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# EDITED TRANSCRIPT

MMM.N - 3M Co at Goldman Sachs Industrials and Materials Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Joe Ritchie** *Goldman Sachs Group Inc - Analyst*

## PRESENTATION

**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

All right. Good morning, everybody. Welcome to day two of the Goldman Sachs Industrials and Materials Conference. My name is Joe Ritchie. I cover the multi-industry sector and also co-run the Industrials and Materials business unit. We're really excited to kick off today with 3M. We have Bill Brown, the Chairman and CEO here.

Before we kick it off, I am required to make certain disclosures and public appearances about Goldman Sachs' relationships, companies that we discuss, disclosures relate to investment banking relationships, compensation received, or one or more percent ownership. We are prepared to read aloud disclosures for any issuer upon request. However, these disclosures are available in our most recent reports available to you as clients on our firm's portal.

So with that, Bill, thanks for joining us here today.

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

Great. Thanks for having me.

## QUESTIONS AND ANSWERS

**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

So let's kick it off. Look, it's been 20 months. Talk a little bit about like how the operational discipline across the business has really changed? What's been the most important structural change that you've driven so far? And what still needs to happen to kind of sustain this going forward?

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

Right. Well, thanks for having me again. In 20 months, it only feels like 19. So it's been -- time is really flying here. So no, it's -- we're off to, I think, a very good start. We're building momentum. But I'd say, we're still early in the innings, early in our transformation journey at 3M.

I think there's two fundamental changes, I think, that are happening at 3M. And one, it gets back to what I started talking about my very first earnings release at 3M, and that's the priorities. I think the thing that we've not changed is around the priorities. So the number one thing is around focus, it's constancy of purpose, it's consistency. It's staying true to the three priorities and the things that we're trying to do inside the company. It's around driving growth, driving operational performance and effectively deploying capital.

And every meeting I'm at internally, every all hands I do, we just got back from Asia, we did three all hands. I always start with safety and then these three priorities. And it's the same thing I do in my earnings releases.

And every quarter, we have a little bit more to say because we're making progress. So we're talking more about the things that we're doing, the impact of the activities. But number one is around constancy of purpose. And I think you can see that in the messaging and in the results for sure.

The second is a foundational element around culture that we put out. I've talked about this at our Investor Day back in February. It does seem like eons ago, but back in February. It's around driving rigor and operational execution and speed and urgency and accountability throughout this organization, challenging the status quo.

A lot of people at 3M have been around for a long time. And I'm encouraging people to think about today differently than yesterday and tomorrow differently than today. And that's sort of challenging every single day the things that we do and want to do differently. So those are the, I think, two important changes that we made inside the company. And I think what you see is good momentum and progression towards those Investor Day targets that we laid out back in February.

We talked about driving growth of \$1 billion over the macro. We talked about hitting 25% margins by 2027 and returning \$10 billion of cash to shareholders over three years. And across all those dimensions, I think we're making good progress, and we're well on our way.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

It's great to hear, Bill. And so one of the things you guys have really talked about is this innovation engine. So talk a little bit about how new product vitality is driving better commercial success across 3M?

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

So this is -- I mean, look, people join 3M to innovate and solve tough problems for customers. It's fundamental to what defines 3M. And I think you know we've lost our way on innovation over some period of time. So it was one of the top priorities to get back to driving growth from innovation. I'm really pleased with how the team is responding to some of the structural changes that we're making today in how we innovate and develop and launch new products.

So I won't go through the numbers in much detail. It's -- I go through this every quarter, but we had launched 196 products in the first nine months of the year. We're very proud of that. It's up 70% over last year. It's almost in line with where we were.

Actually it's more than last year, and it's going to be for the year, about 250, so it will be double where we were two years ago. So we're launching a lot of products. So the 250 this year is above the goal we had set for this year. It was around 215. 215 would have gotten us to 1,000 products over three years. That was the goal we set out back at the Investor Day, and again, we're tracking ahead of that.

I think what's important is not just what we're launching, but the backfill of the pipeline because one of the worries that I had was when you're launching more products, and I knew we had some things in the pipeline to go launch that you'd start to dry up in the pipe. And in fact, we're not doing that. We launched 70 products in Q3. We put 130 new projects into the pipeline, and we have 1,000 new ideas sitting out there about to go into a business case development.

