



# **Baxter**

# **2020**



# **Investor Conference**

New York City, New York

May 9, 2016

***Baxter***

# Safe Harbor Statement

This presentation includes forward-looking statements concerning Baxter's expected business prospects, long range plan, capital structure, cost savings initiatives, R&D pipeline including regulatory actions and commercial launch events, business development plans and other growth strategies of Baxter. The statements are based on assumptions about many important factors, including the following, which could cause actual results to differ materially from those in the forward-looking statements: demand for and market acceptance of risks for new and existing products; product development risks; product quality or patient safety concerns; future actions of regulatory bodies and other governmental authorities, including the FDA and foreign counterparts; failures with respect to compliance programs; future actions of third-parties, including payors; U.S. healthcare reform and other global austerity measures; pricing, reimbursement, taxation and rebate policies of government agencies and private payers; the impact of competitive products and pricing, including generic competition, drug reimportation and disruptive technologies; global, trade and tax policies; accurate identification of and execution on business development and R&D opportunities and realization of anticipated benefits; fluctuations in supply and demand; the availability of acceptable raw materials and component supply; the inability to create timely production capacity or other manufacturing supply difficulties; the ability to achieve the intended results (including targeted margin improvements) associated with the separation of Baxter's biopharmaceutical and medical products businesses and the associated disposition of the company's retained stake in Baxalta Incorporated (Baxalta) on a tax-free basis; the ability to complete the disposition of the remainder of the retained stake on a tax-free basis (including as a result of delays in obtaining required regulatory approvals or the impact of recently issued US Treasury regulations on the proposed Baxalta – Shire plc merger); the ability to enforce owned or in-licensed patents or the patents of third-parties preventing or restricting manufacture, sale or use of affected products or technology; the impact of global economic conditions; fluctuations in foreign exchange and interest rates (including with respect to emerging market currencies); any change in law concerning the taxation of income, including income earned outside the United States; actions taken by tax authorities in connection with ongoing tax audits; breaches or failures of the company's information technology systems; loss of key employees or inability to identify and recruit new employees; the outcome of pending or future litigation; the adequacy of the company's cash flows from operations to meet its ongoing cash obligations and fund its investment program; and other risks identified in Baxter's most recent filing on Form 10-K and other Securities and Exchange Commission filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements.

# Agenda

Agenda Item	Speaker
Baxter Overview / Opening Comments	Joe Almeida Chairman and Chief Executive Officer
Hospital Products Overview	Brik Eyre President, Hospital Products
Renal Overview	Richard Marritt Global Franchise Head, Acute and RTS
R&D Productivity Update	Marcus Schabacker, M.D., Ph.D. Chief Scientific Officer

## Break

Extracorporeal Therapies Discussion With Critical Care Expert	John Kellum, M.D. University of Pittsburgh Medical Center  Marcus Schabacker, M.D., Ph.D. Chief Scientific Officer
Financial Overview	Jay Saccaro Chief Financial Officer
Q&A Panel	Baxter Senior Management Team

Reception / Innovation Hall

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. The text '2020' and 'Baxter' is overlaid on the left half.

**2020**  
**Baxter**

Submit Your  
Questions To\*:

[BAX\\_IC@baxter.com](mailto:BAX_IC@baxter.com)

\*E-Mail Only Active During Live Conference On May 9, 2016.

