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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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

PRESENTATION

Unidentified Participant

Okay. Moving right along with Bill Brown, CEO of 3M. Quite a diverse, global business. So maybe some perspective on what's going on out there in the world and how it may impact your business just with the recent developments we've seen in the last couple of weeks, as a start.

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

So first of all, good morning, everybody. It's great to be here. Let me start by just mentioning that we are -- we continue to execute the foundational priorities that we've laid out for the company going back now almost two years. I've been talking about it pretty consistently in all of our earnings releases. It's really about driving commercial excellence and operational excellence, innovation excellence across the company, building our culture.

You see it in both our operational metrics, and I talk about these quite extensively at every earnings release around utilization or what I call OEE, OTIF, cost of poor quality, the number of products that we're launching. You'll also see progress that we're making in our financial metrics around returning to growth, driving margin expansion. We're really pleased with what we've done there. Generating strong cash, returning a lot of cash to shareowners, tracking above our Investor Day commitments. So overall, I think the company is performing very, very well.

As we go into '26, we see a lot of the same trends that we saw through last year continue on into this year, and I could talk more about that. With this added volatility, Steve, as you were just referencing, about what's going on in the Middle East with the elevated price of oil, we certainly are impacted like everybody else around the world. We don't have a very large business in the Middle East. It's kind of like less than 2% of our revenue. We do see shipments and transshipments through a couple of important logistics hubs in the Middle East. So air freight, logistics will be a little bit -- have some friction to it.

We're watching very carefully with the price of oil being elevated. We certainly use oil-based polymers in our products. And that's going to be -- we'll see how it affects over time. If the price of oil stays elevated, we're going to take action like we had to do last year and be responsible on pricing, like we were with tariffs, we're going to do the same thing with oil this year. But it's something that we watch very, very carefully and we'll be responsive on.

So again, economic conditions continue almost like they were last year coming into this year. When I think about the pieces of the company, we watch a number of different things. I talk a lot about IPI and what's happening in the Industrial Production Index. At the beginning of this year at our earnings release, I talked about IPI softening a little bit on a global basis, down around 1.5%. So US coming down, China is slowing down a little bit. That's an important factor for us, given we have a big presence in the industrial business, we watch PMIs, other metrics around the world. It's actually encouraging to see PMI be above 50 for a couple of months in a row, which I think is a good trend.

As we started this year, we see in our industrial businesses, some of the continued momentum that we were building last year. Order rates for us remain pretty healthy. We're seeing backlog growth in our industrial side. So general industrial and safety for us is about 60% of our company, so it's a big piece of it. And we see good performance there across abrasives and tapes, our electrical market business, our safety business, all continue to do reasonably well.

And a lot of it is with the backlog. We've got to make sure we convert here as we get into March, mid-March. But that part of the business is doing pretty well. There's another 40% or just under 40% of the business that's a bit softer. Consumer products is about 20% of the company. And we're seeing the trends just really like we saw last year. It's relatively soft. Consumers are focused on nondiscretionary spending.

So we're watching it very, very carefully. It's sort of, again, the same trends we saw last year. We're watching very carefully what happens in automotive. We knew automotive was going to slow down for us a little bit this year. If you look at IHI build rates -- IHS build rates for this year, it's going to be down -- I think yesterday I saw the new numbers down eight tenths of a point over the course of the year. Q1 is going to be weak. Q1 in China is down 9%. So we're watching automotive very carefully. It's a little less than 10% of our business, like 8%. So that's an important one to watch.

And the third part about it is broad electronics, but in particular on consumer electronics. Consumer electronics is about 8% of the company as well, and we're watching very carefully what's happening in the end-demand from memory pricing. So stepping back, you can see about 60% or a little bit more than that, industrial doing pretty well; 40%, a little less, that being a little bit softer as we turn the quarter into '26.

QUESTIONS AND ANSWERS

Unidentified Participant

So I guess from a top line perspective, does that kind of put you at the lower end of the range for the first half on organic at least? Or is there like volumes a little weaker, you have a little more price to offset? What's the bottom line there?

