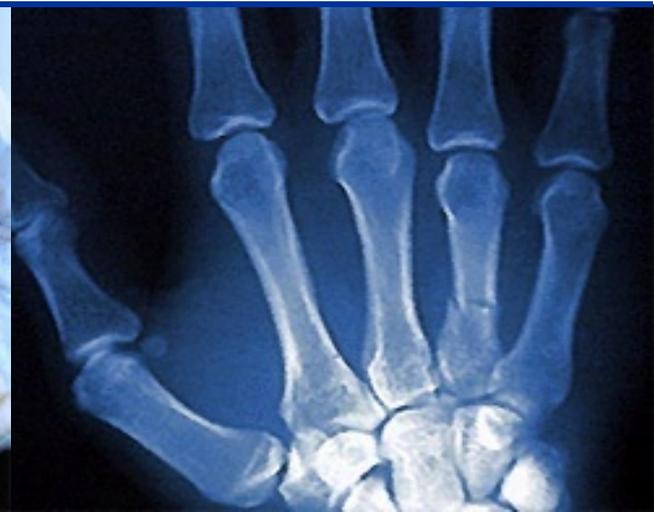




March 2019  
NASDAQ: RDNT



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, 2018. 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 344 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
  - 2018 Revenue = \$975mm; 2019 Revenue Guidance = \$1,075mm
  - 2018 EBITDA = \$144mm; 2019 EBITDA Guidance = \$160mm
  - Over 7,900 employees in 6 states
- Concentrated regional networks in CA, MD/DE, NJ and NY (341 of our 344 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/board own 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



## 4. Radiologist Interpretation

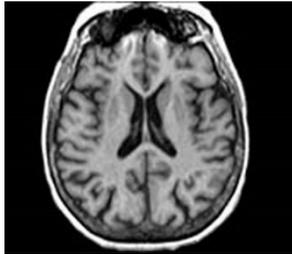


## 3. Exam Performed



# Types of Imaging Exams: “Modalities”

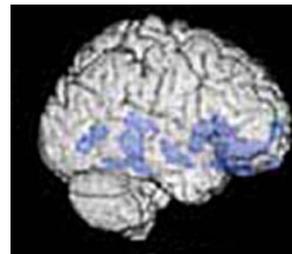
## “Advanced Imaging”



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

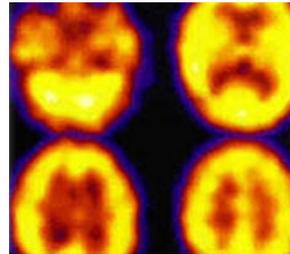


**CT** – Produces high resolution cross sectional images. Applications: tumors, strokes, hemorrhages and infections.



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

## “Routine Imaging”



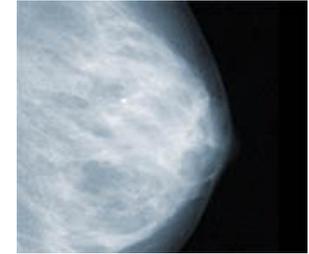
**Nuclear Medicine** – Produces images of anatomical structures. Applications: Assesses organ function in heart, kidney, thyroid and bones.



**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.

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**II. Diagnostic Imaging Industry Overview**

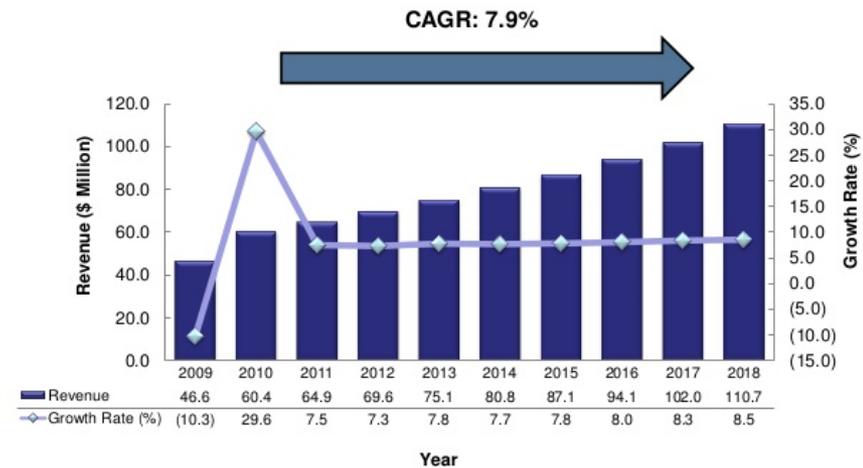
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# Diagnostic Imaging: A Large and Growing Market

- 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

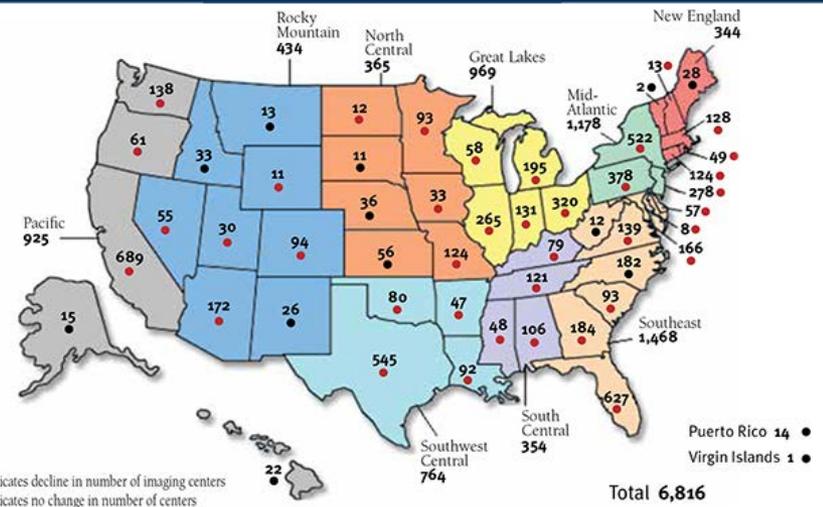


Figure. US imaging centers (by state and region), 2013.

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 2015-2018, we completed over \$185mm of acquisitions

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

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

- Cedars Sinai
- MemorialCare
- Dignity Health



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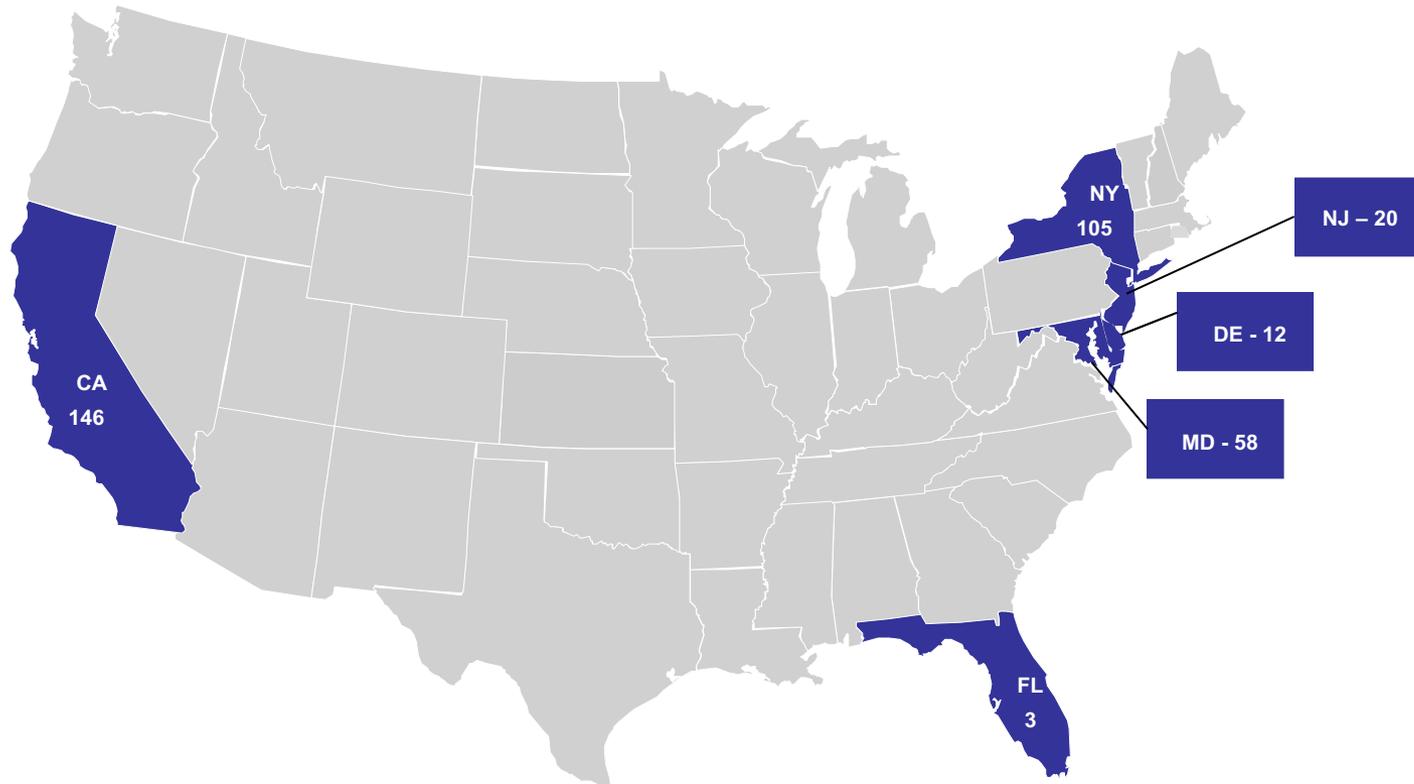
IV. Financial Information and Core Strategy