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# 2020 Baxter

Erick Quiles Perez  
BioSurgery Patient  
San Juan, Puerto Rico

# Investor Conference

José (Joe) Almeida

Chairman and Chief Executive Officer

May 9, 2016

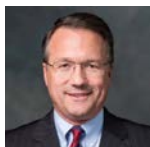
***Baxter***

# Management Team

## Presenters



**José E. Almeida**  
Chairman and  
Chief Executive  
Officer



**Brik V. Eyre**  
President,  
Hospital  
Products



**W. Richard  
Marritt**  
Global Franchise  
Head, Acute and  
RTS



**Marcus  
Schabacker,  
M.D., Ph.D.**  
Chief Scientific  
Officer



**James K.  
Saccaro**  
Chief  
Financial  
Officer



**Giuseppe  
Accogli**  
Interim President,  
Renal



**Paul Vibert**  
President,  
International



**Clare M.  
Trachtman**  
Vice President,  
Investor  
Relations

## Senior Management Team



**Scott A.  
Bohaboy**  
CVP, Treasurer  
and Global  
Planning



**Robert  
Felicelli**  
Chief  
Transformation  
Officer



**Caroline Karp**  
CVP, Controller



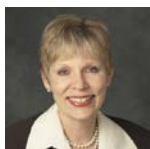
**Jacqueline  
Kunzler**  
Vice President,  
Global Quality



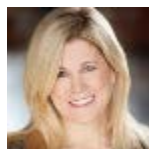
**Timothy P.  
Lawrence**  
CVP,  
Operations



**Paul E. Martin**  
Chief  
Information  
Officer



**Jeanne K.  
Mason, Ph.D.**  
CVP, Human  
Resources



**Ellen K.  
McIntosh**  
Corporate  
Secretary



**David P.  
Scharf**  
General  
Counsel

# Baxter: A Leading Medical Products Company

## Our Mission

# Save And Sustain Lives



➤ Making A Difference In Patients' Lives For More Than 80 Years

# Prepared To Thrive In An Evolving Healthcare Landscape

We Understand Our  
Customers And Patients



# Baxter



And Are Well Positioned To Address  
Their Wide-Ranging Needs

➤ Addressing Customer Needs With Broad Portfolio Of Products And Solutions



# Addressing Healthcare Needs Across The Spectrum Of Care



## Operating Room

#1 In Anesthesia  
#2 In BioSurgery

## ICU

#1 In Acute Renal  
#2 In Large Volume Pumps

## Pharmacy

#1 In Nutrition  
#1 In Premix Injectable  
Drugs (US)

## Alt Site / Home

#1 In Peritoneal Dialysis  
#2 In In-Center Hemodialysis

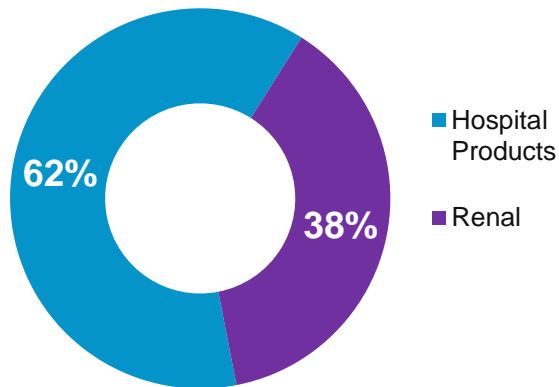
## General Ward

#1 In IV Solutions  
#2 In Access / Sets

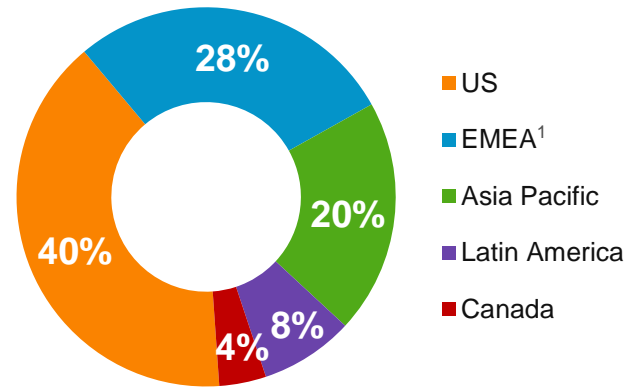
# Baxter Profile

**\$10.0B**  
2015 Revenue

By Business



By Region



Portfolio

- Broad Offering Of Medically Necessary Products And Therapies
- Channel Strength And Therapy Leadership

Presence

- Iconic Brand With More Than 70% Of Sales In Market Leading Positions
- Global Footprint With Sales In 120+ Countries And Manufacturing Operations In 28 Countries

