Trian Issues Open Letter to Solventum Shareholders

Despite Performance Declines Since Spinning Out of 3M, Trian Believes Solventum Has Potential to Drive Significant Improvements as a Standalone Company

If Solventum Can Restore Performance to Historical Levels, Trian Believes the Company's Shares Could be Worth $140 by Year-End 2027 vs. its $69 Share Price Today

Trian Believes the Company Can Further Enhance Value Creation Through Improved Operating Performance, Portfolio Actions and Prudent Capital Allocation

NEW YORK, Jan. 8, 2025 – Trian Fund Management, L.P. ("Trian"), which beneficially owns ~5% of Solventum Corporation (NYSE: SOLV) ("Solventum" or the "Company") and is the Company's largest active shareholder, today released an open letter and slide deck outlining its views on performance and opportunities for value creation ahead of Solventum's expected Long Range Plan ("LRP") announcement in February.

The letter notes that Trian believes Solventum, formerly 3M's Health Care division, owns high-quality businesses which delivered consistent performance for many years inside of 3M. Trian believes Solventum's separation from 3M should enable it to deliver even better performance as a focused, independent company.

Trian believes Solventum's separation is not living up to its potential, noting that the Company is performing at a much lower level today than it did inside of 3M. Prior to the spin, 3M research analysts, on average, estimated Solventum would be valued at $33 billion when it spun out of 3M, implying a share price more than double where Solventum's shares are currently trading. Today, Solventum trades at a lower valuation multiple than each of its subsidiary peer groups, and it even trades at a significant discount to its former parent, 3M, despite Solventum having been 3M's best performing business.

Given performance declines, Trian initiated dialogues with management and the board, noting that Solventum would benefit from increased engagement with Trian and other shareholders to assist in formulating a more ambitious plan to drive performance and value creation over the near, medium and long-term. To date, there has not been sufficient progress. Accordingly, Trian is releasing its letter to provide important context on the Company's historical performance and spin-related opportunities to facilitate better discussion among shareholders, management and the board regarding performance expectations ahead of the Company's LRP announcement. Trian appreciates that Solventum is a relatively new public company, but that makes it even more important for its leadership to act with urgency to reverse the declines and communicate a plan that appropriately reflects the potential of its businesses. Highlights from Trian's letter include:

Solventum's separation from 3M should enable significant performance improvements.

- Solventum was 3M's best performing business – it was consistently 3M's fastest growth and highest margin division.
- As an independent company, Trian believes Solventum should be able to perform even better than it did inside of 3M, as the division lacked focus inside of its former conglomerate parent, and it had to manage through large corporate cost allocations.

- Similar to other spins, Solventum should be able to increase investments in growth and fund those investments with savings generated by right sizing its overhead structure and increasing focus and accountability throughout the organization.

Solventum has seen a major decline in performance since spinning out of 3M.

- In a short period of time, Solventum went from consistently growing organically at a low-to-mid single digit rate at a mid-to-high 20% operating margin – to a business that is barely growing today at a low-20% operating margin, despite its core end markets continuing to perform well.
- *<u>Today, Solventum's growth and margins are at historic lows, and the Company has not created an expectation for meaningful improvements going forward</u>.*

The expected decline in Solventum's profit margins is nearly unprecedented.

- Trian analyzed comparable mid-to-large cap spins over the past decade. The *<u>average mid-to-large cap spin delivered approximately +125bps and +160bps of margin expansion</u>*, respectively, in the first and third full year following separation compared to the standalone pro forma adjusted margins disclosed pre-spin. Spins at the 75th percentile delivered +240bps and +300bps of margin expansion over those same periods.
- Consensus estimates (albeit not Company guidance) expect Solventum's margins to decline by (425bps) in its first full standalone year, which would make it a bottom decile performer.

Some have suggested Solventum's step-down in performance will result in an extremely low bar and easily allow the Company to "beat" on earnings expectations over time.

- Solventum's performance decline has gone beyond the scope of 3M spin-related headwinds and appropriate layers of conservatism. Great companies drive businesses forward and set conservative guidance in that context.
- *<u>The purpose of the spin was to further improve performance – not take a major and prolonged step backwards.</u>*

Solventum must outline a LRP that restores performance to historical levels and beyond.

- Over any reasonable multi-year time period (3, 5, 10, 20 years), the business grew 3% to 4% organically at a 26%-27% EBIT margin inside of 3M.
- Trian believes historical performance levels and spin-related opportunities should help frame the goal posts for Solventum's operating targets and broader strategy.
- By restoring performance to historical levels, Trian believes Solventum's shares could be worth $140 by year-end 2027 (see page 14 of Trian's slide deck for details).

Simplifying Solventum's portfolio can further enhance the value creation opportunity.

- Three of the Company's four reporting segments are strategically and operationally distinct from its core MedSurg segment. Combined, these businesses represent approximately 45% of the Company's sales: Dental Solutions, Health Info Systems, and Purification & Filtration.
- Reducing portfolio complexity can improve focus and execution at the remaining businesses.
- While non-core, *<u>Trian believes each of these businesses is highly valuable and likely worth a substantially higher valuation multiple than where Solventum trades today.</u>*
- Divestitures could accelerate Solventum's deleveraging and enable value-enhancing capital allocation decisions including dividends, share repurchases and bolt-on M&A.

About Trian Fund Management, L.P.
Founded in 2005, Trian Fund Management, L.P. ("Trian") is a multi-billion dollar investment management firm. Trian is a highly engaged shareowner that combines concentrated public equity ownership with operational expertise. Leveraging the 50+ years' operating experience of our Founding Partners, Nelson Peltz and Peter May, Trian seeks to invest in high quality but undervalued and underperforming public companies and to work collaboratively with management teams and boards to help companies execute operational and strategic initiatives designed to drive long-term sustainable earnings growth for the benefit of all shareholders.

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Disclaimer

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January 8, 2025

Dear Fellow Solventum Shareholders,

Trian Fund Management, L.P. ("Trian") beneficially owns approximately 5% of the outstanding shares of Solventum Corporation ("Solventum" or the "Company"). Given our high conviction in Solventum, we have increased our investment over recent months. Like many shareholders we have spoken with, our confidence in the Company's potential is derived from its strong historical performance as a former division of 3M, and the many opportunities we believe Solventum has to drive *improved performance* as a focused, standalone company.

The unfortunate reality is that, since spinning out of 3M earlier last year, Solventum is not performing nearly as well as it did as part of 3M. Over the last 3 and 5 year periods, we believe Solventum was not living up to its potential as a division inside of 3M, yet it still averaged 3% to 4% organic growth at a 26% EBIT margin. Today, Solventum is delivering virtually no organic growth and its margins have declined to the low 20% range – historic lows for both growth and margins. Research analyst consensus estimates ("consensus estimates") expect minimal performance improvements from here. While it has been only nine months since Solventum's separation from 3M, this step-down in performance has been alarming. Absent significant improvements, it would mark one of the largest declines in performance of any comparable spin over the last decade.

Many current and prospective shareholders have expressed concern to us that the Company has set extremely low expectations for the business today and a disappointing vision for the future. While this performance reset arguably sets the groundwork for the Company to easily exceed expectations going forward, there is far more to building a great business and creating lasting value than beating expectations relative to a dramatically lowered performance standard. Taking five large steps backwards, drawing a new proverbial line in the sand, and then taking three steps forward does not represent progress, especially in the context of Solventum's opportunities. Great companies drive businesses forward and set conservative guidance in that context.

Given the Company's performance, we initiated dialogues with management and the board, communicating our belief that Solventum would benefit from increased engagement with us and other shareholders to assist in formulating a more ambitious plan to set the Company on a path to improve performance and drive value for shareholders over the near, medium and long-term. To date, we have not made sufficient progress. Accordingly, we are releasing this letter and attached slide deck to provide important context on Solventum's performance and to improve the quality of the discussion among shareholders, management, and the board regarding the Company's opportunities and performance expectations. We appreciate that Solventum is a relatively new public company, but that makes it even more important for its leadership to act with urgency to reverse the declines and effectively communicate an operating and strategic plan that appropriately reflects the potential of its businesses and demonstrates Solventum's value as a standalone entity.

Looking forward, the Company has an opportunity to use its Long Range Plan ("LRP") announcement in February to outline a credible path to restore the value of its businesses and unlock the potential envisioned when 3M created Solventum. We believe these historical performance levels and spin-related opportunities should help frame the goal posts for Solventum's operating targets and broader strategy.

We believe Solventum has a tremendous value creation opportunity. By restoring performance to prior levels, we believe the Company's shares could be worth $140 by year-end 2027, substantially higher than yesterday's closing price of approximately $69 (see page 14 of the attached slide presentation for further detail). We believe Solventum can and should be able to drive improved performance beyond those historic levels, and prudent portfolio actions and disciplined capital allocation have the potential to further enhance the Company's value creation opportunity.

