Well, good morning, everyone. I hope you can hear me. I think there was some issue with the operator, so apologies for that. But we're going to get started. Thanks for joining us this morning for our first quarter revenue results. I'm joined here by Hilary Maxson. Hopefully, you can see both of us on the screen joining from London; Hilary, of course, from Paris. The press release and presentation is available on the website. And we go through the presentation first, and we'll leave enough time for Q&A after.

So Hilary, let me pass it over to you and -- to take us through the presentation.

Hilary Maxson - Schneider Electric S.E. - CFO

Thanks, Amit, and good morning, everyone. Hopefully, you can hear me okay. I'm happy to be here with you today to comment on our Q1 2021 revenue numbers.

So starting on Slide 5, I'll start with some highlights on the top line for the first quarter. I think the key theme overall, without doubt, is growth. We finished the quarter at EUR 6.5 billion in sales and organic growth of 13.5%. Part of this growth, we would estimate around 3 to 4 points, was driven by a combination of pricing and stocking. But what's clear is we see good demand dynamics across all of our end markets and most of our segments. And I'll speak more on that throughout the presentation.

Both businesses contributed to the strong growth with a bit of divergence across geographies. This is the third consecutive quarter of year-over-year growth for Energy Management and for the group overall with Industrial Automation shifting now from close to flat in the Q4 to strong growth in Q1.
Moving to Slide 6. I want to spend a minute to remind you of our positioning as a company and how that relates to the current and future opportunities. It's true that part of our performance post Q2 2020 is, of course, market driven. But I'd also like to highlight our strategic choices and positioning that puts us in such a good place to capture current and future market opportunities. These aren't new themes, but we've been positioning ourselves as a leader in digital transformation across the life cycle, from design to build to operate, for quite some time, both through our acquisitions as well as internal innovations. And we think digital transformation worldwide has only accelerated recently with more desire for remote operations, more desire for efficiency and resiliency and for digital as an enabler of sustainability.

Sustainability is now top of mind of customers, governments and, increasingly, consumers. And we've positioned ourselves not in small part due to our own internal commitments and sustainability journey as well as with innovations like SF6-free and our extensive digital service offerings as a leader in supporting customers to achieve their climate goals. And electrification is something we've spoken about for many years and is only increasing momentum.

Across these themes, our approach to business as an integrated company across both Energy Management and Industrial Automation also positions us strongly as these 3 themes are complementary.

Turning to Slide 7 and our strategic growth pillars. I'll speak more about performance in a few minutes, but I'd like to highlight a few drivers of these pillars for the future. First, on more products where innovation is a key driver. We launched the next generation of Okken and BlokSeT LV switchboards with enhanced safety, reliability and connectivity, also including a real-time thermal monitoring solution. With IoT-ready wireless connectivity, this smart innovation makes it easier and safer to operate and maintain the low-voltage switchboard. And as you may have seen at Hannover, we launched our Galaxy VL, a compact and more efficient 3-phase UPS for data centers, which offers a 2-year payback to customers. This innovation is designed to help our customers grow while minimizing footprint and cost of ownership, and it fills a previous gap in the market for the mid-range power segment. It's also a green premium product.

Our second pillar is to grow more Software and Services. You're aware that we had a specific focus on this pillar in recent years. In Q1, we've added OSIsoft into the group through AVEVA having closed on that transaction, which will be consolidated from our Q2. We're still awaiting regulatory clearance for our investments in ETAP and Uplight and feel good about the breadth of our Software portfolio.

I'll also mention that one of the key metrics we follow within the company is our growth of assets under management, which reflects specific assets connected to the Schneider Cloud. Happy to report this important metric continues to grow in Q1, up 47% year-over-year.

And we've now added a pillar on sustainability as a growth enabler. An example of where we've enabled our customers to be more sustainable is with Kellogg's in the U.S., where we advise them on a virtual power purchase agreement with Enel. This VPPA covers 50% of the electricity used by Kellogg's North American manufacturing. It not only supports Kellogg's on its journey to reduce its Scope 1 and 2 emissions but also contributed to Enel starting construction on a new wind and energy storage project in Texas.

