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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Steve Tusa *JPMorgan - Analyst*

PRESENTATION

Steve Tusa - *JPMorgan - Analyst*

All right. Moving along here, we have 3M CFO, Anurag Maheshwari, as well as CEO, Bill Brown. I'll kick it over to you guys to open it up with a bit of a state of the union and we'll go from there. Thanks for coming.

William Brown - *3M Co - Chief Executive Officer*

Great. Well, good morning, everybody, and thanks, Steve.

So we're coming off of, I think, a very good productive Investor Day a couple of weeks ago. So we took the opportunity to give investors a sense of what our outlook is over the next several years. I spent quite a bit of time talking about what I call through the new 3M, with a little bit more of an edge a little more focus on performance, a little more focus on operational execution.

I talked about our new culture in the organization. It starts with a big focus on the customer, of course. The expectations of all of our team and building talent, holding people to their objectives, et cetera, with a core of focusing on safety, ethics, and compliance. And that's always very important to us. Safety has been sort of top of my list within the company.

Our performance and safety has not been where we should be. And we're really focused on that. We have a journey to zero program across the company where our focus is around zero injury, zero spills, zero incidents in the company. So it's been a big focus, and we're starting to make some progress there. I laid out in our performance culture expectations of our leadership team about being accountable, being ambitious, being involved driving challenging the status quo.

We've got a lot of set of good leaders at 3M have been in the company for quite some time. And part of what I'm challenging people to do is not treat today like yesterday or tomorrow, like today and the environment outside really forces us to really push on that dimension. So we're on the verge of breaking out here in terms of what's happening with the people in the organization, and we brought in some new folks on the team as well.

So it's been a pretty good start. I described a little bit more detail our priorities. They remain the same from when I started at 3M in the very first Investor Day I had. It's a focus on top-line growth around innovation, and what we're doing to reinvigorate top line through driving more products out of our R&D, commercial excellence.

We talk a little about driving operational performance across the enterprise and our new operating system, which we call 3M Excellence. The core of that is around KPIs, rigorously tracked, data-focused, relentless CI, all of their various things that drive sort of an OpEx system. I've done it before. I know what they could do, and I think it will be an important part of our 3M future here.

So that was quite important. Led into a discussion around our medium-term targets, of course, in 2025. We see earnings per share up 4% to 8%. There's no change at \$7.60 to \$7.90. It's an adjusted EPS basis. All you assume everyone to talk about is going to be adjusted, but that's kind of where we're at this year. That earnings per share growth accelerates to high single digits in '26 and '27.

And I laid out some markers, some important steps for investors to track our progress, including 1,000 new product introductions over the next three years. You'll recall last year, we did 169, which was a positive surprise for us in some ways, up 32% from the prior year. We see it coming up again this year to around 215, to run the math is 27%, growing another 40%, 45%, 50% next year and then the following year.

And so far in Q1, we're actually tracking pretty well in NPI. So I'm pleased to say that we'll say more about this at the earnings release, but we're out of the gate pretty quickly here on driving NPI. We talked about \$1 billion of cost out in that productivity in our supply chain. That's an important marker to put down \$1 billion of sales above the macro through the initiatives around innovation and commercial excellence. It's going to be key pieces of that.

And then \$10 billion of cash returned to shareholders through dividends and repurchases over the next three years, cumulative roughly half repos and half dividends. And I made a point at the meeting to link it to our long-term incentive program, which I think is quite important. And I won't go through the metrics again, but you'll hear more about that when you see the proxy come out. But it's very consistent with what I laid out for investors just a couple of weeks ago.

So overall, I think it was a very successful Investor Day and we got some good feedback. But again, those are great forcing mechanisms for the team to put our thoughts together and put it on a paper about what we're trying to do and what we're trying to do on the behalf of shareholders.

So again, that was a few weeks ago, a lot of discussion on sort of the medium-term outlook, if you will. Coming back here to 2025, just to reground you, we said we will grow this year 2% to 3% organic, again, 4% to 8% on earnings per share.

