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CORPORATE PARTICIPANTS

Amit Bhalla *Schneider Electric SE - Head of Investor Relations*

Hilary Maxson *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

CONFERENCE CALL PARTICIPANTS

Alasdair Leslie *Sanford C Bernstein & Co LLC - Equity Analyst*

Andre Kukhnin *UBS AG - Analyst*

Max Yates *Morgan Stanley - Analyst*

Jonathan Mounsey *Exane Bnp Paribas - Analyst*

Martin Wilkie *Citi - Analyst*

Ben Heelan *Bank of America - Analyst*

Gael de-Bray *Deutsche Bank AG - Analyst*

James Moore *Rothschild & Co. - Analyst*

Delphine Brault *Oddo BHF SCA - Analyst*

Phil Buller *JPMorgan Chase & Co - Analyst*

Daniela Costa *Goldman Sachs Group Inc - Analyst*

George Featherstone *Barclays - Analyst*

Benedict Uglow *Oxcap - Analyst*

William Mackie *Kepler Cheuvreux SA - Analyst*

Kulwinder Rajpal *Alphavalue SA - Analyst*

Eric Lemarie *CIC Market Solutions - Analyst*

PRESENTATION

Operator

Good morning. This is the conference operator. Welcome to the Schneider Electric's 2025 Q3 revenues with Hilary Maxson, Chief Financial Officer; and Amit Bhalla, Head of Investor Relations. Thank you for standing by. 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.

(Operator Instructions)

At this time, I would like to hand you over to Amit Bhalla. Please go ahead, sir.

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

Well, thank you, operator. Hello, everyone, and thanks for your time to be with us this morning for our Q3 results. Without further ado, I will hand over to our CFO, Hilary Maxson, and then we come back for a Q&A session as well. Hilary, over to you.

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

Thanks, Amit, and good morning, everyone. Happy to be here with you all today to comment on our Q3 2025 revenues, and I'll also update you on our expectations for the rest of the year.

Starting on Slide number 3 with a quick summary of our results. I'm happy to report another strong quarter with sales of around EUR10 billion. Energy Management continues with strong growth, close to 10% for the quarter. And in Industrial Automation, we turned to positive growth in the quarter and for the year to date, up 6% and 1%, respectively.

And we're quite pleased to see the positive demand we've been mentioning in discrete automation for the past couple of quarters, translating into good growth in sales. Overall, we were up 9% for the Q3, reflecting our strong portfolio positioning tied to electrification, automation, and digitalization.

Before getting into some more details on sales, I'll make some comments on the demand trends we're seeing in our end markets. First, in buildings. And as you know, the majority of our exposure in buildings is to non-residential where we continue to see good demand, particularly in technical buildings like retail and hotels. In residential, we start to see slightly positive demand globally, but with continued weakness in the US and China.

In Data Center, our pipeline and order trends remain strong, particularly in North America and China, with continued high demand from hyperscalers and strong and accelerating demand from new AI-related players.

In Industry, where we sell the full portfolio of Schneider, we continue to see demand trends in discrete improving and in process and hybrid, we've returned to strong demand across industries. In Infrastructure, we continue to see strong demand trends, although somewhat stabilized against a high base.

So net-net, we remain in a primarily strong demand environment with good improvement in discrete automation and process and hybrid and some small signs of improvement in residential in some geographies. Of course, the environment does remain uncertain, and I'll address that in our expected trends later in the call.

Turning now to the details of our Q3 revenues. We finished the quarter at EUR9.7 billion in revenue, up 9% organic year over year with particularly strong contribution from our Systems business. In terms of geographies, North America was at plus 14.5% organic with particularly strong performance in US and Canada, driven by data center and services. Asia Pacific was up 6.4%, with China up low single digit and India up double digit.

Western Europe was up 5% for the quarter and returned to growth on a year-to-date basis, with good growth in both businesses and most countries. And Rest of World continued with solid growth against a strong base of comparison.

