

3M COMPANY NYSE-MMM

RECENT PRICE **158.38** P/E RATIO **16.5** (Trailing: 17.0 Median: 18.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **3.6%**

VALUE LINE

TIMELINESS 4 Lowered 7/5/19
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 10/4/19
BETA .95 (1.00 = Market)

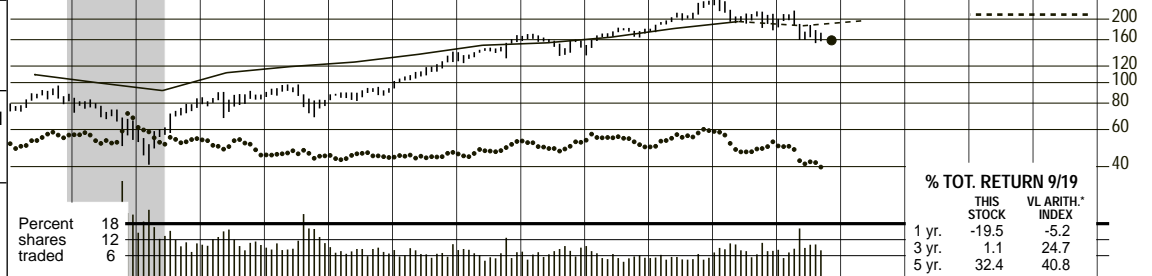
High: 84.8 84.3 91.5 98.2 95.5 140.4 168.2 170.5 182.3 244.2 259.8 219.8
 Low: 50.0 40.9 68.0 68.6 82.0 94.0 123.6 134.0 134.6 173.5 176.9 154.0

LEGENDS
 — 15.0 x "Cash Flow" p sh
 ... Relative Price Strength
 Options: Yes
 Shaded area indicates recession

18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$146-\$254 \$200 (25%)

2022-24 PROJECTIONS
 High Price Gain Ann'l Total
 Low 255 (+60%) 15%
 210 (+35%) 11%

Institutional Decisions
 4Q2018 1Q2019 2Q2019
 to Buy 794 891 821
 to Sell 926 851 971
 Hlds(000) 391083 386431 389572



2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
23.25	25.45	28.05	31.21	34.49	36.43	32.54	37.45	42.61	43.52	46.54	50.10	49.68	50.46	53.22	56.83	57.30	60.35	Sales per sh	71.45
4.29	5.07	5.55	6.71	7.29	6.65	6.12	7.43	7.94	8.34	9.09	10.02	10.93	12.04	13.00	12.40	13.15	"Cash Flow" per sh	16.45	
3.02	3.75	4.12	5.06	5.60	4.89	4.52	5.75	5.96	6.32	6.72	7.49	7.58	8.16	9.17	9.45	10.00	Earnings per sh ^A	13.00	
1.32	1.44	1.68	1.84	1.92	2.00	2.04	2.10	2.20	2.36	2.54	3.42	4.10	4.44	4.70	5.44	5.76	6.18	Div'ds Decl'd per sh ^B	7.12
.86	1.19	1.25	1.59	2.01	2.12	1.27	1.53	1.98	2.16	2.51	2.35	2.40	2.38	2.31	2.74	2.85	2.95	Cap'l Spending per sh	3.35
10.06	13.20	13.39	13.56	16.56	14.24	17.96	22.00	22.19	25.58	26.39	20.64	19.21	17.26	19.44	16.99	18.00	20.70	Book Value per sh	25.25
784.12	786.29	754.54	734.36	709.16	693.54	710.60	711.98	694.97	687.09	663.30	635.13	609.33	596.73	594.88	576.58	565.00	555.00	Common Shs Outst'g ^C	525.00
22.8	21.9	18.9	15.2	15.0	14.6	14.1	14.5	14.5	14.1	17.0	19.1	20.6	20.6	22.3	21.1	20.5	21.5	Avg Ann'l P/E Ratio	18.0
1.30	1.16	1.01	.82	.80	.88	.94	.92	.91	.90	.96	1.01	1.04	1.08	1.12	1.14	1.12	1.14	Relative P/E Ratio	1.00
1.9%	1.8%	2.2%	2.4%	2.3%	2.8%	3.2%	2.5%	2.5%	2.7%	2.2%	2.4%	2.6%	2.6%	2.3%	2.6%	2.3%	2.6%	Avg Ann'l Div'd Yield	3.1%

CAPITAL STRUCTURE as of 6/30/19
 Total Debt \$15806 mill. Due in 5 Yrs \$9696 mill.
 LT Debt \$14914 mill. LT Interest \$415.0 mill.
 (60% of Capital)

Leases, Uncapitalized: Annual rentals \$283 mill.
 Pension Assets-12/17 \$21.0 bill. Oblig. \$22.9 bill.

Preferred Stock None
 Common Stock 575,279,050 shares

MARKET CAP: \$91.1 billion (Large Cap)

CURRENT POSITION (\$MILL.)	2017	2018	6/30/19
Cash Assets	4129	3233	2988
Receivables	4911	5020	5374
Inventory (FIFO)	4034	4366	4300
Other	1203	1090	1389
Current Assets	14277	13709	14051
Accts Payable	1945	2266	2130
Debt Due	1853	1211	892
Other	3889	3767	4243
Current Liab.	7687	7244	7265

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
of change (per sh)	4.5%	3.5%	5.0%
Sales	5.5%	7.0%	5.5%
"Cash Flow"	6.0%	7.5%	6.0%
Earnings	9.5%	15.5%	6.5%
Dividends	2.0%	-6.5%	6.0%
Book Value			