In our commentary at the Q1 earnings release, we said Q1 would likely to be similar to Q4 in terms of organic sales growth. I would have a two handle on it. And we said the earnings per share in Q1 will be similar to prior year. You'll recall last year, our stock comp expense was in Q2, it got moved forward this year to Q1. So it puts a little bit more pressure on us this year in Q1.

So we said it will be similar. So as we went through February, we saw good order trends continue right up until the end of February. In fact, the February month was up year-over-year in terms of orders really across the businesses. Our backlog from end of January for the beginning of the year and through February continues to build. Our backlog from the beginning of the year is up mid-single digits.

So we're seeing good order pattern. But what we're seeing now is a bit of more of an elongation in the sellout. So a lot of ours are coming in more for sales into the second quarter. The good news is we actually started the year anticipating some challenges we put in really tight cost controls. So what we're seeing our sales be a little bit light in the quarter, our earnings per share should be slightly better than what you previously expected.

So it's because of the efforts of the team to really tighten down on spend. So again, that means earnings per share a little bit better this year in Q1 than we had anticipated. Margins will be a little bit better, of course, with revenue being a little bit lighter than we expected. Probably more in the 1% to 1.5% organic as opposed to the two handle that we talked about, which would have been similar to last year in Q4. So in a nutshell, how we stack up.

The environment, as you all are seeing, is pretty uncertain, and we just manage through it by managing the things that we can. It's our spend, our cost, our productivity, all the things that we're trying to do, including setting ourselves up for growth through new product introductions and commercial excellence. So in a nutshell, that's kind of where we stand, and Steve, I'll turn it back to you.

QUESTIONS AND ANSWERS

Steve Tusa - JPMorgan - Analyst

Lots to chew on there. The -- so about a 75 basis point difference by segments, which are the ones that you're seeing this process play out the most?

William Brown - 3M Co - Chief Executive Officer

So we're -- we saw first really in the consumer side. And really, again, through most of February, we're tracking pretty well until the last couple of days and then last week, we saw just the orders start to stretch out a little bit. And that's kind of what we're seeing. So a little bit on the consumer side, auto as we knew, was going to be a little bit challenging coming to the year. We continue to see that.

But it's really across the board. So when I look at on 1 point to 1.5 points organic in the quarter, all three businesses are really in that range. The consumer side, probably at the bottom end of that range. The industrial businesses, so SIBG, TEBG, more towards the higher end of that range, but all in that 1% to 1.5% is our estimate right now for the quarter.

Steve Tusa - JPMorgan - Analyst

So is it -- you're saying from your sales perspective, and that's kind of a POS commentary? Like, is there some destocking, customers are just pulling back a little bit? Like how do you in your like diagnosis, what do you think -- obviously, there's a lot of uncertainty. Just curious as to the mechanics of how that's translating?

William Brown - 3M Co - Chief Executive Officer

We're -- the POS looks okay. The channel inventory looks okay from what we can tell so far. So my commentary really is sell-in and sell-out, to the wholesale sell-out, to our distributors. As you know, in SIBG, we go mostly to the market through distribution. And we're seeing, again, orders remaining pretty resilient, but the delivery time requested is shifting out longer than what we typically would expect.

Typically, at this point in the year, in this point in the quarter, we'd start to see more book and ship activity. It's certainly in the shorter cycle parts of our business. Some of those deliveries are just being pushed out into April. We're working with our distributors, working with the end customers trying to understand what is it that they're seeing and why out in April? There's still confident enough to place orders, but looking for delivery out into April and into May.

And we're trying to understand that part. But from all we can tell, the inventory in the channel still looks pretty good. Certainly, on the industrial side, it looks pretty reasonable.

Steve Tusa - JPMorgan - Analyst

Do you think that them getting out in front of -- getting out in front of any kind of like price increase related to tariffs?

William Brown - 3M Co - Chief Executive Officer

It could be that for sure. We've signaled that. We've talked to people that as tariffs start to take hold. And of course, we know that China is in place 20%. We know that tomorrow, we get some aluminum and steel tariffs that actually happens as I expect it would.

