



# Fourth-Quarter Fiscal 2018 Financial Results & Update

August 21, 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 expected financial performance, growth trends and market uncertainty in our Supply Chain and Performance Services business segments and their respective business units, our ability to implement our evolving strategy and plans for future growth, the impact of regulatory uncertainty and our ability to manage through these issues, the statements related to fiscal 2019 outlook and guidance and the assumptions underlying such guidance, and Premier’s repurchase activity under its stock repurchase program, including the timing and number of shares repurchased or the possible suspension of or discontinuance of the repurchase program at any time 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.

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Overview and Business Update

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## Fiscal 2018 full-year financial highlights

**Consolidated net revenue up 14% to \$1.66 billion, GAAP net income of \$257.6 million, or \$1.36 per fully diluted share**

**Non-GAAP adjusted EBITDA\* up 8% to \$543.0 million and non-GAAP adjusted fully distributed earnings per share\* up 22% to \$2.31**

**Cash flow from operations up 29%, Non-GAAP free cash flow\* up 55% which represented 62% of non-GAAP adjusted EBITDA**

**Launched Academic Innovators Collaborative, Physician Enterprise Collaborative and highly-committed purchasing program**

**Completed previously announced \$200 million stock repurchase plan and established \$250 million stock repurchase plan for fiscal 2019**

**Financial outlook reflects management's assumptions of continued steady growth in fiscal 2019**

\*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.



## Premier positioned for future growth



Initiative to reduce generic drug shortage



Designing model for direct relationships between employers and healthcare providers



Leveraging assets to build a precision medicine offering



# 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

Co-manage Total Supply Chain Cost With Members

Co-manage Total Cost and Clinical Performance with Members



# Mike Alkire

Chief Operating Officer  
Premier, Inc.

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**Operations Review**

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## Fiscal 2018 operational highlights

**Member owner average tenure with Premier is 19 years**

**Expanded member base, ending year with more than 4,000 hospitals and health systems, or approximately 83% of the nation's community hospitals**

**Ended fiscal year with approximately 165,000 other providers and organizations**

**Increased GPO purchasing volume to approximately \$60 billion**

**Achieved 98% GPO retention rate and 97% SaaS institutional renewal rate**



## Member-owner, five-year GPO agreement renewal update



Approximately 96% of fiscal 2018 net administrative fees revenue is currently covered by GPO agreement that have been renewed, extended or initially had terms longer than five years.



Expect the final member owner renewal rate to be in line with historical GPO retention rates.



## Premier continues to demonstrate value through future growth opportunities



Premier is leveraging expansive capabilities to further address chronic drug shortages and their associated price hikes.



Premier has recently partnered with a startup predictive analytics firm, Progknowse, to develop new predictive analytics capabilities to put precision medicine within reach of almost any health system, regardless of size and budget.



# Craig McKasson

Chief Financial Officer  
Premier, Inc.

