



# Building Business

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# Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Registration Document (which is available on [www.schneider-electric.com](http://www.schneider-electric.com)). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

This presentation includes information pertaining to our markets and our competitive positions therein. Such information is based on market data and our actual revenues in those markets for the relevant periods. We obtained this market information from various third-party sources (industry publications, surveys, and forecasts) and our own internal estimates. We have not independently verified these third-party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.



# The Building business is the backbone of Schneider Electric

## A solid business

A global and highly profitable leader with a unique combination of low voltage and building automation

## Our value proposition

The largest network of partners, highly recognized brands, strong innovation, and scale advantage

## Future ready

A leader in energy and operational efficiency with unique platform range to capture IoT opportunities

# Urbanization is making building efficiency crucial

**+2.5 bn**

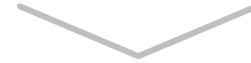
People in cities by 2050



Electricity consumption  
in buildings will grow by

Up to **80%** by 2040

Source: IEA, 4 Degree Scenario



**We are a leader in energy  
and operational efficiency,  
with a complete portfolio  
to cover buildings' needs**



**82%**

**untapped energy efficiency  
potential in the buildings**

Source: World Energy Outlook 2012, OECD / IEA

**75%**

**of a building's lifetime costs  
go to maintenance and operations**

Source: US Department of Energy, August 2010



We bring **life** to homes  
and buildings

combining an **unparalleled portfolio**  
of core **electrical** offers with **digital**  
innovation

powered by the most **trusted**  
**partner global ecosystem**

# Connecting the most sustainable office building in the world

## The Edge – Deloitte's headquarters in the Netherlands





We are a global leader in low voltage  
and building automation



## BUSINESS FACTS

€12bn

45% of group's 2015 revenues

18%

Adj. EBITA margin

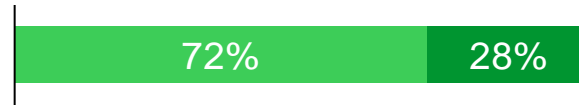
#1

Worldwide

Low voltage & building automation

(% OF REVENUE)

## BUSINESS MODELS



- Products
- Systems & Services





## KEY SEGMENTS



Office & public buildings<sup>1</sup>



Residential



Data centers



Commercial buildings<sup>2</sup>



Industry



Utilities & Infrastructure

*1 Including hospitals and educational institutions*

*2 Including retail and hotels*

(% OF REVENUE)

## BUSINESS MODELS



 Mature

 New economies

# Our growth story so far...

2001: ~€5bn

4% in new economies

Core low  
voltage

Combination of organic growth  
and targeted acquisitions  
New go-to-market  
+ new technologies

2015: €12BN

40% in new economies

Retail /  
Residential

Core low  
voltage

Building  
automation

## MAIN ACQUISITIONS

**STECK**

**GUNSAN**

**LUMINOUS**

**CLIPSAL**

**merten**

*Felle*

Lauritz Knudsen **K**

**Drayton**

**ELKO**

**AndoverControls**  
WE'RE BUILDING SMART

**tac**

# Unique combination of a core low-voltage business and home/building automation

## A COMPREHENSIVE PORTFOLIO

Core low-voltage offers



Building/Home automation



## CHANNELS

Distributors

Electricians

Panel builders & contractors

OEMs

System integrators, EcoXperts

End users

## MARKET POSITION

#1 market share

>2x the 2nd player

**In top 4**  
Leader in healthcare  
Unique innovation portfolio

# Unique scale, portfolio, go-to-market, and end-market exposure drive our leadership position

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# Five strong competitive advantages (1/2)

## 1. PRODUCT EXCELLENCE

- **Unique combination** of low voltage and home/building automation
- Fitting **all standards** in all geographies
- **Strong innovation**: safety, ease of use, efficiency, connectivity...

