

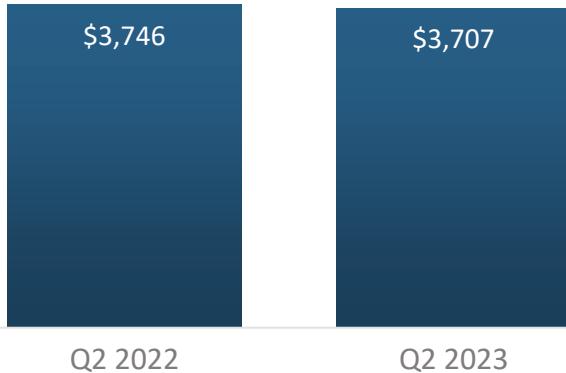


Baxter International Inc.

Q2 YEAR 2023

Key Financial Highlights Dashboard

Total Revenue (\$ million)



Operating Income (\$ million)



Net Income (\$ million)



Cash from Operations (\$ million)

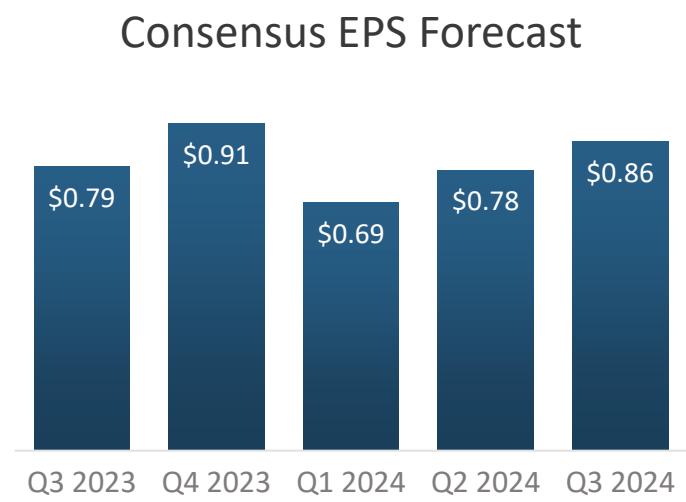
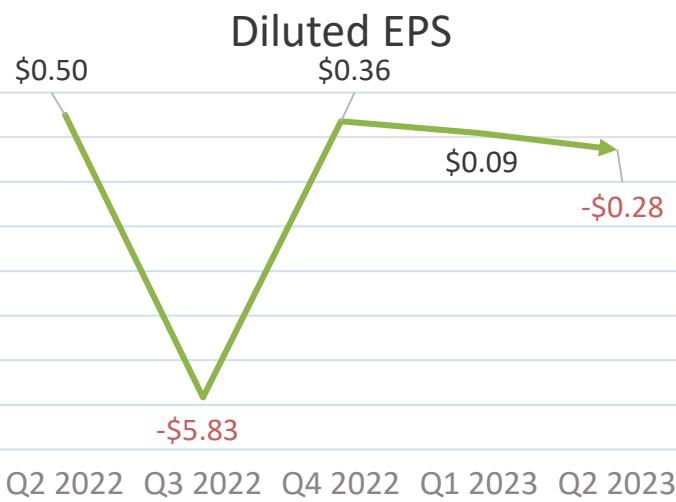


R & D Expenses (\$ million)



- ▶ Net sales grew 3% YOY to \$3,707M.
- ▶ Income tax expense declined 71% YOY to \$10M.
- ▶ Free cash flow from continuing operations in H1 2023 rose to \$452M from \$92M in the prior year period.
- ▶ Net loss attributable to Baxter stockholders was \$141M in Q2 2023 versus a net income of \$252M in the prior year period.
- ▶ Research and development expenses rose 11% YOY to \$165M.

