

Schneider Electric: the Electrification of Everything

Schneider Electric sits at the intersection of several of the most powerful structural themes in global industry: the “electrification supercycle”, the rise of artificial intelligence, the build-out of data centres and the decarbonization of energy systems. This combination makes the company extremely well positioned to benefit over the medium term as the electrification of everything continues apace. The “electrification race” between China, the US and Europe will provide structural tailwinds given the enormous capital expenditure of the US hyperscalers like Amazon, Google and Microsoft and their respective insatiable demand for energy to power their AI ambitions. It is estimated that c60% of enterprises are yet to migrate to the cloud, consequently the “electrification supercycle” has a runway that extends well beyond the current AI hype cycle. While it is not yet clear who the ultimate winners will be, a company like Schneider Electric adds a certain level of defensiveness given its diversified structural tailwinds as it provides the “picks and shovels” of these current and future trends.



Nick Rogers

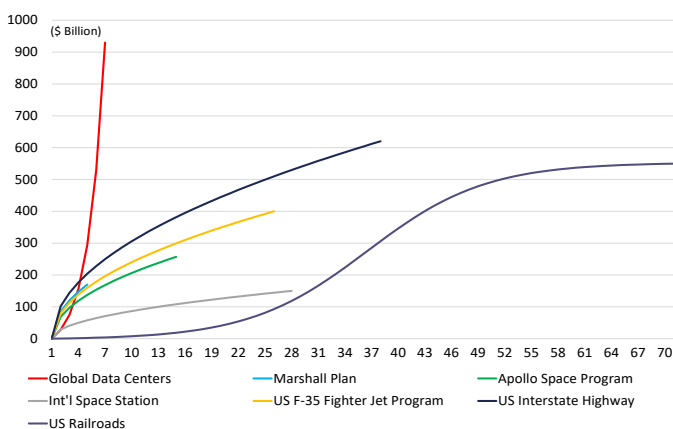
Bubbling under the surface is an “electrification race” between the East and West and the stakes are high. At its core, cost-effective, widespread, 24/7 electricity supply drives GDP growth. Currently China leads all major economies on the pace of electrification, having spent \$1.5 trillion on solar, wind and battery investment between 2021-2025. To put that into perspective, the US Railway megaproject took

71 years and cost \$550 billion in today’s money. China’s

SPEED READ

- Data centre capital expenditure (capex) reached \$930 billion in six years whilst the entire US Railroads megaproject cost \$550 billion over 71 years (inflation-adjusted).
- Datacentre physical infrastructure (DCPI) is core to the enablement of AI. Schneider Electric (19% market share) and Vertiv (17%) are the global market leaders.
- Bloomberg estimates that the global data centre electrical infrastructure market will grow at a 12% CAGR from \$46.2 billion in 2024 to \$73 billion by 2028, fuelled by cloud migration and AI-driven investment.
- With 60% of enterprises yet to migrate to the cloud, the “electrification supercycle” has a runway that extends well beyond the current AI hype cycle.
- It would take a 12% or greater cut to hyperscalers’ capex expectations to curtail market growth to single digits whilst a 50% cut could stop growth entirely. The latter is unlikely in our opinion.

HISTORIC CAPEX CYCLES



The sheer speed and amount spent on data centres over the past 6 years versus previous mega capex cycles highlights the current hype and excitement surrounding the roll-out of AI globally.

share of electricity within total final energy consumption has doubled since 2005, surpassing 27% in 2025. This is well ahead of the US and EU, both of whom have stalled at around 22% for the past 10 years. But the transformative potential of AI on GDP growth, along with the insatiable energy demand from the big US tech companies, has jolted both into action. In the US, electricity demand is projected to grow at c2% annually through 2030, more than twice the pace of the past decade. Washington is incentivising key players to ensure electricity supply is a priority. The

main drivers are data centres (c50% of demand), electric vehicle (EV) adoption, heat pumps (to save energy), and reshoring of semiconductor and battery manufacturing (away from rival China). For the first time, EU renewables have overtaken fossil fuels' share of electricity generation. This was in response to the Ukraine war which dramatically reduced Europe's access to cheap Russian gas. Given where the West finds itself, nuclear generation will increasingly become a higher proportion of the future energy mix. The US is Schneider Electric's largest market followed by Asia Pacific and then Western Europe. Consequently, it is well diversified geographically and will benefit as global AI capex is ramped up.

