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MMM.N - 3M Company Investor Update

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Company Summary

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CORPORATE PARTICIPANTS

Chinmay Trivedi *3M Company - Investor Relations*

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

Kevin Rhodes *3M Company - Executive Vice President, Chief Legal Affairs Officer*

Anurag Maheshwari *3M Company - Executive Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Jeffrey Sprague *Vertical Research Partners LLC - Analyst*

Amit Mehrotra *UBS AG - Equity Analyst*

Chigusa Katoku *JPMorgan Chase & Co. - Analyst*

Joe Ritchie *Goldman Sachs - Analyst*

Vlad Bystricky *Citigroup - Analyst*

Mark van der Zwan *Morgan Stanley - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the 3M Investor Update Conference Call.

(Operator Instructions)

As a reminder, this call is being recorded Wednesday, November 4, 2026. I would now like to turn the call over to Chinmay Trivedi, Senior Vice President of Investor Relations and Financial Planning and Analysis at 3M.

Chinmay Trivedi *- 3M Company - Investor Relations*

Good morning, everyone. Thank you for joining us today. Yesterday, we announced that we have reached a settlement to resolve the personal injury claims at the center of the Aqueous Film-Forming Foam multidistrict litigation or the AFFF MDL that is pending in the federal court in South Carolina.

On today's call, we will highlight the key terms of the agreement and its financial implications. The 8-K we filed includes the settlement agreement itself, and I'd refer you to that filing for the specific terms of the agreement.

Please note that the charge associated with the settlement will be reflected as a special item when arriving at 3M's adjusted results.

Please also note that there is no change to our financial guidance for the full year 2026 and the framework for 2027 that was previously provided on October 20, 2026.

With me today are Bill Brown, our Chairman and Chief Executive Officer; Kevin Rhodes, our Chief Legal Affairs Officer; and Anurag Maheshwari, our Chief Financial Officer.

Bill, Kevin and Anurag will make some formal comments, then we will take your questions on topics exclusively referenced in today's call. I would request that you limit your question to one per participant to keep the call timely and efficient.

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The press release and the slide presentation accompanying this call are posted on the home page of our Investor Relations website at 3M.com.

Before we begin, please take a moment to read the forward-looking statement. During today's call, we will make predictive statements that reflect our current views about 3M's future performance and financial results. These statements are based on assumptions and expectations of future events that are subject to risks and uncertainties.

Item 1A of our most recent Form 10-K lists some of the most important risk factors that could cause actual results to differ from our expectations.

With that, please turn to slide 3, and I'll turn it over to Bill. Bill.

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

Thank you, Chinmay, and good morning, everyone. Let me start by framing where we are in our PFAS litigation docket. There are three broad areas that have been the most active.

The first is the public water suppliers, the subject of our 2023 settlement. The second is the state attorneys general cases, which we continue to manage.

Last year, we announced our settlement with the state of New Jersey that was approved by the court earlier this year.

And the third is personal injury, the subject of the agreement we announced yesterday.

This settlement represents a significant milestone in addressing the personal injury litigation and more broadly, another significant step forward in managing 3M's legacy PFAS matters.

We set out to accomplish three goals in getting to a resolution. One, achieve a total dollar amount and payment schedule consistent with our cash generation capacity and broader capital allocation priorities and commitments.

Two, obtain broad risk mitigation in the personal injury docket. And three, have the MDL court defer consideration of further proceedings as to 3M for a period of time, which we expect the court will do as part of this settlement.

With this agreement, we accomplished all three goals. The process over the past year positioned us to resolve the core of the personal injury docket on terms we view as favorable. Over the course of this year, the MDL court followed a process to require the filing and vetting of claims to establish whether each of the plaintiffs was entitled to litigate in the MDL.

We have previously noted that, according to official court reports, approximately 15,250 cases are pending in the MDL, and we have stated that many of those cases have multiple plaintiffs. Following the vetting process, we now estimate that approximately 115,000 to 120,000 plaintiffs will be able to participate in this settlement.

This agreement addresses a material risk for the company and is supported by the plaintiffs leadership committee and the AFFF MDL Court. And as Kevin will explain in a moment, it provides a framework for addressing both existing and future personal injury claims.

Importantly, we structured the $7.35 billion nominal commitment to be paid over nine years, with significant payments not beginning until 2028. We will take a pretax charge of $5.8 billion, representing the present value of future payments, which will exclude it from our non-GAAP results.

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These cash outflows are aligned with our other known obligations, allowing us to continue investing in the growth of the company consistent with our broader capital allocation priorities. Going forward, we expect the AFFF MDL proceedings to take into account the significant work 3M has done to resolve both the PWS claims and the personal injury claims.

And we anticipate the MDL court to issue an order deferring consideration of further proceedings as to 3M while we implement the settlement.

