



Leading Radiology Forward

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*Chief Financial Officer*

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NASDAQ: RDNT



# Safe Harbor

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Specifically, statements concerning RadNet's ability to continue to grow the business by generating patient referrals and contracts with radiology practices, integrate acquired businesses, recruit and retain technologists, and receive third-party reimbursement for diagnostic imaging services, as well as RadNet's financial guidance, among others, are forward-looking statements within the meaning of the Safe Harbor. Forward-looking statements are based on management's current, preliminary expectations and are subject to risks and uncertainties which may cause RadNet's actual results to differ materially from the statements contained herein. These risks and uncertainties as well as those risks set forth in RadNet's reports filed with the SEC, including RadNet's annual report on Form 10-K, for the year ended December 31, 2020. Undue reliance should not be placed on forward-looking statements, especially guidance on future financial performance, which speaks only as of the date it is made. RadNet undertakes no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made, or to reflect the occurrence of unanticipated events.

A high-angle, top-down photograph of a doctor with short, light-colored hair, wearing a white lab coat and a black stethoscope. The doctor is holding a tablet computer with both hands, looking at it intently. The tablet screen displays a grid of eight axial MRI brain scans, arranged in two columns of four. The doctor's right hand is positioned over the right side of the tablet, with fingers slightly spread. The background is a blurred, light-colored floor, possibly in a hospital hallway. The overall lighting is soft and even.

## 1 Introduction

2 Diagnostic Imaging Industry Overview

3 Overview of RadNet

4 Financial Information and Core Strategy

## **Largest national owner and operator of fixed-site diagnostic imaging centers, with 331 locations**

- Founded as a one center CA operation in 1980
- Major consolidator in the highly fragmented imaging industry
- Approximately 25% of RadNet centers are held within joint ventures with large health systems (could grow to 50% over the next several years)
- Ancillary revenue opportunities (Artificial Intelligence, Radiology Software, In-patient Staffing)

## **Quadrupled size of company since 2006**

- 2021E Revenue<sup>(1)</sup> = \$1.275 billion
- 2021E EBITDA<sup>(1)</sup> = \$185 million
- 8,300+ employees in 7 states

## **Concentrated regional networks in CA, MD/DE, NJ, NY and AZ (328 of our 331 sites)**

- This past quarter, we entered Phoenix, AZ marketplace with Dignity Health JV and Eight Center acquisition
- Strategy is to be the clear leader in regional markets
- Strategy provides operational efficiencies and marketing/contracting benefits with health plans

<sup>(1)</sup> Midpoint of 2021 guidance range.

# RadNet Summary (continued)

## **Emphasis placed on scale and “multi-modality” strategy**

- One-stop-shopping for referral sources
- Lessens our exposure to reimbursement changes; diversifies revenue base

## **Best positioned company to capitalize on industry consolidation and organic growth opportunities**

- No other fixed site imaging center company is even half the size of RadNet in terms of revenue and number of centers

## **Only imaging center player to provide exclusive managed care capitation arrangements with prominent medical groups and Independent Physician Associations (IPAs)**

- Over 11% (Pre-COVID) of RadNet Revenue/35+ capitation customers/1.7 million lives under management

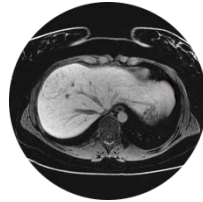
# Types of Imaging Exams: Modalities

## Advanced Imaging



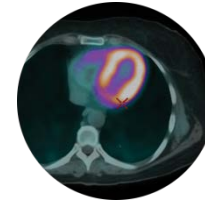
**MRI**

Produces high-resolution cross-sectional images of soft tissue. *Applications: Assesses brain, spinal cord and interior ligaments.*



**CT**

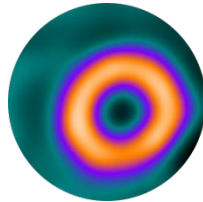
Produces high-resolution cross-sectional images. *Applications: Assesses tumors, strokes, hemorrhages and infections.*



**PET**

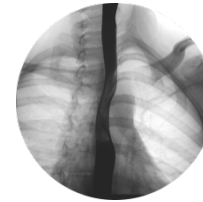
Determines metabolic activity. *Applications: Assesses tumors, epilepsy and cardiac function.*

## Routine Imaging



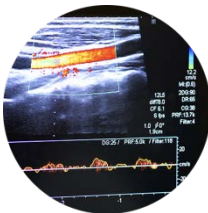
**Nuclear Medicine**

Produces images of anatomical structures. *Applications: Assesses organ function in heart, kidney, thyroid and bones.*



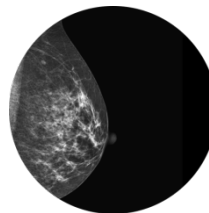
**Fluoroscopy**

Video viewing of organs. *Applications: Real-time monitoring.*



**Ultrasound**

Produces visual images of internal organs. *Applications: Viewing soft tissue.*



**Mammography**

Visualizes breast tissue. *Applications: Primary screening tool for breast cancer.*



**X-Ray**

Records images of organs and structures on film.

