



# **First Quarter Fiscal 2015 Financial Results and Update**

**November 10, 2014**



# Forward-looking statements and Non-GAAP financial measures

**Forward-looking statements**—Certain statements made during this conference call and included in this presentation, including, but not limited to, those related to our financial and business outlook, strategy and growth drivers, acquisition activities and pipeline, revenue available under contract, and financial guidance and related assumptions, 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 and available on Premier’s website, including Premier’s most recent Form 10-K for the year ended June 30, 2014. 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 an Exhibit to our Form 8-K filed with the SEC in connection with our earnings call, as well as our Form 10-Q for the quarter ended September 30, 2014 to be filed shortly hereafter, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with these supplemental slides.





# Overview and Business Update

Susan DeVore, President & CEO

# First-quarter highlights<sup>1</sup>



**Strong start to fiscal 2015; affirming full-year guidance**

**Net revenue up 15% from prior year, driven by double-digit growth in both business segments**

**SCS revenue exceeded and PS revenue in line with company expectations**

**Adjusted EBITDA rose 9% from prior year**

**Adjusted fully distributed net income per diluted share of \$0.33, increased 6% from prior year**

**Acquired assets providing value and growth**

(1) Comparisons are with year-ago pro forma information that reflects the impact of the company's reorganization and initial public offering. See Adjusted EBITDA, Segment Adjusted EBITDA and Adjusted Fully Distributed Net Income reconciliations to GAAP equivalents in Appendix.



# ▶ Supply Chain Services revenue growth drivers

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- ▶ **Solid GPO net administrative fees revenue growth, up 4.1% year-over-year on a pro forma basis**
- ▶ **Products revenue up 45% year-over year**

# ▶ Performance Services revenue growth drivers

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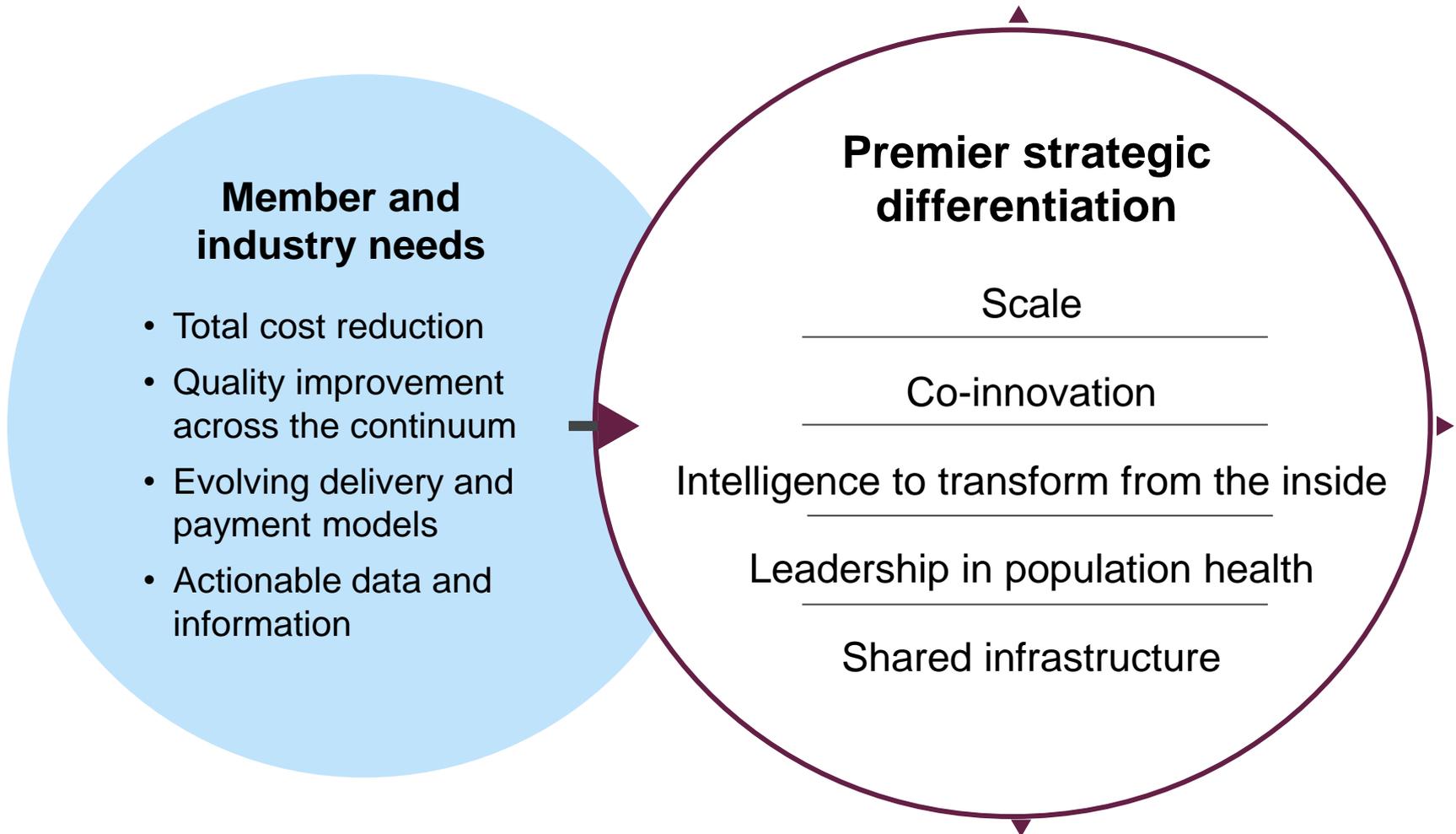


