



Premier, Inc. (PINC)

Updated November 16th, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	\$20	5 Year CAGR Estimate:	15.7%	Market Cap:	\$2.5 B
Fair Value Price:	\$28	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	11/30/23
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	6.4%	Dividend Payment Date¹:	12/15/23
Dividend Yield:	4.1%	5 Year Price Target	\$37	Years Of Dividend Growth:	2
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Premier, Inc. (PINC) is a healthcare improvement company that provides integrated analytics and data services to the managed healthcare industry. Even though the business is relatively new as a public company, the business made over \$1.4 billion in revenue in 2023. The business operates through 2 segments: Supply Chain Services and Performance Services, which made up about 65% and 35% of fiscal year 2023 sales, respectively.

The Supply Chain Services segment provides its members (hospitals and other organizations) with access to a variety of goods and services, such as clinical engineering and document shredding, as well as capital equipment, pharmaceuticals, laboratory supplies, office supplies, information technology, facilities and construction, food and nutritional products, and medical and surgical products. The segment also engages in direct sourcing business and the delivery of the Ascend Collaborative service, which allows members to receive group purchasing programs, tiers, and prices; Surpass Collaborative service; Stock, an e-commerce platform; and ProvideGx program, which identifies supply sources for drugs that are on the national drug shortage list or that are susceptible to price volatility. The Performance Services segment provides members with Premier Connect to address current cost and quality imperatives, manage a value-based care reimbursement model, and support their regulatory reporting framework. It also offers performance improvement collaboratives, consulting, and insurance management services, including the development and administration of health benefit programs under the Contigo Health brand and cost-management strategies for health systems and suppliers under the Remitra brand. Premier, Inc. was incorporated in 2013 and is headquartered in Charlotte, North Carolina.

On November 7th, 2023, Premier reported first quarter 2024 results for the period ending September 30th, 2023. The company earned \$0.37 in non-GAAP earnings-per-share for the quarter, which represents a 3% year-over-year increase from \$0.61 of earnings-per-share from a year-ago. Revenue came in marginal higher at \$318.8 million compared to year-ago revenues of \$313.8 million. Supply Chain Services segment net revenue of \$210.8 million decreased 4% from \$219.7 million, primarily due to higher profit margin in the company's direct sourcing business compared to the prior-year period driven by lower logistics and product costs partially offset by an increase in expenses in support of the GPO program and supply chain co-management business. Performance Services segment net revenue of \$108 million increased 15% from \$94.2 million, primarily due to an increase in revenue from enterprise license agreements. Due to its ongoing strategic review and sale of its non-healthcare GPO operations, the company did not provide fiscal-2024 guidance.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.27	\$1.43	\$1.61	\$1.89	\$2.31	\$2.64	\$2.73	\$2.48	\$2.49	\$2.50	\$2.15	\$2.88
DPS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.38	\$0.76	\$0.80	\$0.84	\$0.84	\$1.12
Shares	145	144	142	139	138	126	122	123	118	120	120	120

The company has grown earnings by 7.8% per year over the past decade and declined 4% over the past five years. We expect earnings to increase by 6% per year for the next five years.

¹ Estimated Date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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The company started paying dividends in 2020 and raised it by 5% in August 2022 from \$0.20 to \$0.21 per share. Over the next five years, we forecast that the business will grow dividends at 6% annually, guiding our 2029 estimate of \$1.12 in dividends per share.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	25.7	23.7	21.1	17.0	14.1	14.7	12.7	13.8	14.6	11.2	9.5	13.0
Avg. Yld.	---	---	---	---	---	---	1.1%	1.8%	2.1%	3.1%	4.1%	3.0%

During the past decade shares of PINC have traded with an average price-to-earnings ratio of about 16.9 times earnings and today, it stands at 9.5. We are using 13.0 times earnings as a fair value baseline, implying the potential for a valuation tailwind. Today, the stock offers a 4.1% dividend yield which is above the average yield of 2% for the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

