

3M Delivers Strong Fourth-Quarter Results; Improves Operational Performance and Exceeds Earnings and Cash Flow Expectations

Results reflect strong operational execution, progress on restructuring, and spending discipline

Well-positioned to continue improving performance, including continued expansion of adjusted operating margins² in 2024

Health Care spin remains on track for first half of 2024

ST. PAUL, Minn., Jan. 23, 2024 /PRNewswire/ -- 3M (NYSE: MMM) today reported fourth-quarter and full-year 2023 results and provided its 2024 financial outlook.

"The fourth quarter capped a strong year for 3M," said 3M chairman and CEO Mike Roman. "Throughout 2023, we executed our priorities and delivered on our commitments – including expanding underlying operating margins and cash flow. We initiated actions to restructure our organization and simplify our supply chain, while progressing our Health Care spin and addressing legal matters."

"Our team remains focused on further improving our operational performance, optimizing our portfolio, and reducing risk," Roman continued. "We will continue to invest in high-growth markets where 3M's unique capabilities can make a difference, including automotive electrification, climate technology, and industrial automation. I am confident we will deliver a successful 2024."

Fourth-Quarter Highlights:

	Q4 2023	Q4 2022
GAAP earnings per share	\$ 1.70	\$ 0.98
Special items:		
Net costs for significant litigation	0.36	0.07
Other special items, net	0.36	1.13
Adjusted earnings per share (EPS)	\$ 2.42	\$ 2.18
Memo:		
GAAP operating income margin	15.5 %	7.8 %
Adjusted operating income margin ¹	20.9 %	19.1 %

¹ Above adjusted operating income margin for Q4 2023 includes a 1.4 percentage point headwind from restructuring related net charges.

GAAP earnings per share of \$1.70 and operating margin of 15.5%.

Adjusted EPS of \$2.42 includes pre-tax restructuring related net charges of \$109 million, or negative \$0.17 per share.

Adjusted EPS up 11 percent year-on-year.

Adjusted operating income margin of 20.9% includes a 1.4 percentage point headwind from restructuring related net charges.

Adjusted operating income margin expanded 1.8 percentage points year-on-year.

	GAAP	Adjusted (Non-GAAP)
Net sales (Millions)	\$8,013	\$7,693
Sales change		
Total sales	(0.8) %	(0.3) %
Components of sales change:		
Organic sales ²	(1.9) %	(1.4) %
Acquisitions/divestitures	0.2 %	0.2 %
Translation	0.9 %	0.9 %

Adjusted sales excludes manufactured PFAS products.

²Above adjusted organic sales decline includes a 60 basis point headwind from the decline in disposable respirator demand.

Sales of \$8.0 billion, down 0.8 percent year-on-year, with organic sales decline of 1.9 percent year-on-year. Adjusted sales of \$7.7 billion, down 0.3 percent year-on-year with adjusted organic sales decline of 1.4 percent year-on-year. Operating cash flow of \$2.0 billion, up 3 percent year-on-year; adjusted free cash flow of \$2.0 billion, up 18 percent year-on-year. 3M returned \$828 million to shareholders via dividends.

The above includes reference to certain non-GAAP measures. See the "Supplemental Financial Information Non-GAAP Measures" section for applicable information.

Full-Year Highlights:

	Full Year 2023	Full Year 2022
GAAP earnings (loss) per share	\$ (12.63)	\$ 10.18
Special items:		
Impact of Combat Arms Earplug (CAE) settlement	5.94	—
Impact of public water systems (PWS) settlement	14.45	—
Other net costs for significant litigation	0.61	3.20
Other special items, net	0.87	(3.50)
Adjusted earnings per share (EPS)	\$ 9.24	\$ 9.88

Memo:

GAAP operating income (loss) margin	(27.9) %	19.1 %
Adjusted operating income margin ¹	20.3 %	21.1 %

¹Above adjusted operating income margin for full year 2023 includes a 1.4 percentage point headwind from restructuring related net charges.

GAAP loss per share of \$12.63 and operating margin of minus 27.9% includes the previously announced settlements for CAE and PWS in the United States regarding PFAS, resulting in a pre-tax charges of \$4.3 billion and \$10.5 billion, respectively, negatively impacting EPS by a total of \$20.39.

