

**From:** Lesley Groff <[REDACTED]>  
**To:** "[REDACTED]" <[REDACTED]>  
**Subject:** Re: SPECIAL SITUATIONS - Radnet, Inc. (RDNT)  
**Date:** Tue, 22 Apr 2014 18:46:52 +0000

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thanks

On Apr 22, 2014, at 2:33 PM, [REDACTED] wrote:

Love this name.  
Sent via BlackBerry from T-Mobile

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**From:** "Stolper, Mark" <[REDACTED]>  
**Date:** Thu, 17 Apr 2014 17:43:12 +0000  
**To:** [REDACTED] <[REDACTED]>  
**Subject:** FW: SPECIAL SITUATIONS - Radnet, Inc. (RDNT)

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**From:** Kona Shio [mailto:[REDACTED]]  
**Sent:** Thursday, April 03, 2014 1:38 PM  
**To:** Stolper, Mark  
**Subject:** SPECIAL SITUATIONS - Radnet, Inc. (RDNT)

Mark,

Thanks for getting back to me. I will call you back in 20mins.

See below my work so far on RDNT

Kona

## SPECIAL SITUATIONS - Radnet, Inc. (RDNT)

*April 3, 2014*

### AIQ's deleveraging in #s

- \* Btwn q1/12 & q4/13 AIQ reduced net debt from \$582m to \$495m
- \* Over that period net debt/ebitda fell from 4.3x to 3.4x
- \* Revenues fell slightly from \$496m to \$449m
- \* However EBITDA margins rose from 27% to 33%
- \* Concurrently AIQ shares rose from \$7.50 to \$24.74
- \* Looking into 2014 based on AIQ's revenue, ebitda & debt reduction guidance;
- \* Revenue is expected to remain stable as are ebitda margins
- \* However debt to expected to drop further to \$463m by yrend

- \* & net debt/ebitda is expected to drop further to 3.1x
- \* Note that ytd AIQ is already +37% ytd
- \* Further despite its current \$360m mkt cap AIQ still has no analyst coverage
- \* *Takeaways - RDNT shld play out similarly to AIQ, BUY RDNT IN LOW \$3s*

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<aiq.png>

## SPECIAL SITUATIONS - Radnet, Inc. (RDNT)

April 2, 2014

### Takeaways

- \* As an example of how RDNT's deleveraging cld play out see comp AIQ
- \* AIQ commenced its deleveraging process Oct 29 2012 when shares were approx \$7
- \* AIQ is now trading @ \$34 (see chart below)
- \* Note that AIQ's deleveraging was more complex & took several steps vs. RDNT which w/ one significant refi addressed its b/s

### Comp AIQ implemented same refi play as RDNT

\* Oct. 29, 2012 - Alliance HealthCare Services, Inc. (NYSE:AIQ) (the "Company" or "Alliance"), a leading national provider of outpatient diagnostic imaging and radiation therapy services, announced that it expects to reach an agreement with lenders for a 2nd amendment to its Credit Agreement dated December 1, 2009 by end of business today. Larry C. Buckelew, Chairman of the Board and Interim Chief Executive Officer stated, "Proactively addressing our debt obligation is a top priority, and our operational discipline and strong cash generation will provide us with the financial flexibility to pay down our term loans and renegotiate our covenants on more attractive terms. We are pleased to report that we expect to reach an agreement by end of business today to amend our Credit Agreement, including a reduction of the term loan by \$75 million and expansion of our total leverage covenant." Buckelew continued, "We believe that this potential 12% reduction in our term loan and renegotiation of our total leverage covenant will be important proof points highlighting the momentum the Company has generated on its path to long-term growth and profitability. The increased financial flexibility this deal would provide will clearly enhance our financial profile and augment our ability to execute our growth strategy and drive shareholder value."