Outlook Upcoming Quarter & Fiscal Year



- ▶ FY 2023 sales growth from continuing operations is expected to be in the range of 1% to 2% on a reported basis and approximately 2% on a constant currency (CC) basis, assuming BPS (BioPharma Solutions) divestiture does not close in FY 2023.
- ▶ Q3 2023 sales from continuing operations are anticipated to be approximately 2% on a reported basis and 1% on a CC basis.
- ▶ Q3 2023 adjusted diluted EPS in aggregate is expected to range between \$0.78 and \$0.80 and adjusted diluted EPS from continuing operations is anticipated to be in the range of \$0.65 to \$0.67.
- ▶ FY 2023 adjusted diluted EPS on an aggregate basis is forecasted to be in the range of \$2.92 to \$3 and adjusted diluted EPS from continuing operations is expected to range between \$2.49 and \$2.57, assuming BPS divestiture does not close in FY 2023.
- ▶ Anticipates incurring interest expense of approximately \$500M in FY 2023, assuming that the pending BPS transaction does not close by year-end.
- ▶ FY 2023 adjusted operating margin on a continuing operations basis, is forecasted to be in the range of 14.1% to 14.6%.

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... If the BPS transaction closes by the end of September as currently anticipated, we would expect a reduction of interest expense of approximately \$40 million, which would result in a benefit to continuing operations in the fourth quarter.... Given current foreign exchange rates, we expect to absorb a negative earnings impact of \$0.05 to \$0.07 per share in the second half of the year relative to prior expectations.

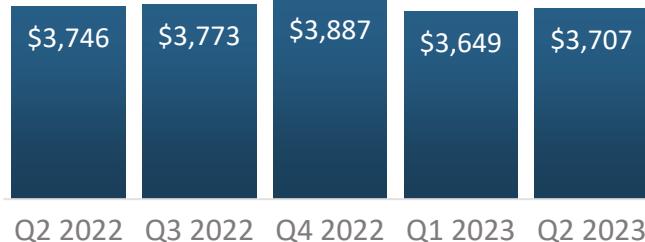
... We started to see some traction in PSS [Patient-Support-Systems] in recent periods ... we have seen some softness in capital orders that appears to be stabilizing, and we're seeing good traction going into the second half of the year as our order volume has picked up, although that business is still facing some headwinds from lower rental revenues following COVID where demand for rental beds was high.

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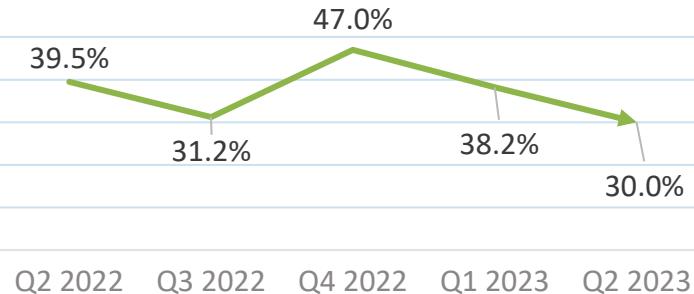
Brian C. Stevens
SVP, Interim CFO, Chief Accounting Officer & Controller

Executive Summary

Total Revenue (\$ million)



Gross Margin (%)



Strengths

- Renal Care sales increased 2% YOY on a CC basis to \$936M, led by robust growth in U.S. Peritoneal Dialysis (PD) business.
- Medication Delivery sales advanced 7% YOY on a CC basis to \$761M, reflecting strength globally for Infusion Systems and IV Solutions products.
- Clinical Nutrition sales grew 7% YOY on a CC basis to \$243M, aided by robust international performance.
- Advanced Surgery sales rose 4% YOY on a CC basis to \$272M, fueled by an improvement of surgical procedures globally.
- Front Line Care sales climbed 9% YOY on a CC basis to \$307M, backed by demand for Intelligent Diagnostics, Respiratory Health and Connected Monitoring portfolios and continued improvement in supply availability of electromechanical components.

Weaknesses

- Patient Support Systems sales fell 1% YOY on a CC basis to \$359M, hurt by lower rental revenues and reduced hospital capital spending as compared to the prior year period.
- BioPharma Solutions sales dropped 7% YOY on a CC basis to \$142M, declining in line with expectations, led by approximately \$27M in lower COVID-19 vaccine-related sales compared to the prior-year period.
- Adjusted gross margin from continuing operations declined 160 basis points YOY to 40.4%, mainly due to increased cost of goods sold.
- Net interest expense increased YOY to \$124M from last year's \$89M, due to higher interest rates on the floating rate debt.
- Other (income) expense, net was an expense of \$42M in Q2 2023, compared to an income of \$44M in the prior year period, hurt by foreign exchange losses, non-marketable investment impairments and a decrease in the fair value of marketable equity securities.

