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OVERVIEW:

Company Summary

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

Ryan Merkel *William Blair Capital Partners - Equity Analyst*

Christopher Glynn *Oppenheimer & Co Inc - Analyst*

Jeffrey Sprague *Vertical Research Partners LLC - Analyst*

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PRESENTATION

Operator

Good morning, and welcome to the Acuity Fiscal 2026 Third Quarter Earnings Call. (Operator Instructions) . After the speaker's presentation, the company will conduct a question-and-answer session. 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 Third Quarter Earnings Call. On the call with me this morning, 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 2026 third quarter performance.

There will be an opportunity for Q&A at the end of this 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 third 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 this morning. We demonstrated solid execution in our third quarter of fiscal 2026. We grew net sales, we expanded our adjusted operating profit, and we increased our adjusted diluted earnings per share. We generated strong cash flow and allocated capital effectively.

In Acuity Brands Lighting, our sequential performance improved, while our margins remained strong. Our ability to drive performance in this market is a result of the execution of our strategy to increase product vitality, elevate service levels, use technology to improve and differentiate both our products and how we operate the business and drive productivity.

Over the past several years, we have focused on enhancing our product portfolios, contractor select, design select and made to order. By aligning these portfolios to the specific needs of our customers. We have reduced complexity across the value chain while driving productivity for both our partners and ourselves.

Contractor select drives growth and productivity for electrical distributors and retailers by lowering their cost of doing business and reducing their inventory requirements. Design select enhances productivity for architects, specifiers, and contractors by enabling efficient configuration of the right products for each project.

The balance of the portfolio is made to order, providing customized solutions tailored to specific customer needs. This quarter, we introduced Beyond by Lithonia into our Design Select portfolio. Beyond is our next-generation linear high bay designed for large-scale industrial applications with pre-configured trim packages for common use cases, such as cold storage, automotive manufacturing, and warehousing.

It integrates eldoLED drivers with embedded sensor switch and end light controls, delivering a complete lighting and control solution that simplifies specification, ordering, and installation. We also introduced CPX3P, our new three-pane panel available in both Contractor Select and Design Select.

The CPX3P combines an architectural aesthetic with switchable lumen output and switchable color temperature at an accessible price point. By enabling configuration and install, we reduce SKU complexity for our distributor partners and simplify specification, inventory management, and installation for our customers.

The industry continues to recognize the value that our products deliver to our customers. This quarter, we received several Red Dot awards. Our Eureka brand continues to demonstrate design leadership. The Eureka segment earned the prestigious best of the best recognition, while Tulip, Jarry, and Orelia received multiple product design awards. Over the past 15 years, Eureka has won 27 Red Dot awards, reflecting consistent design strength across the portfolio.

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

Today, I want to focus on Distech, where we have delivered strong, consistent growth and margin expansion. Our performance reflects the strength of our open architecture strategy. Our edge with cloud platform delivers both local resilience and enterprise-scale intelligence, eliminating traditional trade-offs.

Through open protocols, open tools, and an independent system integrator network, we have customers' full control over how their systems are deployed, serviced, and upgraded over time. This differentiation is translating into share gains across our end markets. We are winning projects and displacing incumbents at major universities, professional sports venues, data centers, and enterprise campuses.

And we are winning OEM manufacturers who are selecting our Eclipse portfolio for next-generation applications, where our architecture enables capabilities, their legacy platforms cannot support. We continue to invest in product vitality. We recently launched Eclipse Resilience, a programmable logic controller designed for mission-critical cooling applications for use primarily in data centers.

We now have a powerful combination of programmable logic controllers and direct digital controllers to solve customer problems. We also introduced a preloaded Resense Move Dashboard within Eclipse facilities, providing immediate visibility into occupancy and space utilization out-of-the-box. Accelerating returns for both operators and systems integrators.

Our investments in product innovation, combined with productivity enablers such as AI-enabled programming tools, workflow automation, and the expansion of Distech Academy, are making our partners more efficient and driving growth across the platform.

