3M @ J.P. Morgan 2024 Industrials Conference
Mike Roman and Monish Patolawala
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Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

All right. Great. Kicking off day 2 here bright and early, 7:15, so glad to see everybody here. Very happy to have Mike and Monish from 3M with us. Mike is going to make a few opening remarks, and then we'll jump right into Q&A. So Mike, thanks for being here. Again, congrats on the announcement yesterday.

Mike Roman, Chairman and Chief Executive Officer

Yes. Thanks, Steve. I'll start there, the leadership announcement yesterday. So I'll just start by saying I'm excited to have Bill Brown joining 3M as CEO on May 1, and Bill brings an incredibly strong track record as Chairman and CEO of L3 Harris Technologies. And he was also Chairman and CEO of Harris Corporation before the merger. He had also an extensive experience as a business leader with United Technologies. They'll -- he brings all of that leadership experience with 3M. So we're excited to be working on the transition. I'll be moving to Executive Chair on May 1. Bill will stand for election to the Board as part of our Annual Shareholder Meeting in May, and we'll be working together. I'm looking forward to working with him on a successful transition.

So with that, I'll focus on the priorities that we've been talking about and this is -- will be part of the transition, Bill is focused on these same priorities, and it's about driving improved performance through the 3M model. It's about a successful spin of our Health Care business, Solventum, and it's about reducing risk and uncertainty, primarily facing into our -- some of our litigation matters.

And when you look at performance, we had a strong performance in 2023. We exceeded our expectations and our guidance for both EPS and cash flow, strong performance in both areas, with growth at the low end of our range as we went through the year. So focused on what we can control and execute it well. We also executed the largest restructuring in the history of the company and did a good job of executing the -- every aspect of that restructuring. Importantly, it was about improving how we operate as a company. We -- and we demonstrated that we can take advantage of that in our performance, in our operational excellence, in our commercial models and in taking our cost structure down. And we saw benefit from that as we went through the year, and we continue to build momentum off of that as we come into 2024.

Turning to the Solventum spin. So we had Board approval last Friday for April 1 spin of Solventum. We had a successful debt financing in late February, $8.4 billion. We'll leave $600 million in cash for Solventum. And net of fees, that will return $7.7 billion to 3M Company. We'll also take a 19.9% stake, which we intend to monetize in the first 5 years, both will take a strong balance sheet for ParentCo and make it even stronger as we go. And April 1, we're looking forward to standing up 2 world-class public companies and see the successful execution of that spin of Health Care.

On litigation matters, first focus maybe is public water supplier agreement. This -- when we set out on working through this as part of the multi-district litigation, we had a few goals and -- that we really were driving towards. One is to get a broad-based settlement with public water suppliers in the United States and to do that to address PFAS, all PFAS at any level, and we would support testing to -- as part of that agreement. And we were successful in putting that -- that was a settlement we announced last June. We have really overwhelming support from the public water suppliers at this point. We have mid-single-digits opt-outs, and we're working forward as part of the process, waiting for the final approval from the court regarding that matter. So really see that moving forward and accomplishing the goals we set out and really helping to manage that part of the PFAS litigation.

On Combat Arms, we've had a goal from the beginning to get certainty and finality, a large number of claimants as part of the Combat Arms multi-district litigation. So it was important that we get certainty and finality from the agreement, and we had a goal to get to more than 98% participation from the claimants in that MDL. And we're very strongly above that as we come out of the initial registration date in January. We're facing the final registration date here at the end of March, March 25. And we're very confident that we're in a strong position. We have less than 25 plaintiffs that at this point are saying they are not going to participate in the settlement. So that's 25 out of almost 300,000 claimants. So getting to what we were looking for with certainty and finality.

And then we are continuing to make progress on our announcement to exit PFAS manufacturing, continue to make good progress in all aspects of it. Our volume is down more than 20%, which is ahead of what we had planned. So we're very confident we're on track for that. So that's really making good progress in resolving those risks related to litigation and broader PFAS.

