



## **Transforming Healthcare from the Inside**

William Blair 35<sup>th</sup> Annual Growth Stock Conference

June 10, 2015



# Forward-looking statements and Non-GAAP financial measures

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**Forward-looking statements**—Certain statements included in this presentation, including, but not limited to, those related to our financial and business outlook, strategy and growth drivers, member retention and renewal rates and revenue visibility, cross and upsell opportunities, acquisition activities and pipeline, revenue available under contract, and 2015 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. 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, 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 this presentation to the most directly comparable financial measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States. Our Form 10-Q for the fiscal third quarter ended March 31, 2015, filed with the SEC on May 12, 2015, provides further explanation and disclosure regarding our use of non-GAAP financial measures and should be read in conjunction with this presentation.



# ▶ Partnership structure drives innovation and growth

*Premier is a provider-driven healthcare performance improvement company. We co-innovate solutions with our members to reduce costs, improve quality, and produce better patient outcomes.*

## SCALE

- ▶ Alliance of ~**3,400** hospitals – **68%** of U.S. community hospitals – and **110,000** alternate sites of care
- ▶ Integrated clinical, financial, operational data – insights into ~**1 out of every 3** U.S. health system discharges
- ▶ Approximately **\$41 billion** in supply chain spend
- ▶ Manage ~**1,900** contracts from ~**1,100** suppliers

## ALIGNMENT

- ▶ Members own ~**74%** of equity\*
- ▶ **10** health system board members
- ▶ Premier field force embedded in member hospitals

## COMMITMENT

- ▶ Member owner average tenure ~15 years (76% at 10+)
- ▶ Members view Premier as strategic partner

## CO-INNOVATION

- ▶ Co-develop solutions with members
- ▶ Committees composed of ~**165** member hospitals
- ▶ ~**1,100** hospitals in performance improvement collaboratives



# Vision and objectives

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## OUR VISION

Through the collaborative power of the Premier alliance, we will lead the transformation to high-quality, cost-effective healthcare

- » **Make healthcare supply chain efficient and effective**
- » **Deliver continuous improvement in cost and quality today and enable success in new healthcare delivery / payment models**
- » **Integrate data and knowledge to create meaningful business intelligence that drives improvement**



# ▶ Integrated business model provides multiple revenue drivers

## Supply Chain Services

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

- » Group purchasing
- » Direct sourcing
- » Specialty pharmacy
- » Capital planning

73% of FY'14 consolidated revenue

## Performance Services

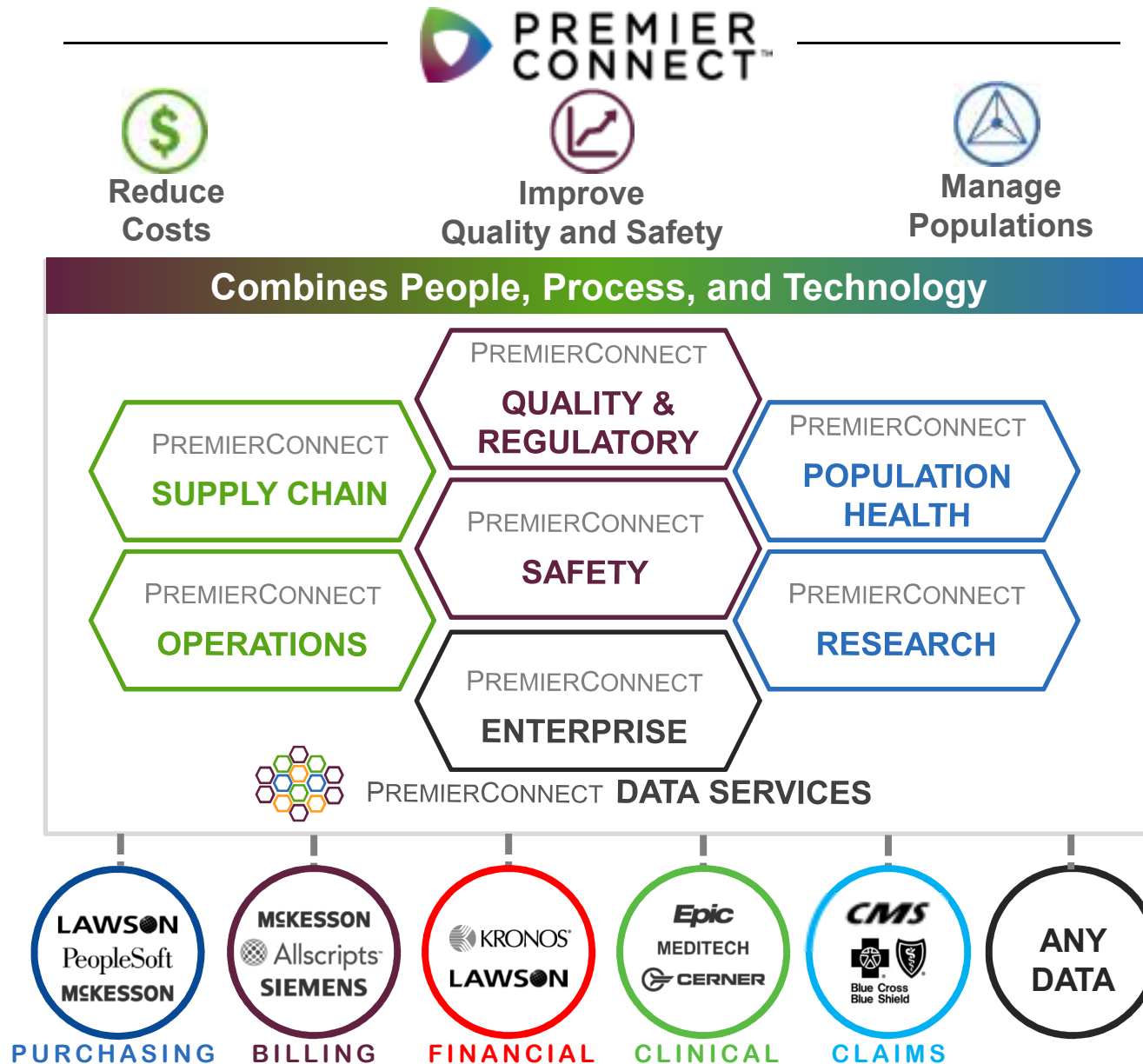
*Become the data analytics “backbone” with wrap-around services for cost and quality improvement over the short term and population health management solutions over the long term*

- » SaaS-based informatics products
- » PremierConnect® Enterprise
- » Advisory services
- » Performance improvement collaboratives

27% of FY'14 consolidated revenue

INTEGRATED SALES/FIELD FORCE &  PREMIER CONNECT PLATFORM

# Deep, broad and evolving data management capabilities to meet the shared needs of our member channel



# ▶ Performance improvement collaboratives accelerate measurable solutions and drive additional revenue growth



~ 350 U.S. hospital members

~ 160,000 deaths avoided

~ \$13.2 billion saved

~ 55,800 readmissions prevented

~ 21,700 instances of harm prevented

**Approximately 1,100 U.S. hospital members participate in at least one of our performance improvement collaboratives**

Source: Premier QUEST participant performance data as of fiscal year end 6/30/2014 (Year 6, Q4 2013). Results are cumulative.

Note: Deaths avoided and dollars saved over the first 6 years of the program; instances of harm measured over the past 4 years; readmissions prevented measured over the past 3 years. QUEST: Quality, Efficiency, Safety and Transparency.



# PremierConnect<sup>®</sup> Enterprise & Data Alliance Collaborative\*



- » Clinical utilization effectiveness
- » Harm reporting
- » Community health & equity reporting
  
- » Ambulatory quality measures
- » Claims analytics
- » Total cost of care
  
- » Operational reporting
- » Predictive model for readmissions
- » Population health analytics
  
- » ACO reporting
- » Referral analytics
- » H&V procedural analytics
  
- » Readmissions metrics & management
- » Population health
- » Throughput analytics
  
- » Operations & throughput modeling
- » Population stratification
- » Disease modeling

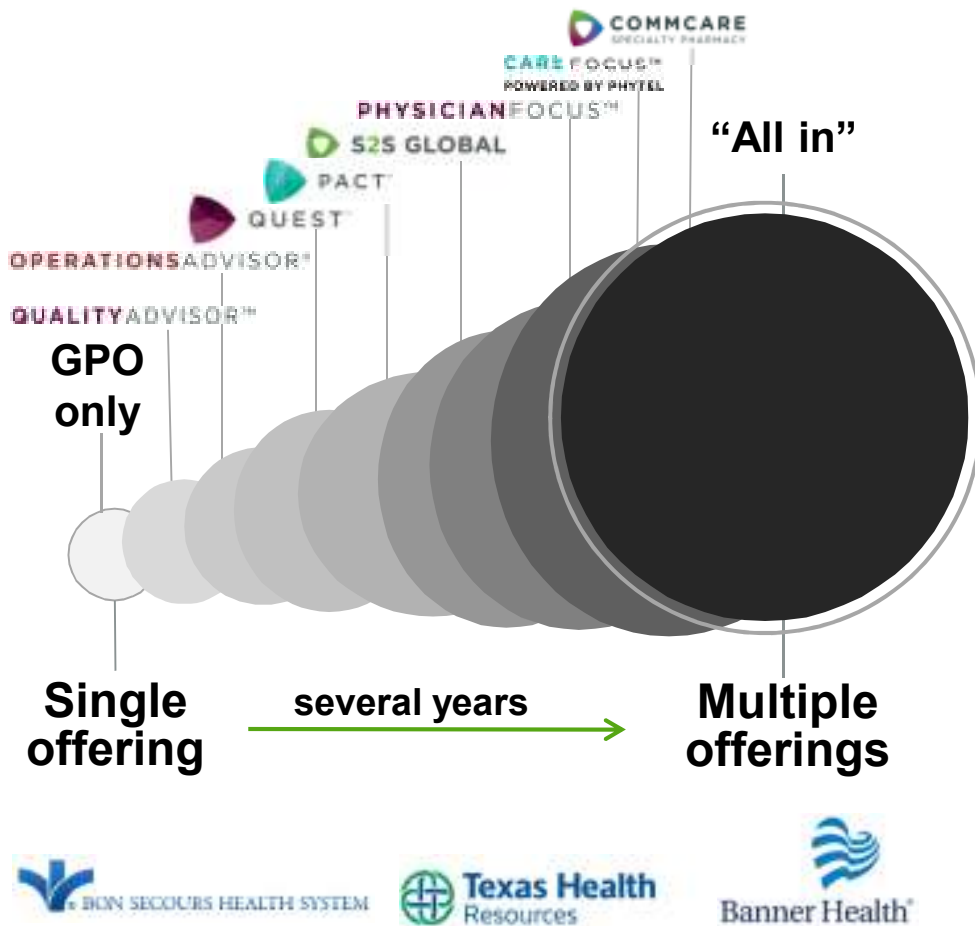




# Comprehensive approach to cost, quality and population health challenges differentiate Premier in the marketplace

## HISTORICAL BUSINESS GROWTH

## CURRENT BUSINESS GROWTH



Note: The illustrations above are representative of Premier's business growth and do not necessarily depict the specific product or service adoption patterns of the organizations represented here.

