

3M CO
Form 10-Q
April 26, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

Commission file number: 1-3285

3M COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	41-0417775 (I.R.S. Employer Identification No.)
3M Center, St. Paul, Minnesota (Address of principal executive offices)	55144 (Zip Code)

(651) 733-1110

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for

complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at March 31, 2019

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Common Stock, \$0.01 par value per share 576,426,706 shares

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For the Quarterly Period Ended March 31, 2019

PART I. Financial Information

Item 1. Financial Statements.

3M Company and Subsidiaries

Consolidated Statement of Income

(Unaudited)

(Millions, except per share amounts)	Three months ended	
	March 31, 2019	2018
Net sales	\$ 7,863	\$ 8,278
Operating expenses		
Cost of sales	4,310	4,236
Selling, general and administrative expenses	1,948	2,573
Research, development and related expenses	477	486
Gain on sale of businesses	(8)	(24)
Total operating expenses	6,727	7,271
Operating income	1,136	1,007
Other expense (income), net	48	42
Income before income taxes	1,088	965
Provision for income taxes	195	359
Net income including noncontrolling interest	\$ 893	\$ 606
Less: Net income attributable to noncontrolling interest	2	4
Net income attributable to 3M	\$ 891	\$ 602
Weighted average 3M common shares outstanding — basic	577.5	596.2
Earnings per share attributable to 3M common shareholders — basic	\$ 1.54	\$ 1.01
Weighted average 3M common shares outstanding — diluted	588.5	612.7

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Earnings per share attributable to 3M common shareholders — diluted \$ 1.51 \$ 0.98

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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3M Company and Subsidiaries

Consolidated Statement of Comprehensive Income

(Unaudited)

(Millions)	Three months ended	
	March 31,	
	2019	2018
Net income including noncontrolling interest	\$ 893	\$ 606
Other comprehensive income (loss), net of tax:		
Cumulative translation adjustment	77	167
Defined benefit pension and postretirement plans adjustment	84	116
Cash flow hedging instruments	6	(61)
Total other comprehensive income (loss), net of tax	167	222
Comprehensive income (loss) including noncontrolling interest	1,060	828
Comprehensive (income) loss attributable to noncontrolling interest	(2)	(3)
Comprehensive income (loss) attributable to 3M	\$ 1,058	\$ 825

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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3M Company and Subsidiaries

Consolidated Balance Sheet

(Unaudited)

(Dollars in millions, except per share amount)	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 2,938	\$ 2,853
Marketable securities — current	539	380
Accounts receivable — net	5,173	5,020
Inventories		
Finished goods	2,221	2,120
Work in process	1,333	1,292
Raw materials and supplies	984	954
Total inventories	4,538	4,366
Prepays	713	741
Other current assets	473	349
Total current assets	14,374	13,709
Property, plant and equipment	25,124	24,873
Less: Accumulated depreciation	(16,295)	(16,135)
Property, plant and equipment — net	8,829	8,738
Operating lease right of use assets	797	—
Goodwill	10,611	10,051
Intangible assets — net	3,047	2,657
Other assets	1,482	1,345
Total assets	\$ 39,140	\$ 36,500
Liabilities		
Current liabilities		
Short-term borrowings and current portion of long-term debt	\$ 790	\$ 1,211
Accounts payable	2,309	2,266
Accrued payroll	517	749
Accrued income taxes	183	243
Operating lease liabilities — current	255	—
Other current liabilities	3,071	2,775
Total current liabilities	7,125	7,244
Long-term debt	15,580	13,411
Pension and postretirement benefits	2,919	2,987
Operating lease liabilities	531	—
Other liabilities	3,228	3,010
Total liabilities	\$ 29,383	\$ 26,652
Commitments and contingencies (Note 14)		
Equity		

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3M Company shareholders' equity:		
Common stock par value, \$.01 par value; 944,033,056 shares issued	\$ 9	\$ 9
Additional paid-in capital	5,755	5,643
Retained earnings	41,159	40,636
Treasury stock, at cost: 367,606,350 shares at March 31, 2019;		
367,457,888 shares at December 31, 2018	(29,668)	(29,626)
Accumulated other comprehensive income (loss)	(7,552)	(6,866)
Total 3M Company shareholders' equity	9,703	9,796
Noncontrolling interest	54	52
Total equity	\$ 9,757	\$ 9,848
Total liabilities and equity	\$ 39,140	\$ 36,500

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

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3M Company and Subsidiaries

Consolidated Statement of Cash Flows

(Unaudited)

(Millions)	Three months ended March 31,	
	2019	2018
Cash Flows from Operating Activities		
Net income including noncontrolling interest	\$ 893	\$ 606
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities		