



Second-Quarter Fiscal 2018 Financial Results & Update

February 5, 2018



Forward-looking statements and non-GAAP financial measures

Forward-looking Statements – Certain statements included in this presentation that are not historical or current facts including, but not limited to, those related to our financial and business outlook, impact of evolving healthcare environment, strategy and growth drivers, utilization and patient volume trends, revenue visibility, anticipated member renewals of GPO participation agreements, cross and upsell opportunities, acquisition activities and pipeline, revenue available under contract, the financial impact of share repurchases, tax reform and cost savings efforts, and 2018 financial guidance and related assumptions are “forward-looking statements” within the meaning of the federal securities laws. 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. You should carefully read Premier’s periodic and current filings with the SEC for more information on potential risks and other factors that could affect Premier’s financial results. 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 this presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. You should carefully read Premier’s periodic and current filings with the SEC for definitions and further explanation and disclosure regarding our use of non-GAAP financial measures and such filings should be read in conjunction with this presentation.



Susan DeVore

**President and Chief Executive Officer
Premier, Inc.**

Overview and Business Update



Second-quarter fiscal 2018 financial highlights

Consolidated net revenue up 15% to \$411.4 million; After a one-time remeasurement of deferred tax balances, GAAP net income of \$19.8 million, GAAP EPS loss of \$1.66

**Supply Chain Services segment revenue up 19% to \$324.9 million
Performance Services segment revenue up 1% to \$86.5 million**

Non-GAAP adjusted EBITDA* up 9% to \$133.5 million

Non-GAAP adjusted fully distributed earnings per share* up 9% to \$0.50

**Cash flow from operations of \$206.5 million for six-month period
Non-GAAP free cash flow* of \$122.2 million for six-month period**

Raising fiscal full-year guidance for non-GAAP adjusted fully distributed earnings per share and reaffirming existing guidance ranges for other financial metrics

*See non-GAAP Adjusted EBITDA, non-GAAP Adjusted Fully Distributed Earnings Per Share and non-GAAP Free Cash Flow reconciliations to GAAP equivalents in Appendix.



Marketplace forces that are driving change

Volume to Value

Value dominates, even with regulatory shifts

- Insurers and therapeutic companies pushing more shared value-based contracts
- Real world efficacy of every single solution
- Double-sided risk assumption

Decentralization of Care

Decentralization of care delivery in systems

- Virtual care
- Remote patient monitoring
- Enhanced clinical data sharing
- Alternative care settings such as retail

Digitalization

Digital transformation is occurring at every node of healthcare

- Optimization of EMRs
- Growth of predictive analytics and machine learning
- Precision medicine
- Blockchain
- Workflow and consumer experience

Consumerism / Wellness

The consumer is demanding more from their healthcare

- Price transparency
- Always connected wellness
- Access and management of their health data

Vertical / Horizontal Integration

Stakeholders are consolidating to deliver better offerings

- Payer/provider
- Retail/provider
- Distributor/manufacturer
- Technology connectivity



Premier continues to evolve its strategy to address changing industry dynamics and provider needs

supply chain services

performance services

Analytics / Comparative Effectiveness / Resource Utilization
Comprehensive E-enablement
Strategic Sourcing / Predictive Aggregation
Fulfillment / Logistics Partner

Connectivity
Master Data Management
Change Management

Clinical and Cost Analytics
Performance Improvement Services
Population Health Management
Precision Medicine

Own Total Supply Chain Cost With Members

Own Total Cost and Clinical Performance with Members



Mike Alkire
Chief Operating Officer
Premier, Inc.

Operations Review



Premier continues to demonstrate value



New national committed buying program designed to provide significant cost savings to highly-committed members which are able to coordinate supply chain decisions and maintain standardization across their facilities.



Continuing to gain traction with our Academic Health System strategy and have initiated engagements with two additional academic health systems since last quarter.



Premier continues to demonstrate value



Medicare accountable care organizations supported by Premier's population health collaborative outperformed their peers by 57 percent in achieving shared savings during the most recent measurement periods.



Premier was named the best Strategy, Growth and Consolidation Consulting organization by KLAS for the second straight year, in the research firm's 2018 Best in KLAS, Software and Services report.



