

Capital Markets Day 2023

The Next Frontier..

Translation to value

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Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Universal Registration Document (which is available on www.se.com). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

This presentation includes information pertaining to our markets and our competitive positions therein. Such information is based on market data and our actual revenues in those markets for the relevant periods. We obtained this market information from various third-party sources (industry publications, surveys and forecasts) and our own internal estimates. We have not independently verified these third-party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.

We have consistently been delivering on our 2021 CMD commitments


A recap of past commitments

Sustainable & Scalable Growth

2022-2024 targets


+5% to +8%

Sales organic growth (on average)

 **On-track**

+30 bps to +70bps


Adj. EBITA margin organic improvement

 **On-track**

Delivering Structural Savings

~€1bn

Structural savings target, 2020-2022

 **Completed**

~€0.1bn/year


Restructuring costs, from 2023

 **On-track**

Converting Performance into Cash

Towards c.€4bn

Towards a c.€4bn Free Cash Flow company by 2024

 **On-track**

c.180% Total Shareholder Return since 2019

c.35% Total Shareholder Return since 2021

We have made significant progress in our sustainable and scalable growth journey

New growth drivers

More software & services

18% of 2022 Group sales
from Software & Services

More recurring

36% Recurring revenues
as % of 2022 Software & Services revenues

More sustainability

c.€0.6bn
Sales from Sustainability business in 2022
Driving pull-through for the Group's offers

Scalable Growth

42.4% GM

+140bps Gross Margin Improvement
H1 2023 vs. FY 2021

23% SFC¹/Sales

-70bps SFC¹/Sales
FY 2022 vs. FY 2021

12.2% ROCE

FY 2022 vs. 11.8% in FY 2021

Step-up innovation

5.7%

of H1 2023 sales invested
into R&D cash-out

+26%

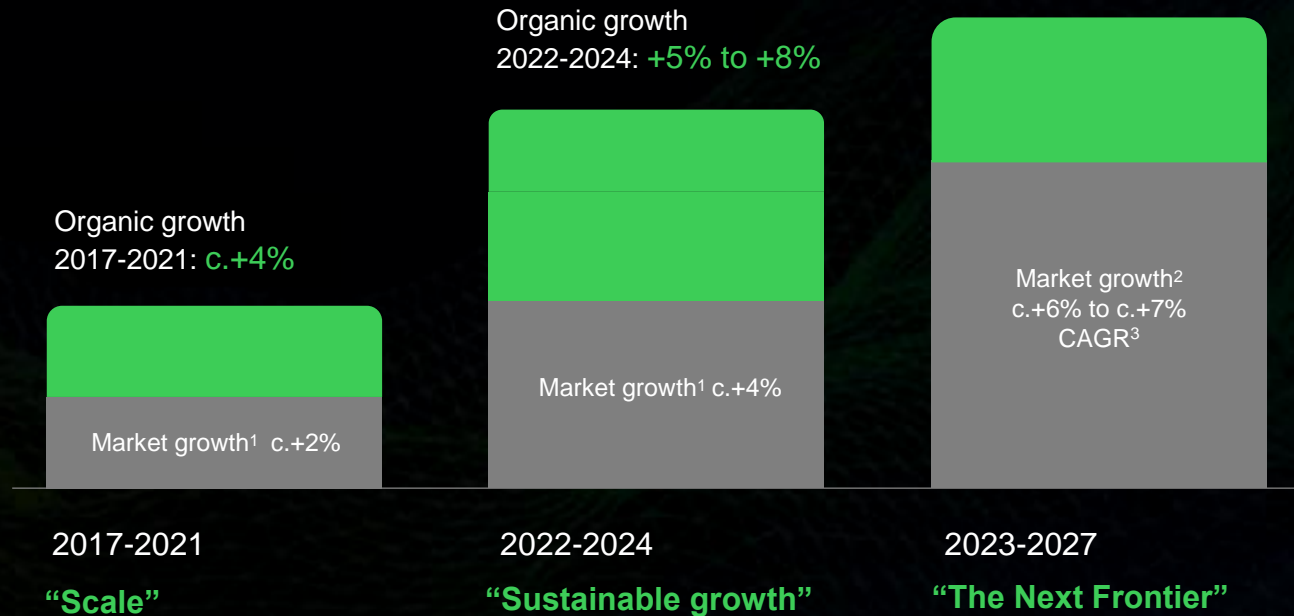
Organic growth of connectable
products in H1 2023

