



2020 Baxter

Pam Stephens
SIGMA SPECTRUM Manufacturing
Medina, New York

Investor Conference

Jay Saccaro

Corporate Vice President and
Chief Financial Officer

May 9, 2016

Baxter

Agenda



Operational Performance



Financial Outlook



Balance Sheet And Capital Deployment

Agenda



Operational Performance



Financial Outlook



Balance Sheet And Capital Deployment

Accomplishments Post Spin-Off

Delivered **Strong Growth And Improved Margins** In 2H 2015 And Q1 2016

Initiated Actions To **Rebase Cost Structure**

Advanced **Robust, New Product Pipeline** With Recent Key Launches

Enhanced Financial Flexibility Through Utilization Of Retained Stake

➤ **Solidifying Foundation To Successfully Execute Long-Range Plan**

Baxter Financial Outlook

(As Of May 2015 Investor Conference)

Metric	2H 2015	FY 2016	2020
Sales Growth [Constant Currency]	~Flat	2% - 3%	~4% CAGR ¹
Adjusted Operating Margin	~9%	~10%	~14%
Adjusted EBITDA Margin	~15%	~16%	~20%
Operating Cash Flow	N / A	~\$1.3 Billion	>\$2.0 Billion

Solid Start To 2016

Metric	Q1 2016 Guidance	Q1 2016 Actuals
Sales Growth [Constant Currency]	3% - 4%	~4%
Adjusted Operating Margin	N / A	10.5%
Adjusted EPS	\$0.28 - \$0.30	\$0.36

