



Baxter



**41ST ANNUAL
J.P. MORGAN HEALTHCARE
CONFERENCE**



José (Joe) Almeida



Chairman & Chief Executive Officer



JANUARY 9, 2023

SAFE HARBOR STATEMENT

This presentation includes forward-looking statements concerning the company's financial results and business development, transformation and regulatory activities (including the proposed spinoff of the company's Renal Care and Acute Therapies businesses, the simplified operating model and the potential sale or other strategic transaction involving the company's BioPharma Solutions business). These forward-looking 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: the ability to effect the transactions described above and to meet the conditions related thereto; potential uncertainty during the pendency of the transactions that could affect the company's financial performance; the possibility that the transactions will not be completed within the anticipated time period or at all; the possibility that the transactions will not achieve their intended benefits; the possibility of disruption, including changes to existing business and employee relationships, disputes, litigation or unanticipated costs in connection with the transactions; uncertainty of the expected financial performance of the company or the new kidney care company following completion of the spinoff transaction; negative effects of the announcement or pendency of the transactions on the market price of the company's securities or on the financial performance of the company; evolving legal, regulatory and tax regimes; changes in general economic and/or industry specific conditions; actions by third parties, including government agencies; demand for and market acceptance of risks for new and existing products (including challenges with the company's ability to accurately predict changing customer preferences, which has led to and may continue to lead to increased inventory levels); continuity, availability and pricing of acceptable raw materials and component parts (and the company's ability to pass some or all of these costs on to its customers); inability to create additional production capacity in a timely manner or the occurrence of other manufacturing or supply difficulties (including as a result of a natural disaster, public health crises and epidemics/pandemics, geopolitical crises, regulatory actions or otherwise); product development risks (including any delays in obtaining required regulatory approvals or failures to obtain such approvals or ones associated with evolving regulatory requirements); product quality or patient safety concerns (leading to product recalls, withdrawals, launch delays, warning letters, import bans, sanctions, seizures, litigation, or declining sales); the impact of global economic conditions (including the ongoing war in Ukraine, the related economic sanctions being imposed globally in response to the conflict, potential trade wars and global inflationary pressures) and public health crises and epidemics, such as the ongoing coronavirus (COVID-19) pandemic, on the company and its employees, customers and suppliers, including foreign governments in countries in which the company operates; fluctuations in foreign exchange and interest rates; the adequacy of the company's cash flows from operations and other sources of liquidity to meet its ongoing cash obligations and fund its investment program (including as a result of any ratings downgrade); accurate identification of and execution on business development, additional portfolio optimization and R&D opportunities and realization of anticipated benefits (including the acquisitions of Cheetah Medical, **Seprafilm** Adhesion Barrier, specified OUS rights to **Caelyx/Doxil**, full U.S. and specific OUS rights to Transderm Scop, **PerClot**, Hillrom and certain rights to **Zosyn** in the U.S. and Canada); breaches or failures of the company's information technology systems or products, including by cyberattack, unauthorized access or theft; loss of key employees or inability to identify and recruit new employees; future actions of regulatory bodies and other governmental authorities, including FDA, the Department of Justice, the SEC, the New York Attorney General and foreign regulatory agencies, including the continued delay in lifting the warning letter at the company's Ahmedabad facility; the outcome of pending or future litigation, including the opioid litigation and ethylene oxide litigation or other claims; proposed regulatory changes of the U.S. Department of Health and Human Services in kidney health policy and reimbursement, which may substantially change the U.S. end-stage renal disease market and demand for the company's peritoneal dialysis products, necessitating significant multiyear capital expenditures, which are difficult to estimate in advance; failures with respect to compliance programs; future actions of third parties, including payers; 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; the ability to enforce owned or in-licensed patents or the prevention or restriction of the manufacture, sale or use of products or technology affected by patents of third parties; global, trade and tax policies; any change in laws concerning the taxation of income (including current or future tax reform), including income earned outside the U.S. and potential taxes associated with the Base Erosion and Anti-Abuse Tax or the Build Back Better framework; actions taken by tax authorities in connection with ongoing tax audits; and other risks identified in Baxter's most recent filings on Form 10-K and Form 10-Q and other SEC filings, all of which are available on Baxter's website. Baxter does not undertake to update its forward-looking statements unless otherwise required by the federal securities laws.



**OPERATING AT
THE INTERSECTION
OF PROGRESS AND
PURPOSE**

RECOGNIZED TOP EMPLOYER & OUTSTANDING CORPORATE CITIZEN

Representative Highlights



Dow Jones Sustainability Indices

Longtime component of DJSI Global and DJSI U.S. Indices



Newsweek: America's Most Responsible Companies

Recognized for ESG leadership



Corporate Equality Index

100% score on Human Rights Campaign LGBTQ+ inclusion index

3BL Media: 100 Best Corporate Citizens

Recognized for ESG leadership

Disability Equality Index

Best Place to Work list

Seramount Inclusion Index

Recognized as a leading organization for DEI best practices

For more information on Baxter's efforts to benefit our communities, employees, and stakeholders, refer to our **2021 Corporate Responsibility Report** and **Sustainability Accounting Standards Board (SASB) Index**.



