Ternium S.A.
Form 6-K
February 21, 2018

FORM 6 - K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

As of 2/20/2018

Ternium S.A.

(Translation of Registrant's name into English)

Ternium S.A.
29 Avenue de la Porte-Neuve – 3rd floor

L-2227 Luxembourg

(352) 2668-3152

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F_ √_ Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes ____ No_ √

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Not applicable

The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended.

This report contains Ternium S.A.'s consolidated financial statements as of December 31, 2017.

SIGNATURE

Pursuant to the requirements 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.

TERNIUM S.A.

By: /s/ Pablo Brizzio	By: /s/ Daniel Novegil
Name: Pablo Brizzio	Name: Daniel Novegil
Title: Chief Financial Officer	Title: Chief Executive Officer

Dated: February 20, 2018

TERNIUM S.A.

Consolidated Financial Statements

as of December 31, 2017 and 2016 and

for the years ended on December 31, 2017, 2016 and 2015

29 Avenue de la Porte-Neuve, 3rd floor

L – 2227

R.C.S. Luxembourg: B 98 668

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TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Income Statements

	Notes	Year ended December 31, 2017	2016	2015
Net sales	**5**	9,700,296	7,223,975	7,877,449
Cost of sales	**6**	(7,403,025)	(5,384,390)	(6,477,272)
Gross profit		**2,297,271**	**1,839,585**	**1,400,177**
Selling, general and administrative expenses	**7**	(824,247)	(687,942)	(770,292)
Other operating income (expenses), net	**9**	(16,240)	(9,925)	9,454
Operating income		**1,456,784**	**1,141,718**	**639,339**
Finance expense	**10**	(114,583)	(89,971)	(89,489)
Finance income	**10**	19,408	14,129	7,981
Other financial income (expenses), net	**10**	(69,915)	37,957	(17,922)
Equity in earnings (losses) of non-consolidated companies	**3 & 14**	68,115	14,624	(272,810)
Profit before income tax expense		**1,359,809**	**1,118,457**	**267,099**
Income tax expense	**11**	(336,882)	(411,528)	(207,320)
Profit (Loss) for the year		**1,022,927**	**706,929**	**59,779**
Attributable to:				
Owners of the parent		886,219	595,644	8,127
Non-controlling interest		136,708	111,285	51,652
Profit (Loss) for the year		**1,022,927**	**706,929**	**59,779**
Weighted average number of shares outstanding		1,963,076,776	1,963,076,776	1,963,076,776
Basic and diluted (losses) earnings per share for profit attributable to the		0.45	0.30	0.00

owners of the parent (expressed in
USD per share)

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2017	**2016**	**2015**
Profit (Loss) for the year	**1,022,927**	**706,929**	**59,779**
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(95,462)	(141,665)	(409,767)
Currency translation adjustment from participation in non-consolidated companies	(8,931)	53,858	(230,774)
Changes in the fair value of derivatives classified as cash flow hedges and available-for-sale financial instruments	735	641	1,277
Income tax relating to cash flow hedges and available-for-sale financial instruments	(107)	(192)	(371)
Other comprehensive income items	(96)	(1,542)	-
Other comprehensive income items from participation in non-consolidated companies	191	1,054	973
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post employment benefit obligations	(15,068)	(14,735)	5,277
Income tax relating to remeasurement of post employment benefit obligations	4,916	2,571	(1,946)
Remeasurement of post employment benefit obligations from participation in non-consolidated companies	3,954	(15,817)	(5,113)
Other comprehensive loss for the year, net of tax	**(109,868)**	**(115,827)**	**(640,444)**
Total comprehensive income (loss) for the year	**913,059**	**591,102**	**(580,665)**
Attributable to:			
Owners of the parent	815,434	534,827	(457,750)
Non-controlling interest	97,625	56,275	(122,915)
Total comprehensive income (loss) for the year	**913,059**	**591,102**	**(580,665)**

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Financial Position

	Notes	Balances as of December 31, 2017		December 31, 2016	
ASSETS					
Non-current assets					
Property, plant and equipment, net	**12**	5,349,753		4,135,977	
Intangible assets, net	**13**	1,092,579		842,557	
Investments in non-consolidated companies	**14**	478,348		418,379	
Other investments	**18**	3,380		5,998	
Deferred tax assets	**20**	121,092		85,795	
Receivables, net	**15**	677,299		132,580	
Trade receivables, net	**16**	4,832	7,727,283	1,270	5,622,556
Current assets					
Receivables, net	**15**	362,173		79,820	
Derivative financial instruments	**22**	2,304		316	
Inventories, net	**17**	2,550,930		1,647,869	
Trade receivables, net	**16**	1,006,598		633,745	
Other investments	**18**	132,736		144,853	
Cash and cash equivalents	**18**	337,779	4,392,520	183,463	2,690,066
Non-current assets classified as held for sale			2,763		10,248
			4,395,283		2,700,314
Total Assets			**12,122,566**		**8,322,870**
EQUITY					
Capital and reserves attributable to the owners of the parent			5,010,424		4,391,298
Non-controlling interest			842,347		775,295
Total Equity			**5,852,771**		**5,166,593**
LIABILITIES					

Non-current liabilities					
Provisions	**19**	768,517		6,950	
Deferred tax liabilities	**20**	513,357		609,004	
Other liabilities	**21**	373,046		302,784	
Trade payables		2,259		9,305	
Finance lease liabilities	**23**	69,005		-	
Borrowings	**24**	1,716,337	3,442,521	396,742	1,324,785
Current liabilities					
Current income tax liabilities		52,940		178,112	
Other liabilities	**21**	357,001		228,081	
Trade payables		897,732		603,119	
Derivative financial instruments	**22**	6,001		287	
Finance lease liabilities	**23**	8,030		-	
Borrowings	**24**	1,505,570	2,827,274	821,893	1,831,492
Total Liabilities			6,269,795		3,156,277
Total Equity and Liabilities			**12,122,566**		**8,322,870**

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	Treasury shares (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount(4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	T Eq
Balance as of January 1, 2017	**2.004.743**	**(150.000)**	**(23.295)**	**1.420.171**	**(2.324.866)**	**(2.336.929)**	**5.801.474**	**4.391.298**	**775.295**	**5.16**
Profit for the year							886.219	886.219	136.708	1.02
Other comprehensive income (loss) for the year										
Currency translation adjustment						(66.735)		(66.735)	(37.658)	(10
Remeasurement of post employment benefit obligations				(4.642)				(4.642)	(1.556)	(
Cash flow hedges and others, net of tax				504				504	124	
Others				88				88	7	
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(4.050)**	**-**	**(66.735)**	**886.219**	**815.434**	**97.625**	**91**
Dividends paid in cash (5)							(196.308)	(196.308)	-	(19
Dividends paid in cash to								-	(30.573)	(3

non-controlling interest (6)										
Balance as of December 31, 2017	**2.004.743**	**(150.000)**	**(23.295)**	**1.416.121**	**(2.324.866)**	**(2.403.664)**	**6.491.385**	**5.010.424**	**842.347**	**5.85**

(1) Shareholders' equity determined in accordance with accounting principles generally accepted in Luxembourg is disclosed in Note 25 (iii).

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2017, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2017, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD 0.6 million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

(4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(5) Represents USD 0.10 per share (USD 1.00 per ADS). Related to the dividends distributed on May 3, 2017, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 4.2 million were included in equity as less dividend paid.

(6) Corresponds to the dividends paid by Ternium Argentina S.A. (formerly Siderar S.A.I.C.).

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	Treasury shares (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount(4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	T Eq
Balance as of January 1, 2016	**2,004,743**	**(150,000)**	**(23,295)**	**1,444,394**	**(2,324,866)**	**(2,300,335)**	**5,382,507**	**4,033,148**	**769,849**	**4,80**
Profit for the year							595,644	595,644	111,285	70
Other comprehensive income (loss) for the year										
Currency translation adjustment						(36,594)		(36,594)	(51,213)	(8
Remeasurement of post employment benefit obligations				(25,749)				(25,749)	(2,232)	(2
Cash flow hedges and others, net of tax				229				229	220	
Others				1,297				1,297	(1,785)	
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(24,223)**	**-**	**(36,594)**	**595,644**	**534,827**	**56,275**	**59**
Dividends paid in cash (5)							(176,677)	(176,677)	-	(17
Dividends paid in cash to								-	(50,829)	(5

non-controlling interest (6)										
Balance as of December 31, 2016	**2,004,743**	**(150,000)**	**(23,295)**	**1,420,171**	**(2,324,866)**	**(2,336,929)**	**5,801,474**	**4,391,298**	**775,295**	**5,16**

(1) Shareholders' equity is determined in accordance with accounting principles generally accepted in Luxembourg.

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2016, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2016, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD 0.1 million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

(4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(5) Represents USD 0.090 per share (USD 0.90 per ADS). Related to the dividends distributed on May 4, 2016, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 3.7 million were included in equity as less dividend paid.

(6) Corresponds to the dividends paid by Ternium Argentina S.A. (formerly Siderar S.A.I.C.).

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Changes in Equity

	Attributable to the owners of the parent (1)									
	Capital stock (2)	Treasury shares (2)	Initial public offering expenses	Reserves (3)	Capital stock issue discount (4)	Currency translation adjustment	Retained earnings	Total	Non-controlling interest	To Eq
Balance as of January 1, 2015	**2,004,743**	**(150,000)**	**(23,295)**	**1,475,619**	**(2,324,866)**	**(1,836,057)**	**5,551,057**	**4,697,201**	**937,502**	**5,63**
Profit for the year							8,127	8,127	51,652	5
Other comprehensive income (loss) for the year										
Currency translation adjustment						(464,278)		(464,278)	(176,263)	(640
Remeasurement of post employment benefit obligations				(3,218)				(3,218)	1,436	(1
Cash flow hedges, net of tax				714				714	192	
Others				905				905	68	
Total comprehensive loss for the year	**-**	**-**	**-**	**(1,599)**	**-**	**(464,278)**	**8,127**	**(457,750)**	**(122,915)**	**(580**
Dividends paid in cash (5)							(176,677)	(176,677)	-	(176
								-	(32,743)	(32

Dividends paid in cash to non-controlling interest (6)										
Contributions from non-controlling shareholders in consolidated subsidiaries (7)								-	30,870	3(
Sale of participation in subsidiary companies (8)								-	1,509	
Acquisition of non-controlling interest (9)				29,626				(29,626)	(44,374)	(74
Balance as of December 31, 2015	**2,004,743**	**(150,000)**	**(23,295)**	**1,444,394**	**(2,324,866)**	**(2,300,335)**	**5,382,507**	**4,033,148**	**769,849**	**4,80**

(1) Shareholders’ equity is determined in accordance with accounting principles generally accepted in Luxembourg.

(2) The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2015, there were 2,004,743,442 shares issued. All issued shares are fully paid. Also, as of December 31, 2015, the Company held 41,666,666 shares as treasury shares.

(3) Include mainly legal reserve under Luxembourg law for USD 200.5 million, undistributable reserves under Luxembourg law for USD 1.4 billion, hedge accounting reserve, net of tax effect, for USD (0.4) million and reserves related to the acquisition of non-controlling interest in subsidiaries for USD (88.5) million.

(4) Represents the difference between book value of non-monetary contributions received from shareholders under Luxembourg GAAP and IFRS.

(5) Represents USD 0.090 per share (USD 0.90 per ADS). Related to the dividends distributed on May 6, 2015, and as 41,666,666 shares are held as treasury shares by Ternium, the dividends attributable to these treasury shares amounting to USD 3.7 million were included in equity as less dividend paid.

(6) Corresponds to the dividends paid by Ternium Argentina S.A. (formerly Siderar S.A.I.C.).

(7) Corresponds to the contribution made by Nippon Steel Corporation in connection with its participation in Tenigal, S.R.L. de C.V..

(8) Corresponds to the sale of the participation in Ferrasa Panamá S.A. See note 2.b.

(9) Corresponds to the acquisition on the non-controlling interest in Ternium Colombia S.A.S. (formerly Ferrasa S.A.S.) See note 2.b.

Dividends may be paid by Ternium to the extent distributable retained earnings calculated in accordance with Luxembourg law and regulations exist. Therefore, retained earnings included in these consolidated financial statements may not be wholly distributable. See Note 25 (iii). The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

(All amounts in USD thousands)

Consolidated Statements of Cash Flows

	Notes	Year ended December 31, 2017	2016	2015
Cash flows from operating activities				
Profit (Loss) for the year		**1,022,927**	**706,929**	**59,779**
Adjustments for:				
Depreciation and amortization	**12 & 13**	474,299	406,890	433,788
Income tax accruals less payments	**27 (b)**	(273,443)	182,332	(23,932)
Equity in (earnings) losses of non-consolidated companies	**3 & 14**	(68,115)	(14,624)	272,810
Interest accruals less payments	**27 (b)**	19,484	12,699	5,496
Results on the sale of participation in subsidiary companies	**2 (b)**	-	-	1,739
Changes in provisions	**19**	2,783	1,678	3,180
Changes in working capital (1)	**27 (b)**	(864,970)	(162,373)	509,144
Net foreign exchange results and others		70,894	(33,936)	61,487
Net cash provided by operating activities		**383,859**	**1,099,595**	**1,323,491**
Cash flows from investing activities				
Capital expenditures	**12 & 13**	(409,402)	(435,460)	(466,643)
Loans to non-consolidated companies	**14**	(23,904)	(92,496)	(10,416)
Decrease (Increase) in other investments	**18**	14,986	86,340	(85,946)
Acquisition of business				
Purchase consideration	**3**	(1,890,989)	-	-
Cash acquired	**3**	278,162	-	-
Investment in non-consolidated companies	**3 & 14**	-	(114,449)	(9,600)
Proceeds from the sale of property, plant and equipment		1,124	1,212	1,217
Dividends received from non-consolidated companies		65	183	-
Sale of participation in subsidiary company, net of cash disposed	**2 (b)**	-	-	(673)
Net cash used in investing activities		**(2,029,958)**	**(554,670)**	**(572,061)**
Cash flows from financing activities				
		(196,308)	(176,677)	(176,677)

Dividends paid in cash to company's shareholders				
Dividends paid in cash to non-controlling interests		(30,573)	(50,829)	(32,743)
Finance Lease payments		(4,157)	-	-
Contributions from non-controlling shareholders in consolidated subsidiaries		-	-	30,870
Acquisition of non-controlling interest	**2 (b)**	-	-	(74,000)
Proceeds from borrowings		3,239,121	910,577	822,663
Repayments of borrowings		(1,205,827)	(1,191,770)	(1,379,747)
Net cash provided by (used in) financing activities		**1,802,256**	**(508,699)**	**(809,634)**
Increase (Decrease) in cash and cash equivalents		**156,157**	**36,226**	**(58,204)**
Movement in cash and cash equivalents				
At January 1,		183,463	151,491	213,303
Effect of exchange rate changes		(1,841)	(4,254)	(3,608)
Increase (Decrease) in cash and cash equivalents		156,157	36,226	(58,204)
Cash and cash equivalents at December 31, (2)		**337,779**	**183,463**	**151,491**
Non-cash transactions:				
Acquisition of PP&E under lease contract agreeements		77,035	-	-

(1) The working capital is impacted by non-cash movement of USD (70.0) million as of December 31, 2017 (USD (73.8) million and USD (210.6) million as of December 31, 2016 and 2015, respectively) due to the variations in the exchange rates used by subsidiaries with functional currencies different from the US dollar.

