KEY TRENDS AND VALUATION CONSIDERATIONS IN THE CHANGING RADIOLOGY LANDSCAPE

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September 26, 2016

Andrew Colbert
Managing Director
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KEY DISCUSSION TOPICS

1. Ziegler background and introduction
2. Key forces driving change in physician practices and radiology groups
3. Overview of consolidation trends and investor interest in radiology
4. Review of strategic alternatives and practice valuation drivers
5. Stakeholder considerations and illustrative valuation constructs
6. Best practices for a successful transaction process
ANDREW COLBERT BIOGRAPHY / FIRM OVERVIEW

ANDY COLBERT BIO / ZIEGLER PLATFORM

Andy Colbert
Managing Director

- Mr. Colbert leads Ziegler’s New York office and specializes in advising physician groups, with a particular emphasis on Radiology.
- Mr. Colbert joined Ziegler in 2006 as a founding member of Ziegler’s Healthcare Services & IT Corporate Finance practice.
- Mr. Colbert has been engaged in transactions totaling over $2 billion in value; including sell-side and buy-side representation, strategic partnerships, public equity financings, private placements, joint ventures, leveraged buyouts and fairness opinions.
- Prior experience includes work at Morgan Stanley, UBS and FBR.

HEALTHCARE SERVICES & IT
Top 3 in Market

HOSPITAL & HEALTH SYSTEMS
Top 10 in Market

SENIOR LIVING
#1 in Market

PRIVATE EQUITY
(70+ Provider LPs)
ZIEGLER CORPORATE OVERVIEW

- Providing financing and advisory services to the healthcare industry since its founding in 1902
  - ~300 employees
  - ~100 investment banking professionals with 25 focused on M&A
- One of the most active M&A and advisory franchises in healthcare
  - Ranked #3 in M&A league tables in 2015
  - A leading advisor to physician practices with a particular emphasis on radiology
- Significant healthcare facilities financing effort driving a “Holistic” approach
  - #1 in financings to not-for-profit facilities
  - Top ten in financings to not-for-profit hospitals
- Relationships with leading health systems including Adventist, Baptist, Elmhurst Memorial, Mercy Alliance, and many others
- Investment funds targeting healthcare services and IT
  - Over 20 Direct and Fund Related Investments
  - Ziegler Linkage Longevity Fund (70+ Strategic Long-term Partners)

Strategic partnership process for:
- Provider Relationships
- ED / Hospitalist
- Radiology
- Anesthesiology
- Specialty
- ED / Hospital
- Post-Acute
- Senior Living

Recent Deal Counterparties

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* Thomson Reuters M&A League Tables, 2015 – Number of Closed Healthcare M&A Transactions in the Middle Market
* Source: Ziegler, 2017
* Source: Thomson Reuters

ZIEGLER IS A LEADING ADVISOR TO PHYSICIAN PRACTICES

- Dual-track private equity investment process for one of the leading providers of high-quality senior care and services through the Program of All-Inclusive Care for the Elderly (PACE)
- Strategic advisory and recapitalization process for provider of remote image interpretation services
- Buy-side assignment to strategic buyer of an FTE radiology practice
- Strategic advisor in partnership and ownership process to acquire a leading provider of high-quality remote image interpretation services
- Strategic recapitalization process for high-quality senior care and services through the Program of All-Inclusive Care for the Elderly (PACE)
- Strategic advisor in partnership and ownership process for one of the leading providers of high-quality senior care and services through the Program of All-Inclusive Care for the Elderly (PACE)
- Strategic advisory and recapitalization process for provider of remote image interpretation services
- Strategic advisor in partnership and ownership process for one of the leading providers of high-quality senior care and services through the Program of All-Inclusive Care for the Elderly (PACE)
CASE STUDY: RADIOLOGY IMAGING CONSULTANTS

Ziegler Advised Radiology Imaging Consultants (RIC) on its Partnership with Radiology Partners

Business Overview

Leading hospital-based radiology group, servicing hospitals across four states

- Founded in the early 1970s, 1st group to implement 24/7 in-house radiologist coverage
- Regional leading practice with 85+ hospital-based radiologists with subspecialty coverage serving 26 facilities across 4 states
- Sophisticated technology enabled platform with focus on quality care
  - Integrated, unified workflow system enabling seamless distribution of cases
  - High-touch service and reduced TATs, leading to shorter patient LOS
- Industry leading clinical quality
  - Significant subspecialty expertise
  - Culture of peer review and quality metrics monitoring
  - Affiliation with major teaching programs and management of a radiology residency program

