

Second-Quarter Fiscal 2021 Financial Results and Update

February 2, 2021



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 timing and continuing impact of COVID-19, anticipated changes under the Biden Administration, ability to execute our enterprise analytics and performance improvement strategy and technology-enabled, end-to-end supply chain strategy, ability to implement our capital deployment priorities, the statements related to fiscal 2021 outlook and guidance and the key assumptions underlying such guidance, and expected target multi-year, compound annual growth rate in the mid-to-high single digits for consolidated net revenue, adjusted EBITDA and adjusted EPS beginning in fiscal year 2022 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. 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

Executive summary

Announced CEO transition

- Michael Alkire, President, to succeed Susan DeVore as CEO effective May 1, 2021
- Susan DeVore, CEO, retiring from company on June 30, 2021
 - Will continue as advisor to company for 24 months following retirement

Grew consolidated net revenue by 32%, 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 and ongoing effect of COVID-19 pandemic*

Established full-year fiscal 2021 guidance

- Consolidated net revenue: \$1.608B to \$1.653B
- Adjusted EBITDA**: \$445M to \$465M
- Adjusted EPS**: \$2.26 to \$2.39

*Compared with fiscal 2020 second quarter

**See "Use of Forward-Looking Non-GAAP Measures" in the Appendix.

Current macro-political environment under Biden Administration



- Encouraged by recent commentary from Biden Administration
- Administration's priority is executing successful mass COVID-19 vaccination program and improving COVID-19 rapid testing capabilities and therapeutic treatments
- Premier believes key healthcare themes and trends likely to stay the same; stable policy environment will lead to healthcare innovation and investment
- Expect some incremental changes:
 - Telemedicine will not only remain but expand and be a competitive differentiator
 - Further movement to new payment and risk models
 - Greater focus on domestic manufacturing with upstream and downstream visibility into supply chain nearshore
 - Investments in health information technology infrastructure

We believe Premier is well-positioned to succeed in this environment



Operations Review

Mike Alkire
President and Incoming CEO

Enterprise analytics and performance improvement strategy

Focused on further penetrating provider market and expanding into adjacent payor, life science and employer markets

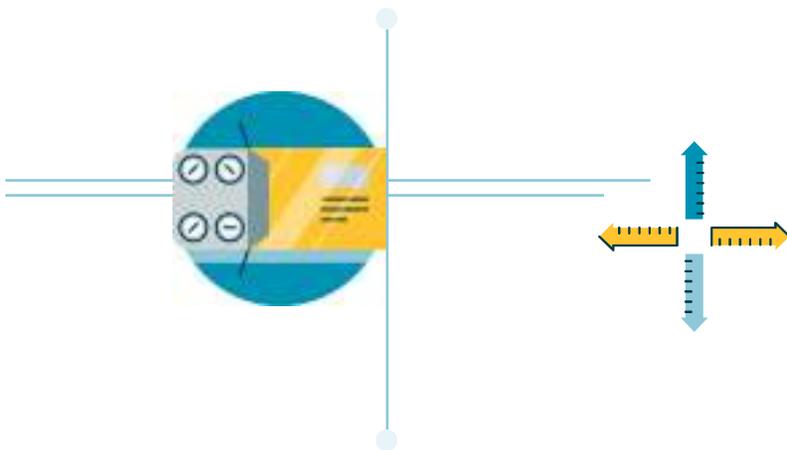
- ❖ Need for artificial intelligence (AI)-driven technology, data and insights with wrap-around services to improve healthcare quality and lower costs
- ❖ Expanding capabilities to more fully address and coordinate care improvement and standardization
- ❖ Provide differentiated offering connecting healthcare providers with life sciences companies
 - Innovative clinical decisions support technology uses AI and machine learning to identify appropriate participants for clinical trials
 - Strong pipeline in place with expected full-year fiscal 2021 bookings growth rate in mid-teens
- ❖ Expanding direct-to-employer Contigo Health business through Centers of Excellence programs
 - Includes additional providers, prior authorization capabilities, high-value network growth and wrap-around network expansion
 - Closed several new engagements in fiscal 1H21, representing 25% increase in managed lives

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

Focused on expanding amount 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

- ❖ Partnering with long-time member Yankee Alliance to build customized GPO portfolio to penetrate ~\$800M purchased services spend and drive incremental savings for Yankee Alliance members
- ❖ Advancing strategy to create more resiliency in healthcare supply chain through minimal investments in opportunities in critical supply categories
 - Created joint venture with 34-member health systems to partner with DeRoyal Industries to domestically produce isolation gowns
 - Exemplifies and strengthens deep and long-term relationships with members
- ❖ Continue to focus on technology-enabling all aspects of healthcare supply chain
 - Planned expansion into e-invoicing and e-payables to provide automated, seamless and paperless procurement, invoice and payment experience

