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OVERVIEW:

Company Summary

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PRESENTATION

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

So Bill, it's been now almost two years since you've been in the job. Notwithstanding a market and a macro that has been somewhat unforgiving, I guess, what would you say have been some of your biggest successes and real learnings over the last 12 months or so?

QUESTIONS AND ANSWERS

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Well, thanks for having me. It's great to be back. Congratulations on your new role. So again, it's about 2.5 years at 3M. The team is making, I think, great progress building fundamentals, improving how we execute, the consistency in how we execute. So the first 2.5 years were really around just a back-to-basics focus on fundamentals approach across operations and all of our supply chain, across innovation, across commercial, doing commercial excellence.

I think, importantly, also building a culture of accountability and rigor and speed and urgency, things I think go hand in hand with good day-to-day execution.

And I think when you look at the progress that's been made over the last 2.5 years or so, we are clearly making progress, we're seeing more sustained organic growth, we're seeing a clear step-up in margins, we're seeing an acceleration of new products in the marketplace, more hustle at the front end of our sales force.

And we're tracking ahead of our 2027 Investor Day targets, which we set at the beginning of last year when we had our first Investor Day. So I think all of those pieces are going very well. I feel very proud of what the team has accomplished, particularly on the culture side, which I think is an important dimension.

So I mean, those are the things I think have gone pretty well. In terms of learnings, lessons, look, I think, one, focus matters clearly. Clarity and transparency externally and with the team inside of the company are critically important. And also, as you all know, execution and cultural change happen hand in hand. You can't have one without the other. You can't see sustainable performance improvements in execution if you're not adjusting the culture.

So again, really good progress on the fundamentals. Two years in gives us confidence in the trajectory that we're on to now shift more towards how do we transform the organization, take a harder look at our processes, structural costs, and all those things, which would give us a runway beyond 2027 in terms of margin expansion and organic growth. So I mean, I think it's been a good 2.5 years. It goes very fast, as you imagine, but good progress, and I think we're all set up for the next 2.5 years.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Let's double-click a little bit more on the execution and operational excellence. You've successfully moved on-time and full delivery above the 90% threshold from the low-80s. What do you think is the next frontier for operational productivity as you look forward?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So look, OTIF, or on-time and full, is one metric, and you're right, we were in the low-80s. In which case, you're really not anywhere near performing to what customers expect. We're now consistently running around 90%, parts of the company, in Consumer, running more consistently in the mid-90s. We're still not where we need to be, pleased with the progress, but not where we need to be.

We're seeing today from 2.5 years ago, on-time and full is not really a conversation with distributors. It's not necessarily a pain point. We do have opportunities. I think we're holding our own serve here, but it's just an opportunity to distinguish ourselves here.

But operational excellence goes way beyond just on-time and full. That's one metric. It's a very important one. It's all these others that I've been talking about with investors since I started around gross and net productivity, around utilization or overall equipment effectiveness, around cost and poor quality. All of those dimensions go into building a very strong foundation and execution model. That's what we really are focused on, but OTIF is a key part of it.

So again, what's coming next, we see that marching higher, but it's not just on improving on-time and full, but the key is to do that with lower inventory. And actually compressing your cycle time at the same time. And if you could do that, it's like a triple-double.

If you do those three together, that's what we're trying to do. Right now, we're focused on OTIF. We're going to bring inventory down and start to neck in some of the lead time to our end customers. I think that's what would distinguish the company going forward.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

I guess let's just take this another level. So how does this higher service level really translate directly into lower customer attrition or higher market share on the ground?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Look, it's one dimension. I mean, at the end of the day, when we think about our attrition has been running relatively hot, it went up when our service levels went down, it's starting to come down as our service levels are coming up. It's hard to go point to point with what's a point of OTIF to a point on attrition, but at the end of the day, as I said, it was a pain point. It's not so much a pain point today.

It is a key factor. We are doing -- we've done some work using AI tools to develop both predictive and responsive mechanisms, agents, to understand when churn might be happening. And instead of letting it happen, doing something proactively about it, having a closed-loop system. So as you're starting to see indications of customers wanting or desiring to shift their business, our salespeople go and do something, the managers can follow up. So it's a factor, it's not the only factor, quality, performance, other things actually go into that, price becomes a dimension, but OTIF is clearly one that drives attrition.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Maybe let's shift forward to the portfolio and the priority verticals you guys have outlined and your R&D pivot. You've aligned 80% of your R&D spending with what you call priority verticals like semiconductors and data centers. How are you measuring the accountability of this R&D spend?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So one of the key growth drivers of the company is getting us back to innovation, I call it innovation excellence, and it's really pivoting the company toward more of what I call internally the factory we call R&D, mechanized with clear KPIs, focused on developing and launching new products. And you can see that we're making some progress here.