# 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
- 344 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

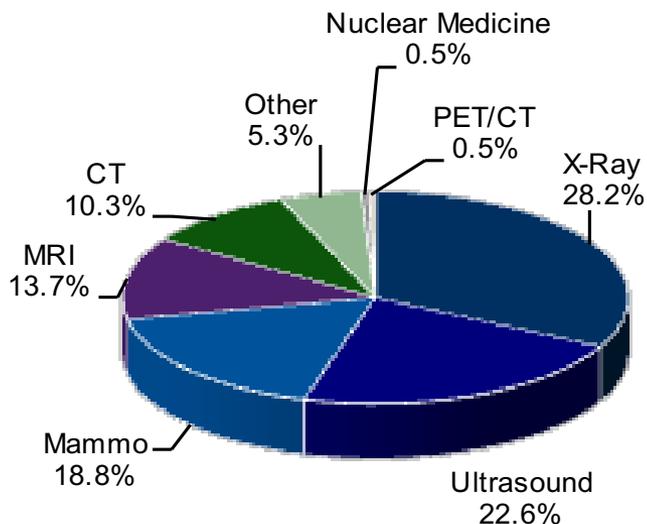


RadNet states comprise ~25% of the US population

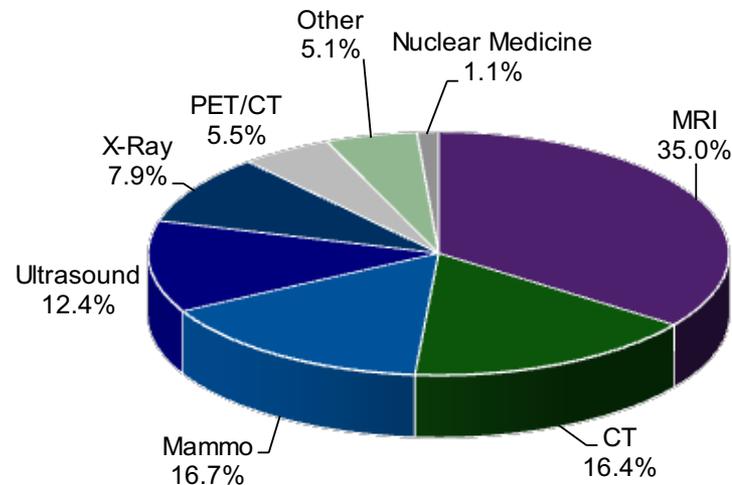
# Favorable Revenue Mix Mitigates Reimbursement Risk