➤ **Resilient Portfolio Of Market Leading Products With Broad Geographic Reach**


# Recap: Clear Plans Outlined May 2015



Optimize Cost Structure And Enhance Operations

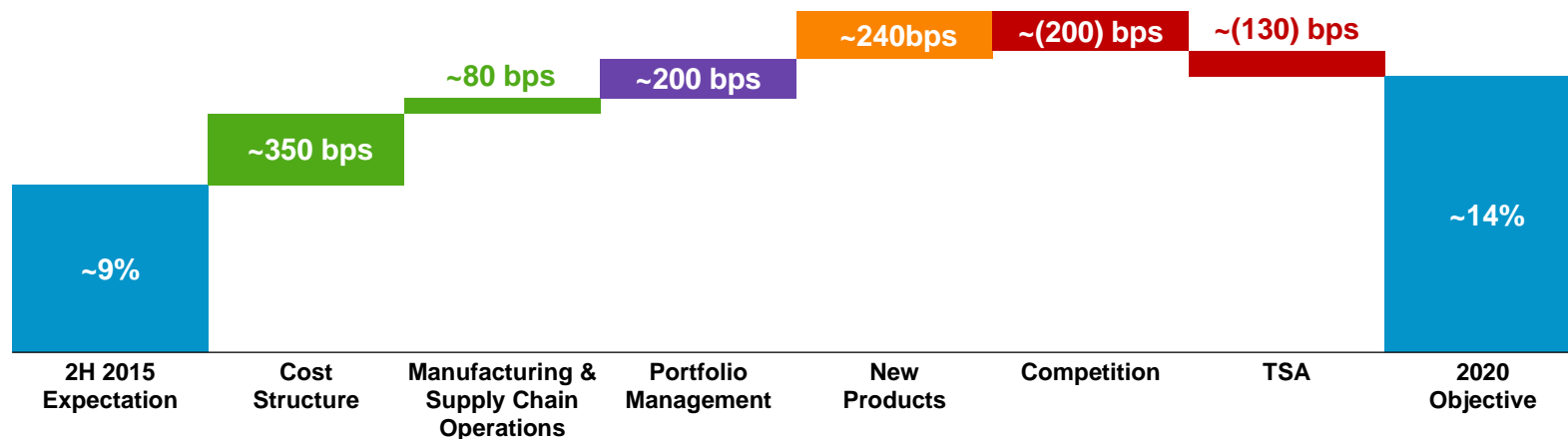


Disciplined Portfolio Management



Launch New Products And Leverage R&D Spend

## Total New Baxter Adjusted Operating Margin (% Of Sales)



➤ Outlining Plans Today To Meaningfully Improve Prior Margin Expansion Goals

# Demonstrating Solid Progress Against Initial Plans



## Financial Performance

- Financial Performance For 2H 2015 And Q1 2016 Ahead Of Guidance
- Operating Margin Compares Favorably To Guidance
- Cash Flow Performance Better Than Expectations



## Product Launches

- Capitalizing On Important New Product Launches And Geographic Expansions:
  - AMIA And HOMECHOICE CLARIA
  - Cefazolin 2g
  - NUMETA G13E
  - SIGMA SPECTRUM
  - Vancomycin Saline
  - HEMOPATCH



## Cost Management

- Announced Restructuring In October 2015 (~5% Of Non-Manufacturing Workforce)
- Disciplined Management Of Discretionary Expenses
- Accelerating Work On Other Cost Reduction Initiatives

Cash and equivalents
Accounts and other current assets
Inventories
Prepaid expenses and other assets
Investment in Baxter companies
Current assets held for disposal
<b>Total current assets</b>

## Balance Sheet

- Retained Stake Plan Provides Significant Financial Flexibility To Create Value
- Increased Dividend Rate By 13% In May 2016, Resulting In Annual Dividend Of \$0.52 Per Share

➤ Building Upon Momentum To Drive Further Improvements In Performance

# Baxter 2020 Snapshot

- Optimize The Product Portfolio
- Improve Operational Efficiency
- Deploy Capital Consistent With Strategic Priorities
- Provide High Quality Products With Priority Placed On Patient Safety
- Deliver Top Quartile Returns For Shareholders, Patients And Employees



