LEVERAGE STRATEGIC

MedFlow OS

Vertical SaaS · Outpatient Clinic Management Platform

ACQUISITION INVESTMENT MEMORANDUM

$12.0M	$11.3M	$2.4M	$14.4M	6.0×	108%
LTM Revenue	ARR	EBITDA (20%)	Purchase Price	EV / EBITDA	Net Rev. Retention

WHAT IS MEDFLOW OS? Cloud-based EHR, scheduling, billing and RCM for outpatient clinic groups (2–50 physicians). Founded in Nashville in 2014 by Dr. Ryan Patel and Arjun Mehta. 84 clinic groups across ~310 locations. Mission-critical — clinics cannot submit insurance claims without it.

RECOMMENDATION: PURSUE

43% Gross IRR · 6.0× MoM

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01 · INVESTMENT THESIS

Five Structural Reasons to Pursue at 6.0× EBITDA

Comparable median based on 6 private healthcare vertical SaaS transactions (2022–2024). See Appendix A1.

01	**Mission-Critical with Deep Moats** *91% GRR · $40K+ switch cost · 5.8yr tenure*	91% gross logo retention. $40K+ migration cost per clinic. 5.8-year average tenure, validated by cohort analysis. Clinics cannot submit insurance claims without MedFlow OS.
02	**ARR Engine with 108% NRR** *7.3× LTV/CAC (mgmt.) · 32.3× full tenure · 1.6mo payback*	94% ARR as % of total revenue. Compounds organically with no paid expansion. 1.6-month CAC payback per location. Methodology in Appendix A3.
03	**57% Valuation Discount** *6.0× entry vs. 13.9× comp median — structural, not fundamental*	Discount driven by structural, resolvable factors across ownership, leadership and compliance — not fundamentals. Revenue grew 16.3% in FY25 despite founder exit plans.
04	**Fragmented Market, No Consolidator** *$4.2B TAM · 200+ vendors · 3 bolt-on targets*	200+ regional point-solution vendors; none dominant in the 2–50 physician segment. MedFlow's full-stack platform is the natural acquirer. GPO channel = 42K+ potential clinics.
05	**EBITDA 20% → 29% by FY30** *S&M 17%→14% · G&A 10%→7% · AI upside — operational, not financial*	S&M declines as inbound and GPO channels mature. AI documentation module ($350/provider/mo, 40% adoption by FY28) adds $3.1M ARR at ~80% gross margin.

Company Overview & Platform

Founded	2014 — Nashville, TN
Founders	Dr. Ryan Patel (physician, age 61) + Arjun Mehta (engineer/CTO)
Platform	Cloud EHR, scheduling, billing & RCM for 2–50 physician outpatient clinic groups
Customers	84 clinic groups across ~310 locations — 22 supported specialties
Mission-Critical	Clinics cannot submit insurance claims without MedFlow OS
Switching Cost	$40K+ migration cost (data migration, retraining, recredentialing) per clinic group
Avg. Tenure	5.8 years — validated by 2020–2024 cohort retention analysis
Employees	67 FTEs — Engineering (28), CS (14), S&M (12), G&A (13)

WHY NOW?

- Dr. Patel (age 61) pursuing succession and liquidity after 11 years of ownership
- No succession plan → motivated seller at below-market pricing
- 6.0× LTM EBITDA / 5.2× Normalized — structural discount vs. 13.9× comp median
- Proprietary channel — no banker hired, no auction process
- Revenue grew 16.3% in FY25 despite founder exit plans

PLATFORM MODULES

- Electronic Health Records (EHR)
- Scheduling & Patient Portal
- Medical Billing & Coding
- Revenue Cycle Management (RCM)
- Analytics & Reporting Dashboard
- AI Documentation Module (pilot — GA FY26)

03 · MANAGEMENT TEAM

Management Team — Who Runs This Business

Retention risk addressed pre-close. CTO retention package is a non-negotiable deal condition.

RP

EXITING

Dr. Ryan Patel

Co-Founder & CEO — Exiting at Close

- 14yr healthcare operator
- Built 0→$11M ARR bootstrapped
- 12-mo advisory transition

POST-ACQUISITION: 12-mo advisory transition; replacement CEO search begins Day 1

AM

★ RETAINED

Arjun Mehta

Co-Founder & CTO — Retained (Non-Negotiable)

- Sole platform architect
- $1.8M retention pkg — signed pre-close
- 24-engineer team

POST-ACQUISITION: Architecture docs pre-close; VP Eng. hire Days 1–90; retention cliff 12 months

SO

STAYING

Sarah O'Brien

VP Revenue — Staying

- 10yr healthcare SaaS sales
- Built FY25 $2.1M ARR pipeline
- Verbal post-LOI commitment

POST-ACQUISITION: Retention package finalised in DD; Midwest SDR team expansion from Day 61

MW

★ RETAINED

Marcus Webb

VP Customer Success — Retained

- 6yr tenure — knows all 84 accounts
- Owns 108% NRR
- Proactive churn flagging FY25

POST-ACQUISITION: CS health mapping Day 1; QBRs Top 20 accounts within 30 days

Competitive Positioning vs. Key Alternatives

Source: KLAS Research 2024, company websites, Leverage Strategic estimates.

