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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Schneider Electric Half Year 2019 Results Conference Call. Today's conference is being recorded. Speakers on today's call are Jean-Pascal Tricoire, Emmanuel Babeau and Amit Bhalla.

At this time, I would like to turn the conference over to Mr. Amit Bhalla. Please go ahead, sir.

Amit Bhalla
Senior Vice President & Head-Investor Relations, Schneider Electric SE

Well, thank you, operator. Good morning to everyone. Big welcome to Schneider Electric's H1 2019 results. The press release and the presentation are on the website. I'm sure you've seen them already. To share them with us today, Chairman and CEO, Jean-Pascal Tricoire; and Deputy CEO and CFO, Emmanuel Babeau. We'll go through the presentation in two parts and then we'll make sure there's enough time for Q&A.

So, with that, let me hand over to Jean-Pascal.

Jean-Pascal Tricoire
Chairman & Chief Executive Officer, Schneider Electric SE

Well, thank you, Amit. Good morning to all of you. Of course, I'm very happy to be with you today and to share a strong set of results and perspectives as we go forward into 2019. And without further ado, I'd like to move on and go to my part of the presentation and then of course, Emmanuel will take over for the financial details of what I will have highlighted in the first part.

So, moving on to transition from the Capital Market Day, I remind you that we have positioned Schneider over the years in two major business, Energy Management and Industrial Automation which combine into digital solutions for energy management and automation solutions for efficiency and sustainability.

And all of those business serve the two major transition of the beginning of the century that our customers are facing, one being the Energy Transition, the other one being Industry 4.0. And we've done that deployment into those two business very focused on four end markets, building, IT, infrastructure and industry. So, when we look at H1, this strategy, this positioning is delivering fully, our two business are growing, our two business see their profitability expanding. So, Energy Management more than €10 billion in H1, growing organically by 7%, profitability expanding. Industrial Automation growing by 1%, €3 billion. Those two business combine into a total business of more than €13 billion, growing by more than 5%, 5.4%, while the profitability is reaching 14.8%. Margin expanding by 70 bps, above the top of the guidance that we have given at the beginning of the year, and margin growing, in fact, double digit organically more than 10%.

So, if I look at the headlines of – financial headlines of the first half, it's about strong revenue growth, sustained profit momentum, and strong shareholder focus which if you take a longer view, put us exactly in the right trajectory to deliver on our ambition to increase the profitability of the company by repositioning it by 200 bps over the next three years. So, strong revenue growth, I said it, 5% revenue – organic growth 5.4%, organic revenue growth, supported by the main pillars of our strategy, a continuous growth on our products shouldered on the largest network of partners in the world, plus 4%. But then our growth boosters starting with Services, plus 8%. Software, up double digits, it's about AVEVA, our sister company in the field of software, but not only AVEVA,
there is everything that we do in software in the rest of Schneider. Digitization, mostly powered by EcoStruxure, which is growing above the group average. And although it's not strictly related by growth, we are working on the fourth pillar of our strategy, which is better systems, executing better on projects, on equipment. And there, the priority is about profitability. And once again, we improved the profitability by 100 bps in H1.

Second element is working on the profitability of our growth, making sure that this growth drop through into profitability. So, adjusted EBITA growing by close to 11%. Adjusted EBITA margin progressing by 70 bps, again above the top of the guidance given at the beginning of the year. Adjusted net income also growing double digit. And if you take longer view to performance over four years, it's an increase of the margin by 330 bps organic and 230 bps reported, which again puts us right on track or well on track to achieve our ambition of 200 bps of improvement in terms of margin by 2021.

Finally, our focus on shareholder, I think, one of the great achievements of this first half is cash flow generation which confirms the signature of the financial results. Cash flow multiplied by more than two, respect to last year. At the same time, we deliver on our commitments, share buyback that we started after the vote at the AGM, €80 million just started. But more so a combination of acquisition, a milestone for acquisition of Larsen & Toubro, which is the approval of the CCI, the Competition Commission of India. But also a continuous work on disposals with Pelco and the U.S. panels that were a drag on what we are doing in automation in the U.S. And at the same time, remember that 2018 had been landing a few very important acquisition for us on both AVEVA in Software and Asco in Secure Power, delivering a double-digit growth in H1, not to mention that IGE+XAO is scoring a very honorable 8% in the field of design software.

So, moving on to – going to the detail of our strategy, remember that our strategy is very simple. It's about more products, more services, better systems, and more digital. We have launched in H1 more than – close to 60 new products. We have a few examples here in the field of automation, in the field of energy management. More services, again, 8% growth. You remember that there is a lot of potential behind services. We have barely tracked 40% of our installed base, serving less than 10. So, we keep growing there. And it's not only about break/fix services, it's about using digital to increase the value of those services. One of the example is the deployment of asset advisor which is in an analytic on BASF plants which helped them doing predictive maintenance and it is a combination of our edge control together with analytics, as well an example of building advisor deployed in the University of Iowa, helping customers to reduce their operating costs on doing there, again, predictive maintenance.

On better systems really on a focus on cross-selling, systematic cross-selling on better project execution or bundle execution and leveraging more and more our partners as we engage into those systems. Digital, of course, is a big part of our strategy and another first half or another half of contribution to growth. More advisors, that means more modules of software that plug into the data of our products, you have four examples here.

Asset under management that means assets digitally connected to our cloud for the account of our customers, 2.4 million assets connected at the end of H1, accelerating in terms of growth plus 40%. And of course, we've been already quite public about the launch of Exchange, which is our marketplace connecting users, connecting assets, connecting developers, and connecting integrators, which keeps developing since its official launch in Hanover in April. So, more than 45,000 registered users, 23 communities, 200 apps developed by partners of Schneider or ecosystem stakeholders on the base of EcoStruxure.

And then, strong performance in Software, so of course, AVEVA has been one of the most striking successes in the industrial software in the world. Not only really delivering a strong performance but joining the Ford C100 in H1. Then it's not only that, it's IGE+XAO, I spoke about it, with a growth of 8%. It's about us acquiring the rest of
our smart grid operation that we have developed which has been qualified by analysts as one of the best software suite for smart grid in the world on energy services project gaining more and more traction. What we see today is at Level 2 and Level 3 which is control and the software levels of EcoStruxure are growing, of course, faster than the group.