So on-time assessments were not measured, we're now running consistently at 80%. We're running a more centralized governance of R&D, which allows us to drive more of our spend to these priority verticals and places where we have a right to win, where technology differentiates. Now, 80% of our investment across the company is going into these priority verticals, which I think is an important focus.

The funnel health is good. We're seeing clearly an acceleration in the launch of new products. Three years ago, we launched about 125 products in a given year. It's way down from what was historical, where we moved into the 700, 800 per year range.

Last year, we launched 284. This year, we'll launch more than 350. So it's about triple where we were three years ago, and you can see the effects of that. We're starting to see new product sales, five-year new product sales, start to increase. Our new product vitality index, which we measure on a five-year sales basis, is coming back up. It was 11%, now, it's mid-teens, 20% or so by the end of next year and continue to rise.

Historically, 3M, for an innovation-driven material science company, we've historically been around 25%. So why is that important? The vitality index is an indication of the freshness of your portfolio, so if you're a salesperson and you're going in to see a customer and you're not delivering on time and in full, you're trying to drive price because material costs are going up and you have nothing to talk about because you're not innovating, it's a very tough job.

In fact, we're changing that dimension, we are starting to see revenue coming from new product innovation drop to the bottom line now. This is a key focus, it's a longer-term journey.

I said it's going to be shifting over time from more upfront, where we'll see more benefits from commercial excellence to selling more of what we have, and it's going to pivot over time towards growth coming from new product innovation, and you can clearly see that in our numbers.

This year, we'll do more or less $400 million above the macro, half of that or more than half is coming from innovation. And as we go into 2027, more will come from innovation. And why is that happening? Because we're shifting from incremental projects, Class 3 projects that we call more to 4s and 5s, which are driving us more into adjacencies or new businesses. And that's where you really get to drive the true net growth.

So that's what we're trying to do, is to mechanize this factory we're calling R&D. And in fact, we're seeing good performance. We're measuring very carefully business cases, but holding people accountable to the output, to the outcomes. Are you getting the growth? Are you getting the margins that come from the investments that investors are all putting into R&D inside the company?

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Great. I guess following on that, right, these new businesses and these new growth vectors you guys are isolating, let's touch on data centers. Can't have a conference these days without talking about data centers, it feels like. And so your partnership with Microsoft for Expanded Beam Optical, it's a major milestone. And the TAM is projected to reach $2 billion by '28. What is your strategy for licensing this technology to ensure it becomes the industry standard while maintaining your competitive edge?

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William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So EBO, we started talking about this with investors earlier this year. It's Expanded Beam Optical. It's a technology that 3M created with lots of patents around it that allows a durable, dust-resistant, very easy-to-install fiber-to-fiber connection inside of data centers. And it's been proven to reduce installation costs by 85%.

And when you're building data centers today, there are hundreds of millions of fibers, individual fiber strands that historically have been put together point to point as opposed to an expanded beam technology, which we have.

And again, it's dust-resistant. These environments are very dusty. It takes a lot of labor and time to mold and connect individual fiber strands. And this technology is pretty resilient.

So Microsoft had been in testing for several years and has proven out the case. We announced earlier this year, a couple of months ago, that we signed a strategic partnership with Microsoft.

Part of it is around EBO, and that's a key part of it. They're standardizing on EBO in Azure data centers. That will expand from there. There are qualification proofs of concept happening today with five other global hyperscalers that will come out over time.

But as you watch what's happening in data centers, there's a clear shift from copper interconnects, which we also participate in, to optical interconnects. You're going to see that move dramatically over time. So the opportunity for us is quite large, and it's taking hold. Microsoft is the first one, but there are certainly others.

The key to success is not doing this as a standalone company. It's about how you enable the ecosystem. There's no hyperscaler that's going to buy anything individually from any single company. That's just not going to end up happening.

So what we're doing is we're putting a lot of time into enabling this ecosystem. We formed an MSA, there's 44 companies in it, the hyperscalers, chip designers, connector companies, other contract manufacturers are in there.

It's really how do you standardize this technology, develop common specifications, and part of that is licensing other folks to actually do the technology, to do EBO, which I think is an important element for how you grow this overall ecosystem.