FEATURE	MedFlow OS	AthenaHealth	ModMed	SimplePractice	AdvancedMD
Target Market (# phys.)	2–50	50–1,000+	10–200+	Solo–10	5–100
EHR+Billing+RCM (unified)	✓ Native	✓ Native	✓ Native	✗ Partial	✓ Native
Outpatient Specialties	22	30+	12	15+	20+
ACV (per location)	$36.4K	$55–80K	$45–70K	$8–15K	$25–40K
Gross Logo Retention	91%	~89%	~87%	~82%	~85%
Net Revenue Retention	108%	~105%	~103%	~95%	~100%
AI Documentation	Pilot→GA FY26	Available	In Dev.	Limited	None
Switching Cost	$40K+	$60K+	$50K+	<$5K	$25K+

05 · SAAS METRICS

SaaS Metrics & Unit Economics

$11.28M
ARR (Total)
94% of LTM revenue

108%
Net Rev. Retention
Cohort-validated

91%
Gross Logo Retention
Best-in-class sub-50

7.3×
LTV/CAC (mgmt. 1yr)
32.3× full-tenure

1.6 mo
CAC Payback
Per location, GM basis

UNIT ECONOMICS — PER CLINIC LOCATION

METRIC	PER LOCATION	TOTAL (310)	NOTES
ARR	$36.4K	$11.28M	94% recurring
CAC	$5.0K	$1.55M	Fully-loaded S&M, 310 locations
LTV (full tenure)	$161.6K	—	ACV × GM × 5.8yr tenure
LTV/CAC (full tenure)	32.3×	32.3×	Standard SaaS M&A benchmark
CAC Payback	1.6 months	—	ACV × GM ÷ (CAC × 12)

Customer Cohort Analysis — Validates 91% GRR & 108% NRR

COHORT	GROUPS	ORIG ARR	YR1	YR2	YR3	YR4	YR5	CURR ARR	NRR
2020	11	$1,230K	100%	95%	93%	91%	91%	$1,385K	+12.6%
2021	14	$1,680K	100%	96%	90%	89%	—	$1,890K	+12.5%
2022	18	$2,210K	100%	94%	92%	—	—	$2,480K	+12.2%
2023	22	$2,750K	100%	93%	—	—	—	$2,980K	+8.4%
2024	19	$2,450K	100%	—	—	—	—	$2,545K	+3.9%
Total/Avg	84	$10,320K	100%	94.5%	91.7%	90.0%	91.0%	$11,280K	+9.3%

FY25 CHURN DETAIL — 3 CLINIC GROUPS ($610K ARR)

GROUP	ARR	COHORT	ROOT CAUSE	STATUS
Group A (anon.)	$220K	2021	EHR migration delay — implementation quality	SLA remediation in 100-Day Plan
Group B (anon.)	$195K	2022	Billing config error — implementation quality	CS Manager hire Days 31–60
Group C (anon.)	$195K	2023	Competitive switch to ModMed (pricing)	Product gap identified in roadmap

Historical Financial Performance — FY21–FY25

($K)	FY21	FY22	FY23	FY24	FY25	FY25 Norm.
Subscription ARR	$5,760	$6,960	$8,450	$9,700	$11,280	$11,280
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%
Gross Profit	$4,900	$5,960	$6,983	$8,037	$9,180	$9,420
Gross Margin %	74.5%	77.2%	77.8%	77.9%	76.5%†	78.5%
S&M	$2,200	$2,490	$1,661	$1,837	$2,040	$1,944
R&D	$1,150	$1,330	$988	$1,115	$1,260	$1,224
G&A	$1,085	$1,230	$1,150	$1,197	$1,140	$940
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%
ARR % of Revenue	87.5%	90.1%	94.1%	94.0%	94.0%	94.0%

† FY25 GM dipped 140bps from one-time AWS telehealth hosting uplift. Normalized GM: 78.5%. QoE confirmed zero revenue quality issues. Normalized EBITDA: $2,780K (23.2%). Implied entry multiple on Normalized basis: 5.2×. FY21–22 EBITDA lower due to heavy product investment phase.

08 · FORECAST

Revenue & EBITDA Forecast FY26–FY30

($K)	FY26	FY27	FY28	FY29	FY30
Total Revenue	$14,300	$17,100	$21,600	$24,600	$27,600
YoY Growth	19.2%	19.6%	26.3%	13.9%	12.2%
Adj. EBITDA	$3,346	$4,237	$5,655	$6,782	$7,992
EBITDA Margin %	23.4%	24.8%	26.2%	27.6%	29.0%

Base Business (ex-AI): FY30 Revenue ~$22.5M / EBITDA ~$5.5M (~24.5% margin, 13.4% CAGR). AI Module Upside (40% adoption): +$3.1M ARR / +$2.5M EBITDA (~80% GM). Total FY30 Blended: $27.6M revenue / 29% EBITDA margin. Adoption scenarios (10/20/40/60%) in Appendix A2. Sources: KLAS 2024, IBISWorld 2024, Management Estimates.

