Premier, Inc.
Form 10-Q
November 12, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36092

Premier, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	35-2477140 (I.R.S. Employer Identification No.)
13034 Ballantyne Corporate Place Charlotte, North Carolina	28277
(Address of principal executive offices)	(Zip Code)

(704) 357-0022
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o
No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o	Non-accelerated filer (Do not check if a smaller reporting company)	x	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 11, 2013, there were 32,374,751 shares of the registrant's Class A common stock, par value $0.01 per share, and 112,607,832 shares of the registrant's Class B common stock, par value $0.000001 per share, outstanding.

TABLE OF CONTENTS

EXPLANATORY NOTE

This report represents the quarterly report for the quarter ended September 30, 2013 for Premier, Inc. (this "Quarterly Report"). On October 1, 2013, Premier, Inc. completed the initial public offering ("IPO") of its Class A common stock, par value $0.01 per share (the "Class A common stock"). Premier, Inc. is a holding company that was incorporated as a Delaware corporation on May 14, 2013 which, prior to the IPO, had no substantial assets and conducted no substantial activity, except in connection with the IPO. Premier, Inc.'s sole asset is a controlling equity interest in Premier Services, LLC, a Delaware limited liability company ("Premier GP"). Premier GP is the general partner of Premier Purchasing Partners, L.P., a California limited partnership, which historically conducted the group purchasing portion of our supply chain services business, which changed its name to “Premier Healthcare Alliance, L.P.” ("Premier LP") in connection with the Reorganization (as defined herein). Unless the context suggests otherwise, references in this Quarterly Report to "Premier," the "Company," "we," "us" and "our" refer (1) prior to the IPO and related transactions, to PHSI (as defined herein) and its consolidated subsidiaries and (2) after our IPO and related transactions, to Premier, Inc. and its consolidated subsidiaries.

Immediately following the consummation of the IPO, a series of transactions, which we refer to as the "Reorganization," occurred by which Premier GP became the general partner of Premier LP and Premier Healthcare Solutions, Inc., a Delaware corporation, through which we historically conducted the majority of the performance services portion of our business under the name "Premier, Inc.," now Premier Healthcare Solutions, Inc., ("PHSI"), became our indirect subsidiary through Premier LP. PHSI, Premier LP and Premier Supply Chain Improvement, Inc., a Delaware corporation and our indirect subsidiary (through Premier LP) through which we historically conducted certain portions of our supply chain services ("PSCI"), historically conducted all of our business. Upon the consummation of the Reorganization and the IPO, our assets and business operations are substantially similar to those of PHSI, Premier LP and PSCI prior to the Reorganization and the IPO, and we will conduct all of our business through Premier LP and its subsidiaries.

Because the Reorganization and the IPO had not yet been consummated and Premier, Inc. had no substantial assets and conducted no substantial activities as of September 30, 2013, the financial statements and other information of PHSI and its consolidated subsidiaries are included in this Quarterly Report as of September 30, 2013 and for the quarters ended September 30, 2013 and 2012. For more information about the Reorganization and the IPO, refer to Note 5 - Subsequent Events to the Premier, Inc. Notes to Financial Statements of this Quarterly Report.

Throughout this Quarterly Report, references to "member owners" refer collectively to our past, present and future customers, or members, who have owned, or who currently own, limited partnership interests in Premier LP and/or common stock of PHSI, and, as the context relates to the completion of the Reorganization and the IPO, as described in the final prospectus, dated September 25, 2013, filed with the United States Securities and Exchange Commission (the "SEC") pursuant to Rule 424(b) of the Securities Act of 1933, as amended, on September 27, 2013 relating to the Registration Statement on Form S-1 (File No. 333-190828), and any amendment or supplement thereto (the "Prospectus"), beneficially own shares of Premier, Inc. Class B common stock, par value $0.000001 per share, (the "Class B common stock"), and Class B common units after giving effect to the Reorganization, provided, that, in the context of discussions of the group purchasing organization ("GPO") participation agreements throughout this Quarterly Report, the term "member owner" also includes any related entity or affiliate of a member owner that is approved by Premier LP to be the signatory of such GPO participation agreement in lieu of the member owner.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this Quarterly Report that are not statements of historical or current facts, such as those under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," 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. In addition to statements that explicitly describe such risks and uncertainties, readers are urged to consider statements in 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 regarding future events and trends affecting its business and are necessarily subject to uncertainties, many of which are outside Premier's control. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: competition which could limit Premier’s ability to maintain or expand market share within its industry, consolidation in the healthcare industry, potential delays in generating or an inability to generate revenues if the sales cycle takes longer than expected, the terminability of member participation in Premier's GPO programs with limited or no notice, the impact of Premier's business strategy that involves reducing the prices for products and services in its supply chain services segment, the rate at which the markets for Premier's non-GPO services and products develop, the dependency of Premier's members on payments from third-party payors, Premier's reliance on administrative fees which it receives from GPO suppliers, Premier's ability to maintain third-party provider and strategic alliances or enter into new alliances, Premier's ability to offer new and innovative products and services, the portion of revenues Premier receives from its largest members, risks related to future acquisition opportunities, potential litigation, data loss or corruption due to failures or errors in Premier's systems and service disruptions at its data centers, breaches or failures of Premier's security measures, Premier's ability to use, disclose, de-identify or license data and to integrate third-party technologies, Premier's reliance on partners and other third parties, Premier's use of "open source" software, changes in industry pricing benchmarks, any increase in the safety risk profiles of prescription drugs or the withdrawal of prescription drugs from the market, Premier's ability to maintain and expand its existing base of drugs in our specialty pharmacy, Premier's dependency on contract manufacturing facilities located in various parts of the world, Premier's ability to attract, hire, integrate and retain key personnel, adequate protection of Premier's intellectual property, any alleged infringement, misappropriation or violation of third-party proprietary rights, potential sales and use tax liability in certain jurisdictions, Premier's reliance on Internet infrastructure, bandwidth providers, data center providers, other third parties and its own systems for providing services to its users, Premier's future indebtedness and its ability to obtain additional financing, fluctuation of Premier's cash flows, quarterly revenues and results of operations, changes in the political, economic or regulatory healthcare environment, Premier’s compliance with federal and state laws governing financial relationships among healthcare providers and the submission of false or fraudulent healthcare claims, interpretation and enforcement of current or future antitrust laws and regulations, potential healthcare reform and new regulatory requirements placed on our software, services and content, compliance with federal and state privacy, security and breach notification laws, product safety concerns and regulation, Premier's holding company structure, different interests among Premier’s member owners or between Premier's member owners and itself, Premier’s ability to effectively deploy the net proceeds from future issuances of Premier, Inc.'s Class A common stock or debt securities, the ability of Premier member owners to exercise significant control over it, including through the election of all of Premier's directors, Premier's status as a "controlled company" within the meaning of the Nasdaq Global Select Market ("NASDAQ") rules, the terms of agreements between Premier and its member owners, payments made under the tax receivable agreement to Premier LP's limited partners, Premier's ability to realize all or a portion of the tax benefits that are expected to result from the acquisition of Class B common units from the limited partners, changes to Premier LP's allocation methods that may increase a tax-exempt limited partner's risk that some allocated income is unrelated business taxable income, Premier's entitlement to a 70% rather than 80% dividends received deduction with respect to dividends received from Premier LP's corporate subsidiaries, the dilutive effect of Premier LP's issuance of additional units or future issuances by Premier of common stock and/or preferred stock,

provisions in Premier's certificate of incorporation and bylaws and the LP Agreement and provisions of Delaware law that discourage or prevent strategic transactions, including a takeover of Premier, any determination that Premier, Inc. is an investment company, the requirements of being a public company, Premier's inexperience and lack of operating history as a publicly-traded company, failure to establish and maintain an effective system of internal controls, any downgrade in securities or industry analysts' recommendations about Premier's business or Class A common stock, the volatility of Premier's Class A common stock price, the number of shares of Class A common stock that will be eligible for sale or exchange in the near future and the dilutive effect of such issuances, Premier's intention not to pay cash dividends on its Class A common stock and the risk factors discussed under the heading "Risk Factors" in the Prospectus.
More information on potential factors that could affect Premier's financial results is included from time to time in the "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, as well as those discussed under the "Risk Factors" and "Forward Looking Statements" section of the Prospectus, which are available on Premier's website at http://investors.premierinc.com/. You should not place undue reliance on any of Premier's forward looking statements which 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, future events or otherwise. Furthermore, Premier cannot guarantee future results, events, levels of activity, performance or achievements.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
PREMIER, INC.
Balance Sheets

	September 30, 2013 (Unaudited)	June 30, 2013
Assets		
Cash	$1	$1
Other assets	126,776	—
Total assets	$126,777	$1
Stockholder's Equity		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	$—	$—
Class A common stock, par value $0.01 per share, 500,000,000 shares authorized, 100 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	1	1
Class B common stock, par value $0.000001 per share, 600,000,000 shares authorized, no shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	—	—
Additional paid-in capital	325,066	—
Accumulated deficit	(198,290)	—
Total stockholder's equity	$126,777	$1

See accompanying notes to financial statements.