## 2. DIGITAL

- **Full ecosystem** for Digital Customer Experience
- **E-commerce** capabilities
- Product **connectivity** and digitally managed services

## 3. STRONG BRAND(S) RECOGNITION

- **Schneider Electric** flagship brand and **10 associated** retail brands
- A coverage of the **entry-range market** with Delixi, Luminous, and Himel

# Five strong competitive advantages (2/2)

## 4. LARGEST PARTNER NETWORK

- **~€10bn sales** with global distribution (> x2 vs. next one)
- **500K electricians** engaged with Schneider Electric
- **Best partner** of panel builders, specifiers, and system integrators

## 5. SIZE AND SCALE

- Commercial coverage in over **100 countries**
- Manufacturing footprint – **purchasing power**
- **R&D** global and local
- **Price leadership**



We will further enhance our leadership  
in the building business

# Focused action plans that continue to enhance our leadership

## STRATEGIC INITIATIVES

### Enhance our leadership in products

- Leverage digitization to enhance partner intimacy
- Bring differentiated offers through innovation
- Drive growth in mid-market through adapted offers

### Grow our 3 innovative platforms

- Wiser, the IoT-powered platform
- EcoStruxure for Power redefines power distribution
- EcoStruxure for Building, the building's digital hub



# Move to the next generation of partnership with distributors

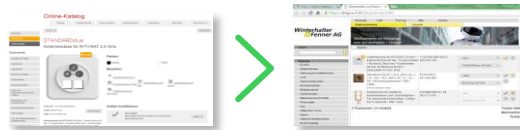
## MOVING TO OMNI CHANNEL PROFESSIONAL DISTRIBUTION



Digital marketing campaign with historical distributors



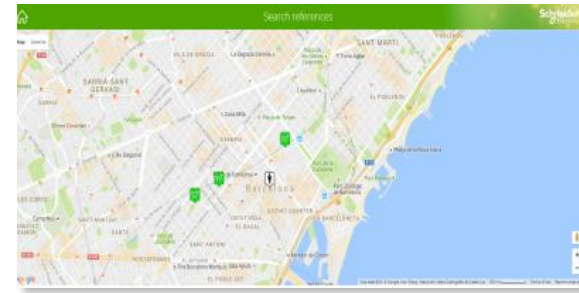
Order connector between our website and distributors