And then just turning towards the start of the year. So first quarter, we had guided about -- approximately $7.6 billion in revenue. We're on track with that and continue to see it playing out as expected in the first quarter. We had a guide for first quarter earnings between $2 and $2.15. We're going to add $0.05 from the interest on the Solventum debt raise. And so it will be $2.05 to $2.20 as the first quarter guidance. And we continue to make good progress on that, and we can talk more about what we're seeing in the marketplace, but playing out pretty much as expected.

So we're well positioned as we work through these settlements and resolve those, as we get to the successful spin of Health Care, we're well positioned to be successful and have another very successful 2024. We're focused and committed on delivering on our commitments as we go through the year.

So excited to be here today, really excited about the steps moving forward. And we continue to build momentum in everything that we're doing and the performance of the company and excited to talk more about that. So with that, Steve, I'll turn it back to you.

Stephen Tusa

Thanks, Mike. So just on the management change, the timing of this. Maybe if you could just delve a little bit deeper into what the discussions were like and how you guys or the Board came to this decision and -- or obviously, I think you have a -- somewhat of a view, but -- and how long are you going to be in this role for?

Mike Roman

Well, I think, first of all, back to Bill for a second. Bill is the right choice for us. He brings all that strong track record. He's the right leader for us as we move forward. So I'm really excited about that part of it. The Board, successions are always on discussion with Boards, and we've had a continuous discussion around succession, as I've been part of the Board, as I've been CEO. And we got to a point where we have the right candidate at the right time. And it's -- I would say it's a good transition process that we've laid out. Bill will be part of the proxy -- upcoming proxy. He'll be -- stand for election at our Annual Shareholder Meeting. So the timing worked out well from that standpoint, too.

But it's a good time. We're stepping through these big milestones that I just talked about, and it's a good time to make the transition. And again, Bill is going to take it and run with it and take it to new levels.

Stephen Tusa

And you'll be in your position for a couple of months. Or is there a...

Mike Roman

It's as important for Bill too, that I'm part of the transition and supporting him in the transition. He's going to come directly into the company as CEO, and I'll -- as Executive Chair, I'll work with him, and I'll continue to help with some of the big strategy as we work through that transition. But it's important to support him in the transition and to help the big strategies and priorities that we have as we focus on 2024.

Stephen Tusa

What would be your advice to the incoming guy?

Mike Roman

Well, I think it's really much aligned with what we believe we are -- we have good momentum on and what we're focused on. So it's broad-based. But it's -- and Bill, I don't have to give advice on how to be a CEO. That's one of the best parts of it. It's about learning the company. So – one of the things we talk about – we had an introduction to the employees this week and talked a lot about how he sees the future, how he sees the company from the outside. And I think that's a good starting point.

Stephen Tusa

Okay. On the near-term stuff, sales tracking in line. I mean, DuPont was saying their trends were tracking a little bit better, perhaps some in the electronics side. What are you seeing? Is there anything moving around, anything better, anything worse, either geographically or by the segments?

Mike Roman

Yes. Overall, I said first quarter is playing out as expected. You look and take a look at each business. So industrial is mixed. There's some strength in some of our Industrial markets. We see it in -- our automotive aftermarket business is showing some strengths. Our Industrial Minerals is showing some strengths around continued construction in that area that's helping that market segment. Broadly, it's more mixed in Industrial. If you look at electronics, we're seeing some strength in electronics coming in stronger than expected, as we look through the quarter. And I would say Consumer Business is pretty much in line, seeing the things that we've talked about there. Consumer spending and discretionary product categories are still soft, and we're working through that, but pretty much in line.

If you look geographically, I would say U.S. is the strength. We're seeing us, I would say, the rest of the world play out pretty much as expected, a little bit of strength in electronics showing up in Asia and China as part of what I just described.

So -- and if you look at the top line revenue number, a little stronger organic growth, offset by a little bigger headwind from FX, but pretty much on track with what we've guided.

Stephen Tusa

Got it. And as far as this electronics pickup is concerned, just remind us of your exposures there and -- because you have optical and you've got some connectors and -- anything in there that's exposed to things like data centers there. It's kind of a bit of a 2-speed world there.