PREMIER, INC.
Statement of Income
Three Months Ended September 30, 2013
(Unaudited)

Operating expenses:	
Selling, general and administrative expense	$325,066
Loss before income taxes	325,066
Income tax benefit	(126,776)
Net loss	$(198,290)
Weighted average shares outstanding - basic and diluted	100
Loss per share - basic and diluted	$(1,982.90)

See accompanying notes to financial statements.

7

PREMIER, INC.
Statement of Cash Flows
Three Months Ended September 30, 2013
(Unaudited)

Operating activities	
Net loss	$(198,290)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Stock-based compensation expense	325,066
Change in other current assets	(126,776)
Net cash provided by operating activities	—
Cash and cash equivalents at beginning of period	1
Cash and cash equivalents at end of Period	$1

See accompanying notes to financial statements.

PREMIER, INC.
NOTES TO FINANCIAL STATEMENTS (Unaudited)
(1) ORGANIZATION AND BASIS OF PRESENTATION
Premier, Inc. is a holding company and was incorporated in the state of Delaware on May 14, 2013 for the sole purpose of becoming the managing member of Premier Services, LLC. Premier Services, LLC will act as the general partner of Premier Healthcare Alliance, L.P. ("Premier LP") upon completion of the initial public offering ("IPO") and Reorganization.
Basis of Presentation and Use of Estimates
The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted. The financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring adjustments. Premier, Inc. believes that all disclosures are adequate to make the information presented not misleading and should be read in conjunction with the financial statements and related footnotes contained in the prospectus, dated September 25, 2013, filed with the SEC (the "Prospectus").
The preparation of Premier, Inc.'s financial statements requires management to make estimates and judgments that affect the reported amounts of assets and expenses and related disclosure of contingent assets and liabilities. Estimates are evaluated on an ongoing basis. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
(2) STOCKHOLDERS' EQUITY
Premier, Inc. has been capitalized with the issuance of 100 shares of Class A common stock with a par value of $0.01 per share for a total of $1.00.
Holders of Class A common stock are entitled to (i) one vote for each share held of record on all matters submitted to a vote of stockholders, (ii) to receive dividends, when and if declared by the board of directors out of funds legally available therefore, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock or any class of series of stock having a preference over or the right to participate with the Class A common stock with respect to the payment of dividends or other distributions and (iii) receive pro rata, based on the number of shares of Class A common stock held, the remaining assets available for distribution upon the dissolution or liquidation of Premier, Inc., after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any.
Holders of Class B common stock are (i) entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and (ii) not entitled to receive dividends or to receive a distribution upon the dissolution or a liquidation of Premier, Inc., other than dividends payable in shares of Premier, Inc.'s common stock. Class B common stock will not be listed on any exchange and, except in connection with any permitted sale or transfer of Class B common units, cannot be sold or transferred.
(3) EARNINGS PER SHARE
Basic earnings per share of Premier, Inc. is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, the diluted earnings per share calculation, which is calculated using the treasury stock method, includes the impact of restricted stock units, shares of non-vested performance share awards and shares that could be issued under the outstanding stock options.

The following table provides a reconciliation of common shares used for basic earnings per share and diluted earnings per share for the three months ended September 30, 2013:

Weighted average number of common shares used for basic earnings per share [(a)]	100
Effect of potentially dilutive shares [(b)]	—
Weighted average number of common shares and potential dilutive shares used for diluted earnings per share	100
Anti-dilutive shares outstanding at period-end that are excluded from the above reconciliation [(c)]	—

(a) Weighted average number of common shares used for basic earnings per share excludes 46,206 weighted average shares of non-vested restricted stock units and 54,125 weighted average shares of non-vested performance share awards for the three months ended September 30, 2013.
(b) The effect of 26,408 restricted stock units for the three months ended September 30, 2013 was excluded from the diluted weighted average shares outstanding due to the net loss sustained for the period.
(c) Represents stock options excluded from the calculation of diluted earnings per share as such options had exercise prices in excess of the weighted average market price of Premier, Inc.'s common stock during the period.

(4) STOCK-BASED COMPENSATION

Stock-based compensation cost is recognized over the requisite service period, which generally equals the stated vesting period. Pre-tax stock-based compensation expense was $0.3 million for the three months ended September 30, 2013, with a resulting deferred tax asset of $0.1 million included in other assets on the balance sheet, calculated at a rate of 39%. At September 30, 2013, there is $64.8 million of unrecognized stock-based compensation related to non-vested awards that will be amortized over 2.75 years.

Premier, Inc. 2013 Equity Incentive Plan

The Premier, Inc. 2013 Equity Incentive Plan (the "2013 Equity Incentive Plan") provides for grants of up to 11,260,783 shares of Class A common stock, all of which are eligible to be issued as non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units or performance awards. As of September 30, 2013, there are 7,667,770 shares available for grant under the 2013 Equity Incentive Plan.

On September 25, 2013, certain of Premier Inc.'s employees and members of the board of directors were granted restricted stock units, performance award units and/or stock options. In addition, on September 25, 2013, all employees of Premier, Inc. were granted a one-time celebration award of restricted stock units, which vest in full on July 1, 2016.

Restricted Stock Units. On September 25, 2013, Premier, Inc. granted 414,987 restricted stock units to certain employees, 11,112 restricted stock units to non-employee directors and 282,800 celebration restricted stock units to all employees, with a grant date fair value of $27.00 per share. The employee restricted stock units vest in full on July 1, 2016 and the non-employee board of director restricted stock units vest in full on September 25, 2014.

Performance Share Awards. On September 25, 2013, Premier, Inc. granted 829,922 performance share awards, with a grant date fair value of $27.00 per share to certain employees. The performance share awards vest on July 1, 2016, either in part or in full, contingent upon the achievement of certain performance criteria.

Stock Options. Stock options have a term of 10 years from the date of grant; however, vested stock options will expire either after 12 months of an employee's termination with Premier, Inc. or immediately upon an employee's termination with Premier, Inc., depending on the termination circumstances. On September 25, 2013, Premier, Inc. granted 2,054,192 stock options, with an exercise price equal to the fair market value of a share of Premier, Inc.'s common stock on the grant date of $27.00 per share, to certain employees. The stock options vest in three equal annual installments, commencing on the first anniversary of July 1, 2013.

For purposes of determining compensation expense, the grant date fair value per share of the stock options was estimated using the Black-Scholes option pricing model which requires the use of various assumptions including the expected life of the option, expected dividend rate, expected volatility and risk-free interest rate. Key assumptions used for determining the fair value of stock options granted were as follows:

Expected life [1]	6 years	
Expected dividend [2]	—	
Expected volatility [3]	42.00	%
Risk-free interest rate [4]	1.71	%

(1) The six-year expected life (estimated period of time outstanding) of stock options granted was estimated using the "Simplified Method" which utilizes the midpoint between the vesting date and the end of the contractual term. This method was utilized for the stock options due to the lack of historical exercise behavior of Premier Inc.'s employees.
(2) No dividends are expected to be paid over the contractual term of the stock options granted, resulting in the use of a zero expected dividend rate.
(3) The expected volatility rate is based on the observed historical volatilities of comparable companies.
(4) The risk-free interest rate was interpolated from the five-year and seven-year United States constant maturity market yield as of the date of the grant.