▶ **11% revenue growth consistent with first-quarter expectations, driven by:**

- SaaS-based subscription growth, particularly from PremierConnect<sup>®</sup> Enterprise and Population Health Management
- Advisory services and performance improvement collaborative growth
- One month of revenue from TheraDoc and Aperek acquisitions



# Unique business model addresses industry challenges



**Helping health systems manage challenges, optimize the transition, and build for the future....**

**...all at the same time**



# Delivering practical insights to facilitate and inform future healthcare decision making



- ▶ **Premier and CDC research reveals potential safety and cost implications of unnecessary and duplicative antibiotic use in hospitals**
- ▶ **Premier and eHealth Initiative survey shows threat to ACOs from poor interoperability across technology systems**
- ▶ **Premier blood utilization analysis reveals significant cost and quality improvement opportunities for hospitals**
- ▶ **Premier establishes Ebola rapid response center**

# Population health management initiatives

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*Major Catholic integrated delivery network*

*Florida Medicare Shared Savings program*

*Large midwest health system*

- ▶ **Building and piloting the first perioperative surgical home collaborative with 43 hospitals across the country**
- ▶ **Co-developing a system-wide population health collaborative, including up to 20 Medicare Shared Savings Program sites**
- ▶ **Building a care management platform to manage high-risk patients**
- ▶ **Constructing new models to create greater physician alignment**





## **Operations Update**

Michael Alkire, Chief Operating Officer

# Integrated solutions to complex challenges

## SUPPLY CHAIN SERVICES

Change the game in supply chain, uncover unmatched savings and value, and lead the disruption in this industry

- ▶ Group purchasing, serving both acute and alternate site
  - Physician preference
  - Capital equipment
- ▶ Direct sourcing
- ▶ Specialty pharmacy
- ▶ Real-time demand aggregation and purchasing

## PERFORMANCE SERVICES

Become the data analytics “backbone” with wrap-around services for cost and quality improvement over the short-term, and for population health management over the long-term

- ▶ SaaS-based analytic products in cost, quality, safety & population health
- ▶ Enterprise data analytics platform
- ▶ Collaboratives
- ▶ Advisory services

Unified sales/field



PREMIER CONNECT® PLATFORM



# Select first-quarter healthcare system new business

Scottsdale Lincoln Health Network

- GPO
- PremierConnect Quality, Operations & Supply Chain
- Provider of Choice
- QUEST & PACT collaboratives

 Lahey Health

- GPO
- Yankee Alliance Supply Chain Solutions
- PremierConnect Quality & Supply Chain