So we're scaling it internally. We're going to double our capacity this year for EBO production inside of 3M, but there's just no way that 3M alone can actually satisfy the market demand and the speed at which it's coming at us to deliver against. So it's requiring us to think very differently about contract manufacturing and people that have been in the market that could scale very quickly.

We have signed a contract manufacturing agreement, both technology as well as manufacturing. It'll scale over time. Every hyperscaler is a little bit different. Their designs are slightly different. Some are 12, some are 16, some are other numbers of fibers per ferrule, and it's going to change over time.

But each one takes a little bit of engineering work to go and perfect that. But it's going to scale this year. It's nominal. It's approaching a $2 billion TAM in a year or two, but it's proving itself out, and it really starts with enabling this ecosystem.

And for us, it's not just selling a ferrule into a data center, it's what other opportunities does it open for us? There's other things we could do along the fiber path. Right now, it's a polymer EBO, it's for certain applications inside of a data center.

But as you go closer to the chip and bring optics to a chip, it requires a different heat resistance and probably a different technology, more ceramic than polymer. And that's actually quite a deep expertise of 3M as well. So that's the path we're going down. We do have optical and copper connections inside the data center, tons of opportunities around that.

So if you read the Microsoft agreement, it's a strategic partnership agreement. We're a material science partner. What that's allowing us to do there and with other hyperscalers is have a different dialogue on how we can bring material science technologies and expertise of the company to bear to help these hyperscalers and think way beyond just connecting two pieces of fiber.

So it's pretty exciting. We'll keep updating investors on progress here, but we're off to the start. We have 100 patents in the space, 50 patents pending. We've got good IP protection, but again, the success here is about how do you enable the ecosystem. Makes sense?

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

I guess, let's just double-click on that. What other projects or products are you developing for the data center market today, and when could we expect to see some of these come to market perhaps?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So our data center business today, last year was about $600 million. It's growing, of course, both inside and outside the data center. So the optical and copper interconnects inside the data center are part of it. That's a smaller part. Outside, we do a lot of terminations and splices to bring medium-voltage cable to the data center.

An interesting technology, it's one we've been in the market with for a long time. It's around a ceramic technology, Nextel Fiber.

Nextel Fiber is very durable. It's heat resistant. It's got structural integrity. And it can be useful, it is useful in some behind-the-meter applications like fuel cells. And there's some really interesting developments happening there. Again, it's having us step back and think about how do we scale to the demand.

We've been producing Nextel for a while, it goes into a variety of different applications, but the demand that's coming at us right now outstrips our capacity. So we're having to invest, we're having to think differently about how we run that part of the business.

This is a very interesting opportunity for us. We're not a big player in data centers. So even if things start to move around a little bit, there's maybe some pullback in data center construction. I think we still have a huge opportunity to gain share in that very, very large pool of capital going into that business.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Maybe outside of the growth initiatives, the R&D, let's talk more about the portfolio as you see it today and how are you identifying some of the drag businesses within your 120 different profit centers?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So at the Investor Day, we laid out our approach here, and it hasn't really fundamentally changed. Look, there are businesses that I think are very attractive within 3M, where they're growing well, where there is high-margin potential from where we sit today.

Where we have a right to win, where technology is critical to differentiation, those are the kinds of businesses that we want to be in. That's what 3M is all about. We're not a commodity company, we're a material science organization and we're investing in them.

And I think I mentioned a minute ago, both organically, so we're shifting our R&D dollars to those priority verticals in a really significant way, which I think is important as we get more bang for the buck on R&D.

We're also investing inorganically in there. That was the Madison Fire & Rescue business we acquired in concert with a private equity partner of ours. We contributed our Scott SCBA business, so very premier fire safety system businesses in a very sticky marketplace with a large TAM.

We're growing high-single digits, margins above the company average on EBITDA going in. And on top of that, there are opportunities through complementary cross-selling across the business. It's an area where there could be bolt-on acquisitions over time, working in concert with the private equity firm, a great opportunity to continue to drive margin expansion.

So there are clear opportunities for us to continue to pivot the portfolio to these areas, which I think are attractive and growing and, again, where technology differentiates.

Of course, on the other side of the spectrum are some businesses that are more commodity-like where we don't really see the ability to invest in technology to differentiate the market, to differentiate our offering in the marketplace. And those are the businesses we'll look to move out of overtime. There's no particular timetable, we've executed on a couple of small ones.

