Premier, Inc.
Form 10-Q
February 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2017

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36092

Premier, Inc.
(Exact name of registrant as specified in its charter)

Delaware	35-2477140
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
13034 Ballantyne Corporate Place Charlotte, North Carolina	28277
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer	o
Smaller reporting company	o	Emerging growth company	o	(Do not check if a smaller reporting company)	

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

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

As of February 2, 2018, there were 54,713,852 shares of the registrant's Class A common stock, par value $0.01 per share, and 80,978,267 shares of the registrant's Class B common stock, par value $0.000001 per share, outstanding.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this Quarterly Report that are not statements of historical or current facts, such as those under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from historical results or from any future results or projections expressed or implied by such forward-looking statements. In addition to statements that explicitly describe such risks and uncertainties, readers are urged to consider statements in conditional or future tenses or that include terms such as "believes," "belief," "expects," "estimates," "intends," "anticipates" or "plans" to be uncertain and forward-looking. Forward-looking statements may include comments as to our beliefs and expectations regarding future events and trends affecting our business and are necessarily subject to uncertainties, many of which are outside our control. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- competition which could limit our ability to maintain or expand market share within our industry;
- consolidation in the healthcare industry;
- potential delays recognizing or increasing revenue if the sales cycle or implementation period takes longer than expected;
- the terminability of member participation in our group purchasing organization ("GPO") programs with limited or no notice, or the failure of a significant number of members to renew their GPO participation agreements;
- the rate at which the markets for our non-GPO services and products develop;
- the dependency of our members on payments from third-party payers;
- our reliance on administrative fees that we receive from GPO suppliers;
- our ability to maintain third-party provider and strategic alliances or enter into new alliances;
- our ability to timely offer new and innovative products and services;
- the portion of revenues we receive from our largest members;
- risks and expenses related to future acquisition opportunities and integration of acquisitions;
- financial and operational risks associated with investments in, or partnerships or joint ventures with, other businesses, particularly those that we do not control;
- potential litigation;
- our reliance on Internet infrastructure, bandwidth providers, data center providers and other third parties and our own systems for providing services to our users;
- data loss or corruption due to failures or errors in our systems and service disruptions at our data centers, or breaches or failures of our security measures;
- the financial, operational and reputational consequences of cyber-attacks or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our members or other third parties;
- our ability to use, disclose, de-identify or license data and to integrate third-party technologies;
- our use of "open source" software;
- changes in industry pricing benchmarks;
- our inability to grow our integrated pharmacy business or maintain current patients due to increases in the safety risk profiles of prescription drugs or the withdrawal of prescription drugs from the market, or our inability to maintain and expand our existing base of drugs in our integrated pharmacies;
- our dependency on contract manufacturing facilities located in various parts of the world;
- our ability to attract, hire, integrate and retain key personnel;

- adequate protection of our intellectual property and potential claims against our use of the intellectual property of third parties;
- potential sales and use tax liability in certain jurisdictions;
- changes in tax laws that materially impact our tax rate, income tax expense, cash flows or tax receivable agreement ("TRA") liabilities;
- our indebtedness and our ability to obtain additional financing on favorable terms;
- fluctuation of our quarterly cash flows, revenues and results of operations;
- changes and uncertainty in the political, economic or regulatory environment affecting healthcare organizations, including with respect to the status of the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act of 2010, collectively referred to as the "ACA";
- our compliance with complex federal and state laws governing financial relationships among healthcare providers and the submission of false or fraudulent healthcare claims;
- interpretation and enforcement of current or future antitrust laws and regulations;
- compliance with complex federal and state privacy, security and breach notification laws;
- compliance with current or future laws, rules or regulations adopted by the Food & Drug Administration ("FDA") applicable to our software applications that may be considered medical devices;
- compliance with, and potential changes to, extensive federal, state and local laws, regulations and procedures governing our integrated pharmacy operations;
- risks inherent in the filling, packaging and distribution of pharmaceuticals, including the counseling required to be provided by our pharmacists for dispensing of products;
- our holding company structure and dependence on distributions from Premier Healthcare Alliance, L.P. ("Premier LP");
- different interests among our member owners or between us and our member owners;
- the ability of our member owners to exercise significant control over us, including through the election of all of our directors;
- exemption from certain corporate governance requirements due to our status as a "controlled company" within the meaning of the NASDAQ rules;
- the terms of agreements between us and our member owners;
- payments made under the TRAs to Premier LP's limited partners and our ability to realize the expected tax benefits related to the acquisition of Class B common units from Premier LP's limited partners;
- changes to Premier LP's allocation methods or examinations or changes in interpretation of applicable tax laws and regulations by various taxing authorities that may increase a tax-exempt limited partner's risk that some allocated income is unrelated business taxable income;
- provisions in our certificate of incorporation and bylaws and the Amended and Restated Limited Partnership Agreement of Premier LP (as amended, the "LP Agreement") and provisions of Delaware law that discourage or prevent strategic transactions, including a takeover of us;
- failure to maintain an effective system of internal controls;
- the number of shares of Class A common stock that will be eligible for sale or exchange in the near future and the dilutive effect of such issuances;
- our intention not to pay cash dividends on our Class A common stock;
- whether we complete our recently announced Class A common stock repurchase program and the number and per share price of shares of Class A common stock ultimately purchased under the program;
- possible future issuances of common stock, preferred stock, limited partnership units or debt securities and the dilutive effect of such issuances; and

