3M Call Buyer into Breakout as End-Markets Rebound

Ticker/Price: MMM $169.5

Analysis:

3M Co (MMM) buyers of more than 3,000 November $175 calls on 9/2 for over $2.45M and follows buyers in the October $175 calls over 2,500X in mid-August and a sale of the March $145 puts on 8/18. Shares are looking to break out of a multi-month bull flag over $170.50 after a strong session on Wednesday and measured target out to $200. MMM has been a laggard since early 2018 but forming a big base since early 2019 and run above $180 clears a downtrend with a big sentiment shift targeting $240 longer-term. The $96.71B company trades 18.8X earnings, 3X sales, and 21.65X cash with a 3.5% yield. MMM has taken down estimates in 2020 and now sees high-single digit EPS growth and revenue growth of 5% in both FY21 and FY22. MMM has solid FCF and actively reducing debt by mor than $1.7B last quarter as they shore up the balance sheet and continue to execute on a cost savings plan. July sales continued their recent momentum up 6% as healthcare continued to outperform up 29%. CEO Mike Roman also recently noted that strong demand for N95 masks and other PPE is keeping up despite being six months into the pandemic while many of their other end-markets are recovering, especially auto, China, and a return of elective surgeries. The company continues to expect a long tail to respirator demand and targeting 2B production of N95 by year-end. MMM has a lot of foreign exposure and a weaker dollar will also be a tailwind into 2021. Analysts have an average target for shares of $167.50. JP Morgan positive on 8/5 as shares are "cheap" and the company executed well in Q2 against a tough environment. RBC raising their PT to $170 on 7/29. Short interest is 1.2% and down from 2% in 2019. Hedge fund ownership rose 3.25% in Q2. MMM last saw insider buying in May 2019 around $169.50 to $179.50, so right around current range, with a director adding $325K and another buying $200K.

Hawk Vision:

Hawk's Perspective: MMM has a lot of potential as a turnaround name as sentiment improves but overall has been a long-term laggard and better, easier names in the space like **HON** to be involved with

Confidence Ranking: $$