3M

Q4 2021 Earnings Call Transcript
Michael Roman & Monish Patolawala
January 25, 2022

Note: Transcript includes corrective disclosure on page 12

Slide 1, Cover page
Bruce Jermeland, Senior Vice President, Investor Relations

Thank you and good morning everyone and welcome to our fourth-quarter earnings conference call.

With me today are Mike Roman, 3M's chairman and chief executive officer, and Monish Patolawala, our chief financial and transformation officer. Mike and Monish will make some formal comments then we will take your questions.

Please note that today's earnings release and slide presentation accompanying this call are posted on our investor relations website at 3M.com under the heading 'quarterly earnings'.

Please turn to slide 2.

Slide 2, Events
Bruce Jermeland, Senior Vice President, Investor Relations

Before we begin, I would like to announce our next two investor events. On the morning of February 14th, we will be having a virtual investor meeting where we will be providing a near-term strategic update along with our 2022 guidance.

Also, please mark your calendars for our first quarter earnings conference call which will take place on Tuesday, April 26th.

Slide 3, Forward looking statement
Bruce Jermeland, Senior Vice President, Investor Relations

Please take a moment to read the forward-looking statement on slide three. During today's conference call, we will be making certain predictive statements that reflect our current views about 3M's future performance and financial results. These statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Item 1A of our most recent Form 10-K lists some of the most important risk factors that could cause actual results to differ from our predictions.

Please note, throughout today's presentation we will be making references to certain non-GAAP financial measures. Reconciliations of the non-GAAP measures can be found in the attachments to today's press release.

Before I hand the call over to Mike, I would like to take a moment and highlight a couple of presentation changes we are making in 2022 to simplify our financial reporting and increase understanding of our performance.

These changes are a result of discussions we have had with many of you over the last few years along with recent benchmarking work that we have done.

First, we recognize that dual credit reporting has presented some challenges, for example, having a clear understanding of the impact of disposable respirator performance over the past two years on our segment results, particularly Safety & Industrial and Health Care.

Therefore, we have decided to eliminate dual credit reporting and will no longer report dual credit within our business segments starting in Q1 2022. We will provide a Form 8K ahead our February 14th meeting with updated history for the past three years reflecting this change.

And second, we will be providing organic sales change components in aggregate as opposed to reporting separate volume and price components. With this change, we will also be updating the descriptor to “organic sales” versus “organic local-currency sales”. Please note this change will be reflected in our 2021 Form 10-K filing.

We remain committed to providing strong transparency of reporting our financial performance, and of course, we are always here to address your questions.

With that, please turn to slide four and I will now hand the call off to Mike.

Mike.

Slide 4, Serving customers while navigating external challenges
Mike Roman, Chairman and Chief Executive Officer

Thank you, Bruce. Good morning everyone and thank you for joining us.

3M delivered a solid performance in the fourth quarter, closing out a strong year as we focused on serving customers in a dynamic external environment.

Our revenue in the quarter finished better than we expected across all businesses, including an increase in respirator demand due to the impact from the Omicron variant.

Organic growth companywide was 1 percent, on top of 6 percent in last year’s Q4 with earnings of $2.31 per share, driven by a good December, strong execution, and a lower than anticipated tax rate.

I am pleased with how we effectively managed production operations to meet customer demand, despite ongoing logistics and raw material challenges that are impacting many companies.

While focusing on customers, we also saw good benefits from our actions to drive productivity, improve yields and control costs, which helped offset the margin impact of supply chain disruptions, inflation and COVID-19.

In addition, our selling price actions continued to gain traction, with a year-on-year increase of 2.6 percent in Q4, versus 1.4 percent in Q3. We expect this to be a tailwind for the full year in 2022.

Overall, demand remains strong across our market-leading businesses, and we are continuing to prioritize growth investments in large, attractive markets.

We also took actions to strengthen our portfolio and advance our commitment to sustainability. I will highlight examples of our progress later in the call.

In summary, we delivered a good finish to the year, and are well positioned to drive growth in 2022. As Bruce noted, we will provide full-year guidance, along with strategic updates from our business leaders, at our February 14th meeting.

Monish will now take you through the details of the quarter.

Monish.

Slide 5, Q4 2021 operating margin and EPS
Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Thank you, Mike, and I wish you all a very good morning.

Please turn to slide five.

Looking back on the fourth quarter, the 3M team continued to manage through a challenging environment. As Mike noted, revenues for December were better than previously expected across all the businesses, including disposable respirators, as the Omicron variant increased near-term demand.

Though manufacturing, raw materials and logistics challenges persisted throughout the quarter, the 3M team executed well by driving operating rigor and managing costs while continuing to invest in the business.

Turning to the fourth-quarter financial results, sales were 8.6 billion dollars, up 0.3 percent year-on-year, or an increase of 1.3 percent on an organic local-currency basis against our toughest quarterly comparison last year.

Operating income was 1.6 billion dollars with operating margins of 18.8 percent and earnings per share of 2 dollars and 31 cents.

On this slide you can see the components that impacted our operating margins and earnings per share performance as compared to Q4 last year.

The biggest impact to fourth quarter results was the ongoing effects from the well-known global supply chain, raw materials, and logistics challenges, which persisted throughout the fourth quarter.

Our Enterprise Operations teams continued to work tirelessly through ever evolving changes in customer demand while navigating these challenges to keep our factories running, serve our customers and protect the health and safety of our employees.

We continued to experience significant productivity headwinds in our factories due to shorter production runs and more frequent production changeovers throughout the quarter, as we focused on serving our customers.

As forecasted at the start of last year, we also had higher year-on-year compensation and benefits costs.

These impacts were partially offset through strong spending discipline along with benefits from restructuring and lower legal-related expenses versus last year's Q4.

We also continued to prioritize investments in growth, productivity, and sustainability to drive long-term performance and capitalize on trends in large, attractive markets including automotive, home improvement, safety, health care and electronics.

All in, these impacts lowered operating margins by 2.4 percentage points and earnings per share by 33 cents year-on-year.

Moving to price and raw materials, as expected, our selling price actions continued to gain traction as we went through the quarter. On a year-on-year perspective, Q4 selling prices increased 260 basis points as compared to 140 basis points in Q3 and 10 basis points in Q2.

In dollar terms, higher year-on-year selling prices offset raw materials and logistics cost inflation in Q4 which resulted in an increase in earnings of 3-cents, however, remained a headwind of 20 basis points to operating margins.

