

Fourth-Quarter Fiscal 2020 Financial Results and Update

August 25, 2020





Forward-looking statements and non-GAAP financial measures

Forward-looking statements – Statements made in this presentation that are not statements of historical or current facts, such as those related to the expected financial and operational impacts of the COVID-19 pandemic on our business segments, our ability to manage expenses during the COVID-19 pandemic, current market environment and uncertainties, expected financial performance and tax impact and benefits from our recent restructuring, non-GAAP free cash flow generation, the stability, predictability and transparency of our business, matters regarding fiscal 2021 outlook and guidance, and the expected fiscal 2022 growth rates for consolidated net revenue, adjusted EBITDA and adjusted EPS are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements 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. In addition to statements that explicitly describe such risks and uncertainties, 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 factors that could affect Premier’s financial results is included from time to time in the “Cautionary Note Regarding Forward-Looking Statements,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of Premier’s periodic and current filings with the SEC, including those discussed under the “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” section of Premier’s Form 10-K for the year ended June 30, 2020, expected to be filed with the SEC shortly after the date of this presentation, and also made available on Premier’s website at investors.premierinc.com. Forward-looking statements speak only as of the date they are made, and Premier undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events that occur after that date, or otherwise.

Non-GAAP financial measures – This presentation and accompanying webcast includes certain “adjusted” or “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.



Overview and Business Review

Susan DeVore

Chief Executive Officer
Premier, Inc.

Fiscal 2020 and Recent Achievements

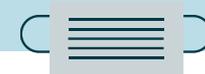


Expanded **supply chain resiliency** programs; **invested organically in technology and advisory services** to support members and **growth in adjacent markets**



Completed **three acquisitions** in fiscal 2020

Co-invested with members to activate **domestic manufacturer** for personal protective equipment



Repurchased **\$150 million of Class A common stock** (through Stock Repurchase Program)



Completed **corporate restructuring; separately, amended and extended GPO agreements** with vast majority of members

Impact of COVID-19 in Fiscal 2020 and Fiscal 2021 outlook



Financial results **consistent with expectations** and reflect **solid execution** across businesses



Business primarily affected by **COVID-19 pandemic in fourth quarter**, expect **continued pressure** on business in fiscal 2021



Many variables make forecasting challenging in current COVID-19 environment; **not establishing fiscal 2021 guidance ranges at this time**



Surveilling healthcare utilization patterns, current “hot spots,” potential resurgence by geography and as the country reopens

Beginning in fiscal 2022, expect to target multi-year, compound annual growth rate in mid-to-high single digits for consolidated net revenue, adjusted EBITDA and adjusted EPS

Demonstrating differentiated value and strategic alignment with members



Leading, partnering and innovating with member healthcare providers in a challenging environment

Build confidence to fully resume elective and delayed healthcare procedures, while continuing to provide high quality to care for patients with COVID-19

Prepare adequately for upcoming normal flu season and predict potential COVID-19 surge in member communities

Discover opportunities for efficiency in both care delivery and infrastructure costs

Improve member market position and financial performance



Operations Review

Mike Alkire

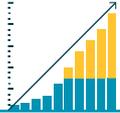
President
Premier, Inc.

Fiscal 2020 operational achievements



Expanded market share:
4,100 hospitals and health systems
and more than 200,000 other
providers and organizations

Increased GPO purchasing volume to more than \$67 billion



Nearly 90% of members view Premier as **strategic partner** or extension of their organization

Achieved SaaS institutional **renewal rate of 95%**

95%

Achieved GPO **retention rate of 99%**

99%



Achieved a **net promoter score** of more than **70%**, on par with some of most recognizable, high-performing Fortune 25 companies

Supporting healthcare partners through COVID-19 pandemic



Expediting the contracting process for critically needed COVID-19-related products

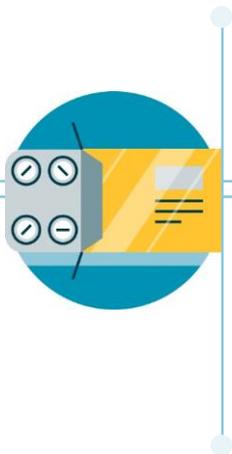
Identifying new and previously untapped onshore, nearshore and offshore sources of supply