## DEVELOPING DISTRIBUTOR-FRIENDLY SOLUTIONS

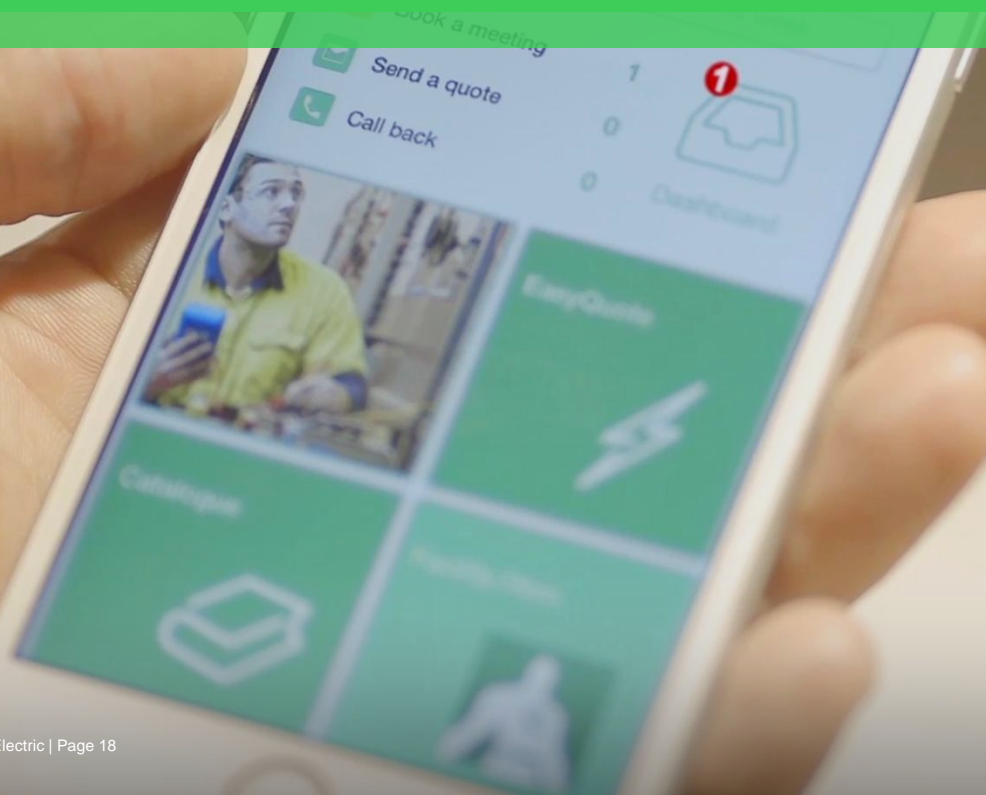


Make life easier for electricians with online inventory tracking



Continuous channel sales growth and customer-base expansion

# Our electrician digital journey: we make things easy for them



# Increase partner intimacy throughout the full project life cycle

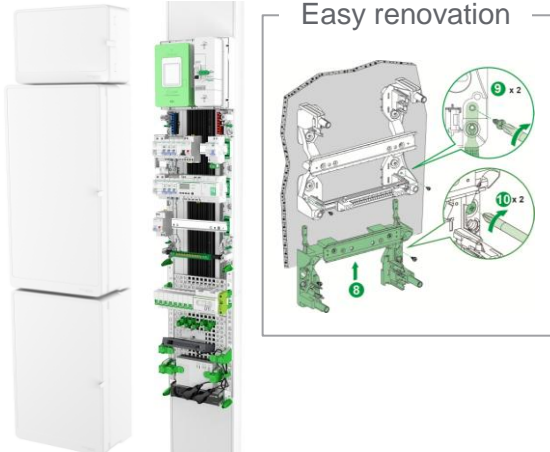
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# Bring differentiated offers through innovation on the retail market

Sustained innovation path with 200+ new offers in the coming 3 years

## CONVENIENCE

Resi 9



## VISIBLE SAFETY AND ENERGY MONITORING

PowerTag



## LIFESTYLE

AvatarOn



D-Light



# Innovate in connected products and systems to accelerate growth in mature economies



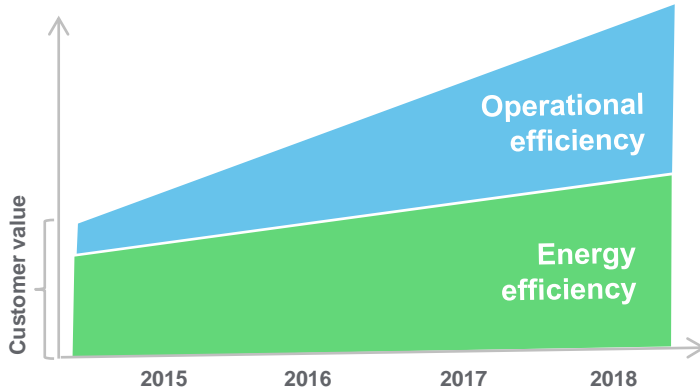
## Connected products – MTZ

Major 2016 innovation and change in the breaker ball game



## Connected systems – Smart Panels

**Grow 3x** through additional operational efficiency for our customers



Leeds Beckett University

City campus: 31 buildings

**Total 2015 energy bill: £1.45M**

### Smart Panel solution

- Clear visibility of energy consumption
- Trends of time and zones of energy inefficiency

**30% savings achieved**

# Drive growth in mid-market through adapted offers

Global trends in new economies...

**65%**

of market needs in growing, new economies are unsophisticated

**70%**

of the global residential market will be mass housing

**30%**

of the market is out of reach for our high-end offers

...result in a **growing market** for mid-range offer and **new growth areas** for Schneider Electric

Easy architecture

Geographies and range expansion

**Easy 9**  
Final distribution



**Easy Wiring**  
devices



**Easypact MVS**  
ACB



**EasyPact CVS, EZC**  
MCCB



**EasyPact TVS**  
Control relays



**EasyLogic**  
Metering



**EasyCan**  
Power factor  
correction



# Building the future with 3 differentiating systems on top of the hardware

**EcoStruxure™**  
Innovation At Every Level

From connected products to complete solutions including software

- Connect end users to data & services through simple architectures
- Seamless integration of connected products on these platforms
- Unique solution range on the market