I'm also happy to share that we've launched our zero carbon project with our own suppliers in Q1. This is in line with our new SSI-linked Schneider Sustainability Index and is using our own technology to enable our suppliers to find meaningful CO2 savings in coming years.

Moving to Slide 8. And before I turn specifically to our Q1 financial performance, I'd like to speak on some Q1 trends and longer-term opportunities in our end markets, including a few notes from recent external research reports. First, in building, there are some positive signs of turnaround of nonresidential construction. A good example in the U.S. is the turnaround in Architectural Billings Index in the first quarter of 2021. And we continue to see stimulus actions in Europe and the U.S. with focus on energy efficiency in buildings and on building renovation.

In data center, growth remains strong with an estimated plus 20% just in hyperscale CapEx in first quarter 2021. And here, the longer-term dynamics also remain strong with the requirements for digital only accelerating, particularly as digitization is a key driver for any step change in sustainability.

In infrastructure, we now start to see the details of the proposed $2 trillion infrastructure stimulus plan in the U.S. Specific areas for Schneider include a focus on clean drinking water, on electrical infrastructure, on transportation infrastructure and EV and infrastructure resilience.
And in industry, expectations for acceleration in IIoT are increasing. Here, we show an analyst estimate of plus 17% IIoT CAGR through 2023. And of course, this circles back to impact data center. Overall, the dynamics across our end markets remain strong, both in the shorter and longer term.

Moving to Slide 9. I want to provide a bit more detail from a segment standpoint and based on our own internal order trends. This segment's view is a subset of the overall end market trends I just described and represents a portion of our overall revenue. In the chart, you can see an indication of our underlying order growth over the past 3 quarters in the first column on the left, then a column for the Q1 orders and then the trend.

As you can see, the trend is overall positive, and I’d like to draw your attention to MMM, which was significantly impacted in the last 3 quarters and is now back to growth in Q1; and oil and gas, which, although still negative, shows an improving trend in orders and orders pipeline. Residential building, data center and utilities, which were standout segments last year, continue to be well oriented going forward.

Slide 10 and a few customer wins. I won’t spend much time here, and you have the details in this slide. One I will highlight is SUPERNAP Italia, where the customer went with our EcoStruxure solution for its advanced data center. Our ability to propose a fully integrated and highly efficient solution, including a unique platform for easy IoT integration with third-party equipment, was key to this win. And the other examples on this slide are just an illustration of many other examples depicting how we’re combining our energy and automation digital solutions for the benefit of our customers as well as how we’re enabling full life cycle offerings as a value proposition.

And I’ll highlight just a few points on our own internal sustainability journey before turning to first quarter financial details. First, you’d recall we announced our new SSI, or Schneider Sustainability Impact Index, for 2021 to 2025 at our ESG Investor Day in November. We start tracking and sharing progress of this new plan from this quarter. We achieved a score of 3.38 for the first quarter and are tracking well toward our year-end target of 3.75. And our SSI is linked with our larger climate and biodiversity pledge, and we all continue to work collaboratively across the company toward those goals.

Another point on sustainability. We continue to be recognized externally for our commitments and our achievements. Corporate Knights ranked Schneider as one of -- as the world’s most sustainable company in 2020. And we were recognized as one of the world’s most ethical companies by Ethisphere for the 10th year in a row.

Turning now to details on our Q1 top line. In Q1, revenues were EUR 6.5 billion, up 13.5% organic. As I already mentioned, this is our third straight quarter showing positive year-over-year growth, and Q1 is also positive versus 2019. Asia Pacific continues to be a key contributor, with all geographies now positive. And scope impacts are now strongly positive due to the acquisitions of RIB Software, L&T and ProLeiT with minimal impacts from disposals. FX impact was negative around EUR 300 million in the first quarter, and full year impact is now estimated at minus EUR 500 million to minus EUR 600 million on the top line and around flat on adjusted EBITDA. This impact is largely due to the U.S. dollar depreciation versus the euro.

