

# 2022 First Quarter Earnings

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(unaudited)

## **Mike Roman**

Chairman of the Board &  
Chief Executive Officer

## **Monish Patolawala**

Executive Vice President,  
Chief Financial &  
Transformation Officer

## **John Banovetz**

Executive Vice President,  
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## **Bruce Jermeland**

Senior Vice President,  
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# 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, 2021, 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 April 26, 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.

# Change to non-GAAP measures - special items

- Expanding current scope of non-GAAP measure adjustments for special items to include all impacts of accrual changes and legal fees for respirator mask, PFAS and Combat Arms matters
  - Increases transparency of our financial reporting and understanding of underlying business performance
  - Issued Form 8-K with updated history for the past three years reflecting this change, and updated full-year guidance on this basis in this morning's earnings press release

\$M, except EPS			
GAAP amounts comparable to non-GAAP amounts mentioned below	2021	2020	2019
Operating income	\$7,369	\$7,161	\$6,174
Operating margin	20.8%	22.3%	19.2%
EPS	\$10.12	\$9.36	\$7.72

Certain amounts adjusted for special items (non-GAAP measures)*			
Previous basis for special items:			
Operating income	\$7,369	\$6,844	\$6,822
Operating margin	20.8%	21.3%	21.2%
EPS	\$10.12	\$8.85	\$8.79

Updated basis for special items:			
Operating income	\$7,832	\$7,180	\$6,911
Operating margin	22.2%	22.3%	21.5%
EBITDA margin	27.6%	28.2%	26.5%
EPS	\$10.73	\$9.29	\$8.90

Memo:			
Impact of change on previous basis operating margin	1.4%	1.0%	0.3%
Additional net costs per share treated as special item under updated basis	\$0.61	\$0.44	\$0.11

\*See 2021 Annual Report on Form 10-K and Form 8-K dated April 26, 2022 for information regarding these non-GAAP measures on the previous basis and updated basis, respectively.

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	Q1 2022	Q4 2021	Q1 2021
<b>GAAP EPS</b>	\$2.26	\$2.31	\$2.77
<b>Special items:</b>			
Net costs for significant litigation:			
Zwijndrecht-related (PFAS-related environmental commitments as previously announced on March 30, 2022)	0.26	—	—
Other significant litigation	0.13	0.14	0.18
<b>Total</b>	0.39	0.14	0.18
<b>Adjusted EPS</b>	\$2.65	\$2.45	\$2.95
<b>Memo: Adjusted operating margin</b>	21.4%	20.0%	24.1%

# Delivering growth and shareholder value in 2022

**1** Growing faster than the markets and economies we serve

**2** Expanding margins and EPS through operating rigor, productivity, and price

**3** Delivering robust cash flow through supply chain recovery and improvements in working capital

**4** Investing capital in high growth, high return portfolios that utilize our fundamental strengths

**5** Advancing sustainability commitments to reduce GHG emissions and improve water quality

**6** Maintaining a strong balance sheet, providing flexibility for M&A and shareholder returns



# Creating value and delivering for customers

- Delivered solid growth and sequential improvement in operating margins while investing for long-term growth in sizable, significant markets
- Focused on customers while managing supply chain, inflation, and geopolitical pressures
  - Prioritizing serving our customers while managing supply chain pressures
  - Driving price to offset inflationary pressures
  - Managing impact of Russia/Ukraine conflict
- Optimizing portfolio to create value for customers and shareholders
  - Food Safety divestiture: on track to close by end of Q3
  - Acquired the technology assets of LeanTec to advance digital solutions for auto body shop customers
- Returned \$1.6B of cash to shareholders, 64 straight years of annual dividend increases
- Proactively managing litigation; filed first Combat Arms appeals
- Following through on sustainability commitments
- FY 2022 outlook: grow above macro and improve operational performance

Q1 2022

Organic growth

**+1.7%**

Includes (0.5%) impact from  
disposable respirator decline

Adjusted operating margin

**21.4%**

Adjusted earnings per share

**\$2.65**



# Executing on our environmental stewardship goals

## What we said: **2021 announced**

**\$1 billion** environmental investment

- **10% water reduction** by 2022 moving toward **25% water reduction** by 2030, indexed
- **Improve water quality** through installation of purification technologies at largest water-using locations by 2023 and fully operational by 2024
- **Reduce** Scope 1 and 2 **emissions 50%** by 2030 and **carbon neutrality** in our operations by 2050
- **Reduce dependence** on virgin fossil-based plastic by **125 million pounds** by 2025