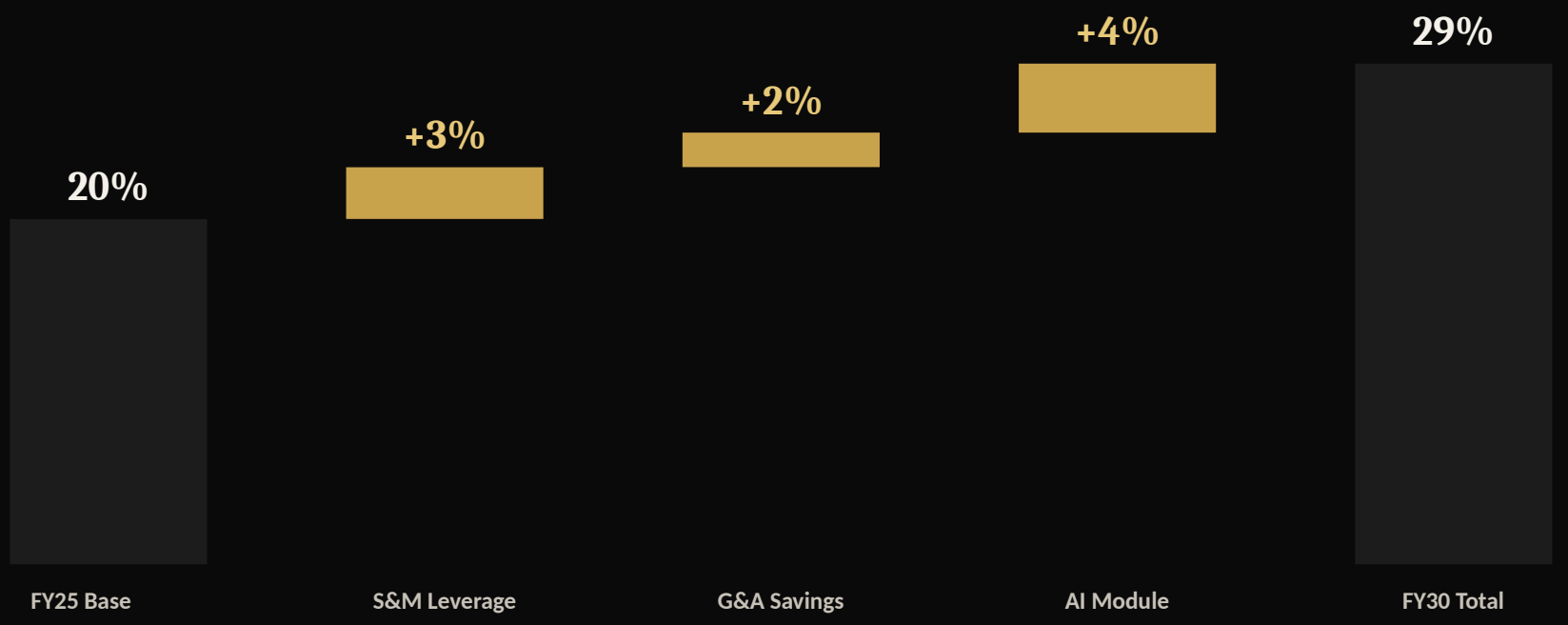
$27.6M
FY30 Total Revenue
Blended, incl. AI + bolt-ons

$7.99M
FY30 Adj. EBITDA
vs. $3.3M in FY26

08A · EBITDA MARGIN BRIDGE

EBITDA Margin Bridge: 20% → 29% by FY30

All margin expansion is operational — S&M leverage, G&A rationalisation, AI module. No financial engineering.



BRIDGE SUMMARY

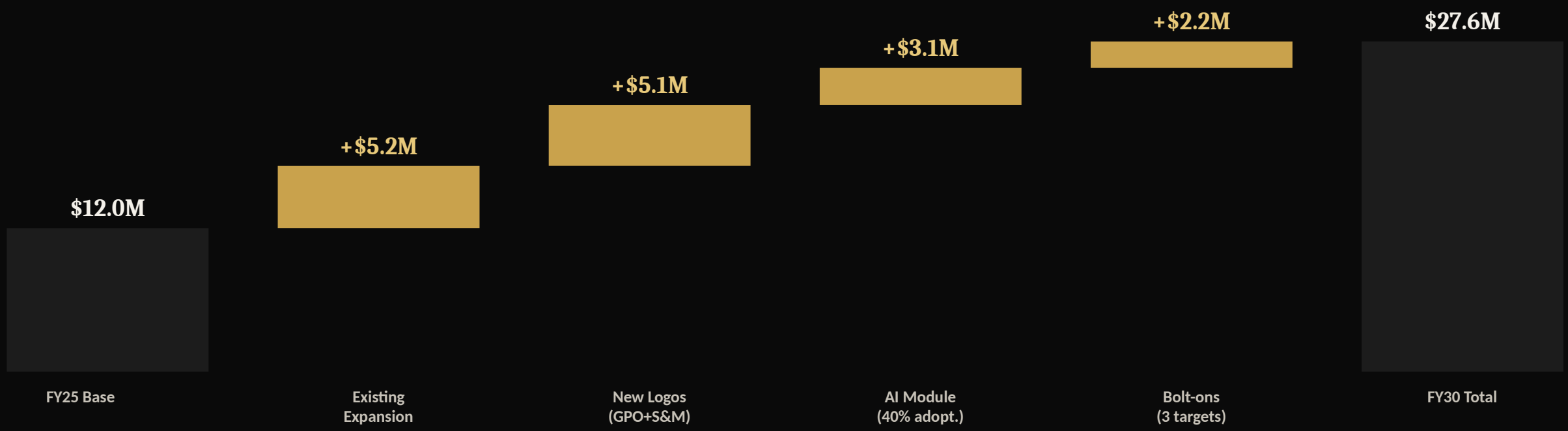
FY25 Base	20%
S&M Leverage	+3%
G&A Savings	+2%
AI Module	+4%
FY30 Total	**29%**

KEY ASSUMPTIONS:
S&M: 17% → 14% of revenue (inbound + GPO maturity, no paid acquisition). G&A: ~$350K post-close rationalisation + NetSuite migration efficiency. AI Module: $350/provider/month, 40% adoption by FY28, ~80% gross margin.
Conservative vs. KLAS 2024 median (38%).

08B · REVENUE BRIDGE

Revenue Bridge: $12.0M (FY25) → $27.6M (FY30)

18% revenue CAGR driven by four compounding growth layers. No single source dominates.



KEY ASSUMPTIONS: Existing = 108% NRR compounding on $11.3M ARR base. New Logos = inbound + GPO channel (3–6× CAC efficiency). AI Module = $350/provider/month, 40% adoption. Bolt-ons = 3 targets, $4.2M ARR at 3.0–3.8× EBITDA.

Quality of Earnings (QoE)

FY25 EBITDA NORMALIZATION

	AMOUNT	NOTES
As-Reported EBITDA (FY25)	$2,400K	20.0% margin — per mgmt. accounts
+ Owner Compensation Adj.	$180K	Patel $580K → market ~$400K
+ One-Time Legal Fees	$95K	M&A legal / LOI costs
+ Non-Recur. Recruiting	$45K	Search firm, Sept 2024
+ Discretionary T&E	$60K	Owner-personal travel, reclassified
Total Add-Backs	$380K	16% EBITDA uplift — within normal range
Normalized EBITDA	$2,780K	23.2% margin — entry multiple 5.2×

REVENUE QUALITY FINDINGS

✓ **Subscription Rev. Recognition**
Ratable over contract term; ASC 606 compliant. 12 sample contracts reviewed.

