

# Transforming 3M's Adhesives and Tapes Business

Patrick Deconinck



Investors Conference  
March 17, 2011



© 3M 2011. All Rights Reserved.

## Industrial Adhesives And Tapes Division (IATD)

- Who Are We?
- Where Have We Been? Where Are We Going?
- How We Reset Our Strategy For Long-Term Success
- How Our Success Strategies Consistently Deliver Results & Win In The Marketplace

### Pillars of Success

- Pyramid Strategy: Growth Top To Bottom
- Key Market Focus And Building Customer Intimacy
- Expanding Portfolio Breadth And Depth Organically And Through M&A
- Innovative New To The World Solutions
- Localization
- Operational Excellence – BEP And Engaged Employees

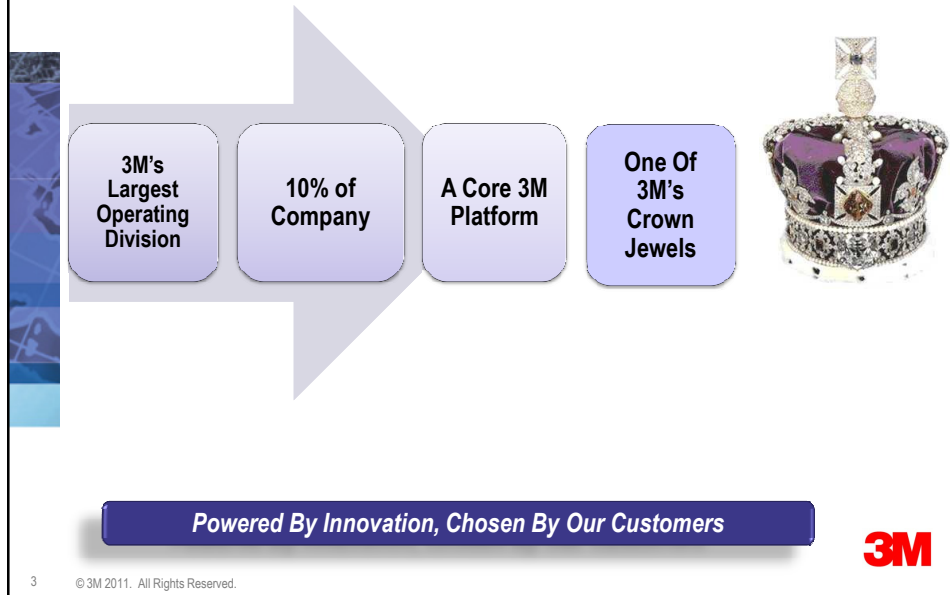
*Transforming Into An Enduring 3M Franchise*



2

© 3M 2011. All Rights Reserved.

## Who Are We?



## The IATD Reality: \$2.6 B Division And. . .

- We serve multiple, fragmented markets...  
(We have 164 product/market/solution combinations.)
- We have few large products...  
(Outside of box sealing & masking tape)
- We have few large customers...  
(Average customer buys \$5K per year)
- We have many small customers who are less price sensitive...  
(200,000 in US alone)
- Yet ... We have massive, untapped potential.  
(400,000 in US lead markets are not buying.)

A Huge Business With Massive Potential To Be Tapped



## IATD Is 3M's Largest Operating Division



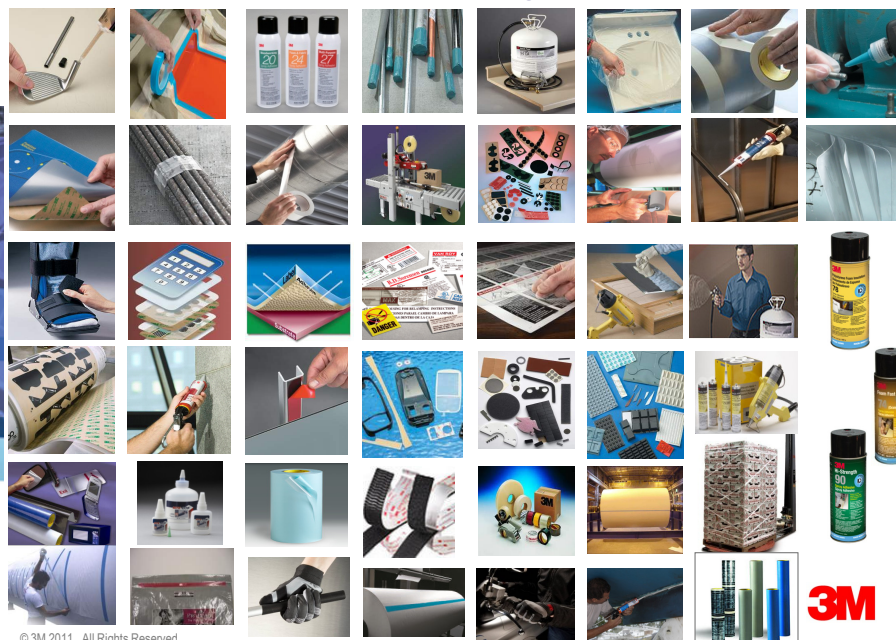
*With An Unmatched Portfolio Of Industrial Tapes And Adhesives*



5

© 3M 2011. All Rights Reserved.

