LEVERAGE STRATEGIC

MedFlow OS

Vertical SaaS · Outpatient Clinic Management Platform

ACQUISITION INVESTMENT MEMORANDUM — EXECUTIVE SUMMARY

$12.0M	$11.3M	$2.4M	$14.4M	6.0×	108%	76.5%
LTM Revenue	ARR	Adj. EBITDA	Purchase Price	EV / EBITDA	Net Rev. Retention	Gross Margin

COMPANY OVERVIEW

MedFlow OS is a cloud-based EHR, scheduling, billing, and RCM platform for outpatient clinic groups (2–50 physicians). Founded in Nashville in 2014 by Dr. Ryan Patel and Arjun Mehta. Serves **84 clinic groups across ~310 locations** — mission-critical, as clinics cannot submit insurance claims without it. $40K+ switching cost; 5.8-year average tenure. 3 implementation-related churns in FY25 (vs. 2 in FY24) are being actively managed via a CS Manager hire in the 100-Day Plan.

INVESTMENT THESIS — FIVE PILLARS

#	Pillar	Evidence
01	Mission-Critical, Deep Moats	91% GRR · $40K+ switch cost · 5.8yr tenure — best-in-class for sub-50 physician SaaS.
02	ARR Engine, 108% NRR	94% ARR of revenue; 7.3× LTV/CAC (mgmt.), 32.3× full-tenure; 1.6mo CAC payback.
03	57% Valuation Discount	6.0× entry vs. 13.9× comp median — structural, resolvable factors across ownership, leadership and compliance, not fundamentals.
04	Fragmented Market, No Consolidator	200+ vendors, none dominant; $4.2B TAM; 3 bolt-on targets; GPO = 42K+ clinics.
05	EBITDA 20%→29% by FY30	S&M and G&A leverage + AI module (40% adoption, ~80% GM) — operational, not financial.

SAAS METRICS — PER CLINIC LOCATION

Metric	Value	Metric	Value
ARR (Total)	$11.28M	ACV / Location	$36.4K
CAC / Location	$5.0K	LTV/CAC (mgmt. 1yr)	7.3×
LTV/CAC (full tenure)	32.3×	CAC Payback	1.6 months
Gross Logo Retention	91%	Net Revenue Retention	108%

FINANCIAL SNAPSHOT ($000S)

($000s)	FY21	FY22	FY23	FY24	FY25E	FY25 Norm.
Total Revenue	$6,580	$7,720	$8,980	$10,320	$12,000	$12,000
YoY Growth	n/a	17.3%	16.3%	14.9%	16.3%	16.3%
Adj. EBITDA	$463	$720	$1,298	$1,721	$2,400	$2,780
EBITDA Margin %	7.0%	9.3%	14.5%	16.7%	20.0%	23.2%

FY25 GM dipped 140bps from a one-time AWS hosting uplift. QoE confirmed zero revenue quality issues. Normalized EBITDA $2,780K (23.2%); implied entry multiple 5.2× on a normalized basis.

TRANSACTION STRUCTURE

Component	Amount	Notes
Purchase Price	**$14,400K**	**6.0× LTM EBITDA / 5.2× Normalized / 1.27× ARR**
Senior Secured Debt	$7,200K	9.5%, 5yr, amortising quarterly — 3.0× EBITDA
Seller Note	$1,080K	6.0%, 5yr — PIK if DSCR < 1.1×
Sponsor Equity	$7,120K	46.2% of total capitalisation
Total Sources / Uses	**$15,400K**	**Balanced ✓ — incl. $720K costs, $280K WC reserve**
Year 1 DSCR / Interest Coverage	1.39× / 4.5×	Comfortable — grows to 1.88× in FY27

RETURNS — THREE SCENARIOS (FY30 EXIT, GROSS IRR)

Metric	Conservative	Base Case ★	Upside
Exit EV/EBITDA	5.0×	5.5×	7.0×
Exit EBITDA	$5.5M (23%)	$7.99M (29%)	$9.8M (AI+bolt-ons)
Exit Equity Value	$26.6M	$43.1M	$67.7M
Money-on-Money	**3.7×**	**6.0×**	**9.5×**
Gross IRR	**30%**	**43%**	**57%**
Est. Net IRR (~2/20)	~21%	~32%	~46%

WHY IS THIS AVAILABLE? — TOP DISCOUNT FACTORS

- Founder age 61, pursuing succession after 11 years, $11M ARR bootstrapped — a planned exit, not a distressed sale.
- Bootstrapped with zero institutional shareholders; no banker hired — 100% proprietary, no auction premium.
- CTO key-person risk (sole architect) — addressed via $1.8M non-negotiable retention package + VP Eng. hire.
- ONC FHIR compliance 60% complete; customer concentration (Top 5 = 26.1% ARR, largest 6.2%); FY25 churn uptick — all independently verifiable and resolvable with capital and execution.

KEY RISKS & MITIGANTS

Level	Risk	Mitigation
HIGH	CTO Dependency (Arjun Mehta)	$1.8M non-negotiable retention (12-mo cliff); VP Eng. hire Days 1–90.
MED	FY25 Churn Uptick (3 events)	CS health mapping Day 1; CS Manager hire Days 31–60; exec QBRs Top 20.
MED	HIPAA / ONC Exposure (60%)	$280K remediation budget in 100-Day Plan; Q3 FY26 ONC target.
LOW	Y1 DSCR ~1.39×	Seller Note PIK if DSCR < 1.1×; EBITDA grows to $4.2M in FY27.

RECOMMENDATION: PURSUE — 43% Gross IRR · 6.0× MoM

Acquire MedFlow OS at $14.4M (6.0× LTM EBITDA / 5.2× Normalized / 1.27× ARR). Base case: $43.1M equity on $7.12M invested; Net IRR est. ~32% (2/20 carry). Returns are driven by entry valuation discount and operational improvement — not leverage or aggressive revenue assumptions.

Non-negotiable pre-close conditions: (1) CTO retention package ($1.8M) signed before any other action; (2) HIPAA/SOC2 audit confirms zero critical findings; (3) QoE confirms ≥$2.78M Normalized EBITDA; (4) no single customer >7% ARR at close (currently 6.2% ✓).