UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended June 30, 2020
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OF 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	**35-2477140**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
13034 Ballantyne Corporate Place	**28277**
Charlotte, North Carolina	**(Zip Code)**
(Address of principal executive offices)	

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 Par Value	PINC	NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the Class A common stock held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately $2,399.1 million. For purposes of the foregoing calculation only, executive officers and directors of the registrant have been deemed to be affiliates.

As of August 21, 2020, there were 121,870,327 shares of the Registrant's Class A common stock, par value $0.01 per share, outstanding and no shares of the Registrant's Class B common stock, par value $0.000001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive proxy statement for its 2020 Annual Meeting of Stockholders to be held on or about December 4, 2020 is incorporated by reference into Part III hereof to the extent described herein.

PREMIER, INC

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this annual report for the fiscal year ended June 30, 2020 for Premier, Inc. (this "Annual 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 our actual results, performance or achievements 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 our beliefs and expectations regarding future events and trends affecting our business and are necessarily subject to uncertainties, many of which are outside our control. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- the impact of the continuing financial and operational uncertainty due to the coronavirus ("COVID-19") pandemic or other pandemics;
- competition which could limit our ability to maintain or expand market share within our industry;
- consolidation in the healthcare industry;
- potential delays recognizing or increasing revenue if the sales cycle or implementation period takes longer than expected;
- the impact on us if members of our group purchasing organization ("GPO") programs reduce activity levels or terminate or elect not to renew their contracts on substantially similar terms or at all;
- the rate at which the markets for our software-as-a-service ("SaaS") or licensed-based clinical analytics products and services develop;
- the dependency of our members on payments from third-party payers;
- our reliance on administrative fees that we receive from GPO suppliers;
- our ability to maintain third-party provider and strategic alliances or enter into new alliances;
- our ability to timely offer new and innovative products and services;
- the portion of revenues we receive from our largest members;
- risks and expenses related to future acquisition opportunities and integration of acquisitions;
- financial and operational risks associated with non-controlling investments in or other joint venture businesses that we do not control, particularly early stage companies;
- potential litigation;
- our reliance on Internet infrastructure, bandwidth providers, data center providers and other third parties and our own systems for providing services to our users;
- data loss or corruption due to failures or errors in our systems and service disruptions at our data centers, or breaches or failures of our security measures;
- the financial, operational and reputational consequences of cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our members or other third parties;
- our ability to use, disclose, de-identify or license data and to integrate third-party technologies;
- our use of "open source" software;
- our dependency on contract manufacturing facilities located in various parts of the world;
- inventory risk we face for the personal protective equipment ("PPE") products we may have purchased at elevated market prices in the event of a potential material price decline;
- our ability to attract, hire, integrate and retain key personnel;

- adequate protection of our intellectual property and potential claims against our use of the intellectual property of third parties;
- potential sales and use tax liability in certain jurisdictions;
- changes in tax laws that materially impact our tax rate, income tax expense, anticipated tax benefits, deferred tax assets, cash flows and profitability;
- our indebtedness and our ability to obtain additional financing on favorable terms, including our ability to renew or replace our existing long-term credit facility at maturity;
- fluctuation of our quarterly cash flows, revenues and results of operations;
- changes and uncertainty in the political, economic or regulatory environment affecting healthcare organizations, including with respect to the status of the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act of 2010, collectively referred to as the "ACA";
- our compliance with complex international, 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;
- compliance with complex federal and state privacy, security and breach notification laws;
- compliance with current or future laws, rules or regulations adopted by the Food & Drug Administration ("FDA") applicable to our software applications that may be considered medical devices;
- our holding company structure and dependence on distributions from Premier Healthcare Alliance, L.P. ("Premier LP");
- different interests among our GPO members or between us and our GPO members;
- the ability of our GPO members to exercise significant influence over us;
- the terms of agreements between us and our member owners;
- the impact of payments required under the Unit Exchange and Tax Receivable Acceleration Agreements (the "Unit Exchange Agreements") on our cash overall cash flow and our ability to able to fully realize the expected tax benefits that correspond to our fixed payment obligations associated with the Unit Exchange Agreements;
- provisions in our certificate of incorporation and bylaws and provisions of Delaware law that discourage or prevent strategic transactions, including a takeover of us;
- failure to maintain an effective system of internal controls over financial reporting or an inability to remediate any weaknesses identified and the related costs of remediation;
- the number of shares of Class A common stock that will be eligible for sale in the near future and the dilutive effect of such issuances;
- the impact on our Class A common stock price in the event that we cease paying dividends at current levels or completely;
- the timing and number of shares of Class A common stock re-purchased by the Company pursuant to any Class A common stock repurchase program that may exist from time to time;
- the number of shares of Class A common stock eligible for sale in the near future and the potential effect on our Class A common stock price from such sales; and
- the risk factors discussed under the heading "Risk Factors" in Item 1A herein.

More information on potential factors that could affect our financial results is included from time to time in the "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" or similarly captioned sections of this Annual Report and our other periodic and current filings made from time to time with the Securities and Exchange Commission ("SEC"), which are available on our website at http://investors.premierinc.com/. You should not place undue reliance on any of our forward-looking statements which speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

Market Data and Industry Forecasts and Projections

We use market data and industry forecasts and projections throughout this Annual Report and in particular, under Item 1. Business. We have obtained the market data from certain publicly available sources of information, including industry publications. We believe the data others have compiled are reliable, but we have not independently verified the accuracy of this information. While we are not aware of any misstatements regarding the industry data presented herein, forecasts and projections involve risks and uncertainties and are subject to change based on various factors, including those discussed under Item 1A. Risk Factors of this Annual Report. You should not place undue reliance on any such market data or industry forecasts and projections. We undertake no obligation to publicly update or revise any such market data or industry forecasts and projections, whether as a result of new information, future events or otherwise.

Trademarks, Trade Names and Service Marks

This Annual Report includes trademarks, trade names and service marks that we either own or license, such as "Acurity," "ASCEND," "Aperek," "CECity," "Conductiv," "Contigo Health," "Essensa," "Health Design Plus," "Innovatix," "Nexera," "Premier," "PremierConnect," "PremierPro," "ProvideGx," "QUEST," "STOCKD," "SURPASS," "S2S Global," and "TheraDoc," which are protected under applicable intellectual property laws. Solely for convenience, trademarks, trade names and service marks referred to in this Annual Report may appear without the ®, ™ or ℠ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. This Annual Report also may contain trademarks, trade names and service marks of other parties, and we do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Certain Definitions

For periods prior to August 11, 2020, references in the Annual Report to "member owners" are to the participants in our GPO program that were also limited partners of Premier LP that held Class B Common Units of Premier LP and shares of our Class B Common Stock. For periods after August 11, 2020, references in the Annual Report to "member owners" are to the participants in our GPO program that, to our knowledge, hold shares of our Class A Common Stock. For periods on or after August 11, 2020, references in the Annual Report to "GPO member(s)" are to participants in our GPO program, including member owners.

PART I

Item 1. Business

The following discussion should be read in conjunction with our audited consolidated financial statements and accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. The following discussion includes certain forward-looking statements. For a discussion of important factors which could cause actual results to differ materially from the results referred to in the historical information and the forward-looking statements presented herein, see "Item 1A. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" contained in this Annual Report.

Our Company

Premier, Inc. ("Premier", the "Company", "we", or "our"), a publicly held corporation, incorporated in Delaware on May 14, 2013, is a leading healthcare improvement company, uniting an alliance of more than 4,100 U.S. hospitals and health systems and approximately 200,000 other providers and organizations to transform healthcare, as of June 30, 2020. With integrated data and analytics, collaboratives, supply chain solutions, and consulting and other services, Premier enables better care and outcomes at a lower cost. We believe that we play 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. We deliver value through a comprehensive technology-enabled platform that offers critical supply chain services, clinical, financial, operational and value based care software-as-a-service ("SaaS") and license-based clinical analytics products, consulting services and performance improvement collaborative programs.

As of June 30, 2020, we were owned, in part, by 155 U.S. hospitals, health systems and other healthcare organizations, which represented approximately 1,475 owned, leased and managed acute care facilities in addition to other non-acute care organizations, through their ownership of Class B common stock. As of June 30, 2020, the outstanding Class A common stock and Class B common stock represented 59% and 41% respectively, of our combined outstanding Class A and Class B common stock. As of June 30, 2020, all of our Class B common stock was held beneficially by our member owners and all of our Class A common stock was held by public investors, which may include member owners that have received shares of our Class A common stock in connection with previous quarterly exchanges pursuant to an exchange agreement (the "Exchange Agreement") entered into by the member owners in connection with the completion of our initial public offering ("IPO") on October 1, 2013 (see Note 1 - Organization and Basis of Presentation to the accompanying audited consolidated financial statements for more information). On August 11, 2020, we executed a corporate restructuring as described below under "Recent Restructuring" and in Note 21 - Subsequent Events to the accompanying audited consolidated financial statements.

As a healthcare alliance, our mission, products and services, and long-term strategy have been developed in partnership with our member hospitals, health systems and other healthcare organizations. We believe that this partnership-driven business model creates a relationship between our members and us that is characterized by aligned incentives and mutually beneficial collaboration. This relationship affords us access to critical proprietary data and encourages member participation in the development and introduction of new Premier products and services. Our interaction with our members provides us additional insights into the latest challenges confronting the industry we serve and innovative best practices that we can share broadly within the healthcare industry, including throughout our membership. This model has enabled us to develop size and scale, data and analytics assets, expertise and customer engagement required to accelerate innovation, provide differentiated solutions and facilitate growth.

We seek to address challenges facing healthcare providers through our comprehensive suite of solutions that we believe:

- improve the efficiency and effectiveness of the healthcare supply chain;
- deliver improvement in cost, quality and safety;
- innovate and enable success in emerging healthcare delivery and payment models to manage the health of populations; and
- utilize data and analytics to drive increased connectivity, and clinical, financial and operational improvement.

Our business model and solutions are designed to provide our members with access to scale efficiencies while focusing on optimization of information resources and cost containment, provide actionable intelligence derived from anonymized data in our enterprise data warehouse provided by our members, mitigate the risk of innovation and disseminate best practices that will help our member organizations succeed in their transformation to higher quality and more cost-effective healthcare.

We deliver our integrated platform of solutions that address the areas of total cost management, quality and safety improvement and value based care through two business segments: Supply Chain Services and Performance Services. The Supply Chain Services

segment includes our GPO, supply chain co-management and direct sourcing activities. The Performance Services segment includes our clinical analytics, consulting services, collaboratives, direct to employer initiative and insurance management services.

Recent Developments

Recent Restructuring

On August 11, 2020, we entered into the Merger Agreement (the "Merger Agreement"), by and among us, Premier Healthcare Alliance, L.P. ("Premier LP") and BridgeCo, LLC ("BridgeCo"), a wholly owned subsidiary of Premier Services, LLC, the sole general partner of Premier LP, whereby BridgeCo merged with and into Premier LP, with Premier LP being the surviving entity (the "Merger"). The Merger was approved by the general partner of Premier LP and a majority in interest of the Class B common units of Premier LP. The shares of Class B common stock beneficially held by the former limited partners were canceled and pursuant to the Merger Agreement, each of the issued and outstanding Class B common units were canceled and converted into a right to receive one share of Premier's Class A common stock.

Additionally, on August 10, 2020, we exercised our right to terminate the Tax Receivable Agreement ("TRA") entered into as of September 25, 2013 and effective as of October 1, 2013 by and among us and the former limited partners of Premier LP by providing all former limited partners a notice of the termination and the amount of the expected payment to be made to each former limited partner pursuant to the early termination provisions of the TRA (each such amount an "Early Termination Payment") with a determination date of August 10, 2020. The aggregate amount of the Early Termination Payments is approximately $473.5 million. Of that amount, approximately $10.6 million is payable within three business days after the date the Early Termination Payment becomes final, which is expected to be on or about September 15, 2020, to former limited partners that elected not to execute a Unit Exchange and Tax Receivable Acceleration Agreement ("Unit Exchange Agreement"). Pursuant to the Unit Exchange Agreements, the remaining amount payable, approximately $462.9 million in the aggregate, will be paid, without interest, to former limited partners that elected to execute a Unit Exchange Agreement in 18 equal quarterly installments commencing during the quarter ended March 31, 2021 and ending in the quarter ending June 30, 2025.

COVID-19

During the second half of fiscal 2020, the novel coronavirus ("COVID-19") became a global pandemic that spread throughout the United States and much of the rest of the world. In addition to those who have been directly affected with the disease, millions more have been affected by government and voluntary efforts around the world to slow the spread of the pandemic through quarantines, travel restrictions, business shut-downs, heightened border security and other measures. The full extent to which the COVID-19 pandemic will impact our business and operating results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions to contain it or treat its impact, including the timing, development and deployment of an effective vaccine, or recurrences of COVID-19 or similar pandemics. As discussed in detail under "Item 1A. Risk Factors" below, as a result of the COVID-19 pandemic and potential future pandemic outbreaks, we face significant risks including, but not limited to the following:

- We have experienced and may continue to experience demand uncertainty from both significant increases in demand for personal protective equipment ("PPE"), drugs and other products related to the treatment of COVID-19 and decreases in demand for non-COVID-19 related products.
- Our GPO member hospitals and non-acute care sites have experienced reduced or limited access for non-patients, including our field teams, consultants and other professionals, and travel restrictions have impacted our employees' ability to travel to our members' facilities.
- The global supply chain has been significantly disrupted due to stay at home orders, border closings and rapidly escalating shipping costs.
- We have and may continue to receive requests for contract modifications, payment waivers and deferrals, payment reductions or amended payment terms from our contract counterparties. In addition, several pharmacy suppliers have exercised force majeure clauses related to failure to supply clauses in their contracts with us.
- The impact of the COVID-19 pandemic could result in a prolonged recession or depression in the United States or globally that could harm the banking system, limit demand for all products and services and cause other seen and unforeseen events and circumstances, all of which could negatively impact us.
- In response to COVID-19, federal, state and local governments are issuing new rules, regulations, changing reimbursement eligibility rules, orders and advisories on a regular basis. These government actions can impact us and our members and suppliers.

2020 Acquisition Activity

Acquisition of Health Design Plus, LLC

On May 4, 2020, we acquired 97% of the equity of Health Design Plus, LLC ("HDP") for an adjusted purchase price of $24.0 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility. HDP is a third-party administrator and arranges care for employees through its Centers of Excellence program.

Shortly after closing, HDP was renamed Contigo Health, LLC and is reported as part of the Performance Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Acquisition of Acurity and Nexera Assets

On February 28, 2020, we, through two newly formed consolidated subsidiaries, Prince A Purchaser, LLC ("PAP") and Prince N Purchaser, LLC ("PNP"), acquired substantially all of the assets and certain liabilities of Acurity, Inc. and Nexera, Inc., both indirect wholly-owned subsidiaries of Greater New York Hospital Association ("GNYHA"), for an aggregate amount of $291.5 million, of which $166.1 million was paid at closing with borrowings under our Credit Facility (as defined in Note 10 - Debt to the accompanying audited consolidated financial statements) (the "Acurity and Nexera asset acquisition"). An additional $120.0 million will be paid in four equal annual installments of $30.0 million on or about June 30, 2021, 2022, 2023 and 2024. An additional $5.4 million is expected to be paid during our first fiscal quarter of 2021. In addition to the aggregate amount of $291.5 million, the asset purchase agreement provides a graduated earn-out opportunity to Acurity, Inc. of up to $30.0 million based upon our achievement of a range of member renewals on terms to be agreed to by us and GNYHA based on prevailing market conditions in December 2023.

After closing of the transaction, PAP and PNP changed their names to Acurity, LLC ("Acurity") and Nexera, LLC ("Nexera"), respectively. Acurity is a regional group purchasing organization and has been a customer and strategic partner of ours for more
than 24 years. Nexera is a hospital financial improvement consulting firm which partners with healthcare organizations to improve hospital and health system performance, with a significant focus on supply chain enhancement and transformation. We report the operations of Acurity and Nexera as part of the Supply Chain Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Acquisition of Medpricer

On October 28, 2019, we acquired all of the outstanding capital stock in Medpricer.com, Inc. ("Medpricer") for an adjusted purchase price of $38.5 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility. Medpricer is a SaaS-based provider of technology solutions that enable hospitals and other organizations to analyze, benchmark and source purchased services contracts independent of any existing GPO affiliation. Recently, Medpricer changed its name to Conductiv, Inc. ("Conductiv") and is reported as part of the Supply Chain Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Industry Overview

According to data from the Centers for Medicare & Medicaid Services ("CMS"), healthcare expenditures are a large component of the U.S. economy and are expected to grow by an average of 5.4% per year for the period 2019-2028, reaching 19.7% of gross domestic product, or GDP, by 2028. According to data from the 2018 American Hospital Association's Annual Survey, published in the 2020 edition of the AHA Hospital Statistics™, there were approximately 5,200 U.S. community hospitals with approximately 792,400 staffed beds in the United States. Of these acute care facilities, approximately 3,500 were part of either multi-hospital or diversified single hospital systems, meaning they were owned, leased, sponsored or contract managed by a central organization. Based upon 2019 reporting from the United States Department of Labor and healthcare industry sources, in addition to U.S. hospitals, there were over 710,000 alternate site facilities and providers across the continuum of care in the United States. These alternate site facilities include primary/ambulatory care and post-acute care providers. Increasingly, these alternate site facilities are being acquired by, integrated into or aligned with acute care facilities, further developing and enhancing integrated delivery networks.

Healthcare Supply Chain Services Industry

According to CMS data, total spending on hospital services in the United States is projected to be $1.3 trillion, or approximately 33.0% of total healthcare expenditures, in 2020. Expenses associated with the hospital supply chain, such as supplies and operational and capital expenditures, typically represent a significant portion of a hospital's budget. With continued reimbursement rate pressure across government and managed care payers, a transitioning payment model from fee-for-service to value-based payment, and

national health expenditures representing a significant portion of the economy, healthcare providers are examining all sources of cost savings, with supply chain spending a key area of focus. We believe opportunities to drive cost out of the healthcare supply chain include improved pricing for medical supplies, pharmaceuticals, purchased services, facilities expenditures, food service supplies, and information technology, as well as appropriate resource utilization and increased operational efficiency.

From origination at the supplier to final consumption by the provider or patient, healthcare products pass through an extensive supply chain incorporating distributors, GPOs, pharmacy benefit managers, and retail, long-term care and integrated pharmacies, among others. In response to the national focus on health spending and managing healthcare costs, supply chain participants are seeking more convenient and cost-efficient ways to deliver products to patients and providers. We believe that improvements to the healthcare supply chain to bring it on par with other industries that have more sophisticated supply chain management can drive out significant inefficiencies and cost.

Healthcare Performance Services Industry

State and federal budget pressures stemming from increased deficit spending and employer and consumer demands for lower costs, and the need for improved quality and outcomes have generated greater focus among healthcare providers on cost management, quality and safety, and value based care. As a result, the Department of Health and Human Services ("HHS") has embarked on an aggressive effort over the past two administrations to move from fee-for-service to alternative payment models ("APMs"). APMs, such as accountable care organizations ("ACOs"), capitated and bundled payment arrangements, make healthcare providers more accountable for cost and quality goals. This movement was advanced further with the bipartisan enactment of the Medicare Access and CHIP Reauthorization Act, which created incentives for physicians to move to APMs. Even with the possibility of changes to the ACA, this movement has and will likely continue given the strong bipartisan support for these models. Over the long-term, health systems will need to continually monitor performance and manage costs, while demonstrating high levels of quality and implementing new care delivery models.

We expect information technology to continue to play a key enabling role in workflow efficiency and cost reduction, performance improvement and care delivery transformation across the healthcare industry. In particular, the trends toward value-based payment models and population-based healthcare require more sophisticated business intelligence, expanded data sets and technology solutions. To achieve higher-quality outcomes and control total cost of care, providers exhibit a strong and continuing need for more comprehensive data and analytic capabilities to help them understand their current and future performance, identify opportunities for improvement and manage value based care risk. We expect demand for data management and data analytics products to complement the focus on electronic health record adoption. Similarly, our consulting services business is growing in the areas of business model strategy and redesign, process improvement, labor productivity, non-labor cost management, clinical integration and change management.

Our Membership

Our current membership base includes many of the country's most progressive and forward-thinking healthcare organizations. The participation of these organizations in our membership provides us additional insights into the latest challenges confronting the industry we serve and innovative best practices that we can share broadly throughout our membership. We continually seek to add new members that are at the forefront of innovation in the healthcare industry. At June 30, 2020, our members included more than 4,100 U.S. hospitals and health systems and approximately 200,000 other providers and organizations. Over 400 individuals, representing approximately 140 of our U.S. hospital members, sit on 28 of our strategic and sourcing committees, and as part of these committees, use their industry expertise to advise on ways to improve the development, quality and value of our products and services. In addition, at July 31, 2020, six senior executives from our U.S. hospital member owner systems served on our Board of Directors. Other than Acurity, Inc., formerly an affiliate of GNYHA Purchasing Alliance, LLC ("GNYHA PA") the assets of which we acquired on February 28, 2020, and its member organizations, which accounted for 10% of our net revenue in each of the fiscal years ended June 30, 2019 and 2018, no individual member or member owner systems accounted for more than 5% of our net revenue in such periods. Total GPO purchasing volume by all members participating in our GPO was more than $67 billion and $61 billion for the calendar years 2019 and 2018, respectively.

The following table sets forth certain information with respect to retention rates for members participating in our GPO in the Supply Chain Services segment and renewal rates for our SaaS informatics products subscriptions in the Performance Services segment for the fiscal years shown:

	Year Ended June 30,			
	2020	2019	2018	3 Year Average
GPO retention rate [(a)]	99%	97%	98%	98%
SaaS institutional renewal rate [(b)]	95%	96%	97%	96%

(a) The GPO retention rate is calculated based upon the aggregate purchasing volume among all members participating in our GPO for such fiscal year less the annualized GPO purchasing volume for departed members for such fiscal year, divided by the aggregate purchasing volume among all members participating in our GPO for such fiscal year.

(b) The SaaS institutional renewal rate is calculated based upon the total number of members that have SaaS revenue in a given period that also have revenue in the corresponding prior year period divided by the total number of members that have SaaS revenue in the same period of the prior year.

Our Business Segments

We deliver our integrated platform of solutions that address the areas of total cost management, quality and safety improvement and value based care and manage our business through two business segments: Supply Chain Services and Performance Services, as addressed in Note 17 - Segments to the to the accompanying audited consolidated financial statements for further information. We have no significant foreign operations or revenues.

Supply Chain Services

Our Supply Chain Services segment assists our members in managing their non-labor expense and capital spend through a combination of products, services and technologies, including one of the largest national healthcare GPOs in the United States serving acute and alternate sites, supply chain co-management and direct sourcing activities. Membership in our GPO also provides access to certain SaaS informatics products related to the supply chain and the opportunity to participate in our ASCEND® and SURPASS® collaboratives. Our Supply Chain Services segment consists of the following products and solutions:

Group Purchasing. Our national portfolio of approximately 2,800 contracts with over 1,370 suppliers provides our members with access to a wide range of products and services, including medical and surgical products, pharmaceuticals, laboratory supplies, capital equipment, information technology, facilities and construction, food and nutritional products and purchased services (such as clinical engineering and document shredding services). We use our members' aggregate purchasing power to negotiate pricing discounts and improved contract terms with suppliers. Contracted suppliers pay us administrative fees based on the purchase volume of goods and services sold to our healthcare provider members under the contracts we have negotiated. We also partner with other organizations, including regional GPOs, to extend our network base to their members.

Our contract portfolio is designed to offer our healthcare provider members a flexible solution comprised of multi-sourced supplier contracts, as well as pre-commitment and/or single-sourced contracts that offer higher discounts. Our multi-sourced contracts offer pricing tiers based on purchasing volume and/or commitment and multiple suppliers for many products and services. Our pre-commitment contracts require that a certain amount of our members commit in advance to a specified amount or percentage of purchasing volume before we enter into a contract with a particular supplier. Our single-source contracts are entered into with a specified supplier, and through this exclusive relationship, allow us to contract for products that meet our members' specifications. In the case of pre-commitment contracts, we provide the particular supplier with a list of members that have pre-committed to a specified amount or percentage of purchasing volume and the supplier directly handles the tracking and monitoring of fulfillment of such purchasing volume. In the case of single and multi-sourced contracts, we negotiate and execute the contracts with suppliers on behalf of our members and make such contracts available to our members to access. The utilization of such single and multi-sourced contracts is determined by the particular member with assistance from our field force. Since there are no specific fulfillment requirements needed in our single and multi-source contracts in order to obtain certain pricing levels, each particular member and supplier agree on the appropriate pricing tier based on expected purchasing volume with tracking and ongoing validation of such purchasing volume provided by the supplier. The flexibility provided by our expansive contract portfolio allows us to effectively address the varying needs of our members and the significant number of factors that influence and dictate these needs, including overall size, service mix, and the degree of integration between hospitals in a health system.

We continually innovate our GPO programs and supply chain platforms while targeting multiple markets, including acute care and alternate site settings. Our Premier Alternate Site Program, one of the largest in the United States, covers over 70 classes of trade with approximately 200,000 members as of June 30, 2020, and includes the following:

Premier Alternate Site. Key classes of trade include long-term care dispensing pharmacies and senior living facilities, home IV infusion providers, home health and surgery centers. Premier Alternate Site GPO members have access to most of our GPO supplier contracts, including, but not limited to, pharmaceuticals, medical and surgical supplies, facilities, food and nutritional products and other purchased services.

Premier Business and Industry. Key classes of trade include non-healthcare entities, such as education (e.g. K-12 schools, colleges and universities), hospitality, recreation (e.g. stadiums, parks and fairgrounds), and employee food programs. Our Business and Industry members have access to most of our GPO supplier contracts, including food service, facilities, informational services and administrative services.

Purchased Services Contracts. We acquired Conductiv (f/k/a Medpricer) to optimize healthcare provider savings across purchased services contracts. Through Conductiv, a SaaS provider of technology solutions, we enable hospitals and other organizations to analyze, benchmark and source purchased service contracts independent of any existing GPO affiliation. Combined with our purchased services spend data and our performance improvement technology suite, we are able to be a single source provider for healthcare margin improvement.

Supply Chain Co-Management. We acquired the assets of Nexera to partner with healthcare organizations to improve hospital and health system performance, with a significant focus on supply chain enhancement and transformation. Through Nexera, we manage and co-manage the supply chain operations for members to drive down costs through processes, including value analysis, product standardization and strategic resource allocation and improved operational efficiency.

Direct Sourcing. Our direct sourcing business, SVS, LLC d/b/a S2S Global ("S2S Global"), was established to help our members access a diverse product portfolio and to provide transparency to manufacturing costs and competitive pricing to our members. Through our consolidated subsidiary, S2S Global, we facilitate the development of product specifications with our members, source or contract manufacture the products to member specifications and sell products directly to our members or suppliers. By engaging with our members at the beginning of the sourcing process to define product specifications and then sourcing, or contract manufacturing, products to meet the exact needs of our members, we eliminate the need for unnecessary product features and specifications that may typically be included by suppliers and result in higher prices for our members without providing incremental value. Therefore, our direct sourcing activities benefit our members by providing them with an expanding portfolio of medical products through more efficient means, and with greater cost transparency, than if such products were purchased from other third-party suppliers. We market our direct sourcing activities primarily under the PREMIERPRO® brand.

Supply Chain Resiliency Program. We recently created a program designed to promote domestic and geographically diverse manufacturing and ensure a robust and resilient supply chain for essential medical products. The program is intended to provide a means to invest in businesses that can supply shortage products, co-fund the development of affordable products that address specific market needs and create strategic sourcing contracts to ensure continuous supply. We believe this program is most successful when we are able partner with our members on these initiatives. We recently formed PRAM Holdings, LLC ("PRAM") in partnership with our members to invest in Prestige Ameritech ("Prestige"), a domestic manufacturer of masks and other PPE, whereby our members obtain a direct source to critical personal protective equipment.

SaaS Informatics Products. Members of our GPO have access to certain components of our PREMIERCONNECT Supply Chain offering and its associated applications and the ability to purchase additional elements that are discussed in more detail below under "Our Business Segments - Performance Services".

ASCEND® Collaborative. Our ASCEND Collaborative has developed a process to aggregate purchasing data for our members, enabling such members to determine whether to negotiate committed group purchases within the Collaborative. Through our ASCEND Collaborative, members receive group purchasing programs, tiers and prices specifically negotiated for them, as well as benchmarking metrics to assist them in identifying additional supply chain and operations cost savings opportunities and knowledge sharing with other member participants and industry experts. As of June 30, 2020, approximately 1,070 U.S. hospital members, which represent over 126,000 hospital beds, participated in the ASCEND Collaborative. These hospital member participants have identified approximately $541.0 million in additional savings as compared to their U.S. hospital peers not participating in the ASCEND Collaborative since its inception in 2009. For calendar year 2019, these member participants had approximately $19.6 billion in annual supply chain purchasing spend.

SURPASS® Collaborative. Our SURPASS Collaborative builds upon and complements our existing ASCEND Collaborative that drives even greater savings for members; at a correspondingly higher level of commitment. The SURPASS Collaborative brings together our most committed members that are able to coordinate purchasing decisions, review utilization and achieve and maintain standardization across their facilities. The SURPASS Collaborative utilizes our PACER (Partnership for the Advancement of Comparative Effectiveness Review) methodology, which brings together clinically led cohorts to make evidence-based decisions about physician and clinician preference items with the goal of materially reducing the total cost of care. As of June 30, 2020, a core group of 13 members representing approximately 46,000 hospital beds participated in our SURPASS Collaborative. These hospital member participants have identified approximately $136.8 million in additional savings via their efforts in more than 100 categories. The SURPASS Collaborative has another 50 potential categories slated for the coming year as well as select initiatives related to utilization and standardization. For calendar year 2019, these member participants had approximately $7.6 billion in annual supply chain purchasing spend.

E-Commerce Platform. Our E-Commerce platform, STOCKD™, is part of our multi-channel supply chain strategy. Initially focused on our Alternate Site providers, this program will provide a marketplace where providers can purchase from Premier GPO suppliers utilizing a user-friendly e-commerce platform as the foundation for more efficient integrated delivery system

ordering platform. A significant portion of STOCKD's growth has been driven by its ability to fulfill PPE needs of the alternate site marketplace. We expect several additional key suppliers to participate in this initiative over time as providers look to a more convenient and less arduous approach to supply chain purchasing.

PROVIDEGX™ Program. The PROVIDEGX program identifies high-quality supply sources for drugs that are on or may be at risk of being added to the national drug shortage list or that are vulnerable to pricing volatility. The PROVIDEGX program is the next step in our ongoing effort to help facilitate the availability of high-quality products, including drugs for which there may be supply challenges.

Performance Services

Our offerings in the performance services sector of the healthcare industry are primarily information technology analytics and workflow automation and consulting services. We believe we are one of the largest informatics and consulting services businesses in the United States focused on healthcare providers, professional associations, pharmaceutical companies and device manufacturers. Our SaaS informatics products utilize our comprehensive data set to provide actionable intelligence to our members, enabling them to benchmark, analyze and identify areas of improvement across three main categories: cost management, quality and safety, and value based care. This segment also includes our technology-enabled performance improvement collaboratives, through which we convene members, design programs and facilitate, foster and advance the exchange of clinical, financial and operational data among our members to measure patient outcomes and determine best practices that drive clinical, financial and operational improvements. Our Performance Services segment includes our PREMIERCONNECT® technology offerings, consulting services, collaboratives, direct to employer initiative and insurance management services, as follows:

PREMIERCONNECT® Platform:

We seek to deliver our healthcare cloud applications using an innovative technology foundation that leverages the most recent advances in cloud computing and data management. Our PREMIERCONNECT platform allows us to deliver applications that are highly flexible and extendable across healthcare delivery systems. We leverage advanced data science in our informatics applications to help members make smarter cost and quality decisions. We also provide complete packaged integrations and connectors for our cloud-based solutions to operate in conjunction with legacy healthcare IT systems, which substantially reduces time, complexity and cost associated with integrations for our members.

PREMIERCONNECT is designed to deliver specific functionalities to our members to address existing cost and quality imperatives, help them manage a value-based care reimbursement model and support their regulatory reporting framework. We also provide members optimized web-based communities and research capabilities to capture utilization best practices and clinical surveillance improvement. Our service models allow members to consistently use our resources to inform vital decisions. PREMIERCONNECT solutions are organized into six areas: Quality & Regulatory reporting, Clinical Surveillance & Safety, Supply Chain & ERP, Operations, integrated Enterprise Analytics and Clinical Decision Support.

PREMIERCONNECT Quality & Regulatory. The PREMIERCONNECT Quality & Regulatory domain enables health systems and providers to identify and target high-value quality improvement areas that drive greater clinical effectiveness and efficiency across the continuum of care. This solution provides clinical benchmarking, population analyses and predictive analytics to help hospitals and physician practices be successful in the transition to value-based care.

PREMIERCONNECT Clinical Surveillance & Safety. The PREMIERCONNECT Clinical Surveillance & Safety domain enables health systems and providers to improve patient safety, including ongoing infection prevention, antimicrobial stewardship, reduction of hospital-acquired conditions and real-time clinical surveillance used to drive faster, more informed decisions.

PREMIERCONNECT Supply Chain & ERP. The PREMIERCONNECT Supply Chain & ERP domain enables health systems and providers to lower supply chain costs through leading supply chain management analytics, evidence-based purchasing, and innovative enterprise resource planning ("ERP") workflow that drives efficiency and effectiveness throughout the entire procurement life cycle. This healthcare-only ERP solution also extends into accounts payable, general ledger and financial reporting.

PREMIERCONNECT Operations. The PREMIERCONNECT Operations domain enables health systems and providers to optimize labor management with integrated financial reporting and budgeting across the continuum of care. These applications integrate benchmarking and productivity data from acute, outpatient and ambulatory settings.

PREMIERCONNECT Enterprise Analytics. The PREMIERCONNECT Enterprise Analytics domain enables health systems and providers to leverage integrated analytics across all of Premier's subject matter expertise. This solution includes integrating a member's custom data into a hosted and integrated data warehouse and analytics platform. This solution provides data

acquisition, management and governance capabilities for health systems and extends this capability to research, life sciences and value-based care programs.

PREMIERCONNECT Clinical Decision Support. The PREMIERCONNECT Clinical Decision Support domain enables integrated electronic health record workflow to help provide real-time, patient-specific best practices at the point of care.

Consulting Services:

Our consulting services, provided through Premier Performance Partners, seek to drive change and improvement in cost reduction, quality of care and patient safety, and prepare our members to succeed in a value based care environment. We use an income statement method to address every area affecting the member's bottom line, finding opportunities in both revenue enhancement and expense management. Premier Performance Partners offers expertise and capabilities in the following areas: care coordination and physician engagement, clinical, financial and operational performance, facilities and capital asset management, organizational transformation, physician preference items ("PPI"), reform readiness assessment, clinical integration and value based care operations and analytics, purchased services assessment, revenue cycle management and recovery audit contractor ("RAC") readiness, service line improvement, strategic and business planning and supply chain transformation.

We provide a data-driven approach and expertise to deliver targeted results in reducing costs, increasing margin and improving quality. Using various specialists and consultants, we provide wrap-around services for our major SaaS informatics products and our GPO to enhance the member value from these programs. For example, our clinical performance partners provide U.S. hospitals with access to performance improvement and operational specialists. Using our informatics tools and applications, these clinical performance consultants mine data for improvement opportunities and then lead or assist with improvement projects in such areas as resource and operational assessments, process improvement, performance improvement monitoring, strategic planning and knowledge transfer for organizational change. U.S. hospitals contract for clinical, financial and/or operational performance partner support for a given number of days per month, with contracts typically lasting from less than a year to five years in duration.

Performance Improvement Collaboratives:

QUEST® Collaborative. Through our QUEST Collaborative, we work with our members to identify improvement opportunities and best practices and engage them to participate in performance improvement exercises using identified best practices, to collaborate to define performance goals and to use healthy competition to drive performance improvement. The QUEST Collaborative builds on the past success of our partnership with CMS in the Premier Hospital Quality Incentive Demonstration, a value-based purchase program through which CMS awarded bonus payments to U.S. hospitals for high quality in several clinical areas and reported quality data on its website. The QUEST Collaborative currently targets improvements in the following domains: evidence-based care, cost and efficiency of care, patient and family engagement, safety, mortality and appropriate U.S. hospital use and community health. There were approximately 245 participating U.S. hospitals in the QUEST 2020 Collaborative, which sunset on December 31, 2019. In January 2020, we launched the QUEST 5.0 Collaborative which was expanded to include additional focus areas, and which will continue to operate for the next three years. As of June 30, 2020, there were more than 150 U.S. hospitals that have signed up for the QUEST 5.0 Collaborative and that are working together to utilize our SaaS informatics products to develop highly standardized quality, safety and cost metrics. The QUEST Collaborative seeks to develop next-generation quality, safety and cost metrics with a consistency and standardization we do not believe exists elsewhere today. We believe that our members who participate in the QUEST Collaborative are better prepared to deal with evolving and uncertain healthcare reform requirements and, by improving in the domains referenced above, can earn Medicare incentives, avoid Medicare penalties and better manage reimbursement cuts.

Bundled Payment Collaborative. Our Bundled Payment Collaborative assists our members in their participation in the CMS Bundled Payments for Care Improvement Initiative, an initiative by which organizations enter into payment arrangements that include financial and performance accountability for episodes of care. Our Bundled Payment Collaborative offers ongoing analysis of our members' Medicare Part A and Medicare Part B data, dashboards for managing bundled payment programs and gainsharing, in addition to providing knowledge, expertise, and best practices from experts and members. As of June 30, 2020, we had over 120 U.S. hospitals participating in our Bundled Payment Collaborative.

The Population Health Management Collaborative. Our Population Health Management Collaborative, or PHM Collaborative (the successor to our PACT™-Partnership for Care Transformation Collaborative), is focused on helping members develop and implement effective models of care and payment for connected groups of providers who take responsibility for improving the health status, efficiency and experience of care (quality and satisfaction) for a defined population (*i.e.,* accountable care organizations) and how to align this care redesign with new value based payment arrangements. Our PHM Collaborative provides members with the opportunity to share value based care and payment developmental strategies, programs, and other

best practices. The PHM Collaborative provides valuable assistance and access to over 30 PHM subject matter experts to members in developing the tools necessary to manage the health of a population and to exchange knowledge with each other and with industry and government experts. As of June 30, 2020, we had over 450 U.S. hospitals in 35 states participating in our PHM Collaborative.

Direct to Employer Initiative: We provide full-service, member-focused, value based care third party administrator services with focus on benefit plan administration, value based care and the creation and management of innovative health benefit programs through our Centers of Excellence program.

Hospital Improvement and Innovation Network (formerly Partnership for Patients Collaborative). In September 2016, CMS awarded us a Partnership for Patients ("PfP") Hospital Improvement Innovation Network ("HIIN") contract to continue our prior Hospital Engagement Network efforts. The PfP initiative is a public-private collaborative working to improve the quality, safety and affordability of healthcare. Physicians, nurses, hospitals, employers, patients and their advocates, and the federal and state governments have joined together to form PfP to decrease preventable hospital-acquired conditions and readmissions. Our HIIN serves as a live learning lab for hospitals and utilizes HIIN partners to accelerate improvement efforts throughout multiple healthcare areas. On March 31, 2020, our HIIN contract expired due to the CMS planned discontinuance of the PfP initiative.

Academic Collaborative. The Premier Academic Innovators Collaborative and the corresponding pharmacy and supply chain committees meet to advance and collaborate on academic health system-specific cost-related activities such as contract and pricing tier structures and opportunities to support aggregation that best support the needs of the academic health systems, explore strategies to foster greater clinical integration into the supply chain and value analysis decision-making process in academic health systems, explore opportunities to collaborate on clinically sensitive and new/breakthrough technology categories and establish sourcing strategies for academic health systems. As of June 30, 2020, approximately 60 academic health systems were Premier members, a subset of which participated in the Academic Collaborative in order to benefit the entirety of our academic membership.

Insurance Services: We provide insurance programs and services to assist U.S. hospital and healthcare system members with liability and benefits insurance services, along with risk management services. We design insurance programs and services for our members to improve their quality, patient safety and financial performance while lowering costs. We provide management services for American Excess Insurance Exchange, Risk Retention Group, a reciprocal risk retention group that provides excess hospital, professional, umbrella and general liability insurance to certain U.S. hospital and healthcare system members. We also negotiate the purchase of other insurance products from commercial insurance carriers on behalf of our members.

Pricing and Contracts

We generate revenue from our Supply Chain Services segment through fees received from suppliers based on the total dollar volume of supplies purchased by our members in connection with our GPO programs, supply chain co-management services and through product sales in connection with our direct sourcing activities. Our Performance Services segment has five main sources of revenue: (i) three to five-year subscription agreements to our SaaS informatics products, (ii) annual subscriptions to our performance improvement collaboratives, (iii) professional fees for our consulting services, (iv) third party administrator fees for our direct to employer initiative and (v) licensing revenue.

Supply Chain Services

Pursuant to the terms of GPO participation agreements entered into by the member owners (see Note 1 - Organization and Basis of Presentation to the accompanying audited consolidated financial statements for further information), our member owners currently receive revenue share from Premier LP based upon purchasing by such member owner's owned, leased, managed and affiliated facilities through our GPO supplier contracts.

As of the date of this Annual Report, the majority of our GPO participation agreements with all of our members have terms ranging from five to seven years. Generally, our GPO participation agreements may not be terminated except for cause or in the event of a change of control of the GPO member. The GPO member can terminate the GPO participation agreement at the end of the then-current term by notifying Premier LP of the member's decision not to renew. Our GPO participation agreements generally provide for liquidated damages in the event of a termination not otherwise permitted under the agreement. Due to competitive market conditions, we have experienced, and expect to continue to experience requests, at times, to provide existing and prospective members increases in revenue share on incremental and/or overall purchasing volume.

GNYHA was our largest GPO member owner prior to the acquisition of the assets of Acurity, Inc. and Nexera, Inc. on February 28, 2020 at which time we acquired the individual GPO participation agreements of the members of GNHYA. Excluding GNYHA,

our top five members comprised approximately 13% of our consolidated net revenues and approximately 12% of our gross administrative fee revenues for the fiscal year ended June 30, 2020. In addition, our largest regional GPO member owner, which represented an aggregate of approximately 3% of our gross administrative fees revenue for the year ended June 30, 2020, remits gross administrative fees collected by such member owner and receives revenue share from Premier LP based upon purchasing by such member owner's owned, leased, managed and affiliated facilities through the member owner's own GPO supplier contracts, in accordance with such member owner's Premier GPO participation agreement.

The terms and conditions of certain GPO participation agreements vary as a result of provisions in arrangements with member owners that conflict with the provisions of our standard GPO participation agreements and which by the express terms of the GPO participation agreements are incorporated by reference and deemed controlling and will continue to remain in effect. Premier LP and certain member owners may from time to time enter into GPO participation agreements with certain terms and conditions that vary from the standard form. Where required, these agreements were approved by the member agreement review committee of our Board of Directors, based upon regulatory constraints, pending merger and acquisition activity or other unusual circumstances affecting those member owners. In addition, some of our GPO participation agreements with member owners have been extended on terms that vary from their original terms.

In addition to our core base of approximately 2,500 acute care healthcare providers, our Premier Alternate Site Programs had approximately 200,000 active members as of June 30, 2020, which represents an increase of approximately 25,000 members, or 14%, over fiscal year 2019. A number of these alternate site members are affiliated, owned, leased, or managed by our member owners and received a revenue share from us based upon our collected gross administrative fees on their members' purchases.

In our group purchasing services activities, we also receive revenue in the form of a service fee for the provision of group purchasing and related services to the Academic Innovators Collaborative.

In our supply chain co-management activities, we earn revenue in the form of a service fee for services performed under the supply chain management contracts. Service fees are billed as stipulated in the contract, and revenue is recognized on a proportional performance method as services are performed.

In our direct sourcing activities, we earn revenue from product sales, including sales from aggregated purchases of certain products, as well as, in some cases, service or licensing fees. Products are sold to our members through direct shipment and distributor and wholesale channels. Products are also sold to regional medical-surgical distributors and other non-healthcare industries (*i.e.,* foodservice). We have contracts with our members that buy products through our direct shipment option. These contracts do not usually provide a guaranteed purchase or volume commitment requirement.

Performance Services

Performance Services revenue consists of SaaS clinical analytics products subscriptions, certain perpetual and term licenses, performance improvement collaboratives and other service subscriptions, professional fees for consulting services, third party administrator fees for our direct to employer initiative and insurance services management fees and commissions from group-sponsored insurance programs.

SaaS informatics subscriptions include the right to use our proprietary hosted technology on a SaaS basis, training and member support to deliver improvements in cost management, quality and safety, value-based care and provider analytics. Pricing varies by application and size of the healthcare system. Clinical analytics subscriptions are generally three- to five-year agreements with automatic renewal clauses and annual price escalators that typically do not allow for early termination. These agreements do not allow for physical possession of the software. Subscription fees are typically billed on a monthly basis and revenue is recognized as a single deliverable on a straight-line basis over the remaining contractual period following implementation. Implementation involves the completion of data preparation services that are unique to each member's data set and, in certain cases, the installation of member site-specific software, in order to access and transfer member data into our hosted SaaS clinical analytics products. Implementation is generally 60 to 240 days following contract execution before the SaaS informatics products can be fully utilized by the member.

Revenue from performance improvement collaboratives and other service subscriptions that support our offerings in cost management, quality and safety and value-based care is recognized over the service period as the services are provided, which is generally one year.

Professional fees for consulting services are sold under contracts, the terms of which vary based on the nature of the engagement. These services typically include general consulting, report-based consulting and cost savings initiatives. Fees are billed as stipulated in the contract, and revenue is recognized on a proportional performance method as services are performed or when deliverables are provided. In situations where the contracts have significant contract performance guarantees or member acceptance provisions,

revenue recognition occurs when the fees are fixed and determinable and all contingencies, including any refund rights, have been satisfied. Fees are based either on time and materials or the savings that are delivered.

Third party administrator fees for our direct to employer initiative consist of integrated fees for the processing of self-insured health care plan claims. Administrative fees are invoiced to customers on a monthly basis and typically collected in that period. Revenue is recognized in the period in which the services have been provided.

Sales

We conduct sales through our embedded field force, our dedicated national sales team, our Premier Performance Partners consultants, and our Alternate Site team, collectively comprised of approximately 600 employees as of June 30, 2020.

Our field force works closely with our U.S. hospital members and other members to target new opportunities by developing strategic and operational plans to drive cost management and quality and safety improvement initiatives. As of June 30, 2020, our field force was deployed to seven geographic regions and several strategic/affinity members across the United States. This field force works at our member sites to identify and recommend best practices for both supply chain and clinical integration cost savings opportunities. The regionally deployed field force is augmented by a national team of subject matter specialists who focus on key areas such as lab, surgery, cardiology, orthopedics, imaging, pharmacy, information technology and construction. Our field force assists our members in growing and supporting their alternate site membership.

Our sales team provides national sales coverage for establishing initial member relationships and works with our field force to increase sales to existing members. Our regional sales teams are aligned with the seven regions in our field force model.

Our Premier Performance Partners team identifies and targets consulting engagements and wrap-around services for our major SaaS informatics products and our GPO to enhance the member value from these programs.

Our Alternate Site team has approximately 100 internal and external sales representatives servicing these classes of trade. Many of the representatives provide a dual role of both enhancing contract penetration (selling current members additional contracts) as well as bringing on new providers to the program.

Intellectual Property

We offer our members a range of products to which we have appropriate intellectual property rights, including online services, best practices content, databases, electronic tools, web-based applications, performance metrics, business methodologies, proprietary algorithms, software products and consulting services deliverables. We own and control a variety of trade secrets, confidential information, trademarks, trade names, copyrights, domain names and other intellectual property rights that, in the aggregate, are of material importance to our business.

We protect our intellectual property by relying on federal, state and common law rights, as well as contractual arrangements. We are licensed to use certain technology and other intellectual property rights owned and controlled by others, and, similarly, other companies are licensed to use certain technology and other intellectual property rights owned and controlled by us.

Research and Development

Our research and development ("R&D") expenditures primarily consist of our strategic investment in internally-developed software to develop new and enhance existing SaaS informatics products offerings and new product development in the areas of cost management, quality and safety and value based care. From time to time, we may experience fluctuations in our research and development expenditures, including capitalized software development costs, across reportable periods due to the timing of our software development life cycles, with new product features and functionality, new technologies and upgrades to our service offerings.

Information Technology and Cybersecurity Risk Management

We rely on digital technology to conduct our business operations and engage with our members and business partners. The technology we, our members, and business partners use grows more complex over time as do threats to our business operations from cyber intrusions, denial of service attacks, manipulation and other cyber misconduct. Through a risk management approach that continually assesses and improves our Information Technology (IT) and cybersecurity risk deterrence capabilities, our Information Security and Risk Management groups have formed a functional collaboration to provide leadership and oversight when managing IT and cybersecurity risks.

Through a combination of Governance, Risk and Compliance (GRC) resources, we have significantly improved our capability to (i) proactively monitor IT controls to better ensure compliance with legal and regulatory requirements, (ii) assess adherence by

third parties we partner with to ensure that the appropriate risk management standards are met, (iii) better ensure essential business functions remain available during a business disruption, and (iv) monitor and continually develop and update response plans to address potential weaknesses and IT or cyber incidents should they occur. Our GRC resources are designed to prioritize IT and cybersecurity risks areas, identify solutions that minimize such risks, pursue optimal outcomes and maintain compliance with contractual obligations. We also maintain an operational security function that has a real time 24x7x365 response capability that triages incident management and triggers impact mitigation protocols. These capabilities allow us to apply best practices and reduce exposure in the case of a security incident. For more information regarding the risks associated with these matters, see "Item 1A. Risk Factors-We could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm, and other serious negative consequences if we sustain cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our members or other third parties."

Competition

The markets for our products and services in both our Supply Chain Services segment and Performance Services segment are fragmented, intensely competitive and characterized by rapidly evolving technology and product standards, user needs and the frequent introduction of new products and services. We have experienced and expect to continue to experience intense competition from a number of companies.

The primary competitors to our Supply Chain Services segment are other large GPOs such as HealthTrust Purchasing Group (a subsidiary of HCA Holdings, Inc.), Intalere Inc., Managed Health Care Associates, Inc. and Vizient, Inc. In addition, we compete against certain healthcare provider-owned GPOs and on-line retailers in this segment. Our direct sourcing activities compete primarily with private label offerings/programs, product manufacturers, and distributors, such as Cardinal Health, Inc., McKesson Corporation, Medline Industries, Inc. and Owens & Minor, Inc.

The competitors in our Performance Services segment range from smaller niche companies to large, well-financed and technologically sophisticated entities. Our primary competitors in this segment include (i) information technology providers such as Allscripts Healthcare Solutions, Inc., Cerner Corporation, Change Healthcare, Epic Systems Corporation, Health Catalyst, Inc., IBM Corporation, Infor, Inc. and Oracle Corporation, and (ii) consulting and outsourcing firms such as Deloitte & Touche LLP, Evolent Health, Inc., Healthagen, LLC (a subsidiary of Aetna, Inc.), Huron Consulting, Inc., Guidehouse Consulting, Inc., Optum, Inc. (a subsidiary of UnitedHealth Group, Inc.) and Vizient, Inc.

With respect to our products and services across both segments, we compete on the basis of several factors, including breadth, depth and quality of product and service offerings, ability to deliver clinical, financial and operational performance improvements through the use of products and services, quality and reliability of services, ease of use and convenience, brand recognition and the ability to integrate services with existing technology. With respect to our products and services across both of our business segments, we also compete on the basis of price.

Government Regulation

General

The healthcare industry is highly regulated by federal and state authorities and is subject to changing political, economic and regulatory influences. Factors such as changes in reimbursement policies for healthcare expenses, consolidation in the healthcare industry, regulation, litigation and general economic conditions affect the purchasing practices, operations and the financial health of healthcare organizations. In particular, changes in laws and regulations affecting the healthcare industry, such as increased regulation of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could require us to make unplanned modifications of our products and services, result in delays or cancellations of orders or reduce funds and demand for our products and services.

We are subject to numerous risks arising from governmental oversight and regulation. You should carefully review the following discussion and the risks discussed under "Item 1A. Risk Factors" for a more detailed discussion.

Affordable Care Act (ACA)

The ACA is a sweeping law that has spawned multiple regulatory measures designed to expand access to affordable health insurance, control healthcare spending and improve healthcare quality. The law includes provisions to tie Medicare provider reimbursement to healthcare quality and incentives, mandatory compliance programs, enhanced transparency disclosure requirements, increased funding and initiatives to address fraud and abuse and incentives to state Medicaid programs to promote community-based care as an alternative to institutional long-term care services. In addition, the law created of an innovation center to test and scale new APMs and ACOs. These programs are creating fundamental changes in the delivery of healthcare. Likewise, many states have adopted or are considering changes in healthcare policies in part due to state budgetary shortfalls. Ongoing uncertainty regarding

implementation of certain aspects of the ACA makes it difficult to predict the impact the ACA or state law proposals may have on our business. The Trump administration and Republican majorities in both houses of Congress have attempted, and may in the future attempt, to repeal, replace, modify or delay implementation of the ACA through both legislative and regulatory action. For example, on December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act ("TCJA"), which eliminates the individual insurance mandate beginning in 2019. On January 20, 2017, President Trump issued his first executive order titled "Minimizing the Economic Burden of the Patient Protection And Affordable Care Act Pending Repeal," that directs federal regulators to begin dismantling the ACA through regulatory and policy-making processes and procedures, "to the maximum extent permitted by law." In June 2017, the House of Representatives passed legislation to repeal and replace the ACA, however in July 2017, the Senate rejected legislation to repeal and replace the ACA. The 2018 election resulted in renewed uncertainty with the Democrats taking control of the House of Representatives, while the Senate remained Republican controlled. The Supreme Court has agreed to hear a case challenging the constitutionality of the ACA brought by a group of state Attorneys General during the 2020-2021 term. A decision in the case will not occur until February 2021, at the earliest. Any future changes may ultimately impact the provisions of the ACA or other laws or regulations that either currently affect, or may in the future affect, our business. We believe it is important to note that most of the controversy related to the ACA relates to coverage expansion and not the issues related to quality improvement and cost reduction.

U.S. Food and Drug Administration Regulation

The U.S. Food and Drug Administration ("FDA") extensively regulates, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing and export and import of medical devices. To the extent that functionality in one or more of our current or future software products causes the software to be regulated as a medical device under existing or future FDA regulations including the 21st Century Cures Act, which addresses, among other issues, the patient safety concerns generated by cybersecurity risks to medical devices and the interoperability between medical devices, we could be required to:

- register our company and list our FDA-regulated products with the FDA;
- obtain pre-market approval establishing the safety and efficacy of our regulated products or clearance from the FDA based on demonstration of substantial equivalence to a legally marketed device before marketing our regulated products;
- obtain an investigational device exemption ("IDE") prior to conducting clinical trials with the regulated products;
- obtain FDA approval by demonstrating the safety and effectiveness of the regulated products prior to marketing;
- submit to inspections by the FDA; and
- comply with various FDA regulations, including the agency's quality system regulation, medical device reporting regulations, requirements for medical device modifications, increased rigor of the secure development life cycle in the development of medical devices and the interoperability of medical devices and electronic health records, requirements for clinical investigations or post-market studies, corrections and removal reporting regulations, and post-market surveillance regulations.

A new medical device must be cleared or approved by FDA through the premarket approval ("PMA") or 510(k) clearance. For medical devices that require a PMA, clinical studies performed under an IDE will become part of a PMA for a medical device.

Once a medical device product requiring a PMA is identified for development, it enters the feasibility study stage. For significant risk devices, including devices that are substantially important in diagnosing, curing, mitigating or treating disease or in preventing impairment to human health, sponsors must submit an investigational plan to the FDA as part of the IDE. The IDE automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the clinical trial on a clinical hold. An IDE sponsor typically must submit results of feasibility studies to FDA to receive approval to proceed with a pivotal study. A pivotal study is generally intended as the primary clinical support for a marketing application.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with good clinical practice ("GCP") regulations. They must be conducted under protocols detailing the objectives of the trial, dosing procedures, subject selection and exclusion criteria and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IDE, and progress reports detailing the results of the clinical trials must be submitted at least annually. In addition, timely safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events. Medical devices typically rely on one or a few pivotal studies. Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements. Clinical trials must be conducted under the oversight of an institutional review board ("IRB"). An IRB responsible for the research conducted at each institution participating in the clinical trial must review and approve each protocol before a clinical trial commences at that institution and must also approve the information regarding the trial and the consent form that must be provided to each trial subject or his or her legal representative, monitor the study until completed and otherwise comply with IRB regulations.

The FDA, the IRB, or we could suspend a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits or a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the device has been associated with unexpected serious harm to patients.

During the development of a new medical device, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IDE and before a PMA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the FDA to provide advice, and for the sponsor and FDA to reach agreement on the next phase of development. Sponsors typically use the end of feasibility studies to plan for their pivotal trial or trials for a medical device.

Appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life. Before approving a PMA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in full compliance with Current Good Manufacturing Practices ("cGMP") requirements and adequate to assure consistent production of the product within required specifications.

Manufacturers and others involved in the manufacture and distribution of products must also register their establishments with the FDA and certain state agencies. Both domestic and foreign manufacturing establishments must register and provide additional information to the FDA upon their initial participation in the manufacturing process. Any product manufactured by or imported from a facility that has not registered, whether foreign or domestic, is deemed misbranded under the Federal Food, Drug, and Cosmetic Act ("FDCA") (21 U.S.C. § 301 et seq.).

Establishments may be subject to periodic unannounced inspections by government authorities to ensure compliance with cGMP and other laws. Manufacturers may have to provide, on request, electronic or physical records regarding their establishments. Delaying, denying, limiting, or refusing inspection by the FDA may lead to a product being deemed to be adulterated.

Medical Devices U.S. Review and Approval Processes

Unless an exemption applies, medical devices commercially distributed in the United States require either premarket notification, or 510(k) clearance, or approval of a PMA application from the FDA. The FDA classifies medical devices into one of three classes. Class I devices, considered to have the lowest risk, are those for which safety and effectiveness can be assured by adherence to the FDA's general regulatory controls for medical devices, which include compliance with the applicable portions of the FDA's Quality System Regulation ("QSR") facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials ("General Controls"). Class II devices are subject to the FDA's General Controls, and any other special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device ("Special Controls"). Manufacturers of most Class II and some Class I devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA, requesting permission to commercially distribute the device. This process is generally known as 510(k) clearance. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in Class III, requiring approval of a PMA. The submission of a 510(k) or PMA is subject to the payment of user fees; a waiver of such fees may be obtained under certain limited circumstances.

510(k) Clearance Pathway for Medical Devices

When a 510(k) clearance is required, an applicant is required to submit a 510(k) application demonstrating that the proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of PMAs. By regulation, the FDA is required to clear or deny a 510(k) premarket notification within 90 days of submission of the application. As a practical matter, clearance may take longer. Typically, the FDA's response after reviewing a 510(k) application is a request for additional data or clarification. Depending on the complexity of the application and the amount of data required, the process may be lengthened by several months or more. If additional data, including clinical data, are needed to support our claims, the 510(k) application process may be significantly lengthened.

If the FDA issues an order declaring the device to be Not Substantially Equivalent ("NSE"), the device is placed into a Class III or PMA category. At that time, a manufacturer can request a *de novo* classification of the product. *De novo* generally applies where there is no predicate device and the FDA believes the device is sufficiently safe so that no PMA should be required. The request must be in writing and sent within 30 days from the receipt of the NSE determination. The request should include a description of the device, labeling for the device, reasons for the recommended classification and information to support the recommendation. The *de novo* process has a 60-day review period. If the FDA classifies the device into Class II, a company will then receive an approval order to market the device. This device type can then be used as a predicate device for future 510(k) submissions. However,

if the FDA subsequently determines that the device will remain in the Class III category, the device cannot be marketed until the manufacturer has obtained an approved PMA.

Any modification to a 510(k)-cleared device that would constitute a major change in its intended use, or any change that could significantly affect the safety or effectiveness of the device, requires a new 510(k) clearance and may even, in some circumstances, require a PMA if the change raises complex or novel scientific issues or the product has a new intended use. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) submission in the first instance, but the FDA may review any manufacturer's decision. If the FDA were to disagree with a manufacturer's determination that changes did not require a new 510(k) submission, it could require the manufacturer to cease marketing and distribution or recall the modified device until 510(k) clearance or PMA approval is obtained. If the FDA requires the manufacturer to seek 510(k) clearance or PMA approval for any modifications, the manufacturer may be required to cease marketing or recall the modified device, if already in distribution, until 510(k) clearance or PMA approval is obtained.

Premarket Approval (PMA) Pathway for Medical Devices

While we believe that if any functionality in one or more of our current or future software products causes the software to be regulated as a medical device, our software products will be subject to the 510(k) clearance pathway, FDA could evaluate our product under the PMA pathway if it believes the device component raises sufficiently complex or novel scientific issues.

A PMA application must be submitted to the FDA if the device cannot be cleared through the 510(k) process, or is not otherwise exempt from the FDA's premarket clearance and approval requirements. A PMA application must generally be supported by extensive data, including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use. During the review period, the FDA will typically request additional information or clarification of the information already provided. Also, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. The FDA may or may not accept the panel's recommendation. In addition, the FDA will generally conduct a pre-approval inspection of the manufacturer or third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR. Once a PMA is approved, the FDA may require that certain conditions of approval be met, such as conducting a post-market clinical trial.

New PMAs or PMA supplements are required for modifications that affect the safety or effectiveness of the device, including, for example, certain types of modifications to the device's indication for use, manufacturing process, labeling and design. PMA supplements often require submission of the same type of information as a PMA, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA and may not require as extensive clinical data or the convening of an advisory panel.

Clinical trials are generally required to support a PMA application and are sometimes required for 510(k) clearance. Such trials generally require an application for an IDE, which is approved in advance by the FDA for a specified number of patients and study sites, unless the product is deemed a non-significant risk device eligible for more abbreviated IDE requirements. A significant risk device is one that presents a potential for serious risk to the health, safety or welfare of a patient and either is implanted, used in supporting or sustaining human life, substantially important in diagnosing, curing, mitigating, or treating disease or otherwise preventing impairment of human health, or otherwise presents a potential for serious risk to a subject.

Post-Approval Regulation of Medical Devices

After a product is placed on the market, numerous regulatory requirements continue to apply. In addition to the requirements below, adverse event reporting regulations require that manufacturers report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Additional regulatory requirements include:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, validation, testing, control, documentation and other quality assurance procedures during all aspects of the design and manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved, or off-label use or indication;
- clearance of product modifications that could significantly affect safety or effectiveness or that would constitute a major change in intended use of one of our cleared or approved devices;
- notice or approval of product or manufacturing process modifications or deviations that affect the safety or effectiveness of one of our cleared or approved devices;

- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, which apply, when necessary, to protect the public health or to provide additional safety and effectiveness data for the device;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations;
- regulations pertaining to voluntary recalls; and
- notices of corrections or removals.

Advertising and promotion of medical devices, in addition to being regulated by the FDA, are also regulated by the U.S. Federal Trade Commission, or FTC, and by state regulatory and enforcement authorities. Promotional activities for FDA-regulated products of other companies have been the subject of enforcement action brought under healthcare reimbursement laws and consumer protection statutes. Furthermore, under the federal U.S. Lanham Act and similar state laws, competitors and others can initiate litigation relating to advertising claims. In addition, manufacturers are required to meet regulatory requirements in countries outside the United States, which can change rapidly with relatively short notice. If the FDA determines that our promotional materials or training constitutes promotion of an unapproved or uncleared use, it could request that the manufacturer modify our training or promotional materials or subject it to regulatory or enforcement actions. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an unapproved use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement.

Failure by us or by our third-party manufacturers and suppliers to comply with applicable regulatory requirements can result in enforcement action by the FDA or other regulatory authorities, which may result in sanctions including, but not limited to:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) clearances or PMA approvals that have already been granted;
- refusing to grant export approval for our products; or
- criminal prosecution.

Civil and Criminal Fraud and Abuse Laws

We are subject to federal and state laws and regulations designed to protect patients, governmental healthcare programs and private health plans from fraudulent and abusive activities. These laws include anti-kickback restrictions and laws prohibiting the submission of false or fraudulent claims. These laws are complex and broadly worded, and their application to our specific products, services and relationships may not be clear and may be applied to our business in ways that we do not anticipate. Federal and state regulatory and law enforcement authorities have over time increased enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other reimbursement laws and rules. These laws and regulations include:

Anti-Kickback Laws. The federal Anti-Kickback Statute prohibits the knowing and willful offer, payment, solicitation or receipt of remuneration, directly or indirectly, in return for the referral of patients or arranging for the referral of patients, or in return for the recommendation, arrangement, purchase, lease or order of items or services that are covered, in whole or in part, by a federal healthcare program such as Medicare or Medicaid. The definition of "remuneration" has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. Many states have adopted similar prohibitions against kickbacks and other practices that are intended to influence the purchase, lease or ordering of healthcare items and services regardless of whether the item or service is covered under a governmental health program or private health plan. Certain statutory and regulatory safe harbors exist that protect specified business arrangements from prosecution under the Anti-Kickback Statute if all elements of an applicable safe harbor are met, however these safe harbors are narrow and often difficult to comply with. Congress has appropriated an increasing amount of funds in recent years to support enforcement activities aimed at reducing healthcare fraud and abuse.

