Premier Inc (NASDAQ: PINC)

Executive Summary (1m)

Recommendation:	Long
Price:	$20.04
Price Target:	$25.09
Upside:	25.4%
Market Cap:	$1,927
Enterprise Value:	$2,475
52 Week High:	$23.56
52 Week Low:	$17.73

We recommend that we take a long position in Premier (NASDAQ: PINC), a digitized healthcare company that offers both supply chain and management services. Currently trading at ~$20/share, we believe that the market fails to value the strength of Premier's relationships and has instead focused on the loss of their subsidiary Contigo. We believe that there is an opportunity to invest from their reshaping of the Performance Services business, that will bolster revenues from subscription, consulting, and alternative contracts in which the intrinsic value of Premier is likely closer to $25/share. Premier possesses a massive-reach, asset-light business model that demonstrates a long-term differentiator.

Company Overview (3.5m)

Overview

Premier, Inc. is a healthcare improvement company that brings together an alliance of more than 4,350 hospitals and health systems, along with over 325,000 other healthcare providers and organizations across the United States. Its mission is to transform healthcare through a comprehensive technology-driven platform, offering critical services across supply chain management, clinical operations, financial analytics, and value-based care initiatives.

Segments

1) Supply Chain Services (65.8% of revenue)

The Supply Chain Services segment includes Premier's group purchasing organization (GPO) program, supply chain co-management services, purchased services, and direct sourcing activities. This segment helps healthcare providers optimize purchasing, lower costs, and improve supply chain efficiency.

2) Performance Services (34.2% of revenue)

The Performance Services segment is organized under three key brands: 1) PINC AI: A technology and services platform delivering software-as-a-service solutions, clinical and enterprise analytics, and consulting services. 2) Contigo Health: A direct-to-employer business offering healthcare services that connect employers with high-quality providers and networks. 3) Remitra: A digital invoicing and payables automation solution aimed at streamlining financial operations within the healthcare ecosystem. Through these brands, Premier delivers performance improvement programs, collaborative initiatives, and third-party administrator services to help healthcare organizations achieve clinical, operational, and financial excellence.

Management & Compensation (2024)

Michael J. Alkire - President and Chief Executive Officer: $11,806,381 Total Compensation

Michael Alkire has been with Premier since 2003 and ascended to the CEO role in 2021. His background includes leadership roles at Cap Gemini, focusing on supply chain and high-tech manufacturing. Under his leadership, Premier has emphasized innovation and technology-driven solutions in healthcare.

Craig S. McKasson - Chief Administrative and Financial Officer: $4,016,582 Total Compensation

Craig McKasson served as Premier's CFO and Chief Administrative Officer until November 2024. During his tenure, he was recognized for his financial leadership, including being named Public Company CFO of the Year by the Charlotte Business Journal.

Leigh T. Anderson - Chief Operating Officer: $3,214,204 Total Compensation

Leigh Anderson was promoted to COO in September 2023. Previously, he led Premier's Performance Services, where he was instrumental in developing the AI-enabled platform PINC AI. His current role focuses on modernizing and tech-enabling supply chain products and services.

Andrew F. Braillo - Chief Commercial Officer: $2,001,595 Total Compensation

Andy Brailo has been with Premier for over two decades, recently transitioning from Chief Customer Officer to Chief Commercial Officer. He oversees Premier's member-embedded field force and supply chain services growth teams, leveraging his deep understanding of member needs.

David L. Klatsky - General Counsel: $2,128,488 Total Compensation

David Klatsky has served as Premier's General Counsel since 2016. He brings extensive legal expertise to the role, ensuring compliance and guiding the company's legal strategies.

Corporate Performance Metrics(1)	Weighting	Threshold(3)	Target(3)	Stretch(3)	Range(4)	2024 Actual Performance(5)	Achievement of Target
Revenue	20%	$1,254.0	$1,407.3	$1,435.1	0%—150%	$1,346.4	76.5%
Adjusted EBITDA(7)	20%	$ 393.9	$ 442.1	$ 450.8		$ 445.8	121.5%
Free Cash Flow(7)	20%	$ 196.8	$ 220.8	$ 225.2		$ 278.0	150.0%
Key Strategic Objectives	40%	50%	100%	150%		98.8%(8)	98.8%

Returning Value to Shareholders

Premier, Inc. has shifted its focus to returning capital to shareholders through substantial share repurchases and consistent dividend payments. In February 2024, Premier's Board authorized a $1.0 billion share repurchase program. Under this initiative, the company executed a $400 million accelerated share repurchase (ASR) agreement, acquiring approximately 19.9 million shares. Subsequently, in August 2024, Premier initiated an additional $200 million in open market repurchases, bringing total buybacks to $600 million by January 2025. Going forward we expect substantial future buybacks to be announced. Complementing its buyback strategy, Premier has maintained a steady dividend payout. In fiscal 2025, the company distributed $42.4 million in dividends, with a quarterly dividend of $0.21 per share, yielding approximately 4.24% annually at current stock prices. Future value to shareholders will be primarily driven through prudent returns of excess profits and cash flows to shareholders via these two methods, and we don't expect to see large investment into acquisitive activities. Premier also has no junior/senior long-term debt – so repayment of debt is not a concern or option.