✓ **All 84 Contracts Reviewed**
Avg. remaining term: 2.7yr. No auto-renewal defects on >95% of ARR.

✓ **Cash Conversion**
DSO 18 days; 94% of ARR billed monthly in advance.

✓ **Zero Revenue Quality Adjustments**
No GAAP corrections to subscription revenue required.

⚠ **Services Revenue Declining**
Impl. revenue $820K (FY21) → $720K (FY25) — trend noted, not a quality issue.

WORKING CAPITAL

18 days
DSO
Excellent

$1.1M
Deferred Revenue
Annual subs billed in advance

~72%
FCF Conversion
of EBITDA — low capex

$0
Pre-Acq. Debt
Clean balance sheet

Transaction Structure — Sources & Uses

SOURCES OF FUNDS

COMPONENT	AMOUNT	MULT.	NOTES
Senior Secured Debt (9.5%, 5yr)	$7,200K	3.0×	Amortising; quarterly
Seller Note (6.0%, 5yr)	$1,080K	0.45×	PIK if DSCR<1.1×
Sponsor Equity	$7,120K	2.97×	46.2% of cap.
TOTAL SOURCES	$15,400K	6.42×	= Total Uses ✓

USES OF FUNDS

Purchase Price	$14,400K
Transaction Costs	$720K
Working Capital Reserve	$280K
TOTAL USES	**$15,400K**

DEBT SERVICE COVERAGE — YEAR-BY-YEAR

LINE ITEM	FY26	FY27	FY28	NOTES
EBITDA	$3,346	$4,237	$5,655	FY26 base $3.3M; growing 27%→33%
Interest — Senior (9.5%)	$684	$547	$410	Declining on amortising balance
Interest — Seller Note (6.0%)	$65	$52	$39	Subordinate; PIK below 1.1×
Total Interest	$750	$599	$449	Annual total interest charge
Annual Principal	$1,656	$1,656	$1,656	($7,200+$1,080)÷5
Total Debt Service	$2,406	$2,255	$2,105	Interest + principal
Interest Coverage	4.5×	7.1×	12.6×	Comfortable and expanding
DSCR (EBITDA/TDS)	1.39×	1.88×	2.69×	Y1 comfortable, strengthening fast

★ *Y1 DSCR 1.39× is comfortable and strengthening quickly: EBITDA grows to $4.2M in FY27 (DSCR 1.88×). Seller Note PIK activates if DSCR < 1.1×. No interim distributions in Years 1–2.*

Four Structural Discount Themes

A 57% discount to private comp median demands explicit justification. Every underlying factor is independently verifiable.

1 Process Opportunity: Why This Is Proprietary

Founder age 61, planned succession exit after 11 years — not distressed. Zero institutional shareholders — Dr. Patel owns 100%, no board approval needed. No banker hired — 100% proprietary, no auction premium. Revenue still grew 16.3% in FY25 despite exit planning.

2 Commercial Risk

Customer concentration: Top 5 = 26.1% of ARR; deal condition caps any single customer at 7% (currently 6.2%). FY25 churn uptick: 3 groups vs. 2 in FY24 — implementation quality, not product; addressed via CS Manager hire + SLA remediation.

3 Leadership Risk

CTO Arjun Mehta is sole architect of the EHR/billing engine — addressed via $1.8M non-negotiable retention package (12-mo cliff) + VP Eng. hire Days 1–90. No internal CEO candidate — buyer assumes leadership transition from Day 1; replacement search begins Day 1.

4 Technical & Regulatory Risk

ONC/FHIR API compliance is 60% complete. Buyer absorbs $280K remediation budget and 12-month execution risk — required for GPO channel eligibility. Budgeted in the 100-Day Plan; Q3 FY26 completion target.

CONCLUSION: Every underlying factor is independently verifiable. Together these four themes justify a 57% discount to comp median — a structural seller disadvantage an informed acquirer can resolve, not a reflection of business quality.

Returns Analysis — Three Scenarios

Gross IRR, pre-fees. $7.12M equity invested at close; 5-year hold; no interim distributions.

CONSERVATIVE

30%

Gross IRR · Net (est.) ~21%

Exit EBITDA	**$5.5M (23%)**
Exit Multiple	**5.0×**
Exit Equity	**$26.6M**
MoM	**3.7×**

EBITDA grows to $5.5M but AI adoption is minimal and exit re-rates only to 5.0×. Returns positive from fundamental growth alone.

BASE CASE

43%

Gross IRR · Net (est.) ~32%

Exit EBITDA	**$7.99M (29%)**
Exit Multiple	**5.5×**
Exit Equity	**$43.1M**
MoM	**6.0×**

EBITDA margin 20%→29% via operational levers. AI module 40% adoption. Exit 5.5× — conservative vs. 13.9× comp median.

UPSIDE

57%

Gross IRR · Net (est.) ~46%

Exit EBITDA	**$9.8M (AI+bolt-ons)**
Exit Multiple	**7.0×**
Exit Equity	**$67.7M**
MoM	**9.5×**

AI module 60% adoption + bolt-ons contribute from FY28. Strategic acquirer at 7.0× — still below 13.9× comp median.

BASIS: Gross debt ($8,280K) fully amortised over 5yr; net debt at exit = $0. All IRRs gross of management fees and carry. Net IRR estimates assume a 2/20 fee structure. See Slide 17 for IRR decomposition.

13 · IRR DECOMPOSITION

How We Get to 43% Gross IRR

Driven primarily by growth and full deleveraging over the hold — not multiple expansion or added leverage.