Providers working with Premier on bundled payment programs under CMS's Comprehensive Care for Joint Replacement Model performed 35% better than all other participating hospitals in achieving shared savings.



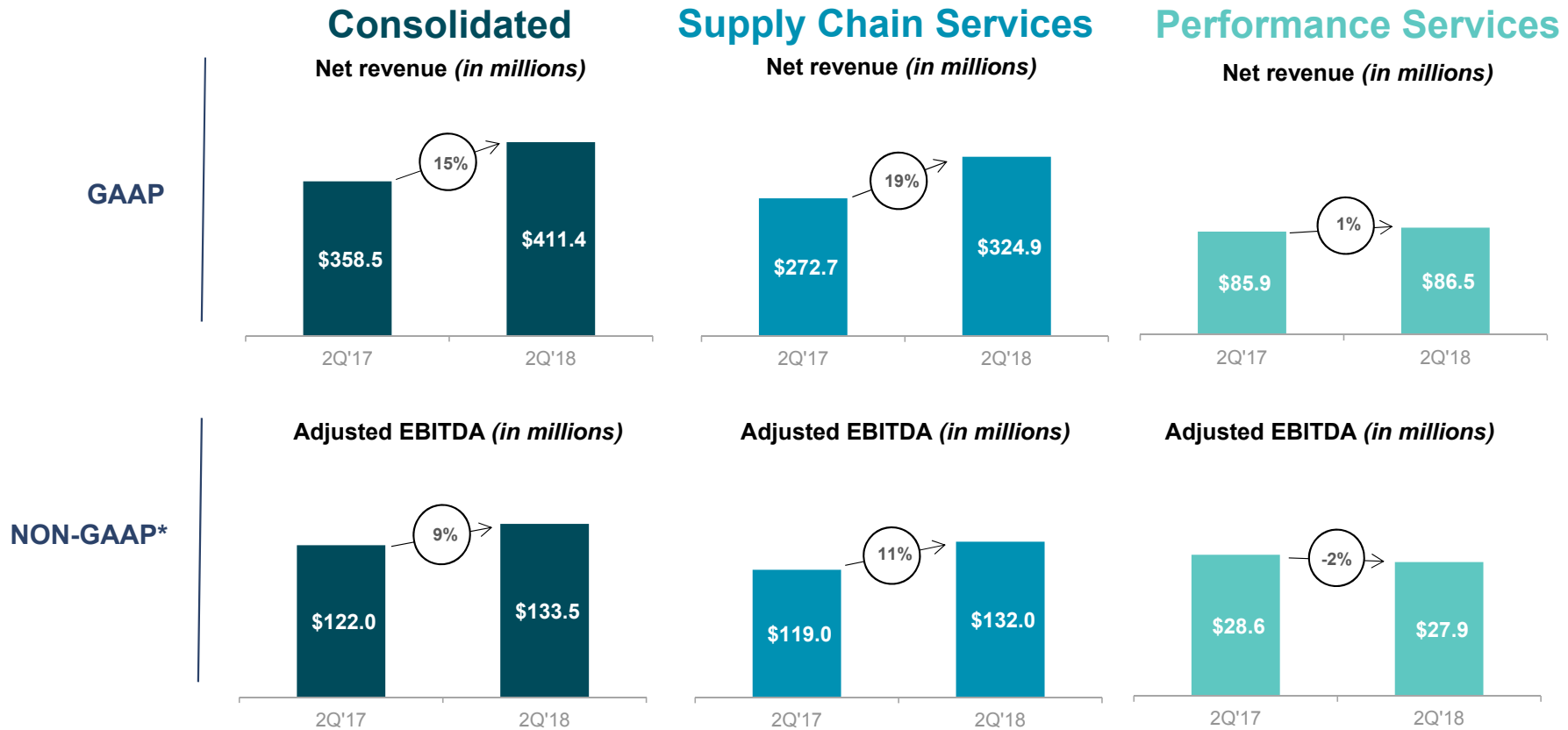
Craig McKasson

**Chief Financial Officer
Premier, Inc.**

Financial Review



Fiscal 2018 second-quarter consolidated and segment highlights



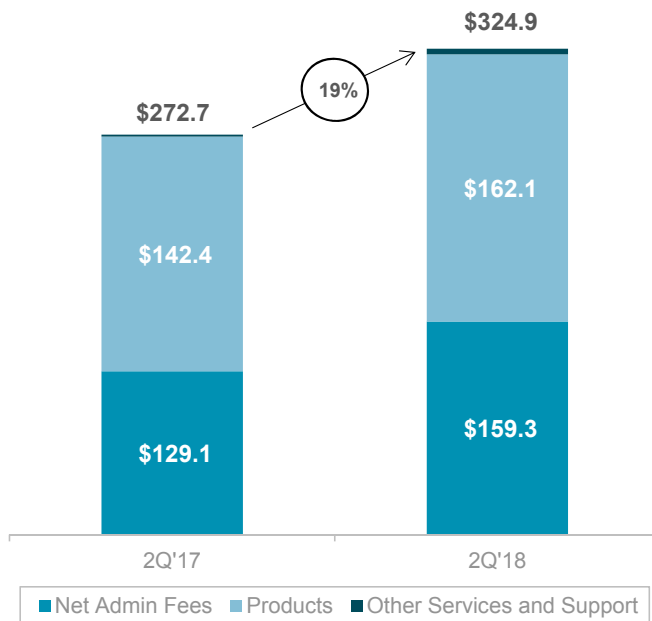
*See non-GAAP Adjusted EBITDA and non-GAAP Segment Adjusted EBITDA reconciliations to GAAP equivalents in Appendix.



