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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

William Brown *3M Co - Chief Executive Officer*

PRESENTATION

Unidentified Participant

Thank you so much for joining us. Our next session, we're going to do a fireside chat with Bill Brown, Chief Executive Officer and Chairman of 3M. So thanks so much for being here, such a delight, star attraction clearly at this event. So thank you so much.

And with that, we're going to go into a sort of informal fireside. Thank you. Thanks so much for making the trip here.

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

Absolutely. You planned the weather very well.

Unidentified Participant

Yeah. No, I apologies for that. As I said, I think I escaped it this morning. Like I think by the time I got out of the train, it was pouring.

So look, look, Bill, a little over a year at 3M as the CEO, I think, 2.5 months as the Chairman. Biggest upside surprise? Biggest unexpected challenge so far?

Maybe we'll start there.

QUESTIONS AND ANSWERS

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

Okay. Well, thanks for having me. It's great to be here this morning. Maybe a comment first on an announcement we made earlier this week on Monday afternoon. We announced a settlement with the state of New Jersey on PFAS claims.

It is a case that goes back to 2019. It was -- the focus was originally on 1 cycle Chamber Works and that's where the state was at. It's owned by Chamber Works now is owned by DuPont up until 2001. So again, just that's a quarter century ago, to 2001, we provided PFAS product into that particular facility. And again, this claim goes back about six years.

We took the opportunity to settle the claim and use it not just to settle the site itself, which is Chamber Works, but state-wide PFAS DR claims, which -- so it wrapped all into 1 as well as with series of protections that are pretty broad.

The stated turn to General in New Jersey has pretty broad authorities to release claims. And that's all in a document, it's all in our SEC filings. I'm sure people who follow the company have read about this. But that was quite appealing to us.

It wasn't just resolving the site. It was resolving statewide claims with a number of protection features, including a credit arrangement that allows us to claim back from the state for claims that would have been released by the AG court subsequently finds us liable for us. So there was a lot of features about this that we kind of like. The headline number was between $4 million or $450 million in -- of total value. It's $285 million on a present value basis.

We'll take a charge for that in the second quarter here. $210 million of that is for Chamber Works itself, which includes the facility and other adjacent parts of that. $75 million of NPV is for the statewide claims. And that's important because relevant to other things going on around the company. The key thing about this is the cash flows happen over a very long period of time.

So it's 25 years, it's 20 years for the state-wide claims starting in 2030 going to a balloon payment in 2050. So it's -- the cash terms, I think were favorable to us and manageable for us, allows us to focus on our capital deployment priorities, which we're clearly doing.

It takes a lot of risk and uncertainty off the table, which we certainly want to do. So it's a good result for the company. The team is really focused on executing our game plan, the 3 priorities we've been talking about now for, it turns out, a year that I've been in the seat.

There's what we're trying to do with the company. Maybe one other thing, and we may have come to this or not, let's we talk about tariffs. I think I go back to three weeks ago when we had our earnings release, and we're talking about a lot of the good things happening in the company on NPI and operational excellence and the commercial excellence initiative, and all the questions were really around tariffs because it was pretty substantial and a lot of headwind there is causing some perturbations in the economy, which I'm sure we'll talk about today as the audience is interested in this.

But you saw the deal from China for us, when we talked about the sensitivities for tariff, we held that outside of our guidance, it was gross of $0.60 in 2025, net $0.20 to $0.40 after mitigation. In that $0.60, 75% or 80% of the impact is from China.

So the China rates have come down quite a bit. So has the impact on the year. At the moment, we see ourselves at the bottom end of that $0.20 to $0.40 range, maybe below that. But beyond that, we'll wait until we see what happens with other deals beyond 90 days here with China and the US, but it actually has been mitigated quite a bit. So again, below the bottom end of that $0.20 range, but it's not going to be 0.

So I thought it was important to get those two pieces out up front. So you mentioned about a year in the job and a couple of months as Chairman. It's been interesting. It's been busy. A year has gone by pretty quickly.

