

# 2021 Fourth Quarter Earnings

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(Unaudited)

January 25, 2022

# Events

## Upcoming events

**Strategic Update and  
2022 Outlook meeting**

February 14

**Q1 earnings**

April 26

# 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: (1) worldwide economic, political, regulatory, capital markets and other external conditions and other factors beyond the Company's control, including natural and other disasters or climate change affecting the operations of the Company or its customers and suppliers; (2) risks related to public health crises such as the global pandemic associated with the coronavirus (COVID-19); (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, 2020, 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 offerings; (8) the availability and cost of purchased components, compounds, raw materials, labor, and energy (including oil and natural gas and their derivatives) due to shortages, increased demand and wages, logistics, manufacturing site disruption or supply chain interruptions (including those caused by natural and other disasters and other events); (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 unusual 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 estimated; (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; and (14) tax-related external conditions, including changes in tax rates, 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), as updated by applicable Current Reports on Form 8-K. The information contained in this presentation is as of the date indicated. The Company assumes no obligation to update any forward-looking statements contained in this presentation as a result of new information or future events or developments.

## Note on non-GAAP financial measures

This presentation refers to certain non-GAAP financial measures. Refer to 3M's January 25, 2022, press release for descriptions of non-GAAP financial measures such as free cash flow, adjusted free cash flow, free cash flow conversion, adjusted free cash flow conversion, net debt, adjusted EBITDA, and various measures that adjust for the impacts of special items. These non-GAAP measures are not in accordance with, nor are they a substitute for, GAAP measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in that press release.

# Serving customers while navigating external challenges

	Organic local- currency growth	Operating margin	Earnings per share
Q4 2021	+1.3%	18.8%	\$2.31

## KEY TAKEAWAYS

- Delivered solid Q4 results in the face of continued fluid environment
- December better than expected:
  - Effectively managed significant disruptions in global supply chains and logistics challenges to serve customers;
  - Strong focus on productivity actions and spending discipline; and
  - COVID-19 Omicron variant driving an increase in near-term demand for disposable respirators
- Selling price momentum gaining traction as previously communicated
- Overall end-market demand remains strong and longer term we are well-positioned for driving growth in large, attractive markets including automotive, home improvement, safety, healthcare, and electronics
- Portfolio prioritization: announced divestitures of food safety and floor care products business to enhance shareholder value
- Capital allocation priorities: growth, productivity and sustainability, while returning significant capital to shareholders
- Full-year 2022 guidance to be provided on February 14 at Strategic Update and 2022 Outlook meeting

# Q4 2021 operating margin and EPS

	Operating margin	Earnings per share	
<b>Q4 2020</b>	<b>21.5%</b>	<b>\$2.41</b>	
Organic volume/productivity and other	-2.4%	-\$0.33	<ul style="list-style-type: none"> <li>• Org vol impact -1.3%</li> <li>• Manufacturing headwinds from global supply chain challenges and increased comp/benefits costs more than offsetting strong spending discipline and benefits from restructuring actions</li> <li>• Increased investments in growth, productivity and sustainability</li> <li>• Lower restructuring charges (margin/EPS YoY impact: +140 bps/+\$0.18)</li> <li>• Lower gain on sales of properties (margin/EPS YoY impact: -60 bps/-\$0.08)</li> <li>• Smaller increase in respirator mask reserve; higher litigation-related costs</li> </ul>
Price/raw material	-0.2%	+\$0.03	<ul style="list-style-type: none"> <li>• Selling price actions mitigating raw material and logistics cost inflation</li> </ul>
FX	-0.1%	-\$0.04	<ul style="list-style-type: none"> <li>• Net of hedge impact</li> </ul>
Other expense/income	NA	+\$0.10	<ul style="list-style-type: none"> <li>• Primarily non-operating pension benefit and lower net interest expense</li> </ul>
Tax rate*	NA	+\$0.12	<ul style="list-style-type: none"> <li>• Q4 2021 tax rate 14.5% versus 18.6% in prior year</li> </ul>
Shares outstanding	NA	+\$0.02	<ul style="list-style-type: none"> <li>• Average diluted shares down 1%</li> </ul>
<b>Q4 2021</b>	<b>18.8%</b>	<b>\$2.31</b>	

\* The effect of income taxes on items that had specific tax rates are reflected within their respective impacts in the table above.