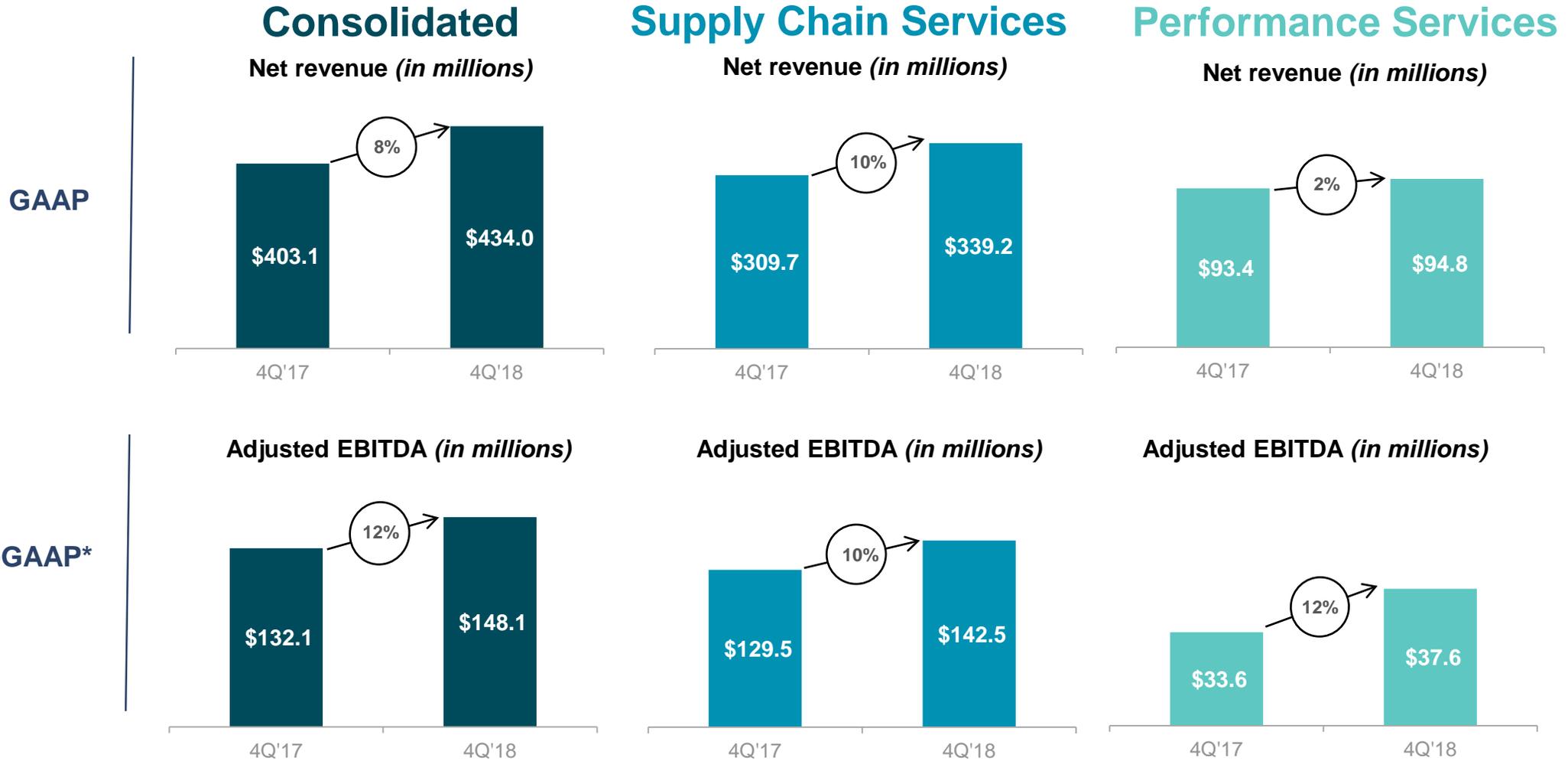
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**Financial Review**