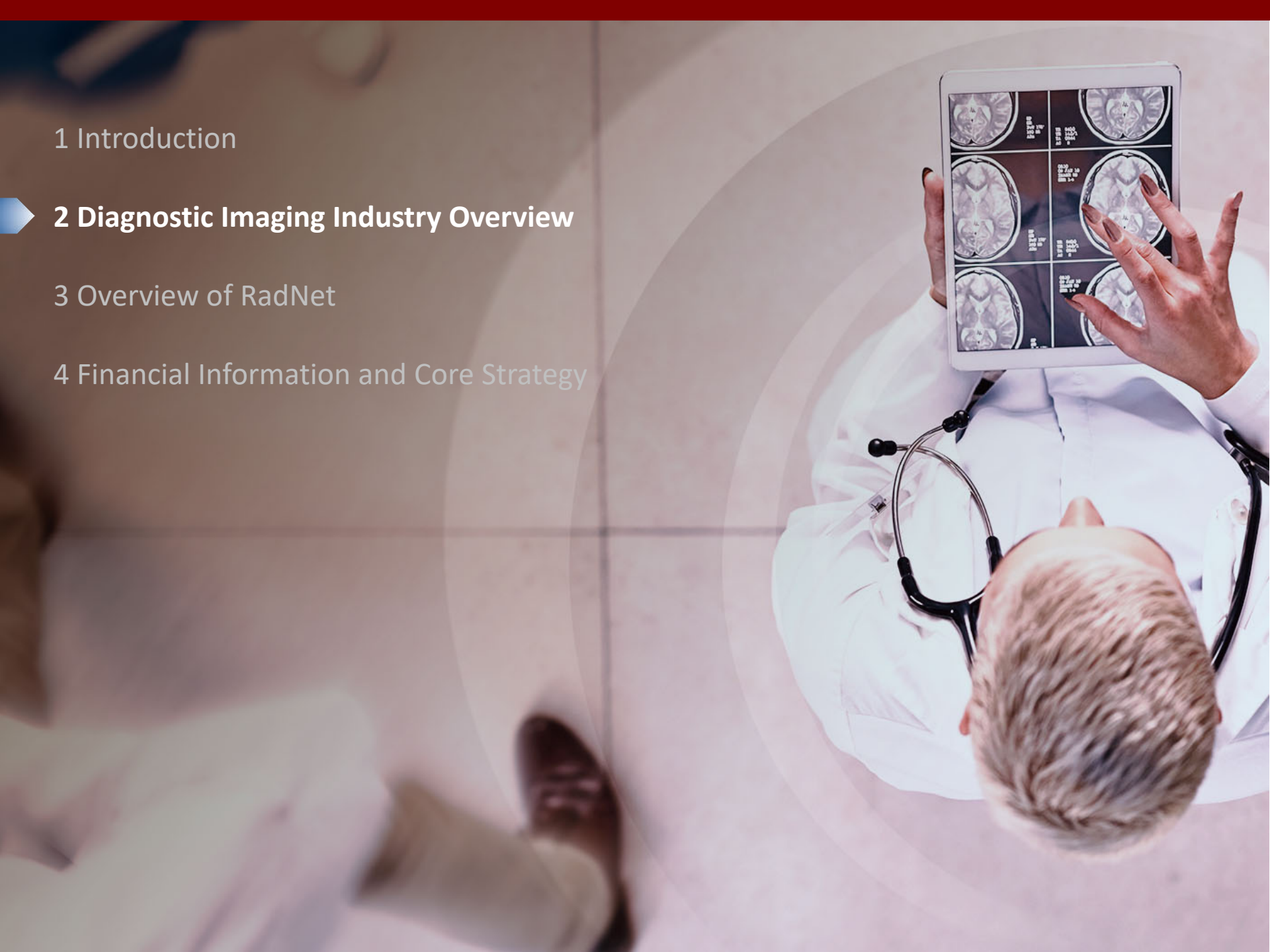


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➤ **2 Diagnostic Imaging Industry Overview**

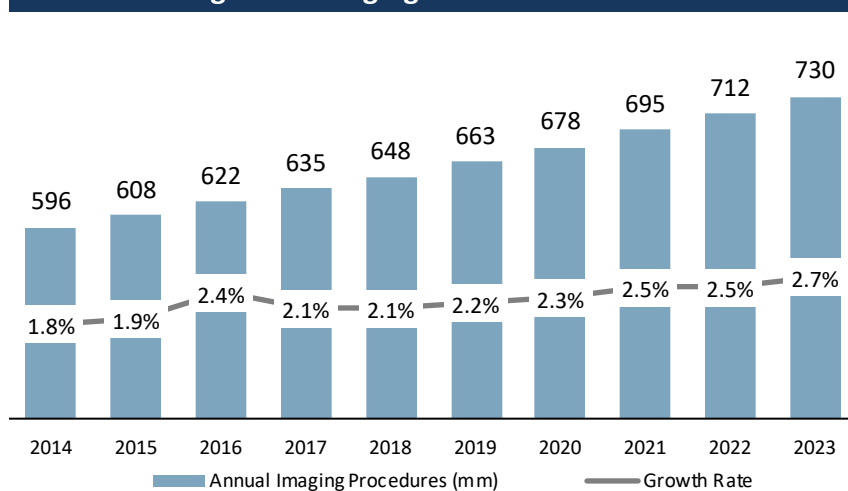
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# Diagnostic Imaging: A Large and Growing Market

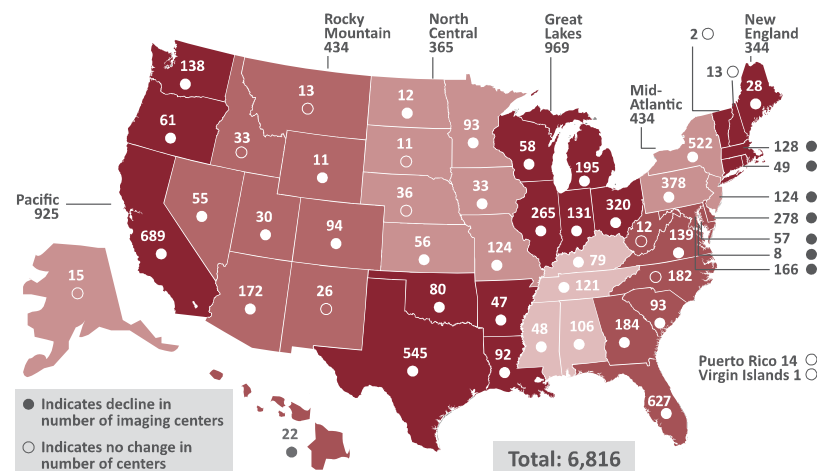
Diagnostic Imaging Procedure Volume <sup>(1)</sup>



