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CORPORATE PARTICIPANTS

Amit Bhalla *Schneider Electric S.E. - Senior VP & Head of IR*

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

CONFERENCE CALL PARTICIPANTS

Alasdair Leslie *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Alexander Stuart Virgo *BofA Securities, Research Division - MD & Head of European Capital Goods Equity Research*

Andre Kukhnin *UBS Investment Bank, Research Division - Analyst*

Andrew James Wilson *JPMorgan Chase & Co, Research Division - Analyst*

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

Jonathan R. Mounsey *BNP Paribas Exane, Research Division - Analyst of Capital Goods*

Kulwinder Rajpal *AlphaValue SA - Research Analyst*

Martin Wilkie *Citigroup Inc., Research Division - MD*

Max R. Yates *Morgan Stanley, Research Division - Equity Analyst*

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

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

PRESENTATION

Operator

Welcome to the Schneider Electric's First Quarter 2024 Revenue Conference Call 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. If you have any objections, you may disconnect at this time.

I will now hand you over to Mr. Amit Bhalla.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Well, thank you, operator. Good morning, everyone. Very happy to be with you today to share our first quarter 2024 revenue results with Hilary.

We'll go through the presentation and then get into Q&A. All of you have seen the press release and the presentation.

So just a quick mention of the disclaimer, as always, on Slide #2. But we dive right into it. Over to you, Hilary.

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

Thanks, Amit, and good morning, everyone. Happy to be here with you today to comment on our Q1 2024 revenues as well as to update you on expected trends as we currently see them for the rest of the year. I'll also comment on our capital allocation policy in the context of the press release we sent out last Friday regarding preliminary discussions with a U.S.-traded software company.

Starting with Slide 3, I'm happy to report another strong quarter with sales of EUR 8.6 billion, a new record for a Q1. In Energy Management, we continued to see strong demand and strong growth across most geographies, supported by the megatrends we introduced at our Capital Markets Day.

In Industrial Automation, we did see the impacts of the decline in Discrete automation play out as expected, and we had some timing impacts at AVEVA due to the change in fiscal year there to align with Schneider.

Overall, we were up 5.3% organic in sales, reflecting the strong conditioning of our portfolio, much of which is tied to accelerating secular trends plus the benefits we have from diversification across geographies and our business models.

In terms of business models, in Products where we have primarily shorter cycle business and business through partners, we were up plus 2% despite the weakness in Discrete automation and against a strong baseline. Price on Products is back to a normal level, so around 1 point in terms of that growth.

In Energy Management, our residential business continues to stabilize, and we're back to solid growth in distributed IT with the rest of the Energy Management Products portfolio remaining with strong demand.

Our Systems business, which includes Medium Voltage, continues with strong double-digit growth driven by secular demand trends, particularly in Data Center and Infrastructure.

Software & Services was plus 5% for the quarter with AVEVA impacted by a particularly strong baseline as Q1 2023 with the last quarter of their fiscal year before we shifted them to calendar year reporting. ARR at AVEVA was plus 13%, also impacted by this shift, and we expect to finish the year with ARR growth back at the 15%-plus ambition we shared at our Capital Markets Day.

We've included on this slide a bit more information regarding our agnostic or One Software business at year-end 2023. We've made a number of disposals from our RIB business as announced last year. So looking at those on a pro forma basis, the sales from One Software was EUR 1.9 billion for 2023. And as you know, One Software is a key focus in our strategy going forward. We continue to be quite pleased with our accelerated transition to subscription at AVEVA as well as the steps we have underway to transition our other agnostic software companies, all progressing as per plan.

Lastly, Services grew double digit, continuing with strong execution of our strategic growth plans there.

Turning now to our own sustainability performance. We started the year with a score of 6.43, well on track to achieve our year-end target of 7.4 and tracking towards our 2025 ambitions.

We've also highlighted a couple of recent initiatives on this slide that we're particularly proud of and that illustrate our commitment to sustainability beyond our scope of operations.