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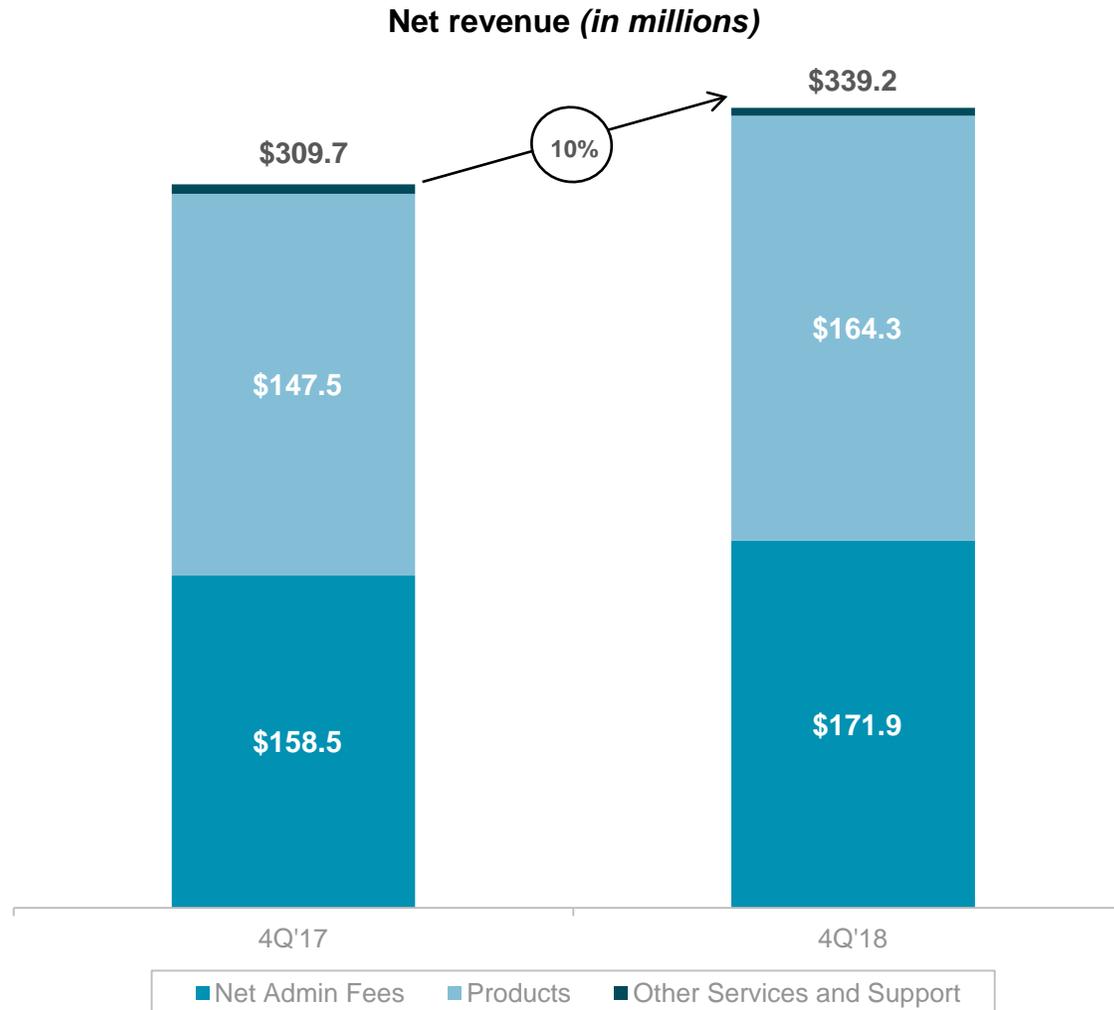
# Fiscal 2018 fourth-quarter consolidated and segment highlights



\*See non-GAAP adjusted EBITDA and