think there's sort of a gumming up that's going on in the marketplace. And that's really what we're seeing from a demand perspective.

Second, yes, on the direct sales network, we expected this. We had large projects last year, as Karen mentioned in the prepared remarks, which did not repeat. There are -- and there are large projects in the future, which will come along.

So those are largely infrastructure projects. We do think that those were at least mildly impacted. So this is not -- this obviously does not affect year-over-year, but they were mildly impacted by the government shutdown because basically decisions, permitting and funding were stalled for a while.

So there's a little bit of ripple effect that's going through that. And I believe your third question was around market share and price. So we have no indication that we are down in market share.

And as we've talked about in strategic pricing, what strategic pricing means for us generally is that we price our products to the value that they deliver to the market, number one. Number two is we don't have necessarily a universal pricing strategy.

In other words, at places in the market where we choose to be very competitive, we will be very competitive, and in other places where we choose to take price, we will take price.

The net of which is we're managing the relationship between top line and profitability while maintaining our market leadership position. So I think those were the three questions. Did I miss anything?

Joseph O'Dea - Wells Fargo Securities LLC - Analyst

No, you got all 3 parts, so I appreciate the color there. And then just a separate topic on the tariff side of things. Some news last night on potential for a presidential proclamation that finished products made with imported steel and aluminum could be tariffed at 25% instead of 50% on just the steel and aluminum content. I'm sure things that are in process in terms of working through.

But how you're thinking about that? It seems like something that would not have USMCA compliance protection. There's perhaps a 15% threshold below which you'd be exempt.

So just big picture, how you're thinking about this development, any potential impact? Are most of your products below that 15% steel and aluminum content?

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

Yes. Obviously, we're reading about this at the same time everyone else is, and we haven't seen whatever the order would be. So this would be speculation. But let me take a step back and talk about tariffs generally because I think it's a topic worth diving in a little bit about.

We have, in our opinion, the most dynamic, well-executed supply chain in the industry. So our ability to manage through the tariffs has largely been attributed to, a, strategy; b, hard work; and c, kind of location and direction.

So we've been able to manage through the process so far, largely through qualifying new suppliers, identifying appropriate location, reengineering products. In short, a tremendous amount of work by our team here.

And as a result, I think we're in a really strong position versus our opportunity. So when things like this change, we adapt to whatever that change is. And what we've demonstrated is that we can adapt very, very quickly. Big picture, most of our steel and aluminum, 232, does go through USMCA.

So that would continue. And a large portion of our products are unaffected, so because of the thresholds you described. Having said that, we haven't seen it yet. So that remains up for potential change if we see the order and it's somehow different than we expect.

Operator

Chris Snyder with Morgan Stanley.

Christopher Snyder - Morgan Stanley - Analyst

I wanted to ask on ABL gross margin. I don't think anyone would have expected ABL gross margins to be up 70 basis points year-on-year despite volume declines and a lot of the very clear tariff pressure in the market. So can you maybe unpack a little bit the drivers there?

I'd imagine it's a combination of productivity and price cost. Kind of how is the company achieving that in an industry that's known to be so competitive?

And then I guess just looking forward, what gives you confidence that ABL gross margin can continue to grow after all the expansion we've seen already in the last three years?

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

Yes, Chris. I'll start. Karen, dive in if I leave anything out. So big picture, kind of this time last year, around this time last year, we talked about the impact of tariffs and our need to basically take a year to work through the productivity necessary to regain kind of where we were.

So the quick summary, Chris, is that we're working through the productivity as we described to catch up the year of tariff impact on our gross profit margin. So sort of similar to the tariff answer I gave a second ago, it's a lot of hard work around product and productivity improvements.

So that is the redesigning of products, that's the redesigning of our manufacturing footprint, that's the inclusion of some automation, it's a combination of things which are driving that. So as we look forward then around our product and productivity improvements, we're confident in our ability to continue down this path.

And it's not magic. It's hard work, but there's a lot that goes into that. So it's the impact of some of the technology investments that we're making in the SG&A line, it's the Better.Smarter.Faster. operating system and how we reengineer basically everything that we do.

So as we look forward, the combination of product changes, of productivity in our facilities, of our material productivity will continue to drive the increases in gross profit margin.

Christopher Snyder - *Morgan Stanley - Analyst*

I appreciate that. And I want to follow up on, I guess, it's been going on for a while, this intersection of kind of technology and industrials, and it's -- I think it's intensifying now with AI and what that can mean. And I wanted to just ask you, Neil, just given your background, what does this intersection of AI, and I guess, specifically building controls, what does it mean for Acuity?

Do you view it as more opportunity than risk? And ultimately, why do you think Acuity is positioned to win as AI more increasingly penetrates the building?