First, at our Paris Innovation Summit, we announced the global winners of the second edition of our Sustainability Impact Awards where 12 local partners, customers and suppliers have been recognized for outstanding performance in either decarbonizing their own operation or the operations of their customers. The awards are recognizing the contribution of Schneider's ecosystem in creating a more sustainable and electric world.

BlackRock was one of the five winners recognized in the Impact to our Enterprise category for their efforts to operationalize sustainable business practices in their new headquarters in New York.

We're also proud to have recently launched the materialized program for Scope 3 decarbonization of the mining sector. This program follows the Energize and Catalyze programs addressing pharmaceutical and semiconductor supply chains for impact at scale throughout industry's value chains.

Moving to a few customer examples. Digital Realty, one of our impact makers, is a world leader in data centers and depends on Schneider not just for its energy infrastructure and digitization, but in ensuring its facilities are as energy efficient and as green as possible, a good example of partnership between our key strategic focuses of digitization and sustainability.

And we have here an example of our work with a large water utility using Schneider's SCADA solution to deliver 1.5 billion liters of safe drinking water to its customers daily while treating a similar volume of wastewater. This opportunity translates into reliable ARR and opens doors for many new types of business in software, hardware and services.

Turning now to the details of our Q1 revenues. We finished the year at EUR 8.6 billion in revenues, up 5% organic year-over-year with particularly strong contribution from Systems.

In terms of geographies, Rest of World continues with strong double-digit growth driven by strong demand, particularly in Middle East and supported by pricing. North America continues with strong growth driven by U.S. And in Asia Pacific, we're particularly pleased to see China with mid-single-digit growth overall driven by growth not only in Energy Management, but in Industrial Automation as well. Western Europe is negative against a relatively high baseline and impacted primarily by Discrete automation and timing at AVEVA. And I'll further detail the comments by geography in the coming slides.

Scope impacts of around 1 point are due to our exit from our sensors business. And FX impacts are primarily due to the weakening of the U.S. dollar and Chinese yuan against the euro and further devaluation in various emerging markets. Estimated full year impacts on our top line based on current rates are minus EUR 200 million to minus EUR 300 million with estimated impacts on our adjusted EBITA margin remaining minus 30 basis points.

Turning now to some highlights by our end markets. Starting with buildings, we continued to see strong sales and good demand in nonresidential buildings where we particularly benefit from our exposure to what we call technical buildings like hotels, hospitals, schools, stadiums, et cetera. We also see positive renovation trends, particularly in Europe, and we expect this to continue based on building regulations there.

For residential building, demand continues to stabilize overall with growth in Rest of World offset by continued weakness in parts of Western Europe on a year-over-year basis.

Demand for data center and networks remains very strong, driven by strong trends in data center, both AI and traditional, and with demand and sales growth in distributed IT continuing positive and to pick up sequentially.

Demand continued strong in infrastructure supported by strong demand in grid.

And in Industry, we continued to see negative demand overall for Discrete automation versus last year's high baseline, but with a sequential improvement across key geographies. Overall market trends continue to be positive for Process & Hybrid with the Q1 impacted by a high baseline.

Turning now to Q1 revenues by business and geography. Energy Management was plus 9% organic for the quarter with continued double-digit growth in North America, up 10%, driven primarily by strong double-digit growth in the U.S. due to continued strong demand trends there across end markets, particularly Data Center and Infrastructure. Services was up double digit across the region.

We do continue to have some constraints in our supply chain in North America in the face of unprecedented demand, particularly impacting our residential offerings and Systems business. This is a top focus across our leadership team for 2024, and we continue to invest in capacity and resilience in North America.

Western Europe was up 4% organic against a relatively strong baseline with strong demand from Data Center and Infrastructure and good growth in distributed IT, partly offset by year-over-year weakness in residential. Services also saw strong growth driven by trends in renovation.

Asia Pacific was up 6%, with China up high single digits, supported by demand in new energy and transportation. India was up strong double digit with continued strong demand dynamics across end markets. Australia was up mid-single digits, driven by demand in Data Centers and with continued modest growth in residential. The rest of the region was varied with growth in Japan offset by softer performance in some Southeast Asian countries.

