

# First-Quarter Fiscal 2021 Financial Results and Update

*November 2, 2020*



# Forward-looking statements and non-GAAP financial measures

**Forward-looking statements** – Statements made in this presentation and the accompanying webcast that are not statements of historical or current facts, such as those related to the expected financial and operational impacts and challenges 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, non-GAAP free cash flow generation, the stability, predictability and transparency of our business, matters regarding fiscal 2021 outlook and guidance, and the expected targeting, beginning in fiscal 2022, of multi-year compound annual 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, and subsequent Form 10-Q and Form 8-K filings made with the SEC, and also made available on Premier’s website at [investors.premierinc.com](http://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.



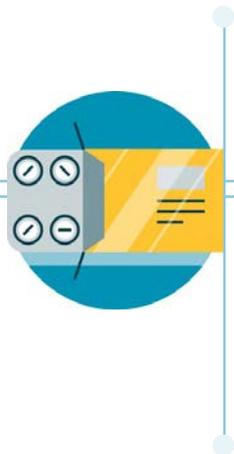
## Overview and Business Review

**Susan DeVore**

Chief Executive Officer  
Premier, Inc.

# Fiscal 2021 first quarter highlights

*(Compared with fiscal 2020 first quarter)*



**Grew consolidated net revenue by 15%, driven by growth in Supply Chain Services and Performance Services segments**

**Adjusted EBITDA and adjusted EPS declined as expected due to impact from amended GPO agreements as well as ongoing effect of COVID-19 pandemic**

**Covid-19 pandemic further validates and reinforces our belief in our strategy**

**Focused on executing our strategy to achieve near- and long-term goals to deliver value to stakeholders**

*We believe Premier is well positioned  
irrespective of outcome of 2020 election*



- Underlying problems of cost, quality and safety remain across healthcare regardless of politics
  - Intensified as a result of financial impact of COVID-19 pandemic
- Both parties will need to contend with challenges facing Medicare trust fund and state budget pressures
- Employers also continue to seek solutions to address increased healthcare spending
- Movement to risk-based payment models will continue
- Both parties are equally focused on creating a more resilient healthcare supply chain



## Operations Review

**Mike Alkire**

President  
Premier, Inc.

# Technology-enabled, end-to-end supply chain strategy

*Our Goal: Continue to expand portion of member spend captured, solidifying position as a leading provider of healthcare supply chain technology and services that enable Premier to manage, alongside member health systems, total supply chain outcomes*

## **Making progress by executing in following areas:**

- ❖ Expand GPO portfolio into new categories and co-investing with members in additional onshore and nearshore manufacturing to create more resiliency in healthcare supply chain
- ❖ Focus on technology-enabling healthcare supply chain, through e-commerce front-end platform and planned technology expansion in e-invoicing and payables
- ❖ Integrate analytics into clinical workflow to help providers conduct value analysis and determine effectiveness of products and therapies and appropriate resource utilization
- ❖ Co-own or co-manage member supply chain outcomes to drive further efficiencies and savings



# Enterprise analytics and performance improvement strategy

*Our Goal: Provide AI-driven technology, data and insights with wrap-around services to improve quality, reduce total costs and transition to risk-based payment models and further expand capabilities into the employer, payor and life sciences markets*

## **Making progress by executing in following ways:**

- ❖ Improve member performance utilizing integrated clinical, operational and financial analytics; workflow technology; and technology-enabled advisory services, to improve quality, reduce costs and advance transition to new payment models
- ❖ Expand use cases of data and technology platform to better connect providers and life sciences companies with data-backed research leading to real-world evidence and advancements in patient discovery for clinical trials
- ❖ Grow Contigo Health through expansion of “Centers of Excellence” programs to include additional providers, prior authorization capabilities and high-value network growth and wraparound network expansion



## Financial Review

### Craig McKasson

Chief Administrative and Financial Officer  
Premier, Inc.