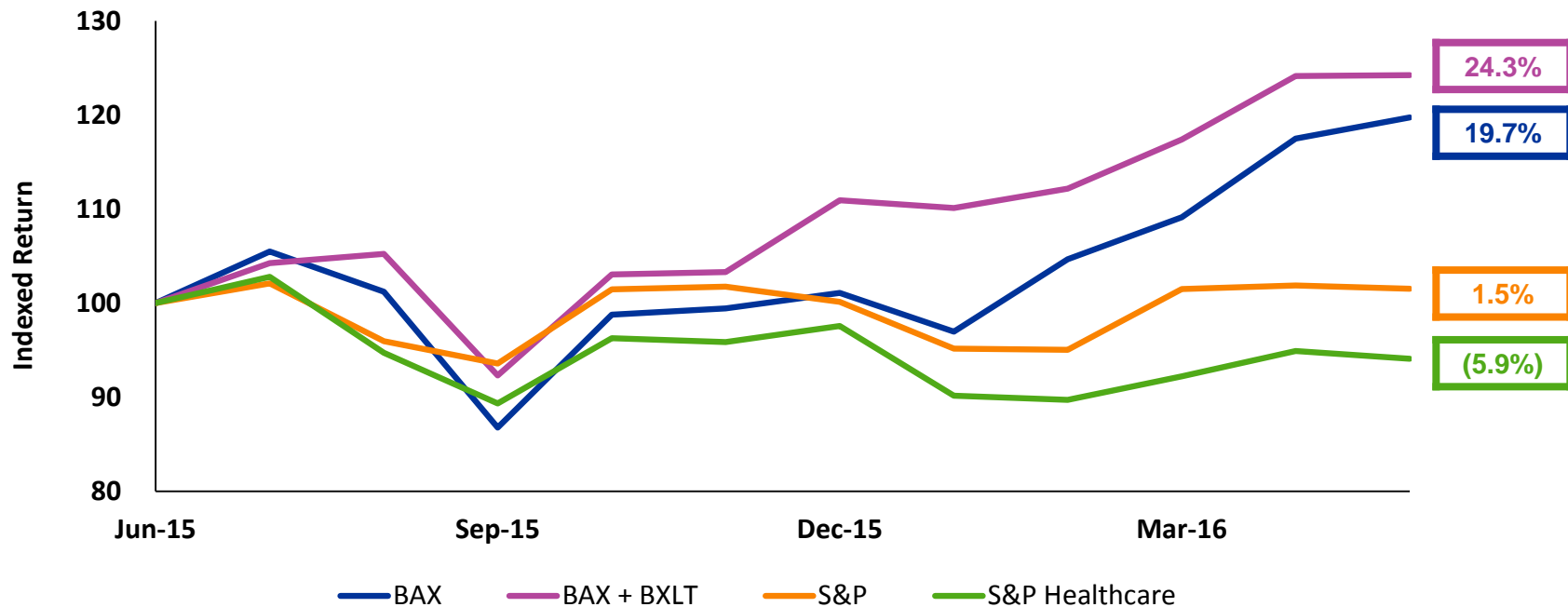
2016 Full Year Financial Guidance

Metric	FY 2016 (May 2015)	FY 2016 (February 2016)	FY 2016 (Current)
Sales Growth [Constant Currency]	2% - 3%	2% - 3%	~3%
Adjusted Operating Margin	~10%	~11%	~11.5%
Adjusted EPS	N / A	\$1.46 - \$1.54	\$1.59 - \$1.67
Operating Cash Flow	~\$1.3B	~\$1.4B	>\$1.4B
Free Cash Flow	~\$0.4B	~\$0.5B	>\$0.5B

➤ Improving Operational Performance Drives Increased Financial Outlook

Delivering Significant Value Since Spin-Off

Total Shareholder Return (06/30/15 - 05/06/16)



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2016 - 2020 Baxter Financial Outlook

Outlook Assumes

- Modest Price Increases In Select Product Categories
- Impact Of Incremental Generic Competition For US Cyclophosphamide
- Risk-Adjusted Revenues From New Products
- Current Foreign Exchange Rates, Unless Otherwise Noted
- Anticipated TSA Income With Commensurate Ramp Down Over 12 Months
- Share Repurchases Aligned To Offset Option Dilution
- Adjusted Financial Results, Excluding Special Items¹

Outlook Does NOT Assume

- Any Material Change In Global Regulatory / Macro-Environment And Utilization Trends
- Any Impact From Currency Fluctuations
- Prospective M&A Initiatives
- Any Incremental Reduction In Share Count Through Stock Buybacks Beyond Split-Off Exchange

Baxter Financial Outlook

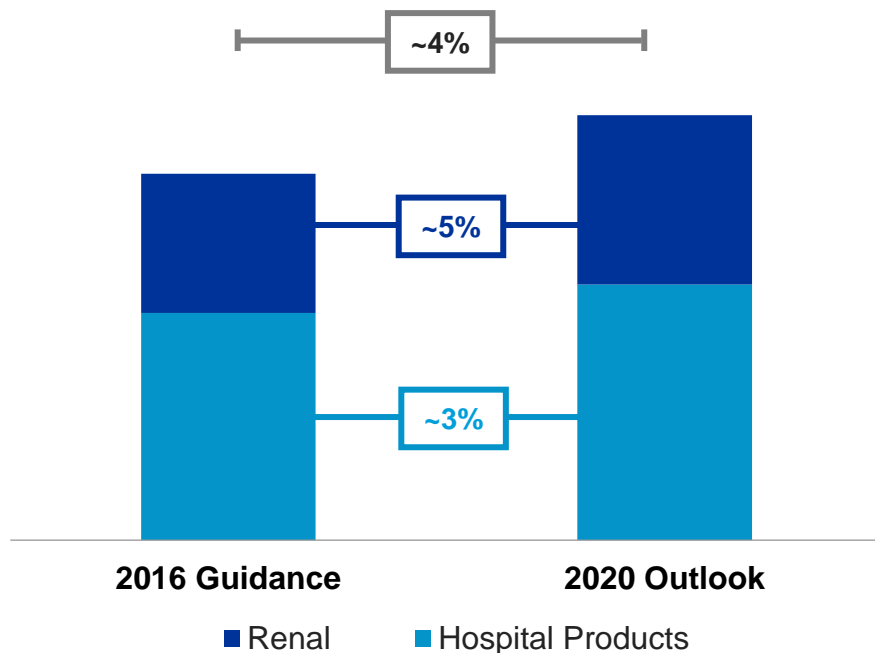
Metric	2016 Guidance	2018 Outlook	2020 Outlook
Sales Growth [Constant Currency]	~3%	3% - 4% CAGR ¹	~4% CAGR ²
Adjusted Operating Margin	~11.5%	14% - 15%	17% - 18%
Adjusted EBITDA Margin	~18%	21% - 22%	24% - 25%
Adjusted Tax Rate	~20.5%	~21%	~22%
Adjusted EPS <i>Growth vs. 2015</i>	\$1.59 - \$1.67 15% - 21%	\$2.10 - \$2.25 15% - 18% CAGR	\$2.75 - \$3.00 15% - 17% CAGR