## Where we are: **2021 progress**

- **Reduced water usage** nearly **11%**, indexed
- **Installed state-of-the-art water quality system** in Zwijndrecht; **pilot work completed** in Decatur, AL; Cordova, IL; and Cottage Grove, MN
- **Reduced** Scope 1 & 2 **emissions** over **26%**
- **Reduced** over **18 million pounds** virgin-based plastic use

## Where we're going: **2022 expectations**

- **Over 5% additional water reduction**
- Complete installation and operation of systems to further **improve water quality** in Cordova IL; expansion of water quality capabilities in Zwijndrecht, Cottage Grove, MN and Decatur, AL
- Bending the curve on carbon emissions, surpassing **50% renewable electricity** two years ahead of plan
- **Doubling** the reduction of virgin-based plastic use

### 2002

GHG emissions reported by **WRI/WBCSD GHG Protocol**

### 2005

**35.5%** Scope 1 and 2 **emission reduction** (2002-2005)

### 2015

**69.2%** Scope 1 and 2 **emission reduction** (2002-2015)

**39.8% water reduction** (2005-2015, indexed)

### 2021

**Reset GHG and water baselines** to 2019

**26.1%** Scope 1 and 2 **emission reduction**

**10.7% water reduction**, indexed

Launch of **Global Impact Report** – May 11, 2022

### 2023

**Complete installation** of water quality systems at largest locations

### 2025

**20% water reduction**, indexed

**125 million pounds** virgin fossil-based plastic

### 2030

**25% water reduction**, indexed

**50%** Scope 1 and 2 **emission reduction**

### 2040

**80%** Scope 1 and 2 **emission reduction**

### 2050

**Carbon neutrality**, Scope 1 and 2 emissions





# Financial details of the quarter



# Q1 2022 operating margin and EPS

	Adjusted operating margin	Adjusted earnings per share	Commentary
<b>Q1 2021</b>	<b>24.1%</b>	<b>\$2.95</b>	
Total organic growth/ productivity/other	-0.4%	\$—	
Disposable respirator	-0.1%	-\$0.03	• YoY disposable respirator decline in demand
Remaining organic growth/ productivity/other	-0.3%	+\$0.03	• Strong pricing, spending discipline and benefits from restructuring actions • Manufacturing headwinds from global supply chain challenges, including geopolitical impacts • Increased investments in growth, productivity and sustainability
Raw material	-2.4%	-\$0.30	• Raw material and logistics cost inflation
FX	+0.1%	-\$0.04	• Net of hedge impact
Other expense/income	NA	+\$0.01	• Primarily non-operating pension expense offset by lower net interest expense
Adjusted tax rate*	NA	-\$0.02	• Q1 2022 adjusted tax rate of 17.6% versus 16.9% in Q1 2021
Shares outstanding	NA	+\$0.05	• Average diluted shares down 2%
<b>Q1 2022</b>	<b>21.4%</b>	<b>\$2.65</b>	

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

# Q1 2022 cash flow and balance sheet

Adjusted free cash flow

**\$0.7B**

-50% year-on-year

Adjusted free cash flow  
conversion

**47%**

-36 pts year-on-year

Cash returned to  
shareholders

**\$1.6B**

+49% year-on-year

Adjusted free cash flow

- Q1: \$0.7B, down 50% YoY

Adjusted free cash flow  
conversion

- Continue to expect full-year free cash flow conversion in the range of 90% to 100%
- Q1: 47% (in-line with expectations), down 36 pts YoY
- Q1 YoY decline due to higher cash compensation and increase in capex for growth and sustainability investments

Capital expenditures

- Q1: \$424M, up 37% YoY
- Continue to expect full-year capex in the range of \$1.7B to \$2.0B

Net debt

- Q1: \$13.3B, up 2% YoY

Cash returned to  
shareholders

- Q1: dividends \$852M; share repurchases \$773M
- Expect full-year share repurchases of ~\$2B