 AGNESIAN<sup>®</sup>  
HEALTHCARE

- GPO
- PremierConnect
- ASCEND collaborative



# Strategic acquisition integration

## Strategic Need

## Company

## Details and Progress

Clinical & Physician Preference Solution



Physician preference contract management and data services

- Closed July 2013
- 14 new customers signed in fiscal first quarter
- 72 current customers representing 284% growth over 14 months
- Product continues to deliver double digit cost savings

Data Management



Data acquisition and integration as-a-service

- Closed October 2013
- Delivering revenue and decreasing operating expenses while improving integration capabilities across all products
- Instrumental to implementation of real-time analytics for PremierConnect Quality

Expanded Cost Reduction



Capital equipment planning, sourcing, analytics

- Closed April 2014
- Added 11 engagements since acquisition , including 3 in FYQ1
- Member savings from 10%-18% off of best member negotiated price

Supply Chain Technology Enablement



Supply chain workflow and analytics

- Closed August 2014
- Key asset in current recruiting efforts
- Full retention of customers
- Key asset for evolution of Supply Chain model

Total Quality Management



Clinical surveillance software

- Closed September 2014
- Significant impact to market share with ~600 installs, ~400 new customers
- Penetration of academic health system market
- Instrumental in planned migration to next-generation safety surveillance solution
- Full retention of existing accounts and achieving additional sales since acquisition



# Expanding and deploying Premier capabilities

## PremierConnect® Enterprise & Data Alliance Collaborative



Leading developer of cloud-based predictive analytics platform

### Innovation in ambulatory data integration

- ▶ Data integration project with major health system underway, using Meddius technology
- ▶ PremierConnect integrating ambulatory data across diverse EMR systems
- ▶ Health system will have actionable data across both acute care locations and network clinics





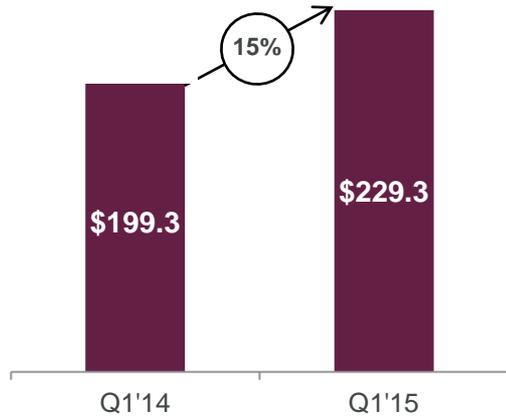
## **Financial Review**

Craig McKasson, Chief Financial Officer

# First-quarter consolidated and segment highlights<sup>1</sup>

## Consolidated

Net revenue (millions)



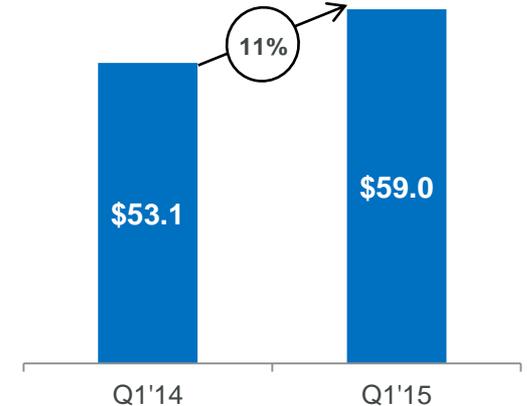
## Supply Chain Services

Net revenue (millions)

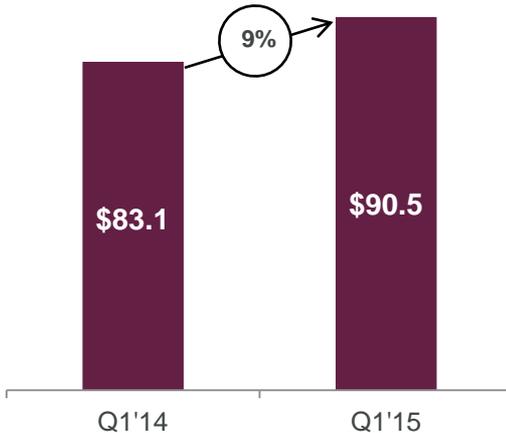


## Performance Services

Net revenue (millions)