**National imaging market is estimated to be over \$100 billion**

- Approx. 40% is non-hospital imaging (i.e., freestanding centers – like RadNet and imaging completed within doctor offices).
- Approx. 60% imaging occurs within hospitals.
  - More expensive for patients and their insurance companies
  - Inferior service
  - More difficult access and parking
  - Often no sub-specialized radiologist readers

US Imaging Centers (by State and Region, 2013)



**Industry remains highly fragmented; vast number of mom-and-pops and hospitals**

- Believed to be over 6,000 imaging locations across the U.S.
- Number peaked in 2012 and has been declining
- RadNet has a meaningful, non-hospital based market share within its geographies.

1. Source: Frost and Sullivan



# Diagnostic Imaging: A Large and Growing Market

## Growth has resulted from ...

- Aging population – 65-year-old demographic is expected to increase significantly
- Growing population – particularly in California, our largest market
- Technology advances – expanding cost-effective applications for diagnostic imaging
- Wider physician and payor acceptance for imaging
- Greater consumer and physician awareness of and demand for earlier intervention and preventive diagnostic screening
- Shift to outpatient services

## Imaging has been shown to reduce costs of Healthcare Delivery System from...

- Earlier and more accurate detection/diagnosis of disease and injury
- Preventative screening resulting in money saved during treatment phase

## Shift to Outpatient Services driven by...

- Referring MDs increasing concern about cost, outcomes, and patient experience
- Payors steering volume to less costly outpatient providers
- Patients increasingly seeking cost effective care given shift to high deductible health plans
  - Supplemented by growing demand for convenient care settings

Source: Frost and Sullivan

# Industry Consolidation and Rationalization

## “Mom-and-pop” lack necessary economies of scale

- Not well capitalized and have a higher cost structure
- Single-modality facilities that are more impacted by reimbursement changes and competition from multi-modality facilities
- Unable to do network contracting or capitate with payors

## Higher facility accreditation/quality standards

## Fear of survival and many more sellers than buyers result in attractive acquisition multiples

- Marginal operators are choosing to close and others can be acquired at 3x–5x EBITDA
- Operators want to be consolidated into RadNet, which offers long-term stability
- Few other acquirers in RadNet’s core markets



[Doshi Diagnostic](#)



**MEDICAL ARTS**  
RADIOLOGY



In 2015–2019, we completed over \$185mm of acquisitions

- New York Radiology Partners
- California Radiology
- Diagnostic Imaging Group
- Diagnostic Imaging Associates of Delaware
- Medical Arts
- Kern Radiology

We have also been expanding through health system joint ventures, particularly in CA

- Cedars Sinai
- MemorialCare
- Dignity Health

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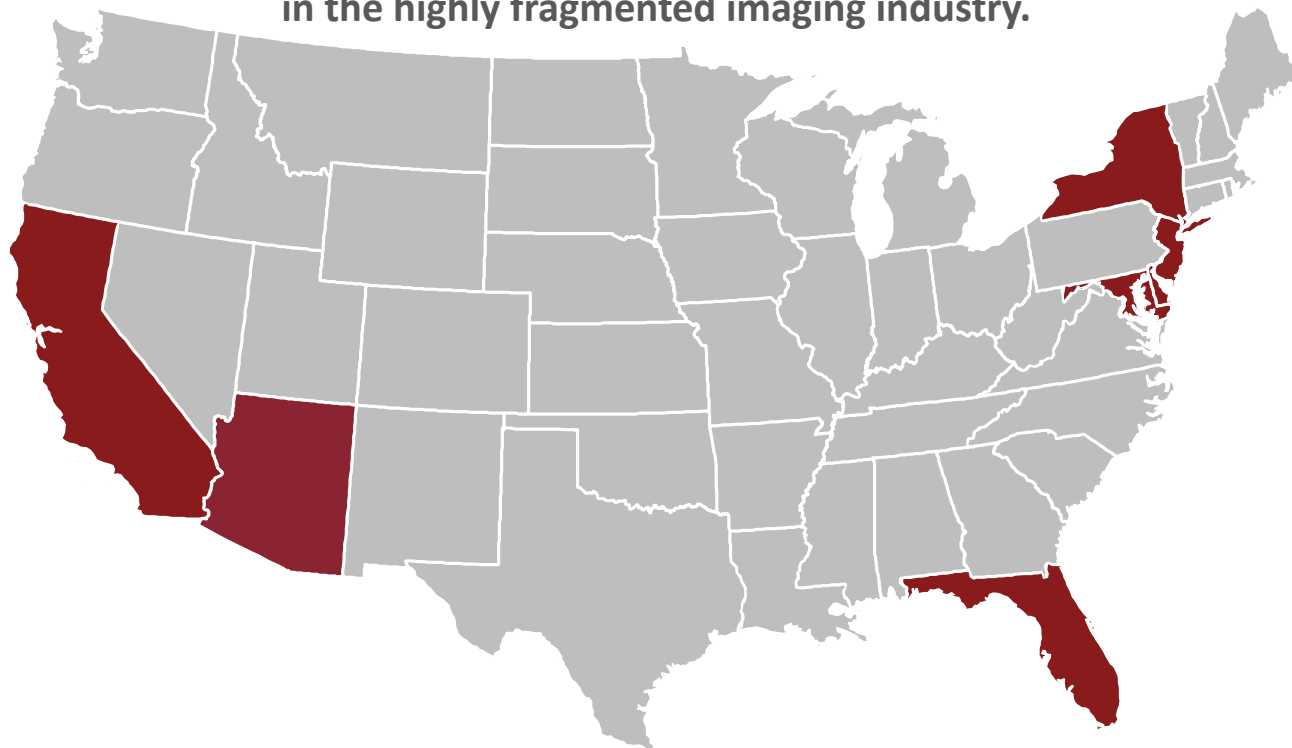
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# Scale and Leverage Over Competitors

Founded in 1980 and is the major consolidator  
in the highly fragmented imaging industry.