(2) It includes restricted cash of USD 50, USD 83 and USD 88 as of December 31, 2017, 2016 and 2015, respectively. In addition , the Company had other investments with a maturity of more than three months for USD 135,864, USD 150,851 and USD 237,191 as of December 31, 2017, 2016 and 2015, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

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TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Ternium S.A. (the "Company" or "Ternium"), was incorporated on December 22, 2003 to hold investments in flat and long steel manufacturing and distributing companies. The Company has an authorized share capital of a single class of 3.5 billion shares having a nominal value of USD 1.00 per share. As of December 31, 2017, there were 2,004,743,442 shares issued. All issued shares are fully paid.

Following a corporate reorganization carried out during fiscal year 2005, in January 2006 the Company successfully completed its registration process with the United States Securities and Exchange Commission ("SEC"). Ternium's ADSs began trading on the New York Stock Exchange under the symbol "TX" on February 1, 2006. The Company's initial public offering was settled on February 6, 2006.

The Company was initially established as a public limited liability company (société anonyme) under Luxembourg's 1929 holding company regime. Until termination of such regime on December 31, 2010, holding companies incorporated under the 1929 regime (including the Company) were exempt from Luxembourg corporate and withholding tax over dividends distributed to shareholders.

On January 1, 2011, the Company became an ordinary public limited liability company (société anonyme) and, effective as from that date, the Company is subject to all applicable Luxembourg taxes (including, among others, corporate income tax on its worldwide income) and its dividend distributions will generally be subject to Luxembourg withholding tax. However, dividends received by the Company from subsidiaries in high income tax jurisdictions, as defined under Luxembourg law, will continue to be exempt from corporate income tax in Luxembourg under Luxembourg's participation exemption.

As part of the Company's corporate reorganization in connection with the termination of Luxembourg's 1929 holding company regime, on December 6, 2010, the Company contributed its equity holdings in all its subsidiaries and all its financial assets to its Luxembourg wholly-owned subsidiary Ternium Investments S.à.r.l., or Ternium Investments, in exchange for newly issued corporate units of Ternium Investments. As the assets contributed were recorded at their historical carrying amount in accordance with Luxembourg GAAP, the Company's December 2010 contribution of such assets to Ternium Investments resulted in a non-taxable revaluation of the accounting value of the Company's assets under Luxembourg GAAP. The amount of the December 2010 revaluation was equal to the difference between the historical carrying amounts of the assets contributed and the value at which such assets were contributed and amounted to USD 4.0 billion. However, for the purpose of these consolidated financial statements, the assets contributed by Ternium to its wholly-owned subsidiary Ternium Investments were recorded based on their historical carrying amounts in accordance with IFRS, with no impact on the financial statements.

1. GENERAL INFORMATION (continued)

Following the completion of the corporate reorganization, and upon its conversion into an ordinary Luxembourg holding company, the Company voluntarily recorded a special reserve exclusively for tax-basis purposes. As of December 31, 2017 and 2016, this special tax reserve amounted to USD 6.9 billion and USD 7.0 billion, respectively. The Company expects that, as a result of its corporate reorganization, its current overall tax burden will not increase, as all or substantially all of its dividend income will come from high income tax jurisdictions. In addition, the Company expects that dividend distributions for the foreseeable future will be imputed to the special reserve and therefore should be exempt from Luxembourg withholding tax under current Luxembourg law.

2. BASIS OF PRESENTATION

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) issued and effective or issued and early adopted as at the time of preparing these statements (February 2018), as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union ("EU"). These consolidated financial statements are presented in thousands of United States dollars ("USD"), except otherwise indicated.

These Consolidated financial statements fairly present the consolidated equity and consolidated financial situation of Ternium as of December 31, 2017, and the consolidated results of its operations, the Changes in the Consolidated Statement of Comprehensive Income, the Changes in Consolidated Net Equity and the Consolidated Cash Flows of Ternium for the year then ended.

Elimination of all material intercompany transactions and balances between the Company and their respective subsidiaries has been made in consolidation.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Certain comparative amounts have been reclassified to conform to changes in presentation in the current year. These reclassifications do not have a material effect on the Company’s consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on February 20, 2018.

Detailed below are the companies whose financial statements have been consolidated and accounted for interest in these consolidated financial statements.

TERNIUM S.A.
Consolidated Financial Statements as of December 31, 2017 and 2016

and for the years ended December 31, 2017, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

Company	Country of Organization	Main activity	Percentage of ownership at December 31, 2017	2016	2015
Ternium S.A.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Investments S.à.r.l.	Luxembourg	Holding	100.00%	100.00%	100.00%
Ternium Solutions A.G. (1)	Switzerland	Services	100.00%	100.00%	100.00%
Ternium Participaçoes S.A. (formerly Ternium Brasil S.A.) (1)	Brazil	Holding	100.00%	100.00%	100.00%
Ternium Investments Switzerland AG (1)	Switzerland	Holding	100.00%	100.00%	100.00%
Ternium Internacional España S.L.U. (1)	Spain	Marketing of steel products	100.00%	100.00%	100.00%
Ternium USA Inc. (1)	USA	Manufacturing and selling of steel products	100.00%	100.00%	100.00%
Ternium Argentina S.A. (formerly Siderar S.A.I.C.) (2)	Argentina	Manufacturing and selling of flat steel products	60.94%	60.94%	60.94%
Impeco S.A. (3)	Argentina	Manufacturing of pipe products	60.97%	60.97%	60.97%
Prosid Investments S.A. (4)	Uruguay	Holding	60.94%	60.94%	60.94%
Ternium Mexico S.A. de C.V. (5)	Mexico	Holding	88.78%	88.78%	88.72%
Hylsa S.A. de C.V. (6)	Mexico	Manufacturing and selling of steel products			

9,936

Deferred compensation plan assets
45,368

45,368

—

—

Total assets
$
130,453

$
120,517

$
—

$
9,936

Earn-out liabilities
$
18,787

$
—

$
—

$
18,787

FFF put right
25,482

—

—

25,482

Total liabilities
$
44,269

$
—

$
—

$
44,269

June 30, 2016

Cash equivalents
$
83,846

$
83,846

$
—

$
—

Corporate debt securities
33,132

—

33,132

—

Asset-backed securities
14,757

—

14,757

—

Deferred compensation plan assets
41,917

41,917

—

—

Total assets
$
173,652

$
125,763

$

47,889

$
—

Earn-out liabilities
$
4,128

$
—

$
—

$
4,128

Total liabilities
$
4,128

$
—

$
—

$
4,128

Cash equivalents were included in cash and cash equivalents, and corporate debt securities and asset-backed securities were included in current and long-term marketable securities in the accompanying condensed consolidated balance sheets (see Note 4 - Investments). The fair value of the Company's corporate debt securities and asset-backed securities, classified as Level 2, were valued using quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active.
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 ($5.5 million and $2.0 million at March 31, 2017 and June 30, 2016, respectively) in the accompanying condensed consolidated balance sheets.
Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)
Earn-out liabilities
Earn-out liabilities were incurred in connection with acquisitions of Inflow Health, LLC on October 1, 2015, Healthcare Insights, LLC ("HCI") on July 31, 2015 and Innovatix and Essensa on December 2, 2016 (see Note 3 - Business Acquisitions). At March 31, 2017 and June 30, 2016, the earn-out liabilities were classified as Level 3. The fair values of the earn-out liabilities were determined based on estimated future earnings and the probability of achieving them. The current portion of the earn-out liabilities was $18.5 million and $0.5 million at March 31, 2017 and June 30, 2016, respectively, and was included in other liabilities, current in the accompanying condensed consolidated balance sheets. The long-term portion of the earn-out liabilities was $0.3 million and $3.7 million at March 31, 2017 and June 30, 2016, respectively, and was included in other liabilities, noncurrent in the accompanying condensed consolidated balance sheets. Changes in the fair values of the earn-out liabilities were recorded within

selling, general and administrative expenses in the accompanying condensed consolidated statements of income.

FFF put and call rights

Pursuant to a shareholders' agreement entered into in connection with the Company's equity investment in FFF on July 26, 2016 (see Note 4 - Investments), the majority shareholder of FFF obtained a put right ("FFF put right") that provides such shareholder

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the right to sell all or any portion of its interest in FFF to the Company, which is exercisable beginning on the fourth anniversary of the investment closing date at a per share price equal to FFF's earnings before interest, taxes, depreciation and amortization ("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, the shareholders' agreement provided the Company with a call right ("FFF call right") to purchase the remaining interest in FFF from the majority shareholder, which is exercisable at any time within 180 calendar days after the date of a Key Man Event (generally defined in the shareholders' agreement as the resignation, termination for cause, death or disability of the majority shareholder). In the event that the FFF put or call 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 value 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's EBITDA 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 condensed consolidated balance sheets. Net changes in the fair value of the FFF put and call rights were recorded within other expense, net, in the accompanying condensed consolidated statements of income.
A reconciliation of the Company's earn-out liabilities and FFF put and call rights is as follows (in thousands):

	Beginning Balance	Purchases	Gain (Loss)	Ending Balance
Three months ended March 31, 2017				
FFF call right asset	$ 10,750	$ —	$ (814)	$ 9,936
Total Level 3 assets	$ 10,750	$ —	$ (814)	$ 9,936
Earn-out liabilities	$ 16,713	$ —	$ (2,074)	$ 18,787
FFF put right liability	26,384	—	902	25,482
Total Level 3 liabilities	$ 43,097	$ —	$ (1,172)	$ 44,269
Three months ended March 31, 2016				
Earn-out liabilities	$ 4,109	$ —	$ (27)	$ 4,136
Total Level 3 liabilities	$ 4,109	$ —	$ (27)	$ 4,136
Nine months ended March 31, 2017				
FFF call right asset	$ —	$ 10,361	$ (425)	$ 9,936
Total Level 3 assets	$ —	$ 10,361	$ (425)	$ 9,936
Earn-out liabilities	$ 4,128	$ 16,662	$ 2,003	$ 18,787
FFF put right liability	—	25,821	339	25,482
Total Level 3 liabilities	$ 4,128	$ 42,483	$ 2,342	$ 44,269
Nine months ended March 31, 2016				
Earn-out liabilities	$ —	$ 4,109	$ (27)	$ 4,136
Total Level 3 liabilities	$ —	$ 4,109	$ (27)	$ 4,136

Non-Recurring Fair Value Measurements
During the nine months ended March 31, 2017, no non-recurring fair value measurements were required related to the testing 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 Acro Pharmaceuticals and Innovatix and Essensa were determined using the income approach (see Note 3 - Business Acquisitions).

The Company recognized a one-time gain of $204.8 million related to the remeasurement of the Company's 50% equity method investment in Innovatix to fair value upon acquisition of the remaining interest in Innovatix (see Note 3 - Business Acquisitions). The fair value of the investment was calculated using a discounted cash flow model.

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 values by approximately $0.6 million and $0.7 million at March 31, 2017 and June 30, 2016, respectively, based on assumed market interest rates of 2.6% and 2.1%, respectively.

Other Financial Instruments

The fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated carrying value due to the short-term nature of these financial instruments.

(6) INTANGIBLE ASSETS, NET

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

	Useful Life	March 31, 2017	June 30, 2016
Member relationships	14.7 years	$220,100	$—
Technology	5.0 years	145,140	143,727
Customer relationships	8.3 years	48,120	48,120
Trade names	8.3 years	22,710	13,160
Distribution network	10.0 years	22,400	—
Favorable lease commitments	10.1 years	11,393	—
Non-compete agreements	5.9 years	8,710	4,080
Total intangible assets		478,573	209,087
Accumulated amortization		(85,498)	(50,870)
Intangible assets, net		$393,075	$158,217

The increase in total intangible assets was due to the acquisitions of Acro Pharmaceuticals in August 2016 and Innovatix and Essensa in December 2016 (see Note 3 - Business Acquisitions). Intangible asset amortization totaled $14.1 million and $8.7 million for the three months ended March 31, 2017 and 2016, respectively, and $34.4 million and $24.1 million for the nine months ended March 31, 2017 and 2016, respectively.

(7) GOODWILL

Goodwill consisted of the following (in thousands):

	Supply Chain Services	Performance Services	Acquisition Adjustments (b)	Total
June 30, 2016	$31,765	$ 506,197	$ —	$537,962
Acro Pharmaceuticals (a)	39,850	—	(4,109)	35,741
Innovatix and Essensa (restated) (a)	331,163	—	3,483	334,646
March 31, 2017 (restated)	$402,778	$ 506,197	$ (626)	$908,349

(a) See Note 3 - Business Acquisitions for more information.

