

Baxter International Inc

New BAX model - pre and post spin

Reiterate Rating: NEUTRAL | PO: 42.00 USD | Price: 41.77 USD

2025 EPS: pre spin \$3.11; SOTP \$2.87

We update our Baxter International (BAX) model with pre-spin EPS now at \$2.89 in 2024 and \$3.11 in 2025. We will likely learn more on the July renal spin assumptions with the Form 10 (likely out end of Q1/ early Q2) and BAX's June analyst day. But for now, model \$2.71 in RemainCo and \$0.16 in KidneyCo 2025 EPS (total of \$2.87), putting total spin dilution at \$0.24 vs our pre-spin \$3.11. Our new SOTP is not materially different in total but now assumes more TSA for RemainCo (more dilutive to KidneyCo initially that can be offset over time). We also update the SOTP for new segment margin disclosures (see table inside).

2024 revenue a few things to note

We model pre-spin BAX 2024 org revenue at 2% (implies RemainCo at 3.5%; Renal -1%). We note that HS&T and front-line care will be down in Q1 and then improve sequentially over the course of the year. This business saw a slowdown in primary care buildouts in 2H23 and this likely lingers into 1H24 given higher interest rates and then improves in 2H24. BAX also saw some distributor ordering patterns that slowed front line care as BAX addressed backlog (could have been some pre-ordering that occurred prior). BAX does not see market share shifts based on the distributor data. Novum IQ is with FDA with no new questions, so this could potentially be a 2024 approval. The incremental Novum revenue impact is likely small in 2024 given Spectrum will likely be north of \$100m in 2024 vs less than \$100m in 2023 given stronger volume (Novum does have a higher ASP though). But it likely takes 3-6 months post approval for Novum to have scale and get through the ready-to-ship phase (cannot bring into US until approved).

2024 pre spin model

Our 2024 pre-spin EPS of \$2.89 implies \$0.61 for Q1, \$0.66 for Q2, \$0.77 for Q3, and \$0.85 for Q4. We model 42.0% gross margin in Q1 and 41.0% in Q2 with an uplift to 42.5% in 2H24. Our 2024 op margin of 14.9% implies 60bps y/y. We note BAX has contemplated the Red Sea impact as it stands today (BAX supply chain visibility much higher today too). We model 13.9% op margin in Q1 and 13.6% in Q2 and 16.1% in 2H24. We model 22.2% tax rate in 2024 (120bps higher than 2023) but note Q1 tax will be a little more than 25% (1H24 tax 23-24% and 2H24 tax 21-21.5%). We update our BAX model and reiterate our Neutral rating as we think BAX's valuation is fair vs peers, particularly when the spin dilution takes away a year of EPS growth.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.50	2.60	2.89	3.11	3.41
GAAP EPS	(4.83)	(0.15)	0.89	1.13	1.44
EPS Change (YoY)	-3.0%	-25.7%	11.2%	7.6%	9.6%
Consensus EPS (Bloomberg)			2.90	3.23	3.65
DPS	1.13	1.15	1.23	1.31	1.39
Valuation (Dec)					
P/E	11.9x	16.1x	14.5x	13.4x	12.2x
GAAP P/E	NM	NM	46.9x	37.0x	29.0x
Dividend Yield	2.7%	2.8%	3.0%	3.1%	3.3%
EV / EBITDA*	9.8x	11.6x	11.2x	10.4x	9.7x
Free Cash Flow Yield*	2.5%	4.1%	5.1%	5.5%	6.4%

* For full definitions of *IQmethod*SM measures, see page 6.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12661819

Timestamp: 21 February 2024 05:30AM EST

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	15,115.9	15,105.2
2025E Rev (m)	15,616.4	15,628.0
2026E Rev (m)	16,134.5	16,169.9
2024E EPS	2.86	2.89
2025E EPS	3.17	3.11
2026E EPS	3.50	3.41