# ▶ Positioned to lead in rapidly evolving healthcare environment



## Member and Industry Needs

- » Total cost reduction
- » Quality improvement across the continuum
- » Evolving delivery and payment models
- » Actionable data and information



## Premier Strategic Differentiation

- » Scale
- » Co-innovation
- » Trusted to transform from the inside
- » Leadership in population health
- » Shared services and infrastructure

***Recent Medicare payment reform is a transformative event that is accelerating healthcare to alternate payment models and away from fee for service.***



# ▶ Medicare payment reform – a watershed transformation

**CURRENT** ▶ VBP & regulatory cuts ▶ HACs & readmissions ▶ Shared savings ▶ Bundle payments ▶ Full risk sharing ▶ **FUTURE**

**Healthcare is accelerating towards alternative payment models – population health is here to stay**

## **Congress passes Medicare Access & CHIP Reauthorization Act of 2015 (MACRA)**

- » Bill permanently reforms the Medicare physician payment system (Sustainable Growth Rate formula).
- » Alters the economic incentives, pushing providers to embrace population health and risk-based contracts.

## **HHS announces plan to accelerate payment shift**

- » Shifting fee-for-service, Medicare payments to alternative payment models.
- » 30 percent by the end of 2016, moving up to 50 percent by the end of 2018.

**Premier is well positioned to lead health systems through this transformation**



# ▶ Recognized leader in population health management

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- ▶ **Premier Population Health Management Advisory Services and Theradoc clinical surveillance solution ranked #1 by *KLAS***
- ▶ **Pioneered data-driven performance improvement collaboratives and technologies focused on accountable care organizations and alternate payment models**



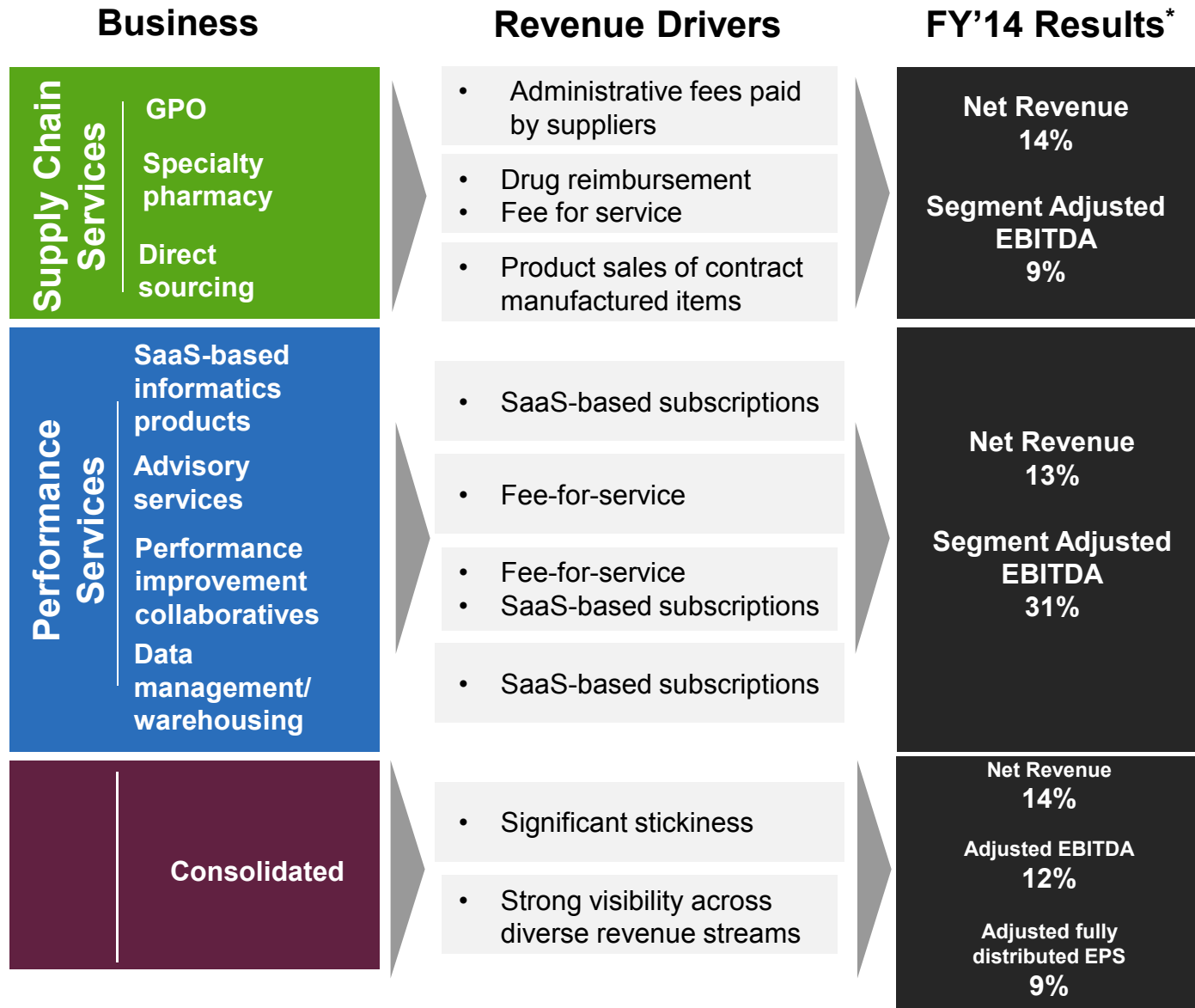
The PACT Population Health Collaborative is the model for integrated care delivery, bringing together approx. 400 hospitals in 30 states



The Bundled Payment Collaborative works to reduce the cost of an episode of care, improve patient outcomes and redesign care delivery with approximately 120 hospitals in 27 states

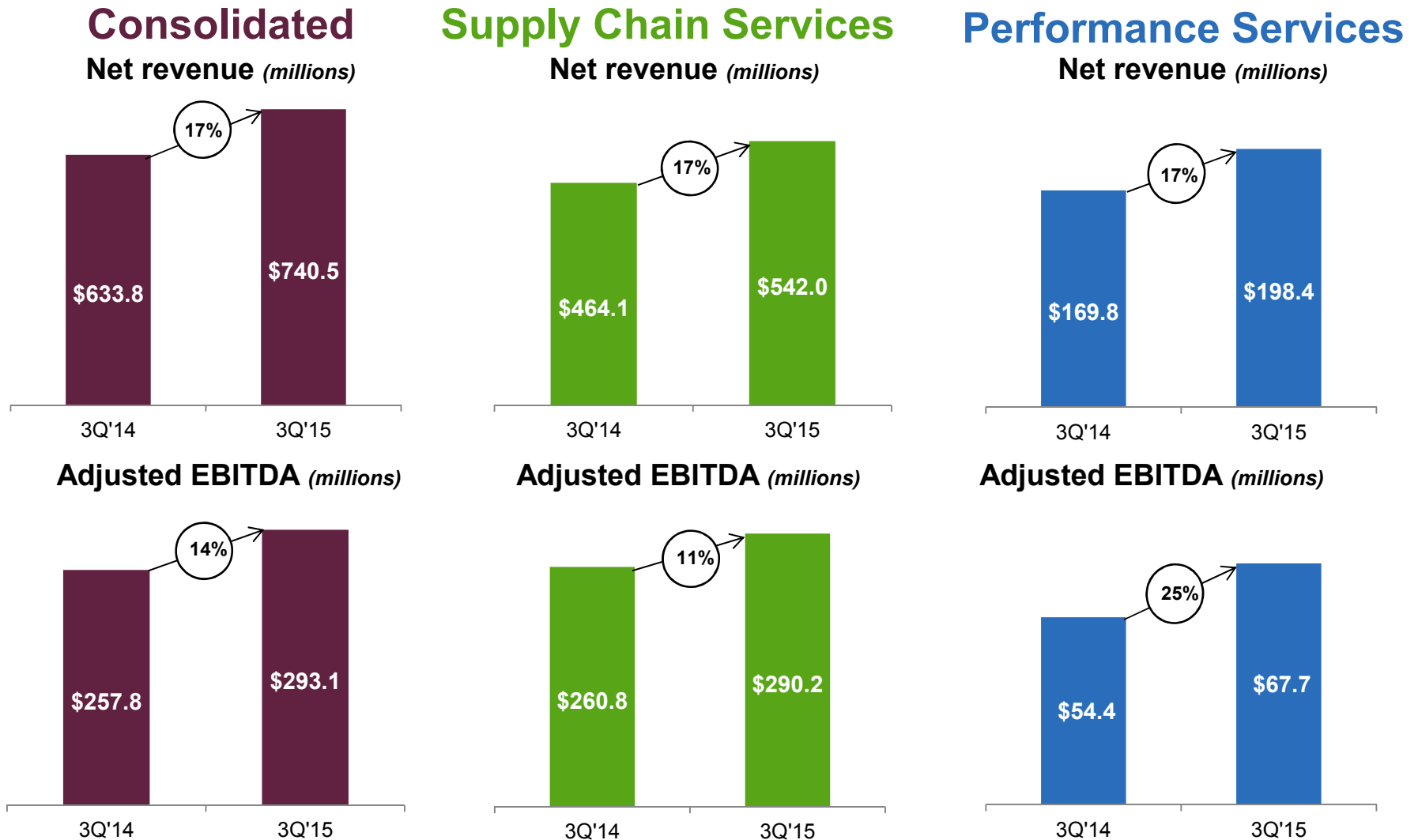


# Strong financial profile demonstrated by double-digit consolidated revenue and adjusted EBITDA growth in FY 2014\*



\*Results are presented on a non-GAAP pro forma basis. See Adjusted EBITDA, Segment Adjusted EBITDA and fully distributed net income reconciliation to GAAP equivalent in the Appendix.

# FY2015 year-to-date nine-month financial highlights\*



\*Comparisons are with year-ago non-GAAP 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.

