



PREMIER

TRANSFORMING HEALTHCARE
FROM THE INSIDE

2014 ANNUAL REPORT



PREMIER

Our Mission

To improve the health of communities.

Our Vision

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

Who is Premier?

Premier, Inc. (NASDAQ: PINC) is a leading healthcare improvement company, uniting an alliance of approximately 3,000 U.S. hospitals and 110,000 other providers to transform healthcare. With integrated data and analytics, collaboratives, supply chain solutions, and advisory and other services, Premier enables better care and outcomes at a lower cost.

Premier, a Malcolm Baldrige National Quality Award recipient, plays a critical role in the rapidly evolving healthcare industry, collaborating with members to co-develop long-term innovations that reinvent and improve the way care is delivered to patients nationwide. Premier is passionate about transforming American healthcare.

Approximately

3,000
Hospitals

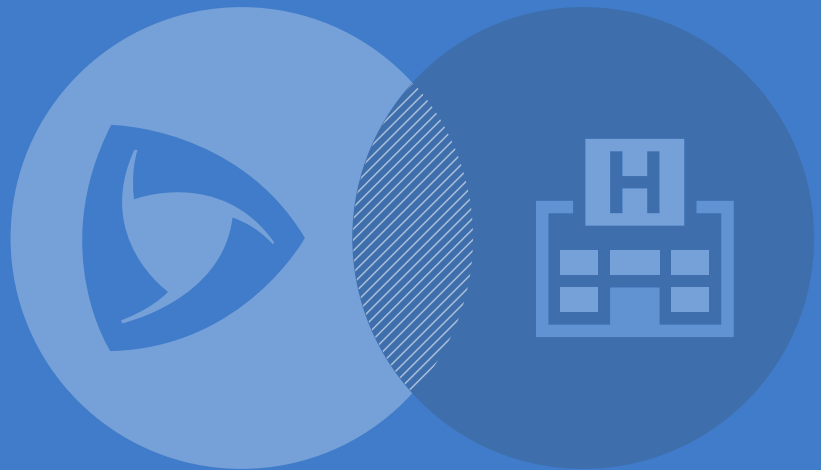
are improving their
performance as members
of the Premier alliance.



More than

1,000
Premier
members

use solutions from both the
Supply Chain and Performance Services segments.



On average,

86% of
members

surveyed over a three-year period
view Premier as a strategic partner
or organization extension.



DEAR FELLOW SHAREHOLDERS, TEAMMATES AND FRIENDS:



I am pleased to report the results of Premier, Inc.'s first year as a public company. The significant change in our corporate structure has energized our approach to our mission, our vision and our drive to transform healthcare.

Our IPO, and the increased access to capital it generated, better positions Premier to execute on our business strategy, deliver more and truly drive necessary change in our American healthcare system.

There is little debate about the need for change. Phrases like “bending the cost curve,” “driving a mandate for change” and “achieving the three-part aim,” have become commonplace in our industry’s vernacular. But now is not the time for empty phrases and jargon-laden conversations. This is the time for action. That is why Premier continues to lead; our bias for action is essential in this turbulent environment.

To drive real change, you need data to reveal opportunities, technology to enable innovation and expertise to make improvement happen. Sounds simple? While it’s definitely not simple, it’s possible when health systems join together to pool data and buying power in an alliance like Premier.

The reason we are growing—and performing—so well, and the reason I’m so optimistic about our future, is that we are working from the inside in a highly differentiated business model—and we believe that’s a sustained, winning position. We have a vast footprint of providers representing approximately 3,000 hospitals and 110,000 non-acute facilities; more than 60% of the U.S. community hospital market has a relationship with Premier, and there is opportunity to further expand these relationships and create new ones.



Working from the inside also provides Premier with a unique perspective on the many challenges confronting provider systems today:

- » Reimbursement for both Medicare and Medicaid is on the decline and increasingly at risk.
- » Cost management is an immediate imperative and the industry is racing to consolidate for scale and efficiencies.
- » Competition among technology and service providers is fierce and inflated with big promises around untested solutions, particularly in the spaces of data analytics and population health management.
- » Data needs to be integrated for population health management:
 - To assess and manage risk;
 - To clinically integrate provider networks;
 - To preempt and manage chronic and complex conditions; and
 - To quickly adapt to an advancing retail environment, with a very different consumer than yesterday's.

We work on the inside to help health systems address these daunting challenges. First, we are fundamentally changing the game in the supply chain, which is one of healthcare's largest cost drivers. By addressing challenges including inefficient workflow and fragmented technologies, we believe we are uncovering unprecedented savings and value for our members, and leading a much needed disruption in this industry. As a result, we

are winning new members and experiencing increased contract penetration among those with an established relationship with Premier—on both the acute and alternate site sides of our business.