Few example, I won't dwell on them. They are well-documented on our website. But – well, one example is what we do in a major hospital in the Middle East where we automate the whole power distribution together with the whole building control system to allow for our customers to have a much better reliability which, of course, is a paramount value in a hospital, but also energy efficiency and predictive maintenance to avoid power outages. Singapore, Marina Bay Sands which is one of the biggest casino and entertainment center, flagship place of – a landmark of Singapore where we are helping Marina Bay Sands manage their data on their data center which, of course, is very critical. Argentina, Buenos Aires, with the modernization and digitization of transportation which is always an issue in very large metropolis where digitization brings savings on maintenance and savings on energy. And finally, what we do in hoisting shops in [indiscernible] (00:11:27) in China in a very demanding industrial environment bringing 10% productivity.

Always a marker of Schneider is our commitment to sustainability and the objective we give to ourselves in the field of sustainability. So, this is completely reported in detail at the end of the first half, and we are above our targets. I would say, it's a big commitment of Schneider of our network and ecosystem of partner suppliers and all of our customers to work together on that subject, which entails by the way a lot of recognition in multiple dimension. One of – the one we are the proudest is that continuous progress with Gartner in the field of supply chain, recognizing particularly our achievement in digitization of supply chain, making it very pragmatic, very economically profitable to the service of the operators of our factories. Now that new generation of digitization being deployed in more than 60 factories in the group and some of you have been visiting some of those sites in the past month.

So, now, going a little bit more into detail and Emmanuel will drill even one level more into the detail of what we see in the business performance of H1, electrification, which is a leading franchise, very balanced geographically as you can see here, growing, delivering another stellar first half or half of the year, 7% organic growth and EBIT (sic) [EBITA] (00:13:08) margin at 17.6%, improving by 80 bps organically. And what we see is a strong growth across the portfolio, across end markets and regions but with a very strong contribution of North America, which is of course our first market and the market where we have a deeply rooted presence and solid presence which is executing on the strategic plan over the years – several years before. So I think we are getting market share there. Asia Pac still has a very strong engine, very well balanced between China, East Asia and India.

The Data Center segment, which is one of the applications we serve, is growing strongly, in large but also in small installations as well as edge installations. We are registering high single-digit order in industrial segments in cross-selling together with what we do in Industrial Automation. One of the recurring strong points of what we do here is our performance in home, small building and electrician sector, the plug, sockets, what goes into the basket of the electrician which once again is growing mid-single digit, up across all regions.

Commercial & Industrial Building remains strong and benefit from what I illustrated a bit earlier in the hospital segment in Middle East, of that integration between electrical distribution, electrification, automation, power automation and building control, total building control. Asco delivering double-digit growth, which is really promising after one year in the company and Services coming as a strong support of our growth across technologies, up high single-digit. When we look at H2, while it remains very positive, Commercial & Industrial Building remaining with a great outlook across geographies. Our unique and integrated energy management offer completed of automation is really supporting our continuous growth in Data Centers.
Residential, as I said before, has been growing mid-single digit for now some years and remains a very strong point of development supported by the launch of many new offers. And infrastructure and industry remain well oriented for us as we go cross-selling between what we do in automation and especially with the acceleration of late cycle on electro-intensive industries as we go forward.

Looking geographically, so the red means a proportion of the turnover down in every region, the green means growth, you see that once again we benefit from a balanced geographical exposure. Here, very strong performance of North America. The only negative point here is Mexico in both Energy Management and Industrial Automation.

Rest of the World, all good except Middle East, Russia have been stable due to sanctions, but the rest is growing. Particularly, the satisfaction for us is to see South America back to growth and development after many years of more difficult situation. Europe really good, being a solid engine of growth which for all the Europeans is a motive of satisfaction and pride after many years of more difficult situation. The only negative here that you see is France, but France is mostly due to utilities, I mean to repositioning on the utility market. The rest, construction, residential, industry and infrastructure is doing very well. Asia Pac very balanced across geographies.

Now, going into Industrial Automation. It has been a bit more [ph] panned (00:17:28) in H1 after a fantastic, if you remember, fantastic 2018 and especially the first half of 2018. But there the rebalancing of our portfolio which is, if you want to simplify, 50% on discrete automation and 50% of continuous process is working very well. We are just in the transition moment from one part of the portfolio to the other one of the portfolio. So, organic growth at 1%. Adjusted EBITA margin, 17.6%, even with more – with lower growth progressing by 30 bps in terms of profitability. So, again, we benefit from the balancing of our portfolio. The demand in process and hybrid market is continued to be positive with double-digit orders growth. And some of the projects have been phased outside of H1 into H2. So, that has impacted a bit Q2 especially in North America. We have a slowdown in the discrete and especially machine manufacturers which is traditional strong point of Schneider.

The U.S. activity in panel has been sold in Q2, which is a good thing. Then we have a good – we keep progressing in developing the joint value proposition between AVEVA and the Schneider team and the cross-selling is working very positively for both companies. And at the same time Services are also there again a strong support to growth for Industrial Automation.

As we go and look forward, we see more softness into discrete markets that we expect to continue in H2. At the same time, we see more projects coming for reorder and for execution and for billing from our order book in process and hybrid industry. And there we benefit from the unique combination of what we do in automation, in controls as well as what we do in Software with AVEVA principally.

So with that, we go into more detail about the geography. While North America 21%, negative in H1, really impacted by Mexico on another part which is a base of comparison that we had in 2018, particularly in some process automation projects. Rest of the World, positive except Middle East, which is a constant, together with Energy Management. Europe doing well across geographies in an environment impacted by discrete automation softness and Asia-Pacific impacted by a flat market in China, but growing in India, in South Korea. The other negative impact is really Japan, which has been suffering in H1 in Industrial Automation. But overall, the whole portfolio growing on profitability, developing and encouraging signals at the level of hiring and continuous process.

With that, that concludes the overview. And I'm handing over to Emmanuel, who will enter into more details.
Emmanuel Babeau  
*Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE*

Indeed. Thank you, Jean-Pascal. Good morning, everybody. Great to be with you to comment our H1 numbers. And we're going to start of course by digging a little bit more on our sales. So, our sales reached €13.2 billion in the first half. It's 7.2% gross. We benefited from a positive Forex impact, almost 2% and close to €220 million positive. That's largely coming from the dollar appreciation versus euro. Now, when we look at the full year, we are staying with this vision of €300 million to €400 million positive. That mean that we expect Forex to remain positive on the top line on the second half of the year.