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

Yeah. So as we said in the earnings release, we saw we'd be at 3% organic this year, up a little bit from last year into a bit of a weaker economy. But we saw organic growth rate accelerating through the year. So naturally, it's going to -- off a little bit lighter in the first quarter. It will build into the second, and it will build into the back half of the year. But 3% organic growth for the full year.

Unidentified Participant

So that's still something achievable even with kind of the mix.

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

It's still very early in the year, we're still mid-March. Again, we're watching the order trends. And for us, again, industrial has been pretty good. It's been pretty resilient. It's actually picking up a little bit as we get into March.

So we feel good about industrial. We just have to watch the other parts that I just mentioned.

Unidentified Participant

Can you just delve into what's happening on the consumer electronics front, maybe which areas specifically in your portfolio that you're seeing the most pressure? From this network issue?

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

So again, our electronics business as a whole is about 10%. It's about \$2.5 billion. Consumer electronics is around \$2 billion in business. So we sell tapes, bonding solutions into a variety of consumer electronic devices, from phones, tablets, PCs, TVs. We are -- we've historically been 70-30, 80-20 premium-to-mainstream, which for us this year is actually working out because the market is the opposite or the inverse of that. The market is more mainstream and low entry devices and less on the premium side.

Why that's important with the memory prices coming up quite dramatically, the premium players have much more robust supply chains, they're of course pricing at a premium, a better ability to deal with memory prices coming in. So that part of the business has been a little bit more resilient. It's not unimpacted, but more resilient.

Of course, we're pushing as well to develop products by cost-engineering or value-engineering some of the premium products we sell into the premium devices, going after the mainstream side, we're making some good penetration into that segment. But overall, that business is likely to be soft.

As we've been pushing on this for the past year or 1.5 years, again, what this is really is taking cost out of premium products going into those higher-end devices as these midstream, mainstream players are starting to see more pressure on their business, they're opening up their BOMs for different ideas. And we're all able to provide some different solutions and, hopefully, we can gain a little bit of share in the mainstream side.

So premium is under a little bit of pressure, more so in mainstream, but it opens up an opportunity for gain share.

Unidentified Participant

So net negative, but you guys are offsetting that with some of your NPI and your--?

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

It's going to be not offset entirely, but we're offsetting some of it, yeah.

Unidentified Participant

And are we talking about, in this business -- I know there have been some pretty significant cuts to device shipments. I mean are we talking about this business being down like double digit or is it more--

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

We don't think it would be down double digits.

Unidentified Participant

Yeah. So something between 0 and double digits.

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

It's going to be down a little bit, but some place in that range.

Unidentified Participant

Like 5--?

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

We're not going to get -- pin myself down. We got a couple of weeks after in the quarter, Steve.

Unidentified Participant

Okay. Sorry. Just trying to be more precise on that front. On the growth side, where are you seeing -- are you still on track for this \$1 billion of outgrowth? Remind us of where you are there and where you're seeing--

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

So we're making very -- look, it's very good progress actually. We outgrew the macro last year by about \$150 million. We see ourselves outgrowing the macro this year \$300 million or more. Last year, and we laid this out very clearly at our Investor Day last year, we said early on we'll outgrow the macro through commercial excellence and over time the contribution from innovation is going to start to pick up. And that's what's exactly what's happening.

So last year, the outgrowth versus the macro, only about 25% came from NPI or launching new products. More of it came from commercial excellence. This year, it's about half and half, but it's going to tilt more towards innovation-driven outgrowth as we get into 2027.

So the progress has been very good on commercial excellence. This is really just getting back to basics about how the salespeople call on customers, how they price or how we watch attrition or what we call churn and the drivers of that, cross-selling opportunities.

We started on this initiative back in late 2024 with SIBG, our industrial business. it's actually been making very, very good progress. We're seeing that now extend into our transportation electronics business, which has been historically more of a spec-in business. But spec-in doesn't mean that you go and win the spec and you forget to call on the customer.

So the company, we're actually trying to push very hard on developing and transferring some of that knowledge, some of those skills we're developing in SIBG over into TEBG. We're seeing some good traction, good progress there as well.