Most geographies were positive for the quarter as we continue to see a broad-based recovery. Starting with Asia Pacific, we see plus 32% growth. I’ll remind you that the strongest impacts from coronavirus in China were in last year’s Q1, and we also started to see impacts at the tail end of the quarter in some other geographies, notably Western Europe. In China, year-to-date results are up over 40% versus 2020 and up double-digit versus 2019. The rest of Asia Pacific was up strong double-digit, with India really flying. Only Singapore where we had a strong baseline and Indonesia were negative for the quarter.

Western Europe was up 11%, positive in all key geographies, with France leading the pack with growth in the mid-20s percent. France was also a bit impacted with strong lockdown starting in the last weeks of March 2020.

North America is up 2% with some growth in the U.S. versus a strong baseline in 2020 and double-digit growth in Canada. We see strong demand through the year in the U.S., with the first quarter impacted by weather events in the Southwest. Mexico remained down in the first quarter, impacted by continued lower investment in industry and infrastructure. And Rest of World was up 9% with good growth in all key geographies.
Products were up 17% for the quarter versus 2020 and up 10% versus 2019. This growth is driven by market demand in our shorter-cycle business segments, plus we continue to leverage our strong global network of partners to transactionalize more of our business with the end user. And as I mentioned prior, there’s an impact from pricing and customer stocking impacting the first quarter.

In Systems, we were up 10% for the quarter versus 2020 but are still minus 5% versus 2019. We see strong demand across most of Energy Management systems driving positive sales, with process segments still tracking negatively.

Software and Services was up 6% from a relatively strong baseline in 2020. Field Services grew around 7% in first quarter with good contributions from both businesses. Software and Digital Services showed good growth despite AVEVA being impacted by a high base of comparison and timing of renewals. Excluding AVEVA, Software and Digital Services grew double-digit organic.

Turning now to our results by business, starting with Energy Management. Revenues in Energy Management were at EUR 5 billion, up 13.7% organic. Scope impacts were quite positive with contributions from L&T and RIB. Trends across our end markets and segments remained positive and primarily accelerated from fourth quarter. Residential Building remains strong in both construction and renovation, with demand accelerating even further. In nonresidential building, where I’ll remind you that our exposure is more than half on technical buildings, we continue to see good demand in hospitals, health care, life science and logistics. Data center demand continued strong and across geographies. And I’d note that transportation, which, for us, includes port, railroad and airport, saw good demand.

By geography, North America was plus 4% for the quarter, with good growth in the U.S., with further acceleration in residential data center and industry and infrastructure. Weather in the Southwest of the U.S. in February and some subsequent temporary impacts to global supply chains impacted the quarter. Canada grew double-digit, while Mexico remains down.

Asia Pacific primarily followed the group trend, up plus 29%, strongly driven by China and India. In China, we continue to see a strong demand rebound across the board, supported by a strong economic recovery. In India, the economic recovery seems to be gaining momentum in first quarter, but a high degree of uncertainty remains with the recent uptick in coronavirus cases.

Western Europe was up 13% with strong growth in most countries, notably France. Europe was impacted by lockdowns in March of 2020, but we also see a broad-based uptick in demand, particularly in data center and residential. And Rest of World was up 10%, with all key geographies positive driven by project execution and higher demand.

Turning now to Industrial Automation. And I’ll take the time to mention here that you may have seen in our press release that Peter Herweck, who’s currently Executive Vice President of Industrial Automation, will be seconded on request of the AVEVA Board to the role of AVEVA CFO -- sorry, excuse me, the AVEVA CEO.

In Industrial Automation, revenues were at EUR 1.6 billion, up 12.9% organic. Scope impacts were slightly positive with contributions from L&T and ProLeiT. Trends in discrete markets remain positive with double-digit growth, particularly supported by China. Sales in process and hybrid markets remain muted with some recovery in China, Latin America and Europe, offset by the U.S., France and rest of Asia. AVEVA results are included in Industrial Automation and were impacted by a high base of comparison and timing of renewals.

By geography, Asia Pacific was up plus 40% with particularly strong growth in China, followed by India, which grew in excess of 25%. In China, we continue to see strong momentum in OEM and continued improvement in hybrid. North America was down 9% for the quarter driven by the U.S. Process and hybrid markets continued weak with potential recovery in sales not expected until second half of 2021. Conversely, our Discrete business in North America is off to a good start with high single-digit growth for the quarter, accelerating in March. Western Europe was up 4% with France particularly positive. Demand in Discrete was primarily positive across the board. Rest of World was up 6% with growth in most key geographies, particularly in Discrete.