## An Unmatched Portfolio Of Existing Products



6

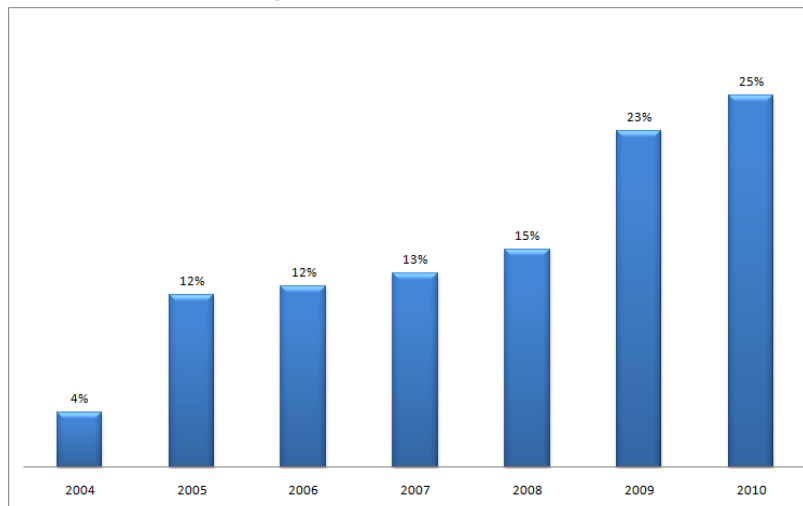
© 3M 2011. All Rights Reserved.

## A Broad and Deep Portfolio Of New Products



7 © 3M 2011. All Rights Reserved.

## New Product Vitality Index- NPVI



*NPVI Growth Has Exploded Over The Past Several Years*



8 © 3M 2011. All Rights Reserved.



## IATD Has Innovative Solutions For All Industrial Markets

from A to  or at least W

From Aerospace...



- Appliance • Architectural
- Automotive • Construction
- Display & P.O.P. • Electronics
- Food & Beverage
- General Industrial
- Government • Marine
- Medical Devices
- Metal Fabrication
- Oil & Gas • Specialty Vehicles
- Sporting Goods • Trailers
- Window & Door
- And more



to Woodworking  
& Cabinetry

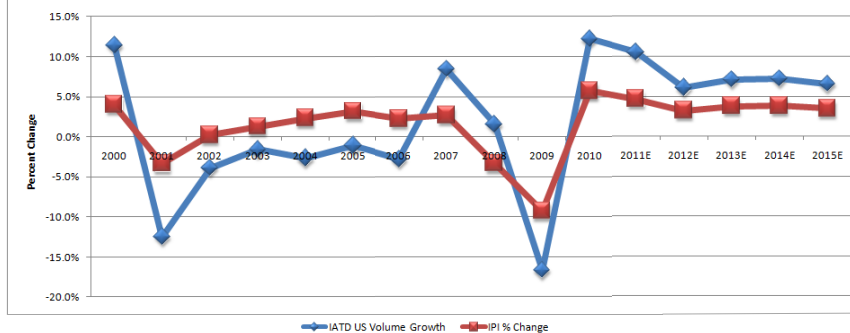
Understanding And Serving Multiple Markets



9 © 3M 2011. All Rights Reserved.

## Where Have We Been? – Where Are We Going?

US IATD Volume Trend 2000 to 2015E



### Pre-2006

- ✦ IATD Was A Cash Cow With Limited Investment
- ✦ Poor NPVI
- ✦ Market Share Falling
- ✦ Convoluted Supply Chains
- ✦ Business Headed Downward

### 2006 Strategy Reset

- ✦ Developed/Executed Pyramid Strategy
- ✦ Aggressively Driving Innovation
- ✦ Growth Improving

### 2011 and Beyond

- ✦ Taking Share
- ✦ Leveraging Footprint In Developing World
- ✦ Significantly Outpacing IPI
- ✦ Further Accelerated Growth!

Profitability Change  
2006 – 2010 = +180 bps



Profitability Change  
2010 – 2015E = +50 bps



10 © 3M 2011. All Rights Reserved.

## IATD Winning In The Marketplace Globally

Area	2010 Volume % Growth	2010 IPI % Growth	2010 Multiple vs. IPI
World	14.9	8.1	1.8
USA	12.2	5.7	2.1
APAC	24.0	14.1	1.7
Latin America	18.3	7.6	2.4
Canada	5.3	5.0	1.1
WE, CEE, & MEA	10.5	5.7	1.8

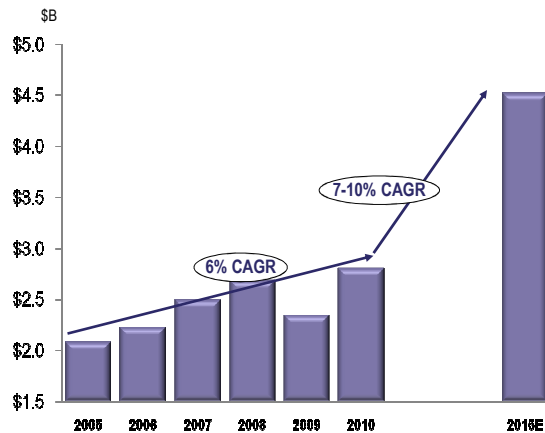
*Outperforming Competition Again In 2010*

11 © 3M 2011. All Rights Reserved.