Driving success through strong employee engagement



Employee engagement remains strong, with increases in all major drivers of engagement over past year

Leadership team received high marks, outperforming global benchmarks for response to the pandemic and support of team

Outperformed global benchmarks related to diversity, inclusion and belonging in workplace

Recently hired chief diversity and inclusion officer as member of executive team



Financial Review

Craig McKasson
Chief Administrative and Financial Officer

Fiscal 2021 second-quarter financial highlights

(Compared with fiscal 2020 second quarter)

Consolidated net revenue increased 32% to \$422.8 million;
GAAP net income of \$44.9 million, or \$0.36 per fully diluted share

Supply Chain Services segment revenue increased 41% to \$329.1 million;
net administrative fees revenue decreased 16%; products revenue increased 210%

Performance Services segment revenue increased 8% to \$93.7 million

Adjusted EBITDA* decreased 16% to \$124.8 million

Adjusted net income* decreased 13% to \$79.4 million

Adjusted earnings per share* decreased 12% to \$0.65



**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 December 31, 2020)



- ▶ Cash flow from operations of \$116.2 million
- ▶ Free cash flow* of \$37.1 million
- ▶ Cash and cash equivalents of \$109.0 million
- ▶ Premier's Board of Directors declared quarterly cash dividend of \$0.19 per share, payable on March 15, 2021 to stockholders of record as of March 1, 2021
- ▶ Outstanding borrowings of \$100.0 million on \$1.0 billion, five-year unsecured, revolving credit facility

*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 guidance

(As of February 2, 2021)

Guidance Metric	Fiscal 2021 Guidance Range
Segment Net Revenue:	
Supply Chain Services	\$1.242 billion to \$1.272 billion
Performance Services	\$366 million to \$381 million
Total Net Revenue	\$1.608 billion to \$1.653 billion
Adjusted EBITDA*	\$445 million to \$465 million
Adjusted EPS*	\$2.26 to \$2.39
<p>Fiscal 2021 guidance assumes realization of the following assumptions:</p> <ul style="list-style-type: none"> • Net administrative fees revenue of \$560 million to \$580 million • Direct sourcing products revenue of \$650 million to \$690 million • Capital expenditures of \$105 million to \$110 million • Effective tax rate of 24% • Does not include the effect of any potential future significant acquisitions 	

**The company does not provide forward-looking guidance on a GAAP basis as certain financial information, the probable significance of which cannot be determined, is not available and cannot be reasonably estimated. Refer to "Use of Forward-Looking Non-GAAP Measures" below for additional explanation.*

Appendix

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)

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	2020	2019	2020	2019
Net income from continuing operations	\$ 44,904	\$ 91,575	\$ 225,589	\$ 162,514
Interest and investment loss (income), net	3,398	359	5,517	(117)
Income tax expense (benefit)	16,657	64,557	(101,481)	74,171
Depreciation and amortization	19,093	25,378	36,567	49,913
Amortization of purchased intangible assets	10,260	11,938	23,464	24,982
EBITDA	94,312	193,807	189,656	311,463
Stock-based compensation	7,415	7,838	14,790	11,690
Acquisition and disposition related expenses	7,918	2,835	10,763	8,976
Remeasurement of tax receivable agreement liabilities	-	(28,356)	-	(23,682)
Loss (gain) on FFF put and call rights	14,507	(30,222)	16,426	(22,383)
Other expense	666	2,503	3,926	2,597
Adjusted EBITDA	\$ 124,818	\$ 148,405	\$ 235,561	\$ 288,661

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(Unaudited)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Income before income taxes	\$ 61,561	\$ 156,132	\$ 124,108	\$ 236,685
Equity in net income of unconsolidated affiliates	(4,572)	(2,989)	(10,499)	(6,596)
Interest and investment loss (income), net	3,398	359	5,517	(117)
Loss (gain) on FFF put and call rights	14,507	(30,222)	16,426	(22,383)
Other income	(4,890)	(2,747)	(8,573)	(3,009)
Operating income	70,004	120,533	126,979	204,580
Depreciation and amortization	19,093	25,378	36,567	49,913
Amortization of purchased intangible assets	10,260	11,938	23,464	24,982
Stock-based compensation	7,415	7,838	14,790	11,690
Acquisition and disposition related expenses	7,918	2,835	10,763	8,976
Remeasurement of tax receivable agreement liabilities	-	(28,356)	-	(23,682)
Equity in net income of unconsolidated affiliates	4,572	2,989	10,499	6,596
Deferred compensation plan expense	4,803	2,751	7,710	2,992
Other expense	753	2,499	4,789	2,614
Adjusted EBITDA	\$ 124,818	\$ 148,405	\$ 235,561	\$ 288,661
SEGMENT ADJUSTED EBITDA				
Supply Chain Services	\$ 118,939	\$ 147,959	\$ 221,590	\$ 297,870
Performance Services	36,609	29,967	73,724	50,343
Corporate	(30,730)	(29,521)	(59,753)	(59,552)
Adjusted EBITDA	\$ 124,818	\$ 148,405	\$ 235,561	\$ 288,661