I go back to the decision I made 14 or 15, 16 months ago, to join 3M, it's an iconic company. It's a 123-year history of innovation. We've got fantastic brands, a lot of great people, global reach, customer access. But I saw us having an opportunity to focus back on fundamentals, the basics of the business to drive shareowner value. And I think it's playing out just that way.

In terms of the -- coming on board, I laid out the priorities I have and they still are today, they're pretty evergreen. It's around top line growth through innovation and commercial excellence, driving operational performance across the enterprise. And then capital deployment is the third key priority. And that includes things we're doing on the portfolio includes what happened with the dividend and what we're doing on buybacks but also the smart decision, I think, we made on capital deployment vis-a-vis the state of New Jersey. So in terms of when I reflect back on the last year and what's happened, the company has responded, I think, very well to this challenge to rise up again on innovation.

It's why people joined the company. We were going for a long period of time where we weren't bringing new products onto the marketplace. We've now turned that around, started to turn around. It's going to take some time. But that's been a pretty -- I think, a good reaction, I think, within the organization.

The thing that I think we've been maybe a little bit more challenged on or where I see more of an opportunity is really driving operational excellence across the company. I know coming in, we had a big complex network. I mean, you can read that in any [K]. There's a lot that's been published around that. But it's more around the maturity of the metrics of the team, of the processes around how do you drive an operational excellence agenda across the organization, not just in the supply chain as well.

That's important, and we're getting at that. It's around all the functions within the company. So when I talk about OpEx, it's around the enterprise itself, including R&D. There's a great opportunity for us to do better at how we execute in developing new products through the R&D function.

So the thing that I found probably more of a challenge, take some time to really get our arms around is operational excellence. You saw in Q1, we had very good margin performance, up 220 basis points. So it's quite good. We'll be fine for this year. We talked about towards the high end of the range that we gave a margin expansion for the year.

But again, I think that's an area that's going to take a lot of work. And it's going to take some changes in the culture to make that stick.

Unidentified Participant

And in terms of any unexpected low-hanging fruit that you were able to tackle over the past 12 months?

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

Well, I wish I could see the low-hanging fruit. We all look for that. Look, it's a lot of hard work. It's a big company. We do -- we have a presence in a lot of countries around the world, a lot of factories, a lot of complexity and the innovation.

So I wouldn't say there's any low-hanging fruit. Again, what I've been very pleased about is how quickly the folks that are doing the researching the folks out with customers, the application engineers, the product developers and how quickly they've identified new products, things that we can work on and bring to market, that responsiveness, I think, is certainly encouraging for me, and I hope it's encouraging for investors as well. That is really key the driving growth in the company is key to driving margin -- multiple expansion in our stock as well. So good progress so far, and I think a lot more to do.

Unidentified Participant

The next question, we sort of prepare these questions before the latest news on tariffs, and I think you and I sort of talked about that things are changing fairly rapidly. But maybe a two-part question. The first one, because I know folks will ask. What are you seeing in your end markets and the broader economy? If you can, would love to hear the latest demand trends.

If you care to update us, I know people -- everyone will ask.

And then part two of this question, and as I think the question has evolved, yes, the tariffs look different. But do you see -- are you seeing your customers, your suppliers, make any decisions to change their supply chains, their sourcing? And are you thinking about your own CapEx differently? I'm sure like you could probably spend an hour with this like talking about these three topics--

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

And we only have 25 minutes to cover all those pieces. That's good. Yes. So let me start and you can just sort of like direct me how you want to go. Just terms of the macro, I mean, it's been three weeks when we had our earnings release.

So things are evolving, but it's not materially different from then. We did see a -- we do see today, I mean, a softening macro environment. You could see it in the GDP and IPI as well. Those are two important macro factors for us. If you go back to the beginning of the year to where we were at the earnings release, dropped about 30 basis points, both individually and combined between GDP and IPI.