Mike Roman

Yes. There's an expectation that we see some improvements in electronic markets, as we go forward, consumer electronics, semi, data centers, other areas that have been strong. And there's an expectation that, that gets better as we go through the year. What we're seeing in first quarter is really some wins for us. We're seeing spec-in wins and some share gain in some of those consumer electronic applications. That's what has been driving a little better-than-expected performance for us in the first quarter.

Stephen Tusa

And as far as the other kind of thematic discussion around things like EVs, you guys have a really strong business there. What are you seeing as that transition perhaps slows a bit from the pace it was at?

Mike Roman

Yes. We talked about automotive electrification, and it's certainly an important part of that is electric vehicle powertrains. Probably, another area that's equally important and has been a big driver of growth has been the increased penetration of electronics on all automobiles and light-duty vehicles. So it's the increase in displays and electronics that goes into the bill of materials of the automobiles, becoming more of a consumer electronics device in many ways. And so we saw that last year. We had 30% growth, $650 million business that we call automotive electrification. And we continue to see that as a growth driver for us as we go forward.

As we come into '24, the -- we look at the build rate. We've been outgrowing the build rate. That's part of that 30% growth. And our ability to continue to win specs, take advantage of the innovation that's going on in those electronic applications in the EV powertrain. And we continue to see that as an opportunity to outgrow build rates.

Now build rates for '24, '23 outperformed the initial projections. It was almost twice what the expectations were at the beginning of the year, by the end of the year in terms of build rates. This year is expected to be flat or slightly down, and I would say Q1 sequentially down from Q4. We're seeing that play out as expected on the build rate side. We haven't seen any big inflections around that. We're seeing our wins help us to continue to drive good strength in that business, and we expect to continue to outgrow the build rates.

Stephen Tusa

This business you have called out commercial solutions, some of these businesses, we kind of lose track of what's in there, but it's a reasonably big business for you guys. And it's, I think, growing okay. What's in that business? What's driving growth there?

Mike Roman

Yes. We -- it's got a new name, too. There's commercial solutions as part of a larger division, and it's -- there's 2 things in that business that you'd see at a division level, what we would call a division and what you'll see in our earnings decks, you'll see an update on the revenue that those divisions are driving.

It's really a couple of big categories. One is commercial applications, so commercial solutions for branding, graphics, large graphics. So it's graphics applications. It's got auto graphics and films. It's got a large traffic safety business. So if you remember, our reflective materials for traffic safety application signs and license plate, pavement markings, that's all part of that business. And so we're seeing that steady end market dynamics. It's something that has -- it tends to be long term in line with macro, and it's been a business that has opportunities for innovation for us. We see an opportunity to continue to drive innovation in especially our film technologies, in some of those key markets. So it is an important part of Transportation and Electronics business, the business group itself, and that we expect it to continue to take advantage of innovation and perform well.

Stephen Tusa

And then on the electrical market side, just remind us of what's in there. I would think that business would be doing better. Maybe there's some destock or something going on. But that business has been down recently. Any signs of life there from a growth perspective? What's driving that subsegment?

Mike Roman

Yes. There is a potential for longer term as you get some of the infrastructure investments coming through, that will benefit. But this is -- a lot of the -- what we do is in the last mile of the grid, and our solutions play in that area of electrical markets and the broader than that, but it's an important component of it. And so it's -- we had some strengths in that as we went through last year. It's -- we -- like I said, Industrial has been kind of mixed as we start the year, and I would say that's one of the stories that we're watching to see how it plays out.

Stephen Tusa

So still some potential destocking there?

Mike Roman

When you look at the -- especially if you look at channel inventory, broadly, not in one segment of the channel, it's pretty stable in Industrial. I think, if anything, we saw the distributors in broad-based industrial, multiple different segments of industrial cautious as they started the year. I wouldn't -- as we went through '23, it got pretty well in balance. I think they've been adjusting well and maybe a little bit of caution as we start the year.

