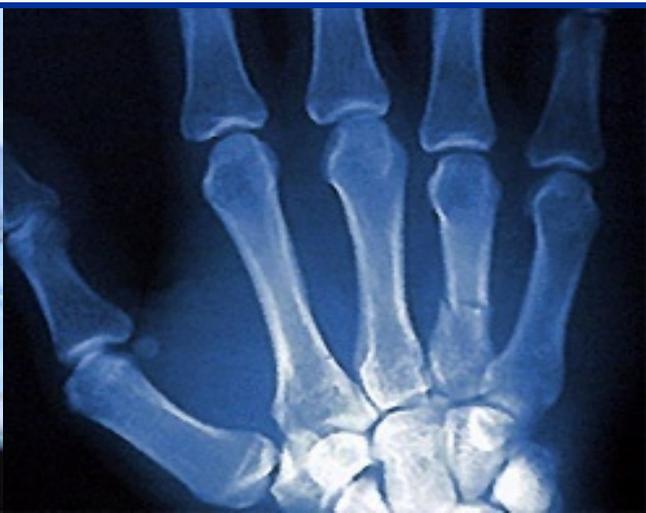




November 2017  
NASDAQ: RDNT



Leading Radiology Forward



# Safe Harbor

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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, 2016. 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.

## I. Introduction

II. Diagnostic Imaging Industry Overview

III. Overview of RadNet

IV. Financial Information and Core Strategy

# RadNet Summary

- Largest national owner and operator of fixed-site diagnostic imaging centers, with 298 locations
  - Founded as a one center CA operation in 1980
  - Fastest growing consolidator in the highly fragmented imaging industry
  - Diversified product offering to partner with hospitals and Accountable Care Organizations (Joint Ventures, Breast Oncology, Radiology Software, In-patient Staffing, Teleradiology)
  
- Quadrupled size of company since 2006
  - Should reach \$1 billion of revenue in next couple of years
  - Q3 2017 LTM Revenue = \$912mm
  - Q3 2017 EBITDA = \$137mm
  - Over 7,300 employees in 6 states
  
- Concentrated regional networks in CA, MD/DE, NJ and NY (295 of our 298 sites)
  - Strategy is to be the clear leader in regional markets
  - Strategy provides operational efficiencies and marketing/contracting benefits with health plans

# RadNet Summary (cont.)

- 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
- Only imaging center player to provide exclusive managed care capitation arrangements with prominent medical groups and Independent Physician Associations (IPAs)
- RadNet’s management owns over 20% of common stock

# How We Work

1. Referring Physician



5. Report Created



## Why RadNet?

- Service
- Relationships
- Marketing
- Payer Networks
- Technology
- Radiologist Expertise

2. RadNet



3. Exam Performed

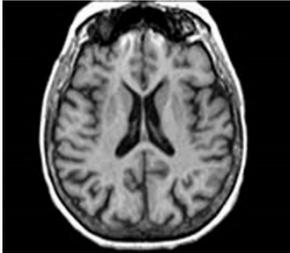


4. Radiologist Interpretation



# Types of Imaging Exams: “Modalities”

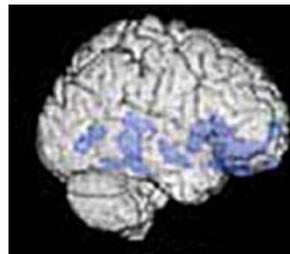
## “Advanced Imaging”



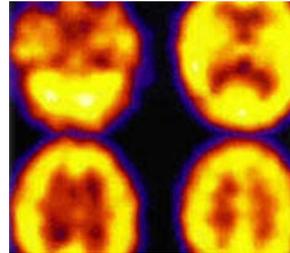
**MRI** – Produces high resolution cross-sectional images of soft tissue. Applications: brain, spinal cord and interior ligaments.