On NPI and driving innovation, the company, we sort of bottomed out back in '22, '23. We launched only 125, 128 products over that two-year period of time. We start to bring that back up because we're pushing a lot more into driving innovation and launching more products.

In 2024, we launched 169; last year, we launched 284; this year, we launched over 350 products. And we're on a good trajectory to launch more than 1,000 new products over the next 3 years, really through 2027. So we're making good progress in all of that. That is what's going to drive our outgrowth of the macro this year as well as going into next year.

Unidentified Participant

And just remind us of what that number this year, I think it was \$150 million last year? What's the number--

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

Just over \$300 million.

Unidentified Participant

So you're on track. You're on track?

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

We are on track, yeah.

Unidentified Participant

And any types of products that really -- like specific products that really stand out that -- I know 3M has like thousands and thousands of SKUs. It's always hard for us to find a couple of things that really stand out. Like I remember optical films back in the day, although that would -- that turned out to be somewhat of an anchor over time. And anything that stands out that you're particularly excited about, maybe something in the data center or something like that?

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

We're seeing actually really interesting developments in innovation really across all of the priority verticals that we're in. It's not -- there's hardly a lot of things you can actually call -- even in consumer products, we're bringing to market a lot of interesting products, a lot of new ideas. We're launching some more products in that space, which we hadn't done in a long time.

The one area we were actually putting a little more time is in data centers. We've got a new product, which is a new optical interconnect. It's called EBO or Expanded Beam Optics. It's quite interesting. We've got some patent protection around that.

We're starting to get some traction with the ecosystem around data centers. We have a foothold, a toehold within a data center through copper-based TwinAx interconnects. That world is moving towards from copper to optical fiber, optical connections. We've got an interesting business. Not very big today, it's about \$100 million, inside the data center. But we've gotten a product that's been validated by at least one hyperscaler. It's been in testing. We've just received a pretty significant order. We are looking to scale that up.

Yesterday, at OFC, which is their Optical Fiber Conference on the West Coast, we announced that we're more than doubling the capacity of that particular part of our business. We do see a lot of upside. It's a multibillion dollar addressable market for us. But you start and you build over time, and that's the way we're going.

It's a polymer-based electrical optical interconnect. The world is going to move to ceramics and on-chip optical connections. We've got a pretty good path on how to develop that over time. So that, I think, is very encouraging. But again, it's just pulling out one product out of many, many that teams are innovating on. So I'm sure a lot of people listening in are going to be concerned I didn't raise all these other great things we're working on elsewhere, but that's one I think is pretty notable.

Unidentified Participant

Right. That sounds pretty interesting. Just on the pricing front. You've mentioned obviously oil-based raw materials, maybe just talk about price/cost, how we stand today. And are you kind of -- how quickly can you pass some of this through if we do stay higher for longer on the oil-based stuff?

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

So pricing has been a big focus area for the company. We typically price to cover material cost inflation. That's sort of the minimum. So on a 2% inflation economy, that's about 50 basis points of price. And that's been where we've been for some time.

Last year, we targeted 70 basis points. We came in at 60 over the course of last year. So we were a bit above sort of just covering material cost inflation. But again, what we're trying to do is cover as part of the tariff impact through pricing. Through the back end of the year going

into the fourth quarter, we did see ourselves making some investments in promotions and discounts to gain some shelf space in our consumer business. We see that continuing here into Q1. So pricing will be a little bit lighter here in Q1. But for the year, we're guiding to about 80 basis points of price this year.

We typically put our price increases out starting on April 1, so they get communicated to the channel in advance of that. So it's already out in the marketplace. So we already are set for price increases on April 1. But I think we've been pretty nimble on this. We have a couple of more times through the year. We can do something on pricing.

We can always go the route of any of surcharges to the extent that we see oil prices remaining elevated, impacting our raw material cost, we can push through a surcharge, almost like we -- in fact, exactly like we did last year on tariffs. So we've got an ability to go and do this. And I think we've been pretty nimble here.

We're focusing on how we govern price, making sure that when we do give rebates or discounts or promos, that they're smart and you get the volume benefit from those rebates that we're giving in the marketplace. It sounds kind of obvious, but that's something the team is focused hard on.

