Life Is On | Schneider Electric

Schneider Electric
Full Year 2023 Results

Financial Information

Strong execution drives record performance; well positioned for Next Frontier
Seamless transition to new governance structure
Revenues, Adjusted EBITA, Net Income and Free Cash Flow at record levels

Rueil-Malmaison (France), February 15, 2024

Financial Highlights

- **FY23 revenues of €36 billion, up +13% organic**
    - **Energy Management up +14% organic**
    - **Industrial Automation up +7% organic**
- **Q4'23 revenues up +9% organic**
    - **Software & Services up +17% organic; ARR at AVEVA up +19%**
- **FY23 Adj. EBITA €6.4 billion, up +25% organic**
    - **Adj. EBITA Margin 17.9%, up +180bps organic**
- **Net Income €4.0 billion, up +15%**
- **Free Cash Flow €4.6 billion; up +38% with strong working capital contribution in H2**
- **Progressive dividend[1] at €3.50/share, up +11%**
- **Schneider Sustainability Impact - score of 6.13 vs. target of 6.00**
- **FY24 Target: Adj. EBITA org. growth between +8% and +12%, driven by +6% to +8% org. revenue growth and +40bps to +60bps org. Adj. EBITA margin improvement**

Key figures (€ million)	2022 FY	2023 FY	Reported Change	Organic Change
Revenues	34,176	35,902	+5.1%	+12.7%
Adjusted EBITA	6,017	6,412	+6.6%	+24.5%
% of revenues	*17.6%*	*17.9%*	*+30bps*	*+180bps*
Net Income (Group share)	3,477	4,003	+15%	
Free Cash Flow	3,330	4,594	+38%	
Adjusted Earnings Per Share[2] (€)	7.11	7.26	+2%	+16.5%
Dividend Per Share[1] (€)	3.15	3.50	+11%	

Peter Herweck, Chief Executive Officer, commented:

"I am pleased to share that 2023 was another year of record performance for Schneider Electric, with +13% organic growth in revenues coupled with excellent organic margin progression, highest free cash flow and a strong step-up in net income for the full year. Based on these results we are proposing a dividend of €3.50 per share, representing our 14th consecutive year of dividend progression.

1. Subject to Shareholder approval on May 23, 2024
2. See appendix Adjusted Net Income & Adjusted EPS

We enter 2024 with a record level of backlog, particularly in relation to our systems business, giving us enhanced visibility for the coming quarters. Backlog and continuing strong demand dynamics across most of our portfolio solidifies setting strong financial targets for 2024. This is the first step of the "Next Frontier" our four-year journey as a leader in Industrial Tech, as set out in our CMD."

I. FOURTH QUARTER REVENUES WERE UP +9% ORGANIC

2023 Q4 revenues were €9,480 million, up +9.1% organic and up +1.7% on a reported basis.

Products (53% of FY 2023 revenues) grew +2% organic in Q4. Product revenues grew mid-single digit in Energy Management with sales into consumer-linked segments having stabilized, coupled with continued strong demand across a range of other segments and end-markets. Growth in Industrial Automation products was down, impacted by weak discrete automation sales primarily in Western Europe, China and East Asia. Across the Group, product volumes were slightly positive, while the carryover impact of price actions taken in 2022 continued to fade, as expected. Product growth was supported by backlog execution throughout the quarter.

Systems (28% of FY 2023 revenues) grew +17% organic in Q4, with strong double-digit organic sales growth in Energy Management supported by continued strong demand, including in Data Center and Infrastructure projects globally. In Industrial Automation, systems sales into Process & Hybrid markets saw solid growth, however weak demand from OEMs impacted systems sales into Discrete automation markets.

Software & Services (19% of FY 2023 revenues) grew +17% organic in Q4.

Software and Digital Services (9% of FY 2023 revenues) grew +28% organic in Q4.

- AVEVA delivered strong growth in Annualized Recurring Revenue (ARR), up +19%[3] as of 31 December 2023, driven by strong performance in subscription contract wins, in particular for cloud-based Software as a Service (SaaS). SaaS growth was supported by the growth of the CONNECT platform and the related AVEVA Flex business model. In addition to new customer wins, ARR growth was boosted by successful upsell to the existing customer base on contract renewals while churn remained low. Q4 saw the successful roll-out of AVEVA PI Data Infrastructure, which saw strong traction with customers, supporting the evolution towards a greater proportion of subscription revenues.

- Energy Management agnostic software offers delivered double-digit organic revenue growth in Q4, led by the Group's eCAD offer (ETAP), which saw contract renewals with key accounts and new customer wins. The Group's software offer for the construction market (RIB Software) grew, seeing continued strong growth in recurring revenues.

- The remainder of the Group's digital offers delivered strong double-digit growth, including strong contribution from EcoStruxure offers for Grid digitization and modernization.

Field Services (10% of FY 2023 revenues) grew +9% organic in Q4, with strong contribution from both businesses. Energy Management services grew high-single digit, while Industrial Automation services grew double-digit across both Discrete and Process & Hybrid automation, with the latter linked to strong project execution with attached service contracts.