Next, foreign currency net of hedging impacts was a headwind of 10-basis points to margins and 4 cents per share year-on-year.

There were three other non-operating items that impacted our year-on-year earnings per share performance.

- First, a reduction in other expense resulted in a 10-cent earnings benefit. This included a 6-cent benefit from non-operating pension which was similar to prior quarters. We also have been proactively managing our debt portfolio including the early redemption of one and a half billion dollars which helped drive a 4-cent benefit year-on-year from lower net interest expense.

- Second, a lower tax rate versus last year provided a 12-cent benefit to earnings per share. Our Q4 tax rate was benefitted by geographic income mix and favorable adjustments related to impacts of U.S. international tax provisions. And for the full year, our tax rate was 17.8 percent.

- And finally, average diluted shares outstanding decreased one percent versus Q4 last year … increasing per share earnings by 2 cents.

Please turn to slide six for a discussion of our cash flow and balance sheet.

Slide 6, Q4 2021 cash flow and balance sheet
Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Fourth quarter adjusted free cash flow was 1.5 billion dollars, or down 30 percent year-on-year with conversion of 110 percent.

For the full year, adjusted free cash flow was 6 billion dollars with adjusted free cash flow conversion of 101 percent.

The decline in our Q4 year-on-year free cash flow performance was driven primarily by lower non-cash legal and restructuring expenses versus Q4 last year, along with higher litigation-related payments and capex investments, which was partially offset by improvements in working capital velocity.

Fourth quarter capital expenditures were 556 million dollars, up 134 million dollars year-on-year and 213 million dollars sequentially as we continued to invest in growth, productivity, and sustainability. Looking at the full year, capital expenditures totaled 1.6 billion dollars.

During the quarter, we returned 1.8 billion dollars to shareholders through the combination of cash dividends of 848 million dollars and share repurchases of 938 million dollars.

For the full year, we returned 5.6 billion dollars to shareholders in the form of dividends and share repurchases.

Our strong fourth quarter cash flow generation and disciplined capital allocation enabled us to continue to maintain a strong capital structure.

We ended the year with 4.8 billion dollars in cash and marketable securities on-hand and reduced net debt by 1.2 billion dollars, or 8 percent versus year-end 2020.

As a result, we exited the year with net debt to EBITDA of 1.4 times.

Our strong balance sheet and cash flow generation capability, along with disciplined capital allocation, continues to provide us the financial flexibility to invest in our business, pursue strategic opportunities and return cash to shareholders while maintaining a strong capital structure.

Please turn to slide seven where I will summarize the business group performance for Q4.

Slide 7, Business Group performance
Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

I will start with our Safety and Industrial business which posted an organic sales decline of 1.3 percent year-on-year in the fourth quarter. This result included a disposable respirator sales decline of approximately 110 million dollars year-on-year, which negatively impacted Safety and Industrial's Q4 organic growth by nearly 4 percentage points.

Our personal safety business declined mid-teens organically versus last year's 40 percent pandemic-driven comparison.

Looking ahead, we anticipate that COVID-related disposable respirator demand will decline as we move through 2022. However, we remain prepared to respond to changes in demand as COVID-related impacts continue to evolve.

Turning to the rest of Safety and Industrial, organic growth was led by a double-digit increase in closure and masking.

In addition, the abrasives business was up high single digits, industrial adhesives and tapes and electrical markets were each up mid-single digits, automotive aftermarket was flat, while roofing granules declined against a strong comparison from last year.

Safety and Industrial's fourth quarter operating income was 543 million dollars, down 22 percent versus last year. Operating margins were 17.7 percent down 440 basis points versus Q4 last year.

Year-on-year operating margin performance was impacted by a decline in sales volumes, higher raw materials, logistics, and litigation-related costs, manufacturing productivity impacts, along with last year's gain on sale of property. Partially offsetting these impacts were selling price increases, strong spending discipline, net benefits from restructuring and a smaller increase to our respirator mask reserve.

Moving to Transportation and Electronics which declined slightly on an organic basis due to the continued impact of the semiconductor supply chain constraints.

Our auto OEM business was down mid-teens organically year-on-year compared to the 13 percent decline in global car and light truck builds.

As we mentioned last quarter, we experienced an increase in channel inventory levels with the tier suppliers in Q3 as auto OEM production volumes decelerated from 18.5 million builds in Q2 to 16.3 million in Q3.

During the fourth-quarter, OEM production volumes increased to 20.2 million builds, or up over 20 percent sequentially. This sequential increase in build activity drove a reduction of channel inventory levels with the tier suppliers during the quarter which negatively impacted Q4 organic growth for our automotive business by approximately 10 percentage points.

For the full-year, our auto OEM business was up low-double digits as compared to global car and light truck build growth of 2 percent. Throughout the year, we continued our track record of success of winning with our customers and gaining penetration on new internal combustion and electric vehicle platforms.

Our electronics-related business declined low-single digits organically with declines across consumer electronics, particularly smartphones and TV's. These declines were partially offset by continued strong demand for our products and solutions in semiconductor and factory automation end-markets.

Turning to the rest of Transportation and Electronics, commercial solutions grew low-double digits, advanced materials was up high-single digits, while transportation safety declined high-single digits.

Fourth-quarter operating income was 406 million dollars, down 15 percent year-on-year. Operating margins were 17.6 percent, down 270 basis points year-on-year.

Operating margins were impacted by higher raw materials and logistics costs, manufacturing productivity impact, along with an increase in compensation and benefits costs. These year-on-year headwinds were partially offset by increases in selling price, strong spending discipline and net benefits from restructuring actions.

Turning to our Health Care business which posted a fourth quarter organic sales increase of 1.6 percent. This result included a nearly 4 percentage point drag from the year-on-year sales decline in disposable respirators.

Our medical solutions business declined low-single digits organically, which included a 6-percentage point impact from the year-on-year sales decline in disposable respirators. Fourth quarter elective medical procedure volumes were approximately 90 percent of pre-COVID levels, which was similar to Q3 and last year's Q4.

Sales in our oral care business grew low-single digits year-on-year as patient visits continued to be near pre-COVID levels.

The separation and purification business increased high-single digits year-on-year with sustained demand for biopharma filtration solutions for COVID-related vaccines and therapeutics.

Health information systems grew mid-single digits driven by strong growth in revenue cycle management and clinician solutions.