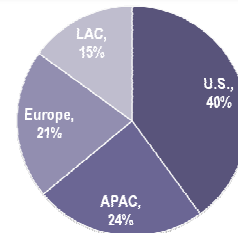
Source: Global Insight, February 15, 2011



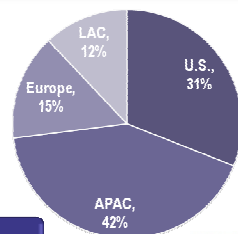
## Sales History And Sales By Geography



2010 Sales By Geography



2015 Sales By Geography

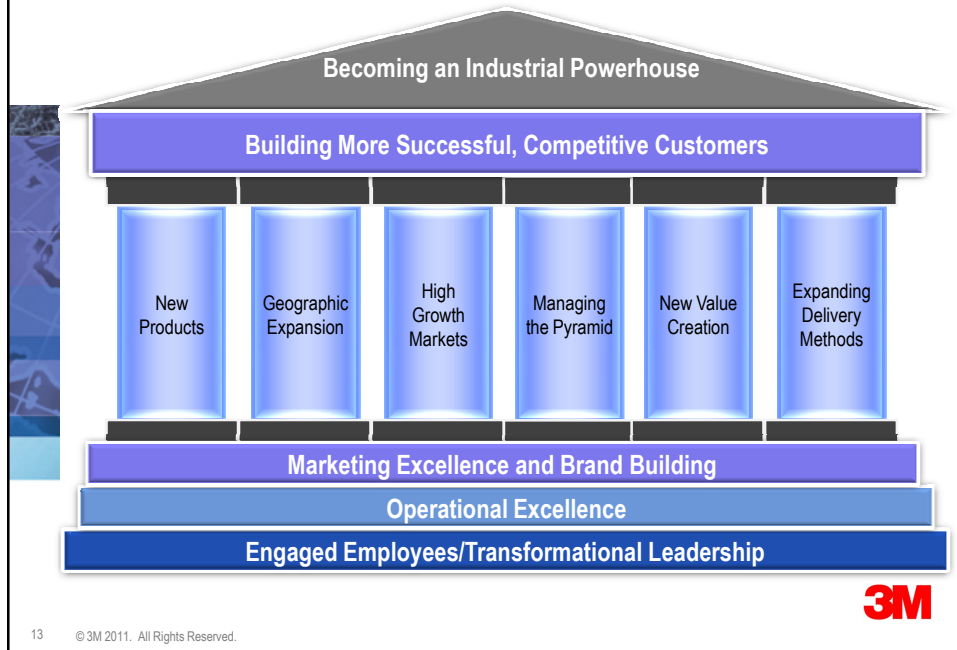


*Transforming To A Growth Engine Globally*

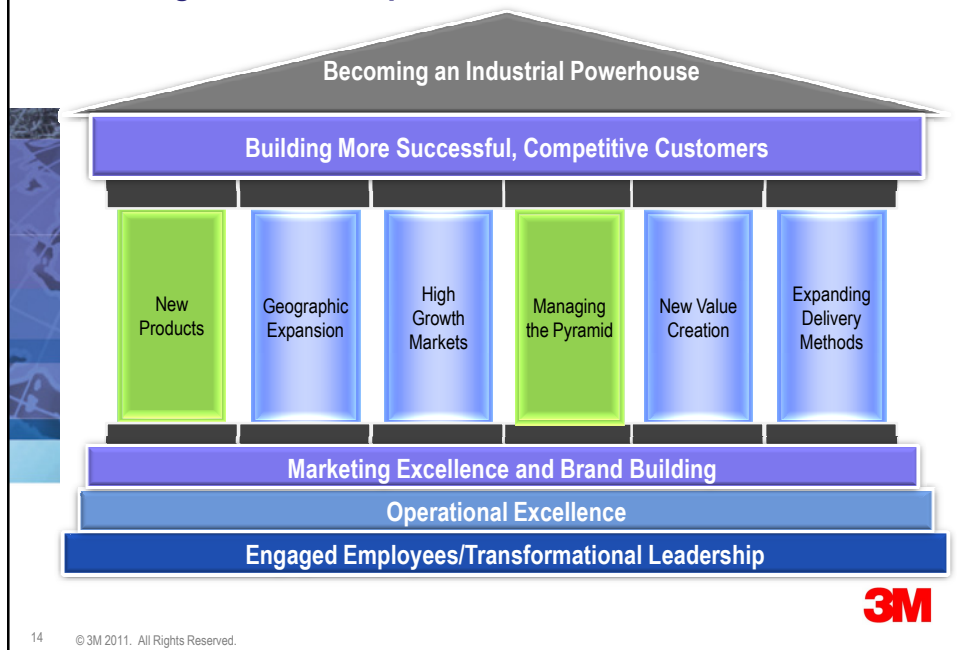
12 © 3M 2011. All Rights Reserved.



