



## 3M Call Buyers See Further Upside from Restructure, Digital Efforts

**Ticker/Price:** MMM (\$202.40)

### Analysis:

**3M (MMM)** buyer of 1000 January 2023 \$220 calls on 5/6 for \$13.15 and follows buyers in the January 2023 \$170 calls recently as well for \$750k. MMM has over 4,700 January \$270 calls in open interest from buyers in mid-March, 750 January 2023 \$210 calls, 3000 July \$220 calls and 3,300 July \$210 calls as well. Shares have been in a strong trend to start the year and dipped back to the 50-MA recently where buyers stepped in and now on the verge of new 1-year highs. MMM is working out of a longer-term downtrend and above \$215 has room up to \$240. The \$118.5B company trades 19.2X earnings, 3.6X sales, and 23X cash with a 3% yield. MMM sees growth of 3-4% in FY22 and high-single digit EPS growth. MMM has been focused on their digital strategy with greater use of data and data analytics to improve their overall performance. The company has been implementing new cloud-based workflows to better monitor raw material purchases which has helped them in early 2021 as supply chain challenges pressure costs and margins. MMM sees opportunity for growth within healthcare, electronics, and home improvement, all areas where the trends accelerated in 2020. Analysts have an average target for shares of \$192 with a Street High \$210. Argus upgrading to Buy in February as the outlook following a restructuring is finally improving. 3M's lower valuation multiples now appear attractive as the company's earnings are poised to grow once again. Short interest is 1.8%. Hedge fund ownership fell 3.85%.

### Hawk Vision:



**Hawk's Perspective:** MMM has a lot of levers they can pull in 2021 to boost growth and will face easier comps but overall prefer to stick with best-of-breed names like HON in the industrial space, especially when shares are so extended

**Confidence Ranking:** \$\$