We continued to expand our footprint in both supply chain and performance services through integrated offerings that address the ongoing cost, quality, safety and population health management challenges facing our members. And we saw strong growth in advisory services in the quarter as our members continue to utilize our expertise in identifying and driving quality improvement and cost reduction in their systems.

I'm thrilled with the strides we have made in fiscal 2014, and we will continue to endeavor to drive more value for members and growth for this enterprise and its investors in fiscal 2015. When I look back on the year and forward to the future, I see a company that is at the heart of an industry transformation. I see a company mining massive amounts of seemingly disparate data and turning that data into actionable, innovative solutions for the rapidly evolving needs of its members. And I see a company that is doing all of this from the inside—with a highly differentiated model that is delivering on these promises of growth, opportunity and transformation.

Sincerely,

A handwritten signature in black ink that reads "Susan D. DeVore".

Susan D. DeVore
President and CEO

POSITIONED FOR GROWTH



Premier is a company at the heart of an industry transformation. This is a company mining massive amounts of seemingly disparate data and turning that data into actionable, innovative solutions for the rapidly evolving needs of its members. And this is a company that is doing all of this from the inside, with Premier experts embedded in the member systems; a highly differentiated model that is delivering on these promises of growth, opportunity, and transformation.

Our business model generated a strong cash position at fiscal year end, and we began putting some of it to work during the fiscal year, acquiring three strategically important companies for a total of \$42.6 million in cash, and we put another \$165.5 million to work acquiring two more as the new fiscal year began.

We expect that these acquisitions will further embed Premier into our members' performance improvement processes needed to transform themselves to thrive in new healthcare delivery models. Looking forward, our pipeline of potential acquisitions remains active, and we have a diligent and dedicated team continuing to evaluate a number of opportunities in growth areas that we have identified.

We are driving to become the performance improvement engine for our members, and for the wider healthcare industry. We are doing this with the technology, data and wrap-around advisory services required to improve cost, quality and safety today, while building the analytic infrastructure for population health management over the long term.

DISRUPTING THE SUPPLY CHAIN



We are tackling the 20–30% of health systems' costs that the supply chain arena represents, including everything from commodities to the costliest and most elusive spend areas such as physician preference items, capital equipment and specialty pharmacy drugs. We are doing this through our robust Group Purchasing Organization contract portfolio, our direct sourcing and specialty pharmacy programs, our analytic technology solutions and our recent acquisitions: SYMMEDRx, MEMdata and Aperek.

Following the acquisition of SYMMEDRx in July 2013, we have experienced three-fold growth in the use of this service. Why? Because we are helping our members manage and standardize the notoriously high-cost and difficult-to-manage area of physician preference. Our approach helps members identify the truly differentiated product from the commodity. This enables us to drive down costs, while providing advisory services focused on appropriate utilization and procedural standardization for the more advanced and differentiated products.

We acquired MEMdata in April 2014 specifically to address the high-cost area of capital equipment planning, sourcing and analytics. The business already is generating broad interest from our member channel; we added six member systems by fiscal year-end, and have a strong sales pipeline.

And in early fiscal 2015, we acquired Aperek, formerly Mediclick, a SaaS-based supply chain workflow and analytics company for \$48.5 million in cash. Aperek will be instrumental in further automating all of the supply chain management processes for our comprehensive technology, data analytics and services model.

We are systematically building full capabilities across the entire supply chain to integrate the pieces and attack every savings opportunity for our member base.

COLLABORATING FOR RESULTS



Approximately 1,100 U.S. hospital members participate in at least one of our Performance Improvement Collaboratives, including QUEST for multi-dimensional improvement, ASCEND for accelerated supply chain savings, PACT and Bundled Payment for evolving delivery model development, and Partnership for Patients which addresses preventable harm and mortality.

Premier's QUEST® collaborative continues to lead the industry in helping our members save lives and dollars. Using data and collaboration, QUEST participants are able to identify top performers, replicate their processes and dramatically improve results. The bar continues to rise as do results across cost, quality and safety metrics. QUEST is one of the most comprehensive hospital collaboratives in the nation. Including approximately 350 members, QUEST has become one of the only initiatives to help healthcare organizations deliver the best possible care to each patient, every time.