Largest  
owner-operator of  
fixed-site imaging  
centers in the U.S.

## 331

Imaging Centers

<b>NJ:</b>	22
<b>DE:</b>	8
<b>NY:</b>	94
<b>MD:</b>	58
<b>FL:</b>	3
<b>CA:</b>	139
<b>AZ:</b>	7

## +8,300

Employees

## +750

Radiologists with  
Subspecialties

## 19

Joint Ventures

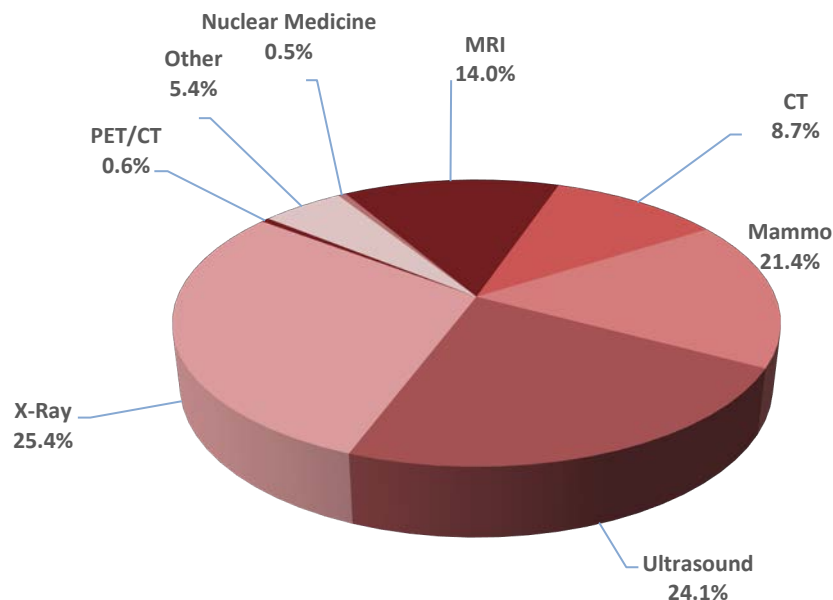
# Favorable Revenue Mix Mitigates Reimbursement Risk

## Emphasis placed on multi-modality strategy

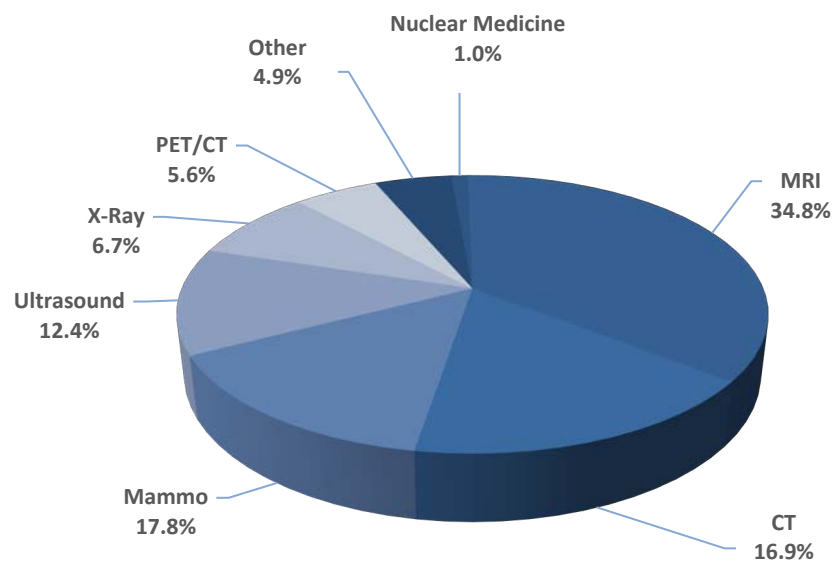
- “One-stop-shopping” for referral sources
- Lessens exposure to reimbursement changes, diversifies revenue base

Extensive offering of all routine imaging procedures partially insulates us from reimbursement cuts, which generally impact MRI, CT and PET/CT modalities disproportionately.