Travis Steed

Research Analyst
BofAS
+1 404 607 3251
travis.steed@bofa.com

Carolyn Huszagh

Research Analyst
BofAS
carolyn.huszagh@bofa.com

Craig Bijou

Research Analyst
BofAS
craig.bijou@bofa.com

Stephanie Piazzola

Research Analyst
BofAS
stephanie.piazzola@bofa.com

Stock Data

Price	41.77 USD
Price Objective	42.00 USD
Date Established	16-Jan-2024
Investment Opinion	B-2-7
52-Week Range	31.01 USD - 50.21 USD
Mkt Val (mn) / Shares Out (mn)	21,212 USD / 507.8
Free Float	99.7%
Average Daily Value (mn)	161.36 USD
BofA Ticker / Exchange	BAX / NYS
Bloomberg / Reuters	BAX US / BAX.N
ROE (2024E)	18.0%
Net Dbt to Eqty (Dec-2023A)	107.4%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Acronym glossary on pg. 2

iQprofileSM Baxter International Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	7.7%	7.3%	8.4%	9.6%	10.4%
Return on Equity	23.6%	18.8%	18.0%	19.2%	20.6%
Operating Margin	17.1%	14.3%	14.9%	15.4%	16.0%
Free Cash Flow	532	863	1,077	1,171	1,361

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	1.2x	1.2x	1.2x	1.2x
Asset Replacement Ratio	0.5x	0.5x	0.6x	0.6x	0.6x
Tax Rate	19.9%	21.0%	22.2%	23.0%	23.0%
Net Debt-to-Equity Ratio	234.3%	107.4%	100.4%	92.0%	81.0%
Interest Cover	6.5x	4.8x	6.2x	7.0x	8.1x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	15,113	14,813	15,105	15,628	16,170
% Change	18.2%	-2.0%	2.0%	3.5%	3.5%
Gross Profit	6,497	6,107	6,342	6,642	6,953
% Change	17.3%	-6.0%	3.8%	4.7%	4.7%
EBITDA	3,233	2,736	2,840	3,033	3,259
% Change	8.1%	-15.4%	3.8%	6.8%	7.4%
Net Interest & Other Income	(356)	(444)	(349)	(330)	(305)
Net Income (Adjusted)	1,772	1,320	1,476	1,591	1,749
% Change	-3.5%	-25.5%	11.8%	7.8%	9.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,772	1,320	1,476	1,591	1,749
Depreciation & Amortization	1,403	1,265	1,267	1,311	1,356
Change in Working Capital	(2,046)	272	(216)	(310)	(285)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	82	(1,309)	(740)	(689)	(701)
Capital Expenditure	(679)	(684)	(709)	(733)	(759)
Free Cash Flow	532	863	1,077	1,171	1,361
% Change	-64.0%	62.3%	24.8%	8.7%	16.2%
Share / Issue Repurchase	95	102	64	64	64
Cost of Dividends Paid	(573)	(586)	(629)	(672)	(715)
Change in Debt	(899)	(2,933)	(2,669)	(662)	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,718	3,033	876	777	1,486
Trade Receivables	2,659	2,658	2,737	2,833	2,932
Other Current Assets	3,634	3,561	3,611	3,712	3,787
Property, Plant & Equipment	4,979	4,305	4,431	4,538	4,625
Other Non-Current Assets	15,297	14,173	13,489	12,805	12,121
Total Assets	28,287	27,730	25,144	24,664	24,951
Short-Term Debt	299	514	514	514	514
Other Current Liabilities	4,446	5,580	5,601	5,644	5,675
Long-Term Debt	15,232	11,273	8,604	7,942	7,942
Other Non-Current Liabilities	2,415	2,214	2,214	2,214	2,214
Total Liabilities	22,392	19,581	16,933	16,314	16,345
Total Equity	5,895	8,149	8,208	8,347	8,602
Total Equity & Liabilities	28,287	27,730	25,141	24,661	24,947

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Medical Technology

Company Description

Baxter manufactures a broad range of essential healthcare products across the continuum of care including chronic dialysis therapies, premixed drugs, IV nutrition products, infusion pumps, inhalation anesthetics, patient monitoring devices, and care communications devices. The company acquired Hillrom in December 2021.

Investment Rationale

We see BAX revenues growing below the medtech average particularly with hospitals potentially pulling back on replacement capital spending. We do not see any major upside revenue growth catalysts for BAX.