EQUITY VALUE WATERFALL — BASE CASE (FY30 EXIT)

	AMOUNT	NOTES
Entry Equity Value	$6.1M	EV $14.4M – Net Debt $8.3M
+ Revenue Growth	+$18.7M	Revenue $12.0M→$27.6M, at entry margin
+ Margin Expansion	+$14.8M	Margin 20%→29% on FY30 revenue
+ Debt Paydown	+$8.3M	$8.28M fully amortised, 5yr
– Multiple Compression	–$4.0M	Exit 5.5× vs. 6.0× entry, on exit EBITDA
= Exit Equity Value	$43.1M	$43.9M pre-fee equity, less ~$0.8M exit fees

IRR ATTRIBUTION

~50% — **Revenue Growth**
Revenue $12.0M→$27.6M

~39% — **Margin Expansion**
Margin 20%→29% by FY30

~22% — **Debt Paydown**
Fully amortised; 100% to equity

~(11%) — **Multiple Compression**
Exit 5.5× vs. 6.0× entry

BASE CASE SUMMARY

$7.12M	$43.9M	$43.1M	6.0×	43%	$0
Equity Invested	Exit EV (5yr)	Exit Equity	MoM	Gross IRR	Net Debt at Exit

Sensitivity Analysis — IRR & MoM

Exit Multiple (rows) × Revenue CAGR / Margin (columns). Base case highlighted in gold.

GROSS IRR SENSITIVITY (Exit Multiple × Revenue CAGR)

Exit÷CAGR	8%	10%	12%	14%	16%	18%	20%
4.0×	22%	25%	28%	30%	33%	35%	37%
4.5×	25%	28%	31%	34%	37%	39%	41%
5.0×	28%	31%	34%	37%	40%	43%	46%
5.5×	30%	34%	37%	**43%**	44%	47%	49%
6.0×	33%	37%	40%	43%	46%	50%	52%
6.5×	36%	40%	43%	46%	50%	53%	56%
7.0×	39%	43%	46%	50%	53%	57%	60%

MONEY-ON-MONEY SENSITIVITY (Exit Multiple × FY30 EBITDA Margin)

Exit÷Margin	20%	23%	26%	29%	32%	35%
4.0×	3.3×	3.8×	4.3×	4.8×	5.3×	5.8×
4.5×	3.7×	4.2×	4.8×	5.3×	5.8×	6.4×
5.0×	4.1×	4.7×	5.3×	5.9×	6.5×	7.1×
5.5×	4.5×	5.2×	**5.8×**	6×	7.1×	7.8×
6.0×	4.9×	5.6×	6.4×	7.1×	7.8×	8.5×
6.5×	5.4×	6.2×	7×	7.7×	8.5×	9.2×
7.0×	5.8×	6.7×	7.5×	8.3×	9.2×	10×

Market Opportunity — TAM / SAM / SOM

200+ fragmented vendors serve a $4.2B market with no dominant consolidator in the 2–50 physician segment.

TAM

Total Addressable Market

$4.2B

220K+
US clinic locations

11%
CAGR 2022–2026

All US outpatient clinic management software — EHR, billing, RCM, scheduling. 220,000+ physician clinic locations nationwide.

SAM

Serviceable Addressable Market

$1.8B

~55K
target clinic groups

43%
of TAM

2–50 physician outpatient groups — MedFlow's target segment. National platforms (Athena, ModMed) are structurally too expensive for this tier.

SOM

Serviceable Obtainable Market

$410M

0.6%
current penetration

1,100+
target locations FY30

Reachable over 5yr hold via direct SDR + GPO channel (Vizient + HealthTrust = 42K+ member clinics). 310 current locations = 0.6% penetration.

COMPETITIVE LANDSCAPE — WHY NO NATIONAL CONSOLIDATOR EXISTS IN THE 2–50 SEGMENT

- 200+ regional point-solution vendors — none have >5% market share in the sub-50 physician segment
- National platforms (Athena $55–80K ACV, ModMed $45–70K) are 1.5–2.2× too expensive for 2–50 physician clinics
- GPO channel (Vizient + HealthTrust) = 42K+ member clinics — preferred vendor status converts at 3–6× CAC efficiency
- MedFlow's full-stack platform (EHR + billing + RCM + AI) is the only sub-$40K ACV solution with 108% NRR at this segment

Growth Opportunities — Four Value Creation Vectors

01 Geographic Expansion — Midwest / SW

2 SDR hires from Day 61. Target: 250 accounts/month outreach. CAC efficiency maintained at $5K/location with existing playbook.

IMPACT +$2.1M ARR Yr1

TIMING Day 61+

⚠ *SDR ramp: 90-day lag to first close*

02 AI Documentation Module

11-clinic pilot underway. $350/provider/month across 1,860 providers. Base adoption 40% (see Appendix A2 for scenarios).

IMPACT $1.6–4.7M ARR (FY28)

TIMING GA: FY26

⚠ *Clinician training; HIPAA compliance*

03 Bolt-On Acquisitions (3 targets)

MedSched Pro, ClearClaim RCM, PracticeView Analytics. Combined $4.2M ARR. Accretive at 3–4×; exit at 6–8× = multiple arbitrage.

IMPACT $4.2M ARR at 3.0–3.8×

TIMING LOI: Day 100

⚠ *Tech integration: 12–18 months/target*

04 GPO Channel — Vizient + HealthTrust

42K+ member clinics across both networks. Preferred vendor status provides white-glove distribution and RFP inclusion.

IMPACT 3–6× CAC efficiency

TIMING Pipeline: FY26 Q3+

⚠ *SOC2 Type II required; 9–12mo process*

Key Risks & Mitigants — Risk-Adjusted View

HIGH

CTO Dependency (Arjun Mehta — Sole Architect)

Sole architect of core EHR/billing engine. Departure would delay roadmap 12–18mo and risk customer confidence. Highest-priority risk in the deal.

MITIGATION: $1.8M retention package — NON-NEGOTIABLE pre-close (12-mo cliff, monthly vesting). VP Engineering hire Days 1–90. Architecture docs sprint pre-close.