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



**PET**- Determines metabolic activity. Applications: tumors, epilepsy and cardiac evaluation.



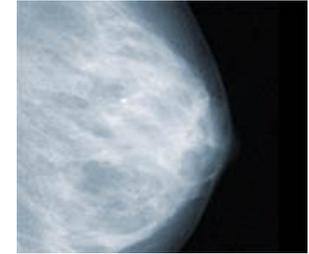
**Nuclear Medicine** – Produces images of anatomical structures. Applications: Assesses organ function in heart, kidney, thyroid and bones.



**X-ray** –Records images of organs and structures on film.



**Ultrasound** – Produces visual images of internal organs. Applications: viewing soft tissue.



**Mammography** – What: Visualizes breast tissue. Why: primary screening tool for breast cancer.



**Fluoroscopy** – What: video viewing of organs. Why: real time monitoring.

I. Introduction

**II. Diagnostic Imaging Industry Overview**

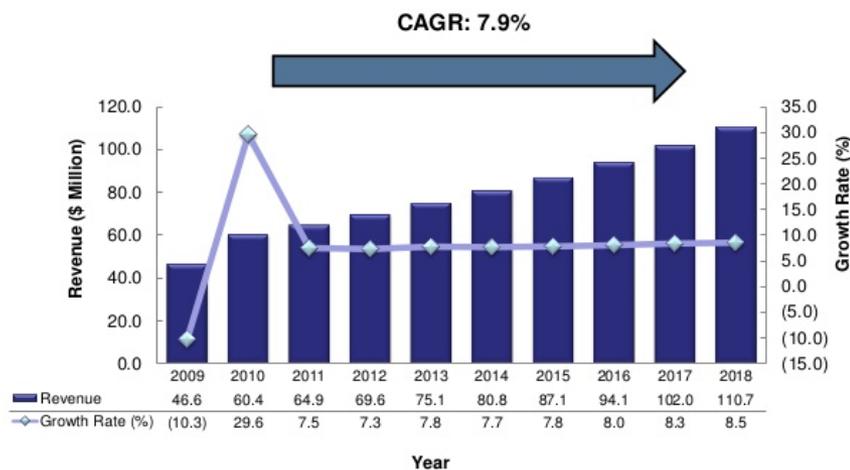
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# Diagnostic Imaging: A Large and Growing Market

- National imaging market is estimated to be over \$100 billion
  - Approx. 40% non-hospital imaging (ie, freestanding centers – like RadNet + imagin completed within doctor offices)
  - Approx. 60% imaging occurs within hospitals
    - More Expensive for patients and their insurance companies
    - Inferior Service
    - More Difficult Access & Parking
    - Often no sub-specialized radiologist readers

## Total Medical Imaging Market Revenue Forecast



- 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

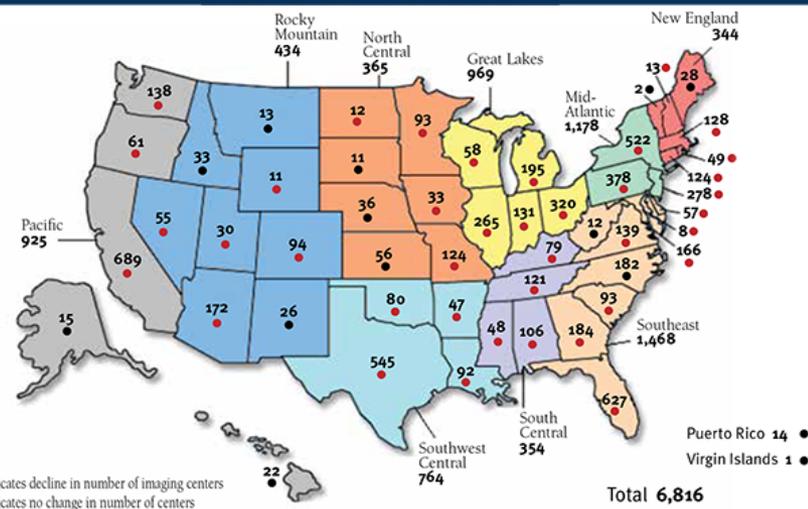


Figure. US imaging centers (by state and region), 2013.