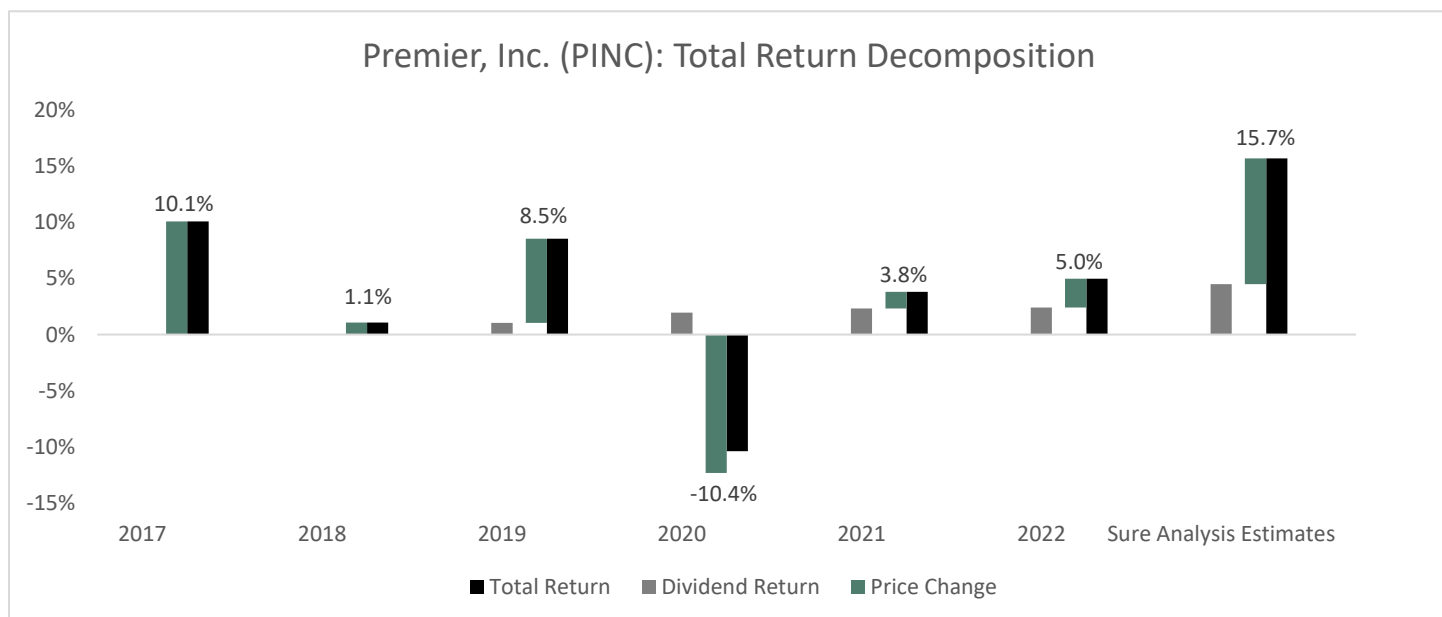
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Payout	---	---	---	---	---	---	14%	31%	32%	34%	39%	39%

Today, Premier has a low payout ratio of 39%. Since the business is expected to raise the dividend slower than the expected rate of earnings-per-share growth, we expect the dividend to continue to be safe over the intermediate term, because the dividend won't outgrow earnings-per-share. Additionally, Premier has a strong balance sheet, with the company's shareholder's equity almost double its total liabilities. We don't see any impending solvency or liquidity risks with this business, and we think the company has an advantage as a strong operator in the healthcare space.

Final Thoughts & Recommendation

Premier, Inc. offers investors an opportunity to invest in a growing healthcare analytics service business. We estimate total return potential of 15.7% per year for the next five years based on a 6% earnings-per-share growth, a dividend yield of 4.1%, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	911	1,007	1,163	1,066	1,185	1,218	1,300	1,721	1,433	1,336
Gross Profit	603	610	706	758	843	862	867	837	885	896
Gross Margin	66.2%	60.6%	60.7%	71.0%	71.1%	70.8%	66.7%	48.6%	61.8%	67.1
SG&A Exp.	294	332	408	396	425	439	460	532	577	602
D&A Exp.	40	54	84	104	123	140	153	121	129	134
Operating Profit	302	266	266	318	540	369	374	257	260	242
Op. Margin	33.2%	26.4%	22.9%	29.8%	45.6%	30.3%	28.7%	14.9%	18.1%	18.1%
Net Profit	28	39	42	113	33	109	130	288	266	175
Net Margin	3.1%	3.8%	3.6%	10.6%	2.8%	9.0%	10.0%	16.7%	18.6%	13.1%
Free Cash Flow	312	293	294	321	415	412	255	319	357	362
Income Tax	28	36	50	82	260	33	93	(54)	59	75

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,247	1,530	1,855	2,508	2,312	2,570	2,949	3,523	3,357	3,371
Cash & Equivalents	132	147	249	157	152	141	99	129	86	90
Acc. Receivable	66	98	144	160	184	167	135	141	114	118
Inventories	21	33	29	50	53	51	71	176	120	77
Goodwill & Int.	105	254	696	1,285	1,144	1,151	1,359	1,397	1,356	1,442
Total Liabilities	3,717	4,648	3,807	4,170	3,739	3,432	2,809	1,293	1,108	1,037
Accounts Payable	28	38	46	43	48	55	55	85	45	54
Long-Term Debt	34	18	19	234	107	34	84	479	454	418
Total Equity	(2,470)	(3,118)	(1,951)	(1,662)	(1,427)	(862)	139	2,230	2,249	2,334
LTD/E Ratio	(0.01)	(0.01)	(0.01)	(0.14)	(0.08)	(0.04)	0.60	0.21	0.20	0.18

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.1%	2.8%	2.5%	5.2%	1.4%	4.5%	4.7%	8.9%	7.7%	5.2%
Return on Equity	---	---	---	---	---	---	---	24.3%	11.9%	7.6%
ROIC	---	---	---	---	---	---	---	19.6%	9.8%	6.4%
Shares Out.	145	144	142	139	138	126	122	123	122	119
Revenue/Share	35.52	28.22	8.00	21.17	8.63	20.20	10.51	14.64	11.78	11.14
FCF/Share	12.19	8.22	2.03	6.37	3.02	6.84	2.06	2.71	2.93	3.02

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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