And finally, food safety increased high-single digits despite continued COVID-related impacts to the global hospitality industry. In December we announced the planned separation of this business which will be combined with Neogen. As disclosed in the December press release, we expect the transaction to close by the end of Q3 of this year.

Health Care's fourth quarter operating income was 536 million dollars, down 2 percent year-on-year. Operating margins were 23.6 percent, down 50 basis points.

Year-on-year operating margins were negatively impacted by raw materials and logistics costs, manufacturing productivity, compensation and benefit costs and food safety deal-related cost. These impacts were partially offset by benefits from leverage on sales growth, strong spending discipline and restructuring actions.

For the quarter and full-year, Health Care's adjusted EBITDA margins were strong coming in at nearly 31 percent.

Lastly, our Consumer business finished out the year strong with organic growth of 4.9 percent year-on-year on top of last year's 10 percent comparison.

Our home improvement business continued to perform well, up low-single digits on top of last year's strong double-digit comp. This business continued to deliver strong growth with our home improvement retail customers in our category leading Filtrete, Command and ScotchBlue brands.

Stationery and office along with the consumer health and safety business each grew low-double digits organically in Q4 as both of these businesses continued to lap last year's COVID-related comparisons.

The holiday season demand drove strong growth for our Scotch branded products during the quarter. We also posted strong growth in Post-It branded products despite workplace re-openings being pushed out due to the resurgence of COVID cases.

And finally, our home care business was up low-single digits versus last year's strong COVID-driven comparison.

During the quarter we took a small portfolio action to divest our floor care business in Europe which is expected to close in Q1.

Consumer's operating income was 316 million dollars, flat compared to last year. Operating margins were 21.4 percent, down 100 basis points year-on-year.

Operating margins were impacted by higher raw materials, logistics, and outsourced hardgoods manufacturing costs, manufacturing productivity impacts along with increased compensation and benefit costs. These impacts were partially offset by leverage on sales growth which included good price performance, strong spending discipline and net benefits from restructuring actions.

That concludes my remarks for the fourth quarter.

Before I turn it back over to Mike to recap the year, I would like to make a few comments reflecting on our operating performance this past year.

The macro environment in 2021 was defined by strong but fluid end-markets, semiconductor constraints, supply chain and logistics challenges along with ever-evolving impacts from COVID-19, particularly on the global healthcare industry. These dynamics were further compounded by winter storm Uri in mid-February which led to significant disruptions to raw material supply and logistics availability which further disrupted global supply chains. All of these factors collectively helped contribute to broad-based and accelerating inflationary pressures throughout the year.

Against this backdrop, the 3M team kept a relentless focus on serving customers, ensured continuity of raw material supply, managed ever changing manufacturing production plans, navigated logistics constraints and delivered strong full-year organic growth of 9 percent with all business segments posting high-single digit growth.

We also worked hard to raise selling prices, control spending, and drive improvements in operating rigor through daily management, leveraging data and data analytics, while continuing to execute on our restructuring actions.

These actions, combined with strong organic growth, helped to deliver full-year operating margins of 20.8 percent, or down 50 basis points year-on-year on an adjusted basis. This result included an 80-basis point headwind from raw materials and logistics inflation net of selling price actions, along with increased spending to advance our sustainability efforts and higher legal-related expenses.

In addition, we continued to focus on working capital improvement which helped contribute to another year of robust adjusted free cash flow, coming in at 6 billion dollars.

I want to thank the 3M employees for delivering for our customers and shareholders in a very uncertain and fluid environment. I also want to take a moment to personally thank our customers and suppliers for putting their trust and confidence in us and for maintaining strong and close partnerships that helped us navigate the challenges of the past year.

We made good progress in 2021 and are well positioned for 2022. In the spirit of continuous improvement there is always more we can do and will do.

With that, please turn to slide eight and I will turn it back over to Mike for his recap of 2021.

Mike.

Slide 8, 2021 full-year performance and highlights
Mike Roman, Chairman and Chief Executive Officer

Thank you, Monish.

As I look back at 2021, I am proud of our team and our performance. Our results demonstrated the strength of the 3M model, and our investments in growth, productivity and sustainability advanced our company.

In the face of an uncertain environment, we delivered strong organic growth of 9 percent – with strength across all business groups – along with margins of 21 percent. This drove a 14 percent increase in adjusted EPS.

These results exceeded our original guidance that we communicated in January of 2021, and recent updates to that guidance.

We generated robust free cash flow of $6 billion, with an adjusted conversion rate of 101 percent, enabling us to invest in the business, reduce net debt by $1 billion, and return significant cash to shareholders.

All in, 3M returned $5.6 billion to our shareholders through dividends and share repurchases, and 2021 marked our 63rd consecutive year of dividend increases.

We continued to help the world respond to COVID-19, with 2.3 billion respirators distributed last year, for a total of 4.3 billion since the onset of the pandemic, while engaging with governments on how to prepare for future emergencies.

We stepped up our commitments to ESG, including sustainability, as we made progress on new goals to achieve carbon neutrality, reduce water use, improve water quality, and reduce plastics.

As part of our ongoing sustainability commitments, we proactively manage PFAS, and deploy capital to make our factories and communities stronger and more sustainable.

As one example, we are on track to complete a new water filtration system in Cordova, Illinois by the end of 2022.

In Zwijndrecht, Belgium, we installed and activated a treatment system last month to reduce PFAS discharges by up to 90 percent. This is part of a 125-million-euro commitment to improve water quality and support the local community.

As disclosed in our 8-K in November, we continue to work with local authorities related to a safety measure that shut down certain operations in Zwijndrecht. We are also appealing and discussing with local authorities a new change to our wastewater discharge permit that if implemented could have a material impact, and potentially interrupt production at the entire site, impacting customers and the supply of material to other 3M factories. We are actively working to address current and future potential impacts and will update you as appropriate.

With respect litigation, we reached settlements last year in certain PFAS cases and continue to vigorously defend ourselves on combat arms.

As always, we encourage you to read our SEC filings for updates on these matters.

As we advance our ESG priorities, we also continue to take actions to improve diversity, equity and inclusion. This includes multiple programs to make STEM education more available to underrepresented groups and achieve our goal to deliver 5 million learning experiences. Our businesses have also made commitments – Safety and Industrial, for example, is focusing on access to skilled trades – and we are increasing transparency through an annual Diversity, Equity and Inclusion report.