The Situation

- Since its founding in 1972, RIC grew organically from a 3-radiologist group with continued operational investments
- In response to the dynamic healthcare environment, RIC became interested in exploring potential partnership strategies in order to:
  - Accelerate growth and capitalize on a significant market opportunity;
  - Further invest in clinical & quality improvements;
  - Improve revenue cycle management capabilities;
  - Increase strategic relevance on a national scale;
  - Enhance future profitability through economies of scale; and
  - Provide partner liquidity with continued upside potential

The Solution

- RIC engaged Ziegler to advise on strategic alternatives and facilitate a potential transaction
- Ziegler introduced RIC to select strategic / financial partners that shared a similar strategic vision
- Radiology Partners (backed by NEA, a leading venture capital firm) was selected as the preferred partner
  - Transaction closed in December 2013
  - RIC served as a foundational platform for Radiology Partners’ national expansion strategy

ZIEGLER’S SUITE OF SERVICES

Differentiated Advisory Approach | Commitment to Client Objectives | Transformative Outcomes

- Capital Raising
  - Relationships with healthcare-focused private equity, venture capital and lenders enable us to identify the right capital partner to support client growth objectives, acquisition-related financings and recapitalizations

- Strategic Partnerships & Customer Development
  - Access to decision makers across multiple healthcare verticals provides a unique opportunity to forge strategic partnerships, enhance customer development initiatives and explore other growth opportunities

- Sell-Side M&A Advisory
  - Hands on approach to advising both private and public clients seeking to sell or divest assets / businesses with senior level resources and personalized attention dedicated to each transaction

- Buy-Side M&A Advisory
  - Extensive track record of advising buyers in identifying appropriate acquisition targets, performing effective valuation analysis, structuring offers and conducting skillful negotiations leading to a successful close

- Valuations
  - Provide clients with a valuation assessment based on a thorough, in-depth analysis using relevant market-specific methodologies

- Corporate Restructuring & Workout Assignments
  - Routinely advise companies, lenders, and institutional investors in restructuring and workout assignments for distressed situations

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## Current Radiology Physician Practice Industry Themes

### ACA Driving Transformation of the Care Delivery Model

<table>
<thead>
<tr>
<th>Large, Growing and Fragmented Market</th>
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<tbody>
<tr>
<td>• $18 billion annual hospital-based professional radiology market estimated to grow at 2% annually</td>
</tr>
<tr>
<td>• Growth driven by demographic trends, technological advances and healthcare reform</td>
</tr>
<tr>
<td>− The over 65 population, which uses 2.5x more radiology than those under 65, expected to grow 60% by 2030</td>
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<td>− Technological advances expanding cost-effective applications for diagnostic imaging</td>
</tr>
<tr>
<td>− Increases in health insurance coverage positively impacting the market for radiology services</td>
</tr>
<tr>
<td>• Fragmented market, with radiology primarily practiced by radiologists in small groups</td>
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<tr>
<td>− Largest independent hospital-based group has ~130 radiologists, or ~0.4% of the nation’s 30,000+ radiologists</td>
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<table>
<thead>
<tr>
<th>Healthcare Reform Driving Changes to Care Delivery and Partnership Models</th>
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</thead>
<tbody>
<tr>
<td>• New care delivery and payment systems to improve outcomes, decrease costs, and increase value</td>
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<tr>
<td>• Focus shifting to prevention and lower-cost care settings, and away from “Fee For Service”</td>
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<tr>
<td>• Increasing focus on hospital-radiologist alignment partnership models to succeed on value-based goals</td>
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<tr>
<td>− Health and Human Services has set a goal of tying 85% of traditional Medicare payments to quality or value by the end of 2016</td>
</tr>
<tr>
<td>• Scaled, technology-driven workflow platforms generate efficiencies while enabling radiologists to focus exclusively on providing high quality radiological services to customers</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Investment Themes</th>
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<tbody>
<tr>
<td>• Large, fragmented industry and favorable industry dynamics creating a unique opportunity for growth</td>
</tr>
<tr>
<td>• Aging population and greater consumer awareness leading to increased demand for preventive care</td>
</tr>
<tr>
<td>• Opportunities to gain economies of scale and improve leverage with payors and vendors</td>
</tr>
<tr>
<td>• Investment in experienced management team that can drive scale, leverage efficient IT / operational infrastructure and ensure high quality clinical care</td>
</tr>
<tr>
<td>• Opportunity for radiology to play an increasingly crucial role in overall population health management</td>
</tr>
</tbody>
</table>
INVESTOR DEMAND FOR PHYSICIAN OUTSOURCING