\* Nov 7, 2012 - Alliance HealthCare Services, Inc. (NYSE:AIQ) (the "Company" or "Alliance"), a leading national provider of outpatient diagnostic imaging and radiation therapy services, announced that the 2nd amendment (the "Amendment") to its Credit Agreement dated December 1, 2009 (the "Credit Agreement") has become effective. The Amendment modifies the Credit Agreement's maximum leverage covenant to require that the Company maintain a maximum ratio of consolidated total debt to consolidated Adjusted EBITDA, as defined below, less minority interest expense of 5.00 to 1.00 through September 30, 2014, 4.75 to 1.00 from October 1, 2014 through September 30, 2015, 4.50 to 1.00 from October 1, 2015 through December 31, 2015 and 4.25 to 1.00 thereafter. On November 5, 2012, in connection with the Amendment, the Company raised \$30.0 million from the sale of certain imaging assets, which the Company subsequently leased from the financing parties. The Company offered the money raised in the sale and lease transactions as a mandatory prepayment of outstanding term loans to the lenders under the Credit Agreement (the "Mandatory Prepayment"). In addition to the Mandatory Prepayment, the Company offered \$45.0 million of cash on the Company's balance sheet to offer to lenders under the Credit Agreement as a voluntary prepayment of outstanding term loans (the "Voluntary Prepayment," and, together with the Mandatory Prepayment, the "Prepayments"). Lenders under the Credit Agreement had the right to waive acceptance of the Mandatory Prepayment, and the Amendment provided the lenders with the right to waive acceptance of the Voluntary Prepayment. Pursuant to the Amendment, the Company re-offered amounts of the Prepayments declined by lenders until 95% of the Prepayments were applied to prepay borrowings outstanding under the term loan facility. On November 6, 2012, the Company prepaid \$74.5 million of outstanding term loans. The Amendment provides that the Prepayments will satisfy all future mandatory amortization payments under the Credit

Agreement. In connection with the \$30 million sale and lease transactions, the Company will incur approximately \$8 million of annual rent expense which will reduce Adjusted EBITDA in the future. As of September 30, 2012, Alliance's ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense calculated pursuant to the Credit Agreement was 4.37 to 1.00. Adjusted for the sale and lease transactions and prepayment of the \$74.5 million under the Credit Agreement, the Company's ratio of consolidated total debt to consolidated Adjusted EBITDA less minority interest expense as of September 30, 2012 as calculated pursuant to the Credit Agreement was 4.08 to 1.00. A reconciliation of Adjusted EBITDA calculated pursuant to the Credit Agreement to net income calculated in accordance with generally accepted accounting principles in the United States, or "GAAP," is included at the end of this release.

\* **April 2, 2013** - Alliance HealthCare Services, Inc. (NASDAQ:AIQ), a leading national provider of outpatient diagnostic imaging and radiation therapy services, **announced today the voluntary repayment of \$15.0 million against the principal of its senior secured term loan. The debt repayment was effective March 28, 2013. "Our organic Adjusted EBITDA growth, strong cash flow generation, and proceeds from our sale/leaseback transaction have enabled us to repay a total of \$90 million of Alliance's total debt, or 22 percent of the balance of our senior secured term loan and 14 percent of our total debt outstanding, since September 30, 2012,"** said Howard Aihara, executive vice president and chief financial officer. "Continuing to pay down debt and reducing our total and senior secured leverage ratios remains a top priority at Alliance." Adjusted for this \$15.0 million voluntary debt repayment, as of December 31, 2012, the Company's pro forma total debt was \$543.6 million and the outstanding balance of the senior secured term loan was \$320.3 million. Adjusted for this \$15.0 million voluntary debt repayment, **Alliance's pro forma total leverage ratio was 3.79x, down from 3.89x as reported on December 31, 2012.** The Company's pro forma senior secured leverage ratio was 2.47x, down from 2.58x as reported on December 31, 2012.

\* **May 31, 2013** - Alliance HealthCare Services, Inc. (NASDAQ: AIQ), a leading national provider of outpatient diagnostic imaging and radiation therapy services, **announced that it has obtained commitments from lenders with respect to a new senior secured credit agreement.** Howard Aihara, executive vice president and chief financial officer stated, "Our ability to refinance our new senior secured term loan on such favorable terms is a clear testament to the improvements in our business performance and the strength of our balance sheet. The financing represents yet another positive step in our ongoing effort to maximize the efficiency of our capital structure, while providing the flexibility and cash flow necessary to execute upon our strategic initiatives, including ongoing reduction of our debt. This new facility will allow us to significantly reduce our interest rate and associated interest expense on an ongoing basis, which will translate into increased cash flow for the current fiscal year and beyond. The Company intends to use the net proceeds from this new term loan agreement to finance the repayment of our existing credit agreement and to redeem a portion of our outstanding senior notes. We are appreciative of the support we received from our lead bank, Credit Suisse, our existing lenders who renewed their commitments and a significant number of new lenders."

\* **June 3, 2013** - Alliance HealthCare Services, Inc. (NASDAQ: AIQ), a leading national provider of outpatient diagnostic imaging and radiation therapy services, announced today that it has **called for redemption \$80 million in principal amount of its 8% Senior Notes due 2016 (the "Notes") pursuant to the terms of the indenture governing the Notes.** The redemption will take place on July 3, 2013. The redemption price for the Notes will be equal to 104% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to, but excluding the redemption date.