Baxter Financial Outlook

Metric	2016 Guidance	2018 Outlook	2020 Outlook
Operating Cash Flow	>\$1.4B	>\$1.8B	~\$2.5B
Capital Expenditure	~\$900M	~\$825M	~\$750M
Free Cash Flow	>\$500M	~\$1.0B	~\$1.75B

Delivering Balanced Top Line Growth

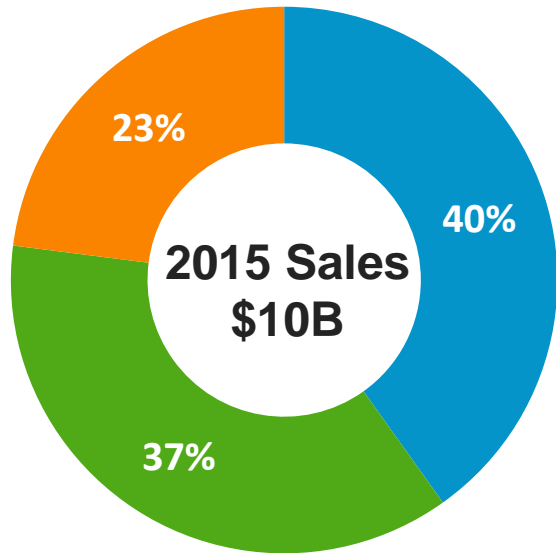
Sales Growth By Business (CAGR¹)



	2015 Sales	CAGR ¹
Integrated Pharmacy	~\$2.3B	3% - 4%
Fluid Systems	~\$2.1B	3% - 4%
Surgical Care	~\$1.3B	~3%
BioPharma Solutions	~\$0.5B	~1%
Hospital Products	~\$6.2B	~3%
Chronic Renal	~\$3.4B	~4%
Acute Renal	~\$0.4B	10% - 11%
Renal	~\$3.8B	~5%