A Brief History of Solventum Pre-Spin

Since its inception, Solventum (formerly 3M Health Care) has invented and defined numerous product categories across end markets, including many niche, critical, daily use items and services. Many of its products boast #1 market positions, underpinned by superior product performance and a portfolio of well-known brands. We believe the quality of these businesses is reflected in their consistent organic growth over time – Solventum has delivered positive organic growth every single year for more than 20 years, even through difficult economic environments.

Having followed 3M for many years, we have long admired its health care business, recognizing that it was routinely 3M's fastest growth division, growing organically at more than twice the rate of the rest of 3M. 3M Health Care delivered that growth at high margins, consistently boasting EBIT margins in the mid-to-high 20% range – several hundred basis points ("bps") higher than the margins of the rest of 3M.

Despite historically strong performance, we believe that 3M Health Care was not maximizing its potential at the time of the spin. The division had lacked consistent leadership (4 different CEOs over 5 years), struggled with two large acquisitions and was run for cash as part of 3M's conglomerate structure. Despite these obstacles, the business still averaged 3% to 4% organic growth and a 26% EBIT margin in the 3 and 5 years leading up to the spin.

Having been involved with a number of spins, we have repeatedly seen best-in-class companies deliver faster growth and higher margins than what they had realized inside of their former parent companies – often within a surprisingly short period of time. As discussed in the analysis below, over the last 10 years, the average comparable spin-out delivered approximately +125bps of margin improvement in its first full year as a standalone public company, and approximately +160bps by year three. Newly separated companies often benefit from increasing investments in growth and funding those investments with savings generated by right sizing overhead structures and increasing focus and accountability. As GE HealthCare articulated in its separation from GE:

"So there are a lot of benefits of separation. It really does allow a level of focus and a level of scrutiny in specific areas that you might not have as part of a broader conglomerate. And furthermore, we really get to optimize things for us specifically versus a broader organization. And so part of the reason we're going to be able to expand margin are some of the benefits of becoming a stand-alone company."

We believe Solventum has greater opportunities to drive performance improvements as a standalone company than most spins in recent memory. Inside of 3M, Health Care's margins were burdened by approximately 1,000bps of allocated corporate costs – approximately 800bps of which were corporate SG&A allocations. According to 3M, approximately 600bps of these allocated costs stayed at 3M in the separation through transition service agreements ("TSAs") and stranded overheads. We strongly believe Solventum should be able to use its separation from 3M to create a leaner overhead structure than that which was allocated to it inside of 3M, enabling increased investments in growth (sales, marketing and R&D) while also realizing higher margins.

Accordingly, we believe 3M was wise to follow in the footsteps of other industrial conglomerates and spin out its Health Care business. Not only did 3M spin out a business deserving of a premium valuation multiple, but 3M also positioned Health Care to deliver improved long-term performance as a focused, standalone company.

Solventum Has Not Lived Up to its Potential

Unfortunately for shareholders, Solventum's performance since the spin has not lived up to its promise. Research analysts covering 3M (many of whom followed the Health Care division for years, if not decades) thought Solventum's enterprise value would be approximately $33 billion at the time of the spin, implying a share price more than double where Solventum's shares are currently trading. Today, the Company trades at a lower valuation multiple than each of its subsidiary peer groups. Solventum even trades at a significant discount to its former parent, 3M, despite Solventum having been 3M's best performing business.

The first major setback in Solventum's value creation story came in mid-March of 2024 when the Company hosted one of the more unusual pre-spin investor days we have seen, as much of the investor day was spent emphasizing the spin-related headwinds rather than the opportunities. At the event, the business was introduced to the public markets without a cohesive strategy. This was also one of the only investor days we can recall in which the company did not issue medium-term or long-term financial targets, or at a minimum, frame a financial plan. This was a missed opportunity to provide a compelling vision for Solventum's future – ideally, a plan to take a historically strong business and make it great through newly empowered and focused management.

Instead, the Company set near-term expectations for growth and margins that were considerably lower than levels delivered inside of 3M and offered little visibility in terms of performance improvements. While the Company has not yet guided beyond 2024, consensus estimates, which reflect the tone set by Solventum management to date, say it all. Consensus estimates project less than 1% revenue growth and margins flatlining at 20% – both at historic lows:

Solventum Consensus Forecasts vs. Historical Performance ($mm)

	Consensus Forecast			Average	3MHC Historical Averages			
	2024E	2025E	2026E	'24 - '26	Last 3yr	Last 5yr	Last 10yr	Last 20yr
Sales	**$8,231**	**$8,276**	**$8,415**					
% organic growth	*0.5%*	*0.5%*	*1.7%*	0.9%	4.2%	3.0%	3.5%	4.4%
Adj. EBIT	**$1,794**	**$1,646**	**$1,719**					
% margin	*22%*	*20%*	*20%*	21%	26%	26%	27%	27%
Adj. EPS	**$6.58**	**$5.50**	**$5.86**					
% growth		*(16.4%)*	*6.5%*					

We find this performance step-down hard to comprehend. Solventum's core hospital end markets are growing faster today than they had during many of the historical periods in which the entity delivered 3-4% growth inside of 3M. Further, we believe Solventum should be able to create a leaner overhead structure than the one it had inside of its former parent. *We would understand if margins declined due to investments in growth, but organic growth is worse than when Solventum was inside of 3M, and the Company has not created an expectation for improvement.*

Some have characterized Solventum's positioning to the public markets as setting management up to "beat and raise" over the next several years. We too believe management teams should guide conservatively and exceed expectations – but there must be an element of reasonableness to those targets. In its first two quarters in the public markets, Solventum is on track to beat its own public guidance while delivering two of the lowest performance quarters in the Company's history dating back to its time under 3M:

- Q2 2024: 1% organic growth, (530bps) of EBIT margin compression
- Q3 2024: 0% organic growth, (320bps) of EBIT margin compression

We hope that this unprecedented performance decline does not inform the starting point of the LRP. We have heard management dismiss the idea that Solventum delivered better performance inside of 3M. Instead, they have pointed to a single quarter of growth or the pre-spin year of growth as representative of how the business performed inside of 3M (with no reference point for margins). The reality is that over any reasonable multi-year time period (3, 5, 10, 20 years), the business grew 3% to 4% organically at a 26%-27% EBIT margin inside of 3M. How could this not inform Solventum's standard for performance as an independent company, and how can the board and management not aspire to do better than this baseline? To do otherwise risks serving management at the expense of shareholders, as it would reduce accountability by setting a bar so low that it could comfortably be cleared with mediocre (or even lower) performance.

Based on Precedent Spins, Solventum's Margin Performance is Near Worst-in-Class

The Company has occasionally blamed the spin itself to provide justification for why performance is suffering, suggesting that executing the spin-out from 3M has resulted in a decline in business performance. To put Solventum's expected margin decline in context, we analyzed the adjusted profit margin progression for U.S. primary listed spun companies over the last 10 years with initial market capitalizations of at least $5bn (excluding cyclical industries like energy and balance sheet financials). We examined each company's margin progression relative to the standalone pro forma adjusted margin disclosed in each company's pre-spin filings, which includes anticipated standalone costs.

Within that group of 31 spin-outs, the average company saw approximately +125bps of margin improvement in its first full fiscal year as a standalone company relative to the standalone pro forma adjusted margin disclosed pre-spin. Companies at the 75th percentile of performance saw approximately +240bps of margin expansion, and companies at the 25th percentile saw approximately (65bps) of margin degradation. Consensus (albeit not yet explicit guidance) calls for (425bps) of margin decline for Solventum, which would make it the third worst performing spin in the last decade.

Looking forward to three years following prior spins, the average company saw approximately +160ps of margin improvement while companies at the 75th percentile saw approximately +300ps of margin expansion – with many of these companies also capitalizing on opportunities to right size overhead costs, realize savings and reinvest through the spin.

Precedent Spin Analysis: Margin Progression vs. Pre-Spin Pro Forma Adj. Margins					
			Precedent Spins		
		Solventum	**25th Percentile**	**Average**	**75th Percentile**
Precedent Spin Margin Performance *(bps)*	**1st Full Year Post-Spin**	(424bps) *Consensus*	(66bps)	+125bps	+242bps
	3rd Full Year Post-Spin	NA	(76bps)	+158bps	+301bps

Solventum is not the first company to be spun out of an integrated parent, and the magnitude of the performance decline is far beyond the scope of working through the 3M-specific transition agreements. We have also spoken with numerous former employees of the business and of 3M; the consistent response has been surprise around messaging from the Company thus far and a strong belief that the separation process should be more manageable than what has been suggested.