Adjusted EPS of \$9.24 includes pre-tax restructuring related net charges of \$441 million, or negative \$0.65 per share.

Adjusted operating income margin of 20.3% includes a 1.4 percentage point headwind from restructuring related net charges.

	GAAP	Adjusted (Non-GAAP)
Net sales (Millions)	\$32,681	\$31,392
Sales change		
Total sales	(4.5) %	(4.5) %
Components of sales change:		
Organic sales ²	(3.2) %	(3.2) %
Acquisitions/divestitures	(0.7) %	(0.8) %
Translation	(0.6) %	(0.5) %

Adjusted sales excludes manufactured PFAS products.

²Above adjusted organic sales decline includes a 1.9 percentage point headwind from the decline in disposable respirator demand, along with the 2022 exit of Russia.

Sales of \$32.7 billion, down 4.5 percent year-on-year, with organic sales decline of 3.2 percent year-on-year.

Adjusted sales of \$31.4 billion, down 4.5 percent year-on-year with adjusted organic sales decline of 3.2 percent year-on-year.

Operating cash flow of \$6.7 billion, up 19 percent year-on-year; adjusted free cash flow of \$6.3 billion, up 30 percent year-on-year. Year-on-year improvement driven by ongoing focus on working capital management, especially inventory.

3M returned \$3.3 billion to shareholders via dividends.

The above includes reference to certain non-GAAP measures. See the "Supplemental Financial Information Non-GAAP Measures" section for applicable information.

Full-Year 2024 Outlook

3M provided the following full-year 2024 expectations. This 2024 outlook continues to reflect the Health Care business as part of the company for the full year, but does not reflect the potential impact of funding amounts due under the PWS and CAE legal settlements absent receipt of cash payments in the Health Care business spin.

Adjusted total sales growth³ in the range of 0.25 to 2.25 percent, reflecting adjusted organic sales growth of flat to up 2 percent.

Adjusted EPS³ in the range of \$9.35 to \$9.75.

Adjusted operating cash flow³ of \$6.5 to \$7.1 billion, contributing to 95 to 105 percent adjusted free cash flow conversion³.

The above does not reflect, for reasons described at³, the potential impact of funding amounts under the PWS and CAE settlements absent cash received in the Health Care spin. However, for illustrative purposes only, adjusted EPS³ could be impacted up to an estimated (\$0.20) from complete debt financing of these settlements based on current market and company expectations.

³As further discussed at⁷ within the "Supplemental Financial Information Non-GAAP Measures" section, 3M cannot, without unreasonable effort, forecast certain items required to develop meaningful comparable GAAP financial measures and, therefore, does not provide them on a forward-looking basis reflecting these items.

Conference Call

3M will conduct an investor teleconference at 9 a.m. EST (8 a.m. CST) today. Investors can access this conference via the following:

Live webcast at <https://investors.3M.com>

Live telephone:

Call 800-762-2596 within the U.S. or +1 212-231-2916 outside the U.S. Please join the call at least 10 minutes before the start time.

Webcast replay at <https://investors.3m.com/financials/quarterly-earnings>

Telephone replay:

Call 800-633-8284 within the U.S. or +1 402-977-9140 outside the U.S. (for both U.S. and outside the U.S., the access code is 22028938). The telephone replay will be available until 11:30 a.m. EST (10:30 a.m. CST) on January 30, 2024.

Consolidated Financial Statements and Supplemental Financial Information Non-GAAP Measures

View the Financial Statement Information on 3M's website: <https://investors.3m.com/financials/quarterly-earnings>

Forward-Looking Statements

This news release 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 "plan," "expect," "aim," "believe," "project," "target," "anticipate," "intend," "estimate," "will," "should," "could," "would," "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: (1) worldwide economic, political, regulatory, international trade, geopolitical, capital markets and other external conditions and other factors beyond the Company's control, including inflation, recession, military conflicts, natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; (2) foreign currency exchange rates and fluctuations in those rates; (3) risks related to certain fluorochemicals, including liabilities related to claims, lawsuits, and government regulatory proceedings concerning various PFAS-related products and chemistries, as well as risks related to the Company's plans to exit PFAS manufacturing and discontinue use of PFAS across its product portfolio; (4) risks related to the proposed class-action settlement ("PWS Settlement") to resolve claims by public water systems in the United States regarding PFAS, including whether court approval of the PWS Settlement will be obtained, whether the number of plaintiffs that opt out of the PWS Settlement will exceed current expectations or will exceed the level that would permit 3M to terminate the PWS Settlement (and whether 3M will elect to terminate the PWS Settlement if this occurs), whether the PWS Settlement is appealed, the timing and amount of payments made under the PWS Settlement, and the impact of the PWS Settlement on other PFAS-related matters; (5) legal proceedings, including significant developments that could occur in the legal and regulatory proceedings described in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2022 and any subsequent quarterly reports on Form