## Winning in the Marketplace

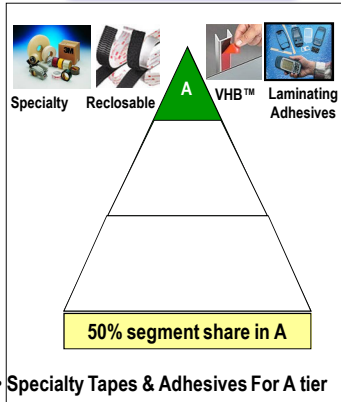


## Winning in the Marketplace

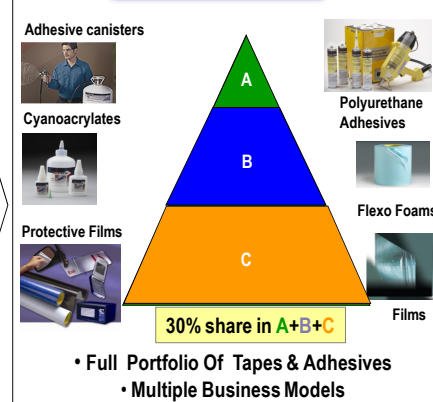


## Transforming IATD

**FROM \$ 5 B Market**



**TO \$ 30 B Market**



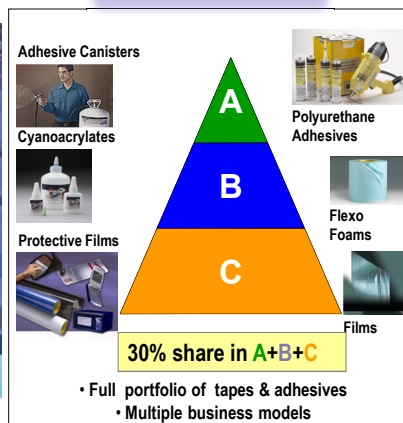
**Building A \$9B Business, Winning In All Tiers, Maintaining Premium Margins**



15 © 3M 2011. All Rights Reserved.

## Strategic Summary

**TO \$ 30 B Market**



<p>➤ Share goal 50%</p>	<ul style="list-style-type: none"> <li>▪ Innovation</li> <li>▪ Lead market / Key Account Driven</li> <li>▪ Value Creation @ OEM Level</li> <li>▪ Well Trained Sales Reps Backed By Technical Service</li> </ul>
<p>➤ Share goal 25%</p>	<ul style="list-style-type: none"> <li>▪ Penetration</li> <li>▪ Brand Power</li> <li>▪ Channel Focus</li> <li>▪ Alternative Sales Models, e.g., Manuf. Reps, Shop3M.com....</li> </ul>
<p>➤ Share goal 15%</p>	<ul style="list-style-type: none"> <li>▪ Channel Driven</li> <li>▪ Strict Merch. Plan/Private Label</li> <li>▪ Market Price</li> <li>▪ LEAN Structure</li> </ul>

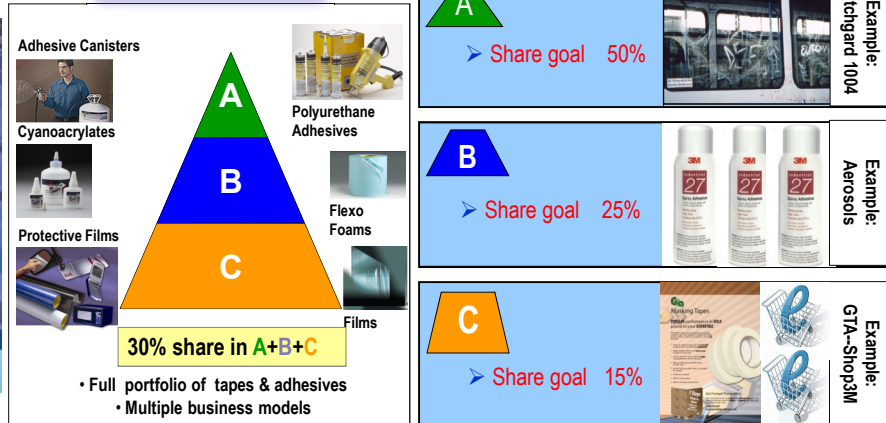
**Expanding Throughout The Pyramid Requires Unique And Flexible Business Models**



16 © 3M 2011. All Rights Reserved.