- the risk factors discussed under the heading "Risk Factors" in Item 1A of Part II herein and under Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the "2017 Annual Report"), filed with the Securities and Exchange Commission ("SEC").

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
PREMIER, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands, except share data)

	December 31, 2017	June 30, 2017
Assets		
Cash and cash equivalents	$ 163,014	$ 156,735
Accounts receivable (net of $2,384 and $1,812 allowance for doubtful accounts, respectively)	171,354	159,745
Inventory	62,067	50,426
Prepaid expenses and other current assets	24,021	35,164
Due from related parties	381	6,742
Total current assets	420,837	408,812
Property and equipment (net of $264,173 and $236,460 accumulated depreciation, respectively)	190,815	187,365
Intangible assets (net of $125,903 and $99,198 accumulated amortization, respectively)	349,847	377,962
Goodwill	906,545	906,545
Deferred income tax assets	305,549	482,484
Deferred compensation plan assets	42,779	41,518
Investments in unconsolidated affiliates	98,388	92,879
Other assets	5,403	10,271
Total assets	$ 2,320,163	$ 2,507,836
Liabilities, redeemable limited partners' capital and stockholders' deficit		
Accounts payable	$ 49,626	$ 42,815
Accrued expenses	46,090	55,857
Revenue share obligations	74,651	72,078
Limited partners' distribution payable	20,396	24,951
Accrued compensation and benefits	41,725	53,506
Deferred revenue	45,699	44,443
Current portion of tax receivable agreements	17,925	17,925
Current portion of long-term debt	201,139	227,993
Other liabilities	9,106	32,019
Total current liabilities	506,357	571,587
Long-term debt, less current portion	6,544	6,279
Tax receivable agreements, less current portion	229,291	321,796
Deferred compensation plan obligations	42,779	41,518
Deferred tax liabilities	30,942	48,227
Other liabilities	55,183	42,099
Total liabilities	871,096	1,031,506

	December 31, 2017	June 30, 2017
Redeemable limited partners' capital	2,398,640	3,138,583
Stockholders' deficit:		
Class A common stock, $0.01 par value, 500,000,000 shares authorized; 57,263,627 shares issued and 54,685,668 shares outstanding at December 31, 2017 and 51,943,281 shares issued and outstanding at June 30, 2017	573	519
Class B common stock, $0.000001 par value, 600,000,000 shares authorized; 82,282,748 and 87,298,888 shares issued and outstanding at December 31, 2017 and June 30, 2017, respectively	—	—
Treasury stock, at cost; 2,577,959 shares	(74,698)	—
Additional paid-in-capital	—	—
Accumulated deficit	(875,448)	(1,662,772)
Accumulated other comprehensive loss	—	—
Total stockholders' deficit	(949,573)	(1,662,253)
Total liabilities, redeemable limited partners' capital and stockholders' deficit	$ 2,320,163	$ 2,507,836

See accompanying notes to the unaudited condensed consolidated financial statements.

