



Fiscal 2014 first quarter review

November 12, 2013

Forward-looking statements and Non-GAAP financial measures

Forward-looking statements—Certain statements made during this conference call, including those related to our financial and business outlook and financial guidance, are “forward-looking statements.” Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results of Premier to be materially different from historical results or from any future results or projections expressed or implied by such forward-looking statements. Accordingly, readers should not place undue reliance on any forward looking statements. Readers are urged to consider statements in the conditional or future tenses or that include terms such as “believes,” “belief,” “expects,” “estimates,” “intends,” “anticipates” or “plans” to be uncertain and forward-looking. Forward-looking statements may include comments as to Premier’s beliefs and expectations as to future events and trends affecting its business and are necessarily subject to uncertainties, many of which are outside Premier’s control. More information on potential risks and other factors that could affect Premier’s financial results is included, and updated, from time to time, in Premier’s periodic and current filings with the SEC, as well as those discussed in Premier’s IPO Prospectus filed with the SEC and available on Premier’s website. Forward looking statements speak only as of the date they are made. Premier undertakes no obligation to publicly update or revise any forward-looking statements.

Non-GAAP financial measures—This presentation includes certain “non-GAAP financial measures” as defined in Regulation G under the Securities Exchange Act of 1934. Schedules are attached that reconcile the non-GAAP financial measures included in the following presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. The press release attached as Exhibit 99.1 to our Form 8-K, dated November 11, 2013, as well as our Form 10-Q for the quarter ended September 30, 2013 to be filed in the next few days, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with these supplemental slides.



Overview



Susan DeVore
President and CEO



Our company

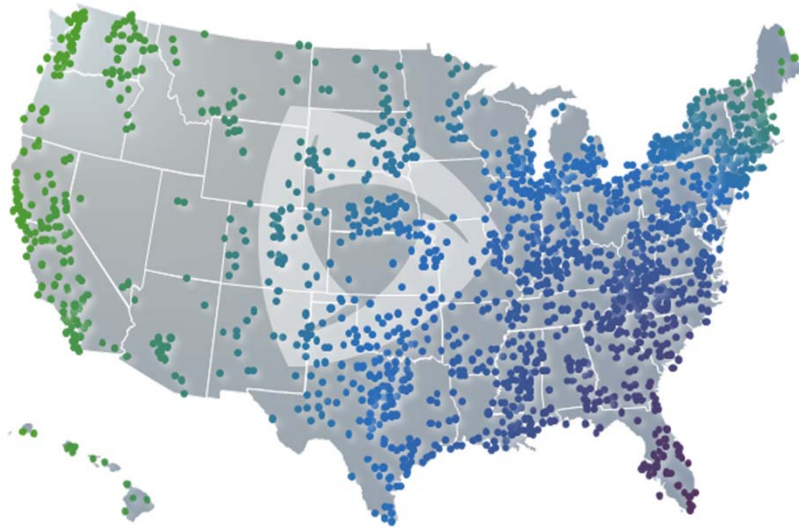
Leading the transformation to high-quality, cost-effective healthcare

Our members	Our platform
Owners	Supply chain efficiency
Owner sponsored affiliates	Cost and quality improvement
Customers	Actionable intelligence

- ▶ **Founded: 1996**
- ▶ **Roots date to the late 1960s**
- ▶ **Employees: 1,560**
- ▶ **Owner-members: 181**



Our mission: to improve the health of communities



- ▶ Led by health systems
- ▶ Uniting more than **2,900** hospitals and nearly **100,000** other providers
- ▶ **\$40+ Billion** in group purchasing volume driving savings through collaboration, integrated data, and sharing of best practice
- ▶ Database representing **1 in every 4** U.S. hospital discharge
- ▶ **2.5 Million** real-time clinical transactions per day