non-GAAP segment adjusted EBITDA reconciliations to GAAP equivalents in Appendix.



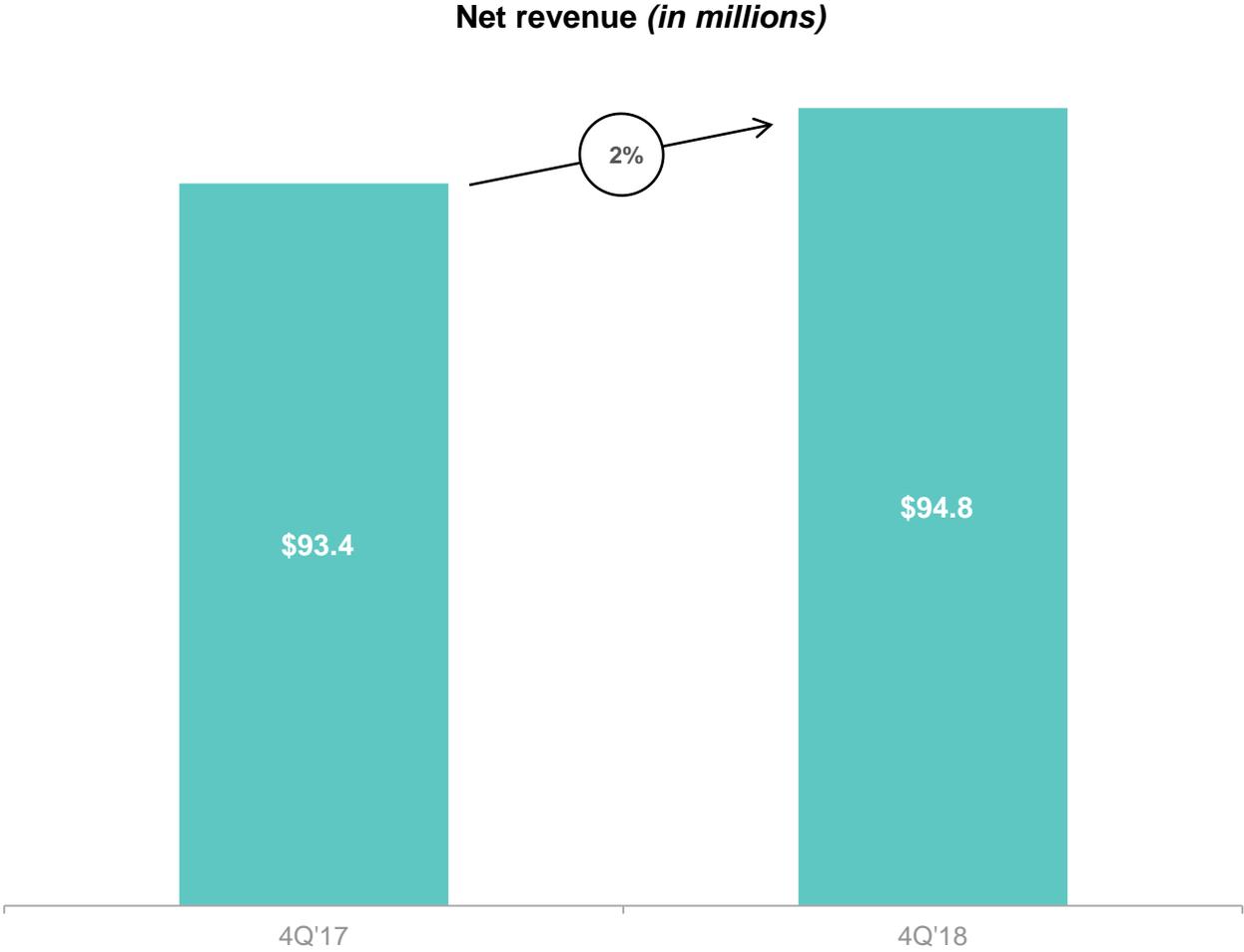
# Fiscal 2018 fourth-quarter Supply Chain Services revenue up 10%