So we're actually filling the front end of the pipe at a faster rate than we're launching product, which I think it is really important. We are starting to move the curve a little bit on top-line growth. Our five-year new product sales year-to-date is up 16%. For the full year, it will be up 19%. The reason we use five-year new product sales, that gets to a vitality index.

Historically, 3M many years ago was in the 30% range. We dropped to 10%. By the end of this year, we'll be at 12%, get back to 20% by 2027. But that's how you drive the growth of the business. You got to get back to bringing fresh products to market.

So I think it's actually going reasonably well. We're making good progress at instrumenting the organization in driving more rigor and discipline into this factory we call R&D. Our launch attainment is now running north of 80%.

Beginning of the year, it was 70%. Last year, it was in the mid-60s. I think before that, I'm not even sure, quite frankly, we were measuring launch attainment. So we're launching products within a two-week window of when we said we would when it got into the development pipeline, which is really extremely important.

We've got a good idea generation process. We're spending a little bit more on R&D, about 30 basis points of sales now more in R&D. But importantly, we're pushing more of the spend in R&D towards new product development. We had historically been around 40% or sometimes north of 40% of R&D spent on new product development. That dropped below 30%. We're running around 35%, 36%, and you'll see that number coming back up.

Now a lot of the products we're launching are going to be replacement products, things that keep the portfolio fresh. So you're not seeing a lot of impact on the top line, but you will over time. Most of what we're launching are things like a new color and a command strip or expanding our size range in Filtrete or a new self-contained breathing apparatus, a variety of different products, but they're sort of incremental.

But over time, we'll be launching more products into adjacencies and new products. I think that's when you'll start to see the top line turn because of innovation. But don't get me wrong in this one. It's really important to launch more products. We're getting the rhythm back going, the rigor into the process a lot better, and you will see the top line move because of launches that are happening.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

Makes a lot of sense, so product vitality is one part of it. You've also talked about rebuilding your commercial program as well, like early quoting, stronger channel partners. Like how far along are you in that initiative?

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

Look, this is -- I think we're still early innings on the commercial excellence piece. And I think this is an area that I was a little bit more surprised about when I came to 3M. It's reflective of the historical culture at 3M. We were operating more like a holding company than an operating company, meaning each of our sales forces around the world were run fairly independently and no sharing of best practices, no common systems or processes. And that's starting to change a little bit as we move from a holding company more to an operating company.

We laid out three levers to drive commercial excellence. One is improving the performance at the frontline, the frontline execution of the sales force. So are they -- who are they calling on? Are they getting the right training from the manager? Are they meeting with their manager?

Did they have Close won targets? When are the quotas being set? And are they held accountable to those quotas? How is pricing governance happening? And we're seeing opportunities across all of those things.

You got to imagine, I mean, the sales manager was not meeting with the sales rep more than once a month, a couple of times a quarter. Now we're tracking. It's happening 3 or 4 times a month. It's very regular and reviewing what you're losing, what you're winning? Are you tracking your Close won targets? Putting rigor into how that sales force is working. I think that's really starting to show some benefit.

The second lever, we do -- we sell a lot through distribution, through channels. So are we improving the effectiveness of those channel partners? This is like going out and talking to them about joint business planning and cross-selling. We set a three-year goal in SIBG of \$100 million of cross-sell revenue by year three. We're tracking well ahead of that.

We gave some of the facts at Q3. We're over \$120 million of opportunities. We've closed and won annualized \$30 million so far within about nine-month window, so moving along very, very quickly. And we're finding opportunities not just within SIBG, but also between SIBG and the Transportation & Electronics business.

The third is around increasing -- improving customer loyalty. It's reducing attrition or churn. Part of the driver of that is going to be, we're not delivering things on time in full or quality or new products or pricing was off. But the best way to grow your business is to not lose it, and we were losing too much business. We're not tracking that very rigorously. We use AI tools for both predictive and response to attrition or churn, and we're starting to make some improvements to that.