(b) The initial purchase price allocations for the Company's acquisitions are preliminary and subject to changes in fair value of working capital and valuation of the assets acquired and the liabilities assumed. The Acro Pharmaceuticals acquisition adjustments were related to working capital adjustments subsequent to the acquisition date which were recorded in the Supply Chain Services segment. The Innovatix and Essensa acquisition adjustments were related to working capital and intangible asset adjustments subsequent to the acquisition date which were recorded in the Supply Chain Services segment. See Note 3 - Business Acquisitions for more information.

(8) DEBT

Long-term debt consisted of the following (in thousands):

	Commitment Amount	Due Date	March 31, 2017	June 30, 2016
Credit Facility	$ 750,000	June 24, 2019	$367,500	$—
Notes payable	$ —	Various	16,138	19,342
Total debt			383,638	19,342
Less: Current portion			(376,710)	(5,484)
Total long-term debt			$6,928	$13,858

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 June 24, 2014 and amended on June 4, 2015. The Credit Facility has a maturity date of June 24, 2019. The Credit Facility provides for borrowings of up to $750.0 million with (i) a $25.0 million sub-facility for standby letters of credit and (ii) a $75.0 million sub-facility for swingline loans. The Credit Facility may be increased from time to time at the Company's request up to an aggregate additional amount of $250.0 million, subject to lender approval. 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 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% or the one-month LIBOR plus 1.0%) plus the Applicable Rate. The Applicable Rate ranges from 1.125% to 1.750% for Eurodollar Loans and 0.125% to 0.750% for Base Rate Loans. At March 31, 2017, the interest rate for three-month Eurodollar Loans was 2.275% and the interest rate for the Base Rate Loans was 4.125%. The Co-Borrowers are required to pay a commitment fee ranging from 0.125% to 0.250% per annum on the actual daily unused amount of commitments under the Credit Facility. At March 31, 2017, the commitment fee was 0.125%.

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, of which certain covenant calculations use EBITDA, a Non-GAAP financial measure. Under the terms of the Credit Facility, Premier GP is not permitted to allow its consolidated total leverage ratio (as defined in the Credit Facility) to exceed 3.00 to 1.00 for any period of four consecutive quarters. In addition, Premier GP must maintain a minimum consolidated interest coverage ratio (as defined in the Credit Facility) of 3.00 to 1.00 at the end of every fiscal quarter. Premier GP was in compliance with all such covenants at March 31, 2017.

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 $30.0 million, bankruptcy and other insolvency events, judgment defaults in excess of $30.0 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 the required lenders, 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, settlements of Class B unit exchanges under the Exchange Agreement (to the extent settled in cash) and other general corporate activities. During the nine months ended March 31, 2017, the Company utilized $425.0 million of the Credit Facility, including $325.0 million to fund the acquisition price of

Innovatix and Essensa (see Note 3 - Business Acquisitions), approximately $50.0 million to fund the cash settlement portion of the October 31, 2016 Class B common unit exchange under the Exchange agreement (see Note 9 - Redeemable Limited Partners' Capital), and the remainder to fund general corporate activities. During the three months ended March 31, 2017, the Company repaid $57.5 million of borrowings under the Credit Facility. These borrowings were classified as current liabilities in the condensed consolidated balance sheets as they were

due within one year of the balance sheet date. They may be renewed or extended at the option of the Company through the maturity date of the Credit Facility.
On April 10, 2017, the Company repaid $97.5 million of borrowings under the Credit Facility.
Notes Payable
At March 31, 2017 and June 30, 2016, the Company had $16.1 million and $19.3 million, respectively, in notes payable consisting primarily of non-interest bearing notes payable outstanding to departed member owners, of which $9.2 million and $5.5 million, respectively, were included in current portion of long-term debt and $6.9 million and $13.9 million, respectively, are included in long-term debt, less current portion, in the accompanying consolidated balance sheets. Notes payable generally have stated maturities of five years from their date of issuance.
(9) REDEEMABLE LIMITED PARTNERS' CAPITAL
Pursuant to the terms of its limited partnership agreement in effect prior to the Reorganization and IPO, Premier LP was required to repurchase a limited partner's interest in Premier LP upon the sale of such limited partner's shares of PHSI common stock, 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.
Redeemable limited partners' capital is classified as temporary equity in the mezzanine section of the accompanying condensed consolidated balance sheets as the withdrawal is at the option of each limited partner and the conditions of the repurchase are not solely within the Company's control.
Upon the consummation of the Reorganization and IPO, each limited partner's shares of PHSI were contributed for Class B common units of Premier LP. Commencing on October 31, 2014, and during each year thereafter, 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.
Redeemable limited partners' capital represents the member owners' 64% ownership of Premier LP through their ownership of Class B common units at March 31, 2017. The limited partners hold 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 Amended and Restated Limited Partnership Agreement of Premier LP (as amended, the "LP Agreement"), and is calculated as the fair value of all Class B common units as if immediately exchangeable into Class A common shares. For the nine months ended March 31, 2017 and 2016, the Company recorded decreases to fair value for the redemption amount to redeemable limited partners' capital of $296.6 million (restated) and $685.6 million, respectively.
During the nine months ended March 31, 2017, the Company recorded total reductions of $247.1 million to redeemable limited partners' capital to reflect the exchange of 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 and the exchange of Class B common units and surrender of associated shares of Class B common stock by member owners for cash all pursuant to the terms of the Exchange Agreement (see Note 11 - Earnings (Loss) Per Share).

The table below shows the changes in the redeemable limited partners' capital from June 30, 2016 to March 31, 2017 (in thousands):

	Receivables From Limited Partners	Redeemable Limited Partners' Capital	Accumulated Other Comprehensive Loss	Total Redeemable Limited Partners' Capital
June 30, 2016	$ (6,226)	$ 3,143,541	$ (85)	$ 3,137,230
Distributions applied to receivables from limited partners	1,561	—	—	1,561
Redemption of limited partner	—	(132)	—	(132)
Net income attributable to non-controlling interest in Premier LP (restated)	—	282,207	—	282,207
Distributions to limited partners	—	(67,941)	—	(67,941)
Net unrealized loss on marketable securities	—	—	85	85
Exchange of Class B common units for Class A common stock by member owners	—	(123,781)	—	(123,781)
Exchange of Class B common units for cash by member owners	—	(123,330)	—	(123,330)
Adjustment to redemption amount (restated)	—	(296,566)	—	(296,566)
March 31, 2017	$ (4,665)	$ 2,813,998	$ —	$ 2,809,333

Receivables from limited partners represent amounts due from limited partners for their required capital in Premier LP. These receivables are either interest bearing notes that were issued to new limited partners or non-interest bearing loans (contribution loans) provided to existing 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 nine months ended March 31, 2017.

During the nine months ended March 31, 2017, one limited partner withdrew from Premier LP. The limited partnership agreement provides for the redemption of the 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 the 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 the withdrawing limited partner must be exchanged in the next following exchange process.

Since the Reorganization and IPO, Premier LP's distribution policy has required 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, it is not based directly on revenue generated from an individual partner's participation as the distributions are based on the net income or loss of the partnership which encompass 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 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 contribution loans or other amounts payable to the Company.

Actual and expected quarterly distributions made to limited partners during the current fiscal year are as follows (in thousands):

Date	Distribution [a]
August 25, 2016	$ 22,493
November 23, 2016	$ 22,137

February 28, 2017	$ 22,733
May 29, 2017 [(b)]	$ 23,071

(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.

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(b) Premier LP expects to make a quarterly distribution on or before May 29, 2017. The distribution is reflected in limited partners' distribution payable in the accompanying condensed consolidated balance sheets at March 31, 2017.

(10) STOCKHOLDERS' DEFICIT

As of March 31, 2017, there were 50,706,518 shares of the Company's Class A common stock, par value $0.01 per share, and 88,407,103 shares of the Company's Class B common stock, par value $0.000001 per share, outstanding. 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 and not entitled to receive dividends or to receive a distribution upon the dissolution or a liquidation of Premier, other than dividends payable in shares of Premier's common stock. Pursuant to the terms of a 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.

(11) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share of Premier 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 (loss) attributable to stockholders includes the adjustment recorded in the period to reflect redeemable limited partners' capital at the redemption amount, as a result of 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):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
	(Restated)		(Restated)	
Numerator for basic earnings (loss) per share:				
Net income (loss) attributable to stockholders	$(80,601)	$299,948	$389,976	$716,719
Numerator for diluted earnings (loss) per share:				
Net income (loss) attributable to stockholders	$(80,601)	$299,948	$389,976	$716,719
Adjustment of redeemable limited partners' capital to redemption amount	—	(284,409)	(296,566)	(685,649)
Net income attributable to non-controlling interest in Premier LP	—	56,018	282,207	153,735
Net income (loss)	(80,601)	71,557	375,617	184,805
Tax effect on Premier, Inc. net income [(a)]	—	(9,551)	(61,303)	(34,639)
Adjusted net income (loss)	$(80,601)	$62,006	$314,314	$150,166
Denominator for basic earnings (loss) per share:				
Weighted average shares [(b)]	50,525	44,716	49,051	41,329
Denominator for diluted earnings (loss) per share:				
Weighted average shares [(b)]	50,525	44,716	49,051	41,329
Effect of dilutive securities: [(c)]				
Stock options	—	249	256	290
Restricted stock	—	610	190	553
Performance share awards	—	1,606	—	1,329
Class B shares outstanding	—	97,837	91,875	102,057
Weighted average shares and assumed conversions	50,525	145,018	141,372	145,558
Basic earnings (loss) per share	$(1.60)	$6.71	$7.95	$17.34
Diluted earnings (loss) per share	$(1.60)	$0.43	$2.22	$1.03

(a) 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.

(b) Weighted average number of common shares used for basic earnings (loss) 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 three and nine months ended March 31, 2017 and 2016.

(c) For the three months ended March 31, 2017, the effect of 2.8 million stock options, restricted stock units and performance share awards and 88.9 million Class B common units exchangeable for Class A common shares were excluded from diluted weighted average shares outstanding due to the net loss attributable to shareholders sustained for the quarter and as including them would have been anti-dilutive for the period. For the nine months ended March 31, 2017, the effect of 1.8 million stock options were excluded from diluted weighted average shares outstanding as they had an anti-dilutive effect, and the effect of 0.5 million performance shares were excluded from diluted weighted average shares outstanding as they had not satisfied the applicable performance criteria at the end of the period.

For the three and nine months ended March 31, 2016, the effect of 1.4 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, Premier has the option 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 9 - 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	Percentage of Combined Voting Power Class B/Class A Common Stock
August 1, 2016	1,323,654	94,809,069	47,365,528	67%/33%
October 31, 2016 [(b)]	5,047,528	89,761,541	50,085,904	64%/36%
January 31, 2017 [(b)]	1,296,682	88,464,859	50,701,862	64%/36%
May 1, 2017 [(c)]	993,194	87,298,888	51,734,785	63%/37%

(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) In connection with the October 31, 2016 exchange, 3.0 million Class B common units were exchanged for cash and 2.0 million Class B common units were exchanged for Class A common stock. In connection with the January 31, 2017 exchange, 0.8 million Class B common units were exchanged for cash and 0.5 million Class B common units were exchanged for Class A common stock.

(c) As the quarterly exchange occurred on May 1, 2017, the impact of the exchange is not reflected in the condensed consolidated financial statements for the quarter ended March 31, 2017.

(12) STOCK-BASED COMPENSATION

Stock-based compensation expense is recognized over the requisite service period, which generally equals the stated vesting period. Pre-tax stock-based compensation expense was $7.1 million and $11.8 million for the three months ended March 31, 2017 and 2016, respectively, with a resulting deferred tax benefit of $2.7 million and $4.5 million, respectively. Pre-tax stock-based compensation expense was $19.1 million and $36.8 million for the nine months ended March 31, 2017 and 2016, respectively, with a resulting tax benefit of $7.3 million and $14.0 million, respectively. The deferred tax benefit was calculated at a rate of 38%, 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.

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 11.3 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 awards. As of March 31, 2017, there were 4.6 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 nine months ended March 31, 2017:

	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, 2016	403,117	$ 33.86	1,443,708	$ 30.02	3,314,661	$ 30.04
Granted	265,852	$ 31.57	902,736	$ 29.72	524,709	$ 31.59
Vested/exercised	(47,114)	$ 32.83	(1,181,820)	$ 27.00	(123,586)	$ 27.57
Forfeited	(38,980)	$ 33.77	(74,101)	$ 33.91	(121,811)	$ 34.22
Outstanding at March 31, 2017	582,875	$ 32.91	1,090,523	$ 32.78	3,593,973	$ 30.21
Stock options outstanding and exercisable at March 31, 2017					2,429,376	$ 28.77

Restricted stock units and restricted stock awards 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 three years 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 March 31, 2017 was as follows (in thousands):

	Unrecognized Stock-Based Compensation Expense	Weighted Average Amortization Period
Restricted stock	$ 10,815	1.83 years
Performance share awards	19,535	1.91 years
Stock options	9,737	1.83 years
Total unrecognized stock-based compensation expense	$ 40,087	1.87 years

The aggregate intrinsic value of stock options at March 31, 2017 was as follows (in thousands):

	Intrinsic Value of Stock Options
Outstanding and exercisable	$ 8,556
Expected to vest	170
Total outstanding	$ 8,726
Exercised during the nine months ended March 31, 2017	$ 621

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:

	Nine Months Ended March 31,	
	2017	2016
Expected life [(a)]	6 years	6 years
Expected dividend [(b)]	—	—
Expected volatility [(c)]	32.01% - 33.00%	32.70% - 33.50%
Risk-free interest rate [(d)]	1.31% - 2.13%	1.37% - 1.82%
Weighted average option grant date fair value	$10.48 - $11.28	$11.19 - $12.40

(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) No dividends are expected to be paid over the contractual term of the stock options granted, resulting in the use of a zero expected dividend rate.