That should go into place tomorrow. Mexico and Canada was early February than it was early March. Now it might be early April. There's other things coming in early April. So there's a lot of concern on the horizon about tariffs and people like us are talking about what we're going to do in terms of pricing, and we signal that to distributors.

So there could be some pre-buy that's happening. I'm not sure that's the primary driver. I do believe it's just general caution across our consumer base in placing orders given what might be happening in the macro.

Steve Tusa - JPMorgan - Analyst

What is the -- sorry, you gave us the near-term update. So I'm just going to -- I could talk for a bit more on this. We're all trying to figure it out. We're like stumbling in the dark here a little bit. What's the most interesting thing that's happened?

And which part of the business is that? Like what's the one that you look at? It's obviously maybe immaterial to you guys. But what's kind of the most interesting thing you've seen if you get the report and you're like, that's interesting, which micro business is maybe the most interesting? Or are they all kind of trending in this direction?

William Brown - 3M Co - Chief Executive Officer

No. I mean there are some businesses that remain pretty resilient. In our SIBG business, we still see pretty good trends in our electrical markets business, bigger and chunkier. We're seeing good performance there. In our adhesives and tapes business, we sell quite a bit in the China in that market.

Interestingly enough, China for us is remaining pretty resilient. It's still in the mid-single-digit growth, and that's been pretty healthy for us. The parts that go into the manufacturing channel like abrasives have been a bit softer. Our auto aftermarket, which is for auto repair has been a bit softer. That's really across the industrial business, SIBG.

In the transportation business, we're seeing consumer electronics remain okay, sort of like in the low to mid-single digits in that range. Aerospace has been an important business for us. We see continued good growth in the Aerospace business, not like last year, it was much higher. So far this year, it's good, but not quite like last year. In that business, it's really auto.

You can watch the IHS builds. And I think in the middle of February, some of the macro data, I think, is a bit -- is a bit dated at the moment. But in auto builds, actually, it became a little less negative in February from middle of January, still down, but not as negative. We are not seeing an improvement in auto build trends for us. We are more biased, I'd say, to Europe and US manufacturers than China.

So auto has been more of a concern for us. And on the consumer side, we're seeing sort of low single-digit growth across parts of the portfolio, but in the office channel, which is really our packaging expression business, which is Post-It, it's scotch tape, things like that. That business continues to be a bit weak. It was weak last year.

We see that continuing here into the first quarter. So there's pockets that are going okay, but there are certain pieces of each of the portfolios that are a bit weaker.

Steve Tusa - JPMorgan - Analyst

Sorry, I'm going to go here, but roofing granules, what are you guys seeing on the resi side and roofing granules?

William Brown - 3M Co - Chief Executive Officer

It's still in that mid-single-digit growth range. It's been reasonably resilient. Again, a lot of that is for replacement and that there's a replacement cycle. So that's still been pretty resilient. Sometimes you run an issue with our own quarries, it could be something with freight or with a customer, it's pretty concentrated with a couple of end customers, but that business has been pretty resilient again mid-single digits.

Anurag Maheshwari - 3M Co - Chief Financial Officer

Steve, I was just saying, as Bill was saying, it's -- the revenue is getting elongated from the orders. But if you look at the order flow, it's actually going across the board across all the three businesses. It's just more some of the revenues flowing through to the second quarter.

Steve Tusa - JPMorgan - Analyst

And is the order growth in that 2% range? Or is it a little better than that?

Anurag Maheshwari - 3M Co - Chief Financial Officer

In February, it's probably a little bit better than that.

Steve Tusa - JPMorgan - Analyst

Got it. Okay. On the other topic of tariffs, you guys, I believe, are a net exporter, but there's a lot going on. You got to have a decent amount of European exposure. Maybe we'll touch on that just geographically in a second. But maybe just check the box on tariffs and any further detail you'd want to disclose here on any exposures that you may have? And anything you've learned in the last couple of weeks?

William Brown - 3M Co - Chief Executive Officer

So we are -- as you just mentioned, we are a net exporter. We import -- we export about \$4 billion. We import about \$1.6 billion. Roughly the \$1.6 billion, thereabout. So about half is Mexico and Canada.