Q4 2020 Scan Volume by Modality



Q4 2020 Net Revenue by Modality<sup>(1)</sup>



# Favorable Revenue Mix Mitigates Reimbursement Risk (continued)

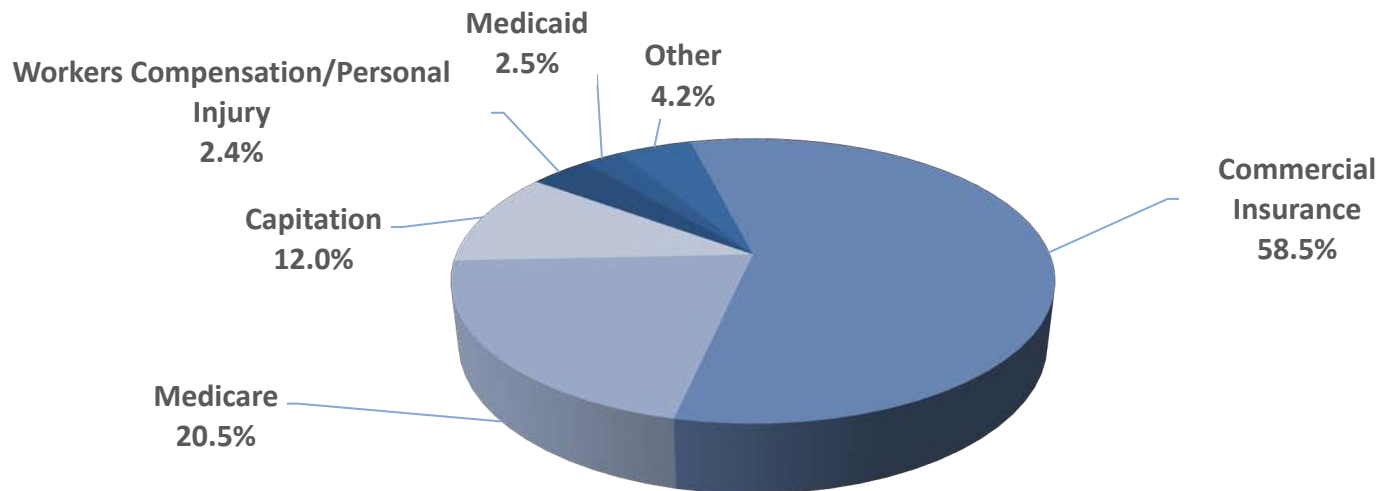
**Strong payor relationships – RadNet is a critical provider of diagnostic imaging solutions to healthcare insurance providers**

**Payor diversity mitigates exposure to possible unfavorable reimbursement trends within any one payor class**

**Exclusive capitation business decreases the Company's exposure to potential pricing changes from commercial payors**

- Capitation price escalators create “built-in” increasing reimbursement mechanism

Q4 2020 Payor Mix<sup>1</sup>





# Capitated Contracts Create a Barrier to Entry

**RadNet has over 35 capitated medical groups California with whom we work**

**We receive a per-member-per-month fixed price for exclusively providing outpatient imaging to over 1,900,000 lives in CA (HMO commercial, Medicare Advantage and Managed Medicaid lives)**

**Began first east coast contract in Oct. 2018 with Emblem/AdvantageCare Physicians with over 150,000 lives**

**Exclusive nature of capitated contracts provides revenue stability and predictability**

- On average, RadNet's arrangements are over 10 years old
- RadNet has experienced extremely high contract renewal rate
- History of rate increases (generally 1%–3% annual increases)
- Eliminates costs associated with receivables, bad debt expense and billing costs

**Capitation contracts create “pull-through” revenue**

- Doctors from capitated physician groups often refer to us their non-capitated patients (discretionary business)

**Risk of utilization is borne by RadNet and managed through the Utilization Management Division**

# RadNet Joint Venture Strategy

## RadNet has 19 joint ventures with hospital and health system partners

- Over 2/3 of the ventures are unconsolidated (RadNet's ownership is between 35%–50%)
- Remaining 1/3 of ventures are consolidated (RadNet's ownership is between 50%–94%)
- Notable partners include MemorialCare (34 centers), RWJ Barnabas in New Jersey (19 centers), Cedars Sinai (5 centers), Dignity Health (14 centers), MedStar Health System, etc.

## JVs own and operate free-standing, non-hospital-based imaging centers

## RadNet manages the day-to-day operations and performs most management services (billing, marketing, staffing, credentialing, contracting, IT, HR, accounting, etc.)

- RadNet receives management fees for its services



### Benefits to RadNet

- Eliminates major outpatient competitor in Market
- Hospital partners drive incremental volumes
- Provides more contracting leverage with private payors
- Receives management fees
- Can stimulate other activities with partners (Breastlink, Teleradiology,
- In-house staffing of Radiology Dept)
- Prepares RadNet for opportunities with population health management

### Benefits to Hospital/Health System Partners

- Can participate in volume trend towards freestanding providers
- Join forces with what otherwise would be a competitor
- Provides more contracting leverage with private payors
- Benefit from being part of a larger operation
- Can stimulate other activities with partners (Breastlink, Teleradiology,
- In-house staffing of Radiology Dept)
- Prepares hospital for opportunities with population health mgmt



RadNet Technology Solutions

**Provider of PACS/RIS products, and hired an industry-leading software development team**

- Completing the integration of RadNet centers for significant workflow improvements and cost reductions
- Growing the eRAD solutions by continuing to sell them to other industry participants
- Provides RadNet with international opportunities
- Low capital requirements and high margins



# Opportunity of Artificial Intelligence

**RadNet created an Artificial Intelligence subsidiary in 2019:**



## **Acquired Deep Health in 2020**

- Leading radiology AI and machine learning company
- Focused on interpretation of mammography
- Future development on other screening tools for chronic disease – prostate cancer
- Deep Health founder, Dr. Greg Sorensen, to direct all of RadNet's AI activities



## **Acquired Nulogix in 2019**

- Initial focus on improving collections, with ability to recoup previously unrecognized revenue.
- Second phase models focus on other billing opportunities, as well as on clinical improvements in workflow prioritization and consistent measuring.
- Other initiative aimed at building algorithms for image interpretation.