Since the beginning of 2015, there have been 123 Physician Medical Group transactions totaling approximately $2.5 billion(1); Additionally, the pending Envision and AmSurg merger has a combined market value of approximately $15 billion(2).

Footnotes:
(1) Irving Levin Associates; announced transactions, excluding the Envision / Amsurg merger
(2) Envision Healthcare and AmSurg announce merger on June 15, 2016 – expected to close by year-end 2016

Radiology

Since the beginning of 2015, there have been 123 Physician Medical Group transactions totaling approximately $2.5 billion(1); Additionally, the pending Envision and AmSurg merger has a combined market value of approximately $15 billion(2).

LANDSCAPE OF PUBLIC PHYSICIAN PLATFORMS

<table>
<thead>
<tr>
<th>Company</th>
<th>States(1)</th>
<th>Physicians(2)</th>
<th>Hospitals(3)</th>
<th>2015 Revenue(4)</th>
<th>% of Company Revenue by Specialty(5)</th>
<th>ED</th>
<th>Hospitalist</th>
<th>Anesthesia</th>
<th>Radiology</th>
</tr>
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<tbody>
<tr>
<td>EmCare</td>
<td>42</td>
<td>6,438 FT / 5,220 PT</td>
<td>&gt; 900</td>
<td>$3.6B</td>
<td>68% / 10% / 7% / 1%</td>
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<tr>
<td>Envision</td>
<td>29</td>
<td>3,800 Incl. one other HC Prof.</td>
<td>450 (Total Sites)</td>
<td>$1.3B</td>
<td>6% / NA / 74% / 12%</td>
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<tr>
<td>Sheridan Amsurg</td>
<td>47</td>
<td>4,800 FT / 3,900 Ind. Contractual</td>
<td>3,400 (incl. phys groups)</td>
<td>$3.6B</td>
<td>67% / 12% / 11% / 0%</td>
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<tr>
<td>MEDNAX</td>
<td>35</td>
<td>2,900 / 2,100</td>
<td>$2.8B</td>
<td>0% / 44% Neonatal / 15% Other</td>
<td>37% / 4%</td>
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</tbody>
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Footnotes:
(1) For the fiscal year ended December 31, 2015
(2) Information excludes AMR and Evolution Health business segments
(3) Information based on AmSurg’s physician services business segment
(4) Envision Healthcare and AmSurg announce merger on June 15, 2016 – expected to close by year-end 2016
(5) Sources: SEC filings, Capital IQ, industry research, publicly released corporate materials, Harvey L. Neiman Health Policy Institute

Currently There Is No National Radiology Practice with More Than 500 Radiologists Out of ~33,000 Total Radiologists in the U.S.
**SELECT PHYSICIAN SERVICES COMPANIES – PERFORMANCE AND KEY EVENTS**

**Stock Price Index – Last Two Years**

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<tbody>
<tr>
<td>AMSG</td>
<td>130%</td>
<td>140%</td>
<td>150%</td>
<td>160%</td>
<td>170%</td>
<td>180%</td>
<td>190%</td>
<td>200%</td>
<td>210%</td>
<td>220%</td>
<td>230%</td>
<td>240%</td>
<td>250%</td>
<td>260%</td>
<td>270%</td>
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<td>MD</td>
<td>100%</td>
<td>110%</td>
<td>120%</td>
<td>130%</td>
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<td>180%</td>
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<td>210%</td>
<td>220%</td>
<td>230%</td>
<td>240%</td>
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<tr>
<td>S&amp;P</td>
<td>105%</td>
<td>115%</td>
<td>125%</td>
<td>135%</td>
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<td>195%</td>
<td>205%</td>
<td>215%</td>
<td>225%</td>
<td>235%</td>
<td>245%</td>
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<tr>
<td>TMHE</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
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<td>120%</td>
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<tr>
<td>EvHC</td>
<td>50%</td>
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<td>AMSG</td>
<td>20%</td>
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<td>DVA</td>
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**Key Corporate Events**