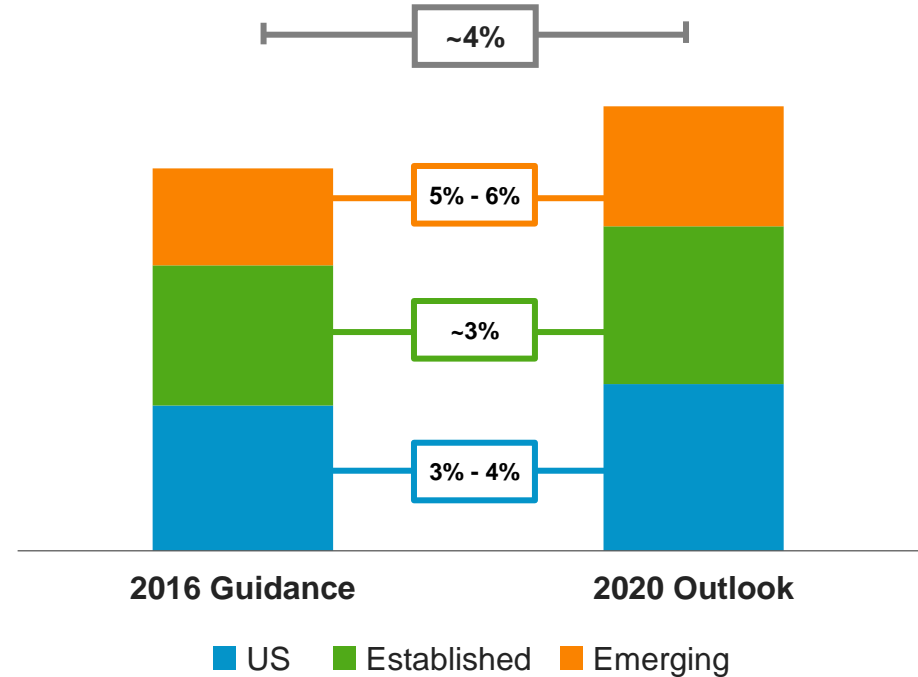
Broad Geographic Footprint

2015 Regional Composition



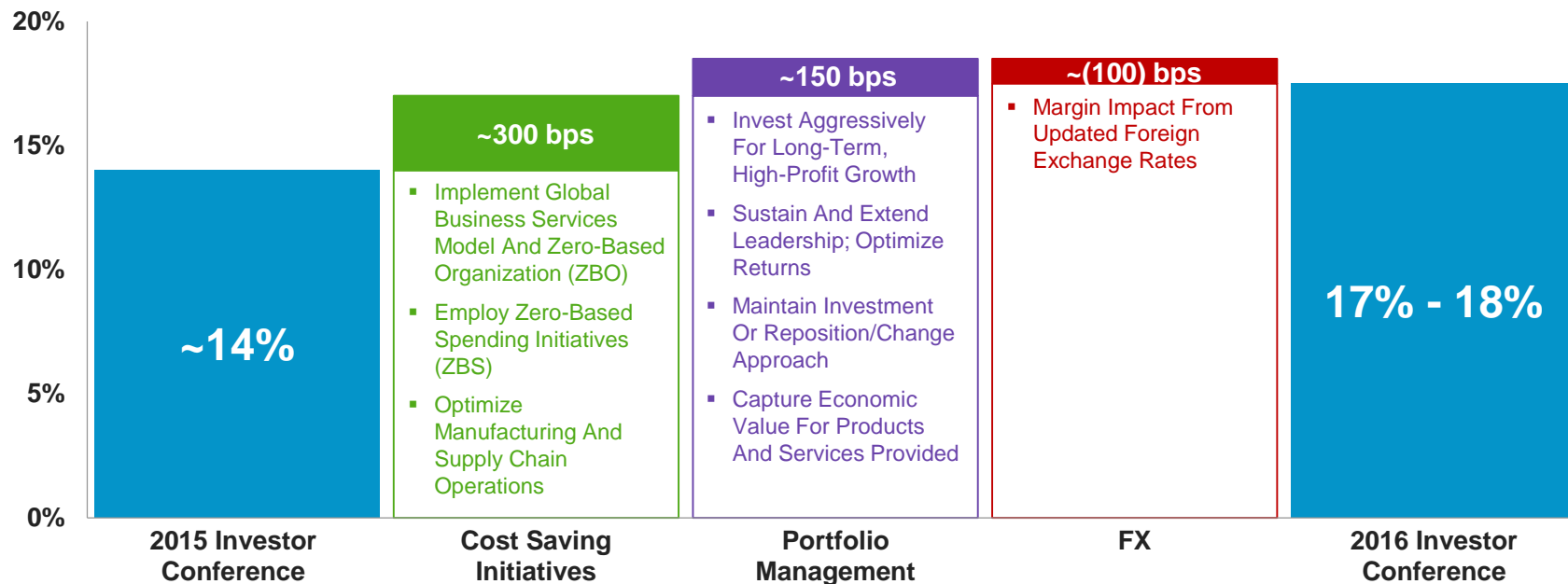
■ US ■ Established ■ Emerging

Outlook By Market (CAGR¹)