**Artificial Intelligence subsidiary is also partnering with other AI companies, such as Whiterabbit.ai, to license and collaborate on other algorithms.**



- Rolling out program with Whiterabbit.ai to increase volumes of mammography – program to be in place in all markets by the end of Q2
- Second phase of pilot will test mammography image interpretation
- In discussion phases with partners focusing on image interpretation of routine x-ray exams

**Almost 20% of all collected net global Revenue goes towards paying our radiologists**

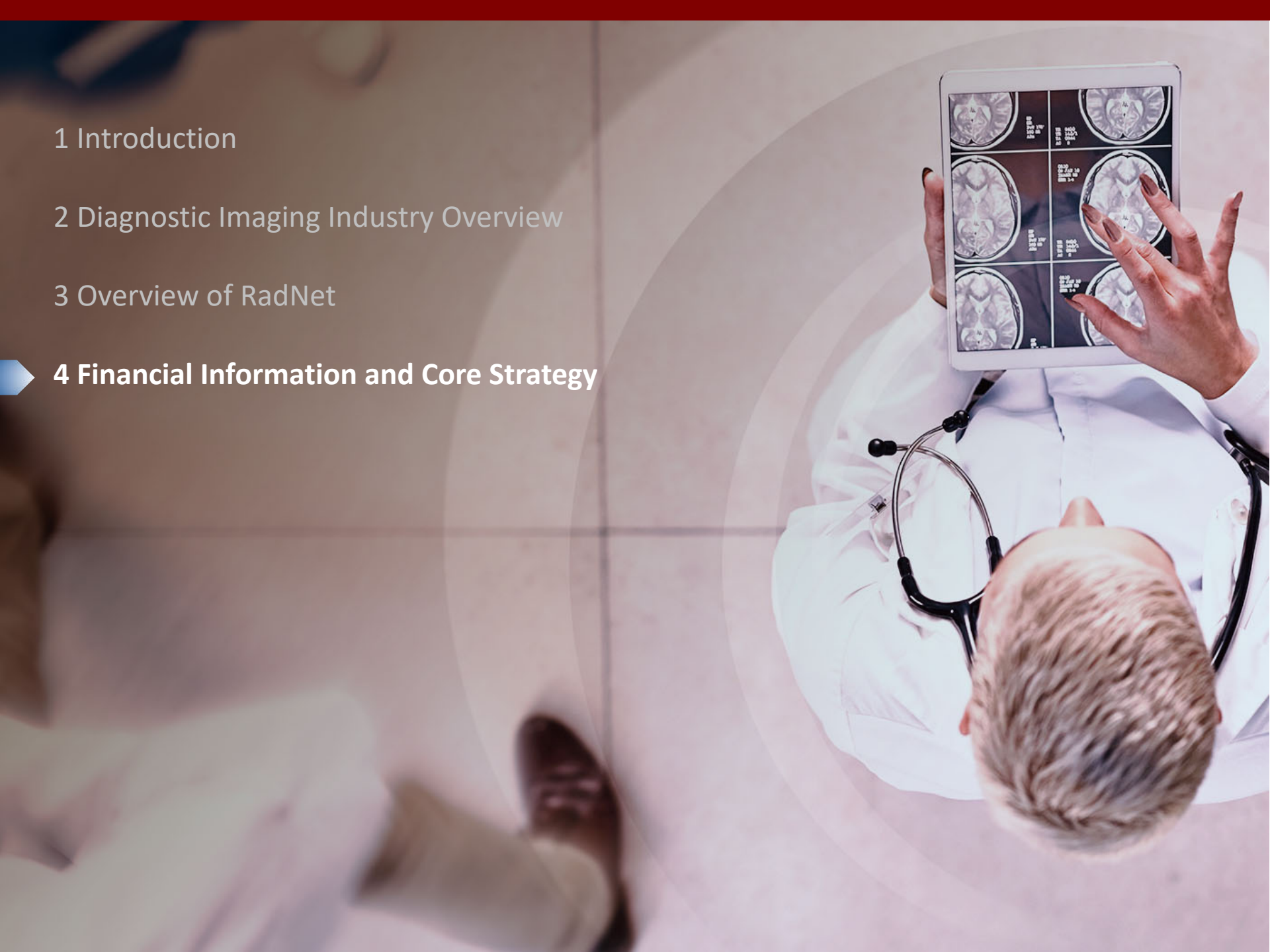
**Material opportunity to lower this cost through Artificial Intelligence**