The U.S. Department of Health and Human Services, or HHS, created certain safe harbor regulations which, if fully complied with, assure parties to a particular arrangement covered by a safe harbor that they will not be prosecuted under the Anti-Kickback Statute. We attempt to structure our group purchasing services, pricing discount arrangements with suppliers, and revenue share arrangements with applicable members to meet the terms of the safe harbor for GPOs set forth at 42 C.F.R. § 1001.952(j) and the discount safe harbor set forth at 42 C.F.R. § 1001.952(h). Although full compliance with the provisions of a safe harbor ensures against prosecution under the Anti-Kickback Statute, failure of a transaction or arrangement to fit within a safe harbor does not

necessarily mean that the transaction or arrangement is illegal or that prosecution under the Anti-Kickback Statute will be pursued. From time to time, HHS, through its Office of Inspector General, makes formal and informal inquiries, conducts investigations and audits the business practices of GPOs, including our GPO, the result of which could be new rules, regulations or in some cases, a formal enforcement action.

To help ensure regulatory compliance with HHS rules and regulations, our members that report their costs to Medicare are required under the terms of the Premier Group Purchasing Policy to appropriately reflect all elements of value received in connection with our IPO on their cost reports. We are required to furnish applicable reports to such members setting forth the amount of such value, to assist their compliance with such cost reporting requirements. There can be no assurance that the HHS Office of Inspector General or the U.S. Department of Justice, or DOJ, will concur that these actions satisfy their applicable rules and regulations.

False Claims Act. Our business is also subject to numerous federal and state laws that forbid the submission or "causing the submission" of false or fraudulent information or the failure to disclose information in connection with the submission and payment of claims for reimbursement to Medicare, Medicaid or other governmental healthcare programs or private health plans. In particular, the False Claims Act, or FCA, prohibits a person from knowingly presenting or causing to be presented a false or fraudulent claim for payment or approval by an officer, employee or agent of the United States. In addition, the FCA prohibits a person from knowingly making, using, or causing to be made or used a false record or statement material to such a claim. Violations of the FCA may result in treble damages, significant monetary penalties, and other collateral consequences including, potentially, exclusion from participation in federally funded healthcare programs. A claim that includes items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA.

Privacy and Security Laws. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, contains substantial restrictions and requirements with respect to the use and disclosure of certain individually identifiable health information, referred to as "protected health information." The HIPAA Privacy Rule prohibits a covered entity or a business associate (essentially, a third party engaged to assist a covered entity with enumerated operational and/or compliance functions) from using or disclosing protected health information unless the use or disclosure is validly authorized by the individual or is specifically required or permitted under the HIPAA Privacy Rule and only if certain complex requirements are met. In addition to following these complex requirements, covered entities and business associates must also meet additional compliance obligations set forth in the HIPAA Privacy Rule. In addition, the HIPAA Security Rule establishes administrative, organizational, physical and technical safeguards to protect the privacy, integrity and availability of electronic protected health information maintained or transmitted by covered entities and business associates. The HIPAA Security Rule requirements are intended to mandate that covered entities and business associates regularly re-assess the adequacy of their safeguards in light of changing and evolving security risks. Finally, the HIPAA Breach Notification Rule requires that covered entities and business associates, under certain circumstances, notify patients/beneficiaries, media outlets and HHS when there has been an improper use or disclosure of protected health information.

Our self-funded health benefit plan and our healthcare provider members (provided that these members engage in HIPAA-defined standard electronic transactions with health plans, which will be all or the vast majority) are directly regulated by HIPAA as "covered entities." Additionally, because most of our U.S. hospital members disclose protected health information to us so that we may use that information to provide certain data analytics, benchmarking, consulting or other operational and compliance services to these members, we are a "business associate" of those members. In these cases, in order to provide members with services that involve the use or disclosure of protected health information, HIPAA requires us to enter into "business associate agreements" with our covered entity members. Such agreements must, among other things, provide adequate written assurances:

(i) as to how we will use and disclose the protected health information within certain allowable parameters established by HIPAA,

(ii) that we will implement reasonable and appropriate administrative, organizational, physical and technical safeguards to protect such information from impermissible use or disclosure,

(iii) that we will enter into similar agreements with our agents and subcontractors that have access to the information,

(iv) that we will report breaches of unsecured protected health information, security incidents and other inappropriate uses or disclosures of the information, and

(v) that we will assist the covered entity with certain of its duties under HIPAA.

With the enactment of the Health Information Technology for Economic and Clinical Health, or HITECH Act, the privacy and security requirements of HIPAA were modified and expanded. The HITECH Act applies certain of the HIPAA privacy and security requirements directly to business associates of covered entities. Prior to this change, business associates had contractual obligations to covered entities but were not subject to direct enforcement by the federal government. In 2013, HHS released final rules implementing the HITECH Act changes to HIPAA. These amendments expanded the protection of protected health information by, among other things, imposing additional requirements on business associates, further restricting the disclosure of protected health information in certain cases when the disclosure is part of a remunerated transaction, and modifying the HIPAA Breach

Notification Rule, which has been in effect since September 2009, to create a rebuttable presumption that an improper use or disclosure of protected health information under certain circumstances requires notice to affected patients/beneficiaries, media outlets and HHS.

Transaction Requirements. HIPAA also mandates format, data content and provider identifier standards that must be used in certain electronic transactions, such as claims, payment advice and eligibility inquiries. Although our systems are fully capable of transmitting transactions that comply with these requirements, some payers and healthcare clearinghouses with which we conduct business may interpret HIPAA transaction requirements differently than we do or may require us to use legacy formats or include legacy identifiers as they make the transition to full compliance. In cases where payers or healthcare clearinghouses require conformity with their interpretations or require us to accommodate legacy transactions or identifiers as a condition of successful transactions, we attempt to comply with their requirements, but may be subject to enforcement actions as a result. In 2009, CMS published a final rule adopting updated standard code sets for diagnoses and procedures known as ICD-10 code sets and changing the formats to be used for electronic transactions subject to the ICD-10 code sets, known as Version 5010. All healthcare providers are required to comply with Version 5010 and use the ICD-10 code sets.

Other Federal and State Laws. In addition to our obligations under HIPAA there are other federal laws that impose specific privacy and security obligations, above and beyond HIPAA, for certain types of health information and impose additional sanctions and penalties. These rules are not preempted by HIPAA. Most states have enacted patient and/or beneficiary confidentiality laws that protect against the disclosure of confidential medical information, and many states have adopted or are considering adopting further legislation in this area, including privacy safeguards, security standards, data security breach notification requirements, and special rules for so-called "sensitive" health information, such as mental health, genetic testing results, or Human Immunodeficiency Virus, or HIV, status. These state laws, if more stringent than HIPAA requirements, are not preempted by the federal requirements, and we are required to comply with them as well.

We are unable to predict what changes to HIPAA or other federal or state laws or regulations might be made in the future or how those changes could affect our business or the associated costs of compliance.

Antitrust Laws

The Sherman Antitrust Act and related federal and state antitrust laws are complex laws that prohibit contracts in restraint of trade or other activities that are designed to or that have the effect of reducing competition in the market. The federal antitrust laws promote fair competition in business and are intended to create a level playing field so that both small and large companies are able to compete in the market. In their 1996 Statements of Antitrust Enforcement Policy in Health Care, or the Healthcare Statements, the DOJ and the Federal Trade Commission, or FTC, set forth guidelines specifically designed to help GPOs gauge whether a particular purchasing arrangement may raise antitrust concerns and established an antitrust safety zone for joint purchasing arrangements among healthcare providers. Under this antitrust safety zone, the DOJ and FTC will not challenge, except in extraordinary circumstances, joint purchasing arrangements among healthcare providers that meet two basic conditions: (i) the purchases made by the healthcare providers account for less than 35% of the total sales of the purchased product or service in the relevant market; and (ii) the cost of the products and services purchased jointly account for less than 20% of the total revenues from all products and services sold by each competing participant in the joint purchasing arrangement.

We have attempted to structure our contracts and pricing arrangements in accordance with the Healthcare Statements and believe that our GPO supplier contracts and pricing discount arrangements should not be found to violate the antitrust laws. No assurance can be given that enforcement authorities will agree with this assessment. In addition, private parties also may bring suit for alleged violations under the U.S. antitrust laws. From time to time, the group purchasing industry comes under review by Congress and other governmental bodies with respect to antitrust laws, the scope of which includes, among other things, the relationships between GPOs and their members, distributors, manufacturers and other suppliers, as well as the services performed and payments received in connection with GPO programs.

Congress, the DOJ, the FTC, the U.S. Senate or another state or federal entity could at any time open a new investigation of the group purchasing industry, or develop new rules, regulations or laws governing the industry, that could adversely impact our ability to negotiate pricing arrangements with suppliers, increase reporting and documentation requirements, or otherwise require us to modify our arrangements in a manner that adversely impacts our business. We may also face private or government lawsuits alleging violations arising from the concerns articulated by these governmental factors or alleging violations based solely on concerns of individual private parties.

Health IT Certification Program

In 2009, Congress included in the American Recovery and Reinvestment Act's a program to incentivize the adoption of health information technology by hospitals and ambulatory providers who participate in the Medicare and Medicaid programs. Congress further modified the incentive program for ambulatory providers under the by the Medicare Access and CHIP Reauthorization Act

of 2015 ("MACRA").Any developer of health information technology seeking to offer a product to assist hospitals or ambulatory health care providers to meet the requirements of these programs must become certified under the applicable certification criteria established by the Office of the National Coordinator for Health Information Technology ("ONC"). There are two types of certification for health information developers seeking to participate in the certification program: 1) certification to all the certification criteria required to meet the definition of a "2015 Edition Base EHR"; or 2) certification as a Health IT Module, meeting specific certification criteria. Meeting the certification criteria as a "2015 Edition Base EHR" allows a developer of health information technology to offer a product that has all the capabilities needed for a hospital or an ambulatory provider to meet the requirements of the health IT incentive programs. A Health IT Module provides a specific set of capabilities. Hospitals or ambulatory providers seeking to avoid potential payment reductions must either implement a 2015 Base EHR using a single product, or multiple Health IT Modules that together have all of the capabilities of a 2015 Base EHR.

We currently have two products that are certified as Health IT Modules. To retain our certification, we must: 1) meet applicable conditions of certification established by ONC; 2) pass testing conducted by an ONC-Authorized Testing Laboratory pursuant to test procedures developed by ONC; and 3) obtain certification from an ONC-Authorized Certification Body. We work closely with our selected ONC-Authorized Testing Laboratory and ONC-Authorized Certification Body to meet the requirements of Health IT Certification Program.

We are unable to predict what changes to the Health IT Certification program might be made in the future or how those changes could affect our business or the associated costs of compliance.

ERISA and Laws Impacting Employer Group Health Plans

Many of the clients we serve sponsor employer group health plans, which are subject to the Employee Retirement Income Security Act of 1974 (ERISA), the Internal Revenue Code, Medicare Secondary Payer statute, HIPAA privacy, and in some cases, state insurance laws. While compliance for these various rules falls on the employer-sponsor of the health plan, in some cases, compliance is delegated to a vendor, such as us. We protect ourselves from liability for these client health plans by virtue of contractual provisions insulting us from exposure and responsibility for the employer-sponsor's legal obligations.

Governmental Audits

Because we act as a GPO for healthcare providers that participate in governmental programs, our group purchasing services have in the past and may again in the future be subject to periodic surveys and audits by governmental entities or contractors for compliance with Medicare and Medicaid standards and requirements. We will continue to respond to these government reviews and audits but cannot predict what the outcome of any future audits may be or whether the results of any audits could significantly or negatively impact our business, our financial condition or results of operations.

Corporate Compliance Department

We execute and maintain a compliance and ethics program that is designed to assist us and our employees conduct operations and activities ethically with the highest level of integrity and in compliance with applicable laws and regulations and, if violations occur, to promote early detection and prompt resolution. These objectives are achieved through education, monitoring, disciplinary action and other remedial measures we believe to be appropriate. We provide all of our employees with education that has been developed to communicate our standards of conduct, compliance policies and procedures as well as policies for monitoring, reporting and responding to compliance issues. We also provide all of our employees with a third party toll-free number and Internet website address in order to report any compliance or privacy concerns. In addition, our Chief Ethics & Compliance Officer individually, and along with the Audit and Compliance Committee of the Board of Directors, helps oversee compliance and ethics matters across our business operations.

Employees

As of June 30, 2020, we employed approximately 2,500 persons, approximately 35% of whom are based in our headquarters in Charlotte, North Carolina, and the remainder are disbursed across the country. None of our employees are working under a collective bargaining arrangement.

Available Information

We file or furnish, as applicable, annual, quarterly and current reports, proxy statements and other information with the SEC. You may access these reports and other information without charge at a website maintained by the SEC. The address of this site is *https://www.sec.gov*. In addition, our website address is *www.premierinc.com.* We make available through our website the documents identified above, free of charge, promptly after we electronically file such material with, or furnish it to, the SEC.

We also provide information about our company through: Twitter (https://twitter.com/premierha), Facebook (https://www.facebook.com/premierhealthcarealliance), LinkedIn (https://www.linkedin.com/company/6766), YouTube (https://www.youtube.com/user/premieralliance), and Instagram (https://instagram.com/premierha).

Except as specifically indicated otherwise, the information available on our website, the SEC's website and the social media outlets identified above, is not and shall not be deemed a part of this Annual Report.

Item 1A. Risk Factors

Our business, operations, and financial position are subject to various risks. Before making an investment in our Class A common stock or other securities we may have outstanding from time to time, you should carefully consider the following risks, as well as the other information contained in this Annual Report. Any of the risks described below could materially harm our business, financial condition, results of operations and prospects, and as a result, the value of an investment in our Class A common stock or other securities we may have outstanding from time to time could decline, and you may lose part or all of such investment value. This section does not describe all risks that are or may become applicable to us, our industry or our business, and it is intended only as a summary of certain material risk factors. Some statements in this Annual Report, including certain statements in the following risk factors, constitute forward-looking statements. See the section titled "Cautionary Note Regarding Forward-Looking Statements" for a discussion of such statements and their limitations. More detailed information concerning other risks or uncertainties we face, as well as the risk factors described below, is contained in other sections of this Annual Report.

Risks Related to Our Business

Our financial condition and results of operations for fiscal year 2021 and beyond may be materially and adversely affected by the ongoing coronavirus ("COVID-19") pandemic, reoccurrences of COVID-19 or similar pandemics, or other future widespread public health epidemics.

COVID-19 constitutes a global pandemic that has spread throughout the United States and much of the rest of the world. In addition to those who have been directly affected, millions more have been affected by government and voluntary efforts around the world to slow the spread of the pandemic through quarantines, travel restrictions, business shut-downs, heightened border security and other measures. The full extent to which the COVID-19 pandemic will impact our business and operating results will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions to contain it or treat its impact, including the timing, development and deployment of an effective vaccine, or reoccurrences of COVID-19 or similar pandemics.

As a result of the COVID-19 pandemic and potential future pandemic outbreaks, we face significant risks including, but not limited to:

- **Changes in the demand for our products and services**. We have experienced and may continue to experience demand uncertainty from both significant increases and decreases in demand as a result of COVID-19. There has been a significant increase in demand for personal protective equipment ("PPE"), drugs and other supplies directly related to treating and preventing the spread of COVID-19. However, either voluntarily or due to government orders or advisories, patients, hospitals and other medical facilities have deferred elective procedures and routine medical visits during the crisis, which created a significant decline in the demand for supplies and services not related to COVID-19 in the fourth quarter of fiscal 2020 and such lower demand is expected to continue into fiscal 2021. In addition, as a result of our members' focus on managing COVID-19 and its impacts, we have experienced a decrease in demand for our consulting and other performance service engagements. Furthermore, during the COVID-19 pandemic, many of our members' non-acute or non-healthcare facilities, such as education and hospitality businesses, closed, operated on a limited or reduced basis and have delayed re-opening, and, as a result, we may see a material reduction in product sales to those facilities. The extent to which these impacts on demand may continue, and the effect they may have on our business and operating results, will depend upon future developments that are highly uncertain and cannot be accurately predicted.

- **Limited access to our members' facilities that impacts our ability to fulfill our contractual requirements.** Our member hospitals and non-acute care sites have experienced reduced or limited access for non-patients, including our field teams, consultants and other professionals, and travel restrictions have impacted our employees' ability to travel to our members' facilities and the resulting performance on contracts. The long-term continuation, or any future recurrence of these circumstances may negatively impact the ability of our employees to more effectively deliver existing or sell new products and services to our members and could affect our performance of our existing contracts.

- **Materials and personnel shortages and disruptions in supply chain, including manufacturing and shipping.** The global supply chain has been significantly disrupted due to stay at home orders, border closings and rapidly escalating shipping costs. Borders closings and restrictions in response to COVID-19, particularly regarding China and India, have impacted our access to products for our members. Staffing or personnel shortages due to shelter-in-place orders and quarantines have impacted and, in the future, may impact us and our members or suppliers. In addition, due to unprecedented demand during the COVID-19 pandemic, there are widespread shortages in certain product categories. In the food service line, COVID-19 related illnesses have impacted food processing suppliers and led to plant closures. If the supply chain for materials used in the products purchased by our members through our GPO or products contract manufactured through our direct sourcing business continue to be adversely impacted by restrictions resulting from COVID-19, our supply chain may continue to be disrupted. Failure of our suppliers, contract manufacturers, distributors, contractors and other business partners to meet their obligations to our

members or to us, or significant disruptions in their ability to do so due to their own financial or operational difficulties, may adversely impact our operations.

- **Requests for contract modifications, payment deferrals or exercises of force majeure clauses.** We have and may continue to receive requests for contract modifications, payment waivers and deferrals, payment reductions or amended payment terms from our contract counterparties. We have and may continue to receive requests to delay service or payment on performance service contracts. In addition, we may receive requests from our suppliers for increases to their contracted prices, and such requests may be implemented in the future. In addition, several pharmacy suppliers have exercised force majeure clauses related to failure to supply clauses in their contracts with us because they are unable to obtain raw materials for manufacturing from India and China. The standard failure to supply language in our contracts contains financial penalties to suppliers if they are unable to supply products, which such suppliers may not be able to pay. In addition, we may not be able to source products from alternative suppliers on commercially reasonable terms, or at all.

- **Overall economic and capital markets decline.** The impact of the COVID-19 pandemic could result in a prolonged recession or depression in the United States or globally that could harm the banking system, limit demand for all products and services and cause other foreseen and unforeseen events and circumstances, all of which could negatively impact us. The continued spread of COVID-19 has led to and could continue to lead to severe disruption and volatility in the United States and global capital markets, which could increase our cost of capital and adversely affect our ability to access the capital markets in the future. In addition, trading prices on the public stock market, including our Class A common stock, have been highly volatile as a result of the COVID-19 pandemic.

- **Managing the evolving regulatory environment**. In response to COVID-19, federal, state and local governments are issuing new rules, regulations, changing reimbursement eligibility rules, orders and advisories on a regular basis. These government actions can impact us and our members and suppliers.

The ultimate impact of COVID-19, recurrences, or similar pandemics on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of any pandemic and the related length of its impact on the United States and global economies, which are uncertain and cannot be predicted at this time. The impact of the COVID-19 pandemic, recurrences, or future similar pandemics may also exacerbate many of the other risks described in this "Risk Factors" section. Despite our efforts to manage these impacts, their ultimate impact depends on factors beyond our knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects. The foregoing and other continued disruptions in our business as a result of COVID-19 could result in a material adverse effect on our business, results of operations, financial condition, cash flows, prospects and the trading prices of our securities in the near-term and beyond 2020.

We face intense competition, which could limit our ability to maintain or expand market share within our industry and harm our business and operating results.

The market for products and services in each of our operating segments is fragmented, intensely competitive and characterized by rapidly evolving technology and product standards, dynamic user needs and the frequent introduction of new products and services. We face intense competition from a number of companies, including the companies listed under "Item 1 - Business - Competition." The primary competitors for our Supply Chain Services segment are other national and regional GPOs, including in certain cases GPOs owned by healthcare providers, distributors and wholesalers. Our direct sourcing activities compete primarily with private label offerings and programs, product manufacturers and distributors. The competitors in our Performance Services segment range from smaller niche companies to large, well-financed and technologically sophisticated entities, and includes information technology providers and consulting and outsourcing firms.

With respect to our products and services in both segments, we compete on the basis of several factors, including breadth, depth and quality of our product and service offerings, ability to deliver clinical, financial and operational performance improvement through the use of our products and services, quality and reliability of services, ease of use and convenience, brand recognition and the ability to integrate services with existing technology. Some of our competitors have larger scale, benefit from greater name recognition, and have substantially greater financial, technical and marketing resources. Other of our competitors have proprietary technology that differentiates their product and service offerings from our offerings. As a result of these competitive advantages, our competitors and potential competitors may be able to respond more quickly to market forces, undertake more extensive marketing campaigns for their brands, products and services and make more attractive offers to our members and potential new members.

We also compete on the basis of price in both of our segments. We may be subject to pricing pressures as a result of, among other things, competition within the industry, consolidation of healthcare industry participants, practices of managed care organizations, changes in laws and regulations applicable to our business operations, government action affecting reimbursement, financial stress experienced by our members, and increased revenue share obligations to members. In our Supply Chain Services segment,

competitive pressure could result in a material increase in revenue share obligations as our current GPO participation agreements approach renewal or as new GPO members join our GPO programs. Material increases in revenue share obligations to existing or new GPO members could adversely impact our business, financial condition and results of operations. In this competitive environment, we cannot be certain that we will be able to retain our current GPO members or expand our member base on historical terms, favorable terms or at all, and the failure to do so may adversely impact our business, financial condition and results of operations. Furthermore, if pricing on our other products and services experiences significant downward pressure, our business will be less profitable, and our results of operations will be adversely affected.

Moreover, we expect that competition will continue to increase as a result of consolidation in both the healthcare information technology and healthcare services industries. If one or more of our competitors or potential competitors were to merge or partner with another of our competitors, or if new competitors were to enter the healthcare space, the change in the competitive landscape could also adversely affect our ability to compete effectively and could harm our business, financial condition, and results of operations.

Consolidation in the healthcare industry could have a material adverse effect on our business, financial condition and results of operations.

Many healthcare industry participants are consolidating to create larger and more integrated healthcare delivery systems with greater market power. We expect regulatory and economic conditions, including the economic impact of COVID-19, to force additional consolidation in the healthcare industry in the future. As consolidation accelerates, the economies of scale of our members' organizations may grow. If a member experiences sizable growth following consolidation, it may determine that it no longer needs to rely on us and may reduce its demand for our products and services. Some of these large and growing healthcare systems and non-acute care providers may choose to contract directly with suppliers for certain supply categories, and some suppliers may seek to contract directly with the healthcare providers rather than with GPOs such as ours. In connection with any consolidation, our members may move their business to another GPO, particularly when the acquiring hospital or hospital system is a member of a competing GPO or where the post-acquisition management of our member is aligned with a competing GPO. In addition, as healthcare providers consolidate to create larger and more integrated healthcare delivery systems with greater market power, these providers may try to use their market power to negotiate significantly increased revenue share obligations and fee reductions for our products and services across both of our business segments. Finally, consolidation may also result in the acquisition or future development by our members of products and services that compete with our products and services. Any of these potential results of consolidation could have a material adverse effect on our business, financial condition, and results of operations.

We may experience significant delays in recognizing revenue or increasing revenue if the sales cycle or implementation period with potential new members takes longer than anticipated.

A key element of our strategy is to market the various products and services in our Supply Chain Services and Performance Services segments directly to healthcare providers, such as health systems and acute care hospitals, and to increase the number of our products and services utilized by existing members. The evaluation and purchasing process is often lengthy and involves significant technical evaluation and commitment of personnel by these organizations. Further, the evaluation process depends on a number of factors, many of which we may not be able to control, including potential new members' internal approval processes, budgetary constraints for technology spending, member concerns about implementing new procurement methods and strategies and other timing effects. In addition, the contract or software implementation process for new products or services can take six months or more and, accordingly, delay our ability to recognize revenue from the sale of such products or services. If we experience an extended or delayed implementation cycle in connection with the sale of additional products and services to existing or new members, it could have a material adverse effect on our business, financial condition and results of operations. In addition, changes in accounting standards that impact revenue recognition, such as *Revenue from Contracts with Customers (Topic 606),* could adversely impact our ability to recognize revenue consistent with our historical practices and could have a material adverse effect on our business, financial condition and results of operations.

If members of our GPO programs reduce activity levels or terminate or elect not to renew their contracts, our revenue and results of operations may decrease materially.

We have GPO participation agreements with all of our GPO members. Our GPO participation agreements may generally be terminated for cause or in the event of a change of control of the GPO member. In addition, the GPO member can terminate the GPO participation agreement at the end of the then-current term by notifying Premier LP of the member's decision not to renew. There can be no assurance that our GPO members will extend or renew their GPO participation agreements on the same or similar economic terms, or at all, or that the GPO members will not terminate their GPO participation agreements for cause or due to a change of control. Failure of our GPO members to maintain, extend or renew their GPO participation agreements on the same or similar economic terms, or at all, may have a material adverse impact on our business, financial condition and results of operations.

Our success in retaining member participation in our GPO programs depends upon our reputation, strong relationships with such GPO members and our ability to deliver consistent, reliable and high-quality products and services, and a failure in any of these areas may result in the loss of GPO members. Some of our GPO competitors offer higher revenue share arrangements compared to our average arrangements. Our ability to retain and expand participation in our GPO programs depends upon our ability to provide overall value to GPO members, including competitive revenue share arrangements, in an economically competitive environment. In addition, GPO members may seek to modify or elect not to renew their contracts due to factors that are beyond our control and are unrelated to our performance, including a change of control, changes in their strategies or business plans, changes in their supply chain personnel or management, or economic conditions in general. When contracts are reduced by modification or not renewed for any reason, we lose the anticipated future revenue associated with such contracts and, consequently, our revenue and results of operations may decrease materially.

Historically, we have enjoyed a strong strategic alignment with our GPO members, in many cases as a result of such GPO members being significant equity owners of both us and Premier LP. As a result of our recent restructuring, our member-owners no longer have an equity interest in Premier LP. Furthermore, the member-owners that received equity as part of the restructuring are free to sell their equity interest in us at any time. Any significant reduction in our member-owners' equity holdings in us could result in reduced alignment between us and such member-owners, which may make it more difficult to retain these GPO members or to ensure that they extend or renew their GPO participation agreements on the same or similar economic terms, or at all, the failure of which may have a material adverse impact on our business, financial condition and results of operations.

We derive a significant portion of our revenues from our largest members, some of which are also GPOs that serve our members.

GNYHA was our largest GPO member owner prior to the acquisition of the assets of Acurity, Inc. and Nexera, Inc. on February 28, 2020 at which time we acquired the individual GPO participation agreements of the members of GNYHA. Excluding GNYHA, our top five members comprised approximately 13% of our consolidated net revenues and approximately 12% of our gross administrative fee revenues for the fiscal year ended June 30, 2020. The sudden loss of any significant member or a number of smaller members that are participants in our group purchasing programs or a material change in revenue share or other economic terms we have with such member or members could materially and adversely affect our business, financial condition and results of operations. In addition, certain of our significant members are themselves GPOs with their own respective direct contracting relationships, including relationships with some of our other members. The sudden loss of any of these members may also result in increased competition for our Supply Chain Services segment and could materially and adversely affect our business, financial condition and results of operations.

The markets for our clinical analytics products and services that are SaaS- or licensed-based may develop more slowly than we expect, which could adversely affect our revenue and our ability to maintain or increase our profitability.

Our success will depend on the willingness of existing and potential new members to increase their use of our clinical analytics products and services that are SaaS- or licensed-based. Many companies have invested substantial resources to integrate established enterprise software into their businesses and therefore may be reluctant or unwilling to switch to our products and services. Furthermore, some companies may have concerns regarding the risks associated with the security and reliability of the technology delivery model associated with these services. If companies do not perceive the benefits of our products and services, then the market for these products and services may not expand as much or develop as quickly as we expect, which would significantly adversely affect our business, financial condition and results of operations.

Our members are highly dependent on payments from third-party healthcare payers, including Medicare, Medicaid and other government-sponsored programs, and reductions or changes in third-party reimbursement could adversely affect these members and consequently our business.

Our members derive a substantial portion of their revenue from third-party private and governmental payers, including Medicare, Medicaid and other government sponsored programs. Our sales and profitability depend, in part, on the extent to which coverage of and reimbursement for our products and services our members purchase or otherwise obtain through us is available to our members from governmental health programs, private health insurers, managed care plans and other third-party payers. These third-party payers are increasingly using their enhanced bargaining power to secure discounted reimbursement rates and may impose other requirements that adversely impact our members' ability to obtain adequate reimbursement for our products and services. If third-party payers do not approve our products and services for reimbursement or fail to reimburse for them adequately, our members may suffer adverse financial consequences which, in turn, may reduce the demand for and ability to purchase our products or services.

In addition, government actions could limit government spending generally for the Medicare and Medicaid programs, limit payments to healthcare providers and increase emphasis on financially accountable payment programs such as accountable care organizations, bundled payments and capitated primary care that could have an adverse impact on our members and, in turn, on our business, financial condition and results of operations.

We rely on the administrative fees we receive from our GPO suppliers, and the failure to maintain contracts with these GPO suppliers could have a generally negative effect on our relationships with our members and could adversely affect our business, financial condition and results of operations.

Historically, we have derived a substantial amount of our revenue from the administrative fees that we receive from our GPO suppliers. We maintain contractual relationships with these suppliers which provide products and services to our members at reduced costs and which pay us administrative fees based on the dollars spent by our members for such products and services. Our contracts with these GPO suppliers generally may be terminated upon 90 days' notice. A termination of any relationship or agreement with a GPO supplier would result in the loss of administrative fees pursuant to our arrangement with that supplier, which could adversely affect our business, financial condition and results of operations. In addition, if we lose a relationship with a GPO supplier we may not be able to negotiate similar arrangements for our members with other suppliers on the same terms and conditions or at all, which could damage our reputation with our members and adversely impact our ability to maintain our member agreements or expand our membership base and could have a material adverse effect on our business, financial condition and results of operations.

In addition, CMS, which administers the Medicare and federal aspects of state Medicaid programs, has issued complex rules requiring pharmaceutical manufacturers to calculate and report drug pricing for multiple purposes, including the limiting of reimbursement for certain drugs. These rules generally exclude from the pricing calculation administrative fees paid by drug manufacturers to GPOs to the extent that such fees meet CMS's "bona fide service fee" definition. There can be no assurance that CMS will continue to allow exclusion of GPO administrative fees from the pricing calculation, which could negatively affect the willingness of pharmaceutical manufacturers to pay administrative fees to us, which could have a material adverse effect on our member retention, business, financial condition and results of operations.

If we are unable to maintain our relationships with third-party providers or maintain or enter into new strategic alliances, we may be unable to grow our current base business.

Our business strategy includes entering into and maintaining strategic alliances and affiliations with leading service providers. These companies may pursue relationships with our competitors, develop or acquire products and services that compete with our products and services, experience financial difficulties, be acquired by one of our competitors or other third party or exit the healthcare industry, any of which may adversely affect our relationship with them. In addition, in many cases, these companies may terminate their relationships with us for any reason with limited or no notice. If existing relationships with third-party providers or strategic alliances are adversely impacted or are terminated or we are unable to enter into relationships with leading healthcare service providers and other GPOs, we may be unable to maintain or increase our industry presence or effectively execute our business strategy.

If we are not able to timely offer new and innovative products and services, we may not remain competitive and our revenue and results of operations may suffer.

Our success depends on providing products and services within our Supply Chain Services and Performance Services segments that healthcare providers use to improve clinical, financial and operational performance. Information technology providers and other competitors are incorporating enhanced analytical tools and functionality and otherwise developing products and services that may become viewed as more efficient or appealing to our members. If we cannot adapt to rapidly evolving industry standards, technology and member needs, including changing regulations and provider reimbursement policies, we may be unable to anticipate changes in our current and potential new members' requirements that could make our existing technology, products or service offerings obsolete. We must continue to invest significant resources in research and development or acquisitions in order to enhance our existing products and services, maintain or improve our product category rankings and introduce new high-quality products and services that members and potential new members will want. If our enhanced existing or new products and services are not responsive to the needs of our members or potential new members, are not appropriately timed with market opportunity or are not effectively brought to market we may lose existing members and be unable to obtain new members and our results of operations may suffer.

Our acquisition activities could result in operating difficulties, dilution, unrecoverable costs and other negative consequences, any of which may adversely impact our financial condition and results of operations.

Our business strategy includes growth through acquisitions of additional businesses and assets. Future acquisitions may not be completed on preferred terms and acquired assets or businesses may not be successfully integrated into our operations or provide anticipated financial or operational benefits. Any acquisitions we complete will involve risks commonly encountered in acquisitions of businesses. Such risks include, among other things:

- failing to integrate the operations and personnel of the acquired businesses in an efficient, timely manner, which can be exacerbated by pandemics, such as COVID-19;

- failure of a selling party to produce all material information during the pre-acquisition due diligence process, or to meet their obligations under post-acquisition agreements;
- potential liabilities of or claims against an acquired company or its assets, some of which may not become known until after the acquisition;
- an acquired company's lack of compliance with laws and governmental rules and regulations, and the related costs and expenses necessary to bring such company into compliance;
- an acquired company's general information technology controls or their legacy third-party providers may not be sufficient to prevent unauthorized access or transactions, cyber-attacks or other data security breaches;
- managing the potential disruption to our ongoing business;
- distracting management focus from our existing core businesses;
- encountering difficulties in identifying and acquiring products, technologies, or businesses that will help us execute our business strategy;
- entering new markets in which we have little to no experience;
- impairing relationships with employees, members, and strategic partners;
- failing to implement or remediate controls, procedures and policies appropriate for a public company at acquired companies lacking such financial, disclosure or other controls, procedures and policies, potentially resulting in a material weakness in our internal controls over financial reporting;
- unanticipated changes in market or industry practices that adversely impact our strategic and financial expectations of an acquired company, assets or business and require us to write-off or dispose of such acquired company, assets, or business;
- the amortization of purchased intangible assets;
- incurring expenses associated with an impairment of all or a portion of goodwill and other intangible assets due to the failure of certain acquisitions to realize expected benefits; and
- diluting the share value and voting power of existing stockholders.

In addition, anticipated benefits of our previous and future acquisitions may not materialize. Future acquisitions or dispositions of under-performing businesses could result in the incurrence of debt, significant exit costs, contingent liabilities or amortization expenses, impairments or write-offs of goodwill and other intangible assets, any of which could harm our business, financial condition and results of operations. In addition, expenses associated with potential acquisitions, including, among others, due diligence costs, legal, accounting, technology and financial advisory fees, travel and internal resources utilization, can be significant. These expenses may be incurred regardless of whether any potential acquisition is completed. In instances where acquisitions are not ultimately completed, these expenses typically cannot be recovered or offset by the anticipated financial benefits of a successful acquisition. As we pursue our business strategy and evaluate opportunities, these expenses may adversely impact our results of operations and earnings per share.

Furthermore, the outbreak of COVID-19 has significantly reduced, and future pandemics are likely to significantly reduce, the number of target companies willing to evaluate strategic alternatives and start a process for the sale of part or all of their equity or assets. Numerous potential acquisition targets that had previously expressed an interest in commencing strategic discussions with us during our fiscal 2020 fourth quarter have delayed or deferred indefinitely their exploration of strategic alternatives until there is greater certainty in the country with regard to COVID-19 and its impact on the healthcare market.

Our business and growth strategies also include non-controlling investments in other businesses and joint ventures. In the event the companies or joint ventures we invest in do not perform as well as expected, we could experience the loss of some or all of the value of our investment, which loss could adversely impact our financial condition and results of operations.

Although we conduct accounting, financial, legal and business due diligence prior to making investments, we cannot guarantee that we will discover all material issues that may affect a particular target business, or that factors outside the control of the target business and outside of our control will not later arise. To the extent we invest in a financially underperforming or unstable company or an entity in its development stage that does not successfully mature, we may lose the value of our investment. Occasionally, current and future investments are, and will be, made on a non-controlling basis, in which case we have limited ability to influence the financial or business operations of the companies in which we invest. If our investment loses value, we may be required to write down or write off our investment or recognize impairment or other charges that could adversely impact our financial condition or results of operations and our stock price. Even though these charges may be non-cash items and not have a material impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us and our business strategy and our Class A common stock.

We are subject to litigation from time to time, which could have a material adverse effect on our business, financial condition and results of operations.

We participate in businesses and activities that are subject to substantial litigation. We are from time to time involved in litigation, which may include claims relating to contractual disputes, product liability, torts or personal injury, employment, antitrust, intellectual property or other commercial or regulatory matters. Additionally, if current or future government regulations are interpreted or enforced in a manner adverse to us or our business, specifically those with respect to antitrust or healthcare laws, we may be subject to enforcement actions, penalties, damages and other material limitations on our business. Furthermore, as a public company, we may become subject to stockholder derivative or other similar litigation.

From time to time, we have been named as a defendant in class action antitrust lawsuits brought by suppliers or purchasers of medical products. Typically, these lawsuits have alleged the existence of a conspiracy among manufacturers of competing products, distributors and/or operators of GPOs, including us, to deny the plaintiff access to a market for certain products, to raise the prices for products and/or to limit the plaintiff's choice of products to buy. No assurance can be given that we will not be subjected to similar actions in the future or that any such existing or future matters will be resolved in a manner satisfactory to us or which will not harm our business, financial condition or results of operations.

We may become subject to additional litigation or governmental investigations in the future. These claims may result in significant defense costs or may compel us to pay significant fines, judgments or settlements, which, if uninsured, could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, certain litigation matters could adversely impact our commercial reputation, which is critical for attracting and retaining customers, suppliers and member participation in our GPO programs. Further, stockholder and other litigation may result in adverse investor perception of our company, negatively impact our stock price and increase our cost of capital.

We rely on Internet infrastructure, bandwidth providers, data center providers and other third parties and our own systems for providing services to our users, and any failure or interruption in the services provided by these third parties or our own systems could expose us to litigation and negatively impact our relationships with users, adversely affecting our brand, our business and our financial performance.

Our ability to deliver our Performance Services segment products, as well as operate our e-commerce business, is dependent on the development and maintenance of the infrastructure of the Internet and other telecommunications services by third parties. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable Internet access and services and reliable telephone, Wi-Fi, facsimile and pager systems. We have experienced and expect that we will experience in the future interruptions and delays in these services and availability from time to time. We rely on internal systems as well as third-party suppliers, including bandwidth and telecommunications equipment providers, to provide our services. We have also migrated some of our data center operations to third-party data-hosting facilities. We do not maintain redundant systems or facilities for some of these services. In the event of a catastrophic event with respect to one or more of these systems or facilities, we may experience an extended period of system unavailability, which could negatively impact our relationship with users. To operate without interruption, both we and our service providers must guard against:

- damage from fire, power loss, and other natural disasters;
- communications failures;
- software and hardware errors, failures, and crashes;
- security breaches and computer viruses and similar disruptive problems; and
- other potential interruptions.

Any disruption in the network access, telecommunications or co-location services provided by our third-party providers or any failure of or by these third-party providers or our own systems to handle current or higher volume of use could significantly harm our business. We exercise limited control over these third-party suppliers, which increases our vulnerability to problems with services they provide. Any errors, failures, interruptions or delays experienced in connection with these third-party technologies and information services or our own systems could negatively impact our relationships with users and adversely affect our business and financial performance and could expose us to third-party liabilities, some of which may not be adequately insured.

Data loss or corruption due to failures or errors in our systems and service disruptions at our data centers may adversely affect our reputation and relationships with existing members, which could have a negative impact on our business, financial condition and results of operations.

Because of the large amount of data that we collect and manage, it is possible that hardware failures or errors in our systems could result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our members regard as significant. Complex software such as ours may contain errors or failures that are not detected until after the software is

introduced or updates and new versions are released. Despite testing by us, from time to time we have discovered defects or errors in our software, and such defects or errors may be discovered in the future. Any defects or errors could expose us to risk of liability to members and the government and could cause delays in the introduction of new products and services, result in increased costs and diversion of development resources, require design modifications, decrease market acceptance or member satisfaction with our products and services or cause harm to our reputation.

Furthermore, our members might use our software together with products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our software does not cause these problems, the existence of these errors might cause us to incur significant costs, divert the attention of our technical personnel from our product development efforts, impact our reputation and lead to significant member relations problems.

Moreover, our data centers and service provider locations store and transmit critical member data that is essential to our business. While these locations are chosen for their stability, failover capabilities and system controls, we do not directly control the continued or uninterrupted availability of every location. In addition to the services we provide from our offices, we have migrated the majority of our data center operations to a third-party data-hosting facility. Data center facilities are vulnerable to damage or interruption from natural disasters, fires, power loss, telecommunications failures, acts of terrorism, acts of war, and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, cyber-attacks and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions in our service. These service interruption events could impair our ability to deliver services or deliverables or cause us to fail to achieve service levels required in agreements with our members, which could negatively affect our ability to retain existing members and attract new members.

If our cyber and other security measures are breached or fail and unauthorized access to a member's data is obtained, or our members fail to obtain proper permission for the use and disclosure of information, our services may be perceived as not being secure, members may curtail or stop using our services and we may incur significant liabilities.

Our services involve the web-based storage and transmission of members' proprietary information, personal information of employees and protected health information of patients. From time to time we may detect vulnerabilities in our systems, which, even if not resulting in a security breach, may reduce member confidence and require substantial resources to address. If our security measures are breached or fail as a result of third-party action, employee error, malfeasance, insufficiency, defective design or otherwise, someone may be able to obtain unauthorized access to member or patient data. As a result, our reputation could be damaged, our business may suffer, and we could face damages for contract breach, penalties and fines for violation of applicable laws or regulations and significant costs for notification to affected individuals, remediation and efforts to prevent future occurrences.

In addition to our cyber and other security measures, we rely upon our members as users of our system for key activities to promote security of the system and the data within it. On occasion, our members have failed to perform these activities. Failure of members to perform these activities may result in claims against us that could expose us to significant expense and harm our reputation. In addition, our members may authorize or enable third parties to access their data or the data of their patients on our systems. Because we do not control such access, we cannot ensure the complete propriety of that access or integrity or security of such data in our systems. In addition, although our development infrastructure is based in the United States, we outsource development work for a portion of our products and services to persons outside the United States, particularly India. We cannot guarantee that the cyber and other security measures and regulatory environment of our foreign partners are as robust as in the United States. Any breach of our security by our members or foreign partners could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we require our members to provide necessary notices and to obtain necessary permissions and waivers for use and disclosure of the information that we receive. If our members do not obtain necessary permissions and waivers, then our use and disclosure of information that we receive from them or on their behalf may be limited or prohibited by state, federal, or international privacy laws or other laws. Any such failure to obtain proper permissions and waivers could impair our functions, processes and databases that reflect, contain or are based upon such data and may prevent use of such data. Moreover, we may be subject to claims or liability for use or disclosure of information by reason of our lack of a valid notice, permission or waiver. These claims or liabilities could subject us to unexpected costs and adversely affect our business, financial condition and results of operations.

We could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm, and other serious negative consequences if we are subject to cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our members or other third parties.

We manage and store proprietary information and sensitive or confidential data relating to our operations. We may be subject to cyber-attacks on and breaches of the information technology systems we use for these purposes. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that

of third parties, create system disruptions, or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, malware, ransomware and other malicious software programs that attack our systems or products or otherwise exploit security vulnerabilities of our systems or products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our systems.

We expend significant capital to protect against the threat of security breaches, including cyber-attacks, viruses, worms, malware, ransomware and other malicious software programs. Substantial additional expenditures may be required before or after a cyber-attack or breach to mitigate in advance or to alleviate any problems caused by cyber-attacks and breaches, including unauthorized access to or theft of personal or patient data and protected health information stored in our information systems and the introduction of computer viruses, worms, malware, ransomware and other malicious software programs to our systems. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service and loss of existing or potential members.

While we provide our domestic and foreign employees and contractors training and regular reminders on important measures they can take to prevent breaches, we often identify attempts to gain unauthorized access to our systems. Given the rapidly evolving nature and proliferation of cyber threats, there can be no assurance our training and network security measures or other controls will detect, prevent or remediate security or data breaches in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations. For example, it has been widely reported that many well-organized international interests, in certain cases with the backing of sovereign governments, are targeting the theft of patient information through the use of advance persistent threats. In recent years, a number of hospitals have reported being the victim of ransomware attacks in which they lost access to their systems, including clinical systems, during the course of the attacks. We are likely to face attempted attacks in the future. Accordingly, we may be vulnerable to losses associated with the improper functioning, security breach or unavailability of our information systems as well as any systems used in acquired operations.

Breaches of our security measures and the unapproved use or disclosure of proprietary information or sensitive or confidential data about us or our members or other third parties could expose us, our members or other affected third parties to a risk of loss or misuse of this information, result in litigation, governmental inquiry and potential liability for us, damage our brand and reputation or otherwise harm our business. Furthermore, we are exposed to additional risks because we rely in certain capacities on third-party data management providers whose possible security problems and security vulnerabilities are beyond our control.

We may experience cyber-security and other breach incidents that remain undetected for an extended period. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched, we may be unable to anticipate these techniques or to implement adequate preventative measures to stop or mitigate any potential damage in a timely manner. Given the increasing cyber security threats in the healthcare industry, there can be no assurance we will not experience business interruptions; data loss, ransom, misappropriation or corruption; theft or misuse of proprietary or patient information; or litigation and investigation related to any of those, any of which could have a material adverse effect on our financial position and results of operations and harm our business reputation.

Any restrictions on our use of, or ability to license, data, or our failure to license data and integrate third-party technologies, could have a material adverse effect on our business, financial condition and results of operations.

We depend upon licenses from third parties, most of which are non-exclusive, for some of the technology and data used in our applications, and for some of the technology platforms upon which these applications are built and operate. We also obtain a portion of the data that we use from government entities and public records and from our members for specific member engagements. We cannot assure you that our licenses for information will allow us to use that information for all potential or contemplated applications and products. In addition, if our members revoke their consent for us to maintain, use, de-identify and share their data, our data assets could be degraded.

In the future, data providers could withdraw their data from us or restrict our usage due to competitive reasons or because of new legislation or judicial interpretations restricting use of the data currently used in our products and services. In addition, data providers could fail to adhere to our quality control standards in the future, causing us to incur additional expense to appropriately utilize the data. If a substantial number of data providers were to withdraw or restrict their data, or if they fail to adhere to our quality control standards, and if we are unable to identify and contract with suitable alternative data suppliers and integrate these data sources into our service offerings, our ability to provide products and services to our members would be materially and adversely impacted, resulting in a material adverse effect on our business, financial condition and results of operations.

We also integrate into our proprietary applications and use third-party software to maintain and enhance, among other things, content generation and delivery, and to support our technology infrastructure. Some of this software is proprietary and some is open source. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and

maintenance costs. These technologies may not be available to us in the future on commercially reasonable terms or at all and could be difficult to replace once integrated into our own proprietary applications. Our inability to obtain, maintain or comply with any of these licenses could delay development until equivalent technology can be identified, licensed and integrated, which would harm our business, financial condition and results of operations.

Most of our third-party licenses are non-exclusive and our competitors may obtain the right to use any of the technology covered by these licenses to compete directly with us. Our use of third-party technologies exposes us to increased risks, including, but not limited to, risks associated with the integration of new technology into our solutions, the diversion of our resources from development of our own proprietary technology and our inability to generate revenue from licensed technology sufficient to offset associated acquisition and maintenance costs. In addition, if our data suppliers choose to discontinue support of the licensed technology in the future, we might not be able to modify or adapt our own solutions.

Our use of "open source" software could adversely affect our ability to sell our products and subject us to possible litigation.

The products or technologies acquired, licensed or developed by us may incorporate so-called "open source" software, and we may incorporate open source software into other products in the future. There is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses, and therefore the potential impact of these terms on our business is unknown and may result in unanticipated obligations or litigation regarding our products and technologies. For example, we may be subjected to certain conditions, including requirements that we offer our products that use particular open source software at no cost to the user, that we make available the source code for modifications or derivative works we create based upon, incorporating or using the open source software, and/or that we license such modifications or derivative works under the terms of the particular open source license. In addition, if we combine our proprietary software with open source software in a certain manner, under some open source licenses we could be required to release the source code of our proprietary software, which could substantially help our competitors develop products that are similar to or better than ours. If an author or other party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal costs defending ourselves against such allegations and could be subject to significant damages.

Our direct sourcing activities depend on contract manufacturing facilities located in various parts of the world, and any physical, financial, regulatory, environmental, labor or operational disruption or product quality issues could result in a reduction in sales volumes and the incurrence of substantial expenditures.

As part of our direct sourcing activities, we contract with manufacturing facilities in various parts of the world, including facilities in Cambodia, China, Malaysia, Taiwan, Thailand, Turkey and Vietnam. Operations at these manufacturing facilities could be curtailed or partially or completely shut down as the result of a number of circumstances, most of which are outside of our control, such as unscheduled maintenance, an earthquake, hurricane, flood, tsunami or other natural disaster, significant labor strikes or work stoppages, government implementation of export limitations or freezes, political unrest or pandemics, such as COVID-19. Any significant curtailment of production at these facilities, or production issue resulting in a substandard product, could result in litigation or governmental inquiry or materially reduced revenues and cash flows in our direct sourcing activities. In addition, our business practices in international markets are subject to the requirements of the U.S. Foreign Corrupt Practices Act of 1977, as amended, any violation of which could subject us to significant fines, criminal sanctions and other penalties. We expect all of our contracted manufacturing facilities, to comply with all applicable laws, including labor, safety and environmental laws, and to otherwise meet our standards of conduct. Our ability to find manufacturing facilities that uphold these standards is a challenge, especially with respect to facilities located outside the United States. We also are subject to the risk that one or more of these manufacturing facilities will engage in business practices in violation of our standards or applicable laws, which could damage our reputation and adversely impact our business and results of operations.

A material portion of the manufacturing for our direct sourcing activities is conducted in China. As a result, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China as well as trade disputes between China and the United States and the potential imposition of bilateral tariffs. In addition, during the COVID-19 pandemic, China imposed export restrictions and new regulatory requirements on PPE and other medical equipment needed by our member hospitals. The imposition of tariffs or export restrictions on products imported by us from China could require us to (i) increase prices to our members or (ii) locate suitable alternative manufacturing capacity or relocate our operations from China to other countries. In the event we are unable to increase our prices or find alternative manufacturing capacity or relocate to an alternative base of operation outside of China on favorable terms, we would likely experience higher manufacturing costs and lower gross margins, which could have an adverse effect on our business and results of operations. The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources. Additionally, the facilities in Malaysia with which we contract are particularly susceptible to labor shortages, labor disputes and interruptions, and rising labor costs as a result of minimum wage laws, scheduling and overtime requirements.

Due to the volatility of global market prices for PPE products resulting from COVID-19, we have inventory risk for the PPE product inventory we purchased at elevated market prices and, if prices decline materially and/or we are unable to sell our PPE inventory at or above our cost, we may experience a material adverse effect on our business, financial condition and results of operations.

As part of our efforts to satisfy PPE demands of our GPO members, we have and will continue to purchase from time to time PPE product inventory in forward buys at then current global market prices, which are typically elevated due to the volatility of global market prices for PPE products resulting from COVID-19. In addition, as we strive to create a healthier global supply chain with more diversification in country of origin, including a focus on supporting PPE and medical product manufacturing in the United States with our domestic sourcing initiative, we may source more of our products from US-based or near shore manufacturers which may come at a higher acquisition cost than sourcing from Asia or other lower cost countries. If market prices decline materially and we are unable to sell the products for more than our PPE inventory cost, we could experience a material adverse effect on our business, financial condition and results of operations. In addition, if our GPO members are unwilling to pay higher prices for products made in the United States, or if they choose to buy lower cost products manufactured in lower cost countries, now or in the future, this may impact our customer growth and results of operations if we have to lower prices to compete or sell our higher-cost inventory.

If we lose key personnel or if we are unable to attract, hire, integrate and retain key personnel, our business would be harmed.

Our future success depends in part on our ability to attract, hire, integrate and retain key personnel, including our executive officers and other highly skilled technical, managerial, editorial, sales, marketing and customer service professionals. Competition for such personnel is intense. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. We cannot be certain of our ability to identify, hire and retain adequately qualified personnel, if we lose key personnel unexpectedly. In addition, to the extent we lose an executive officer or senior manager, we may incur increased expenses in connection with the hiring, promotion or replacement of these individuals and the transition of leadership and critical knowledge. Failure to identify, hire and retain necessary key personnel could have a material adverse effect on our business, financial condition and results of operations.

Failure to protect our intellectual property and claims against our use of the intellectual property of third parties could cause us to incur unanticipated expense and prevent us from providing our products and services, which could adversely affect our business, financial condition and results of operations.

Our success depends in part upon our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including trade secrets, copyrights and trademarks, as well as customary contractual and confidentiality protections and internal policies applicable to employees, contractors, members and business partners. These protections may not be adequate, however, and we cannot assure you that they will prevent misappropriation of our intellectual property. In addition, parties that gain access to our intellectual property might fail to comply with the terms of our agreements and policies and we may not be able to enforce our rights adequately against these parties. The disclosure to, or independent development by, a competitor of any trade secret, know-how or other technology not protected by a patent could materially and adversely affect any competitive advantage we may have over such competitor. The process of enforcing our intellectual property rights through legal proceedings would likely be burdensome and expensive and our ultimate success cannot be assured. Our failure to adequately protect our intellectual property and proprietary rights could adversely affect our business, financial condition and results of operations.

In addition, we could be subject to claims of intellectual property infringement, misappropriation or other intellectual property violations as our applications' functionalities overlap with competitive products, and third parties may claim that we do not own or have rights to use all intellectual property used in the conduct of our business or acquired by us. We could incur substantial costs and diversion of management resources defending any such claims. Furthermore, a party making a claim against us could secure a judgment awarding substantial damages as well as injunctive or other equitable relief that could effectively block our ability to provide products or services. Such claims also might require indemnification of our members at significant expense.

A number of our contracts with our members contain indemnity provisions whereby we indemnify them against certain losses that may arise from third-party claims that are brought in connection with the use of our products.

Our exposure to risks associated with the protection and use of intellectual property may be increased as a result of acquisitions, as we have limited visibility into the development process of acquired entities or businesses with respect to their technology or the care taken by acquired entities or businesses to safeguard against infringement risks. In addition, third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition thereof.

If we are required to collect sales and use taxes on the products and services we sell in certain jurisdictions or online, we may be subject to tax liability for past sales, future sales may decrease and our financial condition may be materially and adversely affected.

Sales tax is currently not imposed on the administrative fees we collect in connection with our GPO programs. If sales tax were imposed in the future on such fees, the profitability of our GPO programs may be materially and adversely affected.

Rules and regulations applicable to sales and use tax vary significantly by tax jurisdiction. In addition, the applicability of these rules given the nature of our products and services is subject to change.

We may lose sales or incur significant costs should various tax jurisdictions be successful in imposing sales and use taxes on a broader range of products and services than those currently so taxed, including products and services sold online. A successful assertion by one or more taxing authorities that we should collect sales or other taxes on the sale of our solutions could result in substantial tax liabilities for past and future sales, decrease our ability to compete and otherwise harm our business.

If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our products and services, including products and services sold online, we may be liable for past taxes in addition to taxes going forward. Liability for past taxes may also include very substantial interest and penalty charges. If we are required to collect and pay back taxes (and the associated interest and penalties) and if our members fail or refuse to reimburse us for all or a portion of these amounts, we will have incurred unplanned costs that may be substantial. Moreover, imposition of such taxes on our services going forward will effectively increase the cost of such services to our members and may adversely affect our ability to retain existing members or to gain new members in the areas in which such taxes are imposed.

Changes in tax laws could materially impact our effective tax rate, income tax expense, anticipated tax benefits, deferred tax assets, cash flows and profitability.

Continued economic and political conditions in the United States could result in changes in U.S. tax laws beyond those enacted in connection with the TCJA on December 22, 2017 and the Coronavirus Aid, Relief, and Economic Security Act ("CARES") on March 27, 2020. The full impact of CARES and the ongoing regulatory interpretations thereunder are not known at this time and may have an adverse impact on our results of operations, cash flows and profitability. Further changes to U.S. tax laws could impact how U.S. corporations are taxed. Although we cannot predict whether or in what form such changes will pass, if enacted into law, they could have a material impact on our effective tax rate, income tax expense, ability to fully realize anticipated tax benefits that correspond to our fixed payment obligations associated with the acceleration of our tax receivable agreement ("TRA"), deferred tax assets, results of operations, cash flows and profitability.

A loss of a major tax dispute could result in a higher tax rate on our earnings, which could result in a material adverse effect on our financial condition and results of operations.

Income tax returns that we file are subject to review and examination. We recognize the benefit of income tax positions we believe are more likely than not to be sustained upon challenge by a tax authority. If any tax authority successfully challenges our positions or if we lose a material tax dispute, our effective tax rate on our earnings could increase substantially and result in a material adverse effect on our financial condition.

We may need to obtain additional financing which may not be available or may be on unfavorable terms and result in dilution to, or a diminution of the rights of, our stockholders and cause a decrease in the price of our Class A common stock.

We may need to raise additional funds in order to, among other things:

- finance unanticipated working capital requirements;
- develop or enhance our technological infrastructure and our existing products and services;
- fund strategic relationships;
- respond to competitive pressures; and
- acquire complementary businesses, assets, technologies, products or services.

Additional financing may not be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our expansion strategy, take advantage of unanticipated opportunities, develop or enhance technology or services or otherwise respond to competitive pressures would be significantly limited. If we raise additional funds by issuing equity or convertible debt securities, our then-existing stockholders may be diluted and holders of these newly issued securities may have rights, preferences or privileges senior to those of our then-existing stockholders. The issuance of these securities may cause a material decrease in the trading price of our Class A common stock or the value of your investment in us.

If we cannot refinance or replace our existing credit facility at maturity, it could have a material adverse effect on our ability to fund our ongoing cash requirements. Current or future indebtedness could adversely affect our business and our liquidity position.

We have a five-year $1 billion unsecured revolving credit facility. The credit facility also provides us the ability to incur incremental term loans and request an increase in the revolving commitments under the credit facility, up to an additional aggregate of $350.0 million, subject to the approval of the lenders under the credit facility. As of June 30, 2020, we had $75.0 million outstanding under this credit facility. Our current credit facility matures on November 9, 2023 and any outstanding indebtedness would be payable on or before that date. If we are not able to refinance or replace our existing credit facility at or before maturity or do so on acceptable terms, it would have a material adverse effect on our ability to fund our ongoing working capital requirements, business strategies, acquisitions and related business investments, future cash dividend payments, if any, or repurchases of Class A common stock under any then-existing or future stock repurchase programs, if any.

Our indebtedness may increase from time to time in the future for various reasons, including fluctuations in operating results, capital expenditures and potential acquisitions. Any indebtedness we incur and restrictive covenants contained in the agreements related thereto could:

- make it difficult for us to satisfy our obligations, including making interest payments on our other debt obligations;
- limit our ability to obtain additional financing to operate our business;
- require us to dedicate a substantial portion of our cash flow to payments on our debt, reducing our ability to use our cash flow to fund capital expenditures and working capital and other general operational requirements;
- limit our flexibility to execute our business strategy and plan for and react to changes in our business and the healthcare industry;
- place us at a competitive disadvantage relative to some of our competitors that have less debt than us;
- limit our ability to pursue acquisitions; and
- increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy.

The occurrence of any one of these events could cause us to incur increased borrowing costs and thus have a material adverse effect on our cost of capital, business, financial condition and results of operations or cause a significant decrease in our liquidity and impair our ability to pay amounts due on our indebtedness.

Our unsecured revolving credit facility contains, among other things, restrictive covenants that will limit our and our subsidiaries' ability to finance future operations or capital needs or to engage in other business activities. The credit facility restricts, among other things, our ability and the ability of our subsidiaries to incur additional indebtedness or issue guarantees, create liens on our assets, make distributions on or redeem equity interests, make investments, transfer or sell properties or other assets, and engage in mergers, consolidations or acquisitions. Furthermore, the credit facility includes cross-default provisions and requires us to meet specified financial ratios and tests. In addition, any debt securities we may issue or indebtedness we incur in the future may have similar or more restrictive financial or operational covenants that may limit our ability to execute our business strategies or operate our Company.

Our quarterly revenues and results of operations have fluctuated in the past and may continue to fluctuate in the future.

Fluctuations in our quarterly results of operations may be due to a number of factors, some of which are not within our control, including:

- our ability to offer new and innovative products and services;
- regulatory changes, including changes in healthcare laws;
- unforeseen legal expenses, including litigation and settlement costs;
- the purchasing and budgeting cycles of our members;
- the lengthy sales cycles for our products and services, which may cause significant delays in generating revenues or an inability to generate revenues;
- pricing pressures with respect to our future sales;
- the timing and success of new product and service offerings by us or by our competitors;
- member decisions regarding renewal or termination of their contracts, especially those involving our larger member relationships;
- the amount and timing of costs related to the maintenance and expansion of our business, operations and infrastructure;

- the amount and timing of costs related to the development, adaptation, acquisition, or integration of acquired technologies or businesses;
- the financial condition of our current and potential new members;
- general economic and market conditions and economic conditions specific to the healthcare industry; and
- the impact of COVID-19 and future pandemics on the economy and healthcare industry.

Our quarterly results of operations may vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful. You should not rely on the results of one quarter as an indication of future performance. If our quarterly results of operations fall below the expectations of securities analysts or investors, the price of the Class A common stock could decline substantially. In addition, any adverse impacts on the Class A common stock may harm the overall reputation of our organization, cause us to lose members and impact our ability to raise additional capital in the future.

Risks Related to Healthcare Regulation

The healthcare industry is highly regulated. Any material changes in the political, economic or regulatory environment that affect the GPO business or the purchasing practices and operations of healthcare organizations, or that lead to consolidation in the healthcare industry, could reduce the funds available to providers to purchase our products and services or otherwise require us to modify our services.

Our business, financial condition and results of operations depend upon conditions affecting the healthcare industry generally and hospitals and health systems particularly, as well as our ability to increase the number of programs and services that we sell to our members and other customers. The life sciences and healthcare industry is highly regulated by federal and state authorities and is subject to changing political, economic and regulatory influences. Factors such as changes in reimbursement policies for healthcare expenses, consolidation in the healthcare industry, regulation, litigation and general economic conditions affect the purchasing practices, operations and the financial health of healthcare organizations. In particular, changes in regulations affecting the healthcare industry, such as increased regulation of the purchase and sale of medical products, tariffs, new quality measurement and payment models, data privacy and security, government price controls, modification or elimination of applicable regulatory safe harbors, regulation of third-party administrators or restrictions on permissible discounts and other financial arrangements, could require us to make unplanned modifications of our products and services, result in delays or cancellations of orders or reduce funds and demand for our products and services.

In March 2010, President Obama signed into law the ACA. The ACA is a sweeping measure designed to expand access to affordable health insurance, control healthcare spending and improve healthcare quality. In addition, many states have adopted or are considering changes in healthcare laws or policies in part due to state budgetary shortfalls. The ACA set the industry moving in a clear direction on access to health insurance, payment, quality and cost management. The 2016 election of Donald Trump with unified Republican control of government initially caused a significant re-direction of government policy and resulting uncertainty. In January 2017, President Trump signed an executive order waiving various enforcement provisions under the ACA. While efforts to repeal and replace the ACA failed to pass the Senate in 2017, continued regulatory changes impact the direction of the law, which impact both our member healthcare providers and our business. The 2018 election resulted in renewed uncertainty with the Democrats taking control of the House of Representatives, while the Senate remained Republican controlled. Pending the upcoming 2020 Presidential and congressional elections in November 2020, and potentially thereafter, we are likely to experience another wave of uncertainty with regard to the ACA. The Supreme Court has agreed to hear a case challenging the constitutionality of the ACA brought by a group of state Attorneys General during the 2020-2021 term. A decision in the case will not occur until February 2021, at the earliest. This uncertainty as to the law's future, or the possible amendment or replacement of the law in the future, could adversely affect our business. Moreover, the Trump administration continues to advance new reforms related to value-based payment, the physician payment system, 340B, provider and supplier price transparency, drug pricing, tariffs and the structure of healthcare regulation, which are apart from changes to the ACA. Taken together, this environment has created significant uncertainty on the overall outlook for the ACA, directions in state laws that also impact healthcare providers, as well as new regulatory challenges. This environment is creating risks for healthcare providers and our business that could adversely affect our business and financial performance.