\* **Oct 11, 2013** - Alliance HealthCare Services, Inc. (NASDAQ:AIQ), a leading national provider of outpatient diagnostic imaging and radiation therapy services, announced that it has **obtained commitments from lenders with respect to a \$70 million incremental term loan under its existing senior secured credit agreement (the "Credit Agreement"). The Company intends to use the net proceeds from the borrowings under the incremental term loan facility, together with proceeds from borrowings under its revolving credit facility and cash on hand, to redeem all of its outstanding 8% Senior Notes due 2016 (the "Notes") in December 2013...**Our ability to raise \$70 million of incremental borrowings under our existing senior secured term loan highlights the ongoing improvement in our business performance and the strength of our balance sheet. The redemption of our 8% Senior Notes will save us approximately \$5 million annually and will provide additional flexibility and cash flow to execute upon our strategic initiatives, including ongoing reduction of our debt."

<image.png>

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**SPECIAL SITUATIONS -**

# Radnet, Inc. (RDNT)

April 2, 2014

## Takeaways

- \* RDNT has grown through acquisitions over the past decade becoming the leading national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States based on number of locations and annual imaging revenue
- \* As a result RDNT has grown its revenue from \$134m in 2002 to \$703m in 2013
- \* Concurrently RDNT's b/s has ballooned cumulating to a net debt level of \$574m @ yrend 2013 or 5.1x net/debt to ebitda
- \* Starting in 2014 RDNT shifted its focus to deleveraging
- \* On March 25 RDNT completed a significant debt refinancing retiring its expensive \$200m 10 3/8% Senior Notes due 2018 w/ \$30.0 million of new first lien term loans (@ LIBOR rate + 3.25% or the base rate plus 2.25%) + \$180.0 million of new second lien term loans (@ LIBOR + 7.0% or the base rate plus 6.0%)
- \* As a result RDNT has lowered cash interest obligations by approx \$5.1m/yr (vs. 2013 fcf of \$17m) & termed out debt w/ its first lien term loan due in 2018 and its new second lien term loan due in 2021 hence no near-term maturities
- \* Going fwd ex small acquisition RDNT will utilize FCF to pay down debt
- \* RDNT's FCF for 2014 & 2015 is expected @ \$35m & \$44m implying a significant FCF yld of 28% & 36%
- \* RDNT is tgt'ng net debt/ebitda @ =<4x
- \* I expect net debt to ebitda cld drop to 4.8x by yrend 2014 & 4.1x by yrend 2015
- \* As RDNT de-levers given its sliver of equity (\$120m mkt cap) vs. its net debt balance (\$587m post refi) every 0.5x chg in ebitda multiple adds \$1.40/share to RDNT
- \* Over the past decade RDNT has been valued @ an avg 7x ebitda
- \* RDNT is presently valued @ 5.8x 2014 ebitda & 5.1x fwd ebitda
- \* As conviction grows on RDNT's de-leveraging story RDNT shld be afforded @ least 6x fwd ebitda multiple implying upside @ \$4.50+ or 50%+
- \* Note that the consensus tgt px on RDNT is \$3.63 implying 23% upside w/ a high tgt of \$5.00 implying 70% upside
- \* **TRADE** - BUY RDNT @ CURRENT LEVELS
- \* **Risks**; implementation of opex reduction plan, slower growth ahead as focus shifts from acquisitions to deleveraging, Chg in gvt policies, limited analyst coverage, small float, small mkt cap