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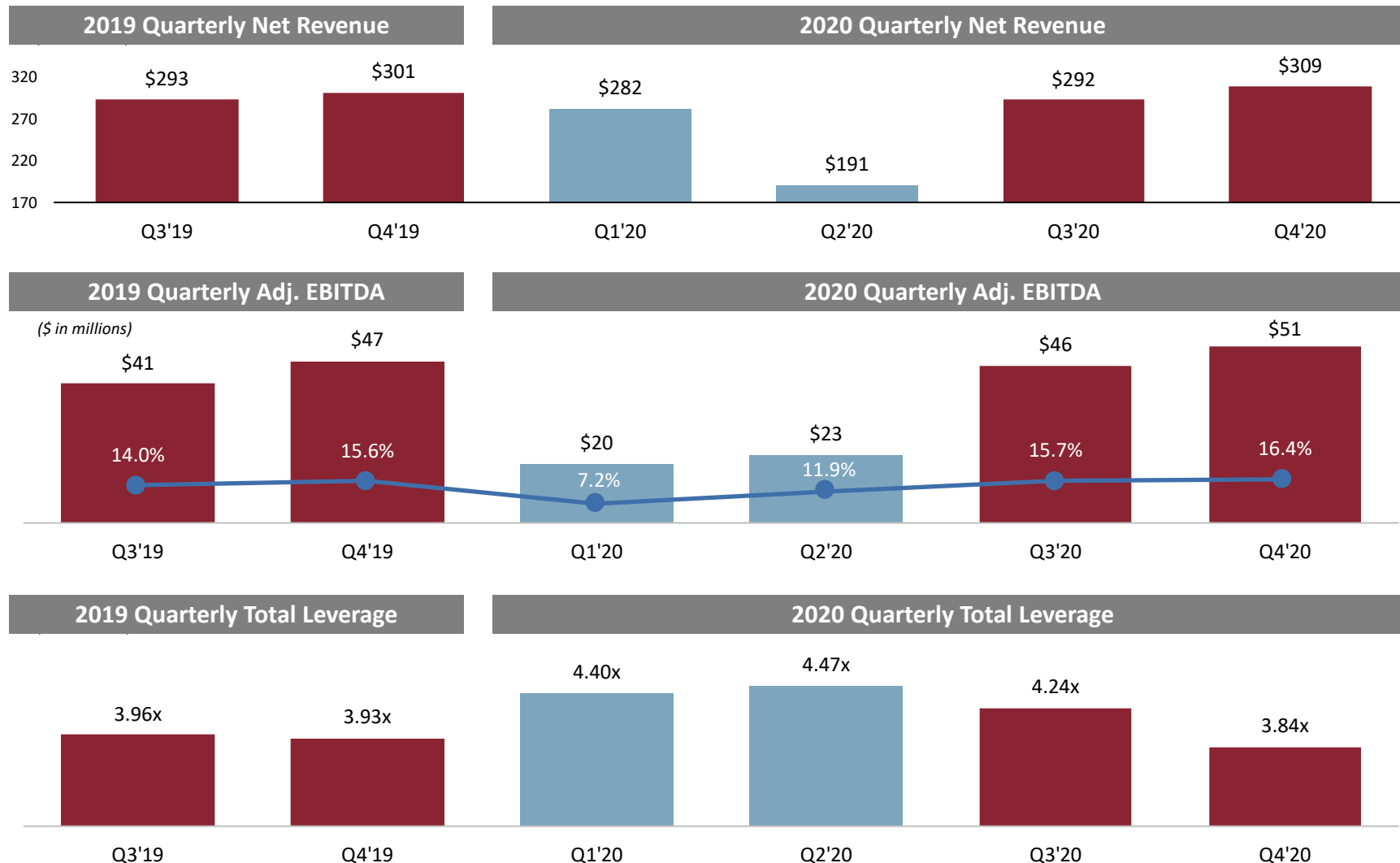
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# Strong Performance as Volumes Have Rebounded from COVID-19



Source: Company Filings and Covenant Compliance Certificate.

■ Denotes period of significant COVID-19 impact



# 2021 Guidance

- For 2021, we believe our business will continue to strengthen as COVID-19 restrictions are further lifted across the country and in our markets
- 2H 2020 Revenue and Adj. EBITDA of \$600 million and \$96 million, respectively
  - Run rate greater than our conservative guidance recently released for 2021

Operating Metric	2021 Guidance Range
Total Net Revenue	\$1,250 million - \$1,300 million
Adjusted EBITDA	\$180 million - \$190 million
Capital Expenditures <sup>(1)</sup>	\$70 million - \$75 million
Cash Paid for Interest	\$39 million - \$44 million
Free Cash Flow Generation <sup>(2)</sup>	\$60 million - \$70 million

***\* End of year 2021 targeted leverage below 3.25x \****

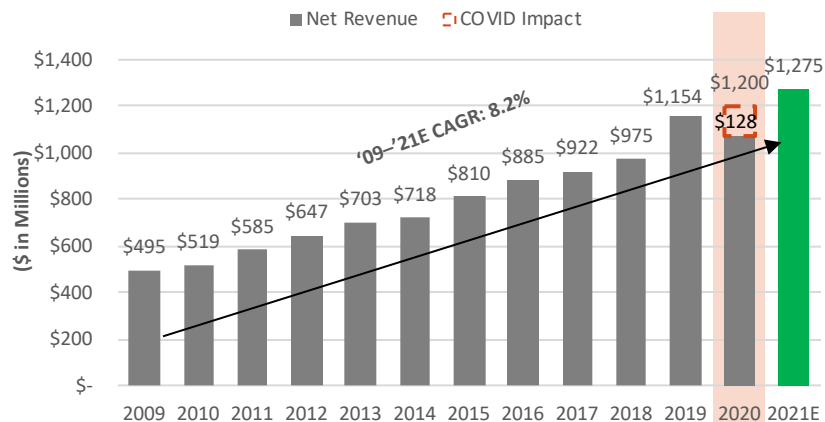
1. Net of proceeds from the sale of equipment, imaging centers and joint venture interests, and excludes New Jersey Imaging Network capital expenditures.

2. Defined as Adjusted EBITDA less Capital Expenditures and Cash Paid for Interest.

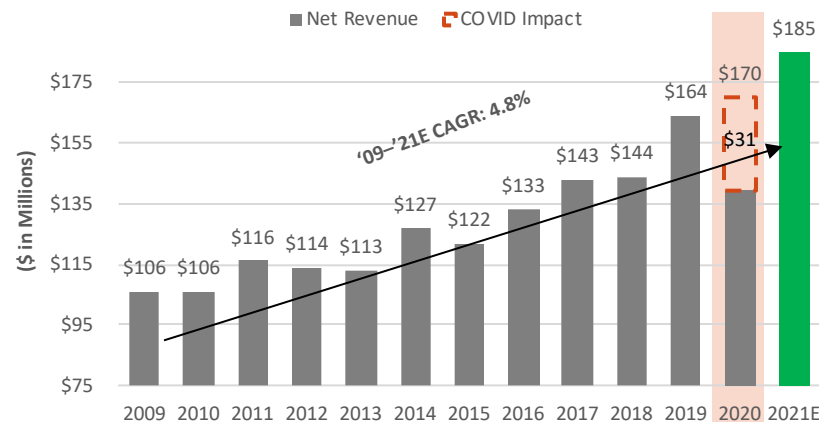
# Proven Track Record of EBITDA Growth and Cash Flow Generation

