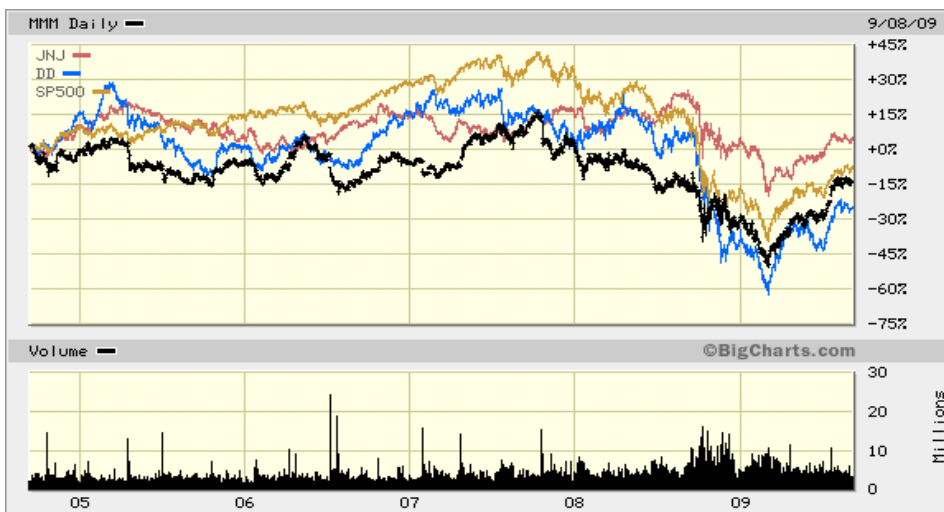


3M Co. (MMM) 9/8/09

3M operates as a diversified conglomerate specializing in technology, with operations worldwide. The company operates in six different segments; Industrial and Transportation, Health Care, Safety, Security and Protection, Consumer and Office, Display and Graphics, and Electro and Communications. 3M was founded in 1902 and is headquartered in St. Paul, Minnesota.

Current Price	\$71.69
52 Week High	\$74.71
52 Week Low	\$40.87
One Yr Target	\$75.50
Market Cap (in billions)	\$50.06
P/E (Trailing)	17.74
P/E(1 Yr Forward)	15.69
P/E/G	1.79
ROA	10.71%
ROE	23.86%
EPS	\$4.04
Beta	0.99
Annualized Dividend	\$2.04
Dividend Yield	2.85%
Analyst Consensus	2.30



Annual EPS

2005	\$4.03	
2006	\$5.06	25.56%
2007	\$5.60	10.67%
2008	\$4.89	-12.68%
2009E	\$4.04	-17.36%

Annual Revenue (in millions)

2005	\$21,167.00	
2006	\$22,923.00	8.30%
2007	\$24,462.00	6.71%
2008	\$25,269.00	3.30%

Annual Net Income (in millions)

2005	\$3,111.00	
2006	\$3,851.00	23.79%
2007	\$4,096.00	6.36%
2008	\$3,460.00	-15.53%

Required Rate of Return

10.32%

Dividend Growth Model

Present Value of 2013 Price	\$22.83
Holding Period Return (5 years)	-8.88%

Expected Annualized Return Model

Present Value of 2013 Price	\$60.93
Holding Period Return (5 years)	-3.70%

Residual Income Model

Intrinsic Stock Price	\$608.52
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Analysis

Positives

Decent dividend yield and good ROE

Stock price is greatly undervalued according to RI valuation model

Negatives

2009 expected EPS is a reduction from the previous year

Stock price is overvalued according to DG and EAR valuation models

Financial Statements

Balance sheet is strong, but with a decline in equity in the past year

Income Statement is disappointing, with EPS, Revenue, and Net Income declining in recent years

Large volatility in Cash Flows over several years, and negative for the most recent year

Industry Analysis

One of the largest companies the industry

Some of the best financial ratios across the board

Summary

3M is a good company and its stock seems fairly valued. Its financial ratios are fair, not great or poor in any area. The financial statements are somewhat conflicting, with a strong Balance Sheet and poor recent Income Statement. The RI model says the stock price is greatly undervalued, but the other two models contradict this. 3M is a very innovative and R&D driven company, and without further research it is difficult to predict what new operations the company may or may not be developing, to which future revenue streams greatly rely. For all these considerations, 3M earns a **hold** rating.