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

Yes, thanks for that question. I think I'll take a big picture perspective on this and then dive into the impact on both AIS and ABL. So as you mentioned, I've been through these transformations before, and they rhyme if they're not always completely consistent.

And you've heard the truism that the impact in the short term is generally overestimated and the impact of the long term is underestimated. And my view is that, that will be true in spades in AI.

I would say I and we are AI maximalists. We are incredibly positive on the impact it's going to have on our business, that I do believe, though, that with AI, it will be -- the benefits will be spread across everyone, so everyone will get some benefit and declare victory.

There will be a subset, though, that have tremendous benefit. And those are the companies and organizations that have the scale, the resources and, most importantly, the ability to use technology to change their businesses. And the hard part is changing the business, and that's what we're really good at.

So I think that, that positions us extremely well. Then the impact of that technology manifests itself really in two ways. It manifests itself in the products that we present to our customers and end users and in how we operate the business.

So specifically to your question around AIS, that would be a good example of where the AI inserts into the products and services that we present to customers and end users. That will drive the data integration between Atrius, Distech and QSC.

It will drive the data integration among the different components of each of Distech and QSC, for example. And we're well underway with that process now. Second, around ABL.

This gives us a new tool to your -- the first half of your question to continue to drive the impact on the business through the reengineering of the processes, which are core to the execution of the business. And that's a process we're underway with now.

We're at the beginning stages of as well. So if you take the 2 together, then we have the opportunity to impact the -- both the products that -- and services that we provide to customers and users as well as driving the productivity in our business.

So we're net very, very positive. I think the negative cases that are talked about generally, at least as it relates to kind of where we live in the market, put software aside for a second, are built on the premise that AI can do anything. And while that may be true, just because you can doesn't mean you should or you will.

And so if we think about where our end users and customers are going to devote their resources, it's probably not going to be figuring out how to dim lights or connect cameras and displays in their corporate conference rooms or in their entertainment parks or in their NFL stadiums.

So we feel really, really good about where we sit, number one; about our ability to capitalize on AI, number two; and number three, the ultimate defensibility of both of those.

Operator

Ryan Merkel with William Blair.

Ryan Merkel - *William Blair Capital Partners - Equity Analyst*

Neil or Karen, can you comment on if you're seeing any cost pressures? And are you considering raising prices in the second half of the year?

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

Yes, Ryan, let me start with what Neil was talking about with the impact of data centers first. So with the impact of data centers, obviously, that's had some impact on labor availability, which is impacting demand, but it's also impacting memory availability.

So when we think about that, we think about it as a supply shock, just like others that we've had in the past. And here's what we're focused on, similar to what we've done around tariffs. First, we want to make sure we have the right availability of components for our customers.

And then second, we will make sure we cover the dollar impact of any of those increases. And then finally, over time, we'll make sure to address any margin impact just like we've done and Neil described with the tariff situation. So that's really where we're seeing a little bit of the pressure right now, but we will manage through it as we've done before.

Ryan Merkel - *William Blair Capital Partners - Equity Analyst*

All right. Got it. And then my second question is on AIS. Can you just comment on if the outlook has changed and what kind of demand signals you're seeing right now?

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

Yes, I'll take that one, Ryan. The short answer is no. But the longer answer is we feel really good about how this business is coming together. So we are now anniversaring QSC as part of our organization. So it's kind of hard to believe it's only been a year.

But they are fully integrated now as part of AIS. They are -- we are seeing the benefits. They are seeing the benefits of being part of Acuity. We are seeing the benefits of putting Atrius, Distech and QSC together. So we feel really, really good about where they stand.

In terms of kind of the long-term opportunity, both in the building space -- well, in the building space, in the integrated AV space and then in the consolidated space, we feel exactly the same as we have before.

So the short answer is we feel really good about where we are. If we take the first half, they're spot on from a top line perspective where we expect them to be, and we feel good about where they're positioned for the future.

Operator

Christopher Glynn with Oppenheimer.

Christopher Glynn - *Oppenheimer & Co Inc - Analyst*

A lot of interesting ground covered here today. I had a question on the ABL outlook for kind of flat to down now. That arguably suggests the second half shows a little more resilience in the year-over-year versus second quarter or probably no worse.

But it might be intuitive that the data center draw on the rest of the market might be intensifying. So just wanted to put some qualitative on that kind of top line indication you gave for ABL.

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

Yes, I'll take that one and then, Karen, if I leave anything off. So first, I'd say, basically, for the first half of the year, ABL is basically down about 1%, and we have really tough comps from all of the order aheads from this time last year now that we're starting to anniversary.

So that's the synopsis basically of what's going on at ABL. I think going into the year, it's fair to say we had expectations that then became hopes, which now we don't count on anymore that the market would start to normalize and free up a little bit.