(5) SUBSEQUENT EVENTS

Initial Public Offering

On October 1, 2013, Premier, Inc. consummated its IPO of 32,374,751 shares of its Class A common stock, at a price of $27.00 per share. This included 4,222,793 shares sold pursuant to the overallotment option granted to the underwriters by Premier, Inc., which was exercised in full prior to the consummation of the IPO, raising net proceeds of approximately $821.7 million after underwriting discounts and commissions but before expenses.

Premier, Inc. used approximately (i) $543.9 million of the net proceeds from the IPO to acquire 21,428,571 Class B common units from the member owners, (ii) $30.1 million of the net proceeds to acquire 1,184,882 Class B common units from PHSI and (iii) $247.7 million of the net proceeds to acquire 9,761,298 newly issued Class A common units of Premier LP, or the Class A common units, from Premier LP, in each case for a price per unit equal to the price paid per share of Class A Common Stock by the underwriters to Premier, Inc. in connection with the IPO. All Class B common units purchased by Premier, Inc. with the net proceeds from this offering automatically converted to Class A common units, pursuant to the terms of the Amended and Restated Limited Partnership Agreement of Premier LP (the "LP Agreement"), and were contributed by Premier, Inc. to Premier GP.

Reorganization

On October 1, 2013 (the "Effective Date"), Premier, Inc. consummated the Reorganization. In connection with the Reorganization and IPO, immediately following the Effective Date, all of Premier LP's limited partners that approved the Reorganization received an amount of Class B common units and capital account balances in Premier LP equal to their percentage interests and capital account balances in Premier LP immediately preceding the Reorganization. Additionally, immediately following the effective date of the LP Agreement, all of the stockholders (consisting of member owners) of PHSI that approved the Reorganization contributed their PHSI common stock to Premier LP in exchange for additional Class B common units based on such stockholder's percentage interest in the fair market valuation of PHSI and Premier LP prior to the Reorganization. As a result of the foregoing contributions, PHSI became a wholly owned subsidiary of Premier LP.

In connection with the Reorganization, the member owners purchased from Premier, Inc. 112,607,832 shares of Class B common stock, for par value, $0.000001 per share, which number of shares of Class B common stock equaled the number of Class B common units held by the member owners immediately following the IPO, pursuant to a stock purchase agreement.

Below is a summary of the principal documents that effected the Reorganization and define and regulate the governance and control relationships among Premier, Inc., Premier LP and the member owners after the completion of the Reorganization and IPO.

LP Agreement

In connection with the Reorganization and IPO, the LP Agreement made Premier GP the general partner of Premier LP. As the general partner of Premier LP, Premier GP generally controls the day-to-day business affairs and decision-making of Premier LP without the approval of any other partner, subject to certain limited partner approval rights. As such, Premier, Inc., the sole member of Premier GP, is responsible for all operational and administrative decisions of Premier LP. In accordance with the LP Agreement, subject to applicable law or regulation and the terms of Premier LP's financing agreements, Premier GP will cause Premier LP to make quarterly distributions out of its estimated taxable net income to Premier GP and to the holders of Class B common units as a class in an aggregate amount equal to Premier LP's total taxable income for each such quarter multiplied by the effective combined federal, state and local income tax rate then payable by Premier, Inc. to facilitate payment by each Premier LP partner of taxes, if required, on its share of taxable income of Premier LP. In addition, in accordance with the LP Agreement, Premier GP may cause Premier LP to make additional distributions to Premier GP and to the holders of Class B common units as a class in proportion to their respective number of units, subject to any applicable restrictions under Premier LP's financing agreements or applicable law. Premier GP will distribute any amounts it receives from Premier LP to Premier, Inc., which Premier, Inc. will use to (i) pay applicable taxes, (ii) meet its obligations under the tax receivable agreement, and (iii) meet its obligations to the member owners under the exchange agreement if they elect to convert their Class B common units for shares of its Class A common stock and Premier, Inc. elects to pay some or all of the consideration to such member owners in cash. In the event that a limited partner of Premier LP holding Class B common units not yet eligible to be exchanged for shares of Premier, Inc's Class A common stock pursuant to the terms of the exchange agreement (i) ceases to participate in Premier, Inc.'s GPO programs, (ii) ceases to be a limited partner of Premier LP (except as a result of a permitted transfer of its Class B common units), (iii) ceases to be a party to a GPO participation agreement (subject to certain limited exceptions) or (iv) becomes a related entity of, or affiliated with, a competing business of Premier LP, in each case, Premier LP will have the option to redeem all of such limited partner's Class B common units not yet eligible to be exchanged at a purchase price set forth in the LP Agreement. In addition, the limited partner will be required to exchange all Class B common units eligible to be exchanged on the next exchange date following the date of the applicable termination event described above.

Voting Trust Agreement

Additionally, in connection with the Reorganization and IPO, Premier, Inc.'s member owners entered into a voting trust agreement, which became effective upon the completion of the Reorganization and IPO and pursuant to which the member owners contributed their Class B common stock into Premier Trust, under which Wells Fargo Delaware Trust Company, N.A., as trustee, acts on behalf of the member owners for purposes of voting their shares of Class B common stock. As a result of the voting trust agreement, the member owners will retain beneficial ownership of the Class B common stock, while the trustee is the legal owner of such equity. Pursuant to the voting trust agreement, the trustee will vote all of the member owners' Class B common stock as a block in the manner determined by the plurality of the votes received by the trustee from the member owners for the election of directors to serve on our board of directors, and by a majority of the votes received by the trustee from the member owners for all other matters.

Exchange Agreement

In connection with the Reorganization and IPO, Premier, Inc., Premier LP and the member owners entered into an exchange agreement which became effective upon the completion of the Reorganization and IPO. Pursuant to the terms of the exchange agreement, subject to certain restrictions, commencing on October 31, 2014, and during each year thereafter, each member owner will have the cumulative right to exchange up to one-seventh of its initial allocation of Class B common units, as well as any additional Class B common units purchased by such member owner pursuant to certain rights of first refusal (discussed below), for shares of Class A common stock (on a one-for-one basis subject to customary adjustments for subdivisions or combinations by split, reverse split, distribution, reclassification, recapitalization or otherwise), cash or a combination of both, the form of consideration to be at the discretion of Premier, Inc.'s audit committee (or another committee of independent directors) of Premier, Inc.'s board of directors. This exchange right can be exercised on a quarterly basis (subject to certain restrictions contained in the registration rights agreement described below) and is subject to rights of first refusal in favor of the other holders of Class B common units and Premier LP. For each Class B common unit that is exchanged pursuant to the exchange agreement, the member owner will also surrender one corresponding share of our Class B common stock, which will automatically be retired.

Registration Rights Agreement

In connection with the Reorganization and IPO, Premier, Inc. and the member owners entered into a registration rights agreement which became effective upon the completion of the Reorganization and IPO. Pursuant to the terms of the registration rights agreement, as soon as practicable from the date that is 12 full calendar months after the completion of this offering, Premier, Inc. must use all reasonable efforts to cause a resale shelf registration statement to become effective for resales from time to time of its Class A common stock that may be issued to the member owners in exchange for their Class B common units pursuant to the exchange agreement, subject to various restrictions. Subject to certain exceptions, Premier, Inc. will use reasonable efforts to keep the resale shelf registration statement effective for seven years. In addition, Premier, Inc. will undertake to conduct an annual company-directed underwritten public offering to allow the member owners to resell Class A common stock and, at Premier, Inc.'s election, to permit it to sell primary shares, following the first quarterly exchange date of each of the first three years during which the member owners have the right to exchange their Class B common units for shares of Class A common stock. Premier, Inc. will not be required to conduct a company-directed underwritten public offering unless the number of shares of Class A common stock requested by the member owners (and any third parties) to be registered in the applicable company-directed underwritten public offering constitutes the equivalent of at least 3.5% of the aggregate number of Class A common units and Class B common units, or, collectively, the common units, outstanding. If the offering minimum has not been met, Premier, Inc. will either proceed with the company-directed underwritten public offering (such decision being in Premier, Inc.'s sole discretion) or notify the member owners that Premier, Inc. will abandon the offering. After the third year during which member owners have the right to exchange their Class B common units for shares of Premier, Inc.'s Class A common stock, Premier, Inc. may elect to conduct a company-directed underwritten public offering in any subsequent year. Premier, Inc., as well as the member owners, and third parties, will be subject to customary prohibitions on sale prior to and for 60 days following any company-directed underwritten public offering. The registration rights agreement also grants the member owners certain "piggyback" registration rights with respect to other registrations of Class A common stock.