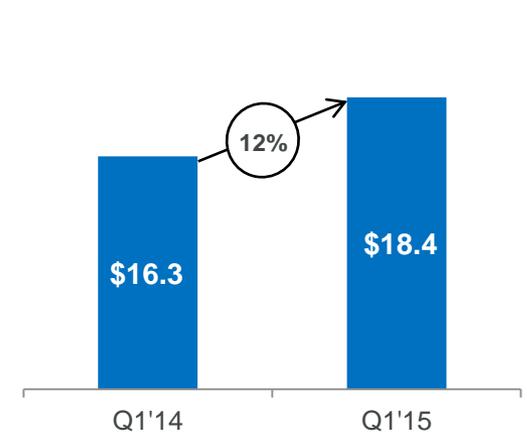
## Adjusted EBITDA (millions)



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## Adjusted EBITDA (millions)



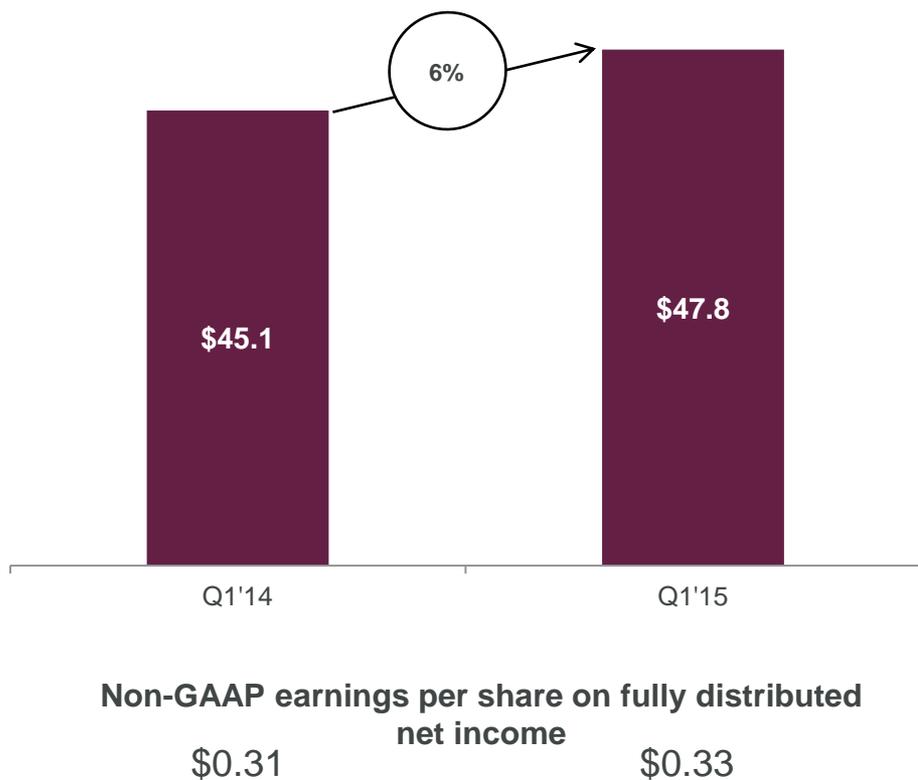
(1) See Adjusted EBITDA and Segment Adjusted EBITDA reconciliations to GAAP equivalents in Appendix; financial information for the fiscal 2014 first quarter is pro forma and has been adjusted to reflect the impact of the company's reorganization and IPO.





# First-quarter non-GAAP adjusted fully distributed net income<sup>1</sup>

(in millions, except per share data)



- Calculates income taxes at 40% on pre-tax income, assuming taxable C corporate structure
- Calculates adjusted fully distributed earnings per share, assuming total Class A and B common shares held by public

(1) See non-GAAP adjusted fully distributed net income and non-GAAP earnings per share on fully distributed net income reconciliations to GAAP equivalents in Appendix; financial information for the fiscal 2014 first quarter is pro forma and has been adjusted to reflect the impact of the company's reorganization and IPO.