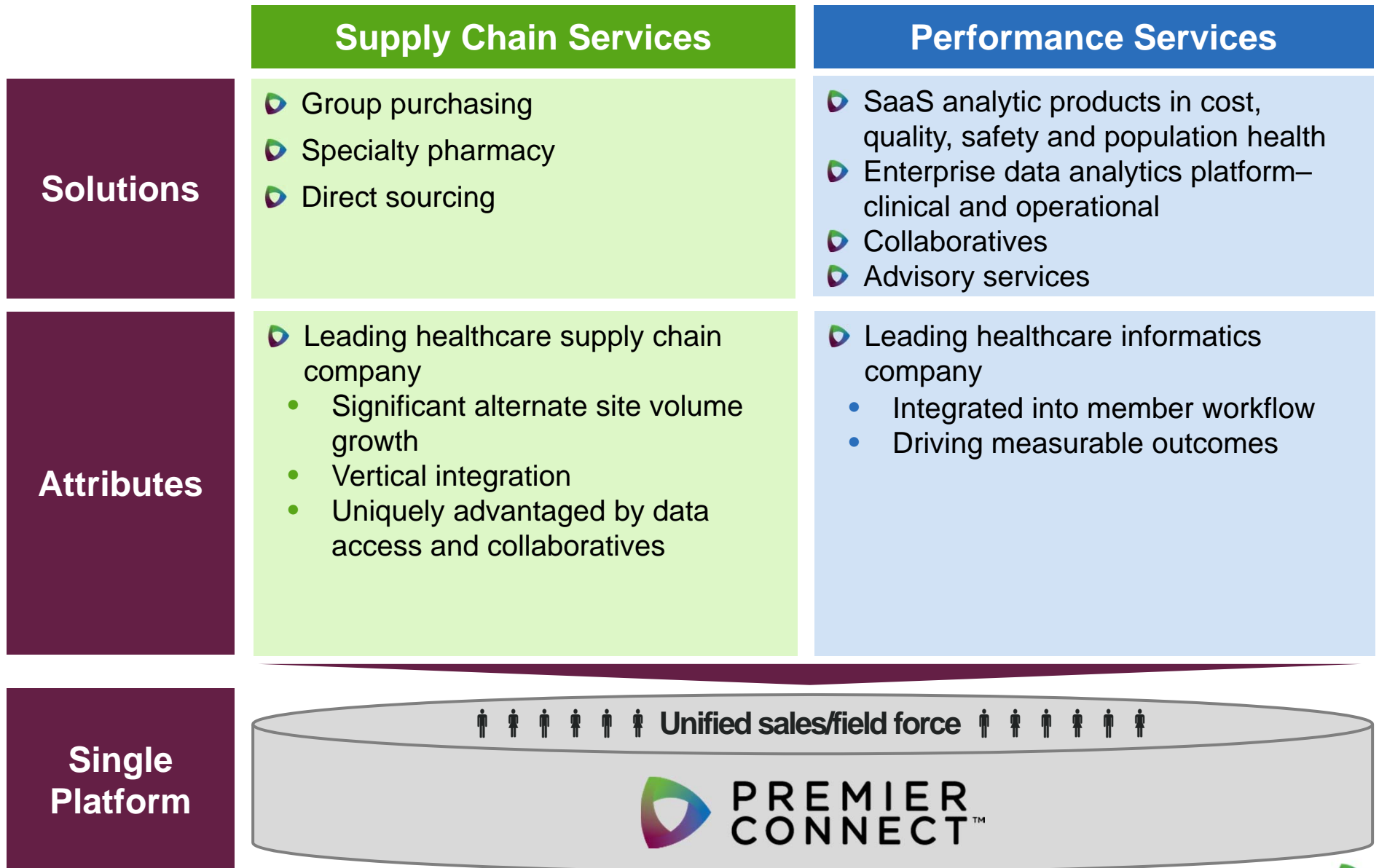
MAKE HEALTHCARE SUPPLY CHAIN EFFICIENT AND EFFECTIVE

DELIVER CONTINUOUS IMPROVEMENT IN COST AND QUALITY TODAY AND
ENABLE SUCCESS IN NEW HEALTHCARE DELIVERY / PAYMENT MODELS

INTEGRATE DATA AND KNOWLEDGE TO CREATE MEANINGFUL BUSINESS INTELLIGENCE THAT
DRIVES IMPROVEMENT



▶ Addressing total cost and quality – all care settings