Tax Receivable Agreement

In connection with the Reorganization and IPO, Premier, Inc. entered into a tax receivable agreement with the member owners which became effective upon the completion of the Reorganization and IPO. Pursuant to the terms of the tax receivable agreement, Premier, Inc. has agreed to pay to the member owners, generally over a 15-year period (under current law), 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income and franchise tax that Premier, Inc. actually realizes (or is deemed to realize, in the case of payments required to be made upon certain occurrences under such tax receivable agreement) as a result of the increases in tax basis resulting from the initial sale of Class B common units by the member owners in connection with the Reorganization, as well as subsequent exchanges by such member owners pursuant to the exchange agreement, and of certain other tax benefits related to Premier, Inc. entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

GPO Participation Agreement

In connection with the Reorganization and IPO, Premier, Inc.'s member owners entered into GPO participation agreements with Premier LP which became effective upon the completion of the Reorganization and IPO. Pursuant to the terms of its GPO participation agreement, each member owner will receive cash sharebacks, or revenue share, from Premier LP equal to 30% of all gross administrative fees collected by Premier LP based upon purchasing by such member owner's acute and alternate site providers and other eligible non-healthcare organizations that are owned, leased or managed by, or affiliated with, each such member owner, or member facilities, through Premier, Inc's GPO supplier contracts. In addition, Premier, Inc's two largest regional GPO member owners, which represented approximately 17% of Premier LP's gross administrative fees revenue for fiscal year 2013, will each remit all gross administrative fees collected by such member owner based upon purchasing by such member owner's member facilities through the member owner's own GPO supplier contracts and receive revenue share from Premier LP equal to 30% of such gross administrative fees remitted to Premier LP subject to certain termination rights, these GPO participation agreements will be for an initial five-year term, although Premier LP's two largest regional GPO member owners have entered into agreements with seven-year terms.

The terms of the GPO participation agreements vary as a result of provisions in Premier, Inc.'s existing arrangements with member owners that conflict with the terms of the GPO participation agreement and which by the express terms of the GPO participation agreement are incorporated by reference and deemed controlling and will continue to remain in effect. In certain other instances, Premier LP and member owners have entered into GPO participation agreements with certain terms that vary from the standard form, which were approved by the member agreement review committee of Premier, Inc.'s board of directors, based upon regulatory constraints, pending merger and acquisition activity or other circumstances affecting those member owners.

Effects of the Reorganization

Immediately following the consummation of the Reorganization and IPO:

- Premier, Inc. became the sole member of Premier GP and Premier GP became the general partner of Premier LP. Through Premier GP, Premier, Inc. exercises indirect control over the business operated by Premier LP, subject to certain limited partner approval rights. Premier GP has no employees and acts solely through its board of managers and appointed officers in directing the affairs of Premier LP;
- the member owners hold 112,607,832 shares of Class B common stock and 112,607,832 Class B common units;
- Premier GP holds 32,374,751 Class A common units;

- through their holdings of Class B common stock, the member owners have approximately 78% of the voting power in Premier, Inc.;
- the investors in the IPO collectively own all of Premier, Inc.'s outstanding shares of Class A common stock and collectively have approximately 22% of the voting power in Premier, Inc.; and

- Premier LP is the operating partnership and parent company to all of Premier, Inc.'s other operating subsidiaries, including PSCI and PHSI.

Any newly admitted Premier LP limited partners must also become parties to the exchange agreement, the registration rights agreement, the voting trust agreement and the tax receivable agreement, in each case on the same terms and conditions as the member owners (except that any Class B common units acquired by such newly admitted Premier LP limited partners will not be subject to the seven-year vesting schedule set forth in the LP Agreement and the exchange agreement). Any newly admitted Premier LP limited partner will also enter into a GPO participation agreement with Premier LP.

Unaudited Pro Forma Consolidated Financial Statements

The unaudited pro forma consolidated balance sheet as of September 30, 2013 and the unaudited pro forma consolidated statement of income for the three months ended September 30, 2013 present the results of PHSI and giving pro forma effect to Premier, Inc. and the Reorganization, IPO and the use of the net proceeds from the IPO as if such transactions occurred on July 1, 2013 for the consolidated statement of income and as of September 30, 2013 for the consolidated balance sheet.

The pro forma adjustments give effect to:

- the Reorganization, including (i) the issuance of 32,374,751 shares of Class A common stock in the IPO, or approximately 22% of the Class A common stock and Class B common stock, collectively, outstanding after the Reorganization and IPO, at an IPO price of $27.00 per share and the use of the net proceeds therefrom to purchase (A) Class A common units from Premier LP, (B) Class B common units from PHSI and (C) Class B common units from Premier, Inc.'s member owners, (ii) the entry by Premier LP, Premier GP and the member owners into the LP Agreement and (iii) the issuance of 112,607,832 shares of Class B common stock to the member owners;
- payments to each member owner of revenue share from Premier LP equal to 30% of all gross administrative fees collected by Premier LP based upon purchasing by such member owner's member facilities through Premier LP's GPO supplier contracts (and, in addition, Premier LP's two largest regional GPO member owners, which represented approximately 17% of Premier LP's gross administrative fees revenue for fiscal year 2013, will each remit all gross administrative fees collected by such member owner based upon purchasing by such member owner's member facilities through the member owner's own GPO supplier contracts and receive revenue share from Premier LP equal to 30% of such gross administrative fees remitted to Premier LP);
- the change from the 99% noncontrolling interest held by the limited partners of Premier LP prior to the Reorganization to the approximately 78% noncontrolling interest held by the limited partners of Premier LP subsequent to the Reorganization and IPO;
- the change in the allocation of Premier LP's income from 1% of operating income and 5% of investment income to PHSI prior to the Reorganization and IPO to approximately 22% of Premier LP's income to Premier, Inc. (indirectly through Premier GP) subsequent to the Reorganization and IPO as the result of the modified income allocation provisions of the LP Agreement and Premier, Inc.'s purchase of approximately 22% of the common units;
- adjustments that give effect to the tax receivable agreement, including the effects of the increase in the tax basis of Premier LP's assets resulting from Premier, Inc.'s purchase of Class B common units from the member owners; and
- payments due to member owners pursuant to the tax receivable agreement equal to 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local income and franchise tax that Premier, Inc. actually realizes (or is deemed to realize in the case of certain payments required to be made upon certain occurrences under such tax receivable agreement) as a result of the increases in the tax basis of Premier LP's assets resulting from Premier, Inc.'s purchase of Class B common units from the member owners and of certain other tax benefits related to Premier, Inc. entering into the tax receivable agreement.

The unaudited pro forma consolidated financial information reflects the manner in which Premier, Inc. accounted for the Reorganization and IPO. Specifically, Premier, Inc. accounted for the Reorganization as a non-substantive transaction in a manner similar to a transaction between entities under common control pursuant to Accounting Standards Codification Topic 805, Business Combinations. Accordingly, after the Reorganization, the assets and liabilities of Premier, Inc. are reflected at their carryover basis. The unaudited pro forma consolidated financial information is included for informational purposes only and does not purport to reflect Premier, Inc.'s results of operations or financial position that would have occurred had it operated as a public company during the periods presented. The unaudited pro forma consolidated financial information should not be relied upon as being indicative of Premier, Inc.'s financial condition or results of operations had the Reorganization and IPO and the contemplated use of the estimated net proceeds from the IPO occurred on the dates assumed. The unaudited pro forma consolidated financial information also does not project Premier, Inc.'s results of operations or financial position for any future period or date.

The unaudited pro forma consolidated financial statements should be read together with "Unaudited Pro Forma Consolidated Financial Information," "Structure," "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and related notes appearing in the Prospectus, Premier, Inc.'s financial statements as of and for the three months ended September 30, 2013 and with PHSI's consolidated financial statements as of and for the three months ended September 30, 2013 and 2012 included under Item 1 of this Quarterly Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in Item 2 of this Quarterly Report.

