

## **Schneider Electric hosts a Capital Markets Day for investors and financial analysts**

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### **Key messages from Schneider Electric Capital Markets Day:**

- **Positioned on key secular growth trends with an integrated portfolio driving cross-selling; operating through a unique multi-hub model together with an unparalleled partner network**
  - **Reaffirming medium-term ambition, with a path to improve the Adjusted EBITA margin by c. +200 basis points by 2021, which is not the end of the margin journey**
  - **Preparing for further increase in organic financial performance for the longer term, beyond the 2021 ambition; plan for future investments and its financing detailed**
  - **AVEVA integration and joint go-to-market strategy on track**
  - **Ambition for Software and Services to represent 20% of Group revenues in the medium-term**
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**Rueil-Malmaison (France), June 26, 2019** – Schneider Electric is hosting a meeting today with investors and financial analysts where Jean-Pascal Tricoire, Chairman and CEO, Emmanuel Babeau, Deputy CEO and CFO, and members of the company's management team will highlight the Group's strategy and execution priorities.

The day will start with presentations at the Company's headquarters in Rueil-Malmaison, where Mr Tricoire and Mr Babeau will detail the strategic and financial direction of the Group. This will be followed by an in-depth presentation for each of the two synergetic businesses – Energy Management and Industrial Automation. To conclude the morning, there will be a presentation on the opportunities and ambitions of the Group in relation to Services, and a panel discussion highlighting the benefits to customers of the Group's regional operations.

Attendees will then visit 'Le Vaudreuil', an example of one of the company's award-winning Smart Factories, where the company's portfolio for industrial end-markets, as well as the company's innovations, solutions and connected offerings for Smart Manufacturing will be showcased.

### **Company strategy and positioning**

Jean-Pascal Tricoire, Chairman and CEO, will present on how Schneider Electric has positioned itself on two megatrends of Energy Transition and Industry 4.0 that are set to drive significant investment across industries in future years. In an increasingly electric and digital world, the Group's unique positioning, providing Energy and Automation digital solutions for efficiency and sustainability, enables significant benefits for customers in its four end markets: Buildings, Data Centers, Industry and Infrastructure. After a period of portfolio building and subsequent integration, the Group focuses on

execution of its strategic priorities of more products, more software, more services and better systems; further scaling its digital offers, and continuing to improve efficiency.

The company will expand upon the triple integration it offers for greater efficiency to customers:

1. Integration of Energy and Automation
2. Integration from end-point to cloud, enabled by EcoStruxure
3. Integrated software throughout the lifecycle

The company will demonstrate how it is prepared for an increasingly multi-local world, leveraging integration across its sales organization, global supply chain, digital offers and marketing, while keeping a broad geographic balance on multiple levels. The company operates an open community and ecosystem, both through its large network of partners, and through Schneider Electric Exchange.

This integrated, multi-hub, open and sustainable approach enables Schneider Electric to deliver consistently strong operational performance, and attractive returns for shareholders.

## Finance

Emmanuel Babeau, Deputy CEO and CFO will present an update on the key drivers which have contributed to consistent, sustainable and strong financial performance in the past three years, and that will continue to drive performance in the coming years. He will also share the Group's clear and disciplined capital allocation policy, and its focus to deliver attractive returns for shareholders.

## Targets

The Group reaffirms its target for 2019 and its through-cycle objective of +3% to +6% organic growth in revenues, on average.

### **Medium Term ambition (2019 – 2021)**

#### ***A path towards 17% which is not the end of the margin journey***

The Group reaffirms its ambition to expand the Adjusted EBITA margin as outlined during the 2018 Full Year results:

*“Over the next 3 years, the Group will continue to focus on profitability levers within its control, with an aim to improve its adj. EBITA margin by c. +200 basis points (at constant FX), assuming no major change to the current macro-economic environment”*

This underlying improvement would be achieved through a combination of organic growth, organizational simplification & efficiency and continued productivity. The Group targets c. €1.1 billion of industrial productivity over this timeframe. Portfolio optimization is expected to contribute a few tens of basis points towards the margin ambition.

## ***Preparing the next steps for further increase in organic financial performance***

The Group today shares its vision to prepare for superior financial performance in the long-term. This entails an increase in targeted investment in the coming years on key drivers which will enhance long-term organic top line growth and drive margin improvement beyond the c. +200 bps ambition post 2021.

As a consequence, Schneider Electric plans to increase investment over the next 4 to 5 years on core drivers of performance:

- R&D and innovation
- Digital
- Sales force size and skills on priorities
- Marketing and communication

This new investment will have to be neutral at the margin level and therefore financed by increased productivity on 'non-Productive' SFC (including back and middle office, global functions), resulting in:

- Targeted yearly productivity to increase from 2018 levels
- Total redeployment could represent up to 10% of total SFC over the next 4 to 5 years

The cash investment for this additional effort is expected to bring the average annual restructuring cost over the next 4 years to a level between €200 million to €250 million.

In case of an economic downturn over the period the extra productivity generated could also be used to increase margin.

## **Industrial Automation**

Peter Herweck, EVP Industrial Automation, will present on the positioning and clear strategy behind developing the business as a full-liner in automation, covering process, hybrid and discrete. He will also share the market opportunities going forward. Peter will be joined by Craig Hayman, CEO of AVEVA, to explain how the Group's offers are further enhanced by its leading software capabilities through AVEVA, and the go-to-market model being deployed by the two companies for the benefit of customers. The presentation will include a live demonstration of the integrated offer of power, automation and software.

## **Energy Management**

Philippe Delorme, EVP Energy Management, will showcase how the business is building the future to deliver long term growth in an all electric and digital world, by leveraging innovation, digital, cross-selling, segment focus and efficiency. The value proposition will be reinforced by direct testimony from a customer from the healthcare segment.

## **Services**

Frederic Abbal, EVP Services, will detail the Group's ambition and strategy to grow Services revenue at twice the average of the Group, contributing to Services and Software in total reaching 20% of Group revenues in the medium-term.

## Regional Operations

A panel discussion with three of the Group's regional Operations leaders; Barbara Frei (Europe), Christel Heydemann (France) and Aamir Paul (USA), will explain how Schneider Electric's operating structure offers benefits to customers and drives cross-selling.

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The Capital Markets Day presentations will be available at [www.se.com](http://www.se.com) after the event and there will be a live webcast of the formal presentations. A recording of the webcast will be made available after the conclusion of the event.

2019 Half Year results will be presented on July 25, 2019.

## About Schneider Electric

At Schneider, we believe **access to energy and digital** is a basic human right. We empower all to **do more with less**, ensuring **Life Is On** everywhere, for everyone, at every moment.

We provide **energy and automation digital** solutions for **efficiency and sustainability**. We combine world-leading energy technologies, real-time automation, software and services into integrated solutions for Homes, Buildings, Data Centers, Infrastructure and Industries.

We are committed to unleash the infinite possibilities of an **open, global, innovative community** that is passionate with our **Meaningful Purpose, Inclusive and Empowered** values.

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