At the same time, we are advancing our strategic priorities for long-term growth and value creation.

We are innovating faster and differently, including new ways to collaborate with customers and partners virtually while investing $3.6 billion in the combination of R&D and capex to strengthen 3M for the future.

To make the most of long-term growth opportunities, we also continue to prioritize investments in large, fast-growing areas like automotive, home improvement, safety, health care, and electronics.

In 2021, for example, our automotive electrification platform grew 30 percent organically and our biopharma business grew 26 percent.

Our home improvement business grew 12 percent, on top of 13 percent growth in 2020 driven by iconic brands, including our Command damage-free hanging solutions and Filtrete home filtration products.

To accelerate our ability to meet increasing demand for Command and Filtrete, last week we announced a nearly $500 million investment to expand our operations in Clinton, Tennessee, adding nearly 600 manufacturing jobs by 2025.

We look forward to sharing more about how we are capitalizing on growth trends and winning in these markets at our February meeting.

Last year, we also continued to reposition our portfolio to maximize value across the enterprise, including an agreement to divest and combine our food safety business with NEOGEN, creating a global leader that is well positioned to capture long-term, profitable growth.

We continue to make progress in transforming 3M, accelerating our digital capabilities, and expanding our use of data and analytics, to better serve customers and improve our operational agility and efficiency.

This includes the ongoing deployment of our ERP system, which went live in Japan in Q4 and also moving more than 60 percent of our enterprise applications and global data center infrastructure to the cloud, while streamlining our business-group-led operating model.

To help our people be at their best, we also introduced new employee work models rooted in flexibility and trust, along with investments to support their health and well-being.

As we enter 2022, I am confident we will continue to grow our businesses, improve our operational performance and find new ways to apply science to improve lives – delivering for our customers, shareholders and all stakeholders who have placed their trust in us.

We are building a stronger 3M, and I want to thank our 95,000 employees for their contributions, including the 50,000 people in our factories, who continue to show up, day-in and day-out, to make a difference.

That wraps up our prepared remarks, and we will now take your questions.

Slide 9, Q&A

Nigel Edward Coe - Wolfe Research, LLC - MD & Senior Research Analyst

So as much upside to your early December guidance, Monish. You called out a number of factors, but you didn't call out N95, which given all the talk we've got from the federal government about free masks and the new guidance and I'm just curious what you're seeing from that side of the business given all the commentary we've seen?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So Nigel, I would say when we gave you the guidance in December, at that time, we had not seen the pickup of N95s. And one of the factors that made us deliver better than what we thought in December was the pickup of the respirator business. We came in $40 million better than what we had originally predicted. So we have seen that pickup. But I would still say it's volatile. We'll see how this plays itself out. We are pleased with the partnership that we have with the federal government right now in regards to this. We've had a lot of dialogue with them. And as things evolve, we'll keep you posted.

Nigel Edward Coe - Wolfe Research, LLC - MD & Senior Research Analyst

Okay. And then just -- I know you're going to give guidance on Feb 14. But just curious, just given the lots of moving parts of the margin line, just wondering how we think about the takeoff point into 2022, specifically 1Q '22. Normal seasonality would have you up slightly from 4Q. Just wondering how you think about that. And have we seen the peak of the inflation curve at this point?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Have we seen the peak, I'm sorry, of what?

Nigel Edward Coe - Wolfe Research, LLC - MD & Senior Research Analyst

Of inflation curve.

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer
Yes. So I'll start with that first comment, Nigel. And that's an item that we constantly keep watching and debating. As you know, we've tried to fine-tune our analysis as much as we can on inflation. So what we saw exiting December was the pace of inflation slowed down versus the prior months. It's still inflationary, but we saw the pace slow down. And I think that's a positive. But again, it will depend on how winter plays itself out, it depends on logistics, et cetera, and whether the ports get uncongested.

Just on data points and your other points on margin, et cetera, things to keep in mind as you get into 1Q '22. First of all, from an inflation perspective, you're going to find not just us, but most companies have the highest -- the toughest comp because if you remember, in the first quarter of last -- of '21, there wasn't as much inflation. We started seeing it in March and then it accelerated in April onwards. So I would factor that one in first.

The second, I would say, is COVID uncertainty. You brought up the respirator demand, but there are other impacts also depending on what happens with COVID, labor shortages that we are seeing from our customers. We are seeing it in our own factories. Our vendors, I'm sure, are facing it, too. So that's something we'll have to watch.

The third one is we are going to continue to invest in growth, productivity and sustainability. So I would say that's an area as we continue to see it, we're going to keep investing, especially in the areas Mike has already talked about. I would say we continue to see a strong market. We saw it in the fourth quarter. We are seeing it right now. And I think 2022 will continue to remain a strong market.

The team has done a marvelous job in driving price. Price has gone up from 0.1% to 1.4% to 2.6%. Mike had talked about that also in his opening remarks that we see that to be a tailwind. Team has done a good job on executing on restructuring so there's approximately $70 million of carryover of restructuring benefits for the year. Auto and electric growth, right now, sequentially from a build rate is showing flat for the year of 2022. It's a 9% increase. I think the chip shortage and where that ends up will have an impact on the auto business.

Health care elective procedures came in at 90%. There are predictions that says they should be at 100% by Q4 2022. From our end, we are going to continue driving operating rigor. We're going to continue to drive margin expansion, as we have said before. We'll also have to watch litigation costs and see where that goes with all the cases that are on.

And then Mike mentioned about Zwijndrecht, and we're working with the authorities in Belgium for our factory, and we'll have to see the impact and when we can start up production in some of those areas that are currently shut down. So all that put together, I would say, again, we are well positioned, and I know it's a long answer to your question, Nigel, but I just wanted to give you a full framework. We are well positioned for 2022. We closed Q4 pretty well, and we hope to continue that momentum into 2022.

Jeffrey Todd Sprague - Vertical Research Partners, LLC - Founder & Managing Partner

A couple here from me. First, just -- I was wondering if you could level set us actually now on the actual size of the respirator business. I think we were $600 million pre-COVID. I feel like we're in the $1.5 billion to $2 billion range. But could you put a finer point on where we stand at the end of 2021?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So Jeff, it's $1.5 billion is what we did in 2021. It was $600 million in '19, $1.4 billion in 2020 and $1.5 billion in 2021. If you look at it quarter over -- sequentially, we were down and we were also down $110 million versus Q4 of 2020. We believe that the peak was Q1 of 2021. And then depending on how it goes, but we believe in 2022, disposable respirator demand is going to be lower than what we had in 2021.