# Cash flow and capital structure at September 30, 2014

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- ▶ **Cash flow from operations of \$45.9 million**
- ▶ **Cash, cash equivalents and marketable securities of \$398.2 million**
- ▶ **No outstanding borrowings on \$750 million five-year unsecured revolving credit facility**

# Fiscal 2015 annual guidance<sup>1</sup>

Premier, Inc. affirms full-year fiscal 2015 financial guidance:

*(in millions, except per share data)*

|  | <b>FY 2015</b>         | <b>Pro Forma<br/>YoY Change</b> |
|--|------------------------|---------------------------------|
| <b>Net Revenue:</b>                                |                        |                                 |
| <b>Supply Chain Services segment</b>               | <b>\$688 - \$707</b>   | <b>8% - 11%</b>                 |
| <b>Performance Services segment</b>                | <b>\$281 - \$288</b>   | <b>21% - 24%</b>                |
| <b>Total Net Revenue</b>                           | <b>\$969 - \$995</b>   | <b>11% - 14%</b>                |
| <br>   |                        |                                 |
| <b>Non-GAAP adjusted EBITDA</b>                    | <b>\$379 - \$390</b>   | <b>8% - 11%</b>                 |
| <br>   |                        |                                 |
| <b>Non-GAAP adjusted fully<br/>distributed EPS</b> | <b>\$1.39 - \$1.44</b> | <b>7% - 11%</b>                 |

(1) As of fiscal 2015 first-quarter conference call, 11/10/2014. Guidance measures are “forward-looking statements.” For information regarding the use and limitations of non-GAAP financial measures and forward-looking statements, see “Forward-looking statements and Non-GAAP financial measures” at the front of this presentation. Guidance is based on comparisons with prior-year non-GAAP pro forma results, which have been adjusted to reflect the impact of the company’s reorganization and IPO.





▶ **Supply Chain Services growth driven by:**

- Low to mid-single-digit growth in net administrative fee revenue
- Continuation of high GPO retention rates
- 15% - 20% product revenue growth

▶ **Performance Services growth driven by:**

- Demand for integrated offerings of SaaS-based products, advisory services and collaboratives
- Continuation of high SaaS institutional renewal rates
- TheraDoc and Aperek full revenue contributions in second, third and fourth quarters



- ▶ **Approximately 4.7 million Class B shares exchanged for Class A shares on 1-for-1 basis on Oct. 31, 2014**
  - ~16 million shares eligible for exchange
  - Outcome provides additional liquidity and float for public markets
- ▶ **Premier will conduct underwritten company directed offering**
  - Approximately 3.8 million shares in the offering
  - Approximately 900,000 exchanged shares not participating in the offering and cannot be sold until 60 days following the completion of the offering



**Questions**



**Thank you**

Contact Investor Relations

Jim Storey

Vice President, Investor Relations

[jim\\_storey@premierinc.com](mailto:jim_storey@premierinc.com)



 PREMIER | **Appendix**

# Premier, Inc. supplemental financial information

## Supplemental Financial Information - Reporting of Non-GAAP Pro Forma Adjusted EBITDA and Non-GAAP Adjusted Fully Distributed Net Income Reconciliation of Selected Non-GAAP Measures to GAAP Measures