And in fact, when you look at -- in GDP, if you look at what the US forecast there, I think it says is 1.3% for the year. But in 1.3% for the year was 2.2% or 2.3%, something like that in Q1. Of course, we all know the preliminary number is down 0.3%. Now when I talked at the earnings release, I was saying, here's what I'm seeing in our business.

We had gone back in early in March and pulled -- they actually pulled down our forecast for revenue in the quarter because we were seeing impacts on our business that weren't yet flowing through the macro factors, but we were seeing it, we're reacting to that. So we've seen that. I mean, the economy has clearly softened. I mean, everybody knows that. We have seen -- you can see what's happening in consumer sentiment, the ISM index.

Auto for us is an important metric. It's down 1.7% for the full year on a build rate that's an important number, but we got to look behind that because US and Europe, where we've got bigger presence is down between 5% and 6%. It's actually down double that in the first quarter in terms of the build rate. China was up in Q1.

It's going to be flat to up a little bit for the year. So you see not just build rate coming down, but the movement of where those builds are occurring. And that's an important factor for the company in the near term and certainly over the longer term as well. So a little bit soft. Electronics has been sort of mid-single digits.

Consumer electronics a little bit weaker than that, but not different than what we saw a couple of weeks ago. And of course, the consumers, they're being very cautious. That's been the case for the last year that I've been there. I mean it's -- their behavior is very cautious. We see that running through a lot of what we do in the consumer products business.

So that's kind of the landscape. We had a -- I would say a pretty good April in the sense of where the orders came in at. Trends pretty much -- and it's continued into May. Trends pretty much like we saw in the first quarter, good orders in SIBG, the industrial business. a lot coming in, in the tapes business, the electrical markets business, EMD.

We're seeing personal safety to be pretty decent, roofing granules to be okay. Where we're seeing weakness in the industrial businesses auto aftermarket. We saw that in Q1. We expect that for the year. Claims are down 10%.

There's other factors that are going on around in the automotive repair business. But -- so that's kind of what's happening there. Again, we -- when I look at it, the backlog was up through April, it was up about 14%, 15% in the first quarter. So we continue to build backlog, means our orders are coming in stronger than our revenues. So I think it's a good factor as we think about the balance of Q2 and the balance of the year.

When we talk to our partners, inventory in the channel seems fairly normal, so there's no overhang here. So we feel pretty good about what's happening in the industrial business. I think that's holding its own in line with where we were in Q1. I'd say TEBG is similarly to where they were in Q1, a little bit weaker than SIBG, but we saw that in Q1. A lot of it is driven from the auto business.

As I mentioned a minute ago, what's happening in the build rate that's impacting that transportation and electronics business. And the third area is around -- is the consumer products. We had I think, I guess, a decent Q1, we came in flattish, up about 0.3%, which I think in this market is not a bad place to be. I think, had a pretty good first quarter. We're turning that business around.

We start off Q2 a little light in April as we had expected. We see a build coming into May and June, so we'll see better rates in May for the first couple of weeks of May, I think has been pretty good. So that's sort of the lay of the land across the company as a whole, as I see it.

You talked about capital in factories and customers, suppliers making decisions. Look, when I sit back, we've got 110 factories around the world. We have 3,000 contract manufacturers. I've got -- and I'm running my assets around 58%. So they've got ample opportunity to move things up or down and move things around.

And we're doing that. We're trying to take advantage of where we have location where we can manufacture a product, where it reduces the tariff impact on the company, and we're doing all those things.

There are some short-term, no-recorrect type decisions we're making, and those are already being implemented. Some other things that might take maybe a little bit of time to qualify a supplier, for example, something that might have gotten disqualified or USMCA because the component comes out of Korea, we've got to get requalified. It's not hard. It takes a little bit of time, months, not years, but we're doing all those things. And then depending upon what happens with tariffs over time, if they stay where they're at, obviously, there's maybe more significant movements in the network.