FX impacts were negative for the quarter, driven by continued weakness in the US dollar, the Chinese yuan, and Indian rupee. Based on today's rates, we see a slightly higher full year impact than what we showed in the H1 with an estimated full year impact on our top line of minus 1.4 billion to 1.5 billion, and estimated impacts on our adjusted EBITA margin of around minus 50 basis points.

In terms of business models in products, which reflects our shorter-cycle business and sales through partners, we were up plus 3% primarily driven by volume with some positive pricing in North America in response to tariff headwinds, offset by continued deflation in China.

In Energy Management, product growth remained at low single digit with good demand across most product offerings, offset by weakness in residential in the US. And we do see the good demand trends in discrete translating into high single-digit sales growth in Products and Industrial Automation.

Our Systems business continues with strong double-digit growth, driven by continued strong demand trends, particularly in data center, power and grid and across other segments as well. Software and Services was plus 8% for the quarter with ARR at AVEVA at plus 12% and we saw a good contribution from AVEVA in terms of revenue growth after timing and transition impacts earlier this year. In Services, we saw strong growth in our EcoCare digital services and good growth in field services across both businesses.

Turning now to Q3 revenues by business and geography. Energy Management was up around 10% for the quarter to EUR8 billion. We saw continued double-digit growth in North America, up 17%, with double-digit growth in US and in Canada, driven by data centers as well as good demand in non-residential buildings partially offset by market weakness in residential in both geographies. Mexico was particularly weak across end markets due to macroeconomic issues tied to tariff uncertainties.

Western Europe was up 5% organic with good growth in residential and data centers against a relatively low baseline. Spain, France, and some smaller countries contributed to the growth with low single-digit declines in UK, Germany, and Italy.

Asia Pacific was up 5%, with China up low single digit, driven by continued demand in data center with the building and construction market still subdued. India was up double digit with strong growth in Energy Management products.

Australia was also up double digit, driven by demand in data centers with continued demand in residential. Rest of World was up 6% with double-digit growth in the Middle East supported by project execution and services.

Turning now to Industrial Automation. Sales were up 6% organic to 1.7 billion with the improving demand trends we've seen in previous quarters in discrete, translating into growth in sales plus good contribution from software.

North America, where we have relatively lower exposure was still negative at minus 2% with some more mature markets of US and Canada together around flat with a return to some growth in discrete and growth in software, offset by weakness in process and hybrid due to some delays in decision-making from tariff uncertainty earlier this year. Mexico was quite weak due to tariff uncertainty impacting the economy there.

Western Europe was up 6% with a good return to growth in discrete automation across all key geographies against a relatively low baseline. Process and hybrid and software also contributed to growth with some weakness still in Germany.

Asia Pacific was up 11% with China up high single digit, supported by strong growth in Discrete. India was up double digit, again supported by strong growth in Discrete, and the rest of Asia Pacific was also up double digit. Process and hybrid sales were negative due to some delayed projects earlier this year.

Rest of World was up 6%, supported by project execution in Middle East, in process and hybrid and by good performance in software. Discrete sales were negative, primarily in South America, where we had a high base of comparison.

Turning now to our own sustainability performance. As you know, this is our final year of our current Schneider Sustainability Impact program, and we continue to expect to finish at close to 9 out of 10 versus some very aggressive goals we set for ourselves at the end of 2020.

Of note in Q3, the Zero Carbon project has officially reached and surpassed its 2025 target ahead of schedule. Our top 1,000 suppliers have reduced by 53% their operational emissions since 2020. This is an important step forward in our Scope 3 decarbonization journey and a powerful example of how we can accelerate climate action in our value chain.

Our focus on trust is also showing good progress, with 85% of our employees reporting their confidence to speak up a 2 point increase versus last year. This is a strong foundation to secure robust ethical standard everywhere we operate. And finally, we continue to progress on our long-standing commitment to provide access to clean electricity to all, over 60 million people now benefit from green electricity through our programs.

Before sharing our expectations for the remainder of the year, I'd like to highlight two successful financings completed in Q3 to support the India transaction. In August, we placed EUR3.5 billion of bonds in the European market, EUR2.5 billion fixed rate at 3.14% and EUR1 billion floating.

