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# EDITED TRANSCRIPT

SCHN.PA - Schneider Electric SE To Acquire AVEVA Group PLC

EVENT DATE/TIME: SEPTEMBER 21, 2022 / 6:45AM GMT

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## PRESENTATION

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, operator. Good morning. Good afternoon, everyone. Thanks for joining at short notice. Of course, we are here to discuss the announcement that we've made this morning regarding AVEVA. The presentation that we're going to share is actually available on our website as well. And you also have the press release as well as the official document, the 2.7, which is available on our website. We will take a few minutes on the presentation, and then we'll make sure we have time for some questions and answers.

And I'm going to hand it over to Jean-Pascal Tricoire, our Chairman and CEO, who joins us as well as Hilary Maxson, our CFO. Jean-Pascal, over to you.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Thank you, Amit. Thank you all for being with us on this call and many apologies for the short notice, but it's part of the constraint of such an operation. No surprise. The reason why we are together with Hilary and Amit today is to confirm our firm intention to acquire the minority shares of AVEVA. And in a nutshell, what we are -- what we want to accomplish here is to accelerate on the path to deliver to our customers, one data hub, one industrial data hub on the whole toolbox to fast track to the enterprise meta verse. So I'm going to go through several sites that explain the rationale of this operation and it's all to start with about customer value.

First, make sure that the teams of AVEVA can be entirely focused on their customers regarding their transition to subscription and SaaS. That's a double-transition technology to the cloud, business model to subscription. And we know that for any listed company, this reason or cadence of transition doesn't always cadence very well with the quarters.

We want our teams at AVEVA to be completely focused on this transition on their customers. And one of the objective is to accelerate this transition. The second one, and I'm going to go in detail about that, bring the energy-software portfolio that has been built at Schneider closer to AVEVA for industrial customers at a time where energy is at the top of the agenda of all of our industrial customers for obvious reasons.

And then, it's offering a converged experience to our customers. One data hub, converging process and energy data, one set of applications to fast track for our customers to the complete enterprise meta verse, but also thanks to prepackaged, ready-to-run applications, yet not a short-time return, a fast return on the economic investment to -- in digitization.

And finally, on customer experience, frictionless and seamless across the portfolio of our agnostic software. The second target here is beyond customer value is all about acceleration of growth. It's all about growth and removing the barriers between or making the ownership of all of our agnostic software are more consistent on removing the barriers to collaboration between our companies in this field.

So bringing operational flexibility and simplification, allowing more technology convergence and closer collaboration in the field of R&D and finally, allowing on accelerating the coordinated action on our customers' go-to-market and customer coverage.

On this goes with 2 principle that we maintain and that we actually want to underline even more, the fact that AVEVA within Schneider will be with an autonomous management on management and onboard to really maintain a culture of software on the model of software in AVEVA. And that goes also with a compensation system for managers and employees competitive with software peers there, again, to make sure that we keep the software culture on the software specialization of AVEVA.

So maybe to take a little bit of perspective about this whole operation. Let's rewind and see what has been the journey of Schneider to support customers across their digitization journey. Toll started in 2009 when we launched EcoStruxure. And EcoStruxure has been since then our IoT platform, allowing our customers to connect every product on every of their controls on-premise to digitize their process or digitize their energy.

But EcoStruxure is generating, is collecting, is aggregating a lot of data, which is getting replicated to the cloud, and it appeared soon enough that our customers were interested by digitization provided deep -- able to supply them with software analytics, AI, so that they would make sense of this data.

So around AVEVA, and I'll come back to the story of AVEVA, we focused or we created a full industrial software portfolio. And while AVEVA was consolidating this unique portfolio for industrial software, the rest of us at Schneider built the same sort of portfolio for energy management. So that drove us to a profound transformation of our company.

Today -- as of today, this Digital Plus services and services is only 10% of our turnover means digital 20% of our turnover, represent more than 50% of the total turnover of Schneider. On what has been growing the fastest in our portfolio has been actually this agnostic software, which based on the data that we collect on the installations for our customers gives sense and help our customers to improve their efficiency, sustainability, safety and reliability.

And you remember that in last year, at the end of the year during our CMD, we committed to bring that 50% of our turnover today in digital and services to 60% of our turnover by 2025. When -- today, we announced this operation with AVEVA, which aims at accelerating our development in software, this participates, of course, to this objective to move from 50% to 60%.

