



# Third-Quarter Fiscal 2018 Financial Results & Update

May 7, 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 expectations and outlook, the impact of the evolving and uncertain 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, implementation of purchases under our share repurchase program and 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**



## Third-quarter fiscal 2018 financial highlights

**Consolidated net revenue up 12% to \$425.3 million, GAAP net income of \$76.5 million, GAAP EPS loss of \$1.93**

**Supply Chain Services segment revenue up 16% to \$330.7 million  
Performance Services segment revenue unchanged at \$94.6 million**

**Non-GAAP adjusted EBITDA\* up 4% to \$142.2 million and non-GAAP adjusted fully distributed earnings per share\* up 29% to \$0.67**

**Cash flow from operations up 35% for nine-month period, Non-GAAP free cash flow\* approximated 60% of non-GAAP adjusted EBITDA for nine-month period**

**On May 4, 2018, Premier's board of directors approved the repurchase of up to \$250 million of the company's Class A common stock to occur during fiscal 2019**

**Updating fiscal 2018 full-year guidance ranges**

\*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 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-own Total Supply Chain Cost With Members

Co-own Total Cost and Clinical Performance with Members



**Mike Alkire**  
Chief Operating Officer  
Premier, Inc.

**Operations Review**



## Premier continues to gain momentum with academic health systems



Large academic health system, which operates more than 30 academic, community, and specialty hospitals, just signed a 10-year agreement with Premier to partner on group purchasing and supply chain analytics.



Montefiore Health System, an 11 hospital health system in New York, has signed a multi-year agreement to use PremierConnect analytics platform for system-wide quality reporting and is participating in the QUEST 2020 quality improvement collaborative.



New relationship with Howard University Hospital, for a multi-year agreement including supply chain and group purchasing services for Howard University Hospital and Howard University, as well as enterprise-wide performance improvement services and analytics.



## Premier continues to demonstrate value



Premier is generating strong support for the new highly-committed buying program, called SURPASS™. Launched last month, there are now 10 large health systems representing approximately \$8 billion in annualized purchasing volume that have committed to the program.



Just signed a large Enterprise Resource Planning (ERP) solution agreement with Coastal Community Health, a contiguous network of three Southeast health systems, to consolidate their individual supply chain systems under our ERP platform.



Within consulting services, the capital and construction services team recently engaged with Allegheny Health Network, a 7 hospital health system in western Pennsylvania, to provide equipment planning services to help accommodate rapid growth and development within their system.