(c) The expected volatility rate is 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.

(13) INCOME TAXES

The Company's income tax expense is attributable to the activities of the Company, PHSI and PSCI, all of which are subchapter C corporations subject to U.S. federal and state income taxes. In contrast, Premier LP is not subject to federal and state income taxes as its income is taxable to its partners.

For the three months ended March 31, 2017 and 2016, the Company recorded tax expense of $7.3 million (restated) and $9.5 million, respectively, which equates to effective tax rates of 9% and 12%, respectively. The decrease in the effective tax rate is primarily attributable to a deferred tax benefit recognized in connection with an increase in income apportioned to California. For the nine months ended March 31, 2017 and 2016, the Company recorded tax expense of $68.1 million (restated) and $41.3 million, respectively, which equates to effective tax rates of 15% and 18%, respectively. The decrease in the effective tax rate is primarily attributable to the one-time gain recognized from the remeasurement of the 50% equity method investment in Innovatix to fair value upon acquisition of Innovatix and Essensa (see Note 3 - Business Acquisitions). The Company's effective tax rate differs from income taxes recorded at the statutory rate primarily due to partnership income not subject to federal, state and local income taxes and valuation allowances against deferred tax assets at PHSI.

The Company had net deferred tax assets of $422.6 million (restated) and $422.8 million as of March 31, 2017 and June 30, 2016, respectively. The current period balance was comprised of $468.8 million (restated) in deferred tax assets at Premier, Inc. offset by $46.1 million (restated) in deferred tax liabilities at PHSI and PSCI. During the nine months ended March 31, 2017, the Company recorded a $27.4 million deferred tax liability associated with equity earnings from PSCI attributable to the one-time gain recognized from the remeasurement of the 50% equity method investment in Innovatix to fair value upon acquisition of Innovatix and Essensa and corresponding partnership income and basis differences in Premier LP at the Company (see Note 3 - Business Acquisitions), a $42.9 million deferred tax liability recorded upon acquisition of Innovatix primarily attributable to the excess of the financial reporting basis in the identifiable intangible assets over the tax basis, and an $18.8 million valuation allowance recorded against deferred tax assets primarily at PHSI. These decreases were partially offset by $94.6 million of deferred tax assets recorded in connection with the exchanges of Class B common units pursuant to the Exchange Agreement that occurred during the nine months ended March 31, 2017.

The Company had TRA liabilities of $347.4 million and $279.7 million at March 31, 2017 and June 30, 2016, respectively, representing 85% of the tax savings payable to limited partners that the Company expects to receive in connection with the Section 754 election. The election results in adjustments to the tax bases 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. or cash. The $67.7 million increase was primarily attributable to $70.8 million of liabilities incurred in connection with quarterly member owner exchanges that occurred during the nine months ended March 31, 2017.

(14) RELATED PARTY TRANSACTIONS
GNYHA Services, Inc. ("GNYHA") and its affiliates beneficially owned approximately 9% of the outstanding partnership interests in Premier LP as of March 31, 2017. Net administrative fees revenue based on purchases by GNYHA and its member organizations was $16.9 million and $17.0 million for the three months ended March 31, 2017 and 2016, respectively, and $51.8 million and $49.2 million for the nine months ended March 31, 2017 and 2016, respectively. The Company has a contractual requirement under the GPO participation agreement to pay each member owner revenue share from Premier LP equal to 30% of all gross administrative fees collected by Premier LP based upon purchasing by such member owner's facilities through Premier LP's GPO supplier contracts. As GNYHA also remits to Premier LP all gross administrative fees collected by GNYHA based on purchases by its member organizations through GNYHA's own GPO supplier contracts, it also receives revenue share from Premier LP equal to 30% of such gross administrative fees remitted to the Company. Approximately $7.2 million and $7.6 million of revenue share obligations in the accompanying condensed consolidated balance sheets relate to revenue share obligations to GNYHA and its member organizations at March 31, 2017 and June 30, 2016, respectively.
In addition, of the $23.1 million and $22.5 million limited partners' distribution payable in the accompanying condensed consolidated balance sheets at March 31, 2017 and June 30, 2016, respectively, $2.4 million and $2.9 million were payable to GNYHA and its member organizations at March 31, 2017 and June 30, 2016, respectively.
Services and support revenue earned from GNYHA and its member organizations was $3.9 million and $3.6 million during the three months ended March 31, 2017 and 2016, respectively, and $11.0 million and $10.0 million during the nine months ended March 31, 2017 and 2016, respectively. Product revenue earned from, or attributable to services provided to, GNYHA and its member organizations was $4.3 million and $4.4 million during the three months ended March 31, 2017 and 2016, respectively, and $12.3 million and $15.2 million during the nine months ended March 31, 2017 and 2016, respectively. Receivables from GNYHA and its member organizations, included in due from related parties in the accompanying condensed consolidated balance sheets, were $4.2 million and $2.6 million at March 31, 2017 and June 30, 2016, respectively.
The Company held 50% of the membership interests in Innovatix until December 2, 2016, at which time it acquired the remaining 50% of the membership interests (see Note 3 - Business Acquisitions). The Company's share of Innovatix's net income included in equity in net income of unconsolidated affiliates in the accompanying condensed consolidated statements of income prior to the acquisition was $6.7 million during the three months ended March 31, 2016 and $10.7 million and $16.0 million during the nine months ended March 31, 2017 and 2016, respectively. The Company maintained a group purchasing agreement with Innovatix under which Innovatix members were permitted to utilize Premier LP's GPO supplier contracts. Gross administrative fees revenue and a corresponding revenue share recorded under the arrangement prior to the acquisition were $12.1 million for the three months ended March 31, 2016 and $19.9 million and $31.8 million during the nine months ended March 31, 2017 and 2016, respectively. At June 30, 2016, the Company had revenue share obligations to Innovatix of $4.2 million in the accompanying condensed consolidated balance sheets.
The Company historically maintained a group purchasing agreement with GNYHA Alternate Care Purchasing Corporation ("Essensa"), under which Essensa utilized the Company's GPO supplier contracts. On December 2, 2016, the Company acquired 100% of the membership interests in Essensa (see Note 3 - Business Acquisitions). Net administrative fees revenue recorded from Essensa prior to the acquisition was $0.7 million for the three months ended March 31, 2016 and $1.2 million and $2.0 million for the nine months ended March 31, 2017 and 2016, respectively. At June 30, 2016, the Company had revenue share obligations to Essensa of $0.2 million.
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 condensed consolidated statements of income was $0.2 million and $4.4 million for the three and nine months ended March 31, 2017, 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 $1.4 million and $3.0 million during the three and nine months ended March 31, 2017, respectively.
The Company conducts all operational activities for American Excess Insurance Exchange Risk Retention Group ("AEIX"), a reciprocal risk retention group that provides excess and umbrella healthcare professional and general

liability insurance to certain hospital and healthcare system members. The Company is reimbursed by AEIX for actual costs, plus an annual incentive management fee not to exceed $0.5 million per calendar year. The Company received cost reimbursement of $1.3 million and $1.1 million during the three months ended March 31, 2017 and 2016, respectively, and $3.5 million and $3.2 million during the nine months ended March 31, 2017 and 2016, respectively. The Company received $0.2 million and $0.1 million in annual incentive management fees during the nine months ended March 31, 2017 and 2016. As of March 31, 2017 and June 30, 2016, $0.8 million and $0.5 million, respectively, in amounts receivable from AEIX are included in due from related parties in the accompanying condensed consolidated balance sheets.

(15) COMMITMENTS AND CONTINGENCIES

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, 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.

(16) 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, integrated pharmacy offerings and direct sourcing activities. The performance services segment includes the Company's informatics, collaborative, advisory services, government services and insurance services businesses.

Segment information was as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Net revenue:				
Supply Chain Services				
Net administrative fees	$143,915	$131,270	$398,962	$369,952
Other services and support	3,116	1,104	5,962	2,963
Services	147,031	132,374	404,924	372,915
Products	138,132	80,010	386,639	239,107
Total Supply Chain Services	285,163	212,384	791,563	612,022
Performance Services	94,640	86,285	260,012	249,151
Net revenue	$379,803	$298,669	$1,051,575	$861,173
Depreciation and amortization expense [(a)]:				
Supply Chain Services	$5,717	$262	$8,637	$1,138
Performance Services	21,491	20,016	63,350	55,616
Corporate	1,974	1,572	5,771	4,478
Total depreciation and amortization expense	$29,182	$21,850	$77,758	$61,232
Capital expenditures:				
Supply Chain Services	$198	$63	$2,347	$1,031
Performance Services	16,308	14,368	47,079	44,836
Corporate	1,061	1,371	2,466	8,817
Total capital expenditures	$17,567	$15,802	$51,892	$54,684

	March 31, 2017	June 30, 2016
Total assets:	(Restated)	
Supply Chain Services	$1,118,587	$345,219
Performance Services	901,360	934,588
Corporate	578,737	575,576
Total assets	$2,598,684	$1,855,383

(a) Includes amortization of purchased intangible assets.

The Company uses Segment 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 Adjusted EBITDA to facilitate the comparison of the segment operating performance on a consistent basis from period to period. The Company defines Segment Adjusted EBITDA as the segment's net revenue 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 Adjusted EBITDA.

For more information on Segment 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 Segment Adjusted EBITDA is as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Income before income taxes	$78,653	$81,100	$443,697	$226,062
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	—	(204,833)	—
Equity in net income of unconsolidated affiliates [(a)]	(83)	(6,627)	(14,789)	(16,002)
Interest and investment loss, net [(b)]	2,017	285	3,026	981
Loss on disposal of long-lived assets	725	—	2,243	—
Other expense (income), net	(2,260)	—	(3,135)	2,081
Operating income	79,052	74,758	226,209	213,122
Depreciation and amortization	15,102	13,110	43,318	37,174
Amortization of purchased intangible assets	14,080	8,740	34,440	24,058
Stock-based compensation [(c)]	7,157	11,839	19,476	37,093
Acquisition related expenses	4,330	2,583	11,483	11,699
Strategic and financial restructuring expenses	—	33	—	268
Adjustment to tax receivable agreement liability [(d)]	2,768	—	(2,954)	(4,818)
ERP implementation expenses [(e)]	215	1,162	1,741	3,240
Acquisition related adjustment - revenue [(f)]	11,765	1,077	17,729	5,216
Equity in net income of unconsolidated affiliates [(a)]	83	6,627	14,789	16,002
Deferred compensation plan income (expense) [(g)]	1,675	—	2,778	(2,073)
Other income	497	—	497	—
Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981
Segment Adjusted EBITDA:				
Supply Chain Services	$127,898	$118,704	$364,224	$329,642
Performance Services	36,535	30,771	87,449	90,158
Corporate [(h)]	(27,709)	(29,546)	(82,167)	(78,819)
Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981

(a) Represents equity in net income of unconsolidated affiliates primarily generated by the Company's 49% ownership interest in FFF and 50% ownership interest in Innovatix prior to the acquisition of the remaining 50% interest on December 2, 2016.

(b) Represents interest expense, net and realized gains and losses on our marketable securities.

(c)

In addition to non-cash employee stock-based compensation expense, includes stock purchase plan expense of $0.1 million for both the three months ended March 31, 2017 and 2016 and $0.4 million and $0.3 million for the nine months ended March 31, 2017 and 2016, respectively.

(d) Represents adjustment to tax receivable agreement liability for an increase in income apportioned to California during the three months ended March 31, 2017 and a 1% decrease in the North Carolina state income tax rate that occurred during each of the nine months ended March 31, 2017 and 2016.

(e) Represents implementation and other costs associated with the implementation of an enterprise resource planning ("ERP") system.

(f) During the three and nine months ended March 31, 2017, we recorded $11.6 million and $17.2 million purchase accounting adjustments to Adjusted EBITDA, respectively, related to our acquisition of Innovatix and Essensa in December 2016. These adjustments reflect the fair value of administrative fees related to member purchases that occurred prior to December 2, 2016, but were reported to us subsequent to that date through March 31, 2017. Under our revenue recognition accounting policy, which is in accordance with GAAP, these administrative fees would be ordinarily recorded as revenue when reported to us; however, the acquisition method of accounting requires us to estimate the amount of purchases prior to the acquisition date and to record the fair value of the administrative fees to be received from those purchases as an account receivable (as opposed to recognizing revenue when these transactions are reported to us) and record any corresponding revenue share obligation as a liability. The purchase accounting adjustment amounted to an estimated $22.1 million of accounts receivable relating to these administrative fees and an estimated $4.0 million for the related revenue share obligation through March 31, 2017.

This item also includes non-cash adjustments to deferred revenue of acquired entities of $0.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively, and $0.5 million and $5.2 million for the nine months ended March 31, 2017 and 2016, respectively. Business combination accounting rules require the Company to record a deferred revenue liability at its fair value only if the acquired deferred revenue represents a legal performance obligation assumed by the acquirer. The fair value is based on direct and indirect incremental costs of providing the services plus a normal profit margin. Generally, this results in a reduction to the purchased deferred revenue balance, which was based on upfront fees associated with software license updates and product support contracts assumed in connection with acquisitions. Because these support contracts are typically one year in duration, our GAAP revenues for the one year period subsequent to the acquisition of a business do not reflect the full amount of support revenues on these assumed support contracts that would have otherwise been recorded by the acquired entity. The Non-GAAP adjustment to software license updates and product support revenues is intended to include, and thus reflect, the full amount of such revenues.

(g) Represents realized and unrealized gains and losses and dividend income on deferred compensation plan assets.