Stephen Tusa

So now you've kind of recoupled to the demand. And then lastly, just on roofing granules. I know that was a business that moved around quite a bit. And -- anything there from -- I know there's some inventory swings every once in a while, but construction business, what are you guys seeing on that front?

Mike Roman

Yes. We would -- I know I highlighted it as one that's seeing some growth dynamics, right? And so I think that tends to...

Stephen Tusa

That was the minerals, yes.

Mike Roman

Yes. That's Industrial.

Stephen Tusa

Yes. Okay. Yes. Got it, got it. Industrial Minerals.

Mike Roman

And the inventory in the channel, we are shipping direct continuously to our customers. So inventory for us is often on the road. The customers -- the inventory that can build up is if there's a change in the end market demand. That will move. But we're seeing good end market demand right now.

Stephen Tusa

Got it. So then switching to Consumer. The home improvement market is a pretty big one for you. What are you guys seeing on the home improvement activity side?

Mike Roman

Yes, I would say we see what you're seeing in the home improvement retailers, that dynamic. It's long term, that's been a strong trend, people investing in their homes. It obviously got even stronger during the pandemic. But even prior to the pandemic, it was a strong trend. It's an attractive place for us. We see it as one of the markets we're prioritizing. It's a place where 3M innovation, our invention is playing well.

We've got -- we've built 2 sizable commercial platforms in home improvement that leverage 3M innovation, our command -- excuse me, our Command damage-free hanging kinds of applications is a big part of that. People are investing in personalizing their home, and that's been a strong growth driver. We introduced some new products in that category that are -- leverage 3M invention and allow for heavier hanging of objects and pictures and so on in your homes, and it gets a lot more flexibility. And then we have our Filtrete brand home filtration products, which are important part of that home improvement kind of application. So those are -- those have been long-term trends. They've been strong growth drivers for us. They are priorities for us to continue to invest. We're seeing softness in the near term, but I think that long-term trend will return.

Stephen Tusa

And then just lastly, geographically, you may have touched on it, but China, how does China look for you guys? There was a heavy electronics exposure. Maybe China ex electronics is a better way to -- what are you guys seeing that's unique in the economy there? Or anything?

Mike Roman

Yes. Electronics is a big part of our business in China. You look at China, it's about 10% of 3M revenue, very important market for us. About 50% of what we sell in China goes to domestic consumption, domestic customer. Another 50% goes to companies, manufacturers that export their finished good. Electronics would be part of that, the biggest part of that.

And if you look at broad China, we -- we've been prioritizing -- continue to prioritize some areas where we have a strong right to win. We manufacture a majority of what we sell in China in factories in China. So it's a -- we've invested -- over the last 35 years, we've invested in building a solid business China capable and really aligned to that business. We're continuing to watch it closely as we come into the year. They got into Lunar New Year. You just -- I find you have to get a couple, 3 weeks past Lunar New Year before you get a good read on what's going in China.

The electronics, what we're seeing in some upside in electronics to our expectations in Q1, the spec-ins, some of that is in China applications. So it's part of that. But it's -- we're watching the broader market, I would say. As we come into March, we'll get a better read. As we get through March, we'll get a better read.

Stephen Tusa

So just turning to organic growth in the portfolio at large. You mentioned there is this 5% of the portfolio in consumer that you're working on, I guess, selectively getting out of or winding down, however you want to talk about it. Over what time period do you guys expect to execute that? And what's the -- what's kind of the catalyst? I mean, it's -- 5% is not a small number. That's when growth in this world is so low. What's the -- what's kind of the catalyst there?

Mike Roman

Well, Steve, as you know, we continuously focus on optimizing our portfolio, and the spin of Health Care is the biggest strategy that we've been executing as part of that. We also have been working on, what we call, geographic prioritization. We talked about that during our restructuring. That's really a portfolio strategy. It's to look at our geographic business segments and say, "How do we optimize those?" And we took 30 – the smallest countries where we had a 3M subsidiary presence, and we moved those to an export model. And that was really a geographic -- it impacted as you move from a 3M domestic sale to working with distributors through an export model, we'll -- you will have price changes. So you see it as a volume impact. The margins are still -- you still hold up those same strong margins as you go in there. So that -- you'll see that as -- we called that out as part of our revenue portfolio impact on revenue, as we came into the year.