Finally, let me put this announcement in context. Resolving this major piece of our PFAS docket allows the team to bring even greater focus to our enterprise priorities and commitments to our employees, customers, and shareholders.

This settlement is consistent with our commitments to drive long-term shareholder value that we made at our 2025 Investor Day, our guidance for the remainder of 2026, and our framework leading into 2027. To walk you through the specifics of the agreement and how it mitigates material risk to 3M, let me turn it over to Kevin.

Kevin Rhodes - *3M Company - Executive Vice President, Chief Legal Affairs Officer*

Thank you, Bill. Please turn to slide 4. This settlement is designed to meaningfully reduce 3M's current and future risk. The agreement does that in three primary ways. One, the vast majority of personal injury plaintiffs are eligible to participate.

Two, it includes financial incentives to drive broad plaintiff participation. And three, it addresses the risk of remaining and future claims.

First, the vast majority of personal injury plaintiffs are eligible for this settlement. As Bill noted, we have completed the court-ordered vetting process. About 40,000 claims have been dismissed without prejudice. We expect about 115,000 to 120,000 plaintiffs inside and outside the MDL to be eligible to participate in the settlement.

That is the vast majority of current personal injury plaintiffs. Importantly, eligible claims include all six health endpoints that have been the focus of the litigation. Participating plaintiffs will sign broad releases of their claims and potential claims.

Second, the agreement is structured to drive broad participation by setting plaintiff participation thresholds with certain payments triggered upon reaching those thresholds.

One threshold applies across all eligible plaintiffs, and a separate one applies to certain higher-risk claim types. As shown in the appendix,about $6.27 billion of the total settlement amount will be paid annually from 2028 to 2033 once those participation thresholds are met.

If the eligible plaintiff participation percentage falls short of those thresholds, 3M has the right to walk away from the agreement, although we do not expect that to happen. I will note that this agreement includes no admission of liability, so if the thresholds are not met, 3M remains ready to continue defending itself in the litigation.

Two additional payments within the overall settlement amount of $125 million each will be paid in 2029 and 2030 if participation reaches even higher levels.

Finally, the agreement, and the order we anticipate the MDL court will enter, address remaining risks from plaintiffs who elect to continue to litigate and future personal injury claims inside and outside the MDL through several measures.

First, we expect the court order will set forth evidentiary and timing requirements in the MDL for personal injury plaintiffs who don't settle and for future plaintiffs.

Also, two additional payments of up to $50 million each in 2031 and 2032, also within the overall settlement amount, are contingent on our future docket.

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Finally, the agreement establishes a reserve fund of $680 million not fully paid until 2034. Together, these provisions are designed to provide a framework for addressing both existing and future personal injury claims.

Over the coming months, we will work with the parties and the MDL court to establish the settlement administration process, notify claimants and confirm their participation.

We will provide further details in our SEC filings as appropriate, and I refer you to our 8-K for the specific terms of the settlement agreement.

With that, let me hand it to Anurag to cover the financial aspects of the agreement.

Anurag Maheshwari - *3M Company - Executive Vice President and Chief Financial Officer*

Thank you, Kevin. Turning to slide 5, we believe the structure and financial terms of the agreement maintain our capital deployment flexibility.

The agreement provides for a total nominal value of $7.35 billion, with payments spread over nine years.

We will take a pre-tax charge of $5.8 billion, representing the present value of future payments, and consistent with our recent practice, the charge will be excluded from our non-GAAP results.

Additional detail will be included in our SEC filings. The settlement, including the amounts and timing of the payments, is structured to align with 3M's other known obligations and at the same time preserve optionality for other capital priorities.

As shown in the appendix, the series of payments will start with $50 million in 2026, with no payment in 2027, and the remaining payments are spread across 2028 to 2034, with roughly 20% of the total falling in the final two years, 2033 and 2034.

The combined cash payments to meet public water suppliers, combat arms, New Jersey, and personal injury settlement obligations step down every year from 2027 to 2034. And by the end of 2034, we will have paid down all of Combat Arms, Personal Injury, and virtually all of PWS.

While the payment stepped down, we believe our free cash flow, expected to be $4.8 billion in 2026, will grow with earnings as we continue to execute on our strategic priorities. The growing cash flow, combined with the ability to monetize our 15% stake in Solventum,future insurance recoveries, and access to capital markets give us confidence in meeting the obligations under this agreement and while executing on our priorities. Overall, we believe that this is a well-structured agreement that takes meaningful risk off the table and preserves our capital allocation flexibility to drive shareholder value.

With that, I'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jeff Sprague, Vertical Research

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

Good morning, all. Congrats on getting this done. I just wanted to come back to the cash flows associated with this, perhaps for Anurag. You did mention insurance recoveries. Would this be inside kind of the existing insurance you were using for PWS and other liabilities?