So that -- we'll see what happens as we turn into April. And whether it's -- if their USMCA product is exempt or not for the tariffs, I think that's sort of been in some dynamic with coming out of the White House. We have about 10% is coming from China. Right now, it's a 20% tariff. So we're seeing that hit that's on the order of \$30 million, \$35 million for us, and that's on a gross basis, that's in our numbers, but we're taking actions against that.

I mentioned pricing a couple of minutes ago. So we're capturing some of that back through pricing, some of that through cost control. So -- when you think about \$30 million, \$35 million, it's sort of \$0.04 or \$0.05, but for us, it's going to be negligible this year because we're taking actions against that. Tomorrow, we see steel and aluminum going into effect unless something it changes the next 24 hours, and that have maybe a \$30 million impact on us gross before any actions. Again, the steps that we're taking and pricing we're putting in place, \$0.04 that we could absorb that, we can offset that through cost and price actions.

So all of the things we've seen so far really don't take us off track for the year. And as I mentioned, even in the first quarter, we're actually looking a little bit better than last year. As we get into April, and we see what happens in Mexico and Canada, you'll have more to say at the next earnings release. But obviously, that's a much bigger piece of what we're actually importing into the US.

Steve Tusa - JPMorgan - Analyst

How are you approaching all of this uncertainty? You guys are already like on the horse when it comes to all these productivity initiatives and you're actioning a decent amount of what would be kind of a lower-volume environment playbook. Is there anything incremental you're doing? And what's the -- how are you in your Board talking through what's going on here?

William Brown - 3M Co - Chief Executive Officer

If we have a Board meeting every day to talk about tariffs, we had something new to say every single day. But look, we're a good-sized company. So we have a lot of levers that our control in terms of the cost side. So look, even though we are driving productivity over the long term.

As we talk quite extensively at the Investor Day, we are making investments in the business, investments in commercial excellence, investments in new product introductions, investments in building capability across the company to drive a long-term productivity agenda. So those investments can be metered.

We talked about on -- just on the productivity side, \$250 million investment over three years. It's \$80 million per year. What we sort of can throttle that and change that and adjust that. So I think we're being pretty nimble making sure that we're pacing how we invest in the external environment. But the other side of this is how we're really thinking about pricing.

We started to push on this quite a bit in the middle of last year. I think we have a much better understanding of where we can price, how we can price, how we can govern price differently. And every business unit across the company is taking a slightly different approach to how they price a little bit harder to push out price in consumer although they are. In TEBG, it's more of a spec in business, so a little bit harder to push out price little bit different in SIBG. There's an opportunity to adjust our pricing, and we are going forward with doing that.

Sometimes it's in the price itself, sometimes it's a surcharge, and every business taking a slightly different approach, but we're being on our front foot around what we're trying to do on pricing, so we protect our earnings. The big question is making sure that as we get further into the year, it doesn't affect volume so that a price increase actually works against us. So we're trying to be smart about how we do this. That's why we're pulling the cost lever pretty aggressively right now.

Steve Tusa - JPMorgan - Analyst

When you look across your businesses, I think one thing that we heard at dinners last night is just this is -- everybody's got this pricing muscle, so they're all going to react very quickly. But not everybody has uniform manufacturing footprint. And so when you look at your kind of competitive set, are you advantaged, disadvantaged when it comes to like where your footprint is?

I mean, you're already -- like you said, you're a net exporter, so you've got a pretty good footprint already. Are there any opportunities versus your competition where they're kind of stuck with offshore manufacturing. This is stuff that's pretty easy to import, I'm sure a lot of it. So -- and anywhere you're kind of -- you think you're advantaged?

William Brown - 3M Co - Chief Executive Officer

So it's a good question because we have about 45 factories in the US. We have, as you know, 110 factories globally, about 45 of the bigger ones are in the US. So we have a very substantial footprint in the US. Just for perspective, we have three factories in Mexico, mostly for consumer products. Those can flex up or down, move back and forth to US.

