



Leading Radiology Forward

**Mark Stolper**  
*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, 2019. 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.

## 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 332 locations**

- Founded as a one center CA operation in 1980
- Major consolidator in the highly fragmented imaging industry
- 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 (Breast Oncology, Radiology Software, In-patient Staffing, Teleradiology)

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

- 2019 Revenue = \$1.15 billion
- 2019 EBITDA = \$164 million
- 8,600+ employees in 6 states

## **Concentrated regional networks in CA, MD/DE, NJ, NY and AZ (331 of our 334 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

# 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

## **RadNet’s management/board own over 20% of common stock**

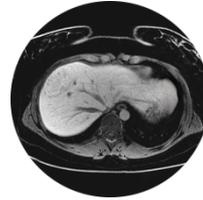
# Types of Imaging Exams: Modalities

## Advanced Imaging



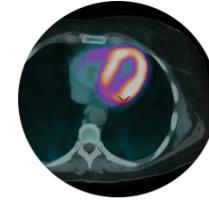
**MRI**

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



**CT**

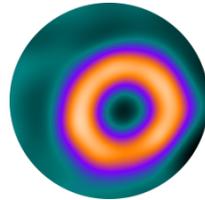
Produces high-resolution cross-sectional images. *Applications: Assesses tumors, strokes, hemorrhages and infections.*



**PET**

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

## Routine Imaging



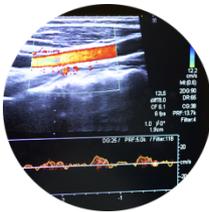
**Nuclear Medicine**

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



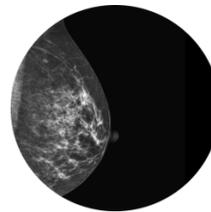
**Fluoroscopy**

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.

## Targeting approach focused on existing key markets

- Presence in 7 states which represent almost 1/3 of the US population
- Benefit from regional scale through concentrated regional networks
- Favorable relationship with payors
- Continually evaluating opportunities to expand existing footprint as well as opportunities to enter new markets

### Establish Presence in Key Markets

- Market selection key to driving volume growth
- Focus on executing multifaceted operating strategy to drive same-store growth and improve overall efficiencies
- Leverage competitive strengths, including comprehensive multi-modality diagnostic imaging offering and regional scale