If we fail to comply with complex federal and state laws governing financial relationships among healthcare providers and submission of false or fraudulent claims to government healthcare programs, we may be subject to civil and criminal penalties or loss of eligibility to participate in government healthcare programs.

Anti-Kickback Regulations

We are subject to federal and state laws and regulations designed to protect patients, government healthcare programs and private health plans from fraudulent and abusive activities. These laws include anti-kickback restrictions and laws prohibiting the submission of false or fraudulent claims. These laws are complex, and their application to our specific products, services and

relationships may not be clear and may be applied to our business in ways that we do not anticipate. Federal and state regulatory and law enforcement authorities have over time increased enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other reimbursement laws and rules. From time to time, we and others in the healthcare industry have received inquiries or requests to produce documents in connection with such activities. We could be required to expend significant time and resources to comply with these requests, and the attention of our management team could be diverted to these efforts. Furthermore, if we are found to be in violation of any federal or state fraud and abuse laws, we could be subject to civil and criminal penalties and we could be excluded from participating in federal and state healthcare programs such as Medicare and Medicaid. The occurrence of any of these events could significantly harm our business, financial performance and financial condition.

Provisions in Title XI of the Social Security Act, commonly referred to as the federal Anti-Kickback Statute, prohibit the knowing and willful offer, payment, solicitation or receipt of remuneration, directly or indirectly, in return for the referral of patients or arranging for the referral of patients, or in return for the recommendation, arrangement, purchase, lease or order of items or services that are covered, in whole or in part, by a federal healthcare program such as Medicare or Medicaid. The definition of "remuneration" has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. Many states have adopted similar prohibitions against kickbacks and other practices that are intended to influence the purchase, lease or ordering of healthcare items and services regardless of whether the item or service is covered under a governmental health program or private health plan. Although certain statutory and regulatory safe harbors exist, these safe harbors are narrow and often difficult to comply with. Congress has appropriated an increasing amount of funds in recent years to support enforcement activities aimed at reducing healthcare fraud and abuse. We cannot assure you that our arrangements will be protected by such safe harbors or that such increased enforcement activities will not directly or indirectly have an adverse effect on our business, financial condition or results of operations. Any determination by a state or federal agency that any of our activities violate any of these laws could subject us to civil or criminal penalties, could require us to change or terminate some portions of our operations or business or could disqualify us from providing services to healthcare providers doing business with government programs and, thus, could have a material adverse effect on our business, financial condition and results of operations.

CMS has provided specific guidance on the proper treatment on Medicare cost reports of revenue distributions received from GPOs, including us. To assist our members that report their costs to Medicare to comply with these guidelines, such members are required under the terms of the Premier Group Purchasing Policy to appropriately reflect all elements of value received in connection with our IPO on their cost reports. We furnish applicable reports to such members setting forth the amount of such value, to assist their compliance with such cost reporting requirements. Any determination by a state or federal agency that the provision of such elements of value violate any of these laws could subject us to civil or criminal penalties, could require us to change or terminate some portions of our operations or business, or could disqualify us from providing services to healthcare providers doing business with government programs, and, thus could have a material adverse effect on our business, financial condition and results of operations.

We periodically receive and respond to questions from government agencies on various matters, and we responded to an informal request in July 2014 from the HHS Office of Inspector General to analyze and discuss how the GPO Participation Agreements comply with the discount safe harbor to the Anti-Kickback Statute. We have had no further correspondence or interaction, oral or written, with the HHS Office of Inspector General regarding Anti-Kickback Statute compliance since that time. There is no safe harbor to the Anti-Kickback Statute that is applicable in its entirety across all of the agreements with our members, and no assurance can be given that the HHS Office of Inspector General or other regulators or enforcement authorities will agree with our assessment. Any determination by a state or federal agency that the terms, agreements and related communications with members, or our relationships with our members violates the Anti-Kickback Statute or any other federal or state laws could subject us to civil or criminal penalties, could require us to change or terminate some portions of our operations or business and could disqualify us from providing services to healthcare providers doing business with government programs and, thus, result in a material adverse effect on our business, financial condition and results of operations.

False Claims Regulations

Our business is also subject to numerous federal and state laws that forbid the submission or "causing the submission" of false or fraudulent information or the failure to disclose information in connection with the submission and payment of claims for reimbursement to Medicare, Medicaid, other federal healthcare programs or private health plans. In particular, the False Claims Act, or FCA, prohibits a person from knowingly presenting or causing to be presented a false or fraudulent claim for payment or approval by an officer, employee or agent of the United States. In addition, the FCA prohibits a person from knowingly making, using, or causing to be made or used a false record or statement material to such a claim. Violations of the FCA may result in treble damages, significant monetary penalties and other collateral consequences, potentially including exclusion from participation in federally funded healthcare programs. The minimum and maximum per claim monetary damages for FCA violations occurring on or after November 2, 2015 and assessed after June 19, 2020 are from $11,665 to $23,331 per claim, respectively, and will be periodically readjusted for inflation. If enforcement authorities find that we have violated the FCA, it could have a material adverse

effect on our business, financial condition and results of operations. Pursuant to the ACA, a claim that includes items or services resulting from a violation of the Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA.

These laws and regulations may change rapidly and it is frequently unclear how they apply to our business. Errors in claims submitted by our pharmacy benefits management business, as well as errors created by our products or consulting services that relate to entry, formatting, preparation or transmission of claim or cost report information by our members may be determined or alleged to be in violation of these laws and regulations. Any failure of our businesses or our products or services to comply with these laws and regulations, or the assertion that any of our relationships with suppliers or members violated the Anti-Kickback Statute and therefore caused the submission of false or fraudulent claims, could (i) result in substantial civil or criminal liability, (ii) adversely affect demand for our services, (iii) invalidate all or portions of some of our member contracts, (iv) require us to change or terminate some portions of our business, (v) require us to refund portions of our services fees, (vi) cause us to be disqualified from serving members doing business with government payers, and (vii) have a material adverse effect on our business, financial condition and results of operations.

ERISA Regulatory Compliance

As a threshold matter, the obligation for compliance with the Employee Retirement Income Security Act of 1974 ("ERISA"), the Internal Revenue Code (the "Code"), the ACA, the Heath Insurance Portability and Accountability Act (together with its amendments related to the Health Information Technology for Economic and Clinical Health Act, "HIPAA"), the Mental Health Parity and Addiction Equity Act, the Newborns' and Mothers' Health Protection Act, the Women's Health and Cancer Rights Act, the Consolidated Omnibus Budget Reconciliation Act, the Genetic Information Nondiscrimination Act, and other similar laws governing self-funded group health plans (collectively "Employee Benefit Laws") generally rests with the our clients to whom we provide third party administrative services (TPA) services). That is, employers/clients that sponsor group health plans generally bear this Employee Benefit Law compliance obligation, rather than entities, like us, that provide TPA services related to the group health plans. In certain cases, however, TPAs to ERISA plans can become "co-fiduciaries" with their clients and, therefore, can be liable for ERISA compliance in a limited capacity. We could become a co-fiduciary either by (1) contractually obligating us to be an ERISA fiduciary or (2) by acting as an ERISA fiduciary based on functions performed. Under ERISA, fiduciary status flows from actions, and TPAs who exercise any discretion over plan administration or exercise any discretion over plan funds are often held to be "functional fiduciaries" with respect to (and limited to) the functions performed that trigger fiduciary status.

We undertake no express liability under ERISA for our clients' ERISA-governed plans in our template contracts. However, deviations from the template contained in final contracts from this standard language could subject us to liability for breaches of fiduciary duty under ERISA (and related claims, such as ERISA prohibited transactions).

If current or future antitrust laws and regulations are interpreted or enforced in a manner adverse to us or our business, we may be subject to enforcement actions, penalties and other material limitations on our business.

We are subject to federal and state laws and regulations designed to protect competition which, if enforced in a manner adverse to us or our business, could have a material adverse effect on our business, financial condition and results of operations. Over the last decade or so, the group purchasing industry has been the subject of multiple reviews and inquiries by the U.S. Senate and its members with respect to antitrust laws. Additionally, the U.S. General Accounting Office, or GAO, has published several reports examining GPO pricing, contracting practices, activities and fees. We and several other operators of GPOs have responded to GAO inquiries in connection with the development of such reports. No assurance can be given regarding any further inquiries or actions arising or resulting from these examinations and reports, or any related impact on our business, financial condition or results of operations.

Congress, the DOJ, the Federal Trade Commission, or FTC, the U.S. Senate or another state or federal entity could at any time open a new investigation of the group purchasing industry, or develop new rules, regulations or laws governing the industry, that could adversely impact our ability to negotiate pricing arrangements with suppliers, increase reporting and documentation requirements, or otherwise require us to modify our arrangements in a manner that adversely impacts our business, financial condition and results of operations. We may also face private or government lawsuits alleging violations arising from the concerns articulated by these governmental factors or alleging violations based solely on concerns of individual private parties.

If we are found to be in violation of the antitrust laws we could be subject to civil and criminal penalties or damages. The occurrence of any of these events could significantly harm our business, financial condition and results of operations.

Complex international, federal and state, as well as international, privacy, security and breach notification laws may increase the costs of operation and expose us to civil and criminal government sanctions and third-party civil litigation.

We must comply with extensive federal and state requirements regarding the use, retention, security and re-disclosure of patient/beneficiary healthcare information. The Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations that have been issued under it, which we refer to collectively as HIPAA, contain substantial restrictions and complex

requirements with respect to the use and disclosure of certain individually identifiable health information, referred to as "protected health information." The HIPAA Privacy Rule prohibits a covered entity or a business associate (essentially, a third party engaged to assist a covered entity with enumerated operational and/or compliance functions) from using or disclosing protected health information unless the use or disclosure is validly authorized by the individual or is specifically required or permitted under the HIPAA Privacy Rule and only if certain complex requirements are met. The HIPAA Security Rule establishes administrative, organization, physical and technical safeguards to protect the privacy, integrity and availability of electronic protected health information maintained or transmitted by covered entities and business associates. The HIPAA Breach Notification Rule requires that covered entities and business associates, under certain circumstances, notify patients/beneficiaries and HHS when there has been an improper use or disclosure of protected health information.

Our self-funded health benefit plan, and our healthcare provider members (provided that these members engage in HIPAA-defined standard electronic transactions with health plans, which will be all or the vast majority) are directly regulated by HIPAA as "covered entities." Most of our U.S. hospital members disclose protected health information to us so that we may use that information to provide certain data analytics, benchmarking, consulting or other operational and compliance services to these members and accordingly, we are a "business associate" of those members and are required to protect such health information under HIPAA. With the enactment of the HITECH Act of 2009 and Omnibus Rule in March 2013, the privacy and security requirements of HIPAA were modified and expanded, including further restrictions on the disclosure of protected health information by business associates of covered entities in certain cases when the disclosure is part of a remunerated transaction, and establishment of the HIPAA Breach Notification Rule, which creates a rebuttable presumption that any acquisition, access, use or disclosure of protected health information not permitted under the Privacy Rule requires notice to affected patients/beneficiaries and HHS.

Any failure or perceived failure of our products or services to meet HIPAA standards and related regulatory requirements could expose us to certain notification, penalty and/or enforcement risks, damage our reputation and adversely affect demand for our products and services and force us to expend significant capital, research and development and other resources to modify our products or services to address the privacy and security requirements of our members and HIPAA.

In addition to our obligations under HIPAA there are other federal laws that include specific privacy and security obligations, above and beyond HIPAA, for certain types of health information and impose additional sanctions and penalties. These rules are not preempted by HIPAA. All 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands have enacted legislation requiring notice to individuals of security breaches of information involving protected health information, which is not uniformly defined amongst the breach notification laws. Organizations must review each state's definitions, mandates and notification requirements and timelines to appropriately prepare and notify affected individuals and government agencies, including the attorney general in many states, in compliance with such state laws. Further, most states have enacted patient and/or beneficiary confidentiality laws that protect against the disclosure of confidential medical information, and many states have adopted or are considering adopting further legislation in this area, including privacy safeguards, security standards and special rules for so-called "sensitive" health information, such as mental health, genetic testing results, HIV status and biometric data. These state laws, if more stringent than HIPAA requirements, are not preempted by the federal requirements, and we are required to comply with them as well.

On June 28, 2018, California passed the California Consumer Privacy Act ("CCPA"), which imposes significant changes in data privacy regulation in response to consumer demand for better protection of personal data and privacy. CCPA imposes consumer protections that are comparable to the European Union's General Data Protection Regulation ("GDPR") and took effect on January 1, 2020. In the wake of the CCPA's passage, approximately 20 other states have introduced similar privacy legislation. Similar proposals are also being considered at the federal level. The CCPA will apply to a wide range of businesses that handle Californians' personal information and is not limited in scope to entities that have physical operations in California. It applies to for-profit entities "doing business" in the state that either: (i) have a gross annual revenue in excess of $25 million; or (ii) annually buy, receive for commercial purposes, sell or share for commercial purposes personal information of 50,000 or more California consumers, households or devices; or, (iii) derive 50% or more of their annual revenues from selling California consumers' personal information. CCPA broadens the definition of personal information to include data elements not previously considered under any U.S. law, and we believe that we have taken the steps necessary to comply with new requirements governing the collection, use and sharing of personal information, including updating the disclosures in our privacy notices, establishing processes for responding to consumer rights requests, observing restrictions on data monetization practices, revisiting relationships and, where necessary, revising our agreements with vendors that handle personal information on our behalf. Violations of the CCPA are subject to enforcement by the California Attorney General's office, which can seek civil penalties of $2,500 for each violation or $7,500 for each intentional violation after notice and a 30-day opportunity to cure have been provided. Enforcement activities under the CCPA by the Attorney General became effective July 1, 2020.

The implementation of GDPR on May 25, 2018, a regulation in European Union ("EU") law on data protection and privacy for all individuals within the EU and the European Economic Area ("EEA"), can affect our obligations on the receipt, storage and use of personally identifiable information (Personal Data) attributed to individuals residing in the EU and EEA. GDPR applies to all

enterprises, regardless of location, that are doing business in the EU, or that collect and analyze data tied to EU and EEA residents in connection with goods/services offered to such individuals. Some of our products and solutions are accessible internationally and such services collect Personal Data attributed to EU and EEA individuals when they engage in the use of our products and solutions. GDPR requires stringent technical and security controls surrounding the storage, use and disclosure of Personal Data, including the right to revoke consent to use, maintain, share or identify the individual through their Personal Data. GDPR is a regulation, not a directive; therefore, it does not require national governments to pass any enabling legislation and is directly binding and applicable. Sanctions under GDPR for violations of certain provisions range from a warning in writing to €20 million or up to 4% of the annual worldwide turnover of the preceding financial year for that organization, whichever is greater.

We are unable to predict what changes to HIPAA, the GDPR, the CCPA or other federal or state laws or regulations might be made in the future or how those changes could affect the demand for our products and services, our business or the associated costs of compliance.

Failure to comply with any of the federal and state standards regarding patient privacy, identity theft prevention and detection and data security may subject us to penalties, including civil monetary penalties and, in some circumstances, criminal penalties. In addition, such failure may materially injure our reputation and adversely affect our ability to retain members and attract new members and, accordingly, adversely affect our financial performance.

New requirements related to the interoperability of health information technology promulgated by the Office of the National Coordinator for Health Information Technology and enforced by the HHS Office of Inspector General could increase the costs of operation and expose us to civil government sanctions.

On May 1, 2020, the Office of the National Coordinator for Health Information Technology promulgated final regulations under the authority of the 21st Century Cures Act to impose new conditions to obtain and maintain certification of certified health information technology and prohibit certain actors - developers of certified health information technology, health information networks, health information exchanges and health care providers - from engaging in activities that are likely to interfere with the access, exchange or use of electronic health information (information blocking). The final regulations further defined exceptions for activities that are permissible, even though they may have the effect of interfering with the access, exchange or use of electronic health information. The information subject to the information blocking restrictions is limited to electronic individually identifiable health information to the extent that it would be included in a designated record set.

We currently have two products that are certified as certified health information technology. Under the final regulations, we may be subject to new communication restrictions that would largely prevent us from limiting our customer's ability to communicate about the usability, interoperability, security or user experiences relating to our certified health information technology. These new regulations may require us to review and modify current contract terms, or inform customers that offending contract terms we previously entered into are no longer effective. The new regulations may also require us to develop and execute a real world testing plan, which would require us to demonstrate to our certification body that our certified products operate as designed when implemented in the field. Failure to properly implement either of these new requirements could result in our two products losing their status as certified health information technology, which could jeopardize the utility of the products for customers.

We believe that none of our existing products or services affect the access, exchange or use of electronic information that would be considered part of a designated record set. Our products and services could, however, evolve in a manner that requires us to engage with information that would be considered part of a designated record set and therefore make us subject to the information blocking restrictions with respect to that information. On April 24, 2020, the HHS Office of Inspector General published a proposed rule to incorporate its new civil monetary penalty authority for activities that constitute information blocking. When finalized, the HHS Office of Inspector General may impose information blocking penalties against developers of certified health information technology, health information networks or health information exchanges of up to $1 million per violation. The HHS Office of Inspector General proposed that its civil monetary penalty authority for information blocking begin 60 days after it issues a final rule, but in no event before November 2, 2020.

If we become subject to regulation by the Food and Drug Administration because the functionality in one or more of our software applications causes the software to be regulated as a medical device, our financial results may be adversely impacted due to increased operating costs or delayed commercialization of regulated software products.

The Food and Drug Administration ("FDA") has the authority to regulate products that meet the definition of a medical device under the Federal Food, Drug, and Cosmetic Act. To the extent that functionality in one or more of our current or future software products causes the software to be regulated as a medical device under existing or future FDA regulations including the 21st Century Cures Act, which addresses, among other issues, the patient safety concerns generated by cybersecurity risks to medical devices and the interoperability between medical devices, we could be required to:

- register our company and list our FDA-regulated products with the FDA;
- obtain pre-market clearance from the FDA based on demonstration of substantial equivalence to a legally marketed device before marketing our regulated products;
- obtain FDA approval by demonstrating the safety and effectiveness of the regulated products prior to marketing;
- submit to inspections by the FDA; and
- comply with various FDA regulations, including the agency's quality system regulation, medical device reporting regulations, requirements for medical device modifications, increased rigor of the secure development life cycle in the development of medical devices and the interoperability of medical devices and electronic health records, requirements for clinical investigations, corrections and removal reporting regulations, and post-market surveillance regulations.

The FDA can impose extensive requirements governing pre- and post-market activities, such as clinical investigations involving the use of a regulated product, as well as conditions relating to clearance or approval, labeling and manufacturing of a regulated product. In addition, the FDA can impose extensive requirements governing development controls and quality assurance processes. Any application of FDA regulations to our business could adversely affect our financial results by increasing our operating costs, slowing our time to market for regulated software products, and making it uneconomical to offer some software products.

Risks Related to Our Structure

Premier, Inc. is a holding company with no material business operations of its own, and it depends on distributions from Premier LP to pay taxes, pay any cash dividends, if declared, and make share repurchases of, our Class A common stock.

Premier, Inc. is a holding company with no material operations of its own, and it currently has no independent ability to generate revenue. Consequently, Premier, Inc.'s ability to obtain operating funds currently depends upon distributions from Premier LP to Premier GP and then from Premier GP to Premier, Inc. In accordance with the LP Agreement, subject to applicable laws and regulations and the terms of Premier LP's financing agreements, Premier GP causes Premier LP to make quarterly distributions to Premier GP to facilitate the payment of taxes, as may be required. Premier GP distributes any amounts it receives from Premier LP to Premier, Inc., and Premier, Inc. uses such amounts to pay applicable taxes. In addition, pursuant to our GPO participation agreements, Premier LP's aggregate contractual revenue share obligations to GPO members, which reduces the amount of funds available for Premier LP to distribute to Premier, Inc., is generally in the high-40% to low-50% range moving forward.

To the extent that Premier, Inc. needs funds and Premier LP is restricted from making distributions under applicable law or regulation or under the terms of our unsecured revolving credit facility or is otherwise unable to provide such funds, Premier, Inc.'s liquidity and financial condition could be materially and adversely affected. In addition, our ability to pay future cash dividends, if any, or purchase Class A common shares under any then existing share repurchase program is dependent on Premier LP's ability to make distributions to Premier, Inc. Furthermore, the declaration and payment of future dividends by us, if any, will be at the discretion of our Board of Directors and will depend on, among other things, financial results and cash flows from Premier LP's operations, our strategic plans and such other factors as our Board of Directors considers relevant. In addition, Premier LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of the limited partnership (with certain exceptions) exceed the fair value of its assets.

Different interests among our GPO members or between our GPO members and us, including with respect to related party transactions, could prevent us from achieving our business goals.

As of July 31, 2020, six members of our 15-member Board of Directors were affiliated with our GPO members. Certain of our GPO members could have business interests that may conflict with those of the other member-owners, which may make it difficult for us to pursue strategic initiatives that require consensus among our GPO members. In addition, our relationship with our GPO members could create conflicts of interest among the GPO members, or between the GPO members and us, in a number of areas relating to our ongoing relationships. For example, certain of our products and services compete (or may compete in the future) with various products and services of our GPO members. Except as set forth in the GPO participation agreements, there are not any formal dispute resolution procedures in place to resolve conflicts between us and a GPO member or between or among GPO members. If we are unable to resolve any actual or potential conflicts between us and a GPO member, or if we are forced to resolve one or more conflicts on terms that are less favorable to us, we may experience a material adverse effect on our business operations, financial condition and results of operations.

Our GPO members may be able to exercise significant influence over us.

As of August 11, 2020, six members of our Board of Directors are employees of GPO members. In addition, as of August 11, 2020, our GPO members beneficially own, in the aggregate, approximately 47% of our outstanding shares of Premier, Inc. Class A common stock. Based on their holdings as of August 11, 2020, our GPO members may have significant influence in election of

the members of our Board of Directors and other matters requiring action by our stockholders, including amendments to our certificate of incorporation and bylaws, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions even if such actions are not favored by our other stockholders. This concentration of ownership may also prevent a change in the composition of our Board of Directors or a change in control of our company that could deprive other stockholders of an opportunity to receive a premium for their Class A common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Payments required under the Unit Exchange and Tax Receivable Acceleration Agreements will reduce the amount of overall cash flow that would otherwise be available to us. In addition, we may not be able to realize all or a portion of the expected tax benefits that correspond to our fixed payment obligations associated with the acceleration of our TRA.

We entered into Unit Exchange and Tax Receivable Acceleration Agreements, effective as of July 1, 2020 (the "Unit Exchange Agreements"), with a substantial majority of our member-owners. Pursuant to the terms of the Unit Exchange Agreements, we elected to terminate the TRA upon payment to the member-owners of the discounted present value of the tax benefit payments otherwise owed to them over a 15-year period under the TRA. As a result of the acceleration and termination of the TRA, we are obligated to pay our member-owners approximately $473.5 million in aggregate. Of that amount, approximately $10.6 million is expected to be paid during the first quarter of fiscal 2021 and the remaining amount, approximately $462.9 million, is payable in equal quarterly installments commencing during the quarter ended March 31, 2021 and ending in the quarter ending June 30, 2025. Due to the payments required under the Unit Exchange Agreements, our overall cash flow and discretionary funds will be reduced, which may limit our ability to execute our business strategies or deploy capital for preferred use. In addition, if we do not have available capital on hand or access to adequate funds to make these required payments, our financial condition would be materially adversely impacted.

The payments required upon termination of the TRA are based upon the present value of all forecasted future payments that would have otherwise been made under the TRA. These payments are fixed obligations of ours and could ultimately exceed the actual tax benefits that we realize. Additionally, if our actual taxable income were insufficient or there were adverse changes in applicable law or regulations, we may be unable to realize all or a portion of these expected benefits and our cash flows and stockholders' equity could be negatively affected.

Our certificate of incorporation and bylaws and provisions of Delaware law may discourage or prevent strategic transactions, including a takeover of our company, even if such a transaction would be beneficial to our stockholders.

Provisions contained in our certificate of incorporation and bylaws and provisions of the Delaware General Corporation Law, or DGCL, could delay or prevent a third party from entering into a strategic transaction with us, even if such a transaction would benefit our stockholders. For example, our certificate of incorporation and bylaws:

- divide our Board of Directors into three classes with staggered three-year terms, which may delay or prevent a change of our management or a change in control;
- authorize our Board of Directors to issue "blank check" preferred stock in order to increase the aggregate number of outstanding shares of capital stock and thereby make a takeover more difficult and expensive;
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- do not permit stockholders to take action by written consent;
- provide that special meetings of the stockholders may be called only by or at the direction of the Board of Directors, the chair of our Board or the chief executive officer;
- require advance notice to be given by stockholders of any stockholder proposals or director nominees;
- require a super-majority vote of the stockholders to amend our certificate of incorporation; and
- allow our Board of Directors to make, alter or repeal our bylaws but only allow stockholders to amend our bylaws upon the approval of $66^{2}/_{3}\%$ or more of the voting power of all of the outstanding shares of our capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the DGCL which limits, subject to certain exceptions, the right of a corporation to engage in a business combination with a holder of 15% or more of the corporation's outstanding voting securities or certain affiliated persons.

These restrictions could limit stockholder value by impeding the sale of our company and discouraging potential takeover attempts that might otherwise be financially beneficial to our stockholders.

Risks Related to Our Class A Common Stock

If we fail to maintain an effective system of integrated internal controls, we may not be able to report our financial results accurately, we may determine that our prior financial statements are not reliable, or we may be required to expend significant financial and personnel resources to remediate any weaknesses, any of which could have a material adverse effect on our business, financial condition and results of operations.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and attestations of the effectiveness of internal controls by independent auditors. Maintaining effective internal controls has been and will continue to be costly and may divert management's attention.

We have identified material weaknesses in our internal controls over financial reporting in the past. Our future evaluation of our internal controls over financial reporting may identify additional material weaknesses that may cause us to (i) be unable to report our financial information on a timely basis or (ii) determine that our previously issued financial statements should no longer be relied upon because of a material error in such financial statements, and thereby result in adverse regulatory consequences, including sanctions by the SEC, violations of NASDAQ listing rules or stockholder litigation. In the event that we identify a material weakness in our internal control over financial reporting, we may need to amend previously reported financial statements and will be required to implement a remediation plan to address the identified weakness, which will likely result in our expending significant financial and personnel resources to remediate the identified weakness. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. The occurrence of any of these events could materially adversely affect our business, financial condition and results of operations and could also lead to a decline in the price of our Class A common stock.

The substantial number of shares of Class A common stock that were issued to former member-owners in exchange for their Class B Units of Premier LP as part of the recent restructuring are currently eligible for sale, which could cause the market price for our Class A common stock to decline or make it difficult for us to raise financing through the sale of equity securities in the future.

We cannot predict the effect, if any, that market sales of shares of Class A common stock or the availability of shares of Class A common stock for sale by our former member-owners will have on the market price of our Class A common stock from time to time. At June 30, 2020, we had 71,627,462 shares of our Class A common stock outstanding. On August 11, 2020, we issued an additional 50,143,414 shares of our Class A common stock to our former member-owners in exchange for their Class B Units of Premier LP as part of the recent restructuring and filed a registration statement on Form S-3ASR with the SEC to facilitate the resale of such shares from by our former member-owners. Sales of substantial amounts of shares of our Class A common stock in the public market, or the perception that those sales will occur, could cause the market price of our Class A common stock to decline or make future offerings of our equity securities more difficult. If we are unable to sell equity securities at times and prices that we deem appropriate, we may be unable to fund our future growth.

There can be no assurance we will pay dividends on our Class A common stock at currently contemplated levels or at all, and failure to pay any such dividends could have a material adverse impact on our stock price and your investment in Premier.

We recently announced the declaration of a quarterly cash dividend on our Class A common stock. Payment of dividends at such anticipated levels will be at the discretion of our Board of Directors after taking into account various factors, including our business, operating results and financial condition, current and anticipated capital requirements and cash needs, plans for expansion and any legal or contractual limitations on our ability to pay dividends. As a result, capital appreciation in the price of our Class A common stock, if any, may be your only source of gain on an investment in our Class A common stock.

Our future issuance of common stock, preferred stock, limited partnership units or debt securities could have a dilutive effect on our common stockholders and adversely affect the market value of our Class A common stock.

In the future, we could issue a significant number of shares of Class A common stock, which could dilute our existing stockholders significantly and have a material adverse effect on the market price for the shares of our Class A common stock. Furthermore, the future issuance of shares of preferred stock with voting rights may adversely affect the voting power of our common stockholders, either by diluting the voting power of our common stock if the preferred stock votes together with the common stock as a single class or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our common stock. The future issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our Class A common stock by making an investment in the Class A common stock less attractive.

In addition to potential equity issuances described above, we also may issue debt securities that would rank senior to shares of our Class A common stock.

Upon our liquidation, holders of our preferred shares, if any, and debt securities and instruments will receive a distribution of our available assets before holders of shares of our Class A common stock. We are not required to offer any such additional debt or equity securities to existing stockholders on a preemptive basis. Therefore, additional issuances of our Class A common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holders of shares of our existing Class A common stock and such issuances, or the anticipation of such issuances, may reduce the market price of shares of our Class A common stock. Any preferred shares, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could limit our ability to make distributions to holders of shares of our Class A common stock. Because our decision to issue debt or equity securities or otherwise incur debt in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future capital raising efforts.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We occupy our Charlotte, North Carolina headquarters under a long-term lease which expires in 2026 and includes options for us, at our discretion, to renew the lease for up to 15 years in total beyond that date.

As of June 30, 2020, we also occupy and lease smaller facilities in several locations including: El Segundo, California; Oakland, California; San Diego, California; Walnut Creek, California; Washington, D.C.; New York, New York; Charlotte, North Carolina; Hudson, Ohio; and College Station, Texas. We believe that our headquarters, as well as our smaller leased facilities, are suitable for our use and are, in all material respects, adequate for our present and expected needs. In connection with COVID-19 and related temporary closures, we continue to evaluate our real estate needs.

We generally conduct the operations of our Supply Chain Services segment and our Performance Services segment across our property locations. See Note 16 - Commitments and Contingencies to the accompanying audited consolidated financial statements for more information about our operating leases.

Item 3. Legal Proceedings

We participate in businesses that are subject to substantial litigation from time to time. We are periodically involved in litigation, arising in the ordinary course of business or otherwise, which from time to time may include claims relating to contractual disputes, product liability, tort or personal injury, employment, antitrust, intellectual property or other commercial or regulatory matters. If current or future government regulations are interpreted or enforced in a manner adverse to us or our business, specifically those with respect to antitrust or healthcare laws, we may be subject to enforcement actions, penalties, damages and material limitations on our business. Furthermore, as a public company, we may become subject to stockholder derivative or other similar litigation.

From time to time we have been named as a defendant in class action antitrust lawsuits brought by suppliers or purchasers of medical products. Typically, these lawsuits have alleged the existence of a conspiracy among manufacturers of competing products, distributors and/or operators of GPOs, including us, to deny the plaintiff access to a market for certain products to raise the prices for products and/or limit the plaintiff's choice of products to buy. We believe that we have at all times conducted our business affairs in an ethical and legally compliant manner. No assurance can be given that we will not be subjected to similar actions in the future or that any such existing or future matters will be resolved in a manner satisfactory to us or which will not harm our business, financial condition or results of operations.

Additional information relating to certain legal proceedings in which we are involved is included in Note 16 - Commitments and Contingencies, to the accompanying audited consolidated financial statements, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock is publicly traded on the NASDAQ Global Select Market ("NASDAQ") under the ticker symbol "PINC." Our Class B common stock is not publicly traded.

Based on the records of our Class A common stock transfer agent, as of August 21, 2020, there were 121,870,327 shares of our Class A common stock issued and outstanding, held by 160 holders of record. Because a substantial portion of our Class A common stock is held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of beneficial owners currently holding our Class A common stock. As of August 21, 2020, we had no shares of Class B common stock outstanding.

Dividend Policy

On August 5, 2020, our Board of Directors declared a cash dividend of $0.19 per share, payable on September 15, 2020 to stockholders of record on September 1, 2020. We currently expect quarterly dividends to continue to be paid on or about December 15, March 15, June 15, and September 15. However, the actual declaration of any future cash dividends, and the setting of record and payment dates as well as the per share amounts, will be at the discretion of our Board of Directors each quarter after consideration of various factors, including our results of operations, financial condition and capital requirements, earnings, general business conditions, restrictions imposed by our current credit facility and any future financing arrangements, legal restrictions on the payment of dividends and other factors our Board of Directors deems relevant.

Recent Sales of Unregistered Securities

All sales of unregistered securities during the fiscal year ended June 30, 2020 have been previously reported in filings with the SEC.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by Item 201(d) of Regulation S-K is provided under Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Equity Compensation Plan Information, incorporated herein by reference.

Purchases of Equity Securities

On May 7, 2019, we announced that our Board of Directors authorized the repurchase of up to $300.0 million of our outstanding Class A common stock during fiscal year 2020. During fiscal year 2020, we purchased an aggregate of 4.6 million shares of Class A common stock at an average price of $32.28 per share for a total purchase price of $150.0 million under our fiscal year 2020 stock repurchase program. No shares of Class A common stock were repurchased during the three months ended June 30, 2020. In addition, during the year ended June 30, 2020, no shares of Class B common units were exchanged for cash in connection with quarterly member owner exchanges under the Exchange Agreement.

Company Stock Performance

The performance graph below shows a five-year comparison of the total cumulative return, assuming reinvestment of all dividends, had $100 been invested at the close of business on June 30, 2015, in each of:

- our Class A common stock;
- the NASDAQ Composite stock index ("NASDAQ Composite Index");
- a customized peer group of 14 companies selected by us that we believe is better aligned with our company (the "Peer Group"); and
- a customized peer group of companies previously used by us (the "Prior Peer Group").

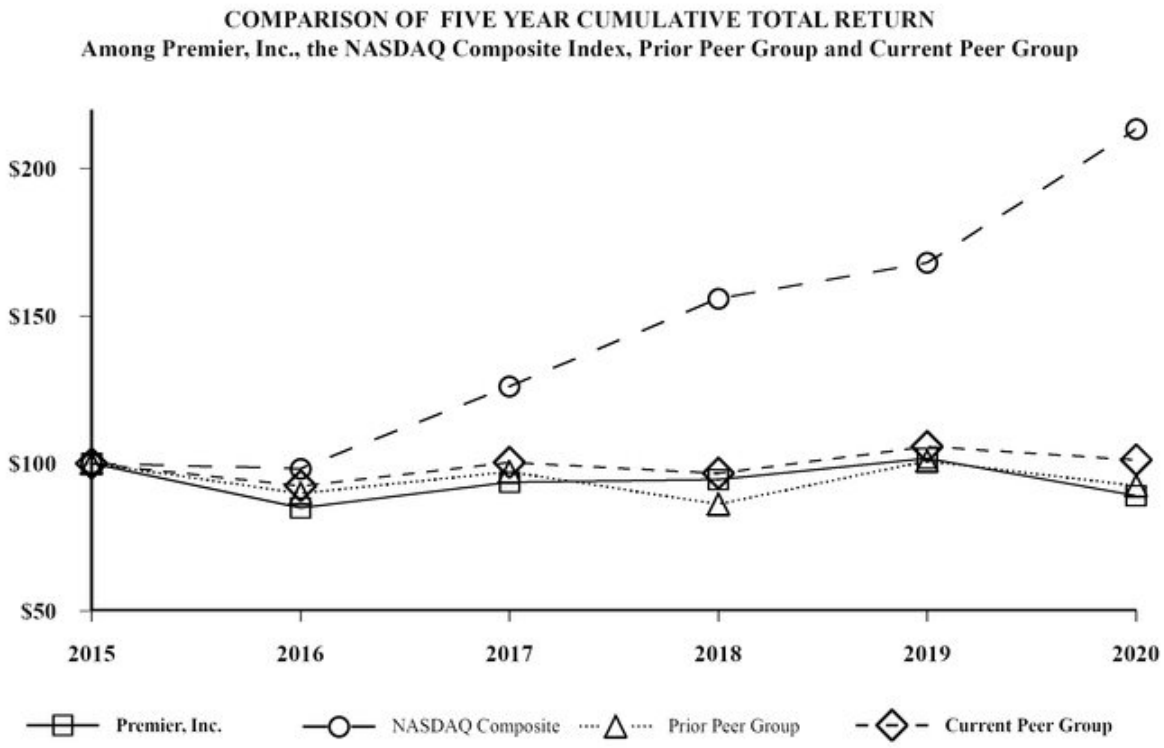
We have used the Peer Group, a group selected in good faith and used by our compensation committee of the Board of Directors ("compensation committee") for peer comparison benchmarking purposes because we believe this group provides an accurate representation of our peers. Our compensation committee reviewed and selected the companies in our fiscal year 2020 Peer Group in August 2019. Our compensation committee determined it appropriate to reconfigure our peer group to a more representative group of appropriately sized companies that reflect our diverse and growing business model. As the companies in our Peer Group change, our compensation committee will continue to review and reconfigure our Peer Group as applicable.

The Peer Group graph line consists of the following 14 companies: Allscripts Healthcare Solutions Inc., AMN Healthcare Services, Inc., ASGN Inc., Cerner Corp, FTI Consulting Inc., Hill-Rom Holdings Inc., HMS Holdings Corp, Huron Consulting Group Inc., Magellan Health Inc., Mednax Inc., NextGen Healthcare, Inc., Omnicell Inc., Owens & Minor Inc. and Patterson Companies Inc. In addition, Navigant Consulting, Inc., was a member of the fiscal year 2020 Peer Group but was excluded from the graph below because it was acquired in October 2019. The Prior Peer Group graph line consisted of the following nine companies: Allscripts Healthcare Solutions Inc., Cerner Corp, HMS Holdings Corp, Huron Consulting Group Inc., Magellan Health Inc., NextGen Healthcare, Inc., Omnicell Inc., Owens & Minor Inc. and Patterson Companies Inc. In addition, Navigant Consulting Inc. and athenahealth, Inc., were each members of the fiscal year 2019 Peer Group but were excluded from the Prior Peer Group graph line below because they were acquired October 2019 and February 2019, respectively.

Compared to the Prior Peer Group, our current Peer Group includes: AMN Healthcare Services Inc., ASGN Inc., FTI Consulting Inc., Hill-Rom Holdings Inc. and Mednax Inc. which our compensation committee believed were similar in size and business operations to us and excludes athenahealth, Inc., which was acquired in February 2019.

The information contained in the performance graph below shall not be deemed "soliciting material" or to be "filed" with the SEC nor shall such information be deemed incorporated by reference into any future filing under the Securities Act or the Exchange Act except to the extent we specifically incorporate it by reference into such filing.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock. Research Data Group, Inc. provided the data for the indices presented below. We assume no responsibility for the accuracy of the indices' data, but we are not aware of any reason to doubt its accuracy.



Value of Investment as of June 30[(a)]:

Company/Index Name	2015	2016	2017	2018	2019	2020
Premier, Inc. Class A Common Stock	$ 100.00	$ 85.02	$ 93.60	$ 94.59	$ 101.69	$ 89.13
NASDAQ Composite Index	$ 100.00	$ 98.32	$ 126.14	$ 155.91	$ 168.04	$ 213.32
Prior Peer Group	$ 100.00	$ 89.79	$ 97.18	$ 86.21	$ 100.81	$ 92.52
Current Peer Group	$ 100.00	$ 92.42	$ 100.38	$ 96.67	$ 105.73	$ 101.22

(a) Assumes $100 invested on June 30, 2015, including reinvestment of dividends. As noted above, we have not paid any cash dividends during the period covered by the graph.

We will neither make nor endorse any predictions as to future stock performance or whether the trends depicted in the graph above will continue or change in the future. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

As of June 30, 2020, we, through our wholly owned subsidiary, Premier Services, LLC, a Delaware limited liability company ("Premier GP"), held sole general partner interest of 59% in, and, as a result, consolidated the financial statements of, Premier LP. The limited partners' ownership of Premier LP of 41% at June 30, 2020 is reflected as redeemable limited partners' capital in the Consolidated Balance Sheets, and the limited partners' proportionate share of income in Premier LP is reflected within net income attributable to non-controlling interest in Premier LP in our Consolidated Statements of Income and Comprehensive Income.

We derived the selected historical consolidated financial data presented in the following tables from the audited consolidated financial statements and related notes of Premier, Inc. Please read Management's Discussion and Analysis of Financial Condition and Results of Operations, and our audited consolidated financial statements and notes thereto contained elsewhere herein and in previous annual reports on Form 10-K filed with the SEC for additional information regarding the financial data presented below, including matters that might cause this data not to be indicative of our future financial position or results of operations.

	Year Ended June 30,				
	2020 [1]	2019 [2, 3]	2018 [2]	2017 [2, 4]	2016 [2, 5]
Consolidated Statements of Income and Comprehensive Income Data:					
Net revenue	$ 1,299,592	$ 1,217,638	$ 1,184,657	$ 1,066,238	$ 958,432
Cost of revenue	432,791	355,630	341,997	308,713	262,338
Gross profit	866,801	862,008	842,660	757,525	696,094
Other operating income [6]	24,584	—	177,174	5,447	4,818
Operating expenses	517,765	493,494	479,475	445,015	432,387
Other income (expense), net [7]	10,067	(375)	(22,826)	213,571	18,934
Net income from continuing operations [2]	291,126	334,677	258,007	449,604	236,558
Income (loss) from discontinued operations, net of tax [2]	1,054	(50,598)	(437)	(127)	(1,397)
Net income	292,180	284,079	257,570	449,477	235,161
Net income attributable to non-controlling interest [8]	(161,816)	(174,959)	(224,269)	(336,052)	(193,547)
Adjustment of redeemable limited partners' capital to redemption amount	468,311	(118,064)	157,581	(37,176)	776,750
Net income (loss) attributable to stockholders	598,675	(8,944)	190,882	76,249	818,364
Per Share Data:					
Weighted average shares outstanding:					
Basic	67,035	59,188	53,518	49,654	42,368
Diluted	123,614	60,269	137,340	50,374	145,308
Earnings (loss) per share attributable to stockholders:					
Basic earnings (loss) per share					
Continuing operations	$ 8.92	$ 0.27	$ 3.57	$ 1.54	$ 19.33
Discontinued operations	0.01	(0.42)	0.00	—	(0.01)
Basic earnings (loss) per share attributable to stockholders	$ 8.93	$ (0.15)	$ 3.57	$ 1.54	$ 19.32
Diluted earnings (loss) per share					
Continuing operations	$ 2.03	$ 0.27	$ 1.37	$ 1.51	$ 0.98
Discontinued operations	0.01	(0.42)	(0.01)	—	(0.01)
Diluted earnings (loss) per share attributable to stockholders	$ 2.04	$ (0.15)	$ 1.36	$ 1.51	$ 0.97

Consolidated Balance Sheets Data:	June 30, 2020	2019	2018	2017	2016
Cash, cash equivalents and marketable securities, current	$ 99,304	$ 141,055	$ 152,386	$ 156,735	$ 266,576
Working capital (deficit) [9]	122,288	156,022	(20,264)	(162,775)	136,827
Property and equipment, net	206,728	205,108	205,349	185,133	170,805
Total assets	2,948,515	2,569,567	2,312,216	2,507,836	1,855,383
Deferred revenue [10]	35,446	35,623	39,785	44,443	54,498
Total liabilities	1,088,943	908,547	818,870	1,031,506	669,614
Redeemable limited partners' capital [11]	1,720,309	2,523,270	2,920,410	3,138,583	3,137,230
Class A common stock	716	644	575	519	460
Treasury stock, at cost [12]	—	(87,220)	(150,058)	—	—
Additional paid-in capital	138,547	—	—	—	—
Accumulated deficit	—	(775,674)	(1,277,581)	(1,662,772)	(1,951,878)
Total stockholders' equity (deficit)	139,263	(862,250)	(1,427,064)	(1,662,253)	(1,951,461)

(1) Amounts include the results of operations of Medpricer.com, Inc. ("Medpricer"), Acurity, LLC and Nexera, LLC and Contigo Health, LLC ("Contigo Health", f/k/a Health Design Plus, LLC, ("HDP")), from October 28, 2019, February 28, 2020 and May 4, 2020, respectively, the dates of acquisition of all of the outstanding common stock in Medpricer, substantially all of the assets and certain liabilities of Acurity, Inc. and Nexera, Inc. and 97% of the equity of HDP, respectively. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information related to the acquisition completed during the year ended June 30, 2020.

(2) Results have been retrospectively adjusted to reflect the specialty pharmacy business as a discontinued operation for all periods presented. See Note 4 - Discontinued Operations and Exit Activities to the accompanying audited consolidated financial statements for further information.

(3) Amounts include the results of operations of Stanson Health, Inc. ("Stanson") from November 9, 2018, the date of acquisition of all the outstanding common stock of Stanson. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information related to the acquisition completed during the year ended June 30, 2019.

(4) Amounts include the results of operations of (i) Acro Pharmaceutical Services LLC and Community Pharmacy Services, LLC (collectively, "Acro Pharmaceuticals") from August 23, 2016, the date of acquisition of all of the membership interests of Acro Pharmaceuticals, retrospectively adjusted to be reflected as a discontinued operation, and (ii) Innovatix, LLC ("Innovatix") and Essensa Ventures, LLC ("Essensa") from December 2, 2016, the date of acquisition of all the membership interests of Innovatix and Essensa. Prior to December 2, 2016, we held 50% of the membership interests in Innovatix, and reported equity in net income of Innovatix within other income (expense), net in the Consolidated Statements of Income and Comprehensive Income.

(5) Amounts include the results of operations of InFlowHealth, LLC ("InFlow"), CECity.com, Inc. ("CECity") and Healthcare Insights, LLC ("HCI"), from October 1, 2015, August 20, 2015 and July 31, 2015, respectively, the dates of acquisition of all the membership interests of InFlow, all the outstanding shares of CECity, and all the membership interests of HCI, respectively.

(6) Other operating income includes the adjustment to TRA liabilities. Changes in estimated TRA liabilities that are the result of a change in tax accounting method, including the impacts of the TCJA, are recorded as a component of other operating income in the Consolidated Statements of Income and Comprehensive Income. Changes in estimated TRA liabilities that are related to new basis changes as a result of the exchange of Class B common units for a like number of shares of Class A common stock or as a result of departed member owners are recorded as an increase or decrease to additional paid-in capital in the Consolidated Statements of Stockholders' Equity (Deficit).

(7) Other income (expense), net, consists primarily of a one-time gain of $205.1 million related to the remeasurement of our historical 50% equity method investment in Innovatix to fair value upon acquisition of Innovatix and Essensa on December 2, 2016 which occurred during the year ended June 30, 2017. In addition, other income (expense), net includes equity in net income of unconsolidated affiliates that is generated from our equity method investments. Our equity method investments primarily consist of our 49% ownership in FFF Enterprises, Inc. ("FFF"), and prior to the acquisition of Innovatix and Essensa, included our 50% ownership interest in Innovatix. Other income (expense), net, also includes net changes in the fair values of the FFF put and call rights (see Note 6 - Fair Value Measurements to the accompanying audited consolidated financial

statements), interest income and expense, realized and unrealized gains or losses on deferred compensation plan assets, gains or losses on the disposal of assets, and realized gains and losses on our marketable securities.

(8) Net income attributable to non-controlling interest includes net income attributable to non-controlling interest in Premier LP. Net income attributable to non-controlling interest in Premier LP represents the portion of net income attributable to the limited partners of Premier LP, which was 41% at June 30, 2020.

(9) Working capital represents the excess (deficit) of total current assets less total current liabilities attributable to continuing operations. At June 30, 2018 and 2017, working capital deficit includes the $100.3 million and $228.0 million current portion of long-term debt, respectively, which is recorded within current liabilities.

(10) Deferred revenue is primarily related to deferred subscription fees and deferred consulting fees in our Performance Services segment and consists of unrecognized revenue related to advanced member invoicing or member payments received prior to fulfillment of our revenue recognition criteria.

(11) Redeemable limited partners' capital represents the member owners' ownership of Premier LP through their ownership of Class B common units. We are required to repurchase a limited partner's interest in Premier LP upon such limited partner's withdrawal from Premier LP, or such limited partner's failure to comply with the applicable purchase commitments under the historical limited partnership agreement of Premier LP. As of June 30, 2020, redeemable limited partners' capital was classified as temporary equity in the mezzanine section of the accompanying Consolidated Balance Sheets as the withdrawal was at the option of each limited partner and the conditions of the repurchase were not solely within our control. We record redeemable limited partners' capital at the greater of the book value or redemption amount per the LP Agreement at the reporting date, with the corresponding offset to additional paid-in-capital and accumulated deficit.

(12) Pursuant to our previously announced fiscal years 2018, 2019 and 2020 stock repurchase programs, we purchased 6.4 million, 6.7 million and 4.6 million shares of Class A common stock, respectively, at an average price of $31.16, $37.38 and $32.28 per share, respectively, for a total purchase price of $200.0 million during fiscal year 2018, $250.0 million during fiscal year 2019 and $150.0 million during fiscal year 2020. We used 1.6 million, 9.0 million and 4.6 million treasury shares to settle the exchange of Class B common units during the years ended June 30, 2018, 2019 and 2020, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and the notes thereto included elsewhere in this Annual Report. This discussion is designed to provide the reader with information that will assist in understanding our consolidated financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our consolidated financial statements. In addition, the following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Item 1A. Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" contained in this Annual Report. Unless otherwise indicated, information in Management's Discussion and Analysis of Financial Condition and Results of Operations has been retrospectively adjusted to reflect continuing operations for all periods presented. See Note 4 - Discontinued Operations and Exit Activities to the audited consolidated financial statements included in this Annual Report for further information.

Business Overview

Our Business

Premier, Inc. ("Premier", the "Company", "we", or "our") is a leading healthcare improvement company, uniting an alliance of more than 4,100 U.S. hospitals and health systems and approximately 200,000 other providers and organizations to transform healthcare. We partner with hospitals, health systems, physicians and other healthcare providers with the common goal of improving and innovating in the clinical, financial and operational areas of their businesses to meet the demands of a rapidly evolving healthcare industry. We deliver value through a comprehensive technology-enabled platform that offers critical supply chain services, clinical, financial, operational and value based care software-as-a-service ("SaaS") and licensed-based clinical analytics products, consulting services and performance improvement collaborative programs.

As of June 30, 2020, we were owned, in part, by 155 U.S. hospitals, health systems and other healthcare organizations, which represented approximately 1,475 owned, leased and managed acute care facilities and other non-acute care organizations, through their ownership of Class B common stock. As of June 30, 2020, the outstanding Class A common stock and Class B common stock represented 59% and 41%, respectively, of our combined outstanding Class A and Class B common stock. As of June 30, 2020,

all of our Class B common stock was held beneficially by our member owners and all of our Class A common stock was held by public investors, which may include member owners that have received shares of our Class A common stock in connection with previous quarterly exchanges pursuant to an exchange agreement (the "Exchange Agreement") (see Note 1 - Organization and Basis of Presentation to the accompanying audited consolidated financial statements for more information). On August 11, 2020, we executed a corporate restructuring as described in "Item 1. Business" under "Recent Restructuring" and in Note 21 - Subsequent Events to the accompanying audited consolidated financial statements.

We generated net revenue, net income from continuing operations and Adjusted EBITDA (a financial measure not determined in accordance with generally accepted accounting principles ("Non-GAAP")) for the periods presented as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Net revenue	$ 1,299,592	$ 1,217,638	$ 1,184,657
Net income from continuing operations	291,126	334,677	258,007
Non-GAAP Adjusted EBITDA	564,040	561,042	539,520

See "Our Use of Non-GAAP Financial Measures" and "Results of Operations" below for a discussion of our use of Adjusted EBITDA and a reconciliation of net income from continuing operations to Adjusted EBITDA.

Our Business Segments

Our business model and solutions are designed to provide our members access to scale efficiencies while focusing on optimization of information resources and cost containment, provide actionable intelligence derived from anonymized data in our data warehouse provided by our members, mitigate the risk of innovation and disseminate best practices that will help our member organizations succeed in their transformation to higher quality and more cost-effective healthcare. We deliver our integrated platform of solutions that address the areas of total cost management, quality and safety improvement and value based care through two business segments: Supply Chain Services and Performance Services.

Segment net revenue was as follows (in thousands):

	Year Ended June 30,			Change				% of Net Revenue		
Net revenue:	**2020**	**2019**	**2018**	**2020**		**2019**		**2020**	**2019**	**2018**
Supply Chain Services	$ 952,763	$ 855,180	$ 823,978	$ 97,583	11 %	$ 31,202	4%	73%	70%	70%
Performance Services	346,829	362,458	360,679	(15,629)	(4)%	1,779	—%	27%	30%	30%
Net revenue	**$ 1,299,592**	**$ 1,217,638**	**$ 1,184,657**	**$ 81,954**	**7 %**	**$ 32,981**	**3%**	**100%**	**100%**	**100%**

Our Supply Chain Services segment includes one of the largest healthcare group purchasing organization programs ("GPO") in the United States, serving acute, non-acute, non-healthcare and alternate sites, supply chain co-management and our direct sourcing activities. We generate revenue in our Supply Chain Services segment from administrative fees received from suppliers based on the total dollar volume of supplies purchased by our members, fees from supply chain co-management and through product sales in connection with our direct sourcing activities.

Our Performance Services segment includes one of the largest informatics and consulting services businesses in the United States focused on healthcare providers. Our software as a service ("SaaS") based clinical analytics products and technology licenses utilize our comprehensive data set to provide actionable intelligence to our members, enabling them to benchmark, analyze and identify areas of improvement across three main categories: cost management, quality and safety, and value based care. The Performance Services segment also includes our technology enabled performance improvement collaboratives, consulting services, direct to employer initiative and insurance management services.

Acquisitions and Divestitures

Acquisition of Health Design Plus, LLC

On May 4, 2020, we, through our consolidated subsidiary Premier Healthcare Solutions, Inc. ("PHSI"), acquired 97% of the equity of Health Design Plus, LLC ("HDP") for an adjusted purchase price of $24.0 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under our Credit Facility (as defined in Note 10 - Debt to the accompanying audited consolidated financial statements). HDP is a third-party administrator and arranges care for employees through its Centers of Excellence program. Shortly after closing, HDP was renamed Contigo Health,

LLC ("Contigo Health") and is reported as part of the Performance Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Acquisition of Acurity and Nexera Assets

On February 28, 2020, we, through two newly formed consolidated subsidiaries, Prince A Purchaser, LLC ("PAP") and Prince N Purchaser, LLC ("PNP"), acquired substantially all of the assets and certain liabilities of Acurity, Inc. and Nexera, Inc., both indirect wholly-owned subsidiaries of Greater New York Hospital Association ("GNYHA"), for an aggregate amount of $291.5 million, of which $166.1 million was paid at closing with borrowings under our Credit Facility. Pursuant to the terms of the asset purchase agreement (as amended, the "Purchase Agreement"), an additional $120.0 million will be paid to the sellers in four equal annual installments of $30.0 million on or about June 30, 2021, 2022, 2023 and 2024. An additional $5.4 million is expected to be paid during our first fiscal quarter of 2021. In addition to the aggregate amount of $291.5 million, the Purchase Agreement provides a graduated earn-out opportunity to Acurity, Inc. of up to $30.0 million based upon our achievement of a range of member renewals on terms to be agreed to by us and GNYHA based on prevailing market conditions in December 2023.

After the closing of the transaction, we changed the names of PAP and PNP to Acurity, LLC ("Acurity") and Nexera, LLC ("Nexera"), respectively. Acurity is a regional group purchasing organization and has been a customer and strategic partner of ours for more than 24 years. Nexera is a hospital financial improvement consulting firm which partners with healthcare organizations to improve hospital and health system performance, with a significant focus on supply chain enhancement and transformation. We report the operations of Acurity and Nexera as part of the Supply Chain Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Acquisition of Medpricer

On October 28, 2019, we, through its consolidated subsidiary, Premier Supply Chain Improvement, Inc. ("PSCI"), acquired all of the outstanding capital stock in Medpricer.com, Inc. ("Medpricer") for an adjusted purchase price of $38.5 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility. Medpricer is a SaaS-based provider of technology solutions that enable hospitals and other organizations to analyze, benchmark and source purchased services contracts independent of any existing GPO affiliation. Recently, Medpricer changed its name to Conductiv, Inc. ("Conductiv") and is reported as part of the Supply Chain Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Acquisition of Stanson

On November 9, 2018, we acquired 100% of the outstanding capital stock in Stanson Health, Inc. ("Stanson") for an adjusted purchase price of $55.4 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. Stanson is a SaaS-based provider of clinical decision support tools that are integrated directly into the electronic health record workflow, to help provide real-time, patient-specific best practices at the point of care. Stanson is reported as part of the Performance Services segment. See Note 3 - Business Acquisitions to the accompanying audited consolidated financial statements for further information.

Divestiture of Specialty Pharmacy Business - Discontinued Operations

On June 7, 2019, we completed the sale of prescription files and records and certain other assets used in our specialty pharmacy business for $22.3 million. We also received $7.6 million related to the sale of a portion of our pharmaceutical inventory on June 10, 2019, and an additional $3.6 million on July 24, 2019 primarily in connection with the sale of our remaining pharmaceutical inventory. In addition, during the fourth quarter of fiscal year 2019, we had substantially completed the wind down and exit from the specialty pharmacy business. We recognized non-cash impairment charges of $80.4 million during the year ended June 30, 2019 related to goodwill, purchased intangibles and other assets of the specialty pharmacy business that were not sold or did not have an alternative use.

We met the criteria for classifying certain assets and liabilities of the specialty pharmacy business as a discontinued operation as of June 30, 2019. Accordingly, unless otherwise indicated, information in this Annual Report has been retrospectively adjusted to reflect continuing operations for all periods presented. See Note 4 - Discontinued Operations and Exit Activities to the accompanying audited consolidated financial statements for further information.

Market and Industry Trends and Outlook

We expect that certain trends and economic or industry-wide factors will continue to affect our business, both in the short-term and long-term. We have based our expectations described below on assumptions made by us and on information currently available to us. To the extent our underlying assumptions about, or interpretation of, available information prove to be incorrect our actual

results may vary materially from our expected results. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Trends in the U.S. healthcare market affect our revenues and costs in the Supply Chain Services and Performance Services segments. The trends we see affecting our current healthcare business include the impact of the implementation of current or future healthcare legislation, particularly the uncertainty regarding the status of the Affordable Care Act, its repeal, replacement or other modification, the enactment of new regulatory and reporting requirements, expansion and contraction of insurance coverage and associated costs that may impact subscriber elections, intense cost pressure, payment reform, provider consolidation, shift in care to the alternate site market and increased data availability and transparency. To meet the demands of this environment, there will be increased focus on scale and cost containment and healthcare providers will need to measure and report on and bear financial risk for outcomes. Over the long-term, we believe these trends will result in increased demand for our Supply Chain Services and Performance Services solutions in the areas of cost management, quality and safety, and value based care, however, there are uncertainties and risks that may affect the actual impact of these anticipated trends, expected demand for our services or related assumptions on our business. See "Cautionary Note Regarding Forward-Looking Statements" for more information.

COVID-19 pandemic

In addition to the trends in the U.S. healthcare market discussed above, we face known and unknown uncertainties arising from the outbreak of the novel coronavirus ("COVID-19") and the resulting global pandemic and financial and operational uncertainty, including its impact on the overall economy, our sales, operations and supply chains, our members, workforce and suppliers, and countries. As a result of the COVID-19 pandemic and potential future pandemic outbreaks, we face significant risks including, but not limited to:

- **Changes in the demand for our products and services**. We have experienced and may continue to experience demand uncertainty from both significant increases and decreases in demand as a result of COVID-19. There has been a significant increase in demand for personal protective equipment ("PPE"), drugs and other supplies directly related to treating and preventing the spread of COVID-19. However, either voluntarily or due to government orders or advisories, patients, hospitals and other medical facilities have deferred elective procedures and routine medical visits during the crisis, which created a significant decline in the demand for supplies and services not related to COVID-19 in the fourth quarter of fiscal 2020 and such lower demand is expected to continue into fiscal 2021. In addition, as a result of our members' focus on managing COVID-19 and its impacts, we have experienced a decrease in demand for our consulting and other performance service engagements. Furthermore, during the COVID-19 pandemic, many of our members' non-acute or non-healthcare facilities, such as education and hospitality businesses, closed, operated on a limited or reduced basis and have delayed re-opening, and, as a result, we may see a material reduction in product sales to those facilities. The extent to which these impacts on demand will continue, and the effect that they will have on our business and operating results, will depend upon future developments that are highly uncertain and cannot be accurately predicted.

- **Limited access to our members' facilities that impacts our ability to fulfill our contractual requirements.** Our member hospitals and non-acute care sites have experienced reduced or limited access for non-patients, including our field teams, consultants and other professionals, and travel restrictions have impacted our employees' ability to travel to our members' facilities. The long-term continuation, or any future recurrence of these circumstances may negatively impact the ability of our employees to more effectively deliver existing or sell new products and services to our members and could affect our performance of our existing contracts.

- **Materials and personnel shortages and disruptions in supply chain, including manufacturing and shipping.** The global supply chain has been significantly disrupted due to stay at home orders, border closings and rapidly escalating shipping costs. Borders closings and restrictions in response to COVID-19, particularly regarding China and India, have impacted our access to products for our members. Staffing or personnel shortages due to shelter in place orders and quarantines have impacted and in the future may impact us and our members or suppliers. In addition, due to unprecedented demand during the COVID-19 pandemic, there are widespread shortages in certain product categories. In the food service line, COVID-19 related illnesses have impacted food processing suppliers and led to plant closures. If the supply chain for materials used in the products purchased by our members through our GPO or products contract manufactured through our direct sourcing business is adversely impacted by restrictions resulting from COVID-19, our supply chain may be disrupted. Failure of our suppliers, contract manufacturers, distributors, contractors and other business partners to meet their obligations to our members or to us, or significant disruptions in their ability to do so due to their own financial or operational difficulties, may adversely impact our operations.

- **Requests for contract modifications, payment deferrals or exercises of force majeure clauses.** We have and may continue to receive requests for contract modifications, payment waivers and deferrals, payment reductions or amended payment terms from our contract counterparties. We have and may continue to receive requests to delay service or payment on performance service contracts. In addition, we may receive requests from our suppliers for increases to their contracted prices, and such

requests may be implemented in the future. In addition, several pharmacy suppliers have exercised force majeure clauses related to failure to supply clauses in their contracts with us because they are unable to obtain raw materials for manufacturing from India and China. The standard failure to supply language in our contracts contains financial penalties to suppliers if they are unable to supply products, which such suppliers may not be able to pay. In addition, we may not be able to source products from alternative suppliers on commercially reasonable terms, or at all.

- **Overall economic and capital markets decline.** The impact of the COVID-19 pandemic could result in a prolonged recession or depression in the United States or globally that could harm the banking system, limit demand for all products and services and cause other seen and unforeseen events and circumstances, all of which could negatively impact us. The continued spread of COVID-19 has led to and could continue to lead to severe disruption and volatility in the United States and global capital markets, which could increase our cost of capital and adversely affect our ability to access the capital markets in the future. In addition, trading prices on the public stock market, including our Class A common stock, have been highly volatile as a result of the COVID-19 pandemic.

- **Managing the evolving regulatory environment**. In response to COVID-19, federal, state and local governments are issuing new rules, regulations, changing reimbursement eligibility rules, orders and advisories on a regular basis. These government actions can impact us and our members and suppliers.

The ultimate impact of COVID-19, recurrences, or similar pandemics on our business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of any pandemic and the related length of its impact on the United States and global economies, which are uncertain and cannot be predicted at this time. The impact of the COVID-19 pandemic, recurrences, or future similar pandemics may also exacerbate many of the other risks described in this "Item 1A. Risk Factors" section. Despite our efforts to manage these impacts, their ultimate impact depends on factors beyond our knowledge or control, including the duration and severity of any outbreak and actions taken to contain its spread and mitigate its public health effects. The foregoing and other continued disruptions in our business as a result of COVID-19 could result in a material adverse effect on our business, results of operations, financial condition, cash flows, prospects and the trading prices of our securities in the near-term and beyond 2020.

Critical Accounting Policies and Estimates

Below is a discussion of our critical accounting policies and estimates. These and other significant accounting policies are set forth under Note 2 - Significant Accounting Policies to the accompanying audited consolidated financial statements for nore information.

Business Combinations

We account for acquisitions of a business using the acquisition method. All the assets acquired, liabilities assumed, contractual contingencies and contingent consideration are generally recognized at their fair value on the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related costs are recorded as expenses in the Consolidated Statements of Income and Comprehensive Income.

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows for each asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

Goodwill

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized. We perform our annual goodwill impairment testing on the first day of the last fiscal quarter of its fiscal year unless impairment indicators are present which could require an interim impairment test.

Under accounting rules, we may elect to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. This qualitative assessment requires an evaluation of any excess of fair value over the carrying value for a reporting unit and significant judgment regarding potential changes in valuation inputs, including a review of our most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions. If it is determined that an impairment is more likely than not to exist, then we are

required to perform a quantitative assessment to determine whether or not goodwill is impaired and to measure the amount of goodwill impairment, if any.