- 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

Q4 2018 Scan Volume by Modality



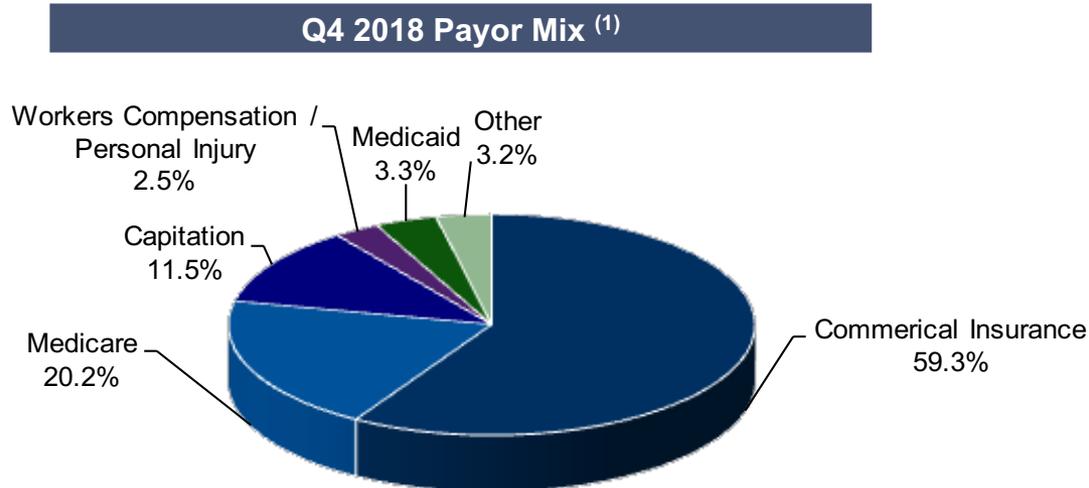
Q4 2018 Net Revenue by Modality <sup>(1)</sup>



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 1,700,000 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 18 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 (6 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

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II. Diagnostic Imaging Industry Overview

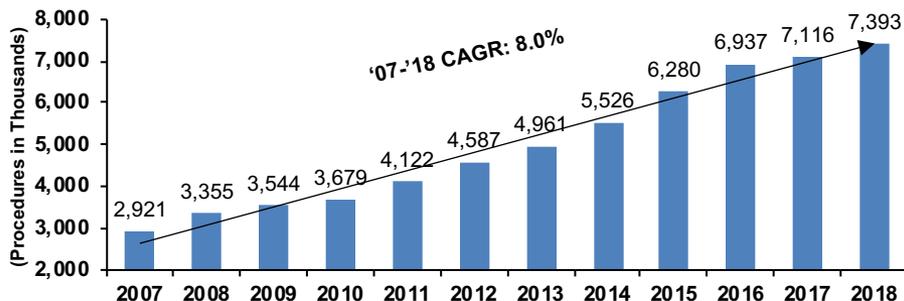
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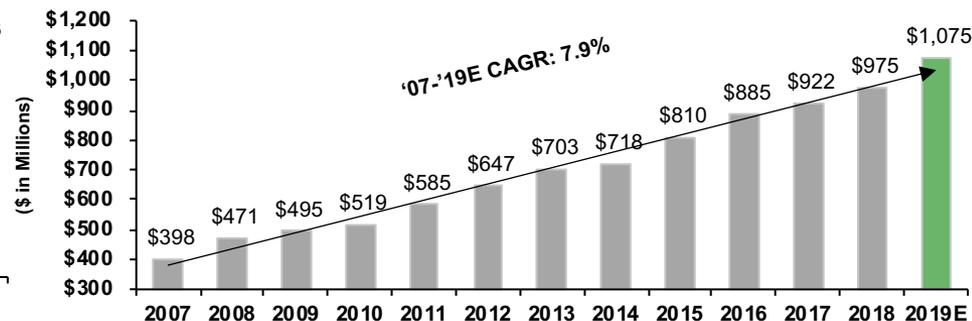
# Proven Track Record of EBITDA Growth and Cash Flow Generation