### Expand Through M&A and Partnerships

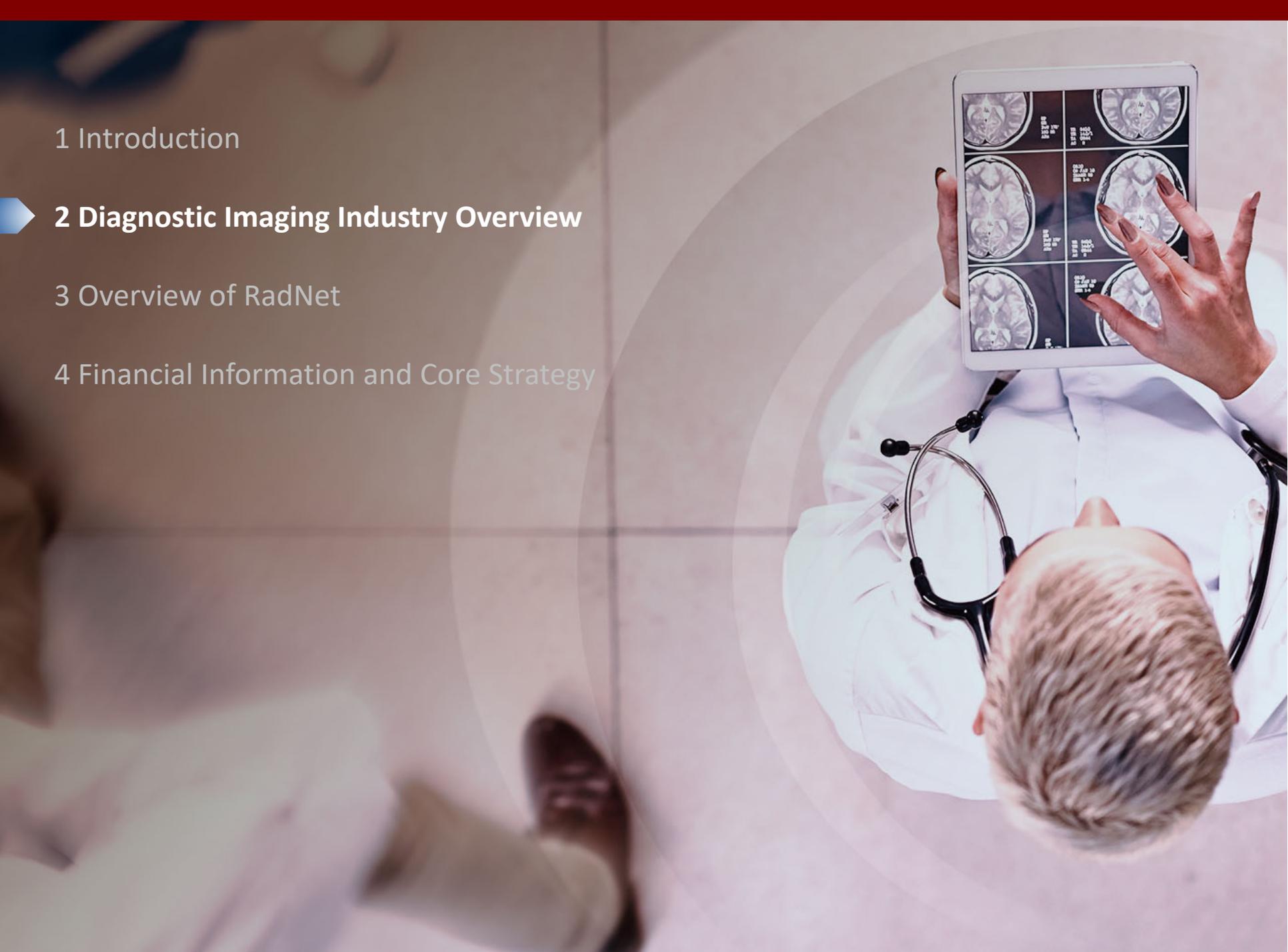
- Partner with leading health systems through JV structure
- Tuck-in acquisitions achieved at favorable multiples that leverage RadNet infrastructure
- Ability to open de novo locations which leverage local expertise and relationships

1 Introduction

**2 Diagnostic Imaging Industry Overview**

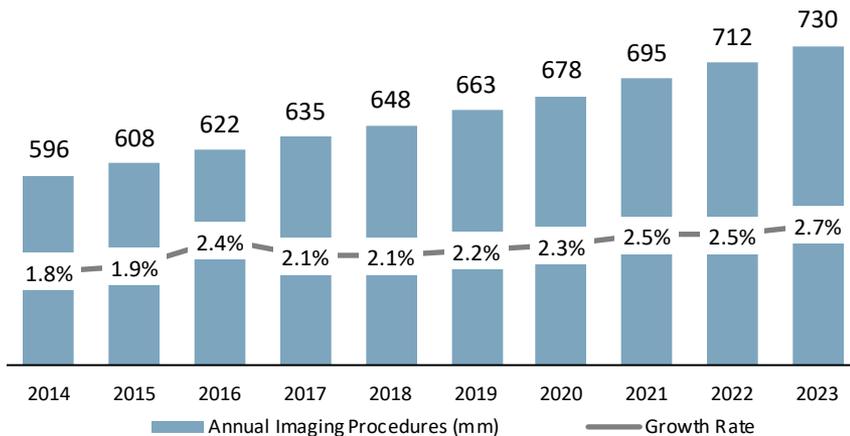
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# Diagnostic Imaging: A Large and Growing Market

