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PRESENTATION

Operator

Welcome to Schneider Electric’s Q3 revenues with Hilary Maxson, Chief Financial Officer; and Amit Bhalla, Head of Investor Relations. Thank you for standing by. (Operator Instructions) I would like to inform all parties that today’s conference is being recorded. (Operator Instructions) I will now hand over to Amit Bhalla. Please go ahead.

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

Thank you, operator. Good morning, everyone. Thank you for joining us for our third quarter revenue results. I’m joined here with Hilary Maxson, our Chief Financial Officer. We’ll go through the presentation, which is available on the website. I talk about the disclaimer for a moment, which is on Slide #2, which you can read. But we’ll get right on to the presentation, and then we’ll keep time for a Q&A session. So over to you, Hilary.

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

Thanks, Amit, and good morning, everyone. I’m happy to be with you here today to comment on our Q3 2021 revenue numbers. And I’ll remind you in advance that we have our Capital Markets Day scheduled for November 30, so I’ll keep my comments primarily focused on Q3 and 2021 today.

Starting on Slide 3, with some highlights for the quarter. We continued with our theme of growth with record third quarter revenues of EUR 7.2 billion, up 8.8% organic despite some increased impacts from component shortages.
Demand continued to be strong throughout the quarter for both businesses and across all key geographies. Energy Management finished the quarter at EUR 5.6 billion in revenues, an organic growth of 9.4%. Industrial Automation, where we were relatively more impacted by shortages, finished the quarter at EUR 1.7 billion in revenue and organic growth of 6.7%.

Year-to-date sales remained strong at EUR 21 billion and plus 15.1% organic growth. And versus 2019, we continued to accelerate. We're now at plus 7% year-to-date sales versus 2019 as compared to plus 6% at the first half. This acceleration was driven first by product sales where we now stand at plus 11% versus 2019 compared to plus 10% at the first half as well as an acceleration in systems now at minus 2% versus 2019, compared to minus 4% at the half and where we continue to see a pickup in longer cycle business and strong momentum in data center and OEM.

Looking now at year-to-date revenue growth by geography. Again, focused on versus 2019, a metric we're still following closely as a management team to track both the recovery and our momentum. You'll see we have an acceleration from what we showed on the half in North America, Asia Pacific and Rest of World. On a geographic basis, this is driving the acceleration I mentioned at the group level.

I'll also highlight here that after a strong Q3, India has now turned positive versus 2019, leaving Australia as the only one of our top 15 countries or clusters not yet positive year-to-date versus 2019. And Australia did turn positive in Energy Management. So we're tracking well there as well.

Turning to Slide 6 and our strategic growth pillars. The first, more products, were up plus 10% for the quarter and up 15% versus 2019. Growth here is driven by continued demand in OEM, residential and small building as well as distributed IT. Plus, we continue to focus on leveraging our network of global partners to transactionalize our business primarily in industry and infrastructure segments. So to shift some of that potential systems or end user business into products business. In products, we also continue to see strong growth in e-commerce.

Software and services grew 7% in Q3, driven by software and digital services with double-digit growth at RIB and in our EcoStruxure digital services and high single-digit growth at AVEVA. And OSI, which we're currently reporting in scope, continued to perform well in its first full year post acquisition.

Field Services growth was low single digit, impacted by site access issues in Asia Pacific and North America due to rises in coronavirus cases in those regions. Our sustainability business grew over 20% in the quarter with a significant pickup in our sustainability consulting, which also drives pull-through in the rest of the business.

We also continued to progress on our own sustainability goals, including achieving an additional 20 zero CO2 operating facilities for a total of 50. And I'll cover more on our own sustainability journey in the next slide.

The tool we use to track our own sustainability journey is our Schneider Sustainability Impact Index, or SSI, and we achieved 3.65 as of Q3, tracking well toward our 2021 target of 3.75 and our 5-year target of 10.

The SSI is comprised of 12 KPIs covering the breadth of the UN sustainable development goals. And we've highlighted some key updates here. First, toward our goal of 800 million tons of saved and avoided CO2 emissions for our customers, we've achieved 319 million tons, partly supported by the acceleration in our sustainability consulting business.

Second, we continue to make good progress on our goal to increase gender diversity, something I try to contribute to with all of the people decisions we make in finance. And lastly, with our Schneider Foundation, we hit a key milestone of 300,000 people trained in energy management toward our goal of 1 million.