Then in September, we issued EUR750 million in convertible notes at a 1.25% coupon. We believe this financing strategy, a balanced mix of fixed and floating rate bonds complemented by a measured level of convertible debt is well aligned with our capital allocation priorities. It enables us to optimize financing costs while broadening and diversifying our investor base.

Moving now to Slide 11 with an update on our market dynamics. I mentioned the relatively strong demand trends we see across our end markets earlier in the call, with a continued good demand dynamic in discrete automation expected in the Q4 and all four regions are expected to contribute to growth. The environment does continue to be one of heightened uncertainty, and I called out a few areas during the call where that's impacting us in the Q3.

The last point I would make is that in terms of tariffs, we are seeing our actions and pricing take some effect in Q3, and this will continue in Q4. However, we wouldn't expect to fully offset tariff and inflation with pricing within this calendar year.

With this backdrop, we're reiterating our full year 2025 guidance of growth in our adjusted EBITA of 10% to 15% organic driven by revenue growth of between 7% and 10% and adjusted EBITA margin improvement of 50 basis points to 80 basis points.

Based on our current estimates, we'd expect to be towards the lower half of both of those ranges as already reflected in our currently published consensus. And you might recall, we had a strong Q4 2024, driven by an unlocking of the supply chain in North America. And accordingly, we have a relatively high base of comparison in Q4.

The last point I'll make is that we unveiled a new vision for the company at a customer event in Copenhagen last week to be the energy technology partner for all of our customers, to electrify, automate and digitalize every industry business and home. And we expect to speak more about this at our upcoming Capital Markets Day in December in London. And for those of you who haven't yet signed up, we included the link here and look forward to seeing you there.

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

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

All right. Thanks a lot, Hilary. And we'll get into the Q&A now. I want to make sure that we are getting a question from each analyst who might want to ask a question. So keep it to one question per person, please. Operator, let's get started.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Alasdair Leslie, Bernstein.

Alasdair Leslie - *Sanford C Bernstein & Co LLC - Equity Analyst*

Actually a question on margins and mix. So systems margins have moved up in recent years. I think software margins have moved down. But how much of product margins step down perhaps sort of cyclically if you could comment on areas like residential obviously, specialty discrete automation now that we're starting to see a bit of a recovery. If you could kind of provide any color there? And also actually on services, have you been improving services margins as well over the last few years?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

Yeah. So in general, I think that you can see over the last few years, we give a pretty decent gross margin bridge. Of course, we don't break out at the adjusted EBITA level. But it's true that systems margins have been improving particularly in 2023 and 2024 associated with pricing there. This year, systems margins more normalized, so around more stable for the year as we have pricing that's more normalized around 1%-ish.

It's true that software margins have stepped down associated with the transition at AVEVA, and we'd expect that to reverse itself as we come out of that transition in 2027. So in our 2023 Capital Markets Day, we've called out that over this time frame from '24, '25, '26, '27, we'd expect part of the time to see negative mix associated with that dynamic.

Product margins, in general, as you can see, we've had an overall improvement in margins with good pricing over the past years. So I would say that in general, product margins have moved with the group. Services, nothing to call out there, actually an area that we intend to focus on in terms of pricing in the future, but nothing really would have moved dramatically in services margins over the last couple of years.

Operator

Andre Kukhnin, UBS.

Andre Kukhnin - *UBS AG - Analyst*

I just wanted to dig into pricing a bit more on the comment on North America pricing improving to offset tariffs, but balanced out by China. Is this a continuation of the H1 trend? And hence, does that imply that China headwinds have become a bit more severe? And can you give us an assurance could still get that kind of 1% to 2% price on products on the bridge in the second half?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So we did see an uptick in price in the Q3 particularly in North America, like I mentioned, offset with China. So there is a little bit of a different dynamic than when we saw in the H1, where we didn't really have much dynamic in pricing, I would say, across the regions.