# **Craig McKasson**

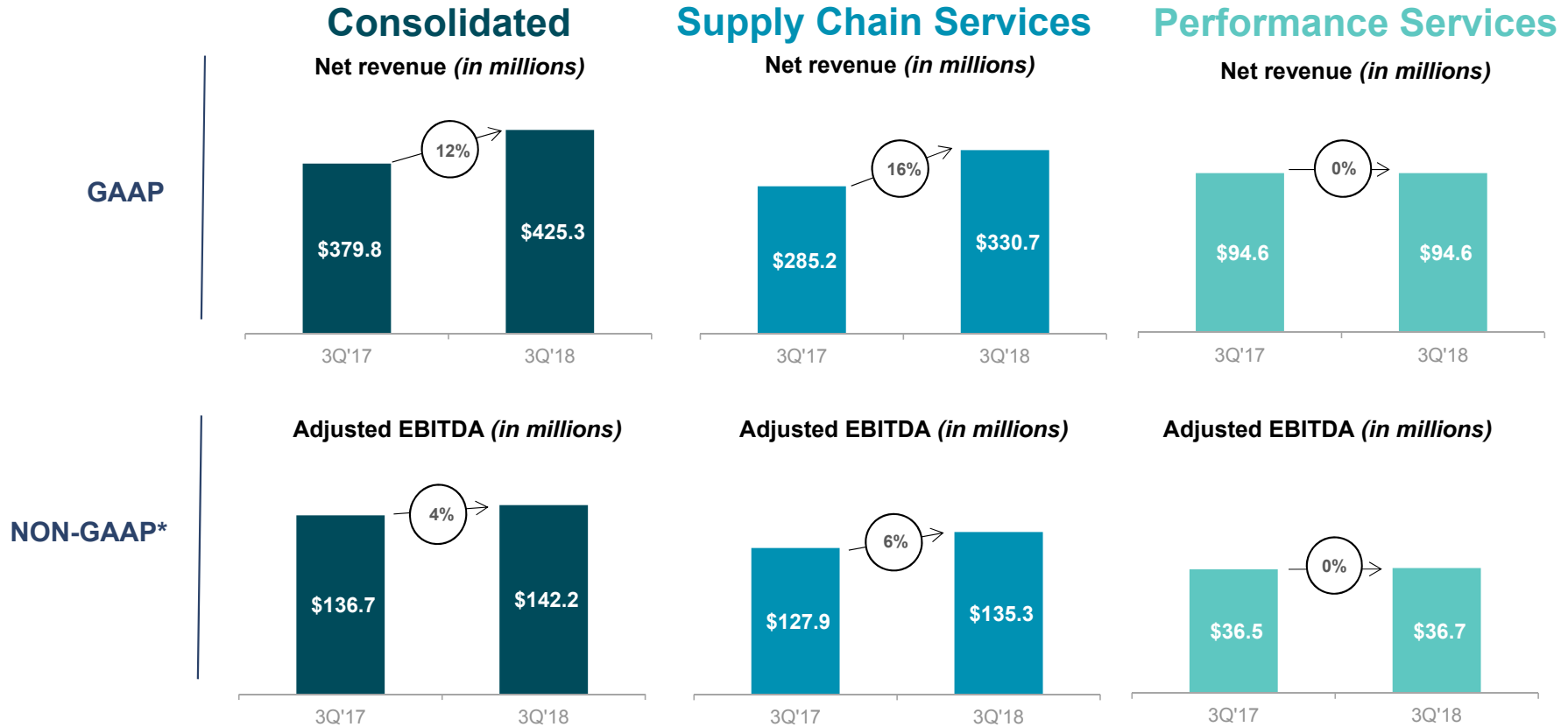
**Chief Financial Officer  
Premier, Inc.**

**Financial Review**

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# Fiscal 2018 third-quarter consolidated and segment highlights



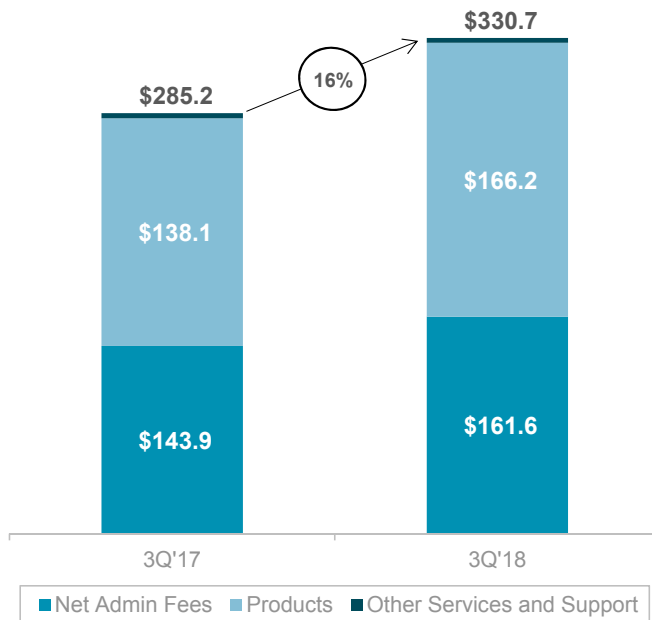
\*See non-GAAP Adjusted EBITDA and non-GAAP Segment Adjusted EBITDA reconciliations to GAAP equivalents in Appendix.