A quick customer example, the VELUX Group, a world leader in roof windows and skylights, has selected us to build their accelerated decarbonization strategy to enable fast delivery on their lifetime carbon neutral commitment as part of a new extended partnership agreement. And the agreement also enables the VELUX Group to reach its company carbon neutral goal by 2030.
Turning now to details on our Q3 top line. In Q3, revenues were EUR 7.2 billion, up 8.8% organic despite supply chain pressures, which we estimate impacted us by around 2% in sales growth in the quarter. Price continues to be a strong contributor to top line, around 2.3 points for the Q3 and 2 points for the year-to-date.

All geographies continue to contribute positively to growth in Q3 with our top 3 countries performing strongly, with U.S. at high single-digit growth; China at mid-single digit, off a high base from last year; and India with double-digit growth for the quarter.

And as I mentioned prior, underlying demand continues to be strong across geographies for both businesses. Scope continues as a positive contributor with particularly strong contributions from L&T and OSI and contributions now from ETAP, which closed at the end of June 2021. FX impact was a positive plus EUR 20 million in Q3 and the full year impact is now estimated at minus EUR 300 million to minus EUR 400 million on top line and around flat on adjusted EBITDA. These impacts are largely due to movements in the U.S. dollar and the Chinese yuan versus the euro.

Turning now to some highlights by end market. As you know, we address our customers with the entirety of our complementary portfolio of offerings across our 2 businesses through our multi-hub structure. We particularly see this strong combination of energy management and industrial automation in our industry and infrastructure end markets. So the comments on this slide are applicable to both businesses.

Starting with building. We continue to see strong sales and strong demand in residential construction and renovation as well as nonresidential building, particularly in North America and Europe. Data center and networks also remained strong with double-digit sales growth and continued acceleration in demand for data center in Q3.

In infrastructure and industry, demand trends continue to be dynamic across most sectors, including increased momentum in oil and gas. Sales and Infrastructure and Industry are primarily driven by OEM utilities, particularly smart grid offers and demand from the consumer packaged goods and wastewater segments.

Turning now to Q3 results by business and geography. Energy Management grew by 9.4% organic versus 2020 and 12% versus 2019, despite an increase in supply chain pressures. North America was up 11% with double-digit growth in all 3 countries driven by continued strength in residential and data center. Field Services was adversely impacted by an increase in coronavirus cases in the region in Q3.

Western Europe was up 4% organic, with high single-digit growth in Spain and Germany driven by residential and data center. Italy grew mid-single digit, while France and U.K. grew single digit.

Asia Pacific was up 9%, with China at high single-digit growth versus a high base from last year. Outside of China, the rest of Asia Pacific was up double digit, driven by strong performance in India, parts of Southeast Asia and Australia.

Rest of World was up 16% with double-digit growth in all key geographies, including Central Europe and CIS, Middle East and Africa and South America.

Turning now to Industrial Automation. Revenues were at EUR 1.7 billion, up 6.7% organic despite impacts from global electronic component shortages impacting all regions, particularly Western Europe and China. North America was up 7% for the quarter, with double-digit growth in OEM in U.S., Canada and Mexico. Process and hybrid markets continued weak in the U.S., but turned to double-digit growth in Mexico. And similar to Energy Management, our field services business was adversely impacted by the rising coronavirus cases in this region during the Q3.

Western Europe was up 10%, driven by continued strength in discrete markets, primarily OEM. France, Italy and Spain all grew double digit with U.K. at high single-digit growth. Asia Pacific was up 1%, with China slightly negative against a high base of comparison and due to supply chain constraints, particularly electronic component shortages. Working closely with local governments, we were able to manage any impacts from electricity shortages there.

And orders from OEM in China remain double digit. The rest of Asia Pacific grew mid-single digit, driven by double-digit growth in India from OEM and industrial software in Japan.
Rest of World was up plus 15% driven by OEM and industrial software with double-digit growth across most key geographies, including Central Europe and CIS, Middle East and South America.

Before turning to our full year expectations and targets, there are a few key capital allocation updates. If you recall, we suspended our EUR 1.5 billion to EUR 2 billion share buyback program in 2020 due to the pandemic. We reopened that buyback program at the H1, and we’ve since purchased 1.8 million shares for a total of EUR 262 million at an average price of EUR 145 per share. That puts us at a total of EUR 600 million in buybacks since we started the program in 2019, and we expect to remain on track to purchase EUR 1.5 billion to EUR 2 billion in shares by end of 2022.