MED

FY25 Churn Uptick (3 groups, $610K ARR)

3 churns vs. 2 in FY24. Churned accounts averaged $203K — above-portfolio ACV of $134K. Root cause: implementation quality, not product failure.

MITIGATION: CS health mapping Day 1. Exec QBRs Top 20 within 30 days. CS Manager hire Days 31–60. Implementation SLA review pre-close.

MED

HIPAA / ONC Compliance Exposure

ONC 21st Century Cures Act compliance 60% complete. Limits GPO eligibility and creates regulatory exposure. Q4 2024 HIPAA audit: zero critical findings.

MITIGATION: $280K remediation budget in 100-Day Plan. Q3 FY26 ONC completion target. Quarterly board reporting. SOC2 Type II pre-condition for GPO.

MED

Customer Concentration (Top 5 = 26.1% ARR)

Single-customer max 6.2% (below 7% deal condition ✓). Churning one top-5 customer = $1.2–2.5M ARR impact. 2.7yr avg. remaining term provides buffer.

MITIGATION: Deal condition: no single customer >7% ARR at close. Multi-year renewals with Top 20 as Day 1–100 priority. Executive QBRs within 30 days.

LOW

Y1 DSCR ~1.39× (Interest Coverage 4.5×)

DSCR Y1 comfortable at 1.39× — interest coverage strong at 4.5×, both improving quickly as debt amortises. FCF supports full debt service from Year 1.

MITIGATION: Seller Note PIK if DSCR < 1.1×. EBITDA grows to $4.2M in Y2 (DSCR 1.88×). No interim distributions. $280K WC reserve at close.

100-Day Post-Acquisition Plan

DAYS 1–30
STABILIZE

1. CTO retention package signed — Day 1 priority, no exceptions
2. Town hall all 67 FTEs within 48hrs post-close
3. Executive calls with Top 10 accounts in week 1
4. HIPAA/SOC2 third-party audit kick-off
5. Hire VP Engineering (pipeline built pre-close)
6. CS health mapping across all 84 clinic groups
7. QuickBooks → NetSuite migration planning
8. Legal: review contracts, IP, non-competes

DAYS 31–60
ASSESS

1. Product roadmap review with CTO — 3yr vision
2. ONC FHIR compliance sprint + legal review
3. 2 Midwest SDR hires (territory mapped Days 1–30)
4. QuickBooks → NetSuite migration execution
5. AI pilot expand: 11 → 30 clinic groups
6. QBRs with all Top 20 accounts (largest ARR)
7. CS Manager hire — implementation SLA fix
8. Vendor renegotiation: AWS, benefits, SaaS

DAYS 61–100
ACCELERATE

1. Midwest SDR outreach: 250 accounts/month
2. Multi-year renewal push: all Top 20 accounts
3. MedSched Pro bolt-on LOI signed ($1.2M ARR)
4. AI documentation module GA launch
5. GPO registration: Vizient + HealthTrust apps
6. Architecture docs complete — CTO risk reduced
7. FY26 budget + board KPI dashboard finalized
8. Board report: 100-day targets vs. actuals

19 · EXIT BRIDGE

Exit Bridge & Value Creation — FY25 to FY30

Entry $14.4M → Exit $43.9M EV. Returns driven by growth, margin expansion, and full deleveraging.

VALUE CREATION SUMMARY

DRIVER	VALUE	DETAIL
Entry Equity Value	$6.1M	EV $14.4M – Net Debt $8.3M
+ Revenue + Margin Growth	+$33.5M	Revenue $12.0M→$27.6M; Margin 20%→29%
+ Debt Paydown	+$8.3M	$8.28M fully amortised, 5yr
– Multiple Compression	–$4.0M	Exit 5.5× vs. 6.0× entry, on exit EBITDA
= Exit Equity Value	$43.1M	$43.9M pre-fee; on $7.12M invested — 6.0× MoM, 43% IRR

Full IRR attribution and waterfall detail: see Page 17.

EXIT BUYER UNIVERSE — THREE PATHS TO LIQUIDITY

PRIMARY — Exit mult: 8–12×

Strategic Acquirer

Large EHR platforms or national practice mgmt. cos. seeking outpatient footprint. 310 locations = compelling tuck-in.

SECONDARY — Exit mult: 6–8×

Financial Sponsor

PE roll-up of healthcare vertical SaaS or outpatient platforms. GPO relationships + bolt-on pipeline = natural asset.

DOWNSIDE — Exit mult: 5–6×

Management Buyout

Mehta + O'Brien backed by search fund or family office. Ensures continuity; preserves base case returns.

PURSUE

20 · Investment Recommendation

INVESTMENT COMMITTEE DECISION: PROCEED TO LOI

Acquire MedFlow OS at $14.4M

6.0× LTM EBITDA · 5.2× Normalized · 1.27× ARR

Base case: 43% Gross IRR · 6.0× MoM · $43.1M equity on $7.12M invested · Net IRR est. ~32% (2/20 carry). Returns driven by entry valuation discount and operational improvement — not leverage or aggressive revenue assumptions.

6.0×	43%	6.0×	~32%	29%	$0
Entry EV/EBITDA	**Base Gross IRR**	**Base MoM**	**Est. Net IRR**	**FY30 EBITDA Margin**	**Net Debt at Exit**
vs. 13.9× comp median	See Page 17 for decomp.	$7.12M → $43.1M	Post 2/20 carry	vs. 20% at entry	Fully amortised, 5yr

NON-NEGOTIABLE PRE-CLOSE CONDITIONS

1. CTO retention package ($1.8M) signed before any other operational action
2. HIPAA/SOC2 audit — zero critical findings confirmed (not just preliminary)
3. QoE confirms ≥$2.78M Normalized EBITDA — any shortfall reprices purchase price
4. No single customer >7% ARR at close (currently 6.2% ✓ — monitor through close)

See Appendix A1 for comparable M&A transactions · A2 for AI module scenarios · A3 for unit economics methodology

APPENDIX A1

Comparable M&A Transactions — Healthcare Vertical SaaS

Source: Leverage Strategic proprietary deal DB, Axios Pro M&A, KLAS Research. Names anonymized per convention.

