

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33307

RadNet, Inc.

(Exact name of registrant as specified in its charter)

Delaware

13-3326724

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

1510 Cotner Avenue

Los Angeles, California

90025

(Address of principal executive offices)

(Zip Code)

(310) 478-7808

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Class Title	Trading Symbol	Registered Exchange
Common Stock	RDNT	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non- accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The number of shares of the registrant's common stock outstanding on November 6, 2023 was 67,894,705 shares.

RADNET, INC.
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PART I - FINANCIAL INFORMATION

Item 1 – Financial Statements

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2023	December 31, 2022		
	(unaudited)			
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 337,884	\$ 127,834		
Accounts receivable	167,736	166,357		
Due from affiliates	24,848	18,971		
Prepaid expenses and other current assets	48,204	54,022		
Total current assets	<u>578,672</u>	<u>367,184</u>		
PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS				
Property and equipment, net	577,227	565,961		
Operating lease right-of-use assets	613,164	603,524		
Total property, equipment and right-of-use assets	<u>1,190,391</u>	<u>1,169,485</u>		
OTHER ASSETS				
Goodwill	676,376	677,665		
Other intangible assets	91,833	106,228		
Deferred financing costs	1,803	2,280		
Investment in joint ventures	94,472	57,893		
Deposits and other	54,478	53,172		
Total assets	<u><u>\$ 2,688,025</u></u>	<u><u>\$ 2,433,907</u></u>		
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable, accrued expenses and other	\$ 302,086	\$ 369,595		
Due to affiliates	24,448	23,100		
Deferred revenue	5,176	4,021		
Current operating lease liability	59,324	57,607		
Current portion of notes payable	16,043	12,400		
Total current liabilities	<u>407,077</u>	<u>466,723</u>		
LONG-TERM LIABILITIES				
Long-term operating lease liability	614,038	604,117		
Notes payable, net of current portion	844,302	839,344		
Deferred tax liability, net	16,645	9,256		
Other non-current liabilities	9,805	23,015		
Total liabilities	<u>1,891,867</u>	<u>1,942,455</u>		
EQUITY				
Common stock - \$0.0001 par value, 200,000,000 shares authorized; 67,848,209 and 57,723,125 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	7	6		
Additional paid-in-capital	714,910	436,288		
Accumulated other comprehensive loss	(18,297)	(20,677)		
Accumulated deficit	(77,719)	(82,622)		
Total RadNet, Inc.'s stockholders' equity	<u>618,901</u>	<u>332,995</u>		
Noncontrolling interests	177,257	158,457		
Total equity	<u>796,158</u>	<u>491,452</u>		
Total liabilities and equity	<u><u>\$ 2,688,025</u></u>	<u><u>\$ 2,433,907</u></u>		

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
REVENUE				
Service fee revenue	\$ 361,927	\$ 312,043	\$ 1,078,265	\$ 931,819
Revenue under capitation arrangements	40,041	38,001	117,982	114,366
Total service revenue	401,968	350,044	1,196,247	1,046,185
OPERATING EXPENSES				
Cost of operations, excluding depreciation and amortization	341,635	313,943	1,038,647	934,757
Depreciation and amortization	32,210	29,229	95,705	85,209
(Gain) on contribution of imaging centers into joint venture	(16,808)	—	(16,808)	—
Loss (gain) on sale and disposal of equipment and other	527	(247)	1,183	962
Severance costs	1,153	195	3,157	496
Total operating expenses	358,717	343,120	1,121,884	1,021,424
INCOME (LOSS) FROM OPERATIONS	43,251	6,924	74,363	24,761
OTHER INCOME AND EXPENSES				
Interest expense	16,115	12,420	47,876	35,398
Equity in earnings of joint ventures	(1,084)	(3,085)	(3,935)	(8,350)
Non-cash change in fair value of interest rate hedge	1,015	(12,451)	949	(39,576)
Other (income) expenses	(4,081)	1,405	(2,609)	1,562
Total other expense (income)	11,965	(1,711)	42,281	(10,966)
INCOME (LOSS) BEFORE INCOME TAXES	31,286	8,635	32,082	35,727
(Provision for) Benefit from income taxes	(7,220)	(2,188)	(7,741)	(7,087)
NET INCOME (LOSS)	24,066	6,447	24,341	28,640
Net income attributable to noncontrolling interests	6,526	5,779	19,437	17,055
NET INCOME (LOSS) ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$ 17,540	\$ 668	\$ 4,904	\$ 11,585
BASIC NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$ 0.26	\$ 0.01	\$ 0.08	\$ 0.21
DILUTED NET INCOME (LOSS) PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	\$ 0.25	\$ 0.01	\$ 0.08	\$ 0.19
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	67,793,404	56,744,419	62,113,707	56,041,017
Diluted	68,809,818	57,651,761	63,221,251	57,036,417

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NET INCOME (LOSS)	\$ 24,066	\$ 6,447	\$ 24,341	\$ 28,640
Foreign currency translation adjustments	(4,035)	(6,000)	(385)	(12,031)
Change in fair value of cash flow hedge from prior periods reclassified to earnings, net of taxes	921	924	2,765	2,771
COMPREHENSIVE INCOME (LOSS)	20,952	1,371	26,721	19,380
Less comprehensive income attributable to noncontrolling interests	6,526	5,779	19,437	17,055
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
RADNET, INC. COMMON STOCKHOLDERS	<u>\$ 14,426</u>	<u>\$ (4,408)</u>	<u>\$ 7,284</u>	<u>\$ 2,325</u>

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

The following table summarizes changes in the Company's consolidated stockholders' equity, including noncontrolling interest, during the three months ended September 30, 2023 and September 30, 2022.

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	Common Stock		Accumulated			Total		
	Shares	Amount	Additional		Other Comprehensive Loss	Accumulated Deficit	Radnet, Inc.'s Equity	Noncontrolling Interests
			Paid-In Capital	Loss				
BALANCE - JUNE 30, 2023	67,669,564	\$ 7	\$ 703,593	\$ (15,183)	\$ (95,258)	\$ 593,159	\$ 167,845	\$ 761,004
Issuance of common stock upon exercise of options	3,424	—	21	—	—	21	—	21
Issuance of common stock under the equity compensation plan	3,447	—	—	—	—	—	—	—
Issuance of common stock under the DeepHealth equity compensation plan	1,871	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	4,326	—	—	4,326	—	4,326
Issuance of common stock, net of issuance costs	—	—	(370)	—	—	(370)	—	(370)
Issuance of common stock in connection with acquisitions	169,903	—	5,123	—	—	5,123	—	5,123
Sale of economic interests in majority owned subsidiary, net of taxes	—	—	2,217	—	—	2,217	—	2,217
Contribution from noncontrolling partner	—	—	—	—	—	—	2,885	2,885
Change in cumulative foreign currency translation adjustment	—	—	—	(4,035)	—	(4,035)	—	(4,035)
Change in fair value of cash flow hedge from prior periods reclassified to earnings, net of taxes	—	—	—	921	—	921	—	921
Other	—	—	—	—	(1)	(1)	1	—
Net income (loss)	—	—	—	—	17,540	17,540	6,526	24,066
BALANCE-SEPTEMBER 30, 2023	67,848,209	\$ 7	\$ 714,910	\$ (18,297)	\$ (77,719)	\$ 618,901	\$ 177,257	\$ 796,158
BALANCE - JUNE 30, 2022	57,303,565	\$ 5	\$ 419,136	\$ (24,603)	\$ (82,355)	\$ 312,183	\$ 139,202	\$ 451,385
Issuance of common stock under the equity compensation plan	2,500	—	—	—	—	—	—	—
Issuance of common stock under the DeepHealth equity compensation plan	7,175	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	3,362	—	—	3,362	—	3,362
Adjustment for shares returned/forfeited	(22,484)	—	(45)	—	—	(45)	—	(45)
Sale of noncontrolling interests, net of taxes	—	—	1,916	—	—	1,916	—	1,916
Contributions from noncontrolling partner	—	—	—	—	—	—	404	404
Change in cumulative foreign currency translation adjustment	—	—	—	(6,000)	—	(6,000)	—	(6,000)
Change in fair value of cash flow hedge from prior periods reclassified to earnings	—	—	—	924	—	924	—	924
Other	—	—	—	(1)	(1)	(2)	(1)	(3)
Net income (loss)	—	—	—	—	668	668	5,779	6,447
BALANCE-SEPTEMBER 30, 2022	57,290,756	\$ 5	\$ 424,369	\$ (29,680)	\$ (81,688)	\$ 313,006	\$ 145,384	\$ 458,390

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

The following table summarizes changes in the Company's consolidated stockholders' equity, including noncontrolling interest, during the nine months ended September 30, 2023 and September 30, 2022.

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	Common Stock		Accumulated			Total		
	Shares	Amount	Additional	Other	Accumulated	Radnet, Inc.'s Equity	Noncontrolling Interests	Total Equity
			Paid-In Capital	Comprehensive Loss	Deficit			
BALANCE - DECEMBER 31, 2022	57,723,125	\$ 6	\$ 436,288	\$ (20,677)	\$ (82,622)	\$ 332,995	\$ 158,457	\$ 491,452
Issuance of common stock upon exercise of options	8,424	—	72	—	—	72	—	72
Issuance of common stock under the equity compensation plan	1,069,324	—	—	—	—	—	—	—
Issuance of common stock under the DeepHealth equity compensation plan	21,956	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	21,381	—	—	21,381	—	21,381
Issuance of common stock, net of issuance costs	8,711,250	1	245,831	—	—	245,832	—	245,832
Issuance of common stock in connection with acquisitions	314,130	—	9,123	—	—	9,123	—	9,123
Contribution from noncontrolling partner	—	—	—	—	—	—	2,885	2,885
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(3,523)	(3,523)
Sale of economic interests in majority owned subsidiary, net of taxes	—	—	2,217	—	—	2,217	—	2,217
Change in cumulative foreign currency translation adjustment	—	—	—	(385)	—	(385)	—	(385)
Change in fair value of cash flow hedge from prior periods reclassified to earnings, net of taxes	—	—	—	2,765	—	2,765	—	2,765
Other	—	—	(2)	—	(1)	(3)	1	(2)
Net income (loss)	—	—	—	—	4,904	4,904	19,437	24,341
BALANCE-SEPTEMBER 30, 2023	67,848,209	\$ 7	\$ 714,910	\$ (18,297)	\$ (77,719)	\$ 618,901	\$ 177,257	\$ 796,158
BALANCE - DECEMBER 31, 2021	53,548,227	\$ 5	\$ 342,592	\$ (20,421)	\$ (93,272)	\$ 228,904	\$ 117,253	\$ 346,157
Issuance of common stock under the equity compensation plan	685,577	—	—	—	—	—	—	—
Issuance of common stock under the DeepHealth equity compensation plan	973,144	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	18,856	—	—	18,856	—	18,856
Issuance of common stock for sale of unregistered securities for acquisition	2,106,292	—	56,470	—	—	56,470	—	56,470
Forfeiture of restricted stock	(22,484)	—	(45)	—	—	(45)	—	(45)
Sale of noncontrolling interests, net of taxes	—	—	6,498	—	—	6,498	—	6,498
Contribution from noncontrolling partner	—	—	—	—	—	—	11,077	11,077
Change in cumulative foreign currency translation adjustment	—	—	—	(12,031)	—	(12,031)	—	(12,031)
Change in fair value of cash flow hedge from prior periods reclassified to earnings, net of taxes	—	—	—	2,771	—	2,771	—	2,771
Other	—	—	(2)	1	(1)	(2)	(1)	(3)
Net income (loss)	—	—	—	—	11,585	11,585	17,055	28,640
BALANCE-SEPTEMBER 30, 2022	57,290,756	\$ 5	\$ 424,369	\$ (29,680)	\$ (81,688)	\$ 313,006	\$ 145,384	\$ 458,390

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 24,341	\$ 28,640
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	95,705	85,209
Amortization of operating lease right-of-use assets	47,542	51,573
Equity in earnings of joint ventures, net of dividends	5,012	(8,350)
Amortization of deferred financing costs and loan discount	2,240	1,943
(Gain) on contribution of imaging centers into joint venture	(16,808)	—
(Gain) loss on sale and disposal of equipment and other	1,183	962
Amortization of cash flow hedge, net of taxes	2,765	2,771
Non-cash change in fair value of interest rate hedge	949	(39,576)
Stock-based compensation	21,380	19,112
Loss on impairment	3,949	—
Change in fair value of contingent consideration	(4,112)	(329)
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed in purchase transactions:		
Accounts receivable	(1,379)	(36,686)
Other current assets	5,754	(4,934)
Other assets	(16,641)	3,738
Deferred taxes	7,389	8,955
Operating lease liability	(43,390)	(49,597)
Deferred revenue	1,155	(7,809)
Accounts payable, accrued expenses and other	(5,091)	37,148
Net cash provided by (used in) operating activities	<u>131,943</u>	<u>92,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of imaging centers and other acquisitions	(10,915)	(26,009)
Purchase of property and equipment	(136,537)	(98,606)
Proceeds from sale of equipment	82	3,008
Equity contributions in existing and purchase of interest in joint ventures	(5,453)	(1,441)
Net cash provided by (used in) investing activities	<u>(152,823)</u>	<u>(123,048)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(1,929)	—
Payments on term loan debt	(11,062)	(9,938)
Proceeds from sale of economic interest in majority owned subsidiary, net of taxes	5,102	—
Distributions paid to noncontrolling interests	(3,523)	—
Payments on contingent consideration	(3,390)	—
Proceeds from issuance of common stock, net of issuance costs	245,831	—
Proceeds from issuance of common stock upon exercise of options	72	—
Net cash provided by (used in) financing activities	<u>231,101</u>	<u>(9,938)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	210,050	(39,600)
CASH AND CASH EQUIVALENTS, beginning of period	127,834	134,606
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 337,884</u>	<u>\$ 95,006</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 59,421	\$ 30,251
Cash paid during the period for income taxes	\$ 225	\$ 560

The accompanying notes are an integral part of these financial statements.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited)

Supplemental Schedule of Non-Cash Investing and Financing Activities

We acquired equipment and certain leasehold improvements for approximately \$ 50.2 million and \$61.0 million during the nine months ended September 30, 2023 and 2022, respectively, which were not paid for as of September 30, 2023 and 2022, respectively. The offsetting amounts due were recorded in our condensed consolidated balance sheet under accounts payable, accrued expenses and other.

On September 20, 2023, we issued 56,600 shares to settle the stock contingent liabilities as part of our purchase of Heart & Lung Imaging Limited. The shares were ascribed a value of \$1.6 million.

On September 1, 2023, we made a contribution to our joint venture Santa Monica Imaging Group, LLC of \$ 32.0 million in equipment and other assets. We recorded an offset to due from affiliates of \$9.8 million to reduce our overall investment to \$ 22.2 million.

On July 7, 2023, we issued 113,303 shares to settle the stock holdback contingent liabilities as part of our purchase of Quantib B.V.. The shares were ascribed a value of \$3.5 million.

On April 30, 2023, we issued 144,227 shares to settle the general holdback contingent liabilities as part of our purchase of Aidence Holding B.V.. The shares were ascribed a value of \$4.0 million.

On February 1, 2023, we issued a promissory note in the amount of \$ 19.8 million to acquire radiology equipment previously leased under operating leases.

On January 20, 2022, we issued 1,141,234 shares to complete our purchase of Aidence Holding B.V. The shares were ascribed a value of \$ 30.6 million.

On January 20, 2022, we issued 965,058 shares to complete our purchase of Quantib B.V. The shares were ascribed a value of \$ 25.9 million.