And second, we closed on the 2 disposal transactions we announced on the H1, putting us at around EUR 800 million in revenue sold versus our target of EUR 1.5 billion to EUR 2 billion by end of 2022, and we remain on track for that target as well.

I’ll finish with observations on our market dynamics since our half year results. First, as expected, we continue to see a strong demand environment across most segments and geographies and across both businesses, including progressive demand in light cycle segments. Our integrated portfolio is well positioned to meet this demand in the future. However, as anticipated and shared during the H1 call, we did see a tightening in global supply chains in Q3 accelerating throughout the quarter. We do expect supply chain pressures, particularly electronic component shortages, so semiconductors, to continue for at least another 2 to 3 quarters.

In response, we continue to leverage our unique global supply chain organization to work closely with our suppliers as well as our R&D organizations to requalify components and suppliers as possible. And with our multi-hub organization, we’re working with our customers to ensure quality in our backlog and to optimize the allocation of products and shortage to the customer level.

And as a consequence of this supply-demand equation, we expect to continue to face increased input costs. In response and as a key focus, we continue to target neutral to positive pricing, including freight and electronics over the cycle.

With this backdrop and despite global supply chain pressures, we’re confirming our 2021 target of organic growth and adjusted EBITDA of 19% to 24%. This is supported by expected organic growth in revenues of 11% to 13% and expansion in our adjusted EBITDA margins of 120 to 150 basis points organic.

With that, I’ll turn the call back over to Amit for the Q&A.

QUESTIONS AND ANSWERS

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

All right. Thanks a lot, Hilary. That was very clear. Just a reminder, as you can see on the screen for the events that are coming up in the coming weeks and months.

Let’s move to the Q&A now. And operator, you can go to the first question. Before we do that, just to request keep it to 1 question just so that we can accommodate all analysts who have a question today. Operator?

Operator

We will now begin the question-and-answer session. (Operator Instructions) Your first question comes from the line of Jonathan Mounsey of Exane.
Jonathan R. Mounsey - Exane BNP Paribas, Research Division - Analyst of Capital Goods

I'm just wondering, could you give us a bit more description as to the supply side disruption right now, particularly the areas where it's maybe still getting worse and anywhere, it's still getting better. And linked to that, are you able to assess how much it hurt your top line in the current or in Q3?

And also linked to that, how much do you feel that perhaps customers where there was availability chose to double order to build their own stock? How much of the demand, the impressive growth you saw in Q3 is actually real versus customers feeling the need to grab all they can in case you struggle to supply them in Q4 and into the new year?

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

Sure. Thanks for that. So let me start with where we see issues in the supply chain. And I think there's 3 places we've spoken about, starting last year and into the H1 and today.

The first one being in North America, where we had some issues in 2020 associated with some high contagion in an area where we operated. Because of the high demand, we continue to work through the pressures there day to day. So that's one piece that I would point to and one piece that is mitigating over time.

The second piece that I would point to is the plastic shortage that we talked about in I think both the -- maybe even the full year, definitely the Q1 and the H1. And that was driven, if you recall, by weather issues in the U.S. at the beginning of this year. And that, as we expected on the H1 and as we spoke to, continues to mitigate.

The last one and the one that we are particularly speaking to in this quarter, and we've mentioned, I think, that we anticipated would continue into the second half on the H1 is around electronic component shortages. So effectively, semiconductors and the supply chain that's supplying the semiconductor factories themselves. And that's the area that we're primarily talking about today, that's where we would expect that we have some impacts to the top line.

In terms of how much to the top line, I've mentioned during the call that we thought for Q3, and it's just an estimate, but we'd estimate around 2 points to 2% in impact from a sales standpoint associated with the -- with those electronic component shortages, mostly primarily the electronic component shortages, really the mix of all 3, but mostly it's going to be electronic components. It's relatively lower in the first half, and I think we spoke to the fact that we had some supply chain pressures, but not as much as we originally anticipated in the Q2 and more anticipated in the Q3 and the second half.

So 2 points in the Q3, relatively lower in the first half, so relatively lower year-to-date. In terms of demand, we do feel on the order side that some customers are particularly anticipating longer lead times. We're doing a lot of scrubbing in our backlog to make sure that, that demand is real. And we're looking at actions like making orders noncancelable and things like that to really make sure that, that demand is real. We do believe that, that strong underlying demand is real. Certainly, there's some impact from customers that are trying to get in front of longer lead times.