Over the past 11 years, RadNet has had a consistent track record of achieving profitable growth and generating significant cash flow

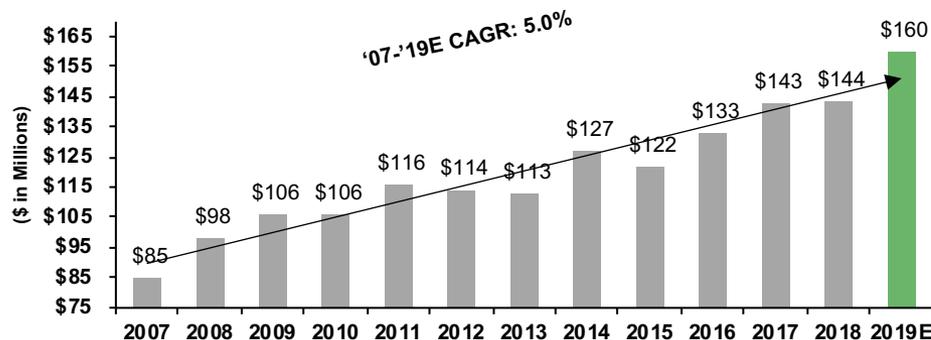
## Procedure Volumes



## Net Revenue



## Reported Adjusted EBITDA



1. 2018E illustrated at midpoint of the guidance ranges.
2. Volumes include consolidated and non-consolidated Joint Ventures

# Strong Full Year 2017 and 2Q 2018 Performance

## 2018 Fourth Quarter Highlights

- Revenue increased 9.2% as compared with 4Q 2017
- EBITDA increased 13.5% as compared with 4Q 2017
- Aggregate procedural volumes increased 8.3% and same center procedural volumes increased 1.1%
- Began our first capitation contract on the east coast with EmblemHealth
- Completed acquisition of Medical Arts
- Assumed operating control and began to consolidate NJIN JV

## Full-Year 2018 Highlights

- Revenue increased 5.7% to \$975.1 million
- EBITDA increased 0.7% to \$143.5 million
- Produced over \$36mm of free cash flow (after CAPEX and cash interest)
- Aggregate procedural volumes increased 4.1% as compared with 2017
- Subsequent to year end, announced acquisition of Kern Radiology and established second JV with Dignity Health

# Summary Valuation Metrics: RDNT

EBITDA Valuation Metrics	
Equity Market Capitalization @ \$12.67 per share	\$ 634.4 mm
Net Debt <sup>2</sup>	677.0 mm
Current Enterprise Valuation	\$ 1,311.4 mm
Trailing 12 Mo. EBITDA - 12/31/2018	\$ 143.5 mm
Midpoint of 2019 EBITDA Guidance	\$ 160.0 mm
Enterprise Value / Trailing 12 Mo. EBITDA	9.1 x
Enterprise Value / 2017 Guidance Midpoint EBITDA	8.2 x

- Company Capitalization (debt at par value) as of 12/31/18
  - \$10.4mm cash balance
  - \$28.0mm drawn on revolving line of credit (L+325bps) due July 2021 (\$117.5mm capacity)
  - \$587.2 Senior Secured Term Loan at RadNet, \$59.3mm Term Loan at NJIN JV
  - \$12.9mm capital leases
- 2018 Free Cash Flow (EBITDA less CAPEX and Cash Interest) was \$36.9mm; Represents an attractive Free Cash Flow Yield to equity holders and provides for deleveraging
- Future earnings and cash flow shielded by Federal NOLs of \$193.7 million as of 12/31/18

<sup>1</sup> Source: Per closing stock price as of March 26, 2019

<sup>2</sup> Source: RadNet 10K ended 12/31/18. Net Debt is Total Debt (at par value of our senior term loan) less cash balance.