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

## Financial guidance for year ending June 30, 2015 (updated May 11, 2015):

<b>Fiscal 2015 Financial Guidance</b>			
Premier, Inc. updates full-year fiscal 2015 financial guidance, as follows:			
(in millions, except per share data)	Updated FY 2015	Pro Forma % YoY Change	Previous FY 2015
<b>Net Revenue:</b>			
Supply Chain Services segment	\$720.0 - \$733.0	13% - 15%	\$706.0 - \$725.0
Performance Services segment	\$268.0 - \$275.0	15% - 18%	\$268.0 - \$275.0
<b>Total Net Revenue</b>	<b>\$988.0 - \$1008.0</b>	<b>14% - 16%</b>	<b>\$974.0 - \$1000.0</b>
Non-GAAP adjusted EBITDA	\$384.0 - \$392.0	9% - 12%	\$382.0 - \$390.0
Non-GAAP adjusted fully distributed EPS	\$1.40 - \$1.44	8% - 11%	\$1.40 - \$1.44

### **Guidance Assumptions:**

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

- » 6%-7% net administrative fee revenue growth
- » 27%-32% product revenue growth
- » Continued high GPO retention rates

#### **Performance Services growth driven by:**

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

<sup>(1)</sup> 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. The Company does not reconcile guidance for adjusted EBITDA and non-GAAP adjusted fully distributed net income per-share to net income (loss) or GAAP earnings per share because the Company does not provide guidance for reconciling items between net income (loss) and adjusted EBITDA and non-GAAP adjusted fully distributed earnings per share. The Company is unable to provide guidance for these reconciling items since certain items that impact net income (loss) are outside of the Company's control and cannot be reasonably predicted. Accordingly, a reconciliation to net income (loss) or GAAP earnings per share is not available without unreasonable effort.

## Significant revenue visibility: 3-year average 94+%

*On track to achieve 99% retention rate in our GPO business and a 94% SaaS institutional renewal rate for fiscal year ending June 30, 2015.*

### PERFORMANCE METRICS <sup>1</sup>

	<u>FY 2015</u>	<u>FY 2014</u>	<u>3 Year Average</u>
Revenue available under contract	\$898M	---	---
GPO retention rate <sup>2</sup>	---	99%	97%
SaaS institutional renewal rate <sup>3</sup>	---	94%	94%

(1) As of fiscal year-end June 30, 2014

(2) The retention rate is calculated based upon the aggregate purchasing volume among all members participating in our GPO for such fiscal year less the annualized GPO purchasing volume for departed members for such fiscal year, divided by the aggregate purchasing volume among all members participating in our GPO for such fiscal year.

(3) The renewal rate is calculated based upon the total number of members that have SaaS revenue in a given period that also have revenue in the corresponding prior year period divided by the total number of members that have SaaS revenue in the same period of the prior year.





## Cash flow and capital flexibility at March 31, 2015

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- ▶ **Year-to-date cash flow from operations of \$255.6 million**
- ▶ **Third-quarter free cash flow of \$59.5 million\***
- ▶ **Cash, cash equivalents & marketable securities of \$503.3 million**
- ▶ **No outstanding borrowings on \$750 million five-year unsecured revolving credit facility**

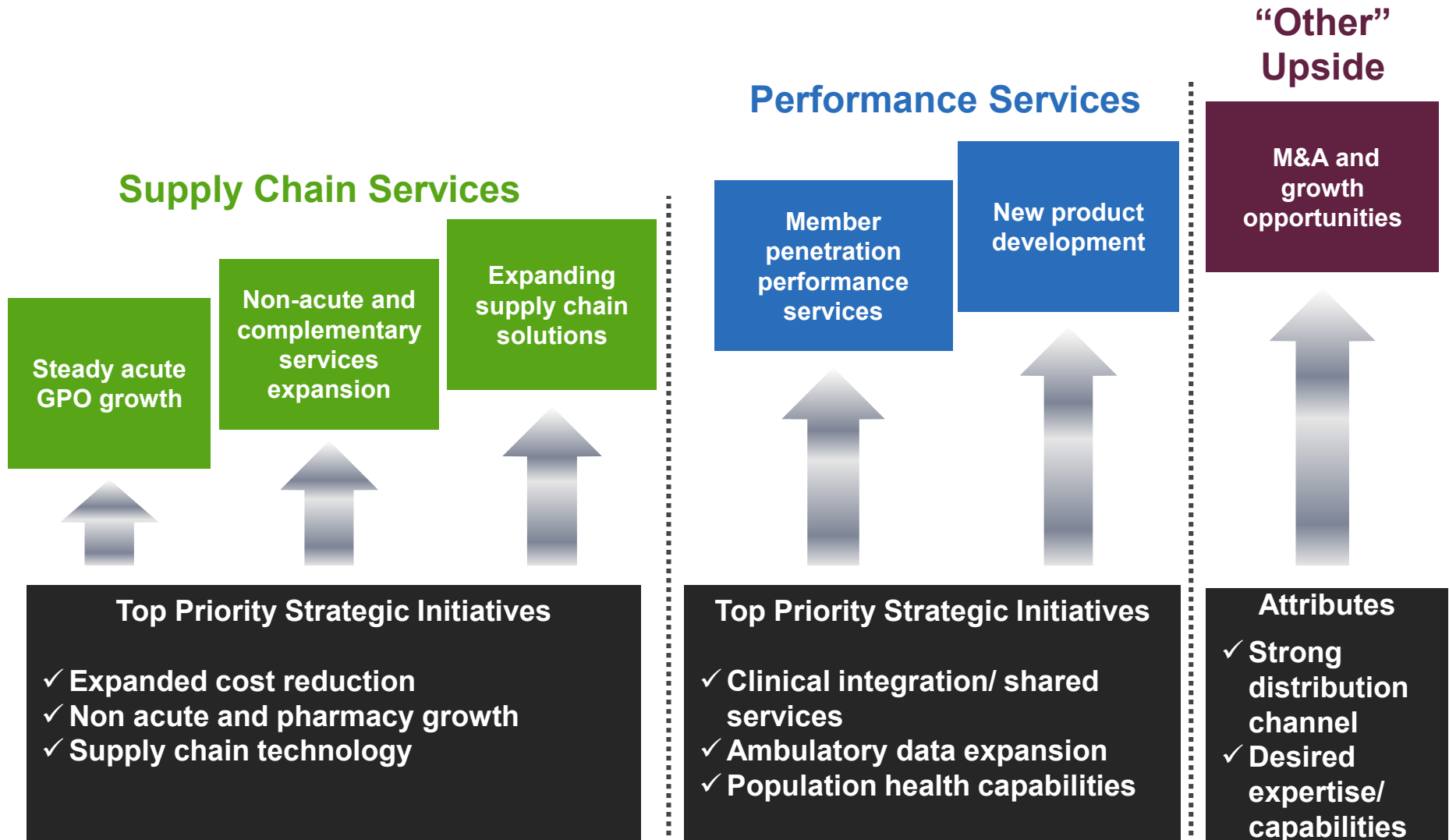
**CONSIDERABLE CASH AND  
DEBT CAPACITY  
AVAILABLE**

**AMPLE CAPITAL  
FLEXIBILITY FOR FUTURE  
ACQUISITIONS AND  
BUSINESS GROWTH**

\*Three months ended March 31, 2015. Company defines free cash flow as cash provided by operating activities less distributions to limited partners and purchases of property and equipment. See non-GAAP free cash flow reconciliation to GAAP equivalent in Appendix.



# Multiple opportunities to drive long-term sustainable growth



# ▶ Member-driven co-development engine

## Organic

QUALITY ADVISOR™

OPERATIONS ADVISOR®

 PREMIER CONNECT®

 PACT™

 QUEST®

 ASCEND®

## Acquisitions

2006 ▶



2007 ▶

CareScience

2010 ▶



2013 ▶



-----Post-IPO-----

2013 ▶



2014 ▶



2014 ▶



2014 ▶



2015 ▶



## Partnerships

POPULATION FOCUS™  
POWERED BY VERISK HEALTH

CARE FOCUS™  
POWERED BY PHYTEL

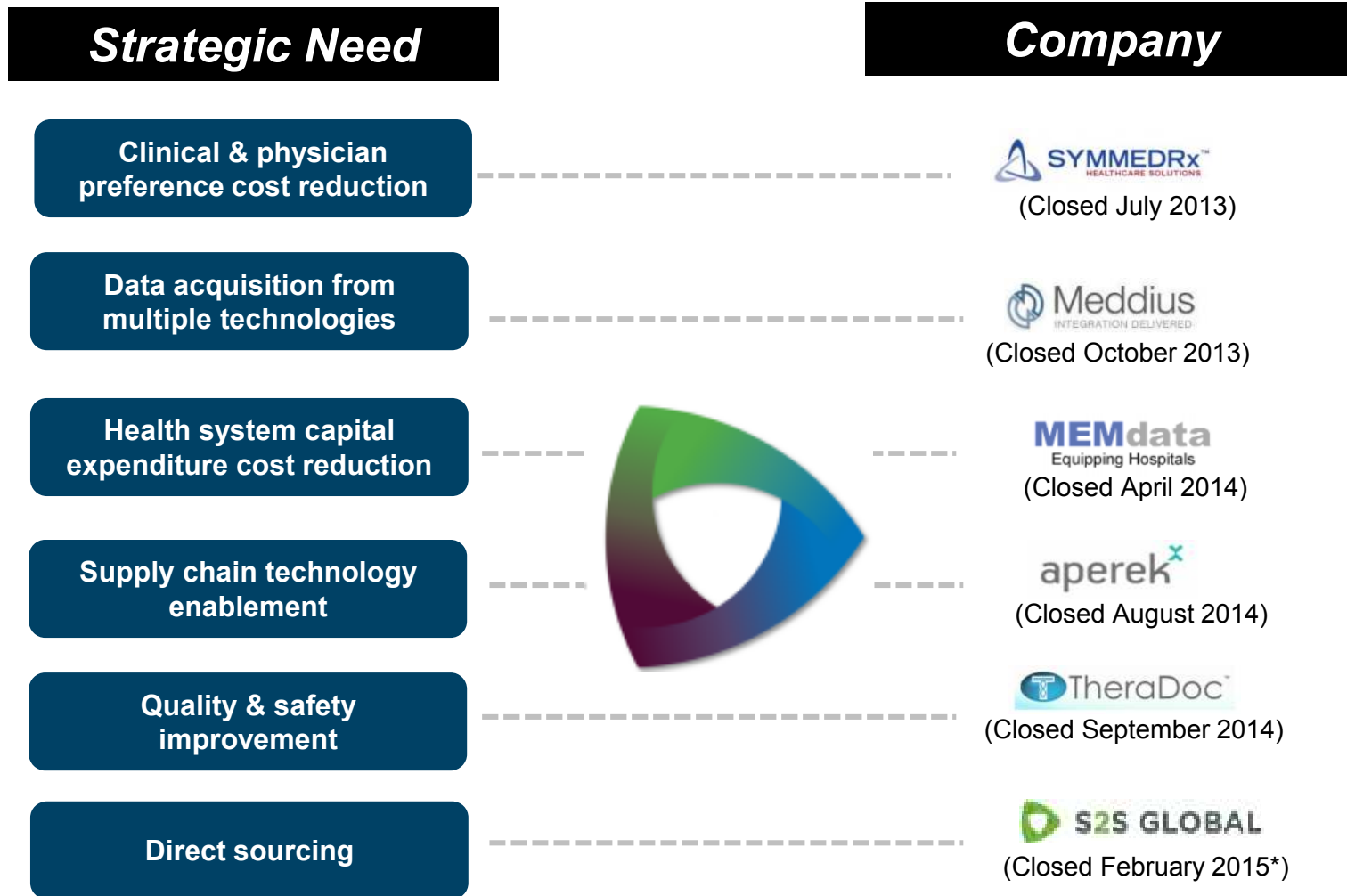


**Premier platform enables rapid deployment of new solutions**

\*Purchased initial 60% ownership in 2011. Remaining 40% minority interest purchased in February 2015.