In terms of inventories and really because of the supply chain situation that we're in today, we would estimate that on average globally, and it's not a perfect science. But on average globally, we do think that our distributors in general, and those would be sort of the customers that would probably be interested in building up inventory, are in general at just average levels in terms of inventory. So we don't think at the moment that anybody has built up a huge stock in relation to getting in front of the supply chain.

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

All right. Thank you, Jon, for the question. We take the next question now.
Operator
Your next question comes from the line of Andreas Willi of JPMorgan.

Andreas P. Willi - JPMorgan Chase & Co, Research Division - Head of the European Capital Goods
I have a question on price. You commented it was up 2.3% in Q3, slightly accelerating versus the first half of the year. I would have expected maybe a bit more given the input cost pressures. Maybe you could talk a bit about price and also what you would expect for the full year in terms of price versus raw mat within the first half of the year, this was still a net positive.

Hilary Barbara Maxson - Schneider Electric S.E. - CFO
Yes. So you’re exactly right that price was net positive in the first half. I think we’d actually talked as early as the first half of 2020 about starting to get in front of some of those rising prices that we saw in raw materials. And then I think even on this half, we talked about some additional rising prices beyond those you see in the raw materials index. So freight and electronics, we called out specifically.

We did see an acceleration in price in the Q3 and as anticipated for us. We continue to and as we have historically, we continue to expect to price over the cycle at neutral or positive pricing versus that rise in input costs. And we continue to do pricing. We’ve moved from maybe years ago would be more annual pricing to much more agile pricing across the globe. So we feel comfortable that we have the ability to offset those over the cycle.

Amit Bhalla - Schneider Electric S.E. - Vice-President of Financial Communication & IR
All right. Thanks, Andreas. We’ll take the next question.

Operator
Your next question comes from the line of Alasdair Leslie of Societe Generale.

Alasdair Leslie - Societe Generale Cross Asset Research - Equity Analyst
My question is just really on the -- really, I guess, with the Capital Markets Day in mind in November. Do the supply chain issues in any way affect your conviction around midterm growth ambitions or perhaps influence the investment you might be thinking about putting in to support that growth maybe to make the supply chain even more resilient over the next cycle?

Hilary Barbara Maxson - Schneider Electric S.E. - CFO
Thanks, Alasdair. So probably no comments around what we’re going to say on the Capital Markets Day yet on this call. It’s not so far off. So -- but what I would say is that we’ve talked about things like 17% not being the end of the journey. We’ve talked about being well positioned for the upcoming cycle.

I would say that those elements, I don’t really see any change and there’s a tactical issue certainly in the -- we said we expect that supply chain is unlikely to abate over the next 2 to 3 quarters. So certainly, that’s something in front of us and in front of everyone worldwide. In terms of -- and I think that’s probably all I’ll say on the Capital Markets Day.
Alasdair Leslie - Societe Generale Cross Asset Research - Equity Analyst

Maybe just could I follow up on pricing then? Just a follow-up to Andreas’ question on pricing because we have heard sort of maybe some of your broader peers just in the last couple of days sort of report much higher price increases. And they’ve also talked to kind of further acceleration in Q4. Is that kind of what we should expect to see from Schneider as well, but maybe -- and I don’t know whether some of the prices just got caught up in the backlog. So some of that will be realized in Q4. I don’t know whether you can talk about sort of year-end price increases as well.

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

So what I would say is the number that we’re giving there is associated with the overall top line of Schneider. So there’s software in there, there are services in there. So it doesn’t translate directly into actual pricing like a percentage price increase, I’m giving it as an impact to the top line.

So you can make some estimates probably to translate that back. And I think we feel comfortable with where we are in terms of pricing in the year. We have more RMI in front of us, more freight and electronics in front of us. And we have a continued focus on making sure that we are doing the right things there in terms of pricing.

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

Thanks, Alasdair. Next question, please.

Operator

Your next question comes from the line of Andre Kukhnin of Credit Suisse.

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

Could we talk about China? And could you share your assessment of the current situation amongst developers there? What kind of range of outcomes do you foresee there? And clearly, you’re not seeing the impact from -- on the ground right now as per your Q3, but just would love to hear how you’re thinking about the range of scenarios and any potential mitigating factors and Schneider exposures there, please?