¹ Support Function Costs

The Next Frontier of revenue growth

Mega-trends driving a structural step-up in our markets, and we remain well positioned to outperform

The Next Frontier of Revenue Growth The Next Frontier of Profitability Driving Value for Shareholders



Organic revenue growth of between
+7% to +10%
 CAGR,
 2023-2027³

MEGA TRENDS

+

INNOVATION

+

MORE SOFTWARE & PROSUMER

+

ARTIFICIAL INTELLIGENCE

¹ Market growth (volume) CAGR based on Industrial Production (IP) as sourced from Oxford Economics

² Market growth (volume) CAGR based on Schneider Electric internal composite index

³ 4-year CAGR

We see opportunities across all our business models and end-markets

The Next Frontier of Revenue Growth The Next Frontier of Profitability Driving Value for Shareholders

PRODUCTS

c.58%

2022 Group revenues %

Key focus areas

Products growth driven by innovation with a focus on connectable products

Strong pricing power and unmatched partner network

Market leader in many product ranges

Indicative growth expectations

Mid-Single Digit to High-Single Digit

Organic growth CAGR, 2023-2027²

SYSTEMS

c.24%

Continued acceleration with increased exposure to large projects

Leading position in Data Centers and Infrastructure

Leading position in the U.S., India, Middle-East...

Double Digit

Organic growth CAGR, 2023-2027²

SOFTWARE & DIGITAL SERVICES

c.8%

Focused on transition to subscription model

Increased recurring revenues

Growth from cross-selling and new logos

Double Digit¹

Organic growth CAGR, 2023-2027²

FIELD SERVICES

c.10%

Leveraging growing Installed-base

Continued traction for tracking and servicing existing serviceable assets installed at customer sites

Increased recurring revenues

Double Digit

Organic growth CAGR, 2023-2027²

¹ High-Single Digit during remaining transition to subscription

² 4-year CAGR

We will leverage our geographic footprint to further address new economies and evolving geopolitical horizons

The Next Frontier
of Revenue Growth

The Next Frontier
of Profitability

Driving Value
for Shareholders

Strong global position with balanced footprint covering 100+ countries

Unique position to capture global opportunities tied to mega trends

Large player and favorable exposure in the U.S., India and Middle East & Africa

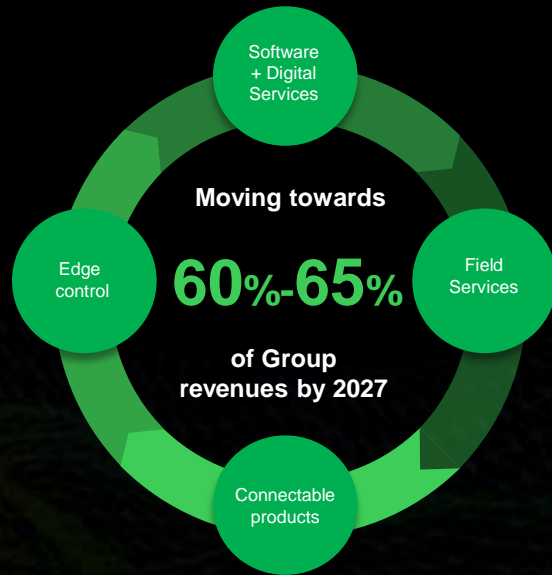
Our largest geographies are set to lead growth in coming years