## Strategic Summary

TO \$ 30 B Market

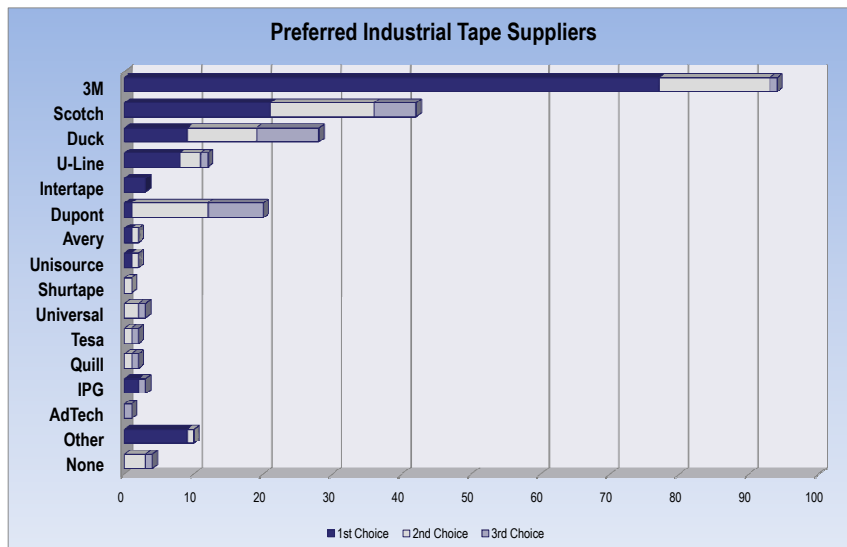


Expanding Throughout The Pyramid Requires Unique And Flexible Business Models



17 © 3M 2011. All Rights Reserved.

## Winning With A Strong Brand For Tapes



Marketing Excellence And Brand Building

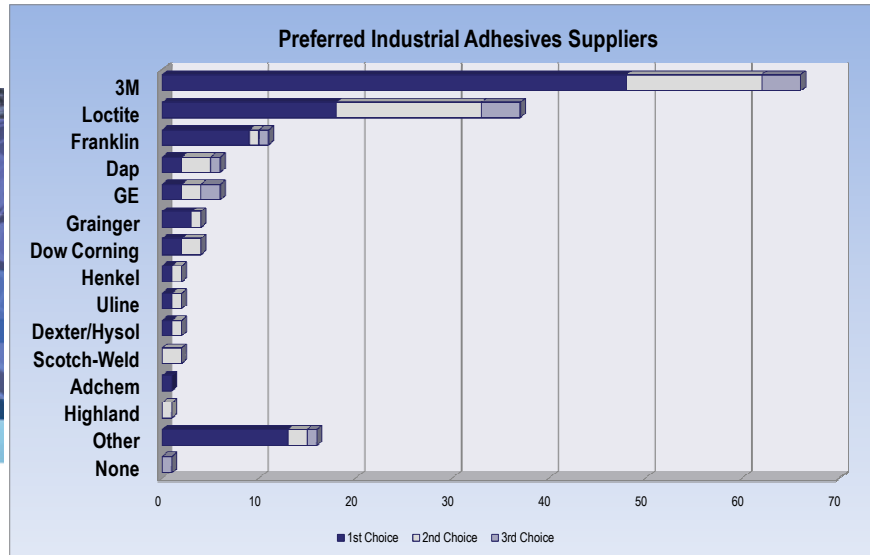


18 © 3M 2011. All Rights Reserved.

Source: Opinionology, January, 2011



## Winning With A Strong Brand For Adhesives



Marketing Excellence And Brand Building



19 © 3M 2011. All Rights Reserved.

Source: Opinionology, January, 2011

## Winning by Penetrating Growing Market Segments Globally

### Sporting Goods

Market Opportunity: \$281 B  
14.5% CAGR 2010 - 2015  
IATD Market Opportunity: ~ \$580M



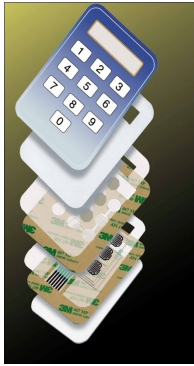
Epoxy Adhesives

### Medical Device

Market Opportunity: \$375B  
8.2% CAGR 2010 - 2015  
IATD Market Opportunity: ~ \$706M



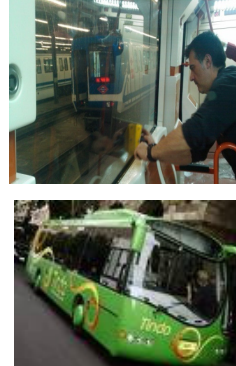
Fastening



Membrane Switches

### Public Transportation

Market Opportunity: \$224B  
13.3% CAGR 2010 - 2015  
IATD Market Opportunity: ~ \$6B



Scotchgard™ 1004

Focusing On Fast-Growing Segments



20 © 3M 2011. All Rights Reserved.

## Building Customer Intimacy Globally

3M Mexico – Queretaro - Innovation Fair



Customer Days in China



Winnebago & 3M USA



Solution Seminars USA



Converter Summit USA



US Navy



US Army

Alcoa and 3M Brazil



NASCAR R&D & 3M



Manutan and 3M France



3M Technical Solution Seminar



*Winning By Making Our Customers Successful  
350 Customer Seminars In The USA In 2010*



21 © 3M 2011. All Rights Reserved.