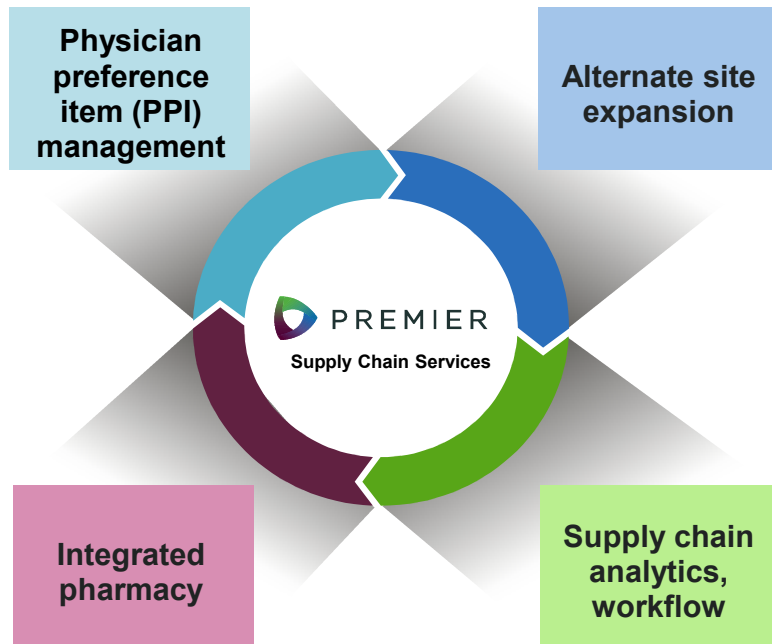
# Targeted and disciplined acquisition strategy in areas of provider needs



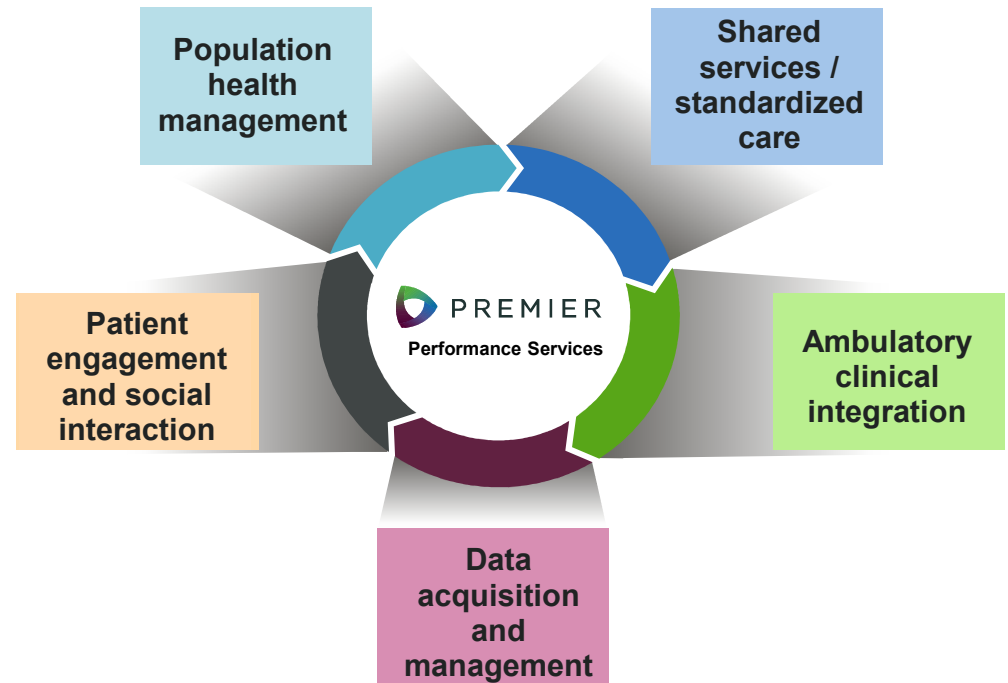
\*Purchased initial 60% ownership in 2011. Remaining 40% minority interest purchased in February 2015.

# ▶ Attractive acquisition pipeline designed to drive ROI

## Supply Chain Services








## Performance Services



**Diverse and growing end markets to drive Premier's growth**



# Demonstrated business model and financial performance

<b>UNIQUE CUSTOMER ALIGNMENT</b>		<ul style="list-style-type: none"><li>• Interests and perspectives are aligned with our customers</li><li>• Members own ~74%<sup>(1)</sup> of equity and view Premier as strategic partner</li><li>• Embedded field force co-developing solutions with members</li></ul>
<b>MULTIPLE GROWTH DRIVERS</b>		<ul style="list-style-type: none"><li>• Consolidated double-digit net revenue and adjusted EBITDA<sup>(2)</sup> growth</li><li>• Diversified revenue opportunities in Supply Chain Services and Performance Services</li><li>• Multiple emerging growth drivers</li></ul>
<b>HIGH VISIBILITY</b>		<ul style="list-style-type: none"><li>• High retention rates in both business segments</li><li>• 5-7 year contracts in Supply Chain Services and 3-5 year SaaS-based subscription contracts in Performance Services</li><li>• Fiscal 2015 revenue visibility over 90%</li></ul>
<b>ATTRACTIVE ECONOMIC MODEL</b>		<ul style="list-style-type: none"><li>• Significant cross and upsell opportunities in existing member base</li><li>• High margins and low marginal cost to support new GPO members and further penetration of existing GPO members</li><li>• SaaS-based products generate high returns on new wins</li></ul>
<b>DISCIPLINED CAPITAL DEPLOYMENT</b>		<ul style="list-style-type: none"><li>• Strong returns on acquired assets</li><li>• Strategic, financial and execution framework in place for capital deployment</li></ul>

(1) As of April 30, 2015.

(2) See Adjusted EBITDA reconciliation to GAAP equivalent in Appendix.





## Thank you

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Premier, Inc.  
704-816-5958  
[jim\\_storey@premierinc.com](mailto:jim_storey@premierinc.com)



PREMIER

| **Appendix**



# ▶ Our leadership team

Susan DeVore, President and **CEO**  
11 years Premier; 26 years healthcare  
Cap Gemini Ernst & Young



Mike Alkire, **COO**  
10 years Premier; 11 years healthcare  
Cap Gemini Ernst & Young



Craig McKasson, **CFO**  
17 years Premier; 21 years healthcare  
Ernst & Young



Durrall Gilbert, **President, Supply Chain Services**  
8 years Premier; 8 years healthcare  
BDS Management, Wachovia Securities



Jeff Lemkin, **General Counsel**  
4 years Premier; 41 years healthcare  
McDermott Will & Emery



Wes Champion, **SVP, Performance Partners**  
7 years Premier; 23 years healthcare  
Cap Gemini Ernst & Young, Accenture



Terry Linn, **SVP, Strategy**  
4 years Premier; 31 years healthcare  
Ernst & Young, American Medical International,  
Charter Medical



Keith Figlioli, **SVP, Informatics**  
5 years Premier; 11 years HIT  
Eclipsys (acquired by Allscripts)



Kelli Price, **SVP, People**  
14 years Premier; 16 years healthcare  
Malcolm Baldrige National Quality Award expert



Andy Brailo, **SVP, Member Field Services**  
13 years Premier; 21 years healthcare  
Medibuy, Bard



Blair Childs, **SVP, Public Affairs**  
7 years Premier; 26 years healthcare  
AdvaMed



Gary Long, **SVP, Chief Sales Officer**  
2 years Premier; 21 years healthcare  
McKesson



Jeff Petry, **SVP, Marketing**  
17 years Premier; 23 years healthcare  
Mezzia, The Advisory Board Company



# ▶ Structural implications of Premier, Inc.

## Structure

- ▶ Structured as “Up-C” with Premier, Inc. (parent C-Corp above operating partnership and subsidiaries)
- ▶ Premier, Inc. formed with two classes of stock
  - Class A shares held by public investors
  - Class B shares allocated to member owners

## Impact of IPO and Exchange Process

- ▶ 22% of Limited Partner interests sold to public, 78% retained by member owners as Class B units
- ▶ Class B units eligible to exchange 1/7th per year, over seven-year period
- ▶ Exchange of Class B units for A-shares (on a 1-for-1 basis) as B-units become eligible for exchange subject to ROFR by members owners and Premier, Inc.
- ▶ First exchange on October 31, 2014, and subsequent company directed offering injected 3.9 million shares of liquidity into the public market, resulting in public ownership of 26% and member owner interest of 74%

## Adjusted fully distributed net income

- ▶ Given Up-C structure and differences between taxes paid by our Class A unit holder (Premier GP) vs. distributions to our Class B unit holders (members owners), we calculate Adjusted Fully Distributed Net Income<sup>1</sup> for comparability purposes
- ▶ Reflects taxes and net income as if the Company was a C-Corp for all periods presented

## Share count

- ▶ Class A and Class B shares will be used to calculate fully diluted EPS to eliminate variability due to member exchanges over time