Creating a tech-enabled exchange that enables healthcare providers to trade and redistribute excess PPE

Co-investing with members in domestic manufacturing, such as investment in Prestige Ameritech, a domestic PPE manufacturer

Developing clinical surveillance and supply chain technology to anticipate surges in COVID-19 and predict future demand for supplies

Managing pharmacy supply chain



Monitoring weekly fill rates for more than 250 drugs necessary for COVID-19-specific care

Providing access to more than 150 drugs on shortage list

Distributing “at risk” drugs and vaccines through minority-owned specialty distributor, FFF

Securing dedicated sources of supply through private-label program, drug shortage program and multi-source contracts

Continued **focus** on enabling greater supply chain diversity and domestic manufacturing

*Expanding technology capabilities and services
for healthcare provider performance and connectivity to adjacent markets*



Example: Contigo Health Clinical Advantage™ Product

- Integration of Health Design Plus progressing as planned
- Advancing direct-to-employer, high-value care initiative
- Focused on improving and standardizing care, reducing costs and generating revenue for health system participants
- Offers care management specializing in development and administration of customized health benefits for employers and health system partners





Diversity, Inclusion & Belonging

Furthering our mission to improve the health of our communities.

Diversity of thought, cross-cultural representation and engagement within our workforce

Premier remains committed to supporting a diverse and inclusive culture

Well-established Diversity, Inclusion and Belonging program for all Premier employees

- Fiscal 2021 enhancements: comprehensive diversity training, several more employee resource groups & open engagement forums

Implemented robust Supplier Diversity program more than 20 years ago

- Suppliers help members improve quality of life in communities where they serve and create jobs
- Premier is committed to helping minority-, women- and veteran-owned business and small business enterprises compete, grow and thrive



Financial Review

Craig McKasson

Chief Administrative and Financial Officer
Premier, Inc.

Fiscal 2020 fourth-quarter financial highlights

Consolidated net revenue increased 8% to \$342.8 million;
GAAP net income of \$55.4 million, or a loss of \$0.31 per fully diluted share

Supply Chain Services segment revenue increased 14% to \$258.4 million;
net administrative fees revenue decreased 11%; products revenue increased 88%

Performance Services segment revenue decreased 5% to \$84.3 million

Adjusted EBITDA* decreased 15% to \$119.5 million

Adjusted fully distributed net income* decreased 17% to \$71.4 million

Adjusted fully distributed earnings per share* decreased 14% to \$0.58

*Refer to Appendix for adjusted EBITDA, adjusted fully distributed net income, adjusted fully distributed earnings per share reconciliations to GAAP equivalents



Strong, consistent operating cash flow and flexible balance sheet



- ▶ Cash flow from operations of \$339.9 million
- ▶ Free cash flow* of \$266.5 million
- ▶ Cash and cash equivalents of \$99.3 million
- ▶ Outstanding borrowings of \$75.0 million on \$1.0 billion five-year unsecured revolving credit facility; repaid \$25.0 million subsequent to quarter end

As of June 30, 2020

*See free cash flow reconciliation to GAAP equivalent in Appendix.

**Balanced approach
to capital deployment
priorities**

- Reinvestment in organic growth
- Disciplined acquisitions and investments to support strategic goals
- Returning capital to shareholders through quarterly cash dividend payment



Expected cash flow impact from recent restructuring and separately amended and extended GPO amendments

Item	Expected cash flow impact	Financial statement impact
Amended GPO Agreements	Reduction of \$100 million to \$110 million in fiscal 2021	Net administrative fees revenue and cash flow from operations
Termination of TRA	\$11 million paid in 1Q-FY21; \$463 million to be paid in 18 quarterly payments beginning March 31, 2021	Cash flow from financing activities
Tax amortizable goodwill	\$50 million to \$60 million per year for next 15 years	Cash flow from operations
100% of operating income attributable to Premier, Inc.	\$20 million to \$35 million in fiscal 2021	Cash flow from operations
Simplified income tax reporting	Included in \$50 million to \$60 million listed above (under "tax amortizable goodwill")	Effective (GAAP) tax

Fiscal 2021 outlook and guidance

Given uncertainty related to COVID-19, Premier is currently unable to accurately estimate impact of pandemic on its performance in fiscal 2021. Therefore, the company is not establishing fiscal 2021 annual guidance at this time.