When we look at the impact at the level of the margin, the adjusted EBITA margin, we were flagging an expected impact around minus 10 bps. At the last communication, it has proven to be a bit more negative than what we thought in H1 at minus 30 bps. Now, we expect a better H2 in that regard and we are now looking at a bracket between minus 10 bps and minus 20 bps negative impact coming from Forex on the adjusted EBITA margin.

So, the scope impact is very limited at the last few months of AVEVA and the beginning of the impact of the disposal of Pelco and the U.S. Panel. And then, when you look at the growth by region, well, the great news is that they are all growing and quite nicely. I mean, we are ranging between 3% to 9% growth in this H1, which shows our capacity to really see the growth wherever it is in the world and benefit from the strengths of our portfolio.

Most impressive growth, of course, is North America, 9%. Actually, Mexico, and I will elaborate on that, has been even more down. So that mean that the U.S. is flying higher in H1 that the 8.8% that you have here. Great news coming from Asia-Pacific, 5.7%. We know that there were question marks at the beginning of the year on the growth in China. Actually, China has posted another nice quarter of growth in Q2 and is growing around the average of Asia-Pacific. But China is not the only country growing in the region. You have India, you have Australia and you have many countries in Southeast Asia, which are doing overall well.

Rest of the World at almost plus 4% growth. You're going to see it's a mixed bag with some country doing well. Jean-Pascal commented great to see South America accelerating, Africa doing well. It's more difficult in Russia and in the Gulf. And then Western Europe, which is I would say, where we were expecting Western Europe. But it's good to see that it's still a kind of noticeable growth at almost 3%. And you will see that many geography actually did relatively well in the H1.

Well, precisely, we wanted to elaborate a little bit between Energy Management and Industrial Automation on what we are seeing by region. And starting with the Energy Management, the North American number obviously stands out, I mean, plus 12%, and here you can expect that the U.S. was even above this average. It shows the quality of the growth, which is really coming from the fact that all lights are green really in H1 in the U.S. So, we are growing in the Residential business. We are growing in the Commercial & Industrial Building. Data center has been good. But we have also some good infrastructure contribution, and Asco, of course, is a big satisfaction. So, that's great to see North America at that level.

Asia-Pacific at plus 7% has also done a very good H1. I talked already about China and a very nice performance globally in construction and with a very nice project here again in infrastructure. India, despite election time, which were not that favorable for the country, delivering high single-digit and I talked about many countries in Southeast Asia and Australia doing well for Energy Management.
Rest of the World, plus 4%, dynamic growth, South America, Africa, Central and Eastern Europe. And really here it's about Middle East on utility market, Saudi Arabia on utility market. Middle East globally down and CIS down also, which have been more difficult. But good to see that the pluses are significantly bigger than the few headwind that we have.

Western Europe at plus 3%, here again always question mark on whether it's going to grow or not in Western Europe. And as you can see, in fact, we have, apart from France, many big market doing very well on Energy Management in H1. I mean, I could mention Italy, the Nordics, Germany, but even the UK despite the uncertainty around Brexit doing well and there has been a nice contributor to the growth for the first half.

Moving now to the Industrial Automation performance. It's a bit more contrasted, but at the end of the day, you can see that three out of the four regions are actually growing and the only negative here is North America. And, in fact, when you look at the U.S., the U.S. has been stable. So, it's really Mexico because of the uncertainty that we've all seen, which has been really down. U.S. stable and, in fact, the underlying trend is even more positive, because we had some very high comps in the Process Automation business in Q2 in the U.S. last year. We are indeed seeing a discrete automation business that is slowing down, notably with OEM, but we see a positive underlying trend for Process Automation and that should really show up in the second part of the year.

Rest of the World, nicely positive and here we see both actually discrete and process growing in the region. Western Europe is positive and good to see that France, Germany, Spain, and UK have been growing. So, that's certainly the success that we are facing in our targeted segments and like we mentioned, food and bev, the pharmaceutical or water and water treatment. And on Asia-Pacific, China stable because of OEM. Many other places in the end market have been growing. India, nicely growing, and Japan was really the negative part of the picture in this first half.

Moving to the priority, Jean-Pascal reminded us of the priority, Products first 4%, where we know that as we progress through the economic cycle, it's normally not favorable for the Products. While we still managed to grow a nice 4%, which show I think the strength of the innovations, the differentiation, the strengths of the breadth and the depths of the portfolio, which managed to grow even when the environment is less favorable.

System growing at 8%, that was expected. The cycle is progressing. We know that as we go for mid/late cycle and market progressing, it's coming with more System. The good news as you have seen is that we are improving the margin on System as we grow this business at a stronger pace.

And then last but of course not least Services & Software, almost close to the double-digit growth. We elaborated already on the very strong performance on software, but good performance on Services as well. And we are really progressing on the coverage of the installed base and on developing the different type of Services among our customers.

Now, below the top line, let's move at the analysis of the very nice progress that we've made on the margin and start, of course, with the gross margin. It's another period of nice growth for the gross margin moving from 39.1% to 39.4%. And here really you have two big driver for the growth.

The first one is the one that you would expect, productivity, which is contributing plus 1.1% of gross margin. That has been delivered despite negative impact coming from tariff. Inflation is still there and we have been under pressure with some of the supplier renegotiating under pressure in the middle of last year. That's still there. So, it's still an impediment I would say to generate the full potential on productivity. We expect that the whole 2019 is
going to be difficult in that respect. And as already shared with you, I think we are looking at 2020 for a new acceleration on productivity.

The very nice powerful driver here is, of course, the net price, which is contributing 80 basis point to the gross margin improvement and it's a fantastic combination of the success of all our actions on price. I mean, look at the impact €115 million positive, close to 2% of positive impact on the transactional. That's really the carryover and the positive holding up to price increase that we delivered already in the second part of 2018. On top of that, of course, we are helped by a less unfavorable evolution of raw mat, which even turned a bit positive.

Now when we look at the second part of the year, we're going to keep pricing up. But the environment on inflation has changed a little bit. So, still price up, we don't expect it's going to be at the same level as in H1, and on raw material inflation, we believe that it's going to stay positive, and we see exactly what is the magnitude of the positive number.

