



MAY 2024

# Europe's (sometimes) overlooked industrial champions

Despite an uneven economic environment globally, we continue to see green shoots among industrial champions in Europe in 2024, with structural supports mitigating cyclical headwinds. Christoph Berger is looking at three key drivers that are supporting European industrial champions: electrification, datacentres and digital industries.

With this year's Hannover Trade Fair (the "Hannover Messe") – a leading showcase for European industrial talent – approaching, we take a look at three drivers that are supporting the outlook for these European industrial champions: electrification, datacentres, and digital industries. Indeed, this year edition of the Trade Fair is focusing on several industry trends that, as we will see, are strongly supportive of these drivers.



## Electrification

Ambitious carbon pledges mean the world requires new pathways to quickly improve our energy mix. The IAE estimates that today electricity accounts for around 20% of energy consumption. Various scenarios are possible but all of them see a significant substitution of fossil fuels with electricity – in the

most ambitious scenario, net zero emissions by 2050, the International Energy Agency (IEA) expects an increase of this share of 8% by 2030.

Whichever scenario prevails, we will continue to see ambitious pledges from states and corporates, and

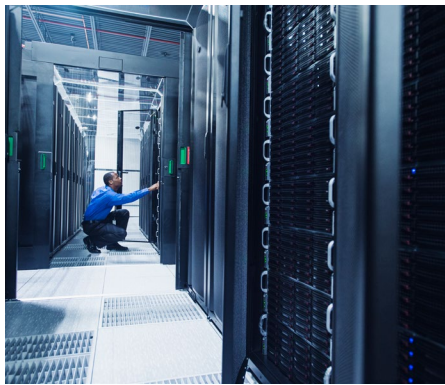


**Christoph Berger**  
CIO Equity Europe



**Virginie Maisonneuve**  
Global CIO Equity

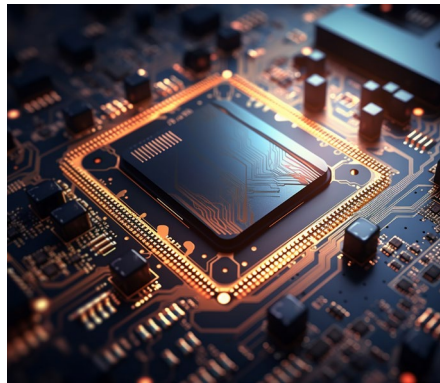
this will mean a rapid increase in demand for electricity as a cleaner energy source at the point of use. Meanwhile, the share of renewables within the electricity mix will, of course, also increase quickly – the IEA estimates that 2023 annual global renewable electricity capacity additions have risen to 500 GW (with two thirds solar). With, on the one hand, more volatility energy sources and, on the other, higher electricity demand (from, for example, the growing proliferation of datacentres, smart industry, and smart homes), huge investments in new electrical infrastructure will be needed, and several European corporates are at the forefront offering the latest solutions in this area.



## Datacentres

Cloud-based services and artificial intelligence (AI) are driving the growth in datacentres, with power demand for these facilities expected to nearly double by 2030 in the United States alone. Schneider Electric, a French provider of digital automation and energy management solutions, estimates that datacentre power consumption related to AI workloads will rise from 4.5 GW in 2023 to 14 to 19 GW by 2028 – a compounded annual growth rate of 25%-33%:

Datacentres are increasingly aiming for a greater share of green energy and are entering into long term agreements with suppliers and energy management providers, providing opportunities in this area. Indeed, datacentres with a high AI related workload require a different design where air cooling is not suitable. Again, this is creating opportunities for several European leaders in this area, offering liquid-cooled AI training servers and associated enabling technologies, such as power control and datacentre infrastructure management (DCIM) software.



## Digital industries

The borderline between industrial and software companies is blurring, and European industrials are very well positioned with respect to technologies that more efficient product design and production. In particular, providers of product lifecycle management (PLM) software and systems – that can often significantly shorten product development processes – are showing strong growth rates. As well as some newer players, incumbents with decades of experience are also active here. Siemens, for instance, claims to be the global market leader in providing controllers that link innovative software to the

## The view from Hannover

Once a year, European, US and Asian industrial champions convene at the Hannover Messe to display their capabilities. Some interesting themes from this year:

- **Artificial intelligence:** the first generative AI tools to support engineering processes are coming soon, greatly speeding up the creation of digital twins support the translation into the physical production.
- **Sustainability:** more and more corporates have now set ambitious carbon reduction targets, also including Scope 3 emissions. These require both a holistic understanding of the value chain, as well as reliable calculations of product carbon footprints. To facilitate this, we are seeing the evolution of product lifecycle management solutions to meet these needs.
- **Virtual PLCs (programmable logic controllers):** While PLCs remain a well-established solutions for discrete manufacturing, we are now seeing the first applications of virtual solutions in the field. As safety requirements and latency times are mission critical for any manufacturer, traditional solutions will remain the first choice for the coming years, but the landscape changing here.

factory floor – it has a high market share in China, while one in three industrial machines across the globe runs on Siemens controllers. And while this is a rapidly evolving sector, this kind of high market share supports invaluable domain knowhow.



## A bright outlook

Many European industrials compete on a par with their US peers and competitors, with some categories providing double digit topline growth for providers such as Schneider Electric and Siemens. Indeed, the overall midterm outlook for some categories of European

industrials is strong and investors should focus on providers focused on the energy transition and enabling the next generation of AI and industrial automation. And, as mentioned, this year's edition of the Hannover Messe focused on trends that are highly relevant

for these companies, including AI and machine learning, energy for industry, and "Industrie 4.0". This focus is testament to the continued and growing importance of Europe's industrial champions to our broader economy.

**Investing involves risk.** The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

This material has not been reviewed by any regulatory authorities. In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of this document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced, except for the case of explicit permission by Allianz Global Investors. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional /professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; Allianz Global Investors UK Limited, authorized and regulated by the Financial Conduct Authority; in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).