**Wiser™**



**EcoStruxure™**  
Innovation At Every Level **Power**

**EcoStruxure™**  
Innovation At Every Level **Building**

# Wiser: the IoT-powered platform

One residential connectivity platform to augment new and existing homes

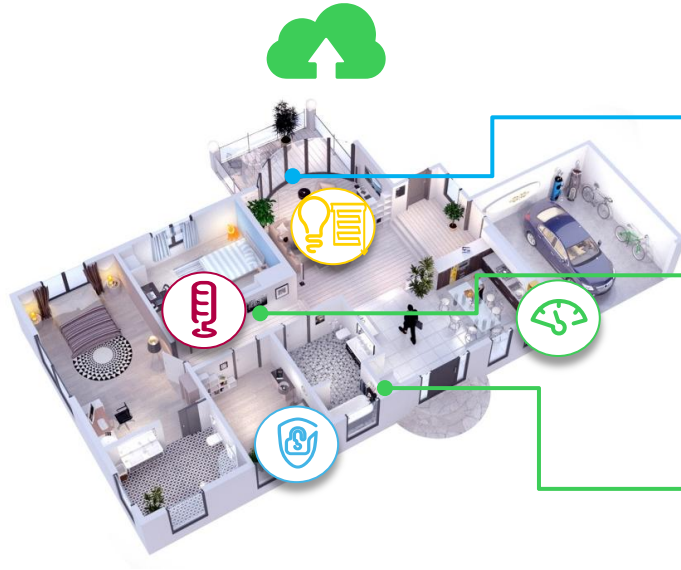
## STRONG COMPETITIVE ADVANTAGES...

World leader in electrical distribution

Millions of installer visits to homes every day

Full solution: from connected products to complete system

## ...TO PROVIDE A SIMPLE & INTEGRATED SOLUTION FOR CUSTOMERS AND PARTNERS



### Open & scalable technology

- Compatible with key emerging platforms

### Simple customer experience

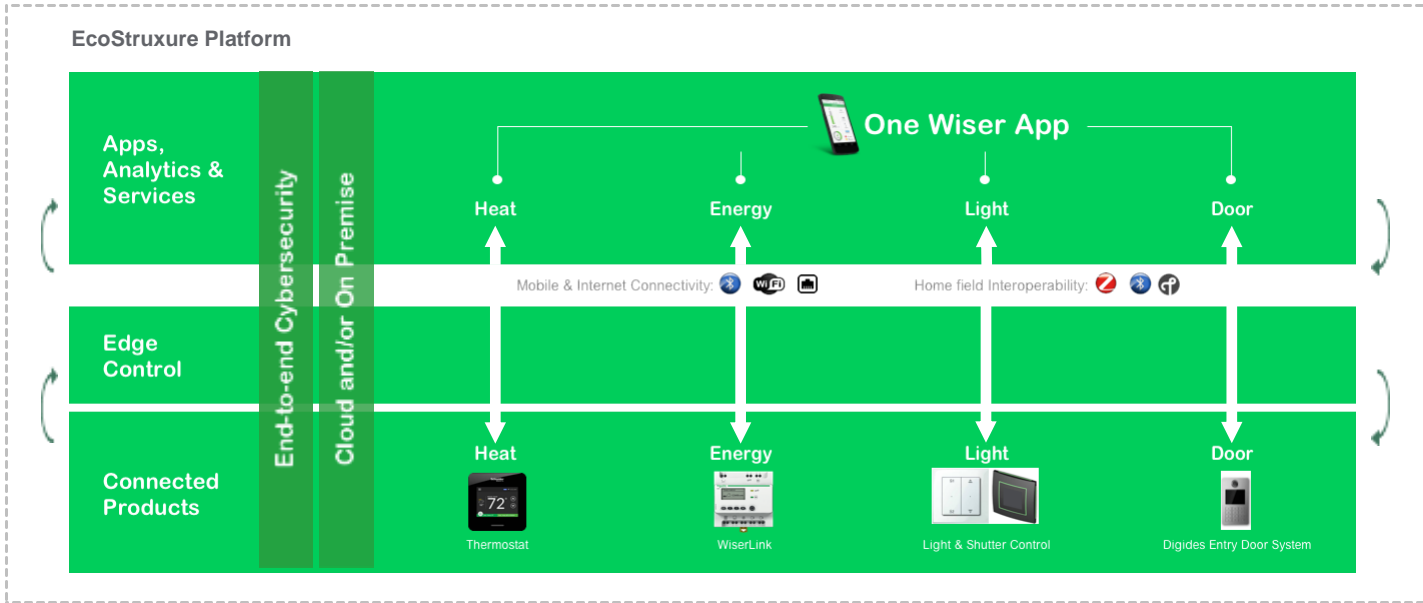
- One device – one app, for 4 applications covering well-being, safety, and efficiency
- Seamless integration by an installer

### Enrichment play

- Leverage brand presence and channels
- Push-pull with installers



# Wiser™



## Partners, Alliances & Platform

Partnership with subcontracted Assets management



Internet Native device Manufacturers / Platform Provider



3rd Party Low Power Wireless Device Manufacturer



# EcoStruxure for Power Distribution Redefined

A seamlessly integrated power management system redefining power distribution for businesses everywhere