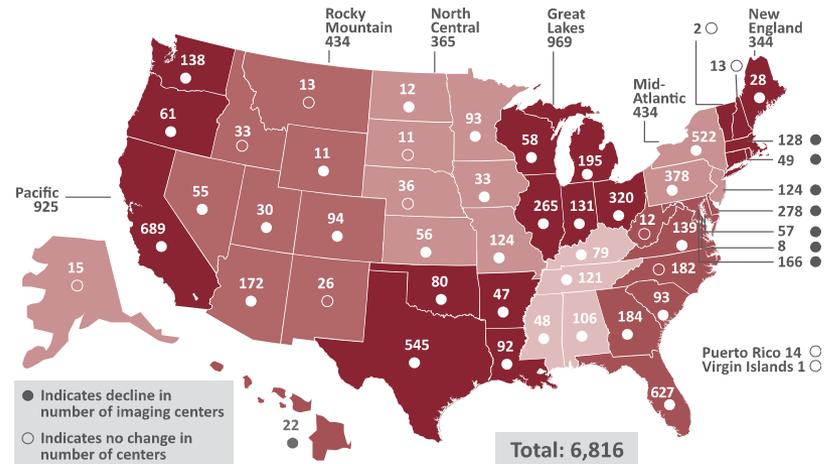
Diagnostic Imaging Procedure Volume <sup>(1)</sup>



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

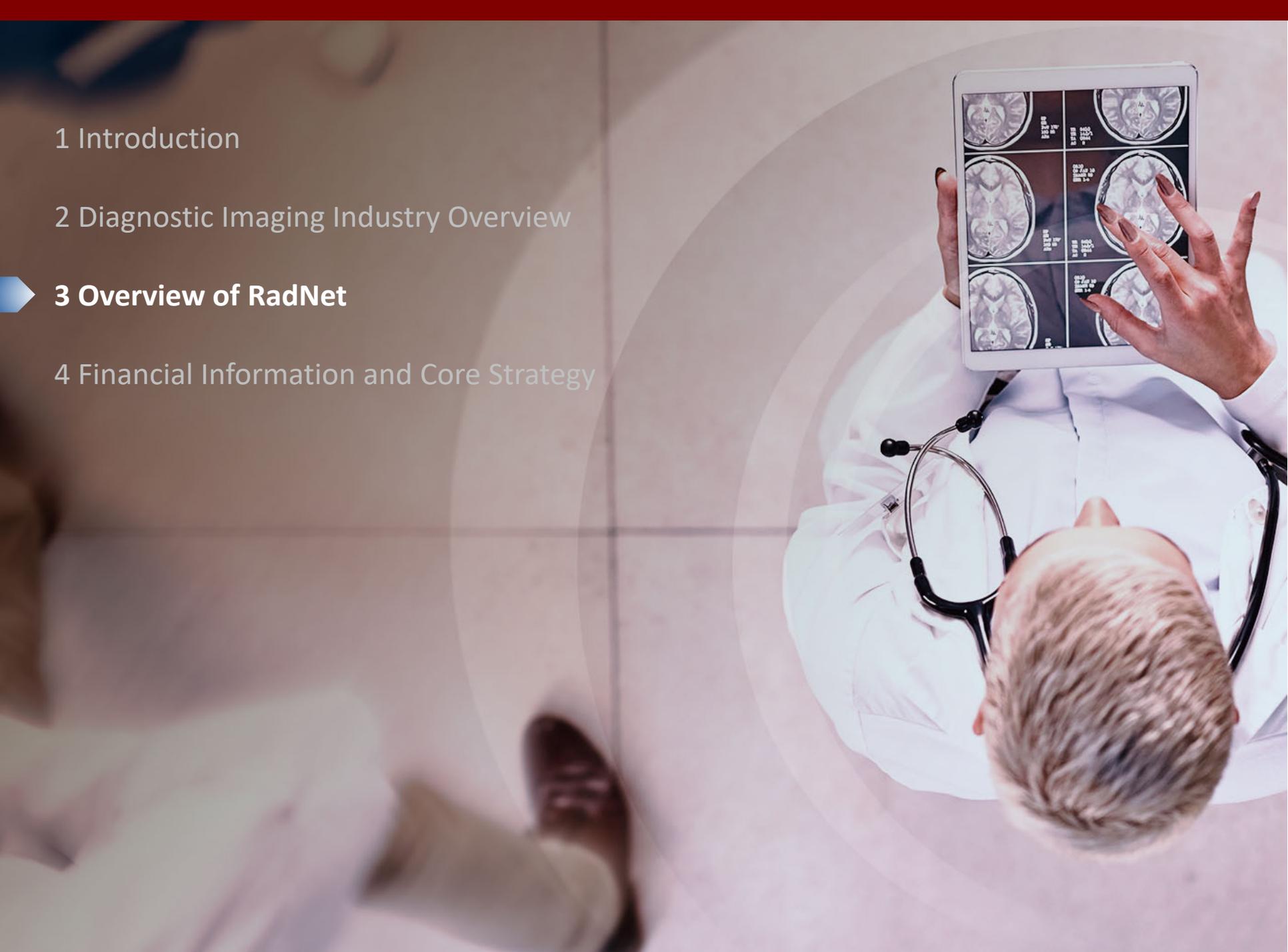
- Cedars Sinai
- MemorialCare
- Dignity Health