And over time, it's really about, through all this innovation that we're doing, how do we better price to value. And it's something that -- it's something we're working on within -- inside the company, it's an opportunity ahead of us. It's not as big of an impact in 2026, but I do think it will be material beyond '26.

Unidentified Participant

When do you think you need to pull the trigger on incremental price? Or are you on April 1 kind of baking in what's happened here some of the cost inflation? Or is it not at that point yet because everything's so fluid?

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

It's not at that point yet in the base price, because base price was communicated about 45 days ago, 60 days in advance. But we are looking at surcharges or other things that we can put in place relatively quickly.

Unidentified Participant

Okay. On the margin side, you guys have a lot going on. Maybe just talk about the different buckets of margin expansion opportunity, whether that's G&A or productivity in the factories, maybe just an update on margins?

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

So the margin story I think is a very, very good one. We said we would hit 25% by 2027, and we'll likely come in a bit above that, which I think is encouraging. Last year, we were up 200 basis points; the year before that, more than 200, it was like 260, 280 basis points before that, the year before that, 2024. So it's been on a good trajectory. This year, we said 70 to 80 basis points. Again, we're tracking well to come in a bit above 25% next year. So we saw better progress on G&A than we had expected last year.

At our Investor Day, we thought, as we looked out that we would see more opportunities out of cost of goods, driving gross margin expansion, that opportunity is still ahead of us. Through last year, we saw more opportunities in G&A, really looking at our indirect expenses in IT costs and some things that we thought we could pull back on and invest it more appropriately in growth initiatives. So we saw good progress on G&A.

This year, we'll see that tilt more on to the gross margin side, and that's a big opportunity for us in the future. It gets back -- it's really just the basics around how do you get productivity out of our factories and out of our distribution and supply networks.

It's something like just really basic kind of operations. We laid out this is transformation agenda that is really looking hard at how do you streamline and simplify our costs, our processes inside the company. We still have G&A activities in four service centers around the world. We don't need them in those four, and we're not in those locations.

When you're moving from a holding company model to an operating company model. In a holding company model, you have all services, all these processes which are driven very distinct and independent down to an individual business unit level.

As an operating company, we're pulling all these things together and standardizing them and then outsourcing some things. So a lot of things we're looking at, do we do those activities internally or do them externally? And that's something that's quite important.

On the factory side, look, we have 108 factories. It's more than we need. We have 84 distribution centers. We won't have that many over time. This is something that we're looking quite aggressively at right now. We'll lose about seven or eight factories simply because we sold the business last year. There's a few more that are in flight.

Early this year, we launched -- we announced -- well, two smaller factory closures in the US, and one is downsizing in Alabama. But there's more that are going to happen here over time. There's automation opportunities that are going to drive this. But we see, over time, margin expansion continue to grow at the company.

Unidentified Participant

And when you look at this year, obviously, last year blew the numbers away. Are there any obvious upside levers this year, whether it's mix or these benefits from maybe the plant closures? Anything this year that gives you more confidence in being above the high end of the range?

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

I think there's a lot of things that are within our control. I mean, clearly, we've got more opportunities on the G&A side, and we're continuing to take a hard look at that. We're going to keep looking at -- we're going to invest \$225 million this year in growth initiatives.

We're going to kind of watch that very carefully based on what's happening in the marketplace and throttle up, throttle down based on what we're seeing in our individual numbers. We're seeing good opportunities in productivity.

But what we're doing is we feel confident on 70 to 80 basis points this year, we can get there. But what we're doing is we're building -- there's runway for margin expansion beyond '27. I know investors are hung up on hitting 70 or 75 or 80 or 100 basis points this year. We'll get and we'll achieve the goal that we set out earlier this year. We'll get to above 25% next year. We are confident we can get there.

But this is an endpoint. It's a step along the way. And we do see continued margin expansion opportunities beyond that. And it goes beyond simply looking at rooftops or number of factories or a number of distribution centers. There are the things that we can do in our facilities and our factories around automation.