(h) Corporate consists of general and administrative corporate expenses that are not specific to either of our reporting segments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
The following discussion should be read in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report. This discussion is designed to provide the reader with information that will assist in understanding our condensed consolidated financial statements, the changes in certain key items in those financial statements from quarter to quarter and the primary factors that accounted for those changes, as well as how certain accounting principles affect our condensed 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 the discussions under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" herein and in the Company's Form 10-K for the fiscal year ended June 30, 2016 (the "2016 Annual Report") and Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, each filed with the Securities and Exchange Commission ("SEC").
Business Overview
Our Business
Premier, Inc. ("Premier", the "Company", "We", or "Our") is a leading healthcare performance improvement company, uniting an alliance of approximately 3,750 U.S. hospitals and more than 130,000 other provider 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 population health software-as-a-service ("SaaS") informatics products, advisory services and performance improvement collaborative programs.
As of March 31, 2017, we were controlled by 170 U.S. hospitals, health systems and other healthcare organizations, that represented approximately 1,400 owned, leased and managed acute care facilities and other non-acute care organizations, through the ownership of Class B common stock, which they received upon the completion of a series of transactions (the "Reorganization") concurrent with the consummation of our Initial Public Offering ("IPO", and collectively with the Reorganization, the "Reorganization and IPO") on October 1, 2013. As of March 31, 2017, Class A common stock and Class B common stock represented approximately 36% and 64%, respectively, of our combined Class A and Class B common stock (collectively, the "Common Stock"). 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 Reorganization and IPO.
We generated net revenue, net income and Adjusted EBITDA (a financial measure not determined in accordance with generally accepted accounting principles ("Non-GAAP")) as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Net revenue	$379,803	$298,669	$1,051,575	$861,173
Net income [(a)]	$71,338	$71,557	$375,617	$184,805
Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981

(a) Net income has been restated for the three and nine months ended March 31, 2017. See Note 1 - Organization and Basis of Presentation to the accompanying condensed consolidated financial statements for more information.
See “Our Use of Non-GAAP Financial Measures” and “Results of Operations” below for a discussion of our use of Non-GAAP Adjusted EBITDA and a reconciliation of net income to Adjusted EBITDA, respectively.
Our Business Segments
Our business model and solutions are designed to provide our members access to scale efficiencies, spread the cost of their development, provide actionable intelligence derived from anonymized data provided by our members in our data warehouse, 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

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cost management, quality and safety improvement and population health management through two business segments: supply chain services and performance services.

Our supply chain services segment includes one of the largest healthcare group purchasing organizations ("GPO") in the United States, serving acute, nonacute and alternate sites, and includes integrated pharmacy and direct sourcing activities. Supply chain services net revenue grew from $212.4 million for the three months ended March 31, 2016 to $285.2 million for the three months ended March 31, 2017, representing net revenue growth of 34%, and accounted for 75% of our overall net revenue for the three months ended March 31, 2017. Supply chain services net revenue grew from $612.0 million for the nine months ended March 31, 2016 to $791.6 million for the nine months ended March 31, 2017, representing net revenue growth of 29%, and accounted for 75% of our overall net revenue for the nine months ended March 31, 2017. 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 and through product sales in connection with our integrated pharmacy and direct sourcing activities.

Our performance services segment includes one of the largest informatics and advisory services businesses in the United States focused on healthcare providers. Performance services net revenue increased from $86.3 million for the three months ended March 31, 2016 to $94.6 million for the three months ended March 31, 2017, representing a 10% increase, and accounted for 25% of our overall net revenue for the three months ended March 31, 2017. Performance services net revenue grew from $249.2 million for the nine months ended March 31, 2016 to $260.0 million for the nine months ended March 31, 2017, representing net revenue growth of 4%, and accounted for 25% of our overall net revenue for the nine months ended March 31, 2017. 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 population health management. The performance services segment also includes our technology-enabled performance improvement collaboratives, advisory services, government services and insurance management services.

Acquisitions

Acquisition of Innovatix, LLC and Essensa Ventures, LLC

Prior to December 2, 2016, the Company, through its consolidated subsidiary, Premier Supply Chain Improvement ("PSCI"), held 50% of the membership interests in Innovatix, LLC ("Innovatix"). On December 2, 2016, the Company, through PSCI, acquired the remaining 50% ownership interests of Innovatix and 100% of the ownership interest in Essensa Ventures, LLC ("Essensa") for $325.0 million in cash. The purchase price is subject to adjustment based on Innovatix's and Essensa's (i) cash on hand and cash equivalents, (ii) outstanding indebtedness and (iii) net working capital at closing. With regard to Innovatix, the purchase price adjustments set forth in (i), (ii) and (iii) above are limited to 50% of the actual amount due to PSCI’s 50% ownership interest prior to the acquisition. The acquisition was funded with borrowings under the Company's credit facility dated June 24, 2014, as amended on June 4, 2015 (the "Credit Facility"). Innovatix and Essensa are GPOs focused on serving nonacute and alternate site health care providers and other organizations throughout the United States. The Company reports Innovatix and Essensa as part of its supply chain services segment. See Note 3 - Business Acquisitions for more information.

Acquisition of Acro Pharmaceutical Services LLC and Community Pharmacy Services, LLC

On August 23, 2016, the Company, through its consolidated subsidiary, NS3 Health, LLC, acquired 100% of the membership interests of Acro Pharmaceutical Services LLC and Community Pharmacy Services, LLC (collectively, "Acro Pharmaceuticals") for $75.0 million in cash, subject to adjustment based on Acro Pharmaceuticals' (i) cash on hand, (ii) outstanding indebtedness and (iii) net working capital at closing. The acquisition was funded with available cash on hand. The Company reports Acro Pharmaceuticals as part of its supply chain services segment. See Note 3 - Business Acquisitions for more 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" for more information.

Trends in the U.S. healthcare market affect our revenues in the supply chain services and performance services segments. The trends we see affecting our current healthcare business include the implementation of healthcare reform legislation, enactment of new regulatory and reporting requirements, intense cost pressure, payment reform and movement to alternative payment models, industry consolidation, shift in care to the alternate site market, competition and increased data availability and transparency. To meet the demands of this environment, there will be increased focus on scale and cost containment, access to and use of healthcare analytics, and healthcare providers will need to measure, report on and bear financial risk for outcomes. 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 population health management. However, there are uncertainties and risks that may affect the actual impact of these anticipated trends on our business. See "Cautionary Note Regarding Forward-Looking Statements" herein for more information.

Key Components of Our Results of Operations

Net Revenue

Net revenue consists of (i) service revenue, which includes net administrative fees revenue and other services and support revenue and (ii) 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 informatics products subscriptions, license fees, advisory services and performance improvement collaborative subscriptions. Product revenue consists of integrated pharmacy reimbursements and 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), integrated pharmacy revenue, direct sourcing revenue and managed service revenue.

The success of our supply chain services revenue streams are influenced by our ability to negotiate favorable contracts with suppliers, the number of members that utilize our GPO supplier contracts and the volume of their purchases, the number of members that utilize our integrated pharmacy, 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 actions and pricing. Our managed services line of business is a fee for service model created to perform supply chain related services for members, including pharmacy benefit management ("PBM") services in partnership with a national PBM company.

Performance Services

Performance services revenue consists of SaaS informatics products subscriptions, license fees, performance improvement collaborative and other service subscriptions, professional fees for advisory and government services, insurance services management fees and commissions from endorsed commercial insurance programs.

Our performance services growth will depend upon the expansion of our SaaS informatics products, performance improvement collaboratives and advisory services to new and existing members, impact of applied research initiatives, renewal of existing subscriptions to our SaaS informatics products and expansion into new markets with potential future acquisitions.

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 advisory services to members and 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 specialty pharmaceuticals and direct sourced medical products. Our cost of product revenue is influenced by the cost and availability of specialty pharmaceuticals and the manufacturing and transportation costs associated with direct sourced medical products.

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, indirect costs such as insurance, professional fees and other general overhead expenses, and adjustments to tax receivable agreement ("TRA") liabilities.

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 resulting from acquisitions.

Other Income, Net

Other income, net, consists primarily of a one-time gain of $204.8 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 (see Note 3 - Business Acquisitions for more information) which occurred during the nine months ended March 31, 2017. In addition, other income, 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, net, also includes interest income and expense, realized and unrealized gains or losses on deferred compensation plan assets and gains or losses on the disposal of assets.

Income Tax Expense

The Company’s income tax expense is attributable to the activities of the Company, Premier Healthcare Solutions, Inc. ("PHSI") and PSCI, all of which are subchapter C Corporations subject to U.S. federal and state income taxes. In contrast, Premier Healthcare Alliance, L.P. ("Premier LP") is not subject to U.S. federal and state income taxes as its income is taxable to its partners. The Company’s overall effective tax rate differs from the U.S statutory tax rate primarily due to the aforementioned ownership structure as well as other items noted in Note 13 - Income Taxes. Given the Company’s ownership and capital structure, we calculate various effective tax rates for specific tax items. The Company’s effective tax rate, as discussed in Note 13 - Income Taxes, represents the effective tax rate computed in accordance with generally accepted accounting principles ("GAAP") based on total income tax expense (reflected in income tax expense in the condensed consolidated statements of income) of the Company, PHSI, and PSCI divided by consolidated pre-tax book income. Non-GAAP Adjusted Fully Distributed Net Income is calculated net of taxes based on the Company’s fully distributed tax rate for expected federal and state income tax for the Company as a whole as if it were one taxable entity with all of its subsidiaries' activities included. Alternatively, the deferred tax benefit related to stock-based compensation expense (see Note 12 - 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.

Net Income Attributable to Non-Controlling Interest

As of March 31, 2017, we owned an approximate 36% 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 reduced from approximately 68% as of June 30, 2016 to approximately 64% as of March 31, 2017 primarily as a result of the completion of quarterly exchanges pursuant to the Exchange Agreement (see Note 9 - 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 Non-GAAP financial measures.

We define EBITDA as net income before 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 gain or loss 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.
We define Adjusted Fully Distributed Net Income as net income attributable to Premier (i) excluding income tax expense, (ii) excluding the impact of adjustment of redeemable limited partners' capital to redemption amount (iii) excluding the effect of non-

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recurring and non-cash items, (iv) assuming the exchange of all the Class B common units into shares of Class A common stock, which results in the elimination of non-controlling interest in Premier LP and (v) reflecting an adjustment for income tax expense on Non-GAAP 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 11 - Earnings (Loss) Per Share).

We define Free Cash Flow as net cash provided by operating activities less distributions and tax receivable agreement 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 our asset base (primarily depreciation and amortization) and items outside the control of our management team, e.g. taxes, as well as other non-cash (such as impairment of intangible assets, purchase accounting adjustments and stock-based compensation) and non-recurring items (such as strategic and financial restructuring expenses), from our operations. 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) and 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 into 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. 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 EBITDA, Adjusted EBITDA and Segment Adjusted EBITDA 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 Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Earnings per Share 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 Quarterly Report. To properly and prudently evaluate our business, we encourage you to review the condensed consolidated financial statements and related notes included in Part I of this Quarterly Report, and to not rely on any single financial measure to evaluate our business. In addition, because EBITDA, Adjusted EBITDA, Segment Adjusted EBITDA, Adjusted Fully Distributed Net Income, Adjusted Fully Distributed Earnings per Share and Free Cash Flow 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, strategic and financial restructuring expenses, adjustments to TRA liabilities, ERP implementation expenses and acquisition related adjustment - revenue. These items are defined as follows:

Stock-based compensation

In addition to non-cash employee stock-based compensation expense, this item includes non-cash stock purchase plan expense of $0.1 million for both the three months ended March 31, 2017 and 2016 and $0.4 million and $0.3 million for the nine months ended March 31, 2017 and 2016, respectively.

Strategic and financial restructuring expenses

This item represents legal, accounting and other expenses directly related to strategic and financial restructuring activities.

Adjustment to tax receivable agreement liability

This item represents an adjustment to the TRA liability for an increase in income apportioned to California during the three months ended March 31, 2017 and a 1% decrease in the North Carolina state income tax rate that occurred during each of the nine months ended March 31, 2017 and 2016.

ERP implementation expenses

This item includes costs related to the implementation of a new enterprise resource planning ("ERP") system.

Acquisition related adjustment - revenue

During the three and nine months ended March 31, 2017, we recorded $11.6 million and $17.2 million purchase accounting adjustments to Adjusted EBITDA, respectively, related to our acquisition of Innovatix and Essensa on December 2, 2016. These adjustments reflect the fair value of administrative fees related to member purchases that occurred prior to December 2, 2016, but were reported to us subsequent to that date through March 31, 2017. Under our revenue recognition accounting policy, which is in accordance with GAAP, these administrative fees would be ordinarily recorded as revenue when reported to us; however, the acquisition method of accounting requires us to estimate the amount of purchases prior to the acquisition date and to record the fair value of the administrative fees to be received from those purchases as an account receivable (as opposed to recognizing revenue when these transactions are reported to us) and record any corresponding revenue share obligation as a liability. The purchase accounting adjustment amounted to an estimated $22.1 million of accounts receivable relating to these administrative fees and an estimated $4.0 million for the related revenue share obligation through March 31, 2017.

This item also includes non-cash adjustments to deferred revenue of acquired entities of $0.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively, and $0.5 million and $5.2 million for the nine months ended March 31, 2017 and 2016, respectively. Business combination accounting rules require the Company to record a deferred revenue liability at its fair value only if the acquired deferred revenue represents a legal performance obligation assumed by the acquirer. The fair value is based on direct and indirect incremental costs of providing the services plus a normal profit margin. Generally, this results in a reduction to the purchased deferred revenue balance, which was based on upfront fees associated with software license updates and product support contracts assumed in connection with acquisitions. Because these support contracts are typically one-year in duration, our GAAP revenues for the one-year period subsequent to our acquisition of a business do not reflect the full amount of support revenues on these assumed support contracts that would have otherwise been recorded by the acquired entity. The Non-GAAP adjustment to our software license updates and product support revenues is intended to include, and thus reflect, the full amount of such revenues.