		Indicative growth	Market leadership	Focus for investment
United States	€9.5bn ¹	+ +	☑	☑
China	€5.2bn ¹	+	☑	
India	€2.0bn ¹	+ +	☑	☑
Middle East & Africa	€2.3bn ¹	+ +		☑
France	€2.0bn ¹	+	☑	

¹ 2022 Full Year revenues in €bn

We remain focused on the Digital Flywheel as we transform to the leader in Industrial Tech

The Next Frontier of Revenue Growth The Next Frontier of Profitability Driving Value for Shareholders



Recurring revenue in Agnostic Software to increase to c.80% by 2027 (currently c.65%)

Recurring revenue in Services to keep increasing

All business models contributing to Digital Flywheel expansion

- 1 Products** Innovation increasing through **natively connectable** product families **Structured data** for enhanced edge control
- 2 Systems** Strong traction from **data centers** and **grid digitization** projects
- 3 Software & Services** Software to **grow double-digit**¹ Sustainability business to **grow strongly** and enable **pull-through**
Field Services to penetrate installed-base for **double-digit growth**

¹ High-Single Digit during remaining transition to subscription

The Next Frontier of **profitability**

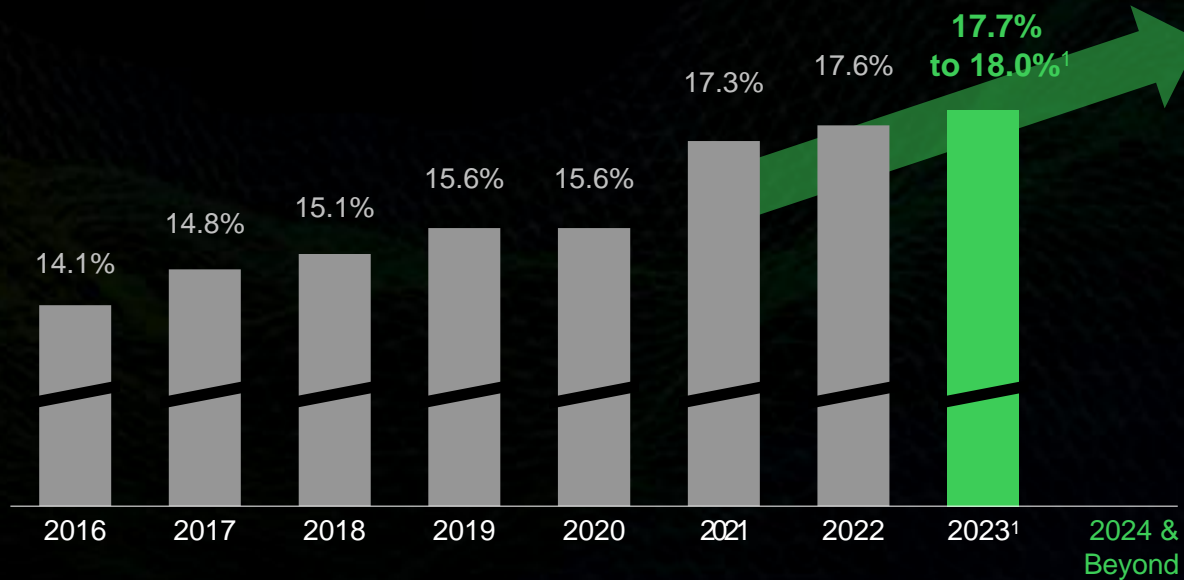
Future margin expansion through **strong gross margin** and **agile operating model**

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of Profitability

Driving Value
for Shareholders

Adj. EBITA margin evolution (% of Sales)



Organic expansion of adj. EBITA margin of
c.+50bps
CAGR, 2023-2027²

¹ As communicated as part of Q3 2023 Press Release on October 26th, 2023

² 4-year CAGR

We will continue to deliver strong **Gross Margin**

As we leverage and exercise strong pricing power

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for Shareholders

Net Price¹ contribution to Gross Margin

c. +35bps

(on average, 2014-2022)

We ambition for **positive net pricing**
across the cycle

Agile pricing when needed to address fluctuations in costs

Value-based pricing to ensure that we reflect the value-add of Schneider's offers to the market