It started off in SIBG. A year ago, we launched this initiative in our Safety & Industrial business, mostly a channel business, the largest part of the company. They started in the US. They rolled it out globally. And you can see the progress that we're making in SIBG.

If you go back to the beginning of last year in the first half, we were down 1.6%. We ended up at plus 1.6% in the back half of the year, front end of this year, 2.5%. And of course, you saw growth in Q3 was at 4%.

So we're seeing the pickup. And I think a very important chart that investors should look at is the one we put it into our earnings release at the end of October on SIBG. It maps out 11 quarters of growth at SIBG going back 11 quarters ago, minus 6% to plus 4% in the latest quarter because of improving OTIF. We're launching more products. We're driving commercial excellence, more cross-selling wins, and you can see the direct effect of some of those pieces.

We're now following that through that same process into our Transportation & Electronics business, learning from some of the best practices that we saw in SIBG. We're rolling that through into TEBG. Of course, there's a spec-in business, so it's going to be a little bit nuanced, but there's a lot of the learnings from SIBG can be rolled into TEBG, and we're starting to see some benefits there as well.

So look, this is -- it's early innings. We're starting to train up the sales force, driving more rigor into that, holding the salespersons accountable, making sure they're appropriately trained with the right incentives early in the year, with the quota we got early in the year. This will make a big difference.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

That's super helpful. So maybe let's transition on potentially early thoughts on 2026, right? So you've had Electronics & Aerospace, which has been strong, Auto OEM and Consumer still soft. What are you -- how are you thinking about end market demand as we head into 2026?

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

So you're right. I mean, Auto has been relatively soft. The build rate has been up, but it's mostly been China, and not the US. And I think all regions are expected to be down in the build rate in the fourth quarter. We start off at the beginning of the year in Auto being down mid-single digits.

We're flattish in Q3, but we're starting to gain some share here, which I think is really important. And it's important to go out and win with China OEMs, win with the winners. So we're pushing a lot into China.

Electronics has been pretty good. Aerospace & Defense has been pretty decent for us. As you go across the pieces of the portfolio, even at TEBG, our commercial branding and transportation business has been relatively solid, low to mid-single digits. Safety in SIBG started off at the beginning of the year, low single digits, growing mid-single digits in Q3. So getting a little bit better.

The abrasives business has been challenged in the last couple of years, sort of low single digits, growing mid-single digits in Q3. So parts of the portfolio are doing quite well, and there's a few pockets that aren't.

As you said, Auto could be -- it's a little bit weak. We'll see what happens going into next year. We know in a few parts of the business, and commercial vehicle is not a very big part of the company, very small, actually, \$100 million, but it's down quite a bit and getting a little bit worse through the course of the year. Our roofing granules business in SIBG has been under some pressure, start off the beginning of the year, low single digits, was down in Q3, kind of similar trend going into Q4.

So we're seeing some pressure in a couple of parts of the business, but the consumer has been relatively weak all year and not getting much better going into Q4. So that's kind of the trajectory of some of the businesses. We're planning for a macro that looks pretty similar to that in 2026. So that's what we're thinking about. But through Commercial Excellence and Innovation Excellence and a lot of the work we're driving in terms of productivity and Operational Excellence across our factories, we do expect to outgrow the macro going into next year, and we're planning for being able to achieve that.

So what we're looking at is some growth above the macro going into next year. And through productivity, the things that we're doing there drop through on some of the incremental volume, offsetting some tariff carryover going into next year, some stranded costs because of getting out of PFAS, we still have our algorithm in place for driving high single-digit earnings per share growth going into 2026 and beyond, on track to '27 targets.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

Super helpful. And just one nuance there. The macro that you're planning for, is that a comment around -- comparable to your full year this year, your exit rate in 2025?

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

It's pretty much where we're coming out of the year in 2025 as we see transitioning into next year. Look, it's hard to predict what the macro is going to look like in the next three, six, nine months. So what we're doing is we're recognizing that we've got a lot of things that are self-help stories here at 3M and a lot of things we can control. And we're saying regardless of what's happening in the macro, we need to be growing the business next year and growing earnings.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

When you're tracking your potential like project funnel to drive productivity going into next year, has that project funnel increased or accelerated? Because I know you had a lot on your plate for this year and the performance has been very good this year. So just curious like how has that productivity funnel really changed over the past 12 months?