Distech is no longer just a controls company. It is a platform company investing across every layer of the stack and uniquely combining edge control, cloud intelligence, and occupant experience. AIS continues to build momentum with strong external recognition across the portfolio. Resense Move was featured in the AHR Product Showcase and received a CSE award highlighting the strength of our sensing and analytics capabilities.

Distech Controls earned an EcoVadis Medal for sustainability performance. And QSC was recognized with Rave's Best of ISE 2026 Award for the Q-SYS Room Suite Modular System and named in the AVNation Reader's Choice Awards, underscoring increased customer adoption and preference across the AV ecosystem.

Now, looking ahead. Acuity Brands Lighting remains the best-performing lighting company in the world. Our third quarter order trends indicate that demand in the lighting market is firming. We are focused on executing our strategy and advancing our growth algorithm, while managing gross profit margin through strategic pricing, product innovation, and productivity improvements, positioning 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 continue to expand margins over time. We are confident in the long-term performance of both the lighting and spaces businesses.

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

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

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

For total acuity, we generated net sales of $1.2 billion, which was $19 million, or 2% above the prior year. This was driven by growth in AIS, partially offset by revenue declines at ABL. Adjusted gross profit margin improved to 50.1%, an increase of 10 basis points above the prior year, due primarily to a higher mix of AIS sales.

During the quarter, our adjusted operating profit was $224 million, an increase of $2 million, or 1% from last year. Adjusted operating profit margin during the quarter was 18.7%. Our adjusted diluted earnings per share was $5.31, which was an increase of $0.19, or 4%, compared to the prior year, primarily reflecting higher profitability and lower diluted shares outstanding.

ABL sales of $905 million decreased $18 million or 2% versus the prior year, reflecting a challenging comparison to the third quarter of 2025 when orders were accelerated ahead of price increases. On a two-year stacked basis, total ABL grew 1% and the independent sales network and direct sales network combined grew 4%.

ABL again delivered strong adjusted gross profit margin of 46.1%, driven largely by strategic pricing, product and productivity improvements. This quarter, we also had a $6.4 million tariff refund in ABL that we have adjusted out of our numbers.

Adjusted operating profit declined $9 million to $165 million. And we delivered adjusted operating profit margin of 18.2%, which was a decline of 60 basis points compared to the prior year, driven largely by lower sales. Now, moving on to Acuity Intelligent Spaces.

Sales for the third quarter were $304 million, an increase of $39 million, or 15%, driven by strong growth in Distech and QSC. AIS delivered adjusted gross profit margin of 60.3%, an increase of 10 basis points compared to the prior year. Adjusted operating profit was $76 million, an increase of $14 million, or 22.5%, with an adjusted operating profit margin of 25.1%, which is up 150 basis points compared to the prior year.

Now turning to our cash flow performance. In the first nine months of fiscal 2026, we generated $520 million of cash flow from operations, which was $121 million higher than the same period in fiscal 2025. During the quarter, we successfully refinanced our existing revolving credit facility with a new five-year, $800 million unsecured revolving credit facility.

This upsized facility enhances our financial flexibility and extends our maturity profile. We continue to allocate capital effectively. Year to date, we have repaid $200 million of our outstanding term loan, increased our quarterly dividend by 18%, and repurchased over 766,000 shares for $230 million.

In summary, our execution is solid. AIS continues to grow and expand margins, while ABL is delivering industry-leading performance. We continue to generate strong cash flow and allocate capital effectively, taking advantage of market dislocations to create long-term 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)

Chris Snyder, Morgan Stanley.

Christopher Snyder - *Morgan Stanley - Analyst*

Thank you. I wanted to ask about AIS top-line growth. And I think we appreciate that the category grows faster than core lighting, but it also doesn't seem like a 10s growth category that you guys have been delivering for the for a long time now.