We recognize that bringing in new, experienced personnel can result in increased expenses. We fully support upgrading talent, but only if there is an expectation that those investments will lead to improved performance. Otherwise, these are not good investments. Separately, we have heard that there have also been instances of questionable spending increases throughout the spin process. In the context of Solventum's recent growth *and* margin decline, we are left to worry about the quality of the spending at the Company today.

The Path Forward

After years spent studying 3M and months of intensive research on its Health Care business – including an extensive review of over a decade of 3M SEC filings, transcripts and presentations, a detailed study of competitors, and over 75 meetings and interviews with industry experts and participants – we are convinced that Solventum can be a significantly more valuable company than what is reflected in the current share price.

We believe the Company's value creation pathway is supported by several actionable levers:

- Restoring Performance: The most important driver of the Company's value creation will be restoring organic growth and margins back to historical levels inside of 3M, and beyond (specifically organic growth, which should be prioritized). We believe these performance levels should play a critical role in informing the Company's upcoming LRP targets. Consistent with most LRPs, we believe it is important that the Company provide 3-year targets as we believe 4-5 years is too far into the future for any company to have good visibility. Further, the LRP should serve as an opportunity to align management's compensation with key LRP metrics as well as shareholder value creation.

- Simplifying the Portfolio: We believe Solventum is best positioned to drive performance improvements if it takes steps to simplify the portfolio and focus on its largest, core businesses (discussed below).

- Detailing Strategic Priorities: Shareholders are eager to hear management's strategies for driving each business forward. In particular, we believe the Company's core Wound Care and Infection Prevention & Surgical Solutions ("IPSS") franchises have significant potential for profitable growth, with strong business characteristics that are underappreciated by the market today.

- Clarifying Capital Allocation: We agree with the Company's current deleveraging priorities, but we believe shareholders would welcome more specific deleveraging targets as well as a timeline for initiating a dividend. Given the highly cash generative nature of the business, we believe that a 2x-3x net leverage range is optimal, and excess capital should be returned to shareholders (or prudently deployed into growth accretive bolt-on M&A once the Company restores performance).

On portfolio, we believe it is important that the Company address its complexity in order to maximize the potential of each of its businesses. Three of the Company's four reporting segments are strategically and operationally distinct from Solventum's core MedSurg segment, and combined, these businesses account for approximately 45% of the Company's total sales: Dental Solutions, Health Information Systems, and Purification & Filtration. While non-core, we believe these businesses are highly valuable in their own right, and at Solventum's current valuation, we believe that every business inside of the Company is worth a substantially higher valuation multiple than where the whole Company trades today.

We believe that the Company is best positioned if it moves quickly to simplify its portfolio, but not at the expense of rushing to sell businesses at subpar valuations or based on depressed profitability levels. As portfolio complexity is addressed, management will be better positioned to optimize execution at the Company's remaining businesses. Importantly, divestitures can also accelerate the Company's deleveraging and open the door for value enhancing capital allocation decisions. Once the Company de-levers to below 3x net debt to EBITDA, we believe it should initiate a dividend and authorize share repurchases, especially if shares continue to trade at depressed levels. Longer-term, we believe bolt-on M&A, when executed properly, can further drive value creation.

Across growth, margins, portfolio and capital allocation, we believe there is significant opportunity for value creation at Solventum. We hope the Company's management team and Board share our and other shareholders' enthusiasm for Solventum's future and demonstrate that in February with an LRP that reflects the Company's prospects. We look forward to continuing to engage with fellow shareholders, management and the board to ensure that Solventum lives up to its full potential and justifies the promise that existed at the time of its separation from 3M.

Sincerely,

Trian Fund Management, L.P.

solventum

TRIAN PARTNERS

JANUARY 2025

Solventum, Formerly 3M Health Care, Owns Advantaged Businesses

- While Solventum's businesses are very different from each other, in many instances, they share attractive business quality characteristics:
  - Invented and continue to define their respective product categories with well recognized brands
  - #1 positions across the portfolio in consolidated markets
  - Focused on categories where performance matters, and Solventum's products perform the best
  - Products are often low ticket, yet niche, critical, daily-use items and services for customers
  - Limited direct reimbursement risk across the portfolio
  - Highly cash generative operations

2023 Business Mix

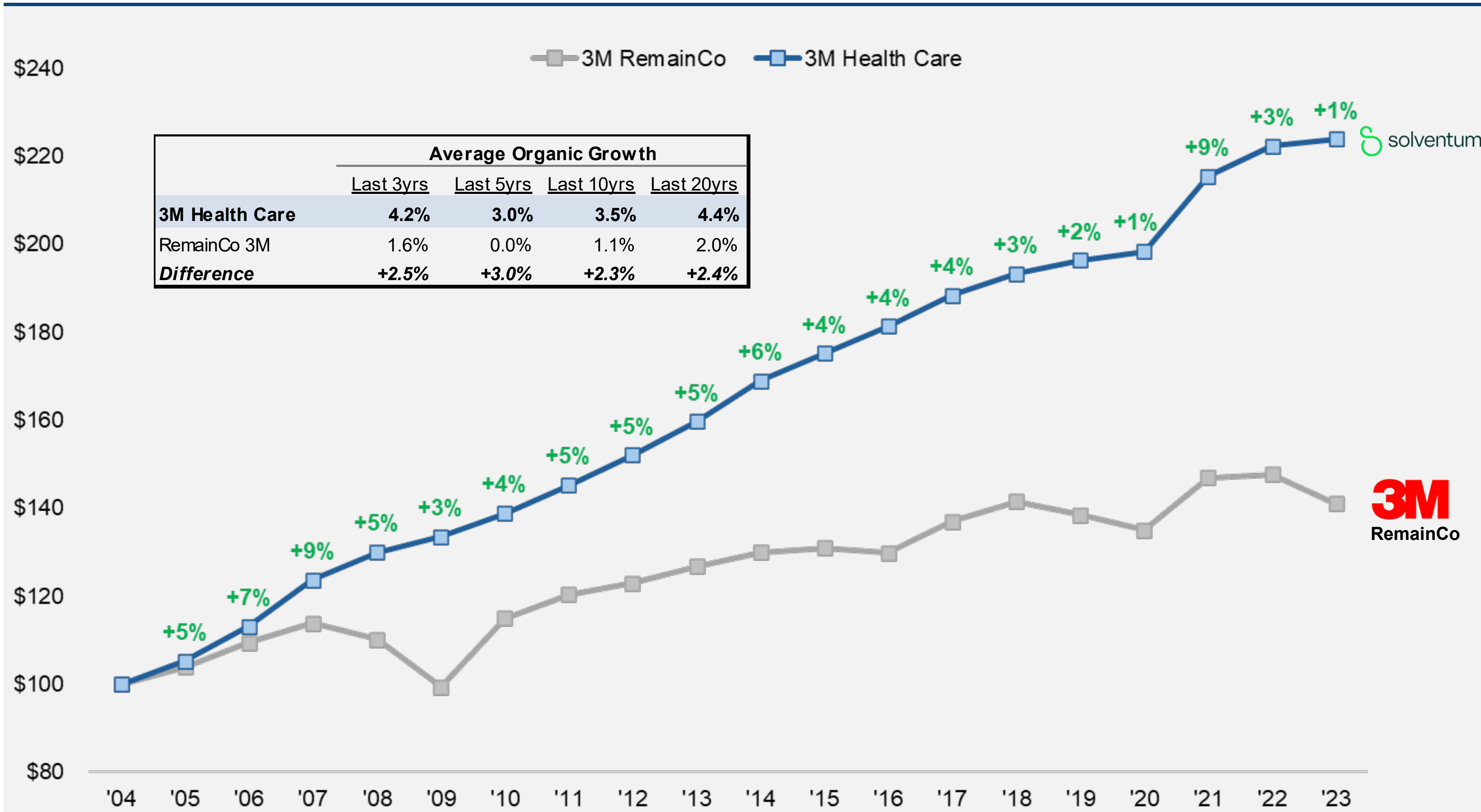
	Sales	EBIT Margin	Core Products	Business Highlights
MedSurg	$4.6bn	24%	▪ Wound care technologies ▪ Adhesive based medical products	▪ #1 position in core wound care technology, negative pressure wound therapy ▪ Leading branded supplier of performance driven medical supplies
Health Info Systems	$1.3bn	33%	▪ Hospital billing coding software ▪ Clinician productivity software	▪ #1 position in hospital billing coding software ▪ Mission critical product offering; 75% of hospitals in the US use at least one Solventum software product
Dental Solutions	$1.3bn	33%	▪ Dental procedure consumables ▪ Orthodontic products	▪ Leading position in daily-use, performance driven dental consumables ▪ 3M invented several of the dental supply categories it leads in
Purification & Filtration	$1.0bn	17%	▪ Portfolio of advanced filtration products and technologies	▪ Leading purification technology for filtration products utilized in drug development processes ▪ Proprietary membrane manufacturing capabilities for numerous industrial, commercial and residential use cases

Source: Company filings, Trian analysis.
Note: Segment financials reflect 2023 figures. Margins reflect pre-spin adjusted operating income margins.