Rest of World was up 23%, including some strong pricing actions and economies with significant devaluations. Middle East and Africa was particularly strong, even excluding these pricing actions, with double-digit growth driven by Saudi Arabia and the UAE.

Turning now to Industrial Automation. Revenues were down 7% organic for the quarter, impacted by Discrete automation and by timing at AVEVA while Process Automation continued with mid-single-digit growth for the quarter.

North America was down 10% with U.S. and Mexico both down double digit, impacted by higher inventories at distributors and OEMs in Discrete automation and by timing at AVEVA. Process & Hybrid were also down in both countries due to project timing while Canada, excuse me, was up double digit due to project execution in Process Automation.

Western Europe was down 16%, impacted primarily by the as-expected downturn in Discrete automation markets and against a strong base of comparison. Timing at AVEVA also impacted most geographies. France was down mid-single digit with Germany and Italy each down double digit, all impacted by trends in Discrete automation. Process markets were relatively flat for the region with some pockets of growth, particularly in the U.K.

Asia Pacific was down minus 3% with China up mid-single digit, driven by strong growth in Process Automation and a return to growth in Discrete. India also saw strong growth in Process and growth in Discrete although was down slightly overall, impacted by timing at AVEVA. Australia was up double digit with strong growth across Process and Software. And our other key geographies here, Japan and Korea, were both down, impacted by weak demand in OEM and semiconductor.

Rest of World was up 10%, supported by strong growth in Middle East and pricing actions to offset devaluations.

Moving now to Slide 11 with an update on our market dynamics. These remained unchanged since the year-end. The year started primarily as we expected with highlights being continued strong demand across most of our end markets in both Products and Systems. Discrete automation continues to be under stress as the market normalizes, and residential building is still showing softness in Western Europe. And we continue to see a gradual recovery from both of these Product offers weighted towards the H2.

With this backdrop, we're reiterating our full year 2024 guidance of organic growth in our adjusted EBITA of between 8% and 12%, which we expect to be driven by organic growth in our revenues of 6% to 8% and by expansion in our margin of 40 to 60 basis points.

As I'm sure you noticed, we did put a press release out last Friday following some press articles confirming that we're in preliminary discussions with Bentley Systems, a U.S. publicly traded software company, in regards to a potential strategic transaction. While there is no certainty that any transaction will be agreed upon, we did want to put this into context of the capital allocation priorities we discussed at our Capital Markets Day and which remain totally unchanged.

As I said then, we're focused on disciplined capital allocation with an emphasis on shareholder returns over the short, medium and long term. Our current focus and priority remains organic growth and the financial targets we gave at our Capital Markets Day are tied to our current portfolio.

We also mentioned that in terms of acquisitions, we expect to remain opportunistic and agile towards acquisitions that reinforce our unique portfolio positioning in growth markets.

And of course, I can't comment further on the specifics of this particular transaction.

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

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

All right. Thanks a lot, Hilary. We'll now move into the Q&A section. I'm sure there's lots of questions. (Operator Instructions) So operator, can we get started with the first question, please.

QUESTIONS AND ANSWERS

Operator

So the first question is from Andre Kukhnin of UBS.

Andre Kukhnin - *UBS Investment Bank, Research Division - Analyst*

I just wanted to talk about the Industrial Automation business, the delivery of the minus 6.6% for the quarter despite the [base] and year-end effects at AVEVA. I think earlier in the quarter the indications were a little bit more severe, towards kind of deeper -- higher mid-single-digit decline. It's pointing to a better March. So I just wanted to check if that thesis of better run rate is indeed intact?

And maybe related to that, the improvement in China Discrete automation turning to growth in Q1 while still declining in Q4 last year. Was there a particular vertical or end of destock that drove that? Can we take that as a change in trend? Or is that just a quarterly kind of cadence and variation?

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

So I think in terms of Industrial Automation, maybe particularly Discrete, overall, probably nothing different than what we expected in mid-February. And of course, we'd mentioned that we expected weakness in sales back in the Q3 and to continue for a few quarters.