Earlier this year we closed on the Precision Grinding & Finishing business, not very big, but it dragged along seven factories. It was a business that wasn't performing very well, more commodity-like, and we got out of that business. But there will be more over time.

There's not a specific timeframe for doing this, but we'll look hard at what things should we be pulling out of. At the same time, we're looking at what things should we be moving more into inorganically so you shift and pivot the portfolio, and that's an ongoing portfolio management conversation.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Great. Maybe before we pivot over to near-term operating dynamics, I'll just take a pause, see if there's any questions from the audience. Going twice. It was a late night for everybody, I guess.

All right. Well, let's take a look at the current operating environment. So most recently, you guys just delivered a very solid organic growth quarter with 5.5% or 5.4% organic growth in the second quarter, which was roughly 2 times the underlying macro momentum. So how much of this outgrowth do we think is sustainable and real structural change versus just perhaps a temporary boost from channel inventory harmonics or one-time commercial excellence gains?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So look, I mean, you're right, it was sort of 5%, 5.4% in Q2, so about 3.3% in the first half. It's very strong in SIBG, which is over 8%, our Safety and Industrial Business Group. Even TEBG, or Transportation and Electronics Business Group, was up close to 6%, the Consumer business was down a little bit, but very good growth.

Look, I think it's in large part driven by the work that we've started to push on commercial excellence and innovation excellence, underscored by the better performance on the operations side. It's pretty clear inside the company, the cadence at which we're driving day-to-day execution, orders coming in and getting fulfilled to the factory, out through distribution, in a very closed-loop system. There's a lot of rigor. This is not run from the quarter, it's how do you run for the day, how do you run for the hour.

And it's a different op tempo within the company, very clear to me. But I think all of these sort of self-help initiatives around driving better sales performance through better innovative products is a key driver. So it's good work.

SIBG was almost really across the portfolio, broad-based, good performance. There was one part of it that was down. But the other parts were up, even roofing granules starting to come back to growth, which I think is good, so abrasives, electrical business, safety business all growing. It felt pretty good performance.

Clearly, there's a macro trend going on here, but the team, they were the first and the earliest out of the gates inside of 3M on commercial excellence and you can see the benefits of that.

On the transportation business, I think we're benefiting from good A&D, aerospace and defense momentum, really momentum in semiconductors and data centers.

The commercial branding business actually did pretty well. And you can see that we're actually operating better, we're delivering faster, so we're cycling through the backlog quicker, which I think is all good execution in that business.

Consumer business was down a little bit, but I was encouraged by the sell-through, or the POS, that was in the business. It was around 2.5% in Q2, which was pretty good given where we were last year.

We've had, through at least the first half, more weeks where we had positive POS growth of our products through distribution than all of last year. We see that momentum continuing into Q3. So good balance across the company.

And as I look here into Q3, we're seeing some of that same momentum carry us here into the back half of the year. We said we would do 3.5% for the year. The first half of the year was 3.3%, which means we're going to see acceleration in the second half versus the first half. I'm encouraged by some of the trends that are happening here and I think good execution principally from some of the things we've been working on around innovation and commercial excellence.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Got you. Maybe let's just double-click on that for a second, the macro trends. I mean, you touch so many different discrete end markets. And from my vantage point, pretty much everything outside of AI still seems somewhat rudderless. But I guess, what's your perspective on the underlying macro as you kind of look at your various discrete verticals?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Across the business, it's pretty good. I would say there's probably 70% of the company we believe doesn't touch at all data centers, which is good. The other 30%, maybe a little bit to a lot. Like obviously, our data center business is driven strictly from that. But consumer electronics, there's some relevance to data centers possibly, but 70% really sits outside of that.

So a lot of what we're seeing in the macro, I believe, is kind of independent of what's happening right now in data centers.

Again, we're seeing good trajectory across industrial businesses. The three areas that I think we've seen some pressure in, we saw it in Q2, we sort of guided to this in the back end of the year. One is consumer electronics. We knew it was going to be weak, it has been weak.

You see memory prices come up, devices are slow, PCs, notebooks, tablets, phones. We knew that was going to be down in the back half of the year. We actually outgrew the market in the second quarter. Within electronics, we include semiconductors and data centers, but that actually was pretty decent for us.

But consumer electronics remains under some pressure. Auto is down about 1.5% on the build rate, IHS build rates. We were up in Q2. We're going to see some of that pressure here in the back half, but luckily commercial vehicles, which we include in the auto portfolio, are actually recovering pretty well. We're seeing some growth in that in the back half of the year.