Jeffrey Todd Sprague - Vertical Research Partners, LLC - Founder & Managing Partner

I know you're going to reserve your guidance for next month, but you did essentially get the price cost neutrality in the quarter, right, a little negative on margins, a little positive on EPS. Is it your view that, that gets better over the course of the year? And as you think about kind of carryover price, I understand there's a ton of variables in that. But directionally, I just wonder if you could give us your preliminary thoughts on how that tracks for the year.

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes, Jeff, I think we are working through that. But just as Mike mentioned, pricing will continue to remain a tailwind for 2022. Inflation, I think we'll have to watch how the different factors play out back to raw material logistics. I think what you're going to see is you're going to see some of your primary feedstocks start stabilizing, which we saw in December. But you are going to see specialty feedstock starting to get more expensive.

We are seeing inflation has gone downstream now. So you're seeing it in much more places than you had seen it before. I think what's also going to impact inflation is what happens with the labor pool and what goes on there. And then as long as the ports can start getting uncongested, I think you're going to see logistics costs come down. If commercial airline capacity comes back in, you're going to start seeing air freight start coming down. So we are watching all of that.

I would say first half in talking to people, our own analysis, et cetera, I think the first half is going to be tougher than the second half of 2022 when it comes to inflation. First half part of it is, as I mentioned, we are still seeing sequential increases, but slower. So that's good. But you're going to start facing last year's comp when it comes to inflation. And I think that's going to impact us. So I think we are well positioned and as I've told you before, the team has gone after price. We are managing a price raw equation as best we can, and we're prepared to act as the situation evolves.

Jeffrey Todd Sprague - Vertical Research Partners, LLC - Founder & Managing Partner

And then just lastly for me, if I could. Mike, I think you made a comment about the dramatically reducing PFAS discharges. Perhaps this is my bad, but I didn't know you were still discharging PFAS in places. Is this just at a single location? Or is this still an issue that you're addressing in multiple locations?

Mike Roman, Chairman and Chief Executive Officer

Yes, Jeff, this was part of our -- really following through on what we committed to do and we announced back at the beginning of 2021 to make an investment in reducing the water use in our factories, improving the water quality of our largest facilities. And part of that is this discharge -- controlling discharges, reducing that as part of that investment. And that includes what -- PFAS is a broad category of chemistries. When we've talked about how we exited, now almost 2 decades ago, the PFOA, PFOS chemistries, which are a part of a lot of the discussions in PFAS, but there are other PFAS chemistries that are used in chemical manufacturing and generally in some of our sites. And that was the focus. I mean, we're always in compliance with the regulations that are on our plants.* This is a chance to step forward and do even more and reduce further. And that was what I talked about with Zwijndrecht. This is reducing further below our requirements at the time, our additional -- improving the water quality even further.

**3M always strives to be in compliance with all regulations applicable to our manufacturing sites around the world. As previously disclosed in our SEC filings, the company is cooperating with relevant government agencies to address regulatory non-compliance matters related to various manufacturing sites we operate. We will continue to provide appropriate updates on these activities in our SEC filings.*

Scott Reed Davis - Melius Research LLC - Founding Partner, Chairman, CEO & Research Analyst of Multi-Industry Research

Just wanted to follow up on Jeff's question on price a little bit. Are prices up again in January? Meaning did you have a January 1 price increase? Or did you implement your last big price increase in 4Q?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

So we've implemented big price increases in 4Q. But again, Scott, as we have said, a lot of these were pretty coordinated across different geographies, different markets. So to the extent we see the need that we have to do in 1Q, we'll do the same on 2022, we'll do the same.

Scott Reed Davis - Melius Research LLC - Founding Partner, Chairman, CEO & Research Analyst of Multi-Industry Research

Okay. Fair enough. And then this Belgium situation, can you give us a little bit of color on how material -- I mean, you've had a couple -- couple of your disclosure -- previous disclosure said you can't measure the materiality, but you've had a couple of months now. I mean, can you supply out of other factories and meet demand? How disruptive is this? And should we -- I mean it's a fancy way of saying, should we build this into our models and some sort of a headwind in 2022? Or do you feel like you're going to have some remediation here?

Mike Roman, Chairman and Chief Executive Officer

Yes, Scott, back to the comments I made in my prepared remarks, we're in the middle of this right now. We continue to work with the local authorities. We're appealing and discussing the change in our wastewater discharge permit there. It could have a material impact and potentially interrupt production at the site. So that's something we wanted to be clear on. It's -- we're in the middle of it, and I don't really want to speculate at this point on what it will ultimately mean. This is a priority for us. We have our best people working on it, actively working the problem, and we'll update as appropriate as we go forward here as we work through it.

Joseph Alfred Ritchie - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

So I know we'll get more details in mid-February. But I guess maybe just kind of thinking about the margin trajectory for both Safety and Industrial and for Transportation and Electronics, both of those segments have been hit pretty hard the last couple of quarters. And I'm just curious, as you kind of think through the beginning part of 2022, I mean, should we continue to expect the same type of headwinds? Or are there certain things that you would call out, perhaps the litigation costs not recurring into 2022 that could be potential tailwinds to margins in the early part of the year?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. Joe, as you said, we'll give you more guidance as we go through. But just to answer your question more specifically, I would say a couple of things, and I've said that before, too, volume has the biggest impact for us on a margin, whether it's SIBG, TEBG, health care or CBG. I think we'll have to see what 1Q volume turns out to be, what headwinds we have or tailwinds. When you think about just the trends that those 2 businesses are seeing, overall GDP and IPI is going to be positive for 2022. I think it's volatile in the first quarter and the second quarter and what that turns out. So that will determine industrial activity.

On an auto build, it is flat to down sequentially, so -- and it's flat to down on a year-over-year basis, too. So that will have an impact on TEBG. That, of course, then we'll have to see smartphone shipments. So that's the macroeconomic environment. On our own, you've seen the team's done a good job of raising price. So we have seen price go up sequentially through the quarter. And so you should see that price hold or get better.

Inflation is another area that, again, I think we'll face a very tough comp from last year. We had very little inflation in the first quarter of last year. So you are -- on a year-over-year basis, Joe, going to face that comp. And then the third piece is on litigation. As we have told you, we are actively working and defending ourselves. And to combat our cases, it's a little -- right now, I don't know where that goes, and we'll keep doing what's right to keep defending ourselves and see where those expenses land.