Acronym glossary

SOTP = sum of the parts

TSA = transition service agreements

HS&T = Healthcare Systems & Technologies

ASP = average selling price

org = organic

Stock Data

Average Daily Volume 3,862,952

Quarterly Earnings Estimates

	2023	2024
Q1	0.59A	0.61E
Q2	0.55A	0.66E
Q3	0.68A	0.77E
Q4	0.88A	0.85E

Our sum-of-the-parts (SOTP) model

Exhibit 1: BAX SOTP

Post-spin, in 2025, we model RemainCo at \$2.71 and KidneyCo at \$0.16 for a total of \$2.87 (\$0.24 less than \$3.11 pre-spin EPS).

	2024 ex spin KidneyCo (unlevered)			2025 post spin (assumes Jan 1 spin)		
	RemainCo	KidneyCo	Total	RemainCo	KidneyCo	Total
Revenue	10,717	4,388	15,105	11,131	4,498	15,628
Revenue growth				3.9%	2.5%	3.5%
Pre-spin Op Income	1,950	307	2,257	2,081	360	2,440
Pre-spin Op Margin	18.2%	7.0%	14.9%	18.7%	8.0%	15.6%
<u>Spin Items</u>						
Stand up costs					(90)	(90)
Stranded Costs				(100)		(100)
TSAs				80	(80)	0
Post-spin Op Income	1,950	307	2,257	2,061	190	2,250
Post-spin Op Margin	18.2%	7.0%	14.9%	18.5%	4.2%	14.4%
Depreciation	429	176	604	445	180	625
EBITDA	2,378	483	2,861	2,506	370	2,876
EBITDA margin	22.2%	11.0%	18.9%	22.5%	8.2%	18.4%
Int/other	(349)		(349)	(249)	(87)	(336)
Effective interest rate	4.2%		4.2%	4.2%	7.2%	4.7%
Pretax income	1,601	307	1,908	1,812	103	1,915
Tax expense	(356)	(68)	(424)	(417)	(24)	(440)
Tax rate	(22.2%)	(22.2%)	(22.2%)	(23.0%)	(23.0%)	23.0%
Net income	1,245	239	1,484	1,395	79	1,474
Non-controlling interest	(8)	0	(8)	(8)	0	(8)
Net income to shareholders	1,237	239	1,476	1,387	79	1,466
EPS	2.43	0.47	2.89	2.71	0.16	2.87
Shares	510	510	510	512	512	512
EPS growth				11.8%	(66.9%)	(0.9%)
Total Cash	876		876	777	500	
Scheduled debt paydown				(662)		
Dividend from KidneyCO				(1,200)		
Retained Stake 20% of 8x EBITDA				(592)		
Total Debt	9,118		9,118	6,664	1,700	
Net Debt	8,242		8,242	5,888	1,200	
Net Debt/EBITDA	3.5x		2.9x	2.3x	3.2x	

Source: Company filings, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 2: Data points on stand-up, transition services agreement (TSA), and stranded costs from recent spin-offs

Below we review company commentary on stand-up, TSA, and stranded costs from recent spin-offs