But not only -- we have also said in the CMD that we wanted to grow the company every year by 5% plus inorganics on average. And this reinforcement of our software, the simplification of our agnostic software participate to this objective as much as it consolidates our capability to be a company of 25%. Our aspiration to be a company that when you sum up the growth on the profitability, we want to be sustainably above 25%. So a triple -- super-triple objective of 60% in digital and services, 5% plus in organic growth and to be a company of 25%. Now let's focus on AVEVA. And this is a slide that I have taken from the public presentation of AVEVA.

What we've done over the years on the Schneider side has been by organic development plus acquisitions, Sitech, Telvent, Invensys, and [Dannon] readying our activity with AVEVA. We build with AVEVA a unique portfolio of applications across the life cycle of industrial plants and facilities so that our customers could really create a digital twin of their manufacturing from design into engineering and execution into operation with very specialized modules to optimize the operation, asset performance, production optimization and in on scheduling.

This coupled with a worldwide recognized visualization capability, which is a proud legacy of Wonderware and this shouldered on a unique data hub, which allows our customers to consolidate all of their data. We are also very proud that along the way with this multiple partnerships, partnerships strategy to reinforce our portfolio but also partnerships with system integrators, with software houses to deploy this software with our customers.

So over time, AVEVA has built a unique toolbox to -- for our customers to digitize their process and to digitize their industrial setup. When AVEVA acquired on this acquisition was, of course, backed up by China in 2020, acquired OSI, AVEVA also built the reference agnostic data platform for the industrial world.

And that was based -- that is based on the legacy of pie, but not only. Wonderware is also bringing a historian on capabilities in this field. And we have built together at AVEVA, this reference data platform for the industry.

On that, a great asset at the moment when our customers want to consolidate all of their data to optimize the way they were. And this data platform is unique in the sense that it's hybrid, it works both on-premise and on the cloud with a seamless exchange of data. It brings together data which is contextualized on structured for industrial applications, and that it allows to run on it, specialized industrial software.

That is what AVEVA has built. But in parallel, Schneider was exactly along the same line, building the equivalent -- we've been building the equivalent in the field of energy from electrical design to electrical engineering manufacturing project execution to energy management, a complete integrated life cycle portfolio for our customers to digitize their whole chain of energy.

On this comes at a time when in the past 12 months, the price of energy, the availability of energy has become a key priority or a key question for all of our customers. And we know at Schneider that the only way to optimize the equation of efficiency and resiliency in the industrial world is to have into one setup the equation of process efficiency and energy efficiency, you cannot reduce your energy intensity if you don't act on your process.

In many regions of the world where energy is very costly and sometimes is threatening not to be available, you cannot have a process which is reliable if you don't manage very precisely your energy. For making our 2 portfolio of software, industrial software and energy software brings to our customers an incredible advantage at a time when this subject again has become front and center in all of their priorities.

And what we are looking here to provide them with is a convergence of power and process data, one data hub for operation assets, energy and carbon as we go forward, contextualized data on portfolio of applications where they can use their data and make them relevant for their efficiency and resiliency and finally, a digital twin for all of their applications.

So what we are bringing here is somewhere or making closer is the industry twin brought by AVEVA, the energy twin brought by the portfolio of Schneider into one data hub, which allows our customers to work on their data and this supported by -- for the customers who we ship, an IoT architecture plug and play, which allows our customers to connect their installation in a fast and seamless manner.

So what our customers are doing with all of this? Well, they are facing today the need to be more efficient and much more resilient with both their process and energy, and they have to connect all of their installations. And here, we bring them a unique capability to connect their installation whatever the legacy of their controls and products, thanks to a library of connectors, which is unparalleled.

On this data is consolidated into the data hub, they can either deploy our existing pre-package and ready-to-run on fast result package of application AVEVA for industry, Schneider for energy or they can use the same data to have their own ecosystem of developers develop their application, their own developers or their system integrators, they can empower their people on the shop floor, they're plan managers, their operators or they can also empower their ecosystem.