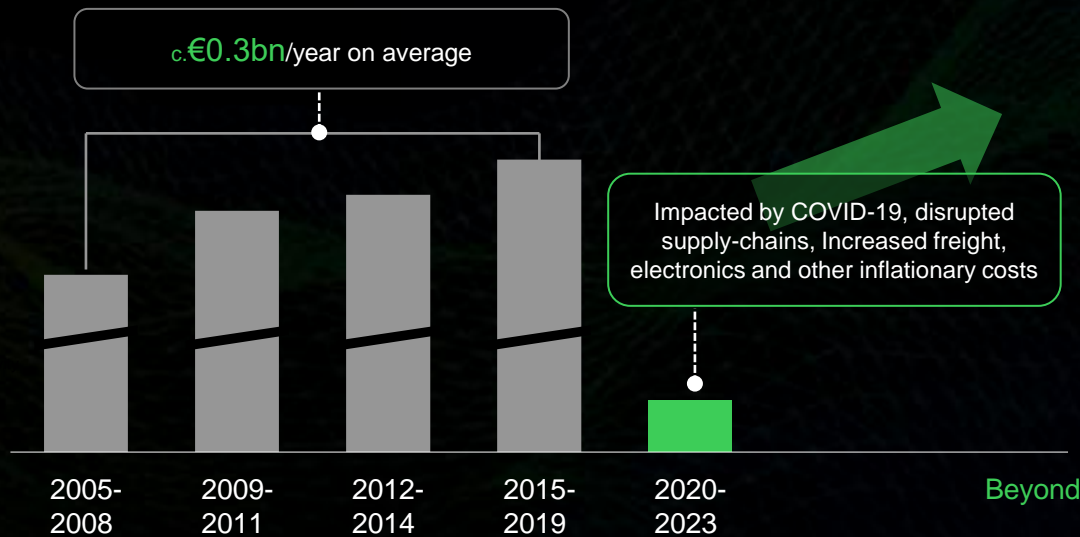
Pricing across all business models²

¹ Price on products and raw material impact

² Included in the mix section of the Gross Margin bridge for non-products pricing

Industrial productivity expected to keep contributing to margin expansion

Industrial productivity evolution¹



We ambition for **strong industrial productivity** levels between 2024-2027

Volumes will contribute across all our business models

Continued focus on **supply-chain optimization**

Agility to counteract **inflationary** environment

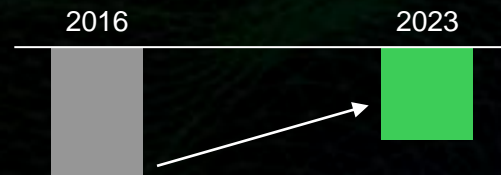
¹ Average annual productivity over the indicated time period

Systems growth will have an impact on overall mix mitigated by business model transformations

Mix impact on Gross Margin evolution



Indicative Systems Gross Margin gap to Group average evolution



Mix evolution (2024-2027) will be driven by

More **Systems growth** vs. Products while we continue to bring Systems margin closer to Group average

Continued strong margin in **products** and **services**

Software & Services to grow faster than Group average following completion of Software transition to subscription

Accelerating growth in Systems to negatively impact our mix to a lower degree than in the past and partly mitigated by Software

Combined with **agility** in operations

Targeted investments to capture unprecedented growth opportunity with specific focus on innovation, sustainability, capacity and efficiency

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of Revenue Growth

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of Profitability

Driving Value
for Shareholders

FURTHER STEP-UP IN R&D

Moving towards

c.7%

Of Group revenues invested into R&D cash-out vs. 5.7% in H1 2023

Innovation with strong focus on Digital, Sustainability and Artificial Intelligence