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

So it's been very good, actually. We've -- we came into the year, you'll recall back at the Investor Day, we thought the margin expansion over the next three years was going to come more from factory productivity, supply chain excellence, and things happening in the gross margin side. We've been driving productivity and gross margin, but it's been offset somewhat by stranded costs and tariffs that have been rolling through the gross margin side. We're finding more opportunities to take cost out of G&A through end-to-end process redesign, thinking structurally about where we have activities around the world, driving process excellence, reducing indirect costs, including an IT spend. So we're finding more opportunities to drive productivity across the G&A functions.

And I think you've seen that so far in our margin results year-to-date. Year-to-date, we're up 220 basis points. For the year, we're guiding between 180 to 200 basis points. And that's tracking ahead of what we said we would get to over the course of the three-year goal getting to 2027.

If you just go back to where we were at 2024, we ended the year at 21.4% operating margin. That's where we ended. To get to 25% by '27, it's 360 points, 120 on average every year. Of course, it's not going to be linear, and it's not linear this year. Again, we're up 220 year-to-date for the year, 180 to 220, more from G&A activities.

And as we're starting to think about this, I think as going into '26, we'll see more coming from our supply chain activities.

We're doing, I think, a reasonably good job in our procurement side in offsetting inflation, including tariff pass-throughs from some suppliers. So we're doing some good work there. Within our four-wall spend, a good work that's happening, more automation opportunities. One of the areas that we have seen some progress this year, and we'll see some progress over the next several years is improving on quality cost. I've been talking about this for over a year.

We went through some details in February on what's driving cost of poor quality. But it's been running -- as of the end of Q3, it's at 5.7% of cost of goods. You run the math, it's about \$800 million. Last year, it was over \$900 million. So it's down \$100 million year-over-year. And that 5.7%, we think over time, should hit a goal of being below 4% of cost of goods. So a lot of opportunity ahead of us in terms of driving cost of poor quality down as well.

Some will happen through automation, use of AI tools to more effectively change over lines with us going from product A to product B in our factory. So it's a pretty good productivity roadmap that we have here. And we're now starting to think about what are those ideas that are out there to structurally reduce costs across the company, both in our supply chain.

We know we've got too many factories. Our footprint is pretty large. We're still running north of 100 factories and about 80 distribution centers. Structurally, there's an opportunity to reduce cost. That's going to be sort of happening that drives the horizon beyond 2027.

And some ideas of what we need to do to drive G&A function productivity as well. Just as an example, we have four shared service centers. They're not in the lowest cost places in the world. There's activities that should be in a shared service center. There should be some better performance driving metrics.

We should look at putting them into low-cost countries or outsource some of those activities. And that's what's ahead of us in terms of this transformation agenda that we're now starting to talk more about.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

That's great, Bill. Look, we talked a little bit about new product vitality earlier. To what extent is that going to allow you to potentially have structurally higher pricing going forward? And then how are you thinking about pricing as well into 2026 because you have the whole tariff disruption this year? I'd be curious to hear what your expectations are.

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

So historically, we have priced to offset material cost inflation. I mean, that's been our approach. So if you run about 2% material cost inflation on \$6 billion of spend, \$120 million, that translates into about 50 basis points of price. So that's in the number. That's what we've historically been doing to just offset material cost inflation.

This year, we'll see about 70 basis points of price, 50 in the front half of the year, 90 in the back half of the year. The extra 20 for the full year is covering some part of the tariff hit. So that's what's happening. You'll see that rolling into the first half of next year and annualizing in 2026.

Look, we have a couple of ways to improve pricing, and I referenced one a couple of minutes ago, and that's better pricing governance through our sales force effectiveness, Commercial Excellence initiative. There are too many times we see price discounts given or volume

rebates given without getting the volume. So we do special price agreements that don't get any volume coming through, and we're getting much better controls around that.