PREMIER, INC.
Pro Forma Consolidated Balance Sheet
September 30, 2013
(Unaudited)
(In thousands, except share data)

	PHSI	Pro Forma Adjustments		Premier, Inc. Pro Forma
Assets				
Cash and cash equivalents	$75,351	$277,814	(1)	$353,165
Marketable securities	57,500	—		57,500
Accounts receivable, net	61,968	—		61,968
Inventories - finished goods	13,029	—		13,029
Prepaid expenses and other current assets	34,576	(5,555)	(2)	29,021
Due from related party	788	—		788
Deferred tax assets	7,691	—		7,691
Total current assets	250,903	272,259		523,162
Investments	10,773	—		10,773
Property and equipment, net	119,538	—		119,538
Restricted cash	5,000	—		5,000
Deferred tax assets	13,328	294,950	(3)	308,278
Goodwill	84,626	—		84,626
Intangible assets, net	9,262	—		9,262
Other assets	28,410	—		28,410
Total assets	$521,840	$567,209		$1,089,049
Liabilities, redeemable limited partners' capital and stockholders' equity				
Accounts payable	$16,899	$—		$16,899
Accrued expenses	25,486	—		25,486
Revenue share obligations	5,085	—		5,085
Accrued compensation and benefits	22,374	—		22,374
Deferred revenue	17,492	—		17,492
Current portion of notes payable	7,438	—		7,438
Current portion of lines of credit	60,000	—		60,000
Payable pursuant to tax receivable agreement	—	10,142	(3)	10,142
Income tax payable	—	8,425	(4)	8,425
Other current liabilities	2,402	—		2,402
Total current liabilities	157,176	18,567		175,743
Notes payable, less current portion	20,293	—		20,293
Lines of credit, less current portion	11,508	—		11,508
Payable pursuant to tax receivable agreement, less current portion	—	194,651	(3)	194,651
Deferred compensation plan obligations	27,653	—		27,653
Deferred rent	15,841	—		15,841
Other long-term liabilities	5,387	—		5,387
Total liabilities	237,858	213,218		451,076
Redeemable limited partners' capital	207,066	212,595	(5)	419,661
Stockholders' equity:				
Series A Preferred stock, par value $0.01, 400,000 shares authorized; no shares issued and outstanding	—	—		—

Common stock, par value $0.01, 12,250,000 shares authorized; 5,626,784 shares issued and outstanding, no shares outstanding on a pro forma basis	56		(56	)	(6)	—	
Class A common stock, par value $0.01, 500,000,000 shares authorized; 32,374,751 shares issued and outstanding on a pro forma basis	—		324		(6)	324	
Class B common stock, par value $0.000001, 600,000,000 shares authorized; 112,607,832 shares issued and outstanding on a pro forma basis	—		—		(6)	—	
Additional paid-in capital	28,503		149,748		(7)	178,251	
Retained earnings	50,321		(8,623	)	(8)	41,698	
Noncontrolling interest	(1,964	)	—			(1,964	)
Accumulated other comprehensive income	—		3		(5)	3	
Total stockholders' equity	76,916		141,396			218,312	
Total liabilities, redeemable limited partners' capital and stockholders' equity	$521,840		$567,209			$1,089,049	

16

PREMIER, INC.
Pro Forma Consolidated Statement of Income
Three Months Ended September 30, 2013
(Unaudited)
(In thousands, except per share data)

	PHSI		Pro Forma Adjustments		Premier, Inc. Pro Forma	
Net revenue:						
Net administrative fees	$143,576		$(41,263)	(9)	$102,313	
Other services and support	53,252		—		53,252	
Services	196,828		(41,263)		155,565	
Products	43,748		—		43,748	
	240,576		(41,263)		199,313	
Cost of revenue:						
Services	27,488		—		27,488	
Products	40,038		—		40,038	
	67,526		—		67,526	
Gross profit	173,050		(41,263)		131,787	
Operating expenses:						
Selling, general and administrative	62,318		325		62,643	
Research and development	852		—		852	
Amortization of purchased intangible assets	601		—		601	
	63,771		325		64,096	
Operating income	109,279		(41,588)		67,691	
Equity in net income of unconsolidated affiliates	4,114		—		4,114	
Interest and investment income, net	220		—		220	
Gain on disposal of assets	4		—		4	
Other income, net	4,338		—		4,338	
Income before income taxes	113,617		(41,588)		72,029	
Income tax expense	891		5,870	(10)	6,761	
Net income	112,726		(47,458)		65,268	
Add: Net loss attributable to noncontrolling interest in SVS, LLC	210		—		210	
Less: Net income attributable to noncontrolling interest in Premier LP	(113,214)		62,184	(11)	(51,030)	
Net (loss) income attributable to noncontrolling interest	(113,004)		62,184		(50,820)	
Net (loss) income attributable to PHSI/Premier, Inc. shareholders	$(278)		$14,726		$14,448	
Weighted average shares outstanding of Class A common stock:						
Basic	5,627				32,375	(13)
Diluted	5,627				32,401	(13)
(Loss) earnings per share of Class A common stock:						
Basic	$(0.05)				$0.45	(12)
Diluted	$(0.05)				$0.45	(12)

(1) Reflects net effect on cash and cash equivalents of the receipt of gross proceeds from the IPO of $874.1 million (with an IPO price of $27.00 per share of Class A common stock) and the purchase of units from the member owners described above.

(In thousands)		
Actual cash as reported		$75,351
Pro forma adjustments		
Gross proceeds from the IPO	874,118	
Underwriting discounts, commissions and other expenses	(52,447)	
Purchases of Class B common units from the member owners	(543,857)	
		277,814
Pro forma cash balance		$353,165

(2) Reflects the reduction of prepaid expenses related to the IPO, with an offset to the proceeds of the IPO in additional paid-in capital.

(3) Premier LP intends to have in effect an election under Section 754 of the Internal Revenue Code of 1986, as amended, or the Code, and comparable elections under state and local tax law, such that the initial sale of Class B common units by PHSI and the member owners will result in adjustments to the tax basis of the assets of Premier LP. These increases in tax basis are expected to increase (for tax purposes) the depreciation and amortization deductions by Premier LP, and therefore, to reduce the amount of income tax that Premier, Inc. would otherwise be required to pay in the future. In connection with the Reorganization and IPO, Premier, Inc. has entered into a tax receivable agreement with the member owners which became effective upon the completion of the Reorganization and IPO, pursuant to which Premier, Inc. agrees to pay to the member owners, generally over a 15-year period (under current law), 85% of the amount of cash savings, if any, in U.S. federal, foreign, state and local and franchise income tax that Premier, Inc. actually realizes (or is deemed to realize, in the case of payments required to be made upon certain occurrences under such tax receivable agreement) as a result of the increases in tax basis resulting from the sale or exchange of Class B common units by the member owners. The unaudited pro forma consolidated financial statements reflect adjustments (shown in the pro forma adjustments column above) to give effect to the Section 754 election and the tax receivable agreement based on the following assumptions:

- The unaudited pro forma consolidated financial statements include adjustments to reflect the expected increase in deferred tax assets representing the income tax effects of the increases in the tax basis as a result of Premier LP's election under Section 754 of the Code in connection with the initial sale of Class B common units described above. This adjustment is calculated based on an estimated effective income tax rate for Premier, Inc. of 39%, which includes a provision for U.S. federal income taxes and assumes (i) Premier, Inc.'s estimated statutory rates apportioned to each state and local tax jurisdiction, (ii) that there are no material changes in the relevant tax law, and (iii) that Premier, Inc. earns sufficient taxable income in each year to realize the full tax benefit of the amortization of its assets.
- Premier, Inc. will determine the adjustments in connection with the Section 754 election by first calculating the excess of each selling member owner's and PHSI's assumed selling price over such person's share of Premier LP's tax basis in its assets attributable to the Class B common units being sold to Premier, Inc. Premier, Inc. will then allocate the aggregate excess among Premier LP's assets following applicable tax regulations governing adjustments that result from the Section 754 election. Premier, Inc. will determine each selling member owner's share of the tax basis in Premier LP's assets attributable to the Class B common units sold to Premier, Inc. by multiplying the member owner's tax capital account balance as of the date of sale as maintained in Premier LP's books and records by a fraction, the numerator of which is the number of Class B common units sold to us, and the denominator of which is the number of Class B common units held by the selling member owner immediately prior to the sale. For purposes of the calculation, the assumed selling price per Class B common unit will equal the price paid per share of the Class A common stock by the underwriters to Premier, Inc. in the IPO. The adjustments are expected to increase Premier LP's basis in its assets (for tax purposes), and Premier, Inc. will calculate the amount of any depreciation, amortization and other deductions to which it will be entitled as a result of these adjustments. Premier, Inc. will then calculate Premier, Inc.'s tax liability with and without the deductions attributable to these adjustments, assuming that Premier, Inc. earns sufficient taxable income in each year to realize the full benefit of the deductions. Premier, Inc. will compute the

estimated tax benefit attributable to the election as the excess of Premier, Inc.'s tax liability as so computed without the deductions over Premier, Inc.'s tax liability as so computed with the deductions. Additionally, the tax receivable agreement payments may give rise to adjustments that result in Premier LP becoming entitled to additional deductions, and the calculation of Premier, Inc.'s liability under the tax receivable agreement would take these adjustments and additional resulting deductions into account.