3. At constant currency, adjusted for Russia impacts

Sustainability Business: Sustainability consulting and services offers (split between Digital and Field Services) delivered high-single digit sales growth in Q4 against a base of comparison in excess of +20%. The Group's sustainability consulting and managed services led growth, with strong performance in PPA advisory services in Europe, while the Group's consulting services were a catalyst for strong pull-through for other offers. The Group's public sector efficiency business saw good demand towards the end of the quarter, though sales growth remained impacted by higher interest rates. Q4 saw the completion of the acquisition of EcoAct, which is a pivotal addition to the portfolio of the Sustainability Business.

Digital update:

In 2023, the Digital Flywheel represented 56% of Group revenue, showing good progress towards a target range of 60% - 65% by 2027. The growth of the Digital Flywheel outperformed the Group average, led by strong performance in connectable products (which now represent 28% of Group revenues) and Software & Services (which now represent 19% of Group revenues). Within its agnostic software businesses, around 70% of revenues were classified as recurring, showing strong progress towards a target of around 80% by 2027.

The breakdown of revenue by business and geography was as follows:

Region	Q4 2023			FY 2023		
	Revenues € million	Reported Growth	Organic Growth	Revenues € million	Reported Growth	Organic Growth
North America	2,738	+5.2%	+10.5%	10,449	+16.2%	+19.5%
Western Europe	1,866	+6.9%	+10.6%	6,658	+7.0%	+11.6%
Asia Pacific	2,085	+2.1%	+9.9%	7,803	+0.4%	+8.3%
Rest of the World	948	+1.2%	+18.8%	3,331	-3.5%	+20.1%
Total Energy Management	**7,637**	**+4.2%**	**+11.3%**	**28,241**	**+6.8%**	**+14.4%**
North America[4]	438	-20.0%	-0.3%	1,762	-11.6%	+7.4%
Western Europe	529	-1.4%	-2.5%	2,254	+8.4%	+6.6%
Asia Pacific	578	-6.8%	-1.7%	2,444	-4.8%	+0.8%
Rest of the World	298	+3.3%	+14.7%	1,201	+9.8%	+20.1%
Total Industrial Automation	**1,843**	**-7.5%**	**+0.7%**	**7,661**	**-0.9%**	**+6.7%**
North America	3,176	+0.8%	+8.8%	12,211	+11.1%	+17.6%
Western Europe	2,395	+4.9%	+7.4%	8,912	+7.3%	+10.3%
Asia Pacific	2,663	0.0%	+7.2%	10,247	-0.9%	+6.4%
Rest of the World	1,246	+1.7%	+17.8%	4,532	-0.3%	+20.1%
Total Group	**9,480**	**+1.7%**	**+9.1%**	**35,902**	**+5.1%**	**+12.7%**

Q4 2023 PERFORMANCE BY END-MARKET

Schneider Electric sells its integrated portfolio into four end-markets: Buildings, Data Center, Infrastructure and Industry, leveraging the complementary technologies of its Energy Management and Industrial Automation businesses and supported by the focus on electrification, automation and digitization to enable a sustainable future.

4. OSIsoft revenues are reported by region from January 1, 2023. 2022 baseline has been adjusted in the organic growth calculation.

- **Buildings** – The majority of the Group's exposure in the Buildings end-market is towards Non-Residential technical buildings where demand remains strong both year-on-year and sequentially. There was strength across many geographies supported by the completeness of the Group's offer from design to execution, including services. In the quarter there was double-digit demand growth in Hotels and Retail, while there was continued good demand in Healthcare. In Residential buildings, both demand and sales growth showed stabilization with some variation by geography.

- **Data Center & Networks** – Demand remained very strong in Q4 driven both by larger data centers (internet giants and co-location providers), which saw strong sales growth helped by Artificial Intelligence developments, and by Enterprise data centers. Demand and sales growth in the more consumer-orientated distributed IT segment was stable.

- **Infrastructure** – The Group sells its unique combination of Energy Management and Industrial Automation offers into the Infrastructure end-market. The Electric Utilities segment represents the largest exposure within this end-market and Q4 saw very strong demand. The Group has comprehensive solutions for operators which enhance grid stability and sustainability with growth in digital offers in the quarter up strong double-digit including pull-through to AVEVA. Demand was strong in Water & Wastewater (WWW), particularly for Energy Management offers helped by EU Green Deal related investments and desalination needs in countries with fresh-water shortages. Demand was also very strong in the Transportation segment.

- **Industry** – The Group sells its unique combination of Energy Management and Industrial Automation offers into the Industry end-market. Similar to Q3, sales growth in Q4 was contrasted between good growth in Process & Hybrid automation markets while sales into Discrete automation markets declined. Discrete automation demand continues to be down after high demand in the prior year associated with supply chain constraints, in particular impacting sales growth in Western Europe, China and East Asia. In Process & Hybrid automation there was good demand for both Energy Management and Industrial Automation offers in the Energies & Chemicals (E&C) and Metals, Mining & Minerals (MMM) segments.

Group trends by geography:

North America (34% of FY 2023 revenues) was up +8.8% organic in Q4.

Energy Management grew +10.5% organic against a strong double-digit base of comparison. There was double-digit growth in the U.S., high-single digit growth in Mexico while Canada was down low single-digit. In the U.S., there was strong growth in Systems revenues, as a function of continued strong demand across Data Center and Infrastructure end-markets. Products sales growth in the U.S. was less strong, including in the Residential building market where sales declined due to continued supply constraints and against a very high base of comparison. Mexico saw strong growth across many end-markets. Canada was down against an overall high base of comparison though seeing some recovery in Residential buildings. Across the region, there was double-digit growth in Field Services, with good traction for those associated with the digitization of Non-residential buildings.

