BUSINESS: 3M Company is a diversified manufacturer and technology company with operations in more than 100 countries. It is one of the leading manufacturers among the many markets it serves. The conglomerate currently operates five segments: Industrial (47% of 2018 revenues), Electronics and Energy (16.7%), Consumer (14.6%), Healthcare (12.2%) and Transportation and Safety (11.8%). The conglomerate currently operates five segments: Industrial, Electronics and Energy, Consumer, Healthcare and Transportation and Safety.

3M stock has declined sharply in price since our April review and is trading at a multi-year low not seen since early 2016. Already jittery investors soured further on these shares after the industrial conglomerate released disappointing first-quarter financial results and reined in future guidance.

It is shaping up to be a tough year for the multinational. First-quarter earnings came in at $2.23 a share, 11% off the year-earlier tally and well below our $2.55 estimate. Worse-than-anticipated troubles at the top line were mostly responsible for the miss, with sales declining 5.0%, year over year, and coming up equally short of our optimistic expectations. Divestitures and currency translation play a role, but management placed most of the blame on slowing end-market demand. Organic sales slipped 1.1%. On top of the aforementioned shortfalls, leadership also slashed its full-year bottom-line outlooks. Specifically, it now expects earnings to come in between $2.95 and $2.97 a share, roughly $0.00 lower at both ends. Again, the top line appears to be shouldering most of the burden, with 3M now looking for organic local-currency sales minus 1% to plus 2%. It had been forecasting 1%-4% growth. We have tempered our expectations. The stock’s share-count estimate now sits at $4.95. While top-line concerns such as the ongoing trade war between the United States and China are partly responsible, we are also modeling for continued margin pressures. There has been some favorable news regarding trade talks, but there still remains uncertainty about the future relationship between the two economic powers. For 2020, we see earnings tallying $10.35 a share, on sales of about $33.5 billion.

Near-term appeal here is limited, given the difficult operating environment that is likely to persist. In fact, we’ve lowered this stock’s Timeliness rank a notch, to 4 (Below Average). However, the recent price weakness presents a buying opportunity for more-patient accounts. While top-line concerns such as the ongoing trade war between the United States and China are partly responsible, we are also modeling for continued margin pressures. There has been some favorable news regarding trade talks, but there still remains uncertainty about the future relationship between the two economic powers. For 2020, we see earnings tallying $10.35 a share, on sales of about $33.5 billion.

Our share-net estimate now sits at $9.45. While top-line concerns such as the ongoing trade war between the United States and China are partly responsible, we are also modeling for continued margin pressures. There has been some favorable news regarding trade talks, but there still remains uncertainty about the future relationship between the two economic powers. For 2020, we see earnings tallying $10.35 a share, on sales of about $33.5 billion.

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