We -- as you know, we talked about this at the Investor Day, we talked about effectively our utilization, we call it OEE, operating equipment efficiency, it's running in the low 50s. So we have an opportunity across the US to drive more volume across these assets. So we have an opportunity if we need to bring more back to the US. It depends in some parts of our business we manufacture in Mexico, and we compete against people who actually manufacture in the US.

So those are going to be a little bit more challenged. But net-net, generally speaking, I think we're advantaged with the factories we had in -- the footprint that we have here in the US. It's not just the factories. It's the supply chain is where we invest in technology. All of those pieces.

The company can be pretty nimble. We -- it's not just bringing things back to our own factories, it's also using contract manufacturers. We have quite a few contract manufacturers we use globally, and we can flex them up or down to move volume around as we need to.

Anurag Maheshwari - 3M Co - Chief Financial Officer

Exactly. So as Bill spoke about the price volume trade-off. So when the tariffs come in effect, we obviously have deployed different playbooks depending upon the businesses. Some is price increases, some are price surcharges. But the other aspect we're looking at is the volume that we can gain because of the competitive advantage that we have in some of these sectors.

Steve Tusa - JPMorgan - Analyst

I guess that's the advantage of having 50% equipment utilization.

William Brown - 3M Co - Chief Executive Officer

There's an upside to that.

Steve Tusa - JPMorgan - Analyst

Plenty of capacity when tariffs come, in good position. From a top line perspective, it's always hard with 3M to -- since the LCD craze went away to pinpoint what the kind of two or three really interesting growth drivers are. I'm sure that's still the case, but anything stand out to you that's of size out of that kind of \$1 billion of outgrowth that we should be watching that's interesting?

William Brown - 3M Co - Chief Executive Officer

So look, in the \$1 billion above the macro, it's roughly split between half coming out of new product introductions. I mean, we went in a lot of depth there. So I don't want to repeat all the story we talked about at the Investor Day. But at one point in time, we launched 1,000 products or more at 3M. Back in 2023, we launched 128.

It came down quite a bit. We still spend \$1 billion, \$1 billion were shifted around a little bit more to PFAS, a little more to supply chain resiliency, but we were launching fewer products. I think I've said one of the worst jobs in 3M right now is a salesperson because the salesperson is out there trying to chase sales with an older portfolio, in trying to drive price with material inflation coming up. So it's a tough position to be in. And by the way, we weren't delivering on time and full.

So that's a tough position to be in. So we are really focused on turning around what comes out of our new product pipeline. Last year, 169, it was quite positive, not anywhere near where we could or should be, but it's a step up. First time we've seen a step-up of that magnitude in the last decade at 3M. Again, this year, we're targeting 215.

The first quarter looks to be up 40%, 50% on new product introduction. So we're really off to a good start. It's really -- the team is really pushing on this quite, quite hard. So as you look at the next several years, that's an important driver. So the \$1 billion over macro, about half is going to come from new product introductions.

We launched most of what we're going to do, 75%, 80% are what we call Class 3 products, Class 3, Class 4, so they're more for replacement or to keep ourselves relevant in a marketplace, maintain our share, but critically important to provide the salesperson some opportunity to go out and sell more into a customer.

About 20% are going to be what we call Class 4, Class 5, Class 6 products, which are new to the world. That can drive incremental growth. So it really is across the portfolio. We have a great set of things in the pipeline, across industrial, across transportation.

One of the things that Wendy spent some time laying out is how we're pushing hard to really develop better top-to-top innovation, strategic partnerships with some of our larger OEMs. We have a very important one with a very large consumer electronics device manufacturer. We got to do a lot better on that, not just on 1 or 2 but more like 100.

And we're pushing very, very hard on that. So I think a lot of the things we're doing on films, microreplication for different types of devices that are coming on to the market, not just consumer devices, but all the electrification and displays and cars that has tremendous relevance across all of those different portfolios.

So there's a lot that's interesting there. The other half of this \$1 billion above the macro is going to come from just being better at the customer interface. And we went through a couple of levers here. They're relatively simple and basic, but when you put them together, they will be meaningful for 3M. It starts with the salesperson, making sure we have the right coverage.