Why are data centres so pivotal to the AI boom? Hyperscalers, like Microsoft, Amazon, Google and Meta (Facebook) possess the massive balance sheets required to fund this infrastructure wave. Given their sheer number of users, the hyperscalers are best placed to roll-out and scale AI rapidly. For instance, Google Workspace has over three billion monthly active users and the Google Cloud Platform over 10 million business customers. Gemini, which is Google's AI platform, is available to anyone with a Google account. Annuity income from premium access is where a portion of the monetisation takes place. Every second, billions of users access the cloud, but all this data needs to be stored somewhere. Data centres, simply put, are the physical real estate of the cloud. The cloud is not floating in thin air. Every time you use a cloud service (like saving a photo to Google Drive) your data is being processed and stored in a physical data centre, somewhere in the world. Consequently, you cannot have the cloud without the data centre. The software, virtual machines, and storage that make up "the cloud" must physically live on real hardware inside those buildings. Thus, data centres act as the digital

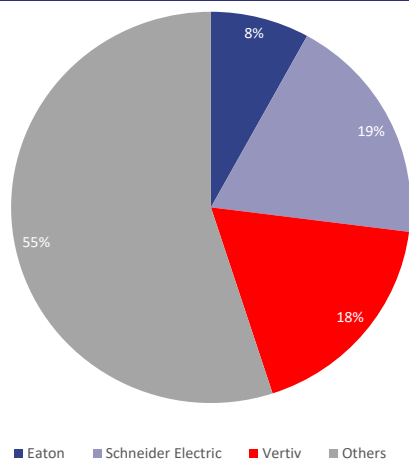


Schneider Electric is one of the key builders of the infrastructure required to install the data centers that host the applications and processors that drive the global AI industry.

backbone of the AI industry, providing the staggering amounts of computing power and storage required to train and deploy complex artificial intelligence models.

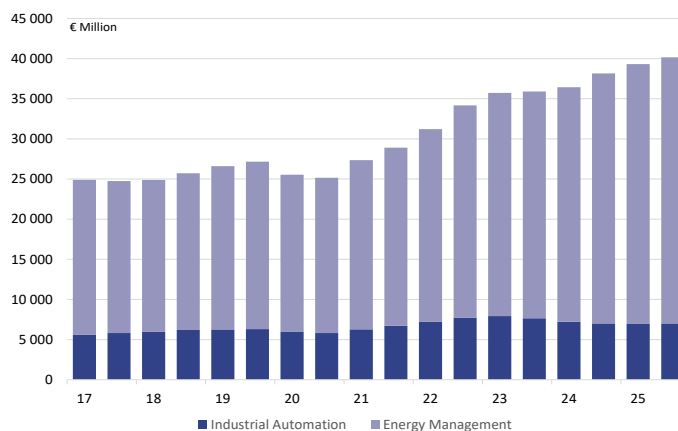
How does Schneider Electric fit in? Data centre physical infrastructure is core to the enablement of AI - Schneider Electric and peer Vertiv are the global market leaders. Schneider Electric believes that the next wave of AI infrastructure will favour the companies who can build the physical environment around them without wasting space, power or time. The company assists Nvidia by providing the specialized electrical and thermal infrastructure required to support the extreme power and cooling demands of the Blackwell platform and GB200 NVL72 system. Nvidia claims this delivers "30x faster real-time trillion-parameter inference and 25x better energy efficiency" versus the previous system, keeping it well ahead of competition. To prevent equipment failure, data centres use liquid cooling setups, relying heavily on thermal management companies like Motivaair (Schneider recently acquired a 75% stake), to

DATA CENTRE MARKET SHARE



In the global data centre physical infrastructure (DCPI) market, Schneider Electric and Vertiv are major beneficiaries of the rising demand for high-capacity power systems and thermal management solutions.