Source: Radiologybusiness.com

# 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 has 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



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.



# Industry Which Has Been Under Pressure: Scale is Vital for Success

- Trend has been downward in reimbursement for almost a decade
  - Medicare pricing has decreased steadily since 2007
  - Private payers have also tried to lower reimbursement
  
- Volumes during the economic slowdown were challenged for the first time in decades and the participation in high deductible health insurance programs have patients rationing their own care
  - Visits to primary care and specialist physicians declined
  - Caused referrals to ancillary service providers (like imaging) to decline
  
- But, despite some recent improvement in the industry, outlook still remains uncertain
  - Availability of capital remains constrained
  - Consistent Medicare reimbursement cuts
  - Costs to operate business remain high, including requirement for ongoing investment in plant and equipment

# 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 are driving acquisition multiples downward
  - Marginal operators are choosing to close and can now be acquired at 3–4x EBITDA
  - Other operators want to be consolidated into RadNet, which offers long-term stability

In 2015, we completed over \$95mm of acquisitions

- New York Radiology Partners
- California Radiology
- Diagnostic Imaging Group

2016 and 2017 have been less active on the M&A front; focused more on integrating the 2015 acquisitions and deleveraging

- Diagnostic Imaging Associates of Delaware



NEW YORK  
RADIOLOGY  
PARTNERS



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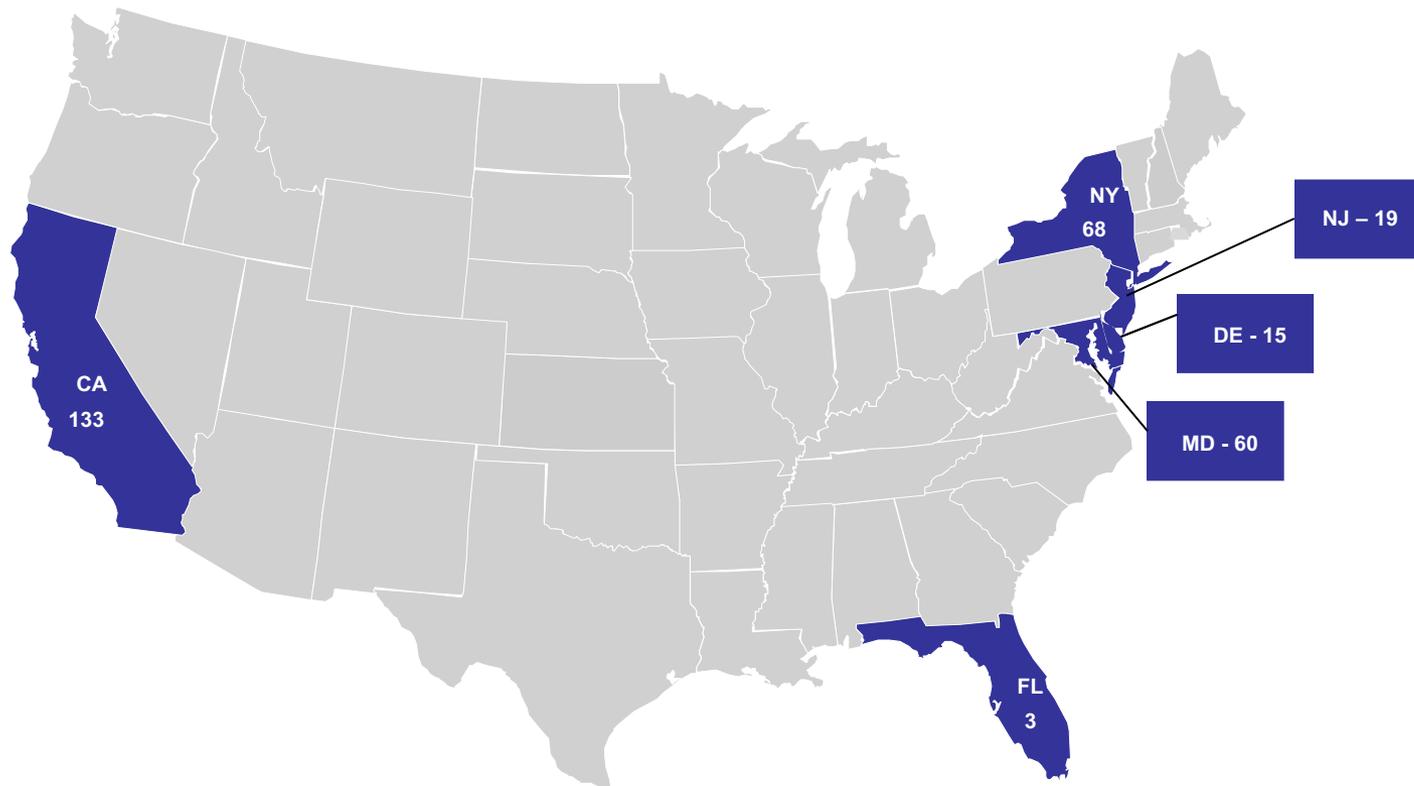
IV. Financial Information and Core Strategy