But if they moderate a little bit, as I expect, we're not going to go back to the rates where they were pre-inauguration, pre Liberation Day. But they're going to moderate a little bit from where we happen to be today. Based on that, we'll make decisions on where we spend capital and do we do things more permanently to move production around. So I think I touched on a lot of the things--

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Unidentified Participant

This is a fabulous answer. To go back something that you sort of talked about, culture. So I know that -- how do you change the culture of 3M. And I think the focus here on performance metrics and compensation and maybe providing the right incentives. And I know that there was a communication sent out inside the company at the year-end that actually resonated very positively among the people who I've spoken to.

But just maybe talk about that, like how do you change compensation? How do you change the culture? How would you change performance metrics inside the company to drive the change that you talked about?

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

Look, it is metrics. It is compensation. Don't get me wrong. Those are important elements of that. I think the more important thing on the culture is being clear about expectations through every 1 of 62,000 people in the company.

And doing all of those things to make sure you're pushing that, you're rewarding that, you're repetitive on it, it's constancy of message, constancy of purpose. I mean it's all those things I think go behind that. If you participated in our Investor Day back at -- it was eons ago it seems like, late February. The first thing I start off with was talking about the culture and the culture we want to build inside the company. I'm talking about a performance culture.

And I say it's a new one. It's really building a performance culture inside the company. And it starts with -- it starts with the customer kind of being obsessed with what do they need and delivering against that. It trickles through everything inside the company, is making sure we have the best talent on the planet, on the team, that we're clear about expectations, that we pay for performance. That's very important.

People know where they stand. We drive things with speed and urgency and rigor and relentless continuous improvement. I mean those words resonate inside the company. they're easy to say. It just takes time for that to build into the organization.

Again, it's through communication, repetition, all these things happen day-to-day, hour to hour and how we spend our time and what we do. So clearly, there's going to be some -- there has been some changes in the metrics. Today, when I joined, we had, I think, 10 people on a performance share agreement, which is equity based on some performance. Today, it's 1500, everyone is on an equity plan today, is part of that program, which is important. It's when you get paid, do we get paid kind of a thing.

And luckily, we had our annual meeting yesterday and thanks to all the investors, we had a very good say on pay on some of the changes that we mentioned. It's preliminary 90%, which is good, much -- double where we were a year ago in terms of shareholders voicing an opinion on our executive compensation plans. So we're listening, we're making -- or adapting to that. But look, this is -- coming into 3M, it's -- I've been in -- my career has been pretty long. It's evident to me how important culture really is to changing the trajectory of a company.

I saw a little bit when I was at Harris, importantly, when we merged with L3, very different cultures, very, very different. Even though we sold to the same end customer, I'm seeing it even more so here at 3M. And if we get the culture right, the right people on the right team doing the right things with the right cadence, potential urgency, get it done tonight, not tomorrow, if it can be done in the next minute, do it in the next minute. It's that sort of pace. If we could run at this pace, we've got a lot of opportunity ahead of us.

So I'm rambling on this question on culture, but really, it is fundamental, it's important. We're on it. And the team is pretty energized by this. I've got to tell you, we -- I've done a bunch of all-hands since we -- since I started. And the first one was around a lot of nice questions of, Bill, what are you going to be up to and all those things that people ask about when you're new to the company.

We had over 1,000 people in the room and over 10,000 people online just a couple of weeks ago after our earnings release. And the questions were really good. It's a lot about how do we build this company's franchise going forward? How do we develop people, attract people, invest in the things that are important? I mean this is a good spot where we happen to be in.

As the macro starts to heal, we're going to have a good year and next several years, I think, very positive as well.

Unidentified Participant

Excellent. And maybe just to continue sort of culture, but R&D has always been at the heart of 3M. And sort of once again something that you highlighted. But how do you balance here, right, very strong engineering culture, focus on innovation? But on the other hand, you do run a business.

And how do you make the output more commercial?

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

Yeah. So look, it's a good question. This comes up a lot. I mean, it's a balance between inspiration and perspiration, I guess, I'd say, because, look, the people have to be inspired, but I do believe that you can better mechanize this factory we call R&D. And I use those words inside the company, I used it at the Investor Day, and I'll say it again today.