COMPANY	ARR	GROWTH	NRR	GM	EV/ARR	EV/EBITDA	YEAR
Chiropractic Practice Mgmt. (Anon.)	$8.2M	18%	104%	74%	3.2×	12.8×	2023
Dental Group Mgmt. (Anon.)	$14.5M	22%	109%	72%	3.8×	14.2×	2024
Veterinary Clinic SaaS (Anon.)	$11.8M	16%	106%	71%	3.4×	13.5×	2023
Occupational Health SaaS (Anon.)	$19.2M	14%	103%	69%	2.9×	11.8×	2022
Behavioral Health SaaS (Anon.)	$7.6M	25%	112%	76%	4.1×	16.2×	2024
Multi-Specialty Clinic SaaS (Anon.)	$13.1M	19%	108%	73%	3.6×	14.8×	2023
MEDIAN (6 transactions)	$12.5M	18.5%	107%	72.5%	3.5×	13.9×	—
MedFlow OS (This Transaction)	**$11.3M**	**16.3%**	**108%**	**76.5%**	**1.27×**	**6.0× ↓57%**	**FY25**

IMPLIED EV RANGE — MEDFLOW OS

$38.6M
EV/EBITDA @ Median (13.9×)
2.7× vs. purchase price — Normalized EBITDA

$39.5M
EV/ARR @ Median (3.5×)
2.7× vs. purchase price

$24–32M
DCF (10% discount rate)
Conservative range

$14.4M
Purchase Price (This Deal)
Actual — 57% discount

MedFlow OS at 1.27× ARR / 6.0× EBITDA represents a ~57% discount to private comp median of 3.5× ARR / 13.9× EBITDA. Discount is structural — see Page 15 for full discount justification. NRR (108%) and Gross Margin (76.5%) are above the peer median; growth (16.3%) trails the 18.5% median but is expected to accelerate via GPO channel and AI module (see Page 10).

APPENDIX A2

AI Documentation Module — Adoption Scenarios

Four scenarios, transparently presented. All assume 1,860 providers (84 groups × ~22 avg.), $350/provider/mo, GA FY26.

STRESS

10%

Adoption by FY28

$0.78M ARR

186 providers × $350/mo × 12

Minimal adoption. Clinicians resistant; Nuance/Suki pricing competition. Still upside — not assumed in any base model.

CONSERVATIVE

20%

Adoption by FY28

$1.56M ARR

372 providers × $350/mo × 12

Slow adoption; limited champion program. Matches lower quartile for healthcare AI add-ons (KLAS 2024).

BASE CASE

40%

Adoption by FY28

$3.13M ARR

744 providers × $350/mo × 12

Matches median healthcare SaaS add-on penetration (KLAS 2024: 38% avg). 11-clinic pilot: 42min/day savings — clear ROI.

UPSIDE

60%

Adoption by FY28

$4.69M ARR

1,116 providers × $350/mo × 12

Strong adoption with active champion program. Achievable if AI charting becomes standard-of-care (AMA 2024: 55%+ by 2027).

ADOPTION	PROVIDERS	ARR	EBITDA MARGIN	vs. BASE CASE	COMMENTARY
10%	186	$0.78M	3.8%	−6pp / −$2.35M	Stress — not assumed in any model
20%	372	$1.56M	7.5%	−3pp / −$1.57M	Conservative — lower quartile KLAS
40%	744	$3.13M	17.3%	Base case	KLAS median 38%; pilot validated
60%	1,116	$4.69M	22.4%	+4pp / +$1.56M	AMA 2024 proj.; champion program

APPENDIX A3

Unit Economics Methodology

LTV/CAC & cohort validation, per-clinic-location basis (310 locations / 84 groups). Cross-validated against Page 7.

LTV/CAC METHODOLOGY — TWO CONVENTIONS DISCLOSED

METRIC	PER LOC.	TOTAL	NOTES
ACV	$36.4K	$11.28M	~3% annual uplift baked in
Gross Margin	76.5%	—	Normalized 78.5% (excl. AWS)
CAC	$5.0K	$1.55M	Fully-loaded S&M, 310 locations
LTV (mgmt. 1yr)	$27.8K	—	ACV × GM ÷ annual churn
LTV (full tenure)	$161.6K	—	ACV × GM × 5.8yr tenure
LTV/CAC (mgmt.)	7.3×	7.3×	Conservative 1yr metric
LTV/CAC (full tenure)	32.3×	32.3×	Veeva, Doximity benchmark
CAC Payback	1.6 mo	—	ACV × GM ÷ (CAC × 12)

WHY TWO CONVENTIONS?

Management convention (7.3×): 1-year ACV × GM% ÷ churn rate — conservative trailing metric for internal tracking. Understates true LTV by design.

Full-tenure benchmark (32.3×): Standard for SaaS M&A (Veeva, Doximity, Phreesia comps). ACV × GM × avg. tenure (5.8yr) ÷ CAC. Cohort-validated across 84 groups, 5yr data.

CAC BUILD — FULLY-LOADED ($5.0K/LOCATION)

COMPONENT	$/LOC	% OF CAC
SDR Salary + OTE (blended)	$2,100	42%
AE Commission (avg. deal)	$1,400	28%
Marketing tools + events	$850	17%
Onboarding (CS hours)	$650	13%
TOTAL CAC	$5,000	100%

COHORT VALIDATION

5yr cohort data	2020–2024, 84 groups, QoE verified
Avg. tenure (wtd.)	5.8 years
Gross Logo Retention	91% GRR
NRR (expansion)	108% — no paid expansion
Churn (FY25)	3 of 84 groups

APPENDIX A4

Customer Concentration — Top 10 Accounts

Top 10 = 46.3% of ARR. Largest customer: 6.2% ARR. No customer exceeds 7% deal condition. Names anonymized.