Health Care Had Long Been 3M's Best Performing Business

3M Health Care had grown organically every single year for more than 20 years, even through recessions. The business had consistently grown at more than 2x the rate of the rest of 3M, and it delivered that growth at substantially higher profit margins than the rest of 3M.

Organic Sales Growth: 3M Health Care vs. 3M RemainCo



	Average Organic Growth			
	Last 3yrs	Last 5yrs	Last 10yrs	Last 20yrs
3M Health Care	**4.2%**	**3.0%**	**3.5%**	**4.4%**
RemainCo 3M	1.6%	0.0%	1.1%	2.0%
Difference	***+2.5%***	***+3.0%***	***+2.3%***	***+2.4%***

Source: Company filings, Trian analysis.
Note: Health Care organic growth excludes the pharmaceutical business which was divested in 2006 and 2007.

Recognizing This, 3M Analysts Thought The Separation Would Unlock Value

"**Health Care is 3M's most attractive business. Long-run organic growth, operating profit, capital intensity, and cyclicality are all better than the RemainCo.** Beyond this, Health Care has been an investment target. Since 2018, 3M spent nearly $8bn on acquisitions to the segment (Acelity and M*Modal). The rest of the business only saw divestments… Legal risk will be concentrated in the RemainCo. 3M's legal problems are unchanged, but the spin re-allocates risk. By separating Health Care, we think ~40% of 3M's current EV is effectively ring-fenced."

– BERNSTEIN (September 2022)

"Of 3M's legacy portfolio, **Health Care represented the largest and historically most profitable business within 3M given its highly defendable market positions in the healthcare sector that enabled it to generate highly reliable free cash flow**… 3M will retain responsibility for ongoing non-healthcare-related liabilities... Health Care will thus become **notably less unencumbered as a stand-alone entity, with significantly higher optionality to fund organic and inorganic growth over the long term**."

– William Blair (July 2022)

"**The planned Health Care spin-off, expected late 2023/early 2024, should unlock value… The Health Care spin-off will not have the litigation overhang currently facing 3M**. We argue that Health Care will therefore trade more on operating fundamentals and in line with peers. We value Health Care at 13x 2024E EV/EBITDA, consistent with peer multiples..."

– BANK OF AMERICA (July 2023)

"**The Health Care spin may create value in the long run by ensuring that a decent chunk of MMM's earnings are not subject to the liability question marks…** We value Health Care at an EV of $46bn (~17x '23E EV / EBITDA), in-line with several large peers (JNJ, DHR, TMO)."

– BARCLAYS (July 2022)

Source: Equity research.

3M Analysts Thought Solventum Would Be Spun Out at a ~$145 Share Price

- 3M research analysts originally modeled this business generating approximately $2.5 billion of EBITDA, well above the $1.9 billion of EBITDA that analysts currently expect for 2025
- These estimates were published prior to disclosure of the hundreds of millions of 3M corporate expenses which were previously allocated to Health Care and retained at 3M, which burdened that $2.5bn of EBITDA. A standalone structure should cost significantly less, <u>implying that original estimates for Health Care's standalone EBITDA could have been even higher</u>

Original Equity Research Valuation Estimates for 3M Health Care ($bn, except per share)

	JPM	Mizuho	BAML	Bern	WB	MS	UBS	Barc	Avg.	Current
Est. EBITDA	**$2.2**	**$2.3**	**$2.4**	**$2.5**	**$2.5**	**$2.6**	**$2.7**	**$2.4**	**$2.5**	**$1.9**
(x) Multiple	12.6x	12.7x	13.0x	13.1x	13.1x	13.8x	13.4x	16.6x	13.5x	10.3x
Enterprise Value	**$28.1**	**$29.0**	**$30.6**	**$32.9**	**$33.3**	**$35.7**	**$36.6**	**$39.6**	**$33.2**	**$19.5**
(-) Net debt	(7.8)	(8.0)	(7.7)	(8.8)	(8.9)	(9.0)	(8.7)	(7.2)	(8.3)	(7.4)
Equity Value	**$20.3**	**$21.0**	**$23.0**	**$24.1**	**$24.4**	**$26.6**	**$27.9**	**$32.4**	**$25.0**	**$12.0**
(÷) Shares outst.	173	173	173	173	173	173	173	173	173	173
Implied Share Value	**$117**	**$121**	**$132**	**$139**	**$141**	**$154**	**$161**	**$187**	**$144**	**$69**
% Upside to Current	***69%***	***74%***	***91%***	***101%***	***103%***	***121%***	***132%***	***169%***	***107%***	

Even at the low-end of estimates, JPM thought the company's equity would be worth ~70% more than where it trades today

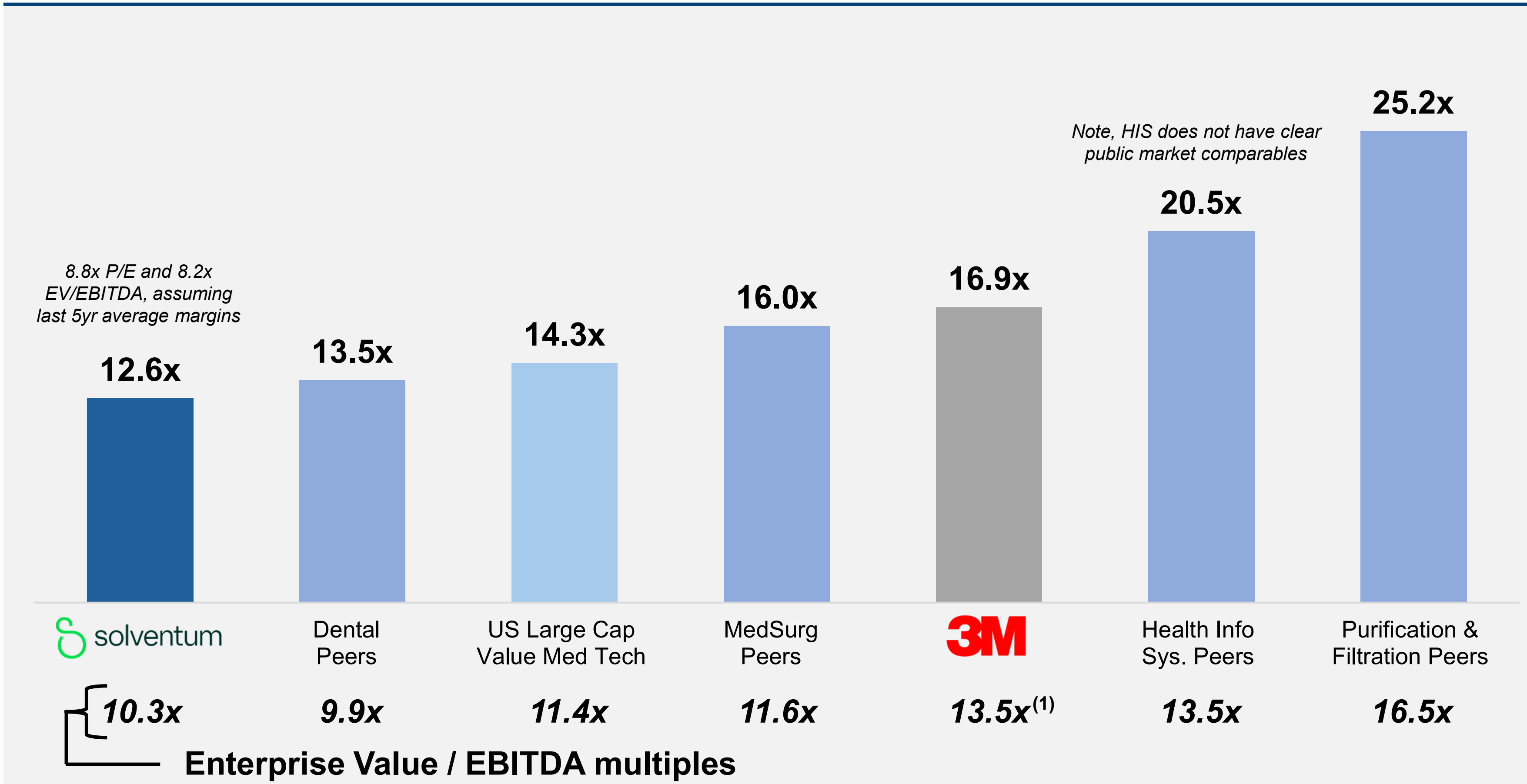
At the high-end, Barclays thought shares would be worth over 2.5x the current price

Source: Company filings, 3M filings and transcripts, FactSet, equity research, Trian analysis.
Note: Where analysts did not make a net debt assumption, we assumed 3.5x leverage, in line with the high end of 3M's guidance. Share counts are based on the current share count. All estimates were made between September 2022 (after the Food Safety divestiture closed) and December 2023.