1. (10/30/14) MEDNAX reports 2014 3Q EPS of $0.86, including revenue growth of 12.9% compared to the prior year period
2. (5/12/15) MEDNAX announces agreement to acquire vRad
3. (9/21/15) DaVita HealthCare Partners announced plans to acquire the Everett Clinic, a 500 physician independent practice
4. (10/22/15) Envision announces earnings of 30 cents per share in 3Q 2015, representing a 14.3% year over year decline
5. (10/28/15) Envision completes $620M purchase of national ambulance competitor Rural/Metro Corp.
6. (11/2/15) AmSurg Withdraws Proposal to Merge with TeamHealth
7. (11/2/15) Envision completes $620M purchase of national ambulance competitor Rural/Metro Corp.
8. (2/25/16) Activist Jana Partners takes 8% stake in Team Health
10. (5/2/16 & 6/13/16) Mednax’s unit MedData acquires Duet Health and Cardon Outreach
11. (6/17/16) Envision and AmSurg announce merger agreement; transaction expected to close by year-end 2016
12. (8/8/16) DaVita lowers full-year 2016 operating income guidance, primarily due to unexpected weakness in HCP
13. (8/8/16 & 8/15/16) MEDNAX Announces Acquisition of Anesthesiology Practice in Nevada & Maternal-Fetal Medicine Practice in Florida
14. (8/18/16 & 8/22/16) Team Health Announces Acquisition of Anesthesia Associates of Cincinnati and Grossmont Emergency Medical Group

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**MARKET OVERVIEW**

- $21 billion market(1) with market consolidation accelerating over the last 5 years
  - 50% of market outsourced
  - Anesthesia is still far less consolidated than emergency medicine
  - Less than a decade ago, Sheridan was the only anesthesia practice of scale(4)
- Practice consolidators attracted to favorable industry dynamics:
  - Growing demand for surgical procedures driven by aging population and Healthcare Reform
  - Growing importance of anesthesia; strong anesthesia service allows hospitals to add new, profitable surgical lines
- In 2000, ~55% of emergency department services were outsourced to local, regional, and national providers(3)
- In 2015, ~70% of emergency department services were outsourced(5)
  - National providers accounted for 24%
  - Regional providers accounted for 12%

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**MARKET CONSOLIDATION**

- In 2013, national and regional providers accounted for 18% of the market(6)
- In 2015, national and regional providers accounted for 21% of the market(6)
- The percentage of anesthesia physicians working for a large national consolidator has grown from ~6% in 2011 to ~8% today(8)

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**CASE STUDY: CONSOLIDATION OF EMERGENCY MEDICINE & ANESTHESIOLOGY**

**Emergency Department Management**

- Market Overview
  - $12+ billion market(3) that has experienced significant consolidation over the last 15-20 years
  - 70% of market outsourced(5)
  - Practice consolidators attracted to favorable industry dynamics:
    - Projected volume growth and utilization driven by aging population and Healthcare Reform
    - Source of 50% of all inpatient admissions
    - Drives overall market share via increased ED traffic and high patient satisfaction

- Market Consolidation
  - In 2000, ~55% of emergency department services were outsourced to local, regional, and national providers(3)
  - In 2015, ~70% of emergency department services were outsourced(5)
    - National providers accounted for 24%
    - Regional providers accounted for 12%

**Anesthesiology**

- Market Overview
  - $12+ billion market(3) that has experienced significant consolidation over the last 15-20 years
  - 70% of market outsourced(2)
  - Practice consolidators attracted to favorable industry dynamics:
    - Projected volume growth and utilization driven by aging population and Healthcare Reform
    - Source of 50% of all inpatient admissions
    - Drives overall market share via increased ED traffic and high patient satisfaction