|   | Three Months Ended<br>September 30, |                   |
|---|-------------------------------------|-------------------|
|   | 2014*                               | 2013              |
| <i>(Unaudited, in thousands)</i>  |                                     |                   |
| <b>Reconciliation of Non-GAAP Pro Forma Net Revenue to Net Revenue:</b>   |                                     |                   |
| Non-GAAP Pro Forma Net Revenue  | \$ 229,308                          | \$ 199,313        |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | —                                   | 41,263            |
| <b>Net Revenue</b>  | <b>\$ 229,308</b>                   | <b>\$ 240,576</b> |
| <b>Reconciliation of Net Income to Adjusted EBITDA and Reconciliation of Segment Adjusted EBITDA to Income Before Income Taxes:</b> |                                     |                   |
| <b>Net income</b>   | <b>\$ 64,887</b>                    | <b>\$ 112,528</b> |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | —                                   | (41,263)          |
| Interest and investment income, net   | (191)                               | (220)             |
| Income tax expense  | 5,811                               | 764               |
| Depreciation and amortization   | 10,308                              | 8,356             |
| Amortization of purchased intangible assets   | 903                                 | 601               |
| <b>EBITDA</b>   | <b>81,718</b>                       | <b>80,766</b>     |
| Stock-based compensation  | 6,439                               | 325               |
| Acquisition related expenses  | 1,278                               | 142               |
| Strategic and financial restructuring expenses  | 96                                  | 1,842             |
| Adjustment to tax receivable agreement liability  | (1,073)                             | —                 |
| Acquisition related adjustment - deferred revenue   | 2,065                               | —                 |
| Other (income) expense, net   | (5)                                 | (4)               |
| <b>Adjusted EBITDA</b>  | <b>\$ 90,518</b>                    | <b>\$ 83,071</b>  |
| <b>Segment Adjusted EBITDA:</b>   |                                     |                   |
| Supply Chain Services   | \$ 91,268                           | \$ 125,480        |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | —                                   | (41,263)          |
| Supply Chain Services (including non-GAAP pro forma adjustment)   | \$ 91,268                           | \$ 84,217         |
| Performance Services  | 18,362                              | 16,329            |
| Corporate   | (19,112)                            | (17,475)          |
| <b>Adjusted EBITDA</b>  | <b>\$ 90,518</b>                    | <b>\$ 83,071</b>  |
| Depreciation and amortization   | (10,308)                            | (8,356)           |
| Amortization of purchased intangible assets   | (903)                               | (601)             |
| Stock-based compensation  | (6,439)                             | (325)             |
| Acquisition related expenses  | (1,278)                             | (142)             |
| Strategic and financial restructuring expenses  | (96)                                | (1,842)           |
| Adjustment to tax receivable agreement liability  | 1,073                               | —                 |
| Acquisition related adjustment - deferred revenue   | (2,065)                             | —                 |
| Equity in net income of unconsolidated affiliates   | (4,866)                             | (4,114)           |
| Deferred compensation plan expense  | 509                                 | —                 |
|   | 66,145                              | 67,691            |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | —                                   | 41,263            |
| <b>Operating income</b>   | <b>\$ 66,145</b>                    | <b>\$ 108,954</b> |
| Equity in net income of unconsolidated affiliates   | 4,866                               | 4,114             |
| Interest and investment income, net   | 191                                 | 220               |
| Other (expense) income, net   | (504)                               | 4                 |
| <b>Income before income taxes</b>   | <b>\$ 70,698</b>                    | <b>\$ 113,292</b> |

\* Note that no pro forma adjustments were made for the three months ended September 30, 2014; as such, actual results are presented for the three months ended September 30, 2014.



# Premier, Inc. supplemental financial information

## Supplemental Financial Information - Reporting of Non-GAAP Pro Forma Adjusted EBITDA and Non-GAAP Adjusted Fully Distributed Net Income Reconciliation of Selected Non-GAAP Measures to GAAP Measures

(Unaudited, in thousands)

|  | Three Months Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|
|  | 2014*                               | 2013             |
| <b>Reconciliation of Non-GAAP Pro Forma Adjusted Fully Distributed Net Income:</b> |                                     |                  |
| <b>Net income (loss) attributable to shareholders</b>                              | \$ 9,273                            | \$ (476)         |
| Non-GAAP pro forma adjustment for revenue share post-IPO                           | —                                   | (41,263)         |
| Income tax expense   | 5,811                               | 764              |
| Stock-based compensation   | 6,439                               | 325              |
| Acquisition related expenses   | 1,278                               | 142              |
| Strategic and financial restructuring expenses                                     | 96                                  | 1,842            |
| Adjustment to tax receivable agreement liability                                   | (1,073)                             | —                |
| Acquisition related adjustment - deferred revenue                                  | 2,065                               | —                |
| Amortization of purchased intangible assets  | 903                                 | 601              |
| Net income attributable to noncontrolling interest in Premier LP                   | 54,816                              | 113,214          |
| Non-GAAP pro forma adjusted fully distributed income before income taxes           | 79,608                              | 75,149           |
| Income tax expense on fully distributed income before income taxes                 | 31,843                              | 30,060           |
| <b>Non-GAAP Pro Forma Adjusted Fully Distributed Net Income</b>                    | <b>\$ 47,765</b>                    | <b>\$ 45,089</b> |

\* Note that no pro forma adjustments were made for the three months ended September 30, 2014; as such, actual results are presented for the three months ended September 30, 2014.