Aline De Causmaecker  
IV Solutions R&D  
Alliance Park, Belgium

# Aspiration For Baxter 2020





# Quality And Patient Safety

## Implementing The Highest Standards For Excellence In Quality

Total Inspections	2013	2014	2015
FDA	19	15	19
All Agencies	202	200	252

- **74% Decrease** In Observations From **FDA Inspections**, 2013-2015
- **36% Decrease** In Observations From **MoH Inspections**, 2013-2015
- 12 FDA Inspections Resulting In **Zero Observations** In 2015
- **35% Decrease** In Complaints Year Over Year

➤ **Strong Progress On Key Quality Metrics**





# Best Place To Work



Luminary and Rising Star Awards







# Industry Leading Performance

## Advancing Three Critical Drivers

**Portfolio And  
Innovation  
Management**

**Operational  
Excellence**

**Capital  
Allocation**

**Drive Improved Performance And Value Creation  
To Deliver Top Quartile Shareholder Returns**



# Industry Leading Performance

## Advancing Three Critical Drivers

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# Strategic Business Groupings

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation

**Core  
Growth**

**Invest Aggressively For Long-Term, High-Profit Growth**

**Core Return  
On Capital**

**Sustain And Extend Leadership; Optimize Returns**

**Maintain Or  
Manage Differently**

**Sustain Investment Or Reposition / Change Approach**

**Strategic  
Bets**

**Evaluate Path To Leadership, Build Plan To Win, And  
Then Invest Aggressively**

# Strategic Business Groupings

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation

Core Growth	BioSurgery	Nutrition	Injectable Drugs
	Acute Renal (CRRT <sup>1</sup> )		
Core Return On Capital	Anesthesia	IV Solutions (Select Geographies)	Pumps And Sets
	Peritoneal Dialysis / Renal Therapy Services	BioPharma Solutions	
Maintain Or Manage Differently	Compounding	Elastomerics	In-Center Hemodialysis
Strategic Bets	Disruptive Renal Models	Critical Care / Extracorporeal Therapies	

# Investment Decisions Vary For Global Versus Regional Positioning

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation

## Four Potential Investment Categories



Global Investments

Regional Investments

The Level Of Investment Across All Of These Categories Will Vary Based On The Strategic Positioning Of The Business

# Focused On Accelerating R&D Productivity

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation

## High-Value Innovation Is Essential For Promoting Accelerated, Sustainable Growth

- Shifting Increasing Proportion Of R&D Investment To New Product Development
- Increasing R&D Operational Efficiency
- Enhancing Internal Capabilities
- Advancing Strategic Partnerships
- Pursuing The Most Compelling Opportunities