- Premier LP's election under Section 754 of the Code is at the discretion of Premier LP and is not subject to review or approval by the IRS or other tax authorities. The computation of the adjustments resulting from the Section 754 election and Premier, Inc.'s tax liability is subject to audit by the IRS and other tax authorities in the same manner as all other items reported on income tax returns.
- The unaudited pro forma consolidated financial statements include cumulative adjustments of $204.8 million, of which $10.1 million is expected to be paid in the next 12 months, and is reflected as a current liability with the remaining balance classified as a long-term liability, to reflect a liability equal to 85% of the estimated realizable tax benefit resulting from

18

the estimated increase in tax basis due to Premier LP's Section 754 election in connection with the initial sale by the member owners, of the Class B common units described above as an increase to payable pursuant to the tax receivable agreement.

- The unaudited pro forma consolidated financial statements include adjustments to reflect deferred tax assets for the change in the allocation of Premier LP's income from 1% of operating income and 5% of investment income to PHSI prior to the Reorganization to approximately 22% of Premier LP's income to Premier, Inc. (indirectly through Premier GP), measured by the difference in the tax basis of Premier, Inc.'s investment in Premier LP as compared to its GAAP carrying value. The adjustments related to Premier LP's Section 754 election described above are a component of Premier, Inc.'s tax basis in Premier LP.

Pursuant to the terms of the exchange agreement, the member owners and new limited partners admitted to Premier LP following the completion of the IPO may subsequently exchange Class B common units in Premier LP for shares of Premier, Inc.'s Class A common stock, cash or a combination of both. Any subsequent exchanges of Class B common units for shares of Premier, Inc.'s Class A common stock pursuant to the exchange agreement may result in increases in the tax basis of the tangible and intangible assets of Premier LP (85% of the realized tax benefits from which will be due to the limited partners and recorded as an additional payable pursuant to the tax receivable agreement) that otherwise would not have been available. These subsequent exchanges have not been reflected in the unaudited pro forma consolidated financial statements.

In addition, the pro forma adjustment reflects $0.1 million of Premier, Inc. deferred taxes related to stock-based compensation.

(4) Reflects income taxes payable due as a result of the purchase of Class B common units from PHSI.

(5) Reflects the increase in the noncontrolling interest held by the limited partners in Premier L.P. resulting from the net proceeds from the IPO used to purchase Class A common units from Premier LP of $247.7 million and Class B common units from PHSI of $21.7 million, net of taxes of $8.4 million, and the contribution of the common stock of PHSI in connection with the Reorganization of $76.9 million. This is offset by an adjustment of $133.7 million to reflect the approximately 78% controlling interest held by the limited partners of Premier LP subsequent to the Reorganization and IPO, which is reflected in redeemable limited partners' capital on the unaudited pro forma consolidated balance sheets. Immediately following the effective date of the LP Agreement, all of Premier LP's limited partners that approved the Reorganization received Class B common units and capital account balances in Premier LP equal to their percentage interests and capital account balances in Premier LP immediately preceding the Reorganization. Premier, Inc. used a portion of the net proceeds from the IPO to purchase (i) Class A common units, (ii) Class B common units from PHSI and (iii) Class B common units from the member owners, resulting in a reduction in the noncontrolling interest attributable to the limited partners from 99% to approximately 78%.

(6) Reflects (i) the exchange of the existing PHSI shares of common stock, common stock subscribed and related subscriptions receivable for Class B common units, (ii) the issuance of Class B common stock in connection with the Reorganization and (iii) the issuance of Class A common stock in connection with the IPO.

(7) Reflects the impact of the adjustments in notes (1), (2), (3), (5) and (6) above to additional paid-in capital:

- an increase of $90.0 million due to an increase in deferred tax assets described in note (3) of $294.8 million offset by an increase in payables pursuant to the tax receivable agreement of $204.8 million;
- an increase of $821.7 million from the net proceeds from the IPO less the par value of the shares of Class A common stock sold in the IPO of $0.3 million and less prepaid offering expenses of $5.6 million; and
- a decrease of $756.4 million to reflect the difference between the consideration paid to acquire the Class A and B common units and the adjustment to the carrying value of the noncontrolling interest described in note (5) above.

In addition, Premier, Inc. recorded stock-based compensation expense for the three months ended September 30, 2013 of $0.3 million. The total adjustment to additional paid-in capital is an increase of $149.7 million.

(8) Reflects Premier, Inc.'s net loss attributable to stock-based compensation, net of tax, for the three months ended September 30, 2013, and income tax expense as a result of the purchase of Class B common units from PHSI.

(9) Following the completion of the Reorganization and the IPO, Premier LP became contractually required under the GPO participation agreements to pay each member owner revenue share from Premier LP equal to 30% of all gross administrative fees collected by Premier LP based upon purchasing by such member owner's member facilities

through Premier LP's GPO supplier contracts. In addition, Premier LP's two largest regional GPO member owners, which represented approximately 17% of its gross administrative fees revenue for fiscal year 2013, will each remit all gross administrative fees collected by such member owner based upon purchasing by such member owner's member facilities through the member owner's own GPO supplier contracts and receive revenue share from Premier LP equal to 30% of such gross administrative fees remitted to Premier LP. Historically, Premier LP has not generally had a contractual requirement to pay revenue share to member owners participating in its GPO programs, but has paid semi-annual distributions of partnership income. In the case of the three month period ended September 30, 2013, the board of directors approved a distribution on Premier LP income in the amount of $78.0 million, of which $11.8 million has been paid as of September 30, 2013, calculated in a consistent manner with its historical semi-annual distributions pursuant to the historical limited partnership agreement of Premier LP, to its member owners who approved the Reorganization. This distribution is not reflected in these unaudited pro forma consolidated financial statements. In addition, certain members that have not owned, or do not currently own, limited partnership interests in Premier LP, common stock of PHSI or common units, as the context may require, or non-owner members, have historically operated under, and following the consummation of the Reorganization and IPO continue to operate under, contractual relationships that provide for a specific revenue share that differs from the 30% revenue share that Premier LP will provide to its member owners under the GPO participation agreements following consummation of the Reorganization and the IPO. As a result, Premier LP's revenue share expense is expected to be approximately 36% of gross administrative fees following the consummation of the Reorganization and the IPO, compared to approximately 9% of gross administrative fees for the three months ended September 30, 2013, which will result in a decrease in net revenue for the three months ended September 30, 2013 on a pro forma basis when compared to the actual net revenue for the same period. These unaudited pro forma consolidated financial statements assume that all of Premier LP's member owners prior to the Reorganization continued as member owners subsequent to the Reorganization and IPO and, therefore, do not reflect any possible loss in revenue if any member owners cease to continue as member owners. Pro forma revenue share is calculated at 30% from their respective dates of conversion from non-owner members to member owners.

(10) Upon the completion of the Reorganization and the IPO, Premier, Inc. became subject to additional U.S. federal, state and local income taxes with respect to its additional allocable share of any taxable income of Premier LP. As a result, there is a pro forma adjustment to income tax expense to reflect an estimated effective income tax rate of 39%, which includes a provision for U.S. federal income taxes and assumes Premier, Inc.'s estimated statutory rates apportioned to each state and local tax jurisdiction. The low effective tax rate is attributable to the flow through of partnership income which is not subject to federal income taxes. For federal income tax purposes, income realized by Premier LP is taxable to its partners.