A goodwill impairment charge is recognized for the amount by which the reporting unit's carrying amount exceeds its fair value. We determine the fair value of a reporting unit using a discounted cash flow analysis as well as market-based approaches. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates and the amount and timing of expected future cash flows. The cash flows employed in the discounted cash flow analyses are based on the most recent budget and long-term forecast. The discount rates used in the discounted cash flow analyses are intended to reflect the risks inherent in the future cash flows of the respective reporting units. The market comparable approach estimates fair value using market multiples of various financial measures compared to a set of comparable public companies and recent comparable transactions.

Our most recent annual impairment testing as of April 1, 2020 consisted of a quantitative assessment and did not result in any goodwill impairment charges. During the fourth quarter of fiscal year 2019, we performed an interim assessment of goodwill and other long-lived assets of the specialty pharmacy business for impairment following the announcement of our commitment to sell certain assets of the specialty pharmacy business and to wind down and exit the specialty pharmacy business. See Note 4 - Discontinued Operations and Exit Activities to the accompanying audited consolidated financial statements for further information.

Leases

We enter into lease contracts in which we are the lessee, substantially all of which are related to office space leased in various buildings used for general corporate purposes. The terms of these non-cancelable operating leases typically require us to pay rent and a share of operating expenses and real estate taxes, generally with an inflation-based rent increase included. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term beginning at the commencement date. Operating lease right-of-use assets are adjusted for lease incentives, deferred rent and initial direct costs, if incurred. Our leases generally do not include an implicit rate; therefore, we determined the present value of future minimum lease payments using an incremental borrowing rate based on information available as of July 1, 2019, the transition date. The related lease expense is recognized on a straight-line basis over the lease term.

TRA

We record tax receivable agreement ("TRA") liabilities based on 85% of the estimated amount of tax savings we expect to receive, generally over a 15-year period, in connection with the additional tax benefits created in conjunction with the initial public offering ("IPO"). Absent a TRA Termination Event, tax payments under the TRA will be made to the member owners as we realize tax benefits attributable to the initial purchase of Class B common units from the member owners made concurrently with the IPO and any subsequent exchanges of Class B common units into Class A common stock or cash between us and the member owners. Determining the estimated amount of tax savings we expect to receive requires judgment as deductibility of goodwill amortization expense is not assured and the estimate of tax savings is dependent upon the actual realization of the tax benefit and the tax rates in effect at that time.

Changes in estimated TRA liabilities that are the result of a change in tax accounting method are recorded in remeasurement of tax receivable agreement liabilities in the Consolidated Statements of Income and Comprehensive Income. Changes in estimated TRA liabilities that are related to new basis changes as a result of the exchange of Class B common units for a like number of shares of Class A common stock or as a result of departed member owners are recorded as an increase or decrease to additional paid-in capital in the Consolidated Statements of Stockholders' Equity (Deficit).

Revenue Recognition

We account for a contract with a customer when the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which we expect to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, we estimate the amount to which we expect to be entitled using either the expected value or most likely amount method. Our contracts may include terms that could cause variability in the transaction price, including, for example, revenue share, rebates, discounts, and variable fees based on performance.

We only include estimated amounts of consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. These estimates require management to make complex, difficult or subjective judgments, and to make estimates about the effect of matters

inherently uncertain. As such, we may not be able to reliably estimate variable fees based on performance in certain long-term arrangements due to uncertainties that are not expected to be resolved for a long period of time or when our experience with similar types of contracts is limited. Estimates of variable consideration and the determination of whether to include estimated amounts of consideration in the transaction price are based on information (historical, current and forecasted) that is reasonably available to us, taking into consideration the type of customer, the type of transaction and the specific facts and circumstances of each arrangement. Additionally, management performs periodic analyses to verify the accuracy of estimates for variable consideration.

Although we believe that our approach in developing estimates and reliance on certain judgments and underlying inputs is reasonable, actual results could differ which may result in exposure of increases or decreases in revenue that could be material.

Performance Obligations

A performance obligation is a promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Contracts may have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises, and therefore, not distinct, while other contracts may have multiple performance obligations, most commonly due to the contract covering multiple deliverable arrangements (licensing fees, implementation fees, subscription fees, professional fees for consulting services, etc.).

Net Administrative Fees Revenue

Net administrative fees revenue is a single performance obligation earned through a series of distinct daily services and includes maintaining a network of members to participate in the group purchasing program and providing suppliers efficiency in contracting and access to our members. Revenue is generated through administrative fees received from suppliers and is included in service revenue in the accompanying Consolidated Statements of Income and Comprehensive Income.

We, through our GPO programs, aggregate member purchasing power to negotiate pricing discounts and improve contract terms with suppliers. Contracted suppliers pay us administrative fees which generally represent 1% to 3% of the purchase price of goods and services sold to members under the contracts we have negotiated. Administrative fees are variable consideration and are recognized as earned based upon estimated purchases by our members utilizing analytics based on historical member spend and updates for current trends and expectations. Administrative fees are estimated due to the difference in timing of when a member purchases on a supplier contract and when we receive the purchasing information. Member and supplier contracts substantiate persuasive evidence of an arrangement. We do not take title to the underlying equipment or products purchased by members through our GPO supplier contracts. Administrative fee revenue receivable is included in contract assets in the accompanying Consolidated Balance Sheets.

We pay a revenue share equal to a percentage of gross administrative fees, which is estimated according to the members' contractual agreements with us using a portfolio approach based on historical revenue fee share percentages and adjusted for current or anticipated trends. Revenue share is recognized as a reduction to gross administrative fees revenue to arrive at a net administrative fees revenue, and the corresponding revenue share liability is included in revenue share obligations in the accompanying Consolidated Balance Sheets.

Product Revenue

Direct sourcing generates revenue through products sold to distributors, hospitals and other customers. Revenue is recognized once control of products has been transferred to the customer and is recorded net of discounts and rebates offered to customers. Discounts and rebates are estimated based on contractual terms and historical trends.

Other Services and Support Revenue

Within Performance Services, which provides technology with wrap-around service offerings, revenue consists of SaaS clinical analytics products subscriptions, perpetual and term licenses, performance improvement collaboratives and other service subscriptions, professional fees for consulting services, third-party administrator fees for the direct to employer initiative and insurance services management fees and commissions from group-sponsored insurance programs.

SaaS clinical analytics subscriptions include the right to use our proprietary hosted technology on a SaaS basis, training and member support to deliver improvements in cost management, quality and safety, value-based care and provider analytics. SaaS arrangements create a single performance obligation for each subscription within the contract in which the nature of the obligation is a stand-ready obligation, and each day of service meets the criteria for over time recognition. Pricing varies by application and size of healthcare system. Clinical analytics subscriptions are generally three- to five-year agreements with automatic renewal clauses and annual price escalators that typically do not allow for early termination. These agreements do not allow for physical possession of the software. Subscription fees are typically billed on a monthly basis and revenue is recognized as a single deliverable on a

straight-line basis over the remaining contractual period following implementation. Implementation involves the completion of data preparation services that are unique to each member's data set and, in certain cases, the installation of member site-specific software, in order to access and transfer member data into our hosted SaaS clinical analytics products. Implementation is generally 60 to 240 days following contract execution before the SaaS clinical analytics products can be fully utilized by the member.

We sell perpetual and term licenses that include post-contract customer support in the form of maintenance and support services. Pricing varies by application and size of healthcare system. Fees for the initial period include the license fees, implementation fees and the initial bundled maintenance and support services fees. The maintenance fees for the initial period are recognized on a straight-line basis over the remaining initial period following implementation. Subsequent renewal maintenance and support services fees are recognized on a straight-line basis over the contractually stated renewal periods. Implementation services are provided to the customer prior to the use of the software and do not involve significant customization or modification. Implementation is generally 250 to 300 days following contract execution before the licensed software products can be fully utilized by the member.

Revenue from performance improvement collaboratives and other service subscriptions that support our offerings in cost management, quality and safety, and value-based care is recognized over the service period as the services are provided, which is generally one year. Performance improvement collaboratives and other services subscriptions revenue is considered one performance obligation and is generated by providing customers access to online communities whereby data is housed and available for analytics and benchmarking.

Professional fees for consulting services are sold under contracts, the terms of which vary based on the nature of the engagement. These services typically include general consulting, report-based consulting and cost savings initiatives. Promised services under such consulting engagements are typically not considered distinct and are regularly combined and accounted for as one performance obligation. Fees are billed as stipulated in the contract, and revenue is recognized on a proportional performance method as services are performed or when deliverables are provided. In situations where the contracts have significant contract performance guarantees, the performance guarantees are estimated and accounted for as a form of variable consideration when determining the transaction price. In the event that guaranteed savings levels are not achieved, we may have to perform additional services at no additional charge in order to achieve the guaranteed savings or pay the difference between the savings that were guaranteed and the actual achieved savings. Occasionally, our entitlement to consideration is predicated on the occurrence of an event such as the delivery of a report for which client acceptance is required. However, except for event-driven point-in-time transactions, the majority of services provided within this service line are delivered over time due to the continuous benefit provided to our customers.

Consulting arrangements can require significant estimates for the transaction price and estimated number of hours within an engagement. These estimates are based on the expected value which is derived from outcomes from historical contracts that are similar in nature and forecasted amounts based on anticipated savings for the new agreements. The transaction price is generally constrained until the target transaction price becomes more certain.

Third party administrator fees for our direct to employer initiative consist of integrated fees for the processing of self-insured health care plan claims. Third party administrator fees are invoiced to customers on a monthly basis and typically collected in that period. Revenue is recognized in the period in which the services have been provided.

Insurance services management fees are recognized in the period in which such services are provided. Commissions from group sponsored insurance programs are earned by acting as an intermediary in the placement of effective insurance policies. Under this arrangement, revenue is recognized at a point in time on the effective date of the associated policies when control of the policy transfers to the customer and is constrained for estimated early terminations.

Multiple Deliverable Arrangements

We enter into agreements where the individual deliverables discussed above, such as SaaS subscriptions and consulting services, are bundled into a single service arrangement. These agreements are generally provided over a time period ranging from approximately three months to five years after the applicable contract execution date. Revenue, including both fixed and variable consideration, is allocated to the individual performance obligations within the arrangement based on the stand-alone selling price when it is sold separately in a stand-alone arrangement.

Deferred Revenue

Deferred revenue consists of unrecognized revenue related to advanced customer invoicing or member payments received prior to fulfillment of our revenue recognition criteria. Substantially all deferred revenue consists of deferred subscription fees and deferred consulting fees. Subscription fees for Company-hosted SaaS applications are deferred until the customer's unique data records have been incorporated into the underlying software database, or until customer site-specific software has been implemented and the customer has access to the software. Deferred consulting fees arise upon invoicing to customers prior to services being performed.

Software Development Costs

Costs associated with internally developed computer software that are incurred in the preliminary project stage are expensed as incurred. During the development stage, direct consulting costs and payroll and payroll-related costs for employees that are directly associated with each project are capitalized. Internal use capitalized software costs are included in property and equipment, net in the accompanying Consolidated Balance Sheets. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the related software applications of up to five years and amortization is included in cost of revenue or selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income, based on the software's end use. Replacements and major improvements are capitalized, while maintenance and repairs are expensed as incurred. Some of the more significant estimates and assumptions inherent in this process involve determining the stages of the software development project, the direct costs to capitalize and the estimated useful life of the capitalized software.

Income Taxes

We account for income taxes under the asset and liability approach. Deferred tax assets or liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates as well as net operating losses and credit carryforwards, which will be in effect when these differences reverse. We provide a valuation allowance against net deferred tax assets when, based upon the available evidence, it is more likely than not that the deferred tax assets will not be realized.

We prepare and file tax returns based on interpretations of tax laws and regulations. Our tax returns are subject to examination by various taxing authorities in the normal course of business. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities.

In determining our tax expense for financial reporting purposes, we establish a reserve for uncertain income tax positions unless it is determined to be "more likely than not" that such tax positions would be sustained upon examination, based on their technical merits. That is, for financial reporting purposes, we only recognize tax benefits taken on the tax return if we believe it is "more likely than not" that such tax positions would be sustained. There is considerable judgment involved in determining whether it is "more likely than not" that positions taken on the tax returns would be sustained.

We adjust tax reserve estimates periodically because of ongoing examinations by, and settlements with, varying taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated tax expense of any given year includes adjustments to prior year income tax reserve and related estimated interest charges that are considered appropriate. Our policy is to recognize, when applicable, interest and penalties on uncertain income tax positions as part of income tax expense.

New Accounting Standards

New accounting standards that we have recently adopted as well as those that have been recently issued but not yet adopted by us are included in Note 2 - Significant Accounting Policies to the accompanying audited consolidated financial statements, which is incorporated herein by reference.

As further described in Note 2 - Significant Accounting Policies, we adopted ASU No. 2016-02, *Leases (Topic 842)* ("New Lease Standard") effective July 1, 2019 using the modified retrospective approach. The modified retrospective approach resulted in recognizing the cumulative effect of initially applying the New Lease Standard as an adjustment to the opening balance of equity at July 1, 2019. Therefore, the comparative information is presented in accordance with Accounting Standards Codification Topic 840 ("Previous Lease Standard").

Key Components of Our Results of Operations

Net Revenue

Net revenue consists of service revenue, which includes net administrative fees revenue and other services and support revenue, and product revenue. Net administrative fees revenue consists of GPO administrative fees in our Supply Chain Services segment. Other services and support revenue consists primarily of fees generated by our Performance Services segment in connection with our SaaS and licensed-based clinical analytics products subscriptions, license fees, third party administrator fees and consulting services and performance improvement collaborative subscriptions. Product revenue consists of direct sourcing product sales, which are included in the Supply Chain Services segment.

Supply Chain Services

Supply Chain Services revenue consists of GPO net administrative fees (gross administrative fees received from suppliers, reduced by the amount of any revenue share paid to members), supply chain co-management and direct sourcing revenue.

The success of our Supply Chain Services revenue streams are influenced by our ability to negotiate favorable contracts with suppliers and members, the number of members that utilize our GPO supplier contracts and the volume of their purchases, as well as the impact of changes in the defined allowable reimbursement amounts determined by Medicare, Medicaid and other managed care plans and the number of members that purchase products through our direct sourcing activities and the impact of competitive pricing.

Performance Services

Performance Services revenue consists of SaaS clinical analytics products subscriptions, license fees, performance improvement collaborative and other service subscriptions, professional fees for consulting services, third party administrator fees for our direct to employer initiative and insurance services management fees and commissions from group-sponsored insurance programs.

Our Performance Services growth will depend upon the expansion of our SaaS clinical analytics products, performance improvement collaboratives and consulting services to new and existing members, renewal of existing subscriptions to our SaaS and licensed informatics products, and our ability to generate additional applied sciences engagements and expand into new markets.

Cost of Revenue

Cost of revenue consists of cost of service revenue and cost of product revenue.

Cost of service revenue includes expenses related to employees (including compensation and benefits) and outside consultants who directly provide services related to revenue-generating activities, including consulting services to members and implementation services related to SaaS clinical analytics along with associated amortization of certain capitalized contract costs. Amortization of contract costs represent amounts that have been capitalized and reflect the incremental costs of obtaining and fulfilling a contract. Amortization of contract costs included within cost of service revenue include costs related to implementing SaaS informatics tools. Cost of service revenue also includes expenses related to hosting services, related data center capacity costs, third-party product license expenses and amortization of the cost of internally developed software applications.

Cost of product revenue consists of purchase and shipment costs for direct sourced medical products. Our cost of product revenue is influenced by the manufacturing and transportation costs associated with direct sourced medical products.

Other Operating Income

Other operating income includes the adjustment to TRA liabilities. Changes in estimated TRA liabilities that are the result of a change in tax accounting method, including the impacts of the TCJA, are recorded as a component of other operating income in the Consolidated Statements of Income and Comprehensive Income. Changes in estimated TRA liabilities that are related to new basis changes as a result of the exchange of Class B common units for a like number of shares of Class A common stock or as a result of departed member owners are recorded as an increase or decrease to additional paid-in capital in the Consolidated Statements of Stockholders' Equity (Deficit). See "Income Tax Expense" below for additional information.

Operating Expenses

Selling, general and administrative expenses are directly associated with selling and administrative functions and support of revenue-generating activities including expenses to support and maintain our software-related products and services. Selling, general and administrative expenses primarily consist of compensation and benefits related costs, travel-related expenses, business development expenses, including costs for business acquisition opportunities, business disposition related expenses, indirect costs such as insurance, professional fees and other general overhead expenses, and amortization of certain contract costs. Amortization of contract costs represent amounts that have been capitalized and reflect the incremental costs of obtaining and fulfilling a contract. Amortization of contract costs included within selling, general and administrative expenses include sales commissions.

Research and development expenses consist of employee-related compensation and benefit expenses and third-party consulting fees of technology professionals, net of capitalized labor, incurred to develop our software-related products and services.

Amortization of purchased intangible assets includes the amortization of all identified intangible assets.

Other Income (Expense), Net

Other income (expense), net, includes equity in net income of unconsolidated affiliates that is generated from our equity method investments. Our equity method investments primarily consist of our 49% ownership in FFF Enterprises, Inc. ("FFF"). Other income (expense), net, also includes the change in fair value of our FFF put and call rights (see Note 6 - Fair Value Measurements),

interest income and expense, realized and unrealized gains or losses on deferred compensation plan assets, gains or losses on the disposal of assets, and any impairment on our held-to-maturity investments.

Income Tax Expense

Our income tax expense is attributable to the activities of Premier, Inc., PHSI, PSCI and Premier Marketplace, LLC ("PMLLC"), all of which are subchapter C corporations and are subject to U.S. federal and state income taxes. In contrast, under the provisions of federal and state laws, Premier LP is not subject to federal and state income taxes as the income realized by Premier LP is taxable to its partners. Our overall effective tax rate differs from the U.S. statutory tax rate primarily due to the ownership structure as well as other items noted in Note 16 - Income Taxes.

Given our ownership and capital structure, various effective tax rates are calculated for specific tax items. For example, the deferred tax benefit related to stock-based compensation expense (see Note 14 - Stock-Based Compensation) is calculated based on the effective tax rate of PHSI, the legal entity where the majority of stock-based compensation expense is recorded. Our effective tax rate, as discussed in Note 16 - Income Taxes, represents the effective tax rate computed in accordance with GAAP based on total income tax expense (reflected in income tax expense in the Consolidated Statements of Income and Comprehensive Income) of Premier, Inc., PHSI, PSCI and PMLLC divided by consolidated pre-tax income.

Adjusted Fully Distributed Net Income, a Non-GAAP financial measure as defined below in "Our Use of Non-GAAP Financial Measures", is calculated net of taxes based on our fully distributed estimated statutory tax rate for federal and state income tax for us as if we were one consolidated taxable group with all of our subsidiaries' activities included. Prior to the enactment of the TCJA, the tax rate used to compute the Adjusted Fully Distributed Net Income was 39%. Effective January 1, 2018, we used a fully distributed tax rate of 26% to compute the Adjusted Fully Distributed Net Income.

Income (Loss) from Discontinued Operations, Net of Tax

Income (loss) from discontinued operations, net of tax represents the net income or loss associated with the sale of certain assets and wind down and exit of the specialty pharmacy business. See Note 4 - Discontinued Operations and Exit Activities for further information.

Net Income Attributable to Non-Controlling Interest

As of June 30, 2020, we owned a 59% controlling general partner interest in Premier LP through Premier GP. Net income attributable to non-controlling interest represents the portion of net income attributable to the limited partners of Premier LP, which was 41% and 51% as of June 30, 2020 and June 30, 2019, respectively (see Note 11 - Redeemable Limited Partners' Capital).

Our Use of Non-GAAP Financial Measures

The other key business metrics we consider are EBITDA, Adjusted EBITDA, Segment Adjusted EBITDA, Adjusted Fully Distributed Net Income, Adjusted Fully Distributed Earnings per Share and Free Cash Flow, which are all Non-GAAP financial measures.

We define EBITDA as net income before income or loss from discontinued operations, net of tax, interest and investment income, net, income tax expense, depreciation and amortization and amortization of purchased intangible assets. We define Adjusted EBITDA as EBITDA before merger and acquisition related expenses and non-recurring, non-cash or non-operating items and including equity in net income of unconsolidated affiliates. For all Non-GAAP financial measures, we consider non-recurring items to be income or expenses and other items that have not been earned or incurred within the prior two years and are not expected to recur within the next two years. Such items include certain strategic and financial restructuring expenses. Non-operating items include gains or losses on the disposal of assets and interest and investment income or expense.

We define Segment Adjusted EBITDA as the segment's net revenue less cost of revenue and 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. 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. Segment Adjusted EBITDA also excludes any income and expense that has been classified as discontinued operations.

We define Adjusted Fully Distributed Net Income as net income attributable to Premier (i) excluding income or loss from discontinued operations, net, (ii) excluding income tax expense, (iii) excluding the impact of adjustment of redeemable limited partners' capital to redemption amount, (iv) excluding the effect of non-recurring and non-cash items, (v) assuming the exchange of all the Class B common units for shares of Class A common stock, which results in the elimination of non-controlling interest in Premier LP and (vi) reflecting an adjustment for income tax expense on adjusted fully distributed net income before income

taxes at our estimated effective income tax rate. We define Adjusted Fully Distributed Earnings per Share as Adjusted Fully Distributed Net Income divided by diluted weighted average shares (see Note 13 - Earnings (Loss) Per Share).

We define Free Cash Flow as net cash provided by operating activities from continuing operations less distributions and TRA payments to limited partners and purchases of property and equipment. Free Cash Flow does not represent discretionary cash available for spending as it excludes certain contractual obligations such as debt repayments.

Adjusted EBITDA and Free Cash Flow are supplemental financial measures used by us and by external users of our financial statements and are considered to be indicators of the operational strength and performance of our business. Adjusted EBITDA and Free Cash Flow measures allow us to assess our performance without regard to financing methods and capital structure and without the impact of other matters that we do not consider indicative of the operating performance of our business. More specifically, Segment Adjusted EBITDA is the primary earnings measure we use to evaluate the performance of our business segments.

We use Adjusted EBITDA, Segment Adjusted EBITDA, Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business. We believe Adjusted EBITDA and Segment Adjusted EBITDA assist our Board of Directors, management and investors in comparing our operating performance on a consistent basis from period to period because they remove the impact of earnings elements attributable to our asset base (primarily depreciation and amortization), certain items outside the control of our management team, e.g. taxes, other non-cash items (such as impairment of intangible assets, purchase accounting adjustments and stock-based compensation), non-recurring items (such as strategic and financial restructuring expenses) and income and expense that has been classified as discontinued operations from our operating results. We believe Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share assist our Board of Directors, management and investors in comparing our net income and earnings per share on a consistent basis from period to period because these measures remove non-cash (such as impairment of intangible assets, purchase accounting adjustments and stock-based compensation), non-recurring items (such as strategic and financial restructuring expenses), and eliminate the variability of non-controlling interest that results from member owner exchanges of Class B common units for shares of Class A common stock. We believe Free Cash Flow is an important measure because it represents the cash that we generate after payment of tax distributions to limited partners and capital investment to maintain existing products and services and ongoing business operations, as well as development of new and upgraded products and services to support future growth. Our Free Cash Flow allows us to enhance stockholder value through acquisitions, partnerships, joint ventures, investments in related businesses and debt reduction.

Despite the importance of these Non-GAAP financial measures in analyzing our business, determining compliance with certain financial covenants in our Credit Facility, measuring and determining incentive compensation and evaluating our operating performance relative to our competitors, EBITDA, Adjusted EBITDA, Segment Adjusted EBITDA, Adjusted Fully Distributed Net Income, Adjusted Fully Distributed Earnings per Share and Free Cash Flow are not measurements of financial performance under GAAP, may have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income, net cash provided by operating activities, or any other measure of our performance derived in accordance with GAAP.

Some of the limitations of the EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA measures include that they do not reflect: our capital expenditures or our future requirements for capital expenditures or contractual commitments; changes in, or cash requirements for, our working capital needs; the interest expense or the cash requirements to service interest or principal payments under our Credit Facility; income tax payments we are required to make; and any cash requirements for replacements of assets being depreciated or amortized. In addition, EBITDA, Adjusted EBITDA, Segment Adjusted EBITDA and Free Cash Flow are not measures of liquidity under GAAP, or otherwise, and are not alternatives to cash flows from operating activities.

Some of the limitations of the Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share measures are that they do not reflect income tax expense or income tax payments we are required to make. In addition, Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share are not measures of profitability under GAAP.

We also urge you to review the reconciliation of these Non-GAAP financial measures included elsewhere in this Annual Report. To properly and prudently evaluate our business, we encourage you to review the consolidated financial statements and related notes included elsewhere in this Annual Report, and to not rely on any single financial measure to evaluate our business. In addition, because the EBITDA, Adjusted EBITDA, Segment Adjusted EBITDA, Adjusted Fully Distributed Net Income, Adjusted Fully Distributed Earnings per Share and Free Cash Flow measures are susceptible to varying calculations, such Non-GAAP financial measures may differ from, and may therefore not be comparable to, similarly titled measures used by other companies.

Non-recurring and non-cash items excluded in our calculation of Adjusted EBITDA, Segment Adjusted EBITDA and Adjusted Fully Distributed Net Income consist of stock-based compensation, acquisition and disposition related expenses, remeasurement of TRA liabilities, loss on disposal of long-lived assets, gain or loss on FFF put and call rights, income and expense that has been classified as discontinued operations and other expense. More information about certain of the more significant items follows below.

Stock-based compensation

In addition to non-cash employee stock-based compensation expense, this item includes non-cash stock purchase plan expense of $0.4 million during each of the years ended June 30, 2020, 2019 and 2018.

Acquisition and disposition related expenses

Acquisition related expenses include legal, accounting and other expenses related to acquisition activities and gains and losses on the change in fair value of earn-out liabilities. Disposition related expenses include severance and retention benefits and financial advisor fees and legal fees related to disposition activities.

Remeasurement of TRA liabilities

We record TRA liabilities based on 85% of the estimated amount of tax savings we expect to receive, generally over a 15-year period, which are attributable to the initial purchase of Class B common units from the member owners made concurrently with the IPO and subsequent exchanges by member owners of Class B common units into Class A common stock or cash. Tax payments made under the TRA will be made to the member owners as we realize tax benefits. Determining the estimated amount of tax savings we expect to receive requires judgment as deductibility of goodwill amortization expense is not assured and the estimate of tax savings is dependent upon the actual realization of the tax benefit and the tax rates in effect at that time.

Changes in estimated TRA liabilities that are the result of a change in tax accounting method, including the impacts of the TCJA, are recorded as a component of other operating income or selling, general and administrative expenses in the Consolidated Statements of Income and Comprehensive Income. Changes in estimated TRA liabilities that are related to new basis changes as a result of the exchange of Class B common units for a like number of shares of Class A common stock or as a result of departed member owners are recorded as an increase to additional paid-in capital in the Consolidated Statements of Stockholders' Equity (Deficit).

The adjustment to TRA liabilities for the year ended June 30, 2020 is primarily attributable to increases in the Premier, Inc. effective tax rate related to state tax liabilities (see Note 16 - Income Taxes). The adjustment to TRA liabilities for the year ended June 30, 2018 is primarily attributable to the 14% decrease in the U.S. federal corporate income tax rate, which occurred as a result of the TCJA that was enacted on December 22, 2017.

Gain or loss on FFF put and call rights

See Note 6 - Fair Value Measurements.

Results of Operations for the Years Ended June 30, 2020, 2019 and 2018

Results of operations for all periods presented have been retrospectively adjusted to reflect continuing operations unless otherwise indicated.

The following table presents our results of operations for the fiscal years presented (in thousands, except per share data):

	Year Ended June 30,					
	2020		2019		2018	
					Previous revenue standard	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue:						
Net administrative fees	$ 670,593	51 %	$ 662,462	55%	$ 643,839	54%
Other services and support	359,054	28 %	371,019	30%	368,491	31%
Services	1,029,647	79 %	1,033,481	85%	1,012,330	85%
Products	269,945	21 %	184,157	15%	172,327	15%
Net revenue	1,299,592	100 %	1,217,638	100%	1,184,657	100%
Cost of revenue:						
Services	188,275	14 %	182,375	15%	187,363	16%
Products	244,516	19 %	173,255	14%	154,634	13%
Cost of revenue	432,791	33 %	355,630	29%	341,997	29%
Gross profit	866,801	67 %	862,008	71%	842,660	71%
Other operating income:						
Remeasurement of tax receivable agreement liabilities	24,584	2 %	—	—%	177,174	15%
Other operating income	24,584	2 %	—	—%	177,174	15%
Operating expenses:						
Selling, general and administrative	459,859	36 %	438,985	37%	425,251	36%
Research and development	2,376	— %	1,224	—%	1,423	—%
Amortization of purchased intangible assets	55,530	4 %	53,285	4%	52,801	4%
Operating expenses	517,765	40 %	493,494	41%	479,475	40%
Operating income	373,620	29 %	368,514	30%	540,359	46%
Other income (expense), net	10,067	1 %	(375)	—%	(22,826)	(2)%
Income before income taxes	383,687	30 %	368,139	30%	517,533	44%
Income tax expense	92,561	8 %	33,462	3%	259,526	22%
Net income from continuing operations	**291,126**	**22 %**	**334,677**	**27%**	**258,007**	**22%**
Income (loss) from discontinued operations, net of tax	1,054	— %	(50,598)	(4)%	(437)	—%
Net income	**292,180**	**22 %**	**284,079**	**23%**	**257,570**	**22%**
Net income from continuing operations attributable to non-controlling interest	(161,318)	(12)%	(200,907)	(16)%	(224,548)	(19)%
Net (income) loss from discontinued operations attributable to non-controlling interest	(498)	— %	25,948	2 %	279	— %
Net income attributable to non-controlling interest in Premier LP	(161,816)	(12)%	(174,959)	(14)%	(224,269)	(19)%
Adjustment of redeemable limited partners' capital to redemption amount	468,311	nm	(118,064)	nm	157,581	nm
Net income (loss) attributable to stockholders	**$ 598,675**	**nm**	**$ (8,944)**	**nm**	**$ 190,882**	**nm**

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard
Weighted average shares outstanding:			
Basic	67,035	59,188	53,518
Diluted	123,614	60,269	137,340
Earnings (loss) per share attributable to stockholders:			
Basic earnings (loss) per share			
Continuing operations	$ 8.92	$ 0.27	$ 3.57
Discontinued operations	0.01	(0.42)	0.00
Basic earnings (loss) per share attributable to stockholders	$ 8.93	$ (0.15)	$ 3.57
Diluted earnings (loss) per share			
Continuing operations	$ 2.03	$ 0.27	$ 1.37
Discontinued operations	0.01	(0.42)	(0.01)
Diluted earnings (loss) per share attributable to stockholders	$ 2.04	$ (0.15)	$ 1.36

nm = not meaningful

The following table provides certain Non-GAAP financial measures for the fiscal years presented (in thousands, except per share data). Refer to "Our Use of Non-GAAP Financial Measures" for further information regarding items excluded in our calculation of Adjusted EBITDA and Segment Adjusted EBITDA.

	Year Ended June 30,					
	2020		2019		2018	
					Previous revenue standard	
Certain Non-GAAP Financial Data:	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Adjusted EBITDA	$ 564,040	43%	$ 561,042	46%	$ 539,520	46%
Adjusted Fully Distributed Net Income	$ 337,018	26%	$ 349,052	29%	$ 315,411	27%
Adjusted Fully Distributed Earnings Per Share	$ 2.73	nm	$ 2.66	nm	$ 2.30	nm

The following table provides the reconciliation of net income from continuing operations to Adjusted EBITDA and the reconciliation of income before income taxes to Segment Adjusted EBITDA (in thousands). Refer to "Our Use of Non-GAAP Financial Measures" for further information regarding items excluded in our calculation of Adjusted EBITDA and Segment Adjusted EBITDA.

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard
Net income from continuing operations	$ 291,126	$ 334,677	$ 258,007
Interest and investment loss, net	11,313	2,471	5,300
Income tax expense	92,561	33,462	259,526
Depreciation and amortization	97,297	86,879	70,264
Amortization of purchased intangible assets	55,530	53,285	52,801
EBITDA	547,827	510,774	645,898
Stock-based compensation	21,132	29,396	29,235
Acquisition and disposition related expenses	19,319	13,154	8,335
Remeasurement of tax receivable agreement liabilities	(24,584)	—	(177,174)

	Year Ended June 30,		
	2020	2019	2018 Previous revenue standard
(Gain) loss on FFF put and call rights	(4,690)	17	22,036
Other expense, net	5,036	7,701	11,190
Adjusted EBITDA	**$ 564,040**	**$ 561,042**	**$ 539,520**
Income before income taxes	**$ 383,687**	**$ 368,139**	**$ 517,533**
Equity in net income of unconsolidated affiliates	(12,537)	(5,658)	(1,174)
Interest and investment loss, net	11,313	2,471	5,300
(Gain) loss on FFF put and call rights	(4,690)	17	22,036
Other (income) expense	(4,153)	3,545	(3,336)
Operating income	**373,620**	**368,514**	**540,359**
Depreciation and amortization	97,297	86,879	70,264
Amortization of purchased intangible assets	55,530	53,285	52,801
Stock-based compensation	21,132	29,396	29,235
Acquisition and disposition related expenses	19,319	13,154	8,335
Remeasurement of tax receivable agreement liabilities	(24,584)	—	(177,174)
Equity in net income of unconsolidated affiliates	12,537	5,658	1,174
Deferred compensation plan expense	3,904	2,546	3,960
Other expense, net	5,285	1,610	10,566
Adjusted EBITDA	**$ 564,040**	**$ 561,042**	**$ 539,520**
Segment Adjusted EBITDA:			
Supply Chain Services	$ 570,298	$ 548,029	$ 531,851
Performance Services	111,282	129,147	123,429
Corporate	(117,540)	(116,134)	(115,760)
Adjusted EBITDA	**$ 564,040**	**$ 561,042**	**$ 539,520**

The following table provides the reconciliation of net income (loss) attributable to stockholders to Adjusted Fully Distributed Net Income and the reconciliation of the numerator and denominator for earnings per share attributable to stockholders to Adjusted Fully Distributed Earnings per Share for the periods presented (in thousands). Refer to "Our Use of Non-GAAP Financial Measures" for further information regarding items excluded in our calculation of Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share.

	Year Ended June 30,		
	2020	2019	2018 Previous revenue standard
Net income (loss) attributable to stockholders	**$ 598,675**	**$ (8,944)**	**$ 190,882**
Adjustment of redeemable limited partners' capital to redemption amount	(468,311)	118,064	(157,581)
Net income attributable to non-controlling interest in Premier LP	161,816	174,959	224,269
(Income) loss from discontinued operations, net of tax	(1,054)	50,598	437
Income tax expense	92,561	33,462	259,526
Amortization of purchased intangible assets	55,530	53,285	52,801
Stock-based compensation	21,132	29,396	29,235
Acquisition and disposition related expenses	19,319	13,154	8,335
Remeasurement of tax receivable agreement liabilities	(24,584)	—	(177,174)
(Gain) loss on FFF put and call rights	(4,690)	17	22,036
Other expense, net	5,036	7,701	11,190
Adjusted fully distributed income before income taxes	455,430	471,692	463,956
Income tax expense on fully distributed income before income taxes [(a)]	118,412	122,640	148,545
Adjusted Fully Distributed Net Income	**$ 337,018**	**$ 349,052**	**$ 315,411**
Reconciliation of denominator for earnings (loss) per share attributable to stockholders to Adjusted Fully Distributed Earnings per Share			
Weighted average:			
Common shares used for basic and diluted earnings (loss) per share	67,035	59,188	53,518
Potentially dilutive shares	644	1,081	822
Conversion of Class B common units	55,935	70,827	83,000
Weighted average fully distributed shares outstanding - diluted	**123,614**	**131,096**	**137,340**

(a) Reflects income tax expense at our estimated effective income tax rate of 26% of adjusted fully distributed net income before income taxes for the years ended June 30, 2020 and 2019, and 32% of adjusted fully distributed income before income taxes for the year ended June 30, 2018.

The following table provides the reconciliation of earnings (loss) per share attributable to stockholders to Adjusted Fully Distributed Earnings per Share for the periods presented. Refer to "Our Use of Non-GAAP Financial Measures" for further information regarding items excluded in our calculation of Adjusted Fully Distributed Earnings per Share.

	Year Ended June 30,		
	2020	2019	2018 Previous revenue standard
Earnings (loss) per share attributable to stockholders	$ 8.93	$ (0.15)	$ 3.57
Adjustment of redeemable limited partners' capital to redemption amount	(6.99)	1.99	(2.94)
Net income attributable to non-controlling interest in Premier LP	2.41	2.96	4.19
(Income) loss from discontinued operations, net of tax	(0.02)	0.85	0.01
Income tax expense	1.38	0.57	4.85
Amortization of purchased intangible assets	0.83	0.90	0.99
Stock-based compensation	0.32	0.50	0.55
Acquisition and disposition related expenses	0.29	0.22	0.16
Remeasurement of tax receivable agreement liabilities	(0.37)	—	(3.31)
(Gain) loss on FFF put and call rights	(0.07)	—	0.41
Other expense, net	0.08	0.12	0.21
Impact of corporation taxes [(a)]	(1.77)	(2.07)	(2.78)
Impact of dilutive shares [(b)]	(2.29)	(3.23)	(3.61)
Adjusted Fully Distributed Earnings Per Share	**$ 2.73**	**$ 2.66**	**$ 2.30**

(a) Reflects income tax expense at our estimated effective income tax rate of 26% of adjusted fully distributed net income before income taxes for the years ended June 30, 2020 and 2019, and 32% of adjusted fully distributed income before income taxes for the year ended June 30, 2018.

(b) Reflects impact of dilutive shares, primarily attributable to the assumed conversion of all Class B common units for Class A common stock.

Consolidated Results - Comparison of the Years Ended June 30, 2020 to 2019 and June 30, 2019 to 2018

Net Revenue

Net revenue increased by $82.0 million, or 7%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase of $85.7 million in product revenue and an increase of $8.1 million in net administrative fees revenue. These increases were partially offset by a decrease of $11.9 million in other services and support revenue.

Net revenue increased by $32.9 million, or 3%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to an increase of $18.7 million in net administrative fees revenue, an increase of $2.5 million in other services and support revenue and an increase of $11.9 million in product revenue.

The variances in the material factors contributing to the changes in consolidated net revenue are discussed further in "Segment Results" below.

Cost of Revenue

Cost of revenue increased by $77.2 million, or 22%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase of $71.2 million in cost of product revenue and an increase of $5.9 million in cost of services revenue.

Cost of revenue increased $13.6 million, or 4%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to an increase of $18.7 million in cost of product revenue partially offset by a decrease of $5.0 million in cost of services revenue.

The variances in the material factors contributing to the changes in consolidated cost of revenue are discussed further in "Segment Results" below.

Other Operating Income

Other operating income of $24.6 million during the year ended June 30, 2020 is attributable to the remeasurement of the TRA liability as a result of the change in North Carolina state income tax law. Other operating income of $177.2 million during the year ended June 30, 2018 is attributable to the remeasurement of TRA liabilities driven by the 14% decrease in the U.S. federal corporate income tax rate associated with the TCJA that was enacted on December 22, 2017.

Operating Expenses

Operating expenses increased by $24.3 million during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase of $20.9 million in selling, general and administrative expenses, an increase of $2.2 million in amortization of intangible assets and an increase of $1.2 million in research and development expenses.

Operating expenses increased by $14.0 million, or 3%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to driven by an increase of $13.7 million in selling, general and administrative expenses.

The variances in the material factors contributing to the changes in consolidated operating expense are discussed further in "Segment Results" below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $20.9 million, or 5%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. Selling, general and administrative expenses increased by $13.7 million, or 3%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. The variances in the material factors contributing to the changes in consolidated selling, general and administrative expenses are discussed further in "Segment Results" below.

Research and Development

Research and development expenses consist of employee-related compensation and benefit expenses and third-party consulting fees for technology professionals, net of capitalized labor, incurred to develop our software-related products and services. Research and development expenses increased by $1.2 million, or 100%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. Research and development remained flat during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Total capitalized labor and research and development expenditures decreased by $1.7 million to $79.0 million for the year ended June 30, 2020. Total capitalized labor and research and development expenditures increased by $4.3 million to $80.7 million for the year ended June 30, 2019. We experience fluctuations in our research and development expenditures across reportable periods due to the timing of our software development lifecycles, new product features and functionality, new technologies and upgrades to our service offerings.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets increased by $2.2 million, or 4%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. Amortization of purchased intangible assets remained flat during the year ended June 30, 2019 compared to the year ended June 30, 2018. The variances in the material factors contributing to the changes in consolidated amortization of purchased intangible assets are discussed further in "Segment Results" below.

Other Income (Expense), Net

Other income (expense), net increased by $10.5 million during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase of $6.8 million in equity in net income from our investments in unconsolidated affiliates and a decrease of $6.2 million in losses on disposals of long-lived assets.

Other (expense) income, net increased by $22.4 million during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to the $22.0 million loss on FFF put and call rights in the prior year and the impairment on investments recorded in the prior year.

Income Tax Expense

Income tax expense increased by $59.1 million, or 176%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase in deferred tax expense related to deferred tax remeasurement as a result of North Carolina state tax law changes.

Income tax expense decreased by $226.0 million, or 87%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. The decrease was largely driven by the tax expenses recorded in fiscal year 2018 associated with the remeasurement of deferred tax balances related to the reduction in the statutory rate from 35% to 21% as a result of the TCJA. See Note 16 - Income Taxes for more information.

Income (Loss) from Discontinued Operations, Net of Tax

Income from discontinued operations, net of tax was $1.1 million for the year ended June 30, 2020 primarily due to the substantial completion of the wind down of the specialty pharmacy business.

Loss from discontinued operations, net of tax was $50.6 million for year ended June 30, 2019 and primarily included the $80.4 million non-cash impairment charge related to an interim assessment of goodwill and other long-lived assets of the specialty pharmacy business that were not sold or did not have an alternative use for impairment. In addition, the loss from discontinued operations, net of tax, increased due to less revenue generated from the specialty pharmacy business during the current year due to the wind down of the business that was initiated on June 7, 2019. These increases were partially offset by the cash proceeds received from the sale. See Note 4 - Discontinued Operations and Exit Activities for more information.

Net Income Attributable to Non-Controlling Interest

Net income attributable to non-controlling interest decreased by $13.2 million, or 8%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to a decrease in non-controlling ownership interest percentage in Premier LP to 41% from 51%.

Net income attributable to non-controlling interest decreased by $49.3 million, or 22%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to a decrease in non-controlling ownership interest percentage in Premier LP to 51% from 60%, as well as a decrease in Premier LP net income, which was largely driven by the increased loss from discontinued operations, net of tax in the current year.

Adjusted EBITDA

Adjusted EBITDA, a Non-GAAP financial measure as defined in "Our Use of Non-GAAP Financial Measures", increased by $3.0 million, or 1%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 driven by an increase of $22.3 million in Supply Chain Services partially offset by decreases of $17.9 million and $1.4 million in Performance Services and Corporate, respectively.

Adjusted EBITDA increased by $21.5 million, or 4%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 driven by increases of $16.2 million and $5.7 million in Supply Chain Services and Performance Services, respectively, partially offset by a decrease of $0.4 million in Corporate.

The variances in the material factors contributing to the changes in consolidated Adjusted EBITDA are discussed further in "Segment Results" below.

Segment Results

Supply Chain Services

The following table summarizes our results of operations and Adjusted EBITDA, a Non-GAAP financial measure, in the Supply Chain Services segment for the fiscal years presented (in thousands):

	Year Ended June 30,			Change			
	2020	2019	2018 Previous revenue standard	2020 vs 2019		2019 vs 2018 (previous revenue standard)	
Supply Chain Services							
Net revenue:							
Net administrative fees	$ 670,593	$ 662,462	$ 643,839	$ 8,131	1%	$ 18,623	3 %
Other services and support	12,225	8,561	7,812	3,664	43%	749	10 %
Services	682,818	671,023	651,651	11,795	2%	19,372	3 %
Products	269,945	184,157	172,327	85,788	47%	11,830	7 %
Net revenue	952,763	855,180	823,978	97,583	11%	31,202	4 %
Cost of revenue:							
Services	432	228	4,844	204	89%	(4,616)	(95)%
Products	244,516	173,255	154,634	71,261	41%	18,621	12 %
Cost of revenue	244,948	173,483	159,478	71,465	41%	14,005	9 %
Gross profit	707,815	681,697	664,500	26,118	4%	17,197	3 %
Operating expenses:							
Selling, general and administrative	163,727	147,665	148,901	16,062	11%	(1,236)	(1)%
Research and development	27	—	—	27	nm	—	nm
Amortization of intangibles	22,924	17,516	17,469	5,408	31%	47	— %
Operating expenses	186,678	165,181	166,370	21,497	13%	(1,189)	(1)%
Operating income	**$ 521,137**	**$ 516,516**	**$ 498,130**	**$ 4,621**	**1%**	**$ 18,386**	**4 %**
Depreciation and amortization	3,044	1,102	570				
Amortization of purchased intangible assets	22,924	17,516	17,469				
Acquisition & disposition related expenses	10,495	7,946	8,606				
Equity in net income of unconsolidated affiliates	12,306	4,943	1,904				
Other expense, net	392	6	5,172				
Segment Adjusted EBITDA	**$ 570,298**	**$ 548,029**	**$ 531,851**	**$ 22,269**	**4%**	**$ 16,178**	**3 %**

Net Revenue

Supply Chain Services segment revenue increased by $97.6 million, or 11%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. Supply Chain Services segment revenue increased by $31.2 million, or 4%, during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Net Administrative Fees Revenue

Net administrative fees revenue increased $8.1 million, or 1%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. Growth in net administrative fees revenue was primarily due to continuing contract penetration driven largely by the company's high-compliance portfolio programs and the addition of new contract categories and suppliers. The growth in net administrative fees was largely offset by the impact of COVID-19 during the three months ended June 30, 2020, which significantly impacted full year growth.

We anticipate lower net administrative fees in fiscal year 2021 due to the amendment and extension of GPO participation agreements and the ongoing impact from COVID-19. However, once the COVID-19 pandemic has subsided and we move into fiscal year 2022, we expect our net administrative fees revenue to grow to the extent our existing members increase the utilization of our contracts and additional members convert to our contract portfolio. Due to competitive market trends, we have experienced, and expect to continue to experience, requests, at times, to provide existing and prospective members increases in revenue share on

incremental or overall purchasing volume that could, if materially increased, adversely impact our revenues and overall financial performance.

Net administrative fees revenue increased by $18.6 million, or 3%, during the year ended June 30, 2019 compared to the year ended June 30, 2018, due in part to the impact of revenue recognition under the New Revenue Standard. Net administrative fees recognized in the year ended June 30, 2019 under the Previous Revenue Standard increased $10.5 million, or 2%, over the prior year. Growth was primarily due to further contract penetration of existing members and, to a lesser degree, the impact of conversion of new members to our portfolio, partially offset by higher revenue recoveries in the prior year.

Other Services and Support Revenue

Other services and support revenue increased by $3.7 million, or 43%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due supply chain co-management fees as a result of the asset acquisition of Nexera as well as continued growth in our strategic initiatives.

Other services and support revenue increased by $0.7 million, or 10%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. Growth in service fees from our strategic initiatives of $5.4 million was offset by the impact of revenue recognition under the New Revenue Standard related to our partnership with a third party to provide pharmacy benefit management services.

Product Revenue

Product revenue increased by $85.8 million, or 47%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. The increase was primarily driven by the aggregated purchasing of personal protective equipment as a result of COVID-19 and growth in commodity products and aggregated purchasing of certain products.

Product revenue increased by $11.8 million, or 7%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. The increase was primarily driven by growth in commodity products and aggregated purchasing of certain products, partially offset by the $3.1 million impact of revenue recognition under the New Revenue Standard on distributor fees, which were historically recognized on a gross basis under the Previous Revenue Standard but are now recognized on a net basis under the New Revenue Standard.

We expect continued near-term growth of our direct sourcing product revenues due to the impact of COVID-19. Long-term, we expect our direct sourcing product revenues to continue to grow to the extent we are able to increase our product offerings, expand our product sales to existing members and additional members begin to utilize our programs.

Cost of Revenue

Supply Chain Services segment cost of revenue increased by $71.5 million, or 41%, during the year ended June 30, 2020 compared to the year ended June 30, 2019, and increased by $14.0 million, or 9%, during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Cost of services revenue remained flat during the year ended June 30, 2020 compared to the year ended June 30, 2019. Cost of services revenue decreased by $4.6 million, or 95%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to the impact of revenue recognition under the New Revenue Standard on the recognition of costs associated with our partnership with a third party to provide pharmacy benefit management services,

Cost of product revenue increased by $71.3 million, or 41%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 and increased by $18.6 million, or 12%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. These increases were both driven by higher costs associated with the aforementioned growth in direct sourcing sales, which during the year ended June 30, 2020 was significantly impacted by COVID-19. We expect our cost of product revenue to increase to the extent we are able to sell additional direct-sourced medical products to new and existing members. Increases in cost of product revenues could reduce our gross profit as a percentage of our net revenues depending on the underlying product sales mix.

Operating Expenses

Operating expenses increased by $21.5 million, or 13%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to an increase of $16.1 million in selling, general and administrative expenses and an increase of $5.4 million in intangible asset amortization.

Operating expenses decreased by $1.2 million, or 1%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily due to a decrease of $1.2 million in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $16.1 million, or 11%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 driven by increased expenses associated with current year acquisitions and expenses associated with our strategic initiatives. These increases were partially offset by a decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19.

Selling, general and administrative expenses decreased by $1.2 million during the year ended June 30, 2019 compared to the year ended June 30, 2018. Expenses decreased due to the impact of the New Revenue Standard on distributor fees associated with direct sourcing revenue and due to decreased general overhead expenses in the current year. These decreases were offset by increased expenses associated with our strategic initiatives.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets increased by $5.4 million, or 31%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 driven by additional amortization of purchased intangible assets related to acquisitions. Amortization of purchased intangible assets remained flat during the year ended June 30, 2019 compared to the year ended June 30, 2018.

As we execute on our growth strategy and further deploy capital, we expect increases in amortization of intangible assets in connection with future potential acquisitions.

Segment Adjusted EBITDA

Segment Adjusted EBITDA in the Supply Chain Services segment increased by $22.3 million, or 4%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. The increase was driven by growth in net administrative fees revenue, an increase in product revenue driven by aggregated purchasing of certain products as a result of COVID-19 and growth in commodity products, an increase in earnings from our 49% equity investment with FFF and a decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19. These increases were partially offset by an increase in operating expenses as a result of current year acquisitions as well as the significant impact of COVID-19 to the full year growth of net administrative fees revenue during the three months ended June 30, 2020.

Segment Adjusted EBITDA in the Supply Chain Services segment increased by $16.2 million, or 3%, during the year ended June 30, 2019 compared to the year ended June 30, 2018. The increase was primarily a result of growth in net administrative fees revenue and growth in service fees from our academic initiative, partially offset by a decline in gross margin associated with product revenue.

Performance Services

The following table summarizes our results of operations and Adjusted EBITDA in the Performance Services segment for the fiscal years presented (in thousands):

	Year Ended June 30,			Change			
	2020	2019	2018				
Performance Services			Previous revenue standard	2020 vs 2019		2019 vs 2018 (previous revenue standard)	
Net revenue:							
Other services and support	$ 346,829	$ 362,458	$ 360,679	$ (15,629)	(4)%	$ 1,779	— %
Services	346,829	362,458	360,679	(15,629)	(4)%	1,779	— %
Net revenue	346,829	362,458	360,679	(15,629)	(4)%	1,779	— %
Cost of revenue:							
Services	187,843	182,147	182,519	5,696	3 %	(372)	— %
Cost of revenue	187,843	182,147	182.519	5,696	3 %	(372)	(204)%
Gross profit	158,986	180,311	178,160	(21,325)	(12)%	2,151	1 %
Operating expenses:							
Selling, general and administrative	140,416	130,827	114,088	9,589	7 %	16,739	15 %
Research and development	2,344	1,213	1,418	1,131	93 %	(205)	(14)%
Amortization of intangibles	32,606	35,769	35,331	(3,163)	(9)%	438	1 %
Operating expenses	175,366	167,809	150,837	7,557	5 %	16,972	11 %
Operating (loss) income	**$ (16,380)**	**$ 12,502**	**$ 27,323**	**$ (28,882)**	**(231)%**	**$ (14,821)**	**(54)%**
Depreciation and amortization	85,950	74,812	60,476				
Amortization of purchased intangible assets	32,606	35,769	35,331				
Acquisition & disposition related expenses (income)	8,825	5,208	(271)				
Equity in net income (loss) of unconsolidated affiliates	231	715	(730)				
Other expense, net	50	141	1,300				
Segment Adjusted EBITDA	**$ 111,282**	**$ 129,147**	**$ 123,429**	**$ (17,865)**	**(14)%**	**$ 5,718**	**5 %**

Net Revenue

Other services and support revenue in our Performance Services segment decreased by $15.6 million, or 4%, during the year ended June 30, 2020 compared to the year ended June 30, 2019. The decrease was primarily due to lower demand in consulting services and a decrease in revenue as a result of the planned reduction and subsequent discontinuance of the Hospital Improvement Innovation Network contract. These decreases were partially offset by growth in technology license contracts as a result of new enterprise license agreements.

Other services and support revenue in our Performance Services segment increased by $1.8 million during the year ended June 30, 2019 compared to the year ended June 30, 2018. The increase was driven by growth in applied sciences and cost management consulting services, as revenue is now recognized proportionally to when services are provided under the New Revenue Standard whereas revenue recognition was deferred in certain circumstances until certain performance conditions were met under the Previous Revenue Standard, as well as revenue from acquisitions, which contributed $3.7 million in growth. These increases were offset by the impact of revenue that was historically recognized on a gross basis under the Previous Revenue Standard but was recognized on a net basis under the New Revenue Standard and a decrease related to the timing of certain contracts ending in the cost management and quality and safety businesses.

We expect our other services and support revenue to grow over the long-term to the extent we are able to expand our sales to existing members and additional members begin to utilize our integrated platform of products and services.

Cost of Revenue

Cost of services revenue in our Performance Services segment increased by $5.7 million, or 3%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to increased amortization of internally-developed software applications.

Cost of services revenue in our Performance Services segment decreased by $0.4 million during the year ended June 30, 2019 compared to the year ended June 30, 2018. An increase in amortization of internally developed software applications was offset by a decrease in salaries and benefits in the current year due to lower headcount as a result of staffing efficiencies implemented in the prior year and a decrease due to the impact of the New Revenue Standard on the recognition of certain consulting expenses which were historically recognized on a gross basis under the Previous Revenue Standard, but are now recognized on a net basis under the New Revenue Standard.

We expect cost of service revenue to increase to the extent we continue to develop new and enhance existing internally developed software applications, expand our consulting services and performance improvement collaboratives and expand into new product offerings.

Operating Expenses

Performance Services segment operating expenses increased by $7.6 million, or 5%, during the year ended June 30, 2020 compared to the year ended June 30, 2019, and increased by $17.0 million, or 11%, during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $9.6 million, or 7%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 driven by increased expenses associated with acquisitions, partially offset by a decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19.

Selling, general and administrative expenses increased by $16.7 million, or 15%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily driven by increased amortization of internally developed software applications, expenses associated with acquisitions and higher bad debt expense primarily due to a hospital bankruptcy.

Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets decreased by $3.2 million, or 9%, to $32.6 million during the year ended June 30, 2020 compared to the year ended June 30, 2019, and remained relatively flat during the year ended June 30, 2019 compared to the year ended June 30, 2018.

As we execute on our growth strategy and further deploy capital, we expect increases in amortization of intangible assets in connection with future potential acquisitions.

Segment Adjusted EBITDA

Segment Adjusted EBITDA in the Performance Services segment decreased by $17.9 million, or 14%, during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily as a result of the aforementioned decrease in other services and support revenue and increase in operating expenses as a result of recent acquisitions partially offset by the decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19.

Segment Adjusted EBITDA in the Performance Services segment increased by $5.7 million, or 5%, during the year ended June 30, 2019 compared to the year ended June 30, 2018 primarily as a result of increased other services and support revenue and decreased salaries and benefits expenses in the current year due to lower headcount as a result of staffing efficiencies implemented in the prior year, partially offset by incremental expense resulting from the acquisition in the current year and increased bad debt expense.

Corporate

The following table summarizes corporate expenses and Adjusted EBITDA for the fiscal years presented (in thousands):

	Year Ended June 30,			Change			
Corporate	2020	2019	2018	2020 vs 2019		2019 vs 2018 (previous revenue standard)	
Other operating income:							
Remeasurement of tax receivable agreement liabilities	$ 24,584	$ —	$ 177,174	$ 24,584	— %	$ (177,174)	nm
Other operating income	24,584	—	177,174	24,584	— %	(177,174)	nm
Operating expenses:							
Selling, general and administrative	155,716	160,493	162,262	(4,777)	(3)%	(1,769)	(1)%
Research and development	5	11	6	(6)	(55)%	5	83 %
Operating expenses	155,721	160,504	162,268	(4,783)	(3)%	(1,764)	(1)%
Operating loss	**$ (131,137)**	**$ (160,504)**	**$ 14,906**	**$ 29,367**	**(18)%**	**$ (175,410)**	**nm**
Depreciation and amortization	8,303	10,965	9,217				
Stock-based compensation	21,132	29,396	29,235				
Remeasurement of tax receivable agreement liabilities	(24,584)	—	(177,174)				
Deferred compensation plan income	3,904	2,546	3,960				
Other expense, net	4,842	1,463	4,096				
Adjusted EBITDA	**$ (117,540)**	**$ (116,134)**	**$ (115,760)**	**$ (1,406)**	**1 %**	**$ (374)**	**— %**

Other Operating Income

Other operating income of $24.6 million during the year ended June 30, 2020 is attributable to the remeasurement of the TRA liability as a result of the change in North Carolina state income tax law. Other operating income of $177.2 million for the year ended June 30, 2018 represents the remeasurement of TRA liabilities driven by the 14% decrease in the U.S. federal corporate income tax rate associated with the TCJA that was enacted on December 22, 2017.

Operating Expenses

Corporate operating expenses decreased by $4.8 million, or 3%, during the year ended June 30, 2020 compared to the year ended June 30, 2019, and decreased by $1.8 million, or 1%, during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Selling, general and administrative expenses decreased by $4.8 million, or 3%, during the year ended June 30, 2020 compared to the year ended June 30, 2019, primarily due a decrease in stock-based compensation expense due to lower achievement of certain performance targets relative to the prior year and a decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19. These decreases were partially offset by an increase in technology expenses driven by software subscriptions associated with recent acquisitions.

Selling, general and administrative expenses decreased by $1.8 million, or 1%, during the year ended June 30, 2019 compared to the year ended June 30, 2018, primarily driven by decreased salaries and benefits and travel expenses, partially offset by increased depreciation of purchased software and hardware.

Adjusted EBITDA

Adjusted EBITDA decreased by $1.4 million during the year ended June 30, 2020 compared to the year ended June 30, 2019 driven by an increase in technology expenses driven by software subscriptions associated with recent acquisitions partially offset by a decrease in employee travel and meeting expenses as a result of the elimination of employee travel due to COVID-19.

Adjusted EBITDA remained relatively flat during the year ended June 30, 2019 compared to the year ended June 30, 2018.

Off-Balance Sheet Arrangements

As of June 30, 2020, we did not have any off-balance sheet arrangements.

Liquidity and Capital Resources

Our principal source of cash has historically been cash provided by operating activities. From time to time we have used, and expect to use in the future, borrowings under our Credit Facility as a source of liquidity. Our primary cash requirements involve operating expenses, working capital fluctuations, revenue share obligations, tax payments, capital expenditures, dividend payments on our Class A common stock, if and when declared, repurchases of Class A common stock pursuant to stock repurchase programs in place from time to time, acquisitions and related business investments, and other general corporate activities. Our capital expenditures typically consist of internally developed software costs, software purchases and computer hardware purchases.

As of June 30, 2020 and 2019, we had cash and cash equivalents of $99.3 million and $141.1 million, respectively. As of June 30, 2020 and 2019, there was $75.0 million and $25.0 million, respectively, of outstanding borrowings under the Credit Facility. During the year ended June 30, 2020, we borrowed $400.0 million and repaid $350.0 million of borrowings under the Credit Facility, which was used to fund acquisitions during the current year, share repurchases under the fiscal 2020 stock repurchase program, and for other general corporate activities. On July 31, 2020, we repaid $25.0 million of outstanding borrowings under the Credit Facility.

We expect cash generated from operations and borrowings under our Credit Facility to provide us with adequate liquidity to fund our anticipated working capital requirements, revenue share obligations, tax payments, capital expenditures, dividend payments on our Class A common stock, if and when declared, and repurchases of Class A common stock pursuant to stock repurchase programs in place from time to time. Our capital requirements depend on numerous factors, including funding requirements for our product and service development and commercialization efforts, our information technology requirements and the amount of cash generated by our operations. We believe that we have adequate capital resources at our disposal to fund currently anticipated capital expenditures, business growth and expansion, and current and projected debt service requirements. However, strategic growth initiatives will likely require the use of one or a combination of various forms of capital resources including available cash on hand, cash generated from operations, borrowings under our Credit Facility and other long-term debt and, potentially, proceeds from the issuance of additional equity or debt securities.

On May 7, 2019, we announced that our Board of Directors authorized the repurchase of up to $300.0 million of our outstanding Class A common stock during fiscal year 2020. During fiscal year 2020, we purchased an aggregate of 4.6 million shares of Class A common stock at an average price of $32.28 per share for a total purchase price of $150.0 million under our fiscal year 2020 stock repurchase program. On August 5, 2020, our Board of Directors declared a cash dividend of $0.19 per share, payable on September 15, 2020 to stockholders of record on September 1, 2020.

During the second half of fiscal 2020, COVID-19 became a global pandemic that spread throughout the United States and much of the rest of the world. In addition to those who have been directly affected with the disease, millions more have been affected by government and voluntary efforts around the world to slow the spread of the pandemic through quarantines, travel restrictions, business shut-downs, heightened border security and other measures. The full extent to which the COVID-19 pandemic will impact our business, operating results, financial condition and liquidity will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions to contain it or treat its impact, including the timing, development and deployment of an effective vaccine, or recurrences of COVID-19 or similar pandemics. As discussed in detail under "Item 1A. Risk Factors" above, as a result of the COVID-19 pandemic and potential future pandemic outbreaks, we face significant risks including but not limited to the following:

- We have experienced and may continue to experience demand uncertainty from both significant increases in demand for PPE, drugs and other products related to the treatment of COVID-19 and decreases in demand for non-COVID-19 related products.
- Our GPO member hospitals and non-acute care sites have experienced reduced or limited access for non-patients, including our field teams, consultants and other professionals, and travel restrictions have impacted our employees' ability to travel to our members' facilities.
- The global supply chain has been significantly disrupted due to stay at home orders, border closings and rapidly escalating shipping costs.
- We have and may continue to receive requests for contract modifications, payment waivers and deferrals, payment reductions or amended payment terms from our contract counterparties. In addition, several pharmacy suppliers have exercised force majeure clauses related to failure to supply clauses in their contracts with us.
- The impact of the COVID-19 pandemic could result in a prolonged recession or depression in the United States or globally that could harm the banking system, limit demand for all products and services and cause other seen and unforeseen events and circumstances, all of which could negatively impact us.

- In response to COVID-19, federal, state and local governments are issuing new rules, regulations, changing reimbursement eligibility rules, orders and advisories on a regular basis. These government actions can impact us and our members and suppliers.

Discussion of Cash Flows for the years ended June 30, 2020 and 2019

A summary of net cash flows follows (in thousands):

	Year Ended June 30,	
	2020	**2019**
Net cash provided by (used in):		
Operating activities	$ 339,888	$ 511,938
Investing activities	(222,322)	(129,274)
Financing activities	(168,953)	(387,200)
Operating and investing activities from discontinued operations	9,636	(6,795)
Net decrease in cash and cash equivalents	**$ (41,751)**	**$ (11,331)**

Net cash provided by operating activities decreased by $172.1 million for the year ended June 30, 2020 compared to the year ended June 30, 2019. The decrease in cash provided by operating activities was driven by the prepaid contract administrative fee share of $93.8 million for one-time rebates paid by Acurity, Inc. to certain of its then members, as agreed to by Acurity, Inc. prior to entering into the Purchase Agreement. These payments were excluded from the purchase price of the Acurity and Nexera asset acquisition. As of June 30, 2020, we had capitalized $87.3 million on our Consolidated Balance Sheets and amortized $6.5 million to net revenue on our Consolidated Statements of Income and Comprehensive Income. In addition, the decrease in cash provided by operating activities was due to a decrease in our working capital primarily driven by the impact of the aggregated purchasing of personal protective equipment as a result of COVID-19, an increase in acquisition and disposition related expenses associated with certain strategic initiatives and lower profitability in our Performance Services segment. These decreases were partially offset by growth in net administrative fees revenue in our Supply Chain Services segment and the remeasurement of the TRA in the current period.