In Industrial Automation, which was slightly down -0.3% organic, the U.S. was down low single-digit, while Mexico delivered double-digit growth and Canada also grew. Process & Hybrid automation markets saw solid growth, led by Mexico where there was strong execution on ongoing projects. Sales into discrete automation markets were flat, with Canada and Mexico growing while the U.S. saw a small decline driven by a demand normalization in response to elevated levels of stock held by customers, partly mitigated by backlog execution.

Western Europe (25% of FY 2023 revenues) grew +7.4% organic in Q4 against a double-digit base of comparison for each of the five major economies, in both Energy Management and Industrial Automation.

Energy Management was up +10.6% organic, with growth led by Italy, up strong double-digit, supported by investment in many end-markets and segments including Non-residential buildings, Transportation, Grid and Data Center. The U.K. grew double-digit with strength in Infrastructure, e-mobility, Data Center and Building markets. Germany and France also grew double-digit while Spain was up high-single digit amid strong growth in several other countries. Across the region, Systems revenues grew double-digit on continued strong demand in the Infrastructure and Data Center end-markets. Product sales growth was positive, supported by price carryover and backlog execution. Distributed-IT showed a recovery while there was stabilization in the Residential buildings market in general, though remaining weak in Germany. Field Services grew double-digit across the region notably in France. Sustainability services grew strong double-digit supported by good activity in Power Purchase Agreements (PPA) advisory services. Software grew high-single digit, led by ETAP.

In Industrial Automation, which was down -2.5% organic, the U.K. delivered very strong growth in Process & Hybrid automation markets in part due to a large contract renewal at AVEVA. The U.K. also delivered strong growth in systems for Process industries, while sales into Discrete Automation markets were slightly positive with strength in the Food & Beverage segment. The other major economies of the region, France, Germany, Italy and Spain all declined with the anticipated weakness in Discrete Automation markets confirmed as demand continues to normalize in response to high customer stock levels and reduced lead-times. Each of these countries fared better in Process & Hybrid automation markets, with France and Germany also seeing strong growth in Software at AVEVA, as did the Netherlands.

Asia Pacific (28% of FY 2023 revenues) grew +7.2% organic, with China up mid-single digit and India up strong double-digit.

In Energy Management, which grew +9.9% organic, China was up high-single digit with strength in areas such as transportation and renewable power while Residential buildings growth was stable. India delivered another quarter of strong double-digit growth with strength across end-markets, notably in Infrastructure and Buildings. Australia also grew double-digit benefitting from execution on a large Data Center project. Performance across the rest of the region was mixed, with strong growth in Thailand and good growth in South Korea, while some countries in East Asia saw declines with weakness in construction and semiconductor markets.

In Industrial Automation, which contracted -1.7%, China was down mid-single digit with contrasting performance between strong growth in Process & Hybrid markets and declines in Discrete Automation markets, where the Group has more exposure, with machine builders and industrial OEMs remaining weak. India delivered another quarter of double-digit growth, where sales growth into Discrete Automation markets remained strong, supported by backlog execution. Japan and South Korea each saw declines in Discrete Automation markets though South Korea benefitted from strong performance at AVEVA. Australia delivered double-digit growth, with strong performance at AVEVA and resilient performance in Discrete Automation.

Rest of the World (13% of FY 2023 revenues) grew +17.8% organic, with strong growth supported by price actions in Turkey, Argentina and Egypt as the Group continues to take measures to control its exposure to significant currency devaluations. Each of these three countries consequently delivered strong double-digit growth in both Energy Management and Industrial Automation, and while price was a significant contributor each also saw volume expansion.

In Energy Management, which grew +18.8% organic, Africa grew strong double-digit while the Middle East and South America were both up double-digit, excluding contributions from the above-named countries. Africa saw strong growth across many countries, largely due to execution on infrastructure projects across the region. There were strong growth contributions in the Middle East from Saudi Arabia and countries in the Gulf region where there was continued execution on Data Center projects. In South America, there was strong growth in Brazil supported by execution on several projects, and a recovery in sales to the Buildings end-market. Central & Eastern Europe grew high-single digit.

In Industrial Automation, which grew +14.7% organic, the Middle East and Africa both delivered double-digit growth, while South America delivered high-single digit growth excluding contributions from the above-named countries. The performance was primarily driven by strong growth at AVEVA particularly in the Middle East, and was supported by solid growth in Discrete automation markets particularly in the Gulf region, while Process & Hybrid automation markets were around flat. Central & Eastern Europe was down slightly with Discrete Automation demand following similar trends to Western Europe.

SCOPE[5] AND FOREIGN EXCHANGE[6] IMPACTS IN Q4

In Q4, net acquisitions/disposals had an impact of **-€184 million** or **-1.9%** of Group revenues, including the divestments of the Group's industrial sensors business, its transformer plants in Poland and Turkey and Gutor, along with the net impact of some smaller acquisitions and disposals.

Based on transactions completed to-date, the Scope impact on FY 2024 revenues is estimated to be **around -€300 million**. The Scope impact on adjusted EBITA margin for FY 2024 is estimated to be **around flat**.