So I think this is the best I can give you at this moment, a little bit of macroeconomic, some of our stuff. And then internally, the last piece before I turn it back to you for another question, is from driving supply chain efficiency, driving our factories, improving rigor, that's just something we're going to keep doing. We have done it. We'll keep doing it. So that should help.

And then supply chain availability or the manufacturing productivity impacts that we've had in the last 2 quarters, which has impacted SIBG and TEBG a lot, we'll have to see how the material flows. Again, December turned out to be better and you saw that come through from a leverage perspective, which goes back to the comment that volumes is the best leverage.

Joseph Alfred Ritchie - Goldman Sachs Group, Inc., Research Division - VP & Lead Multi-Industry Analyst

That's super helpful. And then just maybe my quick follow-on. Just you mentioned the combat arms and clearly PFAS being just an important part of the story here for investors. I'm just curious, just from a timeline perspective, as you think about 2022, are there certain dates that we should be thinking about or penciling in, just to be paying close attention to any type of progress or resolution on either of those 2 items?

Mike Roman, Chairman and Chief Executive Officer

Yes, Joe, we try to keep you updated even in these calls on what's coming next. And we don't have any specific trials coming up in PFAS. The next one is related to the MDL, which we're expecting in 2023. There is, as you know, EPA is working on a management plan and there's a strategic road map through the President Biden's administration. So we're -- we'll be watching that and updating you as we learn more around that.

Related to combat arms, we'll just frame this up. We have great respect for the brave men and women of the military protectors around the world. And we have a long partnership here. We've been providing products and continue to provide products. In the matter with the combat arms, we believe our product was safe and effective in its use, and we're vigorously defending ourselves. And we've been working through these bellwether trials.

We've had 10 trials so far, 5 of those were in our favor. 8 actually were dismissed in addition to the 10 trials we've had, and we're in the middle of those bellwether. So there's another 6 bellwethers planned for 2022. And we'll update you as we go through that and we'll update you as appropriate.

Julian C.H. Mitchell - Barclays Bank PLC, Research Division - Research Analyst

Maybe the first question on sort of cash flow and capital deployment. So cash flow was down double digits in Q4 and the full year and understood the sort of abnormal base in 2020. But how should we think about cash flow for this year? I mean how quickly do we get sort of working capital under control? And also in terms of the sort of disbursement of cash, you paid out around 90% or 95% of free cash flow last year to shareholders. Do we expect a sort of similar-type approach in '22?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So I'll start, Julian, with just reminding you, from a capital allocation perspective, and I'll just -- for everyone's benefit, our first is always organic growth where we believe we'll get the best return. You saw us putting in $1.6 billion from a CapEx perspective in 2021. For 2022 and beyond, we are going to continue to invest in growth. You've seen us make the big announcement in Clinton. It's $0.5 billion of investment that we're going to put over the next couple of years. We also have given you our goal on sustainability where we plan to spend $1 billion, part of it CapEx, OpEx, which is front-end loaded.

Third, as we had talked about on CapEx, we had mentioned during our earnings call as well as other updates throughout the quarter, our plan was to spend $1.8 billion to $2 billion. We were not able to, unfortunately, because of raw material and labor availability. So to the extent that we have good programs out there, we're going to keep doing that. So that's organic growth.

Second is, from a dividend perspective, we know it's an important piece for our shareholders. We're going to continue to do that. Mike mentioned it was the 63rd year in 2021 that we increased dividend. So we'll see where 2022 goes with that. Third is M&A and portfolio. We have an active pipeline, and we are always looking for good businesses that can help us -- that we can add value as well as the business that we acquire can add value to 3M and the shareholders.

And then the last piece is share buyback, which we have done. And we stepped up in Q4, and we had mentioned that during our earnings call as well, I think -- sorry, and certain updates in the quarter, where we said the stock was attractive, and we stepped into it, and that's what we did in Q4.

Talking specifically about working capital. Working capital continues to remain a big priority for us, doing data and data analytics. And if you actually see and do the math, Julian, and you do cash conversion cycle in Q4 of 2020 versus Q4 of 2021, you're actually going to see that the velocity of working capital went up. The revenue was higher in total for 2021. So therefore, you do see the drag on working capital.

And at the same time, if you further split working capital up inventory is where with all the supply chain challenges, that's an area that the team has done a nice job of managing the inventory, but that's where you have much more opportunity as supply stabilizes. So that's an area I would say we're going to continue driving cash. There's a lot of opportunity to keep giving strong cash. We generated $6 billion. And then from a net debt-to-EBITDA basis, we are down to 1.4 versus when I started 18 months ago, we were at close to 2.3, 2.4. So the team has done a really nice job of driving cash and working capital is a big piece of it.

Julian C.H. Mitchell - Barclays Bank PLC, Research Division - Research Analyst

That's helpful. And then maybe just as a follow-up, it feels a long time ago, but I suppose it was fairly recent, the food safety divestment as sort of broad perspective on the portfolio. The fact that it was one of the 12 priority growth platforms at the company and is still being divested, does that tell us, at least on the outside, one could interpret that as meaning that there's a much broader sort of remit around potential divestments at 3M, if you're even willing to sell a priority growth business? Is that a sort of reasonable interpretation?

Mike Roman, Chairman and Chief Executive Officer

Yes. Julian, I would say, first, it reinforces what we've been talking about. Our portfolio strategy is actively continuously evaluating our portfolio. We do that to make decisions on where we invest organically, more attractive markets that can leverage 3M's capabilities, fundamental strengths. We look at acquisitions that can complement what we do organically and when integrated into 3M, give us attractive markets that can add value in greater than some of the parts of the 2 businesses.

We also are looking how to maximize value all the time. And that is everything from managing our businesses differently to up to and including divestitures. And we've done a number of those over time where we saw better owners or greater value to be really achieved through the divestiture. And sometimes that's strengthening the business so they can deliver greater value to customers. It's always focused on how can we deliver greater value creation through the business, including returns to our shareholders.