Instead, Solventum Now Trades at a Discount to Each of its Subsidiary Peer Groups

Solventum trades at a lower multiple than each of its subsidiary peer groups, and it even trades at a discount to 3M, of which Solventum was historically the best performing part. These depressed valuations are capitalizing consensus expectations for significantly lower earnings than what we believe this business should be generating.

NTM Price / Earnings Per Share Multiple

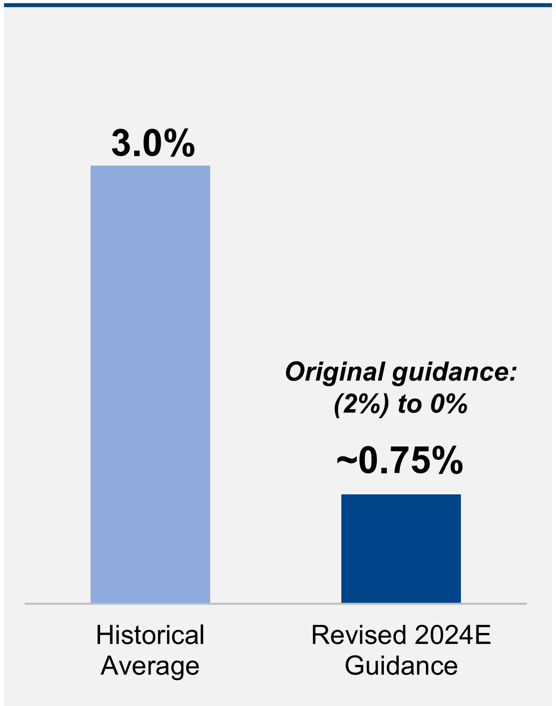


Source: Company filings, FactSet, equity research, Trian analysis. Note: Dental peers include Dentsply-Sirona and Envista. US Large Cap Value Med Tech peer group includes Baxter, Zimmer Biomet, GE HealthCare, Teleflex, Medtronic, Hologic and Becton Dickinson. MedSurg peers include Baxter, Teleflex, ICU Medical, Becton Dickinson, Steris, Smith & Nephew and Convatec. Health Info Systems peers include IQVIA and Craneware. Purification & Filtration peers include Sartorious, Donaldson, Danaher, Repligen and Xylem. (1) 3M EBITDA multiple is adjusted to include announced litigation settlements.

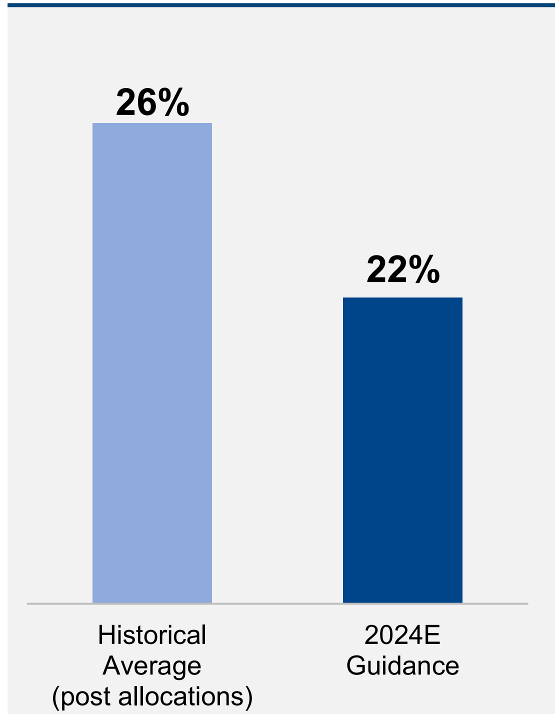
Solventum is Performing at a Lower Level Than It Did as Part of 3M

- We believe Solventum was not living up to its potential inside 3M, as the business had 4 different CEOs over its last 5 years, struggled through two large acquisitions, and lacked focus inside of 3M's conglomerate structure
- We often see spins lead to step-change improvements in performance, but Solventum's performance has taken a considerable step backwards relative to how it performed as part of 3M
- We find this disappointing given our belief that Solventum has greater opportunities to deliver improved performance than many of the spins with which we have previously been involved in

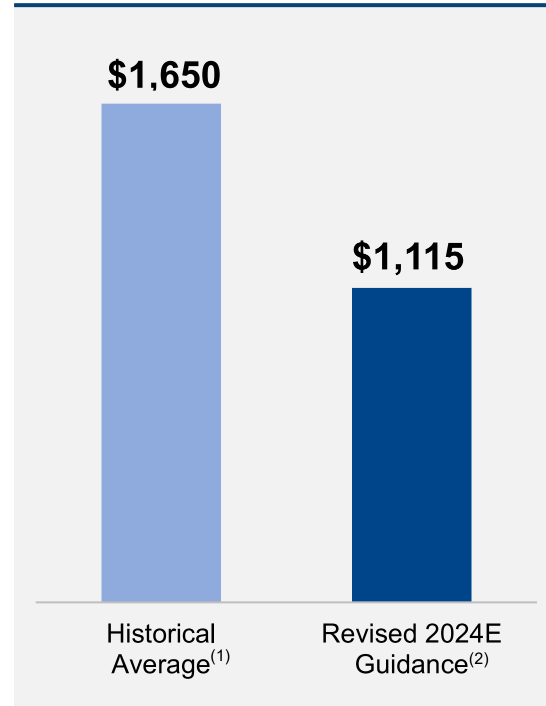
Organic Growth



Adj. EBIT Margin



Unlevered FCF ($mm)