Fiscal 2014 first quarter highlights¹



Pro forma net revenue up 10.1% to \$199.3 million

Pro forma adjusted EBITDA up 7.6% to \$83.1 million

Pro forma adjusted fully distributed net income up 5.0% to \$44.0 million

Supply Chain pro forma revenue up 9.9%, pro forma adjusted EBITDA up 4.2%

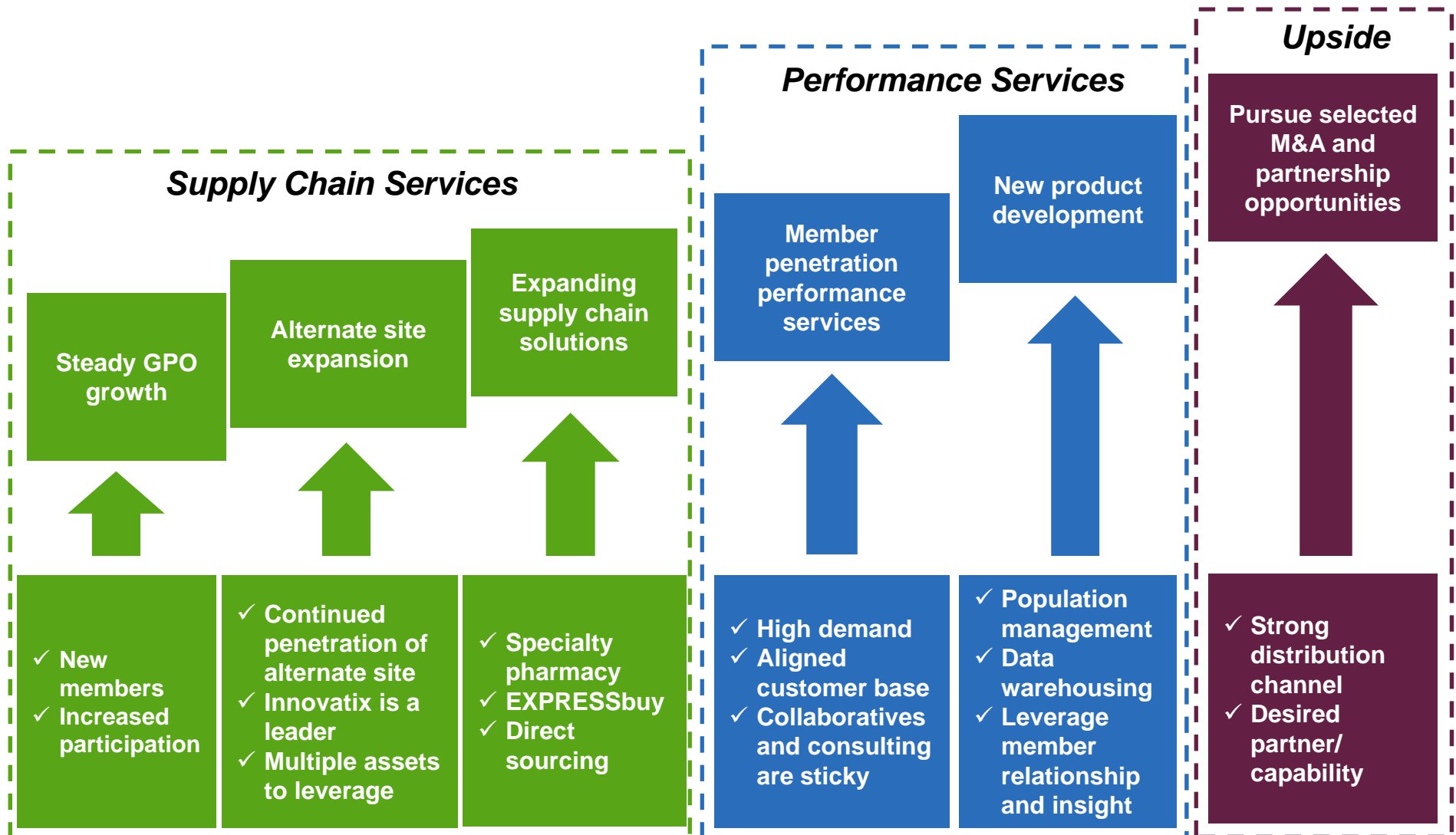
Performance Services revenue up 10.4% and adjusted EBITDA up 36.1%