# Business Group performance

**Safety & Industrial**

**Transportation & Electronics**

**Health Care**

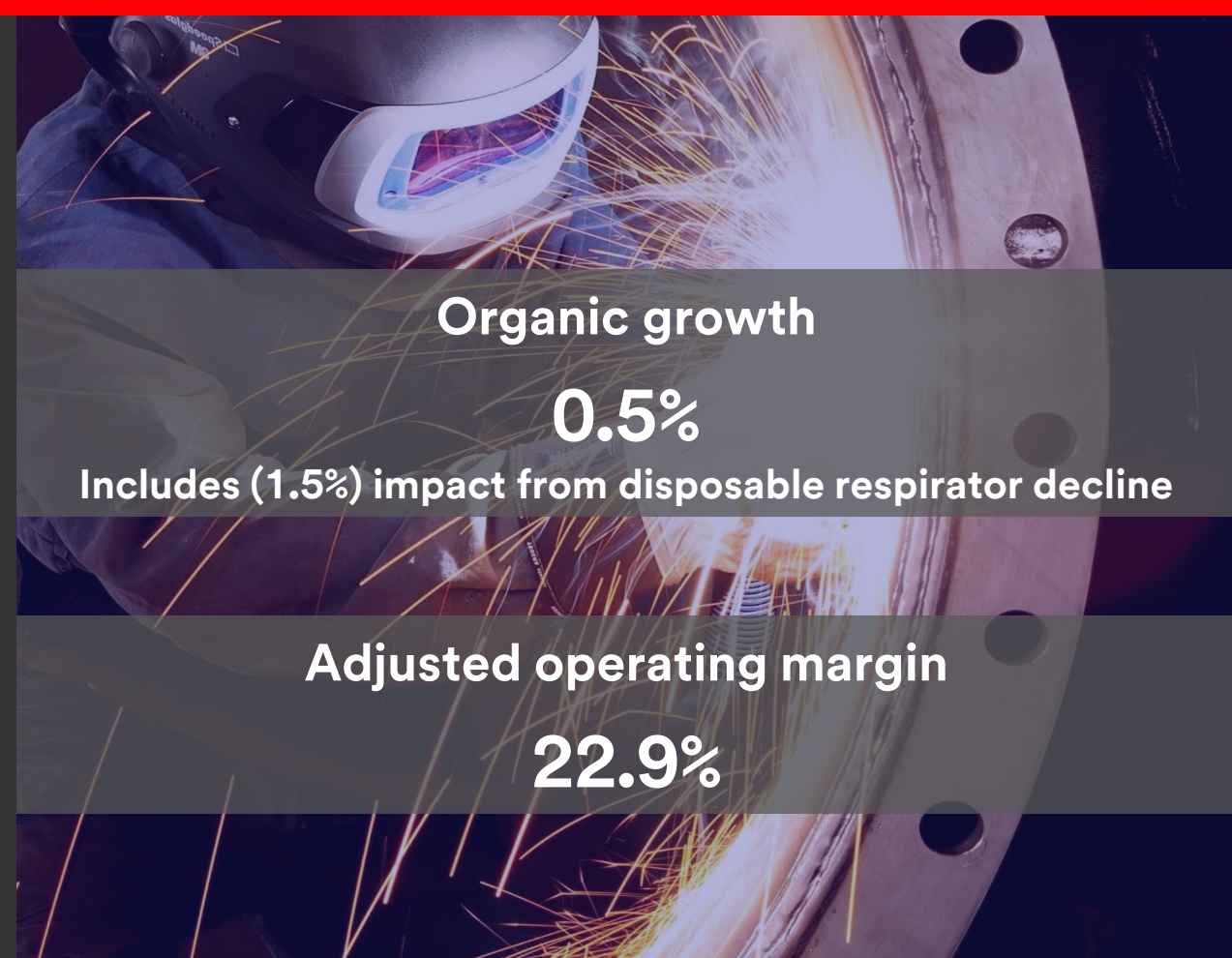
**Consumer**



# Safety & Industrial

## Q1 2022 commentary

- Mid-single digit organic growth in industrial adhesives and tapes, electrical markets, abrasives, and closure and masking systems, while personal safety declined
- Disposable respirator sales declined nearly \$50M, or 8% organically YoY; reduced segment organic growth by 1.5 pts
- Adjusted operating margins -3.5 pts YoY; impacted by increased raw materials/logistics costs and manufacturing productivity headwinds; partially offset by selling price actions, strong spending discipline and restructuring benefits