This is what we do at Schneider in our factories giving a selective access to some of their data to their ecosystem, utilities, for instance, or suppliers so that those can participate in real time to the improvement of processes. The other objective that we have here is to benefit from what AVEVA has developed in terms of customer experience. Over time, actually, over the past years, AVEVA has developed AVEVA Connect, which is the cloud experience on AVEVA Flex, which is the model of subscription on the model of consumption of the elements of the software of AVEVA, developing 1 cloud platform, which really makes it easier for our customers to deploy analytics or to develop their own applications.

So with that, on using that backbone, we want to bring our customers to be able to expand deploying AVEVA applications, deploying energy software of Schneider, deploying their own applications that they will have developed or deploying also third-party applications, including competition applications.

The whole objective here that I'm describing is to bring all the agnostic software companies of Schneider under the same theme of ownership so that they can work in a closer manner together and so that our teams can be completely focused on deploying their solutions with our customers, bringing them one digital twin across the life cycle, bringing them an industry-reference data hub, breaking them the full set of applications for them to accelerate on their way to the make up the also the digital twin, the pure digitization of their installation and making sure that they work across the same user experience.

So that as a description of what we want to achieve on -- and Hilary before I hand over to you, I'd like to share with you all this slide, which I borrowed from one AVEVA public presentation, which shows their key customers, industrial customers by their people and by application. And you can realize that those customers actually, in many cases, in common with the rest of us and with the companies who do agnostic software on the energy side of Schneider.

What we want is to increase the core marketing on the core sales of our solution to that portfolio of customers in a much more seamless and much more flexible manner. With that, Hilary, I would like to hand over to you.

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**Hilary Barbara Maxson** - *Schneider Electric S.E. - CFO*

Thanks, Jean-Pascal, and good morning to all of you. Here, we summarize again the key aspects of this transaction from the 2 most important viewpoints, strategic and customer that Jean-Pascal just went through. As you recall, last year at our Capital Markets Day, we spoke about sustainable growth, driven by accelerating markets and our incremental growth drivers of software, services and sustainability. And we shared with you our vision of unified asset life cycle management, bringing together the various offerings of our agnostic software companies and EcoStruxure to support digital transformations for our customers. Today, we see our markets even more strongly at an inflection point with the trends of digitization, sustainability and electrification accentuated by the current global context and high energy costs.

So with this transaction, we'll bring our agnostic software companies closer together and simplify the manner in which they interact to more quickly deliver combined process and energy efficiency, which is a real differentiator for our customers and will enable this through an unparalleled enterprise data hub augmented by a suite of software. This requires a significant level of coordination across the companies, and the simplification brought by this transaction as well as closer cooperation in R&D and further coordination and go-to-market will enable us to more quickly deliver this unique value proposition to our customers.

And additionally, we believe this transaction will further support and accelerate the transition across our software businesses with AVEVA of course being the largest of those to a subscription and SaaS model, driving value for both customers and shareholders.

On this slide, you'll see the key financial terms proposed. On the around 41% of the shares we don't own today, we're offering 3,100p per share all in cash, resulting in a total expected transaction value, excluding transaction fees for Schneider of around GBP 3.9 billion. This is a premium of 41% compared with the share price the day prior to when the leak announcement or 2.4% was issued on August 24 and of around 32% compared to the prior 3- and 6-month VWAPs.

And this is a recommended offer in the U.K. with the Board of AVEVA recommending to its shareholders that they accept the offer. Using AVEVA's full year results reported in June 2022, this offer translates to implied multiples for this transaction of 8.2x revenue and 27.8x adjusted EBIT.

Both Jean-Pascal and I have already discussed the strategic and customer benefits of this transaction. So from a more financial perspective. First, growth in software is one of the key tenets of the step change in Schneider's overall growth profile to 5%-plus organic growth on average over the cycle.

This opportunity to simplify and more quickly bring unique value to our customers further supports those long-term ambitions. Second, as you know, AVEVA is in the early stages of a complicated set of transformations. It's transforming its technologies towards cloud, its relationship with its customers towards subscription, and therefore, its accounting and internal processes.

While we're convinced these transformations will drive significant customer and shareholder value, and this has been the case for other software companies who have completed this journey, we don't think these kinds of transformations are linear. There will be bumps along the road. And the simplification brought by this transaction will further support and ensure the full year 2026 ambitions already shared by AVEVA.