INVEST TO SUPPORT NET-ZERO TARGETS

€0.4bn

Invested between now and 2030 to support the Group's net-zero roadmap

INCREASE CAPACITY

c.€2bn

Total investment for increased capacity expected between 2024-2027

TOWARDS MORE EFFICIENCY

€0.3bn

Investment in AI to drive internal efficiency and process improvement

Further investments in

Digital tools & systems

to enhance efficiency and productivity

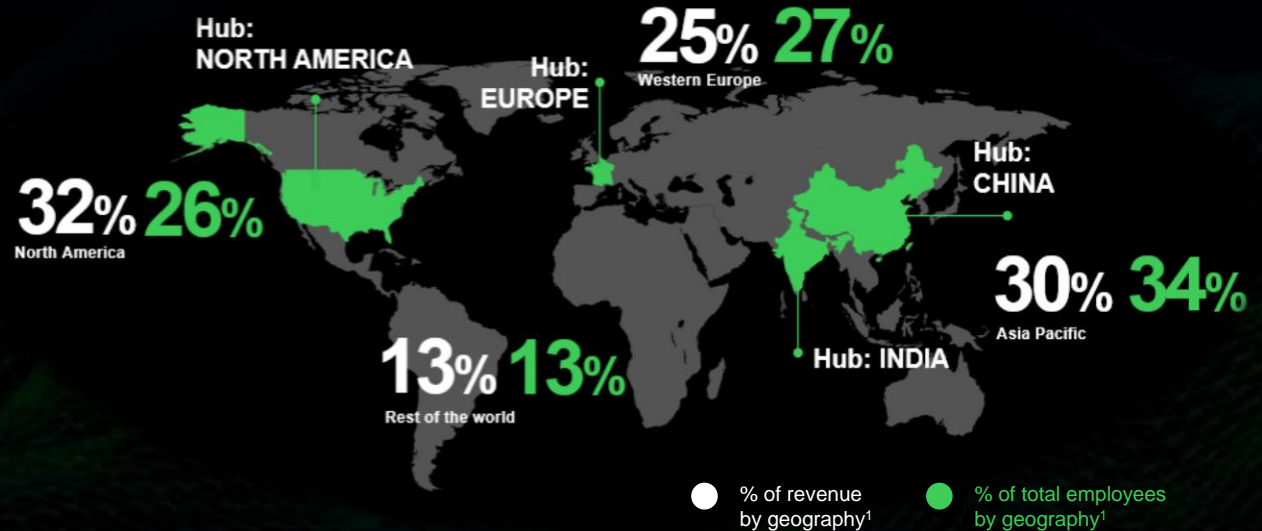
Tangible capex expected to remain in a range between c.2% to c.2.5% of Group revenues, 2024-2027

Level of flexibility in deployment in the event of unforeseen economic developments

Our multi-hub model supporting overall strong agility

Spread of costs matching revenues for agility in our multi-hub model

c. **70%**
Of Group's SFC² are headcount related¹



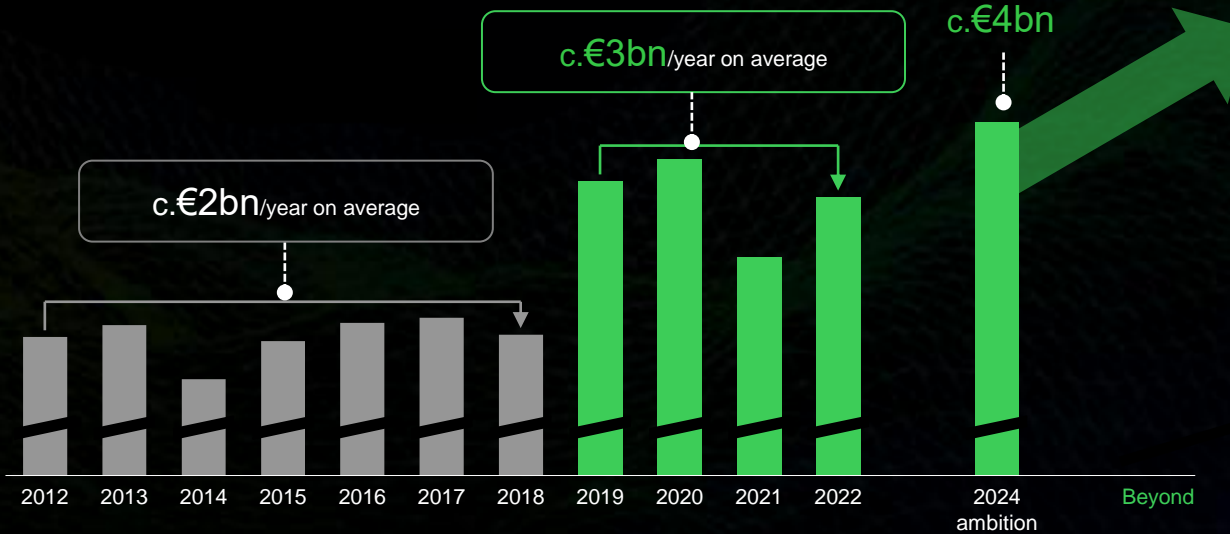
Ambition to reduce the **SFC²/Sales ratio** between 2024-2027