So guys, can you just talk about, is that just all innovation and share gain at the company level? Or is the company starting to break into some higher growth verticals? And I specifically wanted to touch on data center, which you guys called out in the prepared remarks, and it's not a vertical that we've ever really thought about associated with the company before.

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

Yes, good morning, Chris. So let's focus on AIS. First, so and Distech and QSC really kind of rhyme with each other, so we wanted to talk about Distech this quarter and I will emphasize kind of Distech performance relative to your question.

So over the five years I've been here, we've been very purposeful about. Adding products and innovation to Distech that allows it to compete and compete effectively, first against the traditional Big Four competitors and then second, to enter into adjacencies, which will grow their TAM and expand the company as a result.

You're really seeing all of those things come together in a very constructive way. So first, we are in the core business, the Eclipse controllers, we are out innovating the competition and we are taking share. So for example, in Atlanta and the Hartsfield Airport, for the first time in over 20 years, Distech was a new operating platform, which was placed in Terminal D category. So an example of where we're displacing incumbents.

Second, we obviously announced the introduction of the PLC controller. So we have had data center exposure with our digital controllers. Now we have a unique combination of digital and PLC controllers, which positions us well for several of the hyperscalers and that will be a growing business overtime for us.

Third, we've entered adjacencies like refrigeration, which we talked about with the KE2 Therm acquisition a couple of years ago and also with the addition of more OEM exposure to other manufacturers in the industry. So taken together, we've taken the growth rate of the industry, we've expanded dramatically beyond that through share gain and innovation.

And third, availed ourselves of additional opportunities in adjacent markets and adjacent end markets. So when you put that all together, you get the opportunity for us to continue to grow in these at these rates as we look forward over the next several years.

Christopher Snyder - *Morgan Stanley - Analyst*

Thank you. I really appreciate that. And then if I could just follow-up on capital deployment. So you guys bought back a good amount of stock in the quarter. I think still have more than $400 million of cash on the balance sheet. Obviously, more free cash generation to come.

Can you talk about how you think about capital deployment? I know in the past, there's been -- I guess you talked about opportunities to kind of just further build out this AIS platform. Is there anything within that that you think would be a great fit? And then also just buyback. You've kind of demonstrated over the last however many years that you guys are committed to buybacks when it's opportunistic.

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

Yes Chris, I'll start, and then I'll pass it over to Neil to talk more about the opportunities for acquisitions. So our capital allocation framework has not changed. We continue to invest in the business for growth. We've increased our dividend this year, and we will evaluate acquisition opportunities. And then also, we repurchase shares.

So the repurchasing shares, we've demonstrated that we're super disciplined and opportunistic in our approach. And I'd highlight this. Specifically, we purchased nearly 500,000 shares at an average price of $281 a share. So we feel really good about our program, and it's working to create permanent value for our shareholders, and we'll continue to be opportunistic when the opportunity presents itself.

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

And to build on Karen's comments, one of the other things that we've highlighted about our capital availability and compounding a generation of cash is that it empowers us to do all of the above. We can invest in our current businesses for growth, we can invest in acquisitions, we can increase our dividend, and we can repurchase shares, which we've demonstrated we do very effectively.

So as we look forward on the acquisition front, we are enthusiastic about the opportunities that are ahead of us in AIS. There are multiple areas that we have identified that are attractive for us to continue to add to the portfolio, so we can expand Distech, we can expand QSC and their footprint, and we can add additional things.

I balance that by saying our view on acquisitions is really quality and not quantity. So we're focused on ensuring that we buy the right assets. And so I'll emphasize the QSC acquisition as an example. We waited and did our work so that we knew we would buy the right asset and we were confident that when that asset and that team were part of Acuity, they would be able to do things that they previously had not been able to achieve.

And you're seeing that in their results, and you see that in a market perspective at a trade show like InfoComm, where they're celebrated as the clear differentiated leader and on an earnings call where you can see their performance has dramatically improved.