The other part that your question points at is Consumer Business Group, and we've taken a focus on that from a portfolio point of view. How do we optimize that? And we identified products and parts of categories where we didn't have a strong right to win. And we had positioned ourselves and weren't leveraging 3M innovation and invention. And so we made the decision to -- just to exit some of those categories and those -- not broad categories, those products in those categories. And that's the 5% number that we've talked about. We expect to complete that this year. Some of it will play into early next year as you get -- as we get the execution done here in the first half, but we expect to take those actions as we go through '24.

Stephen Tusa

So that entire headwind, $250 million comes on sales this year from Consumer?

Mike Roman

Some will go into next year. I -- it's...

Stephen Tusa

It's a pretty big number.

Mike Roman

Yes. So we called out for this year, it's about 100 basis points total between those business.

Stephen Tusa

Yes, yes. Okay. Got it. Sometimes, because you're -- there's the PFAS impact. There's this going on. So it's kind of tough to track it, but you won't be adjusting revenue for that. You'll just kind of like talk about it.

Mike Roman

No, it's -- we talked about it in our guidance back in January. We laid out our guidance as flat to 2%, that 100 basis points, and you can think of it as 1% to 3% guidance. And that's -- it'll -- it's going to have an impact on revenue this year. Both of them are going to position us to be stronger long -- in Consumer, it will better leverage and really take advantage of investing our commercial dollars in those areas where we have differentiated value, where we have a stronger right to win, where we leverage 3M innovation. So it will improve growth and margins as we go forward.

Stephen Tusa

When you think about your growth businesses, there's the EV business. I think you've talked about a bit about safety, automation, robotics, abrasives. How -- what's the revenue size that you think you guys have when it comes to these higher-growth businesses? What's the total percentage of the new portfolio kind of ex Solventum that you would characterize as being growth priorities or growth platforms?

Mike Roman

Yes. And you teed it up, right? There's a couple of ways we think about where we're prioritizing our growth, the categories where we have a strong commercial presence today, and these are opportunities that we're driving growth from today.

So automotive electrification is an important part of that. Safety is a place where we are a leader and are innovating, and we see the market trends being strong. So we're looking at where we have the ability to differentiate 3M, leverage 3M innovation, differentiate ourselves, solve customer problems. Our innovation starts with customer back, you want to do that in attractive markets. And safety is an attractive market. Automotive electrification is an attractive market. Our home improvement that we were talking about, longer-term trend, is an attractive market. And consumer electronics, we see the opportunity to continue to win and reinvent ourselves in consumer electronics.

At the same time, we're looking to where the future is going. And automotive electrification certainly has got a big component of where the future is going. But beyond that, you see areas like climate technology, and we're investing broadly in climate technology. It's across a broad range of applications. It's a developing market. It's a big trend and a big opportunity, and material science is going to play a tremendous role in driving the innovation that's needed there. Industrial automation is another area that we are investing and prioritizing as an emerging trend and technology and market trend that's going to continue to play out. It's -- our precision engineered material science plays well into industrial automation, and we're seeing opportunities for a number of applications there. And then we look at next-generation electronics is an exciting space. It's going to be -- whether it's data centers or the potential for AR, VR, ER to go forward, these are all areas that are attractive trends. We expect some of them will turn into very attractive markets, and we're well positioned with our innovation.

So that's how we look at where we're prioritizing the growth. And so those large commercial areas are important, and we talk about those often, like automotive electrification, the size of it and the importance of it. And the emerging areas, those are areas that we'll talk more about as we see those develop and we build out positions.

Stephen Tusa

Maybe this is a question for Monish, but just building up to the spin here and some of the moving parts around that. I think there was $50 million of added cost this quarter. And any update on what kind of overhang or stranded costs that you're looking at for this year?

In addition, I think the Solventum K talked about $190 million in TSAs. Is that roughly the right number for the near term? Just maybe some of those wonky details as we head into early April here.