We add salespeople over the next three years. It's better management of the salesperson, tighter control, if you will, over how we set quotas, how we measure how their progress over the course of the year, how we train those salespeople. It's also with our channel partners and customers. We talked quite a bit about cross-selling. Cross-selling is going to be a very important opportunity for us.

We're making very good progress on this. Despite it being a pretty simple step, we've not pushed on that in the past. For SIBG, that's going to be meaningful. We now are close to 50 product pairs that we're pushing out to the channels. We have about 60 channel partners signed up.

I think, Chris, the other day talked about 15 or 20 that we had at the end of fourth quarter. So we're pushing that pretty aggressively. And of course, the big dimension here is we call it customer loyalty, but it really starts with making sure that we deliver product on time and full to customers. It again, sounds very, very basic, but it is fundamental. We ended last year at 88%.

We were up 3 points from the beginning of the year, about 8 points from a couple of years before making further progress as we get into the first quarter here. But all of those dimensions together, I think, are important to reinvigorating the top line. Those things will pay back over time. We're seeing a little bit of a pressure here in the quarter just because of some of the environmental noise. But over time, these are going to be important revenue drivers for the company.

Steve Tusa - JPMorgan - Analyst

And I guess on the margin side, just stepping back, what -- how are you managing to deliver a bit better margins this quarter? Is that just some -- a bit of a hedge in the numbers? Is it a mix dynamic? What's the -- how are you able to beat the EPS with the sales miss?

William Brown - 3M Co - Chief Executive Officer

It's not so much mix. It's mostly just tight control of spending. We had come into the quarter, into the plans and sort of the guidance, thinking, well, okay, things could be okay, and we're going to continue to make some investments into the business, and we throttle back on that. And that's an important dimension for it. We're driving our productivity agenda pretty heavily.

So there was -- I mean, I'd say a good finance person going to be a good finance person, we had a little bit of a hedge. And so there's a little bit of that as well. But I think it mostly comes from spend.

Anurag Maheshwari - 3M Co - Chief Financial Officer

Yes. I would say it's a combination of really good progress on the productivity some spending control, a little bit, which is more permanent and some of which we are deferring to the future quarters. as we had for the guidance for the year, about \$225 million of investments.

And we always said we were going to meter the investments depending upon how the situation plays out. And -- so I guess it's a combination of both productivity and the way we're metering our investments.

Steve Tusa - JPMorgan - Analyst

I think a former multi-industry legend, you say a hedge for bad things to happen. Remember that pretty clearly is just starting out as an analyst in the late 90s. I think you bad stuff, but maybe I'm wrong. And as far as price cost is concerned, anything moving around there on the year?

Anurag Maheshwari - 3M Co - Chief Financial Officer

No. It's typically the same as what it has been for the past couple of years, just to ground everyone, material inflation is about 2%. It's about on \$6 billion and the price that we take out in the market is to cover the material inflation, which is about 40, 50 basis points. So pretty consistent to what we've been doing over the past few years.

Steve Tusa - JPMorgan - Analyst

Can we just step back and talk about PFAS?

William Brown - 3M Co - Chief Executive Officer

Sure.

Steve Tusa - JPMorgan - Analyst

Seemingly kind of fading a bit from investor focus? And any changes in the landscape with the new administration? I haven't seen too many tweets on it, but anything there?

William Brown - 3M Co - Chief Executive Officer

No, it's still an important topic for us even though the administration has changed. A lot of the activity that's happened, it's happening because -- law is in play or as happening at the state level. So just to reground you because it's all written very, very clearly and carefully by lawyers in our Qs and Ks, we just put our K out about a month ago. So there are several things that are on the horizon. And as you all know, the personal injury cases in are tracking for a trial date sometime in October.

There is a number of disease states that the judge is working on. We're coordinating with the plaintiffs' counsel. And there's four -- it's going to be a bellwether case. There's four disease states that they're investigating today, the will choose one. The judge will choose one for trial in October.

So there's just a lot of work that's happening in the background on that, but that's certainly on the horizon. We have -- most of the AG cases are in the MDL. They're in the MDL because they're so they're firefighting foam based. And so that they would be in the MDL. There are some that are outside of it because they're independent of New Jersey being one.