COMPELLING STRATEGY FOR VALUE CREATION

Mission:

TO SAVE AND SUSTAIN LIVES

Vision:

Transform healthcare with customer focus: improve patient outcomes, enhance workflow efficiency and enable cost-effective care

Strategic Value
Creation Drivers:

Innovation



**Connected Care
Core Therapies**

**Market
Expansion**



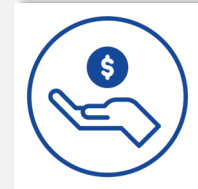
**Revenue Synergies
Geographic Expansion
Channel Expansion
Market Development**

**Operational
Efficiency**



**Cost Synergies
Digital Transformation
Quality, Safety, and
Supply Chain
Resilience**

**Capital
Allocation**



**Portfolio Management
Debt Repayment
Dividends
Share Repurchases**

Catalysts:

JANUARY 6, 2023 ANNOUNCEMENT



Renal Care and Acute Therapies to spin off into a standalone, leading global healthcare company



Initiating plans to simplify Baxter's operating model to drive strategic clarity, improve end-to-end operational efficiencies, and accelerate growth

- Pursuing strategic alternatives for BioPharma Solutions business

CHALLENGES FACED AND STEPS BEING TAKEN

Challenges faced



Steps being taken



Highly diverse product portfolio challenging resource allocations

Executing set of portfolio moves to drive strategic clarity and focus capital allocation into innovation and commercial



Inefficiencies created from complex manufacturing network and supply chain

Optimizing manufacturing network footprint focus and investing in digital/automation solutions to create supply chain resiliency

Rapidly changing macroeconomic conditions

Simplifying operating model to accelerate decision making and execution



ESTABLISHING TWO LEADING HEALTHCARE COMPANIES, WITH SHARED HERITAGE OF SAVING AND SUSTAINING LIVES

KidneyCo

Global innovator in kidney care delivering value for patients throughout their therapeutic journeys



KidneyCo Pro Forma 2021 Sales

| | |
|----------------------------------|---------------|
| Peritoneal Dialysis ¹ | \$2.8B |
| Hemodialysis ¹ | \$1.1B |
| Acute Therapies | \$0.8B |
| KidneyCo Pro Forma | \$4.7B |



Baxter

Healthcare leader focused on providing an array of medical products and services across the care continuum

Baxter Pro Forma 2021 Sales

| | |
|--|----------------|
| Pharmaceuticals & BPS | \$3.0B |
| Medication Delivery | \$2.9B |
| PSS & GSS (pro forma) ² | \$1.9B |
| Front Line Care (pro forma) ² | \$1.1B |
| Advanced Surgery | \$1.0B |
| Clinical Nutrition | \$1.0B |
| Baxter Pro Forma² | \$10.9B |

SPIN POSITIONS BOTH BUSINESSES TO DRIVE ADDITIONAL SHAREHOLDER VALUE

KidneyCo



Renal-focused healthcare company with leading product portfolio, history of innovation and broad geographic footprint



Focused strategy to unlock incremental growth potential



Capital allocation directed towards R&D to help bring innovative technologies to market



Ability to build upon commercial capabilities to further penetrate target markets

Baxter



Leading medtech company with broad portfolio of core therapy and connected care offerings across the care continuum



Improved margin profile to enable incremental investment in R&D and commercial infrastructure



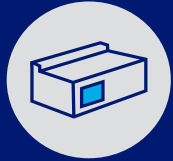
Targeting inorganic investments on connected care and core growth value vectors



Working to finalize a simplified operating model to provide additional business transformation opportunities

KIDNEYCO HAS CLEAR, WELL-DEFINED STRATEGIC OBJECTIVES

Key Strategic Objectives



Peritoneal Dialysis

- > Increase PD therapy penetration globally
- > Deliver additional connected care solutions
- > Advance new technologies to simplify therapy and drive greater adoption



Hemodialysis

- > Increase Expanded Hemodialysis (HDx) therapy penetration in existing geographies
- > Optimize dialyzer manufacturing capacity
- > Evaluate strategic exits in select geographies to improve profitability



Acute Therapies

- > Introduce additional connected care and core therapy offerings
- > Increase therapy adoption across geographies
- > Expand treatment possibilities with next-generation blood purification

SPIN EXPECTED TO ACCELERATE VALUE CREATION POTENTIAL



Commercial

- Increase PD and HDx therapy penetration in existing geographies
- Drive CRRT portfolio expansion in the U.S. and geographic expansion in emerging markets



Innovation

- Accelerate R&D investment in patient-focused opportunities
- Shift R&D investment from sustaining to new product development



Operations

- Transform manufacturing network to renal-specific sites
- Optimize fit-for-purpose business support functions