## Fiscal 2018 third-quarter Supply Chain Services revenue

### Supply Chain Services

Net revenue (in millions)



### Supply Chain Services revenue increased 16%

- » Net administrative fees revenue increased 12%
  - » Legacy net administrative fees revenue increased 5%
- » Products revenue increased 20%



## Fiscal 2018 third-quarter Performance Services revenue

### Performance Services

Net revenue (in millions)



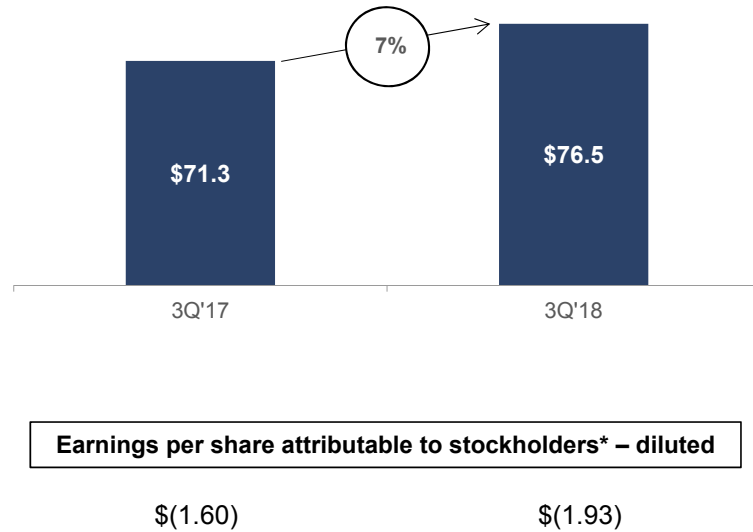
### Performance Services revenue unchanged from a year ago

- » Contraction in ambulatory regulatory reporting revenue resulting from a greater than anticipated reduction in participation of smaller physician groups who were exempted from reporting requirements this year.



## Fiscal 2018 third-quarter GAAP net income

*(in millions, except per share data)*

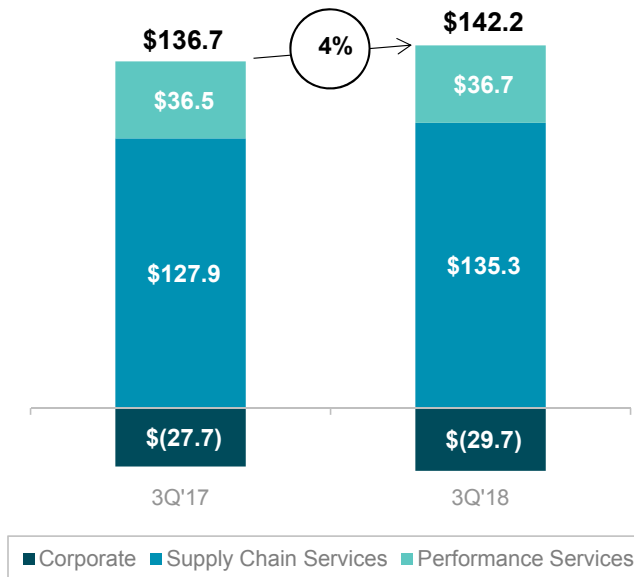


**GAAP net income increased 7%**

\*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 third-quarter non-GAAP adjusted EBITDA\*



