

**3M** Science.  
Applied to Life.™

# 3M to Acquire Acelity Inc.

May 2, 2019



# Forward looking statement

This presentation contains forward-looking information about 3M's financial results and estimates and business prospects that involve substantial risks and uncertainties. You can identify these statements by the use of words such as "anticipate," "estimate," "expect," "aim," "project," "intend," "plan," "believe," "will," "should," "could," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans or prospects. Among the factors that could cause actual results to differ materially are the following: risks associated with the contemplated transactions generally, such as the inability to obtain, delays in obtaining, or the imposition of burdensome conditions imposed in connection with obtaining, required approvals under applicable antitrust legislation and other regulatory and third party consents and approvals; the occurrence of any event, change or other circumstances that could give rise to the termination of the purchase agreement; the outcome of any legal proceedings that may be instituted following announcement of the contemplated transactions; potential severe volatility in the capital markets and the impact on the cost to 3M to obtain debt financing as may be necessary to consummate the transactions; failure to retain key management and employees of Acelity and its subsidiaries; issues or delays in the successful integration of Acelity's operations with those of 3M, including incurring or experiencing unanticipated costs and/or delays or difficulties, which could result in additional demands on 3M's resources, systems, procedures and controls, disruption of its ongoing business and diversion of management's attention from other business concerns; difficulties or delays in the successful transition from the information technology systems of Acelity to those of 3M as well as risks associated with other integration or transition of the operations, systems and personnel of Acelity; failure or inability to implement growth strategies in a timely manner; unfavorable reactions to the contemplated transactions from customers, competitors, suppliers and employees; the possibility that certain assumptions with respect to Acelity's business or the contemplated transactions could prove to be inaccurate; worldwide economic, political, regulatory, capital markets, and other external conditions and other factors beyond 3M's control, including natural and other disasters or climate change affecting the operations of 3M or its customers and suppliers; 3M's credit ratings and its cost of capital; changes in tax and other laws, regulations, rates and policies; competitive conditions and customer preferences; foreign currency exchange rates and fluctuations in those rates; the timing and market acceptance of new product offerings; the availability and cost of purchased components, compounds, raw materials and energy (including oil and natural gas and their derivatives) due to shortages, increased demand or supply interruptions (including those caused by natural and other disasters and other events); the impact of acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring; operational execution, including scenarios where 3M generates fewer productivity improvements than estimated; unanticipated problems or delays with the phased implementation of a global enterprise resource planning (ERP) system, or security breaches and other disruptions to 3M's information technology infrastructure; financial market risks that may affect 3M's funding obligations under defined benefit pension and postretirement plans; and legal proceedings, including significant developments that could occur in the legal and regulatory proceedings described in 3M's Annual Report on Form 10-K for the year ended Dec. 31, 2018, and any subsequent quarterly reports on Form 10-Q (the "Reports"). Changes in such assumptions or factors could produce significantly different results. A further description of these factors is located in the Reports under "Cautionary Note Concerning Factors That May Affect Future Results" and "Risk Factors" in Part I, Items 1 and 1A (Annual Report) and in Part I, Item 2 and Part II, Item 1A (Quarterly Reports). The information contained in this presentation is as of the date indicated. 3M assumes no obligation to update any forward-looking statements contained in this presentation as a result of new information or future events or developments.

# Strategic rationale


- Strategic portfolio action – supports growth strategy to offer comprehensive advanced and surgical wound care solutions that improve outcomes and enhance the patient and provider experience
- Acelity is a leading global medical technology company focused on the large and growing advanced wound care segment
- Contributes complementary products and technologies and a talented and innovative team that will together help us bring differentiated offerings to key wound and operative care solutions worldwide
- Attractive organic growth, EBITDA margin, cash flow and EPS



# Advanced wound care ... a large and growing segment

\$8B+ segment growing 4-6% annually

## Macro trends support a favorable growth outlook



**Obesity**  
1.9B (39% of) adults are obese or overweight today



**Diabetes**  
425M people with diabetes today, growing +48% by 2045



**Aging Population**  
Percent of population >60 yrs will double by 2050 to 22%



**Rising Middle Class**  
Larger middle class accessing higher level of care

## Driving growth across the care pathway

 <p><b>Prevent</b></p>  <p>~4% growth</p>	 <p><b>Prepare</b></p>  <p>~5% growth</p>	 <p><b>Protect</b></p>  <p>~5% growth</p>
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 <p><b>Activate</b></p>  <p>~4% growth</p>	 <p><b>Close</b></p>  <p>~9% growth</p>
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Source: International Diabetes Federation, WHO, Brookings Institute, SmartTrak