There's -- I mean, it's a function, it's a business process, it's -- and there's ways you can measure it. You can drive performance, better efficiency, better effectiveness. And from the July of last year, first earnings call, I did at 3M, I highlighted what I was seeing in innovation and what we're doing in R&D. The fact is we spend over $1 billion a year. We have 5,000 people doing R&D work.

The amount of time and effort that was put on new product development had come down quite a bit. The new product launches dropped by a lot. We were 700, 800, seven, eight years ago. And in 2023 before I joined, we were at 128. So we bottomed that out, and it's coming back up.

But there's ways of getting at this. You can inspire innovation and give people time to think about what are the next solutions we can bring to customers, spend time with customers, but at the same time, better manage it. We were not talking to investors. In fact, we weren't talking internally around how many products are you going to launch this quarter? Okay, how many are going to launch this month, right?

Now how are you going to launch this week? And the reality is drive it like that, you get results. If you're asking people how much time do you spend in a given week and how much is not value out of time, they'll give you a long list of things that we could do differently to better spend the dollars that we're spending on R&D. We never talked about on-time attainment of launches. I remember we -- in October, the Q3 earnings release last year, I talked about how many products we're launching and gave a sense for where we'd be for the year.

and we came in far better than that. In fact, early December, it was a number came in almost double x by the end of December and you say, wait a minute, it takes me 14 months or 13 months to develop a product. Why wouldn't I know about that in early December and launch at the end of December? Clearly, somebody does. But the ability to track this and drive this and measure it is really important.

I think you can inspire people, you still drive a lot of these metrics into the company were done. We're just I'm talking to you about new product launches. The reality is, are we getting revenue from it? Are we getting profit from the revenue? Those are the things that we really squeeze inside the company.

And I'll talk about a lot more about that with investors as we get more mature in these KPIs. But Andrew, this is an area that really is going to make a big difference over time, I think, and we're seeing some good progress so far.

Unidentified Participant

Thank you. So clearly, product reinvigorating growth, I think, is at the heart of your agenda at 3M. You've touched on product launches. But maybe we can drill down because it seems that you have 3 segments. And it seems that sort of it is different for every segment.

So maybe -- and I'm talking about the recipe for reinvigorating the growth. So maybe we can start with Safety and Industrial, I think you've highlighted that customer retention and churn has been an issue impacting the growth. Why was Safety and Industrial impacted more than other segments?

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

So it's a very complicated portfolio. We have 135,000 SKUs in the Safety and Industrial business. 90% of the business goes through distribution, and distributors have lots of choices on what they carry and what they sell. So let me just define a situation. We're delivering in the low 80s on time in full, and it's lower than the other two businesses.

And that's been a persistent issue. It's improving, but it's improving relatively slowly. We haven't been launching a lot of new products across the company, including in safety and industrial. And when you have inflation, you're trying to push out price. So you can imagine, you're sitting here a distributor, a salesperson selling you a distributor and you're getting a product that's sort of like what it was before because there's no NPI.

You're pushing price increase, I can't get it on time, so that opens up the aperture to look at other alternatives. And there's a lot of things on the market that aren't quite as good as 3M, but they might be available. So we start to see business loss. So it's not a new trend, it goes back a number of years. We say attrition churn, its share of wallet laws is really what's happening.

So we've got to get the underlying pieces of it, which is on time and full. We've got to launch new products. We've got to make sure we're pricing effectively and looking at cross-sell opportunities. All of those things that we're doing. But the reason we started in the SIBG on all of our commercial excellence initiatives was really for this reason.

I saw this would be the biggest opportunity. And just in the last six months, we've seen a lot of good work that's happening in that business, things that we might not have known a year ago what we need to do. And it's not just changing a sales force incentive plan. That's 1 of 100 different levers you pull to get better on commercial excellence. But that's why we focused on churn or attrition in SIBG.