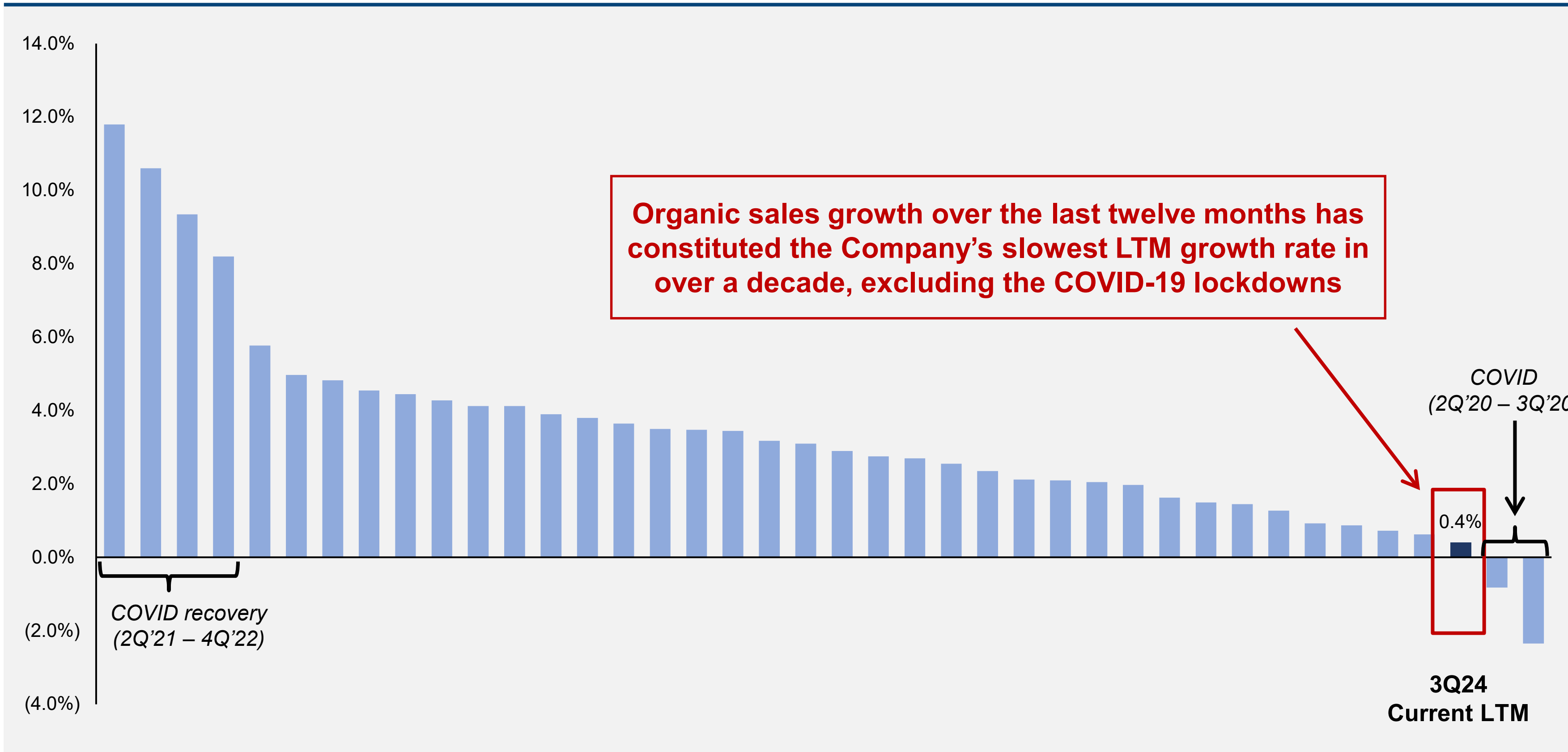


Source: Company filings, Trian analysis. Note: 2024E guidance reflects midpoint of stated ranges. Historical Averages reflect last 5-year performance averages inside of 3M. Margins are adjusted lower to account for major portfolio changes over time, including the re-segmentation of Purification and Filtration into Health Care in 2018 ($0.8bn in sales), the acquisitions of Acelity ($1.5bn) and M*Modal ($0.2bn) in 2019, and the divestitures of Drug Delivery ($0.4bn) in 2020 and Food Safety ($0.4bn) in 2022. (1) A 3-year average is shown as that is all that is disclosed. (2) Reflects unlevered free cash flow based on midpoint of 2024E guidance of $750-$850m of levered free cash flow, plus the tax-affected interest expense.

Solventum's Recent Organic Growth is the Slowest in Over a Decade

- Solventum's organic growth over the last twelve months ("LTM") has been the slowest of any period over the last 10 years, except for two periods which were impacted by the COVID-19 lockdowns
- This disappointing organic growth comes despite Solventum's core hospital end markets performing better today than during most of these historical periods, and the Company having already started increasing investments in growth

Solventum LTM Organic Growth Over The Last Decade (40 Quarters)



Source: Company filings. Note: LTM organic growth calculated as simple average of the last four quarters of reported organic growth for 3M's Health Care Segment until 1Q'24, and Solventum's reported organic growth for 2Q24 and 3Q24.

Expectations Remain Disconnected from Historical Business Performance

- Consensus expectations, which are influenced by how the Company has positioned itself to analysts, are far worse than how these businesses have performed historically
  - **Organic Growth**: Expected organic growth of ~1% is well below historical averages of 3-4%
  - **EBIT Margins**: A 2026 exit EBIT margin of 20% is (600bps) to (700bps) below historical averages and (800bps) below the Company's EBIT margin in 2021 (a year in which business mix was sub-optimal)
- It is perplexing that both growth and margins can be down so much – despite better end markets and significant reinvestment opportunities. In our view, the Company should be performing at least as well as it did inside of 3M as that was the primary reason Solventum was separated in the first place

Solventum Consensus Forecasts vs. Historical Performance ($mm)

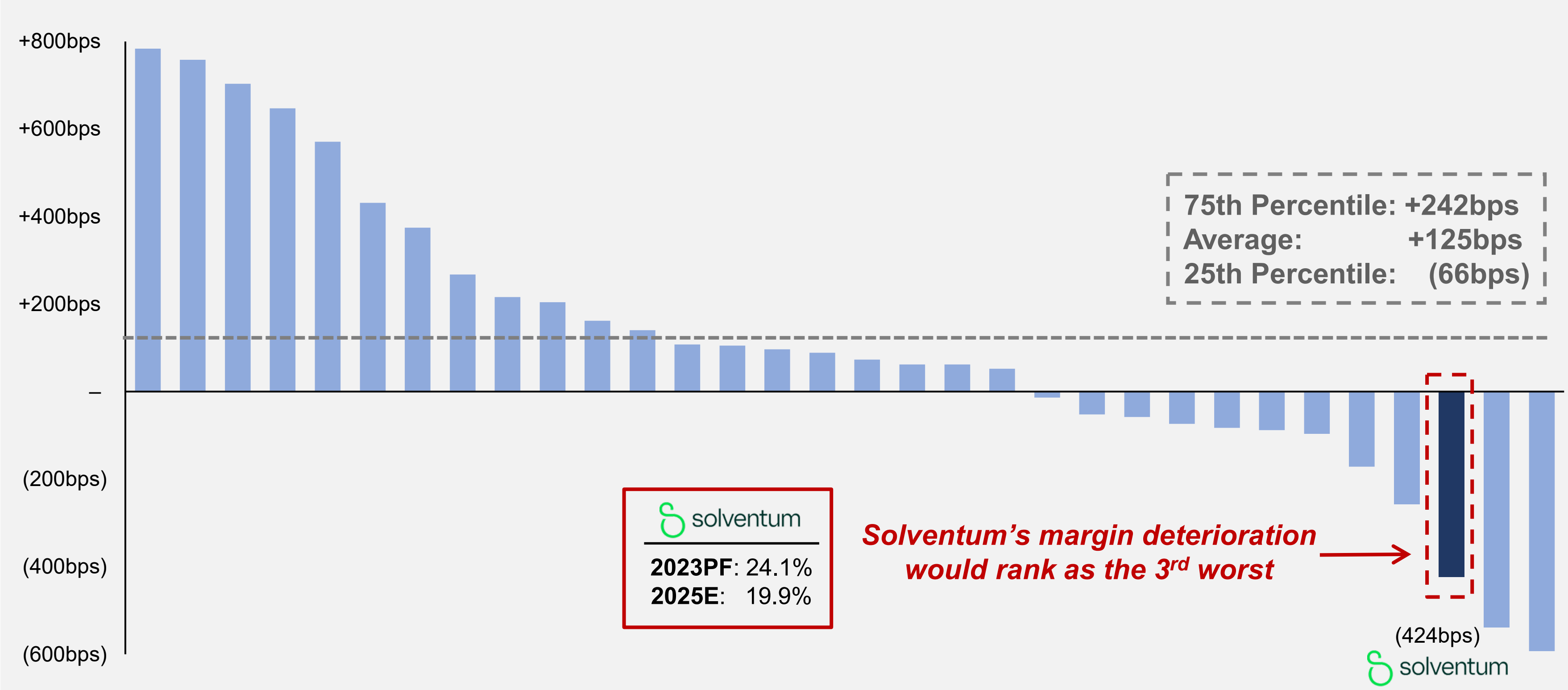
	Consensus Forecast			Average	3MHC Historical Averages			
	2024E	2025E	2026E	'24 - '26	Last 3yr	Last 5yr	Last 10yr	Last 20yr
Sales	**$8,231**	**$8,276**	**$8,415**					
% organic growth	*0.5%*	*0.5%*	*1.7%*	0.9%	4.2%	3.0%	3.5%	4.4%
Adj. EBIT	**$1,794**	**$1,646**	**$1,719**					
% margin	*22%*	*20%*	*20%*	21%	26%	26%	27%	27%
Adj. EPS	**$6.58**	**$5.50**	**$5.86**					
% growth		*(16.4%)*	*6.5%*					

Source: Company filings, FactSet, equity research. Note: Figures represent average of estimates available on FactSet. Organic growth represents the average of 5 sell-side estimates that disclose organic growth estimates in 2024, and assumes YoY growth represents organic growth in 2025 and 2026. Historical margins are adjusted lower to account for major portfolio changes over time, including the re-segmentation of Purification and Filtration into Health Care in 2018 ($0.8bn in sales), the acquisitions of Acelity ($1.5bn) and M*Modal ($0.2bn) in 2019, and the divestitures of Drug Delivery ($0.4bn) in 2020 and Food Safety ($0.4bn) in 2022.

Solventum's Expected Margin Decline Would Mark the Worst Performance of Almost Any Spin in the Last Decade

- To put Solventum's expected margin decline into context, we benchmarked it against every US primary listed spin over the last 10 years (through 2023) with a market cap >$5bn when spun, excluding companies in the energy and balance sheet financials sectors
- We examined each spin's margin progression relative to the standalone pro forma adjusted margin disclosed in each company's pre-spin filing, which reflects all anticipated standalone costs and transition agreements (including Solventum's autonomous entity adjustments)

Spin-Outs >$5bn Market Cap Since 2014: 1st Standalone Year vs. Pre-Spin Pro Forma Adj. Margin



Source: FactSet, equity research, Company filings, Trian analysis. Note: Analysis compares the standalone pro forma adjusted operating margin in the last fiscal year pre-spin vs. the actual reported adjusted operating margin in each company's 1st full standalone year. In instances where the spun company has not yet reached its 1st full year post-spin, consensus is used as a proxy (3 spins). Comparable figures were calculated when necessary as disclosures varied. Included spin-outs since 2014 which closed by year end 2023. Excluded spins of majority stakes of public companies where the SpinCo was already operating as a standalone public company. Precedent spins include Alcoa, Alcon, Apartment Income REIT, Ardagh Metal Packaging, Bausch + Lomb, Baxalta, Carrier, Concentrix, Corteva, Dow, Elanco, Ferrari, Fortive, GE HealthCare, GXO Logistics, Hewlett Packard Enterprises, IAA, IAC, Kenvue, Keysight Technologies, Mobileye, Organon, Otis, Park Hotels & Resorts, PayPal, Qualtrics, Veralto, Victoria's Secret, Vimeo, Wyndham Hotels and Yum! China.