- Over the past 11 years, RadNet has had a consistent track record of achieving profitable growth and generating significant cash flow
- COVID-19 had a temporary impact during 2020

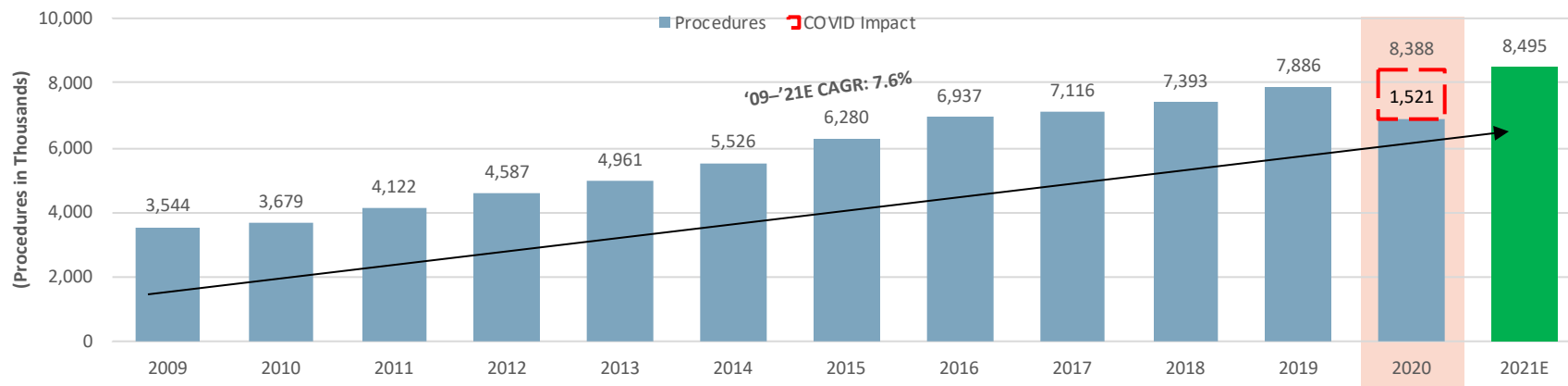
## Net Revenue



## Reported Adjusted EBITDA



## Procedure Volumes



Source: Company Filings and Presentation.

Note: 2021E illustrated at midpoint of the guidance ranges. Volumes include consolidated and non-consolidated Joint Ventures.

# Strong Recovery in 2H 2020

## 2020 Third Quarter Highlights

**EBITDA**  
**↑11.7%**  
*Up from 3Q 2019*

**EBITDA MARGIN**  
**↑1.7%**  
*Up from 3Q 2019*

- Revenue and Adj. EBITDA increased 53.1% and 102.8%, respectively as compared to 2Q 2020
- Revenue only decreased 0.3% as compared with 3Q 2019
- Adjusted EBITDA increased 11.7% as compared with 3Q 2019
- Adjusted EBITDA margin increased 1.7% as compared with 3Q 2019

## 2020 Fourth Quarter Highlights

**REVENUE**  
**↑2.5%**  
*Up from 4Q 2019*

**EBITDA**  
**↑8.1%**  
*Up from 4Q 2019*

**EBITDA MARGIN**  
**↑0.8%**  
*Up from 4Q 2019*

- Revenue was the highest fourth quarter revenue and adjusted EBITDA in RadNet history
- Revenue increased 2.5% as compared with 4Q 2019
- Adjusted EBITDA increased 8.1% as compared with 4Q 2019
- Adjusted EBITDA margin increased 0.8% as compared with 4Q 2019
- DSOs at December 31, 2020 was 36.2 days, the lowest in Company history

*Quarter over quarter improvement is evident and expected to continue into 2021 – publicly disclosed 2021 guidance ranges are demonstrative of this recovery with both 2021E Revenue and Adj. EBITDA in line with annualized 2H 2020 performance*

# Current Capitalization and Equity Cushion

Valuation Metrics	
Equity Market Capitalization @ \$21.73 per share <sup>1</sup>	\$1,135.9 mm
Net Debt -12/31/202 <sup>2</sup>	563.7 mm
Curent Enterprise Value	\$1,699.6 mm
2019 EBITDA	\$ 164.1 mm
Midpoint of 2021 EBITDA of Guidance	\$ 185.0 mm
Enterprise Value / Trailing 12 Month EBITDA	10.4 x
Enterprise Value / Midpoint of 2019 EBITDA Guidance	9.2 x

## Company Capitalization as of 12/31/20

- \$102.0mm cash balance
- Undrawn on revolving line of credit (L+350 bps) due July 2023 (\$195mm capacity)
- \$611mm Senior Secured Term Loan at RadNet
- \$2mm equipment debt
- \$53mm New Jersey Imaging Network JV debt (RadNet is not the borrower or guarantor)

**2021E Free Cash Flow (Adj. EBITDA less CapEx and Cash Interest) is expected to be \$60-70mm, representing an attractive Free Cash Flow Yield to equity holders and provides for deleveraging**

**Future earnings and cash flow shielded by Federal NOLs of \$227.7 million as of 12/31/20**

1. Per closing stock price on 3/23/2021.

2. Source: RadNet 8-K ended 12/31/2020. Net Debt is Total Debt at par value less Cash and Cash Equivalents balance.