- Market Consolidation
  - Market consolidation began accelerating over the last 5 years
    - In 2013, national and regional providers accounted for 18% of the market(6)
    - In 2015, national and regional providers accounted for 21% of the market(6)
    - The percentage of anesthesia physicians working for a large national consolidator has grown from ~6% in 2011 to ~8% today(8)
RADIOLOGY IS POSITIONED AT THE EPICENTER OF INDUSTRY FOCUS

Core Market Drivers

- Favorable demographics (i.e., aging population)
- Advances in imaging technologies
- Strong growth in digital modalities
- Increasing focus on radiation safety
- Highly fragmented market
- Shortage of radiologists
- Need for cost containment
- Focus on quality outcomes
- Increasing need for technology / back office investments
- Scale is critical for success

Well-Poised to Consolidate

- Favorable demographics (i.e., aging population)
- Advances in imaging technologies
- Strong growth in digital modalities
- Increasing focus on radiation safety
- Highly fragmented market

Epicenter of Industry Focus

- Well-Poised to Consolidate
- Epicenter of Industry Focus

$18 Billion Industry(1) With Significant Consolidation Opportunities

(1) Represents hospital-based professional radiology industry; Envision Healthcare 2015 10-K report

EVOLUTION OF RADIOLOGY IN THE CARE CONTINUUM

Radiology 1.0

- Reactionary role with little involvement in ordering decisions
- Low patient / physician interaction
- Limited availability of subspecialty coverage
- 24 hour+ turnaround times the industry norm
- “Fee For Volume” model with no incentive for reducing downstream costs
- Salary-based compensation models
- Low barriers to entry
- Limited adoption of technology to automate workflow
- Little leverage with payers and pressure from declining reimbursement
- Quality poorly measured with no industry standard benchmarks
- Limited involvement in care coordination and health system alignment

Radiology 2.0

- High touch interaction with referring physicians and patients
- 24/7 subspecialty reads as a standard of care
- Turnaround times under 20 minutes
- State of the art technology and operations drive streamlined workflow
- Data to support increasing hospital efficiency and clinical initiatives
- Evidence-based insights into outcomes
- Optimized radiologist compensation models based on productivity and quality
- National consolidation into larger platforms
- Increased leverage and bargaining power with insurers
- Better care coordination and alignment with ED / hospitalists and increased referrals

Opportunity for Radiology to Take a Leadership Position in Reshaping Health Care Delivery
# Radiology Strategic Landscape – Who’s Buying / Investing

<table>
<thead>
<tr>
<th>Platform</th>
<th>Owner / Sponsor</th>
<th>Notes</th>
<th>Acquisition / Affiliation Activity</th>
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<tbody>
<tr>
<td><strong>Sheridan</strong></td>
<td>Public</td>
<td>~3,800 physicians serving 450 hospitals</td>
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</tr>
<tr>
<td><strong>Envision</strong></td>
<td>Public</td>
<td>More than 6,000 full-time physicians serving &gt; 900 hospitals</td>
<td></td>
</tr>
<tr>
<td><strong>MEDNAX</strong></td>
<td>Public</td>
<td>&gt; 550 affiliated radiologists serving facilities across all 50 states</td>
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<tr>
<td><strong>NEA</strong></td>
<td>Spectrum Partners</td>
<td>~300 radiologists serving ~200 hospitals and eight health systems in 7 states</td>
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<tr>
<td><strong>CRS</strong></td>
<td>Pinellas Radiology Associates</td>
<td>~550 radiologists serving 400 facilities in 25 states</td>
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<tr>
<td><strong>Foundation</strong></td>
<td>Premier Imaging Associates</td>
<td>Providing full-service hospital-based radiology services</td>
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<tr>
<td><strong>Aris</strong></td>
<td>Optimal Imaging</td>
<td>&gt;350 affiliated radiologists serving facilities across all 50 states</td>
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<tr>
<td><strong>Radiology Partners</strong></td>
<td></td>
<td>Network of over 40 radiologists providing services across 55 states</td>
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<tr>
<td><strong>Shafaie Enterprises</strong></td>
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<td>Meridian Regional Imaging</td>
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<tr>
<td><strong>Singleton Associates</strong></td>
<td></td>
<td>Sheridan Radiology Associates</td>
<td></td>
</tr>
<tr>
<td><strong>Imaging Associates</strong></td>
<td></td>
<td>Radiology 24/7</td>
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</table>