# Fiscal 2021 first-quarter financial highlights

*(Compared with fiscal 2020 first quarter)*

Consolidated net revenue increased 15% to \$346.9 million;  
GAAP net income of \$180.7 million, or \$1.42 per fully diluted share

Supply Chain Services segment revenue increased 14% to \$253.7 million;  
net administrative fees revenue decreased 23%; products revenue increased 140%

Performance Services segment revenue increased 18% to \$93.2 million

Adjusted EBITDA\* decreased 21% to \$110.7 million

Adjusted net income\* decreased 18% to \$70.2 million

Adjusted earnings per share\* decreased 16% to \$0.57

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



# Strong financial position with flexible balance sheet

(As of September 30, 2020)



- ▶ Cash flow from operations of \$30.8 million
- ▶ Free cash flow\* of negative \$28.4 million
- ▶ Cash and cash equivalents of \$120.4 million
- ▶ Premier's Board of Directors declared quarterly cash dividend of \$0.19 per share, payable on December 15, 2020 to stockholders of record as of December 1, 2020.
- ▶ Outstanding borrowings of \$150.0 million on \$1.0 billion, five-year unsecured, revolving credit facility; repaid \$50.0 million subsequent to quarter end

\*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

# Fiscal 2021 outlook and guidance

## Premier not providing fiscal 2021 guidance due to uncertainty related to COVID-19 pandemic

- *Continuing to monitor health care utilization patterns; COVID-19 “hot spots” and trends; resurgence by geography; vaccine status; consumer behavior and phased re-openings; and renewed closures of businesses and other organizations*



- **GPO net administrative fees revenue** expected to continue to be pressured by lower overall healthcare utilization, potential deferment of certain elective procedures and slowdown in purchasing in non-healthcare related areas.
- **Direct sourcing products revenue** expected to experience sequential increase of approximately \$40 million in fiscal 2Q21; could likely step back down in 3Q and 4Q of fiscal 2021.
- **Performance Services business** expected to experience some delayed decision-making related to new engagements and potential delays in timing of completion for existing engagements. Slightly more optimistic view of full-year fiscal 2021 Performance Services revenue growth due to sequential improvement in fiscal 1Q21.
- As a result of increasing product costs and low margin in direct sourcing, currently do not expect significant incremental benefit to full-year fiscal 2021 adjusted EBITDA and adjusted EPS resulting from significant incremental revenue performance in direct sourcing business.

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# Appendix

## 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 Adjusted Net Income

(Unaudited)

(In thousands)

	Three Months Ended September 30,	
	2020	2019
<b>Net income from continuing operations</b>	\$ 180,685	\$ 70,939
Interest and investment loss (income), net	2,119	(476)
Income tax (benefit) expense	(118,138)	9,614
Depreciation and amortization	17,474	24,535
Amortization of purchased intangible assets	13,204	13,044
<b>EBITDA</b>	95,344	117,656
Stock-based compensation	7,375	3,852
Acquisition and disposition related expenses	2,845	6,141
Remeasurement of tax receivable agreement liabilities	—	4,674
Loss on FFF put and call rights	1,919	7,839
Other expense	3,260	94
<b>Adjusted EBITDA</b>	\$ 110,743	\$ 140,256

# Fiscal 2021 and 2020 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 Adjusted Net Income**  
 (Unaudited)  
 (In thousands)

	Three Months Ended September 30,	
	2020	2019
<b>Income before income taxes</b>	\$ 62,547	\$ 80,553
Equity in net income of unconsolidated affiliates	(5,927)	(3,607)
Interest and investment loss (income), net	2,119	(476)
Loss on FFF put and call rights	1,919	7,839
Other income	(3,683)	(262)
<b>Operating income</b>	56,975	84,047
Depreciation and amortization	17,474	24,535
Amortization of purchased intangible assets	13,204	13,044
Stock-based compensation	7,375	3,852
Acquisition and disposition related expenses	2,845	6,141
Remeasurement of tax receivable agreement liabilities	—	4,674
Equity in net income of unconsolidated affiliates	5,927	3,607
Deferred compensation plan income	2,907	241
Other expense	4,036	115
<b>Adjusted EBITDA</b>	\$ 110,743	\$ 140,256
<b>SEGMENT ADJUSTED EBITDA</b>		
Supply Chain Services	\$ 102,649	\$ 149,911
Performance Services	37,116	20,376
Corporate	(29,022)	(30,031)
<b>Adjusted EBITDA</b>	\$ 110,743	\$ 140,256