# Illustrative impact of ownership structure

	Ownership <sup>(1)</sup> 22% Class A / 78% Class B	Ownership 100% Class A
<b><u>Income Statement</u></b>		
Net Revenue	500,000	500,000
Cost of Revenue	200,000	200,000
Gross Profit	300,000	300,000
Operating Expenses	140,000	140,000
Operating Income	160,000	160,000
Net Income Attributable to NCI in Premier LP	(124,800) <b>A</b>	-
Pre-Tax Income Attributable to Premier Inc.	35,200	160,000
Income Tax Expense	14,080 <b>B</b>	64,000
Net Income Attributable to Premier, Inc.	21,120	96,000
<b><u>Income Retained in Business</u></b>		
Net Income Attributable to Premier, Inc.	21,120	96,000
Net Income Attributable to NCI in Premier LP	124,800	-
Tax Distribution to Premier LP Limited Partners	(49,920) <b>C</b>	-
Net Income Retained in Business	96,000 <b>D</b>	96,000
<b><u>Adjusted Fully Distributed Net Income</u></b>		
Net Income Attributable to Premier, Inc.	21,120	96,000
Add: Income Tax Expense	14,080	64,000
Add: Net Income Attributable to NCI in Premier	124,800	-
Fully Distributed Income Before Income Taxes	160,000	160,000
Adjusted for income tax expense on fully distributed net income before income taxes	64,000 <b>E</b>	64,000
Adjusted Fully Distributed Net Income	96,000	96,000
<b><u>Income Taxes/Tax Distributions</u></b>		
Income Tax Expense	14,080	64,000
Tax Distribution to Class B Limited Partners	49,920	-
Total Tax, including tax distribution to limited partners	64,000 <b>F</b>	64,000

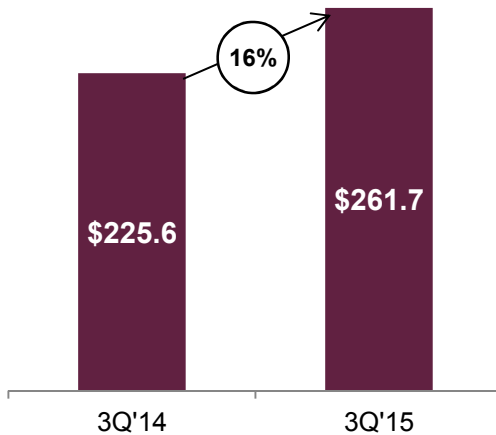
- A** Member owners allocated income in operating partnership based on percentage ownership
- B** Income tax expense equals 40% of income attributable to Premier, Inc.
- C** Member owners receive tax distribution to cover any tax liability on allocated income
- D** Amount of retained profitability in business equal regardless of ownership structure
- E** Reflects 41% tax rate on 100% of pretax income (assumes full C-Corp tax treatment)
- F** Amount paid for taxes equal regardless of ownership structure

<sup>1</sup> For illustrative purposes only. Ownership percentage is based on structure at the time of the October 2013 initial public offering and will change over time.

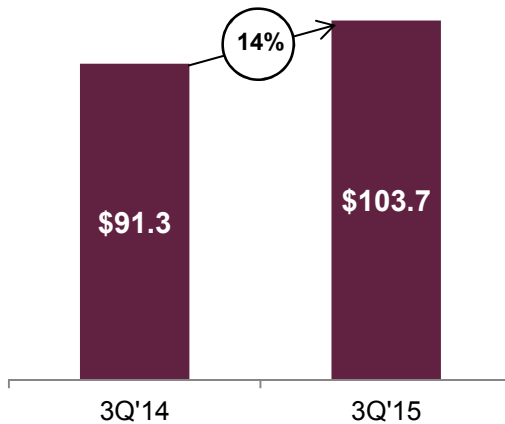


# Third-quarter consolidated and segment highlights\*

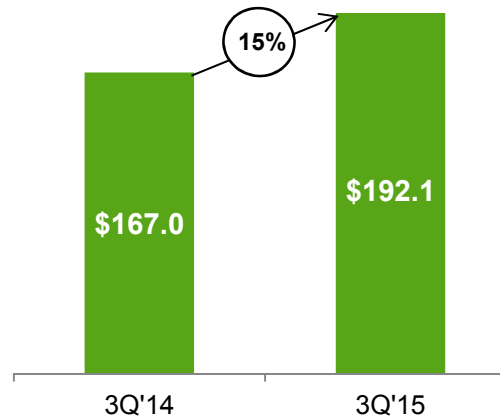
## Consolidated Net revenue (millions)



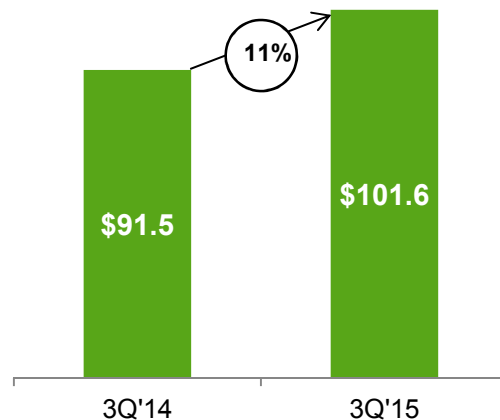
## Adjusted EBITDA (millions)



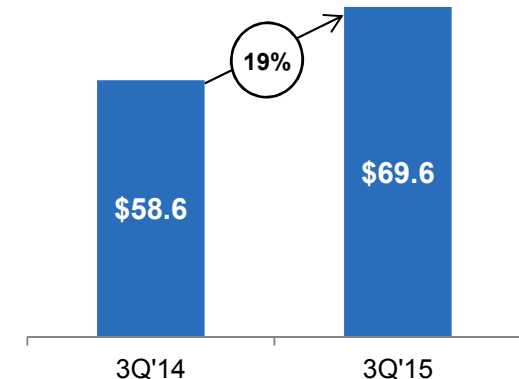
## Supply Chain Services Net revenue (millions)



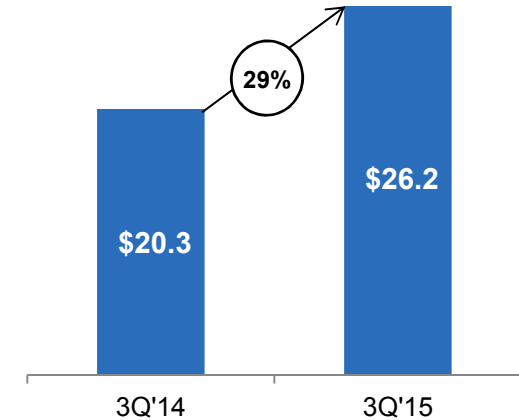
## Adjusted EBITDA (millions)



## Performance Services Net revenue (millions)



## Adjusted EBITDA (millions)

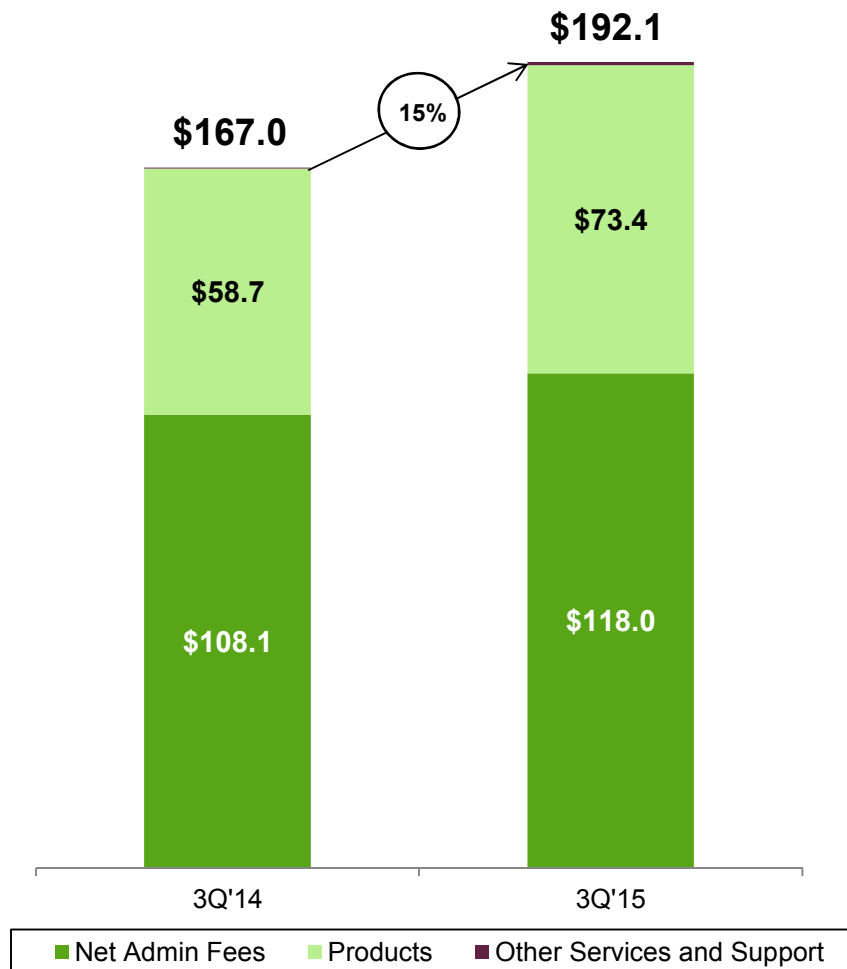


\*See non-GAAP Adjusted EBITDA and non-GAAP Segment Adjusted EBITDA reconciliations to GAAP equivalents in Appendix.