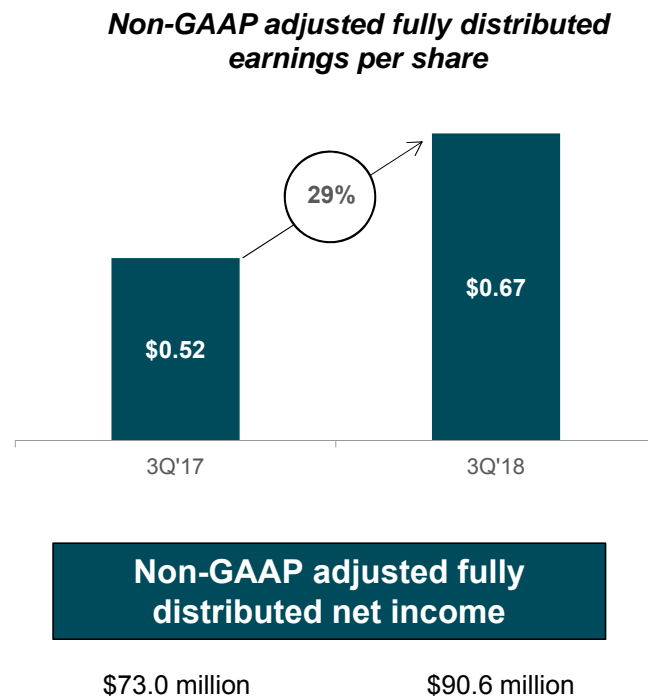
### Consolidated non-GAAP adjusted EBITDA up 4%

- » Growth during the quarter was impacted by \$5.1 million in severance costs related to the reduction in force that occurred in February.

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



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



- » Calculates income taxes at 26% of pre-tax income for third quarter, 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 March 31, 2018



- ▶ Cash flow from operations of \$369.7 million and non-GAAP free cash flow\* of \$238.4 million for the nine months ended March 31, 2018
- ▶ Expect non-GAAP free cash flow to range from 50% to 60% of non-GAAP adjusted EBITDA for fiscal 2018
- ▶ Cash and cash equivalents of \$149.4 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 <sup>(1)</sup>

<b>Fiscal 2018 Financial Guidance</b> (in millions, except per share data)	<b>FY 2018</b>	<b>% YoY Increase</b>
<b>Net Revenue:</b>		
Supply Chain Services segment	\$1,259.0 - \$1,289.0	14% - 17%
Performance Services segment	\$353.0 - \$360.0	0% - 2%
<b>Total Net Revenue</b>	<b>\$1,612.0 - \$1,649.0</b>	<b>11% - 13%</b>
<b>Non-GAAP adjusted EBITDA</b>	<b>\$532.0 - \$537.0</b>	<b>6% - 7%</b>
<b>Non-GAAP adjusted fully distributed EPS</b>	<b>\$2.24 - \$2.28</b>	<b>19% - 21%</b>

(1) For the year ending June 30, 2018. Updated May 7, 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
- » 18-22% products revenue growth

### Performance Services assumptions:

- » Continued demand for integrated offerings of SaaS-based subscription and licensed products, consulting 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 range from 50% to 60% of non-GAAP adjusted EBITDA for fiscal 2018; 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 32% to 34%
- » Stock-based compensation approximating \$33 million to \$36 million
- » 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 26% 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 \$0.05

\*As of May 7, 2018



## Quarterly exchange update and stock repurchase plan



- ▶ **On April 30, 2018, approximately 643,000 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 July 31, 2018.**
- ▶ **Premier's board of directors approved the repurchased of up to \$250 million of the company's Class A common stock to occur during fiscal 2019.**

A hand holding a smartphone is shown in a close-up, slightly blurred view. The background is a warm, golden-yellow bokeh with soft, out-of-focus light spots. The word "Questions" is centered on the screen of the phone.

# Questions

A hand holding a smartphone is shown in a close-up, slightly blurred view. The background is a warm, golden-yellow bokeh with soft, out-of-focus light spots. The word "Appendix" is centered on the screen of the phone.

# 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		Nine Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
<b>Net income</b>	\$ 76,549	\$ 71,338	\$ 156,934	\$ 375,617
Interest and investment loss, net	1,236	2,017	4,239	3,026
Income tax expense	13,288	7,315	257,560	68,080
Depreciation and amortization	18,584	15,102	52,401	43,318
Amortization of purchased intangible assets	13,881	14,080	41,597	34,440
<b>EBITDA</b>	123,538	109,852	512,731	524,481
Stock-based compensation	7,333	7,157	25,241	19,476
Acquisition related expenses	1,540	4,330	6,312	11,483
Strategic and financial restructuring expenses	1,648	-	1,652	-
Remeasurement of tax receivable agreement liabilities	-	2,768	(177,174)	(2,954)
ERP implementation expenses	40	215	531	1,741
Acquisition related adjustment - revenue	65	11,765	257	17,729
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	-	-	(204,833)
Loss on disposal of long-lived assets	5	725	1,725	2,243
Loss (gain) on FFF put and call rights	3,067	(88)	18,674	86
Impairment on investments	5,002	-	5,002	-
Other expense	1	-	-	54
<b>Adjusted EBITDA</b>	\$ 142,239	\$ 136,724	\$ 394,951	\$ 369,506