Regarding capital allocation, just a small update I’ll mention here and that we sold our Northern European cable support business. This brings us to around EUR 700 million in disposals out of our EUR 1.5 billion to EUR 2 billion program, and that’s in revenues planned through 2022. Like I said in our full year call, we expect to update you on the timing of our share buyback program in the coming quarters.
I'll finish with our 2021 targets. Since we last spoke in February, we now see, first and foremost, a further acceleration in demand trends across our end markets in most geographies supported by economic recovery worldwide. We've also seen an acceleration in raw materials and other input costs and continue our tactical pricing actions.

Third, due to accelerating demand as well as some temporal events like weather in the U.S., we see some sourcing tensions on some components in our supply chain. We're leveraging our strong global supply chain, which is regionally administered, partnered with our multi-hub organization to stay close to our suppliers, our distributors and customers and expect any potential impact to peak in the second quarter.

Factoring all of this as well as what we know today about remaining key uncertainties, particularly the acceleration of COVID in a few places, we're upgrading our full year targets to adjusted EBITA growth of between 14% and 20% organic, expected to be achieved through a combination of, first, revenue growth of 8% to 11%; and second, of adjusted EBITDA margin expansion of 90 to 130 basis points. I'll also mention that if and as we see a solidification of longer-term demand trends over the next months, we'll continue to ensure targeted reinvestment into the business for the future.

Thanks very much for joining. With that, I'll turn back over to Amit for Q&A.

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

Well, thank you. Thank you, Hilary, for that. I think we're going to move into Q&A now, and we'd like to keep it to one question per analyst just to make sure that we are able to accommodate all. I'd like to pass it back to the operator. Hopefully, the operator can hear us and we can hear the operator, and we can get into Q&A. So operator, over to you for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

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

Operator, can we go with the first question, please? I'm sure we have a bunch of questions waiting for us.

Operator

Our first question comes from Andreas Willi.

Andreas P. Willi - JPMorgan Chase & Co, Research Division - Head of the European Capital Goods

I have a question on price cost components. You mentioned that you're taking continued action on pricing. Maybe you could give us some indication of what you expect raw materials to do this year in the earnings bridge and whether you think that for the year overall, you should be able to compensate for that repricing or whether it will take a bit longer like we have seen historically often.

And on the components side, can you maybe elaborate a bit on the impact on -- in terms of ability to deliver versus higher prices you have to pay to secure them or higher freight rates that you need to accept in order to get them? Is it more an issue of cost or of actually getting any components, if you look, like, at March and April now in terms of the trends?
Hilary Maxson - Schneider Electric S.E. - CFO

Sure. Thanks. So maybe starting with the price piece. So like I said, we definitely saw an acceleration in raw material prices and other components, in fact, partly tied to the second question that I'll also answer, over the course of the Q1, particularly starting around mid-February, so right after our full year earnings call.

And what I would say there is that, first, in terms of timing, so based on lead times and hedging programs that we have, we'd expect that at this point, the bulk of those costs are already going to be hitting the P&L, primarily in the H2. So that will give you a sense.

In terms of pricing, we have a strong track record, as you know, of positive pricing over the cycle. We've well taken note of the uptick in pricing that we've seen, both in raw materials but other components and freight that we've seen this year. And we have the teams tactically engaged on the ground day by day to really make the right decisions from a pricing standpoint. And we'd expect that we would definitely be positive net price over this cycle as well.

Calendar year, probably I'm a little bit less concerned about, but definitely, we're tactically pricing where we can and where it makes sense. And of course, we've taken all of that into account in the upgraded guidance.

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

Thank you, Andreas.

Operator

And our next question comes from Alasdair Leslie with Societe Generale.