Regarding capital allocation, our overall priorities and our commitment to disciplined capital allocation remain the same. Let me start by reminding that as a top priority, we remain committed to strong investment-grade credit ratings. As I said at our Capital Markets Day, this enables us the flexibility to maintain and even accelerate our strategic plans at times when other companies might not be able to do so.

We also continue to be a strong cash-flow-generating company. On our half year call, I confirm we expect to finish 2022 with around EUR 3 billion free cash flow, and we continue to expect free cash flows of around EUR 4 billion by end of 2024. We expect to fund this transaction with new debt of up to EUR 4.6 billion. But at the same time, we'll be continuing to pay down legacy maturities, and we've already generated enough cash to repay an \$800 million bond coming due on September 27.

We also expect to finalize our current disposal plan of EUR 1.5 billion to EUR 2 billion in revenue by year-end, and we remain on track with our share buyback program of EUR 1.5 billion to EUR 2 billion. In terms of acquisitions, this offer is a good example of the key focus we have when considering acquisitions to create value driven from an in-depth understanding of the target business and our ability to drive future cash flows and returns for our shareholders with that investment.

In terms of any future acquisitions, we do remain happy with our current portfolio and expect in the medium term to be focused primarily on our organic growth plans and successful integrations. In terms of timing, we would expect the key next step to be an extraordinary general meeting of the AVEVA shareholders in November. And if approved, we would expect the transaction to close after certain regulatory approvals in the first quarter of 2023. With that, I'll turn it over to Amit for Q&A.

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## QUESTIONS AND ANSWERS

**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Thank you, Hilary, and thanks, Jean-Pascal. We're going to move to Q&A, and I'm sure there are several questions out there. So we'll attempt to answer to the extent we can. Maybe operator, we can start with the first question, please.

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### Operator

The first question is from Phil Buller of Berenberg.

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**Philip John Buller** - *Joh. Berenberg, Gossler & Co. KG, Research Division - Research Analyst*

Obviously, AVEVA is a great asset. I'm just hoping you can have the understanding in practical terms how -- if the company has to remain as independent and autonomous, as you've explained, how we actually work operationally, so as to add more to your growth rate over about the current ownership structure given it was already consolidated?

I'm wondering if your clients bring the other software assets like we have an IT under the AVEVA umbrella to leverage that close R&D collaboration. Is that part of it? And just a bit of a follow-up in terms of how you might see this asset going forward, will it stay in the IA business? And do you intend to disclose growth in margin? Or will it just be lumped together as part of the software discloses?

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Great question. First, let's remind what is absolutely essential. We want the agnostic software of Schneider at AVEVA outside of AVEVA to be autonomous, on agnostic. That means open to all sorts, all other party controls, hardware on control systems of the market. And that doesn't change through this transition.

Now what we've seen, and we explained it in the presentation is, as we have grown on both parts of our software, AVEVA and the energy portfolio, we see more and more interactions between the 2. While we also are very attached to their specialization, what we do in electrical software is not exactly what we do in RIB is not what we do at AVEVA.

But what we want is more interaction across what I was saying, data experience on the integration of those application in something which is meaningful for our customers. Now the world has changed. While maybe 1 year, 1.5 years ago, everything what people were talking about was pure digitization. Now energy is big on the agenda of every industry, for its license to operate in the world for the cases, or it's a big cost impact for many industries.

And anyway, the one who is able to operate in a much better -- a much more efficient way, the combination of its process and energy has a huge advantage on anybody else. And to do that, you need to be fully digitized. And what we see today is that, that need of greater integration at very specific points on the architecture pushes us to want to add those companies under more consistent proof and to have a more seamless collaboration.

But we want them to stay specialized and to do what they are good at doing, but at the same time, being able to bring combined operations to our customers. And that's real, right? When you go to see any customer today in the world, especially in Europe, it's obvious, but not only in Europe because of the cost of energy, this has become much more central than what we are facing before. Hilary, if you want to take the question about reporting.

**Hilary Barbara Maxson** - *Schneider Electric S.E. - CFO*

Sure. So in terms of reporting, we already share key details with you about our software business and software performance in our digital flywheel and in the earnings call, including, I always give a little bit of extra detail between what we have there. We'll continue to do that, and we'll also continue to give key metrics for AVEVA for the future as well.