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(Unaudited)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net income attributable to stockholders	\$ 43,969	\$ (443,668)	\$ 186,124	\$ 280,063
Adjustment of redeemable limited partners' capital to redemption amount	-	480,153	26,685	(214,156)
Net income attributable to non-controlling interest	935	55,704	12,780	97,611
Income from discontinued operations, net of tax	-	(614)	-	(1,004)
Income tax expense (benefit)	16,657	64,557	(101,481)	74,171
Amortization of purchased intangible assets	10,260	11,938	23,464	24,982
Stock-based compensation	7,415	7,838	14,790	11,690
Acquisition and disposition related expenses	7,918	2,835	10,763	8,976
Remeasurement of tax receivable agreement liabilities	-	(28,356)	-	(23,682)
Loss (gain) on FFF put and call rights	14,507	(30,222)	16,426	(22,383)
Other expense	2,805	2,503	7,229	2,597
Adjusted income before income taxes	104,466	122,668	196,780	238,865
Income tax expense on adjusted income before income taxes	25,072	31,894	47,227	62,105
Adjusted Net Income	\$ 79,394	\$ 90,774	\$ 149,553	\$ 176,760

Fiscal 2021 and 2020 non-GAAP reconciliations

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

	Six Months Ended December 31,	
	2020	2019
Net cash provided by operating activities from continuing operations	\$ 116,177	\$ 217,021
Purchases of property and equipment	(44,864)	(44,768)
Distributions to limited partners of Premier LP	(9,949)	(26,901)
Payments to limited partners of Premier LP related to tax receivable agreements	(24,218)	(17,425)
Free Cash Flow	\$ 37,146	\$ 127,927

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 December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net income attributable to stockholders	\$ 43,969	\$ (443,668)	\$ 186,124	\$ 280,063
Adjustment of redeemable limited partners' capital to redemption amount	-	480,153	26,685	(214,156)
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Acquisition and disposition related expenses	7,918	2,835	10,763	8,976
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Other expense	2,805	2,503	7,229	2,597
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Adjusted Net Income	\$ 79,394	\$ 90,774	\$ 149,553	\$ 176,760

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Weighted average:				
Common shares used for basic and diluted earnings per share	122,127	64,552	110,851	63,668
Potentially dilutive shares	792	-	722	670
Conversion of Class B common units	-	-	-	60,493
GAAP weighted average shares outstanding - diluted	122,919	64,552	111,573	124,831
Conversion of potentially dilutive shares	-	579	-	-
Conversion of Class B common units	-	57,898	11,185	-
Weighted average shares outstanding - diluted	122,919	123,029	122,758	124,831
GAAP earnings per share	\$ 0.36	\$ (6.87)	\$ 1.68	\$ 4.40
Adjustment of redeemable limited partners' capital to redemption amount	-	7.44	0.24	(3.36)
Net income attributable to non-controlling interest	0.01	0.86	0.12	1.53
Income from discontinued operations, net of tax	-	(0.01)	-	(0.02)
Income tax expense (benefit)	0.14	1.00	(0.92)	1.16
Amortization of purchased intangible assets	0.08	0.18	0.21	0.39
Stock-based compensation	0.06	0.12	0.13	0.18
Acquisition and disposition related expenses	0.06	0.04	0.10	0.14
Remeasurement of tax receivable agreement liabilities	-	(0.44)	-	(0.37)
Loss (gain) on FFF put and call rights	0.12	(0.47)	0.15	(0.35)
Other expense	0.02	0.04	0.07	0.04
Impact of corporation taxes	(0.20)	(0.49)	(0.43)	(0.98)
Impact of dilutive shares	-	(0.66)	(0.13)	(1.34)
Adjusted EPS	\$ 0.65	\$ 0.74	\$ 1.22	\$ 1.42