# Q4 2021 cash flow and balance sheet

**\$1.5B**

-30% year-on-year

**Adjusted free cash flow**

**110%**

-40 pts year-on-year

**Adjusted free cash flow conversion**

**\$1.8B**

+110% year-on-year

**Cash returned to shareholders**

## Proactive balance sheet management

- Net debt of \$12.6B, down \$1.2B, or 8% YoY

## Adjusted free cash flow

- Q4: \$1.5B, down 30%; FY: \$6.0B, down 11%

## Adjusted free cash flow conversion

- Q4: 110%, down 40 pts; FY: 101%, down 30 pts
- Q4 YoY decline due to lower non-cash expenses vs. Q4 2020 (legal and restructuring), higher litigation-related payments and capex investments, partially offset by improvements in the working capital cycle

## Capital expenditures

- Q4: \$556M, up \$134M; FY: \$1.6B, up \$102M

## Cash returned to shareholders

- Q4: dividends \$848M; gross share repurchases \$938M
- FY: dividends \$3.4B; gross share repurchases \$2.2B

# Business Group performance

	<u>FY 2021</u>	<u>Q4 2021</u>	
	<u>Organic growth</u>	<u>Organic growth</u>	
	<u>Operating margin</u>	<u>Operating margin</u>	<b>Q4 commentary</b>
<b>Safety &amp; Industrial</b>	<u>7.8%</u>	<u>-1.3%</u>	<ul style="list-style-type: none"> <li>Organic growth led by strength in closure and masking systems, abrasives, industrial adhesives and tapes and electrical markets, more than offset by personal safety declines due to prior-year strong COVID-related respiratory demand (disposable respirator decline reduced segment organic growth by ~4 ppts)</li> <li>Disposable respirator sales declined 25% organically YoY, and 7% sequentially</li> <li>Operating margins -4.4 ppts YoY; increased raw materials, logistics and litigation-related costs; manufacturing productivity impacts; and lower gain on sales of properties, partially offset by selling price actions; strong spending discipline; smaller increase in respirator mask reserve; restructuring benefits and lower YoY related charges</li> </ul>
<b>Transportation &amp; Electronics</b>	<u>9.0%</u>	<u>-0.4%</u>	<ul style="list-style-type: none"> <li>Organic growth led by commercial solutions and advanced materials; organic sales declined in electronics and auto OEM (due to continued impact of semiconductor constraints) and transportation safety</li> <li>Operating margins -2.7 ppts YoY; increased raw materials and logistics costs; manufacturing productivity impacts; and increased comp/benefits costs, partially offset by selling price actions; strong spending discipline; restructuring benefits and lower YoY related charges</li> </ul>
<b>Health Care</b>	<u>8.6%</u>	<u>1.6%</u>	<ul style="list-style-type: none"> <li>Organic growth led by separation and purification sciences, food safety, health information systems and oral care, partially offset by medical solutions declines due to lower YoY disposable respirator sales (disposable respirator decline reduced segment organic growth by ~4 ppts)</li> <li>Operating margins -0.5 ppts YoY; increased raw materials and logistics costs; food safety deal-related costs; manufacturing productivity impacts; and increased comp/benefits costs, partially offset by sales growth (including selling price actions); strong spending discipline; restructuring benefits and lower YoY related charges</li> </ul>
<b>Consumer</b>	<u>9.3%</u>	<u>4.9%</u>	<ul style="list-style-type: none"> <li>Organic growth led by office and stationery, consumer health and safety, and home improvement</li> <li>Operating margins -1.0 ppt YoY; increased raw materials, logistics and outsourced hardgoods manufacturing costs; manufacturing productivity impacts; and increased comp/benefits costs, partially offset by sales growth (including selling price actions); strong spending discipline; restructuring benefits and lower YoY related charges</li> </ul>
	<u>20.9%</u>	<u>17.7%</u>	
	<u>20.6%</u>	<u>17.6%</u>	
	<u>23.8%</u>	<u>23.6%</u>	
	<u>21.3%</u>	<u>21.4%</u>	

# 2021 full-year performance and highlights

## Organic local-currency growth

8.8%

## Earnings per share

\$10.12

## Adj. free cash flow conversion

101%

- Generated broad-based organic growth across businesses and invested in large and attractive end-markets that align with key global trends
- Executed well with good margins, strong earnings per share and free cash flow despite significant raw materials and logistics cost inflation and global supply chain challenges
- Accelerating ESG leadership: investing \$1 billion over the next 20 years to accelerate air and water stewardship; new plastics reduction goals; and introduced diversity, equity and inclusion report
- Prioritizing portfolio management, including announced divestitures of food safety and floor care products business to enhance shareholder value
- Focused on transformation including accelerating our digital strategy to better serve customers and improve efficiency of operations and successfully executed our restructuring program that was announced in December 2020
- Generated \$6 billion of adjusted free cash flow and strengthened the balance sheet providing financial flexibility while returning \$5.6 billion to shareholders