Net cash used in investing activities increased by $93.0 million for the year ended June 30, 2020 compared to the year ended June 30, 2019. The increase in cash used in investing activities was primarily due to an increase of $70.8 million in cash paid for business acquisitions in the current year compared to cash paid for business acquisitions in the prior year. This increase was partially offset by lower proceeds received during the current year of $19.1 million due to the liquidation of property and equipment in connection with our exit from specialty pharmacy operations in June 2019.

Net cash used in financing activities decreased by $218.2 million for the year ended June 30, 2020 compared to year ended June 30, 2019. The decrease in net cash used in financing activities was primarily due to an increase of $125.0 million in net borrowings under the Credit Facility, a decrease of $100.0 million in repurchases of Class A common stock under the current year stock repurchase program and a decrease of $8.9 million in distributions to limited partners of Premier LP. These decreases were partially offset by an increase in payments on the non-interest bearing notes payable to our departed member owners.

Net cash provided by operating activities attributable to discontinued operations increased by $16.2 million for the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to payments on liabilities that were outstanding as of June 30, 2019.

Discussion of Non-GAAP Free Cash Flow for the Years Ended June 30, 2020 and 2019

We define Non-GAAP Free Cash Flow as net cash provided by operating activities from continuing operations less distributions and TRA payments to limited partners and purchases of property and equipment. Non-GAAP Free Cash Flow does not represent discretionary cash available for spending as it excludes certain contractual obligations such as debt repayments. A summary of Non-GAAP Free Cash Flow and reconciliation to net cash provided by operating activities for the periods presented follows (in thousands):

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

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

Non-GAAP Free Cash Flow decreased by $76.3 million for the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to a decrease of $84.8 million in net cash provided by operating activities from continuing operations driven by prepayments for commodity products in response to increased demand due to COVID-19, partially offset by a decrease of $8.9 million in distributions to limited partners of Premier LP.

See "Our Use of Non-GAAP Financial Measures" above for additional information regarding our use of Non-GAAP Free Cash Flow.

Contractual Obligations

At June 30, 2020, we had commitments for obligations under notes payable which represented obligations to departed member owners, our noncancelable office space lease agreements and estimated payments due to limited partners under the TRA. Future payments for such commitments as of June 30, 2020 were as follows (in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**Greater Than 5 Years**
Tax receivable agreement liabilities [a][b]	$ 293,670	$ 13,689	$ 36,549	$ 39,066	$ 204,366
Operating lease obligations [c]	70,414	12,171	23,750	24,322	10,171
Notes payable [d]	9,200	4,560	2,360	2,280	—
Deferred consideration [e]	118,320	34,620	56,513	27,187	—
Total contractual obligations	**$ 491,604**	**$ 65,040**	**$ 119,172**	**$ 92,855**	**$ 214,537**

(a) Estimated payments due to limited partners under the TRA are based on 85% of the estimated amount of tax savings we expect to receive, generally over a 15-year period.

(b) On August 10, 2020, Premier exercised its right to terminate the TRA providing all former limited partners a notice of the termination and the amount of the expected payment to be made to each former limited partner pursuant to the early termination provisions of the TRA (each such amount an "Early Termination Payment") with a determination date of August 10, 2020. The aggregate amount of the Early Termination Payments is approximately $473.5 million. Of that amount, approximately $10.6 million is payable within three business days after the date the Early Termination Payment becomes final, which is expected to be on or about September 15, 2020, to former limited partners that did not elect to execute Unit Exchange Agreements. Pursuant to the Unit Exchange Agreements, the remaining amount payable, approximately $462.9 million in the aggregate, will be paid, without interest, to former limited partners that elected to execute Unit Exchange Agreements in 18 equal quarterly installments commencing during the quarter ended March 31, 2021 and ending in the quarter ending June 30, 2025.

(c) Future contractual obligations for leases represent future minimum payments under noncancelable operating leases primarily for office space.

(d) Notes payable are non-interest bearing and represent an aggregate principal amount of $9.2 million owed to departed member owners, generally payable over five years from the respective departure dates.

(e) Additional consideration to be paid pursuant to the Purchase Agreement for the Acurity and Nexera asset acquisition.

Credit Facility

Premier LP, along with its consolidated subsidiaries, PSCI and PHSI, as Co-Borrowers, Premier GP and certain domestic subsidiaries of Premier GP, as guarantors, entered into an unsecured Credit Facility, dated as of November 9, 2018. The Credit Facility has a maturity date of November 9, 2023, subject to up to two one-year extensions at the request of the Co-Borrowers and approval of a majority of the lenders under the Credit Facility. The Credit Facility provides for borrowings of up to $1.0 billion with (i) a $50.0 million sub-facility for standby letters of credit and (ii) a $100.0 million sub-facility for swingline loans. The Credit Facility also provides that Co-Borrowers may from time to time (i) incur incremental term loans and (ii) request an increase in the revolving commitments under the Credit Facility, together up to an aggregate of $350.0 million, subject to the approval of the lenders providing such term loans or revolving commitment increase. The Credit Facility includes an unconditional and irrevocable

guaranty of all obligations under the Credit Facility by Premier GP, certain domestic subsidiaries of Premier GP and future guarantors, if any. Premier, Inc. is not a guarantor under the Credit Facility.

At our option, committed loans may be in the form of Eurodollar rate loans ("Eurodollar Loans") or base rate loans ("Base Rate Loans"). Eurodollar Loans bear interest at the Eurodollar rate (defined as the London Interbank Offered Rate, or LIBOR, plus the Applicable Rate (defined as a margin based on the Consolidated Total Net Leverage Ratio (as defined in the Credit Facility))). Base Rate Loans bear interest at the Base Rate (defined as the highest of the prime rate announced by the administrative agent, the federal funds effective rate plus 0.50%, the one-month LIBOR plus 1.0% and 0.0%) plus the Applicable Rate. The Applicable Rate ranges from 1.000% to 1.500% for Eurodollar Loans and 0.000% to 0.500% for Base Rate Loans. In the event that LIBOR is no longer available, the Credit Facility states that interest will be calculated based upon rates offered to leading banks for comparable loans by leading banks in the London interbank market. At June 30, 2020, the interest rate for one-month Eurodollar Loans was 1.162% and the interest rate for Base Rate Loans was 3.250%. The Co-Borrowers are required to pay a commitment fee ranging from 0.100% to 0.200% per annum on the actual daily unused amount of commitments under the Credit Facility. At June 30, 2020, the commitment fee was 0.100%.

The Credit Facility contains customary representations and warranties as well as customary affirmative and negative covenants, including, among others, limitations on liens, indebtedness, fundamental changes, dispositions, restricted payments and investments. Under the terms of the Credit Facility, Premier GP's consolidated total net leverage ratio (as defined in the Credit Facility) may not exceed 3.75 to 1.00 for four consecutive quarters, provided that, in connection with any acquisition for which the aggregate consideration exceeds $250.0 million, the maximum consolidated total net leverage ratio may increase to 4.25 to 1.00 for the four consecutive fiscal quarters beginning with the quarter in which such acquisition is completed. In addition, Premier GP must maintain a minimum consolidated interest coverage ratio (as defined in the Credit Facility) of 2.50 to 1.00 at the end of every fiscal quarter. Premier GP was in compliance with all such covenants at June 30, 2020.

The Credit Facility also contains customary events of default including, among others, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults of any indebtedness or guarantees in excess of $75.0 million, bankruptcy and other insolvency events, ERISA-related liabilities and judgment defaults in excess of $50.0 million, and the occurrence of a change of control (as defined in the Credit Facility). If any event of default occurs and is continuing, the administrative agent under the Credit Facility may, with the consent, or shall, at the request of a majority of the lenders under the Credit Facility, terminate the commitments and declare all of the amounts owed under the Credit Facility to be immediately due and payable. We may prepay amounts outstanding under the Credit Facility without premium or penalty provided that Co-Borrowers compensate the lenders for losses and expenses incurred as a result of the prepayment of any Eurodollar Loan, as defined in the Credit Facility.

Proceeds from borrowings under the Credit Facility may generally be used to finance ongoing working capital requirements, including permitted acquisitions, cash dividends, if and when declared, repurchases of Class A common stock pursuant to stock repurchase programs, in place from time to time, and other general corporate activities. We had $75.0 million outstanding borrowings under the Credit Facility at June 30, 2020 with $925.0 million of available borrowing capacity after reductions for outstanding borrowings and outstanding letters of credit. On July 31, 2020, we repaid $25.0 million of outstanding borrowings under the Credit Facility.

Member-Owner TRA

Pursuant to the TRA, we will pay member owners 85% of the tax savings, if any, in U.S. federal, foreign, state and local income and franchise tax that we actually realize (or are deemed to realize, in the case of payments required to be made upon certain occurrences under the TRA) in connection with the Section 754 election. The election results in adjustments to the tax basis of the assets of Premier LP upon member owner exchanges of Class B common units of Premier LP for Class A common stock of Premier, Inc., cash or a combination of both. Tax savings are generated as a result of the increases in tax basis resulting from the initial sale of Class B common units, subsequent exchanges (pursuant to the Exchange Agreement) and payments under the TRA.

We had TRA liabilities of $293.7 million and $344.1 million as of June 30, 2020 and 2019, respectively. The change in TRA liabilities was driven by $90.1 million attributable to member departures, $24.6 million in TRA remeasurements primarily due to the change in North Carolina state income tax law and $17.5 million in TRA payments during the year ended June 30, 2020. These changes were partially offset by an increase of $81.7 million in connection with the quarterly member owner exchanges that occurred during the year ended June 30, 2020.

On August 10, 2020, Premier exercised its right to terminate the TRA by providing all former limited partners a notice of the termination and the amount of the expected payment to be made to each former limited partner pursuant to the early termination provisions of the TRA (each such amount an "Early Termination Payment") with a determination date of August 10, 2020. The aggregate amount of the Early Termination Payments is approximately $473.5 million. Of that amount, approximately $10.6 million is payable within three business days after the date the Early Termination Payment becomes final, which is expected to be on or about September 15, 2020, to former limited partners that did not elect to execute Unit Exchange Agreements. Pursuant

to the Unit Exchange Agreements, the remaining amount payable, approximately $462.9 million in the aggregate, will be paid, without interest, to former limited partners that elected to execute Unit Exchange Agreements in 18 equal quarterly installments commencing during the quarter ending March 31, 2021 and ending in the quarter ending June 30, 2025.

Stock Repurchase Program

On May 7, 2019, we announced that our Board of Directors authorized the repurchase of up to $300.0 million of our outstanding Class A common stock during fiscal year 2020 as a continuation of our balanced capital deployment strategy. During fiscal year 2020, we purchased an aggregate of 4.6 million shares of Class A common stock at an average price of $32.28 per share for a total purchase price of $150.0 million under our fiscal year 2020 stock repurchase program. In addition, during the year ended June 30, 2020, no shares of Class B common units were exchanged for cash in connection with quarterly member owner exchanges under the Exchange Agreement.

During fiscal year 2019, we purchased an aggregate of 6.7 million shares of Class A common stock at an average price of $37.38 per share for a total purchase price of $250.0 million under our fiscal year 2019 stock repurchase program.

Cash Dividends

On August 5, 2020, our Board of Directors declared a cash dividend of $0.19 per share, payable on September 15, 2020 to stockholders of record on September 1, 2020. We currently expect quarterly dividends to continue to be paid on or about December 15, March 15, June 15, and September 15. However, the actual declaration of any future cash dividends, and the setting of record and payment dates as well as the per share amounts, will be at the discretion of our Board of Directors each quarter after consideration of various factors, including our results of operations, financial condition and capital requirements, earnings, general business conditions, restrictions imposed by our current credit facility and any future financing arrangements, legal restrictions on the payment of dividends and other factors our Board of Directors deems relevant.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risk related primarily to the increase or decrease in the amount of any interest expense we must pay with respect to outstanding debt instruments. At June 30, 2020, we had $75.0 million outstanding borrowings under our Credit Facility. At June 30, 2020, a one-percent increase or decrease in the interest rate charged on outstanding borrowings under the Credit Facility would increase or decrease interest expense over the next 12 months by $0.8 million.

We invest our excess cash in a portfolio of individual cash equivalents. We do not currently hold, and have never held, any derivative financial instruments. We do not expect changes in interest rates to have a material impact on our results of operations or financial position. We plan to ensure the safety and preservation of our invested funds by limiting default, market and investment risks. We plan to mitigate default risk by investing in low-risk securities.

Foreign Currency Risk. Substantially all of our financial transactions are conducted in U.S. dollars. We do not have significant foreign operations and, accordingly, do not believe we have market risk associated with foreign currencies.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements and related notes are filed together with this Annual Report. See the index to financial statements under Item 15(a) for a list of financial statements filed with this report, and under this item.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Premier, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Premier, Inc. (the Company) as of June 30, 2020 and 2019, the related consolidated statements of income and comprehensive income, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 25, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue as a result of the adoption of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and the related amendments effective July 1, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill

Description of the Matter

At June 30, 2020, the Company's goodwill was $942 million. As discussed in Note 2 to the consolidated financial statements, goodwill is tested for impairment annually at the reporting unit level on April 1 unless an interim test is required due to the presence of indicators that goodwill may be impaired. The Company's goodwill is initially assigned to its reporting units as of the acquisition date.

Auditing management's annual goodwill impairment test was complex and highly judgmental due to the estimation required to determine the fair value of the reporting units. Fair value is estimated by management based on an income approach using a discounted cash flow model as well as market-based approaches. In particular, the fair value estimates are sensitive to significant assumptions such as the amount and timing of future cash flows, perpetual growth rates, and the use of comparable market multiples of various financial measures, which are affected by expected future market or economic conditions, including increased uncertainty as of the measurement date due to the impact of COVID-19.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment testing process. For example, we tested controls over management's review of the significant inputs and assumptions discussed above used in determining the reporting unit fair values.

To test the estimated fair value of the Company's reporting units, our audit procedures included, among others, assessing the methodologies used and testing the significant assumptions discussed above, including the completeness and accuracy of the underlying data used by the Company. For example, we compared the significant assumptions used by management to current industry and economic trends, historical financial results and other relevant factors. We performed sensitivity analyses of significant assumptions to evaluate the change in the fair value of the reporting units resulting from changes in the inputs and assumptions. We also assessed the historical accuracy of management's projections. In addition, we involved our valuation specialists to assist in our evaluation of the significant assumptions described above. We evaluated the reconciliation of the estimated aggregate fair value of the reporting units to the market capitalization of the Company.

Investment in FFF Enterprises

Description of the Matter

As disclosed in Notes 5 and 6 to the consolidated financial statements, and pursuant to the terms of a shareholders' agreement, the Company owns 49% of the outstanding stock of FFF Enterprises, Inc. ("FFF"). The majority shareholder of FFF holds a put right that provides such shareholder the right to require the Company to purchase the majority shareholder's interest in FFF, on an all or nothing basis, on or after April 15, 2023. In addition, the Company has a call right that provides it the option to purchase the remaining interest in FFF after (i) a Key Man Event (as defined in Note 6) has occurred, or (ii) on January 30, 2021.

Auditing the fair value determination of the put and call rights was challenging because of the use of significant inputs and assumptions, including the forecast of FFF's EBITDA and enterprise value over the option period, forecasted movements in the overall market, and likelihood of a Key Man Event, in determining the fair values. Changes in these inputs and assumptions could have a significant impact on the fair values of the put and call rights. Also, applying audit procedures to address the estimation uncertainty involved a high degree of auditor judgment.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the relevant controls over management's calculation of fair value. For example, we tested controls over management's review of the inputs and assumptions discussed above used in determining the fair values of the put and call rights.

To test the estimated fair values of the put and call rights, our audit procedures included, among others, assessing the methodologies used and testing the significant assumptions discussed above, including the completeness and accuracy of the underlying data used by the Company. For example, we compared the revenue growth and profitability assumptions to past performance of FFF and other guideline companies within the same industry. We also assessed the Company's application of the terms of the shareholders' agreement in its valuation methodology and agreed the terms to the inputs used in the fair value calculations. In addition, we involved our valuation specialists to assist in our evaluation of the methodology used by the Company and significant assumptions discussed above.

Valuation of Intangible Assets and Contingent Consideration

Description of the Matter

As disclosed in Note 3 to the consolidated financial statements, in fiscal 2020 the Company acquired substantially all of the assets and assumed certain liabilities of Acurity, Inc. and Nexera Inc. for consideration of $203 million, including an earn-out opportunity for Acurity, Inc. of up to $30 million based upon the Company's achievement of a range of member renewals on terms consistent with prevailing market conditions in December 2023. The Company has accounted for the acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on fair values.

Auditing the Company's accounting for the acquisition was complex due to the estimation uncertainty involved in determining the fair value of intangible assets of $188 million, consisting primarily of acquired member relationships of $166 million, and the fair value of contingent consideration payable to an affiliate of a limited partner in Premier Healthcare Alliance, L.P. The estimation uncertainty was primarily due to the sensitivity of the respective fair values to the significant underlying assumptions. Significant assumptions used by management in the valuation of the intangible assets included the amount and timing of projected future cash flows and the discount rate selected to measure the risks inherent in the future cash flows. Significant assumptions used in the valuation of contingent consideration included estimated achievement of a range of member renewals in December 2023. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the valuation of intangible assets and contingent consideration related to the business combination. This included testing controls over the estimation process supporting the recognition and measurement of identified intangible assets and contingent consideration, including management's evaluation of underlying assumptions and estimates used to determine these fair values.

To test the estimated fair value of the intangible assets and contingent consideration, we performed audit procedures that included, among others, evaluating the Company's selection of the valuation methodology, evaluating the significant assumptions used, and evaluating the completeness and accuracy of the underlying data supporting the significant assumptions and estimates. We involved our valuation specialists to assist in our evaluation of the methodologies used by the Company and testing certain significant assumptions used to value the intangible assets and contingent consideration. For example, we compared the significant assumptions to current economic trends, historical results of the acquired businesses and to other relevant factors. We also performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value resulting from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1991.

Raleigh, North Carolina
August 25, 2020

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of Premier, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Premier, Inc.'s internal control over financial reporting as of June 30, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Premier, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Medpricer.com, Inc., Acurity, Inc. and Nexera, Inc., and Health Design Plus, LLC, which are included in the 2020 consolidated financial statements of the Company and constituted 13% of total assets as of June 30, 2020 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Medpricer.com, Inc., and certain assets of each of Acurity, Inc. and Nexera, Inc. and Health Design Plus, LLC.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the June 30, 2020 consolidated financial statements of the Company and our report dated August 25, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Raleigh, North Carolina
August 25, 2020

PREMIER, INC.

Consolidated Balance Sheets

(In thousands, except per share data)

	June 30, 2020	June 30, 2019
Assets		
Cash and cash equivalents	$ 99,304	$ 141,055
Accounts receivable (net of $731 and $739 allowance for doubtful accounts, respectively)	135,063	168,115
Contract assets	215,660	205,509
Inventory	70,997	51,032
Prepaid expenses and other current assets	97,338	23,765
Current assets of discontinued operations	—	24,568
Total current assets	618,362	614,044
Property and equipment (net of $452,609 and $359,235 accumulated depreciation, respectively)	206,728	205,108
Intangible assets (net of $245,160 and $197,858 accumulated amortization, respectively)	417,422	270,722
Goodwill	941,965	880,709
Deferred income tax assets	430,025	422,014
Deferred compensation plan assets	49,175	45,466
Investments in unconsolidated affiliates	133,335	99,636
Operating lease right-of-use assets	57,823	—
Other assets	93,680	31,868
Total assets	**$ 2,948,515**	**$ 2,569,567**
Liabilities, redeemable limited partners' capital and stockholders' equity (deficit)		
Accounts payable	$ 54,841	$ 54,540
Accrued expenses	53,500	82,476
Revenue share obligations	145,777	137,359
Limited partners' distribution payable	8,012	13,202
Accrued compensation and benefits	73,262	70,799
Deferred revenue	35,446	35,623
Current portion of tax receivable agreements	13,689	17,505
Line of credit and current portion of long-term debt	79,560	27,608
Other liabilities	31,987	7,113
Current liabilities of discontinued operations	—	11,797
Total current liabilities	496,074	458,022
Long-term debt, less current portion	4,640	6,003
Tax receivable agreements, less current portion	279,981	326,607
Deferred compensation plan obligations	49,175	45,466
Deferred tax liabilities	17,508	4,766
Deferred consideration	112,917	—
Operating lease liabilities, less current portion	52,990	—
Other liabilities	75,658	67,683
Total liabilities	**1,088,943**	**908,547**

PREMIER, INC.

Consolidated Balance Sheets

(In thousands, except per share data)

	June 30, 2020	June 30, 2019
Commitments and contingencies (Note 18)		
Redeemable limited partners' capital	**1,720,309**	**2,523,270**
Stockholders' equity (deficit):		
Class A common stock, $0.01 par value, 500,000,000 shares authorized; 71,627,462 shares issued and outstanding at June 30, 2020 and 64,357,305 shares issued and 61,938,157 shares outstanding at June 30, 2019	716	644
Class B common stock, $0.000001 par value, 600,000,000 shares authorized; 50,213,098 and 64,548,044 shares issued and outstanding at June 30, 2020 and June 30, 2019, respectively	—	—
Treasury stock, at cost; 0 and 2,419,148 shares at June 30, 2020 and June 30, 2019, respectively	—	(87,220)
Additional paid-in-capital	138,547	—
Accumulated deficit	—	(775,674)
Total stockholders' equity (deficit)	**139,263**	**(862,250)**
Total liabilities, redeemable limited partners' capital and stockholders' equity (deficit)	**$ 2,948,515**	**$ 2,569,567**

See accompanying notes to the consolidated financial statements.

PREMIER, INC.

Consolidated Statements of Income and Comprehensive Income

(In thousands, except share data)

	Year Ended June 30,		
	2020	**2019**	**2018**
Net revenue:			
Net administrative fees	$ 670,593	$ 662,462	$ 643,839
Other services and support	359,054	371,019	368,491
Services	1,029,647	1,033,481	1,012,330
Products	269,945	184,157	172,327
Net revenue	1,299,592	1,217,638	1,184,657
Cost of revenue:			
Services	188,275	182,375	187,363
Products	244,516	173,255	154,634
Cost of revenue	432,791	355,630	341,997
Gross profit	866,801	862,008	842,660
Other operating income:			
Remeasurement of tax receivable agreement liabilities	24,584	—	177,174
Other operating income	24,584	—	177,174
Operating expenses:			
Selling, general and administrative	459,859	438,985	425,251
Research and development	2,376	1,224	1,423
Amortization of purchased intangible assets	55,530	53,285	52,801
Operating expenses	517,765	493,494	479,475
Operating income	373,620	368,514	540,359
Equity in net income of unconsolidated affiliates	12,537	5,658	1,174
Interest and investment (loss) income, net	(11,313)	(2,471)	(5,300)
Gain (loss) on FFF put and call rights	4,690	(17)	(22,036)
Other income (expense)	4,153	(3,545)	3,336
Other income (expense), net	10,067	(375)	(22,826)
Income before income taxes	383,687	368,139	517,533
Income tax expense	92,561	33,462	259,526
Net income from continuing operations	**291,126**	**334,677**	**258,007**
Income (loss) from discontinued operations, net of tax	1,054	(50,598)	(437)
Net income	292,180	284,079	257,570
Net income from continuing operations attributable to non-controlling interest	(161,318)	(200,907)	(224,548)
Net (income) loss from discontinued operations attributable to non-controlling interest	(498)	25,948	279
Net income attributable to non-controlling interest in Premier LP	(161,816)	(174,959)	(224,269)
Adjustment of redeemable limited partners' capital to redemption amount	468,311	(118,064)	157,581
Net income (loss) attributable to stockholders	**$ 598,675**	**$ (8,944)**	**$ 190,882**
Comprehensive income:			
Net income	$ 292,180	$ 284,079	$ 257,570
Less: comprehensive income attributable to noncontrolling interest	(161,816)	(174,959)	(224,269)
Comprehensive income attributable to stockholders	**$ 130,364**	**$ 109,120**	**$ 33,301**

PREMIER, INC.

Consolidated Statements of Income and Comprehensive Income

(In thousands, except share data)

	Year Ended June 30,		
	2020	**2019**	**2018**
Weighted average shares outstanding:			
Basic	67,035	59,188	53,518
Diluted	123,614	60,269	137,340
Earnings (loss) per share attributable to stockholders:			
Basic earnings (loss) per share			
Continuing operations	$ 8.92	$ 0.27	$ 3.57
Discontinued operations	0.01	(0.42)	0.00
Basic earnings (loss) per share attributable to stockholders	$ 8.93	$ (0.15)	$ 3.57
Diluted earnings (loss) per share			
Continuing operations	$ 2.03	$ 0.27	$ 1.37
Discontinued operations	0.01	(0.42)	(0.01)
Diluted earnings (loss) per share attributable to stockholders	$ 2.04	$ (0.15)	$ 1.36

See accompanying notes to the consolidated financial statements.

PREMIER, INC.

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except share data)

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at June 30, 2017	**51,943**	**$ 519**	**87,299**	**$ —**	**—**	**$ —**	**$ —**	**$ (1,662,772)**	**$ (1,662,253)**
Exchange of Class B units for Class A common stock by member owners	6,531	49	(6,531)	—	(1,649)	50,071	166,001	—	216,121
Redemption of limited partners	—	—	(432)	—	—	—	—	—	—
Decrease in additional paid-in capital related to quarterly exchange by member owners, including associated TRA revaluation	—	—	—	—	—	—	(5,766)	—	(5,766)
Issuance of Class A common stock under equity incentive plan	623	6	—	—	—	—	8,013	—	8,019
Issuance of Class A common stock under employee stock purchase plan	82	1	—	—	—	—	2,618	—	2,619
Treasury stock	(6,418)	—	—	—	6,418	(200,129)	—	—	(200,129)
Stock-based compensation expense	—	—	—	—	—	—	29,408	—	29,408
Repurchase of vested restricted units for employee tax-withholding	—	—	—	—	—	—	(5,965)	—	(5,965)
Net income	—	—	—	—	—	—	—	257,570	257,570
Net income attributable to non-controlling interest in Premier LP	—	—	—	—	—	—	—	(224,269)	(224,269)
Adjustment of redeemable limited partners' capital to redemption amount	—	—	—	—	—	—	(194,309)	351,890	157,581
Balance at June 30, 2018	**52,761**	**$ 575**	**80,336**	**$ —**	**4,769**	**$ (150,058)**	**$ —**	**$ (1,277,581)**	**$ (1,427,064)**
Balance at July 1, 2018	52,761	575	80,336	—	4,769	(150,058)	—	(1,277,581)	(1,427,064)
Impact of change in accounting principle	—	—	—	—	—	—	—	121,945	121,945
Adjusted balance at July 1, 2018	**52,761**	**575**	**80,336**	**—**	**4,769**	**(150,058)**	**—**	**(1,155,636)**	**(1,305,119)**
Exchange of Class B units for Class A common stock by member owners	14,764	57	(14,764)	—	(9,039)	312,971	320,753	—	633,781
Redemption of limited partners	—	—	(1,024)	—	—	—	—	—	—
Increase in additional paid-in capital related to quarterly exchange by member owners, including associated TRA revaluation	—	—	—	—	—	—	24,533	—	24,533
Issuance of Class A common stock under equity incentive plan	1,027	11	—	—	—	—	19,418	—	19,429
Issuance of Class A common stock under employee stock purchase plan	75	1	—	—	—	—	2,857	—	2,858
Treasury stock	(6,689)	—	—	—	6,689	(250,133)	—	—	(250,133)
Stock-based compensation expense	—	—	—	—	—	—	29,478	—	29,478
Repurchase of vested restricted units for employee tax-withholding	—	—	—	—	—	—	(8,133)	—	(8,133)
Net income	—	—	—	—	—	—	—	284,079	284,079
Net income attributable to non-controlling interest in Premier LP	—	—	—	—	—	—	—	(174,959)	(174,959)
Adjustment of redeemable limited partners' capital to redemption amount	—	—	—	—	—	—	(388,906)	270,842	(118,064)
Balance at June 30, 2019	**61,938**	**$ 644**	**64,548**	**$ —**	**2,419**	**$ (87,220)**	**$ —**	**$ (775,674)**	**$ (862,250)**

PREMIER, INC.

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except share data)

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at July 1, 2019	61,938	644	64,548	—	2,419	(87,220)	—	(775,674)	(862,250)
Impact of change in accounting principle	—	—	—	—	—	—	—	(899)	(899)
Adjusted balance at July 1, 2019	**61,938**	**644**	**64,548**	**—**	**2,419**	**(87,220)**	**—**	**(776,573)**	**(863,149)**
Exchange of Class B units for Class A common stock by member owners	13,552	65	(13,553)	—	(7,065)	237,313	223,215	—	460,593
Redemption of limited partners	—	—	(782)	—	—	—	—	—	—
Increase in additional paid-in capital related to quarterly exchange by member owners, including associated TRA revaluation	—	—	—	—	—	—	71,568	—	71,568
Issuance of Class A common stock under equity incentive plan	703	7	—	—	—	—	6,654	—	6,661
Issuance of Class A common stock under employee stock purchase plan	80	—	—	—	—	—	2,832	—	2,832
Treasury stock	(4,646)	—	—	—	4,646	(150,093)	—	—	(150,093)
Stock-based compensation expense	—	—	—	—	—	—	20,706	—	20,706
Repurchase of vested restricted units for employee tax-withholding	—	—	—	—	—	—	(8,530)	—	(8,530)
Net income	—	—	—	—	—	—	—	292,180	292,180
Net income attributable to non-controlling interest in Premier LP	—	—	—	—	—	—	—	(161,816)	(161,816)
Adjustment of redeemable limited partners' capital to redemption amount	—	—	—	—	—	—	(177,898)	646,209	468,311
Balance at June 30, 2020	**71,627**	**$ 716**	**50,213**	**$ —**	**—**	**$ —**	**$ 138,547**	**$ —**	**$ 139,263**

See accompanying notes to the consolidated financial statements.

PREMIER, INC.
Consolidated Statement of Cash Flows
(In thousands)

	Year Ended June 30,		
	2020	**2019**	**2018**
Operating activities			
Net income	$ 292,180	$ 284,079	$ 257,570
Adjustments to reconcile net income to net cash provided by operating activities:			
(Income) loss from discontinued operations, net of tax	(1,054)	50,598	437
Depreciation and amortization	152,827	140,164	123,065
Equity in net income of unconsolidated affiliates	(12,537)	(5,658)	(1,174)
Deferred income taxes	67,980	11,878	233,282
Stock-based compensation	20,706	29,001	28,844
Remeasurement of tax receivable agreement liabilities	(24,584)	—	(177,174)
Impairment of held to maturity investments	8,500	—	—
(Gain) loss on FFF put and call rights	(4,690)	17	22,036
Other	853	9,443	8,583
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable, inventories, prepaid expenses and other assets	(121,735)	(11,100)	(27,164)
Contract assets	(8,205)	(36,549)	—
Accounts payable, accrued expenses, deferred revenue, revenue share obligations and other liabilities	(30,353)	40,065	36,953
Net cash provided by operating activities from continuing operations	339,888	511,938	505,258
Net cash provided by (used in) operating activities from discontinued operations	9,636	(6,599)	2,448
Net cash provided by operating activities	**349,524**	**505,339**	**507,706**
Investing activities			
Purchases of property and equipment	(94,397)	(93,385)	(92,425)
Acquisition of businesses, net of cash acquired	(121,640)	(50,854)	—
Proceeds from sale of assets	3,632	22,731	—
Investments in unconsolidated affiliates	(10,165)	—	—
Other	248	(7,766)	—
Net cash used in investing activities from continuing operations	(222,322)	(129,274)	(92,425)
Net cash used in investing activities from discontinued operations	—	(196)	(255)
Net cash used in investing activities	**(222,322)**	**(129,470)**	**(92,680)**
Financing activities			
Payments made on notes payable	(2,419)	(676)	(8,002)
Proceeds from credit facility	400,000	50,000	30,000
Distributions to limited partners of Premier LP	(48,904)	(57,825)	(79,255)
Payments on credit facility	(350,000)	(125,000)	(150,000)
Payments to limited partners of Premier LP related to tax receivable agreements	(17,425)	(17,975)	—
Repurchase of Class A common stock (held as treasury stock)	(150,093)	(250,133)	(200,129)
Earn-out liability payment to GNYHA Holdings	—	—	(16,662)
Other	(112)	14,409	4,673
Net cash used in financing activities	**(168,953)**	**(387,200)**	**(419,375)**
Net decrease in cash and cash equivalents	(41,751)	(11,331)	(4,349)
Cash and cash equivalents at beginning of year	141,055	152,386	156,735
Cash and cash equivalents at end of period	**$ 99,304**	**$ 141,055**	**$ 152,386**

PREMIER, INC.
Consolidated Statement of Cash Flows
(In thousands)

	Year Ended June 30,		
	2020	**2019**	**2018**
Supplemental schedule of non-cash investing and financing activities:			
(Decrease) increase in redeemable limited partners' capital for adjustment to fair value, with offsetting decrease (increase) in additional paid-in-capital and accumulated deficit	$ (468,311)	$ 118,064	$ (157,581)
Decrease in redeemable limited partners' capital, with offsetting increase in common stock and additional paid-in capital related to quarterly exchanges by member owners	460,593	633,783	216,122
Net increase in deferred tax assets related to departures and quarterly exchanges by member owners and other adjustments	62,776	131,519	86,788
Net (decrease) increase in tax receivable agreement liabilities related to departures and quarterly exchanges by member owners and other adjustments	(8,433)	106,986	92,554
Net decrease in notes payable related to departures and quarterly exchanges by member owners and other adjustments	364	—	—
Net increase (decrease) in additional paid-in capital related to departures and quarterly exchanges by member owners and other adjustments	71,568	24,533	(5,766)
Deferred consideration related to acquisition of business	118,320	—	—
Non-cash additions to property and equipment	5,000	—	—

See accompanying notes to the consolidated financial statements.

Information presented in the Notes to the Consolidated Financial Statements are as of June 30, 2020 unless otherwise specifically noted. For additional information on the impact of the subsequent events occurring after June 30, 2020, refer to Note 21 - Subsequent Events below, "Item 1. Business," and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations".

(1) ORGANIZATION AND BASIS OF PRESENTATION

Organization

Premier, Inc. ("Premier" or the "Company") is a publicly held, for-profit Delaware corporation owned by hospitals, health systems and other healthcare organizations (such owners of Premier are referred to herein as "member owners") located in the United States and by public stockholders. The Company is a holding company with no material business operations of its own. The Company's primary asset is its equity interest in its wholly owned subsidiary Premier Services, LLC, a Delaware limited liability company ("Premier GP"). Premier GP is the sole general partner of Premier Healthcare Alliance, L.P. ("Premier LP"), a California limited partnership. The Company conducts substantially all of its business operations through Premier LP and its other consolidated subsidiaries. The Company, together with its subsidiaries and affiliates, is a leading healthcare performance improvement company that unites hospitals, health systems, physicians and other healthcare providers to improve and innovate in the clinical, financial and operational areas of their businesses 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, provide actionable intelligence derived from anonymized data in the Company's enterprise data warehouse, mitigate the risk of innovation and disseminate best practices to help the Company's 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. See Note 19 - Segments for further information related to the Company's reportable business segments. The Supply Chain Services segment includes one of the largest healthcare group purchasing organization ("GPO") programs in the United States, supply chain co-management and direct sourcing activities. The Performance Services segment, through its development, integration and delivery of technology with wrap-around service offerings, includes one of the largest clinical analytics and consulting services businesses in the United States focused on healthcare providers. The Company's software as a service ("SaaS") and licensed-based clinical analytics products utilize the Company's comprehensive data set to provide actionable intelligence to its members, enabling them to benchmark, analyze and identify areas of improvement across the three main categories of cost management, quality and safety, and value-based care. While leveraging these tools, the Company also combines its consulting services and technology-enabled performance improvement collaboratives to provide a more comprehensive and holistic customer value proposition and overall experience. The Performance Services segment also includes the Company's direct to employer initiative and insurance management services.

Acquisitions and Divestitures

Acquisition of Health Design Plus, LLC

On May 4, 2020, the Company, through its consolidated subsidiary Premier Healthcare Solutions, Inc. ("PHSI"), acquired 97% of the equity of Health Design Plus, LLC ("HDP") for an adjusted purchase price of $24.0 million, giving effect to certain purchase price adjustments provided for in the purchase agreement, and funded with borrowings under the Credit Facility (the "HDP acquisition"). Shortly after closing, Contigo Health, LLC ("Contigo Health"), a wholly-owned subsidiary of PHSI, was merged with HDP. HDP was the surviving entity and renamed Contigo Health. The seller, University Hospitals Holdings, Inc., retained 3% of the equity in Contigo Health. HDP is a third-party administrator and arranges care for employees through its Centers of Excellence program.

The Company has accounted for the HDP acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on their fair values. Total fair value assigned to intangible assets acquired was $13.9 million, primarily comprised of customer relationships and a provider network. The initial purchase price allocation for the HDP acquisition is preliminary and subject to changes in fair value of working capital and valuation of the assets acquired and the liabilities assumed. Contigo Health (f/k/a HDP) is reported as part of the Performance Services segment. See Note 3 - Business Acquisitions for further information.

Acquisition of Acurity and Nexera Assets

On February 28, 2020, the Company, through two newly formed consolidated subsidiaries, Prince A Purchaser, LLC ("PAP") and Prince N Purchaser, LLC ("PNP"), acquired substantially all of the assets and certain liabilities of Acurity, Inc. and Nexera, Inc., both indirect wholly-owned subsidiaries of Greater New York Hospital Association ("GNYHA"), for an aggregate amount of $291.5 million, of which $166.1 million was paid at closing with borrowings under the Company's Credit Facility (as defined in Note 9 - Debt). Pursuant to the terms of the asset purchase agreement (as amended, the "Purchase Agreement"), an additional $120.0 million will be paid to the sellers in four equal annual installments of $30.0 million on or about June 30, 2021, 2022, 2023 and 2024. An additional $5.4 million is expected to be paid during the Company's first fiscal quarter of 2021. In addition to the aggregate amount of $291.5 million, the Purchase Agreement provides a graduated earn-out opportunity to Acurity, Inc. of up to $30.0 million based upon the Company's achievement of a range of member renewals on terms to be agreed to by the Company and GNYHA based on prevailing market conditions in December 2023.

After the closing of the transaction, the Company changed the names of PAP and PNP to Acurity, LLC ("Acurity") and Nexera, LLC ("Nexera"), respectively. Acurity is a regional group purchasing organization and has been a customer and strategic partner of the Company for more than 24 years. Nexera is a hospital financial improvement consulting firm which partners with healthcare organizations to improve hospital and health system performance, with a significant focus on supply chain enhancement and transformation. The Company reports the operations of Acurity and Nexera as part of its Supply Chain Services segment. See Note 3 - Business Acquisitions for further information.

Acquisition of Medpricer

On October 28, 2019, the Company, through its consolidated subsidiary, Premier Supply Chain Improvement, Inc. ("PSCI"), acquired all of the outstanding capital stock in Medpricer.com, Inc. ("Medpricer") for an adjusted purchase price of $38.5 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility. Medpricer is a SaaS-based provider of technology solutions that enable hospitals and other organizations to analyze, benchmark and source purchased services contracts independent of any existing GPO affiliation. Recently, Medpricer changed its name to Conductiv, Inc. ("Conductiv") and is reported as part of the Supply Chain Services segment. See Note 3 - Business Acquisitions for further information.

Acquisition of Stanson

On November 9, 2018, the Company, through its consolidated subsidiary PHSI, acquired 100% of the outstanding capital stock in Stanson Health, Inc. ("Stanson") through a reverse subsidiary merger transaction for $51.5 million in cash. As a result of certain purchase price adjustments provided for in the purchase agreement, the adjusted purchase price was $55.4 million. Stanson is a SaaS-based provider of clinical decision support tools that are integrated directly into the electronic health record workflow to help provide real-time, patient-specific best practices at the point of care. Stanson is reported as part of the Performance Services segment. See Note 3 - Business Acquisitions for further information.

Divestiture of Specialty Pharmacy Business - Discontinued Operations

On June 7, 2019, the Company and its consolidated subsidiaries, NS3 Health, LLC, Commcare Pharmacy - FTL, LLC, and Acro Pharmaceutical Services LLC completed the sale of prescription files and records and certain other assets used in the Company's specialty pharmacy business to ProCare Pharmacy, L.L.C., an affiliate of CVS Health Corporation, for $22.3 million. The Company also received $7.6 million related to the sale of a portion of its pharmaceutical inventory on June 10, 2019, and an additional $3.6 million on July 24, 2019 primarily in connection with the sale of its remaining pharmaceutical inventory. In addition, during the year ended June 30, 2020, the Company substantially completed its wind down and exit from the specialty pharmacy business. See Note 4 - Discontinued Operations and Exit Activities for further information.

The Company recognized non-cash impairment charges of $80.4 million during the year ended June 30, 2019 related to goodwill, purchased intangibles and other assets of the specialty pharmacy business that were not sold or did not have an alternative use.

The Company met the criteria for classifying certain assets and liabilities of the specialty pharmacy business as a discontinued operation as of June 30, 2019. Accordingly, unless otherwise indicated, information in the notes to the condensed consolidated financial statements has been retrospectively adjusted to reflect continuing operations for all periods presented.

Company Structure

The Company, through Premier GP, held a 59% and 49% sole general partner interest in Premier LP at June 30, 2020 and 2019, respectively. In addition to their equity ownership interest in the Company, our member owners held a 41% and 51% limited partner interest in Premier LP at June 30, 2020 and 2019, respectively. On July 31, 2019, as a result of the Class B common unit exchange process, the Company no longer qualified for the "controlled company" exemption under NASDAQ rules, and the Company was

required to comply with the general NASDAQ rules regarding board and committee composition within one year. On July 31, 2020, the Company met the NASDAQ corporate governance guidelines, including having a majority of independent directors on the Board of Directors. On August 11, 2020, we executed a corporate restructuring as described in Note 21 - Subsequent Events.

Below is a summary of the principal documents that define and regulate the governance and control relationships among Premier, Premier LP and the member owners during fiscal 2020.

LP Agreement

Pursuant to the Amended and Restated Limited Partnership Agreement, as amended ("LP Agreement"), Premier GP is the general partner of Premier LP and 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 the sole member of Premier GP, Premier 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 causes 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 other than net profit attributable to dispositions not in the ordinary course of business for each such quarter multiplied by the effective combined federal, state and local income tax rate then payable by Premier 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 all limited partners holding 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, which Premier will use to (i) pay applicable taxes, (ii) meet its obligations under the tax receivable agreement ("TRA") and (iii) meet its obligations to the member owners under the Exchange Agreement (as defined below) if they elect to convert their Class B common units for shares of its Class A common stock and Premier 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's Class A common stock pursuant to the terms of the Exchange Agreement (i) ceases to participate in Premier'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

Pursuant to a voting trust agreement (the "Voting Trust Agreement"), 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 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 must 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

Pursuant to the terms of an exchange agreement ("the Exchange Agreement"), subject to certain restrictions, commencing on October 31, 2014 and during each year thereafter, each member owner has 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's Audit and Compliance Committee. This exchange right can be exercised on a quarterly basis 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

Pursuant to the terms of a registration rights agreement (the "Registration Rights Agreement") Premier filed with the Securities and Exchange Commission (the "SEC") a resale shelf registration statement for resales from time to time of its Class A common

stock issued to the member owners in exchange for their Class B common units pursuant to the Exchange Agreement, subject to various restrictions. The registration statement was declared effective by the SEC in November 2014. Subject to certain exceptions, Premier will use reasonable efforts to keep the resale shelf registration statement effective for seven years. Pursuant to the Registration Rights Agreement, Premier may, but is not required to, conduct a company-directed underwritten public offering to allow the member owners to resell Class A common stock received by them in exchange for their Class B common units. Premier, as well as the member owners, 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.

TRA

Pursuant to the terms of the TRA, for as long as the member owner remains a limited partner, Premier 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 actually realizes (or is deemed to realize, in the case of payments required to be made upon certain occurrences under the TRA) as a result of the increases in tax basis resulting from the initial sale of Class B common units by the member owners in conjunction with the IPO, as well as subsequent exchanges by such member owners pursuant to the Exchange Agreement, and of certain other tax benefits related to Premier entering into the TRA, including tax benefits attributable to payments under the TRA.

GPO Participation Agreement

Pursuant to the terms of a GPO participation agreement, each member owner will generally receive cash sharebacks, or revenue share, from 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 owned, leased, managed and affiliated facilities, through Premier's GPO supplier contracts. In general, our GPO participation agreements automatically extend for successive five-year or seven-year periods (corresponding to the length of their initial terms) unless the member owner notifies Premier LP, prior to the fourth anniversary (in the case of five-year agreements), or sixth anniversary (in the case of seven-year agreements), of the then-current term, that such member owner desires to terminate the GPO participation agreement effective upon the expiration of the then-current term.

The terms and conditions of certain GPO participation agreements vary as a result of provisions in Premier's existing arrangements with member owners that conflict with provisions 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 and conditions that vary from the standard form, which were approved by the member agreement review committee of Premier's Board of Directors, based upon regulatory constraints, pending merger and acquisition activity or other circumstances affecting those member owners.

Basis of Presentation and Consolidation

Basis of Presentation

The member owners' interest in Premier LP is reflected as redeemable limited partners' capital in the Company's accompanying Consolidated Balance Sheets, and the limited partners' proportionate share of income in Premier LP is reflected within net income attributable to non-controlling interest in Premier LP and within comprehensive income attributable to non-controlling interest in Premier LP in the Company's accompanying Consolidated Statements of Income and Comprehensive Income.

At June 30, 2020 and 2019, the member owners owned 41% and 51%, respectively, of the Company's combined Class A and Class B common stock through their ownership of Class B common stock. During the year ended June 30, 2020, the member owners exchanged 13.6 million Class B common units and associated Class B common shares for an equal number of Class A common shares pursuant to the Exchange Agreement. The Exchange Agreement provides each member owner 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, 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 the Company's independent Audit and Compliance Committee of the Board of Directors (the "Audit and Compliance Committee"). During the year ended June 30, 2020, 13.6 million Class B common units were contributed to Premier LP, converted to Class A common units and remain outstanding. Correspondingly, 13.6 million Class B common shares were retired during the same period. For further information, see Note 13 - Earnings (Loss) Per Share.

At June 30, 2020 and 2019, the public investors, which may include member owners that have received shares of Class A common stock in connection with previous exchanges of their Class B common units and associated Class B common shares for an equal

number of Class A common shares, owned approximately 59% and 49%, respectively, of the Company's outstanding common stock through their ownership of Class A common stock.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC and in accordance with U.S. generally accepted accounting principles ("GAAP") and include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercised control and when applicable, entities for which the Company had a controlling financial interest or was the primary beneficiary. All intercompany transactions have been eliminated upon consolidation. Accordingly, 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 periods shown, including normal recurring adjustments.

Variable Interest Entities

Premier LP is a variable interest entity ("VIE") as the limited partners do not have the ability to exercise a substantive removal right with respect to the general partner. The Company, through Premier GP, has the exclusive power and authority to manage the business and affairs of Premier LP, to make all decisions with respect to driving the economic performance of Premier LP, and has both an obligation to absorb losses and a right to receive benefits. As such, the Company is the primary beneficiary of the VIE and consolidates the operations of Premier LP under the Variable Interest Model.

The assets and liabilities of Premier LP at June 30, 2020 and 2019, including assets and liabilities of discontinued operations, consisted of the following (in thousands):

	June 30, 2020	June 30, 2019
Assets		
Current	$ 610,990	$ 603,390
Noncurrent	1,900,137	1,536,685
Total assets of Premier LP	$ 2,511,127	$ 2,140,075
Liabilities		
Current	$ 580,430	$ 517,616
Noncurrent	296,801	118,032
Total liabilities of Premier LP	$ 877,231	$ 635,648

Net income attributable to Premier LP, including income and expense that has been classified as discontinued operations, during the years ended June 30, 2020, 2019 and 2018 was as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Premier LP net income	$ 359,978	$ 322,865	$ 371,131

Premier LP's cash flows, including cash flows attributable to discontinued operations, for the years ended June 30, 2020, 2019 and 2018 consisted of the following (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Net cash provided by (used in):			
Operating activities	$ 339,894	$ 533,024	$ 534,643
Investing activities	(222,322)	(129,469)	(92,680)
Financing activities	(159,948)	(390,086)	(457,673)
Net (decrease) increase in cash and cash equivalents	(42,376)	13,469	(15,710)
Cash and cash equivalents at beginning of year	131,210	117,741	133,451
Cash and cash equivalents at end of year	$ 88,834	$ 131,210	$ 117,741

Use of Estimates in the Preparation of Financial Statements

The preparation of the Company's consolidated financial statements in accordance with GAAP 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. Significant estimates are evaluated on an ongoing basis, including estimates for net administrative fees revenue, other services and support revenue, contract assets, deferred revenue, contract costs, allowances for doubtful accounts, useful lives of property and equipment, stock-based compensation, payables under the TRA, deferred tax balances including valuation allowances on deferred tax assets, uncertain tax positions, values of investments not publicly traded, projected future cash flows used in the evaluation of asset impairments, values of put and call rights, values of earn-out liabilities and the allocation of purchase prices. 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

Business Combinations

The Company accounts for acquisitions of a business using the acquisition method. All of the assets acquired, liabilities assumed, contractual contingencies and contingent consideration are generally recognized at their fair value on the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related costs are recorded as expenses in the Consolidated Statements of Income and Comprehensive Income.

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, the Company typically uses the income method. This method starts with a forecast of all of the expected future net cash flows for each asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with remaining maturities of three months or less at the time of acquisition.

Fair Value of Financial Instruments

The fair value of an asset or liability is based on the assumptions that market participants would use in pricing the asset or liability. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value. The Company follows a three-tiered fair value hierarchy when determining the inputs to valuation techniques. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels in order to maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are as follows:

Level 1: consists of financial instruments whose values are based on quoted market prices for identical financial instruments in an active market;

Level 2: consists of financial instruments whose values are determined using models or other valuation methodologies that utilize inputs that are observable either directly or indirectly, including (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) pricing models whose inputs are observable for substantially the full term of the financial instrument and (iv) pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the financial instrument;

Level 3: consists of financial instruments whose values are determined using pricing models that utilize significant inputs that are primarily unobservable, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Accounts Receivable

Financial instruments, other than marketable securities, that subject the Company to potential concentrations of credit risk consist primarily of the Company's receivables. Receivables consist primarily of amounts due from hospital and healthcare system members for services and products. The Company maintains an allowance for doubtful accounts. This allowance is an estimate and is regularly evaluated by the Company for adequacy by taking into consideration factors such as past experience, credit quality of the member base, age of the receivable balances, both individually and in the aggregate, and current economic conditions that may affect a member's ability to pay. Provisions for the allowance for doubtful accounts attributable to bad debt are recorded in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income. Accounts deemed uncollectible are written off, net of actual recoveries. If circumstances related to specific customers change, the Company's estimate of the recoverability of receivables could be further adjusted.

Contract Assets

Supply Chain Services contract assets primarily represent estimated customer purchases on supplier contracts for which administrative fees have been earned, but not collected. Performance Services contract assets represent revenue earned for services provided but which the Company is not contractually able to bill as of the end of the respective reporting period.

Inventory

Inventory consisting of finished goods, primarily medical products, are stated at the lower of cost or net realizable values on an average cost basis. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and unusable inventory and records necessary provisions to reduce such inventory to net realizable value.

Property and Equipment, Net

Property and equipment is recorded at cost, net of accumulated depreciation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the Consolidated Statements of Income and Comprehensive Income for the respective period. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method. Capitalized modifications to leased properties are amortized using the straight-line method over the shorter of the lease term or the assets' estimated useful lives. See Note 8 - Supplemental Balance Sheet Information.

Costs associated with internally developed computer software that are incurred in the preliminary project stage are expensed as incurred. During the development stage, direct consulting costs and payroll and payroll-related costs for employees that are directly associated with each project are capitalized. Internal use capitalized software costs are included in property and equipment, net in the accompanying Consolidated Balance Sheets. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the related software applications of up to five years and amortization is included in cost of revenue or selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income, based on the software's end use. Replacements and major improvements are capitalized, while maintenance and repairs are expensed as incurred. Some of the more significant estimates and assumptions inherent in this process involve determining the stages of the software development project, the direct costs to capitalize and the estimated useful life of the capitalized software. The Company capitalized costs related to internally developed software of $88.3 million and $77.3 million during the years ended June 30, 2020 and 2019, respectively.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset or asset group may not be recoverable from the estimated cash flows expected to result from its use and eventual disposition. In cases where the undiscounted cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset or asset group. The factors considered by the Company in performing this assessment include current and projected operating results, trends and prospects, the manner in which the asset or asset group is used, and the effects of obsolescence, demand, competition and other economic factors.

Intangible Assets

Definite-lived intangible assets consist primarily of member relationships, technology, customer relationships, trade names and non-compete agreements, and are amortized on a straight-line basis over their estimated useful lives. See Note 9 - Goodwill and Intangible Assets.

The Company reviews the carrying value of definite-lived intangible assets subject to amortization for impairment whenever events and circumstances indicate that the carrying value of the intangible asset subject to amortization may not be recoverable from the estimated cash flows expected to result from its use and eventual disposition. In cases where the undiscounted cash flows are less

than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the intangible asset subject to amortization on the measurement date. The factors considered by the Company in performing this assessment include current and projected operating results, trends and prospects, the manner in which the definite-lived intangible asset is used, and the effects of obsolescence, demand and competition, as well as other economic factors.

Goodwill

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized. The Company performs its annual goodwill impairment testing on the first day of the last fiscal quarter of its fiscal year unless impairment indicators are present which could require an interim impairment test.

Under accounting rules, the Company may elect to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. This qualitative assessment requires an evaluation of any excess of fair value over the carrying value for a reporting unit and significant judgment regarding potential changes in valuation inputs, including a review of the Company's most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions. If it is determined that an impairment is more likely than not to exist, then the Company is required to perform a quantitative assessment to determine whether or not goodwill is impaired and to measure the amount of goodwill impairment, if any.

A goodwill impairment charge is recognized for the amount by which the reporting unit's carrying amount exceeds its fair value. The Company determines the fair value of a reporting unit using a discounted cash flow analysis as well as market-based approaches. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates and the amount and timing of expected future cash flows. The cash flows employed in the discounted cash flow analyses are based on the most recent budget and long-term forecast. The discount rates used in the discounted cash flow analyses are intended to reflect the risks inherent in the future cash flows of the respective reporting units. The market comparable approach estimates fair value using market multiples of various financial measures compared to a set of comparable public companies and recent comparable transactions.

The Company's most recent annual impairment testing as of April 1, 2020 consisted of a quantitative assessment and did not result in any goodwill impairment charges. During the fourth quarter of fiscal year 2019, the Company performed an interim assessment of goodwill and other long-lived assets of its specialty pharmacy business for impairment following the announcement of the Company's commitment to sell certain assets of the specialty pharmacy business and to wind down and exit the specialty pharmacy business. See Note 4 - Discontinued Operations and Exit Activities for further information.

Contract Costs

Contract costs represent amounts the Company has capitalized and reflect the incremental costs of obtaining and fulfilling a contract, which include sales commissions and costs related to implementing SaaS informatics tools. For commissions on new contracts, these costs are amortized over the life of the expected relationship with the customer for the respective performance obligation. For renewals, commissions are amortized over the contract life with the customer. Implementation costs are amortized on a straight-line basis, once the tool is implemented, over the life of the expected relationship with the customer for the respective performance obligation, which is consistent with the transfer of services to the customer to which the implementation relates. The Company's contract costs are included in other assets in the Consolidated Balance Sheets, while the associated amortization related to sales commissions is included in selling, general and administrative expenses and the associated amortization related to implementation costs is included in cost of revenue in the Consolidated Statements of Income and Comprehensive Income.

Deferred Revenue

Deferred revenue consists of unrecognized revenue related to advanced customer invoicing or member payments received prior to fulfillment of the Company's revenue recognition criteria. Substantially all deferred revenue consists of deferred subscription fees and deferred consulting fees. Subscription fees for Company-hosted SaaS applications are deferred until the customer's unique data records have been incorporated into the underlying software database, or until customer site-specific software has been implemented and the customer has access to the software. Deferred consulting fees arise upon invoicing to customers prior to services being performed.

Deferred Compensation Plan Assets and Related Liabilities

The Company maintains a non-qualified deferred compensation plan for the benefit of eligible employees. This plan is designed to permit employee deferrals in excess of certain tax limits and provides for discretionary employer contributions in excess of the tax limits applicable to the Company's 401(k) plan. The amounts deferred are invested in assets at the direction of the employee. Company assets designated to pay benefits under the plan are held by a rabbi trust and are subject to the general creditors of the Company.

The assets, classified as trading securities, and liabilities of the rabbi trust are recorded at fair value and are accounted for as assets and liabilities of the Company. The assets of the rabbi trust are designated to fund the deferred compensation liabilities owed to current and former employees. The deferred compensation plan contains both current and non-current assets. The current portion of the deferred compensation plan assets is comprised of estimated amounts to be paid within one year to departed participants following separation from the Company. The current portion, totaling $3.4 million and $4.8 million at June 30, 2020 and 2019, respectively, is included in prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets. The corresponding current portion of deferred compensation plan liabilities is included in other current liabilities in the accompanying Consolidated Balance Sheets at June 30, 2020 and 2019. The non-current portion of the deferred compensation plan assets, totaling $49.2 million and $45.5 million at June 30, 2020 and 2019, respectively, is included in long-term assets in the accompanying Consolidated Balance Sheets. The corresponding non-current portion of deferred compensation plan liabilities is included in long-term liabilities in the accompanying Consolidated Balance Sheets at June 30, 2020 and 2019. Realized and unrealized gains of $3.9 million, $2.5 million and $4.0 million on plan assets as of the years ended June 30, 2020, 2019 and 2018, respectively, are included in other income (expense), in the accompanying Consolidated Statements of Income and Comprehensive Income. Deferred compensation expense from the change in the corresponding liability of $3.9 million, $2.5 million and $4.0 million, respectively, are included in selling, general and administrative expense in the accompanying Consolidated Statements of Income and Comprehensive Income for the years ended June 30, 2020, 2019 and 2018, respectively.

Leases

The Company enters into lease contracts in which the Company is the lessee, substantially all of which are related to office space leased in various buildings used for general corporate purposes. The terms of these non-cancelable operating leases typically require the Company to pay rent and a share of operating expenses and real estate taxes, generally with an inflation-based rent increase included. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term beginning at the commencement date. Operating lease right-of-use assets are adjusted for lease incentives, deferred rent and initial direct costs, if incurred. The Company's leases generally do not include an implicit rate; therefore, the Company determined the present value of future minimum lease payments using an incremental borrowing rate based on information available as of July 1, 2019, the transition date. The related lease expense is recognized on a straight-line basis over the lease term.

TRA

The Company records TRA liabilities based on 85% of the estimated amount of tax savings the Company expects to receive, generally over a 15-year period, in connection with the additional tax benefits created in conjunction with the IPO. Absent a TRA Termination Event, tax payments under the TRA will be made to the member owners as the Company realizes tax benefits attributable to the initial purchase of Class B common units from the member owners made concurrently with the IPO and any subsequent exchanges of Class B common units into Class A common stock or cash between the Company and the member owners. Determining the estimated amount of tax savings the Company expects to receive requires judgment as deductibility of goodwill amortization expense is not assured and the estimate of tax savings is dependent upon the actual realization of the tax benefit and the tax rates in effect at that time.

Changes in estimated TRA liabilities that are the result of a change in tax accounting method are recorded in remeasurement of tax receivable agreement liabilities in the Consolidated Statements of Income and Comprehensive Income. Changes in estimated TRA liabilities that are related to new basis changes as a result of the exchange of Class B common units for a like number of shares of Class A common stock or as a result of departed member owners are recorded as an increase or decrease to additional paid-in capital in the Consolidated Statements of Stockholders' Equity (Deficit).

Redeemable Limited Partners' Capital

The LP Agreement includes a provision that provides for redemption of a limited partner's interest upon termination as follows: for Class B common units not yet eligible for exchange, those will be redeemed at a purchase price which is the lower of the limited partner's capital account balance in Premier LP immediately prior to the IPO after considering any IPO proceeds received and the fair market value of the Class A common stock of the Company on the date of the termination with either (a) a five-year, unsecured, non-interest bearing term promissory note, (b) a cashier's check or wire transfer of immediately available funds in an amount equal to the present value of the Class B unit redemption amount, or (c) payment on such other terms mutually agreed upon with Premier GP. For Class B common units that are eligible for exchange, the limited partner is also required to exchange all eligible Class B common units on the next exchange date following the date of the termination.

A limited partner cannot redeem all or any part of its interest in Premier LP without the approval of Premier GP, which is controlled by the Board of Directors. Given that limited partners hold the majority of the votes of the Board of Directors, limited partners' capital has a redemption feature that is not solely within the control of the Company. As a result, the Company reflects redeemable limited partners' capital as temporary equity in the mezzanine section of the Consolidated Balance Sheets. In addition, the limited partners have the ability to exchange their Class B common units for cash or Class A common shares on a one-for-one basis. Accordingly, the Company records redeemable limited partners' capital at the redemption amount, which represents the greater of the book value or redemption amount per the LP Agreement at the reporting date.

Distributions to Limited Partners under the LP Agreement

Premier LP makes distributions to Premier, Inc. as the general partner and to the limited partners in the form of a legal partnership income distribution governed by the terms of the LP Agreement. The general partner distribution is based on the general partner's ownership in Premier LP. The limited partner distributions are based on the limited partners' ownership in Premier LP and relative participation across Premier service offerings. While the limited partner distributions are partially based on relative participation across Premier service offerings, the actual distribution is not solely based on revenue generated from an individual partner's participation as distributions are based on the net income or loss of the partnership which encompass the operating expenses of the partnership as well as income or loss generated by non-owner members' participation in Premier's service offerings. To the extent Premier LP incurred a net loss, the partners would not receive a quarterly distribution.

Revenue Recognition

The Company accounts for a contract with a customer when the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, the Company estimates the amount to which it expects to be entitled using either the expected value or most likely amount method. The Company's contracts may include terms that could cause variability in the transaction price, including, for example, revenue share, rebates, discounts, and variable fees based on performance.

The Company only includes estimated amounts of consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. These estimates require management to make complex, difficult or subjective judgments, and to make estimates about the effect of matters inherently uncertain. As such, the Company may not be able to reliably estimate variable fees based on performance in certain long-term arrangements due to uncertainties that are not expected to be resolved for a long period of time or when the Company's experience with similar types of contracts is limited. Estimates of variable consideration and the determination of whether to include estimated amounts of consideration in the transaction price are based on information (historical, current and forecasted) that is reasonably available to the Company, taking into consideration the type of customer, the type of transaction and the specific facts and circumstances of each arrangement. Additionally, management performs periodic analyses to verify the accuracy of estimates for variable consideration.

Although the Company believes that its approach in developing estimates and reliance on certain judgments and underlying inputs is reasonable, actual results could differ which may result in exposure of increases or decreases in revenue that could be material.

Performance Obligations

A performance obligation is a promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Contracts may have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises, and therefore, not distinct, while other contracts may have multiple performance obligations, most commonly due to the contract covering multiple deliverable arrangements (licensing fees, subscription fees, professional fees for consulting services, etc.).

Net Administrative Fees Revenue

Net administrative fees revenue is a single performance obligation earned through a series of distinct daily services and includes maintaining a network of members to participate in the group purchasing program and providing suppliers efficiency in contracting and access to the Company's members. Revenue is generated through administrative fees received from suppliers and is included in service revenue in the accompanying Consolidated Statements of Income and Comprehensive Income.

The Company, through its GPO programs, aggregates member purchasing power to negotiate pricing discounts and improve contract terms with suppliers. Contracted suppliers pay the Company administrative fees which generally represent 1% to 3% of the purchase price of goods and services sold to members under the contracts the Company has negotiated. Administrative fees are variable consideration and are recognized as earned based upon estimated purchases by the Company's members utilizing analytics based on historical member spend and updates for current trends and expectations. Administrative fees are estimated due to the difference in timing of when a member purchases on a supplier contract and when the Company receives the purchasing information. Member and supplier contracts substantiate persuasive evidence of an arrangement. The Company does not take title to the underlying equipment or products purchased by members through its GPO supplier contracts. Administrative fee revenue receivable is included in contract assets in the accompanying Consolidated Balance Sheets.

The Company pays a revenue share equal to a percentage of gross administrative fees, which is estimated according to the members' contractual agreements with the Company using a portfolio approach based on historical revenue fee share percentages and adjusted for current or anticipated trends. Revenue share is recognized as a reduction to gross administrative fees revenue to arrive at a net administrative fees revenue, and the corresponding revenue share liability is included in revenue share obligations in the accompanying Consolidated Balance Sheets.