RADNET, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

We are a national provider of freestanding, fixed-site outpatient diagnostic imaging services in the United States. At September 30, 2023, we operated directly or indirectly through joint ventures with hospitals, 366 centers located in Arizona, California, Delaware, Florida, Maryland, New Jersey, and New York. Our centers provide physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders. Our 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. Our 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. In addition to our center operations, we have certain other subsidiaries that develop Artificial Intelligence ("AI") products and solutions that are designed to enhance interpretation of radiographic images. Our operations comprise two segments for financial reporting purposes for this reporting period, Imaging Centers and Artificial Intelligence. For further financial information about these segments, see Note 5, Segment Reporting. In June 2023, we closed on a public offering of 8,711,250 shares of our common stock at a price to the public of \$ 29.75 per share. The gross proceeds as a result of this public offering was \$259.2 million before underwriting discounts, commissions, and expenses totaling \$13.4 million.

The consolidated financial statements include the accounts of RadNet, Inc as well as its subsidiaries in which RadNet has a controlling financial interest. The consolidated financial statements also include certain variable interest entities in which we are the primary beneficiary (as described in more detail below). All material intercompany transactions and balances have been eliminated upon consolidation. All of these affiliated entities are referred to collectively as "RadNet", "we", "us", "our" or the "Company" in this report

Accounting regulations stipulate that generally any entity with a) insufficient equity to finance its activities without additional subordinated financial support provided by any parties, or b) equity holders that, as a group, lack the characteristics which evidence a controlling financial interest, is considered a Variable Interest Entity ("VIE"). We consolidate all VIEs in which we are the primary beneficiary. We determine whether we are the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing our analysis, we consider all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE's variable interests issued and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity.

VIEs that we consolidate as the primary beneficiary consist of professional corporations which are owned or controlled by individuals within our senior management and provide professional medical services for centers in Arizona, California, Delaware, Maryland, New Jersey and New York. These VIEs are collectively referred to as the consolidated medical group ("the Group"). RadNet provides non-medical, technical and administrative services to the Group for which it receives a management fee, pursuant to the related management agreements. Through the management agreements we have exclusive authority over all non-medical decision making related to the ongoing business operations and we determine the annual budget. The Group has insignificant operating assets and liabilities, and de minimis equity. Substantially all cash flows of the Group after expenses, including professional salaries, are transferred to us. We consolidate the revenue and expenses, assets and liabilities of the Group. The creditors of the Group do not have recourse to our general credit and there are no other arrangements that could expose us to losses on behalf of the Group. However, RadNet may be required to provide financial support to cover any operating expenses in excess of operating revenues.

The Group on a combined basis recognized \$51.3 million and \$48.9 million of revenue, net of management services fees to RadNet, for the three months ended September 30, 2023 and 2022, respectively and \$51.3 million and \$48.9 million of operating expenses for the three months ended September 30, 2023 and 2022, respectively. RadNet recognized \$214.7 million and \$190.6 million of total billed net service fee revenue for the three months ended September 30, 2023, and 2022, respectively, for management services provided to the Group relating primarily to the technical portion of billed revenue.

The Group on a combined basis recognized \$151.5 million and \$141.4 million of revenue, net of management services fees to RadNet, for the nine months ended September 30, 2023 and 2022, respectively and \$151.5 million and \$141.4 million of operating expenses for the nine months ended September 30, 2023 and 2022, respectively. RadNet recognized \$638.3 million and \$584.0 million of total billed net service fee revenue for the nine months ended September 30, 2023, and 2022, respectively, for management services provided to the Group relating primarily to the technical portion of billed revenue.

The cash flows of the Group are included in the accompanying condensed consolidated statements of cash flows. All intercompany balances and transactions have been eliminated in consolidation. In our condensed consolidated balance sheets at September 30, 2023 and December 31, 2022, we have included approximately **\$95.6 million** and \$110.3 million, respectively, of accounts receivable and approximately **\$17.3 million** and \$14.4 million of accounts payable and accrued liabilities related to the Group, respectively.

At all of our centers not serviced by the Group we have entered into long-term contracts with medical groups to provide professional services at those centers, including supervision and interpretation of diagnostic imaging procedures. The medical groups maintain full control over the physicians they employ. Through our management agreements, we make available to the medical groups the imaging centers, including all furniture, fixtures and medical equipment therein. The medical groups are compensated for their services from the professional component of the global net service fee revenue and after deducting management service fees paid to us, we have no economic controlling interest in these medical groups. As such, the financial results of these groups are not consolidated in our financial statements.

We also own a 49% economic interest in ScriptSender, LLC, which provides secure data transmission services of medical information. Through a management agreement, RadNet provides management and accounting services and receives an agreed upon fee. ScriptSender, LLC is dependent on RadNet to finance its own activities, and as such we determined that it is a VIE but we are not a primary beneficiary since we do not have the power to direct the activities of the entity that most significantly impact the entity's economic performance. We have continued to finance ScriptSender during its development phase and our maximum exposure to loss is **\$2.8 million**, which represents our receivable balance from the entity. Maximum exposure to loss is the loss that we would absorb in the event that all of the assets of ScriptSender are deemed worthless. We paid operating expenses for the venture of **\$0.8 million** and \$0.5 million for the three months ended September 30, 2023, and September 30, 2022, respectively and **\$1.9 million** and \$1.5 million for the nine months ended September 30, 2023 and September 30, 2022, respectively.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and, therefore, do not include all information and footnotes necessary for conformity with U.S. generally accepted accounting principles for complete financial statements; however, in the opinion of management, all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods ended September 30, 2023 and 2022 have been made. The results of operations for any interim period are not necessarily indicative of the results for a full year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto contained in our annual report on Form 10-K for the year ended December 31, 2022.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

During the period covered in this report, there have been no material changes to the significant accounting policies we use and have explained, in our annual report on Form 10-K for the fiscal year ended December 31, 2022. The information below is intended only to supplement the disclosure in our annual report on Form 10-K for the fiscal year ended December 31, 2022.

REVENUES - Our revenues generally relate to net patient fees received from various payors and patients themselves under contracts in which our performance obligations are to provide diagnostic services to the patients. Revenues are recorded during the period when our obligations to provide diagnostic services are satisfied. Our performance obligations for diagnostic services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the fees for the services provided are dependent upon the terms provided by Medicare and Medicaid, or negotiated with managed care health plans and commercial insurance companies. The payment arrangements with third-party payors for the services we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates per diagnostic services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

As it relates to the Group, this service fee revenue includes payments for both the professional medical interpretation revenue recognized by the Group as well as the payment for all other aspects related to our providing the imaging services, for which we earn management fees. As it relates to others centers, this service fee revenue is earned through providing the use of our diagnostic imaging equipment and the provision of technical services as well as providing administration services such as

clerical and administrative personnel, bookkeeping and accounting services, billing and collection, provision of medical and office supplies, secretarial, reception and transcription services, maintenance of medical records, and advertising, marketing and promotional activities.

Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payors. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect.

Under capitation arrangements with various health plans, we earn a per-enrollee amount each month for making available diagnostic imaging services to all plan enrollees under the capitation arrangement. Revenue under capitation arrangements is recognized in the period in which we are obligated to provide services to plan enrollees under contracts with various health plans.

Our total service revenues during the three and nine months ended September 30, 2023 and 2022 are presented in the table below based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,	2023	September 30,	2023
	2023	2022	2023	2022
Commercial insurance	\$ 223,555	\$ 189,634	\$ 665,604	\$ 573,259
Medicare	91,886	78,034	267,955	226,827
Medicaid	10,742	9,669	30,882	28,456
Workers' compensation/personal injury	9,952	13,200	35,478	38,785
Other patient revenue	10,664	7,646	30,793	22,334
Management fee revenue	3,957	6,099	12,203	17,199
Teleradiology and Software revenue	2,111	3,430	7,327	9,849
Other	6,173	3,431	20,625	12,054
Revenue under capitation arrangements	40,041	38,001	117,982	114,366
Imaging Center Segment Revenue	399,081	349,144	1,188,849	1,188,849,000
AI Segment Revenue	2,887	900	7,398	3,056
Total service revenue	<u>\$ 401,968</u>	<u>\$ 350,044</u>	<u>\$ 1,196,247</u>	<u>\$ 1,046,185</u>

GOVERNMENT ASSISTANCE: COVID-19 PANDEMIC AND CARES ACT FUNDING - On March 11, 2020 the World Health Organization (WHO) designated COVID-19 as a global pandemic. To aid businesses and stimulate the national economy, Congress passed The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was signed into law on March 27, 2020. As part of the CARES act, we received \$39.6 million total of accelerated Medicare payments which were recorded to deferred revenue in our consolidated balance sheet and are being applied to revenue as services are performed. Through September 30, 2023, \$38.6 million of the accelerated Medicare payments have been applied to revenue.

ACCOUNTS RECEIVABLE - Substantially all of our accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services are generally provided pursuant to one-year contracts with healthcare providers. We continuously monitor collections from our payors and maintain an allowance for bad debts based upon specific payor collection issues that we have identified and our historical experience.

We have entered into factoring agreements with various institutions and sold certain accounts receivable under non-recourse agreements in exchange for notes receivables from the buyers. These transactions are accounted for as a reduction in accounts receivable as the agreements transfer effective control over and risk related to the receivables to the buyers. Proceeds on notes receivables are reflected as operating activities on our statement of cash flows and on our balance sheet as prepaid expenses and other current assets for the current portion and deposits and other for the long term portion. Amounts remaining to be collected on these agreements were **\$14.7 million** and \$15.4 million at September 30, 2023 and December 31, 2022, respectively. We do not utilize factoring arrangements as an integral part of our financing for working capital and assess the

party's ability to pay upfront at the inception of the notes receivable and subsequently by reviewing their financial statements annually and reassessing any insolvency risk on a periodic basis.

DEFERRED FINANCING COSTS - Costs of financing are deferred and amortized using the effective interest rate method and are related to our revolving credit facilities. Deferred financing costs, net of accumulated amortization, were **\$1.8 million and \$2.3 million**, as of September 30, 2023 and December 31, 2022, respectively. See Note 6, Credit Facilities and Notes Payable for more information.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is performed using the straight-line method over the estimated useful lives of the assets acquired, which range from 3 to 15 years. Leasehold improvements are amortized at the lesser of lease term or their estimated useful lives, which range from 3 to 15 years. Maintenance and repairs are charged to expense as incurred.

BUSINESS COMBINATION - When the qualifications for business combination accounting treatment are met, it requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

GOODWILL - Goodwill at September 30, 2023 totaled **\$676.4 million**. Goodwill is recorded as a result of business combinations. If we determine the carrying value of a reporting unit exceeds its fair value an impairment charge would be recognized and should not exceed the total amount of goodwill allocated to that reporting unit. We tested goodwill and indefinite lived intangibles for impairment on October 1, 2022, noting no impairment. Activity in goodwill for the nine months ended September 30, 2023 is provided below (in thousands):

	Imaging Center	Artificial Intelligence	Total
Balance as of December 31, 2022	606,483	\$ 71,182	\$ 677,665
Goodwill from acquisitions	6,473	—	6,473
Valuation adjustment	1,603	—	1,603
Currency translation	223	(353)	(130)
Contribution of imaging centers	(9,235)	—	(9,235)
Balance as of September 30, 2023	\$ 605,547	\$ 70,829	\$ 676,376

INTANGIBLE ASSETS - The components of intangible assets, both finite and indefinite, along with annual amortization expense that will be recorded over the next five years at September 30, 2023 and December 31, 2022 are as follows (in thousands):

As of September 30, 2023:

	2023*	2024	2025	2026	2027	Thereafter	Total	Weighted average amortization period remaining in years
Management Service Contracts	\$ 572	\$ 2,287	\$ 2,287	\$ 2,287	\$ 2,287	\$ 8,958	\$ 18,678	8.2
Covenant not to compete and other contracts	339	941	692	406	122	42	2,542	3.4
Customer Relationships	181	1,202	1,070	949	749	10,966	15,117	17.8
Patent and Trademarks	77	316	315	316	316	398	1,738	5.6
Developed Technology & Software	1,714	6,657	6,657	6,617	6,083	5,392	33,120	5.8
Trade Names amortized	19	77	77	77	77	89	416	5.5
Trade Names indefinite life	—	—	—	—	—	7,100	7,100	—
IPR&D	—	—	—	—	—	13,122	13,122	—
Total Annual Amortization	\$ 2,902	\$ 11,480	\$ 11,098	\$ 10,652	\$ 9,634	\$ 46,067	\$ 91,833	

*Excluding the nine months ended September 30, 2023

As of December 31, 2022:

	2023	2024	2025	2026	2027	Thereafter	Total	Weighted average amortization period remaining in years
Management Service Contracts	\$ 2,287	\$ 2,287	\$ 2,287	\$ 2,287	\$ 2,287	\$ 8,958	\$ 20,393	8.9
Covenant not to compete and other contracts	1,319	891	642	356	72	40	3,320	3.1
Customer Relationships	1,244	1,244	1,112	991	816	12,396	17,803	18.6
Patent and Trademarks	298	298	298	298	298	322	1,812	6.4
Developed Technology & Software	6,297	6,297	6,297	6,257	5,722	7,196	38,066	6.7
Trade Names amortized	305	77	77	77	77	89	702	4.5
Trade Names indefinite life	—	—	—	—	—	7,100	7,100	—
IPR&D	—	—	—	—	—	17,032	17,032	—
Total Annual Amortization	\$ 11,750	\$ 11,094	\$ 10,713	\$ 10,266	\$ 9,272	\$ 53,133	\$ 106,228	

Total intangible asset amortization expense was **\$8.9 million** and \$7.5 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Intangible assets are amortized using the straight-line method over their useful life determined at acquisition. Management service agreements are amortized over 25 years using the straight line method. Software development is capitalized and amortized over the useful life of the software when placed into service. Trade names are reviewed annually for impairment.

On September 30, 2023, we determined that an In-process Research and Development ("IPR&D") nonamortized intangible asset related to Aidence's Ai Veye Lung Nodule and Veye Clinic would not receive FDA approval for sale in the US without a new submission and additional expenditures for rework in the original projected timeline. The additional expenditures, delay and reduction of US sales affected the estimated fair value of the related IPR&D intangible asset and resulted in impairment charges of **\$3.9 million** within *Cost of operations* in our *Consolidated Statements of Operations*. The estimated fair value of the IPR&D intangible asset was determined using the multi-period excess earnings method under the income approach, which estimates the present value of the free cash flows associated with the asset and tax amortization benefit to arrive at the fair value of the asset. We have not identified any other indicators of impairment through September 30, 2023.

INCOME TAXES - Income tax expense is computed using an asset and liability method and using expected annual effective tax rates. Under this method, deferred income tax assets and liabilities result from temporary differences in the financial reporting bases and the income tax reporting bases of assets and liabilities. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefit that, based on available evidence, is not expected to be realized. When it appears more likely than not that deferred taxes will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its estimated realizable value. For net deferred tax assets we consider estimates of future taxable income in determining whether our net deferred tax assets are more likely than not to be realized.

We recorded an income tax expense (benefit) of \$7.2 million, or an effective tax rate of 23.1%, for the three months ended September 30, 2023 and \$2.2 million, or an effective tax rate of 25.3% for the three months ended September 30, 2022. We recorded income tax expense of \$7.7 million, or an effective tax rate of 24.1%, for the nine months ended September 30, 2023 and \$7.1 million, or an effective tax rate of 19.8% for the nine months ended September 30, 2022.

The income tax rates for the three and nine months ended September 30, 2023 diverge from the federal statutory rate due to benefits related to (i) noncontrolling interests from controlled partnerships, (ii) foreign tax rate differentials, (iii) reversal of uncertain tax positions due to statute of limitation expiration, and (iv) release of state valuation allowances, offset by (i) effects of state income taxes and related prior year adjustments, (ii) share-based compensation, (iii) officer's compensation limitations, and (v) partial valuation allowance on losses in foreign jurisdictions.