We would expect that acceleration in pricing, particularly in North America to continue into the Q4 and actually beyond, but we'll also have an uptick in terms of tariffs in the Q4. So net-net, we don't expect to fully offset like I mentioned, the impacts of both inflation and tariffs in this calendar year. That said, we would expect like in prior cycles that we would offset those impacts over the coming quarters.

Operator

Max Yates, Morgan Stanley.

Max Yates - *Morgan Stanley - Analyst*

Could I just ask about the Data Center business? You've obviously mentioned kind of double-digit growth. Would you be able to sort of help quantify that any further? And maybe by either talking about the kind of pure data center networks -- ex the network piece, how fast is that growing? And also maybe if you could comment on the book-to-bill this quarter? Are we still seeing sort of positive book-to-bills in both Q3 and year to date in the Data Center business?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So we are seeing positive book-to-bills in the Data Center business, but also beyond the Data Center business. We see generally positive book-to-bill across the business models that we have in the Q3. In terms of the data center dynamic, we've mentioned strong double-digit growth.

I know that, that doesn't give you the exact numbers. But I would say that here, we tend to look trailing 12 months, trailing 12 months in terms of orders and in terms of sales, we certainly haven't lost market share. So there's a couple of players that report directly on data center. You can take a look at those.

Operator

Jonathan Mounsey, BNP Paribas Exane.

Jonathan Mounsey - *Exane Bnp Paribas - Analyst*

Let me ask a question this morning. Maybe just the opportunity to sort of clarify the wording in the guidance. We've had some obviously clients today this morning looking at the message around you're saying the lower half of the guide.

And I think you did touch on this, but that's just to say that we're moving really to where consensus is, yes, because obviously, at the very lower end of the guide, that would imply a Q4 sales growth of something like 4%, which would be obviously a material deceleration. But that's not the correct interpretation.

And also just on the scope effect, I think the guidance was 300 million previously. It's now 250 million. I think I understand that's due to some disposals that you've recently done. Can you just update us on how Motivair is going? Obviously, the main part of the scope effect, how that's performing since you acquired it?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

Yeah. So we mentioned on the guidance that we expect to be towards the lower half of the ranges on top line and margin. I don't think any particularly new news there. I also mentioned that we feel comfortable with market expectation. Of course, though, we wouldn't give a point estimate.

But at this time in the year, it's normal that we would give you some idea probably of what's a fairly broad range, particularly on the top line.

So nothing to indicate that we feel that we would be at the bottom end of the range. But in general, we expect to be towards the lower half of that range and still within the range. In terms of scope, yes, we made a couple of small disposals that are impacting the top line piece of that scope number. Motivair is continuing quite well. Nothing new to say there.

In fact, I think on the overall scope, we were raised the adjusted EBITA impact for the full year by 10 basis points. That's fairly reflective both of those disposals but also that Motivair is on good path and above the business plan that we'd originally expected.

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

All right. We'll take the next question. Can you please stick to one question per analyst, please.

Operator

Martin Wilkie, Citi.

Martin Wilkie - *Citi - Analyst*

Just on the tough comparables you talked about both for Q3 and Q4. Could you just tell us sort of how big that was in terms of specific projects? Or was it a particular region that gave you that tough comp for data center in Q3 of last year. And just to clarify related to that, when you talk about tough comps in the fourth quarter, is that also a specific data center comment or a broader comment?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So in the Q3, I guess you're referring to data center. We really tend to look -- data center is always lumpy. We never get caught up in any quarter. We really think that it's best to look at something like trailing 12 months or the last few quarters combined and our pipeline. So there, like I mentioned in the call, we feel very confident in the strong demand trends that we're seeing in data center, both in hyperscaler and the new AI-related players that we see entering the market.

So nothing to do with the Q4. We continue with very strong demand trends there. And I think we've mentioned that we feel comfortable with visibility in that space in the 18 months plus range, and that continues today. So I would say that we continue to feel very confident in the strong demand dynamics we see, 12, 18 months in data center.

The Q4 is tied to -- we've had some issues. We talked about them for a number of quarters, I think, starting in '23 and in 2024 in North America products, where we were working out some issues in the supply chain. And those particularly impacted our Q4 of last year as we flushed out some sort of late order values that we had in our backlog. So nothing to do with data center.