In summary, we believe from a capital allocation perspective, we have the ability to do all of the above, to grow our current businesses, to acquire our businesses, to pay our dividend and to repurchase stock. And we're looking forward to additional acquisitions, which will build out AIS as our first priority.

Christopher Snyder - *Morgan Stanley - Analyst*

Thank you both. Really appreciate all the color.

Operator

Tim Wojs, Baird.

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

Hey, everybody, nice job. Maybe just, Neil, just kind of referring back to some of your prepared comments on just kind of order trends. I know there's been. Some elongation in the marketplace around kind of quoting activity and release activity. So are you hearing from your agents that that gap is kind of closing? And is there any particular catalyst for that or is it just, hey, there's a little less volatility and we're comfortable kind of releasing some of these orders?

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

Yes, Tim. So. I would say the order rate was softest in kind of the winter months, so October through January, basically. And our conversion rates were longer during those periods than they had been in the past. And those conversion rates are highly consistent over a long period of time. So we believed it to be an anomaly, and you can see it and you heard it in your checks through as the releases are extending.

We're starting to see that firm up, as I indicated in the prepared remarks. And I think firming is probably the right, the best definition. So we're seeing more normal project activity and more normal conversion rates on the lighting side. And I also believe that we're performing better than the competition. So that's a so taken together, I think that gets us to where we are from a.

From a firming perspective. As Karen mentioned in her remarks, remember last year at this time was the Tariff 1.0, I don't know if it's 1.0, but tariff, April tariff, which obviously kicked up a lot of activity, which we think we saw the impact all the way through.

We also haven't really spoken about the impact of the government shutdown, but we think that clogged up the works during that period also a little bit. So I think we're starting to see some clearing of that activity as well.

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

Okay, that's really encouraging. And then I kind of have a two-part question on margins. I guess the first part is there anything on the inflation side that you guys are particularly focus on right now, whether it's certain kind of electrical components or just kind of general areas of inflation.

And then the second is, as we kind of think over the next couple of years, do you feel like we're at a point in the business where we could start seeing a little bit more SP&A leverage on an annualized basis, or is that something that you would think continues to grow as a percentage of sales?

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

Yes, I'll break my answer into basically three parts, and Karen, weigh in if I leave anything out here. So first, on general inflation, yes, we're seeing it across the complex, I would say. So there is some materials inflation that we're seeing, metals, et cetera, as one example. And we're seeing inflation in the SDA lines. So I'll get to SD&A last to your question, but we're seeing inflation through those. I mean, medical costs are up 12% going forward for us, for example.

So that's kind of piece one. Piece two is what I would say are the continuing examples of supply shocks. So memory, we're treating as we have tariffs and other supply shocks along the way, so we're focused first on ensuring access and availability. Second, covering any margin dilution with dollars and then third, restarting architectural and productivity improvements to continue our margin expansion.

We'll deal with that over the course of the next year or so, and the memory is largely an AIS impact as opposed to an ABL impact. And then finally, on SD&A, the vast majority of the increase in our SD&A expenses have been investments in technology.

So that's investments in our ability to, over the course of the last two years, for example, to use AI. We're using that in driving our operations. It's investments, we were just in Mexico this week with our Board of Directors in our digital focus factories and digitizing our supply chain, things like that, largely investments that are helping to drive the margin expansion we see in the gross margin.

Our lighting business will continue to outgrow the market and the market will grow. When that does, we will see significant operating leverage on the SD&A line. At the same time, our AIS business continues to demonstrate that inside of their own kind of expenses, they are leveraging operating expenses as they continue to grow at a higher rate.

When you take those two together, they will continue to be a larger portion of the company, and we will see leverage as a result of them being a larger portion of the total.

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

Awesome.

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

Thanks, Tim.

Operator

Ryan Merkel, William Blair.

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

Hey, everyone. Good morning. Thanks for the question. I wanted to follow-up on the orders comment, things affirming there. Neil, should we think about ABL for 4Q showing normal seasonality or could it be above normal seasonality? And I'm curious if there's any color on end markets, any specific end markets where the order trends might be coming up?