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**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 Adjusted Net Income**  
**(Unaudited)**  
**(In thousands)**

	Three Months Ended September 30,	
	2020	2019
<b>Net income attributable to stockholders</b>	\$ 142,155	\$ 723,731
Adjustment of redeemable limited partners' capital to redemption amount	26,685	(694,309)
Net income attributable to non-controlling interest in Premier LP	11,845	41,907
Income from discontinued operations, net of tax	—	(390)
Income tax (benefit) expense	(118,138)	9,614
Amortization of purchased intangible assets	13,204	13,044
Stock-based compensation	7,375	3,852
Acquisition and disposition related expenses	2,845	6,141
Remeasurement of tax receivable agreement liabilities	—	4,674
Loss on FFF put and call rights	1,919	7,839
Other expense	4,424	94
Adjusted income before income taxes	92,314	116,197
Income tax expense on adjusted income before income taxes	22,155	30,211
<b>Adjusted Net Income</b>	<b>\$ 70,159</b>	<b>\$ 85,986</b>

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

	<b>Three Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash provided by operating activities from continuing operations	\$ 30,782	\$ 96,079
Purchases of property and equipment	(24,982)	(21,983)
Distributions to limited partners of Premier LP	(9,949)	(13,202)
Payments to limited partners of Premier LP related to tax receivable agreements	(24,218)	(17,425)
<b>Free Cash Flow</b>	<b>\$ (28,367)</b>	<b>\$ 43,469</b>

**Supplemental Financial Information**  
**Reconciliation of GAAP EPS to Adjusted EPS**  
**(Unaudited)**  
**(In thousands, except per share data)**

	<b>Three Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net income attributable to stockholders</b>	\$ 142,155	\$ 723,731
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Income from discontinued operations, net of tax	—	(390)
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Amortization of purchased intangible assets	13,204	13,044
Stock-based compensation	7,375	3,852
Acquisition and disposition related expenses	2,845	6,141
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Other expense	4,424	94
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<b>Adjusted Net Income</b>	<b>\$ 70,159</b>	<b>\$ 85,986</b>

# Fiscal 2021 and 2020 non-GAAP reconciliations

Supplemental Financial Information  
Reconciliation of GAAP EPS to Adjusted EPS  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended September 30,	
	2020	2019
Weighted average:		
Common shares used for basic and diluted earnings per share	99,575	62,785
Potentially dilutive shares	555	759
Conversion of Class B common units	—	63,088
<b>GAAP weighted average shares outstanding - diluted</b>	<b>100,130</b>	<b>126,632</b>
Conversion of Class B common units	22,369	—
<b>Weighted average shares outstanding - diluted</b>	<b>122,499</b>	<b>126,632</b>
<b>GAAP earnings per share</b>	<b>\$ 1.43</b>	<b>\$ 11.53</b>
Adjustment of redeemable limited partners' capital to redemption amount	0.27	(11.06)
Net income attributable to non-controlling interest in Premier LP	0.12	0.67
Income from discontinued operations, net of tax	—	(0.01)
Income tax (benefit) expense	(1.19)	0.15
Amortization of purchased intangible assets	0.13	0.21
Stock-based compensation	0.07	0.06
Acquisition and disposition related expenses	0.03	0.10
Remeasurement of tax receivable agreement liabilities	—	0.07
Loss on FFF put and call rights	0.02	0.12
Other expense	0.04	—
Impact of corporation taxes	(0.22)	(0.48)
Impact of dilutive shares	(0.13)	(0.68)
<b>Adjusted EPS</b>	<b>\$ 0.57</b>	<b>\$ 0.68</b>