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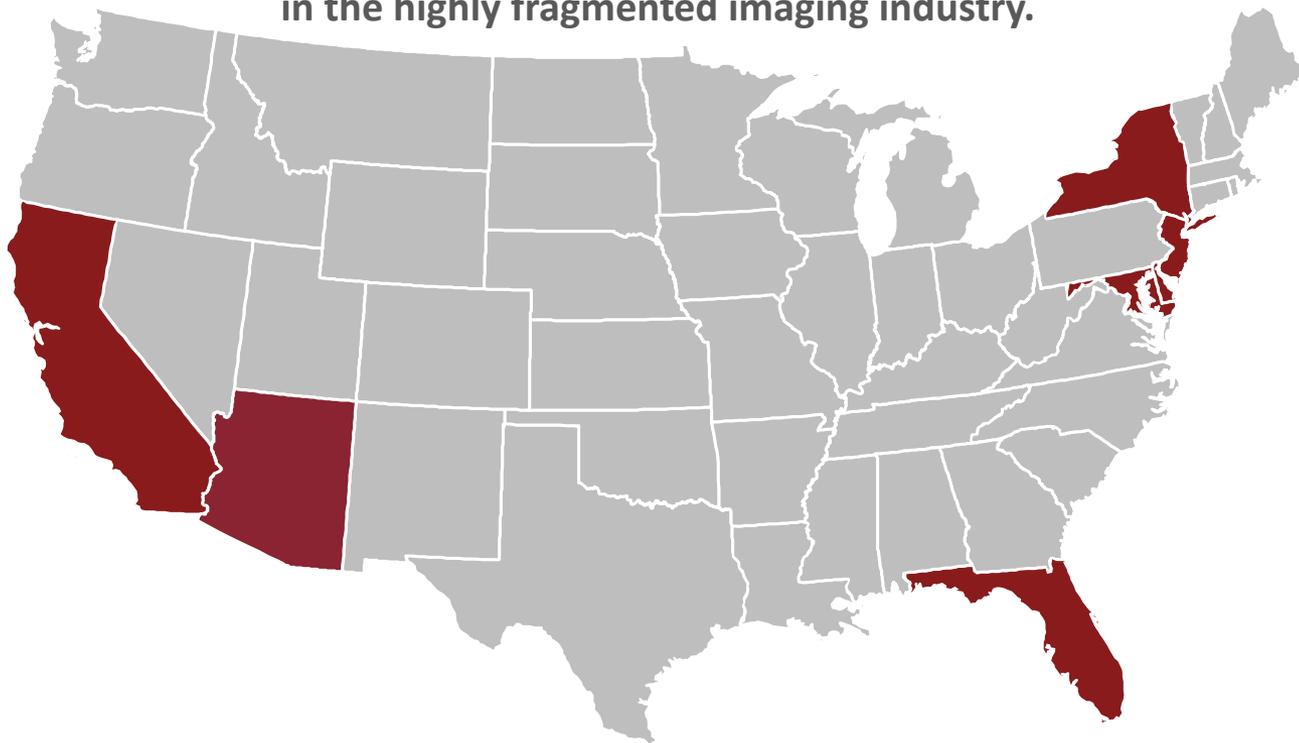
▶ **3 Overview of RadNet**

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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.