- **GPO net administrative fees revenue** expected to continue to be pressured by lower overall healthcare utilization, the deferment of certain elective procedures and a slowdown in purchasing in non-healthcare related areas
- **Direct sourcing products revenue** expected to continue to benefit from ongoing efforts to secure critically needed PPE and other supplies in high demand
- **Performance Services business** expected to continue to experience some delayed decision-making related to new engagements and potential delays in timing of completion for existing engagements
- Continued **balanced approach** between diligently managing expenses in current environment while also ensuring that the appropriate resources in place to position Premier for future growth in post-COVID environment.

Appendix

Fiscal 2020 and 2019 non-GAAP reconciliations

Supplemental Financial Information
Reconciliation of Net Income from Continuing Operations 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 June 30,		Year Ended June 30,	
	2020	2019	2020	2019
Net income from continuing operations	\$ 55,400	\$ 70,229	\$ 291,126	\$ 334,677
Interest and investment loss, net	1,464	(157)	11,313	2,471
Income tax expense	14,225	7,671	92,561	33,462
Depreciation and amortization	21,607	23,351	97,297	86,879
Amortization of purchased intangible assets	16,582	13,498	55,530	53,285
EBITDA	109,278	114,592	547,827	510,774
Stock-based compensation	1,774	8,747	21,132	29,396
Acquisition and disposition related expenses	3,056	6,364	19,319	13,154
Remeasurement of tax receivable agreement liabilities	-	-	(24,584)	-
Loss (gain) on FFF put and call rights	3,787	3,475	(4,690)	17
Other expense	1,595	6,678	5,036	7,701
Adjusted EBITDA	\$ 119,490	\$ 139,856	\$ 564,040	\$ 561,042

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(Unaudited)
(In thousands)

	Three Months Ended June 30,		Year Ended June 30,	
	2020	2019	2020	2019
Income before income taxes	\$ 69,625	\$ 77,900	\$ 383,687	\$ 368,139
Equity in net income of unconsolidated affiliates	(1,499)	(971)	(12,537)	(5,658)
Interest and investment loss, net	1,464	(157)	11,313	2,471
Loss (gain) on FFF put and call rights	3,787	(3,475)	(4,690)	17
Other (income) expense	(6,148)	11,857	(4,153)	3,545
Operating income	67,229	85,154	373,620	368,514
Depreciation and amortization	21,607	23,351	97,297	86,879
Amortization of purchased intangible assets	16,582	13,498	55,530	53,285
Stock-based compensation	1,774	8,747	21,132	29,396
Acquisition and disposition related expenses	3,056	6,364	19,319	13,154
Remeasurement of tax receivable agreement liabilities	-	-	(24,584)	-
Equity in net income of unconsolidated affiliates	1,499	971	12,537	5,658
Deferred compensation plan expense	6,388	1,470	3,904	2,546
Other expense, net	1,355	301	5,285	1,610
Adjusted EBITDA	\$ 119,490	\$ 139,856	\$ 564,040	\$ 561,042
SEGMENT ADJUSTED EBITDA				
Supply Chain Services	\$ 123,216	\$ 141,892	\$ 570,298	\$ 548,029
Performance Services	26,305	28,236	111,282	129,147
Corporate	(30,031)	(30,272)	(117,540)	(116,134)
Adjusted EBITDA	\$ 119,490	\$ 139,856	\$ 564,040	\$ 561,042

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 (Unaudited)
 (In thousands)