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Baxter's second-quarter performance reflects ongoing solid demand for our diverse, durable portfolio of medically essential products. We are making progress across the transformational actions we announced at the start of 2023.

Jose E. Almeida
Chairman of the Board, President & CEO

... In the quarter, we realized better-than-expected sales for ICU beds in the U.S., driven by the launch of Progressa+. We have experienced positive demand for that new entrant to our smart bed portfolio since its debut.... We saw a significant sequential improvement in orders, increasing approximately 30% driven by demand for our segment-leading hospital beds and care communications products.

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Brian C. Stevens
SVP, Interim CFO, Chief Accounting Officer & Controller

Major Strategic Drivers

Strategic Initiatives

- Continuing to pursue cost savings initiatives, along with identifying further cost savings opportunities, to boost cost structure and optimize business growth.
- Increased investments in advancing connected care technologies to enhance business growth.

Strategic Launches

- Launched Hillrom Progressa+ ICU bed in the U.S., to help address complex critical care needs and support for early mobility protocols.
- Launched Zosyn Premix in the U.S. for the treatment of multiple infections caused by susceptible bacteria, simplifying medication preparation and improving operational efficiencies.
- Introduced its ready-to-use PERCLOT absorbable hemostatic powder in the U.S., to treat patients with intact coagulation to address mild bleeding.

Strengthening Business Portfolio

- Signed a definitive agreement to divest BPS business to focus on core business and use sale proceeds to reduce debt.
- Advancing progress of the proposed spinoff of its Renal Care and Acute Therapies global business units into a stand-alone kidney care company, to enhance operational effectiveness and accelerate growth and innovation.
- Initiated the launch of the new operating model by reorganizing the business entities into four vertically integrated global business segments, to simplify business operations and enhance performance.

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... Similar with last quarter, we are also seeing continued improvements in availability of key electromechanical components. This reflects a combination of overall environmental impacts and steps we have taken to shore up supply within our own integrated supply chain operations while there is still work to do with these factors and actions are contributing to enhanced cost management and greater predictability on the supply chain front.

Jose E. Almeida
Chairman of the Board, President & CEO

... We continue to experience healthy demand in the U.S. for our Spectrum LVP (large volume pump) pump. As we continue to work to improve the availability of components for spectrum, we expect sales to ramp in the second half of the year, and we also continue to focus on growing our NOVUM syringe base.

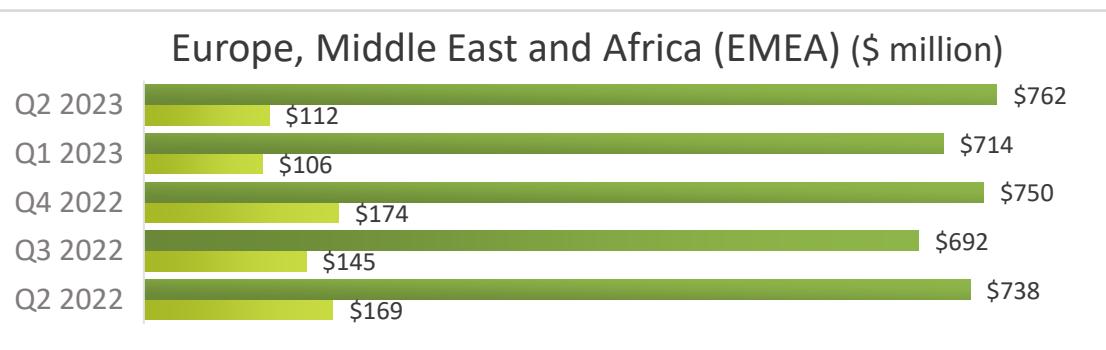
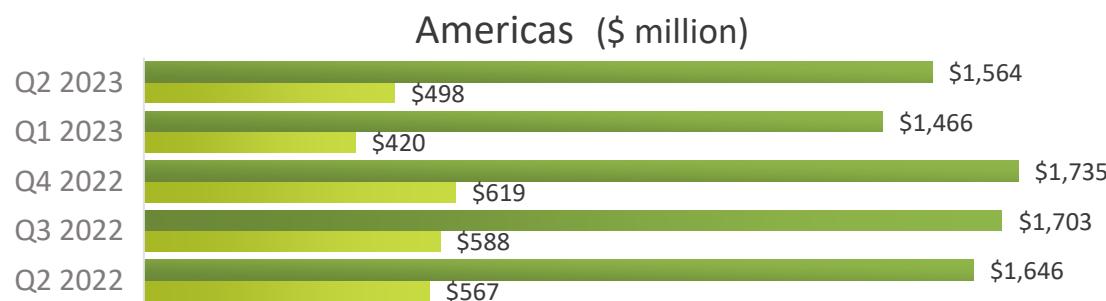
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Brian C. Stevens
SVP, Interim CFO, Chief Accounting Officer & Controller