Fiscal 2018 second-quarter Supply Chain Services revenue

Supply Chain Services

Net revenue (in millions)



Supply Chain Services revenue increased 19%

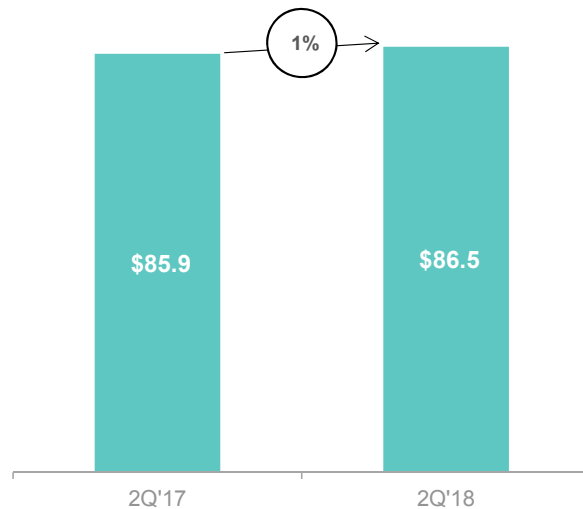
- » **Net administrative fees revenue increased 23%**
 - » Including contribution from Innovatix and Essensa
- » **Products revenue increased 14%**
 - » Double-digit growth in both direct sourcing and integrated pharmacy businesses



Fiscal 2018 second-quarter Performance Services revenue

Performance Services

Net revenue (in millions)