Solventum's Margins in the Context of Other Spins

- Solventum's margin performance is expected to be near worst-in-class, despite what we believe are greater opportunities to right-size costs and realize savings than most spins over the last decade

Precedent Spin Analysis: Margin Progression vs. Pre-Spin Pro Forma Adj. Margins

			Precedent Spins		
		Solventum	**25th Percentile**	**Average**	**75th Percentile**
Precedent Spin Margin Performance *(bps)*	**1st Full Year Post-Spin**	(424bps) *Consensus*	(66bps)	+125bps	+242bps
	3rd Full Year Post-Spin	NA	(76bps)	+158bps	+301bps
Implied Solventum EBIT Margin *(%)*	**1st Full Year Post-Spin** *(2025E)*	19.9% *Consensus*	23.5%	25.4%	26.6%

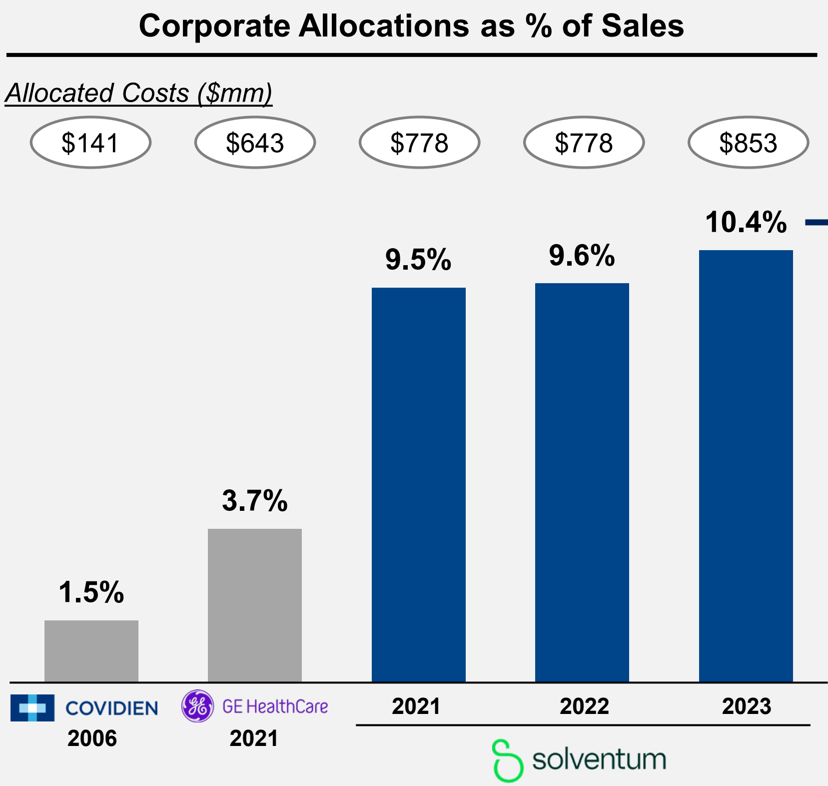
It would not be unreasonable for Solventum to consider 75th percentile performance, implying a 27% margin, as an internal stretch target. This margin level would be in line with the Company's long-term average margins inside 3M, despite high corporate cost allocations. We believe the Company should reinvest prospective overhead savings into driving faster growth.

Source: Trian analysis and diligence. Note: In instances where the spun company has not yet reached its 1st or 3rd full year post-spin, consensus is used as a proxy. Given Solventum has not provided a financial framework yet, we do not believe there is a reliable consensus estimate for its 3rd full year post-spin (2027E). Precedent spins include Alcoa, Alcon, Apartment Income REIT, Ardagh Metal Packaging, Bausch + Lomb, Baxalta, Carrier, Concentrix, Corteva, Dow, Elanco, Ferrari, Fortive, GE HealthCare, GXO Logistics, Hewlett Packard Enterprises, IAA, IAC, Kenvue, Keysight Technologies, Mobileye, Organon, Otis, Park Hotels & Resorts, PayPal, Qualtrics, Veralto, Victoria's Secret, Vimeo, Wyndham Hotels and Yum! China.

3M Cost Allocations Offer a Significant Savings and Reinvestment Opportunity

- Inside of 3M, Solventum had a large corporate cost allocation (approximately 1,000 basis points) – the vast majority of which was SG&A-related (approximately 800 basis points)
- **We believe that these allocated costs offer a significant opportunity for Solventum to right size its overhead structure as an independent entity, realize savings and reinvest those savings in driving faster organic growth**

Industrial Conglomerate Health Care Spins: Allocated Cost Benchmarking



- Solventum's corporate cost allocations were much larger than what either Covidien or GE HealthCare were allocated inside of their former parent companies
- In fact, Solventum's corporate cost allocations increased over time – several former 3M executives we spoke to noted that 3M corporate allocated more expenses to health care over time as the business outperformed the other segments (allocated SG&A was up +130bps over the last 2 years pre-spin)
- **In conjunction with Solventum's separation, 3M launched its biggest restructuring effort ever, which was in part used to address the stranded corporate costs that Solventum left behind after being separated from 3M**

Source: Company filings, equity research, Trian analysis.

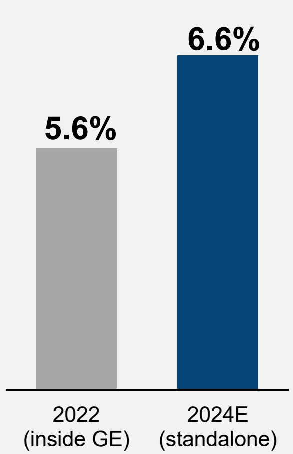
Companies With Smaller Corporate Allocations Have Seen Meaningful Benefits

GE's Spin of GE HealthCare

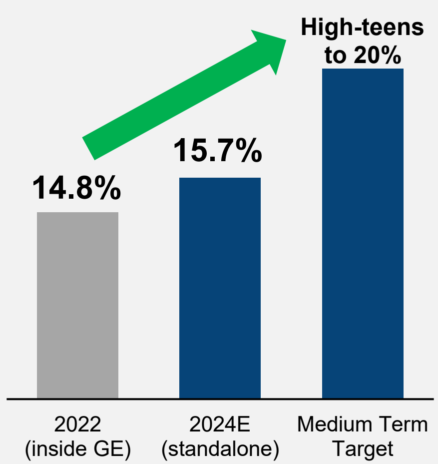
- In 2023, GE spun out GE HealthCare
- Through the spin process, GE HealthCare is right-sizing its overheads, realizing higher margins, and investing more in driving faster growth

> ***"So there are a lot of benefits of separation. It really does allow a level of focus and a level of scrutiny in specific areas that you might not have as part of a broader conglomerate. And furthermore, we really get to optimize things for us specifically versus a broader organization. <u>And so part of the reason we're going to be able to expand margin are some of the benefits of becoming a stand-alone company</u>."***
>
> GE HealthCare
>
> ***(January 9, 2024)***

R&D Investment (% of Sales)



Adj. EBIT Margin

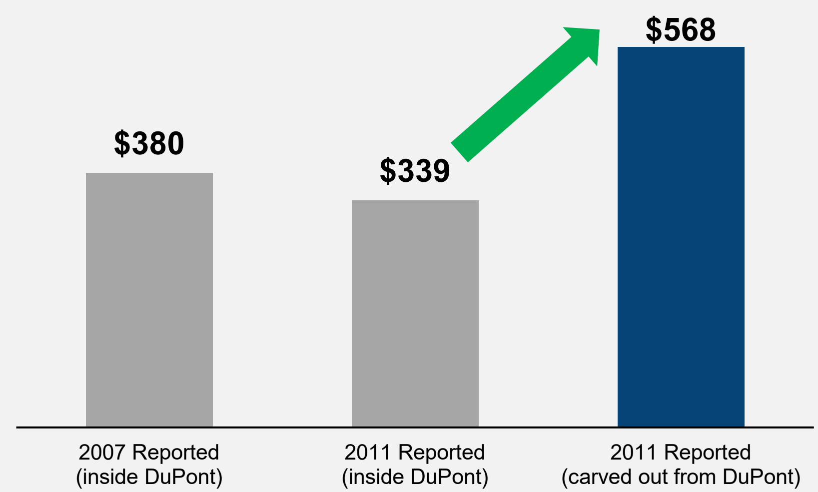


DuPont's Sale of Coatings ("Axalta")