LEASES - We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and long term operating lease liability in our consolidated balance sheets. Finance leases are included in property and equipment, current finance lease liability, and long-term finance lease liability in our consolidated balance sheets. ROU assets represent our right to use an underlying asset for the lease term

and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. We include options to extend a lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For a contract in which we are a lessee that contains fixed payments for both lease and non-lease components, we have elected to account for the components as a single lease component. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the ROU asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. ROU assets are tested for impairment if circumstances suggest that the carrying amount may not be recoverable. Our ROU assets consist of facility and equipment assets on operating leases. No events have occurred such as fire, flood, or other acts which have impaired the integrity of our ROU assets as of September 30, 2023. Our facility leases require us to maintain insurance policies which would cover major damage to our facilities. We maintain business interruption insurance to cover loss of business due to a facility becoming non-operational under certain circumstances. Our equipment leases are covered by warranty and service contracts which cover repairs and provide regular maintenance to keep the equipment in functioning order.

EQUITY BASED COMPENSATION – We have one long-term incentive plan that we adopted in 2006 and which we have amended and restated at various points in time: first on April 20, 2015, second on March 9, 2017, third on April 15, 2021 and currently as of April 27, 2023 (the “Restated Plan”). The Restated Plan was approved by our stockholders at our annual stockholders meeting on June 7, 2023. We have reserved 20,100,000 shares of common stock for issuance under the Restated Plan which can be issued in the form of incentive and/or nonstatutory stock options, restricted and/or unrestricted stock, stock units, and stock appreciation rights. Terms and conditions of awards can be direct grants or based on achieving a performance metric. We evaluate performance-based awards to determine if it is probable that the vesting conditions will be met. We also consider probability of achievement of performance conditions when determining expense recognition. For the awards where vesting is probable, equity-based compensation is recognized over the related vesting period. Stock options generally vest over three years to five years and expire five years to ten years from date of grant. We determine the compensation expense for each stock option award using the Black Scholes, or similar valuation model. Those models require that our management make certain estimates concerning risk free interest rates and volatility in the trading price of our common stock. The compensation expense recognized for all equity-based awards is recognized over the awards’ service periods. Equity-based compensation is classified in operating expenses within the same line item as the majority of the cash compensation paid to employees. In connection with our acquisition of DeepHealth Inc. on June 1, 2020, we assumed the DeepHealth, Inc. 2017 Equity Incentive Plan, including outstanding options awards that can be exercised for our common stock. No additional awards will be granted under the DeepHealth, Inc. 2017 Equity Incentive Plan. See Note 7, Stock-Based Compensation, for more information.

COMPREHENSIVE INCOME (LOSS) - Accounting guidance establishes rules for reporting and displaying other comprehensive income (loss) and its components. Our foreign currency translation adjustments and the amortization of balances associated with derivatives previously classified as cash flow hedges are included in other comprehensive income (loss). The components of other comprehensive income (loss) for the three and nine months ended September 30, 2023 and September 30, 2022 are included in the consolidated statements of comprehensive income (loss).

COMMITMENTS AND CONTINGENCIES - We are party to various legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. With respect to these matters, we evaluate the developments on a regular basis and accrue a liability when we believe a loss is probable and the amount can be reasonably estimated. Based on current information, we do not believe that reasonably possible or probable losses associated with pending legal proceedings would either individually or in the aggregate, have a material adverse effect on our business and consolidated financial statements. However, the outcome of these matters is inherently uncertain. Therefore, if one or more of these matters were resolved against us for amounts in excess of management’s expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected.

DERIVATIVE INSTRUMENTS - In the second quarter of 2019, we entered into four forward interest rate agreements (“2019 Swaps”). The 2019 Swaps have total notional amounts of \$500,000,000, consisting of two agreements of \$50,000,000 each and two agreements of \$200,000,000 each. The 2019 Swaps will secure a constant interest rate associated with portions of our variable rate bank debt and have an effective date of October 13, 2020. They will mature in October 2023 for the smaller notional and October 2025 for the larger notional. Under these arrangements, we arranged the 2019 Swaps with locked in 1 month Term SOFR rates at 1.89% for the \$100,000,000 notional and at 1.98% for the \$400,000,000 notional. As of the effective date, we are liable for premium payments if interest rates decline below arranged rates, but will receive interest payments if rates are above the arranged rates.

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At inception, we designated our 2019 Swaps as cash flow hedges of floating-rate borrowings. In accordance with accounting guidance, derivatives that have been designated and qualify as cash flow hedging instruments are reported at fair value. The gain or loss on the effective portion of the hedge (i.e. change in fair value) is reported as a component of comprehensive gain or loss in the consolidated statement of equity. The remaining gain or loss, if any, is recognized currently in earnings. The cash flows for both our \$400,000,000 notional interest rate swap contract locked in at 1.98% due October 2025 and our \$100,000,000 notional interest rate swap contract locked in at 1.89% do not match the cash flows for our First Lien Term Loans and so we have determined that they are not currently effective as cash flow hedges. Accordingly, all changes in their fair value after April 1, 2020 for the \$400,000,000 notional and after July 1, 2020 for the \$100,000,000 notional are being recognized in earnings. As of July 1, 2020, the total change in fair value relating to swaps included in other comprehensive income was approximately \$24.4 million, net of taxes. This amount will be amortized to interest expense through October 2023 at approximately \$0.4 million per month and continuing at approximately \$ 0.3 million through October 2025.

A tabular presentation of the effect of derivative instruments on our consolidated statement of comprehensive income (loss) of the 2019 Swaps which remain ineffective is as follows (amounts in thousands):

For the three months ended September 30, 2023

Account	June 30, 2023 Balance	Amount of comprehensive loss recognized on derivative net of taxes	Amount of loss reclassified out of accumulated OCI into income (prior period effective portion), net of taxes	September 30, 2023 Balance		Location
				Location	Location	
Accumulated Other Comprehensive Loss, net of taxes	\$(13,357)	\$—	\$921	\$(12,436)		Equity

For the nine months ended September 30, 2023

Account	December 31, 2022 Balance	Amount of comprehensive loss recognized on derivative net of taxes	Amount of loss reclassified out of accumulated OCI into income (prior period effective portion), net of taxes	September 30, 2023 Balance		Location
				Location	Location	
Accumulated Other Comprehensive Loss, net of taxes	\$(15,201)	\$—	\$2,765	\$(12,436)		Equity

A tabular presentation of the effect of derivative instruments on our statement of operations of the 2019 Swaps which remain ineffective is as follows (amounts in thousands):

For the three months ended September 30, 2023

Ineffective interest rate swap	Amount of loss recognized in income on derivative (current period ineffective portion)	Location of loss recognized in Income on derivative (current period ineffective portion)	Amount of loss reclassified from accumulated OCI into income (prior period effective portion)	Location of loss reclassified from accumulated OCI into income (prior period effective portion)	
				Location	Location
Interest rate contracts	\$ (1,015)	Other income (expense)	\$ (921)		Interest Expense

For the nine months ended September 30, 2023

Ineffective interest rate swap	Amount of gain		Location of gain recognized in derivative (current period ineffective portion)	Amount of loss		Location of loss reclassified from accumulated OCI into income (prior period effective portion)
	recognized in income on derivative (current period)	ineffective portion)		reclassified from accumulated OCI into income (prior period effective portion)	from accumulated OCI into income (prior period effective portion)	
Interest rate contracts	\$	(949)	Other income (expense)	\$	(2,765)	Interest Expense

See Fair Value Measurements section below for the fair value of the 2019 Swaps at September 30, 2023.

CONTINGENT CONSIDERATION -

Aidence Holding B.V.

On January 20, 2022, we completed our acquisition of all the equity interests of Aidence Holding B.V. ("Aidence") an artificial intelligence enterprise centered on lung cancer screening. As part of the purchase agreement, we agreed to pay up to \$10.0 million consideration upon the completion of two identified milestones in RadNet common shares or cash at our election. This contingency had a value of approximately \$7.2 million at June 30, 2023. The amount was reviewed quarterly and adjusted to fair value based on the yield rate of S&P B-rated corporate bonds and the probability of meeting the milestones which were tied to FDA approval of artificial intelligence screening solutions. On September 30, 2023, we determined that the milestones could not be achieved under the contractual terms of the stock purchase agreement because the original submissions of artificial intelligence screening solutions did not receive regulatory clearance. A new submission would required; and therefore, the probability of the milestones became zero. Accordingly, management recorded a contingency gain of \$7.2 million against *Cost of operations* in our *Consolidated Statements of Operations*. In addition, there was a general holdback of \$4.0 million for any indemnification claims, which was settled on April 30, 2023 by the issuance of 144,227 shares of our common stock.

Quantib B.V.

On January 20, 2022, we completed our acquisition of all the equity interests of Quantib B.V. ("Quantib") an artificial intelligence enterprise centered on prostate cancer screening. As part of the purchase agreement, we agreed to issue 18 months after acquisition, 113,303 shares of our common stock with an initial fair value at the date of close of \$3.0 million subject to adjustment for any indemnification claims and will be adjusted to fair value in subsequent periods. In addition, there is a general holdback of \$1.6 million to be issued in cash subject to adjustment for any indemnification claims. On July 7, 2023, we settled the stock holdback contingent liabilities by issuing 113,303 shares of our common stock at an ascribed value of \$ 3.5 million and also settled the general holdback for \$1.6 million in cash.

Montclair

On October 1, 2022, we completed our acquisition of Montclair Radiological Associates. As part of the purchase agreement, we recorded \$ 1.2 million in contingent consideration to be determined by obtaining specific EBITDA targets within a defined time frame. On June 30, 2023 we settled the contingent consideration liability and recognized a gain of \$1.2 million.

Heart and Lung Imaging Limited

On November 1, 2022, we completed our acquisition of 75% of the equity interests of Heart and Lung Imaging Limited. The purchase included \$10.2 million in contingent milestone consideration and cash holdback of \$ 0.6 million to be issued 24 months after acquisition subject to adjustment for any indemnification claims, which will be adjusted to fair value in subsequent periods. The milestone contingency had a value of approximately \$11.1 million as of September 30, 2023. The contingent consideration is determined by the achievement of a specific number of physician reads. On September 20, 2023, we settled a milestone contingent liability by issuing 56,600 shares of our common stock at an ascribed value of \$ 1.6 million and cash of \$1.8 million.

A tabular rollforward of contingent consideration is as follows (amounts in thousands):

For the three months ended September 30, 2023

Entity	Account	June 30, 2023		Change in valuation of		Currency Translation	September 30, 2023 Balance
		Balance	Settlement of contingent consideration	Contingent Consideration			
Aidence	Other Long Term Liabilities	\$ 7,191	\$ —	(\$7,191)	\$ —	\$ —	\$ —
Quantib	Accrued Expenses & Other Long Term Liabilities	\$ 5,271	\$ (5,110)	(\$161)	\$ —	\$ —	\$ —
Heart and Lung Limited	Accrued Expenses & Other Long Term Liabilities	\$ 14,358	\$ (3,402)	\$ 915	\$ (772)	\$ 11,099	

For the nine months ended September 30, 2023

Entity	Account	January 1, 2023		Change in valuation of		Currency Translation	September 30, 2023 Balance
		Balance	Settlement of contingent consideration	Contingent Consideration			
Aidence	Other Long Term Liabilities	11,158	(4,000)	(\$7,158)	\$ —	\$ —	\$ —
Quantib	Accrued Expenses & Other Long Term Liabilities	3,709	(5,110)	\$ 1,401	\$ —	\$ —	\$ —
Montclair	Accrued Expenses	1,200	—	(\$1,200)	\$ —	\$ —	\$ —
Heart and Lung Limited	Accrued Expenses & Other Long Term Liabilities	11,656	(3,402)	\$ 2,906	\$ (61)	\$ 11,099	

See Fair Value Measurements section below for the fair value of contingent consideration at September 30, 2023.

FAIR VALUE MEASUREMENTS – Assets and liabilities subject to fair value measurements are required to be disclosed within a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of inputs used to determine fair value. Accordingly, assets and liabilities carried at, or permitted to be carried at, fair value are classified within the fair value hierarchy in one of the following categories based on the lowest level input that is significant to a fair value measurement:

Level 1—Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities.

Level 2—Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models such as interest rates and yield curves that can be corroborated by observable market data.

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Level 3—Fair value is determined by using inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgment.

Derivatives:

The tables below summarize the estimated fair values of certain of our financial assets that are subject to fair value measurements, and the classification of these assets on our condensed consolidated balance sheets, as follows (in thousands):

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Current and long term assets				
2019 Swaps - Interest Rate Contracts	\$ —	\$ 22,354	\$ —	\$ 22,354
As of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Current and long term assets				
2019 Swaps - Interest Rate Contracts	\$ —	\$ 23,302	\$ —	\$ 23,302

The estimated fair value of these contracts was determined using Level 2 inputs. More specifically, the fair value was determined by calculating the value of the difference between the fixed interest rate of the interest rate swaps and the counterparty's forward SOFR curve. The forward SOFR curve is readily available in the public markets or can be derived from information available in the public markets.

Contingent Consideration:

The table below summarizes the estimated fair values of contingencies and holdback relating to our Heart and Lung Imaging Limited acquisition on November 1, 2022 that are subject to fair value measurements and the classification of these liabilities on our consolidated balance sheets, as follows (in thousands):

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Accrued expenses and other non-current liabilities				
Heart and Lung Imaging Limited	\$ —	\$ —	\$ 11,099	\$ 11,099

The estimated fair value of these liabilities was determined using Level 3 inputs. For Heart Lung Imaging Limited the contingent consideration is determined by the achievement of a specific number of physician reads. As significant inputs for the contingent consideration of Heart Lung Imaging Limited are not observable and cannot be corroborated by observable market data they are classified as Level 3.

Long Term Debt:

The table below summarizes the estimated fair value compared to our face value of our long-term debt as follows (in thousands):

	As of September 30, 2023					
	Level 1	Level 2	Level 3	Total Fair Value	Total Face Value	
	\$ —	\$ 850,405	\$ —	\$ 850,405	\$ 853,063	
First Lien Term Loans and Truist Term Loan						
As of December 31, 2022						
	Level 1	Level 2	Level 3	Total Fair Value	Total Face Value	
	\$ —	\$ 843,594	\$ —	\$ 843,594	\$ 864,125	
First Lien Term Loans and Truist Term Loan						

The estimated fair value of our long-term debt, which is discussed in Note 6, Credit Facilities and Notes Payable, was determined using Level 2 inputs primarily related to comparable market prices.

We consider the carrying amounts of cash and cash equivalents, receivables, other current assets, current liabilities and other notes payables to approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization or payment. Additionally, we consider the carrying amount of our finance lease obligations to approximate their fair value because the weighted average interest rate used to formulate the carrying amounts approximates current market rates.