In Q4, the impact of foreign exchange fluctuations was negative at -**€443 million** or **-4.9%** of Group revenues, mostly driven by the weakening of the U.S. Dollar, Chinese Yuan and Argentinian Peso against the Euro.

Based on current rates, the FX impact on FY 2024 revenues is estimated to be between **-€400 million to -€500 million**. The FX impact at current rates[7] on adjusted EBITA margin for FY 2024 could be **around -30bps**.

5. Changes in scope of consolidation also include some minor reclassifications of offers among different businesses.
6. For those currencies meeting the criteria to be considered hyperinflationary under IAS 29, such as Argentina and Turkey, an IFRS technical adjustment for hyperinflation impact is reflected as FX and therefore excluded from the organic growth calculation. The effect of operational actions taken in these countries such as increased pricing to mitigate the inflationary impact is reflected as part of the organic growth.
7. Forward exchange rates are volatile and difficult to predict. Consequently, the impact of such movement and possible impacts from hyperinflation technical accounting (IAS29) are not factored at this stage.

II. FULL YEAR 2023 KEY RESULTS

€ million	2022 FY	2023 FY	Reported change	Organic change
Revenues	**34,176**	**35,902**	**+5.1%**	**+12.7%**
Gross Profit	**13,876**	**15,012**	**+8.2%**	**+18.1%**
Gross profit margin	*40.6%*	*41.8%*	*+120bps*	*+200bps*
Support Function Costs	**(7,859)**	**(8,600)**	**+9.4%**	**+13.7%**
SFC ratio (% of revenues)	*23.0%*	*24.0%*	*-100bps*	*-20bps*
Adjusted EBITA	**6,017**	**6,412**	**+6.6%**	**+24.5%**
Adjusted EBITA margin	*17.6%*	*17.9%*	*+30bps*	*+180bps*
Restructuring costs	(227)	(147)		
Other operating income & expenses	(433)	98		
EBITA	**5,357**	**6,363**	**+19%**	
Amortization & impairment of purchase accounting intangibles	(424)	(430)		
Net Income (Group share)	**3,477**	**4,003**	**+15%**	
Adjusted Net Income (Group share)[8]	**3,968**	**4,066**	**+2%**	**+16.9%**
Adjusted EPS[8] (€)	**7.11**	**7.26**	**+2%**	**+16.5%**
Free Cash Flow	**3,330**	**4,594**	**+38%**	

ADJUSTED EBITA MARGIN AT 17.9%, UP +180 BPS ORGANIC DUE TO STRONG PRICE CARRYOVER, GOOD VOLUME GROWTH AND IMPROVEMENT IN SYSTEMS MARGIN

Gross profit was up **+18.1%** organic with Gross margin up **+200bps** organic, reaching **41.8%** in 2023. The organic increase in margin percentage was driven by a strong net price impact mainly related to carryover from price actions taken in 2022, an improvement of gross margin in systems business and improved industrial productivity, particularly in H2.

2023 Adjusted EBITA reached **€6,412** million, increasing organically by **+24.5%** and the Adjusted EBITA margin expanded by **+180bps** organic to **17.9%** as a consequence of good volumes and the strong gross margin improvement, combined with control over support function cost growth while investing for the future.

8. See appendix Adjusted Net Income & Adjusted EPS.

The key drivers contributing to the earnings change were the following:

€ million	Adj. EBITA	YoY change	Comments
Adj. EBITA FY 2022	**6,017**		
Volume impact		**1,135**	Positive impact from higher sales volumes.
Industrial productivity		**148**	The Group's industrial productivity level was +€148m with good acceleration in H2 as the supply chain environment returns to a more normalized state.
Net price[9]		**1,391**	The net price impact was positive at +€1,391m in 2023. Gross pricing on products was positive at +€1,179m slowing as expected in H2 as mostly due to carryover from pricing actions taken in 2022. In total, RMI was a tailwind at +€212m.
Gross pricing on products		*1,179*	
Raw Material Impact		*212*	
Cost of Goods Sold inflation		**-152**	Cost of Goods Sold inflation was -€152m in 2023, of which the production labor cost and other cost inflation was -€127m, and an increase in R&D in Cost of Goods Sold was -€25m. The overall investment in R&D, including in support function costs continued to increase as expected and represented 5.4% of 2023 revenue.
Production labor cost and other cost inflation		*-127*	
R&D in Cost of Goods Sold		*-25*	
Support function costs		**-1,033**	Support Function Costs increased organically by -€1,033m, or +13.7% org. in 2023, deteriorating as a percentage of sales by -20bps org. The Group was impacted by inflation for -€376m and continued to focus on its strategic priorities with investments of -€568m mainly linked to innovation through R&D, commercial footprint expansion and digital transformation including AI projects. Despite completing its operational efficiency plan in 2022, the Group delivered a further +€226m of cost savings. Other increases of -€315m include impacts from bonus accruals and some one-time items linked to technical accounting changes on employee share plans and marketing costs.
Mix		**192**	2023 performance resulted in a positive mix effect of +€192m where strong improvement of Gross Margin in the Systems business was partly offset by impacts from the relatively faster growth of Systems revenues compared to Products.
Foreign currency impact[10]		**-573**	The impact of foreign currency decreased the adjusted EBITA by -€573m in 2023, or around -100bps of margin, of which around -40bps related to impacts from Argentina, Egypt and Turkey which saw significant currency devaluation in the year.
Scope and Others		**-713**	The impact from scope & others was -€713m in 2023, with net Scope impacts representing a -50bps adj. EBITA margin headwind primarily due to the reincorporation of Solar activities and the exit from Russia. Others represents primarily the positive impact from inventory revaluation in H1 2022.
Adj. EBITA FY 2023	**6,412**		