The second part of it is around trying to drive better pricing and price to value when we're launching more products. When you go for a period of time and you're not launching a lot of products, we're not really focused on value-based pricing. Now that we are launching more products, this is a big focus of the team is how do you capture the value of what we're providing through the price that's being offered on the new product. And I'll give you a good example.

We talk a lot internally about Cubitron 3. It's our abrasive product within SIBG. It's a very interesting, unique design. It's proven to reduce the workload on a welder's arms and the time it takes to grind down a weld. And you can actually translate that into value, and we expect to get paid for that in the price of the abrasive product.

And that's how we go to market. That's how we price that product. But it's pretty unique. We need to take that same sort of lessons around how do you price and drive it across all of the different products we're launching into the marketplace. So structurally, what we ought to be doing is driving better pricing over time than simply covering material cost inflation, and that's the objective of the team.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

So I'm going to open it up to the audience in a second, but just a follow-on to that to what you just said. If you think about those two opportunities, which is sales force needs to do a much better job, not pricing down as the year progresses and then secondly, we need to do a better job of pricing our innovative products. Which one is a bigger opportunity for you?

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

I mean, look, they're both going to be pretty important. I mean, I think it's -- you got to walk before you run these things. I think when you're trying to price to value for new products, since the product coming on the marketplace, we have an opportunity as we're developing a business case, developing our marketing materials to say, look, there's going to be a different price for the new product coming in. So to me, driving price through new product innovation is going to be pretty important and one that we're focused quite a bit on.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

Okay. Great. So I'll turn it over to the audience. Any questions from the audience?

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**Unidentified Participant**

A little bit about cash flow. With higher margins and better cycle times, how should we think about conversion versus historical?

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

So this year will be more than 100% of net income conversion, and we expect it will be greater than and equal to net income going into the next several years. We laid that out for at the Investor Day earlier this year. We generate very good cash inside the company. We have opportunity to do a little bit better on working capital. Inventories are running right now little bit higher than we would want them to be.

We think it should be lower than that over time. It was around 100 days roughly at Q3. We should be down around 75 days. Each day is around \$35 million.



So we see an opportunity to drive inventory performance. But look, one of the things I didn't really talk much about here is when I talked about churn, it's about delivering products on time in full. We hit the best quarter we've hit in any quarter going back 20 years on time in full at 91.6%, which is great results. And what's happening is people aren't complaining so much around not getting the product on time in full, customers aren't.

And we're taking an excuse away from the sales force as to why we're losing business. It's where we need to be. The number can actually come back up even further over time. But what we now have to do is think about on time in full a little bit differently. So how do you drive that up over time a little bit more?

How do you reduce the lead time giving product to a customer and bringing the inventory down at the same time? And that's got to be the focus over the next one to two years. So cash flow has been good. We'll see continued conversion at or above net income. We'll continue to invest appropriately inside the company, but cash has been pretty good.

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**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

Other questions from the audience? It's a good segue way from cash flow into capital allocation priorities, right? So you've been active repurchasing your shares this year. Clearly, you're reinvesting in the business. There's probably some M&A ambition as well. Maybe just talk to us about how you're thinking about managing all three?

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

So again, cash has been very good. In terms of capital allocation, it's consistent with what we laid out at the Investor Day. Number one, we're going to invest in the organic opportunities inside the company. We have some of those. We've been investing inside the company last year, \$150 million of incremental growth investments and this year, about \$185 million. We said we would do \$600 million in growth and productivity investments over three years. So probably a little bit more coming into 2026.

So there's opportunities to invest positively with good returns inside the company. We're going to maintain a strong balance sheet. Right now, we're running around 1 times leverage, which I think is important. There's things ahead of us. There's liabilities we're watching very, very carefully.

So we're trying to maintain a very strong balance sheet. We still have a piece of the Solventum spin on our books, about 15%. It's worth a little over \$2 billion. So that's sitting there as well in terms of helping us with liquidity.

And then we're going to return cash to shareholders. We said at the Investor Day, we would return \$10 billion over three years. This year, we're already around \$4 billion -- \$3.9 billion. Of that, \$2.7 billion was in share buybacks. Of course, as the stock has come up, we've seen some option exercise inside the company, and we're sort of we're offsetting that as well. But we've been pretty aggressive in returning cash to shareholders.