Alasdair Leslie - Societe Generale Cross Asset Research - Equity Analyst

Yes. I was wondering if you could expand a little bit more on the kind of growth you're seeing in data centers. That's certainly the top of your demand trend slide as I see. Just wondering if that's driven exclusively by hyperscale and colocation or whether you're also seeing a stronger pickup now in enterprise and the edge segments as well. That's kind of partly a reference, I think, to your comment on another slide where you're talking about kind of well aligned to both -- or offers well aligned to both large and small customers.

And then also one of your U.S. peers, I think they're now expecting higher data center growth outside of the U.S. going forward. Just wondering kind of whether you kind of agree with that, if that's what you're seeing and just how well positioned you think you are relative to some of your major peers in areas like Europe and APAC, maybe particularly in China as well.
Sure. So first, overall data center growth, I've mentioned from an external analyst something about hyperscale CapEx. And I think we've talked about hyperscale ourselves over the last quarters where we really see double-digit growth. But we also see growth across the entirety of the data center chain, so into edge, into enterprise, even distributed IT, we really see good dynamics over the past quarters and certainly into Q1. So overall, I would say, remains dynamic and really dynamic across the various pieces.

In terms of the different geographies, I think I commented yes. In fact, we now start to see data center -- when I was talking about in terms of Energy Management, we start to see data center across geographies in terms of demand. So strong dynamics in Europe and in Asia. And I think we're well positioned. We have the strong footprint of Energy Management everywhere. And I think that puts us -- plus we have the strong offer for data centers. So I think we feel quite comfortable with our positioning worldwide as we start to see some real dynamics for trends outside of the U.S. there.

Operator

And our next question comes from Gael with Deutsche Bank.

Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

Hello, can you hear me?

Hilary Maxson - Schneider Electric S.E. - CFO

Yes. We hear you.

Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

Okay. Sorry. It seems there is a time lag. Anyway, I'll deal with it. Look, I have a question regarding the Software business because it seems that this quarter, the Software and Services growth kind of underperformed the rest of the group, with AVEVA apparently down. So look, I understand that comps were probably more difficult for them and that the quarterly performance can be distorted by the timing of renewals. But perhaps, could you help me understand the underlying growth trajectory of the business and in particular, how you expect it to perform relative to the 8% to 11% organic growth you see for the group overall?

Hilary Maxson - Schneider Electric S.E. - CFO

Thanks. So on the overall Software business, I think I gave a little bit of the dynamic, Software and Services, Services with quite solid Q1 at plus 7%. And that's an area where we have a lot of focus, and we expect that we continue to see acceleration there. Quarter-by-quarter is a little bit different, particularly when we have the Products business, which is a little bit more dynamic. But certainly, that's the plan is that we'll have a continued acceleration in Services.

In Software, I would say pretty much the same. I can't speak too much to the AVEVA results. They put out their own trading release this morning, I think, and they have their full year call in early May. But you can see that they're -- from our release, you can probably see that -- I think they're around flat in the fourth quarter. Like you said, they have a much higher base of compare, so they don't have the coronavirus impact. And they did come in line with our expectations and also with strong growth in annual recurring revenues. So we follow them, not only from a revenue standpoint but from a recurring revenue standpoint as well.
And I think Software is an area that we very much focus on. We think that medium and longer term, the growth trends there are very robust, and we would expect that to continue. Quarter-by-quarter, like you said, of course, there can be some impacts with timing and things like that. And again, with AVEVA, we also focus on -- and they report on their recurring revenues.

Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

Can you perhaps elaborate on Peter’s decision to join AVEVA as CEO?

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So I think in the press release, we -- the Board of AVEVA decided to nominate Peter. He brings extensive experience in industrial software. He was really the key leader from Schneider, working with AVEVA from the planning and execution of the original transaction that we announced in 2017, all the way to his role as Vice Chairman of AVEVA today. So with Craig’s departure, the Board thought that would be a great pick for the CEO.

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

All right. Thank you, Gael.

Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

And what does it mean for...

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

Sorry, Gael. Go ahead. We can -- maybe you have a follow-up as I think we have a time lag. Go ahead.

Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

Okay. Okay. No, I was just wondering what it means now for the Industrial Automation division in terms of the management team.

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

So we can take that.