Over 20 Financial Sponsors Actively Seeking Investments in Radiology

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**Strategic Alternatives and Key Shareholder Considerations**

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1. **Sheridan** focuses on outpatient management, offering a range of services to hospitals and healthcare providers.
2. **Envision** is a leader in providing full-service radiology services nationwide.
3. **MEDNAX** specializes in radiology services for hospitals and healthcare systems.
4. **NEA** offers radiology services in various health systems across multiple states.
5. **CRS** is known for its extensive network of radiologists serving numerous facilities.
6. **Foundation** provides comprehensive radiology services, including full-service hospital-based services.
7. **Aris** offers radiology services with a strong focus on affiliated radiologists.
8. **Radiology Partners** operates with a network of over 40 radiologists.
9. **Shafaie Enterprises** and **Singleton Associates** are part of the Meridian Regional Imaging group, providing radiology services.
10. **Imaging Associates** are associated with Sheridan Radiology Associates and Radiology 24/7, offering comprehensive services.

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**Footnotes:**
- ...AmSurg’s physician services business segment.
- ...AMR and Evolution Health business segments.
- Merger in process.
BUSINESS LIFECYCLE CONSIDERATIONS

Importance of Investing in Future Growth to Ensure Continued Shareholder Value Creation

<table>
<thead>
<tr>
<th>Time</th>
<th>Enterprise Value</th>
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<tbody>
<tr>
<td>Phase I: Practice Build</td>
<td></td>
</tr>
<tr>
<td>Phase II: Growth State</td>
<td></td>
</tr>
<tr>
<td>No investment</td>
<td></td>
</tr>
<tr>
<td>Practice expansion through investment in scale and infrastructure</td>
<td></td>
</tr>
<tr>
<td>Time to seek outside investors or sale of practice</td>
<td></td>
</tr>
<tr>
<td>Consider business event on an opportunistic basis</td>
<td></td>
</tr>
</tbody>
</table>

KEY SHAREHOLDER CONSIDERATIONS

BUSINESS GROWTH
- Flexibility in a changing environment
- Ability to grow faster
- Opportunity to bolster management team
- Increased investment in technology / infrastructure to drive efficiency

FINANCIAL STABILITY
- Mix of growth capital vs. liquidity
- Opportunity for upside potential
- Adaptability of business model

DEAL STRUCTURE
- Near-term vs. long-term liquidity
- Go-forward role, incentives and commitment of management / founders
- Corporate governance structure and rights / preferences of retained ownership (if applicable)

PARTNER SELECTION
- Experience growing similar businesses
- Relationships with hospitals and other industry players
- Commitment to service quality and patient care
- Preservation of physician culture and long-term employment
- Ability and willingness to pay; highest certainty & shortest timeline to closing
- Minimized competitive issues / disruption to on-going business

PROCESS
- Broad auction vs. targeted approach
- Standardized information memorandum vs. individualized / dynamic management presentation
- Timing of data room access, management presentations & detailed due diligence (pre vs. post LOI)
- Treatment of sensitive disclosures and customer diligence
- Management team availability during preparation of marketing materials, diligence and investor meetings
**PROS AND CONS OF STRATEGIC ALTERNATIVES**