And so when you look at food safety, while it was an organic priority for us because it had strong growth opportunities and can leverage some of the capabilities of 3M, we also saw a path to greater value, a combination with Neogen, where you can strengthen the 2 businesses by putting them together and really create greater value for customers and for shareholders. So it's very consistent with what -- how we look at our portfolio management, and I think it's an outcome of a continuous process. And we're going to continue to actively manage our portfolio.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director

I wanted to come back to the margin bridge. You guys called out the manufacturing inefficiencies that occurred in Q4 related to the shorter production runs, more production changeovers, et cetera. Are you able to isolate and size in dollars or margins? How large of a headwind that was in Q4 on a full year basis in '21?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. Brett, it's really hard to do it that way because it has a compounding effect. So unfortunately, it's hard to isolate the number. In total, when we put the manufacturing productivity together, including the spend, you can see it's $0.33 negative in total, which included 3 things. One is lower volume, which has an impact first on just generally the plans. Second is the material productivity. The third is the wage inflation and the prior headwinds that we had talked about when it comes to variable compensation, and then we continue to invest in growth, productivity and sustainability.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director

Yes. It makes sense and understandably inflation, logistics pressures continue, but I'm just trying to get a sense, do those resolve early in Q1 as some of the demand pulse gets better here?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So I think we are watching it, Brett. I think our view is we're going to see a volatile environment in the first half. Things should get better in the second half. But I would not expect a big snap back on stability of supply in 1Q of 2022.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director
Right. Right. Okay. And just wanted to come back to the comment on prioritizing investments for this year. I think last year, R&D as a percent of sales was at the lower end of what it's been historically. Does the R&D number need to move higher in '22? Or can you keep it at the same level and just allocate those dollars more effectively?

Mike Roman, Chairman and Chief Executive Officer

Brett, it's really something we focus on, prioritizing our investments. We talk about prioritizing in growth, productivity and sustainability as we've come through the pandemic, as we came through 2021 accelerating those investments where we saw the best opportunity. That's R&D, that's CapEx, that's commercial investments. Very big focus on R&D, as you would expect. It's where we drive our innovation with that investment in R&D.

And so the overall percent of sales that you see at an enterprise level, it wouldn't surprise you that there are parts of our portfolio that are much higher than that and others that are lower than average. And we're prioritizing that in some of the areas that I talked about in my prepared remarks. We see attractive investments. So we actually are increasing R&D in some areas and managing it overall pretty well in line with where we've come from. But there's a lot going on underneath that. It's really that prioritization where we are targeting, stepping up our investments in those most attractive areas. And it's true for CapEx as well.

Brett Logan Linzey - Mizuho Securities USA LLC, Research Division - Executive Director

Got it. Makes sense.

Deane Michael Dray - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

Just a couple clarifications. Going back to the opening Q&A and Nigel's question on December coming in better, you did clarify that masks were better by $40 million. What were the other businesses that did better or product lines that did better in December?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So $40 million was for the whole quarter, Deane, just to clarify that. December definitely had a pickup there. Consumer came in strong and then Health Care came in strong. So that's the other 2 I would call out in December.

Deane Michael Dray - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

Got it. And then when Bruce made 2 topics that are going to change in reporting going forward, could you just clarify the second one? It sounded like you were not going to report segment, volume and price separately? Just clarify what the thinking is there and what will we see going forward?

Bruce Jermeland, Senior Vice President, Investor Relations

Yes, Deane, this is Bruce. We have never reported separate segment volume and price by the segments. We have at the total enterprise level and the geography level. We are no longer going to report separate volume and price going forward. And it's due to a lot of the benchmarking work we have done. Also, the one conversation piece we've had throughout the year relative to prices, what's showing up in price is what gets realized in the quarter. And it's not a true reflection of the actions we're taking in the end market.

So I think it created a lot of confusion relative to 3M taking price or not. Yes, we're taking price, but it really is only showing up relative to what actually got realized in a particular period. So organic growth is our #1 objective, and that's what we're going to report going forward.

Deane Michael Dray - RBC Capital Markets, Research Division - MD of Multi-Industry & Electrical Equipment & Analyst

So Slide 12 in the appendix where you break out organic volume by region and price, does that go away?

Bruce Jermeland, Senior Vice President, Investor Relations

Yes. So yes, if you recall, Deane, when we moved to our new business group-led business model, we're running global businesses now. We no longer have a separate international structure. So -- and that's how we're operating the business, driving growth around the world no matter where it's at.

Andrew Alec Kaplowitz - Citigroup Inc., Research Division - MD and U.S. Industrial Sector Head

Can you give us a little more color into what you're seeing in electronics? I think you mentioned in Q4 is down still and it tends to be quite volatile for you. So without giving a specific outlook for '22, have you seen any improvement in semiconductor availability starting to help that business? How are inventories in the channel? At what point do your businesses such as data center-focused products, auto electrification start to become meaningful enough to better support that business?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes. So I would say, Andy, and I'll start with your first thing on chips. So production did go up in auto in December versus what was originally planned. For the year, auto ended at plus 2 for the quarter, it ended at minus 13. And I think it came in a little better than what was the original forecast. So it did get a little better there. I think what we are seeing is it's still volatile from a supply chain perspective. And our view is that you're going to see that volatility in the first half of 2022.

When you take consumer electronics, consumer electronics was down on a year-over-year basis. It's projected to be up from '21 to '22 for the year, and we'll have to see when launches happen, et cetera. And then on the fluids or that's -- the semiconductor of our business, the business has grown very well. We continue to perform very well. We continue to deliver value for our customers. And in 2022, you should expect us to continue doing the same.

Andrew Alec Kaplowitz - Citigroup Inc., Research Division - MD and U.S. Industrial Sector Head

Monish, that's helpful. And then maybe a little more color on what you're seeing regionally. Obviously, you have tougher comparisons in China as you go into next -- into '22, there's some geopolitical risk out there. So any sort of trends that you're seeing or want to highlight as we're going into '22 regionally?

Mike Roman, Chairman and Chief Executive Officer

Yes. Andy, I would take you to GDP and IPI. I think you -- there's an outlook for 2022 that says we're going to see a pretty good backdrop globally, led by probably U.S. and Asia in that regard and the stronger areas, IPI, GDP, both. If you look -- if you go into China, in particular, we saw growth in 2021. We were up low single digits in Q4, which is similar to the overall China macro. For the whole year, we were up low double digits, which was above the macro for China.

So continue to see growth opportunities there. Our growth was led by our Health Care business. We saw growth in our Consumer business. Both of those were up low teens. Our Industrial business was up low single digits in the quarter. And where we saw some weakness was in Transportation and Electronics, really back to the semiconductor chip challenges, some of the supply chain challenges. Those were impacting that in China as well.