**Organic growth**

**0.5%**

**Includes (1.5%) impact from disposable respirator decline**

**Adjusted operating margin**

**22.9%**

## Long-term trends

Industrial activity  
Sustainability

Digitization  
Use of robotics & automation

## Key investment priorities

Personal safety

Connected solutions

Sustainable products



# Transportation & Electronics

## Q1 2022 commentary

- Organic growth led by commercial solutions; automotive flat while electronics and transportation safety declined
- Semiconductor supply chain challenges continue impacting global auto builds (Q1: -5% YoY, IHS) and electronics end-markets
- Operating margins -2.0 ppts YoY; impacted by increased raw materials/logistics costs, manufacturing productivity headwinds, and investments in auto electrification; partially offset by selling price actions, strong spending discipline and restructuring benefits
- Q2 forecasts: IHS auto builds up ~2% YoY and down ~(3)% sequentially; smartphones up ~1% YoY and down ~(5)% sequentially

Organic growth

-0.3%

Operating margin

21.2%

### Long-term trends

Auto electrification

Fab manufacturing

Factory automation

Data center solutions

### Key investment priorities

Auto electrification/mobility

Semiconductor

Electronic materials

Graphic and architectural films

# Health Care

## Q1 2022 commentary

- Organic growth across all divisions led by food safety, separation and purification sciences, medical solutions and health information systems
- COVID-19 (Omicron) continues to impact U.S. elective procedure volumes (Q1: healthcare 85-90%; oral care 85-90% vs pre-COVID)
- Operating margins -1.4 ppts YoY; impacted by increased raw materials/logistics costs, manufacturing productivity headwinds, and investments; partially offset by sales growth (including selling price actions), strong spending discipline and restructuring benefits
- U.S. healthcare elective procedure and oral care volumes expected to improve in Q2 to 90-95% of pre-COVID levels



**Organic growth**

**4.7%**

**Operating margin**

**21.1%**

### Long-term trends

Aging population

Health access

Shift to lowest-cost settings

Digital & connected solutions

### Key investment priorities

Wound care

Healthcare IT

Biopharma filtration



# Consumer

## Q1 2022 commentary

- Organic growth across all divisions led by consumer health and safety and continued demand for home care, stationery and office and home improvement products
- Operating margins -3.7 ppts YoY; impacted by increased raw materials/logistics and outsourced hardgoods manufacturing costs, and manufacturing productivity headwinds; partially offset by sales growth (including selling price actions), strong spending discipline, and restructuring benefits

**Organic growth**

**3.4%**

**Operating margin**

**17.1%**

### Long-term trends

Increased time spent at home	E-commerce/digital/data analytics
Heightened focus on well-being	Sustainability

### Key investment priorities

Home improvement	Package protection & shipping
Consumer safety & well-being	Appearance auto care



## 2022 outlook



# 2022 planning estimates – *updated to reflect change in reporting*

**Organic growth**  
2% to 5%

**Adjusted earnings per share**  
\$10.75 to \$11.25

**Free cash flow conversion**  
90% to 100%

## Original outlook

### Macro environment

- IPI & GDP of ~4%
- Uneven economic recovery due to COVID-19 variants and vaccination rates

### End-markets

- End-markets expected to be strong; growth in automotive (CY+9% YoY) and electronics (CY +4% YoY) as semiconductor chips supply progresses
- Industry projections for U.S. healthcare elective procedure volumes at ~100% by year-end

### Supply chain constraints

- Global supply chain challenges expected to remain at least through 1H 2022

### Raw materials & logistics pressure

- Raw material & logistics estimated headwind of \$350M to \$450M YoY
- Selling price expected to offset raw material & logistics inflation

## Current trend

### Macro environment

- IPI & GDP softening to ~3%
- Monitoring Omicron subvariant impacts in China
- Geopolitical uncertainty due to Russia/Ukraine conflict
- Increasing FX volatility

### End-markets

- Most end-markets are strong; however, auto OEM build (CY +4% YoY) and smartphone (CY +2% YoY) forecasts moderating due to continued semiconductor and supply chain challenges along with geopolitical impacts
- Industry projections for U.S. healthcare elective procedure volumes at ~95% to 100% by year-end, impacted by COVID-19 driven staff shortages and patient cancellations

### Supply chain constraints

- Supply chain challenges worsening due to geopolitical risks

### Raw materials & logistics pressure

- Raw material & logistics inflation driving incremental pressure
- Selling price expected to offset raw material & logistics inflation

