

BAXTER INTERNATIONAL INC
Form 10-Q
November 05, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4448

BAXTER INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware	36-0781620
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
One Baxter Parkway, Deerfield, Illinois	60015
(Address of principal executive offices)	(Zip Code)

224-948-2000
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant’s Common Stock, par value \$1.00 per share, outstanding as of October 31, 2018 was 532,140,998 shares.

BAXTER INTERNATIONAL INC.

FORM 10-Q

For the quarterly period ended September 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Baxter International Inc.

Condensed Consolidated Statements of Income (unaudited)

(in millions, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	\$2,767	\$2,707	\$8,286	\$7,787
Cost of sales	1,531	1,577	4,697	4,481
Gross margin	1,236	1,130	3,589	3,306
Marketing and administrative expenses	685	680	1,988	1,874
Research and development expenses	166	150	480	432
Claris settlement	—	—	(80)	—
Operating income	385	300	1,201	1,000
Net interest expense	11	14	34	41
Other (income) expense, net	(32)	(4)	(81)	35
Income from continuing operations before income taxes	406	290	1,248	924
Income tax (benefit) expense	(138)	42	(28)	139
Income from continuing operations	544	248	1,276	785
Income from discontinued operations, net of tax	—	3	—	3
Net income	\$544	\$251	\$1,276	\$788
Income from continuing operations per common share				
Basic	\$1.02	\$0.46	\$2.38	\$1.45
Diluted	\$1.00	\$0.45	\$2.33	\$1.42
Income from discontinued operations per common share				
Basic	\$—	\$—	\$—	\$—
Diluted	\$—	\$—	\$—	\$—
Net income per common share				
Basic	\$1.02	\$0.46	\$2.38	\$1.45
Diluted	\$1.00	\$0.45	\$2.33	\$1.42
Weighted-average number of common shares outstanding				
Basic	534	545	536	543
Diluted	546	557	548	554

The accompanying notes are an integral part of these condensed consolidated financial statements.

Baxter International Inc.

Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$544	\$251	\$1,276	\$788
Other comprehensive (loss) income, net of tax:				
Currency translation adjustments, net of tax (benefit) expense of \$5 and \$21 for the three months ended September 30, 2018 and 2017, respectively, and (\$26) and \$69 for the nine months ended September 30, 2018 and 2017, respectively	(50)	181	(332)	530
Pension and other employee benefits, net of tax expense of \$9 and \$6 for the three months ended September 30, 2018 and 2017, respectively, and \$26 and \$26 for the nine months ended September 30, 2018 and 2017, respectively	8	6	89	44
Hedging activities, net of tax expense (benefit) of \$1 and (\$2) for the three months ended September 30, 2018 and 2017, respectively, and \$4 and (\$7) for the nine months ended September 30, 2018 and 2017, respectively	2	(6)	8	(16)
Available-for-sale securities, net of tax expense of zero for the three months ended September 30, 2018 and 2017, and zero and \$1 for the nine months ended September 30, 2018 and 2017, respectively	—	1	—	4
Total other comprehensive (loss) income, net of tax	(40)	182	(235)	562
Comprehensive income	\$504	\$433	\$1,041	\$1,350

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Baxter International Inc.

Condensed Consolidated Balance Sheets (unaudited)

(in millions, except shares)

		September 30, 2018	December 31, 2017
Current assets	Cash and equivalents	\$ 2,860	\$ 3,394
	Accounts and other current receivables, net	1,826	1,793
	Inventories	1,718	1,475
	Prepaid expenses and other	624	601
	Total current assets	7,028	7,263
Property, plant and equipment, net		4,520	4,588
Other assets	Goodwill	2,980	3,099
	Other intangible assets, net	1,402	1,374
	Other	917	787
	Total other assets	5,299	5,260
Total assets		\$ 16,847	\$ 17,111
Current liabilities	Current maturities of long-term debt and lease obligations	\$ 3	\$ 3
	Accounts payable and accrued liabilities	2,592	2,733
	Current income taxes payable	109	85
	Total current liabilities	2,704	