**Operator**

The next question is from Alasdair Leslie of Suite General.

**Alasdair Leslie** - *Societe Generale Cross Asset Research - Equity Analyst*

So just in terms of your digital flywheel, can you go into a little bit more detail about how fully consolidated AVEVA might help you get to that 50% ambition? So aside from software, perhaps are there other areas like connected products or digital services and your adviser platforms that we could see growth scaled up much more quickly as a result of this transaction?

**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Alas, I'm coming back to what I was explaining just before. I mean the fact that we provide a much more integrated experience for our customers, much more integrated data, which allows our customers to play on both sides of process and energy and a much more integrated set of application for the customers to be the full digital twin of their installation, make that -- this gives more sense on more return on data. But the problem of customers is not a nice idea of digitization is to turn data in tactical outcome for them. Safety, reliability, efficiency, sustainability or capacity to

report on carbon is the thing that you can do only if you digitize and I'm not even speaking about your capability to source the right source of energy or the less carbon-intensive source of energy in real time.

You can't do that if you don't understand your consumption, if you can't, at times reduce your consumption or increase your consumption in think with the supply of energy. So what we want here by simplifying the shareholding of all those agnostic software companies is to make that this portfolio, which works together today, make no mistake.

The teams are talking together, the teams co-develop together, the teams co-working customers together. But coming with different structures, it makes interaction sometimes difficult -- not difficult, but more slower than it should be. What we want is to remove the barriers to get in on faster. We want this, all of this is to get our software bigger and to get it faster.

On it itself, we see software as one of the most strategic part of our developments, as you well know. We've been in discussion for a long time on this subject. And of course, the more we develop that portfolio of software and that capacity to reposition data, the data hub, the more it pushes our customers also to connect their installations, which creates more space for our controls on connected products.

And then remain the service, but the more today, I struggle more not to separate what we call our field services from the digital part because when our field services go on an installation today, they propose to connect and digitize the installation. And very often, but started as a field service finishes with services and connectivity that then goes into analytics, alarming, monitoring, control and great space for more services.

So that's what we call the digital will, but the software part, which is a place where data converges and where analytics put together the data or give insights on the data is absolutely critical to the whole setup.

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#### Operator

Next question is from Andrey Kukhnin of Credit Suisse.

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#### **Andre Kukhnin** - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

I guess we'll continue to kind of think about what exactly incrementally is gained from full control but I think you've answered that question a couple of times now. So what I wanted to ask does this signal kind of a step up potentially in capital allocation towards software M&A for Schneider? And would you envisage potentially full integration of old Schneider software under one roof within Schneider?

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#### **Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Already said it on one side, what we want is to remove many barriers, the collaboration between both software companies. But at the same time, we also value the specialization of those software companies. They are specialized on very specific parts of the experience of their customers. This -- you remember the slide that we presented now for 2 years of the 3 domains, process, power on build. We want both software companies to be extremely focused on to be the best at what they do in those sectors. At the same we need to be able to improve energy experience, longer the data and go faster to the customer together. What we are creating here is a ground where, we take away a lot of operational, I would say not difficulties, but complexities that we are experiencing every day, where at the same time, making sure we are a company that (inaudible) . But at the same time, we keep them specialized.

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#### Operator

Next question -- Andre, you had a follow-up?



**Andre Kukhnin** - *Crédit Suisse AG, Research Division - Mechanical Engineering Capital Goods Analyst*

Question -- what about...

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Yes, you are speaking about the step-up in software. I would take that as a message that we want to make the most of what we have. And there is so much to build around what we have assembled. So either I mentioned it, the space for adding early stage as we did last year. But what we want to do is to make sure that we make the most of the portfolio we put together.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. Next question, please.

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**Operator**

The next question is from James Moore of Redburn.

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**James Moore** - *Redburn (Europe) Limited, Research Division - Partner of Capital Goods Research*

I wondered if you can help me understand the economics. I don't understand them very well. And really, how does this acquisition create economic value, if my math is correct on a \$10 billion deal, you need to more than double EBIT to get \$800 million to cover a WACC of 8%. But even if you achieve midterm targets of 10% revenue CAGR and a 35% EBIT margin, which for -- which to do you need to grow now at 12% because it's not been achieving that, which even as ever done, and you need to lift the margin 900 bps, which no software company is done for a last transition. But even if you do that, you get to \$1.9 billion of sales in '26 and \$670 million of EBIT, which is still short of that? And presumably, most of the synergies are already largely in place. So can you say what year you expect to cover the WACC? And what WACC you are using and whether you're assuming any incremental synergies?