## Company description

\* **Business** - RDNT is the leading national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States based on number of locations and annual imaging revenue. At December 31, 2013, RDNT operated directly or indirectly through joint ventures, 250 centers located in California, Maryland, Florida, Delaware, New Jersey, Rhode Island and New York. RDNT's centers provide physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders and may reduce unnecessary invasive procedures, often reducing the cost and amount of care for patients. RDNT's services include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures. The vast majority of our centers offer multi-modality imaging services, a key point of differentiation from our competitors. RDNT's multi-modality strategy diversifies revenue streams, reduces exposure to reimbursement changes and provides patients and referring physicians one location to serve the needs of multiple procedures. RDNT seeks to develop leading positions in regional markets in order to leverage operational efficiencies. RDNT's scale and density within selected geographies provides close, long-term relationships with key payors, radiology groups and referring physicians. Each of RDNT's center-level and regional operations teams is responsible for managing relationships with local physicians and payors, meeting its standards of patient service and maintaining profitability. RDNT provides training programs, standardized policies and procedures and sharing of best practices among the physicians in its regional networks. In addition to its imaging services, one of RDNT's subsidiaries, eRAD, Inc., develops and sells computerized systems for the imaging industry, including Picture Archiving Communications Systems ("PACS") and Radiology Information Systems ("RIS"). Another one of its subsidiaries, Imaging On Call LLC, provides teleradiology services for remote interpretation of images on behalf of radiology groups, hospitals and imaging center customers. Teleradiology is the process of taking radiological patient images, such as X-rays, CTs, and MRIs, from one location to another for the purposes of interpretation and/or consultation. Teleradiology allows radiologists to provide services without actually having to be at the location of the patient and allows trained specialists to be available 24/7. In addition to providing alternative

revenue sources for RDNT, the capabilities of both eRAD and Imaging On Call can make the RadNet imaging center operations more efficient and cost effective.

\* **Revenue -**

RDNT

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substantially all of

its

revenue from fees charged for the diagnostic imaging services performed at

its

facilities. For the years ended December 31, 2013, 2012 and 2011,

RDNT

performed 4,525,490, 4,142,267, and 3,740,443 diagnostic imaging procedures and generated net revenue of \$703.0 million, \$647.2 million, and \$585.1 million, respectively.

\* **Seasonality** - RDNT typically experience some seasonality to its business. During the first quarter of each year RDNT generally experiences the lowest volumes of procedures and the lowest level of revenue for any quarter during the year. This is primarily the result of two factors. First, RDNT's volumes and revenue are typically impacted by winter weather conditions in its northeastern operations. It is common for snowstorms and other inclement weather to result in patient appointment cancellations and, in some cases, imaging center closures. Second, in recent years, RDNT has observed greater participation in high deductible health plans by patients. As these high deductibles reset in January for most of these patients, RDNT has observed that patients utilize medical services less during the first quarter, when securing medical care will result in significant out-of-pocket expenditures.

\* **Industry** - RDNT estimates that the national imaging market in the United States is \$100 billion annually, with projected mid-single digit growth for MRI, CT and PET/CT over the next several years, driven by the aging of the U.S. population, wider physician and payor acceptance for imaging technologies, and greater consumer and physician awareness of diagnostic screening capabilities. While X-ray remains the most commonly performed diagnostic imaging procedure, the fastest growing and higher margin procedures are MRI, CT and PET. The rapid growth in PET scans is attributable to the increasing recognition of the efficacy of PET scans in the diagnosis and monitoring of cancer. The number of MRI and CT scans performed annually in the United States continues to grow due to their wider acceptance by physicians and payors, an increasing number of applications for their use and a general increase in demand due to the aging population.

\* **Payors** - The fees charged for diagnostic imaging services performed at RDNT's facilities are paid by a diverse mix of payors; Commercial Insurance (Blue Cross/Blue Shield plans) 59%, Managed Care Capitated Payors 9% & Medicare & Medicaid 25%

\* **Competition -**

The market for diagnostic imaging services is highly competitive.

RDNT

compete

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locally with groups of radiologists, established hospitals, clinics and other independent organizations that own and operate imaging equipment.

RDNT's

competitors include Alliance Healthcare Services, Inc., Diagnostic Imaging Group and several smaller regional competitors. Some of

RDNT's

competitors may now or in the future have access to greater financial resources than

RDNT

do

es

and may have access to newer, more advanced equipment. In addition, some physician practices have established their own diagnostic imaging facilities within their group practices to compete with

RDNT

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RDNT

experience

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additional competition as a result of those activities.

\* **NOLs -**

As of December 31, 2013,

RDNT  
had  
federal

net operating loss carryforwards of approximately \$218.9 million, which expire at various intervals from the years 2017 to 2033.

RDNT  
also had state

net operating loss carryforwards of approximately \$155.3 million, which expire at various intervals from the years 2014 through 2033. As of December 31, 2013, \$23.5 million of

RDNT's

federal net operating loss carryforwards acquired in connection with the 2011 acquisition of Raven Holdings U.S., Inc. were subject to limitations related to their utilization under Section 382 of the Internal Revenue Code. Future ownership changes as determined under Section 382 of the Internal Revenue Code could further limit the utilization of net operating loss carryforwards. Cumulative excess tax benefits of \$4.9 million, related to the exercise of nonqualified stock options, will be recorded in equity when realized.