(11) Reflects the reduction in noncontrolling interest in Premier LP from 99% to approximately 78%.

(12) Pro forma basic earnings per share was computed by dividing the pro forma net income attributable to Premier, Inc. by the 32,374,751 shares of Class A common stock that were issued and sold in the IPO and pro forma diluted earnings per share was computed by dividing the pro forma net income attributable to Premier, Inc. by the 32,374,751 shares of Class A common stock that were issued and sold in the IPO plus 26,408 dilutive shares. The shares of Class B common stock do not share in Premier, Inc.'s earnings and are therefore not included in the weighted average shares outstanding or earnings per share.

(13) Reflects the issuance of 32,374,751 shares of Class A common stock in the IPO, as well as the dilutive impact of 26,408 shares.

Item 1. Financial Statements (continued)
PREMIER HEALTHCARE SOLUTIONS, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2013 (Unaudited)	June 30, 2013
Assets		
Cash and cash equivalents	$75,351	$198,296
Marketable securities	57,500	57,323
Accounts receivable (net of $732 and $671 allowance for doubtful accounts, respectively)	61,968	62,162
Inventories - finished goods	13,029	12,741
Prepaid expenses and other current assets	34,576	25,466
Due from related party	788	1,650
Deferred tax assets	7,691	8,403
Total current assets	250,903	366,041
Investments	10,773	6,676
Property and equipment (net of $161,440 and $153,446 accumulated depreciation, respectively)	119,538	115,587
Restricted cash	5,000	5,000
Deferred tax assets	13,328	15,077
Goodwill	84,626	61,410
Intangible assets (net of $17,839 and $17,238 accumulated amortization, respectively)	9,262	4,292
Other assets	28,410	24,833
Total assets	$521,840	$598,916
Liabilities, redeemable limited partners' capital and stockholders' equity		
Accounts payable	$16,899	$21,788
Accrued expenses	25,486	28,883
Revenue share obligations	5,085	10,532
Accrued compensation and benefits	22,374	51,359
Deferred revenue	17,492	18,880
Current portion of notes payable	7,438	4,441
Current portion of lines of credit	60,000	7,708
Other current liabilities	2,402	1,557
Total current liabilities	157,176	145,148
Notes payable, less current portion	20,293	22,468
Lines of credit, less current portion	11,508	—
Deferred compensation plan obligations	27,653	24,081
Deferred rent	15,841	15,779
Other long-term liabilities	5,387	6,037
Total liabilities	237,858	213,513
Commitments and contingencies (Note 15)		
Redeemable limited partners' capital	207,066	307,635
Stockholders' equity:		
Series A Preferred stock, par value $0.01, 400,000 shares authorized; no shares issued and outstanding	—	—

Common stock, par value $0.01, 12,250,000 shares authorized; 5,626,784 and 5,653,390 shares issued and outstanding at September 30, 2013 and June 30, 2013, respectively	56	57
Additional paid-in-capital	28,503	28,866
Common stock subscribed, 0 and 23,266 shares at September 30, 2013 and June 30, 2013, respectively	—	300
Subscriptions receivable	—	(300)
Retained earnings	50,321	50,599
Noncontrolling interest	(1,964)	(1,754)
Total stockholders' equity	76,916	77,768
Total liabilities, redeemable limited partners' capital and stockholders' equity	$521,840	$598,916

See accompanying notes to consolidated financial statements.

PREMIER HEALTHCARE SOLUTIONS, INC.
Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30, 2013	2012
Net revenue:		
Net administrative fees	$143,576	$117,489
Other services and support	53,252	48,147
Services	196,828	165,636
Products	43,748	32,930
	240,576	198,566
Cost of revenue:		
Services	27,488	24,080
Products	40,038	30,152
	67,526	54,232
Gross profit	173,050	144,334
Operating expenses:		
Selling, general and administrative	62,318	55,732
Research and development	852	3,638
Amortization of purchased intangible assets	601	385
	63,771	59,755
Operating income	109,279	84,579
Equity in net income of unconsolidated affiliates	4,114	2,781
Interest and investment income, net	220	224
Gain on disposal of assets	4	—
Other income, net	4,338	3,005
Income before income taxes	113,617	87,584
Income tax expense	891	2,517
Net income	112,726	85,067
Add: Net loss attributable to noncontrolling interest in SVS, LLC	210	305
Less: Net income attributable to noncontrolling interest in Premier LP	(113,214)	(83,116)
Net income attributable to noncontrolling interest	(113,004)	(82,811)
Net (loss) income attributable to PHSI shareholders	$(278)	$2,256
Weighted average shares outstanding - basic and diluted	5,627	6,090
(Loss) earnings per share attributable to PHSI - basic and diluted	$(0.05)	$0.37

See accompanying notes to consolidated financial statements.

PREMIER HEALTHCARE SOLUTIONS, INC.
Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands)

	Three Months Ended September 30,	
	2013	2012
Net income	$112,726	$85,067
Net unrealized gain on marketable securities	26	102
Total comprehensive income	112,752	85,169
Less: Comprehensive income attributable to noncontrolling interest	(113,030)	(82,913)
Comprehensive (loss) income attributable to PHSI	$(278)	$2,256

See accompanying notes to consolidated financial statements.

23

PREMIER HEALTHCARE SOLUTIONS, INC.
Consolidated Statements of Stockholders' Equity
Three Months Ended September 30, 2013
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Common Stock Subscribed		Subscriptions Receivable	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount		Shares	Amount				
Balance at June 30, 2013	5,653	$57	$ 28,866	23	$ 300	$ (300)	$ 50,599	$ (1,754)	$ 77,768
Repurchase of common stock	(49)	(1)	(663)	—	—	—	—	—	(664)
Payment on stock subscriptions	23	—	300	(23)	(300)	300	—	—	300
Net loss	—	—	—	—	—	—	(278)	—	(278)
Net loss attributable to noncontrolling interest in SVS, LLC	—	—	—	—	—	—	—	(210)	(210)
Balance at September 30, 2013	5,627	$56	$ 28,503	—	$ —	$ —	$ 50,321	$ (1,964)	$ 76,916

See accompanying notes to consolidated financial statements.

24

PREMIER HEALTHCARE SOLUTIONS, INC.
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended September 30,	
	2013	2012
Operating activities		
Net income	$112,726	$85,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,957	6,775
Equity in net income of unconsolidated affiliates	(4,114)	(2,781)
Deferred taxes	2,461	1,059
Amortization of discounts on investments, net	26	5
Gain on disposal of assets	(4)	—
Changes in operating assets and liabilities:		
Accounts receivable, inventories, prepaid expenses and other current assets	(11,277)	(1,481)
Other assets	(10)	(3,480)
Accounts payable, accrued expenses and other current liabilities	(44,205)	(33,208)
Long-term liabilities	(590)	5,380
Net cash provided by operating activities	63,970	57,336
Investing activities		
Purchase of marketable securities	(19,151)	(6,522)
Proceeds from sale of marketable securities	18,974	46,977
Acquisition of SYMMEDRx, net of cash acquired	(28,740)	—
Distributions received on equity investment	—	3,235
Purchases of property and equipment	(12,299)	(12,255)
Net cash (used in) provided by investing activities	(41,216)	31,435
Financing activities		
Payments made on notes payable	(1,475)	(2,200)
Proceeds from lines of credit	63,800	2,070
Proceeds from issuance of common stock	300	—
Distributions to limited partners of Premier LP	(208,324)	(182,613)
Net cash used in financing activities	(145,699)	(182,743)
Net decrease in cash and cash equivalents	(122,945)	(93,972)
Cash and cash equivalents at beginning of year	198,296	140,822
Cash and cash equivalents at end of year	$75,351	$46,850
Supplemental schedule of noncash investing and financing activities:		
Issuance of limited partnership interest for notes receivable	$7,860	$2,120
Payable to member owners incurred upon repurchase of ownership interest	$1,652	$2,315
Reduction in redeemable limited partners' capital to reduce outstanding receivable	$28,009	$101
Distributions utilized to reduce subscriptions, notes, interest and accounts receivable from member owners	$6,186	$3,677

See accompanying notes to consolidated financial statements.