So you know everything that's happened between when we made that plan and where we are from a global macro perspective at this point. So that's largely what's going on. And then we're executing through that. I'd tell you an anecdote to explain kind of the impact of data center.

So I was talking to one contractor who is actually a Distech supplier, a mechanical contractor who does a lot of data center work. And what he said to me was, I think, three things, which I found really interesting.

The first is that they could devote 100% of their capacity to data centers, and they have twice the margin on data centers that they have on anything else. The second thing he said was they're not going to do that, though, because he recognizes that data centers won't last forever, and he doesn't want to alienate all his existing customers for the next stage.

So people are starting to see or to balance for that. And then finally, he said, basically, all of his controls people, their business at this point is to rip everything else out and replace it with Distech because they think Distech performs so well. And the reference project he gave me was the D Concourse at Atlanta Hartsfield.

So it's the first time in 25 years, anything other than the legacy provider has been in Hartsfield and now Distech is. So I think that's a quick synopsis and the color of like the texture of how this is playing out on the ground.

Christopher Glynn - *Oppenheimer & Co Inc - Analyst*

Nice anecdote on Distech there. And then I just wanted to follow up on capital allocation. With the stock going down, might have guessed you'd buy back more shares. You see really intent on eliminating the Distech debt, but optically, at least the leverage is negligible.

So just curious how you're thinking about that. And then the third component that I didn't mention would be the pipeline.

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

Yes. So spot on. When -- as Karen indicated in her prepared remarks, when we see an opportunity, we attempt to realize it on the share repurchase perspective. So yes, we've obviously blown through what we had set as our original expectations.

And obviously, we will continue to do that as we see the stock where we think it's kind of at attractive levels. The second, on the pay down of debt, that simply is a function of we have that much cash. So there's no reason to have a negative carry while we're there.

We would be completely comfortable operating with leverage where we to find the appropriate use for that leverage, which gets me to the third point, which is acquisition pipeline. So we continue to have strong pipeline opportunities.

Our focus continues to be on expanding AIS and making it a continually large part of the business. So our priorities remain the same. We'll invest to grow the current businesses, and that kind of through things like CapEx, maybe through things like OpEx if we want to accelerate organic product development, number one.

Number two, as you saw, we increased the dividend in January for the year. Number three, we have a strong pipeline for acquisitions. And then number four, when we see ourselves in situations like this where the multiple compresses so dramatically, we see an opportunity to repurchase and we do.

Operator

Brian Lee with Goldman Sachs.

Unidentified Participant

This is Tyler Bisset on for Brian. I guess just first, can you provide any additional commentary on the cross-selling opportunity with QSC? And I guess, what has been the early customer feedback so far? And how are you envisioning the continued rollout of this product?

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

Yes. So well, let me start first and foundationally, they are the leading full stack AV provider in the world. So we highlighted the ISE Best in Show Award because that literally the global center of the industry, which basically says they're -- that's the industry saying they're the best in the industry.

So there's a strong foundational opportunity to continue to grow what they currently have. The opportunity for cross-sell is then kind of the cherry on top, if you will.

So that is coming through in examples we highlighted in the last call, where, for example, we integrated some Distech products, the recent move with Q-SYS and the broader Q-SYS kit to provide a unique office solution in India.

So second, we have, interestingly, a large overlap of customer base. So I like to -- I used to like to say about Distech, and now I can say the same thing about Q-SYS, which is that the smartest customers buy our products.

So our end-user councils end up being a lot of the same folks. Interestingly, though, even in those, it's not necessarily the same individuals who are making those decisions. So we believe that the cross-sell opportunity ultimately is end user-driven where the companies start to realize the benefit at a more senior level than these individual products have historically been evaluated.

And that's what we mean when we talk about driving productivity for the people in the spaces and the people who are providing those spaces. So that's -- we see good traction on that. And then finally, we also see some traction around AIS and ABL cross-sells, which will be a topic for a later conversation.

Operator

Jeffrey Sprague with Vertical Research Partners.

Jeffrey Sprague - Vertical Research Partners LLC - Analyst

I wonder if you could just kind of come back to the question of memory, and certainly, the color on data center crowding out contracting is certainly very interesting. But I'm kind of more curious just on the kind of core supply side of memory, sort of the nature of memory that you yourself need for your business and whether or not you actually do have a secure source of supply here as things get much tighter.

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

Yes. Thanks for the question, Jeff. As Karen mentioned, this is a supply shock, and we're starting to see a continuing cadence of supply shock. So I guess pretty soon, we're not going to have to call them shocks anymore, but we'll call them supply something else.

In this case, and our playbook for dealing with this is, first, to ensure that we have availability, second, to cover the dollar cost impact through multiple ways. That's productivity and price. And then finally, regain the margin, and you kind of watched us do that with ABL.