# 334

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>	141
<b>AZ:</b>	8

# +8,600

Employees

# +750

Radiologists with  
Subspecialties

# 19

Joint Ventures

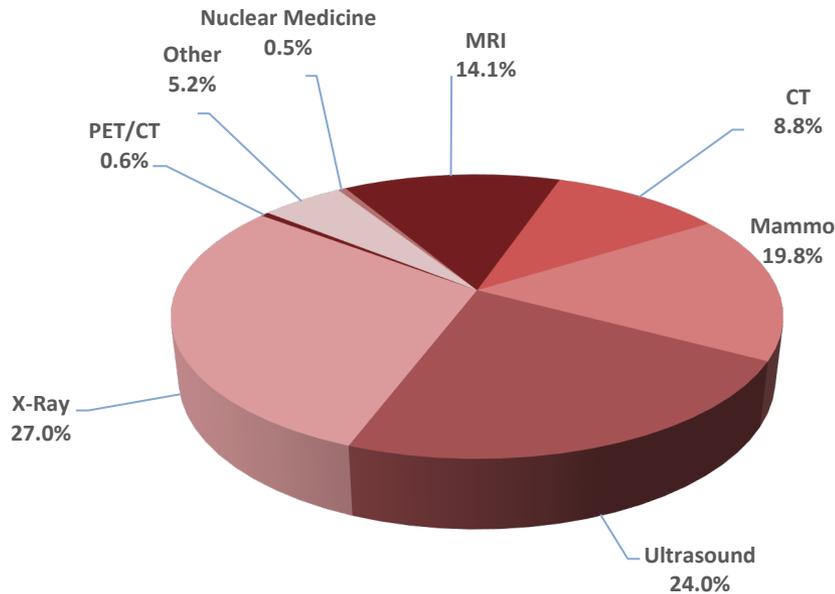
# Favorable Revenue Mix Mitigates Reimbursement Risk

## Emphasis placed on multi-modality strategy

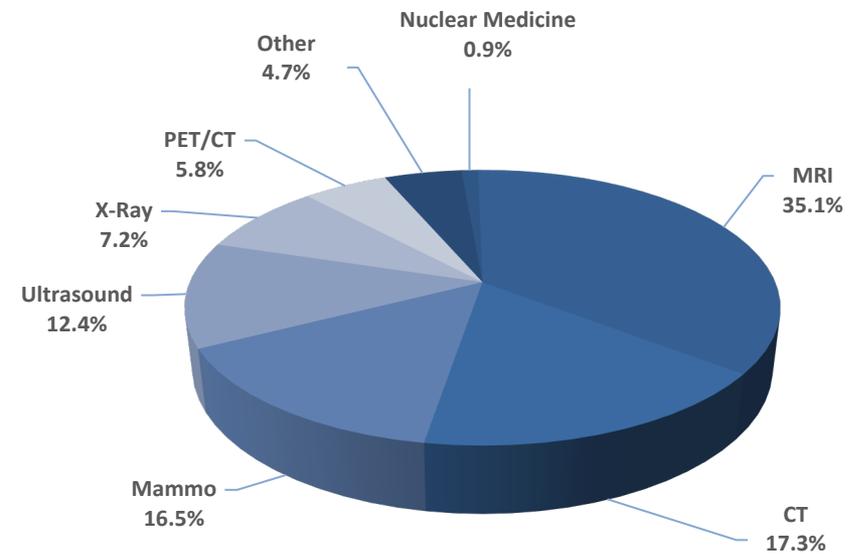
- “One-stop-shopping” for referral sources
- Lessens exposure to reimbursement changes, diversifies revenue base