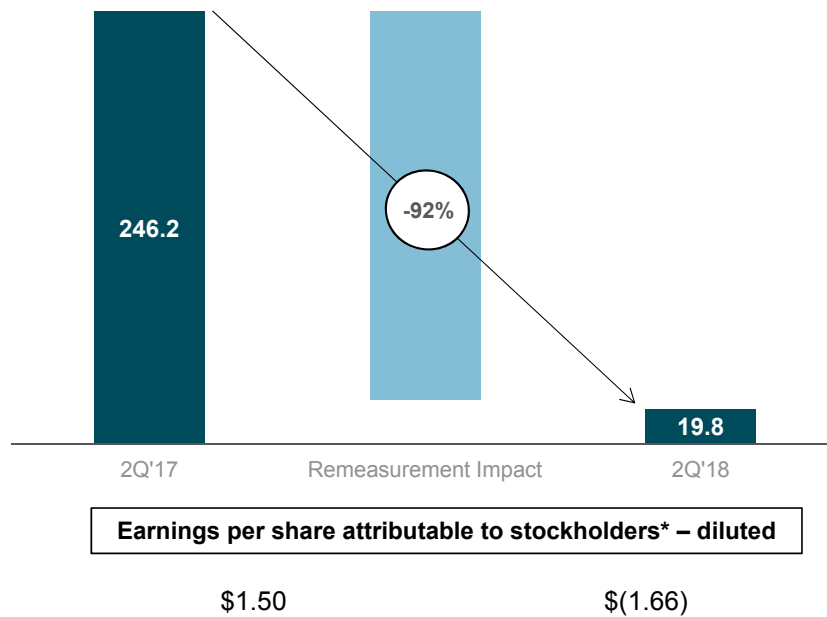


Performance Services revenue increased 1%

- » Growth in cost management technology solutions and ambulatory quality solutions



Fiscal 2018 second-quarter GAAP net income

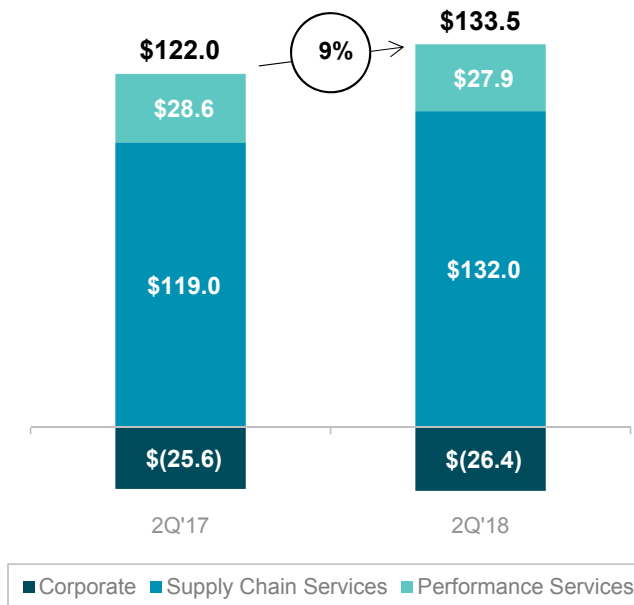


Due almost entirely to remeasurement of deferred tax balances as a result of tax reform, GAAP net income decreased 92%

*After required GAAP non-cash adjustments to reflect the change in redemption amount of limited partners' Class B common unit ownership at the end of each period



Fiscal 2018 second-quarter non-GAAP adjusted EBITDA*

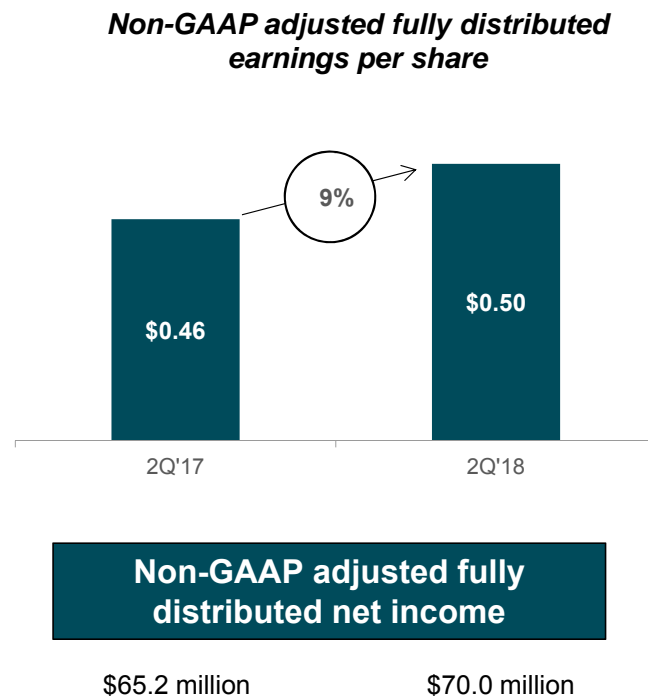


Consolidated non-GAAP adjusted EBITDA up 9%

* See non-GAAP Adjusted EBITDA and non-GAAP Segment Adjusted EBITDA reconciliations to GAAP equivalents in Appendix.