## Our Broad 3 Tier Portfolio Allows Us To Delight Customers In Crisis Situations

### Problem

- ✦ Global OEM used competitive "lower cost" metal foil tape to protect plastic from heat in dishwashers.
- ✦ Voluntarily recalled over 1 million units when tape failed in field.



Unique A Tier Solutions Demonstrate Customer Value



22 © 3M 2011. All Rights Reserved.

## Our Broad 3 Tier Portfolio Allows Us To Delight Customers In Crisis Situations

### Problem

- ★ Global OEM used competitive "lower cost" metal foil tape to protect plastic from heat in dishwashers.
- ★ Voluntarily recalled over 1 million units when tape failed in field.

### Solution

- ★ We were already there with a "best value" metal foil tape solution.
- ★ **Gaining \$1.2M new business**
- ★ And many new applications.....



Unique A Tier Solutions Demonstrate Customer Value



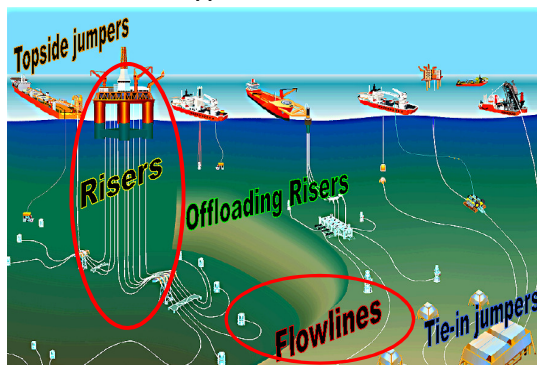
23

© 3M 2011. All Rights Reserved.

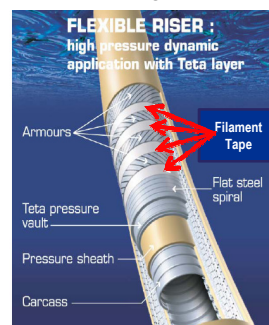
## Solving Extreme Customer Needs

### Oil Drilling

#### Flexible Product: Application



#### Flexible Product: Structure Design



Filament Tape

Achieved \$11 M New Sales In 2010

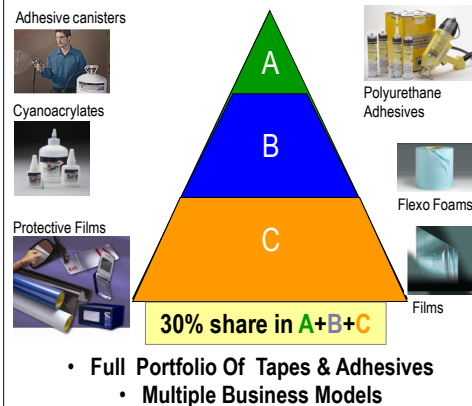


24

© 3M 2011. All Rights Reserved.

## Pyramid Growth Top to Bottom – How?

TO \$ 30 B Market



We are re-building A tier against indirect competition...  
**Organic Innovation**

**AND**

We are strengthening our position in B AND C tier to grow & deliver GM Dollars.  
**Complementary M&A**

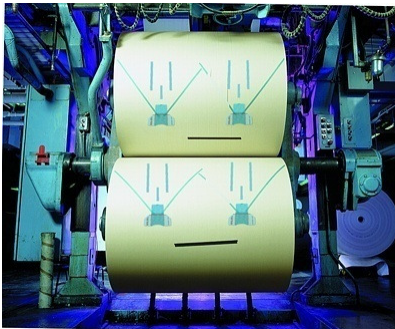
Winning By Expanding Our Portfolio Both Organically And With M&A



25 © 3M 2011. All Rights Reserved.

## Reinventing Ourselves To Make Our Customers More Productive

**Customer Problem:**  
Too many splice breaks because the set up is too complicated



**3M Solution:**  
Straight Flying Splice Tape



Reducing Flying Splice Breaks To Eliminate Downtime At Customers' Facilities



26 © 3M 2011. All Rights Reserved.

## Innovating Around Mega Trends



*"Greening" The Product Life Cycle . . . From Concept To Customer...*



27 © 3M 2011. All Rights Reserved.

## Innovating To Solve Customers' Environmental Needs



**Pallet Packaging Waste**



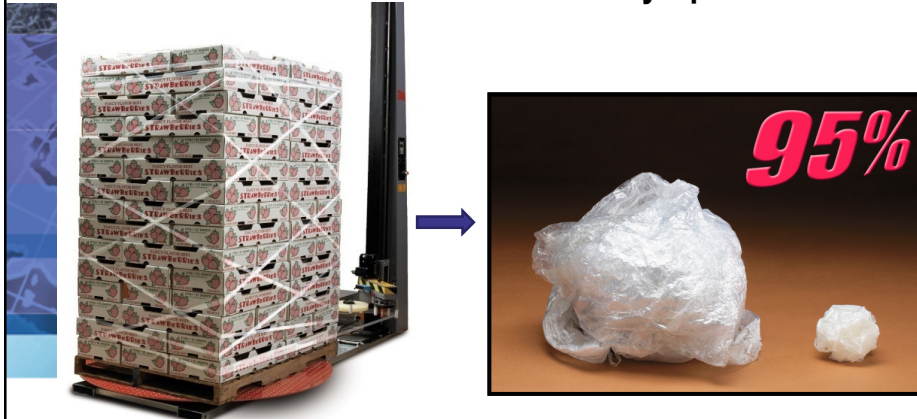
28 © 3M 2011. All Rights Reserved.