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

Q3 2020 Scan Volume by Modality



Q3 2020 Net Revenue by Modality<sup>(1)</sup>



# Favorable Revenue Mix Mitigates Reimbursement Risk (continued)

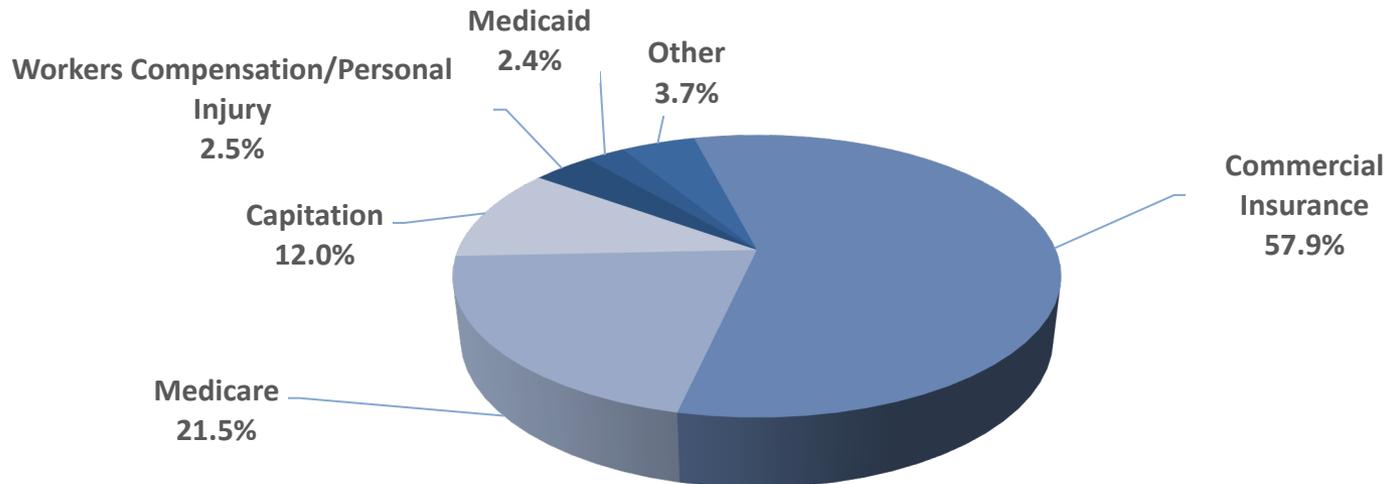
**Strong payor relationships – RadNet is a critical provider of diagnostic imaging solutions to healthcare insurance providers**

**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

Q3 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 1,700,000 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 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



Dignity Health.