➤ Focused On High-Value, High-Potential R&D

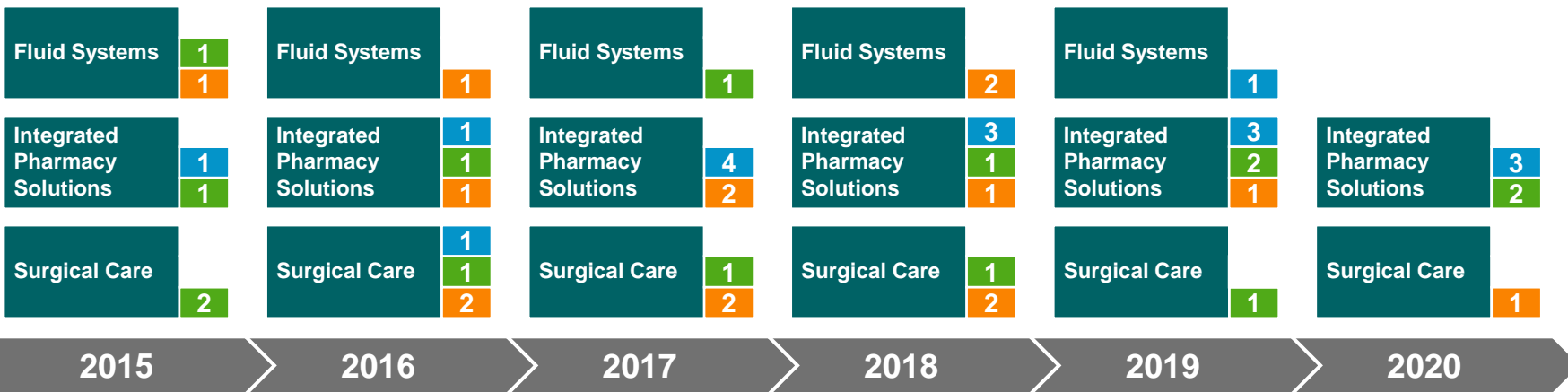
# Advancing Our New Product Portfolio

Portfolio And  
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Operational  
Excellence

Capital  
Allocation

## Hospital Products



■ Lifecycle Management   
 ■ Geographic Expansion   
 ■ New Product Development

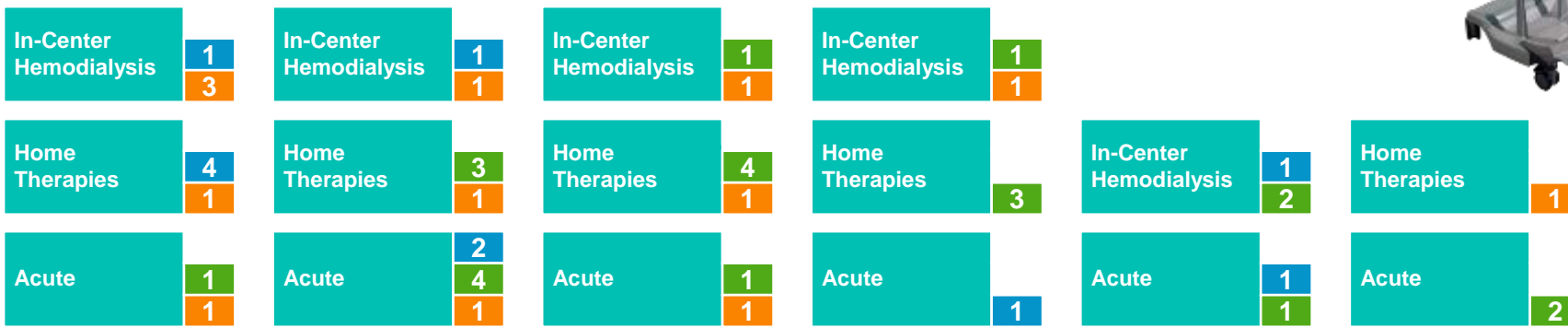
# Advancing Our New Product Portfolio

Portfolio And  
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Allocation

## Renal



2015

2016

2017

2018

2019

2020

■ Lifecycle Management   
 ■ Geographic Expansion   
 ■ New Product Development





# Industry Leading Performance

## Advancing Three Critical Drivers

Portfolio And  
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Capital  
Allocation

**Drive Improved Performance And Value Creation  
To Deliver Top Quartile Shareholder Returns**

# Optimizing Cost Structure And Enhancing Operational Efficiency

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation



## Cost Structure

- Zero-Based Spending, Zero-Based Organization Initiatives Underway
- Centralizing And Streamlining Global Support Functions
- Efforts Being Overseen By Newly Established Business Transformation Office With Accountability For Success



## Manufacturing, R&D, Supply Chain

- Optimizing R&D, Manufacturing Footprint
- Capturing Supply Chain Efficiencies
- Streamlining SKUs
- Exiting Products And Geographies With Suboptimal Returns



## Balance Sheet

- Utilizing Baxalta Retained Stake To Enhance Cost Structure
  - Retired Indebtedness
  - Reducing Pension Liability and Pension Expense
  - Repurchasing Baxter Shares

➤ **Driving Bottom Line Growth Through Relentless Assessment Of Costs**



# Industry Leading Performance

## Advancing Three Critical Drivers

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**Drive Improved Performance And Value Creation  
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# Executing Disciplined Capital Allocation