## Innovating To Solve Customers' Environmental Needs

3M ST-1000

Reduces Pallet Packaging Waste By Up To:



*"Greening" The Product Life Cycle. . . From Concept To Customer...  
\$4M New Business In 6 Months*

**3M**

23 © 3M 2011. All Rights Reserved.

## Innovating to Reduce Customers' Total Applied Cost



Industrial Label With  
Air Release Structured  
Adhesive

*Easy To Apply – Labor And Waste Savings For The Customer*

**3M**

30 © 3M 2011. All Rights Reserved.

## Quick Bonding Tapes For Low Surface Energy Bonding



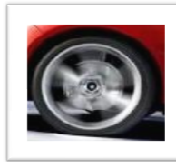
Think 3M First for instant grab, more strength with thinner bondlines on more surfaces



**Kindle E-Book**  
Leather Cover  
Attachment



**Food Retail**  
RFID Tag To Plastic  
Containers



**Automotive**  
Hub Cap To Wheel  
Nameplate



**Shoe Insole**  
Precut Patches Insole  
Attachment

**\$2M Sales In 1<sup>st</sup> Year Launch**



31 © 3M 2011. All Rights Reserved.

## 3M Scotch-Weld DP920 Epoxy

- Break-Through Technology
- Revolutionizes The Epoxy Industry
- Markets Include:

Trailer, Rail, Elevator, Steel Door, Signs, Aluminum Boats, Architectural Metals ...



**Eliminates  
Welding**



**Bonding Oily Metals With A Revolutionary Technology**



32 © 3M 2011. All Rights Reserved.

## Winning With Complementary M&A



Portfolio Breadth And Depth



33 © 3M 2011. All Rights Reserved.

3M	+\$5.1MM
Emfi	+\$8.5MM

3M™ Cylinder Adhesives  
94 CA and 30NF



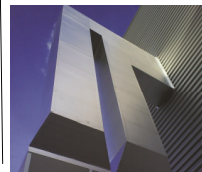
3M	+\$2.0MM
NorthStar	+\$2.2MM

POLYFOAM

3M	+\$1.9MM
POLYFOAM	+\$0.8MM

3M	+\$1.5MM
VentureTape	+\$14.2MM

VentureTape®  
8088 Sheathing Tape



M&A is Boosting Our Sales: \$36M New\* Sales In 2010



34 © 3M 2011. All Rights Reserved.

\* New Sales Above Anticipated Acquisition Sales

## Winning By Rebuilding The Portfolio Through M&A



# 2 Manufacturer WW



Portfolio Breadth And Depth - \$13M New\* Business In 2010



35

© 3M 2011. All Rights Reserved.

\* New Sales Above Anticipated Acquisition Sales

## Winning In New Markets With M&A



Construction

VentureTape®



Winning World Wide - \$65M New Business



36

© 3M 2011. All Rights Reserved.



## Now Also Innovating In The "Acquired Markets"



Construction

*Focusing On New, Unique And Challenging Opportunities*



37 © 3M 2011. All Rights Reserved.

## Now Also Innovating In The "Acquired Markets"



*Our Unique New PSA Tape Allows Engineered Wood Manufacturers To Eliminate House Wrapping - \$ 60 + M New Sales in 5 Years*



38 © 3M 2011. All Rights Reserved.



## Winning With Innovative M&A



Ryder Truck Body



Tank Made in Filament Winding



Bus - Structural Composite Parts



Nacelle Manufacture.



World Speed Record Car



Siemens Train Front



Honeycomb Sandwich Roof Panels



Passenger Ferry



US Coast Guard Approved Ferry



Wind Blades



Sleeper Cab



Honeycomb Cored House

*New Unique Composite Materials Offer Low Weight Materials To Make Us More Relevant To The Customer*



39 © 3M 2011. All Rights Reserved.

## And Now Innovating Organically In The Composites World

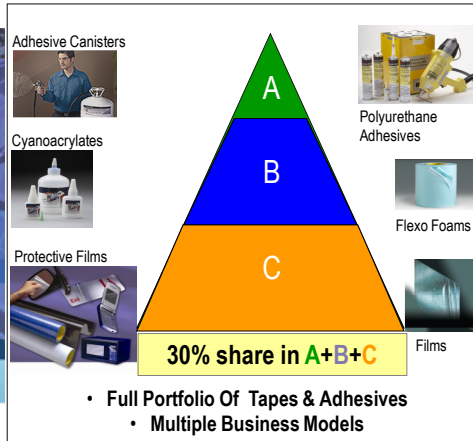


*3M's Nano-Enhanced Resins: Game-Changers For Carbon Fiber Composites Improves Compression Strength By Up To 60% \$ 2.5 M New Sales In Year 2 For.... Fishing Rods*

40 © 3M 2011. All Rights Reserved.