## WE RELY ON OUR STRENGTHS...

Global leadership  
in power distribution

50 years of innovation credentials

Core expertise in power  
quality, network management,  
energy efficiency

## ...TO UNTAP MARKET OPPORTUNITIES AND LEVERAGE OUR MAJOR INNOVATIONS



Deliver recurring value  
from analytics and services



Maximize value by untapping  
opportunities in small & medium  
buildings and brownfield



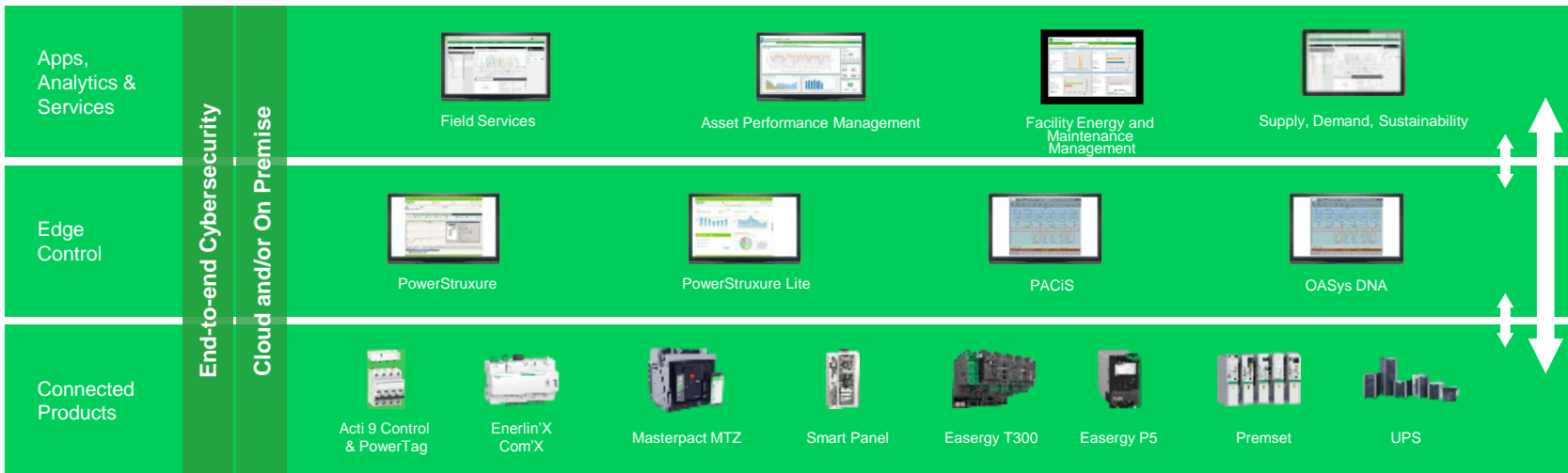
Simplify end-to-end integration

- Seamless integration of our connected products in a cybersecured manner
- More real-time, more open integration, over the full life cycle

# EcoStruxure™ Power

Innovation At Every Level

## EcoStruxure Platform



# EcoStruxure for Building: The building's digital hub

One global IP building management system platform harnessing the IoT for buildings of the future