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

Sure. So in terms of China, what I would say is just I’ll reiterate that the Q3 we were up mid-single digit in China. And then beyond that, I would say there’s a couple of things going on. First, for us, a specific supply chain impact in the Q3, including component shortages. Capacity impacts due to power restrictions, we primarily managed with the municipal government.

In terms of demand, just on the ground with our teams, we continue to see strong demand across our end markets. And I think you’re talking on sort of new construction. We did start to see, and really as expected, some mitigation in residential building. And I’ll remind you that in China, our exposure to building overall and therefore, residential is quite a bit lower than the around 35% we have globally with higher weight in China in industry and infrastructure end markets.

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

Thanks, Andre. Next question.
Benedict Ernest Uglow - Morgan Stanley, Research Division - MD and Head of European Capital Goods Equity Research

Can you -- I was hoping you could just contrast a little bit the 2 kind of different businesses in China in terms of what we’re seeing in Energy Management and Industrial Automation. And the reason why is there’s obviously a very sharp divergence in the performance kind of flattish to down versus up high single digits.

And to ask, dare I say, a dumb question, when I think about some of your components and I think about areas like plastics or steel, copper, precious metals, et cetera, there are -- they aren’t immune from shortages themselves. So I guess what I’m curious to understand is why was IA that much more impacted than Energy Management? Was this all due to semiconductors in a specific business area? Or how do we contrast the 2? That’s question number one.

I know I’m not supposed to ask you, but I will anyway. On supply chain, why do you think it’s going to take 2 to 3 quarters? I very much appreciate the sort of forecast. But what is that sort of long-term view actually based on? Is it mainly semiconductors or is it other stuff?

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

Thanks. So you’re right that the 2 businesses in China had a disparate performance this quarter. And what I would say is there is that we continue to see strong demand in both businesses. So both energy management and IA. Like I said, the one area that I would point to that we see mitigating is residential building, which would be on the energy management side.

So why is IA down so much for the quarter then? And I would point there really to the electronic component shortages. So Industrial Automation for us as a business is relatively more impacted or has a higher percentage of offers with semiconductors in them versus Energy Management, where just a number of our product offerings are impacted with sort of more high semiconductors is the way that I would put it. So indeed, that disparate performance, I would say, is associated with the electronic component shortages.

And why will it -- why do we say that it’s unlikely to abate for the next 2 to 3 quarters. What we are talking about there is primarily electronic component shortages. That’s the one that we see most impacting our business, the one that’s more difficult to mitigate. It’s impacting really everyone globally.

And why do we think it will take 2 to 3 quarters? Well, certainly, we’re in close contact with suppliers. But secondly, and I’m not particularly technical, but semiconductor factories are not like an easy build. We’re in more of a CapEx-light industry. We can bring product lines up and down fairly quickly. Semiconductor plants, I understand, are quite a feat to engineer and construct. So it’s not something that can be solved as quickly.

Now we also are working with our own R&D organizations, obviously, to requalify components, requalify suppliers as we can. However, I definitely would say that we think that electronic component shortages is unlikely to abate for 2 to 3 quarters.

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

Thank you, Ben. We’ll take the next question.
James Moore - Redburn (Europe) Limited, Research Division - Partner of Capital Goods Research

Maybe I can follow up in a way on Ben’s question and dig into the Industrial Automation organic sales growth. I think you talked about flat in the process and hybrid business. And if I assume 8 for AVEVA, I come back to discrete and OEM growing around 10% year-on-year in the quarter, which is down from 25, 30, I think. And I wanted to run that by you.

And I think it means that you’ve fallen something like 2% Q-on-Q, which isn’t too bad, really, considering what’s going on in the world. And I just wondered if that was a sensible way to think about the discrete business as a plus 10 year-on-year and a minus 2 Q-on-Q.

And if I’m right on that, my question is really, how did that look through the quarter? Is it right that, that drop is a function of what you just talked about, i.e., the electronic component impact? And is it that you saw quite a different cadence across the quarter? Did you see more of a steady July, August and then the bigger drop in September? And do you see any signs about how October is really moving in that area against September? Are we sort of stabilizing at the new level or are we falling?

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

Okay. So in terms of industrial organic sales growth. Because of the supply chain component shortages, I would say it’s a little bit difficult to look out. It’s sort of in the way that you laid out. So I gave some numbers for PA throughout, I think where we’re up and we’re down. On the OEM side, we would be impacted by electronic component shortages.