We have -- we invest substantially in capital, but we have not fully automated those things that we think we can automate. We still have 7,000 material handlers inside the company. We have 800 people in the company that visually inspect films. You can invest in state-of-the-art visual inspection systems, the payback on those is quite interesting and attractive to take out costs. Those things are all ahead of us. Those are inches. You move those piece by piece by piece, but that's what builds this road map to driving margin expansion over time.

We said we can get back to the high 40s on gross margin, and we can do that. And it's through all of these initiatives coming together and bearing fruit. It's not any one of these individuals, but collectively, there's a lot of untapped opportunity inside the company to drive margins.

Unidentified Participant

What's the time frame for that high 40s?

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

It won't be this year. (laughter)

Look, it will happen over time. I mean it's going to take several years to get there. But again, what I'm laying out is this journey. I've been there for almost two years now. You can see the pieces and that things that you could do step by step. We've got a good leadership team that are focused around this. We know what to do. We know the steps to take.

Some of these things, look, at the end of the day, when you're looking at closing a factory, the payback on these things are three, four, five years. They don't happen overnight. And I think part of that, that's maybe why we didn't do it in the past, they're hard to do. They're risky to do. The payback isn't today or tomorrow or this quarter. But they're fundamental to building this long-term value creation engine at 3M that we're trying to build. And that's the journey that we happen to be on.

So we'll get there. It will take some time. First, we got to hit our numbers this year, just over 24% operating margin. Last year, it was just over 23%. Two years ago, it was just over 21%. Next year, it will be just over 25%. You can run the math. It's going to continue to build over time.

Unidentified Participant

So when you get to -- I mean I feel like it was yesterday when you guys gave these long-term targets, the kind of on to the next thing. Will you give another kind of, do you think, in terms of three-year targets? Or will you maybe shift to like a margin algorithm? And is that -- is 30% to 40% kind of core incremental, how we should think about 3M?

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

So in terms of the long-term target, we'll think about that towards the back end of this year. Again, it's really just one year ago when we had this Investor Day and we laid out three-year targets. And frankly, the world's changed and our ability to drive margin expansion is different as well.

Again, G&A was a much more important contributor last year. And as I mentioned at the earnings release, we're embarking on this transformation initiative inside the company to really think structurally about our processes, our footprint, all these various pieces. So our knowledge of what we want to do is going to be a bit different.

So we're going to make progress this year. We'll update investors maybe towards the back end of this year or early next year on where we see ourselves going. Maybe we'll do another Investor Day. And then we'll think about what's the right way to communicate to investors about the journey that we're on.

Is it another set of three-year targets? Is it margin algorithm? We'll come back on this.

In terms of incrementals, we've been between 30% and 40%, but right now, we're sort of at the top end, maybe a little bit above the top end of that incremental side. So when you look at just taking cost out and the volume that we're driving, this is going to be the driver of margin expansion over time. So the company is performing pretty well on that side.

Unidentified Participant

Did the driver shift a little bit as this NPI comes into play so that like the mix of that NPI becomes more of a factor as opposed to just like brute force G&A, it's kind of -- it was G&A, now it's some of this longer-term investment in productivity, and then on top of that, wherever the mix goes?

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

So look, these are all the factors that are going to drive margin expansion over time. To start, you've got to sort of fuel the fire. You've got focus on your priority verticals. You got to focus your spend. We're clearly stepping up a little bit on R&D spending, not just in terms of the amount.

We're up about 30 basis points of R&D as a percentage of revenue. But more importantly, we're shifting the amount that we're spending on new product development towards new product development. I mean it was -- last couple of years ago, it was 28%, and then it was at 32%. Last year, it was 37%. This year, we'll be at 40%.

So you think about that, we spend over \$1 billion in R&D. That 12 points of shift is over \$120 million of money that's going into developing new products from other things. So there's a fuel to the fire. So a part of that, when you launch products, you bring new things on the market, it gives you an opportunity to reset the cost base or reset the price. And we got to get a little bit better on value-based pricing, but as you bring new products into the marketplace, yeah, it should drive incremental margin expansion.

So all of these pieces have to work in tandem. They don't happen all at once. But the story that I'm laying out, the strategy we're embarking on really is a multifaceted piece, and we're making good progress across all these different dimensions.