# ▶ Third-quarter Supply Chain Services revenue

## Supply Chain Services

Net revenue (millions)



## Supply Chain Services revenue increased 15%

### » GPO net admin fees revenue increased 9.1%

- » Expanding contract penetration in both acute and alternate site
- » Continuing impact of the recruitment and conversion of new members
- » Improved utilization trends
- » Timing of vendor reporting

### » Products revenue increased 25%

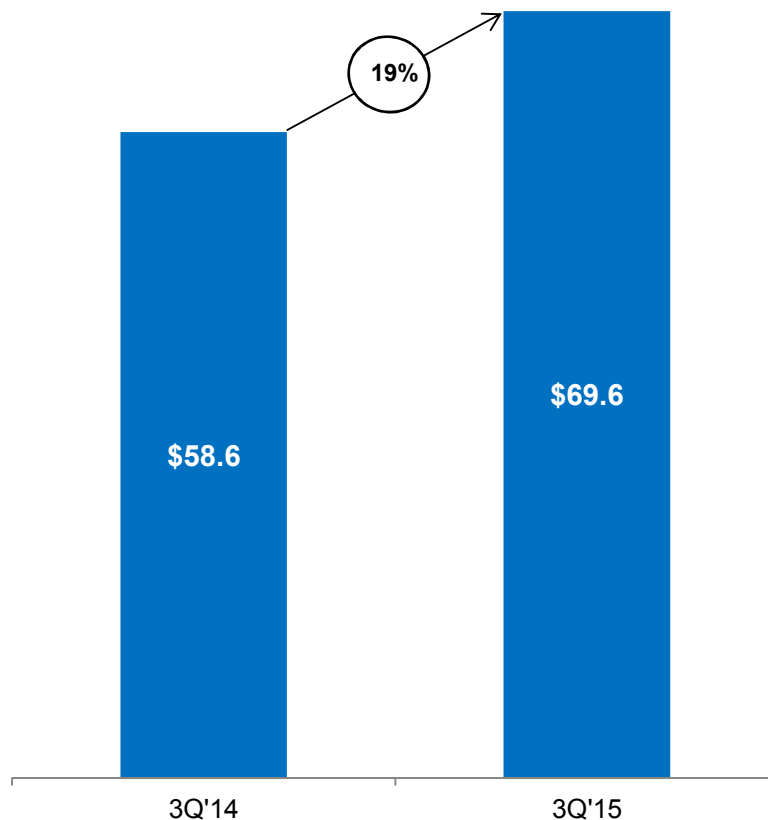
- » Ongoing member support for direct sourcing and specialty pharmacy businesses



# ▶ Third-quarter Performance Services revenue

## Performance Services

Net revenue (millions)



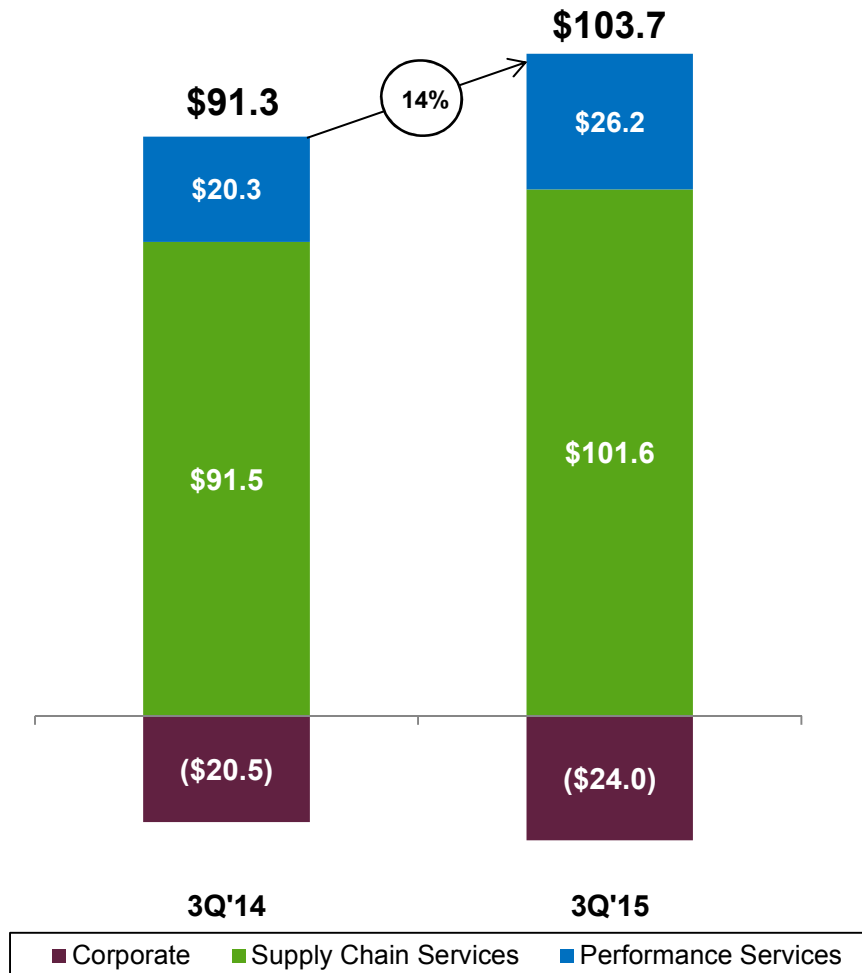
### » Performance Services revenue increased 19%

- » Continued growth of PremierConnect SaaS-based subscriptions and renewals
- » Continued growth of Advisory Services led by engagements tied to:
  - » Cost management
  - » Population health
  - » Physician preference
  - » Capital equipment planning



# ▶ Third-quarter adjusted EBITDA\*

## Adjusted EBITDA (millions)



## Consolidated adjusted EBITDA increased 14%

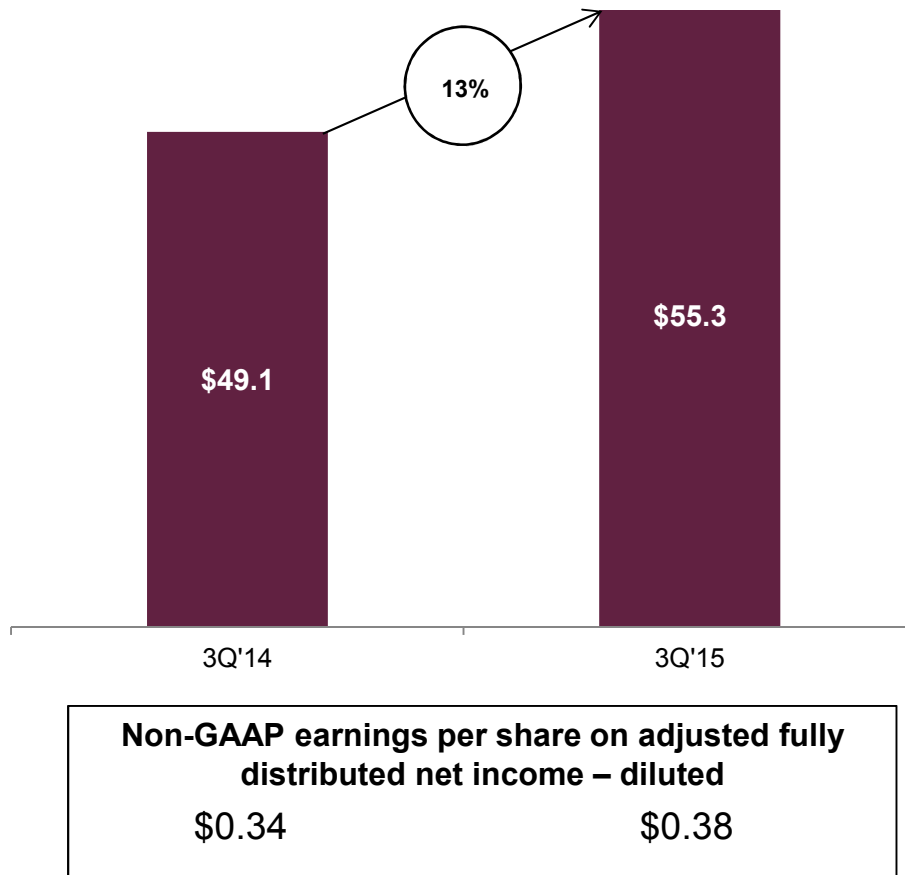
- » **Supply Chain Services adjusted EBITDA increased 11%**
  - » Strong net admin fee revenue growth
  - » Expanding direct sourcing activities
- » **Performance Services adjusted EBITDA increased 29%**
  - » New PremierConnect SaaS-based subscription sales
  - » Contribution from Aperek and Theradoc acquisitions
  - » Effective management of operating expenses

\* 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



# Third-quarter non-GAAP adjusted fully distributed net income\*

(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

\* 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



# Fiscal 2014 and fiscal 2013 non-GAAP reconciliations

## Reconciliation of Selected Non-GAAP Measures to GAAP Measures

Year Ended June 30,

	Year Ended June 30,									
	2014					2013				
	Actual		Adjustments	Non-GAAP Pro Forma		Actual		Adjustments	Non-GAAP Pro Forma	
	% of Net			% of Net		% of Net			% of Net	
	Amount	Revenue	Amount	Amount	Revenue	Amount	Revenue	Amount	Amount	Revenue
<i>(Unaudited, in thousands)</i>										
<b>Net revenue:</b>										
Net administrative fees	\$ 464,837	51%	\$ (41,263)	\$ 423,574	49%	\$ 519,219	60%	\$ (105,012)	\$ 414,207	54%
Other services and support	233,186	26%	-	233,186	27%	205,685	24%	-	205,685	27%
Services	698,023	77%	(41,263)	656,760	76%	724,904	84%	(105,012)	619,892	81%
Products	212,526	23%	-	212,526	24%	144,386	16%	-	144,386	19%
<b>Net revenue</b>	<b>910,549</b>	<b>100%</b>	<b>(41,263)</b>	<b>869,286</b>	<b>100%</b>	<b>869,290</b>	<b>100%</b>	<b>(105,012)</b>	<b>764,278</b>	<b>100%</b>
Cost of revenue:										
Services	115,740	13%	-	115,740	13%	103,795	12%	-	103,795	14%
Products	191,885	21%	-	191,885	22%	133,618	15%	-	133,618	17%
<b>Cost of revenue</b>	<b>307,625</b>	<b>34%</b>	<b>-</b>	<b>307,625</b>	<b>35%</b>	<b>237,413</b>	<b>27%</b>	<b>-</b>	<b>237,413</b>	<b>31%</b>
Gross profit	602,924	66%	(41,263)	561,661	65%	631,877	73%	(105,012)	526,865	69%
Operating expenses:										
Selling, general and administrative	294,421	33%	-	294,421	35%	248,301	29%	-	248,301	33%
Research and development	3,389	— %	-	3,389	— %	9,370	1%	-	9,370	1%
Amortization of purchased intangible assets	3,062	— %	-	3,062	— %	1,539	— %	-	1,539	— %
Total operating expenses	300,872	33%	-	300,872	35%	259,210	30%	-	259,210	34%
Operating income	302,052	33%	(41,263)	260,789	30%	372,667	43%	(105,012)	267,655	35%
Other income, net	58,274	6%	-	58,274	7%	12,145	1%	-	12,145	2%
Income before income taxes	360,326	40%	(41,263)	319,063	37%	384,812	44%	(105,012)	279,800	37%
Income tax expense	27,709	3%	(3,239)	24,470	3%	9,726	1%	22,813	32,539	4%
<b>Net income</b>	<b>332,617</b>	<b>37%</b>	<b>(38,024)</b>	<b>294,593</b>	<b>34%</b>	<b>375,086</b>	<b>43%</b>	<b>(127,825)</b>	<b>247,261</b>	<b>33%</b>
Net (income) loss attributable to noncontrolling interest in S2S Global	(949)	— %	-	(949)	— %	1,479	— %	-	1,479	— %
Net income attributable to noncontrolling interest in Premier LP	(303,336)	(33)%	57,690	(245,646)	(28)%	(369,189)	(42)%	150,726	(218,463)	(29)%
Net income attributable to noncontrolling interest	(304,285)	(33)%	57,690	(246,595)	(28)%	(367,710)	(42)%	150,726	(216,984)	(29)%
<b>Net income attributable to shareholders</b>	<b>\$ 28,332</b>	<b>4%</b>	<b>\$ 19,666</b>	<b>\$ 47,998</b>	<b>6%</b>	<b>\$ 7,376</b>	<b>1%</b>	<b>\$ 22,901</b>	<b>\$ 30,277</b>	<b>4%</b>
Adjustment of redeemable limited partners' capital to redemption amount	\$ (2,741,588)	nm	\$ -	\$ (2,741,588)	nm	\$ -	nm	\$ -	\$ -	nm
<b>Net income (loss) attributable to shareholders after adjustment of redeemable partners' capital to redemption amount</b>	<b>\$ (2,713,256)</b>	<b>nm</b>	<b>\$ 19,666</b>	<b>\$ (2,693,590)</b>	<b>nm</b>	<b>\$ 7,376</b>	<b>nm</b>	<b>\$ 22,901</b>	<b>\$ 30,277</b>	<b>nm</b>
Adjusted EBITDA	\$ 392,288	43%	\$ (41,263)	\$ 351,025	40%	\$ 419,025	48%	\$ (105,012)	\$ 314,013	41%
Adjusted Fully Distributed Net Income	na	na	na	\$ 188,561	22%	na	na	na	\$ 172,793	23%