Again, we're -- this year, it will be north of \$4 billion of \$10 billion. So we're tracking a little bit ahead of that goal we set over a three-year time period. On the portfolio, look, we talked about this quite extensively back in February, and we referred to this at every earnings call. We will structurally shift the business over time into higher growth, higher-margin potential businesses, means getting out of some things that we're in today and perhaps getting into some things that can add accretively to the business and can take advantage of the innovation and material science capabilities of the overall company. And we're making some progress there.

We talked about a couple of things that we divested fairly recently of a business in the third quarter. It made strategic and financial sense to shareowners to go and do that. But over time, depending upon what's happening with our own liquidity, we'll look to acquire. But right now, we're thinking hard about the portfolio and the things that don't really make sense to be inside the portfolio.

**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

On that addition by subtraction comment, so clearly, healthcare is no longer part of the portfolio. Are you -- are there potential options to do sizable things from a divestiture standpoint? Or are you thinking mostly trimming around the margin?

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

So look, we -- earlier in the year, we said we had 120-plus profit centers. We're going to look at them very individually, and we have. We concluded about 10% of that portfolio probably doesn't fit strategically in the sense of -- it leverages the innovation of the company. It's where we don't have a clear right to win, where it's more commodity like. Of that, 2% to 3% were things that we thought made sense to divest where it would make sense to shareholders.

We've got to watch the dilution quite carefully and the stranded costs, and we start to action on that 2% to 3%. Look, we're looking at this daily. I won't say that there's small or big parts of it, but we're taking it in pieces.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

Okay. Sounds good. You mentioned Solventum. How are you thinking about the timing of that exit?

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

So we have five years to do it on a tax-free basis. We sold 1/4 of our stakes, about 5% back in August at a pretty good price. We have 15% left. Just to keep in mind, we are a complete passive owner of Solventum. We have five years, and we'll monetize it within that five-year period.

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**Joe Ritchie** - Goldman Sachs Group Inc - Analyst

Should we talk about the potential liabilities that are out there? And do you want to give an update?

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

So there's not much of an update in terms of outside -- what's outside of the SEC filings. There's three things that we're tracking. Of course, one is the public water supplier settlement that was executed a couple of years ago. By 2028, we'll be about 80% of the cash through. So we're watching a couple of the opt-outs on PWS.

The second area is around the attorneys' generals. There's lawsuits within and outside of the MDL, mostly within the MDL. You probably saw back in May, we settled with the state of New Jersey.

It was very attractive for us. It was a reasonable amount of cash over 25 years with a balloon out in 2050 and very broad liability protections around the state of New Jersey. And other states are looking at that model and perhaps can replicate something like that. So Vermont will be coming up maybe in the next year.

There's a little bit of skirmish right now between whether that be handled in the state or federal court. We do know that Illinois is scheduled for next September. That's a little bit further out, and there's other states that are again, within or outside of the MDL.

And the third is around the personal injury cases, the bellwether that was supposed to happen in October was canceled or postponed for the judge to force a lot of the unfilled cases to get filed. That's now happened. We're in a vetting process right now. The number of cases went up to about 14,000 -- just under 14,000.

Some have multiple claims within that, and we're going through a vetting process. And we'll have more to say through our SEC filings, but this is an active discussion and one that we're focused on quite aggressively inside the company.

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**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

Great. Let's transition over to China. Can you just level set us how big is China for you today? It's interesting how strong it's been as well, not seeing that for a lot of our other industrial companies. So maybe just talk a little bit about like what's driving the strength? Is it end markets, share gains?

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

Yeah. So China, look, it's about 12% of the company. It's been growing very, very strongly for us. Last year, it was low double digits. This year, it was mid-single digits most of the year.

Q3 was high single digits. So it's been growing pretty well. We have a very good footprint in China. We have seven factories. We have close to 5,000 people.

And we've got a unique model for two countries, one China, one India inside of three, and we run our businesses globally, including through China and India. But in China, we have a vertical organization run by a President of China because of some of the unique characteristics of that market, how fast it's moving, the requirement for local development that are moving at the speed and the pace of China OEMs. And that model has been very effective for us.