Completed IPO October 1, 2013, generating net proceeds of \$821.7 million

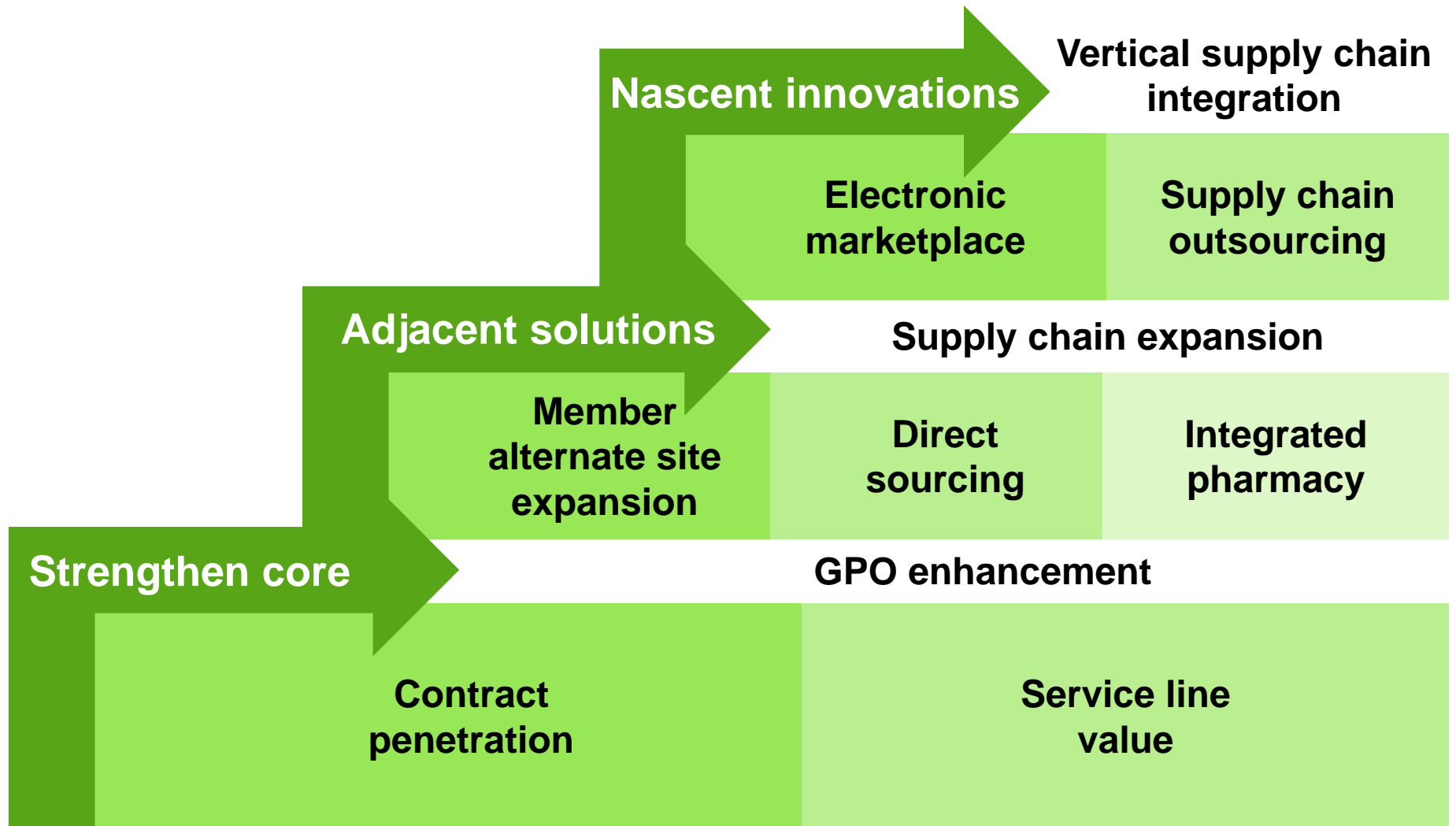
(1) See Adjusted EBITDA, Segment Adjusted EBITDA and Adjusted Fully Distributed Net Income reconciliations to GAAP equivalents in Appendix; pro forma reflects the impact of the company's reorganization and initial public offering