nm - Not meaningful

na - Not applicable

# Fiscal 2014 and fiscal 2013 non-GAAP reconciliations

(Unaudited, in thousands)	Year Ended June 30,					
	2014			2013		
	Actual	Adjustments	Non-GAAP Pro Forma	Actual	Adjustments	Non-GAAP Pro Forma
<b>Reconciliation of Non-GAAP Pro Forma Net Revenue to Net Revenue:</b>						
Supply Chain Services	\$ 678,141	\$ (41,263)	\$ 636,878	\$ 664,076	\$ (105,012)	\$ 559,064
Performance Services	232,408	-	232,408	205,214	-	205,214
<b>Net Revenue</b>	<b>910,549</b>	<b>(41,263)</b>	<b>869,286</b>	<b>869,290</b>	<b>(105,012)</b>	<b>764,278</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>	\$ 332,617	\$ (38,024)	\$ 294,593	\$ 375,086	\$ (127,825)	\$ 247,261
Interest and investment income, net	(1,019)	-	(1,019)	(965)	-	(965)
Income tax expense	27,709	(3,239)	24,470	9,726	22,813	32,539
Depreciation and amortization	36,761	-	36,761	27,681	-	27,681
Amortization of purchased intangible assets	3,062	-	3,062	1,539	-	1,539
<b>EBITDA</b>	<b>399,130</b>	<b>(41,263)</b>	<b>357,867</b>	<b>413,067</b>	<b>(105,012)</b>	<b>308,055</b>
Stock-based compensation expense	19,476	-	19,476	-	-	-
Acquisition related expenses	2,014	-	2,014	-	-	-
Strategic and financial restructuring expenses	3,760	-	3,760	5,170	-	5,170
Gain on sale of investment	(38,372)	-	(38,372)	-	-	-
Adjustment to tax receivable agreement liability	6,215	-	6,215	-	-	-
Other (income) expense, net	65	-	65	788	-	788
<b>Adjusted EBITDA</b>	<b>\$ 392,288</b>	<b>\$ (41,263)</b>	<b>\$ 351,025</b>	<b>\$ 419,025</b>	<b>\$ (105,012)</b>	<b>\$ 314,013</b>
<b>Segment Adjusted EBITDA:</b>						
Supply Chain Services	\$ 396,470	\$ (41,263)	\$ 355,207	\$ 431,628	\$ (105,012)	\$ 326,616
Performance Services	73,898	-	73,898	56,456	-	56,456
Corporate <sup>(g)</sup>	(78,080)	-	(78,080)	(69,059)	-	(69,059)
<b>Adjusted EBITDA</b>	<b>392,288</b>	<b>(41,263)</b>	<b>351,025</b>	<b>419,025</b>	<b>(105,012)</b>	<b>314,013</b>
Depreciation and amortization	(36,761)	-	(36,761)	(27,681)	-	(27,681)
Amortization of purchased intangible assets	(3,062)	-	(3,062)	(1,539)	-	(1,539)
Stock-based compensation expense	(19,476)	-	(19,476)	-	-	-
Acquisition related expenses	(2,014)	-	(2,014)	-	-	-
Strategic and financial restructuring expenses	(3,760)	-	(3,760)	(5,170)	-	(5,170)
Adjustment to tax receivable agreement liability	(6,215)	-	(6,215)	-	-	-
Equity in net income of unconsolidated affiliates	(16,976)	-	(16,976)	(11,968)	-	(11,968)
Deferred compensation plan expense	(1,972)	-	(1,972)	-	-	-
<b>Operating income</b>	<b>302,052</b>	<b>(41,263)</b>	<b>260,789</b>	<b>372,667</b>	<b>(105,012)</b>	<b>267,655</b>
Equity in net income of unconsolidated affiliates	16,976	-	16,976	11,968	-	11,968
Interest and investment income, net	1,019	-	1,019	965	-	965
Gain on sale of investment	38,372	-	38,372	-	-	-
Other income (expense), net	1,907	-	1,907	(788)	-	(788)
<b>Income before income taxes</b>	<b>\$ 360,326</b>	<b>\$ (41,263)</b>	<b>\$ 319,063</b>	<b>\$ 384,812</b>	<b>\$ (105,012)</b>	<b>\$ 279,800</b>

# Fiscal 2014 and fiscal 2013 non-GAAP reconciliations

## Reconciliation of Selected Non-GAAP Measures to GAAP Measures

<i>(Unaudited, in thousands)</i>	Year Ended June 30,	
	2014	2013
<b>Net income attributable to shareholders</b>	\$ 28,332	\$ 7,376
Pro forma adjustment for revenue share post-IPO	(41,263)	(105,012)
Income tax expense	27,709	9,726
Stock-based compensation expense	19,476	—
Acquisition related expenses	2,014	—
Strategic and financial restructuring expenses	3,760	5,170
Gain on sale of investment	(38,372)	—
Adjustment to tax receivable agreement liability	6,215	—
Amortization of purchased intangible assets	3,062	1,539
Net income attributable to noncontrolling interest in Premier LP	303,336	369,189
Non-GAAP Pro forma fully distributed income before income taxes	314,269	287,988
Income tax expense on fully distributed income before income taxes	125,708	115,195
<b>Non-GAAP Pro Forma Adjusted Fully Distributed Net Income</b>	<b>\$ 188,561</b>	<b>\$ 172,793</b>



# Fiscal 2014 and fiscal 2013 non-GAAP reconciliations

**Supplemental Financial Information - Reporting of Net Income and Earnings Per Share**  
**Reconciliation of Selected Non-GAAP Measures to GAAP Measures**  
**(Unaudited)**  
**(In thousands)**

	<b>Year Ended</b>	
	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Reconciliation of numerator for GAAP EPS to Non-GAAP EPS on Adjusted Fully Distributed Net Income</b>		
Net income (loss) attributable to shareholders after adjustment of redeemable limited partners' capital to redemption amount	\$ (2,713,256)	\$ 7,376
Adjustment of redeemable limited partners' capital to redemption amount	2,741,588	-
Net income (loss) attributable to shareholders	28,332	7,376
Pro forma adjustment for revenue share post-IPO	(41,263)	(105,012)
Income tax expense	27,709	9,726
Stock-based compensation	19,476	—
Gain on sale of investment	(38,372)	—
Acquisition related expenses	2,014	—
Strategic and financial restructuring expenses	3,760	5,170
Adjustment to tax receivable agreement liability	6,215	—
Amortization of purchased intangible assets	3,062	1,539
Net income attributable to noncontrolling interest in Premier LP	303,336	369,189
Non-GAAP pro forma adjusted fully distributed income before income taxes	314,269	287,988
Income tax expense on fully distributed income before income taxes	125,708	115,195
<b>Non-GAAP pro forma adjusted fully distributed net income</b>	<b>\$ 188,561</b>	<b>\$ 172,793</b>
<b>Reconciliation of denominator for GAAP EPS to Non-GAAP to Adjusted Fully Distributed Net Income</b>		
Weighted Average:		
Common shares used for basic and diluted earnings per share	25,633	5,858
Potentially dilutive shares	124	-
Class A common shares outstanding	6,742	26,517
Conversion of Class B common units	112,584	112,608
<b>Weighted average fully distributed shares outstanding - diluted</b>	<b>145,083</b>	<b>144,983</b>
<b>Reconciliation of GAAP EPS to Adjusted Fully Distributed EPS</b>		
GAAP income (loss) per share	\$ (105.85)	\$ 1.26
Impact of adjustment of redeemable limited partners' capital to redemption amount	\$ 106.96	\$ -
Impact of additions:		
Pro forma adjustment for revenue share post-IPO	\$ (1.61)	\$ (17.93)
Income tax expense	\$ 1.08	\$ 1.66
Stock-based compensation	\$ 0.76	\$ -
Gain on sale of investment	\$ (1.50)	\$ -
Acquisition related expenses	\$ 0.08	\$ -
Strategic and financial restructuring expenses	\$ 0.15	\$ 0.88
Adjustment to tax receivable agreement liability	\$ 0.24	\$ -
Amortization of purchased intangible assets	\$ 0.12	\$ 0.26
Net income attributable to noncontrolling interest in Premier LP	\$ 11.83	\$ 63.02
Impact of corporation taxes	\$ (4.90)	\$ (19.66)
Impact of increased share count	\$ (6.06)	\$ (28.31)
<b>Non-GAAP earnings per share on adjusted fully distributed net income - diluted</b>	<b>\$ 1.30</b>	<b>\$ 1.19</b>