New Jersey is a trial date in middle of May. As I mentioned at the Investor Day, you can see very clearly in the K and the Q. We are in mediation with the state of New Jersey that is active. We'll say more when we can say more. But again, there's a trial date out in May.

The one behind it is Vermont. It's another AG case outside of the MDL, that's in August. So there's things happening in the background. We should not -- investors should not read a change in the administration that there's material change in the outlook for us as a company around PFAS. There's -- there remains to be litigation risks here.

And again, we'll talk more about this as we conclude things or as we have events that happen that are meaningful.

Steve Tusa - JPMorgan - Analyst

How did you evaluate this risk coming in as you didn't have to come to 3M? I would assume that if you thought that there was something that was going to come down the pipe that was pretty big, like you do all this work, you drive productivity, you get \$1 billion and all of a sudden, there's a \$40 billion announcement of a PFAS like how did you evaluate that risk?

William Brown - 3M Co - Chief Executive Officer

So it's obviously, I spent a lot of time doing what you all as investors have done, which is looked to the Ks and the Qs. And I had an opportunity to actually talk to the management team and to our general counsel and outside counsel understand a little bit more about what's happening there. But at the time and even today, there's still a lot of uncertainty in what's going to happen and when it might happen and what might happen internationally. The way I looked about this is, look, there's a -- at the time, I think our stock on an adjusted basis, now it's -- obviously, it's post the spin, we're sort of like in the \$80, \$90 range. And I looked at it and I thought we were, as a company, highly undervalued.

And I thought we had focused a lot of time and effort over the last 5 years, maybe even longer, focusing on litigation and not much else. And I think when I looked at that, if 62,000 people in the company, there's probably a couple of hundred that the focus on, maybe not that many, focus on liability management and transitioning PFAS-related or enabled product is something other than PFAS, but you have another 61,000 and change that already focusing on making 3M great in terms of innovating, driving commercial excellence.

So I looked at it and I thought we could do a much, much better job in just driving rigorous operational execution, things that I've done multiple times in my past. And that's actually what I see happening and playing out.

So I look at this and I said, I can get us contain the PFAS liability even what was embedded in the stock and what the market has been embedding but then drive the upside through all these other things that I've done before, there's an upside case to be made here.

And that's at the end of the day, was my logic. I wasn't pulled by the minus 15-degree temperatures in Minnesota from Florida or 10% state tax. So there's other things that are going on there. But also saw it as a great opportunity to engage with this great iconic company called 3M and try to help make it great again. It's been encouraging. I really enjoy it. There's going to be setbacks. Look, I know I've been in the seat before. So things happen. But that was my logic.

I thought if we can contain the liabilities, I knew it wasn't going to be zero, and then drive all these other parts of the agenda and energize and motivate the team to go and push that I thought there was upside. And I think I've seen it. I think actually, investors have seen it as well.

Steve Tusa - JPMorgan - Analyst

That's a lot of Ms. Make 3M great again.

William Brown - 3M Co - Chief Executive Officer

Yes, right.

Steve Tusa - JPMorgan - Analyst

And I assume you still feel positive about the stock now that it's -- even though it's up 50% or...

William Brown - 3M Co - Chief Executive Officer

I do. I do. Look, we I'm long in the stock, and as you all know, we're out there. We bought back a lot of stock as a company last year. As I said before, \$10 billion of repo in the next three years, half is going to be coming from buybacks. So I think we as a team and we as a Board, think very optimistically about the stock. But look, this is -- again, it's a -- it's not a short-term gain. It's a long-term thing. Stocks move up and down. Environments change.

We get all that. But I couldn't be clearer internally and with investors about the upside and the opportunity I see ahead of us. I see it -- I saw two weeks ago, I talked about this at the Investor Day, and I see it today. That's not changing. And what's interesting, and you won't see it, maybe some that came to the Investor Day and saw the energy of the team the night before and the tech expo and the energy of the leadership team, people are very, very motivated to drive 3M to a different spot.

I notice it every single day. The enthusiasm, the encouragement, the inspiration that people have to do things differently is there. This will be a much better entity for sure. And I think the path is pretty clear to me.