7

PREMIER, INC.
Condensed Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net revenue:				
Net administrative fees	$159,343	$129,071	$310,334	$255,047
Other services and support	89,953	87,051	176,864	168,218
Services	249,296	216,122	487,198	423,265
Products	162,102	142,378	314,764	248,507
Net revenue	411,398	358,500	801,962	671,772
Cost of revenue:				
Services	47,255	44,856	94,191	87,546
Products	153,272	131,158	297,712	226,971
Cost of revenue	200,527	176,014	391,903	314,517
Gross profit	210,871	182,486	410,059	357,255
Other operating income:				
Remeasurement of tax receivable agreement liabilities	177,174	—	177,174	5,722
Other operating income	177,174	—	177,174	5,722
Operating expenses:				
Selling, general and administrative	108,620	95,927	222,941	193,887
Research and development	324	767	813	1,573
Amortization of purchased intangible assets	13,817	11,151	27,715	20,360
Operating expenses	122,761	107,845	251,469	215,820
Operating income	265,284	74,641	335,764	147,157
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	204,833	—	204,833
Equity in net income of unconsolidated affiliates	1,257	5,127	5,509	14,706
Interest and investment loss, net	(1,508)	(857)	(3,003)	(1,009)
Loss on disposal of long-lived assets	(400)	—	(1,720)	(1,518)
Other income (expense)	(13,356)	(131)	(11,893)	875
Other income (expense), net	(14,007)	208,972	(11,107)	217,887
Income before income taxes	251,277	283,613	324,657	365,044
Income tax expense	231,508	37,429	244,272	60,765
Net income	19,769	246,184	80,385	304,279
Net income attributable to non-controlling interest in Premier LP	(56,485)	(181,173)	(101,095)	(230,774)
Adjustment of redeemable limited partners' capital to redemption amount	317,916	335,264	638,340	397,072
Net income attributable to stockholders	$281,200	$400,275	$617,630	$470,577
Weighted average shares outstanding:				
Basic	55,209	49,445	54,059	48,330
Diluted	139,237	141,308	139,641	142,133
Earnings (loss) per share attributable to stockholders:				
Basic	$5.09	$8.10	$11.43	$9.74
Diluted	$(1.66)	$1.50	$(1.30)	$1.75

See accompanying notes to the unaudited condensed consolidated financial statements.

8

PREMIER, INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Net income	$19,769	$246,184	$80,385	$304,279
Net unrealized gain on marketable securities	—	—	—	128
Total comprehensive income	19,769	246,184	80,385	304,407
Less: comprehensive income attributable to non-controlling interest	(56,485)	(181,173)	(101,095)	(230,859)
Comprehensive income attributable to stockholders	$(36,716)	$65,011	$(20,710)	$73,548

See accompanying notes to the unaudited condensed consolidated financial statements.

PREMIER, INC.
Condensed Consolidated Statement of Stockholders' Deficit
Six Months Ended December 31, 2017
(Unaudited)
(In thousands)

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at June 30, 2017	51,943	$ 519	87,299	$ —	—	$—	$ —	$(1,662,772)	$(1,662,253)
Exchange of Class B units for Class A common stock by member owners	4,883	50	(4,883)	—	—	—	162,215	—	162,265
Redemption of limited partners	—	—	(133)	—	—	—	—	—	—
Decrease in additional paid-in capital related to quarterly exchange by member owners, including associated TRA revaluation	—	—	—	—	—	—	(8,669)	—	(8,669)
Issuance of Class A common stock under equity incentive plan	390	4	—	—	—	—	2,804	—	2,808
Issuance of Class A common stock under employee stock purchase plan	48	—	—	—	—	—	1,388	—	1,388
Treasury stock	(2,578)	—	—	—	2,578	(74,698)	—	—	(74,698)
Stock-based compensation expense	—	—	—	—	—	—	17,699	—	17,699
Repurchase of vested restricted units for employee tax-withholding	—	—	—	—	—	—	(5,743)	—	(5,743)
Net income	—	—	—	—	—	—	—	80,385	80,385
Net income attributable to non-controlling interest in Premier LP	—	—	—	—	—	—	—	(101,095)	(101,095)
Adjustment of redeemable limited partners' capital to redemption amount	—	—	—	—	—	—	(169,694)	808,034	638,340
Balance at December 31, 2017	54,686	$ 573	82,283	$ —	2,578	$(74,698)	$ —	$(875,448)	$(949,573)

See accompanying notes to the unaudited condensed consolidated financial statements.