In addition to solving immediate challenges, Premier members are collaborating to prepare for the evolution to new care models. Our population health

management programs have blossomed from a learning collaborative encompassing a few dozen health systems just a few years ago, to a growing collection of integrated population health and analytics offerings. We have developed organic applications, as well as partnered with both Phytel and Verisk Health in this arena, to deliver a robust suite of applications essential for population health management, including claims analytics and risk stratification, patient outreach and care coordination, as well as bundled payment modeling and analysis and development of clinically integrated networks.

Over the past fiscal year, we have developed more than 130 population health agreements, representing a 65% increase in revenue across analytics and services, and the number of facilities represented across these agreements has increased to approximately 500, a 25% increase from a year ago.



350 U.S. Hospital Members

160,000 Deaths Avoided

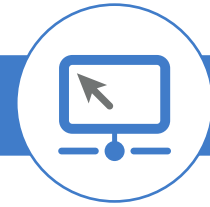
\$13.2 Billion Saved

55,800 Readmissions Prevented

21,700 Instances of Harm Prevented

Premier QUEST participant performance data is as of 6/30/2014 and represents data accumulated through year 6 of the collaborative, which ended December 31, 2013. Deaths avoided and dollars saved are over the first 6 years of the program; instances of harm are measured over the past 4 years; and readmissions prevented are measured over the past 3 years.

REVOLUTIONIZING TECHNOLOGY



Healthcare providers are challenged with an overabundance of data, that doesn't speak the same language, therefore missing the opportunity for dramatic improvement.

Premier has developed an integrated data platform, PremierConnect®, that resolves the silos and opens up unparalleled opportunities. In addition, in February 2014, we launched PremierConnect® Enterprise, our cloud-based data warehouse and business intelligence platform. PremierConnect Enterprise is fully managed by Premier, enabling health systems to save millions of dollars by sharing the costs of building what otherwise would be individual datamarts and uncoordinated data management capabilities. It supports the work being done by our members through a multifaceted platform that combines data warehousing with the ability to acquire, standardize, transform and integrate Big Data, produce actionable analytics and

generate predictive insights. The warehouse manages data from multiple health information systems and data across the care continuum. We believe it is uniquely differentiated in that it is vendor and payer agnostic and provides hard-to-find expertise in data management capabilities through the extension of Premier's services.

And we are accelerating and enhancing our offerings through acquisitions. In addition to SYMMEDRx, MEMdata and Aperek, we acquired TheraDoc, a market-leading provider of clinical surveillance software, in early fiscal 2015. This acquisition increases our scale and access across healthcare providers and brings together two leading companies with similar visions and strong capabilities in data analytics and real-time electronic clinical surveillance.

PREMIERCONNECT®

Supply chain executives can make purchasing decisions based on price, quality and safety information from thousands of outcomes.

Physicians and chief medical officers can monitor clinical performance, understand clinical and cost variation, access patient-level detail and support reporting requirements.

Clinical integration executives can segment populations of patients to understand where to focus care management efforts.

Infection preventionists can be alerted to possible harm-related events with near real-time surveillance and better coordinate care with other departments.

Chief nursing officers can access staffing plans and industry best practices to minimize inefficient processes that take too long or require too many employees to complete.



PREMIER'S IMPACT

More than **60%** of the U.S. community hospital market has a relationship with Premier.

NET REVENUE OF
\$869 MILLION
INCREASED **14%** FROM 2013

ADJUSTED EBITDA OF
\$351 MILLION
CLIMBED **12%** FROM 2013

ADJUSTED FULLY DISTRIBUTED
NET INCOME TOTALED NEARLY
\$189 MILLION
A **9%** INCREASE FROM 2013

GENERATED CASH FLOW
FROM OPERATIONS
OF MORE THAN
\$368 MILLION

PREMIER HAS APPROXIMATELY
3,000 ACUTE CARE PROVIDERS
AND **110,000** NON-ACUTE
CARE PROVIDERS

PREMIER HAS ACCESS
TO DATA ON
ONE-IN-THREE
U.S. COMMUNITY HOSPITAL
DISCHARGES

Fiscal 2014 financial results are pro forma, reflecting the impact of the company's reorganization and IPO on October 1, 2013. Reconciliations, as well as explanations related to the company's use of non-GAAP financial measures, are provided in the company's fiscal 2014 fourth-quarter press release attached as an exhibit to our Form 8-K filed with the Securities and Exchange Commission on August 28, 2014, as well as our Form 10-K for the year ended June 30, 2014, filed with the Securities and Exchange Commission on September 4, 2014.

LEADERSHIP TEAM



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Senior Vice President,
Public Affairs

Kelli Price
Senior Vice President,
People

Terry Linn
Senior Vice President,
Corporate Development
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President and CEO

Michael J. Alkire
Chief Operating Officer

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