Operator

Ben Heelan, Bank of America.

Ben Heelan - *Bank of America - Analyst*

I wanted to ask on Western Europe in Energy Management. You mentioned that you've seen good data center growth in France and Spain. Are you seeing the same sort of growth in Western Europe that you're seeing in North America? And can you give us an idea about how big the data center business is within Western Europe today?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So Western Europe, we saw some good positive trends in France and Spain, but clearly Western Europe has not been tracking at the same pace as North America in terms of data center. I think at the beginning of this AI wave, probably that was normal. There's usually a big growth in terms of North America and then we see the pickup in the rest of the world.

That hasn't happened so far in Europe to any big degree, because -- and we've talked about it a number of times prior, there's some hurdles here in Europe that are causing issues from an execution standpoint, whether it's access to electricity, regulatory, permitting, these types of things, those types of constraints continue in this market.

So while we see demand opportunities that might not be dissimilar from North America, although Western Europe, the size of the market is obviously smaller than North America, the demand opportunities are similar but that's not yet translated into execution.

Some few positive signs this quarter in France and Spain, but we wouldn't really be ready to say that we would expect there would be a full unlocking of that -- of those demands over the next couple of quarters. It's hard to say with a perfect crystal ball in Europe about whether and when hurdles will be overcome.

Operator

Gael de-Bray, Deutsche Bank.

Gael de-Bray - *Deutsche Bank AG - Analyst*

I suspect you will be talking more about this at the upcoming Capital Market Day. But could you already gave us some details and highlight for us what's different with the new vision you have for the company this vision of becoming the energy technology partner for all customers? I mean, what's different from, I guess, the company's purpose you had before?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So certainly, we'll be talking more about that at the Capital Markets Day, but we're really excited to unveil this energy technology partner vision. I think we're the natural company that's ready to move forward, really the right one for energy technology, including embracing energy intelligence. So all of that data across the energy backbone that we have in industries and businesses and homes. So we'll speak more about it. It's not -- certainly not a revolution, right?

It's a change slightly in what we're saying, but we continue to be focused on electrification, automation, digitalization, more and more convinced that we're the player that is the real -- has the real opportunity to be the winner in that space and define it.

Operator

James Moore, Rothschild & Co.

James Moore - *Rothschild & Co. - Analyst*

I wondered if I could go back to the orders, not revenue, the order environment for data centers. I think quite catch you earlier, Hilary. I think you talked about orders on a trailing 12-month basis and revenues double digit and a good pipeline, strong AR into digital. But would it be accurate to say that orders in data center networks declined year-on-year organically in the third quarter as they did in the second? And if that's the case, could you perhaps talk a little bit about regionally or product-wise, where that is?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

No. We wouldn't say that they declined in the third quarter like they did in the second. And obviously, we don't give orders directly, but no, I can confirm that we didn't see a decline in orders in the Q3. From a trailing 12-month basis, which is probably better to look at, we're in the solid double digits. Again, we don't expect that we're losing market share in that space. Nowhere to call out in terms of regions, particularly just that data center orders tend to be a bit lumpy.

Operator

Delphine Brault, ODDO BHF.

Delphine Brault - *Oddo BHF SCA - Analyst*

Can you provide bit more color on your backlog. Can you confirm that it has increased despite the FX? And can you say which segments increased the most and which ones decrease, if any?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So in general, on an organic basis across both systems products and then it's not as relevant, but services and software. We continue to see an increase in backlog. So the way we would calculate book-to-bill, which is on an organic basis, we continue to see positive book-to-bill across both products and systems with a good improvement actually or an uptick in demand overall in Q3 versus the Q2, if that's what the question is. So net-net, we feel very confident about the underlying demand trends really across end markets.

The only one that we called out is still uncertain is residential, which continues to be the case in US and China, with some signs of turnaround in the rest of the geographies, although I would say that in many cases, that's against a relatively low base, but still some signs of turnaround. So net-net, we see a strong demand environment across the end markets.