# Premier, Inc. supplemental financial information

## Supplemental Financial Information - Reporting of Net Income and Earnings Per Share Reconciliation of Selected Non-GAAP Measures to GAAP Measures

|   | Three Months Ended |                  |
|---|--------------------|------------------|
|   | September 30,      |                  |
|   | 2014*              | 2013             |
| <i>(Unaudited, in thousands, except per share data)</i>   |                    |                  |
| <b>Reconciliation of numerator for GAAP EPS to Non-GAAP EPS on Adjusted Fully Distributed Net Income</b>            |                    |                  |
| Net loss attributable to shareholders after adjustment of redeemable limited partners' capital to redemption amount | \$ (373,384)       | \$ (476)         |
| Adjustment of redeemable limited partners' capital to redemption amount   | 382,657            | —                |
| Net income (loss) attributable to shareholders  | 9,273              | (476)            |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | —                  | (41,263)         |
| Income tax expense  | 5,811              | 764              |
| Stock-based compensation  | 6,439              | 325              |
| Acquisition related expenses  | 1,278              | 142              |
| Strategic and financial restructuring expenses  | 96                 | 1,842            |
| Adjustment to tax receivable agreement liability  | (1,073)            | —                |
| Acquisition related adjustment - deferred revenue   | 2,065              | —                |
| Amortization of purchased intangible assets   | 903                | 601              |
| Net income attributable to noncontrolling interest in Premier LP  | 54,816             | 113,214          |
| Non-GAAP pro forma adjusted fully distributed income before income taxes  | 79,608             | 75,149           |
| Income tax expense on fully distributed income before income taxes  | 31,843             | 30,060           |
| <b>Non-GAAP pro forma adjusted fully distributed net income</b>   | <b>\$ 47,765</b>   | <b>\$ 45,089</b> |
| <b>Reconciliation of denominator for GAAP EPS to Non-GAAP Adjusted Fully Distributed Net Income</b>                 |                    |                  |
| Weighted Average:   |                    |                  |
| Common shares used for basic and diluted earnings per share   | 32,376             | 5,627            |
| Potentially dilutive shares   | 253                | 25               |
| Class A common shares outstanding   | -                  | 26,749           |
| Conversion of Class B common units  | 112,083            | 112,608          |
| <b>Weighted average fully distributed shares outstanding - diluted</b>  | <b>144,712</b>     | <b>145,009</b>   |
| <b>Reconciliation of GAAP EPS to Adjusted Fully Distributed EPS</b>   |                    |                  |
| GAAP loss per share   | \$ (11.53)         | \$ (0.08)        |
| Impact of adjustment of redeemable limited partners' capital to redemption amount                                   | \$ 11.82           | \$ -             |
| Impact of additions:  |                    |                  |
| Non-GAAP pro forma adjustment for revenue share post-IPO  | \$ -               | \$ (7.33)        |
| Income tax expense  | \$ 0.18            | \$ 0.14          |
| Stock-based compensation  | \$ 0.20            | \$ 0.06          |
| Acquisition related expenses  | \$ 0.04            | \$ 0.03          |
| Strategic and financial restructuring expenses  | \$ 0.00            | \$ 0.33          |
| Adjustment to tax receivable agreement liability  | \$ (0.03)          | \$ -             |
| Acquisition related adjustment - deferred revenue   | \$ 0.06            | \$ -             |
| Amortization of purchased intangible assets   | \$ 0.03            | \$ 0.11          |
| Net income attributable to noncontrolling interest in Premier LP  | \$ 1.69            | \$ 20.12         |
| Impact of corporation taxes   | \$ (0.98)          | \$ (5.34)        |
| Impact of increased share count   | \$ (1.15)          | \$ (7.70)        |
| <b>Non-GAAP earnings per share on adjusted fully distributed net income - diluted</b>                               | <b>\$ 0.33</b>     | <b>\$ 0.31</b>   |

\* Note that no pro forma adjustments were made for the three months ended September 30, 2014; as such, actual results are presented for the three months ended September 30, 2014.