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

I think maybe I'll take that one, James. So the way that I would think about this transaction in a couple of ways. First, of course, as with all acquisitions, what we're looking at is basically what you're playing out, right, which is the discounted cash flow, the NBV, what we create for this transaction, in the course of this transaction for our shareholders.

So a few things I would say there in that we know this aspect pretty well. And we are confident in, therefore, the forecast that we have for the asset. I already talked about the fact that we think that this transaction further solidifies the path to the Capital Markets Day targets that AVEVA itself put out for its 2026 year, which closes March 30 of 2026.

We think that the value that's there is already there, right, something that you can see and that we can -- and I won't say anything about the offer itself. But I think in terms of both ROCE, which is a metric that we follow in terms of EPS, we feel comfortable with the value metrics that are behind this.

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**James Moore** - *Redburn (Europe) Limited, Research Division - Partner of Capital Goods Research*

Could you say to our shareholders, what ROCE you expect and what your hurdle rate is and what the year is?

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**Hilary Barbara Maxson** - *Schneider Electric S.E. - CFO*

So there's a little bit of a technicality with our -- on this transaction. We acquired the controlling share of AVEVA in 2018. So in fact, this transaction, we don't expect to be accounted for as an acquisition but incentives a transaction with our minority shareholders. So no goodwill, no purchase price amortization. So therefore, there wouldn't be any real impact on the accounting version of ROCE. There will simply be the net debt that goes on to the balance sheet and a contra equity against that. I presume that's not real what you're asking now. Obviously, that's a -- so ROCE on paper is unchanged.

I think what you're asking about that is value, and we value each transaction. And I think we talked about it quite a few times before. We like discounted cash flow as a metric because for us, it's all around strategy, right? And the business plan that we come up with for that asset to drive cash -- first growth, margins and then cash flows over time for that. So we feel very comfortable. We don't have a particular hurdle rate, I think, that we've talked about in the past.

We've talked about driving our own ROCEs towards 15% over time, and I think that we're on that journey. And in terms of the actual value, we've talked about in terms of what we think we're doing with the 5-plus percent organic growth and the driving towards the company of 25% as a company ourselves. And we think that this plays a good role in that.

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**James Moore** - *Redburn (Europe) Limited, Research Division - Partner of Capital Goods Research*

I guess what I'm asking is, what is behind incremental capital allocation decisions because Schneider has a fantastic operating return on net assets. But for many years, we've not seen the return on capital lift. And for a number of years, they were concerned about large acquisitions. This is a large capital allocation decision. And I'm trying to understand whether the decision to move from 60% when you had said some years ago when you acquired AVEVA that we will get all the synergies, we're happy that the benefits of bringing 2 companies together will be in place. How you assess the economic value added to shareholders of an incremental uplift to EUR 60 million to EUR 100 billion, that extra EUR 10 billion decision, I'm trying to understand how you believe that, that creates value for shareholders?

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**Hilary Barbara Maxson** - *Schneider Electric S.E. - CFO*

And I think I've gone through the details, so I'll just -- I think we can move on. But the transaction value to us. So what we pay is around GBP 3.9 billion, right? That's not excluding transaction costs, but in that range, and we're funding it with debt. We look at all transactions in all M&A in terms of what they will provide to our shareholders in terms of what I believe is the real driver of value, which is free cash flows in the future, and we compare it to what we would pay, like I think any company would do.

And I think we've gone through all of the details on this call as to why we think from a strategic and customer standpoint, there's a lot of value in this transaction. And we think that translates into those free cash flows and return on investment that shareholders will see in the future.

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

And to complement on what Hilary was saying, we've been talking enough about software for the past many years. Beyond the financial model that you are mentioning, I think there is a real acceleration of the market into convergence, into more convergence of data and the convergence that I think we've been the first one really to talk about it, the convergence of energy and process, it's really on process. It's not really coming through.