Revenue

Operating Profit Before Tax

Segment Revenue



► Operating income increased YOY to \$498M from last year's \$488M, aided by increased sales and selling, general, and administrative savings from restructuring actions implemented in recent periods.

► Operating income declined YOY to \$112M from \$169 last year, hurt by an unfavorable impact of foreign exchange rates on results, an unfavorable product mix and higher supply chain and raw materials costs.

► Operating income dropped YOY to \$118M from prior year's \$156M, hit by lower sales and elevated supply chain and raw materials costs.

Revenue

Operating Profit Before Tax

Segment Revenue

Hillrom (\$ million)



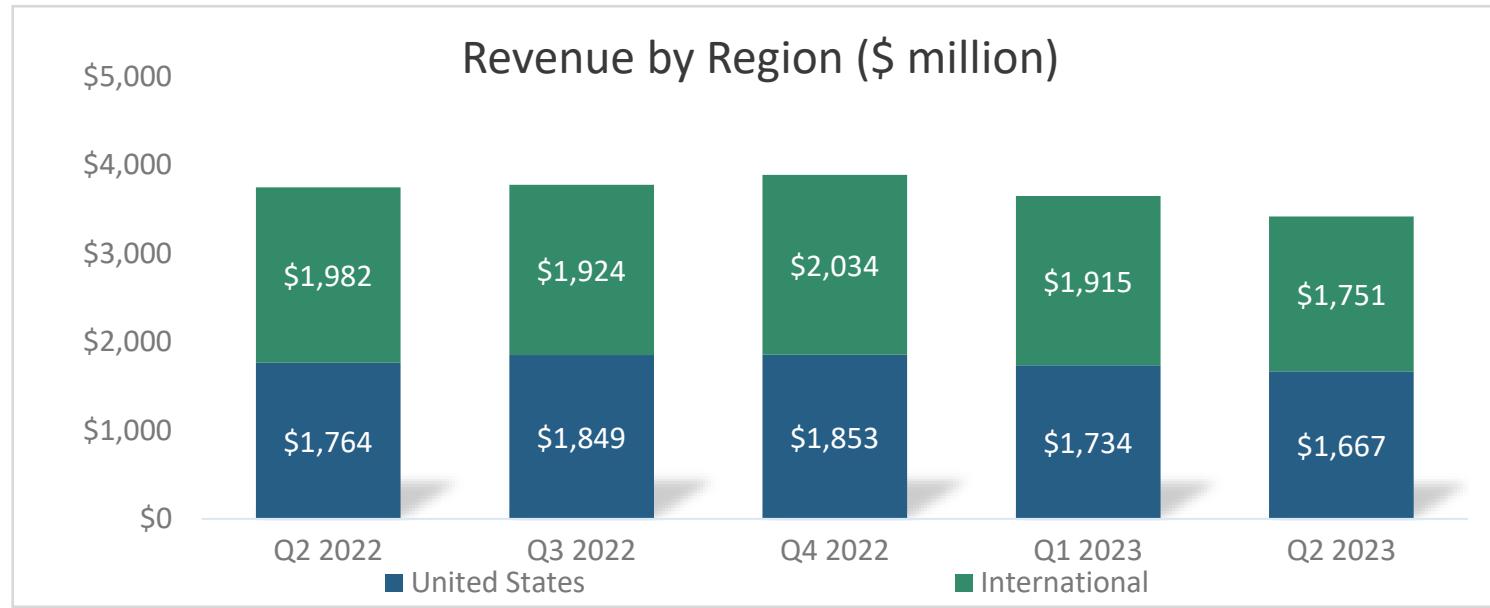
- ▶ Operating income declined YOY to \$147M from \$149M in last year, impacted by an unfavorable product mix and higher supply chain and raw materials costs.