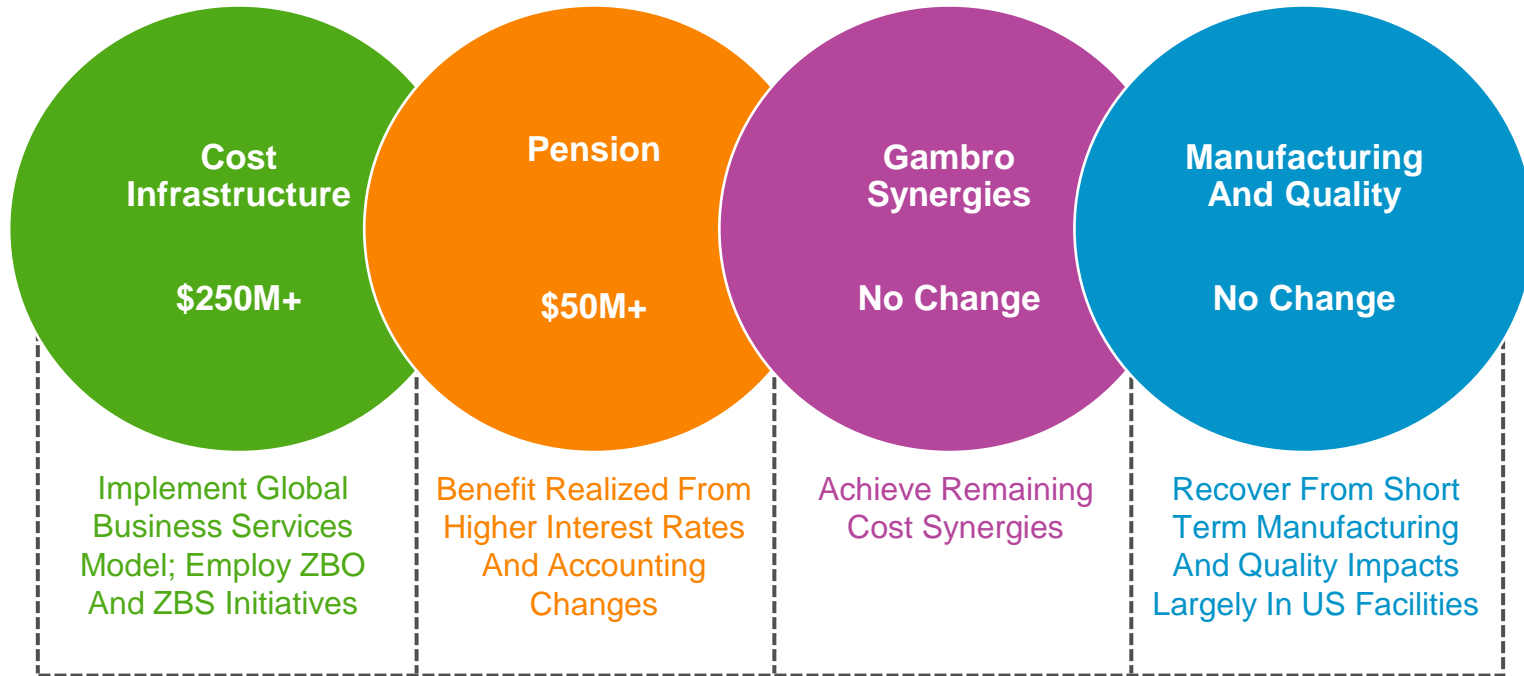
Focused Strategy To Deliver Incremental Value

2020 Adjusted Operating Margin Outlook (% Of Sales)



➤ Delivering 300+ bps Of Incremental Margin Expansion Versus Prior Outlook

Incremental Cost Savings Versus 2015 Investor Conference



➤ Driving Operational Excellence Across Baxter

Dispassionate Portfolio Management

Core Growth	<ul style="list-style-type: none">▪ Target Investments In Highest Return Areas To Drive Differential Growth
Core Return On Capital	<ul style="list-style-type: none">▪ Capture Full Economic Value For Products / Services Offered▪ Customize Investment Approach By Market▪ Optimize Regional Product Allocations To Drive Returns
Maintain Or Manage Differently	<ul style="list-style-type: none">▪ Manage Discretionary Investment Levels Flat Or Down▪ Execute Turnaround Strategies Or Select Market Exits▪ Limit Investment In Capital Expenditures
Strategic Bets	<ul style="list-style-type: none">▪ Allocation Of Funds To Select, Longer-Term, Differentiated Technologies▪ Anticipate Longer Payoff Horizon

➤ **Executing A Tactical Approach To Drive Top Line Growth And Expand Margins**

Agenda



Operational Performance



Financial Outlook



Balance Sheet And Capital Deployment

Significantly Enhancing Financial Flexibility

Retained Stake Utilization

~19.5%



Debt Exchange

- Deleveraged Baxter's Balance Sheet Through Intermediated Debt For Equity Exchanges
 - Retired ~\$1.5B Bank Line: Q1 2016
 - Retired ~\$2.2B In Bonds: Q1 2016