As of December 31, 2013,

RDNT

has

also

determined that deferred tax assets of \$93.1 million are more likely-than-not to be realized.

RDNT has

also determined that deferred tax liabilities of \$15.1 million are required related to book basis in goodwill that has an indefinite life.

<rdnt1.png>

## Events

### **March 3 - RadNet Reports Fourth Quarter and Full Year 2013 Results, Releases 2014 Financial Guidance and Announces a Proposed Refinancing Transaction of Its \$200 Million 10 3/8% Senior Unsecured Notes**

\* **vs. consensus**; #s came in > cons est w/ rev @ \$185m vs. cons est @ \$178m, ebitda @ \$29.7m vs. cons est @ \$26.5m & eps @ 5c vs. cons est @ -0.7c

\* **2014 Guidance**; \* revenue: \$700m-\$730m \* ebitda \$110m-\$120m \* Capex \$40m-\$45m \* Cash Interest: \$38m-\$42m \* FCF \$30m-\$40m

\* **Outlook**; "As reflected in our 2014 guidance, we are optimistic about 2014. In December of last year, we announced a \$20 million-\$22 million negative impact to our 2014 revenue from the changes in the Medicare Physician Fee Schedule. In response to this, we launched a plan to eliminate \$30 million of costs from our business. Our 2014 guidance reflects our confidence in achieving at least \$20 million of these costs savings in 2014," added Dr. Berger. Dr. Berger continued, "Our guidance also incorporates what we are projecting to be a soft first quarter in 2014 due to the unusually severe winter weather conditions that have existed in the northeastern part of the United States in January and February of this year."

\* **Proposed Refinancing Transaction**; The Company currently intends to pursue a refinancing of its 10 3/8% Senior Unsecured Notes due 2018. The proposed refinancing may include a tender offer for, or redemption of, the Company's senior unsecured notes, which would be replaced by new senior secured second lien term loan debt and additional indebtedness under the Company's senior secured first lien credit facility. The potential refinancing transaction would be subject to negotiations with current lenders for the Company's senior secured debt and market and other conditions. As such, there can be no assurance that the Company will complete a refinancing transaction on terms that are favorable to the Company or its investors. The Company may engage from time to time in discussions with creditors of the Company and holders of the senior unsecured notes, as well as their respective advisors, as the Company pursues such potential refinancing transaction. Mark Stolper, Executive Vice President and Chief Financial Officer of RadNet, commented "We have publicly discussed in recent quarters the possibility of lowering our cost of capital through refinancing our 10 3/8% Senior Unsecured Notes with less expensive capital. After having consulted with our investment banking advisors, we expect to launch a refinancing transaction designed to replace our Senior Unsecured Notes with a Second Lien Term Loan and additional borrowings under our existing credit facility, subject to market and other conditions. **Our objective is to lower our cash interest obligations, provide us with additional operating flexibility and lengthen the maturity of our most junior debt capital.** If successful, we currently expect to consummate a transaction in April

### **March 6 - Radnet Launches \$30m Add-on 1L TL, \$180m 2L TL, Call March 6**

\* Lender call tomorrow at 3:30pm EST.

\* Borrower: Radnet Inc.

\* \$30m add-on 1L TL

\* \$180m 2L TL

\* Price Talk: TBA

\* UOP: Redeem \$200m of 10.375% Senior Unsecured Notes

\* Bookrunner: BARC (lead left) / CS / DB / GE

\* Information from person familiar with the matter, who asked not to be identified because they're not authorized to speak about it

### **March 25 - RadNet Announces Completion of Its Previously Announced Senior Debt Refinancing**

\* The Company has amended its existing Credit and Guaranty Agreement (as amended, the "First Lien Credit Agreement"), by and among the Company, its wholly-owned subsidiary, RadNet Management, Inc., a California corporation ("RadNet Management"), as the borrower, certain subsidiaries and affiliates of RadNet Management, the lenders party thereto from time to time, and Barclays Bank PLC ("Barclays"), as administrative agent and collateral agent, to provide for, among other things, **the borrowing by RadNet Management of \$30.0 million of new first lien term loans.**

\* In addition, the Company has entered into a Second Lien Credit and Guaranty Agreement (the "Second Lien Credit Agreement"), by and among the Company, RadNet Management, as the borrower, certain subsidiaries and affiliates of RadNet Management, the lenders party thereto from time to time, and Barclays, as administrative agent and as collateral agent, pursuant to which **RadNet Management has borrowed \$180.0 million of new second lien term loans.**

\* RadNet Management has the option of paying **interest on the new term loans under the Second Lien Credit Agreement at either (a) the adjusted LIBOR rate plus 7.0% or (b) the base rate plus 6.0%. The interest rates payable on the new term loans under the First Lien Credit Agreement are the same as the rates currently payable under the First Lien Credit Agreement, which are (a) the adjusted LIBOR rate plus 3.25% or (b) the base rate plus 2.25%.** The adjusted LIBOR rate has a minimum floor of 1.0% on both the first lien term loans and the second lien term loans. In addition, RadNet Management has paid certain customary fees in connection with obtaining this financing.