PREMIER, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended December 31,	
	2017	2016
Operating activities		
Net income	$80,385	$304,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,532	48,576
Equity in net income of unconsolidated affiliates	(5,509)	(14,706)
Deferred income taxes	235,648	48,705
Stock-based compensation	17,699	12,066
Remeasurement of tax receivable agreement liabilities	(177,174)	(5,722)
Remeasurement gain attributable to acquisition of Innovatix, LLC	—	(204,833)
Loss on disposal of long-lived assets	1,720	1,518
Changes in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other current assets	(467)	(11,888)
Other assets	1,060	274
Inventories	(11,641)	(31,832)
Accounts payable, accrued expenses and other current liabilities	(20,238)	(4,136)
Long-term liabilities	1,287	(4,100)
Loss on FFF put and call rights	15,607	174
Other operating activities	6,606	(11)
Net cash provided by operating activities	206,515	138,364
Investing activities		
Purchases of property and equipment	(38,622)	(34,325)
Proceeds from sale of marketable securities	—	48,013
Acquisition of Innovatix, LLC and Essensa Ventures, LLC, net of cash acquired	—	(222,217)
Acquisition of Acro Pharmaceuticals, net of cash acquired	—	(68,745)
Investments in unconsolidated affiliates	—	(65,660)
Distributions received on equity investments in unconsolidated affiliates	—	6,550
Other investing activities	—	26
Net cash used in investing activities	(38,622)	(336,358)
Financing activities		
Payments made on notes payable	(6,858)	(1,338)
Proceeds from credit facility	30,000	327,500
Payments on credit facility	(50,000)	—
Proceeds from exercise of stock options under equity incentive plan	2,808	2,909
Proceeds from issuance of Class A common stock under stock purchase plan	1,388	1,256
Repurchase of vested restricted units for employee tax-withholding	(5,743)	(17,629)
Settlement of exchange of Class B units by member owners	—	(99,999)
Distributions to limited partners of Premier LP	(45,703)	(44,630)
Repurchase of Class A common stock (held as treasury stock)	(70,844)	—
Earn-out liability payment to GNYHA Holdings	(16,662)	—
Net cash provided by (used in) financing activities	(161,614)	168,069
Net increase (decrease) in cash and cash equivalents	6,279	(29,925)
Cash and cash equivalents at beginning of year	156,735	248,817

Cash and cash equivalents at end of period	$163,014	$218,892

	Six Months Ended December 31,	
	2017	2016
Supplemental schedule of non-cash investing and financing activities:		
Decrease in redeemable limited partners' capital for adjustment to fair value, with offsetting increases in additional paid-in-capital and accumulated deficit	$638,340	$397,072
Reduction in redeemable limited partners' capital, with offsetting increases in common stock and additional paid-in capital related to quarterly exchanges by member owners	$162,265	$107,213
Reduction in redeemable limited partners' capital for limited partners' distribution payable	$41,148	$44,870
Distributions utilized to reduce subscriptions, notes, interest and accounts receivable from member owners	$984	$1,074
Net increase in deferred tax assets related to quarterly exchanges by member owners and other adjustments	$75,998	$77,638
Net increase in tax receivable agreement liabilities related to quarterly exchanges by member owners and other adjustments	$84,667	$49,352
Net increase (decrease) in additional paid-in capital related to quarterly exchanges by member owners and other adjustments	$(8,669)	$28,286
Increase in treasury stock related to a forward purchase commitment as a result of applying trade date accounting when recording the repurchase of Class A common stock	$3,854	$—

See accompanying notes to the unaudited condensed consolidated financial statements.