Fiscal 2018 second-quarter non-GAAP adjusted fully distributed net income and earnings per share*



- » Calculates income taxes at 39% of pre-tax income for second quarter (prior to tax reform), assuming taxable C corporate structure
- » Calculates adjusted fully distributed earnings per share, assuming all Class A and B common shares are held by the public

* See non-GAAP adjusted fully distributed net income and non-GAAP adjusted fully distributed earnings per share reconciliations to GAAP equivalents in Appendix



Cash flow and capital flexibility at December 31, 2017



- ▶ Cash flow from operations of \$206.5 million and non-GAAP free cash flow* of \$122.2 million for the six months ended December 31, 2017
- ▶ Cash and cash equivalents of \$163.0 million
- ▶ Outstanding borrowings of \$200.0 million on \$750.0 million five-year unsecured revolving credit facility

**CONSIDERABLE CASH AND
DEBT CAPACITY
AVAILABLE**

**AMPLE CAPITAL
FLEXIBILITY FOR FUTURE
ACQUISITIONS AND
STOCKHOLDER RETURN**

*See non-GAAP Free Cash Flow reconciliation to GAAP equivalent in Appendix.



Updated fiscal 2018 guidance ⁽¹⁾

Fiscal 2018 Financial Guidance (in millions, except per share data)	FY 2018	% YoY Increase
Net Revenue:		
Supply Chain Services segment	\$1,200.0 - \$1,266.0	9% - 15%
Performance Services segment	\$364.0 - \$382.0	3% - 8%
Total Net Revenue	\$1,564.0 - \$1,648.0	8% - 13%
Non-GAAP adjusted EBITDA	\$532.0 - \$557.0	6% - 11%
Non-GAAP adjusted fully distributed EPS	\$2.24 - \$2.37	19% - 25%

(1) For the year ending June 30, 2018. Updated February 5, 2018. See accompanying page for notes and assumptions to guidance.



Fiscal 2018 annual guidance footnotes and key assumptions (for year ending June 30, 2018)*

Guidance Footnotes:

The company does not meaningfully reconcile guidance for non-GAAP adjusted EBITDA and non-GAAP adjusted fully distributed earnings per share to net income attributable to stockholders or earnings per share attributable to stockholders because the company cannot provide guidance for more significant reconciling items between net income attributable to stockholders and adjusted EBITDA and between earnings per share attributable to stockholders and non-GAAP adjusted fully distributed earnings per share without unreasonable effort. This is due to two primary reasons:

- Reasonable guidance cannot be provided for reconciling the adjustment of redeemable limited partners' capital to redemption amount – historically the largest adjustment in the reconciliation from non-GAAP to GAAP amounts – due to the fact that the increase or decrease in this item is based on the change in the number of shares of Class B stock outstanding and change in stock price between quarters, which the company cannot predict, control or reasonably estimate.
- Reasonable guidance cannot be provided for earnings per share attributable to stockholders because the ongoing quarterly member-owner exchange of Class B common stock and corresponding Class B units into shares of Class A common stock impacts the number of shares of Class A common stock outstanding each quarter, which the company cannot predict, control or reasonably estimate. Member owners have the right, but not the obligation, to exchange shares on a quarterly basis, and the company has the discretion to settle any exchanged shares for Class A common stock, cash, or a combination thereof, neither of which can be predicted, controlled or reasonably estimated at this time.

Key Assumptions*:

Supply Chain Services assumptions:

- » Net administrative fee revenue growth of 13% to 17%
 - » Mid-single digit growth in legacy group purchasing business augmented by contributions from the Innovatix and Essensa businesses
- » Continued high GPO retention rates
- » 14-18% products revenue growth

Performance Services assumptions:

- » Continued demand for integrated offerings of SaaS-based subscription and licensed products, advisory services and collaboratives
- » Continued high SaaS institutional renewal rates

Other assumptions:

- » Estimated revenue available under contract of \$1.47 billion, which represents approximately 89% to 94% of our consolidated revenue guidance range
- » Non-GAAP free cash flow will approximate 40% or more of non-GAAP adjusted EBITDA; tax reform positive impact on fiscal 2018 non-GAAP free cash flow as percent of non-GAAP adjusted EBITDA expected to approximate 4%
- » Capital expenditures of approximately \$85 million to \$90 million, representing 5% to 6% of consolidated net revenue
- » Consolidated non-GAAP adjusted EBITDA margin in the range of 33% to 34%
- » Adjusted fully distributed net income and earnings per share calculations to reflect an effective tax rate of 39% in the first half of the fiscal year and an effective tax rate of 25% in the second half of the fiscal year as a result of the impact of the Tax Cuts and Jobs Act, resulting in a blended effective tax rate of 32% for fiscal 2018 on a full year basis
- » Tax reform is expected to positively impact fiscal 2018 non-GAAP adjusted fully distributed EPS by approximately \$0.23, while the share repurchase is expected to add \$0.03 to \$0.05

*As of February 5, 2018



Quarterly exchange update



- ▶ On January 31, 2018, approximately 1.0 million Class B units were exchanged for Class A common shares on 1-for-1 basis; equal number of Class B common shares retired.
- ▶ Next quarterly exchange will occur on April 30, 2018.

Questions

Appendix



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

Supplemental Financial Information
Reconciliation of Net Income to Adjusted EBITDA
Reconciliation of Operating Income to Segment Adjusted EBITDA
Reconciliation of Net Income Attributable to Stockholders to Non-GAAP Adjusted Fully Distributed Net Income
(Unaudited)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net income	\$ 19,769	\$ 246,184	\$ 80,385	\$ 304,279
Interest and investment loss, net	1,508	857	3,003	1,009
Income tax expense	231,508	37,429	244,272	60,765
Depreciation and amortization	17,310	14,198	33,817	28,216
Amortization of purchased intangible assets	13,817	11,151	27,715	20,360
EBITDA	283,912	309,819	389,192	414,629
Stock-based compensation	8,951	6,423	17,908	12,319
Acquisition related expenses	1,674	4,216	4,773	7,153
Remeasurement of tax receivable agreement liabilities	(177,174)	-	(177,174)	(5,722)
ERP implementation expenses	156	432	491	1,526
Acquisition related adjustment - revenue	87	5,813	192	5,964
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(204,833)	-	(204,833)
Loss on disposal of long-lived assets	400	-	1,720	1,518
Loss on FFF put and call rights	15,587	-	15,607	-
Other expense	(51)	139	4	228
Adjusted EBITDA	\$ 133,542	\$ 122,009	\$ 252,713	\$ 232,782



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

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(Unaudited)
(In thousands)

	Three Months Ended December		Six Months Ended	
	31,		December 31,	
	2017	2016	2017	2016
Income before income taxes	\$ 251,277	\$ 283,613	\$ 324,657	\$ 365,044
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(204,833)	-	(204,833)
Equity in net income of unconsolidated affiliates	(1,257)	(5,127)	(5,509)	(14,706)
Interest and investment loss, net	1,508	857	3,003	1,009
Loss on disposal of long-lived assets	400	-	1,720	1,518
Other income	13,356	131	11,893	(875)
Operating income	265,284	74,641	335,764	147,157
Depreciation and amortization	17,310	14,198	33,817	28,216
Amortization of purchased intangible assets	13,817	11,151	27,715	20,360
Stock-based compensation	8,951	6,423	17,908	12,319
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Acquisition related adjustment - revenue	87	5,813	192	5,964
Equity in net income of unconsolidated affiliates	1,257	5,127	5,509	14,706
Deferred compensation plan income	1,577	8	3,116	1,103
Other income	603	-	602	-
Adjusted EBITDA	\$ 133,542	\$ 122,009	\$ 252,713	\$ 232,782
Segment Adjusted EBITDA:				
Supply Chain Services	\$ 132,045	\$ 119,022	\$ 257,665	\$ 236,326
Performance Services	27,929	28,603	49,150	50,914
Corporate	(26,432)	(25,616)	(54,102)	(54,458)
Adjusted EBITDA	\$ 133,542	\$ 122,009	\$ 252,713	\$ 232,782



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

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(Unaudited)
(In thousands)