Regarding the Q1 itself, we did start to see a sequential stabilization in terms of sales and we do see sequential growth in demand in key geographies. And like you mentioned, in China, we did see positive growth in Discrete and Industrial Automation overall, albeit that's against a somewhat lower baseline in Q1 of 2023 with the end of the COVID outbreaks there, but overall a good sign. And like I mentioned, we expect to see a gradual recovery for Discrete automation, also residential, weighted towards the H2.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thank you, Andre.

Operator

The next question Is from Phil Buller of Berenberg.

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

I guess the capital allocation topic is front of mind for a lot of your shareholders at the moment. I know that the framework is unchanged. Previously, the message was very clearly one of evolution, not revolution. And for the past year or so since you acquired the AVEVA minorities, it seems like the very clear message was that software assets are better fully owned in order to drive synergies.

So the framework is unchanged, but how are your thoughts evolving, I guess, on those fronts? Are you open to pockets of revolution perhaps given how good end markets are? It feels like that might be the case. And is there any reason why that EUR 1.9 billion of Software that you referenced in the slide still needs to be 100% owned internally versus potentially being something that could be separately listed? Is that part of the thinking on Bentley, please?

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

So like I mentioned, we did issue a press release last Friday really for regulatory purposes after some press articles. And in that press release, we mentioned that discussions are at a preliminary stage. So certainly, no certainty that a transaction will be agreed upon.

If a potential transaction was to take place, we view it simply as a furtherance of our One Software strategy that we shared at the CMD. The timing of M&A transactions is, of course, not entirely within our control, but we are in a good position to act when strategic opportunities arise.

Of course, with any transaction -- M&A transaction, we'll look carefully at the strategic benefits plus the opportunity for value creation from a financial standpoint. Obviously, it can't be at any price and we've been very disciplined on that in past transactions, we'd expect that to be the case here as well.

In terms of ownership, I mentioned that One Software remains a key piece of our strategy. So we certainly wouldn't expect, for example, minority stakes. We'd expect to remain in control of that key piece of our strategy. Beyond that, I can't really comment further. Like I mentioned, preliminary stages. Happy to give you an update if and when it makes sense in the future.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

All right. Thanks, Phil.

Operator

The next question is from Alasdair Leslie of Bernstein.

Alasdair Leslie - *Sanford C. Bernstein & Co., LLC., Research Division - Research Analyst*

Just within Infrastructure, you called out large project wins within electric utilities. I was just wondering whether you can expand on those projects a little bit more. Does the pipeline point to further large wins this year? Maybe just give us a kind of sense of the dynamics in that area now globally.

And just given the upgrades we're seeing in CapEx forecast from utilities, when we look at that 5% to 7% midterm market growth you've outlined at the CMD for Infrastructure, isn't that now already too conservative? Should that now be a couple of points higher at least?

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

Sure. So in fact, utilities for us, we cover various -- across various different pieces of our portfolio, everything from hardware and Medium Voltage to ADMS, our Software business for grid automation.

So in fact, we see, I would say, a number of large projects globally. Like you mentioned, the dynamics are really moving in the right direction for grid. I think, like you said, many, many electric utilities are upgrading their CapEx in the face of the trends that we see in electrification. So a big opportunity for us.

The 5% to 7%, too conservative, well, we just gave the guidance in the Capital Markets Day in November. So not something we probably look to upgrade at this time. I think that the 6% to 7% market trend overall that we've given is very good for industrial capital goods with lots of opportunities of good opportunity across the megatrends.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thanks, Alasdair.

Operator

The next question comes from Andrew Wilson of JPMorgan.

Andrew James Wilson - *JPMorgan Chase & Co, Research Division - Analyst*

Can I just ask, I guess, appreciate you might not want to comment on specifics here, but just trying to get a feel of how the order backlog has developed, I know in recent quarters you made some comments around that. Just looking for, I guess, any color you can help us with in terms of how it's developed through to Q1.