How did it look in the quarter? Like I said in the call, we did see an acceleration of component shortages in the Q3. Really as we’d mentioned on the H1, we expected that, that would impact us in H2. So we do see an acceleration of that. And therefore, for example, in industrial automation, a further discontinuity between sales and orders or demand that we see throughout the quarter.

In terms of expectations, I went through it in the guidance. We’ve given a range on the guidance that we feel comfortable captures our expectations of the supply chain today.

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

And just to follow up on that, do you see October at a similar situation on electronic component shortages as September? Or are we continuing to see an acceleration of challenges?

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

Yes, it’s an interesting question because I would say it’s plus and minus all the time. We have close contact with our suppliers, allocations come through, and then we’re looking at new things, but no doubt the environment is still challenging.

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

Thank you, James. Next question, please.

Operator

Your next question comes from the line of Gael de-Bray of Deutsche Bank.
Gael de-Bray - Deutsche Bank AG, Research Division - Head of European Capital Goods Research

In Energy Management, I was wondering if you saw some of your competitors withdrawing from some projects because they simply can’t deliver the products due to supply chain challenges. So I guess my question here is, do you see the current situation as an opportunity for you to gain market share due to what seems to be the relatively or the comparatively stronger supply chain organization?

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

So in terms of competitors withdrawn from projects, I can’t point to anything specifically. I think that we continue to see a market with high demand where there’s multiple competitors looking to see what they can do.

In terms of the end markets, these projects often have a bit longer lead times anyways. And also, of course, we’re always looking at margins, competitiveness, this type of thing.

Opportunity to gain market share, I can’t really comment on that. I certainly hope that we are -- I think we’re well positioned. Let’s see how things go over the next 2 to 3 quarters.

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

Can I have a follow-up on this. If I look at the difference in the performance of Energy Management and Industrial Automation, I guess it’s pretty clear that it’s probably largely down to the shortages of semis impacting more industrial automation than Energy Management. But is there also any major difference in terms of their respective production setups and supply chain organizations?

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

No. In fact, in general, we have Energy Management and Industrial Automation all as part of the global supply chain. So no, I wouldn’t point to any specific differences between Industrial Automation and Energy Management. The only thing that I would point to is, again, like you said, the relative percentage of offers that we have that are exposed to the electronic component shortages between them.

And of course, the Industrial Automation business also has process automation with the longer cycle business, where we continue to see an increase in progressive demand. And we don’t yet see a lot of uptick in sales, although I put a couple of examples in where we start to see that demand shifting into sales in that longer cycle business.

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

All right. Thanks, Gael. Let’s keep it to 1 question, please, because I want to try to accommodate all analysts. Next question.

Operator

Your next question comes from the line of Philip Buller of Berenberg.

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

I’m just trying to make sure I understand the full year guide or the implied Q4 growth rate, if I can. You’ve done 15% organic in the first 9 months of the year. So the Q4 growth rate would be low single-digit type number to hit the midpoint. And you’ve mentioned that in Q3, the supply shortages constrained growth by about 2 points. So I just -- I guess I’m trying to figure out what else might be going on in Q4. Is it a base of comparison issue? Or is there something broader here? Or is the supply chain issue going to be considerably more impactful in Q4 than it was in Q3?
Hilary Barbara Maxson - Schneider Electric S.E. - CFO

Sure. So in terms of the Q4, we did keep the broader range of top line guidance, as you can see with Q4 with the midpoint, like you said, in the mid-single-digit range.

A couple of things I would point there -- to there. First, Q4 of last year, we definitely had a big uptick, right, in terms of sales. This is when all of our geographies started to come out of the coronavirus crisis. I believe, if I’m not mistaken, that Q4 is when we turned positive in both businesses.

So we have that piece of it, that’s anyways already part of the guidance that we already put out at the first half. And then we’re taking into account the range of potential outcomes in terms of supply chain where it’s not entirely predictable, the allocations from our suppliers at all times. And then we still have some uncertainties related to coronavirus. So we thought leaving that broader range makes sense.

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

Thanks, Phil. Next question, please.

Operator

Your next question comes from the line of Guillermo Peigneux-Lojo of UBS.