Monish Patolawala, President and Chief Financial Officer

Sure. So I'll start with stranded, and then I'll go down to your $50 million question. So when we started the program 2 years ago, announced the spin, industry benchmark on stranded cost is 1% to 1.5% of revenue, which is somewhere between the $350 million to the $500 million, which is what we were seeing when we started. With all the work the team has done, with the restructuring that we have done, the restructuring that we announced, sitting today, on an annualized basis, that stranded cost is in the $150 million to the $175 million range. And that was part of the benefit of doing the restructuring program, which was not just to simplify the way we operate, to create an avenue for investments, but also to address stranded cost when Health Care went away. So that was one piece of it.

The second piece on it is TSA. So what we're going to have, Steve, over a period of time is to -- we'll have TSAs to help stand up Solventum and be a standalone company. And until they are ready to take it, we'll have some cost that we are going to hold. It's somewhere right now -- the -- where I see -- and the teams are working through it right now as they get to the final stages. It's in the 250-ish range is what I would say is the cost, which we will get -- offset through TSA billing. And whether you pick 190, 250, it's all the same. It depends on the time line. I'm just annualizing what that is going to look like, and we'll work through that.

The third piece is pension funds. Some have asked about it. 85% of our pension will remain with ParentCo 3M and 15% go to Solventum, and they have also disclosed that they have a similar program that we have. So that's 3 pieces on it.

On your $50 million, there are 2 pieces. There's a standup cost and separation costs. So first, I'll say, separation costs, we have been disclosing this all along on what it's costing to separate Health Care. And I think we spent around $0.5 billion last year, and that has been disclosed in our excludes items. The balance $50 million is stand-up cost, and there are 3 pieces of it. There's 1 piece, which is the management team and what it costs. The second is there were some investments in there that they were going to do that allows them to get successful growth in the future. And the third piece is double bubble cost, which is you've got functions that are duplicated until they go, which Brian and Wade can address in more detail as they go through on March 19. But that $50 million goes away when spin is done. So it's the stranded cost and it's the TSAs that 3M will continue to work on. Some of it, we'll grow into and some of it, we'll keep working down as we continue our restructuring program.

Stephen Tusa

And how do the TSAs -- how does that get reflected? When I look at your -- the segment income statement that we all kind of look at as our guide, where does that -- where will those TSAs flow through? And where will that stranded co -- like these moving parts in that model?

Monish Patolawala

Yes. So the TSA, so we're still working through it. But currently, our view is that it will come under a subsegment in the corporate and miscellaneous. So you can actually see the impact of the cost and the TSA billing.

On the stranded cost piece, that's basically the -- again, every company has its own definition of stranded cost. And our view is costs that cannot -- does not commensurately come down due to volume is due to -- is stranded cost. And as you know, in most of our cases, we take the support costs and reallocate it back to the BG. So to the extent that it is, you'll see it across like through corporate but get allocated back to the BG. So you're not going to see a line item called stranded costs.

Stephen Tusa

Right. But I guess, the impact on those margins is they -- do they -- do those margins take a bit of a step down?

Monish Patolawala

It will because of the 150 to -- the $150 million to the $175 million is the margin impact.

Stephen Tusa

So on April 2, we have to kind of take our models and kind of...

Monish Patolawala

If you're using the 2024 model or 2025 model, burden it on an annualized basis, $150 to $175 million.

Stephen Tusa

Yes. Okay. But the $50 million goes away, the $50 million goes...

Monish Patolawala

The $50 million goes away. The $50 million goes away starting April 2 once spin is done.

Stephen Tusa

Yes. Okay. And are you guys going to have -- is all of this going to be a longer 1Q call? Are you guys going to have an Investor Day? How are you going to kind of update the model? .

Monish Patolawala

So we are working through multiple avenues, and our goal is to give you all as much clarity as we can. So we'll come back with the right dates. But all the items we are telling you, that's what Bruce and team are working on, is how do we lay it out in a way that's easy for everybody to follow? Because as you said, which segment will I see TSA? Where will I see stranded? And we want to make sure we can show you all of that.