**SOLID FOUNDATIONS TO EXPAND OUR SOLUTION...**

We are the technology leader

1 million buildings equipped with our products

NAVIGANT

#1 for Building Energy Management Systems

**...LINKING CRITICAL SYSTEMS TO OPTIMIZE OPERATIONAL AND ENERGY PERFORMANCE**



Analytics engine to drive building life-cycle services

Building Integration Platform

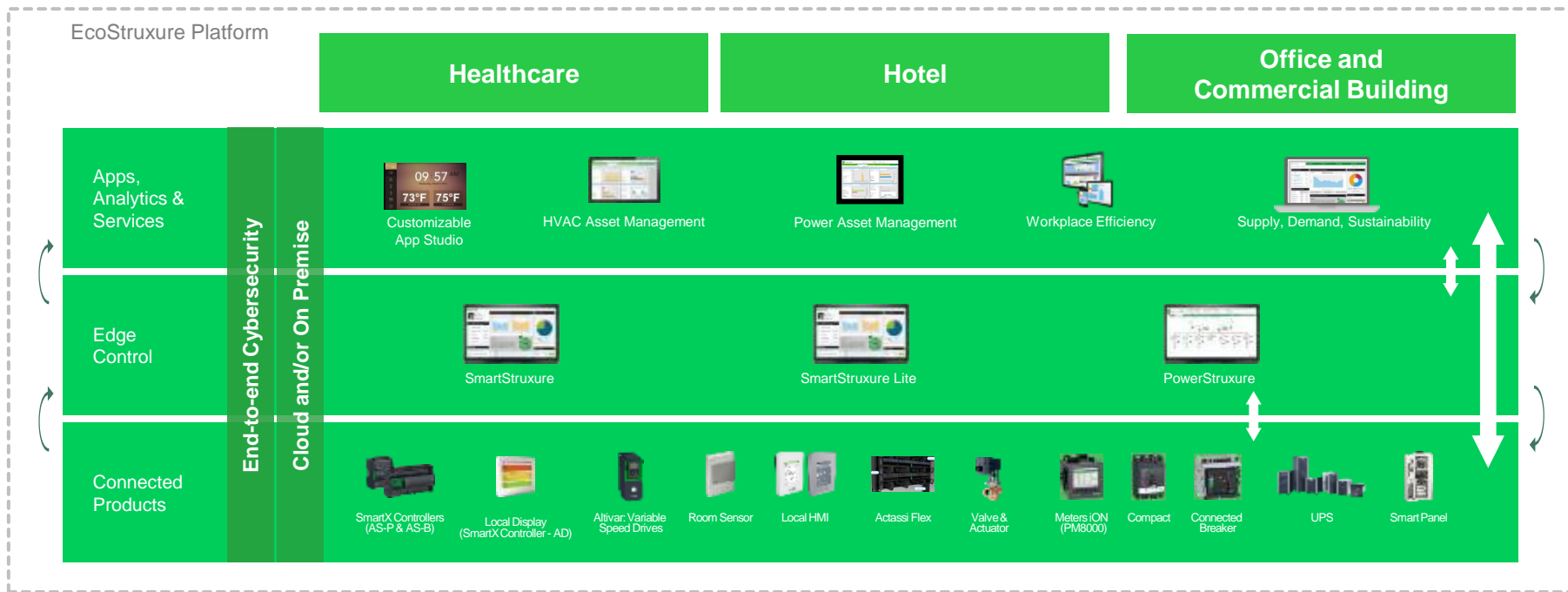
- Access control
- Power management
- Light & room control
- Space management

Full IP backbone & IoT enabler

- Sensing, control & communication
- Connect building occupants to data & services
- Maximize building value

# EcoStruxure™ Building

Innovation At Every Level



# The smart aquarium

## Shedd Aquarium – Chicago



# 1 in 3 buildings uses our technology

**VERDANTIX**

No.1 in Green Quadrant for Building Energy Management Software, October 2015

**NAVIGANT**

No.1 in Navigant Leaderboard Report for Building Energy Management Systems, August 2016

**1 in every 5 homes**

in our top 18 geographies has a Schneider Electric product

**1 in 3 electricians**

uses a Schneider product in our top 10 countries

**3 out of the 5 largest international hotel chains**

ensure guest comfort and safety with solutions from Schneider Electric

**40% of the world's hospitals**

provide healthy and safe facilities with Schneider Electric products and solutions

**3 of the top 4 hyper-scale cloud providers**

use Schneider Electric solutions for their data centers

# Continued focus to drive margin improvement

## FOCUS ON PRICING

- Offer optimization
- Improve offer segmentation to qualitatively price up

## DELIVER PRODUCTIVITY

- Tailored Supply Chain
- Leverage digital for next level of productivity
- Design-to-cost initiative
- Higher cost absorption through growth

## DRIVE SALES EFFICIENCY

- Relentless focus on customer centricity and satisfaction
- Agile and empowered sales force driving cross-selling
- Enhance resources' skills and training





# Conclusion



# The Building business is the backbone of Schneider Electric

## Delivering organic and profitable growth to strengthen market leadership

- A very profitable business: €12bn, 18% adj. EBITA margin
- A solid leader with 2x the size of its next competitor
- A unique portfolio of core electrical offers combined with building/home automation
- A key go-to-market for the other businesses of Schneider Electric

- Enhance our leadership in products through go-to-market, innovation, digitization, and branding
- Grow our 3 differentiated systems for connected homes, smart buildings, and power distribution
- Targeting mid-single digit organic revenue growth across the economic cycle

# EcoStruxure™

Innovation At Every Level

Life Is On

Schneider  
Electric



APPS, ANALYTICS, SERVICES

EDGE CONTROL

CONNECTED PRODUCTS

Life Is On



**Schneider**  
Electric