Expectation for continued strong operating leverage

¹ Based on 2022 actual figures
² Support Function Costs

Converting sales growth and margin expansion into cash

Free Cash Flow evolution



Cash conversion ratio¹ expected to be

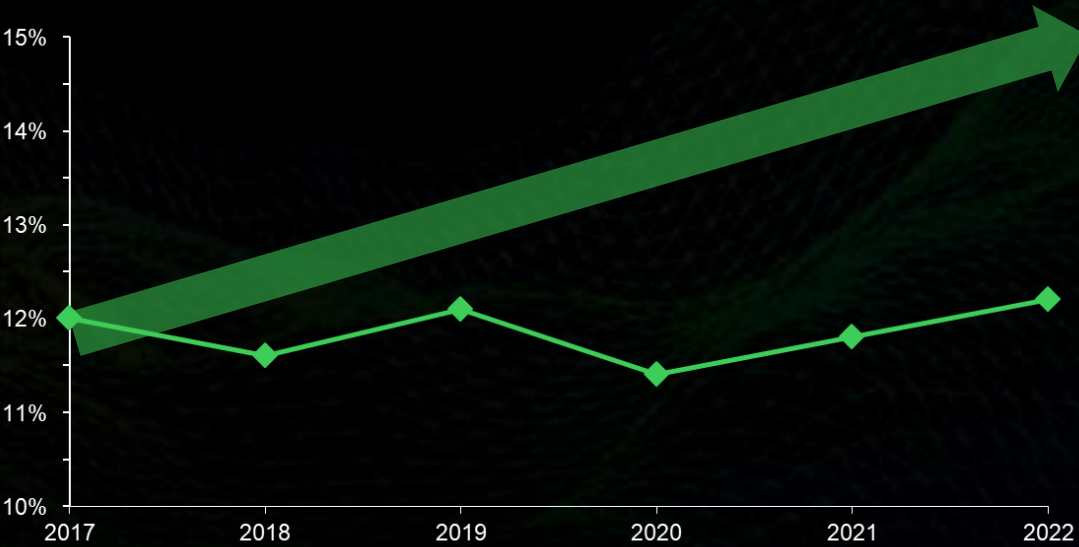
around 100%
on average², across the cycle

¹ Free cash flow as a proportion of Net Income – Group share

² Based on estimated tax rate between 23%-25% and restructuring costs of around €100m per year - Further notes on 2024-2027 ETR and restructuring available in appendix

Towards continued improvement in our return on capital employed

Return On Capital Employed evolution (%)



Ambition to get to

15%+
Return On Capital Employed

Capital allocation priorities

Driving value for shareholders

Capital allocation priorities in order of preference

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Strong investment grade credit ratings as our first priority

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Driving Value
for Shareholders