EARNINGS PER SHARE - Earnings per share is based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury, as follows (in thousands except share and per share data):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income attributable to RadNet, Inc.'s common stockholders	\$ 17,540	\$ 668	\$ 4,904	\$ 11,585
BASIC NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC.'S COMMON STOCKHOLDERS				
Weighted average number of common shares outstanding during the period	67,793,404	56,744,419	62,113,707	56,041,017
Basic net income per share attributable to RadNet, Inc.'s common stockholders	\$ 0.26	\$ 0.01	\$ 0.08	\$ 0.21
DILUTED NET INCOME PER SHARE ATTRIBUTABLE TO RADNET, INC.'S COMMON STOCKHOLDERS				
Weighted average number of common shares outstanding during the period	67,793,404	56,744,419	62,113,707	56,041,017
Add non-vested restricted stock subject only to service vesting	217,238	179,268	202,082	141,492
Add additional shares issuable upon exercise of stock options and contingently issuable shares	799,176	728,074	905,462	853,908
Weighted average number of common shares used in calculating diluted net income per share	68,809,818	57,651,761	63,221,251	57,036,417
Changes in FV associated with contingently issuable shares	\$ —	\$ —	\$ —	\$ (586)
Net income attributable to RadNet, Inc.'s common stockholders for diluted share calculation	\$ 17,540	\$ 668	\$ 4,904	\$ 10,999
Diluted net income per share attributable to RadNet, Inc.'s common stockholders	\$ 0.25	\$ 0.01	\$ 0.08	\$ 0.19
Earnings per share disclosures:				
Fair value change for contingently issuable shares excluded from the computation of diluted per share amounts as its effect would be antidilutive	\$ —	\$ 278	\$ —	\$ —
Stock options and non-vested restricted awards excluded from the computation of diluted per share amounts as their effect would be antidilutive:				
Non-vested restricted stock subject to service vesting	—	—	—	—
Shares issuable upon the exercise of stock options	88,600	84,885	761,708	67,289
Shares issuable subject to satisfaction of certain contingencies	—	113,303	—	—
Weighted average shares for which the exercise price exceeds average market price of common stock	—	83,972	94,346	73,094
Contingently issuable shares	—	—	193,207	—

INVESTMENTS IN EQUITY SECURITIES—Accounting guidance requires entities to measure equity investments at fair value, with any changes in fair value recognized in net income. If there is no readily determinable fair value, the guidance allows entities the ability to measure investments at cost, adjusted for observable price changes and impairments, with changes recognized in net income.

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As of September 30, 2023, we have three equity investments for which a fair value is not readily determinable and therefore the total amounts invested are recognized at cost as follows:

Medic Vision, based in Israel, specializes in software packages that provide compliant radiation dose structured reporting and enhanced images from reduced dose CT scans. Our investment of \$1.2 million represents a 14.21% equity interest in the company. No observable price changes or impairment in our investment was identified as of September 30, 2023.

Turner Imaging Systems, based in Utah, develops and markets portable X-ray imaging systems that provide a user the ability to acquire X-ray images wherever and whenever they are needed. On February 1, 2018, we purchased 2.1 million preferred shares in Turner Imaging Systems for \$2.0 million. On January 1, 2019 we funded a convertible promissory note in the amount of \$0.1 million that converted to an additional 80,000 preferred shares on October 11, 2019. No observable price changes or impairment in our investment was identified as of September 30, 2023.

WhiteRabbit.ai Inc., based in California, is currently developing an artificial intelligence suite which aims to improve the speed and accuracy of cancer detection in radiology and improve patient care. On November 5, 2019 we acquired an equity interest in the company for \$1.0 million and also loaned the company \$2.5 million in support of its operations. No observable price changes, impairment in our investment or impairment of the loan receivable was identified as of September 30, 2023.

INVESTMENT IN JOINT VENTURES – We have 13 unconsolidated joint ventures with ownership interests ranging from 35% to 55%. These joint ventures represent partnerships with hospitals, health systems or radiology practices and were formed for the purpose of owning and operating diagnostic imaging centers. Professional services at the joint venture diagnostic imaging centers are performed by contracted radiology practices or a radiology practice that participates in the joint venture. Our investment in these joint ventures is accounted for under the equity method, since RadNet does not have a controlling financial interest in such ventures. We evaluate our investment in joint ventures, including cost in excess of book value (equity method goodwill) for impairment whenever indicators of impairment exist. No indicators of impairment existed as of September 30, 2023.

Joint venture investment and financial information

The following table is a summary of our investment in joint ventures during the nine months ended September 30, 2023 (in thousands):

Balance as of December 31, 2022	\$	57,893
Equity in earnings in these joint ventures		3,935
Distribution of earnings		(8,540)
Equity contributions in existing joint ventures		41,184
Balance as of September 30, 2023	\$	<u>94,472</u>

We charged management service fees from the centers underlying these joint ventures of approximately **\$3.9 million** and \$6.1 million for the three months ended September 30, 2023 and 2022 and **\$12.2 million** and \$17.2 million for the nine months ended September 30, 2023 and 2022, respectively.

The following table is a summary of key balance sheet data for these joint ventures as of September 30, 2023 and December 31, 2022 and income statement data for the nine months ended September 30, 2023 and 2022 (in thousands):

Balance Sheet Data:	September 30,	
	2023	December 31, 2022
Current assets	\$ 44,605	\$ 39,304
Noncurrent assets	176,527	134,694
Current liabilities	(42,486)	(29,588)
Noncurrent liabilities	(73,770)	(37,952)
Total net assets	<u>\$ 104,876</u>	<u>\$ 106,458</u>

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Income statement data for the nine months ended September 30,

	2023	2022
Net revenue	\$ 129,020	\$ 107,241
Net income	\$ 7,906	\$ 17,034

Formation of majority owned subsidiary and sale of economic interest

Los Angeles Imaging Group, LLC

On September 1, 2023 we formed a wholly-owned subsidiary, Los Angeles Imaging Group, LLC ("LAIG"). The operation offers multi-modality imaging services out of three locations in Los Angeles, California. We contributed the operations of 3 centers to the subsidiary. Cedars-Sinai Medical Center ("CSMC") purchased from us a 35% noncontrolling economic interest in LAIG for a cash payment of \$ 5.9 million. As a result of the transaction, we retain a 65% controlling economic interest in LAIG.

Joint venture Investment Contribution

Santa Monica Imaging Group, LLC

On April 1, 2017, we formed in conjunction with CSMC, the Santa Monica Imaging Group, LLC ("SMIG"), consisting of two multi-modality imaging centers located in Santa Monica, CA with RadNet holding a 40% economic interest and CSMC holding a 60% economic interest. RadNet accounts for our share of the venture under the equity method. On January 1, 2019, CSMC purchased from us an additional 5% economic interest in SMIG and as a result our economic interest in SMIG was reduced to 35%. On September 1, 2023, RadNet contributed an additional multi-modality imaging center and a newly constructed imaging center located in Beverly Hills, CA valued at \$27.2 million and purchased an additional 6% interest economic interest in SMIG for cash payment of \$5.2 million. Simultaneously, CSMC contributed five additional multi-modality imaging centers located in Santa Monica, CA. As a result of the transaction, our economic interest in SMIG has been increased to 49%. We recorded a gain of \$16.8 million, within *(Gain) on contribution of imaging centers into joint venture* in our *Consolidated Statements of Operations*. The related gain on disposal of business was calculated as the difference between the sales price and carrying value of such imaging centers which included equipment, other assets, accrued liabilities, and an allocation of goodwill to such imaging centers. Concurrently, we made additional capital contributions of \$8.5 million to the joint venture in the form of construction-in-progress. We accounted for the transaction as an adjustment to our equity investment for the value of the assets contributed.

In determining the fair value of the imaging centers contributed to SMIG, we used an income approach which is considered a level 3 valuation technique. See Fair Value Measurements above for further detail on the valuation hierarchy. Key assumptions used in measuring the fair value are financial forecasts and a discount rate. We also utilized the cash paid for an additional interest in the joint venture to substantiate the fair value of the contributed assets.

NOTE 3 – RECENT ACCOUNTING AND REPORTING STANDARDS

Recently Issued Accounting Pronouncements

We monitor new accounting pronouncements issued by the FASB and do not believe any accounting pronouncements issued through the date of this report will have a material impact on our financial statements.

NOTE 4 – BUSINESS COMBINATIONS AND RELATED ACTIVITY

Acquisitions

Imaging Center Segment

During the nine months ended September 30, 2023, we completed the acquisition of certain assets of the following entities, which either engage directly in the practice of radiology or associated businesses. The primary reason for these acquisitions was to strengthen our presence in the California, Delaware and New York markets. These acquisitions are reported as part of our Imaging Center segment. We made a fair value determination of the acquired assets and assumed liabilities and the following were recorded (in thousands):

Entity	Date Acquired	Total Consideration	Property & Equipment	Right of Use Assets	Goodwill	Intangible Assets	Other Assets	Right of Use Liabilities
C.C.D.G.L.R. & S Services Inc.	1/1/2023	3,500	435	1,689	3,015	50	—	(1,689)
Southern California Diagnostic Imaging, Inc.	1/1/2023	\$ 1,815	466	1,184	1,272	50	27	(1,184)
Inglewood Imaging Center, LLC	2/1/2023	2,600	877	1,188	1,658	50	15	(1,188)
Ramapo Radiology Associates, P.C.	2/1/2023	\$ 2,000	1,663	3,775	229	100	8	(3,775)
Madison Radiology Medical Group, Inc.	4/1/2023	\$ 250	100	—	150	—	—	—
Delaware Diagnostic Imaging, P.A.	8/1/2023	600	401	337	149	50	—	(337)
Total		10,765	3,942	8,173	6,473	300	50	(8,173)

NOTE 5 – SEGMENT REPORTING

Our reportable segments are described below:

Imaging Center

Our Imaging Center segment provides physicians with imaging capabilities to facilitate the diagnosis and treatment of diseases and disorders. 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 strategy that diversifies revenue streams, reduces exposure to reimbursement changes and provides patients and referring physicians one location to serve the needs of multiple procedures. Included in the segment is our eRad subsidiary, which designs the underlying critical scheduling, data storage and retrieval systems necessary for imaging center operation.

Artificial Intelligence ("AI")

Our AI segment develops and deploys clinical applications to enhance interpretation of medical images and improve patient outcomes with an emphasis on brain, breast, prostate, and pulmonary diagnostics.

Our chief operating decision maker ("CODM"), who is also our CEO, evaluates the financial performance of our segments based upon their respective revenue and segmented internal profit and loss statements prepared on a basis not consistent with GAAP. We do not report balance sheet information by segment since it is not reviewed by our CODM.

The table below presents segment information reconciled to our financial results, with segment operating income or loss including revenue less cost of operations, depreciation and amortization, and other operating expenses to the extent specifically identified by segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Imaging Centers	\$ 399,081	\$ 349,144	\$ 1,188,849	\$ 1,043,129
AI	2,887	900	7,398	3,056
Total revenue	<u>\$ 401,968</u>	<u>\$ 350,044</u>	<u>\$ 1,196,247</u>	<u>\$ 1,046,185</u>
Cost of Operations				
Imaging Centers	\$ 339,102	\$ 307,868	\$ 1,022,310	\$ 917,329
AI	2,533	6,075	16,337	17,428
Total cost of operations	<u>\$ 341,635</u>	<u>\$ 313,943</u>	<u>\$ 1,038,647</u>	<u>\$ 934,757</u>
Depreciation and Amortization:				
Imaging Centers	\$ 30,379	\$ 27,590	\$ 90,204	\$ 80,496
AI	1,831	1,639	5,501	4,713
Total depreciation and amortization	<u>\$ 32,210</u>	<u>\$ 29,229</u>	<u>\$ 95,705</u>	<u>\$ 85,209</u>
(Gain) Loss on contribution of imaging centers into joint venture:				
Imaging Centers	\$ (16,808)	\$ —	\$ (16,808)	\$ —
AI	—	—	—	—
Total (gain) loss on contribution of imaging centers into joint venture	<u>\$ (16,808)</u>	<u>\$ —</u>	<u>\$ (16,808)</u>	<u>\$ —</u>
(Gain) Loss on Disposal of Equipment:				
Imaging Centers	\$ 524	\$ (253)	\$ 1,185	\$ 936
AI	3	6	(2)	26
Total (gain) loss on disposal of equipment	<u>\$ 527</u>	<u>\$ (247)</u>	<u>\$ 1,183</u>	<u>\$ 962</u>
Severance				
Imaging Centers	\$ 1,141	\$ 187	\$ 1,417	\$ 488
AI	12	8	1,740	8
Total severance	<u>\$ 1,153</u>	<u>\$ 195</u>	<u>\$ 3,157</u>	<u>\$ 496</u>
Income (Loss) from Operations				
Imaging Centers	\$ 44,743	\$ 13,752	\$ 90,541	\$ 43,880
AI	(1,492)	(6,828)	(16,178)	(19,119)
Total income (loss) from operations	<u>\$ 43,251</u>	<u>\$ 6,924</u>	<u>\$ 74,363</u>	<u>\$ 24,761</u>

NOTE 6 – CREDIT FACILITIES AND NOTES PAYABLE

As of September 30, 2023 and December 31, 2022 our term loan debt and other obligations are as follows (in thousands):

	September 30, 2023	December 31, 2022
First Lien Term Loans collateralized by RadNet's tangible and intangible assets	\$ 708,688	\$ 714,125
Discount on First Lien Term Loans	(9,563)	(11,127)
Truist Term Loan Agreement collateralized by NJIN's tangible and intangible assets	144,375	150,000
Discount on Truist Term Loan Agreement	(1,056)	(1,524)
Equipment notes payable at 6.0%, due 2028, collateralized by medical equipment	17,901	—
Total debt obligations	860,345	851,474
Less: current portion	(16,043)	(12,400)
Long term portion debt obligations	<u>\$ 844,302</u>	<u>\$ 839,074</u>

We had no outstanding balance under our \$195.0 million Barclays Revolving Credit Facility at September 30, 2023 and have reserved \$ 7.6 million for certain letters of credit. The remaining \$187.4 million of our Barclays Revolving Credit Facility was available to draw upon as of September 30, 2023. We also had no balance under our \$50.0 million Truist Revolving Credit Facility related to our consolidated subsidiary NJIN at September 30, 2023, and with no letters of credit reserved against the facility, the full amount was available to draw upon. At September 30, 2023, we were in compliance with all covenants under our credit facilities. On February 1, 2023, we issued a promissory note in the amount of \$19.8 million to acquire radiology equipment previously leased under operating leases.

Amendments to Credit FacilitiesBarclays: First Amendment to Second Amended and Restated First Lien Credit and Guaranty Agreement

On March 27, 2023, we entered into the First Amendment to Second Amended and Restated First Lien Credit and Guaranty Agreement (the "Amendment"). The Amendment replaces the interest rate benchmark, from the London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR") and includes applicable credit spread adjustments of 0.11448%, 0.26161%, and 0.42826% for interest periods of one month, three months, and six months, respectively. The replacement of LIBOR with SOFR and the credit spread adjustments were effective as of March 31, 2023, which was the last day of the last-ending existing interest period of currently outstanding loans bearing interest at LIBOR. Other than the foregoing, the material terms of the Credit Agreement remain unchanged.

Barclays: Second Amended and Restated First Lien Credit and Guaranty Agreement

On April 23, 2021, we entered into the Second Amended and Restated First Lien Credit and Guaranty Agreement (the "Restated Credit Agreement") which provides for \$725.0 million of senior secured first lien term loans (the "First Lien Term Loans") and a \$ 195.0 million senior secured revolving credit facility (the "Barclays Revolving Credit Facility"). The proceeds of the First Lien Term Loans were used to refinance loans outstanding under our prior first lien credit agreement and provide funding for current and future operations. Total costs of the Restated Credit Agreement amounted to approximately \$14.9 million segregated as follows: \$8.8 million capitalized to discount and deferred finance cost, \$4.5 million expensed to debt restructuring costs, \$1.5 million charged to loss on early extinguishment of debt and \$ 0.1 million written off to interest expense. Amounts capitalized will be amortized over the remaining terms of the respective credit facilities under the Restated Credit Agreement.