So I paint that picture, so you'd kind of see we have a focus on growing at or above the macro in China as well. And the outlook is to be positive. And we're prioritizing, like everywhere else, where we see the trends. And some of those areas in electronics have continued to stay strong, while overall consumer electronics challenged with the chip shortage, we saw strength in semiconductor fabrication, factory automation. So they're -- we see those as areas that we're well positioned as we come into 2022 as well.

Charles Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

Just a question on -- I know, Monish, you've kind of taken on this, I guess, an additional title of kind of Transformation Officer. Many times, that means there's going to be some kind of major portfolio moves. What is this kind of transformation title mean from that perspective? Is it really looking at kind of the structure of the company? Or is it more about improving processes and more of an operating?

Mike Roman, Chairman and Chief Executive Officer

Yes. Steve, I'm interested in Monish's answer as well, but I thought I'd just frame it up. He's leading transformation, which is really taking responsibility for leading our IT and digital strategy, and overall transformation includes what we call business transformation. Monish has been driving some of these efforts from his role as CFO, and he led transformation his prior employer as well. He brings that operating rigor to it. So when we recently hired a new Chief Information and Digital Officer that reports to Monish as part of that.

So if you think about it, it's really that business transformation we've talked about for a number of years focused on deploying new digital capabilities, digital strategy broadly, digital enterprise capabilities like our ERP and our move to the cloud, also digital operations and even how we're digitizing for our customers. And so it's really bringing his leadership to that. So Monish can give you his perspective on it.

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Listen, I don't have much to add, Steve, other than the fact that when we look at the opportunity at 3M, whether it's growth at or by macro, margin expansion and strong cash. Underneath that, you can tuck in portfolio. Digital is a big opportunity for us, whether it's leveraging data and data analytics. And I just view my job as to enable the teams to achieve what 3M can. So I'm excited, and we have a great set of people working on this.

Charles Stephen Tusa - JPMorgan Chase & Co, Research Division - MD

Right. And then I think you guys mentioned buyback in the presentation. I might have missed this, but is that a new kind of -- are you guys going to be stepping up buybacks in a significant way here in the near term? Is it a change in tone on buybacks or pretty consistent with what you've said historically?

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

No, Steve, it's pretty consistent. As the level of buyback is always our fourth priority in the 4 priorities to the extent the amount of buyback will always get determined by the amount of cash we have, what the market is doing, what the opportunities are. And as I mentioned in the fourth quarter, we saw an opportunity where we thought the stock was attractive. And we felt we should step up buyback in the fourth quarter, but no change in tone, that still remains the fourth priority in our list of capital allocation priorities.

Andrew Burris Obin - BofA Securities, Research Division - MD

Yes. So my first question is on Asia and specifically as we see Omicron in China, what's the feedback you're getting on the ground about the scope of shutdowns versus what was expecting around the Olympics? And how is that going to play out in the first quarter given what you're seeing right now?

Mike Roman, Chairman and Chief Executive Officer

Yes. Andrew, I would say what we came through December into the new year, there's a lot of uncertainty around Omicron and how it's going to impact supply chains globally. And in China, obviously, an important focus there and with the Olympics coming a spotlight on that as well, we've been managing supply chain, logistics issues there as well. You saw that a little bit play out in the China export numbers in Q4, down like low single digits, I think, for the quarter. So it's something we're focused on. We've been managing through the challenges we've seen and we'll update you as we get further into February and March.

Andrew Burris Obin - BofA Securities, Research Division - MD

And just the second question is almost 2 years into COVID and maybe it's a little preview for your Analyst Day. But almost 2 years into COVID, what portions of your portfolio sort of look structurally better and what has lagged? And what do you think happens as the world normalizes again?

Mike Roman, Chairman and Chief Executive Officer

Yes. Andrew, maybe I'll start with we've been investing -- accelerated investments in a number of areas as we come through COVID and it's really recognizing some of the trends, maybe even that we came into the pandemic with that accelerated. So we talk about investments in automotive electrification, maybe less COVID related, but certainly a trend that's accelerating. We saw home improvement accelerate during COVID. So we're investing in those areas. We're seeing strong growth as we came through 2021 in those areas, and we see that continuing as we go forward. So that's the way we look at it.

There's -- across our portfolio, we've talked often about different parts of our portfolio, how are they doing relative year-over-year even back to

2019. I would say we had strength in broad parts of the portfolio, including those that we're investing in. There's a couple of areas that are still recovering. And Monish even highlighted one in his comments about how elective procedures are still at about 90% of -- medical procedures that is at about 90% of where they were in 2019. So there's the impact of COVID on increased hospitalization rates and the knock-on effect on health care. There's still -- we think there's still some impact net-net versus 2019 in some of those areas.

So it plays out a little differently across our portfolio, even where we saw strong demand in our home care and our cleaning products in 2020, tough comp and a little lower growth as we came through 2021. So there's a number of trends that we're watching, again, prioritizing where we see an opportunity to invest and leverage 3M's strengths. And then -- and managing those other areas to -- in the middle of the supply chain disruptions to serve customers as things recover.

John Fred Walsh - Crédit Suisse AG, Research Division - Director

Just one question from me and going back, I think, to a comment you made in response to Nigel's question around restructuring. I thought I heard $70 million. Just wanted to make sure that was kind of capturing all the restructuring delta and ask if that was in line with the Q3 update? Because I guess by my math, I had a little bit higher of a number, but just wanted to ask for clarification there.

Monish Patolawala, Executive Vice President, Chief Financial and Transformation Officer

Yes, it's a good one, John. So you heard it right, it's $70 million. And the reason is we achieved more in the fourth quarter than we had previously thought. And that's why you also saw margins came in higher and because we achieved more. So just to recap the program, in total, we have spent the program that was announced in Q4 of 2020. We had said we would go in -- we have spent $260 million to date. We had told you in Q3 that it would be $300 million to $325 million. Right now, we are saying up to $300 million. We had said benefits would be in the range of $200 million to $250 million. We achieved approximately $180 million in that program. So there's a carryover benefit of $70 million.

Mike Roman, Chairman and Chief Executive Officer

To wrap up, I am proud of our team's performance in 2021, and we are well-positioned for a successful 2022. I look forward to talking to you again at our February 14th meeting. Have a good day.