Half the business is domestic and half goes export. It's -- and both are growing. And I would say, we're seeing solid market growth, but more importantly, we're seeing share gain because of the way the business is attacking the opportunities on innovation and commercial excellence.

We were there just a couple of weeks ago. We spent three days in China. And the team is doing an unbelievable job in terms of just attacking new parts of the market. Their journey on commercial excellence mirrors what we're trying to do around the world, but on steroids. I mean, they're moving at a very fast pace. They're driving the business very well.

I'm pretty optimistic about the future in China. China, it's going to slow down here in the fourth quarter. We knew that. We thought that was going to slow in Q3. It didn't.

But we feel it's going to slow down a little bit in Q4. There are some dynamics of things happening in China or moving outside of China. So there's some dynamics of where electronic components are being manufactured through Asia, but the business is doing well.

The innovation is good. There's more things we can do just local for local development. If you're in the automotive supply business and you're not winning with China OEMs, you're going to lose eventually someplace else.

You've got companies like BYD that in 18 months to launching new vehicles. They have 110,000 R&D engineers, and they require you to develop products in six to eight months. That's a cycle time that we don't do, most companies don't do anywhere in the world to supply to automotive OEMs. We are now doing that in China. We are developing and launching products for BYD and others in that six-, seven-, eight-month time period.

And if you're successful there, you could be successful in other places around the world, and I think we're starting to prove that point.

**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

That's great. So Bill, you mentioned a little bit on China and your expectations for the fourth quarter and that it's kind of in line with your expectations that it was going to slow down. Any other comments that you want to make on how things are trending?

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

So look, it's pretty much like we said at the end of the third quarter in terms of the overall macro trends. We do see the consumer market to be relatively soft. You can read it in every report, known demand and what's happening with retailers. We've not seen a strong consumer all year. We see consumers being cautious and focused on discounts and promotions and essential items only, and we see that going into the fourth quarter, perhaps into early next year as well.

Consumer is not a big part of the company, but it's an important part, but it has been soft. But even in that sort of soft macro backdrop, we found a way for the first three quarters of the year, it's actually four quarters in a row growing positively. So Q1, 2, and 3 this year, we grew at 0.3%. And it doesn't sound like a lot, but just making sure we're growing in consumer was quite important. We're launching more products, new products in consumer.

We're more aggressive on advertising and merchandising. The strategy we put in place to focus on four priority brands is working. That hustle that's happening in the business has been palpable.

The team is doing a great job here, but consumer has been relatively soft. And I talked a bit before about the roofing granules business. This, I think I put this back on consumer behavior in many ways as well. We saw the front end of the year at low single digits. This is mostly replacement demand.

Sort of joke internally, it's easier to buy a bucket than replace a roof. And I think it's what people are doing right now. They're not replacing the roofs. It will eventually happen. You have to.

But when you have the housing market stuck, you're not replacing roofs, you're not doing things to upgrade your home as you're transitioning from the home ownership. And we're seeing that right now.

Q3 was in that roofing business was relatively weak, and it's as weak as it was in Q4. It will turn back eventually as it has to, but that's been a little bit soft coming into Q4. But generally speaking, it's the same trends that we saw in Q3 continuing into Q4.

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**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

Really helpful. Bill, any last comments you want to make to the investors that are listening?

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

Look, this has been a great journey. We're 18 -- now 20 months, I got to remind that. But look, this is that we're running at a great pace. What I'm finding every single day more and more opportunities to do things better. The one thing to take away, the culture inside the company is changing.

This is going to be probably the single biggest factor to drive performance at 3M is changing the culture, driving the hustle and rigor and operational discipline and continuous improvement and driving accountability.

This will be the first year in many years, we're driving differentiation in the pay awards across 3M. It's really important. You get clear objectives and you get paid for performance. And I think that's what's going to happen inside the company. It's important.

We're on a great trajectory, and we're going to win.

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**Joe Ritchie** - *Goldman Sachs Group Inc - Analyst*

Bill, congrats on the progress. Thank you for coming.

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

Thank you. Thank you.

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