Truist: Second Amended and Restated Revolving Credit and Term Loan Agreement

On October 7, 2022, we entered into the Second Amended and Restated Revolving Credit and Term Loan Agreement (the "Restated Credit and Term Loan Agreement") which provides for a \$ 150.0 million of a secured term loan (the "Truist Term Loan") and a \$ 50.0 million secured revolving credit facility (the "Truist Revolving Credit Facility"). Both loans were secured by our simultaneous entry into the Second Amended and Restated Guaranty and Security Agreement on the same date. The proceeds were used to refinance the outstanding balance under our prior term loan agreement and provide funding for current and future operations. Total costs of the Restated Credit and Term Loan Agreement amounted to approximately \$2.7 million segregated as follows: \$2.0 million capitalized to discount and deferred finance cost and \$ 0.7 million expensed to loss on

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extinguishment of debt and related expenses in other expense. Amounts capitalized will be amortized over the remaining terms of the respective credit facilities under the Restated Credit and Term Loan Agreement.

All obligations under the Second Amended and Restated Credit and Term Loan Agreement bear interest at either a SOFR or a Base Rate (each as defined in the Restated Credit and Term Loan Agreement), plus an applicable margin according to the following schedule:

Pricing Level	Leverage Ratio	Applicable Margin for SOFR Loans	Applicable Margin for Base Rate Loans	Applicable Margin for Letter of Credit Fees	Applicable Percentage for Commitment Fee
I	Greater than or equal to 3.00:1.00	2.50% <i>per annum</i>	1.50% <i>per annum</i>	2.50% <i>per annum</i>	0.45% <i>per annum</i>
II	Less than 3.00:1.00 but greater than or equal to 2.50:1.00	2.25% <i>per annum</i>	1.25% <i>per annum</i>	2.25% <i>per annum</i>	0.40% <i>per annum</i>
III	Less than 2.50:1.00 but greater than or equal to 2.00:1.00	2.00% <i>per annum</i>	1.00% <i>per annum</i>	2.00% <i>per annum</i>	0.35% <i>per annum</i>
IV	Less than 2.00:1.00 but greater than or equal to 1.50:1.00	1.75% <i>per annum</i>	0.75% <i>per annum</i>	1.75% <i>per annum</i>	0.30% <i>per annum</i>
V	Less than 1.50:1.00	1.50% <i>per annum</i>	0.50% <i>per annum</i>	1.50% <i>per annum</i>	0.30% <i>per annum</i>

Senior Secured Credit Facilities

First Lien Term Loans:

Through March 31, 2023, the First Lien Term Loans under the Restated Credit Agreement bore interest at either a Eurodollar Rate or an Alternate Base Rate (in each case, as defined in the Restated Credit Agreement), plus an applicable margin. The applicable margin for Eurodollar Rate and Alternate Base Rate First Lien Term Loans under the Restated Credit Agreement was 3.00% and 2.00%, respectively, with an effective Eurodollar Rate and the Alternate Base Rate of 4.63% and 8.00%, respectively.

Under the Amendment, effective March 31, 2023, the First Lien Term Loans under the Restated Credit Agreement bears interest either at a SOFR or an Alternate Base Rate (in each case, as defined in the Amendment) plus an applicable margin. The applicable margin for the SOFR and Alternate Base Rate First Lien Term Loans under the Amendment is 3.00% and 2.00%, respectively. At September 30, 2023, we have an effective SOFR of 8.32% ,with an applicable credit spread adjustment of 0.11448%, and an Alternate Base Rate of 10.5%, respectively.

The Restated Credit Agreement provides for quarterly payments of principal for the First Lien Term Loan in the amount of approximately \$ 1.8 million. The First Lien Term Loans will mature on April 23, 2028 unless otherwise accelerated under the terms of the Restated Credit Agreement.

Truist Term Loan:

The Truist Term Loan currently bears interest at a three month SOFR election of 5.33% plus an applicable margin and fees based on **Pricing Level IV** described above.

The scheduled amortization of the Truist Term Loan began March 31, 2023 with quarterly payments of \$ 1.9 million, representing 1.00% of the original principal balance. At scheduled intervals, the quarterly amortization increases by \$0.9 million, with the remaining balance to be paid at maturity. The Truist Term Loan will mature on October 10, 2027 unless otherwise accelerated under the terms of the Restated Credit and Term Loan Agreement.

Revolving Credit Facilities

Associated with both the Barclays and Truist Revolving Credit Facilities are deferred financing costs, net of

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accumulated amortization, of \$1.8 million at September 30, 2023.

Barclays Revolving Credit Facility

The Barclays Revolving Credit Facility under the Restated Credit Agreement is a \$ 195.0 million senior secured revolving credit facility.

Revolving loans borrowed under the Barclays Revolving Credit Facility bear interest at either a SOFR or an Alternate Base Rate (in each case, as defined in the Restated Credit Agreement) plus an applicable margin which adjusts depending on our first lien net leverage ratio, according to the following schedule:

First Lien Net Leverage Ratio	Term SOFR Loans	Alternate Base Rate Spread
> 3.50x	3.25%	2.25%
> 3.00x but ≤ 3.50x	3.00%	2.00%
≤ 3.00x	2.75%	1.75%

As of September 30, 2023, the effective interest rate payable on revolving loans under the Barclays Revolving Credit Facility was 5.50%.

For letters of credit issued under the Barclays Revolving Credit Facility, letter of credit fees accrue at the applicable margin for SOFR revolving loans which is currently 3.00% and fronting fees accrue at 0.125% per annum, in each case on the average aggregate daily maximum amount available to be drawn under all letters of credit issued under the Restated Credit Agreement. In addition, a commitment fee of 0.50% per annum accrues on the unused revolver commitments under the Barclays Revolving Credit Facility.

The Barclays Revolving Credit Facility will terminate on April 23, 2026 unless otherwise accelerated in accordance with the terms of the Restated Credit Agreement.

Truist Revolving Credit Facility:

Associated with the Truist Revolving Credit Facility of \$ 50.0 million are deferred financing costs, net of accumulated amortization, of \$0.6 million at September 30, 2023. As of September 30, 2023, NJIN had no borrowings under the Truist Revolving Credit Facility.

The Truist Revolving Credit Facility bears interest with different margins based on types of borrowings at a Pricing Level III as noted in the pricing grid above. The Truist Revolving Credit Facility terminates on the earliest of (i) October 7, 2027, (ii) the date on which the Revolving Commitments are terminated pursuant to Section 2.8 of the Truist Restated Credit Agreement, or (iii) the date on which all amounts outstanding under the Truist Restated Credit Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

NOTE 7 – STOCK-BASED COMPENSATION

Stock Incentive Plans

We have one long-term equity incentive plan, the RadNet, Inc. Equity Incentive Plan, which we first amended and restated April 20, 2015, second on March 9, 2017, third on April 15, 2021, and currently as of April 27, 2023 (the "Restated Plan"). The Restated Plan was most recently approved by our stockholders at our annual stockholders meeting on June 7, 2023. We have reserved for issuance under the Restated Plan 20,100,000 shares of common stock. We can issue options (incentive and nonstatutory), performance based options, stock awards (restricted or unrestricted), stock units, performance based stock units, and stock appreciation rights under the Restated Plan.

Options

Certain options granted under the Restated Plan to employees are intended to qualify as incentive stock options under existing tax regulations. Stock options generally vest over 3 to 5 years and expire 5 to 10 years from the date of grant.

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The following summarizes all of our option transactions for the nine months ended September 30, 2023:

Outstanding Options Under the 2006 Plan	Shares	Weighted Average	Weighted Average	Aggregate Intrinsic Value
		Exercise price Per Common Share	Remaining Contractual Life (in years)	
Balance, December 31, 2022	678,914	\$ 15.72		
Granted	261,220	18.64		
Exercised	(8,424)	8.46		
Balance, September 30, 2023	931,710	16.61	6.47	\$ 11,056,189
Exercisable at September 30, 2023	673,108	14.76	5.51	9,215,097

Aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between our closing stock price on September 30, 2023 and the exercise price, multiplied by the number of in-the-money options as applicable) that would have been received by the holder had all holders exercised their options on September 30, 2023. As of September 30, 2023, total unrecognized stock-based compensation expense related to non-vested employee awards was \$1.9 million, which is expected to be recognized over a weighted average period of approximately 1.53 years.

DeepHealth Options

During the second quarter of fiscal 2020, in connection with the completion of the DeepHealth acquisition, we granted options to acquire 412,434 shares at a grant date fair value of \$ 16.93 per share unit to DeepHealth employees in replacement of their stock options that were outstanding as of the closing date. As of September 30, 2023, total unrecognized stock based compensation expense related to non-vested DeepHealth options was approximately \$0.1 million, which is expected to be recognized over a weighted average period of approximately 0.35 years

Outstanding Options Under the Deep Health Plan	Shares	Weighted Average	Weighted Average	Aggregate Intrinsic Value
		Exercise price Per Common Share	Remaining Contractual Life (in years)	
Balance December 31, 2022	116,982	\$ —		
Exercised	(21,956)	—		
Balance, September 30, 2023	95,026	—	6.04	\$ 2,678,783
Exercisable at September 30, 2023	88,600	—	6.04	2,497,634

Options issued in replacement of original DeepHealth options as a result of our acquisition are not included in the share count under the Restated Plan.

Restricted Stock Awards ("RSAs")

The Restated Plan permits the award of RSAs and the following summarizes all unvested RSA's activities during the nine months ended September 30, 2023:

	RSAs	Weighted-Average	Weighted-Average
		Remaining Contractual Term (Years)	Fair Value per Share
RSAs unvested at December 31, 2022	536,767		\$ 23.84
Changes during the period			
Granted	812,852		\$ 21.21
Vested	(778,486)		\$ 22.08
Forfeited or Canceled	(3,599)		\$ 26.44
RSAs unvested at September 30, 2023	567,534	1.30	\$ 22.57

We determine the fair value of all RSAs based on the closing price of our common stock on the award date.

Other stock bonus awards

The Restated Plan also permits share awards not subject to any future service period. These are valued and expensed based on the closing price of our common stock on the date of award. During the nine months ended September 30, 2023, 10,765 shares were issued with a value of \$ 0.2 million.

Performance based stock units ("PSUs")

In January 2022, we granted certain employees PSUs with a target award of 25,683 shares of our common stock. The PSUs will vest in two equal parts, starting three years from the grant date based on continuous service, with the number of shares earned (0% to 200% of the target award) depending upon the extent to which we achieve a performance condition as determined by the board of directors over the period from January 1, 2022 through December 31, 2022. In January of 2023, based on the performance condition achieved, the board of directors issued 12,843 units with a fair value of \$29.44 per unit.

In January 2023, we granted certain employees PSUs with a target award of 60,685 shares of our common stock. The PSUs will vest in two equal parts, starting three years from the grant date based on continuous service, with the number of shares earned (0% to 200% of the target award) depending upon the extent to which we achieve a performance condition as determined by the board of directors over the period from January 1, 2023 through December 31, 2023. As of September 30, 2023, 121,370 shares are expected to vest.

Performance based stock options ("PSOs")

In January 2022, we granted certain employees PSOs with a potential to option a maximum of 111,925 shares of our common stock. The PSOs will vest in three equal parts, starting three years from the grant date based on continuous service, with the number of shares earned (0 shares to 111,925 shares) depending upon the extent to which we achieve a performance condition as determined by the board of directors over the period from January 1, 2022 through December 31, 2022. In January of 2023, based on the performance condition achieved, the board of directors issued 27,981 options with a strike price of \$29.44 per share.

In January 2023, we granted certain employees PSOs with a potential to option a maximum of 235,227 shares of our common stock. The PSOs will vest in three equal parts, starting three years from the grant date based on continuous service, with the number of shares earned (0 shares to 235,227 shares) depending upon the extent to which we achieve a performance condition as determined by the board of directors over the period from January 1, 2023 through December 31, 2023. As of September 30, 2023, 235,227 shares are expected to vest.

AI Long Term Incentive Plan shares ("AI LTIPs")

In addition, we issue stock-based compensation to certain employees in our AI segment in the form of Stock Units and Restricted Stock Awards, subject to certain restrictions. The awards represent a form of long term incentive and are reflective of a general practice within the software industry. The units and shares vest ratably over a two to four year period, conditioned on continued employment through the vesting periods. We determine the fair value of all AI LTIPs based on the closing price of our common stock on the award date. The following summarizes all unvested AI LTIPs activities during the nine months ended September 30, 2023:

	AI LTIPs	Remaining Contractual Term (Years)	Weighted-Average Fair Value per Share
AI LTIPs unvested at December 31, 2022	169,471		\$ 19.56
Changes during the period			
Granted	213,409		\$ 20.12
Vested	(71,217)		\$ 19.78
Forfeited or Canceled	(79,515)		\$ 19.86
AI LTIPs unvested at September 30, 2023	232,148	2.97	\$ 19.96

Restated Plan summary

In summary, of the 20,100,000 shares of common stock reserved for issuance under the Restated Plan, at September 30, 2023, there remain approximately 4,058,012 shares available under the Restated Plan for future issuance.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto for the year ended December 31, 2022 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (SEC) on March 1, 2023.

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements reflect current views about future events and are based on our currently available financial, economic and competitive data and on current business plans. Actual events or results may differ materially depending on risks and uncertainties that may affect our operations, markets, services, prices and other factors.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," "assumption" or the negative of these terms or other comparable terminology. Forward-looking statements in this report include, among others, statements we make regarding:

- anticipated trends in our revenues, operating expenses or capital expenditures, and our financial guidance;
- potential timing and impact of changes in regulations impacting our business;
- the anticipated impact on our business of the COVID-19 pandemic and similar events and the expected efficacy of any remediation measures that we take in response to such events;
- anticipated benefits or synergies to be derived from our acquisitions and joint ventures;
- expectations concerning the timing of regulatory approval, expected benefits or market acceptance of our new AI solutions;
- cost savings, efficiencies and improvements anticipated from our investments in AI and machine learning products and services; and
- our future liquidity and our continuing ability to service and remain in compliance with applicable debt covenants or refinance our current indebtedness.

Forward-looking statements are neither historical facts nor assurances of future performance. Because forward-looking statements relate to the future, they are inherently subject to known and unknown risks, uncertainties and other factors that are difficult to predict and out of our control. Our actual results, level of activity, performance or achievements may be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Important factors that could cause our actual results to differ materially from those indicated or implied in our forward-looking statements include the factors included in "Risk Factors," in our annual report on Form 10-K for the fiscal year ended December 31, 2022 as supplemented by the information in Part II— Item 1A below. You should consider the inherent limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements.

Any forward-looking statement in this report is based on information currently available to us and speaks only as of the date of this report. We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this report or any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this report, except as required by law.

Overview

We are a national provider of diagnostic imaging services in the United States. At September 30, 2023, we operated directly or indirectly through joint ventures with hospitals, 366 centers located in Arizona, California, Delaware, Florida, Maryland, New Jersey, and New York. Our 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. Integral to the imaging center business is our software arm headed by eRAD, Inc., which sells computerized systems that distribute, display, store and retrieve digital images. Internationally, our subsidiary Heart and Lung Imaging LLC, provides teleradiology services for remote interpretation of images on behalf of providers within the framework of the United Kingdom's National Health Service.

We have also established an Artificial Intelligence ("AI") business, that develops and deploys AI suites to enhance radiologist interpretations of breast, lung and prostate images. The division is led by DeepHealth, and includes our acquisitions of Aidence Holding B.V. and Quantib B.V., both based in The Netherlands.

Our operations comprise two segments for financial reporting purposes for this reporting period, Imaging Centers and Artificial Intelligence. For further financial information about these segments, see Note 5, Segment Reporting, in the notes accompanying our financial statements included in this report.