And the third, I talked a lot about consumer. Fortunately, we're seeing good POS trends that are positive here for us into the third quarter. And we think that the weeks of supply, or the inventory build that we saw happen in Q2, is normalizing here.

So generally speaking, I think things look pretty decent. Data centers is a factor behind the macro, but there's a lot of parts of the company that are independent of that. We've been growing pretty well geographically.

Every region grew in the second quarter, which I think is positive. Of course, with pressure in consumer electronics, a lot of our supply chain is in China, a lot of our manufacturing is in China.

So obviously, with consumer electronics down a little bit, we'll see China softening a little bit in the back half of the year. But generally speaking, things look pretty good.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

I mean, maybe on the consumer side, as we kind of think about back-to-school and the holiday season ahead, how are we thinking about the inventory in the channel right now, these decent POS trends?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So it's normalizing. I mean, there were a couple of retailers in the second quarter that, for their own specific reasons, were bringing their stock of inventory down.

Look, I think what's happening here is the consumer remains cautious, certainly in the spaces that we happen to be in. You can see gas prices are up, interest rates are up, the consumer remains cautious.

And because of that, some of the retailers are also expressing caution. They're waiting to place orders to replenish their shelves, and we saw some of that behavior in the second quarter. But that's normalizing here in the back half of the year, back-to-school as we had expected. It's a little bit early on the holiday build-in. It tends to start right about now into October. So we'll see. We'll see what the retailers are doing.

But the Consumer business is never going to be the outsized growth contributor to the company, but we also don't want it to be a drag. And we do expect the second half will be better than the first in the Consumer business.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Great. Well, given today's inflationary backdrop, I couldn't help but have to ask about price-cost neutrality. With oil-linked input costs reaching an estimated, what, $125 million headwind, can you walk us through some of your design-to-cost initiatives? And whether or not your current 50-basis-point pricing actions are sufficient to maintain that dollar-for-dollar neutrality?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So the answer is yes. I mean, for this year, we'll do about a 1.5% of price. The first half, it was 1%. We expect about 2% price increase in the back half, so 1.5% for the year.

About 50 basis points of that 1.5% is sort of standard material inflation we see every year. There's another 30 basis points or so that was for tariffs or pricing ahead of tariffs from last year. The other 70 basis points was really around the price of oil.

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And for us, as I guided in the second quarter, the oil impact on us is more like $150 million to $175 million. The $125 million was earlier this year with oil coming up, more like $150 million to $175 million, and we'll offset that dollar for dollar in that 70 basis points we see in the back end of the year. So we feel good that that's going to stick.

Price for us as a whole is becoming more of a central part of what we call our commercial excellence initiative, how we govern price. When you're delivering new products, when you're delivering on time, when you're performing to the customers, your ability to drive price is better.

And I think internally, our agility on driving price is better. I think we're more confident, we're pushing it faster, faster this year in responding to oil and oil shock than we did last year responding to a tariff shock. So we're getting better at how we do this. So again, we'll see a dollar-for-dollar offset on oil through price. So that's going to be neutral.

What that means is you're going to see maybe 10, 20 basis points of headwind associated with that on margin, which we're working to offset, but it won't affect earnings because we're offsetting it through price. This is an area I think the company has put a lot of time into and is getting a little bit better. There's more opportunity to do more on price for sure over time. Certainly, as we drive this innovation engine, our ability to drive price when we bring new products to market becomes a little bit better, but we're doing better than we were last year on price-cost.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

I guess following on that, right, between trade, tariffs, inflation, energy cost differentials globally, help us think about your footprint rationalization right now and with your factory count now dropping below 100, and yet, management is still commenting that perhaps it's a little bit bigger than required. How do you kind of think about the rationalization of that footprint going forward?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Look, it's the next step in the transformation journey of the company. We have the first couple of years around building the foundation. And you can't think about how you consolidate assets or facilities unless you really understand at a detailed level what the utilization of the facilities you have today is, which we have opportunities to improve, but we know it well, we know it down to the individual asset.

So that is the next phase is how do we think about structural cost takeout inside the company. It's in the factories. It's also in a lot of our back-office activities. As we move the company from a holding company to an operating company, we look across the organization, we see opportunities to drive more process efficiency and structural cost reduction in IT services and HR and in finance, some of our other back-office activities, and we're moving down the path pretty quickly on that. That's a big part of this year. It will go into next year.