Product Revenue

Direct sourcing generates revenue through products sold to distributors, hospitals and other customers. Revenue is recognized once control of products has been transferred to the customer and is recorded net of discounts and rebates offered to customers. Discounts and rebates are estimated based on contractual terms and historical trends.

Other Services and Support Revenue

Within Performance Services, which provides technology with wrap-around service offerings, revenue consists of SaaS clinical analytics products subscriptions, perpetual and term licenses, performance improvement collaboratives and other service subscriptions, professional fees for consulting services, third party administrator fees for the direct to employer initiative and insurance services management fees and commissions from group-sponsored insurance programs.

SaaS clinical analytics subscriptions include the right to use the Company's proprietary hosted technology on a SaaS basis, training and member support to deliver improvements in cost management, quality and safety, value-based care and provider analytics. SaaS arrangements create a single performance obligation for each subscription within the contract in which the nature of the obligation is a stand-ready obligation, and each day of service meets the criteria for over time recognition. Pricing varies by application and size of healthcare system. Clinical analytics subscriptions are generally three to five year agreements with automatic renewal clauses and annual price escalators that typically do not allow for early termination. These agreements do not allow for physical possession of the software. Subscription fees are typically billed on a monthly basis and revenue is recognized as a single deliverable on a straight-line basis over the remaining contractual period following implementation. Implementation involves the completion of data preparation services that are unique to each member's data set and, in certain cases, the installation of member site-specific software, in order to access and transfer member data into the Company's hosted SaaS clinical analytics products. Implementation is generally 60 to 240 days following contract execution before the SaaS clinical analytics products can be fully utilized by the member.

The Company sells perpetual and term licenses that include post-contract customer support in the form of maintenance and support services. Pricing varies by application and size of healthcare system. Fees for the initial period include the license fees, implementation fees and the initial bundled maintenance and support services fees. The maintenance fees for the initial period are recognized on a straight-line basis over the remaining initial period following implementation. Subsequent renewal maintenance and support services fees are recognized on a straight-line basis over the contractually stated renewal periods. Implementation services are provided to the customer prior to the use of the software and do not involve significant customization or modification. Implementation is generally 250 to 300 days following contract execution before the licensed software products can be fully utilized by the member.

Revenue from performance improvement collaboratives and other service subscriptions that support the Company's offerings in cost management, quality and safety, and value-based care is recognized over the service period as the services are provided, which is generally one year. Performance improvement collaboratives and other services subscriptions revenue is considered one performance obligation and is generated by providing customers access to online communities whereby data is housed and available for analytics and benchmarking.

Professional fees for consulting services are sold under contracts, the terms of which vary based on the nature of the engagement. These services typically include general consulting, report-based consulting and cost savings initiatives. Promised services under such consulting engagements are typically not considered distinct and are regularly combined and accounted for as one performance obligation. Fees are billed as stipulated in the contract, and revenue is recognized on a proportional performance method as services

are performed or when deliverables are provided. In situations where the contracts have significant contract performance guarantees, the performance guarantees are estimated and accounted for as a form of variable consideration when determining the transaction price. In the event that guaranteed savings levels are not achieved, the Company may have to perform additional services at no additional charge in order to achieve the guaranteed savings or pay the difference between the savings that were guaranteed and the actual achieved savings. Occasionally, the Company's entitlement to consideration is predicated on the occurrence of an event such as the delivery of a report for which client acceptance is required. However, except for event-driven point-in-time transactions, the majority of services provided within this service line are delivered over time due to the continuous benefit provided to the Company's customers.

Consulting arrangements can require significant estimates for the transaction price and estimated number of hours within an engagement. These estimates are based on the expected value which is derived from outcomes from historical contracts that are similar in nature and forecasted amounts based on anticipated savings for the new agreements. The transaction price is generally constrained until the target transaction price becomes more certain.

Third party administrator fees for our direct to employer initiative consist of integrated fees for the processing of self-insured health care plan claims. Third party administrator fees are invoiced to customers on a monthly basis and typically collected in that period. Revenue is recognized in the period in which the services have been provided.

Insurance services management fees are recognized in the period in which such services are provided. Commissions from group sponsored insurance programs are earned by acting as an intermediary in the placement of effective insurance policies. Under this arrangement, revenue is recognized at a point in time on the effective date of the associated policies when control of the policy transfers to the customer and is constrained for estimated early terminations.

Multiple Deliverable Arrangements

The Company enters into agreements where the individual deliverables discussed above, such as SaaS subscriptions and consulting services, are bundled into a single service arrangement. These agreements are generally provided over a time period ranging from approximately three months to five years after the applicable contract execution date. Revenue, including both fixed and variable consideration, is allocated to the individual performance obligations within the arrangement based on the stand-alone selling price when it is sold separately in a stand-alone arrangement.

Cost of Revenue and Operating Expenses

Cost of Revenue

Cost of service revenue includes expenses related to employees (including compensation and benefits) and outside consultants who directly provide services related to revenue-generating activities, including consulting services to members and capitalized implementation services related to SaaS informatics products. Cost of service revenue also includes expenses related to hosting services, related data center capacity costs, third-party product license expenses and amortization of the cost of internal use software.

Cost of product revenue consists of purchase and shipment costs for direct sourced medical products.

Operating Expenses

Selling, general and administrative expenses consist of expenses directly associated with selling and administrative employees and indirect expenses associated with employees that primarily support revenue generating activities (including compensation and benefits) and travel-related expenses, as well as occupancy and other indirect expenses, insurance expenses, professional fees, and other general overhead expenses.

Research and development expenses consist of employee-related compensation and benefits expenses, and third-party consulting fees of technology professionals, incurred to develop, support and maintain the Company's software-related products and services.

Amortization of purchased intangible assets includes the amortization of all identified definite-lived intangible assets resulting from acquisitions.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are reflected in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income and were $5.0 million, $4.8 million and $4.0 million for the years ended June 30, 2020, 2019 and 2018, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability approach. Deferred tax assets or liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted tax rates as well as net operating losses and credit carryforwards, which will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets when, based upon the available evidence, it is more likely than not that the deferred tax assets will not be realized.

The Company prepares and files tax returns based on interpretations of tax laws and regulations. The Company's tax returns are subject to examination by various taxing authorities in the normal course of business. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities.

In determining the Company's tax expense for financial reporting purposes, the Company establishes a reserve for uncertain income tax positions unless it is determined to be "more likely than not" that such tax positions would be sustained upon examination, based on their technical merits. That is, for financial reporting purposes, the Company only recognizes tax benefits taken on the tax return if it believes it is "more likely than not" that such tax positions would be sustained. There is considerable judgment involved in determining whether it is "more likely than not" that positions taken on the tax returns would be sustained.

The Company adjusts its tax reserve estimates periodically because of ongoing examinations by, and settlements with, varying taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated tax expense of any given year includes adjustments to prior year income tax reserve and related estimated interest charges that are considered appropriate. The Company's policy is to recognize, when applicable, interest and penalties on uncertain income tax positions as part of income tax expense.

Comprehensive Income

Comprehensive income includes all changes in stockholders' deficit during a period from non-owner sources. Net income and other comprehensive income are reported, net of their related tax effect, to arrive at comprehensive income.

Basic and Diluted Earnings (Loss) per Share ("EPS")

Basic EPS is calculated by dividing net income by the number of weighted average common shares outstanding during the period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents, unless the effect of such inclusion would result in the reduction of a loss or the increase in income per share. Diluted EPS is computed by dividing net income by the number of weighted average common shares increased by the dilutive effects of potential common shares outstanding during the period. The number of potential common shares outstanding is determined in accordance with the treasury stock method.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, ("ASU 2016-12"), which increases transparency and comparability by requiring the recognition of lease assets and lease liabilities on the balance sheet, as well as requiring the disclosure of key information about leasing arrangements. The Company adopted ASU 2016-02 on July 1, 2019 on a modified retrospective basis under the optional transition method; therefore, comparative periods are presented in accordance with Accounting Standards Codification ("ASC") Topic 840. Additionally, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed us to carry forward (1) historical lease classification and assessments for expired and existing leases, and (2) historical accounting for initial direct costs for existing leases. The Company elected not to recognize any operating lease right-of-use assets or operating lease liabilities for any lease whose term is 12 months or less and does not include a purchase option that the Company is reasonably certain to exercise. The Company also elected to account for the non-lease components within its leases as part of the single lease component to which they are related. Refer to "Adoption of ASC Topic 842" for additional information on the impact of the adoption of ASC Topic 842.

Recently Issued Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, *Intangibles- Goodwill and Other- Internal Use Software (Topic 350): Customer Account for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which requires customers in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. More specifically, capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The new standard will be effective for the Company for the fiscal year beginning July 1, 2020. Early adoption is permitted including adoption in any interim periods. Entities have the option to apply the guidance prospectively to all implementation costs incurred after the date of

adoption or retrospectively. The Company is currently evaluating the impact of the adoption of the new standard on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to Disclosure Requirements for Fair Value Measurement*, which improves the effectiveness of fair value measurement disclosures by eliminating, adding and modifying certain disclosure requirements for fair value measurements as part of its disclosure framework project. More specifically, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The new standard will be effective for the Company for the fiscal year beginning July 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of the new standard on its financial statement disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, ("ASU 2016-13"), which modifies the measurement of expected credit losses on certain financial instruments and the timing of when such losses are recorded. ASU 2016-13, will be effective for the Company for the fiscal year beginning July 1, 2020. The Company has performed an initial analysis on the impact of the adoption of the new standard, and does not expect the adoption to have a material impact on its consolidated financial statements and disclosures.

Adoption of ASC Topic 606

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted Topic 606 effective July 1, 2018 using the modified retrospective approach. The modified retrospective approach resulted in recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at July 1, 2018 for contracts that were not complete at that date. Therefore, comparative information prior to July 1, 2018 has not been adjusted and is reported under the previous revenue standard, Topic 605.

Adoption of ASC Topic 842

The following tables summarize the impacts of adopting ASC Topic 842 on the Consolidated Balance Sheets (in thousands). See Note 18 - Commitments and Contingencies for further information.

	June 30, 2019 As presented	Impact of ASC Topic 842	July 1, 2019 Adjusted
Intangible assets, net [(a)]	$ 270,722	$ (8,474)	$ 262,248
Deferred income tax assets	422,014	302	422,316
Operating lease right-of-use assets	—	62,642	62,642
Total assets	**$ 2,569,567**	**$ 54,470**	**$ 2,624,037**
Other current liabilities	$ 7,113	$ 7,661	$ 14,774
Current liabilities of discontinued operations	11,797	1,200	12,997
Operating lease liabilities	—	58,596	58,596
Other long-term liabilities	67,683	(12,088)	55,595
Total liabilities	**$ 908,547**	**$ 55,369**	**$ 963,916**
Accumulated deficit [(b)]	$ (775,674)	$ (899)	$ (776,573)
Total liabilities and equity	**$ 2,569,567**	**$ 54,470**	**$ 2,624,037**

(a) The Company reclassified a favorable lease commitment, which was recorded within intangible assets, net in the Consolidated Balance Sheets as of June 30, 2019, to operating lease right-of-use assets as part of the adoption of ASC Topic 842.

(b) The Company recognized a non-cash impairment charge of $1.2 million ($0.9 million net of deferred tax impact), which was recorded as an adjustment to the opening balance of equity at July 1, 2019. The impairment charge was related to operating lease right-of-use assets of the specialty pharmacy business, which is classified as a discontinued operation.

(3) BUSINESS ACQUISITIONS

Acquisition of Health Design Plus, LLC

On May 4, 2020, the Company, through its consolidated subsidiary PHSI, acquired 97% of the equity of Health Design Plus, LLC ("HDP") for an adjusted purchase price of $24.0 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility. HDP is a third-party administrator and arranges care for employees through its Centers of Excellence program.

The Company has accounted for the HDP acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on their fair values. Total fair value assigned to intangible assets acquired was $13.9 million, primarily comprised of customer relationships and a provider network. The initial purchase price allocation for the Company's acquisition of HDP is preliminary and subject to changes in fair value of working capital and valuation of the assets acquired and the liabilities assumed.

The HDP acquisition resulted in the recognition of $10.5 million of goodwill attributable to the anticipated profitability of HDP. The HDP acquisition was considered an asset purchase for tax purposes and accordingly, the goodwill is expected to be deductible for tax purposes.

Pro forma results of operations for the acquisition have not been presented because the effects on revenue and net income were not material to the Company's historic consolidated financial statements. Shortly after closing, HDP was renamed Contigo Health, and is reported as part of the Performance Services segment.

Acquisition of Acurity and Nexera Assets

On February 28, 2020, the Company completed the Acurity and Nexera asset acquisition (the "Acurity and Nexera asset acquisition"). Pursuant to the terms of the Purchase Agreement, the Company agreed to pay an aggregate amount of $291.5 million, of which $166.1 million was paid at closing with borrowings under the Credit Facility. An additional $120.0 million will be paid in four equal annual installments of $30.0 million on or about June 30, 2021, 2022, 2023 and 2024. An additional $5.4 million is expected to be paid to an affiliate of GNYHA during the Company's first fiscal quarter of 2021.

The Purchase Agreement provides an earn-out opportunity for Acurity, Inc. of up to $30.0 million based upon the Company's achievement of a range of member renewals on terms to be agreed to by the Company and GNYHA based on prevailing market conditions in December 2023. As of June 30, 2020, the fair value of the earn-out liability was $22.7 million (see Note 6 - Fair Value Measurements).

Prior to entering into the Purchase Agreement, Acurity, Inc. agreed to provide one-time rebates to certain of its then members based on their pre-closing purchasing volume. The Company has concluded that these one-time rebates of $93.8 million will be excluded from the purchase price and capitalized as prepaid contract administrative fee share at closing. The prepaid contract administrative fee share will be treated as a reduction in the determination of net administrative fee revenue over the remaining life of the acquired contracts on the Company's consolidated financial statements. As a result, the total fair value of consideration paid as part of the acquisition totaled $202.6 million. The current and noncurrent components of the prepaid contract administrative fee share were recorded to the "Prepaid expenses and other current assets" and "Other assets" line items, respectively, on the Consolidated Balance Sheets.

At the closing of the transaction, GNYHA Purchasing Alliance, LLC unilaterally terminated its participation in the TRA, and will cease to be a limited partner of Premier LP on November 2, 2020.

The Company has accounted for the Acurity and Nexera asset acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on fair values. Total fair value assigned to the intangible assets was $187.7 million, consisting primarily of acquired member relationships of $166.0 million. The fair values of the assets acquired and liabilities assumed were preliminarily determined using the income, cost and market approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in ASC 820, "Fair Value Measurement". The income approach was primarily used to value the intangible assets, consisting primarily of member relationships, customer relationships and trade names. The income approach estimates fair value for an asset based on the present value of cash flow projected to be generated by the asset. Projected cash flow is discounted at a required rate of return that reflects the relative risk of achieving the cash flow and the time value of money.

The acquisition resulted in the recognition of $24.5 million of goodwill (see Note 9 - Goodwill and Intangible Assets) attributable to the anticipated profitability of the acquired assets of Acurity, Inc. and Nexera, Inc. The acquisition was considered an asset acquisition for tax purposes, and accordingly, the Company expects the goodwill to be deductible for tax purposes. The initial purchase price allocation for the Acurity and Nexera asset acquisition is preliminary and subject to changes in fair value valuation of the assets acquired and the liabilities assumed.

Pro forma results of operations for the acquisition have not been presented because the effects on revenue and net income were not material to the Company's historic consolidated financial statements. After closing of the transaction, the Company changed the names of PAP and PNP to Acurity and Nexera, respectively. The Company reports their operations as part of the Supply Chain Services segment.

Acquisition of Medpricer

On October 28, 2019, the Company, through its consolidated subsidiary PSCI, acquired all of the outstanding capital stock in Medpricer for an adjusted purchase price of $38.5 million, giving effect to certain purchase price adjustments provided for in the purchase agreement. The transaction was funded with borrowings under the Credit Facility.

The acquisition provides the sellers an earn-out opportunity of up to $5.0 million based on Medpricer's achievement of a revenue target for the calendar year ended December 31, 2020. As of June 30, 2020, the fair value of the earn-out liability was $1.4 million (see Note 6 - Fair Value Measurements).

The Company has accounted for the Medpricer acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on their fair values. Total fair value assigned to intangible assets acquired was $12.1 million, primarily comprised of developed software technology.

The Medpricer acquisition resulted in the recognition of $26.2 million of goodwill attributable to the anticipated profitability of Medpricer. The Medpricer acquisition was considered a stock purchase for tax purposes and accordingly, the goodwill is not deductible for tax purposes.

Pro forma results of operations for the acquisition have not been presented because the effects on revenue and net income were not material to the Company's historic consolidated financial statements. Recently, Medpricer changed its name to Conductiv and is reported as part of the Supply Chain Services segment.

Acquisition of Stanson

On November 9, 2018, the Company, through its consolidated subsidiary PHSI, acquired 100% of the outstanding capital stock in Stanson through a reverse subsidiary merger transaction for $51.5 million in cash. As a result of certain purchase price adjustments provided for in the purchase agreement, the adjusted purchase price was $55.4 million. The transaction was funded with available cash on hand.

The acquisition provides the sellers and certain employees an earn-out opportunity of up to $15.0 million based on Stanson's successful commercial delivery of a SaaS tool on or prior to December 31, 2019 and achievement of certain revenue milestones for the calendar year ended December 31, 2020. As of June 30, 2020, the fair value of the earn-out liability was $9.1 million (see Note 6 - Fair Value Measurements).

The Company has accounted for the Stanson acquisition as a business combination whereby the purchase price was allocated to tangible and intangible assets acquired and liabilities assumed based on their fair values. Total fair value assigned to the intangible assets acquired was $23.6 million, primarily comprised of developed software technology.

The Stanson acquisition resulted in the recognition of $37.5 million of goodwill (see Note 9 - Goodwill and Intangible Assets) attributable to the anticipated profitability of Stanson. The Stanson acquisition was considered a stock purchase for tax purposes and accordingly, the goodwill is not deductible for tax purposes.

Pro forma results of operations for the acquisition have not been presented because the effects on revenue and net income were not material to the Company's historic consolidated financial statements. The Company reports Stanson as part of its Performance Services segment.

(4) DISCONTINUED OPERATIONS AND EXIT ACTIVITIES

In connection with the sale of certain assets and wind down and exit from the specialty pharmacy business (see Note 1 - Organization and Basis of Presentation), the Company met the criteria for classifying certain assets and liabilities of its specialty pharmacy business as a discontinued operation as of June 30, 2019. Prior to its classification as a discontinued operation, the specialty pharmacy business was included as part of the Supply Chain Services segment.

During the fourth quarter of fiscal year 2019, due to our commitment to sell certain assets of, and wind down and exit, the specialty pharmacy business, the Company performed an interim impairment assessment of goodwill and other long-lived assets of its specialty pharmacy business. As a result, the Company recognized a non-cash impairment charge of $80.4 million during the year ended June 30, 2019, including $63.4 million related to goodwill impairment, which is recorded within discontinued operations. In addition, the Company recognized a $6.3 million loss on disposal of other Corporate long-lived assets that supported the specialty pharmacy business during the year ended June 30, 2019. This charge is included in other expense, net in the Consolidated Statements of Income and Comprehensive Income.

The Company incurred $0.9 million and $3.3 million of severance and retention expenses directly associated with the specialty pharmacy business within discontinued operations during the years ended June 30, 2020 and 2019, respectively.

The following table summarizes the major classes of assets and liabilities classified as discontinued operations at June 30, 2019 (in thousands):

	June 30, 2019
Assets	
Accounts receivable	$ 21,183
Inventory	3,385
Assets of discontinued operations	**24,568**
Liabilities	
Accounts payable	2,255
Accrued expenses	6,630
Accrued compensation and benefits	2,373
Other current liabilities	539
Liabilities of discontinued operations	**$ 11,797**

As of June 30, 2020, there were no assets or liabilities classified as discontinued operations.

The following table summarizes the major components of net loss from discontinued operations for the years ended June 30, 2020, 2019 and 2018 (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Net revenue	$ —	$ 428,493	$ 476,599
Cost of revenue	—	417,524	456,294
Gross profit	—	10,969	20,305
Selling, general and administrative expense	—	23,588	18,388
Amortization of purchased intangible assets	—	2,425	2,646
Operating expenses	—	26,013	21,034
Operating loss from discontinued operations	—	(15,044)	(729)
Net (gain) loss on disposal and impairment of assets	(1,697)	61,219	—
Income (loss) from discontinued operations before income taxes	1,697	(76,263)	(729)
Income tax expense (benefit)	643	(25,665)	(292)
Income (loss) from discontinued operations, net of tax	1,054	(50,598)	(437)
Net income (loss) from discontinued operations attributable to non-controlling interest in Premier LP	(498)	25,948	279
Net income (loss) from discontinued operations attributable to stockholders	$ 556	$ (24,650)	$ (158)

(5) INVESTMENTS

Investments in Unconsolidated Affiliates

The Company's investments in unconsolidated affiliates consisted of the following (in thousands):

	Carrying Value		Equity in Net Income (Loss)		
	June 30,		Year Ended June 30,		
	2020	2019	2020	2019	2018
FFF	$ 109,204	$ 96,905	$ 12,299	$ 5,102	$ 6,283
Prestige	11,194	—	—	—	—
Other investments	12,937	2,731	238	556	(5,109)
Total investments	**$ 133,335**	**$ 99,636**	**$ 12,537**	**$ 5,658**	**$ 1,174**

The Company, through its consolidated subsidiary, PSCI, held a 49% interest in FFF Enterprises, Inc. ("FFF") through its ownership of stock of FFF at June 30, 2020 and 2019. The Company records the fair value of the FFF put and call rights in the accompanying Consolidated Balance Sheets (see Note 6 - Fair Value Measurements for additional information). The Company accounts for its investment in FFF using the equity method of accounting and includes the investment as part of the Supply Chain Services segment.

On May 26, 2020, PSCI along with 16 limited partners of Premier LP acquired a minority interest in Prestige Ameritech, Ltd. ("Prestige"). The Company, through its consolidated subsidiary, PRAM Holdings, LLC, held a 19.9% interest in Prestige through its ownership of limited partnership units at June 30, 2020. The Company accounts for its investment in Prestige using the equity method of accounting and includes the investment as part of the Supply Chain Services segment.

Unconsolidated Significant Subsidiaries

In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, the Company must determine which of its unconsolidated investments, if any, are considered "significant subsidiaries." In evaluating these investments, there are three tests utilized to determine if any unconsolidated subsidiaries are considered significant subsidiaries: the investment test, the asset test and the income test. Rule 3-09 of Regulation S-X requires the Company to include separate audited financial statements of any unconsolidated majority-owned subsidiary (unconsolidated subsidiaries in which the Company owns greater than 50% of the voting securities) in an annual report if any of the three tests exceed 20%. Rule 4-08(g) of Regulation S-X requires summarized financial information of unconsolidated subsidiaries in an annual report if any of the three tests exceeds 10%, and summarized financial information in a quarterly report if any of the three tests exceeds 20% pursuant to Rule 10-01(b)(1) of Regulation S-X.

As of June 30, 2020, the Company had one unconsolidated subsidiary whose assets represented greater than 10% of its total assets.

As of June 30, 2020, 2019 and 2018, the Company had no control investments that exceeded 10% in any of the three tests.

The following tables show summarized unaudited financial information for FFF, which met the 10% asset test for the year ended June 30, 2020 (in thousands):

	June 30,	
	2020	2019
Total current assets	$ 762,608	$ 353,612
Total non-current assets	95,444	63,508
Total current liabilities	486,210	216,471
Total non-current liabilities	273,599	124,972
Non-controlling equity	48,139	37,082

	Year Ended June 30,		
	2020	2019	2018
Revenue	$ 1,990,282	$ 1,840,462	$ 1,715,046
Gross profit	108,733	85,232	84,431
Income from operations	35,624	21,680	26,649
Net income	22,565	11,872	13,345
Net income attributable to non-controlling interest	11,057	5,817	6,539

(6) FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The following table represents the Company's financial assets and liabilities, which are measured at fair value on a recurring basis (in thousands):

	Fair Value of Financial Assets and Liabilities	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020				
Cash equivalents	$ 13,272	$ 13,272	$ —	$ —
Deferred compensation plan assets	52,538	52,538	—	—
Total assets	**65,810**	**65,810**	**—**	**—**
Earn-out liabilities	33,151	—	—	33,151
FFF put right	36,758	—	—	36,758
Total liabilities	**$ 69,909**	**$ —**	**$ —**	**$ 69,909**
June 30, 2019				
Cash equivalents	$ 57,607	$ 57,607	$ —	$ —
FFF call right	204	—	—	204
Deferred compensation plan assets	50,229	50,229	—	—
Total assets	**108,040**	**107,836**	**—**	**204**
Earn-out liabilities	6,816	—	—	6,816
FFF put right	41,652	—	—	41,652
Total liabilities	**$ 48,468**	**$ —**	**$ —**	**$ 48,468**

Deferred compensation plan assets consisted of highly liquid mutual fund investments, which were classified as Level 1. The current portion of deferred compensation plan assets was included in prepaid expenses and other current assets ($3.4 million and $4.8 million at June 30, 2020 and 2019, respectively) in the accompanying Consolidated Balance Sheets.

Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

FFF put and call rights

In connection with the Company's equity investment in FFF, the Company entered into a shareholders' agreement on July 26, 2016, which was amended and restated on November 22, 2017. On July 29, 2019, the parties entered into a second amended and restated shareholders' agreement that provides, among other things, that the majority shareholder of FFF holds a put right that requires the Company to purchase the majority shareholder's interest in FFF, on an all or nothing basis, on or after April 15, 2023. Any required purchase by the Company upon exercise of the put right by FFF's majority shareholder must be made at a per share price equal to FFF's earnings before interest, taxes, depreciation and amortization ("FFF EBITDA") over the twelve calendar months prior to the purchase date multiplied by a market adjusted multiple, adjusted for any outstanding debt and cash and cash equivalents ("Equity Value per Share"). In addition, under the second amended and restated shareholders' agreement, the Company has a call right that requires the majority shareholder to sell its remaining interest in FFF to the Company, and is exercisable at any time within the later of 180 calendar days after the date of a Key Man Event (generally defined in the amended and restated shareholders' agreement as the resignation, termination for cause, death or disability of the majority shareholder) or after January 30, 2021. As of June 30,

2020, the call right had zero value. In the event that either of these rights are exercised, the purchase price for the additional interest in FFF will be at a per share price equal to the Equity Value per Share.

The fair values of the FFF put and call rights were determined based on the Equity Value per Share calculation using unobservable inputs, which included the estimated FFF put and call rights' expiration dates, the forecast of FFF EBITDA and enterprise value over the option period, forecasted movements in the overall market and the likelihood of a Key Man Event. Significant changes to the Equity Value per Share resulting from changes in the unobservable inputs could have a significant impact on the fair values of the FFF put and call rights.

The Company recorded the FFF put and call rights within long-term other liabilities and long-term other assets, respectively, within the accompanying Consolidated Balance Sheets. Net changes in the fair values of the FFF put and call rights were recorded within other income (expense) in the accompanying Consolidated Statements of Income and Comprehensive Income.

Earn-out liabilities

Earn-out liabilities were established in connection with the Acurity and Nexera asset acquisition as well as the Medpricer and Stanson acquisitions. The earn-out liabilities were classified as Level 3 of the fair value hierarchy. The earn-out liability value for the Acurity and Nexera asset acquisition is based upon the Company's estimated achievement of a range of member renewals on terms to be agreed to by the Company and GNYHA based on prevailing market conditions in December 2023. The earn-out liability values for the Medpricer and Stanson acquisitions were determined based on estimated future earnings and the probability of achieving them. Changes in the fair values of the earn-out liabilities were recorded within selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income.

A reconciliation of the Company's FFF put and call rights and earn-out liabilities is as follows (in thousands):

	Beginning Balance	Purchases (Settlements)	Gain (Loss)	Ending Balance
Year ended June 30, 2020				
FFF call right	$ 204	$ —	$ (204)	$ —
Total Level 3 assets	204	—	(204)	—
Earn-out liabilities	6,816	26,481	146	33,151
FFF put right	41,652	—	4,894	36,758
Total Level 3 liabilities	$ 48,468	$ 26,481	$ 5,040	$ 69,909
Year ended June 30, 2019				
FFF call right	$ 610	$ —	$ (406)	$ 204
Total Level 3 assets	610	—	(406)	204
Earn-out liabilities	—	4,548	(2,268)	6,816
FFF put right	42,041	—	389	41,652
Total Level 3 liabilities	$ 42,041	$ 4,548	$ (1,879)	$ 48,468

Non-Recurring Fair Value Measurements

During the year ended June 30, 2020, no non-recurring fair value measurements were required relating to the measurement of goodwill and intangible assets for impairment. However, purchase price allocations required significant non-recurring Level 3 inputs. The preliminary fair values of the acquired intangible assets resulting from the acquisitions of HDP and Medpricer as well as the Acurity and Nexera asset acquisition were determined using the income approach (see Note 3 - Business Acquisitions).

Financial Instruments For Which Fair Value Only is Disclosed

The fair values of non-interest bearing notes payable, classified as Level 2, were less than their carrying value by approximately $0.2 million and $0.5 million at June 30, 2020 and 2019, respectively, based on assumed market interest rates of 1.6% and 3.4%, respectively.

Other Financial Instruments

The fair values of cash, accounts receivable, accounts payable, accrued liabilities, and the Credit Facility (as defined in Note 10 - Debt) approximated carrying value due to the short-term nature of these financial instruments.

(7) CONTRACT BALANCES

Contract Assets, Deferred Revenue and Revenue Share Obligations

The timing of revenue recognition, billings and cash collections results in accounts receivables, contract assets (unbilled receivables) and deferred revenue on the Consolidated Balance Sheets. Contract assets increased by $10.2 million during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to the acceleration of revenue recognition from licensing contracts in Performance Services which represent performance obligations that have been satisfied prior to customer invoicing offset by the timing of invoicing related to certain cost management consulting services and performance-based engagements where revenue is recognized as work is performed. Revenue share obligations increased by $8.4 million during the year ended June 30, 2020 compared to the year ended June 30, 2019 primarily due to the underlying revenue share arrangements associated with the Company's GPO participation agreements.

Revenue recognized during the year ended June 30, 2020 that was included in the opening balance of deferred revenue at June 30, 2019 was $29.8 million, which is a result of satisfying performance obligations within the Performance Services segment.

Performance Obligations

A performance obligation is a promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Contracts may have a single performance obligation as the promise to transfer individual goods or services is not separately identifiable from other promises and, therefore, not distinct, while other contracts may have multiple performance obligations, most commonly due to the contract covering multiple phases or deliverable arrangements (licensing fees, SaaS subscription fees, maintenance and support fees, and professional fees for consulting services), including certain performance guarantees.

Net revenue recognized during the year ended June 30, 2020 from performance obligations that were satisfied or partially satisfied on or before June 30, 2019 was reduced by $2.3 million. The reduction in net revenue recognized was driven by $8.2 million associated with revised forecasts from underlying contracts that include variable consideration components as well as additional fluctuations due to input method contracts which occur in the normal course of business partially offset by $5.9 million of net administrative fees revenue related to under-forecasted cash receipts received in the current period.

Net revenue recognized during the year ended June 30, 2019 from performance obligations that were satisfied or partially satisfied on or before June 30, 2018 was $10.2 million. The net revenue recognized was driven by $6.7 million of net administrative fees revenue related to under-forecasted cash receipts received in the current period and $3.5 million associated with revised forecasts from underlying contracts that include variable consideration components as well as additional fluctuations due to input method contracts which occur in the normal course of business.

Remaining performance obligations represent the portion of the transaction price that has not yet been satisfied or achieved. As of June 30, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was $585.8 million. The Company expects to recognize 42% of the remaining performance obligations over the next 12 months and an additional 28% over the following 12 months, with the remainder recognized thereafter.

Contract Costs

The Company capitalizes the incremental costs of obtaining and fulfilling a contract, which include costs associated with implementing SaaS informatics tools and sales commissions. At June 30, 2020, the Company had $18.6 million in capitalized contract costs, including $9.9 million related to implementation costs and $8.7 million related to sales commissions. The Company recognized $7.4 million of related amortization expense for the year ended June 30, 2020.

At June 30, 2019, the Company had $16.8 million in capitalized contract costs, including $8.8 million related to implementation costs and $8.0 million related to sales commissions. The Company recognized $6.4 million of related amortization expense for the year ended June 30, 2019.

(8) SUPPLEMENTAL BALANCE SHEET INFORMATION

Accounts Receivable, Net

Trade accounts receivable consisted primarily of amounts due from hospital and healthcare system members for services and products. Managed services receivable consisted of amounts receivable related to fees for services provided to members to support contract negotiation and administration, claims data, rebate processing and evaluation of pharmacy formulary and utilization. Accounts receivable, net consisted of the following (in thousands):

	June 30,	
	2020	2019
Trade accounts receivable	$ 116,222	$ 113,599
Managed services receivable	19,057	54,541
Other	515	714
Total accounts receivable	135,794	168,854
Allowance for doubtful accounts	(731)	(739)
Accounts receivable, net	**$ 135,063**	**$ 168,115**

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

		June 30,	
	Useful life	2020	2019
Capitalized software	2-5 years	$ 569,298	$ 478,356
Computer hardware	3-5 years	63,244	59,301
Furniture and other equipment	5 years	7,913	7,810
Leasehold improvements	Lesser of estimated useful life or term of lease	18,882	18,876
Total property and equipment		659,337	564,343
Accumulated depreciation and amortization		(452,609)	(359,235)
Property and equipment, net		**$ 206,728**	**$ 205,108**

Depreciation and amortization expense related to property and equipment was $97.3 million, $86.9 million and $70.3 million for the years ended June 30, 2020, 2019 and 2018, respectively. Unamortized capitalized software costs was $159.6 million at both June 30, 2020 and 2019.

During the year ended June 30, 2019, the Company incurred a $6.3 million loss on disposal of long-lived assets associated with assets of the Corporate segment that supported the specialty pharmacy business, which were disposed in connection with the sale of certain assets and wind down and exit from the specialty pharmacy business (see Note 4 - Discontinued Operations and Exit Activities for further information). The Company did not incur a material loss on disposal of long-lived assets during the years ended June 30, 2020 and 2018.

Other Long-Term Assets

Other long-term assets consisted of the following (in thousands):

	June 30,	
	2020	2019
Capitalized contract costs	$ 18,601	$ 16,757
Convertible notes receivable	—	9,045
Deferred loan costs, net	2,141	2,783
Prepaid contract administrative fee share, less current portion	67,897	—
Other	5,041	3,283
Total other long-term assets	**$ 93,680**	**$ 31,868**

Contract costs include capitalized sales commissions and implementation costs. See Note 7 - Contract Balances for further information.

The Company recorded $0.6 million, $0.6 million and $0.5 million in amortization expense on deferred loan costs during the years ended June 30, 2020, 2019 and 2018, respectively. Amortization expense on deferred loan costs was recognized based on the straight-line method, which approximates the effective interest method, and was included in interest and investment income, net in the Consolidated Statements of Income and Comprehensive Income.

The Company capitalized the one-time rebates pursuant to the Purchase Agreement with Acurity, Inc. as prepaid contract administrative fee share. See Note 3 - Business Acquisitions for further information.

Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	June 30,	
	2020	2019
FFF put right	$ 36,758	$ 41,652
Deferred rent	—	12,156
Reserve for uncertain tax positions	16,163	7,419
Earn-out liability, less current portion	22,700	5,634
Other	37	822
Total other long-term liabilities	**$ 75,658**	**$ 67,683**

Pursuant to an amended and restated shareholders' agreement entered into in connection with the Company's equity investment in FFF (see Note 5 - Investments), the majority shareholder of FFF obtained a put right that provides such shareholder the right to sell all or any portion of its interest in FFF to the Company (see Note 6 - Fair Value Measurements).

(9) GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill consisted of the following (in thousands):

	Supply Chain Services	Performance Services	Total
June 30, 2019	$ 336,973	$ 543,736	$ 880,709
Acquisition of businesses and assets	50,749	10,507	61,256
June 30, 2020	**$ 387,722**	**$ 554,243**	**$ 941,965**

The initial purchase price allocations for the Company's acquisition of HDP, the Acurity and Nexera asset acquisition and the acquisition of Medpricer are preliminary and subject to changes in fair value of working capital and valuation of the assets acquired and the liabilities assumed. See Note 3 - Business Acquisitions for more information.

Intangible Assets, Net

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

		June 30,	
	Useful Life	2020	2019
Member relationships	14.7 years	$ 386,100	$ 220,100
Technology	5.6 years	164,117	164,217
Customer relationships	9.6 years	70,830	48,010
Trade names	7.5 years	24,160	16,060
Favorable lease commitments	n/a	—	11,393
Non-compete agreements	5.3 years	11,315	8,800
Other [(a)]	12.1 years	6,060	—
Total intangible assets		662,582	468,580
Accumulated amortization		(245,160)	(197,858)
Total intangible assets, net		**$ 417,422**	**$ 270,722**

(a) Includes a $1.0 million indefinite-lived asset that was acquired through the HDP acquisition.

Intangible asset amortization totaled $55.5 million, $53.3 million and $52.8 million for the years ended June 30, 2020, 2019 and 2018, respectively.

The estimated aggregate amortization expense for each of the next five fiscal years and thereafter is as follows (in thousands):

2021	$ 43,755
2022	39,917
2023	38,602
2024	37,883
2025	34,257
Thereafter	222,008
Total amortization expense	**$ 416,422**

The net carrying value of intangible assets by segment was as follows (in thousands):

	June 30,	
	2020	2019
Supply Chain Services	$ 364,647	$ 196,241
Performance Services [(a)]	52,775	74,481
Total intangible assets, net	**$ 417,422**	**$ 270,722**

(a) Includes a $1.0 million indefinite-lived asset that was acquired through the HDP acquisition.

(10) DEBT

Long-term debt consisted of the following (in thousands):

	June 30,	
	2020	2019
Credit Facility	$ 75,000	$ 25,000
Notes payable	9,200	8,611
Total debt	84,200	33,611
Less: current portion	(79,560)	(27,608)
Total long-term debt	**$ 4,640**	**$ 6,003**

Credit Facility

Premier LP, along with its consolidated subsidiaries, PSCI and PHSI, as Co-Borrowers, Premier GP and certain domestic subsidiaries of Premier GP, as guarantors, entered into an unsecured Credit Facility, dated as of November 9, 2018. The Credit Facility has a maturity date of November 9, 2023, subject to up to two one-year extensions at the request of the Co-Borrowers and approval of a majority of the lenders under the Credit Facility. The Credit Facility provides for borrowings of up to $1.0 billion with (i) a $50.0 million sub-facility for standby letters of credit and (ii) a $100.0 million sub-facility for swingline loans. The Credit Facility also provides that Co-Borrowers may from time to time (i) incur incremental term loans and (ii) request an increase in the revolving commitments under the Credit Facility, together up to an aggregate $350.0 million, subject to the approval of the lenders providing such term loans or revolving commitment increases. The Credit Facility includes an unconditional and irrevocable guaranty of all obligations under the Credit Facility by Premier GP, certain domestic subsidiaries of Premier GP and future guarantors, if any. Premier, Inc. is not a guarantor under the Credit Facility.

At the Company's option, committed loans may be in the form of Eurodollar rate loans ("Eurodollar Loans") or base rate loans ("Base Rate Loans"). Eurodollar Loans bear interest at the Eurodollar rate (defined as the London Interbank Offered Rate, or LIBOR, plus the Applicable Rate (defined as a margin based on the Consolidated Total Net Leverage Ratio (as defined in the Credit Facility))). Base Rate Loans bear interest at the Base Rate (defined as the highest of the prime rate announced by the administrative agent, the federal funds effective rate plus 0.50%, the one-month LIBOR plus 1.0% and 0.0%) plus the Applicable Rate. The Applicable Rate ranges from 1.000% to 1.500% for Eurodollar Loans and 0.000% to 0.500% for Base Rate Loans. In the event that the LIBOR is no longer available, the Credit Facility states that interest will be calculated based upon rates offered to leading banks for comparable loans by leading banks in the London interbank market. At June 30, 2020, the interest rate on outstanding borrowings under the Credit Facility was 1.180%. The Co-Borrowers are required to pay a commitment fee ranging from 0.100% to 0.200% per annum on the actual daily unused amount of commitments under the Credit Facility. At June 30, 2020, the commitment fee was 0.100%.

The Credit Facility contains customary representations and warranties as well as customary affirmative and negative covenants, including, among others, limitations on liens, indebtedness, fundamental changes, dispositions, restricted payments and investments. Under the terms of the Credit Facility, Premier GP is not permitted to allow its consolidated total net leverage ratio (as defined in the Credit Facility) to exceed 3.75 to 1.00 for any period of four consecutive quarters, provided that, in connection with any acquisition for which the aggregate consideration exceeds $250.0 million, the maximum consolidated total net leverage ratio may be increased to 4.25 to 1.00 for the four consecutive fiscal quarters beginning with the quarter in which such acquisition is completed. In addition, Premier GP must maintain a minimum consolidated interest coverage ratio (as defined in the Credit Facility) of 2.50 to 1.00 at the end of every fiscal quarter. Premier GP was in compliance with all such covenants at June 30, 2020.

The Credit Facility also contains customary events of default including, among others, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults of any indebtedness or guarantees in excess of $75.0 million, bankruptcy and other insolvency events, ERISA-related liabilities and judgment defaults in excess of $50.0 million, and the occurrence of a change of control (as defined in the Credit Facility). If any event of default occurs and is continuing, the administrative agent under the Credit Facility may, with the consent, or shall, at the request of a majority of the lenders under the Credit Facility, terminate the commitments and declare all of the amounts owed under the Credit Facility to be immediately due and payable. The Company may prepay amounts outstanding under the Credit Facility without premium or penalty provided that Co-Borrowers compensate the lenders for losses and expenses incurred as a result of the prepayment of any Eurodollar Loan, as defined in the Credit Facility.

Proceeds from borrowings under the Credit Facility may generally be used to finance ongoing working capital requirements, including permitted acquisitions, discretionary cash settlements of Class B unit exchanges under the Exchange Agreement, repurchases of Class A common stock pursuant to stock repurchase programs and other general corporate activities. During the year ended June 30, 2020, the Company borrowed $400.0 million and repaid $350.0 million of borrowings under the Credit Facility.

The Company had $75.0 million in outstanding borrowings under the Credit Facility at June 30, 2020 with $925.0 million of available borrowing capacity after reductions for outstanding borrowings and outstanding letters of credit. On July 31, 2020, the Company repaid $25.0 million of outstanding borrowings under the Credit Facility.

During the year ended June 30, 2020, interest expense was $2.8 million and cash paid for interest was $2.8 million.

Notes Payable

At June 30, 2020 and 2019, the Company had $9.2 million and $8.6 million in notes payable, respectively, of which $4.6 million and $2.6 million, respectively, were included in current portion of long-term debt in the accompanying Consolidated Balance Sheets. Notes payable do not bear interest and generally have stated maturities of five years from their date of issuance.

Future minimum principal payments on the notes as of June 30, 2020 are as follows (in thousands):

2021	$	4,560
2022		1,416
2023		944
2024		1,546
2025		734
Total principal payments	**$**	**9,200**

TRA Termination Payments

In connection with the termination of the TRA, the Company entered into certain Unit Exchange and Tax Receivable Acceleration Agreements (the "Unit Exchange Agreements") pursuant to which the Company is obligated to pay approximately $462.9 million in 18 equal quarterly installments commencing during the quarter ended March 31, 2021 and ending in the quarter ending June 30, 2025. See Note 21 - Subsequent Events for further information.

(11) REDEEMABLE LIMITED PARTNERS' CAPITAL

Redeemable limited partners' capital represents the member owners' 41% ownership of Premier LP through their ownership of Class B common units at June 30, 2020. As of June 30, 2020 and 2019, the member owners held the majority of the votes of the Board of Directors and any redemption or transfer or choice of consideration cannot be assumed to be within the control of the Company. Therefore, redeemable limited partners' capital is recorded at the greater of the book value or redemption amount per the LP Agreement (see Note 1 - Organization and Basis of Presentation for more information), and is calculated as the fair value of all Class B common units as if immediately exchangeable into Class A common shares. For the years ended June 30, 2020, 2019 and 2018, the Company recorded adjustments to the fair value of redeemable limited partners' capital as an adjustment of redeemable limited partners' capital to redemption amount in the accompanying Consolidated Statements of Income and Comprehensive Income in the amounts of $468.3 million, $(118.1) million and $157.6 million, respectively.

Redeemable limited partners' capital is classified as temporary equity in the mezzanine section of the accompanying Consolidated Balance Sheets as, pursuant to the LP Agreement, withdrawal is at the option of each member owner and the conditions of the repurchase are not solely within the Company's control. As of July 31, 2020, the limited partner's redemption feature was under the control of the Company and as a result, the fair value of redeemable limited partners' capital at July 31, 2020 will be reclassified from temporary equity in the mezzanine section of the Consolidated Balance Sheets to additional paid in capital as a component of permanent equity. See Note 1 - Organization and Basis of Presentation under "Company Structure" and Note 21 - Subsequent Events for further information.

The table below provides a summary of the changes in the redeemable limited partners' capital from June 30, 2017 to June 30, 2020 (in thousands):

	Receivables From Limited Partners	Redeemable Limited Partners' Capital	Total Redeemable Limited Partners' Capital
June 30, 2017	**$ (4,177)**	**$ 3,142,760**	**$ 3,138,583**
Distributions applied to receivables from limited partners	1,972	—	1,972
Redemption of limited partners	—	(942)	(942)
Net income attributable to non-controlling interest in Premier LP	—	224,269	224,269
Distributions to limited partners	—	(69,770)	(69,770)
Exchange of Class B common units for Class A common stock by member owners	—	(216,121)	(216,121)
Adjustment of redeemable limited partners' capital to redemption amount	—	(157,581)	(157,581)
June 30, 2018	**(2,205)**	**2,922,615**	**2,920,410**
Distributions applied to receivables from limited partners	1,001	—	1,001
Redemption of limited partners	—	(1,819)	(1,819)
Net income attributable to non-controlling interest in Premier LP	—	174,959	174,959
Distributions to limited partners	—	(55,562)	(55,562)
Exchange of Class B common units for Class A common stock by member owners	—	(633,783)	(633,783)
Adjustment of redeemable limited partners' capital to redemption amount	—	118,064	118,064
June 30, 2019	**(1,204)**	**2,524,474**	**2,523,270**
Distributions applied to receivables from limited partners	209	—	209
Redemption of limited partners	—	(1,372)	(1,372)
Net income attributable to non-controlling interest in Premier LP	—	161,816	161,816
Non-controlling interest due to acquisition	—	9,004	9,004
Distributions to limited partners	—	(43,714)	(43,714)
Exchange of Class B common units for Class A common stock by member owners	—	(460,593)	(460,593)
Adjustment of redeemable limited partners' capital to redemption amount	—	(468,311)	(468,311)
June 30, 2020	**$ (995)**	**$ 1,721,304**	**$ 1,720,309**

Receivables from limited partners represent amounts due from limited partners for their required capital in Premier LP. These receivables are interest bearing notes that were issued to new limited partners. These receivables are reflected as a reduction to redeemable limited partners' capital so that amounts due from limited partners for capital are not reflected as redeemable limited partnership capital until paid. No interest bearing notes receivable were executed by limited partners of Premier LP during the years ended June 30, 2020, 2019 and 2018.

During the year ended June 30, 2020, three limited partners withdrew from Premier LP. The limited partnership agreement provides for the redemption of former limited partner's Class B common units that are not eligible for exchange in the form of a five-year, unsecured, non-interest bearing term promissory note, a cash payment equal to the present value of the redemption amount, or other mutually agreed upon terms. Partnership interest obligations to former limited partners are reflected in notes payable in the accompanying Consolidated Balance Sheets. Under the Exchange Agreement, Class B common units that are eligible for exchange by withdrawing limited partners must be exchanged in the subsequent quarter's exchange process.

Premier LP's distribution policy requires cash distributions as long as taxable income is generated and cash is available to distribute on a quarterly basis prior to the 60th day after the end of each calendar quarter. The Company makes quarterly distributions to its limited partners in the form of a legal partnership income distribution governed by the terms of the LP Agreement. These partner distributions are based on the limited partner's ownership in Premier LP and relative participation across Premier service offerings. While these distributions are based on relative participation across Premier service offerings, they are not based directly on revenue generated from an individual partner's participation as the distributions are based on the net income (loss) of the partnership which encompasses the operating expenses of the partnership as well as participation by non-owner members in Premier's service offerings. To the extent Premier LP incurred a net loss, the limited partners would not receive a quarterly distribution. As provided

in the LP Agreement, the amount of actual cash distributed may be reduced by the amount of such distributions used by limited partners to offset loans or other amounts payable to the Company.

Quarterly distributions made to limited partners during the current fiscal year are as follows (in thousands):

Date	Distribution [a]
August 22, 2019	$ 13,202
November 21, 2019	13,699
February 21, 2020	12,689
May 21, 2020	9,314

(a) Distributions are equal to Premier LP's total taxable income from the preceding fiscal quarter-to-date period for each respective distribution date multiplied by the Company's standalone effective combined federal, state and local income tax rate for each respective distribution date. Premier LP expects to make a $8.0 million quarterly distribution on August 28, 2020. The distribution is reflected in limited partners' distribution payable in the accompanying Consolidated Balance Sheets at June 30, 2020.

Pursuant to the Exchange Agreement (see Note 1 - Organization and Basis of Presentation for more information), each limited partner has the cumulative right to exchange up to one-seventh of its initial allocation of Class B common units for shares of Class A common stock, cash or a combination of both, the form of consideration to be at the discretion of the Company's independent Audit and Compliance Committee of the Board of Directors. During the year ended June 30, 2020, the Company recorded total reductions of $460.6 million to redeemable limited partners' capital to reflect the exchange of approximately 13.6 million Class B common units and surrender of associated shares of Class B common stock by member owners for a like number of shares of the Company's Class A common stock (see Note 13 - Earnings (Loss) Per Share for more information). Quarterly exchanges during the current fiscal year were as follows (in thousands, except Class B common units):

Date of Quarterly Exchange	Number of Class B Common Units Exchanged	Reduction in Redeemable Limited Partners' Capital
July 31, 2019	1,310,771	$ 50,792
October 31, 2019	6,873,699	223,946
January 31, 2020	4,866,082	169,194
April 30, 2020	502,466	16,661
Total	13,553,018	$ 460,593

(12) STOCKHOLDERS' EQUITY (DEFICIT)

As of June 30, 2020, there were 71,627,462 shares of the Company's Class A common stock, par value $0.01 per share, and 50,213,098 shares of the Company's Class B common stock, par value $0.000001 per share, outstanding.

On May 7, 2019, the Company announced that its Board of Directors authorized the repurchase of up to $300.0 million of the Company's Class A common stock during fiscal year 2020. The Company completed this stock repurchase program during the fiscal year ended June 30, 2020, through which 4.6 million shares of Class A common stock were purchased at an average price of $32.28 per share for a total purchase price of $150.0 million.

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) receive dividends, when and if declared by the Board of Directors out of funds legally available, subject to any statutory or contractual restrictions on the payment of dividends and subject 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, 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 entitled to one vote for each share held of record on all matters submitted to a vote of stockholders, but are not entitled to receive dividends, other than dividends payable in shares of Premier's common stock, or to receive a distribution upon the dissolution or a liquidation of Premier. Pursuant to the Voting Trust Agreement, the trustee will vote all of the 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 the Board of Directors, and by a majority of the votes received

by the trustee from the member owners for all other matters. Class B common stock will not be listed on any stock exchange and, except in connection with any permitted sale or transfer of Class B common units, cannot be sold or transferred.

(13) EARNINGS (LOSS) PER SHARE

Basic earnings per share is computed by dividing net income attributable to stockholders by the weighted average number of shares of common stock outstanding for the period. Net income attributable to stockholders includes the adjustment recorded in the period to reflect redeemable limited partners' capital at the redemption amount, which is due to the exchange benefit obtained by limited partners through the ownership of Class B common units. Except when the effect would be anti-dilutive, the diluted earnings (loss) per share calculation, which is calculated using the treasury stock method, includes the impact of shares that could be issued under the outstanding stock options, non-vested restricted stock units and awards, shares of non-vested performance share awards and the effect of the assumed redemption of Class B common units through the issuance of Class A common shares.

The following table provides a reconciliation of the numerator and denominator used for basic and diluted earnings (loss) per share (in thousands, except per share amounts):

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard [a]
Numerator for basic earnings (loss) per share:			
Net income from continuing operations attributable to stockholders [b]	$ 598,119	$ 15,706	$ 191,040
Net income (loss) from discontinued operations attributable to stockholders	556	(24,650)	(158)
Net income (loss) attributable to stockholders	$ 598,675	$ (8,944)	$ 190,882
Numerator for diluted earnings (loss) per share:			
Net income from continuing operations attributable to stockholders [b]	$ 598,119	$ 15,706	$ 191,040
Adjustment of redeemable limited partners' capital to redemption amount	(468,311)	—	(157,581)
Net income from continuing operations attributable to non-controlling interest	161,318	—	224,548
Net income from continuing operations	291,126	15,706	258,007
Tax effect on Premier, Inc. net income [c]	(40,154)	—	(70,257)
Adjusted net income from continuing operations	$ 250,972	$ 15,706	$ 187,750
Net income (loss) from discontinued operations attributable to stockholders	$ 556	$ (24,650)	$ (158)
Net income (loss) from discontinued operations attributable to non-controlling interest in Premier LP	498	—	(279)
Adjusted net income (loss) from discontinued operations	$ 1,054	$ (24,650)	$ (437)
Adjusted net income (loss)	$ 252,026	$ (8,944)	$ 187,313

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard [a]
Denominator for basic earnings (loss) per share:			
Weighted average shares [d]	67,035	59,188	53,518
Denominator for diluted earnings (loss) per share:			
Weighted average shares [d]	67,035	59,188	53,518
Effect of dilutive securities: [e]			
Stock options	329	577	275
Restricted stock	248	297	295
Performance share awards	67	207	252
Class B shares outstanding	55,935	—	83,000
Weighted average shares and assumed conversions	123,614	60,269	137,340
Basic earnings (loss) per share:			
Basic earnings per share from continuing operations	$ 8.92	$ 0.27	$ 3.57
Basic earnings (loss) per share from discontinued operations	0.01	(0.42)	0.00
Basic earnings (loss) per share attributable to stockholders	$ 8.93	$ (0.15)	$ 3.57
Diluted earnings (loss) per share:			
Diluted earnings per share from continuing operations	$ 2.03	$ 0.27	$ 1.37
Diluted earnings (loss) per share from discontinued operations	0.01	(0.42)	(0.01)
Diluted earnings (loss) per share attributable to stockholders	$ 2.04	$ (0.15)	$ 1.36

(a) The Company adopted Topic 606 effective July 1, 2018. Comparative results are presented under Topic 605. Refer to Note 2 - Significant Accounting Policies for more information.

(b) Net income from continuing operations attributable to stockholders was calculated as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard [a]
Net income from continuing operations	$ 291,126	$ 334,677	$ 258,007
Net income from continuing operations attributable to non-controlling interest	(161,318)	(200,907)	(224,548)
Adjustment of redeemable limited partners' capital to redemption amount	468,311	(118,064)	157,581
Net income from continuing operations attributable to stockholders	**$ 598,119**	**$ 15,706**	**$ 191,040**

(c) Represents income tax expense related to Premier, Inc. retaining the portion of net income attributable to income from non-controlling interest in Premier, LP for the purpose of diluted earnings (loss) per share.

(d) Weighted average number of common shares used for basic earnings per share excludes weighted average shares of non-vested stock options, non-vested restricted stock, non-vested performance share awards and Class B shares outstanding for the years ended June 30, 2020, 2019 and 2018.

(e) For the year ended June 30, 2020, the effect of 0.8 million stock options were excluded from diluted weighted average shares outstanding as they had an anti-dilutive effect. For the year ended June 30, 2019, the effect of 70.8 million Class B common units exchangeable for Class A common shares and 0.4 million stock options were excluded from diluted weighted average shares outstanding as they had an anti-dilutive effect. For the year ended June 30, 2018, the effect of 1.6 million stock options were excluded from diluted weighted average shares outstanding as they had an anti-dilutive effect.

Pursuant to the terms of the Exchange Agreement, on a quarterly basis, the Company has the option, as determined by the independent Audit and Compliance Committee, to settle the exchange of Class B common units of Premier LP by member owners for cash, an equal number of Class A common shares of Premier, Inc. or a combination of cash and shares of Class A common stock. In connection with the exchange of Class B common units by member owners, regardless of the consideration used to settle the exchange, an equal number of shares of Premier's Class B common stock are surrendered by member owners and retired (see Note 11 - Redeemable Limited Partners' Capital). The following table presents certain information regarding the exchange of Class B common units and associated Class B common stock for Premier's Class A common stock and/or cash in connection with the quarterly exchanges pursuant to the terms of the Exchange Agreement, including activity related to the Class A and Class B common units and Class A and Class B common stock through the date of the applicable quarterly exchange:

Quarterly Exchange by Member Owners	Class B Common Shares Retired Upon Exchange [a]	Class B Common Shares Outstanding After Exchange [a]	Class A Common Shares Outstanding After Exchange [b]	Percentage of Combined Voting Power Class B/Class A Common Stock
July 31, 2019	1,310,771	62,767,860	63,274,182	49.8%/50.2%
October 31, 2019	6,873,699	55,581,646	66,552,023	46%/54%
January 31, 2020	4,866,082	50,715,564	71,066,141	42%/58%
April 30, 2020	502,466	50,213,098	71,574,119	41%/59%
July 31, 2020 [c]	69,684	50,143,414	71,724,149	41%/59%

(a) The number of Class B common shares retired or outstanding are equivalent to the number of Class B common units retired upon exchange or outstanding after the exchange, as applicable.

(b) The number of Class A common shares outstanding after exchange also includes activity related to the Company's share repurchase program (see Note 12 - Stockholders' Equity (Deficit)) and equity incentive plan (see Note 14 - Stock-Based Compensation).

(c) As the quarterly exchange occurred on July 31, 2020, the impact of the exchange is not reflected in the consolidated financial statements for the year ended June 30, 2020.

(14) STOCK-BASED COMPENSATION

Stock-based compensation expense is recognized over the requisite service period, which generally equals the stated vesting period. The associated deferred tax benefit was calculated at a rate of 25% for the year ended June 30, 2020, 26% for the year ended June 30, 2019 and 25% for the year ended June 30, 2018, which represents the expected effective income tax rate at the time of the compensation expense deduction primarily at PHSI, and differs from the Company's current effective income tax rate which includes the impact of partnership income not subject to federal and state income taxes. See Note 16 - Income Taxes for further information.

Stock-based compensation expense and the resulting deferred tax benefits were as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Pre-tax stock-based compensation expense [a]	$ 20,706	$ 29,001	$ 28,844
Deferred tax benefit [b]	3,014	6,296	7,124
Total stock-based compensation expense, net of tax	**$ 17,692**	**$ 22,705**	**$ 21,720**

(a) Pre-tax stock-based compensation expense attributable to discontinued operations is not included in the above table and was $0.5 million and $0.6 million for the years ended June 30, 2019 and June 30, 2018, respectively. For the year ended June 30, 2020, there was no pre-tax stock-based compensation expense attributable to discontinued operations.

(b) For the year ended June 30, 2020, the deferred tax benefit was reduced by $2.2 million attributable to stock-based compensation expense that is nondeductible for tax purposes pursuant to Section 162(m) as amended by the Tax Cuts and Jobs Act ("TCJA") of 2017.

Premier 2013 Equity Incentive Plan

The Premier 2013 Equity Incentive Plan, as amended and restated (and including any further amendments thereto, the "2013 Equity Incentive Plan") provides for grants of up to 14.8 million 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 share awards. As of June 30, 2020, there were approximately 6.0 million shares available for grant under the 2013 Equity Incentive Plan.

The following table includes information related to restricted stock, performance share awards and stock options for the year ended June 30, 2020:

	Restricted Stock		Performance Share Awards		Stock Options	
	Number of Awards	Weighted Average Fair Value at Grant Date	Number of Awards	Weighted Average Fair Value at Grant Date	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2019	589,550	$ 37.06	1,439,815	$ 36.38	2,798,673	$ 30.22
Granted	352,465	$ 36.71	742,235	$ 36.39	—	$ —
Vested/exercised	(222,592)	$ 33.63	(493,759)	$ 31.58	(232,141)	$ 30.58
Forfeited	(37,885)	$ 38.57	(81,982)	$ 38.71	(22,395)	$ 33.16
Outstanding at June 30, 2020	681,538	$ 37.91	1,606,309	$ 37.58	2,544,137	$ 30.17
Stock options outstanding and exercisable at June 30, 2020					2,415,033	$ 30.02

Restricted stock units issued and outstanding generally vest over a three-year period for employees and a one-year period for directors. Performance share awards issued and outstanding generally vest over a three year period if performance targets are met. Stock options have a term of ten years from the date of grant. Vested stock options will expire either after twelve months of an employee's termination with Premier or immediately upon an employee's termination with Premier, depending on the termination circumstances. Stock options generally vest in equal annual installments over three years.

Unrecognized stock-based compensation expense at June 30, 2020 was as follows (in thousands):

	Unrecognized Stock-Based Compensation Expense	Weighted Average Amortization Period
Restricted stock	$ 12,113	1.74 years
Performance share awards	24,633	1.69 years
Stock options	245	0.23 years
Total unrecognized stock-based compensation expense	$ 36,991	1.7 years

The aggregate intrinsic value of stock options at June 30, 2020 was as follows (in thousands):

	Intrinsic Value of Stock Options
Outstanding and exercisable	$ 10,859
Expected to vest	191
Total outstanding	$ 11,050
Exercised during the year ended June 30, 2020	$ 1,567

The Company estimated the fair value of each stock option on the date of grant using a Black-Scholes option-pricing model, applying the following assumptions, and amortized expense over each option's vesting period using the straight-line attribution approach:

	June 30, 2018
Expected life [(a)]	6 years
Expected dividend [(b)]	—
Expected volatility [(c)]	29.4% - 32.3%
Risk-free interest rate [(d)]	1.9% - 2.9%
Weighted average option grant date fair value	$9.48 - $11.42

(a) 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's employees.

(b) At grant date, no dividends were expected to be paid over the contractual term of the stock options granted, resulting in the use of a zero expected dividend rate.

(c) The expected volatility rate was based on the observed historical volatilities of comparable companies.

(d) The risk-free interest rate was interpolated from the five-year and seven-year Constant Maturity Treasury rate published by the United States Treasury as of the date of the grant.

(15) POST-RETIREMENT BENEFITS

The Company maintains a defined contribution 401(k) retirement savings plan which covers employees who meet certain age and service requirements. This plan allows for employee contributions of up to 30% and matching employer contributions of up to 4% of the participant's compensation, not to exceed certain limits. The Company's 401(k) expense related to such matching of employee contributions was $10.1 million, $9.4 million and $9.4 million for the years ended June 30, 2020, 2019 and 2018, respectively.

The Company also maintains a non-qualified deferred compensation plan for the benefit of eligible employees. This plan is designed to permit employee deferrals in excess of certain tax limits and provides for discretionary employer contributions in excess of certain tax limits.

(16) INCOME TAXES

The Company's income tax expense is attributable to the activities of the Company, PHSI, PSCI, and Premier Marketplace, LLC ("PMLLC"), all of which are subchapter C corporations and are subject to U.S. federal and state income taxes. In contrast, under the provisions of federal and state statutes, Premier LP is not subject to federal and state income taxes as the income realized by Premier LP is taxable to its partners.

On November 8, 2019, the State of North Carolina made significant changes to its income tax law, effective for tax years beginning on or after January 1, 2020. As a result, the Company remeasured its deferred tax assets and liabilities as of the enactment date and recorded income tax expense of $38.6 million as a discrete item in the Company's income tax provision during the quarter ended December 31, 2019.

Significant components of the consolidated expense for income taxes are as follows (in thousands):

	Year Ended June 30,		
	2020	**2019**	**2018**
Current:			
Federal	$ 11,394	$ 16,832	$ 22,103
State	12,545	4,752	4,141
Total current expense	23,939	21,584	26,244
Deferred:			
Federal	35,768	10,493	232,920
State	32,854	1,385	362
Total deferred expense	68,622	11,878	233,282
Provision for income taxes	**$ 92,561**	**$ 33,462**	**$ 259,526**

The reconciliation between the Company's effective tax rate on income and the statutory tax rates of 21.0%, 21.0% and 28.1% for fiscal years ended 2020, 2019 and 2018, respectively, is as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Computed tax expense	$ 80,814	$ 77,309	$ 145,220
Partnership income not subject to tax	(40,154)	(50,333)	(70,257)
State taxes (net of federal benefit)	7,072	9,884	12,919
Remeasurement adjustments and other permanent items	(1,570)	3,300	(53,151)
Benefit on subsidiaries treated separately for income tax purposes	(3,889)	(1,564)	(848)
Change in valuation allowance	12,472	(3,030)	(33,106)
Deferred tax remeasurement	34,447	(1,814)	256,787
Uncertain tax position	7,472	(1,417)	5,047
Other	(4,103)	1,127	(3,085)
Provision for income taxes	**$ 92,561**	**$ 33,462**	**$ 259,526**
Effective income tax rate	**24.1%**	**9.1%**	**50.1%**

The fiscal year 2020 effective tax rate of 24.1% differs from the statutory income tax rate of 21.0% primarily due to the remeasurement of deferred tax assets and liabilities as a result of changes to the State of North Carolina income tax law, partially offset by Premier LP income which is not subject to federal, state and local income taxes.