The following table shows our imaging centers in operation and revenues for the nine months ended September 30, 2023 and September 30, 2022:

	Nine Months Ended September 30,	
	2023	2022
Centers in operation	366	349
Net revenues (millions)	\$ 1,196	\$ 1,046

Our revenue is derived from a diverse mix of payors, including private, managed care capitated and government payors. We believe our payor diversity mitigates our exposure to possible unfavorable reimbursement trends within any one payor class. Our total service fee revenue, net of contractual allowances and discounts, and implicit price concessions for the three and nine months ended September 30, 2023 and 2022 is summarized in the following table (in thousands):

In Thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Commercial insurance	\$ 223,555	\$ 189,634	\$ 665,604	\$ 573,259
Medicare	91,886	78,034	267,955	226,827
Medicaid	10,742	9,669	30,882	28,456
Workers' compensation/personal injury	9,952	13,200	35,478	38,785
Other patient revenue	10,664	7,646	30,793	22,334
Management fee revenue	3,957	6,099	12,203	17,199
Teleradiology and Software revenue	2,111	3,430	7,327	9,849
Other	6,173	3,431	20,625	12,054
Revenue under capitation arrangements	40,041	38,001	117,982	114,366
Imaging Center Segment Revenue	399,081	349,144	1,188,849	1,043,129
AI Segment Revenue	2,887	900	7,398	3,056
Total service revenue	<u>401,968</u>	<u>\$ 350,044</u>	<u>\$ 1,196,247</u>	<u>\$ 1,046,185</u>

Recent Developments

We have continued to advance both of our core businesses through the period ended September 30, 2023 and completed a significant capital transaction in the second quarter of 2023.

For the year to date ended September 30, 2023 we added a net of 11 additional imaging centers. For the nine months ended September 30, 2023 compared to the same period in 2022, revenue increased 14.3% and also witnessed a 7.5% and 4.2% rise in same center revenue and procedure volumes, respectively.

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Our AI segment continues to commercialize its solutions. In December of 2022, our subsidiary DeepHealth, Inc, received FDA clearance of its mammography density assessment software that assists radiologists in interpreting visual images. In February of 2023, we launched our Enhanced Breast Cancer Detection service, powered by DeepHealth AI, which provides patients an advanced screening mammography service along with a life time risk assessment for breast cancer and post mammography support. The service is now fully rolled-out to all of our mammography centers on the east coast, where it is experiencing close to a 35% adoption rate. This is expected to grow as we continue to educate patients and referring physicians about its significant advantages over current practices. Additionally in May of 2023, our subsidiary Quantib B.V., received FDA clearance of its third generation prostate reading and reporting tool that improves the workflow and output for radiologists and urologists. These events have resulted in revenues from our AI segment increasing 142.1% for the nine month period ended September 30, 2023, over the same period in 2022.

In June 2023, we completed a secondary public offering of our common stock. After exercise in full of the underwriter's overallotment option, we sold an aggregate of 8,711,250 shares of our common stock to the public at a price of \$29.75 per share. The offering resulted in net proceeds of \$245.8 million, after underwriting discounts. We intend to use the net proceeds from the secondary public offering for working capital and general corporate purposes.

Acquisitions, Equity Investments and Joint Venture Activity

The following discussion summarizes certain details concerning our acquisition or disposition of centers, our equity investment and our joint venture transaction. See Note 4, Business Combinations and Related Activity and Note 2, Summary of Significant Accounting Policies to our consolidated financial statements included in this quarterly report on Form 10-Q for further information. The information below updates our activity of such matters contained in our annual report on Form 10-K for the year ended December 31, 2022.

Acquisitions

Imaging Center

During the nine months ended September 30, 2023, we completed the acquisition of certain assets of the following entities, which either engage directly in the practice of radiology or associated businesses. The primary reason for these acquisitions was to strengthen our presence in the California, Delaware and New York markets. These acquisitions are reported as part of our Imaging Center segment. We made a fair value determination of the acquired assets and assumed liabilities and the following were recorded (in thousands):

Entity	Date Acquired	Total Consideration	Property & Equipment	Right of Use Assets	Goodwill	Intangible Assets	Other Assets	Right of Use Liabilities
C.C.D.G.L.R. & S Services Inc.	1/1/2023	3,500	435	1,689	3,015	50	—	(1,689)
Southern California Diagnostic Imaging, Inc.	1/1/2023	1,815	466	1,184	1,272	50	27	(1,184)
Inglewood Imaging Center, LLC	2/1/2023	2,600	877	1,188	1,658	50	15	(1,188)
Ramapo Radiology Associates, P.C.	2/1/2023	2,000	1,663	3,775	229	100	8	(3,775)
Madison Radiology Medical Group, Inc.	4/1/2023	250	100	—	150	—	—	—
Delaware Diagnostic Imaging, P.A.	8/1/2023	600	401	337	149	50	—	(337)
Total		10,765	3,942	8,173	6,473	300	50	(8,173)

Formation of majority owned subsidiary

Los Angeles Imaging Group, LLC

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On September 1, 2023 we formed a wholly-owned subsidiary, Los Angeles Imaging Group, LLC ("LAIG"). The operation offers multi-modality imaging services out of three locations in Los Angeles, California. We contributed the operations of 3 centers to the subsidiary. Cedars-Sinai Medical Center ("CSMC") purchased from us a 35% noncontrolling economic interest in LAIG for cash payment of \$5.9 million. As a result of the transaction, we retain a 65% controlling economic interest in LAIG.

Joint venture Investment Contribution

Santa Monica Imaging Group, LLC

On April 1, 2017, we formed in conjunction with CSMC, the Santa Monica Imaging Group, LLC ("SMIG"), consisting of two multi-modality imaging centers located in Santa Monica, CA with RadNet holding a 40% economic interest and CSMC holding a 60% economic interest. RadNet accounts for our share of the venture under the equity method. On January 1, 2019, CSMC purchased from us an additional 5% economic interest in SMIG and as a result our economic interest in SMIG was reduced to 35%. On September 1, 2023, RadNet contributed an additional multi-modality imaging center and a newly constructed imaging center located in Beverly Hills, CA valued at \$27.2 million and purchased an additional 6% interest economic interest in SMIG for cash payment of \$5.2 million. Simultaneously, CSMC contributed five additional multi-modality imaging centers located in Santa Monica, CA. As a result of the transaction, our economic interest in SMIG has been increased to 49%. We recorded a gain of \$16.8 million, within *(Gain) on contribution of imaging centers into joint venture* in our *Consolidated Statements of Operations*. The related gain on disposal of business was calculated as the difference between the sales price and carrying value of such imaging centers which included equipment, other assets, accrued liabilities, and an allocation of goodwill to such imaging centers. Concurrently, we made additional capital contributions of \$8.5 million to the joint venture in the form of construction-in-progress. We accounted for the transaction as an adjustment to our equity investment for the value of the assets contributed.

Equity Investments

As of September 30, 2023, we have three equity investments for which a fair value is not readily determinable and therefore the total amounts invested are recognized at cost as follows:

Medic Vision Imaging Solutions Ltd., based in Israel, specializes in software packages that provide compliant radiation dose structured reporting and enhanced images from reduced dose CT scans. Our investment of \$1.2 million represents a 14.21% equity interest in the company. No observable price changes or impairment in our investment was identified as of September 30, 2023.

Turner Imaging Systems, based in Utah, develops and markets portable X-ray imaging systems that provide a user the ability to acquire X-ray images wherever and whenever they are needed. On February 1, 2018, we purchased 2.1 million preferred shares in Turner Imaging Systems for \$2.0 million. On January 1, 2019 we funded a convertible promissory note in the amount of \$0.1 million that converted into an additional 80,000 shares effective December 21, 2019. No observable price changes or impairment in our investment was identified as of September 30, 2023.

WhiteRabbit.ai Inc., based in California, is currently developing an artificial intelligence suite which aims to improve the speed and accuracy of cancer detection in radiology and improve patient care. On November 5, 2019 we acquired an equity interest in the company for \$1.0 million and also loaned the company \$2.5 million in support of its operations. No observable price changes, impairment in our investment or impairment of the loan receivable was identified as of September 30, 2023.

Joint Venture Activity

The following table is a summary of our investment in joint ventures during the nine months ended September 30, 2023 (in thousands):

Balance as of December 31, 2022	\$ 57,893
Equity in earnings in these joint ventures	3,935
Distribution of earnings	(8,540)
Equity contributions in existing joint ventures	41,184
Balance as of September 30, 2023	\$ 94,472

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We charged management service fees from the centers underlying these joint ventures of approximately \$3.9 million and \$6.1 million for the three months ended September 30, 2023 and 2022 and \$12.2 million and \$17.2 million for the nine months ended September 30, 2023 and 2022, respectively.

The following table is a summary of key balance sheet data for these joint ventures as of September 30, 2023 and December 31, 2022 and income statement data for the nine months ended September 30, 2023 and 2022 (in thousands):

		September 30, 2023	December 31, 2022
Balance Sheet Data:			
Current assets		\$ 44,605	\$ 39,304
Noncurrent assets		176,527	134,694
Current liabilities		(42,486)	(29,588)
Noncurrent liabilities		(73,770)	(37,952)
Total net assets		\$ 104,876	\$ 106,458

Income statement data for the nine months ended September 30,

	2023	2022
Net revenue	\$ 129,020	\$ 107,241
Net income	\$ 7,906	\$ 17,034

Critical Accounting Policies

The Securities and Exchange Commission defines critical accounting estimates as those that are both most important to the portrayal of a company's financial condition and results of operations and require management's most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. In Note 2 to our consolidated financial statements in this quarterly report and in our annual report on Form 10-K for the year ended December 31, 2022, we discuss our significant accounting policies, including those that do not require management to make difficult, subjective or complex judgments or estimates. The most significant areas involving management's judgments and estimates are described below.

Use of Estimates

The financial statements included in this report were prepared in accordance with U.S. generally accepted accounting principles (GAAP), which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions affect various matters, including our reported amounts of assets and liabilities in our consolidated balance sheets at the dates of the financial statements; our disclosure of contingent assets and liabilities at the dates of the financial statements; and our reported amounts of revenues and expenses in our consolidated statements of operations during the reporting periods. These estimates involve judgments with respect to numerous factors that are difficult to predict and are beyond management's control. As a result, actual amounts could materially differ from these estimates.

Revenues

Our revenues generally relate to net patient fees received from various payors and patients themselves under contracts in which our performance obligations are to provide diagnostic services to the patients. Revenues are recorded during the period our obligations to provide diagnostic services are satisfied. Our performance obligations for diagnostic services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payors. The payment arrangements with third-party payors for the services we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates per diagnostic services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations, changes in business and economic conditions, and the frequent changes in managed care contractual terms resulting from contract re-negotiations and renewals.

As it relates to the Group, this service fee revenue includes payments for both the professional medical interpretation revenue recognized by them as well as the payment for all other aspects related to our providing the imaging services, for which we earn management fees. As it relates to others centers, this service fee revenue is earned through providing the use of our diagnostic imaging equipment and the provision of technical services as well as providing administration services such as clerical and administrative personnel, bookkeeping and accounting services, billing and collection, provision of medical and office supplies, secretarial, reception and transcription services, maintenance of medical records, and advertising, marketing and promotional activities.

Our revenues are based upon our management's estimate of amounts we expect to be entitled to receive from patients and third-party payors. Estimates of contractual allowances under Medicare, Medicaid, managed care and commercial insurance plans are based upon historical collection experience of the payments received from such payors in accordance with the underlying contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have price concessions applied. We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect.

Under capitation arrangements with various health plans, we earn a per-enrollee amount each month for making available diagnostic imaging services to all plan enrollees under the capitation arrangement. Revenue under capitation arrangements is recognized in the period in which we are obligated to provide services to plan enrollees under contracts with various health plans. Our estimates and assumptions related to revenue recognition did not change materially for the quarter ended September 30, 2023.

Accounts Receivable

Substantially all of our accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services are generally provided pursuant to one-year contracts with healthcare providers. Receivables generally are collected within industry norms for third-party payors. We continuously monitor collections from our payors and maintain an allowance for bad debts based upon specific payor collection issues that we have identified and our historical experience. Our estimates and assumptions for allowances on our account receivable did not change materially during the quarter ended September 30, 2023.

Business Combination

We evaluate all acquisitions under the framework Clarifying the Definition of a Business in the accounting guidance. Once a purchase has been determined to be the acquisition of a business, we are required to recognize the assets acquired and the liabilities assumed at their acquisition date fair values. Any portion of the purchase consideration transferred in excess of the net of the acquisition date fair values of the assets acquired and the liabilities assumed, is allocated to goodwill. The allocation requires our management to make estimates of the value of various assets acquired and liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill and Indefinite Lived Intangibles

Goodwill at September 30, 2023 totaled \$676.4 million. Indefinite Lived Intangible Assets at September 30, 2023 were \$20.2 million and are associated with the value of certain trade name intangibles and in process research and development (IPR&D). Goodwill, trade name intangibles and IPR&D are recorded as a result of business combinations. When we determine the carrying value of goodwill exceeds its fair value, an impairment charge would be recognized which should not exceed the total amount of goodwill allocated to that reporting unit. We determined fair values for each of the reporting units using the market approach, when available and appropriate, or the income approach, or a combination of both. We assess the valuation methodology based upon the relevance and availability of the data at the time we perform the valuation. If multiple valuation methodologies are used, the results are weighted appropriately.

Our annual test of goodwill, trade name noted no impairment as of October 1, 2022, and we have not identified any other indicators of impairment through September 30, 2023.

On September 30, 2023, we determined that an In-process Research and Development ("IPR&D") nonamortized intangible related to Aidence's Ai Veye Lung Nodule and Veye Clinic would not receive FDA approval for sale in the US without a new submission and additional expenditures for rework in the original projected timeline. The additional expenditures, delay and reduction of US sales affected the estimated fair value of the related IPR&D intangible asset and resulted in impairment charges of \$3.9 million within Cost of operations in our Consolidated Statements of Operations. The estimated fair value of the IPR&D Intangible was determined using the multi-period excess earnings method under the income approach, which estimates the present value of the free cash flows associated with the asset and tax amortization benefit to arrive at the fair value of the asset. We have not identified any other indicators of impairment through September 30, 2023.

Recent Accounting Standards

See Note 3, Recent Accounting and Reporting Standards to the financial statements included in this report for further information.

Results of Operations

The following table sets forth, for the three and nine months ended September 30, 2023 and 2022, the percentage that certain items in the statements of operations bears to total service revenue, inclusive of revenue under capitation contracts.

RADNET, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS EXCEPT SHARE DATA) (unaudited)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
REVENUE				
Service fee revenue	90.0 %	89.1 %	90.1 %	89.1 %
Revenue under capitation arrangements	10.0 %	10.9 %	9.9 %	10.9 %
Total service revenue	100.0 %	100.0 %	100.0 %	100.0 %
OPERATING EXPENSES				
Cost of operations, excluding depreciation and amortization	85.0 %	89.7 %	86.8 %	89.3 %
Depreciation and amortization	8.0 %	8.4 %	8.0 %	8.1 %
(Gain) on contribution of imaging centers into joint venture	(4.2)%	— %	(1.4)%	— %
Loss (gain) on sale and disposal of equipment and other	0.1 %	(0.1)%	0.1 %	0.1 %
Severance costs	0.3 %	0.1 %	0.3 %	0.0 %
Total operating expenses	89.2 %	98.0 %	93.8 %	97.6 %
INCOME (LOSS) FROM OPERATIONS	10.8 %	2.0 %	6.2 %	2.4 %
OTHER INCOME AND EXPENSES				
Interest expense	4.0 %	3.5 %	4.0 %	3.4 %
Equity in earnings of joint ventures	(0.3)%	(0.9)%	(0.3)%	(0.8)%
Non-cash change in fair value of interest rate hedge	0.3 %	(3.6)%	0.1 %	(3.8)%
Other (income) expenses	(1.0)%	0.4 %	(0.2)%	0.1 %
Total other expense (income)	3.0 %	(0.5)%	3.5 %	(1.0)%
INCOME (LOSS) BEFORE INCOME TAXES	7.8 %	2.5 %	2.7 %	3.4 %
(Provision for) Benefit from income taxes	(1.8)%	(0.6)%	(0.6)%	(0.7)%
NET INCOME (LOSS)	6.0 %	1.8 %	2.0 %	2.7 %
Net income attributable to noncontrolling interests	1.6 %	1.7 %	1.6 %	1.6 %
NET INCOME (LOSS) ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	4.4 %	0.2 %	0.4 %	1.2 %

Imaging Center Segment

We have developed our medical imaging centers segment through a combination of organic growth, equity investments, acquisitions and joint venture formations. We have segregated some of our information to demonstrate which is attributable to centers that were in operation through the entirety of the comparison period, and which is attributable to those that were acquired or disposed of during the period. The discussion below shows a breakdown and analysis of revenue and expenses for the three and nine months ended September 30, 2023 and 2022.