Results of Operations

The following table summarizes our results of operations for the three and nine months ended March 31, 2017 (restated) and 2016 (in thousands, except per share data):

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2017 (Restated)		2016		2017 (Restated)		2016	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue:								
Net administrative fees	$ 143,915	38%	$ 131,270	44%	$ 398,962	38%	$ 369,952	43%
Other services and support	97,756	26%	87,389	29%	265,974	25%	252,114	29%
Services	241,671	64%	218,659	73%	664,936	63%	622,066	72%
Products	138,132	36%	80,010	27%	386,639	37%	239,107	28%
Net revenue	379,803	100%	298,669	100%	1,051,575	100%	861,173	100%
Cost of revenue:								
Services	47,319	13%	40,685	14%	134,865	13%	119,301	14%
Products	129,929	34%	71,408	24%	356,900	34%	214,512	25%
Cost of revenue	177,248	47%	112,093	38%	491,765	47%	333,813	39%
Gross profit	202,555	53%	186,576	62%	559,810	53%	527,360	61%
Operating expenses:								
Selling, general and administrative	108,668	28%	101,898	34%	296,833	29%	288,120	33%
Research and development	755	—%	1,180	—%	2,328	—%	2,060	—%
Amortization of purchased intangible assets	14,080	4%	8,740	3%	34,440	3%	24,058	3%
Operating expenses	123,503	32%	111,818	37%	333,601	32%	314,238	36%
Operating income	79,052	21%	74,758	25%	226,209	21%	213,122	25%
Other income (expense), net	(399)	—%	6,342	2%	217,488	21%	12,940	1%
Income before income taxes	78,653	21%	81,100	27%	443,697	42%	226,062	26%
Income tax expense	7,315	2%	9,543	3%	68,080	6%	41,257	5%
Net income	71,338	19%	71,557	24%	375,617	36%	184,805	21%
Net income attributable to non-controlling interest in Premier LP	(51,433)	(14)%	(56,018)	(19)%	(282,207)	(27)%	(153,735)	(18)%
Adjustment of redeemable limited partners' capital to redemption amount	(100,506)	nm	284,409	nm	296,566	nm	685,649	nm
Net income attributable to stockholders	$ (80,601)	nm	$ 299,948	nm	$ 389,976	nm	$ 716,719	nm
Weighted average shares outstanding:								
Basic	50,525		44,716		49,051		41,329	
Diluted	50,525		145,018		141,372		145,558	
Earnings per share attributable to stockholders:								
Basic	$ (1.60)		$ 6.71		$ 7.95		$ 17.34	
Diluted	$ (1.60)		$ 0.43		$ 2.22		$ 1.03	

Certain Non-GAAP Financial Data:								
Adjusted EBITDA (1)	$ 136,724	36%	$ 119,929	40%	$ 369,506	35%	$ 340,981	40%
Adjusted Fully Distributed Net Income (2)	$ 72,959	19%	$ 63,920	21%	$ 197,129	19%	$ 181,691	21%
Adjusted Fully Distributed Earnings Per Share (2)	$ 0.52		$ 0.44		$ 1.39		$ 1.25	

nm = Not meaningful

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(1) The following table shows the reconciliation of net income 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.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017 (Restated)	2016	2017 (Restated)	2016
Net income	$71,338	$71,557	$375,617	$184,805
Interest and investment loss, net [a]	2,017	285	3,026	981
Income tax expense	7,315	9,543	68,080	41,257
Depreciation and amortization	15,102	13,110	43,318	37,174
Amortization of purchased intangible assets	14,080	8,740	34,440	24,058
EBITDA	109,852	103,235	524,481	288,275
Stock-based compensation [b]	7,157	11,839	19,476	37,093
Acquisition related expenses	4,330	2,583	11,483	11,699
Strategic and financial restructuring expenses	—	33	—	268
Adjustment to tax receivable agreement liability [c]	2,768	—	(2,954)	(4,818)
ERP implementation expenses [d]	215	1,162	1,741	3,240
Acquisition related adjustment - revenue [e]	11,765	1,077	17,729	5,216
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	—	(204,833)	—
Loss on disposal of long-lived assets	725	—	2,243	—
Other expense (income), net	(88)	—	140	8
Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981
Income before income taxes	$78,653	$81,100	$443,697	$226,062
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	—	(204,833)	—
Equity in net income of unconsolidated affiliates [f]	(83)	(6,627)	(14,789)	(16,002)
Interest and investment loss, net [a]	2,017	285	3,026	981
Loss on disposal of long-lived assets	725	—	2,243	—
Other expense (income), net	(2,260)	—	(3,135)	2,081
Operating income	79,052	74,758	226,209	213,122
Depreciation and amortization	15,102	13,110	43,318	37,174
Amortization of purchased intangible assets	14,080	8,740	34,440	24,058
Stock-based compensation [b]	7,157	11,839	19,476	37,093
Acquisition related expenses	4,330	2,583	11,483	11,699
Strategic and financial restructuring expenses	—	33	—	268
Adjustment to tax receivable agreement liability [c]	2,768	—	(2,954)	(4,818)
ERP implementation expenses [d]	215	1,162	1,741	3,240
Acquisition related adjustment - revenue [e]	11,765	1,077	17,729	5,216
Equity in net income of unconsolidated affiliates	83	6,627	14,789	16,002
Deferred compensation plan income (expense) [g]	1,675	—	2,778	(2,073)
Other income	497	—	497	—
Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981
Segment Adjusted EBITDA:				
Supply Chain Services	$127,898	$118,704	$364,224	$329,642
Performance Services	36,535	30,771	87,449	90,158
Corporate [h]	(27,709)	(29,546)	(82,167)	(78,819)

Adjusted EBITDA	$136,724	$119,929	$369,506	$340,981

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(a) Represents interest expense, net and realized gains and losses on our marketable securities.

(b) In addition to non-cash employee stock-based compensation expense, includes stock purchase plan expense of $0.1 million for both the three months ended March 31, 2017 and 2016 and $0.4 million and $0.3 million for the nine months ended March 31, 2017 and 2016, respectively.

(c) Represents adjustment to tax receivable agreement liability for an increase in income apportioned to California during the three months ended March 31, 2017 and a 1% decrease in the North Carolina state income tax rate that occurred during each of the nine months ended March 31, 2017 and 2016.

(d) Represents implementation and other costs associated with the implementation of an ERP system.

(e) Includes $11.6 million and $17.2 million purchase accounting adjustments to Adjusted EBITDA during the three and nine months ended March 31, 2017, respectively, related to our acquisition of Innovatix and Essensa on December 2, 2016, and non-cash adjustments to deferred revenue of previously acquired entities of $0.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively, and $0.5 million and $5.2 million for the nine months ended March 31, 2017 and 2016, respectively. The purchase accounting adjustment amounted to an estimated $22.1 million of accounts receivable relating to these administrative fees and an estimated $4.0 million for the related revenue share obligation through March 31, 2017.

(f) Represents equity in net income of unconsolidated affiliates primarily generated by the Company's 49% ownership interest in FFF and 50% ownership interest in Innovatix prior to the acquisition of the remaining 50% interest on December 2, 2016.

(g) Represents realized and unrealized gains and losses and dividend income on deferred compensation plan assets.

(h) Corporate consists of general and administrative corporate expenses that are not specific to either of our reporting segments.

(2) The following table shows the reconciliation of net income (loss) attributable to stockholders to Non-GAAP Adjusted Fully Distributed Net Income and the reconciliation of the numerator and denominator for earnings (loss) per share attributable to stockholders to Non-GAAP 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 Non-GAAP Adjusted Fully Distributed Net Income and Non-GAAP Adjusted Fully Distributed Earnings per Share.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017 (Restated)	2016	2017 (Restated)	2016
Net income (loss) attributable to stockholders	$(80,601)	$299,948	$389,976	$716,719
Adjustment of redeemable limited partners' capital to redemption amount	100,506	(284,409)	(296,566)	(685,649)
Net income attributable to non-controlling interest in Premier LP [(a)]	51,433	56,018	282,207	153,735
Income tax expense	7,315	9,543	68,080	41,257
Amortization of purchased intangible assets	14,080	8,740	34,440	24,058
Stock-based compensation [(b)]	7,157	11,839	19,476	37,093
Acquisition related expenses	4,330	2,583	11,483	11,699
Strategic and financial restructuring expenses	—	33	—	268
Adjustment to tax receivable agreement liability [(c)]	2,768	—	(2,954)	(4,818)
ERP implementation expenses [(d)]	215	1,162	1,741	3,240
Acquisition related adjustment - revenue [(e)]	11,765	1,077	17,729	5,216
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	—	(204,833)	—
Loss on disposal of long-lived assets	725	—	2,243	—
Other expense (income), net	(88)	—	140	—
Non-GAAP adjusted fully distributed income before income taxes	119,605	106,534	323,162	302,818
Income tax expense on fully distributed income before income taxes [(f)]	46,646	42,614	126,033	121,127
Non-GAAP Adjusted Fully Distributed Net Income	$72,959	$63,920	$197,129	$181,691

Reconciliation of denominator for earnings (loss) per share attributable to stockholders to Non-GAAP Adjusted Fully Distributed Earnings per Share				
Weighted Average:				
Common shares used for basic earnings per share	50,525	44,716	49,051	41,329
Potentially dilutive shares	465	2,465	446	2,172
Conversion of Class B common units	88,892	97,837	91,875	102,057
Weighted average fully distributed shares outstanding - diluted	139,882	145,018	141,372	145,558

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(a) Reflects the elimination of the non-controlling interest in Premier LP as if all member owners of Premier LP had fully exchanged their Class B common units for shares of Class A common stock.

(b) In addition to non-cash employee stock-based compensation expense, includes stock purchase plan expense of $0.1 million for both the three months ended March 31, 2017 and 2016 and $0.4 million and $0.3 million for the nine months ended March 31, 2017 and 2016, respectively.

(c) Represents adjustment to tax receivable agreement liability for an increase in income apportioned to California during the three months ended March 31, 2017 and a 1% decrease in the North Carolina state income tax rate that occurred during each of the nine months ended March 31, 2017 and 2016.

(d) Represents implementation and other costs associated with the implementation of an ERP system.

(e) Includes $11.6 million and $17.2 million purchase accounting adjustments to Adjusted EBITDA during the three and nine months ended March 31, 2017, respectively, related to our acquisition of Innovatix and Essensa on December 2, 2016, and non-cash adjustments to deferred revenue of previously acquired entities of $0.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively, and $0.5 million and $5.2 million for the nine months ended March 31, 2017 and 2016, respectively. The purchase accounting adjustment amounted to an estimated $22.1 million of accounts receivable relating to these administrative fees and an estimated $4.0 million for the related revenue share obligation through March 31, 2017.

(f) Reflects income tax expense at an estimated effective income tax rate of 39% and 40% of Non-GAAP adjusted fully distributed income before income taxes for the three and nine months ended March 31, 2017 and 2016, respectively. The decrease in the estimated effective income tax rate is primarily attributed to a 1% decrease in the North Carolina state income tax rate that occurred during the three months ended September 30, 2016.

The following table shows the reconciliation of earnings (loss) per share attributable to stockholders to Non-GAAP 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 Non-GAAP Adjusted Fully Distributed Earnings per Share.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
	(Restated)		(Restated)	
Earnings (loss) per share attributable to stockholders	$(1.60)	$6.71	$7.95	$17.34
Adjustment of redeemable limited partners' capital to redemption amount	2.00	(6.36)	(6.05)	(16.59)
Impact of additions:				
Net income attributable to non-controlling interest in Premier LP [a]	1.02	1.25	5.75	3.72
Income tax expense	0.14	0.21	1.39	1.00
Amortization of purchased intangible assets	0.28	0.20	0.70	0.58
Stock-based compensation [b]	0.14	0.26	0.40	0.90
Acquisition related expenses	0.09	0.06	0.23	0.28
Strategic and financial restructuring expenses	—	—	—	0.01
Adjustment to tax receivable agreement liability [c]	0.05	—	(0.06)	(0.12)
ERP implementation expenses [d]	—	0.03	0.04	0.08
Acquisition related adjustment - revenue [e]	0.23	0.02	0.36	0.13
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	—	(4.18)	—
Loss on disposal of long-lived assets	0.01	—	0.05	—
Impact of corporation taxes [f]	(0.92)	(0.95)	(2.57)	(2.93)
Impact of increased share count [g]	(0.92)	(0.99)	(2.62)	(3.15)
Non-GAAP Adjusted Fully Distributed Earnings Per Share	$0.52	$0.44	$1.39	$1.25

(a) Reflects the elimination of the non-controlling interest in Premier LP as if all member owners of Premier LP had fully exchanged their Class B common units for shares of Class A common stock.

(b)

In addition to non-cash employee stock-based compensation expense, includes stock purchase plan expense of $0.1 million for both the three months ended March 31, 2017 and 2016 and $0.4 million and $0.3 million for the nine months ended March 31, 2017 and 2016, respectively.

(c) Represents adjustment to tax receivable agreement liability for an increase in income apportioned to California during the three months ended March 31, 2017 and a 1% decrease in the North Carolina state income tax rate that occurred during each of the nine months ended March 31, 2017 and 2016.

(d) Represents implementation and other costs associated with the implementation of an ERP system.

(e) Includes $11.6 million and $17.2 million purchase accounting adjustments to Adjusted EBITDA during the three and nine months ended March 31, 2017, respectively, related to our acquisition of Innovatix and Essensa on December 2, 2016, and non-cash adjustments to deferred revenue of previously acquired entities of $0.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively, and $0.5 million and $5.2 million for the nine months ended March 31, 2017 and 2016, respectively. The purchase accounting adjustment amounted to an estimated $22.1 million of accounts receivable relating to these administrative fees and an estimated $4.0 million for the related revenue share obligation through March 31, 2017.