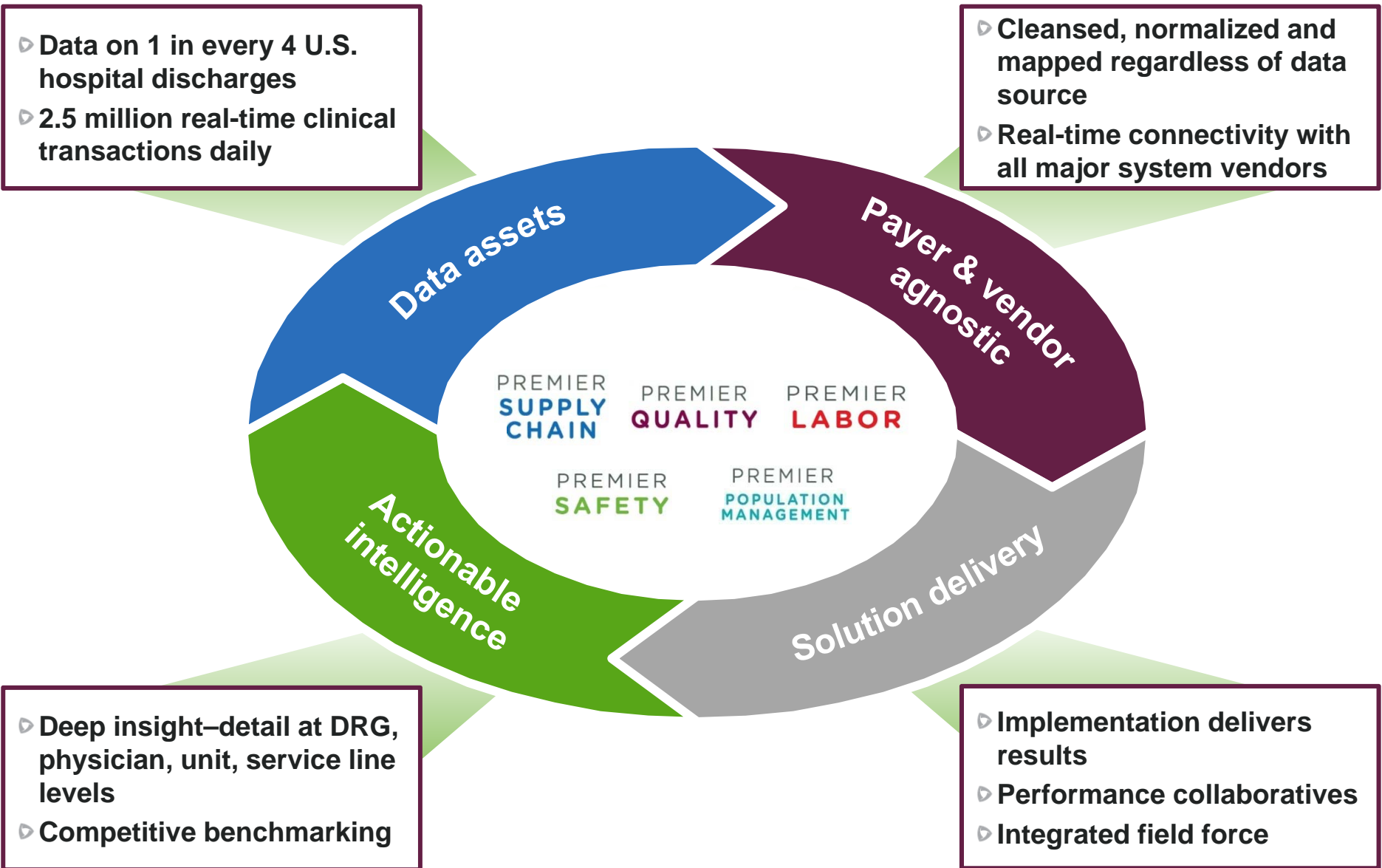
Multiple levers drive long-term sustainable growth targets