Adventist Health



UNIVERSITY of MARYLAND  
SCHOOL OF MEDICINE



CEDARS-SINAI



### 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

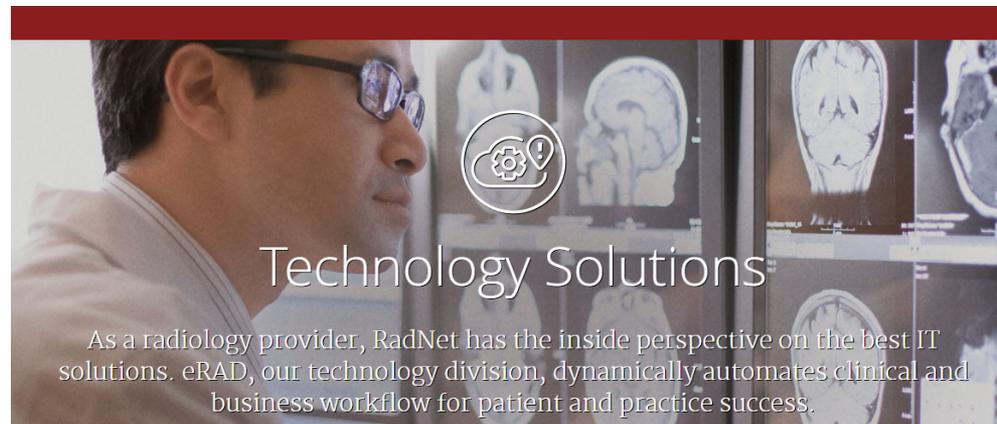
- Can participate in volume trend towards freestanding providers
- Join forces with what otherwise would be a competitor
- Provides more contracting leverage with private payors
- Benefit from being part of a larger operation
- Can stimulate other activities with partners (Breastlink, Teleradiology,
- 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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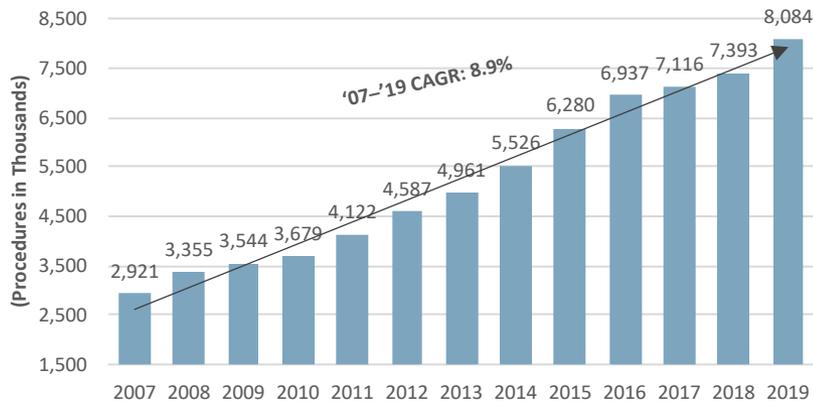
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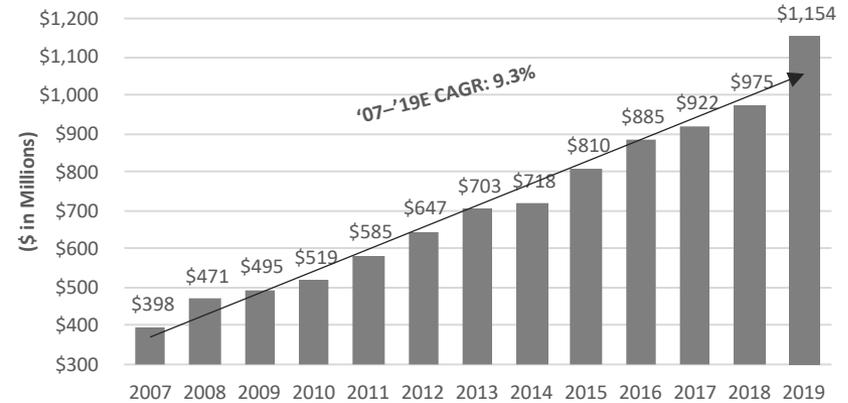
# Proven Track Record of EBITDA Growth and Cash Flow Generation

Over the past 13 years, RadNet has had a consistent track record of achieving profitable growth and generating significant cash flow