On the mix, and now I'm turning to negative things, that was expected, 60 basis point negative. It's a natural evolution through the cycle, more System. Even if we improve the margin on System, they have mechanically a negative impact on the mix, plus a few negative contribution coming from the evolution by geographies. Then you have the usual negative. We keep increasing our R&D effort and innovation, it has a negative impact on the gross margin, and we still have labor inflation.

Then the Forex, minus 0.3%. I mentioned the fact that we expect a better Forex environment for margin in H2. And then on the other negative here, that's largely taking from some technical risk and the depreciation of inventory that we have at book in H1.

Good to see once again the trajectory. I think it's really important to see the consistency and the continuation of what we are doing. We've been growing – if you just look at H1, 240 basis point the gross margin over the last five years, and that really showed the fact that progressively we bring more innovation, more digital, more differentiation, more added-value to the customer. You add that better environment for pricing, and I think we've probably did better than many of our peers in that respect, plus still good productivity. And then, of course, last but not least, we are working on portfolio optimization, that is really what is driving these very nice progression through the last five years.

So, moving now to the gross margin, which is reaching €5.2 billion. That's, of course, about SFC management. And as you know, SFC management for us, we don't see that as a cost. Most of this SFC are really the investment that we are making for the future, whether in digital, in skills of people, in capacity to grow services, in marketing. And we have this game of investing for the future, but at the same time, we contain the growth of SFC at a lower gross than the top line to generate an improvement of the SFC on sales ratio and it's quite nice organically, 50 bps on this period with good productivity that we generate on our SFC.

We share the ambition to accelerate that over a four-year period. But, of course, we have started in H1. That gives an adjusted EBITA of almost €2 billion at €1.960 billion. It's up almost 11%. The margin is up at 14.8% organically, 70 basis point. And the good news is to see that the two businesses have been nicely contributing to this margin improvement.

Now, I want to give a two-minute lecture on IFRS 16. I want to be very short and I don't want to burden you with that. But you know that we have this impact and I want to make sure that everybody understands what's the impact of IFRS 16. So, this new accounting norm is telling us that now we have to book the long-term lease as an
asset and a liability. So, we are taking this lease, mainly the rent, for all our offices and some plants as both an asset and a liability for roughly €1.3 billion.

Then, what the norm is telling us that that means that you delete the rent that we are paying and you replace it by an amortization of the asset that you have been booking in the balance sheet, and that is generating €10 million net positive on the adjusted EBITA. Then, you book the cost of the debt, the new debt that you have, the €1.3 billion, in the financial income, and it's a cost of €20 million. So, that means that the net impact as you can see on the net income is absolutely marginal, it's €7 million.

And then, you have the impact on the free cash flow, because as you work the free cash flow, deducting the amortization, what you've been amortizing is added, if you want, to the free cash flow, and we have a positive contribution of €134 million. Of course, we will be more than happy to provide more color on IFRS 16, if after this very short [indiscernible] (00:35:04) lecture, there is some question mark.

Moving now below the adjusted EBITA and probably, a couple of lines on which I would like to draw your attention. The first one is the negative amount of €346 million on other income and expenses. This negative amount was expected when we announced the Pelco disposal, we told you that's coming with a loss up to €250 million. It's a bit below that eventually. But on top of that, we have some impairment of R&D, some one-off impairment and the traditional cost linked to M&A and integration.

Restructuring is absolutely in line with expectation and what we shared with you at the last Capital Market Day. No specific comment on amortization of intangible. One word maybe on financial cost, €140 million, it would have been €120 million negative only without the IFRS 16. I think we see now gradually period-after-period, the decrease of the cost of our debt. And probably the most symbolic thing is that a couple of weeks ago, we've been issuing for the first time, of course, in Schneider history, the first bond six-year maturity, slightly lower than six-year, with a negative fixed rate, negative 4 basis points. So, we are being paid today to borrow on this kind of five-to six-year maturity. And of course, if that continues, that means that you can expect the financial cost line to keep decreasing.

Income tax is absolutely in line with expectation and we continue to guide to 22% to 24% range for the year, discontinued operation is not material. And equity investment and minorities, in fact, the number is more or less the same, but you have two diverging element. On one side, the profit of Delixi keep going up and therefore, the positive here keeps going up with a very great performance of Delixi.

And then, of course, the AVEVA profit also going up and here, we have to give back to the minority shareholder the share that correspond to their minority stake. That give a net income of €993 million, marginally down 3%. Actually, without the one-off that I commented, we are growing the adjusted net income by 10% and the adjusted earnings per share 11%. I would say absolutely in line with the adjusted EBITA.

The other very good news of this H1 is, of course, the very strong cash flow generation. I think we guided at the beginning on the year and the fact that we had some significant expectations for cash flow generation for the year. Good to see that we have a good start in that respect. It's, of course, start with the growth of the operating cash flow. We kept the capital expenditure under control. There is a little bit of increase on the R&D CapEx and also some investment on capacity, but we absolutely stick to, here something, which is going to stay around 3% of revenues. So, there is absolutely no change in the model.

And the good news here is that we manage on the working capital to have a much more controlled growth in H1. You know that traditionally you grow your working capital inventory receivable in H1 and we decrease it in H2.
Well, this year versus last year, we had a better management and the capacity to better control notably our inventory. So, that give a free cash flow before IFRS 16 north of €700 million, with the IFRS 16 €873 million and show the quality of the earning in H1.

Dividend, no surprise. Acquisition, it is a net between the few acquisition that we have made [indiscernible] (00:38:45) or AVEVA in the first one – in the first half and the Pelco disposal. Then, on the net capital increase and the share buyback, and then in FX and other you have the IFRS 16 impact, the Forex impact on the debt of the [indiscernible] (00:39:02) and what we decided to pay on our pension deficit.

That gives a debt of €6 billion at the end of H1. And of course, as always, we expect a large part of the capital generation for the full year to be skewed toward the second part of the year. Here, just to show that beyond the IFRS 16, that's really a record for cash flow generation in H1, and I think that was important to highlight it.

We've been also very disciplined in capital allocation. You know that we got the approval for the LNG deal, and we expect the closing in a few months, whether toward the end of this year or beginning of next. We've been making some nice software acquisition with ALPI, and we've been taking full ownership of the ADMS software, so software for the smart grid. We took the majority stake when we made the Telvent acquisition in 2011 and now we have 100% ownership, so we'll fully consolidate the business in the coming periods.