## Fiscal 2018 and fiscal 2017 non-GAAP reconciliations

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
<b>Income before income taxes</b>	\$ 89,837	\$ 78,653	\$ 414,494	\$ 443,697
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	-	-	(204,833)
Equity in net loss (income) of unconsolidated affiliates	4,939	(83)	(570)	(14,789)
Interest and investment loss, net	1,236	2,017	4,239	3,026
Loss on disposal of long-lived assets	5	725	1,725	2,243
Other expense (income)	2,593	(2,260)	14,486	(3,135)
<b>Operating income</b>	98,610	79,052	434,374	226,209
Depreciation and amortization	18,584	15,102	52,401	43,318
Amortization of purchased intangible assets	13,881	14,080	41,597	34,440
Stock-based compensation	7,333	7,157	25,241	19,476
Acquisition related expenses	1,540	4,330	6,312	11,483
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ERP implementation expenses	40	215	531	1,741
Acquisition related adjustment - revenue	65	11,765	257	17,729
Equity in net income (loss) of unconsolidated affiliates	(4,939)	83	570	14,789
Impairment on investments	5,002	-	5,002	-
Deferred compensation plan income (expense)	(112)	1,675	3,004	2,778
Other income	587	497	1,184	497
<b>Adjusted EBITDA</b>	\$ 142,239	\$ 136,724	\$ 394,951	\$ 369,506
<b>Segment Adjusted EBITDA:</b>				
Supply Chain Services	\$ 135,265	\$ 127,898	\$ 392,930	\$ 364,224
Performance Services	36,715	36,535	85,865	87,449
Corporate	(29,741)	(27,709)	(83,844)	(82,167)
<b>Adjusted EBITDA</b>	\$ 142,239	\$ 136,724	\$ 394,951	\$ 369,506



## 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 March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
<b>Net income (loss) attributable to stockholders</b>	\$ (103,537)	\$ (80,601)	\$ 514,093	\$ 389,976
Adjustment of redeemable partners' capital to redemption amount	127,039	100,506	(511,301)	(296,566)
Net income attributable to non-controlling interest in Premier LP	53,047	51,433	154,142	282,207
Income tax expense	13,288	7,315	257,560	68,080
Amortization of purchased intangible assets	13,881	14,080	41,597	34,440
Stock-based compensation	7,333	7,157	25,241	19,476
Acquisition related expenses	1,540	4,330	6,312	11,483
Strategic and financial restructuring expenses	1,648	-	1,652	-
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Loss on disposal of long-lived assets	5	725	1,725	2,243
Loss (gain) on FFF put and call rights	3,067	(88)	18,674	86
Impairment on investments	5,002	-	5,002	-
Other expense	1	-	-	54
Non-GAAP adjusted fully distributed income before income taxes	122,419	119,605	338,311	323,162
Income tax expense on fully distributed income before income taxes	31,829	46,646	116,027	126,033
<b>Non-GAAP Adjusted Fully Distributed Net Income</b>	<b>\$ 90,590</b>	<b>\$ 72,959</b>	<b>\$ 222,284</b>	<b>\$ 197,129</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 March		Nine Months Ended	
	31,		March 31,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 163,219	\$ 135,847	\$ 369,734	\$ 274,211
Purchases of property and equipment	(26,638)	(17,567)	(65,260)	(51,892)
Distributions to limited partners of Premier LP	(20,395)	(22,733)	(66,098)	(67,363)
<b>Non-GAAP Free Cash Flow</b>	<b>\$ 116,186</b>	<b>\$ 95,547</b>	<b>\$ 238,376</b>	<b>\$ 154,956</b>



