January 24, 2023

3M Reports Fourth-Quarter and Full-Year 2022 Results

ST. PAUL, Minn., Jan. 24, 2023 /PRNewswire/ -- 3M (NYSE: MMM) today reported fourth-quarter and full-year 2022 results and provided its 2023 financial outlook.

"3M continues to focus on delivering for customers and shareholders in a challenging economic environment," said 3M chairman and CEO Mike Roman. "We posted organic growth of 0.4 percent -- versus our expectation of 1 to 3 percent -- adjusted margins of 19.1 percent, and adjusted earnings of $2.28 per share. The slower-than-expected growth was due to rapid declines in consumer-facing markets – a dynamic that accelerated in December – along with significant slowing in China due to COVID-related disruptions. As demand weakened, we adjusted manufacturing output and controlled costs, which enabled us to improve inventory levels.

"In a year impacted by inflation, global conflicts, and economic softening, our team took actions to position 3M for future success," said Roman. "We managed our portfolio – including the divestiture of our Food Safety business, planned spin-off of our Health Care business, and commitment to exit PFAS manufacturing by the end of 2025 – while continuing to work towards a mediated resolution for Combat Arms litigation. We invested in growth and productivity, while following through on sustainability commitments.

"We expect macroeconomic challenges to persist in 2023," Roman continued. "Our focus is executing the actions we initiated in 2022 and delivering the best performance for customers and shareholders. Based on what we see in our end markets, we will reduce approximately 2,500 global manufacturing roles – a necessary decision to align with adjusted production volumes."

Fourth-Quarter Highlights:

- Company reports GAAP earnings per share of $0.98, which included a $1.15 per share pre-tax charge relating to PFAS manufacturing exit costs adjusted for in special items.
- Adjusted earnings per share of $2.28, excluding the impact of special items.

	Q4 2022	Q4 2021
GAAP EPS	$ 0.98	$ 2.31
Special Items	1.30	0.14
Adjusted EPS	$ 2.28	$ 2.45
Memo:		
GAAP operating income margin	7.8 %	18.8 %
Adjusted operating income margin	19.1 %	20.0 %

See the "Supplemental Financial Information Non-GAAP Measures" section for applicable information.

- Sales of $8.1 billion, down 6 percent year-on-year, which included impacts of negative 2 percent from divestitures and negative 5 percent from foreign currency translation due to strength of U.S. dollar.
- Organic sales growth of 0.4 percent year-on-year which included a 2.6 percentage point headwind from the decline in disposable respirator demand, along with the exit of Russia.
- Operating cash flow was $1.9 billion, down 4 percent year-on-year, while adjusted free cash flow was $1.7 billion, up 3 percent year-on-year.
- 3M returned $1.4 billion to shareholders via dividends and gross share repurchases.

Full-Year Highlights:

	Full Year 2022	Full Year 2021
GAAP EPS	$ 10.18	$ 10.12
Special Items	(0.08)	0.61
Adjusted EPS	$ 10.10	$ 10.73
Memo:		
GAAP operating income margin	19.1 %	20.8 %
Adjusted operating income margin	20.8 %	22.2 %

See the "Supplemental Financial Information Non-GAAP Measures" section for applicable information.

- Sales of $34.2 billion, down 3 percent year-on-year, which included impacts of negative 1 percent from divestitures and negative 4 percent from foreign currency translation due to strength of U.S. dollar.
- Organic sales growth of 1.2 percent year-on-year which included a 2.0 percentage point headwind from the decline in disposable respirator demand, along with the exit of Russia.
- GAAP earnings per share of $10.18, up 1 percent, while adjusted earnings per share was $10.10, down 6 percent. Earnings reflect year-on-year changes in special items, headwinds from manufacturing productivity, increased raw materials/logistics costs, investments, and negative foreign exchange impacts. Benefits to earnings included selling price actions, strong spending discipline, and lower shares outstanding.
- Operating cash flow was $5.6 billion, down 25 percent year-on-year, while adjusted free cash flow was $4.7 billion, down 25 percent year-on-year. The declines were primarily due to lower net income and the cash impact from capitalization of R&D for U.S. tax purposes.
- 3M returned $4.8 billion to shareholders via dividends and gross share repurchases.
- Received approximately $1 billion in consideration and reduced outstanding shares by 16 million via exchange offer due to Food Safety divestiture.

2022 Results Based on New 2023 Outlook Basis

In December 2022, 3M announced it will exit per- and polyfluoroalkyl substance (PFAS) manufacturing by the end of 2025. Beginning in 2023, 3M expects to adjust for the results of these manufactured PFAS products in arriving at non-GAAP results. This expands the current adjustment for special items in 3M's non-GAAP results to include the sales and estimates of income, exit costs, and associated activity of PFAS manufacturing.