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And secondly, you are taking a pre-tax charge and talking about this pre-tax, NPV. Is this a tax deductible expense event for you?

Thank you.

Anurag Maheshwari - *3M Company - Executive Vice President and Chief Financial Officer*

Good morning, Jeff. Thanks. On tax, yes, consistent with the prior settlements, we expect the settlement payments to be tax deductible as they are made.

The disclosed settlement value of $5.8 billion is presented on a pre-tax basis and does not reflect the anticipated tax benefit. And on the insurance recoveries, yes, it will be part of the overall insurance recoveries as well.

Jeffrey Sprague - *Vertical Research Partners LLC - Analyst*

Great, thank you.

Operator

Thank you. Amit Mehrotra, UBS

Amit Mehrotra - *UBS AG - Equity Analyst*

Thanks, operator. Hi, everybody. Bill, maybe just talk about what's left. I mean, we have public water and New Jersey obviously was a big one. This is a very big development as well, but I think you still have about 30.

State AG offices, just help us think about the magnitude of how you think about that liability in the context of everything else. And just Anurag, related to sort of the big share repurchase authorization or re-up of that, does what happened in the last 24 hours in terms of the announcement sort of change your approach to, or the company's or the board's approach to return capital to shareholders sort of in the near to medium term?

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

Thanks, Amit. Good morning.

Look, as we've described many times before, the three broad areas that are most active in the PFAS docket, the first of which was the US public water suppliers subject of the 2023 settlement, as I noted in my prepared remarks. And we continue to manage opt-outs in the PWS settlement.

The second is around the AG cases. Most are within the MDL. There are others outside of the MDL, like the state of New Jersey, which we've resolved and we continue to manage those. And of course, the third is the PI cases. That's the subject of yesterday's announcement. There's other matters that we regularly update investors on through our SEC filings that, lots of actions around some of the former PFAS manufacturing sites.

Prior to us exiting PFAS manufacturing at the end of last year, international matters that we continue to track and report in our SEC filings, they all move on their own individual timeline. And for all the other cases that are out there, I would just refer you to what's in the SEC filings. And I'll turn over to Anurag for the other part.

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Anurag Maheshwari - *3M Company - Executive Vice President and Chief Financial Officer*

Thanks, Bill. Hey Amit.

As I mentioned in my prepared comments, we will follow a balanced capital deployment strategy, very consistent with the investor day framework we laid out in february of last year. The first part is to focus for us to invest in the business to generate strong free cash flow. Our guidance for the year after funding over $2 billion of R&D and CapEx is to generate $4.8 billion of free cash flow, and we expect this to grow with earnings.

This combined with our cash in hand of over $5 billion or almost 2x of what's required to run the business, monetizable assets such as Solventum stake, and a healthy balance sheet allows to meet these obligations and at the same time keep flexibility for future capital deployment priorities, which include dividends, M&A, and share buyback. So I would say overall the increase in authorization just reinforces a commitment to capital deployment priorities and there's no change to overall framework.

Amit Mehrotra - *UBS AG - Equity Analyst*

Got it. Okay, thank you.

Operator

Julian Mitchell, JPMorgan.

Chigusa Katoku - *JPMorgan Chase & Co. - Analyst*

Hi, this is Chigusa on for Julian. Thanks for taking my question, and congrats on the resolution. So my first question is, I guess the peak cash outflow year for the combined liabilities of PWS, Personal Injury and Combat Arms is 2027, and then it steps down from there, but just can you calibrate us on what that number is of the cash outflow from the liability payments?

And then as a follow-up, just can you calibrate us on what this news means for the near and medium-term balance sheet leverage?

Anurag Maheshwari - *3M Company - Executive Vice President and Chief Financial Officer*

Sure. Chigusa, I think the question was that what's the cash outflow in '27 and '28? So, '27 will be $3.1 billion and then it steps down to $3 billion in '28 and then it goes down from there as it goes. We ended the quarter at a leverage of about 1.2, 1.3x. That's where we ended and we have a very strong balance sheet as of now.

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

Just to be clear, those cash outflows are for the prior agreements, not for the current PI settlement.

Operator

Thank you. Joe Ritchie, Goldman Sachs

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Joe Ritchie - *Goldman Sachs - Analyst*

Hi, good morning and congratulations, guys. I know it's been a long time coming. Good morning. Perhaps a question for Kevin. So helpful to contextualize like how you tried to mitigate any of the potential risk associated with this settlement. I'm just curious, with the 115,000 to 125,000 claimants that are both in and out of the MDL, what's the likelihood that there is like a material amount of future claimants? And then also, how was that contemplated when you guys set up the reserve fund?