	Three Months Ended June 30,		Year Ended June 30,	
	2020	2019	2020	2019
Net income attributable to stockholders	\$ (22,116)	\$ (287,308)	\$ 598,675	\$ (8,944)
Adjustment of redeemable limited partners' capital to redemption amount	48,414	296,974	(468,311)	118,064
Net income attributable to non-controlling interest in Premier LP	29,147	13,827	161,816	174,959
(Income) loss from discontinued operations, net of tax	(45)	46,736	(1,054)	50,598
Income tax expense	14,225	7,671	92,561	33,462
Amortization of purchased intangible assets	16,582	13,498	55,530	53,285
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Loss (gain) on FFF put and call rights	3,787	3,475	(4,690)	17
Other expense	1,595	6,678	5,036	7,701
Non-GAAP adjusted fully distributed income before income taxes	96,419	116,662	455,430	471,692
Income tax expense on fully distributed income before income taxes	25,069	30,332	118,412	122,640
Non-GAAP Adjusted Fully Distributed Net Income	\$ 71,350	\$ 86,330	\$ 337,018	\$ 349,052

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

	Year Ended June 30,	
	2020	2019
Net cash provided by operating activities from continuing operations ^(a)	\$ 427,183	\$ 511,938
Purchases of property and equipment	(94,397)	(93,385)
Distributions to limited partners of Premier LP	(48,904)	(57,825)
Payments to limited partners of Premier LP related to tax receivable agreements	(17,425)	(17,975)
Non-GAAP Free Cash Flow	\$ 266,457	\$ 342,753

(a) Net cash provided by operating activities from continuing operations excludes the impact of the prepaid administrative fee share for one-time rebates paid by Acurity, Inc. to certain of its then members, as agreed to by Acurity, Inc. prior to entering into the Purchase Agreement and the net change in the aforementioned prepaid administrative fee share capitalized on the Consolidated Balance Sheets as of June 30, 2020.

Fiscal 2020 and 2019 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 June 30,		Year Ended June 30,	
	2020	2019	2020	2019
Net income attributable to stockholders	\$ (22,116)	\$ (287,308)	\$ 598,675	\$ (8,944)
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Stock-based compensation	1,774	8,747	21,132	29,396
Acquisition and disposition related expenses	3,056	6,364	19,319	13,154
Remeasurement of tax receivable agreement liabilities	-	-	(24,584)	-
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Other expense, net	1,595	6,678	5,036	7,701
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Fiscal 2020 and 2019 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 June 30,		Year Ended June 30,	
	2020	2019	2020	2019
Weighted average:				
Common shares used for basic and diluted earnings per share	71,425	61,725	67,035	59,188
Potentially dilutive shares	594	1,522	645	1,081
Conversion of Class B common units	50,380	64,405	55,935	70,827
Weighted average fully distributed shares outstanding - diluted	122,399	127,652	123,614	131,096
GAAP earnings per share	\$ (0.31)	\$ (4.65)	\$ 8.93	\$ (0.15)
Adjustment of redeemable limited partners' capital to redemption amount	0.68	4.81	(6.99)	1.99
Net income attributable to non-controlling interest in Premier LP	0.41	0.22	2.41	2.96
(Income) loss from discontinued operations, net of tax	-	0.76	(0.02)	0.85
Income tax expense	0.20	0.12	1.38	0.57
Amortization of purchased intangible assets	0.23	0.22	0.83	0.90
Stock-based compensation	0.02	0.14	0.32	0.50
Acquisition and disposition related expenses	0.04	0.10	0.29	0.22
Remeasurement of tax receivable agreement liabilities	-	-	(0.37)	-
Loss (gain) on FFF put and call rights	0.05	0.06	(0.07)	-
Other expense, net	0.02	0.10	0.08	0.12
Impact of corporation taxes	(0.35)	(0.49)	(1.77)	(2.07)
Impact of dilutive shares	(0.41)	(0.71)	(2.29)	(3.23)
Non-GAAP EPS on Adjusted Fully Distributed Net Income	\$ 0.58	\$ 0.68	\$ 2.73	\$ 2.66