# A Sample of our Local Branding



# Strong Regional Presence Enables Scale and Leverage Over Competitors

- 30-year operating track record; Consolidator in the highly fragmented imaging industry
- 298 diagnostic imaging facilities in concentrated markets of CA, MD, DE, NJ, NY and FL
  - Vast majority of facilities are multi-modality
    - RadNet has scale and competitive relevance in all its markets
  - Provides operational efficiencies and marketing and contracting benefits

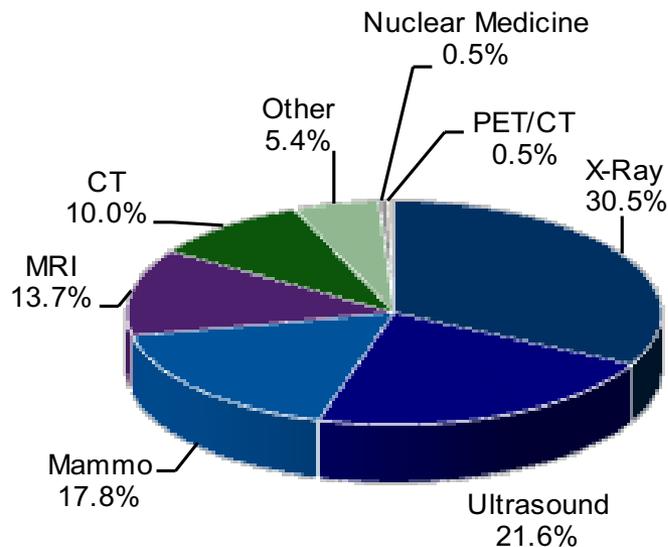


RadNet states comprise ~25% of the US population

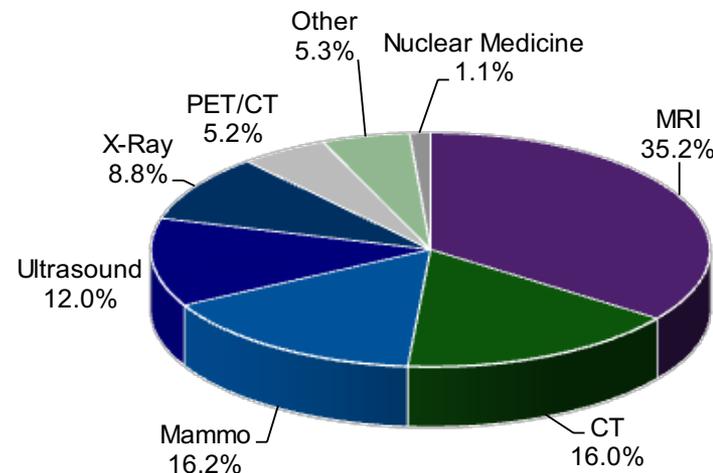
# Favorable Revenue Mix Mitigates Reimbursement Risk

