3M spins off \$8.6B healthcare business

Article



The news: 3M will spin off its healthcare business and keep its material science innovator. The new 3M company will still offer industrial and consumer end products like office supplies.

Meanwhile, the healthcare division, which reported about **\$8.6 billion in sales** in 2021, will concentrate on healthcare IT, wound care, oral care, and biopharma filtration. 3M will keep a \$19.9% stake in the healthcare business. For context, 3M also split off its food safety business and expects to close that deal on September 1.



What's happening in the background? On August 1, the company also <u>announced</u> it earned \$8.7 billion in sales for Q2, which was down 3% year on year.

3M's healthcare division reported \$494 million in operating income in Q2, which was down
10% year on year.

How we got here: 3M beefed up its health tech business in the years prior to the spin-off.

- In 2018, it acquired M*Modal. 3M M*Modal Fluency Direct integrates with several leading electronic health record (EHR) platforms to incorporate natural language understanding (NLU) and computer-assisted physician documentation (CAPD) technology to help doctors analyze the clinical narrative.
- Last year, 3M's health IT division <u>partnered</u> with healthcare payments platform Waystar to automate revenue capture.

Zooming out: 3M's move follows on the heels of other large companies shedding their healthcare divisions.

- General Electric (GE) plans to spin off into three divisions: aviation, energy, and healthcare. In early 2023, it will <u>spin off</u> GE HealthCare, which focuses on precision health to boost patient outcomes and solve patient and clinical challenges.
- In addition, IBM sold its Watson Health data analytics business to investment firm Francisco Partners. <u>Watson Health</u> is now called Merative.

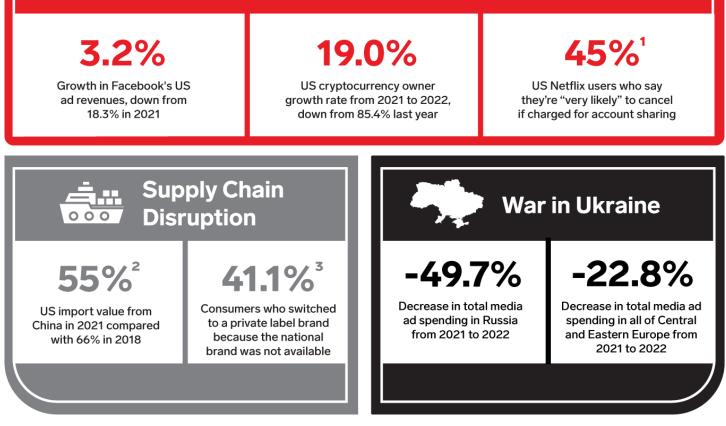
What's next? Companies that are not able to scale their healthcare businesses as we head into a possible <u>recession</u> may be considering deals to compensate for changing conditions. Meanwhile, 3M expects to complete the spin-off of its healthcare division by the end of 2023.





Uncertainty Reigns in 2022

🖂 Big Tech Fallout



Source: Insider Intelligence forecasts, March 2022; ¹CivicScience, March 2022; ²Kearney, "China Diversification Index," April 2022; ³Insider Intelligence "Private Label Flash Survey" conducted by Bizrate Insights, March 2022.

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