Stephen Tusa

Yes, yes. It's messy, but congrats on all the progress for sure.

Monish Patolawala

Thank you.

Stephen Tusa

When it comes to the restructuring, are we on track with all the numbers you guys have put out there? And then just remind us, what -- right now, what kind of '25 looks like from a headwind, tailwind perspective?

Monish Patolawala

Yes. So I go back to all the numbers you have are all WholeCo numbers, which was the $700 million to the $900 million of annualized benefits and $300 million of cost in 2023. We will give you an update on what the RemainCo numbers are, and that will have an impact on 2025. But the program is -- again, just a reminder for people who are catching up new on this thing, was set up for multiple things. One is changing the way we work, reducing spans and layers. Two was reducing the amount of cost at the corporate, getting ready for the spin. And the third was just making more efficiency in our supply chain.

And I would say, based on everything we have seen so far, the progress is good. We are seeing the benefits of that show up in our margin rate. You saw that in the second half of 2023. You continue to see margin expansion in 2024. And as I've said, it has allowed to reduce our stranded cost, which was going to be in the $350 million to $500 million range down to $150 million to $175 million. So it has had its intended purpose. But I would say, most importantly, it's changed the way we work. So I think that's an exciting part of it. And we'll get you updated, Steve, as we close out April 2 on what is the impact of that for just RemainCo or ParentCo.

Stephen Tusa

I guess, we could look at also just the charges that Health Care has taken. And is that one way to... .

Monish Patolawala

So that's one way to -- you'll get the cost. '24 had some cost in Health Care, too. And then there were benefits, which are not broken out by segment, so we'll have to just help you at that.

Stephen Tusa

Yes. Okay. And then just lastly here on the liability side. Where are we in the other items? I mean, DuPont said that the state AG negotiations are kind of ongoing. What are the other couple here that we'll be watching for? And what are the mileposts in the next, call it, 9 to 12 months?

Mike Roman

Yes. The multi-district litigation court has said personal injury will be the next focus, and so they're starting to do some discovery on that, starting to talk about bellwether. There's nothing scheduled at this point. And then there's state AGs as -- will be something that's ongoing. These are going to take years to play out. But it's -- that's -- that part of the process is what the court has identified as next.

Stephen Tusa

And is -- and anything else as far as international exposure or property damage? Or...

Mike Roman

Yes. I would say that there's other potential litigation matters. We continue to engage on -- internationally, we're engaged around where we have manufactured PFAS. And so Zwijndrecht and Gendorf in Germany are the 2 areas. It's part of the exit strategy for us, and that's the big focus right now is completing that exit of PFAS manufacturing. That's the focus on those international sites.

When it comes to the litigation matters, we -- again, back to we -- we're making big progress with major milestones this month. Public water supplier was the big first focus of the multi-district litigation, and Combat Arms, of course, getting to certainty and finality there. As we go forward, we're going to manage these litigation matters the way we have. We're going to be proactively engaging every step of the way. We're going to defend ourselves in court and resolve them as appropriate.

Stephen Tusa

Any questions? We have time for a question if anybody has a question. Right here.

Audience Question

Can you just address the dividend, how you're thinking about the level of the dividend going forward?

Mike Roman

Yes. So with the focus with the spin coming up, that's one of the questions. I would start, we are a strong cash generator as a company, and that's been a hallmark for us. It's put us in a position to have a very strong balance sheet. What we talked about or what I talked about in my opening comments, the dividend through the spin, the $7.7 billion, plus the 19.9% stake, those are going to strengthen 3M's balance sheet even further and position us to execute a strong set of priorities and capital allocation.

The first is investing in the business. The second focus for us will be returning capital to shareholders, including through an attractive dividend. And then it's going to be positioning us, and we're well positioned to manage any required cost of settlements. And that's what we're focused on and something that will ultimately be a Board decision. And we'll talk more about it as we go forward.

Stephen Tusa

Great. Thanks a lot, guys.

Mike Roman

Good. All right. Thanks.

Monish Patolawala

Thank you.