\* **After giving effect to this new senior debt financing, RadNet Management has approximately \$415.3 million of senior secured first lien term loans outstanding under the First Lien Credit Agreement and \$180.0 million of senior secured second lien term loans outstanding under the Second Lien Credit Agreement. In addition, the Company has access to a \$101.3 million first lien revolving loan facility, which as of December 31, 2013 was undrawn.**

\* Proceeds from the new first lien term loans and second lien term loans will be used in part **to finance the payment of total consideration payable to holders of RadNet Management's \$200.0 million in aggregate principal amount of 10 3/8% Senior Notes due 2018** (the "Notes") in connection with its previously announced offer to purchase any and all of its Notes through a tender offer (the "Tender Offer") and the related solicitation of consents to amend the indenture governing the Notes (the "Consent Solicitation"), and any related fees and expenses, in connection with the Tender Offer and Consent Solicitation. In addition, proceeds will also be used to pay fees and expenses related to the transaction and for general corporate purposes.

\* "We are very pleased to announce the completion of our refinancing transaction. We have successfully replaced our senior unsecured notes with a second lien term loan and additional borrowings under our existing credit facility, **resulting in lower cash interest obligations of approximately \$5.1 million per year.** Additionally, the refinancing provides us with more operating flexibility and lengthens the maturity of our most junior debt capital." "With our first lien term loan due in 2018 and our new second lien term loan due in 2021, we face **no near-term maturities.** This allows our management time and attention to be dedicated to operating our business and driving strategic initiatives,"

\* **The deadline for the Consent Solicitation expired at 5:00 p.m., New York City time, on March 20, 2014 (the "Consent Payment Deadline"). At the Consent Payment Deadline, \$193,464,000 aggregate principal amount of the Notes, representing 96.73% of the outstanding Notes, had been validly tendered and not withdrawn.** As a result of the percentage of outstanding Notes tendered by the Consent Payment Deadline, the required consents were received with respect to the Consent Solicitation and the Company, RadNet Management, the subsidiaries of RadNet Management that are guarantors, and U.S. Bank National Association, a national banking association, as trustee (the "Trustee") entered into a supplemental indenture on March 21, 2014 which eliminated or modified certain restrictive covenants (not including the covenant to pay interest and premium, if any, on and principal of, the Notes when due), and eliminated or modified certain events of default and certain other provisions contained in the indenture governing the Notes (the "Supplemental Indenture"). The Supplemental Indenture was entered into on March 21, 2014 and became operative on March 25, 2014 once the Notes tendered prior to the Consent Payment Deadline were accepted for payment and paid for by RadNet Management. RadNet Management issued an irrevocable redemption notice today in order to call for redemption of all Notes not tendered prior to the Expiration Date. **This redemption will occur on April 24, 2014,** at which time there will no longer be any Notes outstanding.

## Model & Valuation

- \* Consensus expects 2014 rev @ the low end of guidance & ebitda @ mid-range of guidance
- \* Consensus ebitda estimates imply RDNT is successful in reducing its cost structure by @ least \$20m
- \* RDNT expects opex reduction to be completed by q3/14
- \* Modelling 2014 FCF of \$35m
- \* This wld imply a significant FCF yld of 28% in 2014 & 35% in 2015
- \* Expecting net debt/ebitda to drop from 5.2x @ yrend 2012 to 4.8x in 2014 & 4.1x in 2015
- \* RDNT is presently trading @ 5.9x 2014 ebitda & 5.0x fwd ebitda
- \* Over the past decade RDNT has been valued @ an avg 7x ebitda
- \* As conviction grown on RDNT's de-leveraging story RDNT shld be afforded @ least 6x fwd ebitda multiple implying upside @ \$4.50+ or 50%+

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Kona Shio

*Arbitrage & Special Situations*

SHIO

T: [REDACTED]

E: [REDACTED]

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