Financial Overview (1.5m)

Income Statement and Earnings Analysis

In Q3 2025 (ended on 3/31/2025), Premier reported a revenue of 261.4 million, a decline of 8.89% from $286.9 million in Q3 2023. The revenue contraction is largely driven by weaker performance in its Supply Chain Services segment, which have been pressured by the macroeconomics headwinds.

Most notably, Premier swung to profitability this quarter, reporting net income of $27.1 million compared to a net loss of $40 millions in Q3 2024. The prior quarter loss was largely due to the $140 million goodwill impairment, which is recorded as a one-time expense. Therefore, the drop in top-line has not been offset by a reduction in COGS or operating expenses.

Key Drivers of Performance:

Uniquely to Premier, the company holds a Member-Owner structure (with their class B shares). Essentially, of the massive reach of hospitals Premier services, all of them possess an ownership stake in the company. Their biggest, most relevant competitor is Vizient (private) that competes directly as an integrator and GPO negotiator. While they both have a massive base of connections with hospitals globally, Premier will retain a much more sticky membership pool due to profit-sharing. Additionally what is less-looked at, this situation produces a flywheel. The larger the member-owner base, the better the GPO pricing, and the more data Premier can analyze, – leads to the more value that gets delivered — which keeps existing systems engaged and attracts new systems.

PINC AI has become a major factor in the expansion of Premier's Performance Services division. The company has kept more clients and raised licensing prices, which shows how much clients value its data-driven insights. Continued investments in AI and machine learning have been well-received, and good feedback from clients has strengthened Premier's position as a leader in healthcare analytics.

Management thinks that Premier's size and range of services make it the best company to help healthcare providers deal with inflation, geopolitical problems and tariffs. We agree. Due to the scope of relationships and having being already integrated in a quarter of North American hospitals, Premier remains sticky and will face a much smaller consequence from ongoing pessimistic trends versus smaller competitors like Health Catalyst (workforce laid off 20% by Q1 25), Cano Health (example of bad positioning from no liquidity and resources; whereas Premier has kept that in check; though do note Cano operates in HealthTech which is essentially only ½ of Premier's primary ops).

Segmented Earnings and Trends

1) Supply chain services net revenue decreased by 8%
    a) Increased fee share in GPO
    b) Growth in net administrative fees
2) Performance services net revenue decreased by 10%
    a) Lower revenue in consulting services
    b) Better performance in applied sciences
    c) AI is likely replacing the consulting services.

Industry Overview (2.5m)

Competitors

GPO Competitors:

- Vizient
- McKesson
- HealthTrust Performance Group (HPG)
- Intalere
- Medline Industries

Performance Services:

- IQVIA Holdings
- Veradigm Inc. (fka Allscripts)
- Cerner Corporation
- Epic Systems Corporation
- InterSystems Corporation

Cyclical Industry

The Supply Chain Services industry is generally non cyclical. The essential nature of healthcare services provides a degree of resilience against severe economic swings. There is some variance, influenced by factors such as hospital admission rates, elective procedures, and broader economic conditions. During economic downturns or public health crises, demand for certain medical supplies may fluctuate, impacting revenue streams. But broadly this is non cyclical.

Competitive Advantages & Barriers to Entry

The company has a defensible competitive position within the industry through a combination of network effects, data scale, and vertical integration. Its GPO aggregates purchasing power across thousands of member hospitals, enabling favorable pricing negotiations and driving high member retention due to cost savings and embedded procurement workflows. The company's proprietary data assets - sourced from clinical, operational, and financial systems - enable differentiated analytics and benchmarking tools, which improve as more members join, reinforcing a data network effect. Long-term contracts, historically coupled with member equity stakes, further entrench client relationships and reduce churn. Barriers to entry are substantial: new entrants face steep switching costs, regulatory hurdles (e.g., HIPAA compliance), and limited access to comparable data or supplier relationships, making it difficult to replicate Premier's scale, trust, and integration across provider systems.

Valuation (1m)

25.4% exit upside at an implied share price of $25.09.

Revenue Projections

- 2025F-2029F ($B): 1.45, 1.56, 1.71, 1.90, 2.14.

CapEx

- 2025F-2029F roughly 6 → 4% of revenue, decreasing as CapEx becomes less intensive from refocus

WACC

- 10.2% WACC, using the dividend capitalization model as Premier has no traditional debt.

Relative Valuation

11.71x Exit TTM EV/EBITDA Multiple

17.64 TTM EV/EBIT Multiple in asset-light terms

- Labcorp Holdings
- Owens & Minor
- Quest Diagnostics
- Health Catalyst
- Evolent Health

Investment Theses & Catalysts (4m)

Thesis 1: Towards Capital Efficiency Leveraging GPO Assets

Markets view: The markets believe Premier has been unable to generate value from their resources devoted to their Contigo Health division, and the former acquisitions through the subsidiary in Devon Health and TPRH. The sale of Contigo earlier last year was reflected as an effort to try and recoup losses.