(f) Reflects income tax expense at an estimated effective income tax rate of 39% and 40% of Non-GAAP adjusted fully distributed income before income taxes for the three and nine months ended March 31, 2017 and 2016, respectively. The decrease in the estimated effective income tax rate is primarily attributed to a 1% decrease in the North Carolina state income tax rate that occurred during the three months ended September 30, 2016.

(g) Reflects impact of increased share counts assuming the conversion of all Class B common units and dilutive shares into shares of Class A common stock.

Net Revenue

The following table summarizes our net revenue for the three and nine months ended March 31, 2017 and 2016, indicated both in dollars (in thousands) and as a percentage of net revenue:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2017		2016		2017		2016	
Net Revenue:	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Supply Chain Services								
Net administrative fees	$143,915	38%	$131,270	44%	$398,962	38%	$369,952	43%
Other services and support	3,116	1%	1,104	—%	5,962	1%	2,963	—%
Services	147,031	39%	132,374	44%	404,924	39%	372,915	43%
Products	138,132	36%	80,010	27%	386,639	36%	239,107	28%
Total Supply Chain Services	285,163	75%	212,384	71%	791,563	75%	612,022	71%
Performance Services	94,640	25%	86,285	29%	260,012	25%	249,151	29%
Net revenue	$379,803	100%	$298,669	100%	$1,051,575	100%	$861,173	100%

Total net revenue increased $81.1 million, or 27%, from the three months ended March 31, 2016 to 2017, and increased $190.4 million, or 22%, from the nine months ended March 31, 2016 to 2017.

Supply Chain Services

Supply chain services segment net revenue increased $72.8 million, or 34%, from the three months ended March 31, 2016 to 2017, and increased $179.6 million, or 29% from the nine months ended March 31, 2016 to 2017.

Net administrative fees revenue in our supply chain services segment increased $12.6 million, or 10%, from the three months ended March 31, 2016 to 2017 and increased $29.0 million, or 8%, from the nine months ended March 31, 2016 to 2017. The increase in net administrative fees revenue was primarily driven by aggregate contributions from Innovatix and Essensa, which were acquired on December 2, 2016, during the three and nine months ended March 31, 2017. Additionally, during the nine months ended March 31, 2017, further contract penetration of existing members and, to a lesser degree, the ongoing positive impact of conversion of new members to our contract portfolio contributed to the increase. We may experience quarterly fluctuations in net administrative fees revenue due to periodic variability associated with the receipt of supplier member purchasing reports and administrative fee payments at quarter-end; however, we expect our net administrative fees revenue to continue to grow to the extent our existing members increase the utilization of our contracts and additional members convert to our contract portfolio.

Product revenue in our supply chain services segment increased $58.1 million, or 73%, from the three months ended March 31, 2016 to 2017 and increased $147.5 million, or 62%, from the nine months ended March 31, 2016 to 2017. The increases were primarily driven by revenues from our Acro Pharmaceuticals acquisition during the three and nine months ended March 31, 2017, and increased sales of direct sourcing products, partially offset by decreases in certain limited distribution drug sales, including Hepatitis C pharmaceuticals. Growth in product revenue was impacted by the competitive environment, adoption of new therapies and expansion of access for certain limited distribution drugs. However, we expect our direct sourcing and integrated pharmacy 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.

Performance Services

Performance services segment net revenue increased $8.3 million, or 10%, from the three months ended March 31, 2016 to 2017 and increased $10.8 million, or 4%, from the nine months ended March 31, 2016 to 2017, primarily due to growth in ambulatory regulatory reporting and cost management services. Additionally, during the nine months ended March 31, 2017, government services revenue contributed to the increase.

Net revenue in the performance services segment continues to be impacted by the uncertain and competitive environment. Similarly, growth in advisory services was limited due to some larger engagement opportunities that require more complex and lengthy sales processes, involve longer implementations once secured and in some cases result in longer term revenue recognition due to performance-based fees.

We expect to experience quarterly variability in revenues generated from our performance services segment due to the timing of revenue recognition from certain advisory services and performance-based engagements in which our revenue is based on a percentage of identified member savings and recognition occurs upon approval and documentation of the savings. We generally expect our performance services net 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 products and services.

Cost of Revenue

The following table summarizes our cost of revenue for the three and nine months ended March 31, 2017 and 2016, indicated both in dollars (in thousands) and as a percentage of net revenue:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2017		2016		2017		2016	
Cost of revenue:	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Supply Chain Services								
Services	$1,486	—%	$719	—%	$3,967	—%	$2,053	—%
Products	129,929	35%	71,408	24%	356,900	34%	214,512	25%
Total Supply Chain Services	131,415	35%	72,127	24%	360,867	34%	216,565	25%
Performance Services								
Services	45,833	12%	39,966	14%	130,898	13%	117,248	14%
Total Performance Services	45,833	12%	39,966	14%	130,898	13%	117,248	14%
Total cost of revenue	$177,248	47%	$112,093	38%	$491,765	47%	$333,813	39%

Cost of revenue increased $65.1 million, or 58%, from the three months ended March 31, 2016 to 2017 and increased $158.0 million, or 47%, from the nine months ended March 31, 2016 to 2017. Cost of product revenue increased $58.5 million, or 82%, from the three months ended March 31, 2016 to 2017 and increased $142.4 million, or 66%, from the nine months ended March 31, 2016 to 2017 primarily due to our Acro Pharmaceuticals acquisition and higher costs related to an increase in direct sourcing revenue. Cost of service revenue increased $6.6 million, or 16%, from the three months ended March 31, 2016 to 2017 and increased $15.6 million, or 13%, from the nine months ended March 31, 2016 to 2017 primarily due to higher salary and benefits expense resulting from increased staffing to support our continued growth, increases in depreciation expense related to capitalized software resulting from increased capitalization of labor, and higher consulting costs for certain projects.

Supply Chain Services

Cost of revenue for the supply chain services segment increased $59.3 million, or 82%, from the three months ended March 31, 2016 to 2017 and increased $144.3 million, or 67%, from the nine months ended March 31, 2016 to 2017. The increase is primarily attributable to incremental cost of revenue related to our Acro Pharmaceuticals acquisition during the three and nine months ended March 31, 2017, in addition to increases in cost of product revenue related to higher direct sourcing sales. We expect our cost of product revenue to increase as we sell additional integrated pharmacy and direct-sourced medical products to new and existing members and enroll additional members into our integrated pharmacy program.

Performance Services

Cost of revenue for the performance services segment increased $5.8 million, or 15%, from the three months ended March 31, 2016 to 2017 and increased $13.7 million, or 12%, from the nine months ended March 31, 2016 to 2017. The increase is primarily attributable to higher salaries and benefits expenses due to increased staffing to support growth, depreciation expense resulting from increased capitalization of labor related to capitalized software, and higher consulting costs for certain projects. We expect cost of service revenue to increase to the extent we expand our performance improvement collaboratives and advisory services to members, continue to develop new and existing internally-developed software applications, and expand into new product offerings.

Operating Expenses

The following table summarizes our operating expenses for the three and nine months ended March 31, 2017 and 2016, indicated both in dollars (in thousands) and as a percentage of net revenue:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2017		2016		2017		2016	
Operating expenses:	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Selling, general and administrative	$108,668	28%	$101,898	34%	$296,833	29%	$288,120	33%
Research and development	755	—%	1,180	—%	2,328	—%	2,060	—%
Amortization of purchased intangible assets	14,080	4%	8,740	3%	34,440	3%	24,058	3%
Total operating expenses	$123,503	32%	$111,818	37%	$333,601	32%	$314,238	36%
Operating expenses by segment:								
Supply Chain Services	$47,067	12%	$29,850	10%	$119,980	12%	$86,053	10%
Performance Services	34,354	9%	37,816	13%	104,078	10%	110,885	13%
Corporate	42,082	11%	44,152	14%	109,543	10%	117,300	13%
Total operating expenses	$123,503	32%	$111,818	37%	$333,601	32%	$314,238	36%

Selling, General and Administrative

Selling, general and administrative expenses increased $6.8 million, or 7%, from the three months ended March 31, 2016 to 2017, and increased $8.7 million, or 3%, from the nine months ended March 31, 2016 to 2017, driven by higher salaries and benefits expenses due to increased staffing to support growth and acquisitions in addition to higher acquisition costs, partially offset by a decrease in stock-based compensation primarily related to vesting of certain IPO-related performance based awards during the prior year.

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 decreased $0.4 million, or 33%, from the three months ended March 31, 2016 to 2017 and increased $0.2 million, or 10%, from the nine months ended March 31, 2016 to 2017. Including capitalized labor, total research and development expenditures were $11.3 million for the three months ended March 31, 2017, a decrease of $1.5 million from $12.8 million for the three months ended March 31, 2016, and were $46.0 million for the nine months ended March 31, 2017, an increase of $2.1 million from $43.9 million for the nine months ended March 31, 2016. 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 $5.4 million, or 62%, from the three months ended March 31, 2016 to 2017 and increased $10.3 million, or 43%, from the nine months ended March 31, 2016 to 2017. The increase was primarily a result of the additional amortization of purchased intangible assets related to our acquisitions. As we execute on our growth strategy and further deploy capital, we expect further increases in amortization of purchased intangible assets in connection with recent and future potential acquisitions.

Supply Chain Services

Operating expenses in the supply chain services segment increased $17.2 million, or 58%, from the three months ended March 31, 2016 to 2017 and increased $33.9 million, or 39%, from the nine months ended March 31, 2016 to 2017. The increases were due to higher salaries and benefits expenses due to increased staffing to support growth and acquisitions, higher acquisition costs and increased intangible asset amortization due to intangible assets purchased in the acquisitions of Acro Pharmaceuticals and Innovatix and Essensa.

Performance Services

Operating expenses in the performance services segment decreased $3.4 million, or 9%, from the three months ended March 31, 2016 to 2017 primarily due to a decrease in bad debt expense driven by recovery of past due amounts. Operating expenses in the performance services segment decreased $6.8 million, or 6%, from the nine months ended March 31, 2016 to 2017 primarily due to reduced acquisition costs and gains recorded in the current period related to changes in the fair value of earn-out liabilities recorded in connection with our prior acquisition of InFlow Health, LLC, partially offset by additional amortization of purchased intangible assets related to previous acquisitions and increased salaries and benefits expenses due to staffing to support growth and acquisitions.

Corporate

Corporate expenses decreased $2.1 million, or 5%, from the three months ended March 31, 2016 to 2017 and decreased $7.8 million, or 7%, from the nine months ended March 31, 2016 to 2017. These decreases were primarily driven by a decrease in stock-based compensation expense due to vesting of certain IPO-related awards during the prior year, partially offset by increased salaries and benefits expenses due to staffing to support growth and acquisitions.

Other Non-Operating Income and Expense

Other Income (Expense), Net

Other income (expense), net decreased $6.7 million from the three months ended March 31, 2016 to 2017 primarily due to a reduction in equity in net income of unconsolidated affiliates. As a result of acquiring the remaining 50% of Innovatix during the prior quarter, we no longer account for our ownership using the equity method. Other income (expense), net increased $204.6 million from the nine months ended March 31, 2016 to 2017, primarily due to the one-time $204.8 million gain recognized during the three months ended December 31, 2016 from the remeasurement of the 50% equity method investment in Innovatix to fair value upon acquisition of Innovatix and Essensa (see Note 3 - Business Acquisitions for more information).

Income Tax Expense

Income tax expense decreased $2.2 million from the three months ended March 31, 2016 to 2017 and increased $26.8 million from the nine months ended March 31, 2016 to 2017. Our effective tax rates were 9% and 12% for the three months ended March 31, 2017 and 2016, respectively. The decrease in the effective tax rate is primarily attributable to a deferred tax benefit recognized in connection with an increase in income apportioned to California. Our effective tax rates were 15% and 18% for the nine months ended March 31, 2017 and 2016, respectively. The decrease in the effective tax rate is primarily attributable to the one-time gain recognized from the remeasurement of the 50% equity method investment in Innovatix to fair value. See Note 13 - Income Taxes for more information.

Net Income Attributable to Non-Controlling Interest

Net income attributable to non-controlling interest decreased $4.6 million, or 8%, from the three months ended March 31, 2016 to 2017 driven by a decrease in non-controlling interest in Premier LP from approximately 74% at March 31, 2016 to approximately 64% at March 31, 2017 primarily as a result of the completion of quarterly exchanges pursuant to the Exchange Agreement (see Note 9 - Redeemable Limited Partners' Capital). Net income attributable to non-controlling interest increased $128.5 million, or 84%, from the nine months ended March 31, 2016 to 2017 due to an increase in Premier LP net income primarily driven by increased revenues, partially offset by the decrease in non-controlling ownership interest percentage in Premier LP.

Non-GAAP Adjusted EBITDA

The following table summarizes our Non-GAAP Adjusted EBITDA for the three and nine months ended March 31, 2017 and 2016, indicated both in dollars (in thousands) and as a percentage of net revenue:

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2017		2016		2017		2016	
Non-GAAP Adjusted EBITDA by segment:	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Supply Chain Services	$127,898	34%	$118,704	40%	$364,224	35%	$329,642	38%
Performance Services	36,535	9%	30,771	10%	87,449	8%	90,158	11%
Total Segment Adjusted EBITDA	164,433	43%	149,475	50%	451,673	43%	419,800	49%
Corporate	(27,709)	(7)%	(29,546)	(10)%	(82,167)	(8)%	(78,819)	(9)%
	$136,724	36%	$119,929	40%	$369,506	35%	$340,981	40%

Total Adjusted
EBITDA
Segment Adjusted EBITDA for the supply chain services segment increased $9.2 million, or 8%, from the three months ended March 31, 2016 to 2017 and increased $34.6 million, or 10%, from the nine months ended March 31, 2016 to 2017, primarily as

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a result of growth in net administrative fees revenue and contributions related to the Innovatix and Essensa acquisition, including net administrative fees revenue and a Non-GAAP revenue adjustment, partially offset by increased selling, general and administrative expenses resulting from higher salaries and benefits expenses related to acquisitions and a reduction in equity in net income of unconsolidated affiliates due to acquiring the remaining 50% of Innovatix during the prior quarter. Additionally, during the nine months ended March 31, 2017, Segment Adjusted EBITDA for the supply chain services segment was increased as a result of earnings from our FFF equity investment.