Corporate and Other (\$ million)



- ▶ Operating loss expanded YOY to \$892M from \$698M in the previous year's period, impacted by business optimization charges, increased centrally managed manufacturing, and supply chain costs and higher bonus accruals.

Geographical Revenue



Note: Q4 2022 International Geographical Data presented as Segment Adjustment in CapIQ

- ▶ International sales from continuing operations advanced 5% YOY on a CC basis to \$1.96B, reflecting overall positive demand across the portfolio, supported by a continued recovery in patient and procedure volumes, along with stabilizing macroeconomic conditions and reduced supply chain challenges.
- ▶ Pharmaceuticals sales increased 6% YOY on a CC basis to \$550M, led by strength in U.S. Injectables portfolio aided by new product launches and increased sales internationally for hospital compounding portfolio.
- ▶ Acute Therapies sales rose 6% YOY on a CC basis to \$180M, reflecting a return to growth in the U.S. and strength in APAC (Asia-Pacific) region.
- ▶ Global Surgical Solutions sales climbed 9% YOY on a CC basis to \$77M, fueled by continued geographic expansion and increased hospital access.

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... Globally, both PD and in-center HD [Hemodialysis] sales advanced low single digits. Results in the quarter were partially offset by lower sales in China due to ... government-based procurement initiatives and the lower patient census in the region due to the pandemic.

... As we look to the second half of the year, we expect performance in APAC to be negatively impacted by a decline in China sales resulting from the effect of excess mortality on ESRD patient [end-stage renal disease] volumes due to the pandemic as well as the impact from the ongoing implementation of value-based procurement initiatives.

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Brian C. Stevens
SVP, Interim CFO, Chief Accounting Officer & Controller

Key Events

Corporate Developments

- 5/30/2023: Baxter International named Julie Brewer President of the Patient Support Systems, Global Surgical Solutions and Care Communications team. ([MassDevice](#))
- 5/10/2023: Baxter International signed a definitive agreement to divest its BioPharma Solutions business to Advent International, for a cash deal of approximately \$4.25B. ([PharmTech](#))
- 5/9/2023: Baxter International announced the departure of EVP and CFO Jay Saccaro, at the end of May and named Brian Stevens as acting CFO, effective May 31, 2023. ([Baxter](#))
- 5/5/2023: Baxter International named Chris Toth as CEO for its proposed Renal Care and Acute Therapies spinoff businesses. ([Baxter](#))

Product Updates

- 7/24/2023: Baxter International announced the launch of PERCLOT Absorbable Hemostatic Powder in the U.S., for patients with intact coagulation to address mild bleeding. ([MassDevice](#))
- 6/29/2023: Baxter International launched its new intensive care unit bed Hillrom Progressa+ in the U.S., to help address complex critical care needs. ([Business Wire](#))
- 4/6/2023: Baxter International launched the Baxter Patient Warming system, Helux Pro Connected Surgical Light and Floseal + Recothrom flowable hemostat, at the Association of periOperative Registered Nurses Global Surgical Conference & Expo 2023. ([HPN online](#))
- 4/4/2023: Baxter International announced the U.S. launch of the ZOSYN Premix injection for the treatment of multiple infections caused by susceptible bacteria. ([Yahoo Finance](#))