And the present setup, of course, we can keep it, right? But I don't think it's fast enough in front of the opportunity. And what we are convinced of is that it can really change the momentum that we have in offering solution that others don't have. And believe me, we don't change anything. Autonomous, agnostic remain the same, and we spend a long time to ponder the interest of doing what we are doing today, but we see a real advantage to simplify and make those things much more flexible and seamless between our companies because the opportunity and the need is now with ARGUS.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

Thank you, James. I think we probably now only have time for another couple of questions, but let's let see what we can fit in. Next question, please.

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**Operator**

The next question is from Alexander Virgo of Bank of America.

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**Alexander Stuart Virgo** - *BofA Securities, Research Division - Managing-Director*

I wondered if I could try a slightly different tack and ask if you could give us some examples of lessons that you've learned over the last 4 or 5 years of operating together? I think you talked about Unified Engineering at the time of the original structure, which you think you can then learn from and apply as you go through in the next stage of the ownership structure, I guess, that's actually going to generate this acceleration.

And as a follow-up, I wondered, just to clarify, presumably you kept arm's length for commercial agreements in place, the original -- under the old structure. Would those remain in place as part of the maintenance of autonomy and existing business model at AVEVA?

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**Jean-Pascal Tricoire** - *Schneider Electric S.E. - Chairman & CEO*

Yes. The thing that we've learned is, frankly, the value of AVEVA's simple customer experience across the life cycle of installations on the capacity also to have a model, which AVEVA Connect, AVEVA Flex is demonstrating or having a model of subscription on consumption, which is helping a number of people at our customers to collaborate and work on the same model in a very seamless manner.

So what we see -- what is important is really the adoption of those systems. And what -- the only thing that makes sense is the benefit we deliver to our customers. The outcome of what digitization brings to our customers. So simple is really important. Second, getting as much data as possible is really important too.

And third, I would say, knowing the industry you are speaking to, this deep knowledge of vertical of an application is really important. Maybe the next one and the last one -- I will stop here because then I could go long again and again is that systems for mission-critical industries that we are talking about having a very rugged resilience on hybrid system that can work on a combination of on-prem and cloud-based systems in a seamless manner is really important for our customers and the adoption that they have on going to the cloud, in many cases, is progressive.

So going with them around along this transition is really important. So again, I started with symbol. I started with fast return, fast outcome to digitization. And this is what this all operations we're describing today is all about. It's about customer value, seeing more customer value, fast customer value and its acceleration of growth.

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**Amit Bhalla** - *Schneider Electric S.E. - Vice-President of Financial Communication & IR*

All right. I think we're -- I'm going to squeeze in one last question because I don't want to keep anyone else sort of waiting there. Operator, do we have another question?

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**Operator**

The final question is from [Lisa Zhang] of Goldman Sachs.

**Unidentified Analyst**

I just actually want to know if you can quantify any like synergy between those transactions you think about going to happen or anything like cost savings? That would be great.

**Hilary Barbara Maxson - Schneider Electric S.E. - CFO**

I think we've made clear that we're not going to give any particular numbers. One thing I would say is that cost synergies, and I think you can read the 27, we make a number of statements there, not a focus of this transaction. We don't expect that we would materially change any people-costs associated with the transaction. In terms of revenues, we've spoken already, I think, quite a bit about customer value, the strategic value of this transaction. We're not giving any particular revenue synergies. What we didn't talk about is solidification of the journey to the 5-plus percent in organic growth over time, which is a big step change for Schneider and that 5-plus percent over the cycle.

We also talked about further supporting AVEVA's journey to its Capital Market Day targets that it's already put out in the market that are for their fiscal year of 2026 that ends March 30 of 2026. So those are probably the key financial metrics that we would call your attention to.

**Amit Bhalla - Schneider Electric S.E. - Vice-President of Financial Communication & IR**

All right. Thank you, (inaudible). I think we're at time. Thank you all again for your attention. Of course, you can see on the screen that we are going to be available for further interactions. And I'm sure there's a lot to read in the documents which have been filed today. But again, I'd just like to thank you. I don't know if there's any final word Jean-Pascal from yourself.

**Jean-Pascal Tricoire - Schneider Electric S.E. - Chairman & CEO**

Thanks for being here on such short notice, and see you soon.

**Amit Bhalla - Schneider Electric S.E. - Vice-President of Financial Communication & IR**

Thank you all. Bye-bye.

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