- » Net administrative fees revenue up 8%
- » Products revenue up 11%



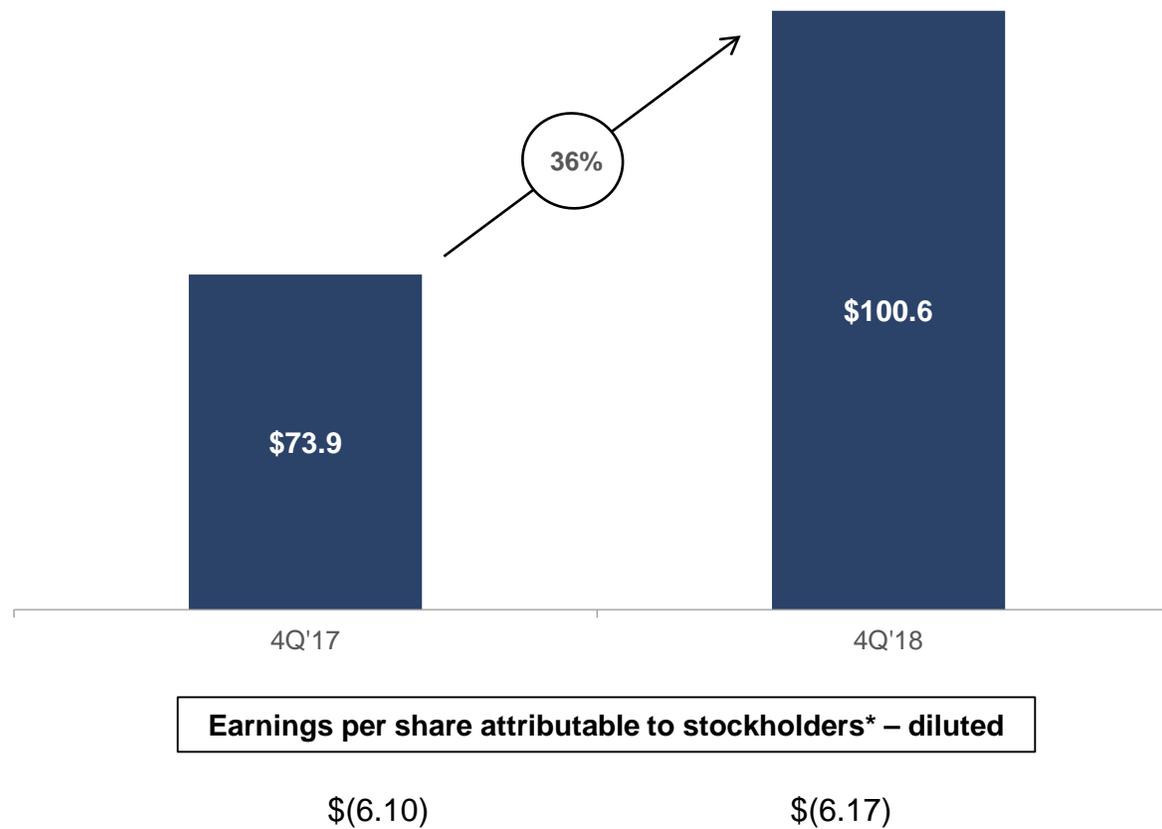
# Fiscal 2018 fourth-quarter Performance Services revenue up 2%