Portfolio And  
Innovation  
Management

Operational  
Excellence

Capital  
Allocation



## Reinvest 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 Accretive Opportunities That Generate Returns Above Targeted Thresholds

## Strategic Objectives



- Drive Category Leadership
- Improve Baxter's Weighted Average Market Growth Rate
- Expand Into Strategic Adjacencies From Core Growth Businesses
- Build On Core Strengths – Channel Presence, Geographic Footprint

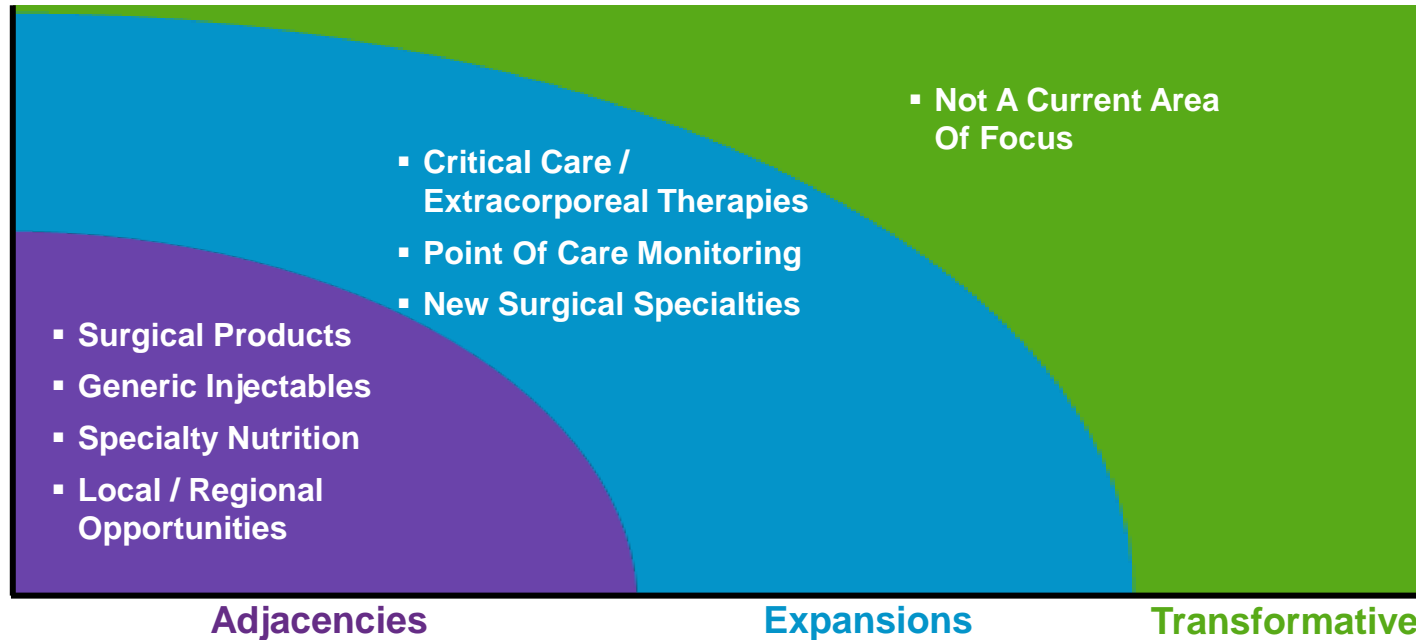
## General Financial Guidelines



- Accelerate Top Line Growth And Accretive To Operating Margin
- Accretive To Cash Earnings In Near Term
- Preserve Investment Grade Credit Rating And Financial Flexibility

➤ **Executing On M&A Opportunities To Create Value And Enhance Growth**

## Potential Opportunities



➤ Pursuing A Range Of High-Value Options To Accelerate Profitable Growth

# Baxter Looking Forward

- Focused, Market-Leading Product Portfolio
- Leaner, More Efficient Operating Model
- Strengthened Profitability And Returns
- Strong Capital Structure



➤ Executing A Disciplined Strategy To Deliver Top Quartile Shareholder Returns



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