Operator

Phil Buller, JPMorgan.

Phil Buller - *JPMorgan Chase & Co - Analyst*

There's a question on data centers. I'm wondering how the capacity expansion is progressing. I think some were perhaps hoping for slightly higher revenue growth from DC. So is that a bottleneck in any way perhaps you can share what your capacity utilization levels are? Or how lead times are evolving, please?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

I think in the data center space, we would say that lead times are generally back to normal across the industry, both ourselves as well as the just less than a handful of key competitors that play in this space have done some increases in capacity over the past few years, not just for data center, but for data center and electrification. So I think we would say lead times are generally back to normal there.

That said, like I mentioned, we continue to have strong double-digit demand in this space. So we will continue to add capacity. Again, we don't think about it just for data center, but certainly, that's part of it in electrification and data center related.

They generally tend to be the same aside from a few special categories like liquid cooling at the pace that we anticipated in the past couple of years, so we continue to have good CapEx investment in capacity, again, just related to our medium-term guidance of 7% to 10% growth.

Operator

Daniela Costa, Goldman Sachs.

Daniela Costa - *Goldman Sachs Group Inc - Analyst*

I just wanted to follow on the question of the low end of the range in organic growth, again, sorry to labor on the point, if I didn't understand very well what you said before. But I guess, take your view answer has -- comparables are tougher, which mechanically we can see.

But what exactly changed between when you wrote the statement or when you reiterated the guidance at the first half and at Q3, that led you to that incrementally mentioning the lower end specifically, I guess, for margin understood what you mentioned on pricing, but for growth specifically, can you just elaborate again?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So now we're in the Q3. I think we would normally either qualify or tighten up those guidances, which is actually the intention here. So we expect towards the lower end, we would never give a point estimate, obviously, for revenues for the year.

But we expect to be towards the lower end of that range, and not at the low end of that range, and we'll expect to finish within what we would expect to be, therefore, a slightly tightened expectations for the end of the year. We said comfortable with the market expectations as they are today tied with the published consensus.

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

Yeah. And Daniela, just to clarify, to be more precise, what we've said is towards the lower half of the range, not towards the lower end. So it's towards the lower half of the range if that helps. Next question, please.

Operator

George Featherstone, Barclays.

George Featherstone - *Barclays - Analyst*

Similar question relative to Daniela's just then, but on the margin. Obviously, you've lowered the margin expectation on organic basis towards the kind of lower half two. How much of that is a function of systems versus product mix on the headwind side? And how much of it is really a function of that price versus cost on tariffs?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

No different than what we said in the H1. What would we expect? We do expect continued negative mix for the full year, although you can see that we have an uptick in product in the Q3 that we would expect to continue in the Q4.

And then I think we'd already talked about the fact that on the H1 that we expect that we will continue to see an uptick in pricing, but not to fully offset the impacts of tariffs and inflation in this calendar year. We would expect to make that over the next few quarters. So not so different than what we said in the H1. And again, I think we feel comfortable with what we show in the published consensus on our website.

Operator

Benedict Uglow, Oxcap.

Benedict Uglow - *Oxcap - Analyst*

I wanted to follow up on the pricing commentary. Can you just give us a little bit more color of the pricing actions that you have been taking? And I guess what I'm trying to understand is in terms of offsetting the impacts, is this simply a timing effect, i.e., that your price actions have lagged market developments or whatever -- however you want to put it? Or is this to do with regional differences? And I remember in the first half, you called out China, is that still a pressure point? So just is this to do with timing of your increases? Or are there regional variations basically?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

I think we would talk to two areas differently, and I think we have for actually quite some time when we talk about pricing. In China, probably not new news, and I don't think it's tied to Schneider directly nor even just the industry, there's general deflation in that economy, which we also feel.

So we continue to have deflation there, not different than what we said in the H1, not necessarily different than certain cycles that country has gone through in the past. And I think you probably saw that the government has put back on one of the key points on their agenda, the economy.