Steve Tusa - JPMorgan - Analyst

Any questions?

Unidentified Participant

You talked about how much you import versus your export and you talked about if tariffs come in, how you can in the short run, take price to offset that. But then you also talked about your underutilized manufacturing capacity. How long would it take you to go from we're just going to put price in to cover this to doing what those tariffs hypothetically are supposed to do, which is incentivize you to put the manufacturing back in the US?

William Brown - 3M Co - Chief Executive Officer

So we have -- there's some short, medium and longer-term decisions we've got to make on the sourcing side. It's not going to happen overnight. We are incrementally driving our equipment utilization up. But as I mentioned before, we're in the low 50%, 52% across all assets, 54% on the bigger ones where we really track daily. We're up a couple of hundred basis points last year or up a little bit more this year.

This year, we expect to be in the high 50s in terms of utilization or still upside of opportunity there, but we can move those assets a little bit and flex there. We also have a pretty robust network of contract manufacturers we can rely on. So there -- those are going to be a little bit easier. But you're talking sort of in quarters, not in days or weeks. So things could happen by the end of the year to move things around.

There's probably a little bit of an opportunity moving out of Europe and back into the US, if that -- whatever happens in the Europe tariffs. But it might take 6 months, a year, sometimes a little bit longer than that, but it's in that time frame.

Unidentified Participant

If you step out of your own world a little bit, do you think that's true for a lot of US industrial companies?

William Brown - 3M Co - Chief Executive Officer

Every company is going to be somewhat unique in terms of their own utilization, their asset footprint, the robustness of the supplier network, the flexibility of the suppliers move up or down, even the complexity of the product offering. To give you an example, there's some products we manufacture highly regulated.

And in order to change source of supply, even a supplier going from A to B, you're going to have to go back to the certification program either with the OEM you're selling to or with the regulator. So some are longer cycle. Our -- and we do have products that fall into that category. But primarily, we're more shorter cycle and can move things around a little bit more nimbly. So I think everyone is going to be a bit different.

Steve Tusa - JPMorgan - Analyst

And a lot of our companies have been at -- they've been -- the warning shot was fired in '18 or so --

Unidentified Participant

They've seen it.

Steve Tusa - JPMorgan - Analyst

They've been working hard, it already to a degree. One more here.

Unidentified Participant

(inaudible) raw materials are roughly 26% of your cost of goods sold. So as you move utilization from mid-50s, you said some higher number, are there incremental margins 70% on that? And the second question is -- so do we need 110 factories and just closing the factories. Is that a margin tailwind?

William Brown - 3M Co - Chief Executive Officer

So let me take the second one. I'll ask on talk about the first part about -- look, no, we don't need 100 in factories. I mean it's pretty clear, especially if they're running a 52% utilization or 54%. So it's too much. I think we talked a lot about the 1,000 interplant lanes we have and So when I look at this over the long term, the network will be smaller and simpler is my guess estimation here.

but there's so much we can do as much we have to do right now to just lay the found work of actually getting to that. You can't think about asset rationalization, in my mind until you really understand how your assets are performing today. So if you want to put two machines together, the capacity, you have to understand what the utilization happens to be and make sure you have enough flex capacity as demand moves up and down.

So that's a long-term opportunity for us, meaning outside of the three-year window here. But nearer term, there's so much we can do in terms of just sourcing and negotiation, value engineering, quality improvement, logistics improvements. There's just so many different levers to pull here. So it's a longer-term opportunity but not something in the near term.

Anurag Maheshwari - 3M Co - Chief Financial Officer

Great. Yes. So raw materials is not the only variable cost we have. We also have direct labor, freight, logistics and so on. So our incrementals today are roughly about 35%. But to answer your question, as we drive productivity in the factory and as we make our sales organization more scalable, the incrementals should go up in the medium term from 35% to 40% and plus, right? So you should see that trend.

Steve Tusa - JPMorgan - Analyst

Thanks, guys. Really appreciate it.

William Brown - 3M Co - Chief Executive Officer

Thank you. Good bye.

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