25

PREMIER HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(1) ORGANIZATION AND BASIS OF PRESENTATION
Organization
Premier Healthcare Solutions, Inc. ("PHSI" or the "Company") is a for-profit Delaware corporation owned by hospitals, health systems and other healthcare organizations (owners of PHSI are referred to herein as "member owners") located in the United States. The Company, together with its subsidiaries and affiliates, is a national healthcare alliance that unites hospitals, health systems, physicians and other healthcare providers to improve and innovate in the clinical, financial and operational areas of their business to meet the demands of a rapidly evolving healthcare industry.
The Company's business model and solutions are designed to provide its members access to scale efficiencies, spread the cost of their development, derive intelligence from the Company's data warehouse, mitigate the risk of innovation and disseminate best practices that will help its member organizations succeed in their transformation to higher quality and more cost-effective healthcare.
The Company, together with its subsidiaries and affiliates, delivers its integrated platform of solutions through two business segments: supply chain services and performance services. The supply chain services segment includes one of the largest healthcare GPO's in the United States, a specialty pharmacy and direct sourcing activities. The performance services segment includes one of the largest informatics and advisory services businesses in the United States focused on healthcare providers. The Company's software as a service ("SaaS") informatics products utilize its comprehensive data set to provide actionable intelligence to its members, enabling them to benchmark, analyze and identify areas of improvement across three main categories: cost management, quality and safety and population health management. This segment also includes the Company's technology-enabled performance improvement collaboratives, advisory services and insurance services.
Basis of Presentation and Consolidation
The Company, through its wholly owned subsidiary Premier Plans, LLC ("Premier Plans"), holds a 1% controlling general partner interest in and, as a result, consolidates the financial statements of Premier Purchasing Partners, L.P. ("Premier LP"). The limited partners' 99% ownership of Premier LP is reflected as redeemable limited partners' capital in the Company's consolidated balance sheets and their proportionate share of income in Premier LP is reflected within net income attributable to noncontrolling interest in Premier LP in the Company's consolidated statements of income and within comprehensive income attributable to noncontrolling interest in the consolidated statements of comprehensive income.
The accompanying consolidated financial statements have been prepared in accordance with GAAP for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted. The consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring adjustments. The Company believes that all disclosures are adequate to make the information presented not misleading and should be read in conjunction with the consolidated financial statements and related footnotes contained in the Prospectus. The Company has reclassified certain prior period amounts to be consistent with the current period presentation.
Use of Estimates in the Preparation of Financial Statements
The preparation of the Company's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Estimates are evaluated on an ongoing basis, including allowances for doubtful accounts, useful lives of property and equipment, values of investments not publicly traded, the valuation allowance on deferred tax assets and the fair value of purchased intangible assets and goodwill. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(2) SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies as described in the Prospectus.

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") relating to reporting of amounts reclassified out of accumulated other comprehensive income. The update requires presentation of information about significant amounts reclassified from each component of accumulated other comprehensive income, the sources of the items reclassified, and the income statement lines affected, either parenthetically on the face of the financial statements or in the notes to the financial statements. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012, and did not have a material effect on the Company's consolidated financial statements.

(3) SEGMENTS

The Company delivers its solutions and manages its business through two reportable business segments, the supply chain services segment and the performance services segment. The supply chain services segment includes the Company's GPO, a specialty pharmacy and direct sourcing activities. The performance services segment includes the Company's informatics, collaborative, advisory services and insurance services businesses.

The Company uses segment adjusted EBITDA (as defined herein) as its primary measure of profit or loss to assess segment performance and to determine the allocation of resources. The Company also uses segment adjusted EBITDA to facilitate the comparison of the segment operating performance on a consistent basis from period to period. The Company defines segment adjusted EBITDA as the segment's net revenue less operating expenses directly attributable to the segment excluding depreciation and amortization, amortization of purchased intangible assets, merger and acquisition related expenses and non-recurring or non-cash items, and including equity in net income of unconsolidated affiliates. The Company considers non recurring items to be expenses that have not been incurred within the prior two years and are not expected to recur within the next two years. Operating expenses directly attributable to the segment include expenses associated with sales and marketing, general and administrative and product development activities specific to the operation of each segment. General and administrative corporate expenses that are not specific to a particular segment are not included in the calculation of segment adjusted EBITDA. All reportable segment revenues are presented net of inter-segment eliminations and represent revenues from external clients.

The following table presents segment adjusted EBITDA and other information (in thousands) as utilized by the Company's chief operating decision maker.

	Net Revenue	Segment Adjusted EBITDA	Depreciation & Amortization Expense	Capital Expenditures
Three Months Ended September 30, 2013				
Supply Chain Services:				
Net administrative fees	$143,576			
Other services and support	134			
Services	143,710			
Products	43,748			
Total Supply Chain Services	187,458	$125,480	$327	$300
Performance Services	53,118	16,329	7,435	11,979
Corporate	—	(17,475)	1,195	20
Total	$240,576	$124,334	$8,957	$12,299
Three Months Ended September 30, 2012				
Supply Chain Services:				
Net administrative fees	$117,489			
Other services and support	39			
Services	117,528			
Products	32,930			
Total Supply Chain Services	150,458	$98,267	$308	$265
Performance Services	48,108	12,000	5,497	11,824
Corporate	—	(15,578)	970	166
Total	$198,566	$94,689	$6,775	$12,255

The following table presents total assets (in thousands) as utilized by the Company's chief operating decision maker.

	Total Assets
September 30, 2013	
Supply Chain Services	$211,423
Performance Services	227,773
Corporate	82,644
Total	$521,840
June 30, 2013	
Supply Chain Services	$332,261
Performance Services	194,414
Corporate	72,241
Total	$598,916

A reconciliation of segment adjusted EBITDA to operating income is as follows (in thousands):

	Three Months Ended September 30,	
	2013	2012
Segment Adjusted EBITDA	$124,334	$94,689
Depreciation and amortization	(8,356)	(6,390)
Amortization of purchased intangible assets	(601)	(385)
Merger and acquisition related expenses [a]	(142)	—
Strategic and financial restructuring expenses [b]	(1,842)	(554)
Equity in net income of unconsolidated affiliates [c]	(4,114)	(2,781)
Operating income	$109,279	$84,579

(a) Represents legal, accounting and other expenses directly related to the acquisition of SYMMEDRx, LLC ('SYMMEDRx").

(b) Represents legal, accounting and other expenses directly related to strategic and financial restructuring expenses.

(c) Represents equity in net income from unconsolidated affiliates generated by the Company's 50% ownership interest in Innovatix, LLC ("Innovatix"), a privately held limited liability company that provides group purchasing services to alternate site providers in specific classes of trade, all of which is included in the supply chain services segment.

(4) BUSINESS ACQUISITIONS

On July 19, 2013, the Company purchased all the issued and outstanding units of SYMMEDRx for $28.8 million. The Company funded the acquisition by drawing on its senior secured revolving credit facility (see Note 6 - Lines of Credit for more information). The primary reason for the acquisition of SYMMEDRx, a business with a track record of analyzing and reducing costs for health systems through the innovative use of data, is to continue to strengthen the Company's ability to drive improvement in member cost savings.

The purchase price exceeded the fair value of the net tangible liabilities and identifiable intangible assets acquired from SYMMEDRx. As a result, the Company recorded goodwill in connection with this acquisition, which was assigned to the performance services segment.

The Company is in the process of finalizing the valuation of the assets acquired and liabilities assumed. The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their fair values, which is subject to adjustment once the valuation is complete, is as follows (in thousands):

Net tangible liabilities acquired	$(7)
Intangible assets acquired	5,571
Goodwill	23,216
Total	$28,780

The purchase price allocation is expected to be finalized in the quarter ended December 31, 2013.

(5) GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill consists of the following (in thousands):

	Supply Chain Services	Performance Services	Total
Balance at June 30, 2013	$31,765	$29,645	$61,410
SYMMEDRx acquisition	—	23,216	23,216
Balance at September 30, 2013	$31,765	$52,861	$84,626

Intangible assets, net consist of the following (in thousands):

	Weighted Average Useful Life	September 30, 2013	June 30, 2013
Identifiable intangible assets acquired:			
Technology	5.0 years	$16,670	$11,570
Member relationships	8.7 years	6,520	6,260