But the same process is now being embedded over in TEBG in the transportation business. Very different metrics. Very different way of going to business. But there's another approach we can take to drive commercial excellence in that business as well. So I mean, that's sort of where the state of play is that's happening in Safety and Industrial.

Unidentified Participant

And just as I think on-time-in-full, as IPG still lags down, the peers if you look at your forecast, pretty steep climb into the year end. What makes you comfortable or what incentives do you give to sort of folks in the business to achieve those?

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

So it's a sticky problem, and it's stickier than I thought it would be, frankly. I mean we're in the 83%, 84% range. We'll do a little bit better this quarter. We want to get to 90% by the end of this year. It's a steep climb.

We're not -- we want to bring down working capital. We want to bring down inventory. It's not -- that's not the issue. We're going to prioritize on delivering on time and full to customers. A lot of it is these are long-lived assets, legacy assets.

There's certain suppliers that have not been as reliable to us. But fundamentally, it gets back to how we do our demand forecasting, demand planning, supply planning, the psyop process, sales inventory, operation planning. It's just not as robust in that business as we'd want it to be.

We've not focused on what is the forecast and what tools can you use to better predict demand, some things become choppy or other things are more smooth, but there's ways -- and we're getting at this is how do you anticipate demand and then making sure that you drive that back, your factory, what's on hand and back to the suppliers. And it's -- there's a lot that we can do differently.

This is not rocket science. It's not particularly hard. It's going to take us a little time to get there, but the team is focused on it. Look, every single week, the top management of the company gets an update on what's happening in OTIF across each of the businesses, divisions, factories, what drives it, where it was this past week. And when you give that visibility when you shine a light like that on the problem, it gets better over time.

Unidentified Participant

And maybe just shifting to Transportation and Electronics. I think the issue there is somewhat different. And my understanding is it's really a sort of medium-term plan for new product introductions. So what is the medium-term plan for new product introductions? And what industry verticals excite you the most?

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

So yeah, I mean they all excite me, let me just say. So everything that they're doing is very good. Look, they're important in aerospace, important in semiconductors, electronics, automotive, I mean those are the big ones. Those are the key ones at part of our priority verticals that we laid out at the Investor Day. Like the -- it's a bit different in TEBG in terms of new product introductions.

It's a much more complicated product. We're stretching technology, stretching -- we had to do bench-to-bench cooperation and collaboration with our customers more what we call Class 4, Class 5, so new to the world type more spec in opportunities than what we see in SIBG, I mean most of our R&D dollars goes to those two divisions -- I mean, segments, the consumer side maybe not -- definitely not as much -- but that's what's happening in TEBG. We expect to double the new product launches over the next couple of years. The team is working on compressing the cycle time. But what Wendy and her team are really focused on is how do you get really close to the customers that we're selling to.

And it's not a sales relationship. It's not necessarily top to top. It's also sort of as you think about people developing new products, things that a new vehicle, whether it's in the US, Europe China new consumer products. And a lot of times, it's making sure that we actually have the capability in our factories to scale up and produce it. And we are pushing the envelope of technology around film technology goes into consumer electronics.

What we do is the best in the world. And sometimes it runs at a faster pace as to what our assets and our factories allow us to run at. So we've got to make sure that we develop products that are great for our customers, but we can manufacture them at scale in our factories. And when I think about the quality issues sometimes that we have, sometimes it's because we push the limit on a product that we don't yet have the tooling the sensors or the capacity in our factories to actually manufacture it. So TEBG is very different in many ways from SIBG in terms of new product.

Unidentified Participant

Does semiconductor, all this infrastructure in Arizona, right, because you would imagine that a lot more of the supply chain was probably going to come there. Does that create a unique set of opportunities for 3M as a US-based manufacturer was a lot of basic signs?

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

It does, actually. I mean, look, we've got a big in the US. So that's going to be very helpful to us. We are very active in the semiconductor space. We don't -- it's not a big part of the company, but it's significant and it's growing.

We've got a good opportunity there. It's going to take, again, alliances, partnerships, trade associates, a lot of different things we need to do and some capital. The reality is it does require investment and lab capability to be more significant in semiconductors.

