

# 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 [announced](#) 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 [partnered](#) 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 [spin off](#) **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. [Watson Health](#) is now called **Merative**.

**What's next?** Companies that are not able to scale their healthcare businesses as we head into a possible [recession](#) 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

**3.2%**

Growth in Facebook's US ad revenues, down from 18.3% in 2021

**19.0%**

US cryptocurrency owner growth rate from 2021 to 2022, down from 85.4% last year

**45%<sup>1</sup>**

US Netflix users who say they're "very likely" to cancel if charged for account sharing



## Supply Chain Disruption

**55%<sup>2</sup>**

US import value from China in 2021 compared with 66% in 2018

**41.1%<sup>3</sup>**

Consumers who switched to a private label brand because the national brand was not available



## War in Ukraine

**-49.7%**

Decrease in total media ad spending in Russia from 2021 to 2022

**-22.8%**

Decrease in total media ad spending in all of Central and Eastern Europe from 2021 to 2022

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

g275362