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

Sure. So yes, we didn't specifically comment here, but in the Q1, we continued to create backlog. So we're at another record level for backlog at the end of the Q1.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thanks, Andy.

Operator

The next question is from Max Yates of Morgan Stanley.

Max R. Yates - *Morgan Stanley, Research Division - Equity Analyst*

Could I just ask about the -- maybe some sort of high-level comments about EBIT margins. And I guess, on the one hand, kind of if I look at the second half of the year in Industry, it was obviously lower than the first in 2023. So I guess I was trying to understand, based on the kind of demand levels that we're seeing at the moment, is that a kind of good proxy for how we should be thinking about the first half?

And I guess similarly then in electrification, we've seen some of your peers, ABB, in particular, kind of printing, obviously, very strong electrification margins. So is -- are you seeing kind of very similar favorable price/cost dynamics coming through in that business that may lead to sort of better margins than perhaps we'd originally anticipated in that division? So just maybe any color on that kind of phasing of Industry and price/cost dynamics in electrification would be great.

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

Sure. So obviously, in terms of margin, we do have two strong businesses. For IA, we did say we expect IA sales to be adversely impacted by Discrete for another couple of the quarters, which will continue to impact the margin there. So that would impact our H1 versus H2 and could impact the H1 versus H2 at the group level as well. Of course, we've taken all of that into account in the guidance.

In terms of electrification margins, I think that we would agree that we continue to be in a good environment for pricing. That said, we did mention that we expect to be in a more normal pricing year this year in terms of the overall group, I would say, and Energy Management being an important piece of that group. So overall, I think all of that's taken into account in the 40 to 60 basis points guidance that we've given.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thank you, Max.

Operator

The next question is from Gael de-Bray of Deutsche Bank.

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

Can I ask something around Software? I mean, at the Hannover Messe these days, you've been outlining your open software-defined approach to automation. Could you elaborate a bit on this on what exactly you're trying to achieve, how you're trying to break some of the barriers to the industry and how you see the traction with customers on this specific approach?

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

Indeed. So we've been talking a bit about software defined in Industrial Automation for some time, including particularly at the Capital Markets Day, we talked about our EcoStruxure Automation Expert. And I'm not a technical expert here, but effectively, we expected decoupling of software and hardware in Industrial Automation where software is quite open, right, and not particularly tied to any underlying software layer. And we expect more and more that customers would like to have an environment where everything can talk together and everything can be directed by the overall software layer. That's exactly what we're trying to do with the EcoStruxure Automation Experts.

Now in terms of traction with customers, I think good traction. Conceptually, customers very much like this idea. However, this is a big platform play and a change in terms of how things are done in Industrial Automation and in hardware, which tends to be fairly embedded.

So something that would be a strategy that would unfurl over quite a long time frame, but one where we're convinced, which is where the market is going.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thanks, Gael.

Operator

The next question is from Jonathan Mounsey of BNP Paribas.

Jonathan R. Mounsey - *BNP Paribas Exane, Research Division - Analyst of Capital Goods*

Maybe if we return to AVEVA, obviously, impacted by both the SaaS transition and its year-end realignment to that of Schneider. It looks like maybe you've accelerated the AVEVA SaaS transition post taking out the minority. Can you give us some idea -- maybe some color of the magnitude of that acceleration, how it impacted Q1 alongside that realignment of the year-end? And can we assume, particularly in the case of the year-end realignment, that, that's just a Q1 phenomenon? Like Q2, that won't be a drag?

And then if we maybe link that to Max's question. AVEVA is going through this transition. It's a high-margin business. Are we going to see that impacting the profitability of IA in the first half?

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

Sure. Okay, so quite a few questions in there. Indeed, AVEVA, we've been talking for the past, I guess, 1 year and 18 months or so now about accelerating the transition to SaaS at AVEVA. And we gave last year a number of graphs to illustrate that, I think, if I recall, both in the Capital Markets Day, but certainly in the Q1 2023 of last year.