But factory consolidation is a three-, four-, five-year journey. The payback on that is in that timeframe. We're working on this, it's not any sort of a big bang approach. It's going to be a very thoughtful, very methodical approach.

So at the end of last year, we were at 110 factories and 84 distribution centers. As we sit here today, it's below 100. There's a number of factories that are in flight or in various parts of analysis. We're executing on many of these. This will happen over time, again, very systematically.

But that is, as we think about that, the runway on the margin growth beyond '27. So we're tracking above 25% operating margin by next year. The runway to continue to drive that is going to be a lot of the structural cost takeout, some of which is going to be across our factory network.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Maybe if we could, let's just dive in on that a bit. You touched on the transition from 3M being a holding company to more of an integrated operating company, utilizing a global service delivery model for everything. How should we think about AI integration, what that kind of enables you guys to achieve?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

So look, first of all, I mean, the transition from a holding company to an operating company is a fundamental, very important part of the operating model shift, the transformation inside the company. To do what we're trying to do today, you can't get at how do you rationalize facilities, can't think about how you drive metrics across the network when every country has their own factory, their own distribution network around it, their own supplier network, their own contract manufacturers, even in some places their own R&D and product development.

This is run more across the overall organization. It's hard to think about how do you drive cost of poor quality across the company if one factory is shipping to another before it goes to the end customer and everyone is doing their own thing. So this is an opportunity for us to look across the organization, drive consistent KPIs, consistent metrics, think about how do you streamline processes. So it's a key part of it.

And part of it was three years ago when we decided to fold all of the operations, all the supply chain into one organization run globally.

We're doing the same thing with how we think about marketing and finance and HR and IT and all the functions inside the company, running it more holistically across the organization, which is unlocking tremendous opportunities to take structural cost out, drive standardization, and drive efficiency. So this is a fundamental part of this journey we're on.

AI is going to be a key part of this. So as we think about how we drive process efficiency across these supply chains, across these different functions, we can now apply AI tools pretty seamlessly and directly.

I think everybody is working on how do you bring AI into back-office activities. I think that's kind of table stakes in many ways. We're doing that. Lots of people are. As we outsource to a BPO, they're bringing AI to bear to help us with that.

Where I think the unlock of using AI inside the company is going to be around the supply chain, but also importantly on innovation. It will compress the cycle time for how we launch new products.

We've already committed to compressing the cycle time by 20%. I see opportunities to go way beyond that. AI is going to help us create new ideas, new ways of interacting with customers.

We launched Ask3M, which is a selling agent, which allows us to reach lots of companies, lots of small- and mid-sized enterprises, deal with commerce with them directly, and eventually connect their researchers directly to our researchers and innovate new materials.

Do it digitally. You have a digital twin. You can model and simulate. You can do prototypes. It allows you to launch products faster. This is going to transform this organization and really actually make us, I think, differentiate our moat, if you will, is the data, the intellectual property inside the company. And this is where I think it's going to be a big help to us, is really around innovation.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Great. We've got one minute left. I want to see if there's any last-minute questions from the audience. Otherwise, Bill, let's finish where we started.

I asked you at the beginning what you learned and what were some of your biggest successes in the first two years. As you look forward in the next two years, what are you most excited about and what do you want to tell the audience here about the 3M story that perhaps they don't fully appreciate?

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Look, I think we've had good momentum here. I think the first 2.5 years have been around building the foundation, building the basics, instituting a new culture inside the organization.

And so when I step back and think about this, our value creation framework is now much more in our control. Of course, everybody is subject to the macro, but a lot of the things I'm talking about are independent of the macro. These are actually going to hold and continue to move.

The second thing is around the cultural transformation of the company. The companies that make these kinds of changes durable, it has to be in the fabric of the organization, how you operate. Every single day, your processes, your people. It's the culture of the organization.

I think when I step back and think about this, we're executing the fundamentals really well. We're setting ourselves up for a transformation journey to really unlock value through some of the structural cost reductions and make durable a lot of the culture changes happening.

And when you put those pieces together, this is a story that's just being told. The opportunities ahead of us are more than I thought coming in. They're greater than we've seen to date. And I think I feel really positive about the trajectory the company is on.

Mark van der Pluym - *Morgan Stanley - Industrials & Materials Specialty Sales*

Great. Thank you, Bill. Thank you to the 3M team. That's a wrap.

William Brown - *3M Company - Chairman of the Board, Chief Executive Officer*

Thank you.