# Fiscal 2018 fourth-quarter GAAP net income up 36%

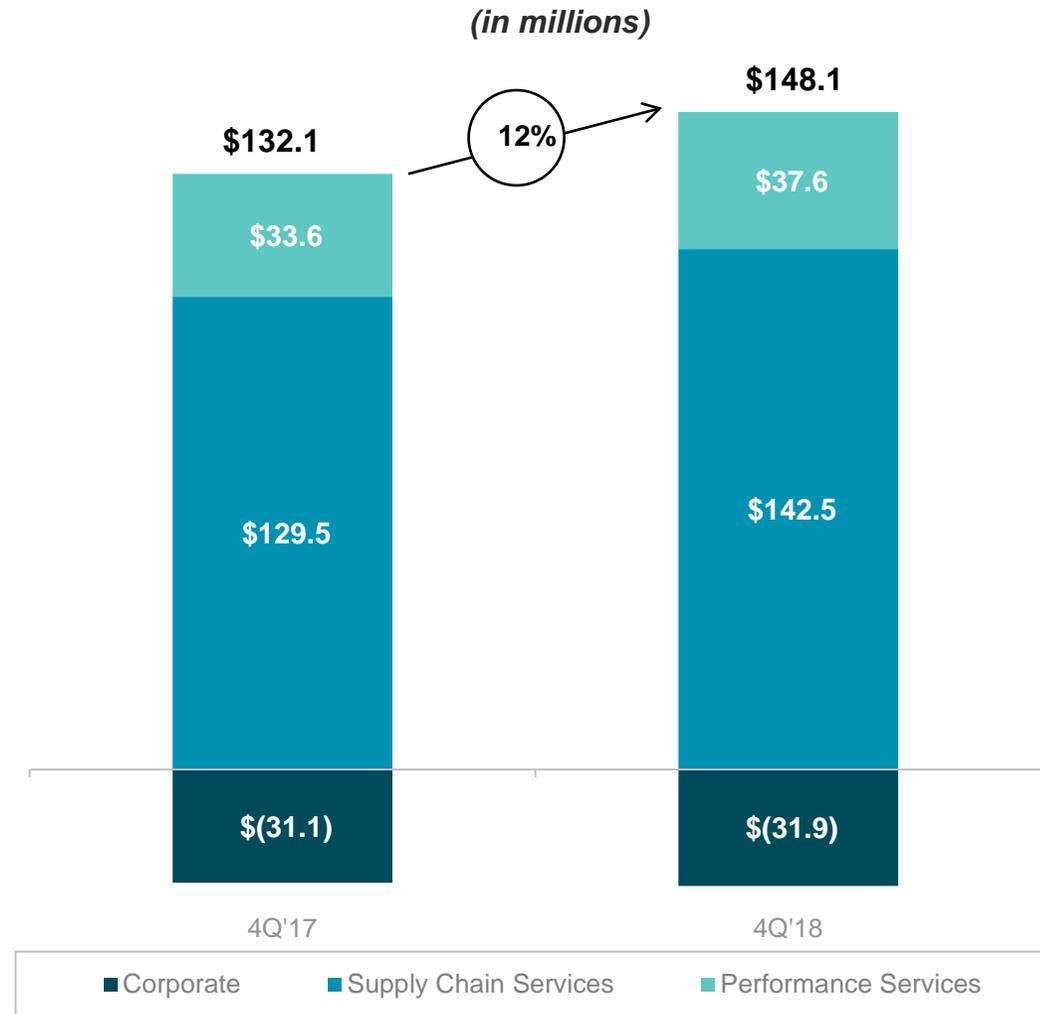
*(in millions, except per share data)*



\*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



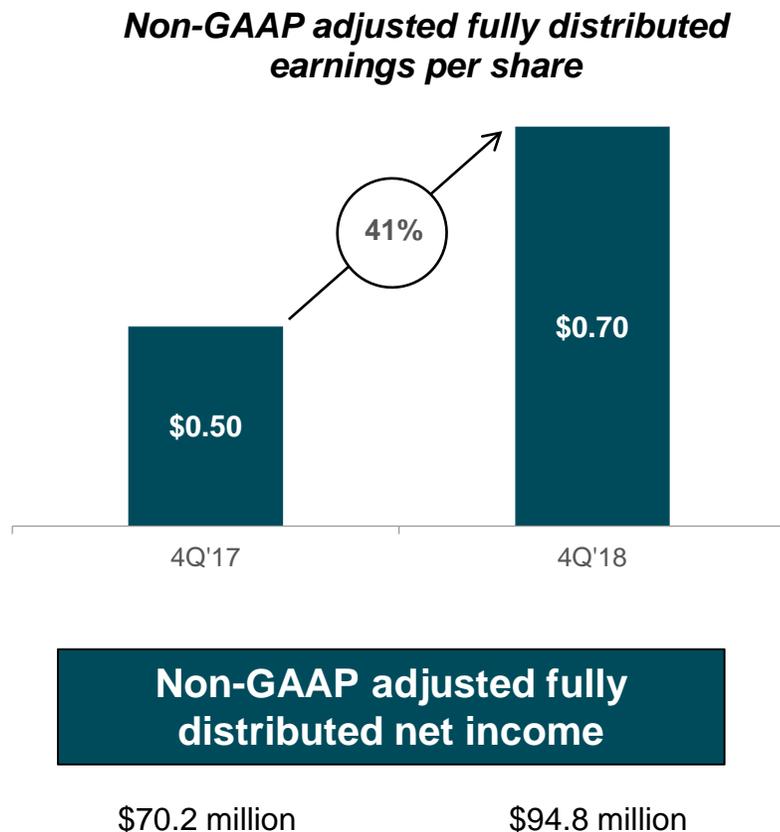
# Fiscal 2018 fourth-quarter non-GAAP adjusted EBITDA\* up 12%



\* See non-GAAP adjusted EBITDA and non-GAAP segment adjusted EBITDA reconciliations to GAAP equivalents in Appendix.



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



- » Calculated income taxes at an effective rate of 26% of pre-tax income for fourth quarter, assuming taxable C corporate structure
- » Calculated 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 June 30, 2018



- ▶ **Cash flow from operations of \$507.7 million and non-GAAP free cash flow\* of \$335.8 million for fiscal 2018, representing 62% of non-GAAP adjusted EBITDA**
- ▶ **Cash and cash equivalents of \$152.4 million**
- ▶ **Outstanding borrowings of \$100.0 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.



## Fiscal 2019 guidance (1)

Effective in the first quarter of fiscal 2019, Premier adopted the new revenue recognition standard using the modified retrospective approach. Premier is nearing completion of its assessment and is finalizing implementation. Fiscal 2019 guidance is prior to the impact of the new revenue recognition standard to enable comparability against historical results.

<b>Fiscal 2019 Financial Guidance</b> (in millions, except per share data)	<b>FY 2019</b>	<b>% YoY Increase</b>
<b>Net Revenue:</b>		
Supply Chain Services segment	\$1,355.0 - \$1,407.0	4% - 8%
Performance Services segment	\$366.0 - \$380.0	1% - 5%
<b>Total Net Revenue</b>	<b>\$1,721.0 - \$1,787.0</b>	<b>4% - 8%</b>
<b>Non-GAAP adjusted EBITDA</b>	<b>\$559.0 - \$581.0</b>	<b>3% - 7%</b>
<b>Non-GAAP adjusted fully distributed EPS (2)</b>	<b>\$2.60 - \$2.72</b>	<b>13% - 18%</b>

(1) For the year ending June 30, 2019. As of August 21, 2018. See accompanying page for fiscal 2019 notes and assumptions to guidance.

(2) Does not reflect the impact of previously announced \$250 million stock repurchase plan.