And I think anti involution and all these buzzwords are all around speaking through trying to deal with the deflation in that economy. So nothing particular to call out there aside from we do have some impacts of what is a deflationary economy at the moment. We tend to offset that with productivity. The rest of the world, we look generally for pricing to offset inflation and to offset tariff increases.

We mentioned in the H1 and actually after the H1 that we had some slow start to that this year. So it's more of a timing issue. I don't think any particularly new thing to say now in that, yes, we continue to have a bit of a slow start, but no concern that we would cover the impacts of tariffs and inflation over time over the coming quarters.

Operator

William Mackie, Kepler Cheuvreux.

William Mackie - *Kepler Cheuvreux SA - Analyst*

My question focused on industrial automation, very positive flip from the earlier negative growth this year to 6% growth in Q3. To what extent do you think this is driven by a real shift in underlying demand, particularly in Western Europe or Asia Pacific rather than a normalization of what you might call distributor behavior and the normalization of stock levels, for example?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

So here, we do expect that this is tied with demand. I think we can see there's a lot of signals in the world -- although it's against a relatively low base that we to see some turnaround in industrial demand worldwide. I would also mention that the demand that we see is more related to the end user than the distributor side. So in consumer packaged goods, warehouses, HVAC. So we start to see good turnaround in demand in various of the segments.

So we do feel comfortable that both in process and hybrid, which anyways is end user related. So in oil and gas and mining, we start to see a good turnaround in demand after some delays at the beginning of this year, probably tariff related. And in discrete automation, we see that real demand from various segments across the end user.

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

Maybe another couple of questions if there are.

Operator

Mr. Kulwinder Rajpal, AlphaValue.

Kulwinder Rajpal - *Alphavalue SA - Analyst*

I just wanted to zoom in a little bit more on the discrete automation side in China in particular. So what were the key trends that shaped the high single-digit growth that we saw there? And also, how do you see those trends as we move into the end of the year and then a couple of quarters into '26?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

Yes. So in China in Industrial Automation, and I didn't exactly hear the entirety of the question, but I believe it's about China and industrial automation. I mentioned that China is up high single digit in Industrial Automation. Overall, that supported by strong growth in discrete. We still don't see a big turnaround in process and hybrid there, but we're relatively quite a bit larger in discrete than we are in process and hybrid.

And we see that across various segments. So for us, again, a good signal of the end user demand that had some pickup in the Q3.

Kulwinder Rajpal - *Alphavalue SA - Analyst*

But no one-off, right? Is that correct?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

No, no. This is discrete. So it doesn't really lend itself well to one-offs. This is a broad spread demand in the product side of the business in discrete.

Operator

Eric Lemarie, CIC Market Solutions.

Eric Lemarie - *CIC Market Solutions - Analyst*

A question on data centers. So obviously, the market is very dynamic. Do you see any new players trying to enter the market with aggressive behaviors in the US or in Europe?

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

Well, we mentioned that we see a growing dynamic with some new AI-related players. We won't get into too much detail there, but we do see some newish, I guess, players in that market, and that's something that we might expect to continue to see a bit on a going-forward basis.

Eric Lemarie - *CIC Market Solutions - Analyst*

But my question was more new competitors for Schneider Electric.

Hilary Maxson - *Schneider Electric SE - Chief Financial Officer, Member of the Executive Committee*

No. Actually, here, I can confirm that there's just few competitors, you can see them and video quotes them. It's good actually to have a number of strong players across that space. There's a lot of technology plays changing. But indeed, actually the level of players is still below a handful that tend to play in the big pieces of the data center space.

So when you talk about the AI factories and all of the things that are going on there, there's only a few players that are playing in that space. We don't see more entering except maybe in some small niche products or something, but in what we do know, we continue to see just that less than a handful of technology players that are in this space.

Amit Bhalla - *Schneider Electric SE - Head of Investor Relations*

All right. Thank you, Eric. I think maybe we stop here. And just a reminder to everyone, I mean, we already spoke about it on the call, but we look forward to discussing further at the Capital Markets Day, which is in touching reach. So the Investor Relations team is around to clarify any further questions that you might have. But thanks for your time, and have a good rest of the day.

Operator

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