Enhance value creation through accelerated revenue growth

Chart path to attractive operating income growth

TRANSACTION OVERVIEW AND NEXT STEPS

Structure / Timing

- Baxter expects to spin off its Renal Care and Acute Therapies business units into a new independent, publicly traded company (“KidneyCo”)
- Spinoff expected to be structured as a tax-free distribution of newly issued shares of KidneyCo common stock to Baxter shareholders with completion expected to occur in 12-18 months (subject to satisfaction of customary conditions)
- Baxter is targeting maintenance of an investment grade credit rating
- Baxter to maintain disciplined capital allocation strategy
- KidneyCo expected to be appropriately capitalized to provide the business with the liquidity it needs to drive its investment and growth opportunities

Conditions / Approvals

Subject to the satisfaction of customary conditions, including:

- Consultations with works councils and other employee representative bodies, as required
- Final approval from Baxter's Board of Directors
- Receipt of a favorable opinion and Internal Revenue Service ruling with respect to the tax-free nature of spin
- SEC declaring KidneyCo’s related Form 10 effective

Leadership

- KidneyCo leadership team to be announced in coming months

PORTFOLIO ACTIONS COUPLED WITH SIMPLIFIED OPERATING MODEL ENHANCE BAXTER'S VALUE CREATION POTENTIAL



Commercial

- Streamline portfolio and commercial structure to fulfill Baxter's vision
- Accelerate commercial investments to further penetrate target segments
- Drive expansion into additional global markets



Innovation

- Allocate R&D capital towards higher growth segments (e.g., connected care)
- Design products to address evolving patient and provider needs



Operations

- Redesign operations and manufacturing to improve performance
- Drive improved accountability, simplified reporting, and resilient supply chain

Accelerate growth from additional investments in S&M and R&D

Create path for operating margin expansion

OPTIMIZING MANUFACTURING AND SUPPLY CHAIN TO ENHANCE NETWORK EFFICIENCIES

Manufacturing footprint network optimization

- In Region/For Region manufacturing & fulfillment (make where you sell; buy where you make mindset)
- Manufacturing & distribution network rationalization

Focus on enhancing operations

- Automation (e.g., automated filling, pouching, and set assembly)
- Vertical integration (e.g., molding & extrusion)
- Inventory optimization
- Analytics (advanced planning tools, control tower, predictive analytics)



THESE ACTIONS WILL FURTHER ACCELERATE OUR DISCIPLINED CAPITAL ALLOCATION STRATEGY

PORTFOLIO MANAGEMENT



Currently pursuing strategic alternatives for BioPharma Solutions business; assessing additional inorganic growth vectors for products, therapies, and connected care platforms

DEBT REPAYMENT



Utilizing proceeds from proposed spinoff of KidneyCo and potential strategic assets sales to accelerate Baxter debt repayment schedule

DIVIDENDS



Maintaining Dividends

SHARE REPURCHASES



Expecting to reinstate share repurchases over time

CONTINUING MOMENTUM IN 2023 AND BEYOND

- ▶ Proposed KidneyCo spinoff to create two leading healthcare companies with robust product portfolios
- ▶ Simplified operating model expected to enable greater strategic clarity and faster decision making
- ▶ Disentanglement of manufacturing plants and supply chain expected to drive margin improvements
- ▶ Additional capital allows for focused investments in R&D and commercial development to accelerate value creation as well as debt repayment
- ▶ Plan to provide additional commentary on new organizational structure as well as 2023 as part of Q4 2022 earnings conference call



NON-GAAP RECONCILIATIONS

NON-GAAP FINANCIAL MEASURES

This presentation includes the company's unaudited 2021 pro forma net sales as if its acquisition of Hillrom and proposed spinoff of its Renal Care and Acute Therapies businesses had occurred as of January 1, 2021. It also includes unaudited 2021 pro forma net sales for the Patient Support Systems and Global Surgical Solutions (PSS & GSS) and Front Line Care product categories, which were added as a result of the Hillrom acquisition, as if that acquisition had occurred as of January 1, 2021. Pro forma net sales is a non-GAAP financial measure. It has been provided for illustrative purposes only and does not purport to represent what the company's net sales would have been if the acquisition and proposed spinoff had occurred on January 1, 2021 and is not intended to project its net sales for any future period. Additionally, there is no guarantee that the proposed spinoff (which is subject to the satisfaction of customary conditions) will be completed. The following is a reconciliation of pro forma net sales to the corresponding GAAP measure, net sales, for the year ended December 31, 2021 (in millions):

| | Consolidated | PSS & GSS | Front Line Care |
|--|--------------|-----------|-----------------|
| Baxter net sales as reported | \$12,784 | \$142 | \$70 |
| Hillrom preacquisition net sales | 2,790 | 1,732 | 1,058 |
| Less: Renal Care and Acute Therapies net sales | (4,682) | --- | --- |
| Pro forma net sales | \$10,892 | \$1,874 | \$1,128 |

Non-GAAP financial measures may enhance an understanding of the company's operations and may facilitate an analysis of those operations, particularly in evaluating performance from one period to another. Management believes that non-GAAP financial measures, when used in conjunction with the results presented in accordance with U.S. GAAP and the reconciliations to corresponding U.S. GAAP financial measures, may enhance an investor's overall understanding of the company's past financial performance and prospects for the future. This information should be considered in addition to, and not as a substitute for, information prepared in accordance with U.S. GAAP.