9. Price on products and raw material impact
10. For those currencies meeting the criteria to be considered hyperinflationary under IAS 29, such as Argentina and Turkey, an IFRS technical adjustment for hyperinflation impact is reflected as FX and therefore excluded from the organic growth calculation. The effect of operational actions taken in these countries such as increased pricing to mitigate the inflationary impact is reflected as part of the organic growth

By business, the FY 2023 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of **€5,967 million**, or **21.1%** of revenues, up c.+220bps organic (up +70bps reported), due mainly to a combination of strong net price impact, good contribution from volumes and an improvement of gross margin in the systems business, more than offsetting investment in SFC and inflationary impacts.

- **Industrial Automation** generated an adjusted EBITA of **€1,304 million**, or **17.0%** of revenues, down c.-110bps organic (down -190bps reported), where strong net price contribution, improved productivity and improvement of gross margin in the systems business were more than offset by impacts from inflation and increased strategic investment within support function costs.

- **Central Functions & Digital Costs** in 2023 amounted to **€859 million** (€833 million in 2022), remaining stable at 2.4% of Group revenues. Investment in the Group's strategic priorities continued, while the Corporate cost element continued to be an area of focus and remained under tight control, remaining at around 0.7% of Group revenues in 2023.

- **NET INCOME UP +15%**

€ million	2022 FY	2023 FY	Comments
Adj. EBITA	**6,017**	**6,412**	
Other operating income and expenses	(433)	98	Other operating income and expenses had an impact of +€98m in 2023, consisting mainly of +€265m gains on business disposal including from Telemecanique Sensors, Gutor and VinZero, offset by M&A costs -€111m.
Restructuring costs	(227)	(147)	Restructuring costs were -€147m in 2023, €80m lower than in 2022 following completion of the Group's operational efficiency program and moving towards a target of around €100m per year, as previously communicated.
Amortization and impairment of purchase accounting intangibles	(424)	(430)	Amortization and impairment of intangibles linked to acquisitions was -€430m in 2023, €6m higher than in 2022.
Net financial income/(loss)	(215)	(530)	Net financial expenses were -€530m in 2023, -€315m higher than last year. The cost of debt was -€202m higher, as expected, due to higher interest rates and a higher base following the acquisition of AVEVA minorities. Other financial income and expenses were -€113m higher than in 2022, mainly attributable to impacts in hyperinflationary economies and FX.
Income tax expense	(1,211)	(1,285)	Income tax amounted to -€1,285m, higher than in 2022 by -€74m as a consequence of the higher pre-tax profit. The Effective Tax Rate was 23.8%, in line with the expected range of 23-25% for FY2023, and slightly lower than 2022 when excluding impacts of Russia exit.
Profit/(loss) of associates and non-controlling interests	(30)	(115)	Share of profit on associates increased to +€51m, up +€22m compared to 2022. The net income from Delixi was stable year-on-year. Amounts attributable to non-controlling interests increased to -€166m compared to -€59m in 2022.
Net Income (Group share)	**3,477**	**4,003**	Net Income (Group share) was €4,003m in 2023, up +15% on 2022, which included losses associated with Russia exit.
Adjusted Net Income (Group share)[11]	**3,968**	**4,066**	Adjusted Net Income was €4,066m in 2023, up +2% vs. 2022.

11. See appendix Adjusted Net Income & Adjusted EPS.

- **FREE CASH FLOW REACHED €4.6 BILLION**

  The Group delivered Free Cash Flow of **€4,594 million**, primarily due to the P&L performance driving record operating cash flow of +€5,529 million. This included R&D cash costs of €2,016 million, which increased to 5.6% of 2023 revenue.

  Net capital expenditure of -€1,313 million increased slightly to 3.7% of revenue, in line with the Group's plans to make capacity investment to fuel future growth.

  Trade working capital unwind boosted the free cash flow in 2023 by +€173 million, with a strong rebound in H2 of +€1,065 million. Inventory days were stable compared to December 2022, having seen an increase in the middle of the year as the Group sought to secure supply and prioritize deliveries to customers. For receivables, DSO also remained broadly stable while in relation to payables DPO increased slightly, helping working capital. Non-trade working capital requirements were primarily impacted by the level of bonus accruals.

- **BALANCE SHEET REMAINS STRONG**

  Schneider Electric's net debt at December 31, 2023 amounted to **€9,367 million** (down from €11,225 million at December 2022) after payment of -€1.9 billion to fulfill the 2022 dividend and payment of -€0.7 billion in relation to share buyback, offset by net acquisitions of +€0.6 billion and the strong Free Cash Flow performance of +€4.6 billion.

  The Group remains committed to retaining its strong investment grade credit rating.

- **CASH CONVERSION & PROPOSED DIVIDEND**

  Cash conversion was 115% in 2023, benefitting from the strong working capital tailwinds experienced in H2 2023 as product backlog was drawn down with a resulting decrease in inventories from highs at the end of H1 2023. This follows a period of lower cash conversion in 2021 and 2022 related to global supply chain challenges which necessitated the holding of higher levels of inventory. The three-year average cash conversion (2021-2023) is 97% (excluding impacts from Russia exit in 2022) in line with the Group's expectation to deliver ~100% cash conversion on average across the cycle.