Good news to see that the most recent acquisitions are great success, and they are growing double digit in Q2. And on the disposal, we have already achieved €0.3 billion, so versus the €1.5 billion to €2 billion, it's just the beginning, of course. But we clearly have started the journey, and we expect to do more in H2 and in the coming quarters.

That finishes my presentation. Back to you, Jean-Pascal.

A short pause on Schneider Wiser, which is a product you see here, which is the core of our home automation system. I'm noticing that this is a forecasted temperature today in Paris, which shows some globalization of temperatures [ph] with Home Control (00:40:49) convergence of temperatures.

Now moving on to the full-year targets where we are upgrading our targets. What we see that in North America, we continue to see a favorable environment. Especially, we integrate that H2 has a more demanding base of comparison in Energy Management. In automation, what we see, the process remains positively oriented, while discrete automation markets remain soft. In China, we see a continuing OEM soft demand, but we see growth in the field of construction, infrastructure and parts of industry, though we think that construction could be a little bit more moderate in the next coming quarters. We expect Western Europe to keep growing at a moderate pace. And we expect also some new economies to perform well, especially in Southeast Asia and India, while some regions like Russia and the Gulf remain challenged.

So looking at all of these, being really attached to keeping the trajectory of the 200 basis points margin ambition for the next three years so that the improvement that we want to score. We increased the guidance, wanting the EBITA to grow between 6% to 8% organic. And we do that by prospecting growth at the top of the guidance in terms of organic growth, 4% to 5%, so shrinking the internal there. Targeting also the upper half of the margin improvement target from 20 to 50 bps prospected at the beginning of the year.

So that concludes the presentation. We are now, of course, open for Q&A. And Amit will lead the session.
Amit Bhalla  
*Senior Vice President & Head-Investor Relations, Schneider Electric SE*

So thank you. I think just before we set it up for Q&A, just a quick reminder that we have the dates in the calendars on the screen now. So we have the roadshows coming up. A couple of points to highlight; one, we will have an update on sustainability topics in September and then followed up by our innovation Summit as well.

So with that, let's open it up for Q&A. I'm sure there's a list which is already there. We'll take – we'd like to request that we'll have one question per person and then we come back if time permits.

So with that, let's open it up to the first question, please.

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**QUESTION AND ANSWER SECTION**

**Operator:** Thank you. [Operator Instructions] We will now take our first question from Andre Kukhnin of Credit Suisse. Please go ahead.

Andre Kukhnin  
*Analyst, Credit Suisse Securities (Europe) Ltd.*

Good morning. Thanks so much for taking my question. Could I ask about any changes in channel behavior in the second quarter? Did you see any kind of stocking decisions from your distributor partners that affected performance or any indications of that? And also if I just may follow up on your comment on China construction that you expect that may moderate, could you just share with us some color on why you're seeing that at the moment? Thank you.

Jean-Pascal Tricoire  
*Chairman & Chief Executive Officer, Schneider Electric SE*

Yeah, Andre, on the attitude of channels, we are exiting 2018, which was a year of accelerating growth. Actually, I've seen it was a year of kind of transition from low growth years to a much more consistent growth. So we've seen not in a systematic manner because I think distributors are becoming very professional, and we are really working with them to do that so that we optimize all supply chain between the two of us. But we've seen in some places, some selective destocking to – because they have been really stocking a lot last year on running after sales increases. So we've seen, at the beginning of the year, some selective destocking happening on readjustment of stocks, which is absolutely normal when you have those variations in this case, but nothing fundamental.

What I would say also that probably we had mentioned in the Capital Market Day that we see more and more digital interaction, which is positive for all trade because that means we get more shared access together with our distributors, each of us bringing added value to our customers on being able to work much better together on our common customers.

Speaking about China, well, one common sense observation is that we are comparing to high base of comparison. Of course, we've seen a little bit more softness on the residential side, but still very strong business or sustained business in a regime which is commercial and industrial. But the first reason is also to consider that we are now comparing to high levels. But still we see a market which is solid on keeping on developing.
Thanks very much.

Amit Bhalla  
Senior Vice President & Head-Investor Relations, Schneider Electric SE  
Thank you. Thanks, Andre. We take the next question.

Operator: Our next question will come from Andreas Willi of JPMorgan. Please go ahead.

Andreas Willi  
Analyst, JPMorgan Securities Plc  
Yeah. Good morning, Jean-Pascal, Emmanuel and Amit. My question is on the automation growth, particularly, on process automation you highlighted double-digit order growth, which still looks very strong given that market also has maybe slowed a bit. Could you give a little bit more information where that's coming from? Is that a couple of large orders or more broad-based and which industries are still driving that? And on the other side, on discrete automation, have you noted a big change in kind of June-July versus what was before? Or is this just kind of a more steady slowdown that we have seen before already?

Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE  
So Andreas, thank you for that question. Really, what I was mentioning before is that we have made a lot of strategic movements in the past years to balance our portfolio between discrete and process and therefore, reinforcing our position at the crossroads of those two sectors in hybrid automation. And really I'm really happy we did it because it's in that kind of period that it's really important. So we see softness at the level of discrete manufacturing which is really a collateral of the retentions. I mean, many of the customers need more capacity, but they are waiting to see where they have to put that capacity, would they be Americans, would they be Chinese and of course, Southeast Asia is probably benefiting today of that time of uncertainty. But this is pushing down on discrete automation.

On process automation, frankly, the key industries which are reinvesting or restarting projects are the typical oil and gas, chemical, but it's a broader base. I mean, we see also usage of our technology in wastewater which is developing all over the world. Emmanuel was speaking about that in hybrid places like CPG also which are using [indiscernible] (00:49:28). I wouldn't say it's a bit of very large projects, which is not the typical positioning of Schneider, but it's more a broad base of smaller and medium projects, which we have been working on for a long time. This industry has been not investing for quite a long period, and you know that you don't invest in oil and gas to make an example, then your capacity would suffer.

I see also the industry is really working on digitization. And from that point of view, I mean AVEVA, as a partner in engaging together is really important because in those times people are looking at efficiency, preventive maintenance. They're all struggling to find enough competencies on the shop floor. So everything we do in asset performance management, also our digital tools to help the operators is more productivity on very simply in many cases, helping to find people that they can't find physically in countries where there is full employment, not always the right level of preparation of competency.
So we see the order book fitting, it's quite balanced, and we've seen some phase in to H2 because can't say that politically the world is practical on the serene at the moment. But at the end of the day, those projects are here, and we should start bidding as we go forward.