# Q&A

## **Mike Roman**

Chairman of the Board &  
Chief Executive Officer

## **Bruce Jermeland**

Senior Vice President,  
Investor Relations

## **Monish Patolawala**

Executive Vice President, Chief  
Financial & Transformation Officer

# Appendix

# Q4 2021 P&L

(\$M)	Q4 2020	Q4 2021	Change
Sales	\$8,583	\$8,612	+0.3%
Gross profit	\$4,195	\$3,914	-6.7%
% to sales	48.8%	45.5%	-3.3 pts
SG&A	\$1,890	\$1,824	-3.4%
% to sales	22.0%	21.2%	-0.8 pts
R&D & related	\$456	\$474	+4.0%
% to sales	5.3%	5.5%	+0.2 pts
Gain on sale of businesses	—	—	—
% to sales	—	—	—
Operating income	\$1,849	\$1,616	-12.6%
% to sales	21.5%	18.8%	-2.7 pts
Net income	\$1,405	\$1,339	-4.7%
GAAP earnings per share	\$2.41	\$2.31	-4.1%

# Q4 2021 sales recap

	Americas	EMEA	APAC	Worldwide
Organic volume	-1.7%	-3.2%	+0.2%	-1.3%
Price	+3.9%	+1.3%	+1.2%	+2.6%
Organic local-currency	+2.2%	-1.9%	+1.4%	+1.3%
Acquisitions/divestitures	—%	—%	—%	—%
FX	-0.1%	-2.6%	-1.6%	-1.0%
Total growth	+2.1%	-4.5%	-0.2%	+0.3%

	U.S.	Canada	Mexico	Brazil	China/HK	Japan
Organic local-currency	+1%	+6%	+9%	+4%	+2%	-6%

# Business segment information

(\$M)	Net Sales		Q4 2021 Sales Growth				Organic local-currency by Geographic Area			Business Segment Operating Income/Adjusted Operating Income*			Business Segment Operating Margin/Adjusted Operating Margin*	
	Q4 2020	Q4 2021	Organic local-currency	FX	M&A	Total Sales Change	Americas	Asia Pacific	EMEA	Q4 2020	Q4 2021	Percent change	Q4 2020	Q4 2021
Safety & Industrial	\$3,133	\$3,064	-1.3%	-0.9%	—%	-2.2%	-3.3%	8.7%	-7.4%	\$693	\$543	-21.7%	22.1%	17.7%
Transportation & Electronics	\$2,341	\$2,306	-0.4%	-1.1%	—%	-1.5%	6.7%	-4.5%	2.0%	\$476	\$406	-14.7%	20.3%	17.6%
Health Care	\$2,258	\$2,275	1.6%	-0.9%	—%	0.7%	0.1%	9.7%	-0.9%	\$544	\$536	-1.6%	24.1%	23.6%
Consumer	\$1,418	\$1,476	4.9%	-0.8%	—%	4.1%	6.0%	4.4%	-2.1%	\$317	\$316	-0.4%	22.4%	21.4%
Elimination of Dual Credit	\$(566)	\$(509)								<u>\$(147)</u>	<u>\$(125)</u>			
Total Operating Business Segment										\$1,883	\$1,676			
Corporate & Unallocated	\$(1)	\$—								\$(34)	\$(60)			
Total	\$8,583	\$8,612	1.3%	-1.0%	—%	0.3%	2.2%	1.4%	-1.9%	\$1,849	\$1,616	-12.6%	21.5%	18.8%

\* “Corporate and Unallocated” and “Total” provided on an adjusted basis

Organic local-currency = organic volume + price

# Additional sales detail

(\$M)	Net Sales	
Business groups	Q4 2020	Q4 2021
Abrasives	318	343
Automotive Aftermarket	305	302
Closure and Masking Systems	248	272
Electrical Materials	292	306
Industrial Adhesives & Tapes	683	718
Personal Safety	1,212	1,024
Roofing Granules	95	90
Other Safety & Industrial	(20)	9
Total Safety & Industrial Business Group	3,133	3,064
Advanced Materials	266	280
Automotive & Aerospace	488	433
Commercial Solutions	381	417
Electronics	999	974
Transportation Safety	212	191
Other Transportation & Electronics	(5)	11
Total Transportation & Electronics Business Group	2,341	2,306

(\$M)	Net Sales	
Business groups	Q4 2020	Q4 2021
Drug Delivery	—	—
Food Safety	89	94
Health Information Systems	307	323
Medical Solutions	1,316	1,285
Oral Care	335	341
Separation & Purification Sciences	214	227
Other Health Care	(3)	5
Total Health Care Business Group	2,258	2,275
Consumer Health & Safety	132	148
Home Care	270	268
Home Improvement	625	638
Stationery & Office	354	387
Other Consumer	37	35
Total Consumer Business Group	1,418	1,476
Corporate & Unallocated	(1)	—
Elimination of Dual Credit	(566)	(509)
Total	8,583	8,612

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