ZBH /ZIMV	GE /GEHC	BDX /EMBC
<p>Stand-up costs: ZIMV talked about \$61m in stand-up costs: "there's about \$61m stand-up cost at corporate. And what that \$61m represents is, it represents obviously standing up the business as a standalone company including of course, executive management, public company costs, and then also the cost of standing up insurance. And so, in that \$61m that number just from like a high-level perspective, is probably about \$10m to \$13m higher than what it would be under Zimmer Biomet embedded in that company" - 2/7/22</p> <p>TSAs: ZBH talked about ZIMV TSAs being lower than the stranded costs: "[Q:] TSA should be equal to the stranded cost, right, 75-ish, Sukey? [A:] I wouldn't say it's a complete one-for-one there ... It'll be substantially lower than their stranded cost" - 2/7/22</p>	<p>Stand-up costs: GEHC estimated \$228m in stand-up costs for 2022 and \$200m for 2023; in addition, GEHC estimated \$113m in recurring costs for 2022 and \$200m for 2023: "incur approximately \$341m of total expenses (including one-time expenses of approximately \$228m and recurring expenses of \$113m) for the year ended December 31, 2022" - 6/8/23; and " \$200m of standalone costs, in 2023, we expect an estimated \$200m of those recurring incremental expenses ... expect we'll see leverage against these \$200m of incremental recurring spin costs as we go into 2025 and '26, as we have fully exited on the TSA side" - 4/25/23</p>	<p>TSAs: EMBC expected TSAs of \$70m in the first 12mos (4/1/22-4/1/23), weighted \$35m in fiscal 2H22 and \$35m in fiscal 1H23: "assuming we maintain every TSA during the first 12-month period, we will be charged a total of \$70m or approximately \$35m during the second half of 2022" - 5/13/22. EMBC disclosed \$63m in TSAs in FY23 and guided for \$30m-\$35m in TSAs for FY24: "we incurred about \$63m worth of TSA expense in 2023. And then our guidance assumes for 2024, inclusive of an extension being granted, that we would incur somewhere between, let's call it \$30m to \$35m worth of TSA expense in 2024" - 11/21/23; and "from a stand-up cost standpoint, I think we're not necessarily going to provide specific dollar amounts associated with each individual line item. ... obviously, from a TSA standpoint, as we begin to kind of stand up the company. Some of the TSAs could fall off" - 8/15/22</p>



Exhibit 2: Data points on stand-up, transition services agreement (TSA), and stranded costs from recent spin-offs

Below we review company commentary on stand-up, TSA, and stranded costs from recent spin-offs

ZBH /ZIMV	GE /GEHC	BDX /EMBC
Stranded costs: ZBH talked about \$70-75m stranded costs for \$1bn-revenue ZIMV		Stranded costs: BDX talked about TSAs offsetting BDX stranded costs: "Diabetes Care business ... we are establishing TSAs that will offset stranded costs" - 11/4/21

Source: Company filings, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: BAX operating margin expansion, by segment

BAX operating margin expansion, by segment

BY SEGMENT (\$m)	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
MEDICAL PRODUCTS & THERAPIES										
Revenues	1,161	1,203	1,203	1,248	4,815	1,157	1,276	1,258	1,320	5,011
Operating Income	243	203	257	259	962	197	264	245	266	972
Operating Margin	20.9%	16.9%	21.4%	20.8%	20.0%	17.0%	20.7%	19.5%	20.2%	19.4%
Operating Margin Change y/y 2H23					0.2%	-3.9%	3.8%	-1.9%	-0.6%	-0.6%
								-1.2%		
HEALTHCARE SYSTEMS & TECHNOLOGIES										
Revenues	755	715	735	734	2,939	731	743	744	795	3,013
Operating Income	158	101	108	127	494	112	100	115	156	483
Operating Margin	20.9%	14.1%	14.7%	17.3%	16.8%	15.3%	13.5%	15.5%	19.6%	16.0%
Operating Margin Change y/y 2H23					-11.5%	-5.6%	-0.7%	0.8%	2.3%	-0.8%
								1.6%		
PHARMACEUTICALS										
Revenues	521	528	525	552	2,126	523	550	580	596	2,249
Operating Income	96	117	82	96	391	87	89	108	117	401
Operating Margin	18.4%	22.2%	15.6%	17.4%	18.4%	16.6%	16.2%	18.6%	19.6%	17.8%
Operating Margin Change y/y 2H23					-4.4%	-1.8%	-6.0%	3.0%	2.2%	-0.6%
								2.6%		
OTHER										
Revenues	39	44	46	48	177	30	22	17	18	87
Operating Income	20	15	17	25	77	7	6	6	(1)	18
Operating Margin	51.3%	34.1%	37.0%	52.1%	43.5%	23.3%	27.3%	35.3%	-5.6%	20.7%
Operating Margin Change y/y 2H23					1.4%	-27.9%	-6.8%	-1.7%	NM	NM
								-30.4%		
REMAIN CO										
Operating Margin	20.9%	17.5%	18.5%	19.6%	19.1%	16.5%	17.7%	18.2%	19.7%	18.1%
Operating Margin Change y/y 2H23					-2.3%	-4.4%	0.2%	-0.3%	0.1%	-1.1%
								-0.1%		
KIDNEY CO										
Operating Margin	10.5%	8.2%	9.4%	8.7%	9.2%	5.3%	4.9%	8.7%	8.0%	6.7%
Operating Margin Change y/y 2H23					-1.3%	-5.2%	-3.2%	-0.7%	-0.7%	-2.4%
								-0.7%		
TOTAL BAX										
Operating Margin	17.7%	14.6%	15.7%	16.2%	16.1%	13.1%	13.9%	15.4%	16.2%	14.7%
Operating Margin Change y/y 2H23					16.1%	-4.6%	-0.8%	-0.3%	0.0%	-1.4%
								-0.2%		
REPORTED										
Operating Margin	16.5%	14.7%	15.7%	15.9%	15.7%	12.5%	13.2%	15.2%	16.2%	14.3%
UNALLOCATED										
Operating Margin (\$m)	1.3%	-0.1%	0.0%	0.3%	0.4%	0.6%	0.7%	0.1%	0.0%	0.3%
	45	(3)	(1)	13	54	21	25	5	-	51