Andreas Willi
Analyst, JPMorgan Securities Plc

And have you seen a big change in June?

Jean-Pascal Tricoire
Chairman & Chief Executive Officer, Schneider Electric SE

Not. So I wouldn't be singling out June. I think pretty much a consistent quarter.

Amit Bhalla
Senior Vice President & Head-Investor Relations, Schneider Electric SE

All right. We take our next question, please.

Operator: Our next question will come from Ben Uglow of Morgan Stanley. Please go ahead.

Benedict Ernest Uglow
Analyst, Morgan Stanley & Co. International Plc

Thank you for taking the question and good morning, everyone. I guess sort of two kind of interrelated questions coming back to China. How are you seeing different end markets evolve in Industrial Automation? Are there any particular areas of strength or weakness? Where do you see – what's best and what's worst if you like at the moment? And I guess just stepping back more bigger picture, Jean-Pascal, what is your impression or what is your view around the longer-term effect on the automation business with the trade tension? How significant do you see this being over the next sort of 6, 12 months?

Jean-Pascal Tricoire
Chairman & Chief Executive Officer, Schneider Electric SE

Look, Ben, when you look at China, there is a market and at the end of the day, 6% growth on such a large economy is not a small number actually because that number is a plane to a larger and larger economy. I think one of the strengths of Schneider is to have defined our strategic play a long time ago, and we are everywhere in execution of our strategy. So all teams are trained to cross-selling, market coverage, coverage of secondary cities, coverage of smaller customers who are looking for digitization. So one of the strengths we have and we've been developing during that if you remember our Capital Market Day, the scale period, remember build the portfolio, integrate on scale is that we are fully focused on a very consistent execution.

So in China, what you see that is one of the largest economy of the world, in physical terms probably in many sectors, the largest economy of the world, which is developing systematically which has, over time, become more self-centered on its consumers, on its domestic economy in creating its own space of export around the Belt and Road. And we've been participating or immersing ourselves with many partners. There, again, the characteristic of Schneider which is that we operate Preventa with partners, local partners, is helping tremendously.

So what we see is that the places which are developing the most in China are the places linked to process again or linked to infrastructure where we combine electrification or energy management on automation into integrated solutions. It's not complete industrial in some cases, but it's actually a place that is using massively in this
automation. No need to remind you because very well Schneider that we are not exposed to automotive by choice which is probably an industry which has suffered.

Now when you speak about the longer-term effects of the trade tensions, well, it pushes China to more somewhere on self-reliance, vertical integration that pushes a lot of local industrial development. And this coupled with a general push of the country to digitization, and digitization which is adapted to local needs, that bodes well with our multi-local model whereby we develop a lot of our industrial offer in China for China.

So I think, short-term, there's going to be softness or there's going to be a bit of slowdown, not everywhere, not in infrastructure, not in process industry. Actually, that balances what we do. We see good development of AVEVA also in China, benefiting from the introduction on the credibility of Schneider. If you position yourself and you get a longer view on what is happening, it's probably reinforcing the industry of China that will create opportunities.

Amit Bhatta  
Senior Vice President & Head-Investor Relations, Schneider Electric SE  

All right. Next question, please.

Operator: Our next question will come from Simon Toennessen of Berenberg. Please go ahead.

Simon Toennessen  
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)  

Yeah. Good morning, Jean-Pascal, Emmanuel and Amit. One question on Energy Management in North America. You obviously stated the favorable environment. It's been I would guess the stand-out performer in the first half with the growth rates you've seen in Q1 and Q2 here. How sustainable is it really for the second half? I mean, we're looking at high-single-digit growth in the industrial segment, leading indicators are obviously pointing in a sort of slightly downward trajectory here. Do you think ex comp effect that the underlying development is sustainable in the second half? Or do you think we're going to see a clear moderation here in the second half? Thanks a lot.

Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE  

Yeah. Look, I mean, we give plenty of information in our presentation. And I spoke about it, Emmanuel spoke about it. We have a very strong presence in the U.S. on the North America in Energy Management. This is our first region. This is the place where we did grow up from very strong franchise like Square D, on APC, we are already a local player. We develop products in America for North America, and we are really connected to the market.

When we look forward and I said it before, and I think it was reiterated by Emmanuel while the base of comparison is becoming more demanding, but we see substantial strengths in the fundamental markets, so commercial and industrial building, datacenters. Datacenters is a bit more volatile because we have some larger projects which are distorting the curve of billing and delivery – invoicing and delivery, but globally, it's a strong place where we keep developing.

And also cross-selling into infrastructure. So you've seen that this year, we signed an agreement with Carlyle to work together on green infrastructure and retrofit of infrastructures that will not impact this year in terms of direct impact that would be more next year. But that's very promising on quite illustrative of what we do more and more in North America. We do more and more microgrids also. We're doing more and more consulting to energy
supply, which is more material on – when I say material, it's very material as benefit for the customers. But it's digitally powered consulting on this whole flurry of new services, on new software, digital capabilities that we are developing in North America.

North America is facing one good problem to have, which is shortage of labor for many of our customers. When you think about it, Energy Management is vastly unconnected space with respect to what we have in Industrial Automation. And we proposed, at Schneider, on this originated from the U.S., PowerLogic PMI if you remember between Canada and the U.S., the world leading set up our solutions for connecting electrical distribution on connecting to a set of analytics, and these are all the business that we are developing with customers who face a need for efficiency very practically, because they have to do more while having less people available to employ.

Amit Bhalla  
Senior Vice President & Head-Investor Relations, Schneider Electric SE

All right. We take the next question.

Operator: We will now take our next question from Gael de-Bray of Deutsche Bank. Please go ahead.

Gael de-Bray  
Analyst, Deutsche Bank AG (France)

Yes. Thank you very much. Good morning, everybody. I have actually two quick questions, please. The first one is about the current very low interest rate environment and the increased probability that it will remain like this for longer. So, I guess the question is, how does that change your capital allocation strategy and willingness to add more financial leverage to the company? So, that's question number one.

And then question number two is about India. Given the expected integration of L&T in the next few months, perhaps could you give us a bit more granularity on the market trends in India and how you're getting prepared to the integration process of L&T in particular? Thank you.

