



3M Options Activity Sees Sell-Off Overdone

Ticker/Price: MMM (\$180)

Analysis:

3M Co (MMM) with opening sellers of 3,500 June \$165 puts today down to \$1.49 and follows buyers of 17,500 July \$200 calls yesterday around \$1. MMM has seen 5,000 June \$170 puts, 5,000 May \$185 puts, and 5,000 May \$190 puts also sold to open over the last two weeks. Shares have fallen from \$220 down to \$180 in the last month, a volatile move in a not-so-volatile name and back near key breakout support from early 2017 around \$170. We're also right around a spot where shares bounced on a monthly timeframe back in October and December 2018. The \$104B industrial conglomerate trades 16.5X earnings, 3.22X sales, and 32X cash with a 3.2% yield and mid-single digit growth. They took estimates way down in April seeing 2-3% revenue growth now as headwinds from FX, especially in APAC, weigh and litigation charges will have a significant one-time impact. MMM has been a big loser from the global slowdown in 2019 with weakness across automotive and consumer electronics clouding their outlook. MMM also made a deal for Acelity which expands their reach in the fast-growing advanced wound care market which is valued around \$8B and growing 4-6%. The company announced a restructuring in March which will simplify their business and could be a harbinger of a potential changes like spinoffs similar to Danaher (DHR) several years ago. Analysts have an average target for shares of \$197 with 3 buy ratings, 7 hold, and 3 sell. A number of downgrades on 4/25 citing operational issues including Gordon Haskett who cut their PT to \$185 saying their elf-help benefits that have been years in the making "have largely evaporated" while the outsized decremental operating profit realized in the first quarter begs the question whether years of 3M footprint rationalization have actually made things worse. Institutional ownership rose 7.55%. Short interest is 1.6%. In October, a director bought \$184K stock at \$184.50.

Hawk Vision:



Trading Strategy: MMM likely offers some long-term value but not the kind of name I like to trade options, prefer positive momentum at my back and it is a mess right now.

Confidence Ranking: \$\$