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

Karen, why don't you take the sequential, and then I'll talk about the categories.

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

Yes, Ryan, as there is nothing perfect about the sequential trends, and it's not perfectly going to align with history, but here's what I would say. Q3 was a little bit of an outperformance on our sequential trends, and we will see an increase from Q3 to Q4 as we normally do.

It may not be as steep as what the Q3 increase was, but we should see continued growth from Q3 to Q4. So we do see like, based on the current order rates that things are firming, as Neil mentioned, and that should set us up well for Q4?

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

So then in terms of end markets, so first starting with our disaggregated revenue, Karen called out a two-year stack for the C&I plus direct network, that's as I've said on this call in prior quarters, I tend to look at those together and because it normalizes back and forth between those two, and so on a two-year basis, that's up 4%.

So that normalizes for tariffs and it normalizes for accounts moving back and forth between the two of them. So I think it's a pretty good way to look at that business. That then highlights that there over that two-year period would have been weakness in corporate accounts, retail and OEM for us. As we looked into the fourth quarter and you can see through the performance in the third quarter, corporate accounts is performing pretty well this year.

So as we've said consistently, that's a very good piece of business that we are the clear leaders in, but people don't refresh their buildings at the same time or on a continuous basis. But we expect that to be a strong part of the business for us in the fourth quarter and beyond first.

Then on end markets, we talked about data centers in the AIS conversation. We have strong lighting performance in data centers as well. So it's just a smaller vertical because there are less lights, but as a content percentage of dollars. So that's an example of where we're performing really well.

The other one I'd call out, which we've talked about, is our entry into refuel. So we are really continuing to grind out our advancement in that business. So we've won many of the largest accounts that will only -- their performance with us will only increase over time, and we have the stamina to continue to perform in that business.

So I'm really pleased with the way our team has entered that market, has built a product presence and a go-to-market presence, and we've got great relationships with that, and then we'll continue to grind forward. And then.

Finally, when you look at kind of the end markets in total, it's worth repeating that on the Acuity Brands Lighting side, we have the ability to flex into where the opportunities are because we have generally pretty good market coverage.

And so when one market is challenging, say, office, another is expanding, say, industrial, which would include the data center performance. So net-net, I think firming is the right determination, and it will demonstrate how much we outperform the rest of the lighting industry.

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

All right, great. That was an awesome color. Thanks. And then my second question is just on gross margins longer-term. Neil, you've been able to expand gross margins and ABL despite weak volumes for a while now. And I guess my question is, can you continue to expand there if volumes stay soft? Is there more room on productivity and new products to keep raising gross margins?

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

The short answer is yes.

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

Okay. And is it more productivity-driven?

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

So I'll remind kind of everyone, the strategy at ABL is basically a virtuous cycle of product vitality, increasing service levels, using technology to differentiate our products and how we operate the business and driving productivity. So each one of those is contributing to the margin opportunity that we -- or the margin performance we've delivered and the opportunity that remains in front of us.

I would say we are on a we have moved the lighting business to a more productive product vitality cadence than it's been at least since I've been here. So that will be a contributor. On the service levels, we are increasing our ability to tie together an order and deliver a higher outcome for both distributors and then projects. Through higher performance and higher reliability.

I indicated in the SD&A comment earlier that the technology in our supply chain is starting to impact our productivity even more than it has in the past. And then those all come together in our ability to drive productivity.

I'll also remind that third quarter of last year, we had some more volume than we normally would have as a result of the and this was pre-price increases, pre-tariffs, and you can see the expansion that ABL was naturally able to deliver in its gross profit margin.

So we're doing all of this work, as you point out, in a soft volume environment or a tepid volume environment, I shouldn't use that word anymore, but when there is volume growth, and there will be volume growth because there is literally not anything in the world that doesn't have a lights in it, we will continue to expand those margins.

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

That's awesome. Thanks Neil.

Operator

Christopher Glynn, Oppenheimer.

Christopher Glynn - *Oppenheimer & Co Inc - Analyst*

Good morning. You get tired of the word tepid, Neil.

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

I thought I vanished it from my vocabulary and it stuck back in. So please strike that from the record.

Christopher Glynn - *Oppenheimer & Co Inc - Analyst*

Will do. I wanted to double quick on one of the Distech comments about winning with OEM manufacturers. I hadn't heard that before and I think you indicated that's sort of a new lane for the business.

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

Yes, I mean, in summary, Chris, the industry recognizes that we have the best technology. And so as we pointed out, because we're open protocol, we have the ability and they and our partners have the ability to do more things with our controllers than they've been able to do in the past.

And so the trend I see there and that I predict will be going forward is that we will be able to consolidate more of the control opportunities among more manufacturers because they have the best of both worlds with Distech controllers.

They have the best technology, they have open protocol. Over time, they have access to the Atrius DataLab, which gives them the opportunity to do all of the things that they want to do with data, with digital control. At the same time, they can remain expert in the things that they are expert in, which are valves and other things.

So we're confident about what the opportunity is there. And as an aside, that's also how we participate in the data center market, which is largely as an OEM provider.

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

Great and covered a lot of ground this morning so far, so I was actually just curious what you during the quarter, the past few months, what you've been spending most of your focus time and energy and priorities in around the organization. Little [Bird] told me you've been traveling a lot around the business.

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

Yes. Well, you've got a bird following me around now, Chris. This is a whole another level of, so yes, I've spent a fair amount of time in the business this quarter. I would highlight maybe three things that have, or four things that have taken up my time. The first is I'm pleased with our, the development of our AI platform inside the company.

And my view is that AI. Everyone is going to impact, have a positive impact from AI, all organizations, but the ones that understand how to integrate the change in the technology with a change in the business will have the greatest opportunity. So I think that's the biggest opportunity for us and that's where I've spent most of my time, one.

Two is, I've spent a lot of time with each of our teams around product and product velocity and how to use our better, smarter, faster operating system to drive product velocity, which is, I think, a differentiator for our company and a long-term opportunity for us.

The third is I spent a lot of time in our facilities. So I mentioned earlier, we hosted our Board of Directors this weekend in our Mexican production facilities. And I would tell you that every time I go there, I'm proud of what they are capable of doing. We have a high productivity, incredibly engaged population who are completely aligned with our strategy and literally get better every time I go there.

And then fourth, we mentioned acquisitions on the earlier in the call, there are opportunities for us to expand AIS and so we're out meeting with potential partners and companies on that front. So taken together. I feel really good about kind of what we're doing in this market and the impact that it'll the opportunity for us on the future.

Christopher Glynn - *Oppenheimer & Co Inc - Analyst*

Sounds great. Thank you.

Operator

Jeffrey Sprague, Vertical Research Partners.

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

Hey, thanks. Good morning, everyone. Hey, just trying to get a little bit better or maybe. Clear, to me, anyhow, perspective on the firming you're speaking to, Neil. Just curious, is this more kind of backlog normalization, kind of some of the delayed conversion coming through? Or do you see a clear kind of uptick in just kind of the demand response in the end markets themselves?

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

If I'd say it's a combination of both. Primarily, I'd focus on a bit of the normalization of the backlog. So obviously, a lot of these are kind of long 10-year projects. So we're seeing them start to move through the pipeline. We've said in the past that we believe that with a normalization or any clarity around policy, inflation, tariffs, et cetera, that we would have a.

That the market will react positively to that, and so we're starting to see this I think people can't wait forever on these projects, so they're starting to move through with those. As we look forward in our proprietary data around or our proprietary models around data, we see kind of affirming of demand for the next kind of like 12 months or so or next four quarters.

We don't see a dramatic increase in demand, but we definitely see affirming in demand. So we think that kind of that's a combination of basically the market trying to find some normal patterns.