Three Months Ended September 30, 2023 Compared to the Three Months Ended September 30, 2022

Total Revenue

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Revenue				
Total Revenue	\$399,081	\$349,144	\$49,937	14.3%
Same Center Revenue	\$365,616	\$339,534	\$26,082	7.7%
Excluded	\$33,465	\$9,610	—	—

Our 7.7% increase in same center revenue over the same period last year was driven by same center total procedure volume growth of 3.4% inclusive of rises in routine and advanced modality imaging procedures of 2.8% and 5.1%, respectively. Excluded amounts refer to revenue contributions for the three month periods ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between July 1, 2022 through September 30, 2023.

Operating Expenses

Total operating expenses for the three months ended September 30, 2023 increased approximately \$18.9 million, or 5.6%, from \$335.4 million for the three months ended September 30, 2022 to \$354.3 million for the three months ended September 30, 2023. The following table sets forth a breakdown of our cost of operations and total operating expenses for the three months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,	
	2023	2022
Salaries and professional reading fees, excluding stock-based compensation	\$ 212,127	\$ 195,878
Stock-based compensation	3,937	2,604
Building and equipment rental	29,781	31,420
Medical supplies	21,285	18,121
Other operating expenses *	71,972	59,845
Cost of operations	339,102	307,868
Depreciation and amortization	30,379	27,590
(Gain) Loss on contribution of imaging centers into joint venture	(16,808)	—
Loss on sale and disposal of equipment	524	(253)
Severance costs	1,141	187
Total operating expenses	\$ 354,338	\$ 335,392

*Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, telecom, utilities, marketing, travel and other expenses.

The discussion below provides additional information and analysis on changes in our various operating expenses for the three months ended September 30, 2023 and 2022 (in thousands):

Salaries and professional reading fees, excluding stock-based compensation and severance

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Salaries and Professional Fees				
Total Salaries	\$212,127	\$195,878	\$16,249	8.3%
Same Center Salaries	\$197,075	\$190,862	\$6,213	3.3%
Excluded	\$15,052	\$5,016	—	—

Stemming from the higher procedure volumes noted above, our staffing levels were adjusted to support the influx of patients seeking radiology procedures. Similar to other businesses, we still face inflation in employee cost as we compete for talent in the marketplace. Excluded amounts refer to salaries and professional reading fees for the three month periods ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between July 1, 2022 through September 30, 2023.

Stock-based compensation

Stock-based compensation for the three months ended September 30, 2023 increased approximately \$1.3 million, or 51.2%, from \$2.6 million for the three months ended September 30, 2022 to \$3.9 million for the three months ended September 30, 2023. This increase was driven by the higher fair value of RSA's, additional and higher probability adjusted Performance Stock Options ("PSO") and Performance Stock Units ("PSU") granted and vested in the nine months of 2023 as compared the prior year's same period.

Building and equipment rental

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Building & Equipment Rental				
Total	\$29,781	\$31,420	\$(1,639)	(5.2)%
Same Center	\$26,349	\$29,053	\$(2,704)	(9.3)%
Excluded Sites	\$3,432	\$2,367	—	—

The decrease in building and equipment rental expense relates to reduced equipment rental relating to operating lease contracts which ended or were bought out during 2022. Excluded amounts refer to building and equipment rental for the three month periods ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between July 1, 2022 through September 30, 2023.

Medical supplies

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Medical Supplies Expense				
Total	\$21,285	\$18,121	\$3,164	17.5%
Same Center	\$19,636	\$17,291	\$2,345	13.6%
Excluded Sites	\$1,649	\$830	—	—

The increase in medical supplies expense was driven by higher patient volume combined with price increases for contrasting agents used in advanced radiology procedures. In addition, we had a high utilization rate of a specialty isotope PYLARIFY which is used in our PSMA study of prostate cancer, for which we are ultimately reimbursed on a cost plus margin basis that exceeds our initial expense outlay. Excluded amounts refer to medical supplies expense for the three month periods ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between July 1, 2022 through September 30, 2023.

Other operating expenses

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Other Operating Expenses				
Total	\$71,972	\$59,845	\$12,127	20.3%
Same Center	\$65,518	\$57,881	\$7,637	13.2%
Excluded Sites	\$6,454	\$1,964	—	—

The rise in other operating expenses was experienced across all of our major categories to support the increase in volumes at inflated prices compared to the same period in the prior year. Excluded amounts refer to other operating expenses for the three month periods ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between July 1, 2022 through September 30, 2023.

Additional segment operating and non operating expenses:

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Depreciation and amortization	\$30,379	\$27,590	\$2,789	10.1%
(Gain) Loss on contribution of imaging centers into joint venture	(\$16,808)	\$—	(16,808)	nm
Loss on disposal of equipment and other	\$524	(\$253)	\$777	(307.1)%
Non-cash change in fair value of interest rate hedge	\$1,014	(\$12,451)	13,465	(108.1)%
Other expenses (income)	(\$3,920)	\$447	(4,367)	(977.0)%
Severance	\$1,141	\$187	954	510.2%

nm= not meaningful

Interest expense

In Thousands	Three Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Interest Expense				
Total Interest Expense	\$16,116	\$12,420	\$3,696	29.8 %
Cash Paid for Interest	\$19,255	\$10,564	\$8,691	82.3 %

The rise in total interest expense is attributable to a higher overall loan balances in combination with increased variable interest rates paid on those balances compared to the same period in the prior year. The change in cash paid for interest relates to timing of interest rate elections.

During 2022 we refinanced our Truist term loan which added an additional \$108.0 million in obligations to our balance sheet in the fourth quarter. Based on recent increases in global interest rates, we expect the effective interest rates on our senior credit facilities, and our related interest expense, to continue to rise in the near term. See "Liquidity and Capital Resources" below for more details on our credit facilities.

To mitigate our future interest expense exposure we have entered into certain interest rate swap agreements. During the three months ended September 30, 2023, we received cash payments from our swap agreements of approximately \$4.2 million, which was offset against our overall interest expense. See the Derivative Instruments section of Note 2, Significant Accounting Policies, to the financial statements included in this report for more details on our derivative transactions.

Equity in earnings from unconsolidated joint ventures

For the three months ended September 30, 2023 we recognized equity in earnings from unconsolidated joint ventures in the amount of \$1.1 million and for three months ended September 30, 2022 we recognized equity in earnings from unconsolidated joint ventures of \$3.1 million, a decrease of \$2.0 million or 64.9%. The decrease was mainly related to the equity in earnings received from our venture operations in Arizona.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Total Revenue

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Revenue				
Total Revenue	\$1,188,849	\$1,043,129	\$145,720	14.0%
Same Center Revenue	\$1,091,551	\$1,015,799	\$75,752	7.5%
Excluded	\$97,298	\$27,330	—	—

Our 7.5% increase in same center revenue over the same period last year was driven by same center total procedure volume growth of 6.1% inclusive of rises in routine and advanced modality imaging procedures of 5.8% and 7.2%, respectively. Excluded amounts refer to revenue contributions for the nine month period ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between January 1, 2022 through September 30, 2023.

Operating Expenses

Total operating expenses for the nine months ended September 30, 2023 increased approximately \$99.1 million, or 9.9%, from \$999.2 million for the nine months ended September 30, 2022 to \$1,098.3 million for the nine months ended September 30, 2023. The following table sets forth a breakdown of our cost of operations and total operating expenses for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Salaries and professional reading fees, excluding stock-based compensation	\$ 640,459	\$ 584,080
Stock-based compensation	19,484	16,993
Building and equipment rental	88,781	92,249
Medical supplies	63,829	48,200
Other operating expenses *	209,757	175,807
Cost of operations	1,022,310	917,329
Depreciation and amortization	90,204	80,496
(Gain) loss on contribution of imaging centers into joint venture	(16,808)	—
(Gain) loss on sale and disposal of equipment	1,185	936
Severance costs	1,417	488
Total operating expenses	\$ 1,098,308	\$ 999,249

*Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, telecom, utilities, marketing, travel and other expenses.

Salaries and professional reading fees, excluding stock-based compensation and severance

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Salaries and Professional Fees				
Total Salaries	\$640,459	\$584,080	\$56,379	9.7%
Same Center Salaries	\$597,488	\$570,275	\$27,213	4.8%
Excluded	\$42,971	\$13,805	—	—

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Staffing levels have been adjusted to support higher patient volumes with the corresponding rise in salaries and professional fee expense. Excluded amounts refer to salaries and professional reading fees for the nine month period ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between January 1, 2022 through September 30, 2023.

Stock-based compensation

Stock-based compensation increased \$2.5 million, or 14.7% to approximately \$19.5 million for the nine months ended September 30, 2023 compared to \$17.0 million for nine months ended September 30, 2022. This increase was driven by the higher fair value of RSA's, additional and higher probability adjusted Performance Stock Options ("PSO") and Performance Stock Units ("PSU") granted and vested in the nine months of 2023 as compared the prior year's same period.

Building and equipment rental

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Building & Equipment Rental				
Total	\$88,781	\$92,249	\$(3,468)	(3.8)%
Same Center	\$78,098	\$85,358	\$(7,260)	(8.5)%
Excluded Sites	\$10,683	\$6,891	—	—

The decrease in building and equipment rental expenses was related to a reduction of operating lease contracts that were terminated or bought out during 2022. Excluded amounts refer to building and equipment rental for the nine month period ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between January 1, 2022 through September 30, 2023.

Medical supplies

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Medical Supplies Expense				
Total	\$63,829	\$48,200	\$15,629	32.4%
Same Center	\$59,231	\$46,249	\$12,982	28.1%
Excluded Sites	\$4,598	\$1,951	—	—

Medical supplies expense increase stems from the overall procedural volumes noted above compared to the same period in the prior year and from the high utilization rate of a specialty isotope PYLARIFY which is used in our PSMA study of prostate cancer, for which we are ultimately reimbursed on a cost plus margin basis that exceeds our initial expense outlay. Excluded amounts refer to medical supplies for the nine month period ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between January 1, 2022 through September 30, 2023.

Other operating expenses

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Other Operating Expenses				
Total	\$209,757	\$175,807	\$33,950	19.3%
Same Center	\$193,822	\$169,932	\$23,890	14.1%
Excluded Sites	\$15,935	\$5,875	—	—

The increase in other operating expenses is related to increased infrastructure support cost, additional new equipment, and general inflationary cost increases. Excluded amounts refer to other operating expenses for the nine month period ending September 30, 2023 and September 30, 2022, respectively, from centers that were acquired or divested between January 1, 2022 through September 30, 2023.

Additional segment operating and non operating expenses:

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Depreciation and amortization	\$90,204	\$80,496	\$9,708	12.1%
(Gain) Loss on contribution of imaging centers into joint venture	\$(16,808)	—	\$(16,808)	nm
Loss on disposal of equipment and other	\$1,185	\$936	\$249	26.6%
Non-cash change in fair value of interest rate hedge	\$949	\$(39,576)	\$40,525	(102.4)%
Other expenses (income)	\$(4,011)	\$1,892	\$(5,903)	(312.0)%
Severance	\$1,417	\$488	\$929	190.4%

nm= not meaningful

Interest expense

In Thousands	Nine Months Ended September 30,			
	2023	2022	\$ Increase/(Decrease)	% Change
Interest Expense				
Total Interest Expense	\$47,876	\$35,398	\$12,478	35.3 %
Cash Paid for Interest	\$59,421	\$30,251	\$29,170	96.4 %

The rise in total interest expense is attributable to a higher overall loan balances in combination with increased variable interest rates paid on those balances compared to the same period in the prior year. The change in cash paid for interest relates to timing of interest rate elections.

During 2022 we refinanced our Truist term loan which added an additional \$108.0 million in obligations to our balance sheet in the fourth quarter. Based on recent increases in global interest rates, we expect the effective interest rates on our senior credit facilities, and our related interest expense, to continue to rise in the near term. See "Liquidity and Capital Resources" below for more details on our credit facilities.

To mitigate our future interest expense exposure we have entered into certain interest rate swap agreements. During the nine months ended September 30, 2023, we received cash payments from our swap agreements of approximately \$10.9 million, which was offset against our overall interest expense. See the Derivative Instruments section of Note 2, Significant Accounting Policies, to the financial statements included in this report for more details on our derivative transactions.

Equity in earnings from unconsolidated joint ventures

For the nine months ended September 30, 2023 we recognized equity in earnings from unconsolidated joint ventures in the amount of \$3.9 million and for the nine months ended September 30, 2022 we recognized equity in earnings from unconsolidated joint ventures of \$8.4 million, an decrease of \$4.4 million or 52.9%. The decrease was mainly related to the equity in earnings received from our interest in the Arizona Diagnostic Radiology Group joint venture, which was formed in the fourth quarter of 2020.

Income tax expense

We recorded a provision for income tax of \$7.7 million, or an effective tax rate of 24.1%, for the nine months ended September 30, 2023 compared to a provision for income tax of \$7.1 million, or an effective tax rate of 19.8% for the nine months ended September 30, 2022. The income tax rates for the three and nine months ended September 30, 2023 diverge from the federal statutory rate due to benefits related to (i) noncontrolling interests from controlled partnerships, (ii) foreign tax rate differentials, (iii) reversal of uncertain tax positions due to statute of limitation expiration, and (iv) release of state valuation allowances, offset by (i) effects of state income taxes and related prior year adjustments, (ii) share-based compensation, (iii) officer's compensation limitations, and (v) partial valuation allowance on losses in foreign jurisdictions.

AI Segment

Our AI segment develops and deploys clinical applications to enhance interpretation of medical images and improve patient outcomes with an emphasis on brain, breast, prostate, and pulmonary diagnostics. We are developing our AI segment initially through acquisition activity. The breakdown of revenue and expenses of the segment for the three and nine months ended September 30, 2023 and 2022 are as follows:

In Thousands		Three Months Ended September 30,			Nine Months Ended September 30,				
		2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Statement of Operations									
Revenue		\$2,887	\$900	\$1,987	220.8 %	\$7,398	\$3,056	\$4,342	142.0 %
Salaries and Wages		\$4,212	\$3,641	\$571	15.7 %	\$13,298	\$11,370	\$1,928	16.9 %
Stock Compensation		388	713	-325	(45.6)%	1,897	2,119	-222	(10.5)%
Other operating		1,174	1,721	-547	(31.8)%	4,383	3,939	444	11.3 %
Non-cash change to contingent consideration		-7,191	—	-7,191	— %	-7,191	—	-7,191	— %
Acquisition related to non-cash intangible adjustment		3,950	—	3,950	— %	3,950	—	3,950	— %
Depreciation & Amort.		1,831	1,639	192	11.7 %	5,501	4,713	788	16.7 %
Other operating loss (gain)		3	6	(3)	(50.0)%	(2)	26	(28)	(107.7)%
Severance		12	8	4	— %	1,740	8	1,732	— %
Total operating expenses		\$4,379	\$7,728	(\$3,349)	(43.3)%	\$23,576	\$22,175	\$1,401	6.3 %
Loss from Operations		(\$1,492)	(\$6,828)	\$5,336	(78.1)%	(\$16,178)	(\$19,118)	\$2,940	(15.4)%
Other expense (income)		(\$162)	\$958	(\$1,120)	(116.9)%	\$1,401	(\$329)	\$1,730	525.6 %
Income before taxes		(\$1,330)	(\$7,786)	\$6,456	(82.9)%	(\$17,579)	(\$18,790)	\$1,211	(6.4)%
Income taxes		(\$4,492)	(\$1,286)	(\$3,206)	249.3 %	(\$5,862)	(\$2,743)	(\$3,119)	113.7 %
Segment net loss		\$3,162	(\$6,500)	\$9,662	(148.6)%	(\$11,717)	(\$16,047)	\$4,330	(27.0)%

In February of 2023, we launched our Enhanced Breast Cancer Detection service, powered by DeepHealth AI, which provides patients an advanced screening mammography service along with a life time risk assessment for breast cancer and post mammography support. The service is now fully rolled-out to all of our mammography centers on the east coast, where it is experiencing close to a 35% adoption rate. This is expected to grow as we continue to educate patients and referring physicians about its significant advantages over current practices. Additionally in May of 2023, our subsidiary Quantib B.V., received FDA clearance of its third generation prostate reading and reporting tool that improves the workflow and output for radiologists and urologists. These events have resulted in revenues from our AI segment increasing 142.1% for the nine month period ended September 30, 2023, over the same period in 2022. However, we anticipate that our AI segment will continue to generate losses in the near term as we pursue the continued commercialization of our AI products and expansion of our various cancer detection programs.