  The proposed dividend[12] is €3.50 per share, up +11% vs. 2022 as the Group maintains its progressive dividend policy for the 14th year.

III. SCHNEIDER SUSTAINABILITY IMPACT

Schneider Electric, recognized as a sustainability leader by independent environmental, social and governance (ESG) ratings, announced its strong sustainability impact performance as part of the full-year financial results. The 2023 Schneider Sustainability Impact score exceeded expectations, reaching 6.13 out of 10, surpassing the year-end target of 6 out of 10.

Schneider's Sustainability Impact program drives and measures company-wide progress toward 11 global sustainability targets over the period 2021-2025. It is complemented by locally led initiatives, all of which support Schneider Electric's six long-term ESG commitments.

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12. Subject to Shareholder approval on May 23, 2024

Key highlights of Schneider's Sustainability Impact 2023 results:

- Schneider Electric solutions for electrification, digitalization, and automation continue to lower the emissions of customers, 112 million of tonnes of CO_2 were saved and avoided in 2023 alone.
- Carbon emissions from Schneider Electric's top 1,000 suppliers fell by 27% — significant progress compared to the 10% reduction achieved in 2022 — and 21% of the company's most strategic supply chain partners have met Schneider Electric's decent work standards.
- 63% of Schneider Electric's product packaging is now free of single-use plastic and uses recycled cardboard.
- 46.5 million people now access clean and reliable electricity thanks to Schneider Electric initiatives around the world.
- Schneider Electric has now trained more than 578,000 people with new skills to help them address the future energy needs of their communities.

Additionally in 2023, Schneider Electric maintained a strong performance in the Dow Jones Sustainability Index (DJSI), in Corporate Knights' list of Global 100 Most Sustainable Corporations in the world for the 13th year running, and obtained high scores from Moody's Analytics, CDP, and EcoVadis with a Platinum medal.

2021 – 2025 SCHNEIDER SUSTAINABILITY IMPACT

Q4 2023 Results

	Q1	Q2	Q3	Q4	2023 Target
Score[1]				6.13	6.00

6 long-term commitments		Baseline	Q4 2023	2025 Target
CLIMATE	1. Grow Schneider Impact revenues*[2]	70%	74%	80%
	2. Help our customers save and avoid millions of tonnes of CO_2 emissions[3]	263M	553M	800M
	3. Reduce CO_2 emissions from top 1,000 suppliers' operations	0%	27%	50%
RESOURCES	4. Increase green material content in our products	7%	29%	50%
	5. Primary and secondary packaging free from single-use plastic, using recycled cardboard	13%	63%	100%
TRUST	6. Strategic suppliers who provide decent work to their employees[4]	1%	21%	100%
	7. Level of confidence of our employees to report unethical conduct[5]	81%	+1pt	+10pts
EQUAL	8. Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)	41/23/24	41/28/29	50/40/30
	9. Provide access to green electricity to 50M people[6]	30M	+16.6M	50M
GENERATIONS	10. Double hiring opportunities for interns, apprentices and fresh graduates[2]	4,939	x1.52	x2.00
	11. Train people in energy management[6]	281,737	578,709	1M
LOCAL	+1. Country and Zone Presidents with local commitments that impact their communities	0%	100%	100%

*Per Schneider Electric definition and methodology
[1] 2021 baseline 3/10, 2025 target 10/10 [2] 2019 baseline [3] cumulated since 2018 [4] 2022 baseline [5] 2021 baseline [6] cumulated since 2009

To access Schneider Electric Sustainability reports with detailed results and highlights, click here.

IV. PORTFOLIO UPDATES

Since reporting on Q3 2023, Schneider Electric engaged in the following transactions:

Acquisitions

- EcoAct

  As announced on November 2, 2023, the Group completed the acquisition of EcoAct from Atos Group. EcoAct is an international leader in climate consulting and net zero solutions headquartered in Paris, France. The acquisition will expand and accelerate Schneider Electric's global Sustainability Business and will be reported within Energy Management.

- ETAP

  On January 23, 2024, the Group purchased the remaining 20% minority interests of ETAP in accordance with the forward agreement concluded in 2021 when it acquired 80% of the company.

Disposals

- Industrial Sensors Business

  As announced on October 31, 2023, the Group completed the disposal of its industrial sensors business, Telemecanique Sensors, to YAGEO. Until the date of disposal, Telemecanique Sensors was reported as part of the Industrial Automation business.

- AutoGrid

  On December 14, 2023, the Group entered into an agreement with Uplight Inc. (in which Schneider Electric holds a strategic minority investment) to sell AutoGrid to Uplight. AutoGrid is the U.S. based leader in artificial intelligence (AI)-driven optimization for distributed energy resources (DERs), which Schneider Electric had acquired in 2022. This transaction represents a reorganization among Schneider Electric-owned or affiliated businesses aimed at Prosumers, to better align their capabilities. The transaction closed on February 8, 2024.

Schneider Electric believes that a continuous and ongoing review of the portfolio is a healthy business practice to ensure and retain the strategic focus of the Group. In 2023 this has been embedded as part of a 'business as usual' approach to portfolio optimization and will be reported externally where relevant.