Kevin Rhodes - *3M Company - Executive Vice President, Chief Legal Affairs Officer*

Yeah, thanks for the question. So note that no settlement can foreclose every possible future filing, but as I mentioned in my opening comments, this settlement includes a number of provisions designed to address both current and future risk inside and outside of the MDL. So we expect that non-settling both current and future MDL plaintiffs will be required to satisfy certain evidentiary and timeliness requirements in the order that we anticipate the MDL court will issue. So those are things like proof of exposure, injury, medical records, exposure records, supporting expert reports on causation and other issues.

In combination, the agreement contains the payments tied to participation to incent broad participation. The payments that are deferred to 2031 and 2032 and the reserve fund not fully paid until 2034, together with the court order and those provisions, that provides a framework for managing both current and the future docket. Also keep in mind that the chemistries at issue here are ones that 3M announced it was exiting in 2000. It was the announcement of the exit of those formulations.

We then proceeded to exit over the ensuing years. Other manufacturers continued making those formulations, and in fact, the language of the agreement that we reached with the plaintiff's counsel representatives recognizes that 3M's share of any potential liability, that may be alleged in the future will continue to decline. So as time goes on, we would expect to have increasingly strong defenses to future claims brought long after our exit. So in combination, I think all of that provides opportunities and a framework to manage future cases of risk.

Joe Ritchie - *Goldman Sachs - Analyst*

Very helpful.

Thank you, guys.

Operator

Thanks, Joe.

Vlad Bystricky, Citigroup

Vlad Bystricky - *Citigroup - Analyst*

Good morning, guys. Thanks for taking my question. Just a quick one from me. I guess any color or update you can give us on what this might mean for potential ongoing litigation expenses going forward and whether we could see those start to come down now that this personal injury settlement is in place?

Kevin Rhodes - *3M Company - Executive Vice President, Chief Legal Affairs Officer*

So maybe I'll take that one. As Bill mentioned, this certainly represents a significant step and we'll have an ability to have a decrease in the personal injury litigation activity that judges order that we anticipate will be issued today will include a stay of all personal injury cases against

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3M in the MDL and the vast majority of Personal injury cases are in the MDL And then we have further anticipate that the order as Bill mentioned will state its intend to defer future MDL proceedings against 3M while long-term efforts to implement the settlement are ongoing. The other parts of the docket that Bill mentioned State AG cases some opt-out cases from the PWS, international as well as regulatory customer matters those will continue, so we'll continue to have you know legal expenses associated with managing those cases.

They'll proceed on their own timelines as they develop and mature. We'll have ebb flow on the legal expenses, but that will continue to be a series of cases that we'll manage going into the future.

Operator

Thank you. Mark van der Zwan, Morgan Stanley

Mark van der Zwan - *Morgan Stanley - Analyst*

Great. Thanks, operator, and thanks for taking my question.

If you could comment to the extent you can, does the plaintiff's leadership support the deal and recommend participation? And following on that, what sort of participation rate is the threshold we're looking for here?

Kevin Rhodes - *3M Company - Executive Vice President, Chief Legal Affairs Officer*

Yes, so this, yes, this deal, the agreement we signed yesterday is fully supported by the plaintiff's executive committee and the court. We'll be working together to establish the settlement administration process, identify and notify claimants. Receive their supporting information regarding their claims, confirm their ability and eligibility to participate, receive their releases of claims against 3M and confirm their participation. The specifics of the participation threshold are confidential, they're set forth in a confidential exhibit. The parties have jointly requested that the court place that exhibit under seal in the court record to help facilitate implementation of the settlement. But yeah, we will be working together with the plaintiff's counsel on administration of the settlement on reaching those participation rates that are set forth. And we would expect by next fall, within about a year, we'll be in a position where the settlement administrator would be able to calculate participation rates.

Mark van der Zwan - *Morgan Stanley - Analyst*

Great, thank you.

Operator

Thank you. This concludes the question-and-answer portion of our conference call. I will now turn the call back over to Bill Brown for some closing comments.

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

Well, thank you. Let me close by bringing us back to where I started. Our focus has been to put this personal injury litigation on a path to broad resolution on acceptable terms. With this resolution, we accomplished the three goals I discussed earlier that we set out to achieve. Today's settlement is a significant step forward in managing our PFAS risk.

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More fundamentally, resolving legacy risk on acceptable terms is part of building a stronger foundation, and it allows us to keep our focus where it belongs, on transforming the enterprise, instilling operating rigor across every function, and driving predictable long-term performance. We're building a stronger, faster, more innovative, and more resilient 3M, and actions like the one we announced yesterday give us greater focus to execute on those priorities. We appreciate your continued confidence in 3M and thank you for joining today's call.

Operator

Ladies and gentlemen, that does conclude today's conference call. We thank you for your participation and ask that you please disconnect your line.

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