- 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 (like the DRA), which generally impact MRI, CT and PET/CT modalities disproportionately

Q3 2017 Scan Volume by Modality



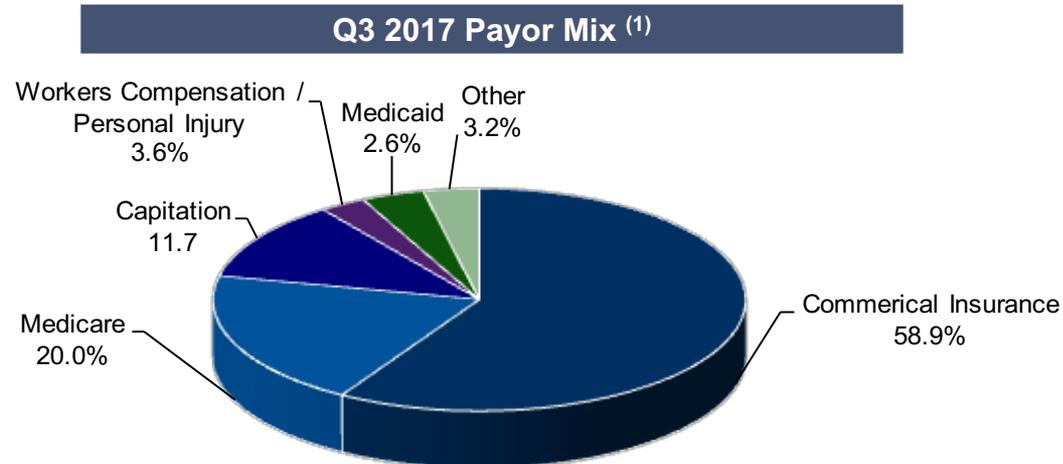
Q3 2017 Net Revenue by Modality <sup>(1)</sup>



1. Net Revenue by modality based upon global payments received from consolidated Imaging Centers from that period's dates of service. Excludes payments from hospital contracts, Breastlink, eRAD software operations, Imaging on Call teleradiology operations, center Joint Venture management fees, Meaningful Use payments and other miscellaneous operations.

# Strong and Diversified Payor Mix

- 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



1. Capitation % has been calculated based upon its proportion of cash received in the period to total accrued revenue. Copayments and patient responsibility portion is excluded from capitated patients. After deducting capitation % from 100%, all other payor class percentages are based upon a proportion to global payments received from consolidated imaging centers from that period’s dates of services and excludes payments from hospital contracts, Breastlink, imaging center management fees, eRAD, Imaging on Call and other miscellaneous revenue.

# 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 1,500,000 lives in CA (HMO commercial, Medicare Advantage and Managed Medicaid 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 17 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 RWJ Barnabas in New Jersey (19 centers), Cedars Sinai (4 centers), Dignity Health (2 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

# Other Initiatives



- Provider of PACS/RIS products to radiology practices and hospitals
  - Full suite of radiology software; incorporates speech recognition, visualization tools for radiologists, mammogram tracking, critical test reporting tools
- Fully implemented in all of RadNet's centers
  - Significant workflow improvements and cost reductions
- Seek to grow eRAD by continuing to sell them to other industry participants
  - Provides RadNet with international opportunities
  - Low capital requirements and high margins