SCHNEIDER: REVENUE GROWTH

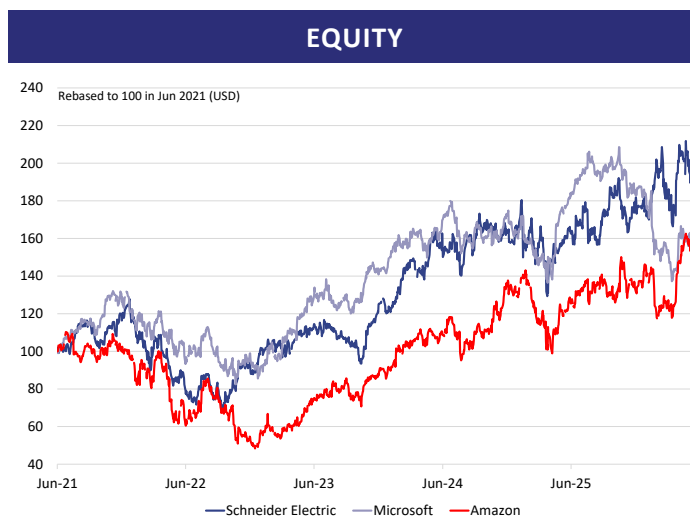


Data centres sit within the Energy Management division which enjoyed 10% growth in organic revenue in 2025.

dissipate the heat. Compared with conventional air cooling, liquid-cooling systems provide 50% more energy efficiency, a 15% reduction in capex, an 11% reduction in the total cost of ownership, a doubling of IT capacity, compact size and significant noise reduction. Full-year 2025 results showed record revenue of more than €40 billion. The 10% organic growth in Energy Management for FY2025 marked the fifth consecutive year of double-digit growth for this division. Furthermore, this segment is the primary contributor to a record €25 billion group backlog, which provides 18 to 24 months of revenue visibility specifically for data centre projects. According to Bloomberg Intelligence, sales for electrical-equipment providers could surge from \$46.2 billion (2024) to an estimated \$73 billion by 2028.

One risk is a sharp reduction in capex spending from the large US hyperscalers. According to Bloomberg, it would take a 12% or greater cut to hyperscalers' capex expectations to curtail market growth to single digits, whilst a 50% cut is required to stop growth entirely. The latter is unlikely at this stage but worth bearing in mind. Elon Musk's vision of data centres orbiting the earth is the next possibility, illustrating how dynamic this industry is. I have written previously on Schneider Electric's exposure to other structural trends like the move towards net-zero carbon emissions. Buildings and Construction, including the mining of raw material inputs, account for c35% of total CO2 emissions. For example, Tottenham Hotspur's stadium utilizes Schneider Electric's products and solutions to operate as one of the most technologically advanced and sustainable stadiums in the world. This differentiation adds to the company's defensive nature along with its geographic diversification.

In conclusion, Schneider Electric remains well positioned



Over 5 years, the returns have been similar, whether you were exposed to the hyperscalers like Amazon and Microsoft or the “picks and shovels” tech infrastructure players like Schneider Electric.

to profit from the global structural drivers of electrification, AI, data centres and the drive towards a net-zero carbon world. Harvard House's AI exposure includes Eaton (data centres), Caterpillar (power storage), ASML (advanced semiconductor machines) as well as hyperscalers like Microsoft, Amazon, Tencent, Alibaba and Google. In 2025, investor returns were driven by hyperscalers, given their AI ambitions. Year to date, investors are increasingly looking at the AI infrastructure players given that they are early beneficiaries of the capex cycle whilst the quantum of AI monetisation or return on investment for the hyperscalers is yet to be confirmed. The AI theme is here to stay and the ultimate winners will be decided over time, however, exposure to the “picks and shovels” adds a level of defensiveness as the structural tailwinds gain momentum.



Elon Musk has mooted putting data centres in space, which would change the data centre paradigm dramatically.



Our next seminar will be held in September. We will announce a topic in due course.



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Topic: To be confirmed

Natal Midlands

Date: 10th of September, 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

Johannesburg

Date: 8th of September, 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

Cape Town

Date: N/A

Venue: Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700

Time: 7.30am

Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.



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