The fiscal year 2019 effective tax rate of 9.1% differs from the statutory income tax rate of 21.0% due to Premier LP income which is not subject to federal, state and local income taxes.

The fiscal year 2018 effective tax rate of 50.1% differs from the statutory income tax rate of 28.1% largely driven by the remeasurement of deferred tax balances due to the reduction in the statutory rate from 35% to 21% pursuant to the TCJA.

Deferred Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of June 30, 2020 and 2019 are presented below (in thousands):

	June 30,	
	2020	2019
Deferred tax asset		
Partnership basis differences in Premier LP	$ 425,365	$ 417,157
Stock compensation	14,026	18,321
Accrued expenses	22,878	26,682
Net operating losses and credits	89,660	61,437
Other	15,597	12,662
Total deferred tax assets	567,526	536,259
Valuation allowance for deferred tax assets	(61,241)	(48,769)
Net deferred tax assets	506,285	487,490
Deferred tax liability		
Purchased intangible assets and depreciation	(64,211)	(52,585)
Accrued expenses	(9,905)	—
Other liabilities	(19,651)	(17,657)
Net deferred tax asset	**$ 412,518**	**$ 417,248**

At June 30, 2020, the Company had federal and state net operating loss carryforwards of $314.6 million and $293.5 million, respectively, primarily attributable to PHSI and PSCI. The resulting federal and state deferred tax assets are $65.9 million and $13.4 million, respectively. The federal and state net operating loss carryforwards generated prior to fiscal year 2019 expire between the years ending June 30, 2020 through June 30, 2038 while the net operating losses generated in fiscal year 2019 and beyond can

be carried forward indefinitely, until utilized. A valuation allowance was established for federal and state losses as the Company believes it is more likely than not that a portion of these losses will not be realized in the near future.

At June 30, 2020, the Company had federal research and development credit carryforwards of $12.4 million. The federal credit carryforwards expire at various times between the years ended June 30, 2020 through June 30, 2039, until utilized. A valuation allowance was established as the Company believes it is more likely than not that all or a portion of the federal and state credit carryforwards will not be realized in the near future.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. The Company assessed the future realization of the tax benefit of its existing deferred tax assets and concluded that it is more likely than not that a portion of the deferred tax assets will not be realized in the future. As a result, the Company recorded a valuation allowance of $61.2 million against its deferred tax assets at June 30, 2020. The valuation allowance increased by $12.4 million from the $48.8 million valuation allowance recorded as of June 30, 2019.

Unrecognized Tax Benefits

The Company recognizes income tax benefits for those income tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the positions. The reserve for uncertain income tax positions is included in other liabilities in the Consolidated Balance Sheets. A reconciliation of the beginning and ending gross amounts of the Company's uncertain tax position reserves for the years ended June 30, 2020, 2019 and 2018 are as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
Beginning of year balance	$ 8,266	$ 18,479	$ 5,043
Increases in prior period tax positions	7,734	66	12,965
Decreases in prior period tax positions	(48)	(11,867)	(179)
Reductions on settlements and lapse in statute of limitations	(2,276)	(27)	(611)
Increases in current period tax positions	1,920	1,615	1,261
End of year balance	**$ 15,596**	**$ 8,266**	**$ 18,479**

If the Company were to recognize the benefits of these uncertain tax positions, the income tax provision and effective tax rate would be impacted by $12.8 million, $6.2 million and $7.4 million, including interest and penalties and net of the federal and state benefit for income taxes, for the years ended June 30, 2020, 2019 and 2018, respectively. The Company recognizes interest and penalties accrued on uncertain income tax positions as part of the income tax provision. The amount of accrued interest and penalties was $2.5 million, $1.0 million, and $0.9 million at 2020, 2019 and 2018, respectively.

We are no longer subject to U.S. federal examination for periods ending on and before June 30, 2016. The Company made cash tax payments of $19.8 million and $26.1 million during the years ended June 30, 2020 and 2019, respectively.

(17) RELATED PARTY TRANSACTIONS

The Company's 49% ownership share of net income of FFF, which was acquired on July 26, 2016, included in equity in net income of unconsolidated affiliates in the accompanying Consolidated Statements of Income and Comprehensive Income was $12.3 million, $5.1 million and $6.3 million for the years ended June 30, 2020, 2019 and 2018, respectively. The Company maintains group purchasing agreements with FFF and receives administrative fees for purchases made by the Company's members pursuant to those agreements. Net administrative fees revenue recorded from purchases under those agreements was $7.4 million, $8.0 million and $7.6 million during the years ended June 30, 2020, 2019 and 2018, respectively.

(18) COMMITMENTS AND CONTINGENCIES

Operating Leases

Operating lease expense was $12.3 million, $11.5 million and $11.0 million for the years ended June 30, 2020, 2019 and 2018, respectively. As of June 30, 2020, the weighted average remaining lease term was 5.7 years and the weighted average discount rate was 4%.

Future minimum lease payments under noncancelable operating leases with initial lease terms in excess of one year were as follows (in thousands):

2021	$	12,171
2022		11,738
2023		12,012
2024		12,145
2025		12,177
Thereafter		10,171
Total future minimum lease payments		70,414
Less: imputed interest		7,567
Total operating lease liabilities [(a)]	**$**	**62,847**

(a) As of June 30, 2020, total operating lease liabilities included $9.9 million within other liabilities, current in the Consolidated Balance Sheets.

The following table presents the future minimum lease payments under noncancelable operating leases with initial lease terms in excess of one year prior to adoption of ASC 842 as report in the 2019 Annual Report were as follows (in thousands):

2020	$	12,130
2021		11,539
2022		11,468
2023		11,533
2024		11,510
Thereafter		20,645
Total future minimum lease payments	**$**	**78,825**

Other Matters

The Company is not currently involved in any litigation it believes to be significant. The Company is periodically involved in litigation, arising in the ordinary course of business or otherwise, which from time to time may include claims relating to commercial, product liability, tort and personal injury, employment, antitrust, intellectual property, or other regulatory matters. If current or future government regulations, specifically, those with respect to antitrust or healthcare laws, are interpreted or enforced in a manner adverse to the Company or its business, the Company may be subject to enforcement actions, penalties and other material limitations which could have a material adverse effect on the Company's business, financial condition and results of operations.

(19) 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, supply chain co-management and direct sourcing activities. The Performance Services segment includes the Company's clinical analytics, collaborative, consulting services, direct to employer initiative and insurance management services businesses.

The following table presents disaggregated revenue by business segment and underlying source (in thousands):

	Year Ended June 30,		
	2020	2019	2018 Previous revenue standard [a]
Net revenue:			
Supply Chain Services			
Net administrative fees	$ 670,593	$ 662,462	$ 643,839
Other services and support	12,225	8,561	7,812
Services	682,818	671,023	651,651
Products	269,945	184,157	172,327
Total Supply Chain Services [b]	952,763	855,180	823,978
Performance Services [b]	346,829	362,458	360,679
Net revenue	**$ 1,299,592**	**$ 1,217,638**	**$ 1,184,657**

(a) The Company adopted Topic 606 effective July 1, 2018. Comparative results are presented under Topic 605. Refer to Note 2 - Significant Accounting Policies for more information.

(b) Includes intersegment revenue that is eliminated in consolidation. Intersegment revenue is not separately identified in Segments as the amounts are not material.

Additional segment information related to depreciation and amortization expense, capital expenditures and total assets was as follows (in thousands):

	Year Ended June 30,		
Depreciation and amortization expense [b]:	2020	2019	2018 [a]
Supply Chain Services	$ 25,968	$ 18,618	$ 18,040
Performance Services	118,556	110,581	95,808
Corporate	8,303	10,965	9,217
Total depreciation and amortization expense	**$ 152,827**	**$ 140,164**	**$ 123,065**
Capital expenditures:			
Supply Chain Services	$ 7,143	$ 10,154	$ 1,436
Performance Services	78,231	70,757	80,900
Corporate	9,023	12,474	10,089
Total capital expenditures	**$ 94,397**	**$ 93,385**	**$ 92,425**

	Year Ended June 30,	
Total assets [c]:	2020	2019
Supply Chain Services	$ 1,483,751	$ 1,111,934
Performance Services	930,968	941,183
Corporate	538,248	516,450
Total assets	$ 2,952,967	$ 2,569,567
Eliminations [d]	(4,452)	—
Total assets, net	**$ 2,948,515**	**$ 2,569,567**

(a) The Company adopted Topic 606 effective July 1, 2018. Comparative results are presented under Topic 605. Refer to Note 2 - Significant Accounting Policies for more information.

(b) Includes amortization of purchased intangible assets.

(c) Total assets in Supply Chain Services includes $24.6 million as of June 30, 2019 for discontinued operations related to the specialty pharmacy business. There are no assets of discontinued operations related to the specialty pharmacy business as of June 30, 2020.

(d) Includes eliminations of intersegment transactions which occur during the ordinary course of business.

The Company uses Segment Non-GAAP Adjusted EBITDA (a financial measure not determined in accordance with generally accepted accounting principles ("Non-GAAP")) as its primary measure of profit or loss to assess segment performance and to

determine the allocation of resources. The Company also uses Segment Non-GAAP Adjusted EBITDA to facilitate the comparison of the segment operating performance on a consistent basis from period to period. The Company defines Segment Non-GAAP Adjusted EBITDA as the segment's net revenue and equity in net income of unconsolidated affiliates 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. 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. Non-recurring items are income or expenses and other items that have not been earned or incurred within the prior two years and are not expected to recur within the next two years. General and administrative corporate expenses that are not specific to a particular segment are not included in the calculation of Segment Non-GAAP Adjusted EBITDA. Segment Non-GAAP Adjusted EBITDA also excludes any income and expense that has been classified as discontinued operations.

For more information on Segment Non-GAAP Adjusted EBITDA and the use of Non-GAAP financial measures, see "Our Use of Non-GAAP Financial Measures" within Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

A reconciliation of income before income taxes to the Unaudited Segment Non-GAAP Adjusted EBITDA is as follows (in thousands):

	Year Ended June 30,		
	2020	2019	2018
			Previous revenue standard [a]
Income before income taxes	**$ 383,687**	**$ 368,139**	**$ 517,533**
Equity in net income of unconsolidated affiliates [a]	(12,537)	(5,658)	(1,174)
Interest and investment loss, net [b]	11,313	2,471	5,300
Gain (loss) on FFF put and call rights [c]	(4,690)	17	22,036
Other (income) expense	(4,153)	3,545	(3,336)
Operating income	**373,620**	**368,514**	**540,359**
Depreciation and amortization	97,297	86,879	70,264
Amortization of purchased intangible assets	55,530	53,285	52,801
Stock-based compensation [d]	21,132	29,396	29,235
Acquisition and disposition related expenses	19,319	13,154	8,335
Remeasurement of tax receivable agreement liabilities [e]	(24,584)	—	(177,174)
Equity in net income of unconsolidated affiliates [a]	12,537	5,658	1,174
Deferred compensation plan income [f]	3,904	2,546	3,960
Other income, net	5,285	1,610	10,566
Non-GAAP Adjusted EBITDA	**$ 564,040**	**$ 561,042**	**$ 539,520**
Segment Non-GAAP Adjusted EBITDA:			
Supply Chain Services [g]	$ 570,298	$ 548,029	$ 531,851
Performance Services [g]	111,282	129,147	123,429
Corporate	(117,540)	(116,134)	(115,760)
Non-GAAP Adjusted EBITDA	**$ 564,040**	**$ 561,042**	**$ 539,520**

(a) Refer to Note 5 - Investments for further information.

(b) Represents interest expense, net and investment income.

(c) Refer to Note 6 - Fair Value Measurements for more information.

(d) Represents non-cash employee stock-based compensation expense and stock purchase plan expense of $0.4 million during each of the years ended June 30, 2020, 2019 and 2018.

(e) The adjustments to TRA liabilities for the years ended June 30, 2020 and 2018 are primarily attributable to decreases in the Premier, Inc. effective tax rate related to state tax liabilities and the TCJA, respectively.

(f) Represents realized and unrealized gains and dividend income on deferred compensation plan assets.

(g) Includes intersegment revenue which is eliminated in consolidation.

(20) QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present unaudited summarized financial data by quarter for the years ended June 30, 2020 and 2019 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2020				
Net revenue	$ 302,410	$ 319,606	$ 334,823	$ 342,753
Gross profit	211,399	219,365	231,695	204,342
Net income from continuing operations	70,939	91,575	73,212	55,400
Income from discontinued operations, net of tax	390	614	5	45
Net income	71,329	92,189	73,217	55,445
Net income attributable to non-controlling interest in Premier LP	(41,907)	(55,704)	(35,058)	(29,147)
Adjustment of redeemable limited partners' capital to redemption amount	694,309	(480,153)	302,569	(48,414)
Net income (loss) attributable to stockholders	723,731	(443,668)	340,728	(22,116)
Weighted average shares outstanding:				
Basic	62,785	64,552	69,451	71,425
Diluted	126,632	64,552	122,470	71,425
Earnings (loss) per share from continuing operations attributable to stockholders:				
Basic	$ 11.53	$ (6.88)	$ 4.91	$ (0.31)
Diluted	$ 0.49	$ (6.88)	$ 0.54	$ (0.31)
Fiscal Year 2019				
Net revenue	$ 292,602	$ 307,589	$ 301,213	$ 316,234
Gross profit	209,463	219,638	215,172	217,735
Net income from continuing operations	83,372	105,811	75,265	70,229
Loss from discontinued operations, net of tax	(1,399)	(1,000)	(1,463)	(46,736)
Net income	81,973	104,811	73,802	23,493
Net income attributable to non-controlling interest in Premier LP	(55,113)	(62,631)	(43,388)	(13,827)
Adjustment of redeemable limited partners' capital to redemption amount	(708,193)	651,709	235,394	(296,974)
Net (loss) income attributable to stockholders	(681,333)	693,889	265,808	(287,308)
Weighted average shares outstanding:				
Basic	53,221	59,876	62,020	61,725
Diluted	53,221	133,672	129,072	61,725
(Loss) earnings per share from continuing operations attributable to stockholders:				
Basic	$ (12.79)	$ 11.60	$ 4.30	$ (4.28)
Diluted	$ (12.79)	$ 0.70	$ 0.49	$ (4.28)

(21) SUBSEQUENT EVENTS

On July 31, 2020, after the resignation of three directors affiliated with the Company's GPO members, the Board of Directors consist of fifteen (15) directors, comprised of eight (8) independent directors, six (6) member-directors and the Company's Chief Executive Officer. Accordingly, the Company is in compliance with the NASDAQ rules regarding board and committee composition, including having a majority of independent directors on the Board of Directors. As a result, as of July 31, 2020, the limited partner's redemption feature was under the control of the Company (not the holders of Class B common units), which under the Exchange Agreement can redeem the Class B common units for cash or Class A Common Stock at their discretion. As a result, approximately $1.8 billion representing the fair value of redeemable limited partners' capital at July 31, 2020 will be reclassified from temporary equity in the mezzanine section of the consolidated balance sheet to additional paid in capital as a component of permanent equity. The Exchange Agreement was terminated in connection with the matters discussed below.

On August 11, 2020, the Company announced that it entered into an Agreement and Plan of Merger (the "Merger Agreement") dated as of August 11, 2020, by and among the Company, Premier LP and BridgeCo, LLC ("BridgeCo"), a wholly-owned subsidiary of Premier Services, LLC formed for the sole purpose of merging with and into Premier LP. Pursuant to the Merger Agreement, effective August 11, 2020, BridgeCo merged with and into Premier LP, with Premier LP as the surviving entity (the "Merger"). The Merger was approved by Premier GP, the general partner of Premier LP and a majority in interest of the Class B Common Units of Premier LP ("Class B Units"). Pursuant to the Merger Agreement, each of the issued and outstanding Class B Units was canceled and converted automatically into a right to receive one share of the Company's Class A common stock ("Class A Stock"). In conjunction with the Merger, all of the issued and outstanding shares of Class B Common Stock of the Company ("Class B Stock") beneficially held by limited partners of Premier LP (individually a "LP" and collectively, the "LPs") were canceled in accordance with the Company's Certificate of Incorporation. Each LP that did not consent to the Merger is entitled to statutory dissenters' rights under California law, to the extent such rights have been properly perfected.

On August 10, 2020, the Company exercised its right to terminate the TRA entered into as of September 25, 2013 and effective as of October 1, 2013 by and among the Company and the former limited partners by providing all former LPs a notice of the termination and the amount of the expected payment to be made to each LP pursuant to the early termination provisions of the TRA (each such amount an "Early Termination Payment") with a determination date of August 10, 2020. The valuation of the Early Termination Payment is based on average of the closing prices of a Class A Share on such exchange over the 20 trading days ending three day prior to August 10, 2020, or the determination date. The aggregate amount of the Early Termination Payments is approximately $473.5 million. Of that amount, approximately $10.6 million is payable within three business days after the date the Early Termination Payment becomes final, which is expected to be on or about September 15, 2020, to LPs that did not elect to execute a Unit Exchange Agreement. Pursuant to the Unit Exchange Agreements, the remaining amount payable, approximately $462.9 million in the aggregate, will be paid, without interest, to LPs that elected to execute a Unit Exchange Agreement in 18 equal quarterly installments commencing during the quarter ended March 31, 2021 and ending in the quarter ending June 30, 2025.

As a result of the Merger, management will record a deferred tax benefit in the amount of $300.0 million to $350.0 million resulting from the increase in amortizable tax basis goodwill resulting from the step-up from the initial sale of the Class B Stock by the member owners in conjunction with the IPO, to the fair value of the Class A Stock at the final exchange date of August 11, 2020. Management is expected to realize the cash tax savings over a 15-year period.

At the consummation of the Merger, Premier will simplify the Company's tax structure, resulting in the Company and its subsidiaries forming one consolidated filing group for tax purposes. This will result in a one-time deferred tax benefit of approximately $100.0 million to $120.0 million, which will result in a negative effective tax rate in fiscal year 2021. Subject to annual limitations, management is expecting to realize tax cash savings of approximately $20.0 million to $35.0 million annually from its ability to realize incremental benefit from its existing deferred tax assets and historical net operating losses as a result of the Merger.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this Annual Report, our chief executive officer and chief financial officer carried out an evaluation of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on its financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our chief executive officer and chief financial officer conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2020. In making this assessment, the chief executive officer and chief financial officer used the criteria set forth in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, the COSO framework. Based upon this evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2020, our internal control over financial reporting was effective.

Management's annual evaluation of internal controls over financial reporting did not include an assessment of and conclusion on the effectiveness of disclosure controls and procedures for Medpricer.com, Inc., and certain assets of each of Acurity, Inc. and Nexera, Inc. and Health Design Plus, LLC, as each was acquired during the year ended June 30, 2020 and included in our consolidated financial statements as of June 30, 2020 and for the period from the acquisition date through June 30, 2020. These acquisitions accounted for combined total assets and total net revenues of 13% and 2%, respectively, of the consolidated financial statements as of and for the year ended June 30, 2020.

The effectiveness of our internal control over financial reporting as of June 30, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

We expect to file a definitive proxy statement relating to our 2020 Annual Meeting of Stockholders with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our most recent fiscal year. Accordingly, certain information required by Part III of this Annual Report has been omitted under General Instruction G(3) to Form 10-K. Only the information from the definitive proxy statement that specifically addresses disclosure requirements of Items 10-14 below is incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

We will provide information that is responsive to this Item 10 in our definitive proxy statement for our 2020 Annual Meeting of Stockholders or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the captions "Item 1 - Election of Directors," "Corporate Governance and Board Structure," "Delinquent Section 16(a) Reports" and "Executive Officers," and possibly elsewhere therein. That information is incorporated in this Item 10 by reference.

Code of Ethics

We maintain a Corporate Code of Conduct for all of our employees and officers, including the principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions, and, where applicable, to directors. In addition, the Board of Directors is subject to a separate Board Code of Ethics and Board Conflict of Interest Policy (collectively, the "Board Codes"). The Corporate Code of Conduct, along with the Board Codes, can be found on our Investor Relations website at investors.premierinc.com under "Corporate Governance-Governance Documents." A copy of the Corporate Code of Conduct is available to any stockholder who requests it by writing to Investor Relations, Premier, Inc., 13034 Ballantyne Corporate Place, Charlotte, North Carolina 28277. We will disclose any substantive amendments to, or waivers (for directors or executive officers) from, certain provisions (relating to one or more elements of Item 4.06(b) of Regulation S-K) of the Corporate Code of Conduct and Board Codes on our website promptly following the date of such amendment or waiver.

Our website and information contained on it or incorporated in it are not intended to be incorporated in this Annual Report or other filings with the SEC.

Item 11. Executive Compensation

We will provide information that is responsive to this Item 11 in our definitive proxy statement for our 2020 Annual Meeting of Stockholders or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the captions "Executive Compensation" and "Corporate Governance and Board Structure," and possibly elsewhere therein. That information is incorporated in this Item 11 by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We will provide information that is responsive to this Item 12 in our definitive proxy statement for our 2020 Annual Meeting of Stockholders or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Security Ownership of Certain Beneficial Owners and Management" and possibly elsewhere therein. That information is incorporated in this Item 12 by reference.

Equity Compensation Plan Information

We have granted equity awards to employees and directors under the Amended and Restated Premier, Inc. 2013 Equity Incentive Plan, which initially was approved by our stockholders prior to our IPO and was approved most recently by our stockholders in December 2018. The following table sets forth certain information as of June 30, 2020 concerning the shares of Class A common stock authorized for issuance under this equity incentive plan. No shares of Class B common stock are authorized for issuance under this plan, and we have no equity compensation plans under which shares may be issued that have not been approved by our stockholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) (3)
Equity compensation plans approved by security holders:			
Amended and Restated Premier, Inc. 2013 Equity Incentive Plan	4,831,984	$30.17	5,955,851
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	**4,831,984**	**$30.17**	**5,955,851**

(1) Assumes restricted stock unit (RSU), performance share (PSA) and stock option awards are paid at target. Actual shares awarded may be higher or lower based upon actual performance over the measurement period. For more detailed information, see Note 14 - Stock-Based Compensation to our Consolidated Financial Statements.

(2) This calculation only reflects outstanding stock option awards.

(3) Reflects, as of June 30, 2020, shares reserved for future grants of stock options, RSUs, RSAs, PSAs and/or other equity awards. Any shares withheld to satisfy tax withholding obligations or tendered to pay the exercise price of an option shall again be available for grant under the terms of the plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

We will provide information that is responsive to this Item 13 in our definitive proxy statement for our 2020 Annual Meeting of Stockholders or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the captions "Related Person Transactions," and "Corporate Governance and Board Structure," and possibly elsewhere therein. That information is incorporated in this Item 13 by reference.

Item 14. Principal Accounting Fees and Services

We will provide information that is responsive to this Item 14 in our definitive proxy statement for our 2020 Annual Meeting of Stockholders or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Item 2 - Ratification of Appointment of Independent Registered Public Accounting Firm," and possibly elsewhere therein. That information is incorporated in this Item 14 by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Documents as part of this Report:

(a) (1) The following consolidated financial statements are filed herewith in Item 8 of Part II above.

(i) Report of Independent Registered Public Accounting Firm

(ii) Consolidated Balance Sheets

(iii) Consolidated Statements of Income and Comprehensive Income

(iv) Consolidated Statements of Stockholders' Equity (Deficit)

(v) Consolidated Statement of Cash Flows

(vi) Notes to Consolidated Financial Statements

(2) Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts

Years Ended June 30, 2020, 2019 and 2018
(in thousands)

	Beginning Balance	Additions/(Reductions) to Expense or Other Accounts	Deductions	Ending Balance
Year ended June 30, 2020				
Allowance for doubtful accounts	$ 739	669	677	$ 731
Deferred tax assets valuation allowance	48,769	12,472	—	61,241
Year ended June 30, 2019				
Allowance for doubtful accounts	$ 1,841	2,277	3,379	$ 739
Deferred tax assets valuation allowance	58,681	(3,030)	6,882	48,769
Year ended June 30, 2018				
Allowance for doubtful accounts	$ 1,812	1,148	1,119	$ 1,841
Deferred tax assets valuation allowance	91,787	(33,106)	—	58,681

All other supplemental schedules are omitted because of the absence of conditions under which they are required.

(3) Exhibits

The exhibits listed in the accompanying Exhibit Index at the end of this Item 15 are filed as a part of this report.

(b) Exhibits

See Exhibit Index at the end of this Item 15.

(c) Separate Financial Statements and Schedule

None.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Asset Purchase and Sale Agreement, dated May 6, 2019, by and among Commcare Pharmacy - FTL, LLC, Acro Pharmaceutical Services, LLC, NS3 Health, LLC, Premier, Inc., and ProCare Pharmacy, L.L.C. (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on May 6, 2019)
2.1.1	First Amendment to Asset Purchase and Sale Agreement, dated June 6, 2019, by and among Commcare Pharmacy - FTL, LLC, Acro Pharmaceutical Services, LLC, NS3 Health, LLC, Premier, Inc., and ProCare Pharmacy, L.L.C. (Incorporated by reference to Exhibit 2.1.1 to our Current Report on Form 8-K filed on June 11, 2019)
2.2	Asset Purchase Agreement, dated as of February 3, 2020, by and among Prince A Purchaser, LLC, Prince N Purchaser, LLC, Acurity, Inc., Nexera, Inc., and the guarantors named therein, including Premier Healthcare Alliance, L.P. and GNYHA Management Corporation (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on February 4, 2020)
2.2.1	First Amendment to the Asset Purchase Agreement, dated February 26, 2020, by and among Prince A Purchaser, LLC, Prince N Purchaser, LLC, Acurity Inc. and Nexera, Inc. (Incorporated by reference to Exhibit 2.1.1 to our Current Report on Form 8-K filed on February 28, 2020)
2.3	Agreement and Plan of Merger, dated as of August 11, 2020, by and among Premier Healthcare Alliance, L.P., BridgeCo, LLC and Premier, Inc. (Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on August 11, 2020)
3.1	Certificate of Incorporation of Premier, Inc. (Incorporated by reference to Exhibit 3.1 to our Registration Statement on Form S-1 filed on August 26, 2013)
3.2	Amended and Restated Bylaws of Premier, Inc., effective as of October 24, 2019 (Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on October 25, 2019)
4.1	Form of Class A common stock certificate (Incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-1, Amendment No. 1, filed on September 16, 2013)
4.1.1	Description of Securities*
10.1	Amended and Restated Limited Partnership Agreement of Premier Healthcare Alliance, L.P. entered into as of September 25, 2013 and effective as of October 1, 2013 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 7, 2013)
10.1.1	First Amendment to Amended and Restated Limited Partnership Agreement of Premier Healthcare Alliance, L.P. entered into as of January 27, 2014 (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on November 12, 2014)
10.1.2	Second Amendment to Amended and Restated Limited Partnership Agreement of Premier Healthcare Alliance, L.P. entered into as of November 6, 2017 (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on November 7, 2017)
10.2	Form of Unit Exchange and Tax Receivable Acceleration Agreement, dated as of August 10, 2020 and effective as of July 1, 2020, by and among certain limited partners of Premier Healthcare Alliance, L.P, Premier Healthcare Alliance, L.P, Premier Services, LLC and Premier, Inc. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 11, 2020)
10.3	Amended and Restated Premier, Inc. 2013 Equity Incentive Plan, effective December 7, 2018 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 7, 2018)+
10.4	Form of Performance Share Award Agreement under the Amended and Restated Premier, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed on August 23, 2019)+
10.5	Form of Restricted Stock Unit Agreement under the Amended and Restated Premier, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K filed on August 23, 2019)+
10.6	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the Amended and Restated Premier, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K filed on August 23, 2018)+
10.7	Form of Stock Option Agreement under the Amended and Restated Premier, Inc. 2013 Equity Incentive Plan (Incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K filed on August 23, 2017)+
10.8	Premier, Inc. Annual Incentive Compensation Plan, amended and restated effective August 5, 2020 *+

Exhibit No.	Description
10.9	Senior Executive Employment Agreement dated as of September 13, 2013, by and between Susan D. DeVore and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.22 to our Registration Statement on Form S-1, Amendment No. 1, filed on September 16, 2013)+
10.10	Senior Executive Employment Agreement dated as of September 13, 2013, by and between Craig S. McKasson and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.23 to our Registration Statement on Form S-1, Amendment No. 1, filed on September 16, 2013)+
10.11	Senior Executive Employment Agreement dated as of September 13, 2013 by and between Michael J. Alkire and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.24 to our Registration Statement on Form S-1, Amendment No. 1, filed on September 16, 2013)+
10.12	Executive Employment Agreement dated as of September 11, 2013, by and between Kelli Price and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.39 to our Registration Statement on Form S-1, Amendment No. 2, filed on September 25, 2013)+
10.13	Executive Employment Agreement dated as of July 1, 2016, by and between Leigh Anderson and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K filed on August 25, 2016)+
10.14	Executive Employment Agreement effective as of July 1, 2016, by and between David Klatsky and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed on August 25, 2016)+
10.15	Executive Employment Agreement effective as of July 1, 2017, by and between David A. Hargraves and Premier Healthcare Solutions, Inc. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K filed on August 23, 2017)+
10.16	Premier, Inc. Directors' Compensation Policy, as amended on January 23, 2020 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 23, 2020)+
10.17	Premier, Inc. Form of Director Cash Award Agreement under the Premier, Inc. Directors' Compensation Policy (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 11, 2016)+
10.18	Form of Indemnification Agreement by and between each director and executive officer and Premier, Inc. (Incorporated by reference to Exhibit 10.29 to our Registration Statement on Form S-1, Amendment No. 1, filed on September 16, 2013)+
10.19	Premier, Inc. 2015 Employee Stock Purchase Plan (as amended and restated effective August 4, 2020)*+
10.20	Premier Healthcare Solutions, Inc. Amended and Restated Deferred Compensation Plan, dated September 26, 2014 (effective January 1, 2015), as amended on September 25, 2015 and October 24, 2018 *+
10.21	Credit Agreement, dated as of November 9, 2018, by and among Premier Healthcare Alliance, L.P., Premier Supply Chain Improvement, Inc. and Premier Healthcare Solutions, Inc., as Co-Borrowers, Premier Services, LLC and certain domestic subsidiaries of Premier Services, LLC, as Guarantors, Wells Fargo Bank, National Association, as Administrative Agent, Swing Line Lender and L/C Issuer, other lenders from time to time party thereto, and Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Joint Lead Arrangers and Joint Book Managers (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 13, 2018)
21	Subsidiaries of the Company*
23	Consent of Ernst &Young LLP, Independent Registered Public Accounting Firm*
24	Power of Attorney (included on the signature page hereof)*
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡
32.2	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002‡
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*

Exhibit No.	Description
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Filed herewith

\+ Indicates a management contract or compensatory plan or arrangement

‡ Furnished herewith

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-36092. The SEC file number for our Registration Statement on Form S-1 is 333-190828.

Item 16. Form 10-K Summary

We have elected not to provide a summary.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PREMIER, INC.

By: /s/ SUSAN D. DEVORE

Name: Susan D. DeVore

Title: Chief Executive Officer

Date: August 25, 2020

POWER OF ATTORNEY

Each person whose signature appears below hereby severally constitutes and appoints each of Craig S. McKasson and David L. Klatsky his/her true and lawful attorney-in-fact and agent with full power of substitution and re-substitution, for him/her in his/her name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to each such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ SUSAN D. DEVORE Susan D. DeVore	Chief Executive Officer and Director (principal executive officer)	August 25, 2020
/s/ CRAIG S. MCKASSON Craig S. McKasson	Chief Administrative and Financial Officer and Senior Vice President (principal financial and accounting officer)	August 25, 2020
/s/ BARCLAY E. BERDAN Barclay E. Berdan	Director	August 25, 2020
/s/ JOHN T. BIGALKE John T. Bigalke	Director	August 25, 2020
/s/ HELEN M. BOUDREAU Helen M. Boudreau	Director	August 25, 2020
/s/ STEPHEN R. D'ARCY Stephen R. D'Arcy	Director	August 25, 2020
/s/ JODY R. DAVIDS Jody R. Davids	Director	August 25, 2020
/s/ PETER S. FINE Peter S. Fine	Director	August 25, 2020

/s/ DAVID H. LANGSTAFF David H. Langstaff	Director	August 25, 2020
/s/ WILLIAM E. MAYER William E. Mayer	Director	August 25, 2020
/s/ MARC D. MILLER Marc D. Miller	Director	August 25, 2020
/s/ MARVIN R. O'QUINN Marvin R. O'Quinn	Director	August 25, 2020
/s/ SCOTT REINER Scott Reiner	Director	August 25, 2020
/s/ TERRY D. SHAW Terry D. Shaw	Director	August 25, 2020
/s/ RICHARD J. STATUTO Richard J. Statuto	Director	August 25, 2020
/s/ ELLEN C. WOLF Ellen C. Wolf	Director	August 25, 2020

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of the date of this Form 10-K for the year ended June 30, 2020, Premier, Inc. had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): Class A common stock.

The following summary of the material terms of our common stock does not purport to be complete and is subject to and qualified in its entirety by reference to Delaware law and to our certificate of incorporation and bylaws, copies of which are filed as exhibits to the Form 10-K to which this Exhibit is a part.

General

Our authorized capital stock consists of 50,000,000 shares of preferred stock, par value $0.01 per share, 500,000,000 shares of Class A common stock, par value $0.01 per share, and 600,000,000 shares of Class B common stock, par value $0.000001 per share. To date we have issued, and unless our board of directors determines otherwise, we expect to continue to issue, all shares of our capital stock in uncertificated form. We have no shares of Class B common stock outstanding and have not issued shares of any class or series of preferred stock.

Class A Common Stock

Holders of our Class A common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders.

Except as otherwise provided by law, amendments to our certificate of incorporation or bylaws must be approved by 66 ⅔% of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

Holders of our Class A common stock are entitled to receive dividends, when and if declared by our board of directors out of funds legally available therefor, 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 or 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.

Upon our dissolution or liquidation, 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, the holders of shares of our Class A common stock will be entitled to receive pro rata, based on the number of shares of Class A common stock held, our remaining assets available for distribution.

The holders of our Class A common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our Class A common stock.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the NASDAQ, which will apply so long as the shares of Class A common stock remain listed on the NASDAQ, require stockholder approval of certain issuances of Class A common stock (including any securities convertible into Class A common stock) equal to or exceeding 20% of the then outstanding voting power or the then outstanding number of shares of Class A common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares at prices higher than prevailing market prices

Anti-Takeover Effects of Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law, or Section 203. In general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that such stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder,

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by persons who are directors and also officers and excluding employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 ⅔% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines an "interested stockholder" as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation or any entity or person affiliated or associated with the corporation who beneficially owned 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such entity or person is an interested stockholder. Section 203 defines "business combination" to include: (i) any merger or consolidation involving the corporation or a majority-owned subsidiary of the corporation and the interested stockholder, (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the corporation or a majority-owned subsidiary of the corporation involving the interested stockholder, (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation or a majority-owned subsidiary of the corporation of any stock of the corporation or such subsidiary to the interested stockholder, (iv) any transaction involving the corporation or a majority-owned subsidiary of the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation or such subsidiary beneficially owned by the interested stockholder, or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or a majority-owned subsidiary of the corporation.

A Delaware corporation may opt out of Section 203 either by an express provision in its original certificate of incorporation or in an amendment to its certificate of incorporation or bylaws approved by its stockholders. We have not opted out, and do not currently intend to opt out, of this provision. The provisions of Section 203 may encourage companies interested in acquiring our company to negotiate in advance of such acquisition with our board of directors because the stockholder approval requirement referenced above would be avoided if our board of directors approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder. These provisions could prohibit or delay mergers or other takeover or change of control attempts and may make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Anti-takeover Effects of Our Organizational Documents

Certain provisions of our certificate of incorporation and our bylaws may be considered to have an anti-takeover effect and may delay or prevent a tender offer or other corporate transaction that a stockholder might consider to be in its best interest, including those transactions that might result in payment of a premium over the market price for our shares of Class A common stock. These provisions are designed to discourage certain types of transactions that may involve an actual or threatened change of control of us without prior approval of our board of directors. These provisions are meant to encourage persons interested in acquiring control of us to first consult with our board of directors to negotiate terms of a potential business combination or offer. We believe that these provisions help protect us against an unsolicited proposal for a takeover of us that might affect the long-term value of our Class A common stock or that may not be otherwise in the best interests of our stockholders. For example, our certificate of incorporation and our bylaws:

- divide our board of directors into three classes with staggered three-year terms, which may delay or prevent a change of our management or a change in control,
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares of capital stock, making a takeover more difficult and expensive,
- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates,
- do not permit stockholders to take action by written consent other than during the period following our initial public offering in which we qualified as a "controlled company" within the meaning of NASDAQ rules,
- provide that special meetings of the stockholders may be called only by or at the direction of the board of directors, the chair of our board or our chief executive officer,
- require that advance notice be given by stockholders for any stockholder proposals or director nominations,
- require a super-majority vote of the stockholders to amend our certificate of incorporation, and
- allow our board of directors to make, alter or repeal our bylaws but only allow stockholders to amend our bylaws upon the approval of 66 ⅔% or more of the voting power of all of the outstanding shares of our capital stock entitled to vote.

Transfer Agent and Registrar

The transfer agent and registrar for shares of our Class A common stock is EQ Shareowner Services.

Listing

Our Class A common stock is listed on the NASDAQ Global Select Market, under the symbol "PINC."

PREMIER, INC.
ANNUAL INCENTIVE COMPENSATION PLAN

AMENDED AND RESTATED EFFECTIVE August 5, 2020

ARTICLE 1. PLAN AMENDMENT AND RESTATEMENT; PURPOSE

1.1. **Amendment and Restatement**. Premier, Inc., a Delaware corporation (the "Company"), hereby amends and restates its annual incentive compensation plan, which is known as the Premier, Inc. Annual Incentive Compensation Plan (the "Plan"), originally established effective July 1, 1996 for selected Employees.

1.2. **Purpose**. The purpose of the Plan is to maximize the success of the Company and the Premier Group by providing significant financial incentive opportunities to eligible Employees, to assist in attracting and retaining employees of superior abilities, and to further align the interests and objectives of Participants with those of the Company and the Premier Group.

ARTICLE 2. DEFINITIONS

2.1 **Definitions**. Whenever used herein the following terms shall have their respective meanings as set forth below:

(a) "Administrator" means the Employee(s) of the Company designated from time to time by the Committee to perform those duties specified in the Plan.

(b) "Award" shall have the meaning set forth in Section 7.2.

(c) "Change in Control" shall have the meaning set forth in Section 13.3 (or subsequent applicable sections, if and as later amended) of the Premier, Inc. 2013 Equity Incentive Plan, as it may be established, modified, amended, restated, or replaced from time to time.

(d) "Code" shall have the meaning set forth in Section 8.2.

(e) "Code Section 409A" shall have the meaning set forth in Section 11.12.

(f) "Committee" means the Compensation Committee of the Board of Directors of the Company.

(g) "Company" means Premier, Inc.

(h) "Disability" means a determination of disability with respect to a Participant under the long-term disability plan maintained by the Participant's Premier Group employer. If, at any time during the period that this Plan is in operation, the applicable entity of the Premier Group does not maintain a long-term disability plan, "Disability" shall mean a physical or mental condition that, in the judgment of the Administrator, permanently prevents a Participant from performing the essential functions of the Participant's job duties with the Premier Group or such other position or job that is made available to the Participant within the Premier Group and for which the Participant is qualified by reason of education, training and experience, with or without reasonable accommodation. In making such determination, the Administrator may, but is not required to, rely on advice of a physician competent in the area to which such Disability relates. In addition, the Participant upon request by the Administrator must submit such medical evidence, records and examination data to the Administrator regarding any Disability as is reasonably necessary for the Administrator to evaluate the same, to be treated as confidential as required by law. The Administrator shall make all determinations and resolve any disputes regarding Disability in its sole discretion, and any decision of the Administrator concerning the same will be binding on all parties.

(i) "Earnings" for a Participant that is an exempt Employee (as designated by Premier in accordance with applicable law) means a Participant's annual base salary from the Participant's Premier Group employer measured as of the last day of the Plan Year (June 30) or, if sooner, the Participant's last day of eligibility under the Plan during the Plan Year, in each case excluding all other pay elements (including, but not limited to bonus payments, commissions, incentive compensation, deferred compensation payments, stock options, profit sharing, dividends, benefits, severance pay, vacation payout, expense reimbursements, miscellaneous

allowances or any other compensation). For a Participant that is an exempt Employee who does not participate in the Plan for the full Plan Year (pursuant to Article 4), Earnings means the Participant's annual base salary described in the preceding sentence calculated on a pro rata basis based upon the number of days during which the Participant actually participated in the Plan during the Plan Year divided by 365. "Earnings" for a Participant that is an nonexempt Employee (as designated by Premier in accordance with applicable law) means a Participant's annual base salary and overtime pay earned and paid during the Plan Year (measured as of the last day of the Plan Year (June 30)) plus compensation related to sick days used and vacation days used during the Plan Year.

(j) "Employee" shall means any person designated as an employee of the Premier Group on the payroll records thereof, but excluding any person designated by Premier as an intern, temporary worker or contractor.

(k) "Exchange Act" means the Securities Exchange Act of 1934 and all regulations issued thereunder and any successors thereto.

(l) "Goals and Performance Standards" shall have the meaning set forth in Section 5.1.

(m) "Participant" means any individual designated to participate in the Plan pursuant to Article 4.

(n) "Performance Standard Achievement" shall have the meaning set forth in Section 7.1.

(o) "Plan Year" means the twelve-month period beginning July 1 through June 30.

(p) "Premier Group" means the Company and/or those affiliates, subsidiaries or managed entities which the Company permits to participate in the Plan, as designated from time to time by the Committee.

(q) "Recoupment Policy" shall have the meaning set forth in Section 8.3.

(r) "Retirement" means the Participant's voluntary resignation from the Premier Group on or after attaining age 59 ½ or age 55 with 5 or more years of service.

(s) "Stretch" means the level of achievement in which the highest payout for Goals and Performance Standards will be made.

(t) "Target" means 100% achievement of the Goals and Performance Standards.

(u) "Target Award Opportunity" shall have the meaning set forth in Section 6.1.

(v) "Termination of Employment" means the separation or end of the Participant's employment with any and all members of the Premier Group for any reason.

(w) "Threshold" means the minimum level of achievement that must be attained for Goals and Performance Standards before a Plan Award is potentially earned.

ARTICLE 3. ADMINISTRATION

3.1 **Committee**. The Committee shall have general responsibility for the administration of the Plan according to the terms and provisions of the Plan and shall have all the powers necessary to accomplish these purposes, including, but not by way of limitation, the right, power and authority:

(a) To make rules and regulations for the administration of the Plan;

(b) To construe all terms, provisions, conditions and limitations of the Plan;

(c) To correct any defects, supply any omissions or reconcile any inconsistencies that may appear in the Plan in the manner and to the extent deemed expedient;

(d) To determine all controversies relating to the administration of the Plan, including, but not limited to, differences of opinion that may arise among the Premier Group or the Administrator and the Participants;

(e) To resolve any questions necessary to promote the uniform administration of the Plan; and

(f) To amend the Plan or terminate the Plan pursuant to Article 10.

3.2. **Administrator**. The Administrator shall have responsibility for the day-to-day operation of the Plan. The Administrator shall make initial determinations regarding administration of the Plan, including, but not limited to, differences of opinion that may arise among the Premier Group and matters relating to Participant eligibility and incentive payments under the Plan. The foregoing notwithstanding, the Administrator also shall have responsibility for those decisions or actions specifically set forth in the provisions of this Plan.

3.3. **Discretion**. The Committee or the Administrator, in exercising any power or authority granted under this Plan, or in making any determination under this Plan, shall perform or refrain from performing those acts in its sole and absolute discretion and judgment. Any decision made by the Committee, or any refraining to act or any act taken by the Committee, shall be final and binding on all parties.

3.4. **Liability and Indemnification**. The Committee or the Administrator shall not be liable for any act done or any determination made in good faith. The Company and the Premier Group shall, to the fullest extent permitted by law, indemnify and hold the Committee, its members and the Administrator harmless from any and all claims, causes of action, damages and expenses (including reasonable attorneys' fees and expenses) incurred by the Committee, its members, and the Administrator in connection with or otherwise related to service in such capacity.

ARTICLE 4. PLAN PARTICIPATION

4.1 **Participation**. All Employees of the Premier Group shall participate in the Plan, except that an individual who becomes an Employee of the Premier Group on or after April 1 of the Plan Year shall not begin participating in the Plan until the next Plan Year. An individual who becomes an Employee of the Premier Group after the start of the Plan Year and before April 1 shall enter the Plan immediately and a Target Award Opportunity shall be established and communicated to such Employee as soon as administratively practicable. Notwithstanding the foregoing, anyone employed by a member of the Premier Group who receives an annual cash incentive award opportunity under the Premier, Inc. Equity Incentive Plan (or its successor) for a fiscal year shall not be eligible to earn an annual incentive under the Plan for such fiscal year. Employees must have three full months of participation in the Plan during the Plan Year to participate in the Plan.

4.2. **Term of Participation**. A Participant's participation in the Plan shall continue until the earlier to occur of: (a) the Participant's Termination of Employment, or (b) termination of the Plan as provided in Article 10.

ARTICLE 5. GOALS AND PERFORMANCE STANDARDS

5.1 **Goals and Performance Standards**. The Chief Executive Officer of the Company or other appropriate senior executives of the Premier Group shall recommend to the Committee: (a) Plan Year goals, and (b) performance standards that will be used to determine the degree to which the goals have been achieved ("Goals and Performance Standards"). Threshold, Target and Stretch Performance Standards shall be established for each Goal. The Goals and Performance Standards shall be measurable as of the conclusion of the Plan Year.

5.2. **Committee Approval**. The Committee will review, and will approve or modify as it deems appropriate, the recommendations for Goals and Performance Standards as provided by Section 5.1.

ARTICLE 6. AWARD OPPORTUNITY

6.1 **Target Award Opportunity**. For each Plan Year, the Chief Executive Officer of the Company or other appropriate senior executives of the Premier Group shall establish a Target award opportunity for each Participant (the "Target Award Opportunity"). The Target Award Opportunity shall be expressed as a percent of a Participant's Earnings for the Plan Year. Each Target Award Opportunity may consist of several components, including without limitation:

- Company Goals
- Departmental/Unit Goals
- Individual Goals
- Goals at the discretion of the Chief Executive Officer or other appropriate senior executives

The sum of all components will equal the total Target Award Opportunity. Each component of the total Target Award Opportunity shall be weighted such that the total weighting will equal 100%. The Committee shall establish the Target Award Opportunity for any senior executives who are Participants in the Plan.

6.2. **Participant Notification**. The Administrator shall notify each Participant of the Participant's Target Award Opportunity for the Plan Year as soon as practicable following the establishment of such Target Award Opportunity.

ARTICLE 7. AWARD DETERMINATION

7.1 **Performance Review**. Within 90 days of the conclusion of the Plan Year, the Committee shall review and approve the performance of the Premier Group in achieving the Goals and Performance Standards for the Plan. The Administrator shall make a determination of the Award percentage for each Participant based on total, aggregate Goals and Performance Standard achievement approved by the Committee ("Performance Standard Achievement") utilizing the following:

Performance Standard Achievement	Award Percentage
Below Threshold	0%
Threshold	50%
Target	100%
Stretch	150%

The Committee may also determine, in its sole and absolute discretion, additional Performance Standard Achievement levels between Threshold and Target and between Target and Stretch.

In determining Performance Standard Achievement, the Committee may, in its sole and absolute discretion, eliminate from earnings (or other applicable performance measure) of the Premier Group those extraordinary gains or losses of an unusual or non-recurring nature, which in their judgment do not reflect the continuing and normal operations of the Premier Group and should be excluded. Accordingly, the Committee may, therefore, exclude items such as sale of capital assets, approved acquisition- or disposition-related adjustments, share repurchases, changes in accounting methods, tax adjustments, adjustments to earning for unrealized foreign exchange gains or losses, approved restructuring expense, or similar items. It is intended that any goal established under the Plan that is based on income of the Premier Group will be determined using an income calculation that takes into consideration an expense accrual for the Plan Awards.

Actual Plan Awards will equal, exceed or fall below Target levels based on the extent of Performance Standard Achievement.

If Performance Standard Achievement is determined to be between (i) Threshold and Target or between Target and Stretch, or (ii) at the sole and absolute discretion of the Committee, between any additional Performance Standard Achievement levels between Threshold and Target and between Target and Stretch, the Administrator shall determine the appropriate Award percentage by linear interpolation within the range of such Performance Standard Achievement levels.

7.2. **Award Calculation**. The Administrator shall calculate a Participant's award under the Plan (the "Award") applying the following formula: the Award percentage, as described in Section 7.1 above, multiplied by the Target Award Opportunity, multiplied by the Participant's Earnings for the Plan Year. For example, if the Award percentage is 110% and a Participant has a Target Award Opportunity of 10% and Plan Year Earnings of $100,000, the Participant's Award would be $11,000.

ARTICLE 8. AWARD PAYMENT

8.1 **Payment and Timing**. Awards shall be paid in cash by the Company on or about the September 15th immediately following the end of the Company's fiscal year in which they were earned, but in no event later than the next following March 15th (or such later date as is permitted under Internal Revenue Service regulations or guidance with respect to qualifying the awards under the short-term deferral exception under Treasury Regulation Section 1.409A-1(b)(4)). No Awards shall be increased with interest due to a delayed payment. A Participant who is employed on the last business day of the Plan Year or who qualifies for a pro rata payment under Section 9.1 of the Plan need not be employed by the Premier Group on the date that *payment* of the Award is actually made.

8.2. **Deferral of Payment**. Notwithstanding any other provision of the Plan, a Participant's Award shall not be paid in cash to the extent that the Participant has entered into a deferral agreement, an employment agreement or such other agreement with the Company or another member of the Premier Group which agreement specifically provides for the deferral of an Award otherwise payable under the Plan and which agreement is drafted and operated to meet the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

8.3. **Recoupment Policy.** A Participant's eligibility to participate in, receive Awards under, and rights to payment pursuant to this Plan is conditioned upon the Participant's being subject to any compensation recovery policy that may be adopted from time to time by the Company or any subsidiary of the Company (a "Recoupment Policy") and all amounts payable pursuant to this Plan shall be subject to the Recoupment Policy.

ARTICLE 9. TERMINATION EVENTS

9.1 **Termination Due to Death, Disability, Retirement or a Change in Control**. In the event a Participant's employment with the Premier Group terminates or ends at any point in time before or after the end of the Plan Year as a result of a Participant's: (a) death, Disability or Retirement, or (b) resignation occurring within two years following a Change in Control, the Participant (or the Participant's estate in the event of the Participant's death) shall be entitled to a payment under Article 7 on a pro rata basis as determined by the Administrator.

9.2. **Other Termination Events**. In the event a Participant's employment terminates or ends at any point in time before the last business day of the Plan Year for any reason other than the Participant's: (a) death, Disability or Retirement, or (b) resignation occurring within two years following a Change in Control, the Participant's participation in the Plan shall immediately terminate, and the Participant shall *forfeit* all rights under the Plan, including the right to receive any Award or any payment of all or a portion of any Award.

ARTICLE 10. AMENDMENT, MODIFICATION AND TERMINATION OF PLAN

10.1 **Right to Amend, Suspend or Terminate Plan**. The Committee reserves the right at any time to amend, modify, suspend or terminate the Plan for any reason and without the consent of the Administrator, the Participants or any other person.

10.2. **Notice**. Notice of any amendment, modification, suspension or termination of the Plan shall be given by the Committee to the Administrator and to all Participants.

ARTICLE 11. GENERAL PROVISIONS REGARDING PLAN ADMINISTRATION

11.1 **Limitation of Rights**. The granting of any rights to a Participant under the provisions of the Plan represent only a discretionary, contingent right to receive compensation. Accordingly, nothing in this Plan shall be construed:

(a) To limit in any way the right of the Premier Group to terminate a Participant's employment at any time for any reason;

(b) To evidence any agreement or understanding, express or implied, that the Premier Group will employ a Participant in any particular capacity for any particular term or for any particular remuneration; or

(c) To grant any right to, or interest in, either express or implied, any equity position or ownership in the Premier Group.

Moreover, no Participants shall have any right or interest, whether vested or otherwise, in the Plan or in any Award unless and until all of the terms, conditions, and provisions of the Plan and the guidelines have been complied with and an Award has been paid.

11.2 **Alienation**. No benefit provided by this Plan shall be transferable by the Participant except on the Participant's death, as provided in this Plan. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge. Any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under this Plan shall be void. No right or benefit under this Plan shall, in any manner, be liable for or subject to any debts, contracts, liabilities or torts of the person entitled to the right or benefit. If any Participant becomes bankrupt or attempts to anticipate, alienate, assign, pledge, sell, encumber or charge any right or benefit under this Plan, then the right or benefit shall, in the discretion of the Administrator, cease. In that event, the Company may hold or apply the right or benefit, or any part of the right or benefit, for the benefit of the Participant, his or her spouse, children, or dependents, the beneficiary or any of them, in the manner or in the proportion that the Administrator shall deem proper, in its sole discretion, but it shall not be required to do so.

11.3. **Tax Withholding**. The Company shall have the power and the right to deduct or withhold, or require a Participant, or beneficiary thereof, to remit to the Company, the minimum statutory amount to satisfy federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan prior to making any payments hereunder.

11.4. **Unfunded Plan**. The Plan shall be unfunded. Premier Group shall not be required to segregate or earmark any cash, or other assets and property in connection with the Plan. The Premier Group, the Committee and the Administrator shall not have any fiduciary responsibility to any Employee or Participant in connection with this Plan. In addition, the Premier Group shall not be deemed to be a trustee of any amounts to be paid to a Participant. Any liability of the Premier Group to pay any Participant with respect to a potential Plan Award shall be based solely upon any obligations created pursuant to the provisions of the Plan; and no such obligation shall be deemed to be secured by any pledge or encumbrance on any property of the Premier Group. However, the Premier Group shall have the discretion at any time to segregate such assets that may be represented by an Award. Such assets will at all times remain the property of the Premier Group. Moreover, any Participants and their beneficiaries shall at all times be merely unsecured creditors of the Company.

11.5. **Plan Document Governs**. In the event of a conflict between any other written or oral statements and this Plan document, the provisions of this Plan document shall govern.

11.6. **Governing Law**. The construction and operation of this Plan are governed by the laws, rules, and judicial decisions of the State of Delaware, except as superseded by federal law.

11.7. **Headings**. All headings in the Plan are for reference only and not to be utilized in construing the Plan.

11.8. **Gender**. Unless clearly appropriate, all nouns of whatever gender refer indifferently to persons of any gender.

11.9. **Singular and Plural**. Unless clearly inappropriate, singular terms refer also the plural and vice versa.

11.10. Severability. Every provision of this Plan is severable from every other provision of this Plan. Thus, if any part of the provisions contained in this Plan document is determined by a court of competent jurisdiction or by any arbitration panel to which a dispute is submitted to be invalid, illegal or incapable of being enforced, then such covenant or provision (with such modification as shall be required in order to render such covenant or provision not invalid, illegal or incapable of being enforced) shall remain in full force and effect, and all other covenants and provisions contained in this Plan document shall, nevertheless, remain in full force and effect to the fullest extent permitted by law, unless the continuance of the Plan in such circumstances is not consistent with its purposes.

11.11. Waiver of Breach. Waiver by the Committee, the Administrator or the Premier Group of any provision of this Plan shall not operate or be construed as a waiver of any other provision of this Plan or any other future breach of the provisions so waived.

11.12. Code Section 409A.

(a) The Plan is intended to be exempt from the requirements of Section 409A of the Code and the rules, regulations and other guidance promulgated thereunder ("Code Section 409A") and shall be construed and interpreted in such a manner consistent with said intent.

(b) Notwithstanding the foregoing, in the event any portion of the Plan is determined to involve the deferral of compensation or the payment of "nonqualified deferred compensation" (as such term is described in Code Section 409A), such portion of the Plan shall be interpreted to comply with Code Section 409A, and each provision that conflicts with such requirements shall be neither valid nor enforceable. The Committee may amend any such portion of the Plan determined to be subject to the requirements of Code Section 409A to the extent required to comply with Code Section 409A, as the Committee may determine to be necessary or appropriate.

(c) Notwithstanding anything to the contrary in this Section 11.12, in no event whatsoever shall any member of the Premier Group be liable for any additional tax, interest or penalties that may be imposed on a Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

(d) The following provisions shall apply upon a "separation from service" (as defined by Code Section 409A) on or after the date that any stock of the Company (or its parent) becomes publicly traded on an established securities market or otherwise. If the Participant is deemed on the date of such a separation from service to be a "specified employee" (within the meaning of that term under Code Section 409A(a)(2)(B) and determined using any identification methodology and procedure selected by the Company (or its parent) from time to time, or if none, the default methodology and procedure specified under Code Section 409A), then any amounts that are considered "nonqualified deferred compensation" (within the meaning of that term under Code Section 409A) payable as a result of the Participant's separation from service shall not be paid prior to the date which is the earlier of (i) the expiration of the six (6) month period measured from the date of such separation from service of the Participant, and (ii) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Participant in a lump sum, and any remaining payments due under the Plan shall be paid or provided in accordance with the normal payment dates specified for them herein. In determining whether a Participant is subject to the delay hereinabove described, the transitional rules of Treasury Regulation § 1.409A-1(i)(6) shall be applied."

ARTICLE 12. EFFECTIVE DATE

12.1 Effective Date. The Plan as amended and restated shall become effective as of August 5, 2020.

PREMIER, INC.
2015 EMPLOYEE STOCK PURCHASE PLAN
(As Amended and Restated Effective August 4, 2020)

I. PURPOSE

The Premier, Inc. 2015 Employee Stock Purchase Plan (the "Plan") is intended to provide eligible employees of the Company and its Designated Affiliates with the opportunity to acquire a proprietary interest in the Company on a discounted basis. The Plan was approved by the Board on October 3, 2014 and by our stockholders on December 5, 2014, and amended and restated by the Compensation Committee of the Board effective August 4, 2020. Capitalized terms shall have the defined meanings set forth under Article II below, or elsewhere when the term first appears and is defined.

II. DEFINITIONS

For purposes of administration of the Plan, the following terms shall have the meanings indicated:

(a) "Affiliate" means any corporation, partnership, joint venture or other business entity in which the Company owns, directly or indirectly, stock or a capital or profit interest and with respect to which the Company possesses the power to direct or cause the direction of the management and policies.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Company" means Premier, Inc., a Delaware corporation, and any corporate successors to all or substantially all of the assets or voting stock of the Company which shall by appropriate action adopt the Plan.

(e) "Designated Affiliate" means an Affiliate that has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan. The Board may also remove an Affiliate from being a Designated Affiliate at any time in its sole discretion. The Designated Affiliates as of the Effective Date are Premier Supply Chain Improvement, Inc., Premier Healthcare Solutions, Inc. and Premier Healthcare Alliance, L.P.

(f) "Effective Date" means the date on which stockholders of the Company approve the Plan.

(g) "Eligible Earnings" means compensation eligible to be deferred as an elective 401(k) contribution under the Premier, Inc. Retirement Savings Plan.

(h) "Employee" means any person, including an officer, who is both (a) classified as a common law employee for purposes of Section 3401 of the Code by the Company or a Designated Affiliate, and (b) regularly employed for at least 20 hours per week and more than five months in a calendar year by the Company or a Designated Affiliate.

(i) "Participant" means any Employee who has elected to actively participate in the Plan.

(j) "Plan Administrator" shall be the Company's Compensation Committee of the Board, provided that the Board may at any time (i) appoint a person or other committee to serve in such capacity, and (ii) act in lieu of the Compensation Committee on any matter authorized for administrative action under the Plan.

(k) "Stock" means shares of the Class A common stock of the Company, with a par value of $0.01.

III. ADMINISTRATION

The Plan shall be administered by the Plan Administrator. Subject to the provisions of the Plan and applicable law, the Plan Administrator shall have the authority in its sole discretion: (a) to determine the Stock's fair market value; (b) to construe and interpret the terms of the Plan; (c) to correct any defect, supply any omission, or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable to carry out the purposes of the Plan; (d) to prescribe, amend, and rescind rules and regulations relating to the Plan; and (e) to make all other determinations and take all other action described in the Plan or as

the Plan Administrator otherwise deems necessary or advisable for administering the Plan and effectuating its purposes. Decisions of the Plan Administrator (or its designate) shall be final and binding on all parties who have an interest in the Plan.

IV. PURCHASE PERIODS

(a) Stock shall be offered for purchase under the Plan through a series of successive purchase periods during offering periods not to exceed 27 months until such time as (i) the maximum number of shares of Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated in accordance with Article IX.

(b) Under no circumstances shall any purchase rights granted under the Plan be exercised, nor shall any shares of Stock be issued hereunder, until such time as the Company shall have complied with all applicable requirements of the Securities Act of 1933 (as amended), all applicable listing requirements of any securities exchange on which the Stock is listed and all other applicable requirements established by law or regulation, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(c) As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

(d) The Plan shall be implemented in a series of consecutive purchase periods, each to be of such duration as determined by the Plan Administrator prior to the commencement date of the purchase period; provided that the first purchase period shall begin not sooner than the Effective Date. The Plan Administrator shall have the authority to establish purchase periods over such intervals and subject to such terms and conditions as it determines to be appropriate or desirable without stockholder approval.

(e) Each Participant shall be granted a separate purchase right with respect to each purchase period. The purchase right shall be granted on the first day of the purchase period and shall be automatically exercised on the last U.S. business day of that purchase period or any earlier day the purchase right is to be exercised hereunder.

V. ELIGIBILITY AND PARTICIPATION

(a) An individual who has been continuously employed as an Employee for at least six (6) months as of the commencement of a purchase period shall be eligible to participate in such purchase period under the Plan, subject to the requirements of Section V(b) and the limitations imposed by Article VI, Article VII and Article VIII below. No non-employee director or independent contractor may participate in the Plan.

(b) An Employee may become a Participant by completing and submitting enrollment forms (including but not limited to a subscription agreement and a payroll deduction authorization) in such form and manner as approved by the Plan Administrator (or its designee) during the twenty-one day period before the beginning of a purchase period, unless a different time for completing and submitting the enrollment forms is set by the Plan Administrator for all Employees with respect to a given purchase period. Notwithstanding the foregoing, no Employee shall be entitled to enroll in the Plan or acquire Stock under the Plan during any period in which the Company has restricted the purchase or sale of its securities by its employees.

(c) The payroll deduction authorized by a Participant for purposes of acquiring Stock under the Plan may be any multiple of 1% of the Eligible Earnings of the Participant during the period the purchase right remains outstanding, up to a maximum equal to 30% of the Participant's Eligible Earnings (or such lower maximum percentage as may be designated by the Plan Administrator from time to time). The deduction rate so authorized shall continue in effect for the entire period the purchase right remains outstanding, unless (i) the Participant shall, prior to the end of the purchase period for which the purchase right will remain in effect, withdraw by filing the appropriate form with the Plan Administrator (or its designate) or (ii) the amount of payroll deduction for the Participant during the calendar year exceeds $21,500 ("Payroll Deduction Limit"). In the event that a Participant exceeds the Payroll Deduction Limit, the payroll deduction rate for such Participant shall become zero percent (0%) for the remainder of the calendar year and, at the beginning of the next calendar year, shall be restored to the payroll deduction rate for such Participant in effect immediately prior to the Participant exceeding the Payroll Deduction Limit, unless otherwise modified pursuant to the terms of this Plan. Payroll deductions will automatically cease upon the termination of the Participant's purchase right in accordance with Section VII(d) or Section VII(e) below. Participants may adjust the percentage of their Eligible Earnings to be paid as contributions pursuant to the Plan from one purchase period to the next by completing and submitting a new enrollment form during the enrollment period for the next purchase period. Participants may not adjust their rate of contribution during a

purchase period. A Participant's contribution rate in effect on the last day of a purchase period shall automatically apply to the next purchase period unless the Participant elects otherwise during the enrollment period preceding the next purchase period, the contribution rate has been modified under (c)(ii) above as a result of the Participant exceeding Payroll Deduction Limit, or the Plan Administrator determines during a purchase period, by written notice to all affected Participants, that Participants' contribution rates shall not automatically apply to the next purchase period.

(d) Payroll deductions shall commence on the first payroll that ends after the beginning of the purchase period and shall end on the last payroll paid on or prior to the last day of the purchase period to which the enrollment form is applicable, unless sooner terminated as provided in (i) Section (c) of Article V or (ii) Article VII.