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

A question, I guess, on the divergence against Energy Management performance between North America and Western Europe. I guess there’s different comparison base, but the performance in terms of growth was also quite abrupt. And I wanted to investigate whether there’s basically a more severe supply chain situation in Western Europe for you than in Americas? Or is there any certainty that we should be aware of as we go forward?

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

So in terms of the supply chain, in North America, we’ve talked through the some mitigated -- I went through the points that we’ve talked about in terms of the supply chain impacts, one specific to North America, which is now mitigating.

In terms of the electronic component shortages, we do see particularly high impacts in Western Europe, but in Industrial Automation.

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

All right. We take the next question.

Operator

Your next question comes from the line of Martin Wilkie of Citi.
Martin Wilkie - Citigroup Inc., Research Division - MD

This is Martin from Citi. Just a question on what's happening with higher energy prices. I know a lot of your portfolio is geared towards energy efficiency. Are you seeing any change or inflection in customer demand because of spike in power prices in Europe, whether that could be gas and process automation or electrification in energy management? Just to understand if there's any short-term drivers that you're beginning to see because of higher power prices.

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

Yes. So like we said, the underlying demand remains strong. In terms of the higher power prices, it hasn't been so long yet. I would say, prolonged higher power prices for us internally were mostly in long-term contracts. So we're not expecting any impacts from a near-term standpoint for us for higher energy prices.

But certainly, sustained higher energy prices, like you said, we're in the business of efficiency. We're in the business of sustainability, are really good for us in terms of driving underlying demand for the business.

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

All right. I think we'll take probably another 1 to 2 questions. So operator, next question.

Simon Toennessen - Jefferies LLC, Research Division - Equity Analyst

I was hoping whether you can give a bit more color on 2 markets of yours and where they stand relative to 2019 levels. I think you gave a bit of general color on 2019 levels earlier. But nonresidential construction and process automation in particular. Both obviously have not yet recovered nearly as well as resi or discrete markets.

And in your press release, you gave some color on one resi and where you're seeing good demand here. And I think you mentioned hotels and commercial still a bit more slowly. So yes, if you can comment on both where we stand on -- in relation to 2019 levels, that would be helpful.

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

So in relation to 2019, well, and 2020, I would say, in terms of nonresidential, we continue to see good growth in technical buildings, particularly hospitals, health care, et cetera, with still some lag in hotels, like we said in the press release.

In terms of construction automation, we've seen particularly high growth throughout the year and high demand in terms of part of the OEM that we have, for example. So that continues strongly positive, and that would be versus the 2020 and also positive versus the 2019.

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

All right. I think we take 1 final question, operator, if there is one.
Your final question comes from the line of William Mackie of Kepler Cheuvreux.

William Mackie - Kepler Cheuvreux, Research Division - Head of Capital Goods Research

Lots of focus on looking up the stream of the value chain on the supply chain into your business. But what about looking towards your customers? I mean if I think of data centers, for example, huge consumers of semiconductors. Are there any signs or what signs rather do you see we could focus on the data center market, but I'm also thinking of project-related business across construction markets or in other industrial markets. What signs do you see of any slowing?

I hear your comments about strong demand, but there is a knock-on effect for your customers if there is shortages from other suppliers. Therefore, delaying your shipments. So I wonder in either the project business or in specifically the data center business, are you seeing any signs of hesitance to call down demand from your customers at this point?

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

So I would say a couple of things there. As you know, we're not heavily exposed, for example, to automotive, which is probably right at the center of the semiconductor issue. In terms of data center, we do continue, like I said, we see double-digit sales growth. We do continue to see acceleration in demand there.

At this time, I've talked to the fact that in orders, we may see some customers that are trying to get in front of what they know is longer lead times. But we do believe that the demand there is still strong. We think that trend towards digitalization is still strong. We don't see any pause in that today based on any issues that are going on in the supply chain.

Similar with projects, I think we continue to see a pickup in the project side of the business without any knock-on impacts at the moment aside from, I think, everyone is well aware of longer lead times across our industry and a number of other industries. So no doubt the supply chain pressure is real. Certainly, there will be impacts over the next quarters. But I think, at least as far as we see today, that underlying demand remains strong.

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

Thanks, Will. All right. I think with that, we'll call the call to a close. Thanks, everyone, for your time. We're available for further questions as required and wish you all a successful rest of the day. Bye-bye.

Operator

Thank you. That concludes today's conference. Thank you for participating. You may now disconnect.