# Fiscal 2015 and fiscal 2014 non-GAAP reconciliations

**Supplemental Financial Information - Reporting of 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 March 31,		Nine Months Ended March 31,	
	2015*	2014*	2015*	2014
<b>Reconciliation of Pro Forma Net Revenue to Net Revenue:</b>				
Pro Forma Net Revenue	\$ 261,723	\$ 225,598	\$ 740,476	\$ 633,820
Pro forma adjustment for revenue share post-IPO	—	—	—	41,263
<b>Net Revenue</b>	<b>\$ 261,723</b>	<b>\$ 225,598</b>	<b>\$ 740,476</b>	<b>\$ 675,083</b>
<b>Reconciliation of Net Income to Adjusted EBITDA and Reconciliation of Segment Adjusted EBITDA to Income Before Income Taxes:</b>				
Net income	\$ 72,029	\$ 101,980	\$ 202,724	\$ 265,985
Pro forma adjustment for revenue share post-IPO	—	—	—	(41,263)
Interest and investment income, net	(204)	(400)	(517)	(641)
Income tax expense	2,026	9,413	12,107	24,461
Depreciation and amortization	11,538	9,396	33,107	26,952
Amortization of purchased intangible assets	2,554	802	6,598	2,158
<b>EBITDA</b>	<b>87,943</b>	<b>121,191</b>	<b>254,019</b>	<b>277,652</b>
Stock-based compensation	7,285	6,299	21,129	13,118
Acquisition related expenses	2,863	984	6,408	1,303
Strategic and financial restructuring expenses	2	733	1,281	3,614
Loss (gain) on investment	1,000	(37,850)	1,000	(37,850)
Adjustment to tax receivable agreement liability	1,073	—	—	—
Acquisition related adjustment - deferred revenue	3,563	—	9,224	—
Other expense (income), net	16	(52)	10	(56)
<b>Adjusted EBITDA</b>	<b>\$ 103,745</b>	<b>\$ 91,305</b>	<b>\$ 293,071</b>	<b>\$ 257,781</b>
<b>Segment Adjusted EBITDA:</b>				
Supply Chain Services	\$ 101,600	\$ 91,477	\$ 290,210	\$ 302,076
Pro forma adjustment for revenue share post-IPO	—	—	—	(41,263)
Supply Chain Services (including pro forma adjustment)	\$ 101,600	\$ 91,477	\$ 290,210	\$ 260,813
Performance Services	26,166	20,307	67,717	54,367
Corporate	(24,021)	(20,479)	(64,856)	(57,399)
<b>Adjusted EBITDA</b>	<b>\$ 103,745</b>	<b>\$ 91,305</b>	<b>\$ 293,071</b>	<b>\$ 257,781</b>
Depreciation and amortization	(11,538)	(9,396)	(33,107)	(26,952)
Amortization of purchased intangible assets	(2,554)	(802)	(6,598)	(2,158)
Stock-based compensation	(7,285)	(6,299)	(21,129)	(13,118)
Acquisition related expenses	(2,863)	(984)	(6,408)	(1,303)
Strategic and financial restructuring expenses	(2)	(733)	(1,281)	(3,614)
Adjustment to tax receivable agreement liability	(1,073)	—	—	—
Acquisition related adjustment - deferred revenue	(3,563)	—	(9,224)	—
Equity in net income of unconsolidated affiliates	(5,197)	(3,566)	(14,812)	(12,171)
Deferred compensation plan (income) expense	(759)	—	209	—
	68,911	69,525	200,721	198,465
Pro forma adjustment for revenue share post-IPO	—	—	—	41,263
<b>Operating income</b>	<b>\$ 68,911</b>	<b>\$ 69,525</b>	<b>\$ 200,721</b>	<b>\$ 239,728</b>
Equity in net income of unconsolidated affiliates	5,197	3,566	14,812	12,171
Interest and investment income, net	204	400	517	641
(Loss) gain on investment	(1,000)	37,850	(1,000)	37,850
Other income (expense), net	743	52	(219)	56
<b>Income before income taxes</b>	<b>\$ 74,055</b>	<b>\$ 111,393</b>	<b>\$ 214,831</b>	<b>\$ 290,446</b>

\* Note that no pro forma adjustments were made for the three and nine months ended March 31, 2015 and the three months ended March 31, 2014; as such, actual results are presented for each of these periods.

# Fiscal 2015 and fiscal 2014 non-GAAP reconciliations

**Supplemental Financial Information - Reporting of Pro Forma Adjusted EBITDA  
and Non-GAAP Adjusted Fully Distributed Net Income  
Reconciliation of Selected Non-GAAP Measures to GAAP Measures  
(Unaudited)  
(In thousands)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2015*</u>	<u>2014*</u>	<u>2015*</u>	<u>2014</u>
<i>Reconciliation of Non-GAAP Pro Forma Adjusted Fully Distributed Net Income:</i>				
<b>Net income attributable to shareholders</b>	\$ 12,209	\$ 13,525	\$ 30,753	\$ 19,453
Pro forma adjustment for revenue share post-IPO	—	—	—	(41,263)
Income tax expense	2,026	9,413	12,107	24,461
Stock-based compensation	7,285	6,299	21,129	13,118
Acquisition related expenses	2,863	984	6,408	1,303
Strategic and financial restructuring expenses	2	733	1,281	3,614
Loss (gain) on investment	1,000	(37,850)	1,000	(37,850)
Adjustment to tax receivable agreement liability	1,073	—	—	—
Acquisition related adjustment - deferred revenue	3,563	—	9,224	—
Amortization of purchased intangible assets	2,554	802	6,598	2,158
Net income attributable to noncontrolling interest in Premier LP	59,568	87,925	170,135	246,055
Non-GAAP pro forma adjusted fully distributed income before income taxes	92,143	81,831	258,635	231,049
Income tax expense on fully distributed income before income taxes	36,857	32,732	103,454	92,420
<b>Non-GAAP Pro Forma Adjusted Fully Distributed Net Income</b>	<b>\$ 55,286</b>	<b>\$ 49,099</b>	<b>\$ 155,181</b>	<b>\$ 138,629</b>

\* Note that no pro forma adjustments were made for the three and nine months ended March 31, 2015 and the three months ended March 31, 2014; as such, actual results are presented for each of these periods.

## Fiscal 2015 and fiscal 2014 non-GAAP reconciliations

**Supplemental Financial Information - Reporting of Non-GAAP Free Cash Flow**  
**Reconciliation of Selected Non-GAAP Measures to GAAP Measures**  
**(Unaudited)**  
**(In thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<i><b>Reconciliation of Non-GAAP Free Cash Flow to Net Cash Provided by Operating Activities:</b></i>		
Net cash provided by operating activities	\$ 101,860	\$ 90,173
Purchases of property and equipment	(18,653)	(13,823)
Distributions to limited partners	(23,701)	(17,419)
<b>Non-GAAP free cash flow</b>	<b>\$ 59,506</b>	<b>\$ 58,931</b>
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 103,745</b>	<b>\$ 91,305</b>

# Fiscal 2015 and fiscal 2014 non-GAAP reconciliations

**Supplemental Financial Information - Reporting of Net Income and Earnings Per Share**  
**Reconciliation of Selected Non-GAAP Measures to GAAP Measures**  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2015*	2014*	2015*	2014
<b>Reconciliation of numerator for GAAP EPS to Non-GAAP EPS on Adjusted Fully Distributed Net Income</b>				
Net income (loss) attributable to shareholders after adjustment of redeemable limited partners' capital to redemption amount	\$ (374,853)	\$ 509,239	\$ (781,216)	\$ (3,204,645)
Adjustment of redeemable limited partners' capital to redemption amount	387,062	(495,714)	811,969	3,224,098
Net income attributable to shareholders	12,209	13,525	30,753	19,453
Pro forma adjustment for revenue share post-IPO	—	—	—	(41,263)
Income tax expense	2,026	9,413	12,107	24,461
Stock-based compensation	7,285	6,299	21,129	13,118
Acquisition related expenses	2,863	984	6,408	1,303
Strategic and financial restructuring expenses	2	733	1,281	3,614
Loss (gain) on investment	1,000	(37,850)	1,000	(37,850)
Adjustment to tax receivable agreement liability	1,073	—	—	—
Acquisition related adjustment - deferred revenue	3,563	—	9,224	—
Amortization of purchased intangible assets	2,554	802	6,598	2,158
Net income attributable to noncontrolling interest in Premier LP	59,568	87,925	170,135	246,055
Non-GAAP pro forma adjusted fully distributed income before income taxes	92,143	81,831	258,635	231,049
Income tax expense on fully distributed income before income taxes	36,857	32,732	103,454	92,420
<b>Non-GAAP pro forma adjusted fully distributed net income</b>	<b>\$ 55,286</b>	<b>\$ 49,099</b>	<b>\$ 155,181</b>	<b>\$ 138,629</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	37,316	32,375	35,066	23,394
Potentially dilutive shares	1,148	181	845	100
Class A common shares outstanding	-	-	-	8,981
Conversion of Class B common units	106,706	112,608	109,184	112,608
<b>Weighted average fully distributed shares outstanding - diluted</b>	<b>145,170</b>	<b>145,164</b>	<b>145,095</b>	<b>145,083</b>
<b>Reconciliation of GAAP EPS to Adjusted Fully Distributed EPS</b>				
GAAP earnings (loss) per share	\$ (10.05)	\$ 15.73	\$ (22.28)	\$ (136.99)
Impact of adjustment of redeemable limited partners' capital to redemption amount	\$ 10.37	\$ (15.31)	\$ 23.16	\$ 137.82
Impact of additions:				
Pro forma adjustment for revenue share post-IPO	\$ -	\$ -	\$ -	\$ (1.76)
Income tax expense	\$ 0.05	\$ 0.29	\$ 0.35	\$ 1.05
Stock-based compensation	\$ 0.20	\$ 0.19	\$ 0.60	\$ 0.56
Acquisition related expenses	\$ 0.08	\$ 0.03	\$ 0.18	\$ 0.06
Strategic and financial restructuring expenses	\$ 0.00	\$ 0.02	\$ 0.04	\$ 0.15
Loss (gain) on investment	\$ 0.03	\$ (1.17)	\$ 0.03	\$ (1.62)
Adjustment to tax receivable agreement liability	\$ 0.03	\$ -	\$ -	\$ -
Acquisition related adjustment - deferred revenue	\$ 0.10	\$ -	\$ 0.26	\$ -
Amortization of purchased intangible assets	\$ 0.07	\$ 0.02	\$ 0.19	\$ 0.09
Net income attributable to noncontrolling interest in Premier LP	\$ 1.60	\$ 2.72	\$ 4.85	\$ 10.52
Impact of corporation taxes	\$ (0.99)	\$ (1.01)	\$ (2.95)	\$ (3.95)
Impact of increased share count	\$ (1.11)	\$ (1.17)	\$ (3.36)	\$ (4.97)
<b>Non-GAAP earnings per share on adjusted fully distributed net income - diluted</b>	<b>\$ 0.38</b>	<b>\$ 0.34</b>	<b>\$ 1.07</b>	<b>\$ 0.96</b>

\* Note that no pro forma adjustments were made for the three and nine months ended March 31, 2015 and the three months ended March 31, 2014; as such, actual results are presented for each of these periods.