VI. STOCK SUBJECT TO PLAN

(a) The Stock purchasable by Participants under the Plan shall be authorized but unissued Stock, Stock held in the treasury of the Company, or from any other proper source. The total number of shares of Stock that may be issued under the Plan in the aggregate shall be 3,685,500 shares (subject to adjustment under Section VI(b) below).

(b) In the event any change is made to the Stock purchasable under the Plan by reason of (i) any merger, consolidation or reorganization or (ii) any stock dividend, stock split, recapitalization, combination of shares or other change affecting the outstanding Stock as a class without the Company's receipt of consideration, then unless such change occurs in connection with a transaction described under Section VII(k), appropriate adjustments shall be made by the Plan Administrator to (i) the class and maximum number of shares issuable in the aggregate over the term of the Plan, (ii) the class and maximum number of shares purchasable per Participant on any one purchase date, and (iii) the class and number of shares and the price per share of the Stock subject to each purchase right at the time outstanding under the Plan. Any such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to purchase rights under the Plan.

VII. PURCHASE RIGHTS

Subject to Article VI above, an Employee who participates in the Plan for a particular purchase period shall have the right to purchase Stock upon the terms and conditions set forth below and shall execute a subscription agreement embodying such terms and conditions and such other provisions (not inconsistent with the Plan) as the Plan Administrator may deem advisable. A subscription agreement may provide that it shall remain in effect indefinitely for future purchase periods, subject to (i) the individual's right to terminate the subscription agreement by written notice to the Plan Administrator in advance of a future purchase period, and (ii) the Plan Administrator's discretion to determine during a purchase period, by written notice to all affected Participants, that all such subscription agreements shall prospectively expire at the end of that purchase period or a designated one thereafter.

(a) *Purchase Price*. The U.S. Dollar purchase price per share shall be 85% of the fair market value per share of Stock when the purchase right is exercised. For purposes of determining such fair market value (and for all other valuation purposes under the Plan), the fair market value per share of Stock on any given date shall be the closing selling price per share of Stock on the immediately preceding date for which there exists a quotation on the principal exchange on which the Stock is at the time traded.

(b) *Number of Purchasable Shares*. The number of shares purchasable by a Participant upon the exercise of an outstanding purchase right shall be the number of whole shares of Stock obtained by dividing the amount collected from the Participant through payroll deductions during each purchase period the purchase right remains outstanding by the purchase price in effect for that purchase period. Any remaining amount in the Participant's account shall be automatically refunded to the Participant. Under no circumstances shall purchase rights be granted under the Plan to any Employee if such Employee would, immediately after the grant, own (within the meaning of Section 424(d) of the Code) or hold outstanding options or other rights to purchase, stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its Affiliates. The accrual limitations of Article VIII shall apply to all purchase rights.

(c) *Payment*. Payment for Stock purchased under the Plan shall be effected by means of the Participant's authorized payroll deductions. Such deductions shall begin on the first pay day coincident with or immediately following the commencement date of the relevant purchase period and, unless terminated earlier pursuant to Section (c)(i) of Article V above or Sections VII(d) or (e) below, shall terminate with the pay day ending with or immediately prior to the last day of the purchase period. The amounts so collected shall be credited to the book account maintained by the Company on the Participant's behalf under the Plan, but no

interest shall be paid on the balance from time to time outstanding in such book account. The amounts collected from a Participant may be commingled with the general assets of the Company and may be used for general corporate purposes.

(d) *Withdrawal from Purchase Period*.

(i) A Participant may withdraw from a purchase period by filing the prescribed notification form with the Plan Administrator (or its designate) on or prior to the date required by the Plan Administrator in its discretion. No further payroll deductions shall be collected from the Participant with respect to that purchase period, and the Participant may elect with respect to any payroll deductions for the purchase period collected prior to the withdrawal date to: (A) have the Company refund, in the currency originally collected, the payroll deductions which the Participant made under the Plan during that purchase period or (B) have such payroll deductions held for the purchase of shares at the end of such purchase period. If no such election is made, then such payroll deductions shall automatically be refunded at the end of such purchase period, in the currency originally collected. For purposes of this Section VII(d), a Participant who fails to meet the requirements of an Employee as set forth in Section II(h) of the Plan during a purchase period will be deemed to have elected to withdraw from such purchase period.

(ii) The Participant's withdrawal from a particular purchase period shall be irrevocable and shall also require the Participant to re-enroll in the Plan (by making a timely filing of a new subscription agreement and payroll deduction authorization) if the Participant wishes to resume participation in a subsequent purchase period.

(iii) The Plan Administrator may at any time change the rules pertaining to the timing of withdrawals, limit the frequency of withdrawals, limit the frequency with which participants may withdraw and re-enroll in the Plan, and may impose a waiting period on participants who want to re-enroll following withdrawal.

(e) *Termination of Employment/Leave of Absence*. Except as provided in this Section VII(e) and in Section VII(l) below, if a Participant ceases to remain an Employee while his/her purchase right remains outstanding, then such purchase right shall immediately terminate and all sums previously collected from the Participant during the purchase period in which such termination occurs shall be promptly refunded to the Participant (or his or her estate, if employment termination was due to death). However, should the Participant cease active service by reason of an approved leave of absence, then the Participant shall continue to qualify as an Employee under the Plan for a period of up to the longer of (x) 90 days or (y) the period for which such Participant's right to reemployment with the Company is guaranteed by statute or contract. Such Participant's payroll deductions will continue at the rate in effect at the time the leave began, and if a new purchase period begins during the period of the leave, then the Participant will automatically be enrolled in that purchase period at the rate of payroll deduction in effect for him/her at the time the leave commenced. If any such Participant's approved leave of absence continues for greater than the longest time period permitted in (x) and (y) above, then the Participant shall no longer qualify as an Employee and such purchase right shall immediately terminate. Any such Participant that continued to qualify as an Employee under the Plan during an approved leave of absence shall have the election, exercisable up until the end of the then-current purchase period, to (i) withdraw all the funds then accumulated in the Participant's payroll account or (ii) have such funds held for the purchase of shares at the end of such purchase period. If no such election is made, then such funds shall automatically be held for the purchase of shares at the end of such purchase period. In no event shall any further payroll deductions be added to the Participant's account following his/her cessation of Employee status. However, an individual who returns to active employment following a leave of absence that exceeds the longest time period permitted in (x) and (y) above will be treated as a new common law employee for purposes of subsequent participation in the Plan and must accordingly re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before the start date of any subsequent purchase period in which he or she wishes to participate.

For purposes of the Plan, a Participant shall be considered to be an Employee for so long as such Participant remains in the active employ of the Company or any other Designated Affiliate under the Plan.

(f) *Stock Purchase*. The Stock subject to the purchase right of each Participant (other than Participants whose purchase rights have previously terminated in accordance with Sections VII(d) or (e) above) shall be automatically purchased on the Participant's behalf on the last U.S. business day of the purchase period for which such purchase right remains outstanding. The purchase shall be effected by applying the amount credited to each Participant's book account, as converted into U.S. Dollars if necessary, on the last U.S. business date of the purchase period to the purchase of whole shares of Stock (subject to the limitations on the maximum number of purchasable shares set forth in Section VII(b) and Article VIII) at the purchase price in effect for such purchase period. Any cash contributed to a Participant's account under the Plan after a purchase of shares of Stock at the end of a purchase period shall be either carried forward to the next purchase period, applied to meet any minimum required tax withholding or returned to the Participant, as elected by the Plan Administrator.

(g) *Proration of Purchase Rights*. Should the total number of shares of Stock to be purchased pursuant to outstanding purchase rights on any particular date exceed the number of shares then available for issuance under the Plan, the Plan Administrator shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and any amounts credited to the accounts of Participants shall, to the extent not applied to the purchase of Stock, be refunded to the Participants, in the currency originally collected.

(h) *Stockholder Rights*. A Participant shall have no rights as a stockholder with respect to shares covered by the purchase rights granted to the Participant under the Plan until the shares are actually purchased on the Participant's behalf in accordance with Section VII(f). No adjustments shall be made for dividends, distributions or other rights for which the record date is prior to the purchase date.

(i) *ESPP Broker Account*. The shares purchased on behalf of each Participant shall be deposited directly into a brokerage account which the Company shall establish for the Participant at a Company-designated brokerage firm. The account will be known as the ESPP Broker Account. The Plan Administrator may adopt such policies and procedures for the Plan as it determines is appropriate, including policies and procedures regarding the transfer of shares from a Participant's ESPP Broker Account.

(j) *Assignability*. Neither the Plan contributions made by a Participant nor any purchase rights granted under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution) by a Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect. Purchase rights shall be exercisable only by the Participant during the Participant's lifetime.

(k) *Merger or Liquidation of Company*. In the event the Company or its stockholders enter into an agreement to dispose of all or substantially all of the assets or outstanding capital stock of the Company by means of a sale, merger or reorganization in which the Company will not be the surviving corporation (other than a reorganization effected primarily to change the State in which the Company is incorporated, a merger or consolidation with a wholly-owned Subsidiary, or any other transaction in which there is no substantial change in the stockholders of the Company or their relative stock holdings, regardless of whether the Company is the surviving corporation) or in the event the Company is liquidated, then all outstanding purchase rights under the Plan shall automatically be exercised immediately prior to the consummation of such sale, merger, reorganization or liquidation by applying all sums previously collected from Participants during the purchase period of such transaction to the purchase of whole shares of Stock, subject, however, to the applicable limitations described in Section VII(b).

(l) *Acquisitions and Dispositions*. The Plan Administrator may, in its sole and absolute discretion and in accordance with principles under Section 423 of Code, create special purchase periods for individuals who become Employees solely in connection with the acquisition of another company or business by merger, reorganization or purchase of assets and may provide for special purchase dates for Participants who will cease to be Employees solely in connection with the disposition of all or a portion of any Designated Affiliate or a portion of the Company, which purchase periods and purchase rights granted pursuant thereto shall, notwithstanding anything stated herein, be subject to such terms and conditions as the Plan Administrator considers appropriate in the circumstances.

(m) *Notice by Participants of Disqualifying Dispositions*. As a condition for Plan participation, each Participant agrees that the Company shall be notified, through the ESPP Broker Account (or by the Participant in writing if the Participant's Stock is not held therein), immediately after any sale or transfer of Stock that is both purchased through the Plan and is sold or disposed of within the two year period beginning with the purchase period in which the Stock was purchased, but only to the extent that the Stock is acquired under the Plan in a manner that is intended to meet the qualification requirements under Section 423 of the Code.

VIII. ACCRUAL LIMITATIONS

(a) No Participant shall be entitled to accrue rights to acquire Stock pursuant to any purchase right outstanding under this Plan if and to the extent such accrual, when aggregated with (i) Stock rights accrued under other purchase rights outstanding under the Plan and (ii) similar rights accrued under other employee stock purchase plan of the Company or any Affiliate, would otherwise permit such Participant to purchase more than Twenty-Five Thousand dollars ($25,000) worth of Stock (determined on the basis of the fair market value of such stock on the date or dates such rights are granted to the Participant) for each calendar year such rights are at any time outstanding.

(b) For purposes of applying the accrual limitations of Section VIII(a), the right to acquire Stock pursuant to each purchase right outstanding under the Plan shall accrue as follows:

(i) The right to acquire Stock under each such purchase right shall accrue as and when the purchase right first becomes exercisable on the last U.S. business day of each purchase period the right remains outstanding.

(ii) No right to acquire Stock under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the same calendar year the right to acquire Twenty-Five Thousand U.S. Dollars (US$25,000) worth of Stock (determined on the basis of the fair market value on the date or dates of grant) pursuant to one or more purchase rights held by the Participant during such calendar year.

(iii) If by reason of the Section VIII(a) limitations, one or more purchase rights of a Participant do not accrue for a particular purchase period, and then the payroll deductions which the Participant made during that purchase period with respect to such purchase rights shall be promptly refunded in the currency originally collected.

(c) In the event there is any conflict between the provisions of this Article VIII and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article VIII shall be controlling.

IX. AMENDMENT AND TERMINATION

(a) The Board or the Compensation Committee of the Board may from time to time alter, amend, suspend or discontinue the Plan; provided, however, that no such action shall adversely affect purchase rights at the time outstanding under the Plan unless necessary or desirable to comply with any applicable law, regulation or rule; and provided, further, that no such action of the Board or the Compensation Committee of the Board may, without the approval of the stockholders of the Company, increase the number of shares issuable under the Plan (other than adjustments pursuant to Sections VI(b) and VII(b)), alter the purchase price formula so as to reduce the purchase price specified in the Plan, or materially modify the requirements for eligibility to participate in the Plan.

(b) Without stockholder approval and without regard to whether any Participant rights may be considered to have been "adversely affected," the Plan Administrator shall be entitled to, in addition to, and without limitation with respect to, what is permitted pursuant to Section IX(a), cancel or change the purchase periods, limit the frequency and/or number of changes in the amount withheld during a purchase period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed enrollment forms, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Stock for each Participant properly correspond with amounts withheld from the Participant's Eligible Earnings, and establish such other limitations or procedures as the Plan Administrator determines in its sole discretion advisable which are consistent with the Plan.

X. TAXES

(a) It is the Company's intention that purchase rights under the Plan qualify to the maximum extent possible for favorable tax treatment under Section 423 of the Code when granted to Employees who are employed by a Designated Affiliate that is a "subsidiary corporation" of the Company as determined under Section 424(f) of the Code. To the extent that purchase rights are granted to an Employee employed by a Designated Affiliate that is not a subsidiary corporation under Section 424(f) of the Code, then such purchase rights will not qualify for favorable tax treatment under Section 423 of the Code. The provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of Section 423 of the Code except for the Company being able to extend purchase right to Employees employed by a Designated Affiliate that is not a subsidiary corporation of the Company under Section 424(f) of the Code.

(b) It is intended that purchase rights that do not qualify for favorable tax treatment under Section 423 of the Code shall not constitute nonqualified deferred compensation subject to the requirements of Section 409A of the Code, and the provisions of the Plan shall be construed consistent with this intention. Notwithstanding any provision of the Plan to the contrary, in the event that the Plan Administrator determines that any amounts payable hereunder will be taxable to a Participant under Section 409A of the Code, the Plan Administrator may (i) adopt such amendments to the Plan and appropriate policies and procedures, including amendments and policies with retroactive effect, that it determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and/or (ii) take such other actions as the Plan Administrator determines necessary or appropriate to comply with the requirements of Section 409A of the Code. No action shall be taken under the Plan that shall cause an Award to fail to comply with Section 409A of the Code, to the extent applicable to purchase rights hereunder. However, in no event shall any member of the Board, the Company or any of its Affiliates (including their respective employees, officers, directors or agents) have any liability to any Participant (or any other person) with respect to taxes under Section 409A of the Code.

(c) A Participant shall be required to pay to the Company or any of its Affiliates, and the Company or any of its Affiliates shall have the right and is hereby authorized to withhold, from any cash, shares of Stock, other securities or other property deliverable under the Plan or from any compensation or other amounts owing to a Participant, the amount (in cash, shares of Stock, other securities or other property) of any minimum required withholding taxes in respect of purchase rights or any payment or transfer under the Plan and to take such other action as may be necessary in the opinion of the Plan Administrator or the Company to satisfy all obligations for the payment of such withholding and taxes. Without limiting the generality of foregoing, the Plan Administrator may, in its sole discretion, permit a Participant to satisfy, in whole or in part, any minimum required tax withholding liability by (i) the delivery of shares owned by the Participant having a fair market value equal to such withholding liability or (ii) having the Company withhold from the number of shares of Stock otherwise issuable or deliverable under the Plan a number of shares with a fair market value equal to such minimum required statutory withholding liability.

XI. GENERAL PROVISIONS

(a) The Plan shall terminate upon the earlier of (i) ten years after its Effective Date, or (ii) the date on which all shares of Stock available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan.

(b) Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Employee or other person the right to continue in the employment of the Company or any Affiliate or affect any right which the Company or any Affiliate may have to terminate the employment of such Employee or other person.

(c) All notices, elections or other communications by a Participant to the Company or the Plan Administrator under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Plan Administrator at the location, or with the person, designated by the Plan Administrator for the receipt thereof.

(d) All costs and expenses incurred in the administration of the Plan shall be paid by the Company.

(e) Any documents that the Company may use in the administration of the Plan, may be delivered in paper or electronic medium, including but not limited to email or the posting on a web site maintained by the Company or a third party under contract with the Company.

(f) The laws of the State of Delaware shall have control over all matters and disputes arising under the Plan.

(g) The rights and privileges of all Participants under the Plan shall be the same (except as otherwise required by applicable law).

Exhibit 10.20

PREMIER HEALTHCARE SOLUTIONS, INC. DEFERRED COMPENSATION PLAN
(As Amended and Restated Effective January 1, 2015)

PREMIER HEALTHCARE SOLUTIONS, INC. DEFERRED COMPENSATION PLAN

AS AMENDED AND RESTATED
(Effective January 1, 2015)

Premier, Inc., a Delaware corporation, established the Premier, Inc. Deferred Compensation Plan under which selected executives are eligible to receive the benefit that they would have been entitled to receive under the Premier, Inc. Retirement Savings Plan and the Premier, Inc. Employees' Pension Plan, but for the limitations placed on contributions to such plans by Sections 401(a)(17), 402(g) and 415 of the Internal Revenue Code of 1986, as amended (the "Code"), and/or the eligibility requirements of such plans.

As a result of a corporate reorganization, Premier, Inc. is now known as Premier Healthcare Solutions, Inc. (the "Company") and the Premier, Inc. Deferred Compensation Plan is hereby renamed the Premier Healthcare Solutions, Inc. Deferred Compensation Plan (the "Plan"). The Company has also renamed the Premier, Inc. Retirement Savings Plan as the Premier Healthcare Solutions, Inc. Retirement Savings Plan (the "401(k) Plan") and the Premier, Inc. Employees' Pension Plan as the Premier Healthcare Solutions, Inc. Employees' Pension Plan (the "Pension Plan"). In addition, the Company is freezing employer contributions to the Pension Plan effective as of December 31, 2014. As a result, no additional employer contributions or benefit accruals under the Pension Plan will be made for Plan Years beginning on and after January 1, 2015. It is anticipated that the Pension Plan will be merged with and into the 401(k) Plan in 2015.

The Plan is hereby amended and restated in its entirety, effective January 1, 2015 (the "Effective Date"), except as otherwise provided herein, to incorporate the change in corporate structure and the freeze of contributions under the Pension Plan, to require that the Compensation Committee of Premier, Inc. approve any amendments to the Plan, to update the definition of compensation to exclude short-term disability benefits paid by a third party, to change the definition of spouse to recognize same-sex marriages and to delete obsolete provisions.

ARTICLE I
Definitions

When used in the Plan, the terms defined below shall be construed in accordance with the definitions herein set forth unless the context clearly requires otherwise:

1.01 **Annual Addition** means amounts in excess of the limitations on amounts that may be contributed to the 401(k) Plan by Section 415 of the Code.

1.02 **Beneficiary** means the persons or entities designated by the Participant in writing to the Employer to receive the balance of the Participant's Deferral Account upon the death of the Participant; provided that, if the Participant has no valid beneficiary designation in effect at the time of his or her death or if the designated beneficiary has predeceased the Participant, the Participant's benefits shall be paid to the surviving persons in the following priority: (a) to the Spouse, (b) to the Participant's children, equally and their descendants, per stirpes, (c) to the Participant's parents, equally, (d) to the Participant's siblings, equally, and their descendants, per stirpes, or (e) to the estate of the Participant.

1.03 **Company** means Premier Healthcare Solutions, Inc. and any corporation with which the Company shall be merged or consolidated, or any corporation resulting in any manner from a reorganization of the Company, or any individual, firm or corporation which shall assume the obligations of the Company with respect to the Plan.

1.04 **Compensation** means the total compensation payable to a Participant by an Employer during the Plan Year including regular or base salary, overtime pay, commissions, the amount deferred under the 401(k) Plan, any amounts contributed to a cafeteria plan under Code Section 125 and bonuses, including tax gross-ups attributable thereto (unless such bonuses are excluded below). Compensation excludes (a) the Participant's share of any Employer contributions made to the 401(k) Plan, the Plan or to any other employee benefit or insurance program on behalf of the Participant, (b) severance pay, (c) moving expenses, (d) non-cash imputed income (including but not limited to the cost of Employer-provided group term life insurance and payments made by an Employer to satisfy any indebtedness owed by a Participant), (e) any contributions made to or amounts distributed from the Core Long-Term Incentive Program or Plan, (f) any distributions from the Plan, (g) any amounts paid after the Participant's Separation from Service, even if attributable to services performed during employment, (h) short-term disability benefits paid by a third party and (i) all equity and equity-based compensation including, but not limited to, income attributable to the grant, exercise, or lapse of restrictions with respect to any security, stock option, warrant, restricted security or similar contract right and any other compensation measured by or related to the value of the common stock of Premier, Inc., the Company or a Related Entity. With

respect to any items of compensation not specifically described herein, the Compensation Committee shall have the discretion, prior to the start of a Plan Year, to determine whether and for what purposes such item of compensation shall be treated as Compensation under the Plan for such Plan Year. If the Compensation Committee does not make a determination with respect to an item of compensation not specifically described herein, such compensation shall be excluded from Compensation under the Plan.

1.05 Compensation Committee means the Compensation Committee of the Board of Directors of Premier, Inc.

1.06 Compensation Limitation means the limitation under Section 401(a)(17) of the Code on the maximum amount of Compensation of a Participant which may be considered in determining the amount which may be contributed under the 401(k) Plan.

1.07 Deferral Account means the bookkeeping account established by an Employer for a Participant to which shall be credited an amount equal to the amount deferred and/or contributed each Plan Year pursuant to Article III and earnings and/or losses credited and/or debited pursuant to Section 4.02 and debited by the amount distributed in accordance with Article V.

1.08 Deferral Agreement means the Participant's written direction to have all or any portion of his or her Compensation deferred under the Plan.

1.09 Disability means the disability of the Participant within the same meaning of disability as set forth in the Qualified Plans.

1.10 Elective Contributions Account means the bookkeeping account under the 401(k) Plan to which are credited a Participant's elective contributions, including designated Roth contributions, under a qualified cash or deferred arrangement, as defined in Treas. Reg. § 1.401(k)-1(a)(4)(i).

1.11 Eligible Compensation means the Compensation from which a 401(k) Contribution could be made under the 401(k) Plan, without regard to the Compensation Limitation.

1.12 Employer means a Participating Employer and its Related Entities.

1.13 ERISA means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute hereafter adopted.

1.14 E-Team Member means a member of the Employer's executive team.

1.15 Excess Contribution means the amount during any Plan Year which if contributed to the 401(k) Plan would:

(a) constitute an Annual Addition;

(b) be made with respect to Compensation in excess of the Compensation Limitation for the Plan Year; or

(c) relate to an item of Compensation that is not treated as compensation under the terms of the 401(k) Plan.

1.16 401(k) Contribution means the amount that the Participant elects to defer as a pre-tax contribution under Section 401(k) of the Code to the 401(k) Plan.

1.17 401(k) Plan means the Premier Healthcare Solutions, Inc. Retirement Savings Plan.

1.18 Participant means any individual who is selected for participation hereunder and agrees to be bound by the Plan's terms and provisions in accordance with Article II.

1.19 Participating Employer means the Company, Premier Supply Chain Improvement, Inc. and any Related Entity of either the Company or Premier Supply Chain Improvement, Inc. In addition, the Compensation Committee may allow any other corporation, partnership or other trade or business to be a Participating Employer.

1.20 Pension Plan means the Premier Healthcare Solutions, Inc. Employees' Pension Plan.

1.21 Pension Contributions means the contributions made to the Plan on behalf of Participants for Plan Years beginning prior to January 1, 2015, which were equal to the difference between (a) the allocation of the pension contribution the Participant would have received under the Pension Plan for such Plan Year beginning prior to January 1, 2015 but for its characterization as an Excess Contribution for the applicable calendar year and (b) the Participant's actual allocation of pension contributions under the Pension Plan for such calendar year.

1.22 Performance-Based Compensation means Compensation the amount of which, or the entitlement to which, is contingent on the satisfaction of preestablished organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered preestablished if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relates, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether Compensation is Performance-Based Compensation shall be made in accordance with the Regulations, including the following:

(a) Performance-Based Compensation does not include any amount or portion of any amount that will be paid either regardless of performance, or based upon a level of performance that is substantially certain to be met at the time the criteria is established. However, Compensation may be Performance-Based Compensation where the amount will be paid regardless of satisfaction of the performance criteria due to the Participant's death, disability (as defined below), or a change in control event (as defined in Section 1.409A-3(i)(5)(i) of the Regulations), provided that a payment made under such circumstances without regard to the satisfaction of the performance criteria will not constitute Performance-Based Compensation. For purposes of this Section, a disability refers to any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months.

(b) Performance-Based Compensation may include payments based upon subjective performance criteria provided that:

(i) The subjective performance criteria are bona fide and relate to the performance of the Participant, a group of service providers that includes the Participant, or a business unit for which the Participant provides services (which may include the entire organization); and

(ii) The determination that any subjective performance criteria have been met is not made by the Participant or a family member of the Participant (as defined in Section 267(c)(4) of the Code applied as if the family of an individual includes the spouse of any member of the family), or a person under the effective control of the Participant or such a family member, and no amount of the compensation of the person making such determination is effectively controlled in whole or in part by the Participant or such a family member.

1.23 Plan Year means the calendar year.

1.24 Qualified Plans means the 401(k) Plan and the Pension Plan.

1.25 Regulations means the regulations, as amended from time to time, which are issued under Section 409A of the Code.

1.26 Related Entity(ies) means any corporation, partnership or other trade or business on or after the date such entity is, along with a Participating Employer, a member of a controlled group of corporations as defined in Section 414(b) of the Code or a member of a group of trades or businesses under common control as defined in Section 414(c) of the Code.

1.27 Retirement means the date the Participant has a Separation from Service on or after the earlier of (a) the date he attains age 55 and has five years of participation in one of the Qualified Plans or (b) the date he attains age 65.

1.28 Retirement Committee means the Premier Healthcare Solutions, Inc. Retirement Committee.

1.29 Separation from Service means the Participant's termination of employment with the applicable Employer, subject to the following and other provisions of the Regulations:

(a) The employment relationship is treated as continuing intact while the Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so

long as the individual retains a right to reemployment with the Employer under an applicable statute or by contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for the Employer. If the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be deemed to terminate on the first date immediately following a 29-month leave of absence, if the leave is due to disability as described in the following sentence and on the first date immediately following a six-month leave of absence, if the leave is due to any other reason. For purposes of this Section, disability means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment.

(b) In determining whether a Separation from Service has occurred, the following presumptions, which may be rebutted as provided in the Regulations, shall apply:

(i) A Participant is presumed to have separated from service where the level of bona fide services performed decreases to a level equal to 20 percent or less of the average level of services performed by the Participant during the immediately preceding 36-month period;

(ii) A Participant shall be presumed not to have separated from service where the level of bona fide services performed continues at a level that is 50 percent or more of the average level of services performed by the Participant during the immediately preceding 36-month period; and

(iii) If a Participant has not performed services for the Employer for 36 months, the full period that the Participant has performed services for the Employer shall be substituted for 36 months.

(c) For purposes of this Section, the term Employer has the meaning set forth in Section 1.13, provided that the determination of whether an entity is under common control shall be determined based upon whether the Participating Employer has a direct or indirect interest in at least 50 percent (rather than 80 percent) of the entity.

1.30 **Spouse** means the person who is treated as the spouse of the Participant for federal tax purposes, provided that such marriage is evidenced by either a valid marriage certificate or other proof acceptable to the Retirement Committee. The term Spouse shall include individuals in a same-sex marriage, provided such marriage is validly entered into in a state whose laws authorize the marriage of two individuals of the same sex, even if such individuals are domiciled in a state that does not recognize the validity of same-sex marriages.

1.31 **Unforeseeable Emergency** means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's Spouse, Beneficiary or dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant and as further defined in Article V of the Plan and the Regulations.

1.32 **Year of Service** has the same meaning as set forth in the 401(k) Plan.

ARTICLE II
Eligibility for Participation

2.01 **Participation**. Any Participant in the Plan as of December 31, 2014 shall continue to be a Participant in the Plan on and after January 1, 2015, as provided in the Plan. The Compensation Committee in its complete and absolute discretion may designate an executive who meets the following criteria to participate in the Plan:

(a) had Compensation exceeding the adjusted Compensation Limitation in at least one of the three or fewer Plan Years immediately preceding the current Plan Year, and who has completed at least one Year of Service; or

(b) for purposes of Section 3.01 only, had been hired at a base salary that exceeded the adjusted Compensation Limitation for the Plan Year in which he or she became employed.

2.02 **Participation Date and Notice**. Each executive who is selected for participation in the Plan in accordance with Section 2.01 shall become a Participant as of the date determined by the Compensation Committee, otherwise known as the

Participant's Participation Date. Within thirty (30) days of his or her Participation Date, the Participant shall file an enrollment agreement with the Retirement Committee (or its designee) agreeing to abide by the terms and provisions of the Plan and to cooperate in providing information and take such other action necessary to the proper administration of the Plan as determined by the Retirement Committee.

ARTICLE III
Election to Defer and Employer Contributions

3.01 Election to Defer. Each Participant shall have the right to elect to defer receipt of certain amounts as described below.

(a) Subject to Section 3.01(c), each Participant who is not an E-Team Member shall have the right to elect to defer receipt of any portion, up to 20%, of his or her Compensation, and each Participant who is an E-Team Member shall have the right to elect to defer receipt of any portion, up to 30%, of his or her Compensation.

(b) Bonus Deferrals.

(i) Subject to Section 3.01(c), in any Plan Year, each Participant who is not an E-Team Member may make a separate election to defer up to 20%, and each Participant who is an E-Team Member may make a separate election to defer up to 30%, of their Compensation attributable to bonuses, including Annual Incentive Plan bonuses or bonuses under any long-term incentive plan (notwithstanding the fact that payments under any long-term incentive plan are otherwise excluded from the definition of Compensation).

(ii) Subject to Section 3.01(c) and notwithstanding the maximum deferral percentage in effect under Section 3.01(a) and in order to grandfather benefits previously provided to such Participants, Participants who were formerly participants in the American Healthcare Systems Deferred Compensation Plan have the right to defer up to 100% of (A) bonuses paid under the Annual Incentive Plan and (B) bonuses paid under any long-term incentive plan, notwithstanding the fact that payments under the Core Long-Term Incentive Plan are otherwise excluded from the definition of Compensation.

(c) All elections shall be made in a writing by a Deferral Agreement and filed with the Retirement Committee (or its designee) within the Election Period provided in Section 3.02.

(d) All amounts deferred under a Deferral Agreement shall be credited to the Participant's Deferral Account for the Plan Year for which such election was made pursuant to Section 4.01.

(e) Notwithstanding any other provision of this Section 3.01 or the Plan to the contrary, in no event may Compensation or bonuses paid after termination of employment be deferred under the Plan, even if attributable to services performed during employment.

3.02 Election Period. Any election to defer Compensation pursuant to Section 3.01 shall be made in accordance with the following requirements:

(a) First Year of Eligibility. Upon first becoming a Participant, a Participant must file an election in such form as the Company may require if the Participant wishes to defer Compensation under the Plan for the calendar year in which he or she becomes a Participant. Such election must be filed within thirty (30) days following the Participant's Participation Date, at which time the election shall become irrevocable. The election under this Section shall apply only to Compensation that is paid for services to be performed in payroll periods that begin after the election becomes irrevocable. For Compensation that is earned based upon a specified performance period (such as an annual bonus), the election shall apply to the total amount of the Compensation for the performance period multiplied by the ratio of the number of days remaining in the performance period after the election over the total number of days in the performance period.

(b) Annual Election. Unless a Participant files a new election by the date noted below, the Participant's most recent election shall be used in determining whether Compensation under the Plan shall be deferred for calendar years beginning after the calendar year in which the Participant first became a Participant. Such election must be made on such form and in accordance with such procedures as the Retirement Committee may prescribe, provided that such election must be made no later than, and shall become irrevocable on, the last day of the Participant's taxable year

immediately preceding the calendar year in which the Participant performs the services for which such Compensation is payable.

(c) Performance-Based Election. Any Participant may elect to defer the receipt of any portion or all of any Performance-Based Compensation otherwise payable to him or her by a Participating Employer in any calendar year, which portion shall be designated by him or her by filing an election with the Company, in such form as the Company may require. The election must be made with respect to such Performance-Based Compensation on or before the date that is six months before the end of the performance period, provided that the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date an election is made under this paragraph, and provided further that in no event may an election to defer Performance-Based Compensation be made after such compensation has become readily ascertainable. For purposes of this paragraph, if the Performance-Based Compensation is a specified or calculable amount, the compensation is readily ascertainable if and when the amount is first substantially certain to be paid. If the Performance-Based Compensation is not a specified or calculable amount because, for example, the amount may vary based upon the level of performance, the compensation, or any portion of the compensation, is readily ascertainable when the amount is first both calculable and substantially certain to be paid. For this purpose, the Performance-Based Compensation is bifurcated between the portion that is readily ascertainable and the amount that is not readily ascertainable. Accordingly, in general any minimum amount that is both calculable and substantially certain to be paid shall be treated as readily ascertainable.

(d) Termination due to Unforeseeable Emergency or Hardship Distribution. A Participant's election pursuant to Section 3.02(a), (b) and (c) above shall automatically terminate upon the Participant's receipt of a distribution from the Plan on account of an Unforeseeable Emergency or the Participant's receipt of a hardship distribution from the Participant's Elective Contributions Account under the 401(k) Plan pursuant to Treas. Reg. § 1.401(k)-1(d)(3).

3.03 Employer Contributions. Each Employer may from time to time, in its sole discretion, make contributions to the Plan on behalf of their employees who are Participants, as described below. Employer contributions may be made on behalf of all Participants or, in the sole discretion of the applicable Employer, on behalf of select Participants. Employer contributions are discretionary in amount and timing. Contributions shall be made only on behalf of a Participant who is eligible for such type of contributions for such Plan Year under the 401(k) Plan. Amounts deferred by Participants under the Plan that are attributable to the Core Long-Term Incentive Program or Plan are ineligible for any Employer contributions under the Plan.

(a) Matching Contributions. An Employer shall make matching contributions with respect to the amount of Compensation a Participant defers under the Plan (pursuant to a Deferral Agreement and Section 3.01) which would, if eligible to be contributed to the 401(k) Plan, be a 401(k) Contribution. The matching contributions for a Participant for a Plan Year shall be equal to the lesser of:

(i) 100% of the deferrals that are contributed pursuant to Section 3.01 during a Plan Year up to the first 3% of Eligible Compensation and 50% of the deferrals that are contributed pursuant to Section 3.01 during a Plan Year up to the next 2% of Eligible Compensation; or

(ii) The difference between (1) 100% of the first 3% of the Participant's Eligible Compensation and 50% of the next 2% of Eligible Compensation and (2) 100% of the first 3% of Eligible Compensation up to the Compensation Limitation and 50% of the next 2% of Eligible Compensation up to the Compensation Limitation. Any matching contributions made shall be credited to the Deferral Account of the eligible Participants;

provided, however, that in no event shall the matching contributions under the 401(k) Plan and the Plan exceed 100 percent of the matching contributions that would have been provided under the 401(k) Plan absent any plan-based restrictions that reflect limits on qualified plan contributions under the Internal Revenue Code.

(b) Profit Sharing Contributions. An Employer may make Profit Sharing Contributions to the Plan on behalf of Participants equal to the difference between (i) the allocation of the profit sharing contribution the Participant would have received under the 401(k) Plan but for its characterization as an Excess Contribution for that calendar year and (ii) the Participant's actual allocation of profit sharing contributions under the 401(k) Plan for such calendar year.

ARTICLE IV
Accounting

4.01 Crediting Deferred Compensation. Amounts deferred by a Participant under Section 3.01 and any amounts contributed to the Plan by an Employer pursuant to Section 3.03 on behalf of a Participant shall be credited to the Participant's Deferral Account for each applicable Plan Year as soon as reasonably practicable after the date such deferred amount would otherwise have been paid to the Participant or the Employer contribution amount is reasonably determinable. Each Participant's Deferral Account shall be further divided into sub-accounts, as follows:

(a) Participant Sub-Account. The bookkeeping subaccount maintained for each Participant to which shall be credited such Participant's deferred compensation pursuant to his or her Deferral Agreement, if any, and investment earnings and losses thereon.

(b) Employer Sub-Account. The bookkeeping subaccount maintained for each Participant to which shall be credited such Participant's share of Matching Contributions for Plan Years beginning prior to January 1, 2001, Pension Contributions for Plan Years beginning prior to January 1, 2015, and Profit Sharing Contributions pursuant to Section 3.03, if any, and investment earnings and losses thereon.

(c) Matching Sub-Account. The bookkeeping subaccount maintained for each Participant to which shall be credited such Participant's share of Matching Contributions made for Plan Years beginning on or after January 1, 2001 pursuant to Section 3.03, if any, and investment earnings and losses thereon.

4.02 Earnings. Upon becoming a Participant, each Participant, or in the absence of action by the Participant, the Retirement Committee, shall specify the hypothetical measures of investment performance from among the choices made available from time to time to Participants by the Retirement Committee. The Participant's Deferral Account shall be deemed to be invested in the hypothetical investment selected by the Participant, or if none, by the Retirement Committee. Investment preferences selected by the Participant are used only to determine the value of a Participant's Deferral Account and in no event is the Company required to follow these investment preferences for actual plan investments. A Participant's investment preference shall be communicated to the Retirement Committee by completion and delivery of an investment preference form in accordance with such procedures as the Retirement Committee may establish from time to time. Once elected, investment preferences shall be valid until revoked by completing a new investment preference form. Participants shall have the opportunity to change their investment preferences with respect to their respective Deferral Accounts in accordance with such procedures as may be established by the Retirement Committee.

4.03 Distributions. A Participant's Deferral Account shall be reduced by any distributions that are made from such account pursuant to Article V.

ARTICLE V
Benefits

5.01 Separation from Service. A Participant shall be entitled to an amount equal to the vested balance of his or her Deferral Account in the event of his or her Separation from Service. Payment of the relevant amount shall be made, or shall begin to be made, on January 15 of the Plan Year following the Participant's Separation from Service. If a Participant elects installment payments, each successive installment payment shall be paid on January 15th of each successive Plan Year until all installment payments have been paid.

5.02 Payment Date. A payment shall be considered to have been made on the payment date specified in Section 5.01 if the payment is made no later than December 31 of the calendar year in which such payment date occurs (or the last day of the Participant's taxable year in which such payment date occurs, if earlier).

5.03 Vesting.

(a) A Participant who has a Separation from Service due to Retirement, Disability or death shall as of the date of such termination, be 100% vested in his or her Deferral Account.

(b) A Participant who has a Separation from Service for any reason, other than Retirement, Disability or death, shall, as of the date of such Separation from Service:

(i) be 100% vested in that portion of his or her Deferral Account constituting his or her Participant Sub-Account and that portion of his or her Deferral Account constituting his or her Matching Sub-Account; and

(ii) be vested in that portion of his or her Deferral Account constituting his or her Employer Sub-Account, as determined in accordance with the following schedule, unless the Compensation Committee agrees in writing that a different schedule shall apply to the Participant:

Years of Service	Vested Portion
Less than 1	0%
1 but less than 2	15%
2 but less than 3	30%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

5.04 **Form of Payment**. Payment of amounts under the Plan shall be made either in a lump sum or in substantially equal installments paid over five years, as irrevocably elected by the Participant pursuant to Section 5.06. If the Administrator has no timely election on file, the Participant shall be paid in a lump sum. If a Participant elects installments, the amount of each installment shall equal the value of the Participant's Deferral Account balance as of the end of the calendar year preceding the date of payment divided by the number of installments remaining to be paid. The balance of a Participant's Deferral Account payable in installments shall continue to be credited with earnings or losses pursuant to Article IV until the entire Account balance has been paid.

5.05 **Unforeseeable Emergency**. A Participant who incurs an Unforeseeable Emergency may, upon written request to the Administrator, receive a distribution of part or all of his or her vested Deferral Account. Whether a Participant is faced with an Unforeseeable Emergency shall be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency shall not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent that liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals to his or her Deferral Account. The amount which may be paid to the Participant on account of a severe financial hardship shall be limited to the amount reasonably necessary to satisfy the Participant's financial hardship, as defined in the Regulations.

5.06 **Election of Form and Time of Payment**. Each Participant shall elect the form of payment for a distribution upon his or her Separation from Service. Such election shall be made within thirty (30) days of the date the Participant initially becomes a Participant in the Plan.

5.07 **Withholding; Payroll Taxes**. To the extent required by the law in effect at the time payments of benefits are made, the applicable Employer shall withhold from such payments any federal, state or local taxes or other amounts required by law to be withheld.

5.08 **Specified Employee Delay**. The following provisions shall apply upon a Separation from Service on or after the date that any stock of the Employer becomes publicly traded on an established securities market or otherwise. If the Participant is deemed on the date of such a Separation from Service to be a "specified employee" (within the meaning of that term under Code Section 409A(a)(2)(B) and determined using any identification methodology and procedure selected by the Company from time to time, or if none, the default methodology and procedure specified under Code Section 409A), then the vested balance of a Participant's Deferral Account that is payable as a result of the Participant's Separation from Service shall not be paid prior to the date which is the earlier of (A) the expiration of the six (6) month period measured from the date of such Separation from Service of the Participant, and (B) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to the Participant in a lump sum, and any remaining payments due under the Plan shall be paid or provided in accordance with the normal payment dates specified for them herein. In determining whether a Participant is subject to the delay hereinabove described, the transitional rules of Treas. Reg. § 1.409A-1(I)(6) shall be applied.

5.09 **Change in Control**.

(a) In the event of a Change in Control, the Board of Directors of the Company, with the approval of the Compensation Committee, may, but shall not be obligated to, 100% fully vest a Participant who has a Separation from

Service as a result of the Change in Control in his or her Deferral Account as of the date of such Participant's Separation from Service.

(b) For Plan purposes, Change in Control shall have the same meaning as set forth in the equity plan maintained by Premier, Inc. and if there is more than one such plan, then the meaning set forth in the most recently adopted or amended equity plan shall apply. For avoidance of doubt, the treatment of awards under such equity plan or under any other plan or program shall not impact the Board's decision whether to provide full vesting under the plan, which decision the Board may make in its sole and absolute discretion.

ARTICLE VI
Administration

6.01 Administrator. The Company shall be the Plan's Administrator. The Board of Directors of the Company has delegated the authority to operate and administer the Plan to the Retirement Committee, which shall include the authority to interpret the Plan and adopt and enforce rules and regulations for its operation and administration. A member of the Retirement Committee may also be a Participant under the Plan but may not be involved with any matter relating to his or her own benefits under the Plan or any other financial interest he or she may have under the Plan.

6.02 Agents. In the administration of the Plan, the Company may from time to time employ agents and delegate to them such administrative duties as it sees fit.

6.03 Binding Effect. Any decision or action of the Company relating to the Plan shall be final, conclusive and binding upon all Participants, their Spouses and any other person having any interest in the Plan.

6.04 Claims Procedure. This Section 6.04 is based on final regulations issued by the Department of Labor and codified at 29 C.F.R. §2560.503-1. If any provision of this Section conflicts with the requirements of those regulations, the requirements of those regulations will prevail. For purposes of this Section 6.04, references to disability benefit claims are intended to describe claims made by Participants for benefits payable pursuant to Section 5.03, but only if and to the extent that such claims require an independent determination by the Company or such other delegate appointed by the Company that the Participant is or is not disabled within the meaning of Section 5.03. If the Company's or such other delegate's determination is based entirely on a disability determination made by another party, such as the Social Security Administration or another federal or state agency or an insurer with respect to a disability insurance policy covering the Participant, the Participant's claim shall not be treated as a disability claim for purposes of the special provisions of this Section that apply to claims for which an independent determination of disability is required.

(a) Initial Claim and Time Periods. A Participant or Beneficiary ("Claimant") who desires to recover benefits due him or her under the Plan, enforce his or her rights under the terms of the Plan or clarify his or her rights to future benefits under the terms of the Plan (referred to in this Section as the "claim or "claims") shall submit the claim in writing to the Retirement Committee. The Retirement Committee shall review the claim itself or appoint an individual or entity to review the claim. The Retirement Committee and any individual or entity appointed to review the claim (the "Claims Fiduciary") has the sole power in its discretion (as described below) to determine the rights and eligibility of employees, Participants and Beneficiaries to their respective benefits under the Plan. Benefits under the Plan will be paid only if the Claims Fiduciary decides in its discretion that the applicant is entitled to them.

Any claim must be submitted within the "applicable limitations period." The "applicable limitations period" shall be two years beginning on:

(i) for a claim with respect to any account balance, other benefit amount or other information, including, but not limited to, information regarding the Claimant, the date on which such information was first made available to the Claimant;

(ii) for a claim with respect to any single Plan payment, or series of Plan payments, the date on which the single payment, or the first in the series of payments, was made; or

(iii) for all other claims, the date on which the action complained of first occurred.

(b) Benefit Claims That Do Not Require a Determination of Disability. If the claim is for a benefit other than a disability benefit, the Claimant shall be notified within ninety (90) days after the claim is filed whether the claim

is allowed or denied, unless the Claimant receives written notice from the Retirement Committee or its delegate prior to the end of the ninety (90) day period stating that special circumstances require an extension of the time for decision, such extension not to extend beyond the day which is one hundred eighty (180) days after the day the claim is filed.

(c) Disability Benefit Claims. In the case of a benefits claim that requires an independent determination by the Plan of a Participant's disability status, the Retirement Committee or other delegate shall notify the Claimant of the Plan's adverse benefit determination within a reasonable period of time, but not later than forty-five (45) days after receipt of the claim. If, due to matters beyond the control of the Plan, the Retirement Committee or its delegate needs additional time to process a claim, the Claimant will be notified, within forty-five (45) days after the claim is received, of those circumstances and of when the Retirement Committee or other delegate expects to make its decision but not beyond seventy-five (75) days. If, prior to the end of the extension period, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to one hundred five (105) days, provided that the Retirement Committee or other delegate, as applicable, notifies the Claimant of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. The extension notice shall specifically explain the standards on which entitlement to a disability benefit is based, the unresolved issues that prevent a decision on the claim and the additional information needed from the Claimant to resolve those issues, and the Claimant shall be afforded at least forty-five (45) days within which to provide the specified information.

(d) Manner and Content of Denial of Initial Claims. If the Retirement Committee or other delegate denies a claim, it must provide to the Claimant, in writing or by electronic communication:

(i) The specific reasons for the denial;

(ii) A reference to the Plan provision or insurance contract provision upon which the denial is based;

(iii) A description of any additional information or material that the Claimant must provide in order to perfect the claim;

(iv) An explanation of why such additional material or information is necessary;

(v) Notice that the Claimant has a right to request a review of the claim denial and information on the steps to be taken if the Claimant wishes to request a review of the claim denial; and

(vi) A statement of the participant's right to bring a civil action under ERISA §502(a) following a denial on review of the initial denial.

In addition, in the case of a denial of disability benefits on the basis of the Retirement Committee's or its delegate's independent determination of the Participant's disability status, the Retirement Committee or its delegate, as applicable, will provide a copy of any rule, guideline, protocol, or other similar criterion relied upon in making the adverse determination (or a statement that the same will be provided upon request by the Claimant and without charge).

(e) Review Procedures.

(i) Benefit Claims that do not Require a Determination of Disability. Except for claims requiring an independent determination of a Participant's disability status, a request for review of a denied claim must be made in writing to the Retirement Committee or its delegate, as applicable, within sixty (60) days after receiving notice of denial. The decision upon review will be made within sixty (60) days after the Retirement Committee's or delegate's receipt, as applicable, of a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of a request for review. A notice of such an extension must be provided to the Claimant within the initial sixty (60) day period and must explain the special circumstances and provide an expected date of decision.

The reviewer shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless whether the information was submitted or considered in the initial benefit determination.

(ii) Disability Benefit Claims. In addition to having the right to review documents and submit comments as described in (i) above, a Claimant whose claim for disability benefits requires an independent determination of the Participant's disability status has at least one hundred eighty (180) days following receipt of a notification of an adverse benefit determination within which to request a review of the initial determination. In such cases, the review will meet the following requirements:

(1) The Plan will provide a review that does not afford deference to the initial adverse benefit determination and that is conducted by an appropriate named fiduciary of the Plan who did not make the initial determination that is the subject of the appeal, nor is a subordinate of the individual who made the determination.

(2) The appropriate named fiduciary of the Plan will consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment before making a decision on review of any adverse initial determination based in whole or in part on a medical judgment. The professional engaged for purposes of a consultation in the preceding sentence shall not be an individual who was consulted in connection with the initial determination that is the subject of the appeal or the subordinate of any such individual.

(3) The Plan will identify to the Claimant the medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the review, without regard to whether the advice was relied upon in making the benefit review determination.

(4) The decision on review will be made within forty-five (45) days after the Retirement Committee's or delegate's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than ninety (90) days after receipt of a request for review. A notice of such an extension must be provided to the Claimant within the initial forty-five (45) day period and must explain the special circumstances and provide an expected date of decision.

(iii) Manner and Content of Notice of Decision on Review. Upon completion of its review of an adverse initial claim determination, the Retirement Committee or appropriate other named fiduciary, as applicable, will give the Claimant, in writing or by electronic notification, a notice containing:

(1) its decision;

(2) the specific reasons for the decision;

(3) the relevant Plan provisions or insurance contract provisions on which its decision is based;

(4) a statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information in the Plan's files which is relevant to the Claimant's claim for benefits;

(5) a statement describing the Claimant's right to bring an action for judicial review under ERISA §502(a); and

(6) if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination on review, a statement that a copy of the rule, guideline, protocol or other similar criterion will be provided without charge to the Claimant upon request.

(f) Calculation of Time Periods. For purposes of the time periods specified in this Section 6.04, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim.

If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

(g) If a Claims Fiduciary does not make a decision on a claim or on a request for review of a denied claim within the appropriate time period, such claim or request for review, as the case may be, shall be deemed denied. The decision on a request for review shall be final and conclusive. A claimant may not bring a lawsuit on a claim under the Plan until he or she has exhausted the internal administrative claim process established under this Section 6.04 of the Plan. No action at law or in equity to recover under the Plan shall be commenced later than one year from the date a determination is made on the request for review or the expiration of the appeal decision period if no determination is issued.

ARTICLE VII
Amendment and Termination of the Plan

7.01 Amendment. The Board of Directors of the Company, subject to the approval of the Compensation Committee, may at any time, and from time to time, amend the Plan in whole or in part; provided, however, that no amendment shall be effective to decrease any benefit accrued under the Plan as of the later of the Effective Date or date of adoption of such amendment.

7.02 Termination. The Board of Directors of the Company, subject to the approval of the Compensation Committee, may, at any time, in its sole discretion, terminate the Plan; provided, however, that no such termination shall be effective to decrease any benefit accrued under the Plan as of the date of such termination.

ARTICLE VIII
Miscellaneous

8.01 ERISA Exemption. The Plan will be maintained by the Employer primarily for the purpose of providing (a) deferred compensation for a select group of management or highly compensated employees and (b) an excess benefit plan for employees as defined in Section 3(36) of ERISA. Therefore, the Plan is intended to be exempt from Parts 2, 3 and 4 of the ERISA. It is further intended that the Plan will not cause the interest of a Participant in the Plan to be includable in his or her gross income prior to actual receipt of Plan benefits for purposes of the Code. If the Plan is held to be subject to Parts 2, 3 or 4 of ERISA or to create current taxation of Plan Participants under the Code by a federal court, and appeals from that holding are no longer timely or have been exhausted, the Plan shall terminate.

8.02 Unsecured Creditor. All amounts deferred or contributed under the Plan, all property and rights which may be purchased by a Participating Employer with such amounts and all income attributable to such amounts, property or rights shall remain solely the property and rights of such Participating Employer subject only to the claims of such Participating Employer's general creditors. Further, it is understood that none of the Participating Employers are obligated hereby to establish a trust or to purchase any property or rights to support the promises made under the Plan. Each Participating Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of such Employer to pay money in the future.

8.03 Participant Obligation. To the extent permitted by the Regulations, if a distribution is to be made to a Participant at the time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to an Employer, then the Employer may reduce the distribution by the amount of the debt, obligation or other liability owed by the Participant to the Employer. Such determination shall be made by the Compensation Committee. The amount of the distribution to the Participant for federal income tax purposes shall be considered the full amount of the distribution that would have been paid and shall not be adjusted for the reduction. This provision shall be administered so that there is no change in the time and form of payment of a distribution to the Participant as a result of such reduction and in compliance with all of the requirements of the Regulations.

8.04 Non-Assignability. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the benefit payable under the Plan, or any part thereof, which are expressly declared to be unassignable and nontransferable. No part of the benefit shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debt, judgments, alimony, or separate maintenance owed by the Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

8.05 Not a Contract of Employment. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Employer or any Related Entity and the Participant, and the Participant or his or her Beneficiary shall not have any rights against the Employer or any Related Entity except as may be otherwise specifically provided herein.

Moreover, nothing in the Plan shall be deemed to give a Participant the right to be retained in the employ of the Employer or any Related Entity or to limit in any way the right of the Employer or a Related Entity to discipline or discharge the Participant at any time.

8.06 Cooperation. A Participant will cooperate with the Employer by furnishing any and all information requested by the Employer, and by taking such other action as may be requested by the Employer.

8.07 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

8.08 Construction. Any mention of "Articles," "Sections" and subdivisions thereof, unless stated specifically to the contrary, refers to Articles, Sections or subdivisions in the Plan. Headings of Articles, Sections and subsections are for convenient reference and if there is any conflict between such headings and the text of the Plan, the text will control. All references to statutory sections shall include the section as amended from time to time.

8.09 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the State of Delaware.

8.10 Validity. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts, but the Plan shall be construed and enforced as if such illegal or invalid provision had never been a part hereof.

8.11 Notice. Any notice or filing required or permitted to be given to the administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the principal office of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

8.12 Successors. The provisions of the Plan shall be binding and inure to the benefit of the Employer and its successors and assigns. The term "successors" as used herein shall include any corporate or other business entity which shall, by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of one or all of the Employer and successors of any such corporation or other business entity.

8.13 409A Compliance. The Plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Code Section 409A and the Regulations, and shall be interpreted and operated consistent with such intent. If any ambiguity exists in the terms of the Plan, it shall be interpreted to be consistent with this purpose.

IN WITNESS WHEREOF, a duly authorized officer of Premier Healthcare Solutions, Inc. has executed this Plan on this 26 day of September, 2014.

PREMIER HEALTHCARE SOLUTIONS, INC.

Date: 9/26/2014 By: /s/ Alison Golding Allison Golding
Senior Director of Total Rewards

Exhibit 10.20

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Exhibit 10.20

FIRST AMENDMENT TO THE

PREMIER HEALTHCARE SOLUTIONS, INC.

DEFERRED COMPENSATION PLAN

WHEREAS, Premier Healthcare Solutions, Inc. (the "Company") maintains the Premier Healthcare Solutions, Inc. Deferred Compensation Plan (the "Plan") for the benefit of select employees;

WHEREAS, amendment of the Plan is now considered desirable to make certain changes to the participation provisions in the Plan with respect to participants who transfer employment to a related entity of the Company;

WHEREAS, the Plan provides that the Board of Directors of the Company may amend the Plan, subject to the approval of the Compensation Committee of Premier, Inc.; and

WHEREAS, the Compensation Committee of Premier, Inc. has approved such an amendment to the participation provisions in the Plan.

NOW, THEREFORE, BE IT RESOLVED, pursuant to the power granted to the Board of Directors of the Company by Section 7.01 of the Plan, that the Plan is hereby amended, effective as provided herein, in the following particulars:

1. Effective January 1, 2016, Section 1.18 of the Plan is amended to read as follows:

"**1.18 Participant** means any individual who is an employee of a Participating Employer who is selected for participation hereunder and agrees to be bound by the Plan's terms and provisions in accordance with Article II. An individual who becomes a Participant shall cease to be a Participant for purposes of Article III of the Plan as described in Section 2.03 of the Plan."

2. Effective as of January 1, 2016, the definition of Participating Employer at Section 1.19 of the Plan is amended in its entirety to read as follows:

"1.19 Participating Employer means the Company, Premier Supply Chain Improvement, Inc. and any Related Entity of the Company or Premier Supply Chain Improvement, Inc. which chooses to participate in the Plan with the consent of the Compensation Committee. In addition, the Compensation Committee may allow any other corporation, partnership or other trade or business to be a Participating Employer."

3. Effective January 1, 2016, the following Section 2.03 is added to the Plan:

"2.03 Cessation of Participation. A Participant who ceases to be an employee of a Participating Employer but who remains an employee of a Related Entity shall cease to be a Participant in the Plan for purposes of Article III of the Plan as of the first day of the Plan Year following the date the Participant becomes an employee of a Related Entity. In addition, any Deferral Agreement that is irrevocable on the date that such Participant becomes an employee of a Related Entity shall continue to be recognized. For avoidance of doubt, a Deferral Agreement shall not apply to Compensation for services to be performed in payroll periods that begin after the date that an individual ceases to be a Participant.

IN WITNESS WHEREOF, a duly authorized signatory of Premier Healthcare Solutions, Inc. has executed this First Amendment on this 25th day of September, 2015.

Exhibit 10.20

PREMIER HEALTHCARE SOLUTIONS, INC.

/s/ Allison Golding

By: Allison Golding, Authorized Signatory

Exhibit 10.20

SECOND AMENDMENT TO THE

PREMIER HEALTHCARE SOLUTIONS, INC.

DEFERRED COMPENSATION PLAN

WHEREAS, Premier Healthcare Solutions, Inc. (the "Company") maintains the Premier Healthcare Solutions, Inc. Deferred Compensation Plan (the "Plan") for the benefit of select employees;

WHEREAS, amendment of the Plan is now considered desirable to delegate to the Premier Healthcare Solutions, Inc. Retirement Committee, or a subcommittee thereof, the authority to designate certain non-executive officer employees as participants in the Plan; and

WHEREAS, the Plan provides that the Board of Directors of the Company may amend the Plan, subject to the approval of the Compensation Committee of Premier, Inc. (the "Compensation Committee").

NOW, THEREFORE, BE IT RESOLVED, pursuant to the power granted to the Board of Directors of the Company by Section 7.01 of the Plan but subject to the approval of the Compensation Committee, that the Plan is hereby amended, effective as provided herein, in the following particulars:

Effective January 1, 2019, Article II of the Plan is amended to read as follows:

"ARTICLE II
Eligibility for Participation

2.01 Participation. Any Participant in the Plan as of December 31, 2018 shall continue to be a Participant in the Plan on and after January 1, 2019, as provided in the Plan. The Compensation Committee in its complete and absolute discretion may designate any executive officer (as defined under SEC Rule 3b-7 and Rule 16a-1) ("Executive Officer") to participate in the Plan and the Retirement Committee, or a subcommittee appointed from its members by such Retirement Committee (the "Subcommittee"), in its complete and absolute discretion may designate any executive who is not an Executive Officer ("Non-Officer Executive") to participate in the Plan, provided, however, that each Executive Officer designated by the Compensation Committee and each Non-Officer Executive designated by the Retirement Committee, or the Subcommittee, meets the following criteria:

(a) had Compensation exceeding the adjusted Compensation Limitation in at least one of the three or fewer Plan Years immediately preceding the current Plan Year, and who has completed at least one Year of Service; or

(b) for purposes of Section 3.01 only, had been hired at a base salary that exceeded the adjusted Compensation Limitation for the Plan Year in which he or she became employed.

2.02 Participation Date and Notice. The date on which each Executive Officer and each Non-Officer Executive selected for participation in the Plan pursuant to Section 2.01 shall become a Participant (the Participant's "Participation Date") shall be determined by the Compensation Committee or Retirement Committee (or the Subcommittee), respectively, who designated such executive for participation. Within thirty (30) days of his or her Participation Date, the Participant shall file an enrollment agreement with the Retirement Committee (or its designee) agreeing to abide by the terms and provisions of the Plan and to cooperate in providing information and take such other action necessary to the proper administration of the Plan as determined by the Retirement Committee."

IN WITNESS WHEREOF, a duly authorized signatory of Premier Healthcare Solutions, Inc. has executed this Second Amendment on this 24th day of October, 2018.

PREMIER HEALTHCARE SOLUTIONS, INC.

/s/ Allison Golding

By: Allison Golding, Authorized Signatory

SUBSIDIARIES OF PREMIER, INC.

As of August 25, 2020

Name of Subsidiary	State/Province of Incorporation
Premier Services, LLC (1)	Delaware
Premier Services II, LLC (1)	Delaware
Premier Healthcare Alliance, L.P. (2)	California
Premier Supply Chain Improvement, Inc. (3)	Delaware
Premier Healthcare Solutions, Inc. (3)	Delaware
Premier Marketplace, LLC (3)	Delaware
NS3Health, LLC (4)	Florida
SVS LLC (4)	North Carolina
Commcare Pharmacy - FTL, LLC (5)	Florida
Premier Specialty Pharmacy Solutions, LLC (5)	Florida
Acro Pharmaceutical Services LLC (5)	Pennsylvania
Innovatix, LLC (4)	Delaware
InnovatixCares, LLC (6)	Delaware
Innovatix Network, LLC (6)	Delaware
Essensa Ventures, LLC (4)	New York
Premier Insurance Management Services, Inc. (7)	California
Premier Pharmacy Benefit Management, LLC (7)	Delaware
TheraDoc, Inc. (7)	Delaware
Healthcare Insights, LLC (7)	Illinois
CECity.com, Inc. (7)	Pennsylvania
Premier Research Institute, Inc. (7)	Delaware
Ostonic Quality Systems, LLC (8)	Delaware
ProvideGx, LLC (4)	Delaware
Contigo Health, LLC (9)	Delaware
Stanson Health, Inc. (7)	Delaware
Intersectta, LLC (4)	Delaware
Conductiv, Inc. (4)	North Carolina
Acurity, LLC (4)	Delaware
Nexera, LLC (4)	Delaware
Conductiv Contracts, LLC (4)	Delaware

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(1) Wholly owned by Premier, Inc.

(2) Premier Services, LLC is the sole general partner and Premier Services II, LLC is the sole limited partner.

(3) Wholly owned by Premier Healthcare Alliance, L.P. (4) Wholly owned by Premier Supply Chain Improvement, Inc.

(5) Wholly owned by NS3Health, LLC.

(6) Wholly owned by Innovatix, LLC.

(7) Wholly owned by Premier Healthcare Solutions, Inc.

(8) CECity.com, Inc. holds a 50% interest.

(9) Premier Healthcare Solutions, Inc. holds a 97% interest.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-191484) pertaining to the 2013 Equity Incentive Plan of Premier, Inc.,
(2) Registration Statement (Form S-8 No. 333-229531) pertaining to the 2013 Equity Incentive Plan of Premier, Inc. (as amended and restated effective December 7, 2018),
(3) Registration Statement (Form S-3 No. 333-199158) of Premier, Inc.,
(4) Registration Statement (Form S-8 No. 333-204628) pertaining to the 2015 Employee Stock Purchase Plan of Premier, Inc.,
(5) Registration Statement (Form S-3/ASR No. 333-221426) of Premier, Inc., and
(6) Registration Statement (Form S-3/ASR No. 333-244415) of Premier, Inc.;

of our reports dated August 25, 2020, with respect to the consolidated financial statements of Premier, Inc. and the effectiveness of internal control over financial reporting of Premier, Inc. included in this Annual Report (Form 10-K) of Premier, Inc. for the year ended June 30, 2020.

/s/ Ernst & Young LLP

Raleigh, North Carolina
August 25, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan D. DeVore, certify that:

1. I have reviewed this annual report on Form 10-K of Premier, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2020

/s/ Susan D. DeVore

Susan D. DeVore

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig S. McKasson, certify that:

1. I have reviewed this annual report on Form 10-K of Premier, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 25, 2020

/s/ Craig S. McKasson

Craig S. McKasson

Chief Administrative and Financial Officer and Senior Vice President

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Premier, Inc. ("Premier") on Form 10-K for the period ending June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan D. DeVore, Chief Executive Officer of Premier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Premier.

/s/ Susan D. DeVore

Susan D. DeVore

Chief Executive Officer

August 25, 2020

A signed original of this written statement required by Section 906 has been provided to Premier, Inc. and will be retained by Premier, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. This written statement shall not be deemed filed by Premier, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to liability under that section, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Premier, Inc. specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Premier, Inc. ("Premier") on Form 10-K for the period ending June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig S. McKasson, Chief Administrative and Financial Officer and Senior Vice President of Premier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Premier.

/s/ Craig S. McKasson

Craig S. McKasson

Chief Administrative and Financial Officer and Senior Vice President

August 25, 2020

A signed original of this written statement required by Section 906 has been provided to Premier, Inc. and will be retained by Premier, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. This written statement shall not be deemed filed by Premier, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to liability under that section, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Premier, Inc. specifically incorporates it by reference.