## Winning Across The Pyramid

TO \$ 30 B Market



Launching Pad For Lean Sales Model

**GTA**  
TAPES & ADHESIVES  
a 3M Company

Your Name Here

GTA-NHT APAC, Inc.  
Alpha Beta  
6F, No.216 Wen Lin North Road  
Taipei, 112, Taiwan, R.O.C.

886-2-2527-1996 (Taiwan)  
886-2-2527-6796 (Taiwan FAX)  
800 343 1076 (U.S.A.)

[www.alphabeta.com](http://www.alphabeta.com)

Stronger Position in Tier C Will Ultimately Accelerate Growth In Tier A And B

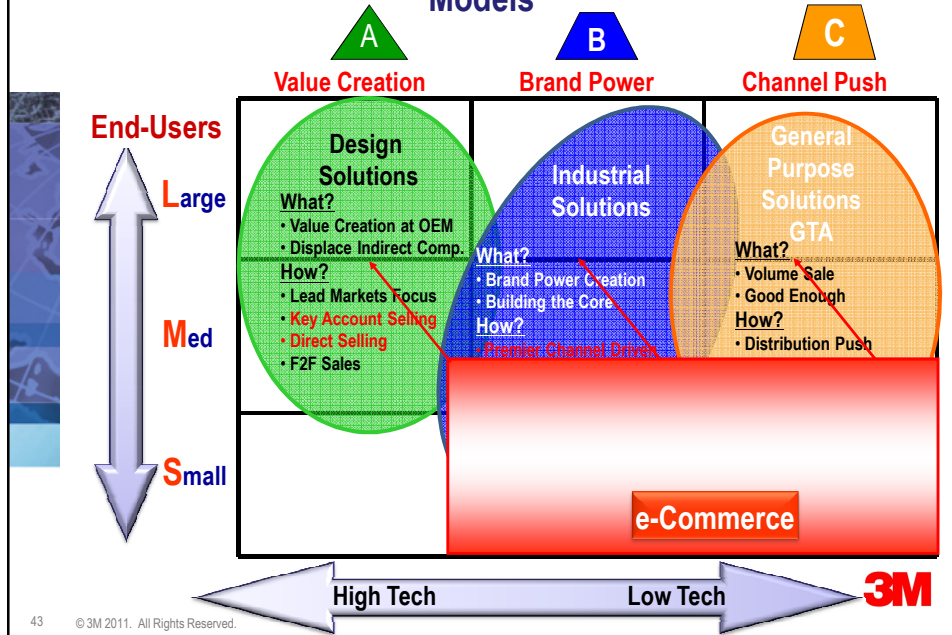
**3M**

41 © 3M 2011. All Rights Reserved.



© 3M 2011. All Rights Reserved.

## Executing In The Field With 4 Different Customer Relevant Models



43 © 3M 2011. All Rights Reserved.

## Winning With Social Media To Reach Our Broad Customer Base



Facebook Pages, YouTube, Converter Community, Shop 3M.com

3M

44 © 3M 2011. All Rights Reserved.

## Winning Globally With Localized R&D And Manufacturing



## Winning With Localized R&D And Manufacturing





..... That Is Executed



By Engaged Employees

*Transforming Into An Enduring 3M Franchise  
From 12% Segment Share To 30%*



47 © 3M 2011. All Rights Reserved.

In Summary, IATD Has...



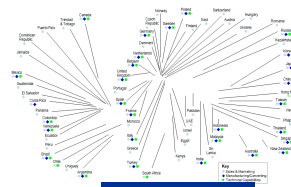
**Strong Brand, Diverse Portfolio**



**Broad Market Reach**



**An Ever Growing Portfolio Of Unique Solutions**



**A Global Reach**

*A Recipe To Solidify An Enduring, Winning Franchise For 3M*



48 © 3M 2011. All Rights Reserved.



## In Summary, IATD Has...

**Powered by innovation. Chosen by our customers.**

- Aerospace • Appliances • Automobile
- Automotive • Construction • Packaging & Print
- Electronics • Food & Beverage
- General Industrial • Healthcare • Marine
- Medical Devices
- Metal Fabrication • Oil & Gas
- Paper & Printing • Packaging Solutions
- Specialty Vehicles • Sporting Goods
- Textiles • Waste & Water
- Woodworking & Lumber • Other

Industrial Adhesives and Tapes Division

**Strong Brand, Diverse Portfolio**

**Broad Market Reach**

**IATD Global Strategic Planning Meeting, 2010**

**Engaged, Talented Employees**

**A Global Reach**

**An Ever Growing Portfolio Of Unique Solutions**

**A Recipe To Solidify An Enduring, Winning Franchise For 3M**

19

© 3M 2011. All Rights Reserved.

# Thank You!



50

© 3M 2011. All Rights Reserved.