

# 3M COMPANY NYSE:MMM

RECENT PRICE **175.83**

P/E RATIO **19.2** (Trailing: 18.9, Median: 18.0)

RELATIVE P/E RATIO **1.04**

DIV'D YLD **3.3%**

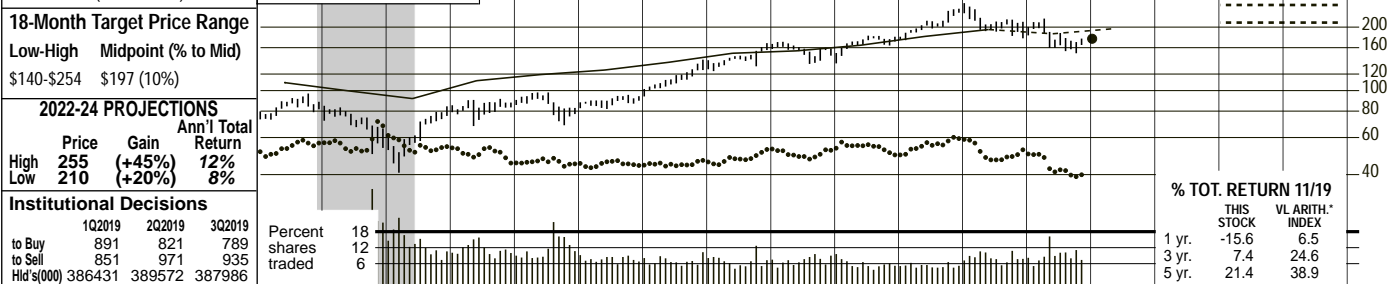
VALUE LINE

**TIMELINESS 4** Lowered 7/5/19  
**SAFETY 1** New 7/27/90  
**TECHNICAL 4** Lowered 1/3/20  
**BETA 1.00** (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, 150.6

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

Target Price Range 2022 2023 2024



**18-Month Target Price Range**

Low-High Midpoint (% to Mid)  
\$140-\$254 \$197 (10%)

**2022-24 PROJECTIONS**

High	Price	Gain	Ann'l Total Return
Low	255	(+45%)	12%
	210	(+20%)	8%

**Institutional Decisions**

	1Q2019	2Q2019	3Q2019
to Buy	891	821	789
to Sell	851	971	935
Hlds(000)	386431	389572	387986

Percent shares traded: 18, 12, 6

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	56.60	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	12.04	13.00	11.90	12.65	"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	9.98	9.10	9.60	Earnings per sh <sup>A</sup>	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's Decl'd per sh <sup>B</sup>	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	2.75	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	18.50	18.00	Book Value per sh	21.90
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	568.00	555.00	Common Shs Outst'g <sup>C</sup>	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	20.0	21.4	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	1.14	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%	2.6%	2.6%	Avg Ann'l Div'd Yield	3.1%

Notes: Bold figures are Value Line estimates.

**CAPITAL STRUCTURE as of 9/30/19**

Total Debt \$19439 mill. Due in 5 Yrs \$9696 mill.  
LT Debt \$17479 mill. LT Interest \$3777.4 mill.  
(62% of Capital)

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

Preferred Stock None  
Common Stock 575,050,655 shares

MARKET CAP: \$102 billion (Large Cap)

**CURRENT POSITION (SMILL.)**

	2017	2018	9/30/19
Cash Assets	4129	3233	7761
Receivables	4911	5020	5020
Inventory (FIFO)	4034	4366	4007
Other	1203	1090	1232
Current Assets	14277	13709	18020
Accts Payable	1945	2266	2079
Debt Due	1853	1211	1960
Other	3889	3767	3782
Current Liab.	7687	7244	7821

23123	26662	29611	29904	30871	31821	30274	30109	31657	32765	32140	33500	Sales (\$mill)	37500
25.8%	26.4%	25.0%	26.0%	26.0%	26.8%	27.7%	28.9%	29.6%	28.4%	27.0%	27.5%	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	1575	Depreciation (\$mill)	1750
3193.0	4169.0	4283.0	4444.0	4659.0	4956.0	4833.0	5050.0	5620.0	6006.0	5250	5450	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%	16.3%	16.3%	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	7850	5500	Working Cap'l (\$mill)	5000
5097.0	4183.0	4484.0	4916.0	4326.0	6731.0	8799.0	10723	12156	13411	17000	15000	Long-Term Debt (\$mill)	11000
12764	15663	15420	17575	17502	13109	11708	10298	11563	9848.0	10500	10000	Shr. Equity (\$mill)	11500
18.4%	21.5%	22.0%	20.1%	21.6%	25.3%	23.9%	24.4%	24.3%	26.4%	20.0%	23.0%	Return on Total Cap'l	30.0%
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
45%	36%	36%	37%	37%	45%	53%	53%	50%	54%	63%	63%	Retained to Com Eq	27.0%
												All Div'ds to Net Prof	55%

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '16-'18 to '22-'24

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

**QUARTERLY SALES (\$mill.)**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	7409	7662	7709	7329	30109
2017	7685	7810	8172	7990	31657
2018	8278	8390	8152	7945	32765
2019	7863	8171	7991	8115	32140
2020	8150	8350	8575	8425	33500

**EARNINGS PER SHARE <sup>A</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	2.58	2.09	9.10
2020	2.25	2.25	2.65	2.45	9.60

**QUARTERLY DIVIDENDS PAID <sup>B</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	1.44	5.76
2020					

**We've reined in our fourth-quarter 2019 estimates for 3M Company.** September-period results and subsequent guidance did little to instill optimism that the global conglomerate has righted the ship. Specifically, earnings of \$2.58 a share were flat with the year-earlier tally, and the top line missed the mark by a wide margin. Indeed, sales of \$7.991 billion were 2% off the prior-year mark and well shy of our \$8.225 billion call. Guidance solidified our concerns with management once again tempering its top- and bottom-line expectations. To wit, it lowered its earnings assumption to between \$8.99 and \$9.09, down from its previous \$9.25 to \$9.75 forecast. It pointed to an ongoing challenging operating environment, calling for a 1.0%-1.5% organic local-currency sales decline. It had previously been looking for a 1% pullback to a 2% gain. All in all, we are now modeling for a 10% earnings decline, despite share repurchases, on a 2% sales gain for the December quarter.

**Bottom-line growth should get back on track, but remain somewhat measured, this year.** While the global

economy may remain less than ideal, we see the top line registering a roughly 5% year-over-year advance. Cost-containment efforts, meantime, ought to help drive margin improvement, and share repurchases are likely to remain a boon. In all, we see earnings tallying \$9.60 for 2020.

**We advise prospective accounts to exercise caution here.** While the stock scores highly for most stability indicators, including an Above Average Safety rank, the company faces a good deal of uncertainty on the legal front, as the United States government continues to look into safety concerns surrounding some of the company's products. The costs associated with the matters are unknown, but could be substantial when all is said and done. Thus, the decent three- to five-year total return potential we currently envision is a bit tentative at this time. Another thing to keep in mind is management's aggressiveness in repositioning the portfolio via the M&A game. The company may look somewhat different in time. Meanwhile, these shares are unfavorably ranked (4; Below Average) for Timeliness.

*Andre J. Costanza* January 10, 2020

(A) Diluted earnings. Excludes nonrecurring losses/(gains): '10, (12c). Excludes discontinued: '06, 47c; '07, 60c; '17, (\$1.24); '18, (\$1.07); '19, (89c). Earnings may not sum due to rounding or changes in shares outstanding. Next earnings report due late January. (B) Dividends historically paid paid March, June, September, and December. (C) In millions.

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

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