Multi-pronged approach to growing supply chain



▶ Performance Services opportunities



Performance Services growth opportunities

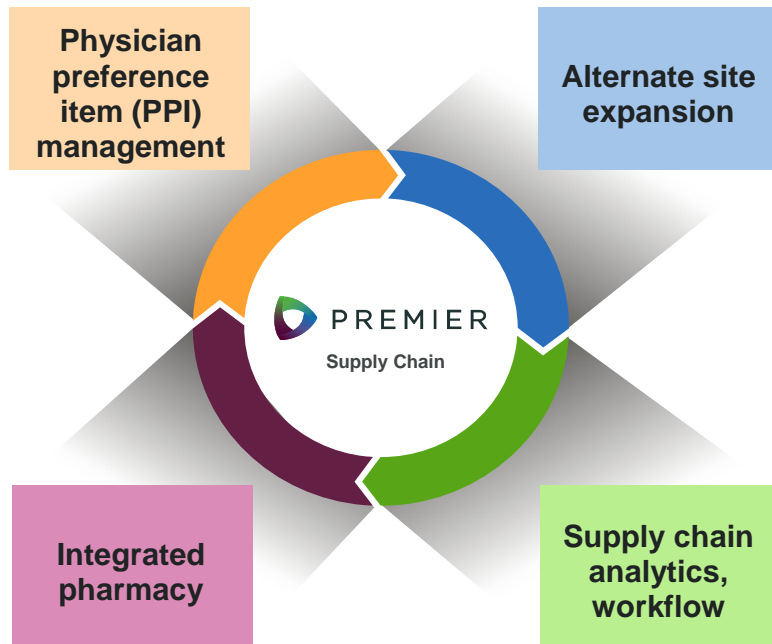


- Recent Acquisition =  **SYMMEDRx**[™]
HEALTHCARE SOLUTIONS
- Recent Initiative = Medicare Break Even

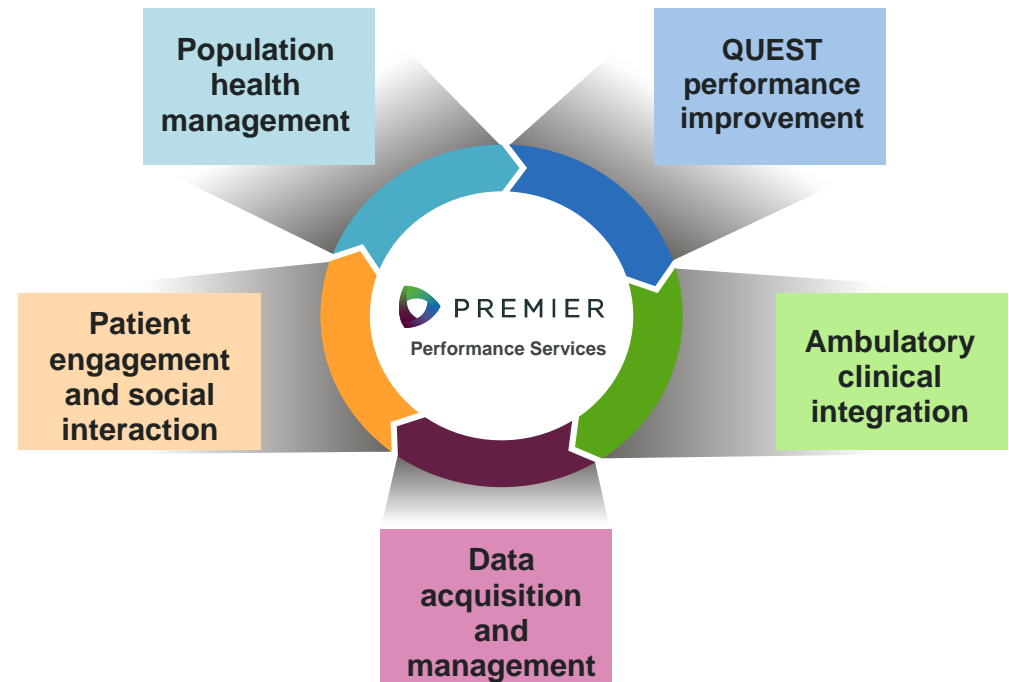


▶ Attractive opportunities for capital deployment

Supply Chain Services



Performance Services



Diverse and growing end markets to accelerate Premier's growth



Financial review



Craig McKasson
Chief Financial Officer



Restructuring member relationship in conjunction with equity offering

Restructuring

- ▶ Premier previously was 100% owned by its member owners
- ▶ C-Corp (PubCo) is formed with two classes of stock
 - Class A shares sold to the public - 22.3%
 - Class B shares allocated to LP members – 77.7%
- ▶ Following reorganization, newly created C-Corp becomes parent company

Impact of IPO

- ▶ Class B units vest 1/7th per year, over seven-year period
- ▶ Exchange of Class B common shares/B-units for A-shares (on a 1-for-1 basis) as B-units vest subject to right of first refusal by member owners and Premier