**Leading, Differentiated Radiology Platforms are in a Position to Consider a Number of Strategic Alternatives**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status Quo</td>
<td>• Control of business and cash flow distributions&lt;br&gt; • Shareholders retain full upside potential (no equity dilution)&lt;br&gt; • No business disruption</td>
<td>• Scale challenges&lt;br&gt; • Positioning in an increasingly competitive landscape&lt;br&gt; • Potential for management/shareholder fatigue</td>
</tr>
<tr>
<td>Bolt-On Acquisition</td>
<td>• Builds immediate scale and improves competitive positioning&lt;br&gt; • Broadens national reach and practice&lt;br&gt; • Could create financing opportunity providing growth capital and some shareholder liquidity</td>
<td>• Post-transaction management structure and physician alignment challenges&lt;br&gt; • Business combination and technical integration issues</td>
</tr>
<tr>
<td>Growth Capital Investment</td>
<td>• Growth capital for expansion initiatives / infrastructure growth&lt;br&gt; • Potential to increase total return by retaining equity in the business&lt;br&gt; • Additional strategic guidance and management support</td>
<td>• Differences in vision for strategy given return-driven investor&lt;br&gt; • Give up partial or majority control&lt;br&gt; • Dilution of current equity owners</td>
</tr>
<tr>
<td>Partial Liquidity Event</td>
<td>• Opportunity for some shareholder liquidity&lt;br&gt; • Potential to increase total return by retaining equity in the business&lt;br&gt; • Additional strategic guidance and management support</td>
<td>• Differences in vision for strategy given return-driven investor&lt;br&gt; • Give up partial or majority control&lt;br&gt; • Dilution of current equity owners</td>
</tr>
<tr>
<td>Practice Sale / Merger</td>
<td>• Shareholder liquidity at premium valuation given control transaction - cash and/or stock with the potential of various vesting provisions and earn-out structures&lt;br&gt; • Additional resources to drive growth&lt;br&gt; • Stronger market positioning &amp; leverage from increased scale</td>
<td>• Potential for directional leadership differences&lt;br&gt; • Business combination and technical integration issues&lt;br&gt; • At risk of parent company performance</td>
</tr>
</tbody>
</table>

**PRACTICE VALUATION DRIVERS**

<table>
<thead>
<tr>
<th>DISCOUNT</th>
<th>MARKET</th>
<th>PREMIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Dynamics</td>
<td>• Size and Growth of Market Opportunity&lt;br&gt; • Competitive Landscape</td>
<td>- ø +</td>
</tr>
<tr>
<td>“Best of Breed” Perception</td>
<td>• Strong Client Base&lt;br&gt; • Unified Workflows and Proprietary Technology&lt;br&gt; • Benefits Delivered to Partner Hospitals</td>
<td>- ø +</td>
</tr>
<tr>
<td>Financial Performance &amp; Scale</td>
<td>• Revenue Scale and Growth&lt;br&gt; • Customer Retention and Revenue Predictability&lt;br&gt; • Diversification of Customer Base&lt;br&gt; • Profit Margins and Sustainability</td>
<td>- ø +</td>
</tr>
<tr>
<td>Internal Preparation</td>
<td>• Quality of Financial Reporting and Robustness of Projections&lt;br&gt; • Organization of Corporate Documentation / Contracts&lt;br&gt; • Effective Market Positioning Strategy</td>
<td>- ø +</td>
</tr>
<tr>
<td>Management Team</td>
<td>• Depth of Experience&lt;br&gt; • Capabilities of Administrative Staff and Mid-levels</td>
<td>- ø +</td>
</tr>
</tbody>
</table>
ILLUSTRATIVE VALUATION CONSTRUCT

Hypothetical Pre-Tax Value Per Partner

- Attractive tax-rate arbitrage resulting from exchanging a stream of income (taxed at ordinary income rates) for deal consideration at Closing, taxed predominately at long-term capital gains rates
- Additional benefit from receiving a lump sum at Closing vs. stream of payments over time
- Valuation is highly dependent upon each practice’s individual characteristics including future earnings potential, growth rate and profitability
  - Many risk factors must be incorporated into the valuation exercise
  - Valuation is highly driven by future expectations and historical earnings may not be representative of future prospects
  - Actual valuation multiple may be higher or lower than shown in the illustrative construct
- Deals typically involve upside going forward in addition to salary (i.e. profit sharing or equity retention, etc.)

### Hypothetical Valuation Structure

<table>
<thead>
<tr>
<th>Current Partner Compensation</th>
<th>$600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Go-Forward Compensation</td>
<td>$400</td>
</tr>
<tr>
<td>Profit</td>
<td>$200</td>
</tr>
<tr>
<td>Plus: Potential Synergies</td>
<td>TBD</td>
</tr>
<tr>
<td>Potential Profit at Close, Per Partner</td>
<td>$200</td>
</tr>
</tbody>
</table>

### Hypothetical Pre-Tax Value Per Partner

<table>
<thead>
<tr>
<th>EBITDA Multiple</th>
<th>$1,500</th>
<th>$1,750</th>
<th>$2,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,200</td>
<td>$1,400</td>
<td>$1,600</td>
<td></td>
</tr>
<tr>
<td>$1,500</td>
<td>$1,750</td>
<td>$2,000</td>
<td></td>
</tr>
</tbody>
</table>