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So what I would say is we have strong succession plans in place at Schneider, particularly at the ExCom level. So here, Barbara Frei, who’s our current Head of Europe Operations at Schneider, will be replacing Peter as the Head of Industrial Automation. She brings around 15 years of experience in the Motion business across various roles, including she was Head of ABB’s Global Drive and PLC business. So I think we’ll be in good hands.

Operator

Our next question comes from Jonathan Mounsey with Exane.
Jonathan R. Mounsey - Exane BNP Paribas, Research Division - Analyst of Capital Goods

I just thought, obviously, India is now one of your most important markets after the L&T acquisition. And clearly, it's been hit by a new considerable wave of COVID-19 right now. I'm just wondering both what you are seeing there, what you think the outlook is and also what its meaning and what it's doing to your integration plans for L&T, which, I guess, is still ongoing.

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So we're definitely closely following. We talk about India being a new hub for us, so we're closely tied into following what's happening on the ground there. At the moment, all of our factories are operating, and we remain in full operations with a few exceptions where there's various localized lockdowns that at least, so far, the Indian government has kept fairly short in terms of timing. Most importantly, of course, we're focused on the health of our own employees and staying close to our customers.

In terms of impact, at least as of today, our expectation would be similar to last year. We can continue to operate at least on the factory side and maybe with a few localized exceptions, but we would expect we would be able to continue operating there. In terms of the more sales side of the operations, potentially, we could have disruptions, but a bit too early to say. That's definitely a key uncertainty, like I suggested in the upgraded guidance that we thought a bit about.

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

All right. Thanks, Jon.

Operator

And our next question comes from Ben Uglow with Morgan Stanley.

Benedict Ernest Uglow - Morgan Stanley, Research Division - MD and Head of European Capital Goods Equity Research

I hope everyone is well. I was hoping to just get a bit more local color on China in particular. Obviously, we can see the year-on-year growth rates in Energy Management and Industrial Automation. But what I was interested in is throughout the quarter, as we look at how things have kind of moved from January through April, how would you describe the run rate of activity in both Energy Management and Industrial Automation? Is it continuing to stay very firm? Is it accelerating? Is it moderating? So between those 2 businesses, how is the sequential demand evolving in China, please?

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So really quite similar, I would say, to the rest of the world. We saw some acceleration in sales in March in China. Now to be fair, that's not unusual. We see -- we do see acceleration of business at the end of quarters, not infrequently. But we do see an acceleration there. We didn't see any differing change in the underlying demand and into the first few weeks of April as well.

Benedict Ernest Uglow - Morgan Stanley, Research Division - MD and Head of European Capital Goods Equity Research

Understood. And if I could have just one -- first of all, can you just give me any sense of -- any differences, if they're significant, between Energy Management and Industrial Automation in China? And then did you see the same kind of sequential move in March, April in Europe and North America?
Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So between Energy Management and Industrial Automation, Industrial Automation for the quarter is a little bit higher in growth than Energy Management. Between the 2, to give you a sense of the dynamic, primarily in Industrial Automation with Discrete and OEM, some move up there in terms of hybrid. Across the rest of the world, we also saw acceleration in March across the quarter, again, not so unusual. That’s not so unusual anyways in quarters for us, but we certainly saw that acceleration in demand, particularly in the U.S., where we had some weather issues in February. We saw a big acceleration of demand in March.

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

Thanks, Ben.

Operator

And our next question comes from Andre Kukhnin from Credit Suisse.

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

Could you please quantify the price versus stocking, the impact that you mentioned at the beginning of 3 to 4 points altogether and whether the stocking impact carried on into Q2? Or was that just a Q1 phenomenon? And if I may just bolt on a follow-up on the data center questions. Could you give us some idea of your exposure versus -- in the hyperscalers versus the rest?

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So just noting it down so I don’t forget. So first, in -- we did say that of -- in Q1, around 3 to 4 points from pricing and stocking, you can consider probably around 50-50 between those 2. And if it carried over -- what I would say is we do think that the Q1 finished with inventories at distributors around normal, in line with the underlying demand trend that we see and that we see into the first week or so of April.