Comparable 2022 GAAP sales, earnings, and cash flow amounts are provided in the highlights section above. For additional clarity, the impact of further adjusting for 2022 PFAS manufacturing sales of $1.4 billion, estimated income of $0.22 per share and related activity on certain non-GAAP amounts on the existing versus new 2023 outlook basis is presented below:

	Full Year 2022 — Certain non-GAAP Amounts	
(Dollars in millions, except per share amounts)	Existing Basis	New Outlook Basis
Adjusted total sales growth	(3.2) %	(3.6) %
Adjusted organic sales growth	1.2 %	0.8 %
Adjusted earnings per share	$ 10.10	$ 9.88
Adjusted operating cash flow	$ 6,440	$ 6,404
Adjusted free cash flow conversion	82 %	86 %

See the "Supplemental Financial Information Non-GAAP Measures — New Outlook Basis" section for further information regarding this change.

Full-Year 2023 Outlook

3M's full-year expectations for 2023 include the following:

- -6 to -2 percent adjusted total sales growth^ reflecting the following:
  - -3 percent to flat adjusted organic sales growth^, includes -2 percentage point impact from disposable respirator decline and exit of Russia
  - -2 to -1 percent adjusted foreign currency translation impact^
  - -1 percent adjusted divestiture impact^
- Adjusted earnings per share^ of $8.50 to $9.00, versus 2022 of $9.88 on a comparable basis
  - 2023 adjusted earnings per share include -$0.55 to -$0.80 of combined year-on-year headwinds from the decline in disposable respirator demand, exit of Russia, foreign currency translation, and divestitures
- Adjusted operating cash flow^ of $5.8 to $6.3 billion contributing to 90% to 100% adjusted free cash flow conversion^

These expectations reflect changes in certain of 3M's non-GAAP measures beginning in 2023 as discussed in the preceding section.

3M expects to record a pre-tax restructuring charge of $75 to $100 million in the first quarter of 2023. This pre-tax charge and associated savings is included in the company's full-year 2023 outlook.

^ As further discussed at * within the "Supplemental Financial Information Non-GAAP Measures — New Outlook Basis" 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 http://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:
  Go to 3M's Investor Relations website athttp://investors.3M.com and click on "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 22024173). The telephone replay will be available until 11:30 a.m. EST (10:30 a.m. CST) on January 31, 2023.

Consolidated Financial Statements and Supplemental Financial Information Non-GAAP Measures

View the Consolidated Financial Statements and Supplemental Financial Information Non-GAAP Measures on 3M's website:
https://investors.3m.com/Financial-Statements-Q422

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 "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: (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) risks related to unexpected events such as the public health crises associated with the coronavirus (COVID-19) global pandemic; (3) foreign currency exchange rates and fluctuations in those rates; (4) liabilities related to certain fluorochemicals, including lawsuits concerning various PFAS-related products and chemistries, and claims and governmental regulatory proceedings and inquiries related to PFAS in a variety of jurisdictions; (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, 2021, as updated by the Company's Current Report on Form 8-K dated April 26, 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 or supply chain interruptions; (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, and possible organizational restructuring; (11) operational execution, including scenarios where the Company generates fewer productivity improvements than planned;

(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; (16) matters relating to the voluntary chapter 11 proceedings of the Company's subsidiary Aearo Technologies and certain of its affiliates (the "Aearo Entities"), including legal risks related to the chapter 11 proceedings; potential impacts to the Company's reputation and its relationships with customers, suppliers, employees, regulators and other counterparties and community members; potential impacts to the Company's liquidity or results of operations, including risks related to the amount that will be necessary to fully and finally resolve all of the Company's obligations to make payments to resolve such claims under the terms of its funding and indemnification agreement with the Aearo Entities; and the Aearo Entities' ability to navigate the chapter 11 proceedings to obtain approval and consummation of a plan of reorganization; and (17) matters relating to the Company's plans to exit PFAS manufacturing and discontinue use of PFAS across its product portfolio (the "exit"), including the actual timing, costs and financial impact of such exit; the Company's ability to complete such exit, on the anticipated timing or at all; potential governmental or regulatory actions relating to PFAS manufacturing and production, or the Company's exit plans; the Company's ability to identify and manufacture acceptable substitutes for the discontinued products, and the possibility that such substitutes will not achieve the anticipated or desired commercial or operational results; potential litigation relating to the Company's exit plans; and the possibility that the planned exit will involve greater costs than anticipated, or otherwise have negative impacts on the Company's relationships with its customers and other counterparties. 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 or on Twitter at @3M or @3MNews.

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 Twitter @3M or @3MNews.

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