PREMIER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(1) ORGANIZATION AND BASIS OF PRESENTATION
Organization
Premier, Inc. ("Premier" or the "Company") is a publicly-held, for-profit Delaware corporation owned by hospitals, health systems and other healthcare organizations (such owners of Premier are referred to herein as "member owners") located in the United States and by public stockholders. The Company, together with its subsidiaries and affiliates, is a leading healthcare performance improvement company that unites hospitals, health systems, physicians and other healthcare providers to improve and innovate in the clinical, financial and operational areas of their businesses to meet the demands of a rapidly evolving healthcare industry.
The Company's business model and solutions are designed to provide its members access to scale efficiencies, spread the cost of their development, provide actionable intelligence derived from anonymized data in the Company's data warehouse, mitigate the risk of innovation and disseminate best practices that will help the Company's member organizations succeed in their transformation to higher quality and more cost-effective healthcare.
The Company, together with its subsidiaries and affiliates, delivers its integrated platform of solutions through two business segments: Supply Chain Services and Performance Services. See Note 16 - Segments for further information related to the Company's reportable business segments. The Supply Chain Services segment includes one of the largest healthcare group purchasing organization ("GPO") programs in the United States, and integrated pharmacy and direct sourcing activities. The Performance Services segment includes one of the largest informatics and advisory services businesses in the United States focused on healthcare providers. The Company's software as a service ("SaaS") informatics products utilize the Company's comprehensive data set to provide actionable intelligence to its members, enabling them to benchmark, analyze and identify areas of improvement across the three main categories of cost management, quality and safety, and population health management. The Performance Services segment also includes the Company's technology-enabled performance improvement collaboratives, advisory services, government services and insurance management services.
The Company, through its wholly-owned subsidiary, Premier Services, LLC ("Premier GP"), held an approximate 40% and 37% general partner interest in our main operating company, Premier Healthcare Alliance, L.P. ("Premier LP"), at December 31, 2017 and June 30, 2017, respectively. In addition to their ownership interest in Premier, our member owners held an approximate 60% and 63% limited partner interest in Premier LP at December 31, 2017 and June 30, 2017, respectively.
Basis of Presentation and Consolidation
Basis of Presentation
The member owners' interest in Premier LP is reflected as redeemable limited partners' capital in the Company's accompanying Condensed Consolidated Balance Sheets, and the limited partners' proportionate share of income in Premier LP is reflected within net income attributable to non-controlling interest in Premier LP in the Company's accompanying Condensed Consolidated Statements of Income and within comprehensive income attributable to non-controlling interest in Premier LP in the Company's accompanying Condensed Consolidated Statements of Comprehensive Income.
At December 31, 2017 and June 30, 2017, the member owners owned approximately 60% and 63%, respectively, of the Company's combined Class A and Class B common stock through their ownership of Class B common stock. During the six months ended December 31, 2017, the member owners exchanged 4.9 million Class B common units and associated Class B common shares for an equal number of Class A common shares pursuant to an exchange agreement (the "Exchange Agreement") entered into by the member owners in connection with the completion of our initial public offering on October 1, 2013. The Exchange Agreement provides each member owner the cumulative right to exchange up to one-seventh of its initial allocation of Class B common units, as well as any additional Class B common units purchased by such member owner pursuant to certain rights of first refusal, for shares of Class A common stock (on a one-for-one basis subject to customary adjustments for subdivisions or combinations by split, reverse split, distribution, reclassification, recapitalization or otherwise), cash or a combination of both, the form of consideration to be at the discretion of the Company's independent Audit and Compliance Committee of the Board of

Directors (the "Audit and Compliance Committee"). In connection with Class B common units exchanged for Class A common shares during the six months ended December 31, 2017, approximately 4.9 million Class B common units were contributed to Premier LP and converted to Class A common units, which remain outstanding.

Refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 (the "2017 Annual Report") filed with the Securities and Exchange Commission ("SEC") on August 23, 2017 for further discussion of the Exchange Agreement. At December 31, 2017 and June 30, 2017, the public investors, which may include member owners that have received shares of

Class A common stock in connection with previous exchanges of their Class B common units and associated Class B common shares for an equal number of Class A common shares, owned approximately 40% and 37%, respectively, of the Company's outstanding common stock through their ownership of Class A common stock.

Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted. The accompanying condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring adjustments. The Company believes that the disclosures are adequate to make the information presented not misleading and should be read in conjunction with the audited consolidated financial statements and related footnotes contained in the 2017 Annual Report.

We have reclassified $5.7 million from selling, general and administrative expenses to the remeasurement of tax receivable agreement liabilities for the six months ended December 31, 2016 within the Condensed Consolidated Statements of Income in order to conform with the current period presentation.

Variable Interest Entities

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

The assets and liabilities of Premier LP at December 31, 2017 and June 30, 2017 consisted of the following (in thousands):

	December 31, 2017	June 30, 2017
Assets		
Current	$ 378,412	$ 385,477
Noncurrent	1,593,777	1,616,539
Total assets of Premier LP	$ 1,972,189	$ 2,002,016
Liabilities		
Current	$ 493,462	$ 560,582
Noncurrent	131,154	134,635
Total liabilities of Premier LP	$ 624,616	