V. FINANCING UPDATE

Since reporting on Q3 2023, Schneider Electric has successfully issued bonds enabling the Group to increase its debt maturity profile and to strengthen its liquidity position:

- On November 20, 2023 the Group announced the success of its offering of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs) due 2030 for a nominal amount of €650 million.

- On January 4, 2024 the Group launched the successful issue of a €1.3 billion bond in two tranches respectively maturing in 7 years (€600 million) and long 11 years (€700 million).

VI. EXPECTED TRENDS IN 2024

- Strong and dynamic market demand to continue on the back of structural megatrends
- Strong demand for System offers notably driven by trends in Data Centers, Grid Infrastructure investment, and increased investments across Process industries served by both businesses
- Continued focus on subscription transition in Software and growth in Services
- A gradual demand recovery for Product offers, weighted towards H2, linked with a recovery in consumer-linked segments, and Discrete automation
- All four regions to contribute to growth, led by U.S., India and the Middle East

VII. 2024 TARGET

The Group sets its 2024 financial target as follows:

2024 Adjusted EBITA growth of between +8% and +12% organic.

The target would be achieved through a combination of organic revenue growth and margin improvement, currently expected to be:

- Revenue growth of **+6% to +8% organic**

- Adjusted EBITA margin up **+40bps to +60bps organic**

This implies Adjusted EBITA margin of **around 18.0% to 18.2%** (including scope based on transactions completed to-date and FX based on current estimation).

Further notes on 2024 available in appendix

VIII. 2024-2027 FINANCIAL TARGETS AND LONGER-TERM AMBITIONS AS ANNOUNCED IN 2023 CAPITAL MARKETS DAY

Based on its current view and assuming no major changes to the macro-economic and geopolitical environment, Schneider Electric announced its medium-term financial targets as follows:

2024-27 Financial Targets:

- Organic revenue growth of between +7% to +10%, CAGR 2023-2027[13]
- Organic expansion of Adjusted EBITA margin of around +50 basis points, CAGR 2023-2027[13]

Longer-term ambitions:

- Organic revenue growth of 5%+ on average across the economic cycle
- To consistently be a Company of 25[14] across the economic cycle
- Cash conversion ratio[15] expected to be around 100%, on average, across the economic cycle

****

The financial statements of the period ending December 31, 2023 were established by the Board of Directors on February 14, 2024. At the date of this press release, the audit procedures were carried out and the report of the statutory auditors is being finalized.

The Q4 2023 & FY 2023 Annual Results presentation is available at www.se.com

Q1 2024 Revenues will be presented on April 25, 2024.

The Annual General Meeting will take place on May 23, 2024.

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13. 4-year CAGR
14. Sum of organic revenue growth % and adj. EBITA margin %
15. Free Cash Flow as a proportion of Net Income (Group Share)

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.

About Schneider Electric:
Schneider's purpose is to **empower all to make the most of our energy and resources, bridging progress and sustainability** for all. We call this **Life Is On**.
Our mission is to be your **digital partner for Sustainability and Efficiency**.
We drive digital transformation by integrating world-leading process and energy technologies, end-point to cloud connecting products, controls, software and services, across the entire lifecycle, enabling integrated company management, for homes, buildings, data centers, infrastructure and industries.
We are the **most local of global companies**. We are advocates of open standards and partnership ecosystems that are passionate about our shared **Meaningful Purpose, Inclusive and Empowered** values.

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Appendix – Further notes on 2024

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2024 revenues is estimated to be between **-€400 million to -€500 million**. The FX impact at current rates[16] on adjusted EBITA margin for FY 2024 could be **around -30bps**
- **Scope:** around **-€300 million** on 2024 revenues and **around flat** on 2024 adjusted EBITA margin, based on transactions completed to-date
- **Tax rate:** The ETR is expected to be in a **22-24%** range in 2024
- **Restructuring:** The Group expects restructuring costs to decrease towards target of around **€100 million** per year

Appendix – Revenues breakdown by business

Q4 2023 revenues by business were as follows:

	Q4 2023				
	Revenues € million	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	7,637	+11.3%	-1.6%	-4.8%	+4.2%
Industrial Automation	1,843	+0.7%	-3.1%	-5.2%	-7.5%
Group	**9,480**	**+9.1%**	**-1.9%**	**-4.9%**	**+1.7%**

H2 2023 revenues by business were as follows:

	H2 2023				
	Revenues € million	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	14,572	+12.3%	-2.4%	-6.0%	+3.1%
Industrial Automation	3,697	+2.7%	-2.6%	-6.6%	-6.7%
Group	**18,269**	**+10.2%**	**-2.4%**	**-6.1%**	**+0.9%**

FY 2023 revenues by business were as follows:

	FY 2023				
	Revenues € million	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	28,241	+14.4%	-2.5%	-4.2%	+6.8%
Industrial Automation	7,661	+6.7%	-2.6%	-4.6%	-0.9%
Group	**35,902**	**+12.7%**	**-2.5%**	**-4.3%**	**+5.1%**

16. Forward exchange rates are volatile and difficult to predict. Consequently, the impact of such movement and possible impacts from hyperinflation technical accounting (IAS29) are not factored at this stage.

Throughout this document growth percentage calculations are compared to the same period of the prior year, unless stated otherwise.