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

As you've looked at your own data and kind of the external things that many of us look at, like, have you gotten your head around why ABI continues to be weak and Dodge Momentum looks better? We just had another bad ABI print this morning, by the way.

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

Yes, we're aware of the ABI print. I mean, in fact, I was talking to our head of research this morning. We don't know what's going on with the ABI number, but I just remind everyone, you already know this, but ABI measures month-over-month change, and it has been down for three years.

So if you stack that, you would be in a -- we haven't done the calculation, but you'd be in a really negative place, which is not where the world is. So there's something going on in that data that we have not figured out yet.

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

Yes, I sense there's some sentiment in that as opposed to real activity, but who knows. Thank you very much for the color. I appreciate it.

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

Thanks, Jeff.

Operator

Brian Lee, Goldman Sachs.

Brian Lee - *Goldman Sachs Group Inc - Analyst*

Hey, guys. Good morning. Thanks for taking the questions. I guess, Neil, for you, I was curious. The talk around the data center opportunity. I think you've alluded to it at times over the past several calls, but it seems like you're maybe more front-footed at this point. Can you talk to sort of the increasing product set for that end market opportunity, quantify? I don't know if it's SKUs or offerings you have there, and then the kind of product vitality specifically.

And then maybe secondarily, just the opportunity, if you can frame it in terms of numbers and the competitive landscape and how it compares to other end markets that Acuity has traditionally been participating in, just provide a little bit of context. That'd be helpful.

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

Sure. I'll start on the controllers at Distech. Prior, we had competed principally with digital direct controllers, DDCs, which are, and we are, we have participated with. With at least one of the hyperscalers with DDC controllers.

We've added PLC controllers to the mix so that we can meet the requirements or the requests, frankly, of, I think it's a better word, of those hyperscalers that favor PLCs. What we're also seeing from a trend perspective is that more and more of the hyperscalers are realizing the benefits of DDCs, our original DDC control platform.

Taken together, this gives us the opportunity to be a reliable supplier for multiple hyperscalers. So that's on the control side. In terms of magnitude, I think this can be an interesting portion of Distech's business, which obviously is an interesting portion of AIS's business going forward. Without putting specific dollars around it. So we'll see how that scales.

Then on the lighting side, it's kind of worth noting that on a percentage basis, we've had hyper-growth in lighting in data centers, but they're smaller dollar numbers compared to the others. We expect that to continue, so we're dealing directly now with contractors who are building for the hyperscalers, we sell into directly into them as well as to prefab operators so that we can be the lighting system of choice and we will be going forward.

So I would summarize all of this, Brian, by saying I think we've got a responsible entry into the data center market that's both on the control side as well as on the lighting side. And it should be a predictable portion of our growth going forward.

Brian Lee - *Goldman Sachs Group Inc - Analyst*

Super helpful. Maybe just a quick follow-up, Neil. Now that you kind of have that proverbial foot in the door with those key customers. Are you seeing kind of more organic growth opportunities within the product set that you can build off of based on feedback you're hearing? Or is this something where you're probably going to have to go and tack things on through inorganic growth, but you're seeing kind of the frontline insights that help you kind of inform what you might do next to expand the footprint opportunity there?

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

Well, at this point, Brian, I would emphasize it's all organic. So this is all product development on our side, which is the most valuable path for us to grow. So I won't rule out that there might be opportunities to tack on things in the future, but I am pleased with our team's ability to enter this market, this dynamic market organically. All right, thanks a lot. I'll pass it on.

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 closing remarks.

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

Thanks, Liz. Thank you all for joining us this morning. As we said in our prepared remarks, we feel like we have delivered solid execution in this quarter. The lighting demand market is firming, so we will continue to differentiate ourselves from the competitive set in the lighting side.

And it's hard not to be impressed with what AIS is doing, both on the Distech side, which we highlighted this quarter, as well as on the QSC side. So we're pleased with where we are. We're excited about where we're going, and we look forward to talking to you again next quarter.

Operator

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