Adjusted EBITDA

We use both GAAP and non-GAAP metrics to measure our financial results. We believe that, in addition to GAAP metrics, certain non-GAAP metrics, such as Adjusted EBITDA assist us in measuring our business performance, cash generated from operations, leverage capacity and ability to service our debt obligations.

Our Adjusted EBITDA metric removes non-cash and non-recurring charges that occur in the affected period and provides a basis for measuring the Company's core financial performance against other periods.

We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, as adjusted to exclude losses or gains on the disposal of equipment, other income or loss, loss on debt extinguishment, bargain purchase gains, loss on de-consolidation of joint ventures and non-cash equity compensation. Adjusted EBITDA includes equity earnings in unconsolidated operations and subtracts allocations of earnings to noncontrolling interests in subsidiaries, and is adjusted for non-cash or one-time events that take place during the period.

Adjusted EBITDA is a non-GAAP financial measure used as an analytical indicator by us and the healthcare industry to assess business performance, and is a measure of leverage capacity and ability to service debt. Adjusted EBITDA should not be considered a measure of financial performance under GAAP, and Adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. Adjusted EBITDA is not a measurement determined in accordance with GAAP and is therefore susceptible to varying methods of calculation and this metric, as presented, may not be comparable to other similarly titled measures of other companies.

The following is a reconciliation of GAAP net income attributable to RadNet, Inc. common stockholders to Adjusted EBITDA for the three and nine months ended September 30, 2023 and 2022, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income attributable to RadNet, Inc. common stockholders	\$ 17,540	\$ 668	\$ 4,904	\$ 11,585
Income taxes	7,220	2,188	7,741	7,087
Interest expense	16,115	12,420	47,876	35,398
Severance costs	1,153	195	3,157	496
Depreciation and amortization	32,210	29,229	95,705	85,209
Non-cash employee stock-based compensation	4,325	3,317	21,381	19,112
(Gain) loss on sale and disposal of equipment and other	527	(247)	1,183	962
Non-cash change in fair value of interest rate hedge	1,015	(12,451)	949	(39,576)
Gain on contribution of imaging centers into joint venture	(16,808)	—	(16,808)	—
Other expenses	(4,081)	1,405	(2,609)	1,562
Legal settlements	—	—	—	2,197
Non-cash change to contingent consideration	(6,276)	—	(3,646)	—
Change in estimate related to refund liability	—	8,089	—	8,089
Acquisition related non-cash intangible adjustment	3,950	—	3,950	—
Non operational rent expenses	1,030	959	2,748	3,120
Adjusted EBITDA including EBITDA losses from AI Segment	\$ 57,920	\$ 45,772	\$ 166,531	\$ 135,241
EBITDA Losses from AI Segment	2,499	4,462	10,283	12,253
Adjusted EBITDA excluding EBITDA losses from AI Segment	\$ 60,419	\$ 50,234	\$ 176,814	\$ 147,494

The following table is a reconciliation of GAAP net income for our AI Segment to Adjusted EBITDA for the three and nine months ended September 30, 2023 and 2022, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Segment net loss	\$ 3,162	\$ (6,500)	\$ (11,717)	\$ (16,047)
Stock Compensation	388	713	1,897	2,119
Depreciation & Amortization	1,831	1,639	5,501	4,713
Other operating loss	3	6	(2)	26
Other expense (income)	(162)	958	1,401	(329)
Severance	12	8	1,740	8
Income taxes	(4,492)	(1,286)	(5,862)	(2,743)
Non-cash change to contingent consideration	(7,191)	—	(7,191)	—
Acquisition related to non-cash intangible adjustment	3,950	—	3,950	—
Adjusted EBITDA from AI Segment	\$ (2,499)	\$ (4,462)	\$ (10,283)	\$ (12,253)

Liquidity and Capital Resources

The following table summarizes key balance sheet data related to our liquidity as of September 30, 2023 and December 31, 2022 and income statement data for the nine months ended September 30, 2023 and 2022 (in thousands):

	September 30,		December 31, 2022
	2023	2022	
Balance Sheet Data:			
Cash and cash equivalents	\$ 337,884	\$ 127,834	
Accounts receivable	167,736	166,357	
Working capital (exclusive of current operating lease liabilities)	230,919	(41,932)	
Stockholders' equity	796,158	491,452	
 Income statement data for the nine months ended September 30,			
Total net revenue	\$ 1,196,247	\$ 1,046,185	
Net income attributable to RadNet common stockholders	4,904	11,585	

We operate in a capital intensive, high fixed-cost industry that requires significant amounts of capital to fund operations. In addition to operations, we require a significant amount of capital for the initial start-up and development of new diagnostic imaging centers, the acquisition of additional centers and new diagnostic imaging equipment. Because our cash flows from operations have been insufficient to fund all of these capital requirements, we have depended on the availability of financing under credit arrangements with third parties to fund our working capital requirements.

We have credit available from our current credit facilities and borrowing under those facilities is subject to continued compliance with lending covenants. We currently meet those requirements, and expect that we will continue to do so for the foreseeable future, but substantial and sustained operating losses could impact our ability to borrow under those facilities. If we are not able to meet such requirements, we may be required to seek additional financing and there can be no assurance that we will be able to obtain financing from other sources on terms acceptable to us, if at all.

On a continuing basis, we also consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures and joint ventures. These types of transactions may result in future cash proceeds or payments but the general timing, size or success of any acquisition, divestiture or joint venture effort and the related potential capital commitments cannot be predicted. We expect to fund any future acquisitions primarily with cash flow from operations and borrowings, including borrowing from amounts available under our senior secured credit facilities or through new equity or debt issuances.

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We and our subsidiaries or affiliates may from time to time, in our sole discretion, purchase, repay, redeem or retire any of our outstanding debt or equity securities in privately negotiated or open market transactions, by tender offer or otherwise.

Sources and Uses of Cash

The following table summarizes key components of our sources and uses of cash (in thousands) for the nine months ended:

Cash Flow Data	September 30, 2023		September 30, 2022	
Cash provided by (used in) operating activities	\$	131,943	\$	92,770
Cash provided by (used in) investing activities		(152,823)		(123,048)
Cash provided by (used in) financing activities		231,101		(9,938)

Our cash provided by operating activities for the nine months ended September 30, 2022 was affected by the non-cash change in fair value of our interest rate hedge of \$39.6 million.

Cash used in investing activities for the nine months ended September 30, 2023, included purchases of property and equipment for approximately \$136.5 million and the acquisition of imaging business and other assets for \$10.9 million. As part of our business operations we continually evaluate investment opportunities.

Cash provided by financing activities of \$231.1 million for the nine months ended September 30, 2023, was due to net proceeds of the \$245.8 million received from the issuance of 8,711,250 shares of common stock and offset by payments on our term loan obligations and equipment notes. Please see Note 6, Credit Facilities and Notes Payable in the notes to consolidated financial statements included in this report for more information.

Senior Secured Credit Facilities

We maintain secured credit facilities with Barclays Bank PLC and with Truist Bank. The Barclays credit facilities are comprised of first lien term loans and a revolving credit facility of \$195.0 million. The Truist credit facilities are comprised of a term loan and a revolving credit facility of \$50.0 million. As of September 30, 2023, we were in compliance with all covenants under our credit facilities. Deferred financing costs at September 30, 2023, net of accumulated amortization, were \$1.8 million and are specifically related to our revolving credit facilities.

Included in our condensed consolidated balance sheets at September 30, 2023 are \$853.1 million of total term loan debt (exclusive of unamortized discounts of \$10.6 million) in thousands:

-	Face Value	Discount	Total Carrying Value	
			\$	\$
First Lien Term Loans	\$ 708,688	\$ (9,563)		\$ 699,125
Truist Term Loan	144,375	(1,056)		143,319
Total Term Loans	<u>\$ 853,063</u>	<u>\$ (10,619)</u>		<u>\$ 842,444</u>

At September 30, 2023, we had no borrowings under our Barclays or Truist revolving credit facilities. After reserves for outstanding letters of credit of \$7.6 million, we have \$187.4 million available for borrowing under our Barclays Credit Facility and \$50.0 million available under our Truist Revolving Credit Facility.

We expect our existing capital resources, anticipated cash from operations and our borrowing capacity under our credit facilities will be sufficient to sustain our operations for the next twelve months and the foreseeable future. Please see Note 6, Credit Facilities and Notes Payable in the notes to consolidated financial statements included in this report for more information on our secured credit facilities.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk: We receive payment for substantially all of our imaging services exclusively in United States dollars. As a result, our financial results are unlikely to be affected by factors such as changes in foreign currency, exchange rates or weak economic conditions in foreign markets.

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We are exposed to foreign exchange risk with respect to revenues and expenses denominated in the Euro, Canadian Dollar and Hungarian Forint and Pound Sterling. We have Artificial Intelligence operations in the Netherlands, radiology services in the United Kingdom, and maintain research and development centers in Canada and Hungary. At the present time, we do not have any foreign currency exchange contracts to mitigate this risk. At September 30, 2023, a hypothetical 1% decline in the currency exchange rates between the U.S. dollar against these currencies, would have resulted in an annual increase of approximately \$0.3 million in operating expenses.

Interest Rate Sensitivity: We pay interest on various types of debt instruments to our suppliers and lending institutions. The agreements entail either fixed or variable interest rates. Instruments which have fixed rates are mainly leases on radiology equipment. Variable rate interest obligations relate primarily to amounts borrowed under our outstanding credit facilities. Accordingly, our interest expense and consequently, our earnings, are affected by changes in short term interest rates. However due to our purchase of the 2019 Swaps, described below, the effects of interest rate changes are limited.

We can elect SOFR or Alternative Base Rate interest options on amounts outstanding under the First Lien Term Loans. At September 30, 2023, we had \$708.7 million outstanding subject to a SOFR election on First Lien Term Loans and our effective rate plus applicable margin was 8.43%. A hypothetical 1% increase in the SOFR rates under the Restated Credit Agreement would result in an increase of \$2.1 million in annual interest expense and a corresponding decrease in income before taxes, after giving effect to the payments to be received under our 2019 Swaps.

We can elect SOFR or Base Rate interest rate options on amounts outstanding under the Truist Restated Credit and Term Loan Agreement. At September 30, 2023, we had \$144.4 million outstanding subject to an adjusted SOFR election on the Truist Restated Credit and Agreement. At September 30, 2023, our effective SOFR rate plus applicable margin was 7.18%. A hypothetical 1% increase in the adjusted Eurodollar rates under the Truist Restated Credit Agreement would result in an increase of approximately \$1.4 million in annual interest expense and a corresponding decrease in income before taxes.

In the second quarter of 2019, we entered into four forward interest rate agreements ("2019 Swaps"). The 2019 Swaps have total notional amounts of \$500,000,000, consisting of two agreements of \$50,000,000 each and two agreements of \$200,000,000 each. The 2019 Swaps are intended to secure a constant interest rate associated with portions of our variable rate bank debt and have an effective date of October 13, 2020. They will mature in October 2023 for the smaller notional and October 2025 for the larger notional. Under these arrangements, we arranged the 2019 Swaps with locked in 1 month Term SOFR rates at 1.89% for the \$100,000,000 notional and at 1.98% for the \$400,000,000 notional. As of the effective date, we will be liable for premium payments if interest rates decline below arranged rates, but will receive payments under the 2019 Swaps if interest rates rise above the arranged rates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the design and operation of our "disclosure controls and procedures" as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report for the purposes set forth above.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during three months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time we are engaged legal proceedings that arise in the ordinary course of our business. We do not believe that the outcome of any of our current legal proceedings will have a material adverse impact on our business, financial condition and results of operations.

ITEM 1A. Risk Factors

For information about the risks and uncertainties related to our business, please see the risk factors described in our annual report on Form 10-K for the year ended December 31, 2022. The risks described in our annual report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 20, 2023, we issued 56,600 shares to settle a milestone contingent liability as part of our purchase of Heart & Lung Imaging Limited. The shares were ascribed a value of \$1.6 million. The shares of common stock were issued without registration on the basis of the exemption for private placement provided by Section 4(a)(2) under the Securities Act.

On July 7, 2023, we issued 113,303 shares to settle the stock holdback contingent liabilities as part of our purchase of Quantib B.V.. The shares were ascribed a value of \$3.5 million. The shares of common stock were issued without registration on the basis of the exemption for private placement provided by Section 4(a)(2) under the Securities Act.

On April 30, 2023 we issued 114,227 shares to settle the General Holdback liabilities as part of our purchase of all the outstanding stock of Aidence Holding B.V.. The shares were ascribed a value of \$4.0 million. The shares of common stock were issued without registration on the basis of the exemption for private placement provided by Section 4(a)(2) under the Securities Act.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Rule 10b5-1 Trading Plan.

During the fiscal quarter ended September 30, 2023, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. Exhibits

**Exhibit
Number**

Description

31.1	<u>Certification of Howard G. Berger, M.D. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Mark D. Stolper pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Howard G. Berger, M.D. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *</u>
32.2	<u>Certification of Mark D. Stolper pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *</u>
101	The following financial information from RadNet, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Changes in Stockholders Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADNET, INC.
(Registrant)

Date: November 9, 2023

By: /s/ Howard G. Berger, M.D.
Howard G. Berger, M.D., President and Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2023

By: /s/ Mark D. Stolper
Mark D. Stolper, Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Howard G. Berger, M.D., certify that:

1. I have reviewed this report on Form 10-Q of RadNet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023

/s/ Howard G. Berger, M.D.

Howard G. Berger, M.D.

President, Chief Executive Officer and Chairman of the Board of Directors

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark D. Stolper, certify that:

1. I have reviewed this report on Form 10-Q of RadNet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2023

/s/ Mark D. Stolper

Mark D. Stolper
Executive Vice President
and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RadNet, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on November 9, 2023 (the "Report"), I, Howard G. Berger, M.D., Chairman of the Board of Directors and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for the periods presented in the Report.

/s/ Howard G. Berger, M.D.

Howard G. Berger, M.D.

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

November 9, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RadNet, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission on November 9, 2023 (the "Report"), I, Mark D. Stolper, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for the periods presented in the Report.

/s/ Mark D. Stolper
Mark D. Stolper
Chief Financial Officer
(Principal Financial Officer)
November 9, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be furnished to the Securities and Exchange Commission or its staff upon request.