- Provider of preliminary and final remote radiology interpretation
  - Services hospital-based radiology groups, hospitals and imaging centers
  - Daytime and nighttime reads
  - Joint Commission Accredited – benefits with credentialing within hospital settings
- Including RadNet's contracted radiology groups, RadNet's affiliated physicians now number over 500, larger than any other similar group in the United States
- Physicians licensed to do business in 28 states

# Recent Announcements and Industry News

- Anthem Announcement in late August
  - Anthem will no longer pay for MRIs and CT scans performed on an outpatient basis in hospitals
  - Opportunity for Anthem is to lower costs by driving imaging into freestanding centers
  - Will roll out to 13 of 14 Anthem states by March 2018
  - It is expected that other insurance companies will follow suit
  
- Refinancing completed on 8/22/17
  - Repaid 2<sup>nd</sup> lien term loan with additional first lien debt
  - Reduced annual interest expense by almost \$3 million per year; additional savings incorporated if the Company continues to delever
  - Extended maturities and improved operating flexibility
  
- On 9/5/17, we announced a strategic relationship with Nant Health, Verity Health System and Patrick Soon-Shiong
  - Verity to assume professional responsibilities for Breastlink in CA
  - Will explore imaging related JVs with Verity Hospitals
  - Collaboration on clinical trials and research, data analytics, imaging artificial intelligence and high speed fiber network

# Recent Announcements and Industry News (cont.)

- 8/7/17 acquisition of Diagnostic Imaging Associates of Delaware
  - Purchase of our largest freestanding outpatient competitor in Delaware
  - 7 imaging centers and 85,000 procedures per year
  - Unique cost savings and revenue enhancement opportunities
  - Consistent with our strategy of being the no. 1 provider in all our markets
  
- In April, we exited the Rhode Island marketplace through sale of our five imaging centers
  - Was a non-core market purchased as part of the larger CML acquisition in 2011
  - Saw no likely path to growing RI in a significant way
  - Can redeploy that capital in core markets

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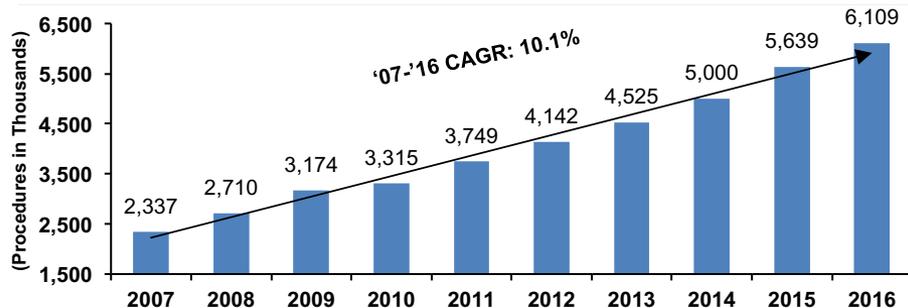
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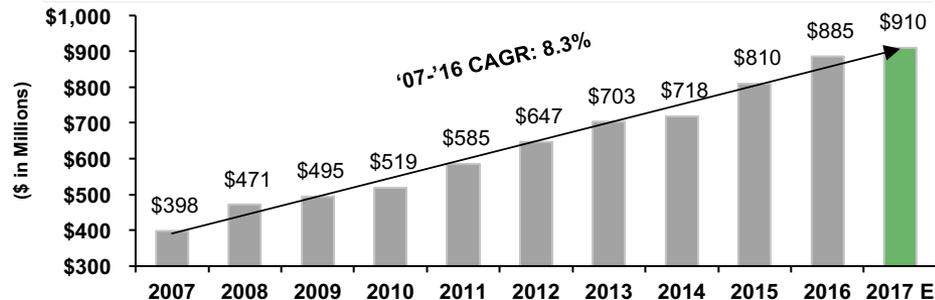
# Proven Track Record of EBITDA Growth and Cash Flow Generation