Pension Contribution

- Contributing ~\$700M Of Baxalta Equity To US Qualified Pension Program; Improving Funded Status And Reducing Pension Expense

Equity Exchange

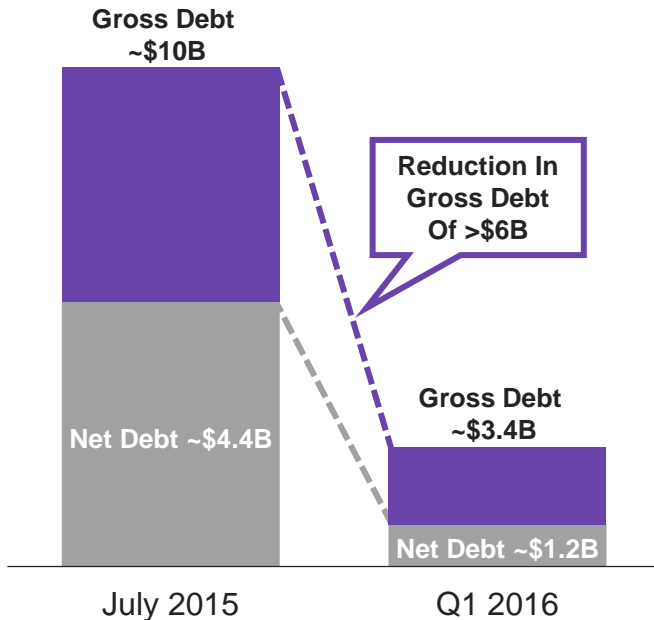
- Launched Exchange Offer For ~13.4M Baxalta Shares For Outstanding Baxter Shares; Reducing Baxter's Outstanding Share Count



Maximizing Economic Value Through Tax-Efficient Utilization Of Retained Equity Stake

Significantly Enhancing Financial Flexibility

Debt Level Evolution



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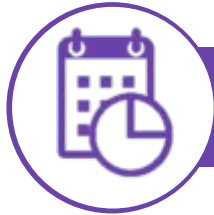
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Maximizing Economic Value Through Tax-Efficient Utilization Of Retained Equity Stake