Emmanuel Babeau  
Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE

So, [indiscernible] (01:00:20), Gael to take the first one, of course, on the low interest rate environment. So, yeah, one could share the view that India is probably here to stay at least for a while. I don't think it changes the way we are looking at capital allocation. We may consider that is probably the time to increase the duration of our debt, so probably to keep building debt with a long maturity, which is strengthening the balance sheet. But I would say, at the end of the day, we want to retain a very strong balance sheet [indiscernible] (01:00:54) leverage which we've been doing quite consistently for the past few years. But it doesn't mean that we're going to become more aggressive on putting more debt in the balance sheet, no.

Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE

All right. Gael, on India, well, I think the process is not closed. Schneider and Larsen & Toubro are two separate companies, competitors, so there is no integration whatsoever happening there. What we are keeping on doing on Schneider's side is to consider India as one of our key countries, really and keeping on investing, so that it becomes the force hub of Schneider. So, integrative of a lot of R&D which we have been doing historically. But we have been really beefing up on reinforcing in all sectors. Don't forget that India is really talented and very strong in software, in digital and digitization. So, for models' point of views, those are great market for us.
And prepare for when the operation is closed, the best way to integrate Larsen & Toubro. Don't forget also that we have been living together and meeting each other on the market somewhere in real life for the past many years that Schneider has been in India, so we know each other's company, so it doesn't prevent us from thinking. But today, principle is very simple, it's two separate companies till the deal is closed.

Emmanuel Babeau  
*Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE*

And just to complement on the trend of the market, I mean, you've seen that despite, as I said, election time, we've been growing both our Energy Management and Industrial Automation. And we think that H2 could be even better actually now that election are behind and that there is obviously some stability. So, that bodes well, and I think that the last IMF report was forecasting 7.2% of growth for next year in India with a slight acceleration versus this year. So, clearly seems to be well-oriented.

Jean-Pascal Tricoire  
*Chairman & Chief Executive Officer, Schneider Electric SE*

What's striking also in India is that India being a continent with such a large population and such specific needs, it uses more and more diverse technologies or different technologies. On the fact that we are extremely local there, inclusive of everything from R&D to manufacturing, to network suppliers that will be amplified by Larsen & Toubro is very exciting for the future.

Amit Bhalla  
*Senior Vice President & Head-Investor Relations, Schneider Electric SE*

All right. Next question please.

**Operator:** Our next question comes from James Moore of Redburn. Please go ahead.

James Moore  
*Analyst, Redburn (Europe) Ltd.*

Yes. Good morning, everyone. I've got some questions on growth. You saw a slowdown in your organic sales growth in Software I think from [ph] 12% to 6% (01:03:48) from the first quarter to the second and from Systems from [ph] 10% to 6% (01:03:52). Is that just driven by the basis of comparison or have you actually seen some sequential slowdown in the underlying trends in those businesses as well?

Jean-Pascal Tricoire  
*Chairman & Chief Executive Officer, Schneider Electric SE*

Look, on Software, I would leave that question to AVEVA, because they are the center of gravity of what we do here. For what we do specifically at Schneider, we keep launching new advisors, new modules, new services. Some work, some don't work. We [indiscernible] (01:04:28) test and we develop. But it has been a good story. Don't forget that in Software also, as we go to more subscription, there is some pressure in – I'm speaking for what we see at Schneider due to the business model while our presence on the market is really increasing.

On the Systems, frankly, I'm not sure I really complicate to what you say, because we knew that this year in 2019 would be more dense in Systems & Services, which is happening and we reported it. The great news is that I've seen we worked hard and sometimes it's been really hard for us on the professional execution on our Systems that we are putting some pressure on margin.
And we see here Systems & Services growing, but at the same time profitability is improving, which means that gradually – not gradually, but we are now on top of the way to execute on Systems which, in our jargon, are projects on electrical equipments. So, expect us to be selective on what we do on projects. But clearly, as the cycle is moving to more late-cycle part, it's more dense in projects. And there the quality of execution and the quality of the setup is really important.

One thing that I want to mention also, but we mentioned is doing our CMD. In this process of improving the execution of projects, we leverage more and more our network of partners and associate them to the execution of projects. So, this is where the network of partners, we develop our own products, is really helping to do projects in a more efficient manner and a more local manner.

Amit Bhalla
Senior Vice President & Head-Investor Relations, Schneider Electric SE

All right. Thank you, James. We take the next question.


Alasdair Leslie
Analyst, Société Générale SA (UK)

Yeah. Hi. Good morning. Just a question on mix in the EBITA bridge and your comment there on expecting to have an increased negative impacts in the second half. I was just wondering if you can help us calibrate that increase a little bit. Will it be materially different to the first half? I think that actually came in a little bit better than I expected. And I was just wondering if there's anything specific coming out of the backlog that would significantly move that mix line in H2? Thanks.

Emmanuel Babeau
Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE

Thanks, Alasdair. No, I mean, of course, I won't give you a number. I think we wanted to highlight the fact that as we keep progressing through the cycle, we do expect system to keep contributing more and more to the growth. And therefore, it's not so much that we have something coming from the backlog. It's not that we expect the share if you want of a System and the growth to increase.

So, that's why we think that it is likely to have a more negative impact even in what we've seen in H1. I think that was in line with our expectation. So therefore, it's not coming as a surprise. I just insist again on the fact that it's very good news to say that beyond the fact that they're increasing their share, we are also improving the margin on System. And then we expect the continuation on the mix probably of a negative impact in H2 as well.

Amit Bhalla
Senior Vice President & Head-Investor Relations, Schneider Electric SE

Thanks, Alasdair. Next question.


Alexander Virgo
Analyst, Bank of America Merrill Lynch
Hi. Thanks very much. Good morning, everyone. I just wanted to come back quickly to the Service & Software momentum I suppose and how that looks into the second half. I mean putting aside your – the Software growth specifically, given that is being driven by waiver, it still looks like Services slowed quite materially from Q2 to Q1. So, perhaps you can just give us a little bit more color around what exactly is driving that, given it's the bigger part of the two components in Software & Service still I think? And how that looks like in the second half? We're facing some quite tough comps as well I think in terms of that second half. So, I'm just trying to understand a little bit more the moving parts if we can talk about Software, perhaps we can talk about Service?

Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE

Services is larger part of that compound to a very large extent. If you remember that Services are 12% to 13% of our total turnover, so that's – and it has been growing. And I'm very proud of what we've done there especially because that was very small in the portfolio of Schneider only 10 years ago. So it has been gradual and most of it has been organic, like investing and deploying people and proposing added value to our customers, there again what I was saying on the problem of our customers to find the right competencies, to replace some existing competencies, to retrofit their installation because more and more of what we address is brownfield, so we have to upgrade as we contributed a lot to the development of Services.

And Services, is just the beginning of the journey. So, we are very systematic in making sure we engage with our customers. We deploy enough field service technicians on the market. We do it in the right conditions of safety because this is a business where you go on the site of the customer and you have to be very disciplined in the way you address it. And we stay very committed to keep growing that with the same momentum in the next coming months and years. Again, I think we just have only 10% of our installed base, so there is still space for developing everywhere in the world. And there again, we want to associate our partners to the journey. So, combining our two strengths together to accelerate the development.

Amit Bhalla  
Senior Vice President & Head-Investor Relations, Schneider Electric SE

All right. I think in the interest of time, we'd probably take two more questions. So, maybe let's go with the next one.

Operator: And our next question from Guillermo Peigneux of UBS. Please go ahead.

Guillermo Peigneux-Lojo  
Analyst, UBS Ltd.

Hi. Good morning. Thank you for taking my question. Guillermo Peigneux from UBS. I guess, I mean, you alluded to the 80 bps that you gain on the gross margin driven by net pricing. And I was wondering whether you could give a little bit more granularity as to whether that expands. And when is it getting at the best point during the year? Should it be over the course of the next two quarters?

And then a follow-up on growth, I guess, when it comes to Data Centers, could you give us a little bit of granularity whether the Energy Management – and Energy Management the growth versus Data Centers growth in the quarter i.e. was growing more, less? And I guess you're now also referring to the comparables that you were referring before and that's where [ph] intake seemed to pass (01:11:30)? Thank you.

Emmanuel Babeau  
Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE
So, on the 80 basis points, I understand your question was when did it materialize? That's – I think, that's really – it has been a performance, I would say, through the H1 quite consistent. So, month after month we have seen that all the action that we had taken largely around the mid of last year and you've seen the impact in H2 of 2018. We're still sticking to the wall and that mean that we've increased price and we managed to stick to that.

And month after month we're delivering. Now, we know that this wave of price increase is, of course, now coming to an end. So, we're going to start to have the same impact as a basis of comparison. We've launched new price action. But as I said, not necessarily at the same level in H1 and that we keep doing. So, as I said, I still expect an H2 positive on price, but I'm just saying it is likely to be at a lower level than what we've seen in H1.

Jean-Pascal Tricoire
Chairman & Chief Executive Officer, Schneider Electric SE

Just to take on – don't forget that beginning of the year, we put together Medium Voltage, Low Voltage, Secure Power, everything which is power automation and we start to see the positive effects of the fluidity, the super fluidity created between the teams in a sector where customers want full solution. So, that is helping and that will keep helping.

Data Centers, as you remember, IT is roughly 15% of our group exposure, so a bit more for Energy Management, but it's only one of the segments we are addressing. And, of course, in H1, it was still growing faster than the average of the group and it should be the case for the many years to come because, as we could explain during the Capital Market Day, we see IT as one of the fastest consumption growing in the field of electricity on Energy Management. And this is a place where our value proposition, the completeness of what we have to offer, our geographical coverage is probably, of course, second to none. That has been since APC in 2007 joining the group and building more blocks. We have built a capacity which is more integrated than any other player on the market and this, of course, on a completely global scale in an industry which is looking for global players because they are, by nature, more global.

But it's only one of the segments we are serving. We see also very nice dynamics as we said in some end user industrials, growing the cross-selling with our customers and construction, also Commercial & Industrial Building. And we'll keep – not to mention something that is to come later in the history, which would be more electric mobility that will impact more and more the field of electrical consumption.

Amit Bhalla
Senior Vice President & Head-Investor Relations, Schneider Electric SE

Well, thanks, Guillermo. Let's take one last question. Operator?

Operator: We will now take our final question from Wasi Rizvi of RBC Capital Markets. Please go ahead.

Wasi Rizvi
Analyst, RBC Europe Ltd.

Hi. Good morning. Thanks for the question. There was one left for me, it was again on pricing actually. I think historically, you've helped us understand a bit more the geographical spread of how that price actions work. If you could maybe give us some comment on that to help us then maybe put some of the growth numbers, top line growth numbers into context to get a feel for how much of that is pricing. And then also whether the pricing actions you're proposing now, whether the spread is similar, whether you're targeting different geographies.
Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE  
On pricing, frankly, well, we always say it, and I know it was a matter of debate last year, and as we said, we are probably too slow to start last year because we are so focused on growth and serving our customers that probably, in some places, we could have been certainly faster and be combining the right pricing with the right growth. But at the end of the day, what happens is—often, what happens at Schneider, there is a cycle time to get the prices strong. This is what we see again, that it took some time to work with a chain of distribution, integration and get them through, get the stock through. But at the end of the day, we cover the inflation that we are suffering with price and even more.  

But I would say, it's across the board, it's across the geographies. But it's more than just pure pricing. It's been more selective about references that we are probably not priced properly. Some applications where we offer the customer huge benefits, and we can share better value of it. And working on the simplicity of what we have to offer to our customers which is really an area of progress as we keep going forward. But to summarize, I mean, what we have started last year and there was a bit of skepticism is happening and there is a kind of hysteresis or delay in pricing to take place from that, so new in the history of Schneider because we operate with a lot of partners. And a lot of things on the pricing, across the line, but it's more than pricing, it's about the way we market, we segment, and we bring value to our customers.

Amit Bhalla  
Senior Vice President & Head-Investor Relations, Schneider Electric SE  
Well, all right, then I think we're at the end of the webcast now. I just want to thank everyone for your time. The IR team is available for further questions, and of course, we all look forward to seeing you in the coming weeks and months. Thank you very much.

Jean-Pascal Tricoire  
Chairman & Chief Executive Officer, Schneider Electric SE  
Thank you.

Emmanuel Babeau  
Deputy Chief Executive Officer in charge of Finance & Legal Affairs, Schneider Electric SE  
Thank you.

Amit Bhalla  
Senior Vice President & Head-Investor Relations, Schneider Electric SE  
Bye.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.