- In 2012, DuPont announced the sale of Coatings to private equity buyers
- In 2011, the last full fiscal year inside of DuPont, Coatings generated $339mm of EBITDA; when the private equity buyer filed an S-1 to bring that business public in 2014, they disclosed EBITDA of $568m in 2011, $229 higher (nearly +70% higher) than what was reported inside DuPont in the exact same year
- These allocated costs that stayed at DuPont amounted to over 500 basis points of Axalta sales

Axalta EBITDA ($mm)

The carved out entity reported EBITDA that was $229 million higher than what was reported in the same year inside DuPont, meaning 500bps of costs were allocated to Axalta and stayed at DuPont

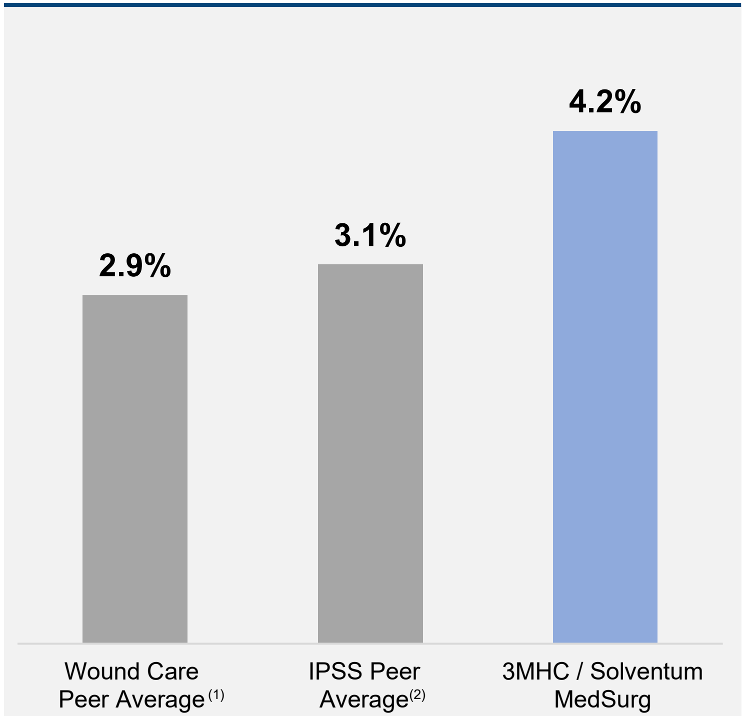


Source: Company filings, equity research, Trian analysis.
Note: GE HealthCare's margins inside of GE are adjusted to reflect its share of unallocated corporate expenses.

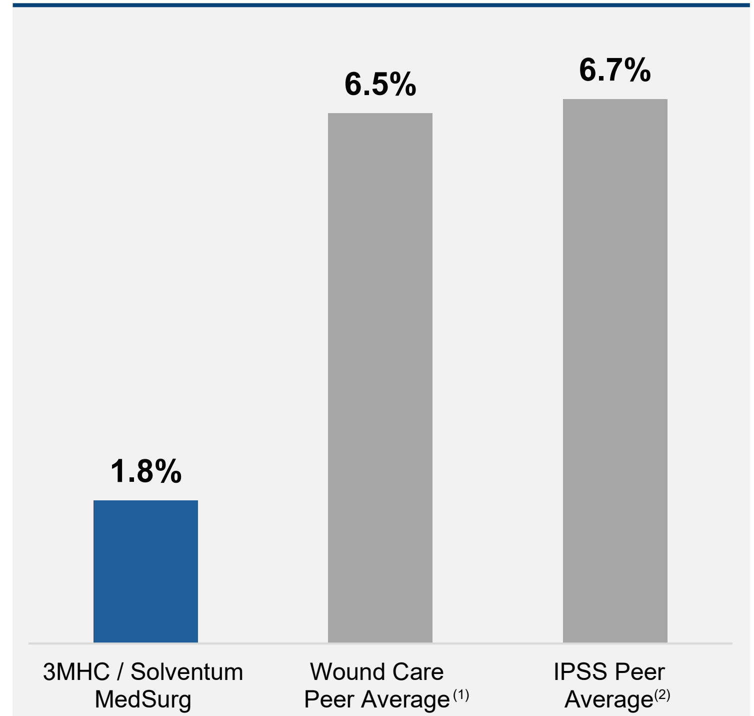
Overhead Cost Savings Should Be Reinvested to Drive Growth at MedSurg

- 3M's MedSurg segment used to deliver leading organic growth. Today, peers and end markets are performing better than in prior periods, yet Solventum's MedSurg business is performing worse
- We believe Solventum's leading market position and superior product performance give it an advantage, and organic growth can be re-accelerated through increasing investments in the sales force, innovating into adjacent product categories, and driving adoption through expanding use cases and developing international markets

2015 – 2021 Organic Growth



2021 – YTD 2024 Organic Growth



Source: Company filings, Trian analysis. Note: The majority of the Company's Wound Care business was acquired for $6.7 billion in 2019 (Acelity). YTD 2024 organic growth is annualized to represent a full year. (1) Wound Care peers include Smith & Nephew's "Advanced Wound Management" segment, ConvaTec's "Advanced Wound" segment and Coloplast's "Wound & Skin" segment. (2) Infection Prevention & Surgical Solutions peers include Becton Dickinson's "Medical" segment, Baxter's "Medical Products & Therapies" segment and Teleflex' "Surgical" segment.

By Restoring Performance, We Believe Solventum's Value Per Share Can Double

- We believe that Health Care was not living up to its potential inside of 3M – it had 4 CEOs over 5 years and lacked focus inside of 3M's conglomerate structure
  - **Still, the business grew +3% organically at a 26% average EBIT margin over this period**
- If Solventum returns to these pre-spin performance levels, we believe shares could be worth ~$140 by year-end 2027… We view this as an undemanding case and expect management to be able to drive better performance than how it performed inside of 3M

Solventum "Restoring Performance" WholeCo Valuation Analysis

$bn, except per share	2028E	Commentary
Sales	**$9.2**	
% organic CAGR	*3.0%*	▪ In line with the last 3 and 5 years inside of 3M, despite higher investments in growth, better end markets and a dedicated + focused management team
Adj. EBIT	**$2.4**	
% margin	*26%*	▪ In line with last 3 and 5 years inside of 3M ▪ Assumes savings from 3M corporate cost allocations (several hundred basis points) are reinvested in growth
Adj. EPS	**$9.33**	▪ Assumes no share repurchases or M&A; assumes a small dividend is initiated in 2025 and grown over time; excess cash flow is used to delever
YE 2027 Valuation		
NTM Adj. EPS	$9.33	
NTM P/E Multiple	15.0x	
Potential Implied Share Value	**~$140**	▪ In our view, there is an opportunity to earn a substantially higher valuation multiple than 15x if performance lives up to the business' potential ▪ We also believe that simplifying the portfolio can lead to the potential realization of a much higher aggregate valuation multiple
Implied FCF Yield	*~6.7%*	

Source: Company filings, Trian analysis. Note: Although the above analysis represents Trian's estimate of the potential implied value of Solventum shares in the future, nothing in this presentation is intended to be a prediction of the future trading price or market value of securities of Solventum. Accordingly, there is no assurance or guarantee with respect to the prices at which any securities of Solventum will trade, and such securities may not trade at prices that may be implied herein. The estimates, projections, pro forma information and potential impact of Trian Partners' analyses set forth herein are based on assumptions that Trian Partners believes to be reasonable as of the date of this presentation, but there can be no assurance or guarantee (i) that any of the proposed actions set forth in this presentation or the accompanying letter will be completed, (ii) that actual results or performance of Solventum will not differ, and such differences may be material or (iii) that any of the assumptions provided in this presentation are accurate. This presentation does not recommend the purchase or sale of any security.

Appendix: Definitions

Acronym	Definition
Bps	Basis points
CEO	Chief Executive Officer
EBIT	Earnings before interest, taxes and amortization of acquisition-related intangible assets
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPS	Earnings per share
FCF	Free cash flow
HIS	Health Information Systems business segment
IPSS	Infection Prevention and Surgical Solutions, a sub-segment of Solventum's MedSurg business
LRP	Long range plan
M&A	Mergers and acquisitions
NDA	Non-disclosure agreement
NTM	Next twelve months
PF	Pro forma
R&D	Research and development
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, general and administrative costs
TSA	Transition service agreements
TSR	Total shareholder return
YE	Year-end
YoY	Year-over-year

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