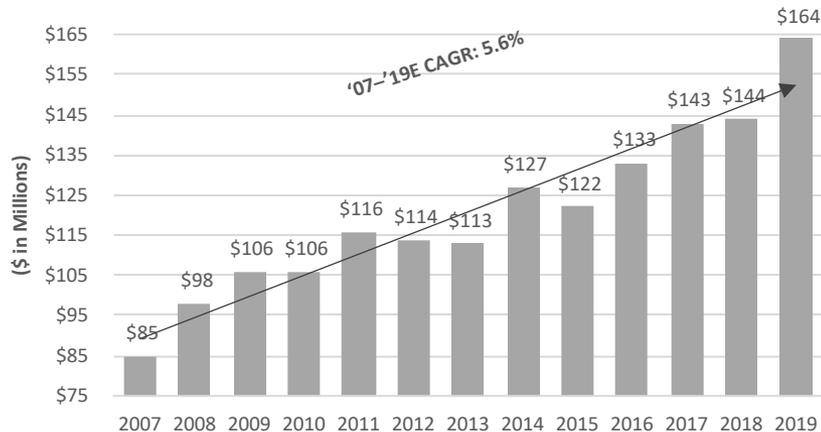
## Procedure Volumes



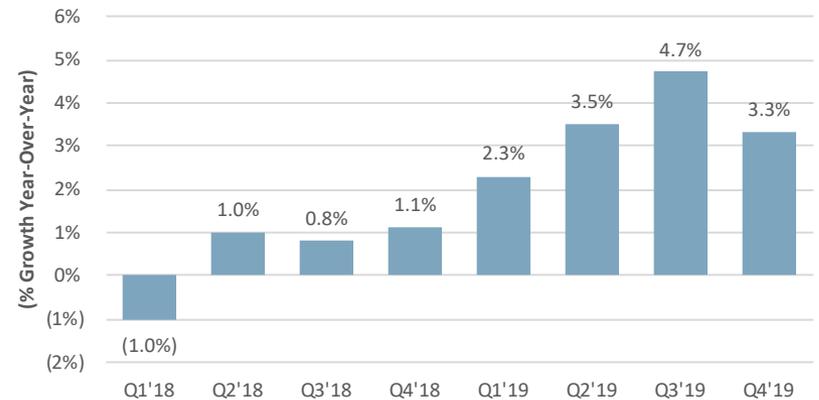
## Net Revenue



## Reported Adjusted EBITDA



## Procedural Volume Same-Center Growth



Note: 2019E illustrated at midpoint of the guidance ranges. Volumes include consolidated and non-consolidated Joint Ventures.

## 2020 Third Quarter Highlights

- Revenue was \$291.8 million, a sequential increase of 53.1% from the second quarter of 2020
- EBITDA was \$45.8 million, a sequential increase of 102.8% from the second quarter of 2020 and an increase of 11.7% from last year's third quarter
- Aggregate procedural volumes increased 66.2% from the second quarter of 2020
- Completed extensive cost savings and cash conservation measures, which resulted in a cash balance of \$89.7 million and being undrawn on revolver
- Business has returned to approximately pre-COVID volumes

## Full-Year 2019 Highlights

**REVENUE**  
**+18.4%**  
*to \$1.154 billion*

**EBITDA**  
**+15.8%**  
*to \$164.1 million*

- Revenue increased 18.4% to \$1.154 billion
- EBITDA increased 15.8% to \$164.1 million
- Produced over \$45.6mm of free cash flow (after CAPEX and cash interest)
- Aggregate procedural volumes increased 9.4% as compared with 2018

# Summary Valuation Metrics: RDNT

Valuation Metrics	
Equity Market Capitalization @ \$19.1 per share <sup>1</sup>	\$ 986.2 mm
Net Debt -9/30/2020 <sup>2</sup>	591.7 mm
Current Enterprise Value	\$1,577.9 mm
2019 EBITDA	\$ 164.1 mm
Enterprise Value / Trailing 12 Month EBITDA	9.6 x

<sup>1</sup> Per closing stock price on 11/16/2020.

<sup>2</sup> Source: RadNet 10Q ended 9/30/2020. Net Debt is Total Debt (including our term loan at par value) less cash balance.

## Company Capitalization (debt at par value) as of 9/30/20

- \$89.7mm cash balance
- Undrawn on revolving line of credit due July 2023 (\$195mm capacity)
- \$620.7mm Senior Secured Term Loan at RadNet (L+375bps)
- \$6.2mm equipment debt
- \$54.5mm New Jersey Imaging Network JV debt (RadNet is not the borrower or guarantor)

**2019 Free Cash Flow (EBITDA less CAPEX and Cash Interest) was \$45.6mm; Represents an attractive Free Cash Flow Yield to equity holders and provides for deleveraging**

**Future earnings and cash flow shielded by Federal NOLs of \$136.2 million as of 12/31/19**