In terms of data centers, so we talk about data center and network as around 15% of -- so 15% sales of the group. Around 50% of that or 8% is pure data center. The rest is distributed IT, and around half of that, so 4%, is hyperscale.

Operator

And our next question comes from James Moore with Redburn.

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

Maybe I could follow on with Ben’s question on China of earlier and the momentum which you talked about being good in March and continuing into the first few weeks of April. I guess as a follow-up to that, can you talk a little bit about distributor and customer inventory levels in China? I think, basically, do you think the channel has been rebuilt? Or does it remain understocked?

Hilary Maxson - Schneider Electric S.E. - CFO

So in terms of -- so our estimates for China would be that they, like Rest of World, generally finished the quarter with around normal distributor levels. So I don’t think that the channel remains understocked there. Also, no major signs that it’s overstocked. I think we expect fairly normal there.
And in terms of any forward-looking indicators you have in terms of Chinese order activity or customer conversation, do you think that we're getting to a sort of sequential peak with the March and April levels? Or do you have visibility of any further sequential improvement in the coming 3 to 6 months?

Sure. So I mean what we do see, we've talked about a broad-based recovery there. I gave you the numbers, double-digit growth since -- versus 2019. So we really see that pretty broad based across different segments. Chinese government has spoken a little bit about their GDP. And then, of course, China plays a role in the upgraded guidance that we gave.

Sure. So in fact, exactly right that those 2 are tied together, and we talked to it a little bit at the end of the full year. So you've seen that even starting in Q2 of last year, we really took an approach, for example, with inventories to make sure that we're consistently preparing for demand, and that's something that we expected to continue into this year really to prepare for demand. And as you said, it's also a benefit if there's any tightness in the supply chain.

So last year, we'd hit the free cash flow record of EUR 3.7 billion. We would -- and that was buoyed by trade working capital and nontrade working capital. We would expect in trade working capital just a normal reversal based on demand as well as we continue in inventory to make sure that we have the right level of inventory to support demand. Actually, for us, it's easier for us to ramp down and to accelerate. So we can accelerate and then still have flexibility to ramp down as we need to if there's some more alarming signs.

So cash throughout the year, we do expect that ramp-up in trade working capital. We would expect, on average, we still would be in the EUR 3 billion of cash flow over the cycle. Tied, therefore, to the share buyback, we'd said in the full year, particularly in the first half of this year, we expect some needs for working capital, and we want to be prepared for that. So cautiously, we keep the buyback on hold and that we'll give you some updates over the next quarters.
Amit Bhalla - Schneider Electric S.E. - Vice-President of Financial Communication & IR

All right. Thank you, Daniela.

Operator

And our next question comes from Guillermo Peigneux from UBS.

Guillermo Peigneux-Lojo - UBS Investment Bank, Research Division - Executive Director and Industrials Analyst

Guillermo Peigneux from UBS. My question is regarding the recent announcements of some of the OEMs, truck OEMs and auto OEMs and some of the discrete industries, whether you’ve seen any impact on these production cuts or production stoppage that these companies are announcing from a, let’s say, short-cycle investor perspective.

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So unlike some of our competitors, we don’t have exposure to the automotive industry in Industrial Automation. So I would say that we don’t really see any impact today from a customer standpoint on their side with any stoppages or anything like that.

Operator

Our next question comes from Alexander Virgo with Bank of America.

Alexander Stuart Virgo - BofA Securities, Research Division - Director

I was just wondering if you could expand a little bit on the prognosis for the nonresi side of things in North America and I guess if you could talk about it outside or exclusive of data centers, which clearly are very strong indeed. I just wondered if you could expand a little bit on the prognosis of what you see over the next -- I guess quite the rest of 2021 but also thinking about the longer-term prospects, particularly given infrastructure stimulus at some point in the future.

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So just to give a breakdown now, so we have exposure from a revenues breakdown standpoint, 35% is building, and then 15% is data center and network. And then it’s within building that we have nonresidential building. So of that 35%, around 1/3 of that, sort of 12% to 15%, is going to be residential building with the rest is nonresidential building. And for us, it’s mixed with technical. I’ve mentioned life science, hospitals, healthcare, et cetera, and then retail, hotel and offices, the last 2 being less than 10% of our overall sales.