# Acelity Inc.

- A leading global medical technology company focused on advanced wound care and specialty surgical applications
- Well-known for creating and growing new segments based on the ability to identify and address unmet clinical needs
- Pioneer in Negative Pressure Wound Therapy (NPWT) beginning with introduction of V.A.C.® Therapy
- Offers a broad range of products that can be used across clinical applications, care settings and clinician groups
- 2018 constant currency revenue growth of 10% with 30% adjusted EBITDA margins from continuing operations

## 2018 Results

**\$1.5B**

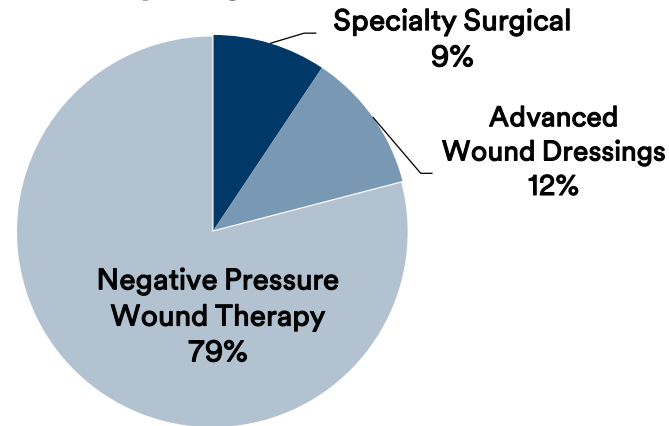
**Total Revenue**

**\$441M**

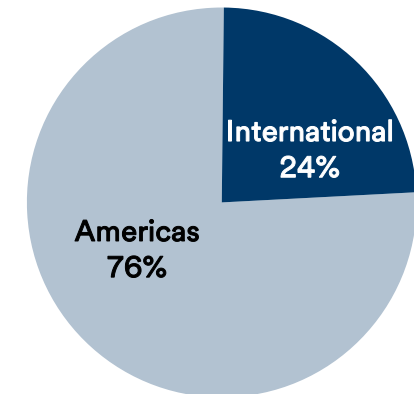
**Adjusted EBITDA**

(from continuing ops)

By Segment



By Geography



All financial information including non-GAAP measures as disclosed in KCI Holdings, Inc. Form S-1 filing dated April 17, 2019

# Acelity's KCI-branded products and technologies

## Negative Pressure Wound Therapy



Powered NPWT Systems for Acute and Post-Acute Care



Powered and Mechanical Disposable NPWT Systems

**\$1.2 billion**

2018 Revenue

## Surgical Solutions



Negative pressure therapy for closed surgical incision management



Temporary abdominal closure system

**\$137 million**

2018 Revenue

## Advanced Wound Dressings



Unique cellulose and collagen matrix dressings



Complete line of advanced wound dressings

**\$169 million**

2018 Revenue

All financial information as disclosed in KCI Holdings, Inc. Form S-1 filing dated April 17, 2019

# Complementary advanced wound care offerings and brands

## 3M Solutions

## Acelity Solutions

### Prevent



Skin Protection and Management

### Prepare



Antimicrobial Dressings / Cleansers / Debridement

### Secure & Protect



Advanced Wound Dressings / Compression / Closure

### Activate



Advanced Wound Therapy Devices

### Advanced Closure



Surgical Solutions Systems / Biologic Dressings



Advanced wound care solutions driving efficacy and value across the care pathway

# Transaction and financing highlights

- **Purchase price:** \$6.7 billion total enterprise value
- **EBITDA multiple:** 15x adjusted EBITDA (2018)  
11x adjusted first year EBITDA, including year 3 run rate cost synergies
- **GAAP EPS:** -\$0.35 per share dilutive first 12 months, including financing costs
- **Adjusted EPS:** +\$0.25 per share accretive, excluding purchase accounting adjustments and one-time expenses related to the transaction and integration
- **ROIC:** Expected high-single digits by year 5
- **Financing:** Cash on hand and proceeds from issuance of new debt
- **Share repurchases:** Adjusting FY 2019 range \$1.0B to \$1.5B vs. \$2.0B to \$4.0B, previously
- **Expected close:** H2 2019, subject to customary closing conditions and regulatory approvals



# Q&A Participants



**Mike Roman**  
Chief Executive Officer



**Nick Gangestad**  
Senior Vice President and  
Chief Financial Officer



**Bruce Jermeland**  
Vice President, Investor  
Relations

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