So I wouldn't say anything has changed from an acceleration standpoint there. We started that acceleration journey maybe 18 months ago and that's one that continues and I think that we're on a good track on.

And the way that we follow that journey then, we're not looking at revenues, we're looking at ARR. So certainly, we had a timing impact in the Q1 of this year that you can also see in the ARR of plus 13%. But I confirmed we'd be on track for that 15%-plus that we talked about in the Capital Markets Day.

So nothing changed, I would say, in terms of the transition to SaaS aside from we're quite pleased with the progress we make there. Obviously, we're doing well with customers, as you can see in the ARR.

The timing issue, there's quite a difference. We didn't give a magnitude, but there is quite a difference between the Q1 and the Q4 at AVEVA with some seasonality. So there is an impact in our Q1 of this year due to the change in fiscal year from year-end in -- what would be our Q1 to the year-end [and] the calendar year. We wouldn't expect that to materially impact any of the other quarters of this year.

In terms of EBITA margin, sorry, we did in the same slide that we've given the shape of the expectation in terms of impacts to revenue associated with this transition. We also mentioned that we expect that same impact in terms of EBITA margin. It's not a little bit higher as we shift the business to cloud. So in fact, you can take a look at that to get an idea of the sense of the impact from a margin standpoint.

Certainly, there's an impact. AVEVA's -- Software's our highest margin creator across Schneider, so certainly, there's an impact to the margin of Schneider when we do have impacts on the Software side.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thanks, Jon, and obviously, incorporating -- or incorporated into our full year guidance on the margin as well.

Operator

The next question is from Rajpaj Kulwinder (sic) [Kulwinder Rajpal] of AlphaValue.

Kulwinder Rajpal - *AlphaValue SA - Research Analyst*

I just wanted to come back to Phil's question a little bit. Let's say, if a deal were to take place, how does it make sense from a portfolio standpoint? Just trying to understand if the deal fills any complementary gaps in the portfolio. Or would it be an add-on? Or would you need to rationalize parts of your existing portfolio to get the most out of the potential deal?

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

Yes. Like I mentioned, it's pretty early days here so not much to say. If a potential transaction was to take place, it'd be in furtherance of the One Software strategy we shared at the CMD, very simply put. And Bentley is publicly traded, you can look for yourself. But Bentley is for infrastructure what AVEVA is for industry. So potentially, that complementarity could make sense. Beyond that, like I said, early days. Happy to update you when and if it makes sense.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

All right. Thanks, Kulwinder.

Operator

The next question is from William Mackie of Kepler Cheuvreux.

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

Can I come to the question of Systems, and well, specifically Data Centers. One of your peers reported yesterday. I wonder if you would comment if you saw similar rates of growth and book-to-bill across your Data Center business, and specifically, how the trends diverged between North America and Western Europe?

And then just a follow up, sorry. You mentioned, again, I think it relates to capacity constraints in Systems. You mentioned investments in North America and capacity constraints. Could you talk a little to where you're seeing the capacity constraints and where you're allocating that CapEx to address the bottlenecks?

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

Sure. So on Data Centers, maybe just to quickly remind on Data Center & Networks, we said it accounted -- in our full year, we said, accounts for 21% of our 2023 orders. We didn't give a specific number there on what pure Data Center is, but we gave it for 2022 at 12%. So suffice to say that number would be bigger for 2023 and an area where we continue to see very strong growth.

So I think we're the market leader in that space and we'd expect to maintain our strong positioning, so probably not seeing anything particularly different versus competitors, although, of course, this is more on the Data Center side of a project business.

I've mentioned there's been acceleration in this market due to AI, but not only. We also see growth in traditional data center as more software players, actually, like ourselves, shift to an enhanced cloud-based offerings. And we also continue to see good dynamics in edge and enterprise data center. So we expect good trends there, like we said for some time over the medium term. Probably that's enough there.

On North America and Western Europe, I think I've mentioned a few times prior that, indeed, when things get started like the AI trend, they tend to start in North America. No different here, although I would say that we start to see the same type of exciting dynamics extending now outside of North America and into Western Europe.