Committed to retaining a
strong investment grade
credit rating

S&P Global Ratings

A- Since 2009

MOODY'S

A3 Since 2019¹

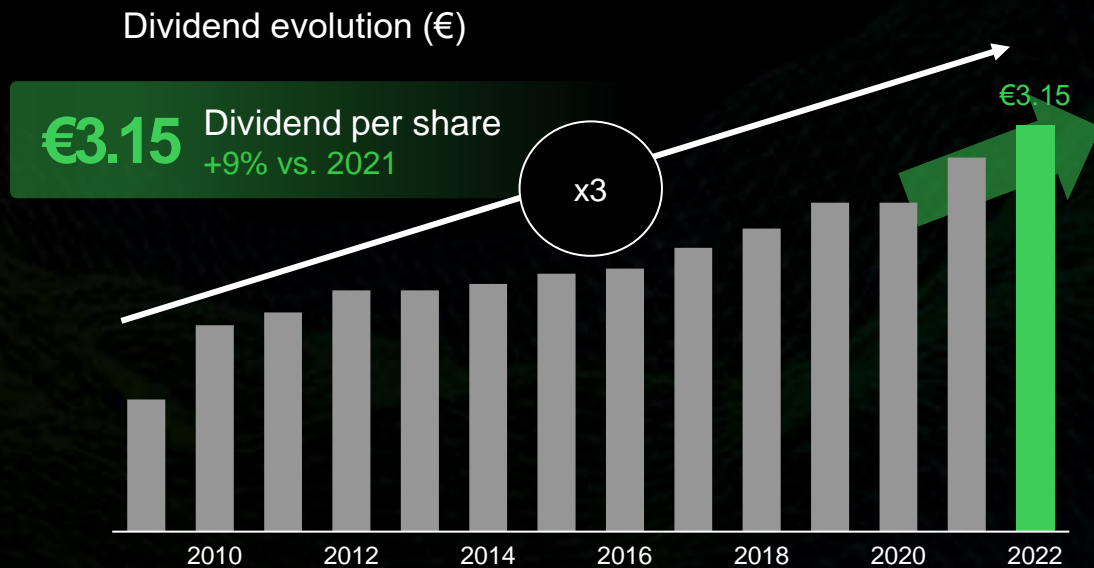
¹ A3 rating from 2009 – August 2017, Baa1 rating August 2017 – November 2019, A3 rating from November 2019

Continued focus on shareholder return supported by progressive dividend policy

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Driving Value
for Shareholders



We remain committed to a progressive dividend policy

Portfolio evolution and shareholder returns

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for Shareholders

Our **present portfolio** positions us for strong organic growth

Current priority is **organic growth**

Remain opportunistic and agile towards acquisitions that reinforce our unique portfolio positioning in growth markets based on market evolutions and opportunities

Regular assessment of portfolio linked to long-term strategy

Share buy-back to neutralize employees share plans

With strong expected cash generation, **strong return to shareholders** in the absence of portfolio actions

Key messages

Financial targets	The Next Frontier of organic growth	Well positioned on structurally growing markets and will outperform market growth	+7% to +10% CAGR organic growth, 2023-2027 ¹
	Agile operating model and strong Gross Margin drive further profitability	Ambition to grow adj. EBITA margin	c.+50bps CAGR organic expansion, 2023-2027 ¹
Across-cycle ambitions	Organic Sales growth of 5%+ on average	Consistently be a Company of 25 ²	Cash conversion ratio ³ expected to be around 100% on average

¹ 4-year CAGR

² Across the economic cycle, sum of organic revenue growth % and adj. EBITA margin %

³ Free cash flow as a proportion of Net Income – Group share

A nighttime city skyline with illuminated skyscrapers, reflected in water. A green laser line runs horizontally across the middle of the image, with a vertical line intersecting it, forming a crosshair. The word "Appendix" is written in large, bold, green letters on the left side of the image.

Appendix

2024-2027 additional notes

Tax rate: The ETR is expected to be in a **23-25% range** between 2024-2027

Restructuring: The Group expects restructuring costs to be around **€100 million per year** between 2024-2027

Life Is On

Schneider
Electric