And so we continue to see strong demand dynamics in the technical building side of things. We’d talked over the past quarters about seeing some uncertainty with customers and new CapEx starts, particularly in hotel and in offices as people make decisions about what’s the -- well, in hotel, I guess it’s when people will go back to traveling. In office, it’s going to be about the new normal and trends that we see there.

So I gave a couple of -- I gave at least one point, I think, where, at least very preliminary, we see some data about return to interest in some of nonresidential building with architectural billings. I would say it’s still a bit early, at least from my perspective. Hotels -- I guess when this whole thing is over, perhaps people will be excited about traveling again. In terms of offices, I think companies are making decisions about hybrid work and that type of thing.
But for our own business, particularly for 2021 and into 2022, I think we see and already start to see this year dynamics in the renovation market. And I think with stimulus in the U.S. and Europe, there's a big, big focus on building, in renovation and then sort of build that better that we expect will be a good dynamic for us going forward.

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

Thank you, Guillermo.

Operator

Our next question comes from William Mackie with Kepler Cheuvreux.

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

All right. We can't hear Will. So is there another question, operator?

Operator

There is another question. Our next question comes from Martin Wilkie with Citibank.

Martin Wilkie - Citigroup Inc., Research Division - MD

This is Martin from Citi. Just one question. In your opening remarks, you commented at the ancillary debt. If growth continues, you could start reinvesting. I assume that means support function costs coming back, but perhaps just to clarify that. And as part of that, obviously, there were a lot of costs last year that sort of fell away, travel and these kind of things. And so just to understand, is the comment that some of these costs come back is just a reversal of those? Or should we expect incremental investment to drive future growth but to temper the margin expectation beyond what you've already talked about today?

Hilary Maxson - Schneider Electric S.E. - CFO

Sure. So some of the key pillars of the plan that we put out today are things like around EUR 1 billion in industrial productivity by 2022, EUR 1 billion in structural savings by 2022, and we remain on track with those. We think those make sense in all scenarios, an important piece of driving towards our around 17% journey by 2022.

So here, what I was talking about is we start to see some signs that perhaps there's going to be longer-term demand trends that could -- we've talked about medium-term growth of 3% to 6%. Maybe there's some longer-term demand trends that can certainly put us towards the top of that over a multiple-year period. And so we want to make sure that we correctly target reinvestment to the business for longer-term demand trends there. I'd expect that would be more around things like R&D and sales and not just coming back. I think the EUR 1 billion in structural savings, for example, that we've targeted really is efficiency that we want for effectiveness. So the idea would just be making sure that we're really prepared for longer-term demand cycle assuming that we start to see some dynamics solidify in that direction.

Martin Wilkie - Citigroup Inc., Research Division - MD

And I guess, I mean, part of the reason for the question is your guidance now at the upper end has you above the 17%. Should we read into this that if you are getting at the 17%, do you then absolutely prioritize additional growth as opposed to margin expansion? Or am I reading too much into your remark?
Hilary Maxson - Schneider Electric S.E. - CFO

So what I would say is it’s a bit early days. There’s definitely uncertainty in a range in the guidance. We would never look for no drop-down probably of growth into margin but something that we also want to make sure that we’re carefully reinvesting in the business to make sure that we’re -- that we have the right growth levels from a going-forward basis. So not to be too read into.

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

All right, Martin. I think, look, we’re coming to the close, and I just want to check with the operator if we can have William back again because I think he had a question. Can you just check if William still has a question?

All right. Maybe one other question in case we still have, and then we’ll get into the hour. Any other questions, operator?

All right. I’ll probably take that as a no. But I suppose thank you, everybody, for the time this morning. You’ll see on the screen that we’re going to be participating in several conferences, et cetera. But speak again with each of you as well as the larger investor community, of course. Apologies for some of the technical glitches and -- on this call, and we will certainly take stock of that as well. But wish you all to stay safe, and have a good rest of the day. Bye-bye.

Hilary Maxson - Schneider Electric S.E. - CFO

Thanks.

Operator

And this concludes today’s conference. I want to thank you for your participation. You may disconnect at this time.