We're doing the same thing here. So yes, we've started by ensuring that we have availability. It's a dynamic market. This is a market that's changing on a monthly basis. But we are generally very well positioned for availability.

And that's obviously the primary thing that we're going to be focused on. So our long-term view, I don't know that we have a different long-term view or any greater insight than what you've heard from the general market.

I would say that our general view is that while it's really, really tight right now, it is still very fluid. So it is -- we expect it to be bumpy. So we've done things like extend some purchasing in advance, funding in advance so that we make sure that we have availability. And we're going to ride out a little bit to see where availability and price goes over the next kind of 6 to 12 months.

Jeffrey Sprague - Vertical Research Partners LLC - Analyst

Is the reduction in your top line forecast specifically tied to not having as much memory as you would have needed to make that other forecast?

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

No, there's no impact. Most of the memory would be at AIS, not at ABL.

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

Okay. Great. And then I was just wondering if you could maybe elaborate a little bit more on the restructuring actions. Is this another one of many that might be coming? Or should we view this as sort of a one-off action here? And what kind of payback do you see on the actions that you took here in the quarter?

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

I'll start, Karen, you clean up. So big picture, I want to emphasize that we've done a lot -- this is all ABL related. We've done a lot over the last 6 years to increase our productivity. That increase in productivity has increased our -- as a result, has increased our capacity. So we have significant capacity.

That positions us well for two things. One is to realize some short-term benefits when the market presents us with a need to, and then the second is to meet whatever opportunity there is going forward.

So specifically this time, we started to reduce some of the labor in our manufacturing facilities as a result of this productivity improvements and the current demand levels. That's the primary piece of what we did. Second, we changed a little bit of how we're operating the sum of parts of the go-to-market as well, which was more minor.

So those are -- this was not an isolated action. So we will continue to view how our manufacturing network and our supply chain are positioned given this increase in productivity, but that will take us years, not quarters.

Operator

Robert Schultz with Baird.

Robert Schultz - *Robert W. Baird & Co Inc - Senior Research Associate*

I'm on for Tim this morning. Neil, earlier in the call, you referred to the gap between quoting activity and releases. What do you think we really need to see for that gap to close? And just how would you frame current sentiment from agents within your independent sales network today?

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

So I want to contextualize this and then I'll answer your specific question. So contextually, our conversion rate is basically the same that it's always been. So that's a 15 year observation, not a two quarter observation.

So having said that, the time between quote and release of the projects is -- has gotten longer through this period than it has been in the past. So if you deconstruct that, that says, effectively, there's still a lot of projects in the pipeline and they're releasing at a slower rate.

Our hypothesis is that this is related to things like labor and crowding out that we talked about earlier and maybe some uncertainties around the policies, tariffs, et cetera. So that's the nuts and bolts of how it happens or how it is happening. In terms of the independent sales network, their view is generally relatively positive. So we survey them regularly. We talk to them even more regularly.

They are still in hiring mode, so they're adding headcount, which they are -- remember, they're independent small and medium-sized businesses. So that comes out of their pocket. So I would say that their general view is that we will -- this will improve over time.

Robert Schultz - *Robert W. Baird & Co Inc - Senior Research Associate*

Got it. And then just as it relates to the ABL guide and the revision in sales there. Is there any changes to what you guys are thinking about SG&A spend in the back half of the year?

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

Well, obviously, we've already taken some actions around SG&A. And as we indicated, as Karen indicated in our prepared remarks, we are managing SG&A really aggressively through this period. So Karen, would you add anything to that?

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

Yes. No, I think that's fair. As Neil mentioned, the charges that we took this quarter at ABL will impact a little bit of the SG&A spend as well, and we just continue to manage aggressively in this market.

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

We also, though, will continue our investment in technology. So just to finish that point, Rob, we will continue our investment in technology. Obviously, I covered that pretty extensively earlier, but we will continue that investment.

Operator

Joe O'Dea with Wells Fargo.

Joseph O'Dea - *Wells Fargo Securities LLC - Analyst*

This one is a quick one. But just on the guide, you talked about ABL. Just in terms of AIS revenue, are you still looking for low to mid-teens growth there for the year? And then any change to the EPS guidance range?

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

Yes, Joe, thanks for asking. Yes, no change to AIS growth, still low to mid-teens, and no change in EPS as well.

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.

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

Great. Well, thank you all for joining us this morning. I would say that I am pleased and proud of the execution that our company is showing through this dynamic market environment. At ABL, we are clearly the market leader. We are managing gross profit margin despite lower sales.

At AIS, we are differentiated and we continue to grow and change the industry. So I feel really good about where we are going forward, and we look forward to talking to you again in another quarter.

Operator

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

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