Cal-endar	QUARTERLY SALES (\$ mill.)	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2016	7409 7662 7709 7329	30109
2017	7685 7810 8172 7990	31657
2018	8278 8390 8152 7945	32765
2019	7863 8171 8225 8126	32385
2020	8150 8350 8575 8425	33500

Cal-endar	EARNINGS PER SHARE ^A	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2016	2.05 2.08 2.15 1.88	8.16
2017	2.16 2.58 2.33 2.10	9.17
2018	2.50 2.59 2.58 2.31	9.98
2019	2.23 2.20 2.55 2.47	9.45
2020	2.35 2.40 2.65 2.60	10.00

Cal-endar	QUARTERLY DIVIDENDS PAID ^B	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2015	1.025 1.025 1.025 1.025	4.10
2016	1.11 1.11 1.11 1.11	4.44
2017	1.175 1.175 1.175 1.175	4.70
2018	1.360 1.360 1.360 1.360	5.44
2019	1.44 1.44 1.44	

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
23123	26662	29611	29904	30871	31821	30274	31019	31657	32765	32385	33500	Sales (\$mill)	37500						
25.8%	26.4%	25.0%	26.0%	26.0%	26.8%	27.7%	28.9%	29.6%	28.4%	27.5%	28.0%	Operating Margin	29.0%						
1157.0	1120.0	1236.0	1288.0	1371.0	1408.0	1435.0	1474.0	1544.0	1488.0	1500	1550	Depreciation (\$mill)	1750						
3193.0	4169.0	4283.0	4444.0	4659.0	4956.0	4833.0	5050.0	5620.0	6006.0	5500	5750	Net Profit (\$mill)	6875						
32.2%	26.2%	27.8%	29.0%	28.1%	28.9%	29.0%	28.3%	25.4%	20.9%	20.5%	21.5%	Income Tax Rate	22.0%						
13.8%	15.6%	14.5%	14.9%	15.1%	15.6%	16.0%	16.8%	17.8%	18.3%	17.0%	17.2%	Net Profit Margin	18.3%						
5898.0	6126.0	6799.0	7430.0	5235.0	5767.0	3868.0	5507.0	6590.0	6465.0	7750	5850	Working Cap'l (\$mill)	5000						
5097.0	4183.0	4484.0	4916.0	4326.0	6731.0	8799.0	10723	12156	13411	14500	13500	Long-Term Debt (\$mill)	11000						
12764	15663	15420	17575	17502	13109	11708	10298	11563	9848.0	10175	11500	Shr. Equity (\$mill)	13250						
18.4%	21.5%	22.0%	20.1%	21.6%	25.3%	23.9%	24.4%	24.3%	26.4%	23.0%	24.0%	Return on Total Cap'l	29.0%						
25.0%	26.6%	27.8%	25.3%	26.6%	37.8%	41.3%	49.0%	48.6%	NMF	NMF	NMF	Return on Shr. Equity	NMF						
13.8%	17.0%	17.7%	16.0%	16.7%	20.9%	19.4%	23.0%	24.4%	27.8%	22.0%	20.0%	Retained to Com Eq	23.5%						
45%	36%	36%	37%	37%	45%	53%	53%	50%	54%	60%	60%	All Div'ds to Net Prof	55%						

BUSINESS: 3M Company is a diversified manufacturer and technology company with operations in more than 70 countries. It is among the leading manufacturers in many of the markets it serves. The conglomerate currently operates five segments: Industrial (37.4% of 2018 sales); Safety & Graphics (20.8%); Health Care (18.4%); Electronics and Energy (16.7%); Consumer (14.6%).

3M stock has continued to lose ground since our July review, and is now down almost 25% in value from its April-established year-to-date high. While second-quarter financial results edged past expectations, both the top and bottom lines were down on a year-over-year basis. Meanwhile, guidance did little to inspire, with management reaffirming its sales and earnings forecasts. However, it appears as if Wall Street is being further spooked by concerns centered around possible litigation (see below).

The company has continued to struggle from an operational standpoint. Second-quarter earnings came in at \$2.20 a share, down 15% from the year-earlier tally, on a 2.6% top-line decline. Organic local currency sales fell 0.9%. Margins also trended lower, with inflationary pressures stemming from the United States/China trade war taking a toll. **It looks like the multinational has a tough road ahead.** Trade tensions have yet to subside and may not anytime soon. Meantime, leadership left intact its assumption for a 5% earnings decline at the midpoint of its \$9.25-\$9.75 a share 2019

full-year range. It also maintained its call for a roughly flat organic local sales result. **Legal expenses may well escalate going forward.** Increased safety concerns regarding substances used in many of 3M's products have been called into question by government agencies. The price tag of potential cleanup and legal costs is unknown, but could stretch well into the multibillion dollar range.

We think prospective accounts need to be careful here. While the stock sports favorable scores for nearly every stability indicator and trades at a discount to its historical price-to-earnings multiple, the aforementioned legal issues and ongoing U.S./China spat cloud the outlook for this Dow-30 member, potentially justifying the latter. These shares are unfavorably ranked for Timeliness and are likely to remain market laggards over the six to months. Longer-term risk-adjusted total return potential is better, but our 3- to 5-year projections would need to be cut if legal matters are not resolved in a favorable manner, and management must temper its shareholder-friendly ways.

Andre J. Costanza October 11, 2019

(A) Diluted earnings. Excludes nonrecurring losses/(gains); '10, (12c). Excludes discontinued: '06, 47c; '07, 60c; '17, (\$1.24); '18, (\$1.07); '19, (\$1.00). Earnings may not sum

due to rounding or changes in shares outstanding. Next earnings report due late October. (B) Dividends historically paid mid-March, June, September, and December. ■ Dividend

reinvestment plan available. (C) In millions.

Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	80
Earnings Predictability	100