Over the past 9 years, RadNet has had a consistent track record of achieving profitable growth and generating significant cash flow

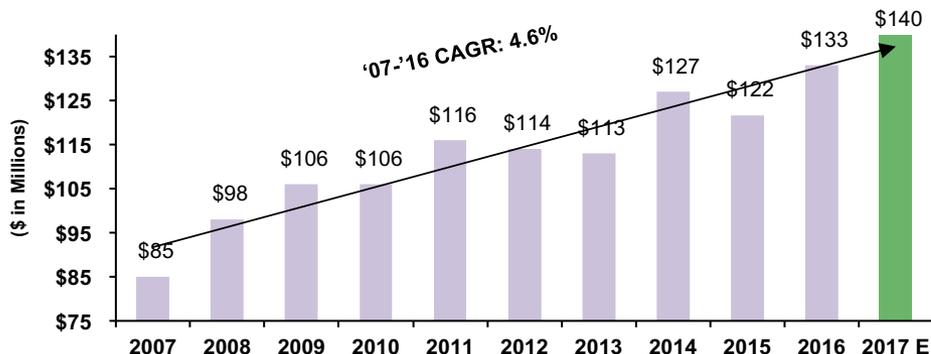
## Procedure Volumes



## Net Revenue



## Reported Adjusted EBITDA



1. 2017E illustrated at midpoint of the guidance ranges.

# Strong Recent Performance

## Full-Year 2016 Highlights

- Revenue increased 9.3% to \$884.5 million; from \$809.6 million in 2015
- EBITDA increased 9.3% to \$133.0 in 2016; from \$121.7 million in 2015
- Produced over \$35mm of free cash flow (after CAPEX and cash interest)
- Aggregate procedural volumes increased 8.3% as compared with 2015
- Established first California joint venture with Dignity Health
- Completed migration of all RadNet centers to eRAD front end operating system and back end PACS system

## Q3 2017 Highlights

- Revenue and EBITDA increased 1.9% and 1.3%, respectively, from the third quarter of 2016, adjusting for the sale of our Rhode Island centers
- Aggregate procedural volumes increased 2.4% (adjusting for the sale of Rhode Island) and same center volumes increase 1.5% from the second quarter of 2016
- Adjusted Earnings per share increased to \$0.12 per share vs. \$0.11 per share for last year's quarter
- Reaffirmed previously announced guidance levels

# Summary Valuation Metrics: RDNT

EBITDA Valuation Metrics	
Equity Market Capitalization @ \$10.05 per share <sup>1</sup>	\$ 478.6 mm
Net Debt <sup>2</sup>	609.5 mm
Current Enterprise Valuation	<u>\$ 1,088.1 mm</u>
Trailing 12 Mo. EBITDA - 9/30/2016	\$ 136.7 mm
Midpoint of 2017 EBITDA Guidance	\$ 140.0 mm
Enterprise Value / Trailing 12 Mo. EBITDA	8.0 x
Enterprise Value / 2015 Guidance Midpoint EBITDA	7.8 x

- Company Capitalization (net of debt discounts) as of 9/30/17
  - \$8.5mm cash balance
  - Undrawn on revolving line of credit (L+325bps) due July 2021 (\$117.5mm capacity)
  - \$609.2mm First Lien Term Loan (L+325bps - 1% LIBOR Floor) due July 2023
  - \$8.7mm capital leases
- 2016 Free Cash Flow (EBITDA less CAPEX and Cash Interest) was \$35.6mm; Represents an attractive Free Cash Flow Yield to equity holders and provides for deleveraging
- Future earnings and cash flow shielded by Federal NOLs of \$231.6 million as of 12/31/16

<sup>1</sup> Source: Per closing stock price as of November 22, 2017

<sup>2</sup> Source: RadNet 10Q ended 9/30/17. Net Debt is Total Debt (net of applicable discounts from par value of our senior term loan) less cash balance.