### Best Practices to Achieve an Optimal Outcome

**Roadmap to Prepare the Company for a Successful Transaction Process**

**Advisor Selection**
- Investment banker with proven track record of advising radiology groups
- Attorney with M&A experience, specifically who understands complexity of MSO structures
- Accountant / tax expert with national scope

**Strategic Objectives Assessment**
- Complete thorough evaluation of strategic alternatives and hypothetical valuation ranges with Investment Banking (IB) partner
- Evaluate various transaction alternatives with Attorney, Accountant and IB to determine most tax efficient structure
- Review transaction options with practice and determine the desired process forward
- Decide on list of potential partner(s) that share common vision and strategy with the practice

**Financial Modeling**
- Work with IB to build a detailed financial projections model that will hold up to intense investor scrutiny
- Create a set of financials in accrual basis, taking into account new contract wins, go-forward comp model and expense adjustments
- Work with IB to prepare for Quality of Earnings review (to be conducted by national accounting firm)
- Compile a pipeline of new opportunities: estimated volume, revenue, margins, location and timing
**BEST PRACTICES TO ACHIEVE AN OPTIMAL OUTCOME (CONT’D)**

**Platform Positioning**
- Develop thesis around differentiated offering relative to other radiology groups in the market to demonstrate scarcity value, clinical quality, market opportunity and scalability of the Company's platform (practice vs. platform).
- Create a list of any potential “diligence issues” and develop strong responses to get in front of any potential investor concerns.
- Rehearse across all due diligence areas to ensure management is prepared (legal, finance, HR, technology, regulatory, etc.).

**General Housekeeping**
- Organize contracts (e.g., radiologist, payor, customer and vendor contracts) and summarize key terms into a master summary.
- Compile summary of all existing MedMal claims and any other open / pending liabilities.
- Prepare for detailed HR / benefits review and create detailed HR matrix with comp, benefits, staffing detail, etc.
- Prepare for detailed billing charge extraction review with data on each individual claim for the past three years.
- Prepare for clinical / coding review.
- Conduct detailed staffing review and strategic plan regarding potential optimizations.
- Prepare for detailed technology system review, including detail on anticipated future expenditures.
- Review all legal, operational and financial documents to ensure consistency and completeness and upload files into data room.

**ILLUSTRATIVE TRANSACTION TIMELINE**

<table>
<thead>
<tr>
<th>WEEKS 1 - 4</th>
<th>WEEKS 5 - 9</th>
<th>WEEKS 10 - 14</th>
<th>WEEKS 15 – 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation and Due Diligence</td>
<td>Marketing to Select Potential Partners</td>
<td>Bid Evaluation, Drafting and Due Diligence</td>
<td>Final Negotiations and Transaction Completion</td>
</tr>
<tr>
<td>• Engage advisors</td>
<td>• Contact relevant partners</td>
<td>• Negotiate initial proposals</td>
<td>• Complete due diligence</td>
</tr>
<tr>
<td>• Complete preparation work / housekeeping items</td>
<td>• Negotiate and sign NDAs with interested parties</td>
<td>• Conduct management presentations</td>
<td>• Finish negotiating and drafting transaction documentation</td>
</tr>
<tr>
<td>• Prepare financial projections and positioning</td>
<td>• Distribute marketing materials</td>
<td>• Finalize data room</td>
<td>• Seek necessary shareholder and board approval</td>
</tr>
<tr>
<td>• Draft business overview / investor presentation</td>
<td>• Conduct initial management meetings</td>
<td>• Select preferred partner(s)</td>
<td>• Sign and close transaction</td>
</tr>
<tr>
<td>• Determine ideal transaction structure(s)</td>
<td>• Address high-level diligence items</td>
<td>• Begin drafting transaction legal documentation</td>
<td></td>
</tr>
<tr>
<td>• Select potential partner list (strategic, quasi financial and financial)</td>
<td>• Receive initial indications of interest</td>
<td>• Commence confirmatory business, financial and legal due diligence</td>
<td></td>
</tr>
<tr>
<td>• Begin data room preparation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THANK YOU

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acolbert@ziegler.com

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