So we're focusing a lot on these priority verticals in places where we think we have an outsized ability to grow, drive margin expansion, be competitive. That's a multiyear journey to push more funding towards those places we think we have the best returns. That's the place we're at.

Unidentified Participant

And those priority verticals, just to remind everyone, aerospace, electronics, home cleaning, AR/VR, data centers, home improvement, auto, energy, industrial automation, safety and semiconductors?

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

Yeah, that's -- you got them all. Yeah. I mean these are going to shift, like tighten down over time.

Unidentified Participant

That's about 60% of the company.

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

It's little bit more than that. Yeah, exactly.

Unidentified Participant

So how do you think -- I think the challenge for 3M historically was the pyramid discussion, where 3M really targeted kind of the high end of the pyramid and very high-margin stuff. I think you guys are kind of trying to broaden the base a little bit and, at the same time, make more margin out of it, which is a bit harder to do. Am I looking at that the right way or?

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

In certain parts of the business. Like in electronics, we do see an opportunity to go after more of the mainstream market. Again, that's where the bigger part of the market happens to be. I think the company in the past, right or wrong, was run for simply margin expansion. And all of our metrics around that, all of the incentives around that.

And if you think about even the restructuring program that we launched a couple of years ago, it was all driven on fast payback, sort of easy -- relatively easy to do restructuring. It didn't get at the fundamental things you do to run the asset better. It takes multiple years to go and do that. That's what we're embarking upon now.

So we are running and we're trying to go after a relatively small part of the market with premium brands and higher price. There's a piece of the market out there that we can go at with value-engineered products, not the higher end, but value-engineered products, and develop a position, grow our volumes, which has a really good drop-through inside the company and hold or expand margins and tap into a bigger part of the market. That's what we're doing in certain parts of the market, certainly in consumer electronics.

Unidentified Participant

And just shifting gears a little bit to portfolio, you guys have talked about -- sorry, taking a step back, free cash flow, really strong performance, 100% conversion. Is that a sustainable -- the 100%, is that sustained with all the productivity that you guys are doing? Or should we settle back into more like the 90% to 95% range on conversion?

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

No. So in Investor Day, we said we'd be at 100% or better going out the next several years. And it really has three pieces of that. One is really strong earnings growth with a high cash contribution to that. Really aggressive, disciplined focus on capital spending. We've changed internally our approval thresholds, are reviewing this in a lot more detail.

Again, part of this holdco, opco model is I see a lot more of our capital spending around the world and we're focused heavily on that.

And the third dimension is improvements in working capital. We do have an opportunity to improve our working capital performance, in particular, inventory. Inventory has been running in the high 90s. We think we got to be running in the mid-70s over time. So each day is I think around \$35 million or about that amount of money. So it's opportunities driving inventory.

So that's the piece over time. As we sort of collapse the distribution network, the number of factories, hold our on-time in-full performance, above 90%, pull-in our lead times, also bringing down inventory. Part of that is going to be better planning systems. We've got to get a lot better inside the company on how we forecast and plan for what we produce, how that draws back to suppliers, on-time performance of suppliers. So all these elements come together. But yeah, we can sustain 100% or better on free cash flow performance.

Unidentified Participant

Okay. Just on the portfolio, you've mentioned 10%-ish as being non-core. Where are we in that portfolio and how you're looking at that?

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

So what we talked about last year is we saw about 10% that were in parts of the business that were more commodity like that didn't drive differentiation through new product introductions. I mean, look, the hallmark of 3M is we're an innovation-driven, high-performance company. And those are the kinds of businesses that we want to be in. So we'll move out of these other parts over time. We saw 2% to 3% that were a little bit more actionable. We got out of a piece of that. We'll keep updating investors as we make progress there.

But this structurally shifting the portfolio of the company is going to be an important driver over time for how do you sustainably grow and how do you get into higher-margin potential type of categories? So it's multiple dimensions. One is just organically, we've got to focus and invest in priority verticals where we think of a better right to win. Part of it is we've got to get out of businesses that don't perform or more commodity like.