Adjusted fully distributed net income

- ▶ Given our Up-C structure and differences between taxes paid by our Class A unit holder (Premier, Inc. through Premier Services, LLC) vs. distributions to our Class B unit holders (members owners), we calculate adjusted fully distributed net income¹ for comparability purposes
- ▶ Reflects taxes and net income as if the Company was a C-Corp for all periods presented

Share count

- ▶ Class A shares used to calculate basic EPS
- ▶ Class A and Class B shares used to calculate adjusted fully distributed EPS

¹ See Adjusted Fully Distributed Net Income reconciliation to GAAP equivalent in Appendix



First-quarter economic impact of restructure

(Unaudited; in thousands except per share data)	Three Months Ended September 30,			
	2013	2012	2013	2012
	<i>PHSI</i>		<i>Pro forma - Premier, Inc</i>	
Net revenue:				
Net administrative fees	\$ 143,576	\$ 117,489	\$ 102,313	\$ 100,032 (a)
Other services and support	53,252	48,147	53,252	48,147
Services	196,828	165,636	155,565	148,179
Products	43,748	32,930	43,748	32,930
	240,576	198,566	199,313	181,109
Cost of revenue:				
Services	27,488	24,080	27,488	24,080
Products	40,038	30,152	40,038	30,152
	67,526	54,232	67,526	54,232
Gross profit	173,050	144,334	131,787	126,877
Operating expenses:				
Selling, general and administrative	62,318	55,732	62,643	55,732 (b)
Research and development	852	3,638	852	3,638
Amortization of purchased intangible assets	601	385	601	385
	63,771	59,755	64,096	59,755
Operating income	109,279	84,579	67,691	67,122
Equity in net income of unconsolidated affiliates	4,114	2,781	4,114	2,781
Interest and investment income, net	220	224	220	224
Gain on disposal of assets	4	—	4	—
Other income, net	4,338	3,005	4,338	3,005
Income before income taxes	113,617	87,584	72,029	70,127
Income tax expense	891	2,517	6,761	8,144 (b)(c)
Net income	112,726	85,067	65,268	61,983
Add: Net loss attributable to noncontrolling interest in S2S Global	210	305	210	305
Less: Net income attributable to noncontrolling interest in Premier LP	(113,214)	(83,116)	(51,030)	(48,398) (d)
Net income attributable to noncontrolling interest	(113,004)	(82,811)	(50,820)	(48,093)
Net (loss) income attributable to PHSI/Premier, Inc. shareholders	\$ (278)	\$ 2,256	\$ 14,448	\$ 13,890

(a) - Reflects the payment of revenue share to each member owner equal to 30% of all gross administrative fees collected, resulting in a decrease in net administrative fees revenue of \$41.3 million and \$17.5 million, respectively.

(b) - Reflects stock compensation expense of \$325 with an associated income tax benefit of \$127.

(c) - Reflects income taxes on additional allocable share of taxable income at an estimated effective income tax rate of 39%, resulting in additional income taxes of \$6.0 million and \$5.6 million, respectively.

(d) - Reflects a reduction in the noncontrolling interest attributable to the limited partners from 99% to approximately 78%, and the impact of adjustments (a) and (b), resulting in a decrease in noncontrolling interests of \$62.2 million and \$34.7 million, respectively.



First-quarter economic impact of restructure

(Unaudited, in thousands)	Three Months Ended September 30,	
	2013	2012
	<i>Pro forma - Premier, Inc.</i>	
Pro Forma Adjusted Fully Distributed Net Income:		
Net income attributable to Premier, Inc. shareholders	\$ 14,448	\$ 13,890
Income tax expense	6,761	8,144
Stock-based compensation	325	—
Acquisition related expenses	142	—
Strategic and financial restructuring expenses	1,842	554
Net income attributable to noncontrolling interest in Premier LP	51,030	48,398
Pro forma adjusted fully distributed income before income taxes	74,548	70,986
Income tax expense on fully distributed income before income taxes	30,565	29,104
Pro forma adjusted fully distributed net income	\$ 43,983	\$ 41,882
Weighted average fully distributed shares outstanding:		
Basic	144,983	144,983
Diluted	145,009	144,983
Non-GAAP earnings per share on pro forma adjusted fully distributed net income:		
Basic	\$ 0.30	\$ 0.29
Diluted	\$ 0.30	\$ 0.29