	Three Months Ended December		Six Months Ended	
	31,		December 31,	
	2017	2016	2017	2016
Net income attributable to stockholders	\$ 281,200	\$ 400,275	\$ 617,630	\$ 470,577
Adjustment of redeemable partners' capital to redemption amount	(317,916)	(335,264)	(638,340)	(397,072)
Net income attributable to non-controlling interest in Premier LP	56,485	181,173	101,095	230,774
Income tax expense	231,508	37,429	244,272	60,765
Amortization of purchased intangible assets	13,817	11,151	27,715	20,360
Stock-based compensation	8,951	6,423	17,908	12,319
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Loss on disposal of long-lived assets	400	-	1,720	1,518
Loss on FFF put and call rights	15,587	-	15,607	-
Other expense	(51)	139	4	228
Non-GAAP adjusted fully distributed income before income taxes	114,724	106,954	215,893	203,557
Income tax expense on fully distributed income before income taxes	44,742	41,712	84,198	79,387
Non-GAAP Adjusted Fully Distributed Net Income	\$ 69,982	\$ 65,242	\$ 131,695	\$ 124,170



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

Supplemental Financial Information
Reconciliation of Net Cash Provided by Operating Activities to Non-GAAP Free Cash Flow
(Unaudited)
(In thousands)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 131,482	\$ 96,537	\$ 206,515	\$ 138,364
Purchases of property and equipment	(21,975)	(17,359)	(38,622)	(34,325)
Distributions to limited partners of Premier LP	(20,752)	(22,137)	(45,703)	(44,630)
Non-GAAP Free Cash Flow	\$ 88,755	\$ 57,041	\$ 122,190	\$ 59,409



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

Supplemental Financial Information
Reconciliation of GAAP EPS to Non-GAAP EPS on Adjusted Fully Distributed Net Income
(Unaudited)
(In thousands, except per share data)

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	December 31,		December 31,	
	2017	2016	2017	2016
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Loss on disposal of long-lived assets	400	-	1,720	1,518
Loss on FFF put and call rights	15,587	-	15,607	-
Other expense	(51)	139	4	228
Non-GAAP adjusted fully distributed income before income taxes	114,724	106,954	215,893	203,557
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Non-GAAP Adjusted Fully Distributed Net Income	\$ 69,982	\$ 65,242	\$ 131,695	\$ 124,170



Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

Supplemental Financial Information
Reconciliation of GAAP EPS to Non-GAAP EPS on Adjusted Fully Distributed Net Income
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Weighted Average:				
Common shares used for basic and diluted earnings (loss) per share	55,209	49,445	54,059	48,330
Potentially dilutive shares	450	401	553	437
Conversion of Class B common units	83,578	91,462	85,029	93,366
Weighted average fully distributed shares outstanding - diluted	139,237	141,308	139,641	142,133
GAAP earnings (loss) per share	\$ 5.09	\$ 8.10	\$ 11.43	\$ 9.74
Adjustment of redeemable limited partners' capital to redemption amount	(5.76)	(6.79)	(11.81)	(8.22)
Net income attributable to non-controlling interest in Premier LP	1.02	3.66	1.87	4.77
Income tax expense	4.19	0.76	4.52	1.26
Amortization of purchased intangible assets	0.25	0.23	0.51	0.42
Stock-based compensation	0.16	0.13	0.33	0.25
Acquisition related expenses	0.03	0.09	0.09	0.15
Remeasurement of tax receivable agreement liabilities	(3.21)	-	(3.28)	(0.12)
ERP implementation expenses	-	0.01	0.01	0.03
Acquisition related adjustment - revenue	-	0.12	-	0.12
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(4.14)	-	(4.24)
Loss on disposal of long-lived assets	0.01	-	0.03	0.03
Loss on FFF put and call rights	0.28	-	0.29	-
Impact of corporation taxes	(0.80)	(0.84)	(1.56)	(1.63)
Impact of dilutive shares	(0.76)	(0.87)	(1.49)	(1.69)
Non-GAAP EPS on Adjusted Fully Distributed Net Income	\$ 0.50	\$ 0.46	\$ 0.94	\$ 0.87