Appendix – Scope of Consolidation

Number of months in scope	Acquisition / Disposal	2023				2024			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Autogrid Energy Management Business	Acquisition	3m	3m	1m					
EcoAct Energy Management Business	Acquisition					3m	3m	3m	3m
VinZero Energy Management Business	Disposal	3m	2m						
Gutor Energy Management Business	Disposal	3m	3m	1m					
Industrial Sensors Business Industrial Automation Business	Disposal	3m	3m	3m	1m				
Autogrid Energy Management Business	Disposal			2m	3m	1m			

Appendix – Adjusted EBITA, Analysis of Change

€ millions	H1 Adj. EBITA[17]	H2 Adj. EBITA	FY Adj. EBITA
2022 Adj. EBITA	2,782	3,235	6,017
Volume	588	547	1,135
Net Price	981	410	1,391
Productivity	45	103	148
Mix	112	80	192
R&D & Production Labor Inflation	(67)	(85)	(152)
SFC	(620)	(413)	(1,033)
FX	(185)	(388)	(573)
Scope & Other	(462)	(251)	(713)
2023 Adj. EBITA	**3,174**	**3,238**	**6,412**

17. H1 2023 Adjusted EBITA analysis of change restated to reflect clarification published on August 1, 2023 regarding a presentational correction between categories.

Appendix - Results breakdown by division

€ million		H1 2022	H1 2023	Organic	H2 2022	H2 2023	Organic	FY 2022	FY 2023	Organic
Energy Management	Revenues	12,307	13,669		14,135	14,572		26,442	28,241	
	Adjusted EBITA	2,506	2,824		2,886	3,143		5,392	5,967	
	Adjusted EBITA margin	20.4%	20.7%	c. +140 bps	20.4%	21.6%	c. +280 bps	20.4%	21.1%	c. +220 bps
Industrial Automation	Revenues	3,770	3,964		3,964	3,697		7,734	7,661	
	Adjusted EBITA	685	758		773	546		1,458	1,304	
	Adjusted EBITA margin	18.2%	19.1%	c. +180 bps	19.5%	14.8%	c. -410 bps	18.9%	17.0%	c. -110 bps
Corporate	Central Functions & Digital Costs	(409)	(408)		(424)	(451)		(833)	(859)	
Total Group	Revenues	16,077	17,633		18,099	18,269		34,176	35,902	
	Adjusted EBITA	2,782	3,174		3,235	3,238		6,017	6,412	
	Adjusted EBITA margin	17.3%	18.0%	+190 bps	17.9%	17.7%	+160 bps	17.6%	17.9%	+180 bps

Appendix – Adjusted Net Income & Adjusted EPS

Key figures (€ million)	2022 FY	2023 FY	Reported Change	Organic Change
Adjusted EBITA	**6,017**	**6,412**	**+7%**	**+24.5%**
Amortization of purchase accounting intangibles	(423)	(396)		
Financial Costs	(215)	(530)		
Income tax with impact from adjusted items[18]	(1,381)	(1,305)		
Equity investment & Minority Interests	(30)	(115)		
Adjusted Net Income (Group share)	**3,968**	**4,066**	**+2%**	**+16.9%**
Adjusted EPS (€)	**7.11**	**7.26**	**+2%**	**+16.5%**

18. The effective tax rate implied in the adjusted net income calculation for 2022 is adversely impacted by the write-offs in relation to Russia exit

Appendix – Free Cash Flow and Net Debt

Analysis of net debt change in € million	FY 2022	FY 2023
Net debt at opening at Dec. 31	**(7,127)**	**(11,225)**
Operating cash flow	5,393	5,529
Capital expenditure – net	(1,024)	(1,313)
Operating cash flow, net of capex	**4,369**	**4,216**
Change in trade working capital	(785)	173
Change in non-trade working capital	(254)	205
Free cash flow	**3,330**	**4,594**
Dividends	(1,775)	(1,851)
Acquisitions – net	(297)	611
Net capital increase	(11)	(419)
Purchase commitments on NCI	(4,748)	(55)
FX & other (incl. IFRS 16)	(597)	(1,022)
(Increase) / Decrease in net debt	**(4,098)**	**1,858**
Net debt at Dec. 31	**(11,225)**	**(9,367)**

Appendix – ROCE

ROCE calculation

P&L items (€ million)		2022 reported	2023 reported
EBITA	(1)	**5,357**	**6,363**
Restructuring costs	(2)	(227)	(147)
Other Operating Income & Expenses	(3)	(433)	98
= Adjusted EBITA	(4) = (1)-(2)-(3)	6,017	6,412
x Effective tax rate of the period	(5)	25.7%	23.8%
= After-tax Adjusted EBITA	(A) = (4)*(1-(5))	**4,471**	**4,886**

Balance sheet items (€ million)	2022 reported	2023 reported		2022 avg. of 4 quarters	2023 avg. of 4 quarters
Shareholders' equity	26,094	27,168	(B)	29,458	26,676
Net financial debt	11,225	9,367	(C)	9,097	11,522
Adjustment for Associates and Financial assets (fair value)	(1,853)	(1,907)	(D)	(1,876)	(1,875)
= Capital employed	35,466	34,628	(E) = (B)+(C)+(D)	36,679	36,323
= ROCE			(A)/(E)	**12.2%**	**13.5%**