First-quarter pro forma net revenue and adjusted EBITDA

(in thousands)	Three Months Ended September 30,	
	2013	2012
	<i>Pro forma - Premier, Inc.</i>	
Net Revenue:		
Supply Chain Services:		
Net administrative fees	\$ 102,313	\$ 100,032
Other services and support	134	39
Services	102,447	100,071
Products	43,748	32,930
Total Supply Chain Services	146,195	133,001
Performance Services:		
Services	53,118	48,108
Total	\$ 199,313	\$ 181,109
Adjusted EBITDA:		
Supply Chain Services	\$ 84,217	\$ 80,810
Performance Services	16,329	12,000
Total segment Adjusted EBITDA	100,546	92,810
Corporate	(17,475)	(15,578)
Total	\$ 83,071	\$ 77,232



Fiscal 2014 guidance

Premier introduces Fiscal 2014 guidance as follows:

<u>(in millions, except per share data)</u>	<u>FY 2014</u>
Pro Forma Net Revenue:	
Supply Chain Services segment	\$614.0 - \$631.0
Performance Services segment	<u>231.0 - 238.0</u>
Total Pro Forma Net Revenue	845.0 - 869.0
Non-GAAP pro forma adjusted EBITDA	\$335.0 - \$355.0
Non-GAAP pro forma adjusted fully distributed EPS	\$1.20 - \$1.29

The statements in this “Fiscal 2014 guidance” discussion are “forward-looking statements.” For additional information regarding the use and limitations of such statements, see “Forward-looking statements and Non-GAAP financial measures” above.

See Adjusted EBITDA and Adjusted Fully Distributed Net Income reconciliations to GAAP equivalents in Appendix



Summary and questions



Susan DeVore
President and CEO



Michael Alkire
Chief Operating Officer



Craig McKasson
Chief Financial Officer



Appendix

Reconciliation of Adjusted EBITDA to Net Income and Operating Income:

(Unaudited, in thousands)	Three Months Ended September 30,			
	2013	2012	2013	2012
	<i>PHSI</i>		<i>Pro forma - Premier, Inc.</i>	
Net income	\$ 112,726	\$ 85,067	\$ 65,268	\$ 61,983
Interest and investment income, net	(220)	(224)	(220)	(224)
Income tax expense	891	2,517	6,761	8,144
Depreciation and amortization	8,356	6,390	8,356	6,390
Amortization of purchased intangible assets	601	385	601	385
EBITDA	122,354	94,135	80,766	76,678
Stock-based compensation	—	—	325	—
Acquisition related expenses	142	—	142	—
Strategic and financial restructuring expenses	1,842	554	1,842	554
Gain on disposal of assets	(4)	—	(4)	—
Adjusted EBITDA	\$ 124,334	\$ 94,689	\$ 83,071	\$ 77,232
Adjusted EBITDA	\$ 124,334	\$ 94,689	\$ 83,071	\$ 77,232
Depreciation and amortization	(8,356)	(6,390)	(8,356)	(6,390)
Amortization of purchased intangible assets	(601)	(385)	(601)	(385)
Stock-based compensation	—	—	(325)	—
Acquisition related expenses	(142)	—	(142)	—
Strategic and financial restructuring expenses	(1,842)	(554)	(1,842)	(554)
Equity in net income of unconsolidated affiliates	(4,114)	(2,781)	(4,114)	(2,781)
	109,279	84,579	67,691	67,122
Stock-based compensation in Premier, Inc.	—	—	325	—
Pro forma adjustment for revenue share post-IPO	—	—	41,263	17,457
Operating income	\$ 109,279	\$ 84,579	\$ 109,279	\$ 84,579





Appendix

Reconciliation of Non-GAAP Pro Forma Adjusted Fully Distributed Net Income:

(Unaudited, in thousands)	Three Months Ended September 30,	
	2013	2012
	<i>Pro forma - Premier, Inc.</i>	
Pro Forma Adjusted Fully Distributed Net Income:		
Net income attributable to Premier, Inc. shareholders	\$ 14,448	\$ 13,890
Income tax expense	6,761	8,144
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Weighted average fully distributed shares outstanding:		
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Thank you