## 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 March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
<b>Net income (loss) attributable to stockholders</b>	\$ (103,537)	\$ (80,601)	\$ 514,093	\$ 389,976
Adjustment of redeemable partners' capital to redemption amount	127,039	100,506	(511,301)	(296,566)
Net income attributable to non-controlling interest in Premier LP	53,047	51,433	154,142	282,207
Income tax expense	13,288	7,315	257,560	68,080
Amortization of purchased intangible assets	13,881	14,080	41,597	34,440
Stock-based compensation	7,333	7,157	25,241	19,476
Acquisition related expenses	1,540	4,330	6,312	11,483
Strategic and financial restructuring expenses	1,648	-	1,652	-
Remeasurement of tax receivable agreement liabilities	-	2,768	(177,174)	(2,954)
ERP implementation expenses	40	215	531	1,741
Acquisition related adjustment - revenue	65	11,765	257	17,729
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	-	-	(204,833)
Loss on disposal of long-lived assets	5	725	1,725	2,243
Loss (gain) on FFF put and call rights	3,067	(88)	18,674	86
Impairment on investments	5,002	-	5,002	-
Other expense	1	-	-	54
<b>Non-GAAP adjusted fully distributed income before income taxes</b>	<b>122,419</b>	<b>119,605</b>	<b>338,311</b>	<b>323,162</b>
Income tax expense on fully distributed income before income taxes	31,829	46,646	116,027	126,033
<b>Non-GAAP Adjusted Fully Distributed Net Income</b>	<b>\$ 90,590</b>	<b>\$ 72,959</b>	<b>\$ 222,284</b>	<b>\$ 197,129</b>



## 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		Nine Months Ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Weighted Average:				
Common shares used for basic and diluted earnings (loss) per share	53,529	50,525	53,885	49,051
Potentially dilutive shares	547	465	551	446
Conversion of Class B common units	81,394	88,892	83,818	91,875
<b>Weighted average fully distributed shares outstanding - diluted</b>	<b>135,470</b>	<b>139,882</b>	<b>138,254</b>	<b>141,372</b>
<b>GAAP earnings (loss) per share</b>	<b>\$ (1.93)</b>	<b>\$ (1.60)</b>	<b>\$ 9.54</b>	<b>\$ 7.95</b>
Adjustment of redeemable limited partners' capital to redemption amount	2.37	2.00	(9.49)	(6.05)
Net income attributable to non-controlling interest in Premier LP	0.99	1.02	2.86	5.75
Income tax expense	0.25	0.14	4.78	1.39
Amortization of purchased intangible assets	0.26	0.28	0.77	0.70
Stock-based compensation	0.14	0.14	0.47	0.40
Acquisition related expenses	0.03	0.09	0.12	0.23
Strategic and financial restructuring expenses	0.03	-	0.03	-
Remeasurement of tax receivable agreement liabilities	-	0.05	(3.29)	(0.06)
ERP implementation expenses	-	-	0.01	0.04
Acquisition related adjustment - revenue	-	0.23	-	0.36
Remeasurement gain attributable to acquisition of Innovatix, LLC	-	-	-	(4.18)
Loss on disposal of long-lived assets	-	0.01	0.03	0.05
Loss (gain) on FFF put and call rights	0.06	-	0.35	-
Impairment on investments	0.09	-	0.09	-
Impact of corporation taxes	(0.60)	(0.92)	(2.14)	(2.57)
Impact of dilutive shares	(1.02)	(0.92)	(2.52)	(2.62)
<b>Non-GAAP EPS on Adjusted Fully Distributed Net Income</b>	<b>\$ 0.67</b>	<b>\$ 0.52</b>	<b>\$ 1.61</b>	<b>\$ 1.39</b>