Identify Opportunities To Reduce Working Capital



Standardize Payable Terms



Accelerate Collection Of Receivables In Key Markets

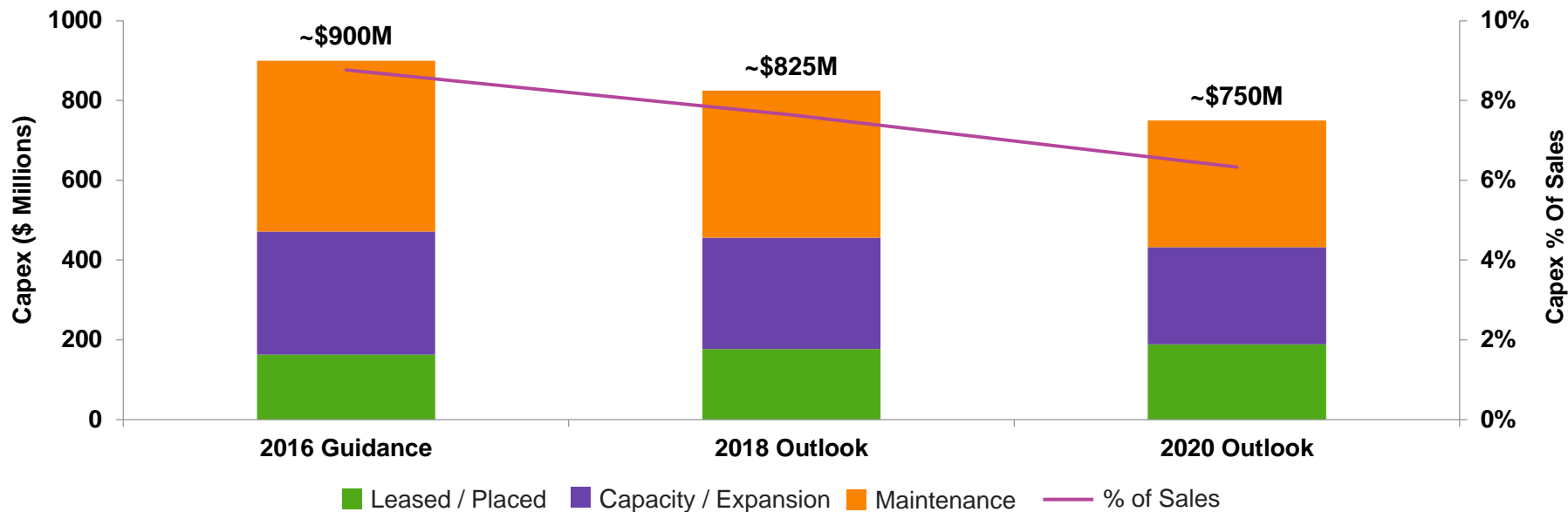


Implement Disciplined Management Of Inventory

➤ Optimizing Working Capital To Enhance Cash Generation

Capital Expenditures

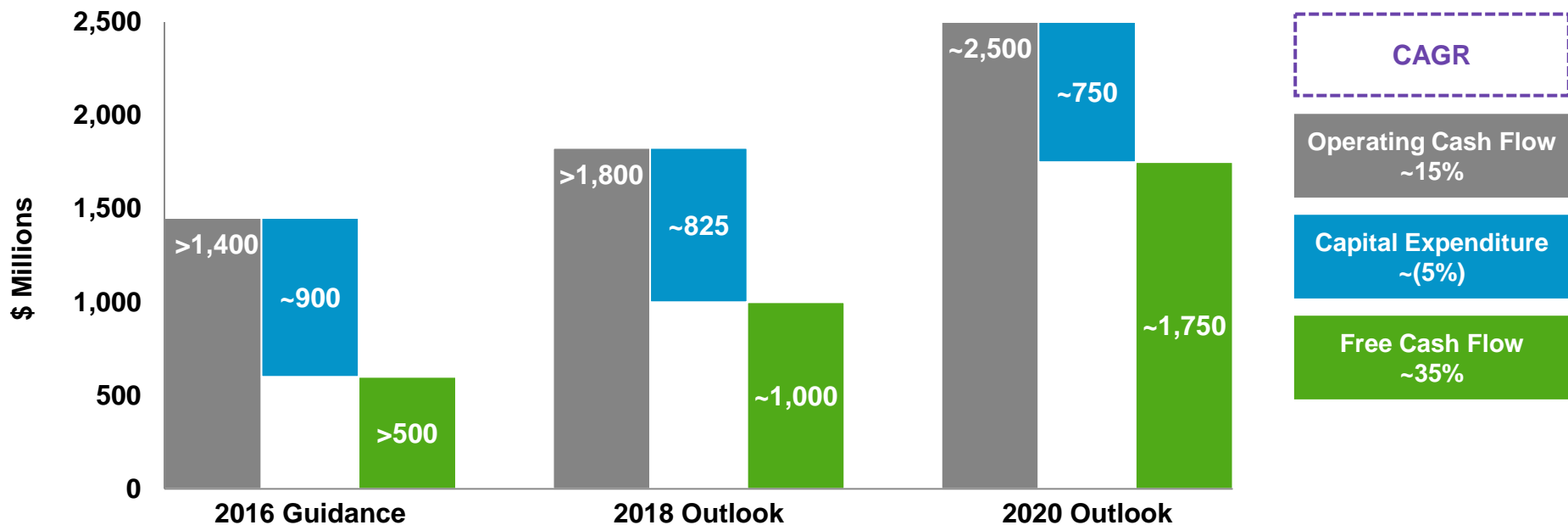
Capex Utilization And Trending



➤ **Implementing Disciplined Prioritization And Spending Control Around Capex**

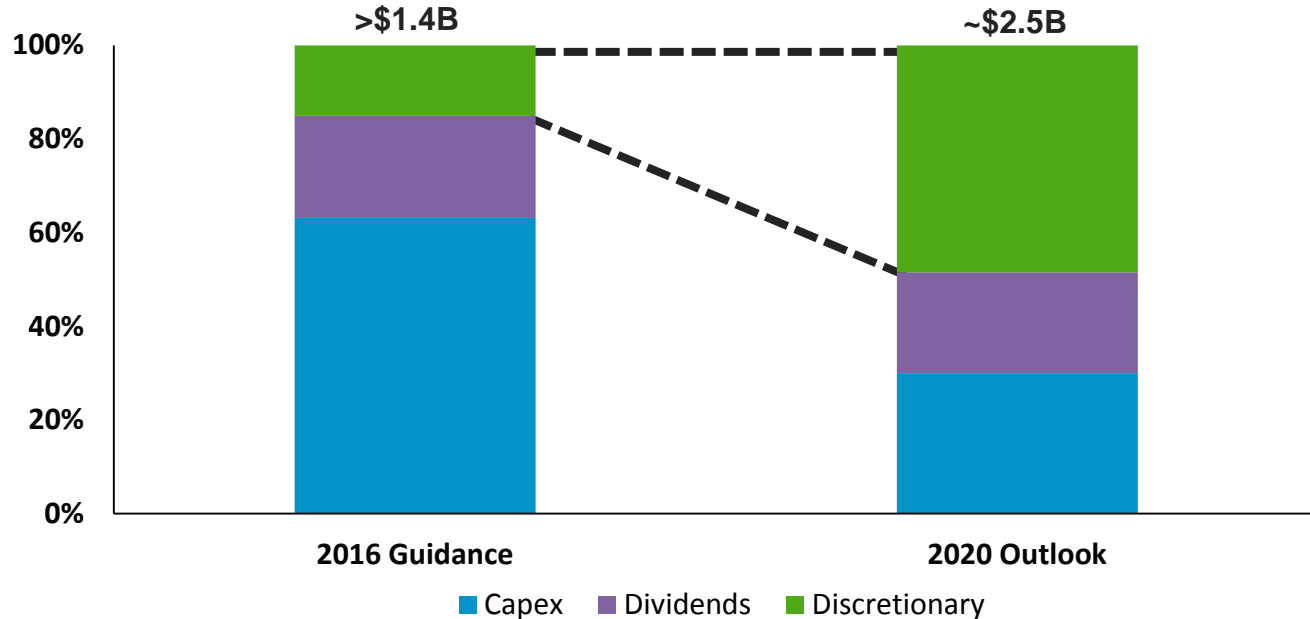
Driving Significant Improvements In Cash Generation

Cash Flow Growth



Opportunistically Deploying Capital To Fuel Growth And Create Value

Percent Of Operating Cash Flow



➤ Flexibility To Reinvest In Business And Return Value To Shareholders

Maintaining Disciplined And Balanced Capital Allocation

Reinvestment In Business

Delivering Sustainable Growth, Advancing Innovation And Driving Margin Expansion

Dividends

Targeting Payout Ratio Of ~35% Of Adjusted Net Income; Distributions To Meaningfully Increase With Earnings Growth

Share Repurchases

Opportunistically Returning Value To Shareholders; Balancing With Other Investment Alternatives

M&A

Identifying And Pursuing Accretive Opportunities That Generate Returns Above Targeted Thresholds

Executing Disciplined M&A Strategy

Strategic Objectives

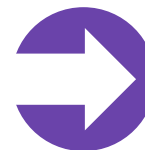
- Drive Category Leadership
- Improve Baxter's Weighted Average Market Growth Rate
- Identify And Pursue Strategic Adjacencies
- Build Upon Core Strengths – Channel Presence And Geographic Footprint

General Financial Guidelines

- Accelerate Top Line Growth And Accretive To Operating Margin
- Double Digit Internal Rate Of Return
- Accretive To Cash Earnings In Near-Term
- Preserve Investment Grade Credit Rating And Financial Flexibility

Net Debt / EBITDA Guidelines

0.6X
Current



<2.0X
Future

- Targeting Investment Grade Rating
- Focused On Deployment Of Excess Cash To Fund M&A Opportunities And Accelerate Returns

Summary



Strong Operational Performance Positions Company Well



Driving Significant Operating Margin Expansion By 2020



Balancing Investments In Organic And Inorganic Opportunities To Fuel Growth And Create Value

A world map is visible in the background, split into two halves. The left half is light gray on a white background, and the right half is dark blue on a blue background.

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