Unidentified Participant

But it's something you consider?

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

Absolutely.

Unidentified Participant

Maybe consumer, what struck me, I think it's the first time in a decade that I think 3M -- maybe more than a decade, that 3M was talking about the segment as a growth platform and actually willing to back it up with investments in areas like advertising and merchandising. So what made you excited about the consumer growth opportunity?

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

Everyone knows I posted a command strip, I guess. I don't--

Unidentified Participant

I think Wall Street Journal had like how to use Commander Strip--

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

Yeah.

Unidentified Participant

They literally wrote a feature on it.

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

1,000 users of the Post-it. Yes. Look, there's -- I think Carina and the team have done a really good job at repositioning the business. And you have to look back over a couple of years. They have a program to simplify the portfolio, to simplify the geographies they go into.

And that was a painful process adapting to that. That was the last couple of years. We had not invested in advertising, merchandising through the restructuring program. There were a lot of folks that are pulled out of the system, including salespeople. We weren't putting any investment in developing new products.

we are sort of out of focus. So what's happened is we're now largely through the simplification process of portfolio and geographies. We've stepped up dramatically the amount of time we're putting on new product introductions.

In terms of the new product launches in Q1, they were pretty significant. There are several of that I think are moving the needle for us this year. And we're starting to lean more into four focused brands and more ad merge. And when you put those pieces together, you laid a fertile ground. You've got new product introductions that are coming in, a more simplified portfolio that's focused and now you're doing some advertising, merchandise we're seeing that come back.

And by the way, we've got a lot of footprint in the US for the consumer business. So you put all those things together, we'll perform better than macro because of that. If we add was better for us we'd see much better results, but we're preparing ourselves when the consumer starts to come back and that's going to end up happening. So the team is doing a great job, and it's an important business for us, $5 billion.

So it's one we've got to pay attention.

Unidentified Participant

And this is one area we should get nice relief from the tariffs, right?

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

We should -- there's going to be because a lot of what we bring in from China, probably 70%, 80% or more is for the consumer business. So yes, that will be a relief for that particular business.

Unidentified Participant

So we have 1.5 minutes left, so I'll squeeze one in. So capacity utilization and sourcing strategy, right? I mean, clearly, equipment utilization is one of your key metrics. What's the exit of PFAS manufacturing? So a, you sort of remark how you're relatively low capacity utilization.

But an exit -- continuing exit of PFAS manufacturing frees up capacity at key facilities. What opportunities does it create for you to streamline your internal manufacturing supply chain?

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

So look, we have too many factories at 110 and running them at 80% -- 58% is not where you want to be, obviously. And that's something we're focused on. Getting at a PFAS. I mean, those PFAS assets are specific to manufacturing PFAS. And by the end of this year, we'll not be manufacturing it, and those assets will be dismantled.

They are in factories. There's -- so there's absorbed costs. We've got to deal with stranded costs. The team is working this. We're working this very, very hard.

So it frees up space but doesn't free up necessarily capacity in machines where we happen to be manufacturing PFAS. But we're on this issue around utilization. It's going to help us in a number of different dimensions. Certainly, as we think about longer term, consolidating the network. You need to know that it's fundamental.

Over time, it's going to reduce our capital spending because I'd rather use up the capacity I have and spend for new capacity that's going to be important. But it's also important to just surge capacity.

Right now, some things come in for they want it in a day or an hour or the next week. And sometimes the assets, even though we are highly underutilized, running that asset is hard for us. So if we can drive some more headroom in some of these key assets, our on time in full will come up as well.

So this is -- it's fundamental to running a manufacturing network. Again, we've got 190 assets, 38 of our big factories, about half our production volume, we track regularly on utilization, that's just going to grow over time.

So we're on it, about 4 points from last year. And it's an important element of driving OpEx across the company.

Unidentified Participant

That's fantastic. Thank you so much.

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

Yeah. Sure. Happy to do it. Thank you, everybody. Thank you.