Segment Adjusted EBITDA for the performance services segment increased $5.7 million, or 19%, from the three months ended March 31, 2016 to 2017 driven by an increase in other services and support revenue and a decrease in selling, general and administrative expenses driven by reduced bad debt expense, partially offset by an increase in cost of sales primarily related to higher labor and consulting costs for particular contracts and increases in salary and benefits expense due to an increase in headcount. Segment Adjusted EBITDA for the performance services segment decreased $2.8 million, or 3%, from the nine months ended March 31, 2016 to 2017 primarily related to a higher rate of increase in cost of sales than the rate of increase in revenue due to requirements for certain contracts.

Adjusted EBITDA at the corporate level remained relatively flat from the three months ended March 31, 2016 to 2017, increasing $1.8 million, or 6%, and decreased $3.4 million, or 4%, from the nine months ended March 31, 2016 to 2017. The year-to-date decrease was driven by increased selling, general and administrative expenses resulting from higher incremental corporate infrastructure costs due to growth and the current year acquisitions.

Off-Balance Sheet Arrangements

As of March 31, 2017, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements requires us 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 including estimates for allowances for doubtful accounts, useful lives of property and equipment, stock-based compensation, payables under tax receivable agreements, values of investments not publicly traded, the valuation allowance on deferred tax assets, uncertain income taxes, deferred revenue, future cash flows associated with asset impairments, values of put and call rights and the allocation of purchase price are evaluated on an ongoing basis. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

There have been no material changes to the Company's significant accounting policies as described in the Company's 2016 Annual Report.

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 in the accompanying condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q.

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, capital expenditures, settlement of Class B common unit exchanges under the Exchange Agreement (to the extent settled in cash), 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. Prior to the Reorganization and IPO, the vast majority of our excess cash had been distributed to our member owners.

As of March 31, 2017 and June 30, 2016, we had cash and cash equivalents totaling $236.2 million and $248.8 million respectively. As of March 31, 2017, there were no marketable securities outstanding, and as of June 30, 2016, marketable securities with maturities ranging from three months to five years totaled $47.9 million. The marketable securities held at June 30, 2016 were

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liquidated in order to help fund the equity investment in FFF on July 26, 2016 and the acquisition of Acro Pharmaceuticals on August 23, 2016. During the nine months ended March 31, 2017, the Company utilized $425.0 million of the Credit Facility, including approximately $325.0 million to fund the acquisition price of Innovatix and Essensa, approximately $50.0 million to fund the cash settlement portion of the October 31, 2016 Class B common unit exchange under the Exchange Agreement, and the remainder to fund general corporate activities. During the nine months ended March 31, 2017, the Company repaid $57.5 million of borrowings under the Credit Facility. On April 10, 2017, the Company repaid $97.5 million of 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, settlement of Class B common unit exchanges under the Exchange Agreement (to the extent settled in cash) and growth for the foreseeable future. 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 currently 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; strategic growth initiatives, however, will likely require the use of 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.

Discussion of cash flows for the nine months ended March 31, 2017 and 2016

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

	Nine Months Ended March 31,	
	2017	2016
Net cash provided by (used in):		
Operating activities	$274,211	$270,937
Investing activities	(447,181)	(161,131)
Financing activities	160,371	(17,944)
Net increase (decrease) in cash	$(12,599)	$91,862

Net cash provided by operating activities increased $3.3 million from the nine months ended March 31, 2016 to 2017 primarily driven by an increase in net administrative fees partially offset by increased selling, general and administrative expenses and increased outflows in the current year related to working capital needs.

Net cash used in investing activities increased $286.1 million from the nine months ended March 31, 2016 to 2017 driven by a $319.6 million reduction in proceeds from the sale of marketable securities, $65.7 million cash paid for our investment in FFF in July 2016, and a reduction in distributions received from equity investments of $10.5 million driven by the acquisition of the remaining 50% ownership of Innovatix in December 2016. These items were partially offset by a reduction in total cash outflows for business acquisitions from $468.6 million in the prior period to $384.2 million in the current period, in addition to a $19.2 million reduction in cash outflows for the purchase of marketable securities as compared to the prior period as we did not purchase any marketable securities during the current period.

Net cash provided by financing activities was $160.4 million for the nine months ended March 31, 2017 compared to $17.9 million use of cash in financing activities for the nine months ended March 31, 2016. The $178.3 million increase in cash provided by financing activities was driven by $367.5 million of borrowings, net of payments, under the Credit Facility in the current period compared to $50.0 million in the prior period. This increase was partially offset by $123.3 million of cash used to settle a portion of the exchange of Class B units by member owners on October 31, 2016 and $17.6 million in additional cash used to repurchase vested restricted stock units, under our equity incentive plan, for employee tax-withholding.

Discussion of Non-GAAP Free Cash Flow

We define Non-GAAP Free Cash Flow as net cash provided by operating activities less distributions and tax receivable agreement payments to limited partners and purchases of property and equipment. A summary of Non-GAAP Free Cash Flow and reconciliation to net cash provided by operating activities for the periods presented follows (in thousands):

	Nine Months Ended March 31,	
	2017	2016
Net cash provided by operating activities	$274,211	$270,937
Purchases of property and equipment	(51,892)	(54,684)
Distributions to limited partners of Premier LP	(67,363)	(67,965)
Non-GAAP Free Cash Flow	$154,956	$148,288

Non-GAAP Free Cash Flow increased $6.7 million from the nine months ended March 31, 2016 to 2017 primarily driven by an increase in net administrative fees and reduced capital expenditures, partially offset by increased selling, general and administrative expenses and increased outflows in the current year related to working capital needs. See “Our Use of Non-GAAP Financial Measures” above for additional information regarding our use of Non-GAAP Free Cash Flow.

Contractual Obligations

Notes Payable

At March 31, 2017, we had commitments of $16.1 million for obligations under notes payable which represented obligations to departed member owners. Notes payable to departed member owners generally have stated maturities of five years from the date of issuance and are non-interest bearing. See Note 8 - Debt in the accompanying condensed consolidated financial statements for more information.

2014 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 June 24, 2014 and amended on June 4, 2015. The Credit Facility has a maturity date of June 24, 2019. The Credit Facility provides for borrowings of up to $750.0 million with (i) a $25.0 million sub-facility for standby letters of credit and (ii) a $75.0 million sub-facility for swingline loans. The Credit Facility may be increased from time to time at the Company's request up to an aggregate additional amount of $250.0 million, subject to lender approval. 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 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% or the one-month LIBOR plus 1.0%) plus the Applicable Rate. The Applicable Rate ranges from 1.125% to 1.750% for Eurodollar Loans and 0.125% to 0.750% for Base Rate Loans. At March 31, 2017, the interest rate for three-month Eurodollar Loans was 2.275% and the interest rate for the Base Rate Loans was 4.125%. The Co-Borrowers are required to pay a commitment fee ranging from 0.125% to 0.250% per annum on the actual daily unused amount of commitments under the Credit Facility. At March 31, 2017, the commitment fee was 0.125%.

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, of which certain covenant calculations use EBITDA, a Non-GAAP financial measure. Under the terms of the Credit Facility, Premier GP is not permitted to allow its consolidated total leverage ratio (as defined in the Credit Facility) to exceed 3.00 to 1.00 for any period of four consecutive quarters. In addition, Premier GP must maintain a minimum consolidated interest coverage ratio (as defined in the Credit Facility) of 3.00 to 1.00 at the end of every fiscal quarter. Premier GP was in compliance with all such covenants at March 31, 2017.

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 $30.0 million, bankruptcy and other insolvency events, judgment defaults in excess of $30.0 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 the required lenders, 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, settlements of Class B unit exchanges under the Exchange Agreement (to the extent settled in cash) and other general corporate activities. The Company borrowed $425.0 million under the Credit Facility and repaid $57.5 million of borrowings under the Credit Facility during the nine months ended March 31, 2017. The outstanding borrowings were classified as current liabilities in the condensed consolidated balance sheets as they were due within one year of the balance sheet date. However, they may be renewed or extended at the option of the Company through the maturity date of the Credit Facility. On April 10, 2017, the Company repaid $97.5 million of borrowings under the Credit Facility. The above summary does not purport to be complete, and is subject to, and qualified in its entirety by reference to, the complete text of the Credit Facility, as amended, which is filed as an exhibit to the 2016 Annual Report. See also Note 8 - Debt in our accompanying condensed consolidated financial statements in Part I of this Quarterly Report.

Member-Owner Tax Receivable Agreement

In connection with the Reorganization and IPO, the Company entered into TRAs with each of our member owners. Pursuant to the agreement, 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 such TRAs) 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. or cash. 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.

The Company had TRA liabilities of $347.4 million and $279.7 million at March 31, 2017 and June 30, 2016, respectively. TRA liabilities increased by $67.7 million primarily due to $70.8 million of liabilities incurred in connection with quarterly member owner exchanges during the nine months ended March 31, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates primarily to the increase or decrease in the amount of any interest expense we must pay with respect to outstanding debt instruments. We have historically invested our excess cash in a portfolio of individual cash equivalents and marketable securities. We do not currently hold, and we have never held, any derivative financial instruments. As a result, 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 principal funds by limiting default, market and investment risks. We plan to mitigate default risk by investing in low-risk securities. Substantially all of our financial transactions are conducted in U.S. dollars.

Item 4. 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 Quarterly 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 initial evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2017. However, subsequent to the end of the period covered by this

Quarterly Report, our chief executive officer and chief financial officer carried out another evaluation of the effectiveness of our disclosure controls and procedures. Based upon this further evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not designed effectively and did not operate at a sufficient level of detail as of March 31, 2017 due to a material weakness in internal control over financial reporting related to the income tax accounting for complex, non-routine or infrequent transactions as discussed below.

Management's quarterly evaluation of disclosure controls and procedures did not include an assessment of and conclusion on the effectiveness of disclosure controls and procedures of Innovatix, Essensa and Acro Pharmaceuticals, which were acquired during the nine months ended March 31, 2017 and are included in our condensed consolidated financial statements as of March 31, 2017 and for the period from the respective acquisition dates through March 31, 2017. The aggregate assets of Acro Pharmaceuticals and Innovatix and Essensa represented less than 1% of our total assets as of March 31, 2017. The net revenue generated by Innovatix and Essensa represented approximately 3% and 1% of our net revenue for the three and nine months ended March 31, 2017, respectively. Acro Pharmaceuticals represented approximately 14% and 13% of our net revenue for the three and nine months ended March 31, 2017, respectively.

Changes in Internal Control Over Financial Reporting

The Company identified errors in the income tax accounting related to the December 2, 2016 acquisition of the remaining 50% ownership interest of Innovatix, LLC not previously owned by the Company, which indicated to management that deficiencies existed in internal control over financial reporting that potentially would not prevent or detect a material misstatement. Management therefore concluded there was a material weakness in internal control over financial reporting related to the income tax accounting for complex, non-routine or infrequent transactions. Specifically, management determined that the internal controls around income tax accounting for complex, non-routine or infrequent transactions were not designed effectively and did not operate at a sufficient level of detail to prevent or detect a material misstatement on a timely basis. Actions are currently being implemented to remediate this material weakness, including augmenting the Company's accounting resources, training, and implementing a more formal review and documentation process around the income tax accounting for complex, non-routine or infrequent transactions. Management believes that these actions will strengthen our overall internal control over financial reporting, including with respect to complex, non-routine or infrequent transactions. Management is continuing to assess our remediation efforts, and we may take additional measures or modify our internal control over financial reporting for these types of transactions.

We have substantially completed the implementation of core general ledger, related financial reporting and other components to our comprehensive enterprise resource planning ("ERP") system. In connection with the implementation of these components of the overall ERP system, we updated the processes that constitute our internal control over financial reporting, as necessary, to accommodate related changes to our accounting procedures and business processes.

Although the processes that constitute our internal control over financial reporting have been materially affected by the implementation of certain ERP modules and will require testing for effectiveness, we do not believe that the implementation of the ERP system has had or will have a material adverse effect on our internal control over financial reporting.

Except as otherwise described above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We participate in businesses that are subject to substantial litigation. We are, from time to time, involved in litigation, arising in the ordinary course of business or otherwise, which may include claims relating to commercial, product liability, employment, antitrust, intellectual property, regulatory, or other 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 us or our business, we may be subject to enforcement actions, penalties and other material limitations on our business.

In the past, we have been named as a defendant in several lawsuits brought by suppliers of medical products. Typically, these lawsuits have alleged the existence of a conspiracy among manufacturers of competing products and operators of GPOs, including us, to deny the plaintiff access to a market for its products. We believe that we have at all times conducted our business affairs in an ethical and legally compliant manner and have successfully resolved all such actions. We may be subjected to similar actions in the future, and no assurance can be given that such 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 15 - Commitments and Contingencies to the accompanying condensed consolidated financial statements, which information is incorporated herein by reference.

Item 1A. Risk Factors

During the quarter ended March 31, 2017, there were no material changes to the risk factors disclosed in "Risk Factors" in the 2016 Annual Report, as supplemented in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2016.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report are listed in the exhibit index immediately preceding such exhibits, which exhibit index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PREMIER, INC.

Date:	August 21, 2017	By:	/s/ Craig S. McKasson
		Name:	Craig S. McKasson
		Title:	Chief Financial Officer and Senior Vice President Signing on behalf of the registrant and as principal financial officer and principal accounting officer

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Exhibit Index

Exhibit No.	Description
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	Sections of the Premier, Inc. Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2017, formatted in XBRL (eXtensible Business Reporting Language), submitted in the following files:
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.*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Filed herewith.

‡ Furnished herewith.