In terms of the capital -- in terms of the capacity constraints in North America, for us, probably no different than anyone else in North America. So not just Schneider, and frankly, not just industrial capital goods. There's been an unprecedented level of demand. So from our perspective, when would we count there to be no constraints from a capacity standpoint or no constraints from a supply chain standpoint generally, for us, we're sort of very stringently holding that to when lead times go back to something like pre-COVID level. So not there because of the unprecedented demands again that we see in the North America market.

We're making investments in capacity. As you can imagine, tied to the Systems business, tied to -- really, we've seen strong demand there generally. So we've been investing in capacity and resilience. We've put out a number of different press releases on the various plants that we've made investments in across the portfolio. And we expect North America, as I've mentioned, and the U.S. to be a dynamic piece of our portfolio going forward over the Capital Markets Day time frame.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

Thanks, Will.

Operator

The next question is from Martin Wilkie of Citi.

Martin Wilkie - *Citigroup Inc., Research Division - MD*

It's Martin from Citi. Just a quick question on your Software business. You've given us the revised EUR 1.9 billion of revenue in 2023. You mentioned some disposals within that because the EUR 1.9 billion looks like it's flat versus 2022. I just want to understand how big were the disposals that brought that down.

And in conjunction with that, you give us the ARR for AVEVA up 13%, which is obviously very strong. But for the Software -- or the One Software portfolio in its entirety, if you could just give us the ARR for your whole Software business?

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

Sure. So indeed, we gave the EUR 1.9 billion for 2022. It does look flat in the EUR 1.9 billion we're giving today. We didn't give the exact numbers, but what I would say is that we have seen growth in the underlying One Software portfolio despite the acceleration -- accelerated transition to subscription at AVEVA. So we did have growth. And then you're right that, that's offset by some disposals - VinZero, for example, that we disclosed last year.

In terms of ARR for AVEVA, yes, we disclosed there because of the accelerated transition to subscription. The other two, we generally give information on -- in the press release on the level of revenue growth that we see. We're at the beginning of the journey in terms of any transition to subscription there. So nothing really to call out a significant between revenue and ARR. So at the moment, we're not giving ARR for the overall One Software portfolio, maybe something we would consider in the future.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

All right. Thanks, Martin.

Operator

The next question comes from Alex Virgo of Bank of America.

Alexander Stuart Virgo - *BofA Securities, Research Division - MD & Head of European Capital Goods Equity Research*

I wondered if you could do a couple of clarifications for us. First one is just on the contribution from pricing that you mentioned in the RoW growth would be super helpful just so we can get a sense of the underlying demand there.

And then second question around backlog. You mentioned that you've grown to record levels again in Q1, which is understandable from your demand commentary. I'm just wondering if you can give us a sense of how much of that is for delivery this year versus '25 and beyond, given the EUR 15.4 billion or so, I suppose it was, by the end of December that was for delivery in 2024.

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

Yes, thank you. So contribution from pricing in Rest of World, I gave a couple of commentary on it plus you can see the differentials we showed between reported and organic. A lot of the reported will be driven by FX trends, right, with the organic driven by the pricing that's in there. So I don't think I'll give specific more detail on that today. In the press release, I think we'd pull out a couple of the high-inflation countries and give the growth rate that's still there if we pulled that out.

In terms of backlog, I would mention that we continue to build backlog in Q1 across both Products and Systems. So some of that will be for delivery in 2025. But decent amount of that also for delivery in 2024.

Amit Bhalla - *Schneider Electric S.E. - Senior VP & Head of IR*

All right. Thank you, Hilary. I think we'll probably call a stop here. I just want to remind everyone on the next slide, which is maybe just one thing I want to highlight is that we are today announcing that we do plan to have an investor event focused on India in the fourth quarter. So further details to follow and we'll get back to you. And of course, we look forward to engaging now with the market now that the results are behind us.

So thanks, everyone, for your attention this morning, and have a good rest of the day.

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

Thank you.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over, and you may disconnect your telephones.