Note: Above guidance does not reflect the impact of pending divestiture of Food Safety business via Reverse Morris Trust (RMT) transaction with Neogen



## Q&A

### **Mike Roman**

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# Appendix

# Q1 2022 P&L

(\$M)	Q1 2022	Q1 2021	Change
Sales	\$8,829	\$8,851	-0.3%
Gross profit	\$4,003	\$4,326	-7.5%
% to sales	45.3%	48.9%	-3.6 pts
SG&A	\$1,882	\$1,808	+4.0%
% to sales	21.3%	20.5%	+0.8 pts
R&D & related	\$480	\$524	-8.4%
% to sales	5.4%	5.9%	-0.5 pts
Operating income	\$1,641	\$1,994	-17.7%
% to sales	18.6%	22.5%	-3.9 pts
Net income	\$1,299	\$1,624	-20.0%
GAAP earnings per share	\$2.26	\$2.77	-18.4%



# Q1 2022 sales recap

	Americas	EMEA	APAC	Worldwide
Organic growth	+2.5%	-1.9%	+2.7%	+1.7%
Acquisitions/divestitures	—%	—%	—%	—%
FX	—%	-5.7%	-2.7%	-2.0%
Total growth	+2.5%	-7.6%	—%	-0.3%

	U.S.	Canada	Mexico	Brazil	China/HK	Japan
Organic growth	+1%	+22%	+10%	+14%	-3%	+3%

# Business segment information

(\$M)	Net Sales		Q1 2022 Sales Growth				Adjusted Operating Income*			Adjusted Operating Margin*	
Business groups	Q1 2022	Q1 2021	Organic growth	FX	M&A	Total Sales Change	Q1 2022	Q1 2021	Percent change	Q1 2022	Q1 2021
Safety & Industrial	\$3,051	\$3,099	0.5%	-2.1%	—%	-1.6%	\$699	\$817	-14.4%	22.9%	26.4%
Transportation & Electronics	\$2,340	\$2,396	-0.3%	-2.0%	—%	-2.3%	\$496	\$556	-10.6%	21.2%	23.2%
Health Care	\$2,124	\$2,069	4.7%	-2.0%	—%	2.7%	\$448	\$464	-3.5%	21.1%	22.5%
Consumer	\$1,313	\$1,289	3.4%	-1.6%	—%	1.8%	\$224	\$269	-16.6%	17.1%	20.8%
Total Operating Business Segment							\$1,867	\$2,106			
Corporate & Unallocated	\$1	\$(2)					\$24	\$23			
Total	\$8,829	\$8,851	1.7%	-2.0%	—%	-0.3%	\$1,891	\$2,129	-11.2%	21.4%	24.1%

\*"Safety & Industrial", "Corporate & Unallocated", "Total Operating Business Segment" and "Total" provided on an adjusted basis

Organic growth = organic volume + price

# Additional sales detail

(\$M)	Net Sales	
Business groups	Q1 2022	Q1 2021
Abrasives	329	323
Automotive Aftermarket	295	294
Closure and Masking Systems	258	243
Electrical Materials	309	301
Industrial Adhesives & Tapes	621	598
Personal Safety	1,127	1,229
Roofing Granules	112	108
Other Safety & Industrial	—	3
<b>Total Safety &amp; Industrial Business Group</b>	<b>3,051</b>	<b>3,099</b>
Advanced Materials	305	315
Automotive & Aerospace	460	488
Commercial Solutions	454	427
Electronics	923	951
Transportation Safety	198	215
Other Transportation & Electronics	—	—
<b>Total Transportation &amp; Electronics Business Group</b>	<b>2,340</b>	<b>2,396</b>

(\$M)	Net Sales	
Business groups	Q1 2022	Q1 2021
Food Safety	92	87
Health Information Systems	300	289
Medical Solutions	1,128	1,093
Oral Care	354	360
Separation & Purification Sciences	250	240
Other Health Care	—	—
<b>Total Health Care Business Group</b>	<b>2,124</b>	<b>2,069</b>
Consumer Health & Safety	161	144
Home Care	274	272
Home Improvement	609	604
Stationery & Office	269	268
Other Consumer	—	1
<b>Total Consumer Business Group</b>	<b>1,313</b>	<b>1,289</b>
Corporate & Unallocated	1	(2)
<b>Total 3M</b>	<b>8,829</b>	<b>8,851</b>



**3M** Science.  
Applied to Life.™