And the third element is getting into business through M&A that are aligned to priority verticals that actually sustains that journey as well. So it's all these three pieces working together. They don't happen all at once. And portfolio shaping is a work in process. And I'll leave it at that.

Unidentified Participant

Would you take dilution if you -- if somebody came along and wanted a bigger chunk of it?

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

We don't want it. We don't want dilution. We are very concerned and thinking hard about stranded costs. So we would work very hard internally to do what we have to do to take cost out to avoid dilution. And I'll just leave it at that.

Unidentified Participant

Okay. Just on the liability front. I know in the filings, there's been a bit of an uptick in the MDL numbers. Hard for us to kind of understand really what's going on there. But maybe just an update on the liability front.

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

So the MDL numbers, so you're referring to the personal injury docket. So the judge in the MDL, this was in August or September of last year, there were a lot of unfiled cases. And for just better case management, the judge vacated the bellwether trial, which was scheduled for October, and encouraged the plaintiff's attorneys to file all of the unfiled cases, vet them so that they can be better managed. So that's what's happened.

So the number of cases that have now been filed are like just over 15,000, 15,200. And they're fairly stabilized at that. Each case has multiple claimants or could have multiple claimants in it. But it's been relatively stabilized.

We as the defendants and all of our other defendants and the plaintiffs are all vetting these cases and the judge will eventually hold hearings and decide how he wants to proceed. And of course, there's mediation. It always happens in these sorts of things. But there's no new

bellwether trial on the docket, whether -- and if that happens, all depends on progress in the mediation and progress in the vetting. So that's what's happening. We'll talk about this all the time as we need to updating investors and you can read very carefully in our 10-Ks, which are very voluminous, in terms of what's happening in that space.

The other side, look, we're watching very carefully is the AG cases. There's also some of those -- in fact, many of them are in the MDL as well. Those cases are going to lag the personal injury docket but there's a lot of AGs, state AGs that have sued us both inside and outside the MDL.

So we're going to take -- we're going to keep looking at these, and if we have an opportunity to take risk off the table at a price that's reasonable for the company and manageable for the company with appropriate protections, like we did with New Jersey last year, we'll do that. So those are the two threads that we're watching. One is the PI docket in the MDL and the other is the AGs, which is mostly an MDL and sometimes outside of that as well.

Unidentified Participant

So is it unlikely, I mean, the way things are trending that we're really going to hear much more on this over the next six to nine months? Is it more of kind of a '27 or it's really--?

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

I wouldn't say that. I mean this thing is -- it's fluid. We're watching it. We're in mediation. And it's going to be -- it's going to develop over the course of this year. And again, I'll let investors know as we make decisions on this and report through public channels as well as in our Qs and Ks.

Unidentified Participant

Anything on insurance recoveries that you're more or less optimistic around?

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

Look, the team has done a great job on this. This is a long game. You can imagine, we've got substantial insurance coverage. The insurers never want to pay, but we want to make sure that they live up through their obligations. And we're really holding their feet to that, I mean, through arbitration, through litigation.

At the end of last year, we had already recovered about \$750 million through -- across all of the different legal dockets. And we continue to work and advance this. This is an important piece of it. So the only thing I'd say today is, as of the end of last year, it's about \$750 million recovered.

Unidentified Participant

Do you think the drag on your multiple from liabilities is still a pretty material overhang that is kind of unwarranted?

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

I think there is some overhang. There's this risk discount, I think, within the company, which is why I'm really focused on this, because I do think it's important for us to bring some closure to these, again, at prices that are reasonable for the company and takes risk off the table and protects the company down the path.

What I think tripped us up in the past was we, inside the company, focused way too much time up and down the chain across 62,000 people on litigation. And in fact, it's a very small handful of us that need to manage this.

And the other 61,900 people ought to be focusing about the customer and innovating and commercial excellence and all the things that I've talked about. And I think we've made that good pivot. So most of the people are really focused on how do you drive value inside the company and a few of us are thinking about, okay, how do we take risk off the table.

Unidentified Participant

Great. Thanks a lot for the time and making it.

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

You bet. Thank you.

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