Our view: We agree. However, we believe the market has ignored the pretext that the sale of Contigo, and also S2S Global, has provided Premier with the opportunity to catalyze on an underappreciated grower — their Performance Services, specifically in PINC, data platforms, and automation — the "**new core**" segments.

- Premier has zero traditional debt on their balance sheet. However, they have a unique line item "the liability related to the sale of future revenues" as a distinct source.
- Non-dilutive capital raise without taking on debt has allowed Premier to access dire cash

- The monetized revenue primarily comes from the Group Purchasing Organization (GPO) contracts—typically multi-year, high-visibility cash flows
    - From the GPO business, this is actually from **non-healthcare contracts**
- Despite the liability, consumers from these contracts are still able – and obligated – to continue making purchases through Premier's GP purchases
- These proceeds have been used to reinvest into core business operations and high-growth segments
    - Tech enabled verticals, such as AI-driven supply chain optimization, hospital automation tools, and data & analytics platforms.
    - We believe this is their actual bread and butter — they are able to capitalize on these sales due to the massive amount of relationships they've built from their GPO business.

Thesis 2: Alternative Perspective to Core Business Operations Today

Markets view: Currently, there are many pressure on the health system, driven by tariff concerns and heightened inflation since the quantitative easing during Covid-19. The potential cuts in Medicaid funding will further cloud the health care systems. Specifically, the street expects increasing number of uncompensated costs, meaning that more patients will receive care with the providers getting paid. This can potentially reduce budget of hospitals, and thus hurting the top-line of Premier.

Our View: We believe Premier's business offers meaningful downside protection that the market is underappreciating—particularly within its GPO operations and AI initiatives. While tariffs pose a potential risk by pressuring hospital margins and dampening purchasing volume, Premier is well positioned to benefit from this dynamic. As hospitals face growing cost inflation, they are increasingly likely to turn to Premier's contract discounts and supply chain expertise to identify savings, which should further drive growth in the GPO segment. Moreover, Premier's focus on AI-driven analytics and automation is poised to enhance profitability by reducing the need for costly data analysts and external consultants. PINC AI, Premier's cloud-based analytics platform, is built on one of the nation's largest healthcare datasets, drawing from over 400,000 physicians and 45% of U.S. hospital discharges. It enables real-time analysis of purchasing patterns, price benchmarking, and anomaly detection. During periods of high tariffs, PINC AI becomes especially valuable, helping identify substitute products or alternative suppliers that can mitigate cost pressures. This increases Premier's pricing power, allowing the company to improve revenue with minimal associated cost increases.

Thesis 3 (Slightly less significant): Sticky Public-Private Partnerships

Markets view: The health sector remains a complex landscape shaped by continuing labor shortages, inflation and a disruptive supply chain. At the same time, providers, suppliers and payers are working to implement massive changes in an increasingly competitive and value-based environment under a new Congress and administration.

Our view: Premier recently announced a partnership with the National Evaluation System for Health Technology (NEST). This collaboration reinforces Premier's position as a leading supplier in the healthcare sector. With NEST's endorsement as a treatment to its capabilities, Premier's supply chain solutions are likely to remain the preferred choice for both existing and new hospitals and medical providers. By leveraging its industry-leading, high quality RWD and real-world evidence (RWE) capabilities, Premier can help accelerate medical device approval, lower regulatory risks, and ultimately improve patient outcomes. The public-private partnerships will not only lead to incremental cost reductions but will also drive top line increase through expanding market share.

Risks & Mitigants (2m)

Risk 1:
Impact of Inflation and Tariff

Mitigant:
Inflation driven by post-COVID quantitative easing and renewed tariff threats stemming from geopolitical tensions have continued to place pressure on the healthcare system. As a result, providers may become more cautious with their purchasing decisions, potentially reducing Premier's administrative fee revenue. However, Premier's GPO platform—enhanced by its PINC AI analytics and extensive database—offers members significantly lower prices compared to competitors. Leveraging its scale, Premier can negotiate more favorable pricing with suppliers, which helps offset rising costs from inflation and tariffs, making its offerings even more valuable in a cost-sensitive environment.

Risk 2:
Increasing competition in the technology-driven healthcare improvement space

Mitigant:
While the healthcare improvement space is highly competitive and rapidly evolving, Premier has built a strong competitive moat through its scale, integrated platform, and proven track record. Its PINC AI technology is embedded in major EMR systems and backed by one of the nation's largest clinical and operational databases, giving Premier a data-driven edge in delivering actionable insights. Moreover, the company's diversified offering—spanning analytics, third-party benefit administration (via Contigo Health), and AP automation (via Remitra)—creates a sticky ecosystem that enhances client retention and cross-selling opportunities, helping Premier stay ahead despite rising competition.

Risk 3:
Impact of Medicaid cuts

Mitigant:

Medicaid cuts would place significant pressure on Premier's revenue, especially given the current administration's firm stance on reducing federal healthcare spending. Rural hospitals are likely to be hit the hardest by the latest bill, making Premier's GPO program even more attractive as they seek cost-effective solutions. As for the existing members, Premier has stronger pricing power as it remain as one of the few options that can connect them to suppliers at relatively low costs.