10-Q (the "Reports"); (6) competitive conditions and customer preferences; (7) the timing and market acceptance of new product and service offerings; (8) the availability and cost of purchased components, compounds, raw materials and energy due to shortages, increased demand and wages, supply chain interruptions, or natural or other disasters; (9) unanticipated problems or delays with the phased implementation of a global enterprise resource planning (ERP) system, or security breaches and other disruptions to the Company's information technology infrastructure; (10) the impact of acquisitions, strategic alliances, divestitures, and other strategic events resulting from portfolio management actions and other evolving business strategies; (11) operational execution, including the extent to which the Company can realize the benefits of planned productivity improvements, as well as the impact of organizational restructuring activities; (12) financial market risks that may affect the Company's funding obligations under defined benefit pension and postretirement plans; (13) the Company's credit ratings and its cost of capital; (14) tax-related external conditions, including changes in tax rates, laws or regulations; (15) matters relating to the proposed spin-off of the Company's Health Care business, including whether the transaction will be completed, or if completed, will be on the expected terms; the risk that the expected benefits will not be realized; the risk that the costs or dis-synergies will exceed the anticipated amounts; the ability to satisfy the various closing conditions; potential business disruption; the diversion of management time; the impact of the transaction (or its pendency) on the Company's ability to retain talent; potential impacts on the Company's relationships with its customers, suppliers, employees, regulators and other counterparties; the ability to realize the desired tax treatment (including whether an Internal Revenue Service private letter ruling will be sought or obtained); the risk that any consents or approvals required will not be obtained; risks associated with financings that may be undertaken and indebtedness that may be incurred in connection with the transaction; and (16) matters relating to Combat Arms Earplugs ("CAE"), including those relating to, the August 2023 settlement that is intended to resolve, to the fullest extent possible, all litigation and alleged claims involving the CAE sold or manufactured by the Company's subsidiary Aearo Technologies and certain of its affiliates ("Aearo Entities") and/or 3M ("CAE Settlement"), including, but not limited to, whether the anticipated participation by plaintiffs in the CAE Settlement will be achieved, whether the number of plaintiffs that participate in the CAE Settlement will meet current expectations or will fall below the level that would permit 3M to terminate the CAE Settlement (and whether 3M will elect to terminate the CAE Settlement if this occurs), whether there will be a significant number of future claims by plaintiffs that decline to participate in the CAE Settlement, whether the CAE Settlement is appealed or challenged, matters related to the potential issuance of the equity securities that are contemplated to be part of the CAE Settlement, the filing of additional, or the outcome of any other pending or future, litigation relating to the products that are the subject of the CAE Settlement, or changes in related laws or regulations. 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 Company assumes no obligation to update any forward-looking statements discussed herein as a result of new information or future events or developments.

About 3M

3M (NYSE: MMM) believes science helps create a brighter world for everyone. By unlocking the power of people, ideas and science to reimagine what's possible, our global team uniquely addresses the opportunities and challenges of our customers, communities, and planet. Learn how we're working to improve lives and make what's next at [3M.com/news](https://www.3m.com/news).

Please note that the company announces material financial, business and operational information using the 3M investor relations website, SEC filings, press releases, public conference calls and webcasts. The company also uses the 3M News Center and social media to communicate with our customers and the public about the company, products and services and other matters. It is possible that the information 3M posts on the News Center and social media could be deemed to be material information. Therefore, the company encourages investors, the media and others interested in 3M to review the information posted on 3M's news center and the social media channels such as @3M or @3MNews.

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3M

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<https://stage.mediaroom.com/3m/2024-01-23-3M-Delivers-Strong-Fourth-Quarter-Results-Improves-Operational-Performance-and-Exceeds-Earnings-and-Cash-Flow-Expectations>