# Fiscal 2019 annual guidance footnotes and key assumptions *(for year ending June 30, 2019)\**

## 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 low to mid-single digits
- » Products revenue growth of 7% to 11%
- » Continued high GPO retention rates

### Performance Services assumptions:

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

### Other assumptions:

- » Estimated revenue available under contract of approximately \$1.6 billion, which represents approximately 89% to 94% of our consolidated revenue guidance range
- » Non-GAAP free cash flow expected to exceed 50% of non-GAAP adjusted EBITDA
- » Capital expenditures of approximately \$90 million to \$95 million, representing 5% to 6% of consolidated net revenue
- » Consolidated non-GAAP adjusted EBITDA margin in the range of 32%
- » Stock-based compensation approximating \$36 million to \$38 million
- » Adjusted fully distributed net income and earnings per share calculations to reflect an effective tax rate of 26%
- » Amortization of purchased intangible assets of approximately \$54 million
- » Guidance does not contemplate any material acquisitions

\*As of August 21, 2018



## Quarterly exchange update and stock repurchase plan



- ▶ **On July 31, 2018, approximately 800,000 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 October 31, 2018.**
- ▶ **Established a \$250 million Class A common stock repurchase plan for fiscal 2019.**

# 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		Twelve Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 100,636	\$ 73,860	\$ 257,570	\$ 449,477
Interest and investment loss, net	1,061	1,486	5,300	4,512
Income tax expense	1,674	13,734	259,234	81,814
Depreciation and amortization	18,911	15,566	71,312	58,884
Amortization of purchased intangible assets	13,851	13,887	55,447	48,327
<b>EBITDA</b>	136,133	118,533	648,863	643,014
Stock-based compensation	4,558	7,384	29,799	26,860
Acquisition related expenses	2,022	4,307	8,335	15,790
Strategic and financial restructuring expenses	859	31	2,512	31
Remeasurement of tax receivable agreement liabilities	-	(2,493)	(177,174)	(5,447)
ERP implementation expenses	469	287	1,000	2,028
Acquisition related adjustment - revenue	43	320	300	18,049
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(313)	-	(205,146)
Loss on disposal of long-lived assets	651	179	2,376	2,422
Loss on FFF put and call rights	3,362	3,849	22,036	3,935
Impairment on investments	-	-	5,002	-
Other expense	-	1	-	55
<b>Adjusted EBITDA</b>	\$ 148,097	\$ 132,085	\$ 543,049	\$ 501,591



# Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

**Supplemental Financial Information**  
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 (Unaudited)  
 (In thousands)

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Income before income taxes</b>	\$ 102,310	\$ 87,594	\$ 516,804	\$ 531,291
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(313)	-	(205,146)
Equity in net loss (income) of unconsolidated affiliates	(604)	44	(1,174)	(14,745)
Interest and investment loss, net	1,061	1,486	5,300	4,512
Loss on disposal of long-lived assets	651	179	2,376	2,422
Other expense (income)	1,838	2,521	16,324	(614)
<b>Operating income</b>	105,256	91,511	539,630	317,720
Depreciation and amortization	18,911	15,566	71,312	58,884
Amortization of purchased intangible assets	13,851	13,887	55,447	48,327
Stock-based compensation	4,558	7,384	29,799	26,860
Acquisition related expenses	2,022	4,307	8,335	15,790
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ERP implementation expenses	469	287	1,000	2,028
Acquisition related adjustment - revenue	43	320	300	18,049
Equity in net income (loss) of unconsolidated affiliates	604	(44)	1,174	14,745
Impairment on investments	-	-	5,002	-
Deferred compensation plan income	957	1,242	3,960	4,020
Other income	567	87	1,752	584
<b>Adjusted EBITDA</b>	\$ 148,097	\$ 132,085	\$ 543,049	\$ 501,591
<b>Segment Adjusted EBITDA:</b>				
Supply Chain Services	\$ 142,450	\$ 129,539	\$ 535,380	\$ 493,763
Performance Services	37,564	33,641	123,429	121,090
Corporate	(31,917)	(31,095)	(115,760)	(113,262)
<b>Adjusted EBITDA</b>	\$ 148,097	\$ 132,085	\$ 543,049	\$ 501,591



# Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

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

	Three Months Ended		Twelve Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Net income (loss) attributable to stockholders</b>	\$ (323,211)	\$ (313,727)	\$ 190,882	\$ 76,249
Adjustment of redeemable partners' capital to redemption amount	353,720	333,742	(157,581)	37,176
Net income attributable to non-controlling interest in Premier LP	70,127	53,845	224,269	336,052
Income tax expense	1,674	13,734	259,234	81,814
Amortization of purchased intangible assets	13,851	13,887	55,447	48,327
Stock-based compensation	4,558	7,384	29,799	26,860
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Loss on FFF put and call rights	3,362	3,849	22,036	3,935
Impairment on investments	-	-	5,002	-
Other expense	-	1	1	55
Non-GAAP adjusted fully distributed income before income taxes	128,125	115,033	466,438	438,195
Income tax expense on fully distributed income before income taxes	33,312	44,863	149,340	170,896
<b>Non-GAAP Adjusted Fully Distributed Net Income</b>	<b>\$ 94,813</b>	<b>\$ 70,170</b>	<b>\$ 317,098</b>	<b>\$ 267,299</b>



# 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		Twelve Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 137,972	\$ 118,036	\$ 507,706	\$ 392,247
Purchases of property and equipment	(27,420)	(19,480)	(92,680)	(71,372)
Distributions to limited partners of Premier LP	(13,157)	(23,071)	(79,255)	(90,434)
Payments to limited partners under tax receivable agreements*	—	(13,959)	—	(13,959)
<b>Non-GAAP Free Cash Flow</b>	<b>\$ 97,395</b>	<b>\$ 61,526</b>	<b>\$ 335,771</b>	<b>\$ 216,482</b>

*\*The timing of payments to limited partners under tax receivable agreements has shifted to July (from June) due to the change in the company's federal tax filing deadline, which has extended one month to April (from March). Therefore, Premier's \$17.9 million TRA payment related to fiscal 2017 federal taxes was made to limited partners in July of fiscal 2019 and is not included in the fiscal 2018 non-GAAP free cash flow calculation.*



# 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		Twelve Months Ended	
	June 30,		June 30,	
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Loss on disposal of long-lived assets	651	179	2,376	2,422
Loss on FFF put and call rights	3,362	3,849	22,036	3,935
Impairment on investments	-	-	5,002	-
Other expense	-	1	1	55
Non-GAAP adjusted fully distributed income before income taxes	128,125	115,033	466,438	438,195
Income tax expense on fully distributed income before income taxes	33,312	44,863	149,340	170,896
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# 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		Twelve Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Weighted Average:				
Common shares used for basic and diluted earnings (loss) per share	52,412	51,470	53,518	49,654
Potentially dilutive shares	1,636	1,545	822	720
Conversion of Class B common units	80,548	87,638	83,000	90,816
<b>Weighted average fully distributed shares outstanding - diluted</b>	<b>134,596</b>	<b>140,653</b>	<b>137,340</b>	<b>141,190</b>
<b>GAAP earnings (loss) per share</b>	<b>\$ (6.17)</b>	<b>\$ (6.10)</b>	<b>\$ 3.57</b>	<b>\$ 1.54</b>
Adjustment of redeemable limited partners' capital to redemption amount	6.75	6.48	(2.94)	0.75
Net income attributable to non-controlling interest in Premier LP	1.34	1.05	4.19	6.77
Income tax expense	0.03	0.27	4.84	1.65
Amortization of purchased intangible assets	0.26	0.27	1.04	0.97
Stock-based compensation	0.09	0.14	0.56	0.54
Acquisition related expenses	0.04	0.08	0.16	0.32
Strategic and financial restructuring expenses	0.02	-	0.05	-
Remeasurement of tax receivable agreement liabilities	-	(0.05)	(3.31)	(0.11)
ERP implementation expenses	0.01	0.01	0.02	0.04
Acquisition related adjustment - revenue	-	0.01	0.01	0.36
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	(0.01)	-	(4.13)
Loss on disposal of long-lived assets	0.01	-	0.04	0.05
Loss on FFF put and call rights	0.06	0.07	0.41	0.08
Impairment on investments	-	-	0.09	-
Impact of corporation taxes	(0.64)	(0.86)	(2.80)	(3.45)
Impact of dilutive shares	(1.10)	(0.86)	(3.62)	(3.49)
<b>Non-GAAP EPS on Adjusted Fully Distributed Net Income</b>	<b>\$ 0.70</b>	<b>\$ 0.50</b>	<b>\$ 2.31</b>	<b>\$ 1.89</b>