Source: Company filings, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Baxter International Inc (BAX)

Our price objective of \$42 is based on an earnings multiple of approximately 15x our 2024E EPS estimate. This multiple represents a several turn discount to the large cap medtech comp group as we see BAX revenues growing below the medtech average particularly with hospitals likely to pull back on replacement capital spending. We do not see any major upside revenue growth catalysts for BAX.

Upside/Downside risks to our PO are: 1) whether BAX can create value with its portfolio repositioning (business exits/spins) and 2) deflation/inflation given BAX has outsized exposure to inflationary pressures.

Analyst Certification

I, Travis Steed, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
NEUTRAL				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Merit Medical	MMSI	MMSI US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
UNDERPERFORM				
	Embecta	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

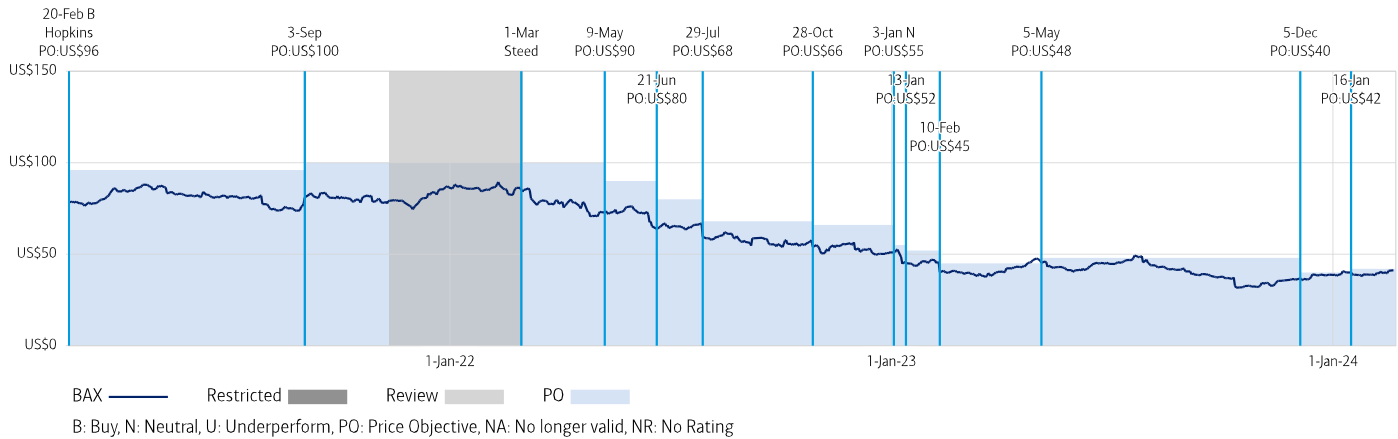
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, iQmethodSM are service marks of Bank of America Corporation. iQdatabase[®] is a registered service mark of Bank of America Corporation.

Disclosures

Important Disclosures

Baxter (BAX) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Baxter.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Baxter Intl.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Baxter Intl.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Baxter Intl.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Baxter Intl.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Baxter Intl.

BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Baxter Intl.



BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Baxter.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Baxter Intl.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating.

ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. IQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