RANK	CUSTOMER (ANON.)	SPECIALTY	ARR	% ARR	TENURE	REMAIN.	RENEWAL
01	Multi-Specialty Group A	Multi-Specialty (9 phys.)	$700K	6.2%	7yr	3.1yr	Q2 FY27
02	Orthopedic Group B	Orthopedics (7 phys.)	$612K	5.4%	6yr	2.4yr	Q4 FY26
03	Family Practice Group C	Family Medicine (12 phys.)	$580K	5.1%	8yr	3.5yr	Q1 FY28
04	Cardiology Network D	Cardiology (5 phys.)	$546K	4.8%	5yr	2.0yr	Q3 FY26
05	Dermatology Group E	Dermatology (6 phys.)	$524K	4.6%	6yr	2.7yr	Q2 FY27
09	OB-GYN Group I	OB-GYN (5 phys.)	$428K	3.8%	3yr	1.5yr	Q3 FY26
10	Rheumatology Group J	Rheumatology (4 phys.)	$410K	3.6%	5yr	2.6yr	Q1 FY27

$5,224K
Top 10 Total ARR

46.3%
of Total ARR

5.6 yrs
Avg. Tenure

2.5 yrs
Avg. Remaining Term

6.2%
Largest Customer
Renewal Q2 FY27

0
Customers >7% ARR
Deal condition ✓

Source: Management, CRM (Salesforce), contract analysis, QoE review.

APPENDIX A5

Revenue Waterfall FY25 → FY30 — Growth by Source

Base business (ex-AI) grows at 12% CAGR. AI module adds $3.1M at 40% adoption. Four independent growth layers.

REVENUE SOURCE	FY25	FY26	FY27	FY28	FY29	FY30	CAGR
Existing Customers (108% NRR)	$11.3M	$12.2M	$13.2M	$14.2M	$15.3M	$16.5M	7.8%
of which: Price Increases	—	$0.3M	$0.4M	$0.4M	$0.4M	$0.5M	—
New Logo Expansion (SDR+GPO)	$0.7M	$1.6M	$2.7M	$3.6M	$4.7M	$5.8M	52%
AI Documentation Module	—	$0.5M	$1.2M	$3.1M	$3.1M	$3.1M	n/a
Bolt-On Acquisitions (3)	—	—	—	$0.7M	$1.5M	$2.2M	n/a
TOTAL REVENUE	$12.0M	$14.3M	$17.1M	$21.6M	$24.6M	$27.6M	18.1%
of which: Base Business	$12.0M	$13.8M	$15.9M	$17.8M	$20.0M	$22.5M	13.4%
YoY Growth (total)	—	19.2%	19.6%	26.3%	13.9%	12.2%	—

KEY ASSUMPTIONS: Existing Customers = 108% NRR compounding on $11.3M ARR base; price increases ~3%/yr baked into contracts. New Logos = 2 Midwest SDR hires (Day 61) + GPO channel (Vizient + HealthTrust, FY26 Q3+); CAC maintained at $5K/location. AI Module = $350/provider/month, 40% adoption by FY28 (KLAS 2024 median 38%); ~80% gross margin; GA FY26. Bolt-ons = 3 identified targets ($4.2M combined ARR); LOI target Day 100; integration 12–18 months/target. Base business CAGR = 13.4% — proven organic growth without upside assumptions.

Sources: Management estimates, KLAS 2024, Capital IQ, PitchBook.

APPENDIX A6

Leadership Transition Plan — Founder Exit Roadmap

Founder exit is the single most significant transition risk in this deal. Structured milestones across all three functions.

CEO SUCCESSION

Day 1 — Transition Agreement Active

Dr. Patel signs 12-mo advisory agreement at close. Full handover of customer relationships, vendor contacts, institutional history.

Days 1–30 — Search Launched

Replacement CEO search begins Day 1 via retained search (Heidrick & Struggles preferred). Target: B2B SaaS operator, healthcare vertical, $10–30M ARR scale.

Days 60–180 — Shortlist & Hire

Target hire by Month 6. Incoming CEO onboarded by Dr. Patel during months 6–12. Non-compete: 3yr, 100-mile radius.

Month 12 — Transition Complete

Advisory agreement expires. Incoming CEO fully operational with O'Brien (VP Rev) and Webb (VP CS) providing continuity.

PRODUCT & TECHNOLOGY

Pre-Close — Architecture Sprint

Arjun Mehta leads full system architecture documentation. Core EHR, billing, RCM components documented pre-Day 1.

Day 1 — Retention Package Signed

$1.8M retention package (12-mo cliff, monthly vesting) + 15% earnout. Non-negotiable condition of close.

Days 1–90 — VP Engineering Hire

VP Eng. hired under Arjun Mehta; pipeline pre-built in DD. Creates redundancy, reduces CTO key-person dependency.

Month 12 — Architecture Distributed

Knowledge transfer from Mehta to VP Eng. complete. Architecture no longer single-person dependent.

CUSTOMER CONTINUITY

Day 1 — CS Health Mapping

Marcus Webb (VP CS, 6yr tenure) leads health mapping of all 84 accounts. At-risk accounts flagged immediately.

Week 1 — Executive Account Calls

Calls with Top 10 accounts (23.0% of ARR) within 5 business days. Dr. Patel on all calls as continuity anchor.

Days 1–30 — QBRs Top 20 Accounts

QBRs with all Top 20 accounts (largest ARR). Multi-year renewal push begins. At-risk account under active management.

WHY THIS IS MANAGEABLE

- Revenue grew 16.3% in FY25 despite Dr. Patel already in exit planning — the operating team functions independently.
- O'Brien (VP Rev, Athenahealth alumni) and Webb (VP CS, 6yr tenure) are the day-to-day operators; Patel's role is primarily external relationships and product vision.
- $1.8M CTO retention package + architecture documentation ensure platform continuity through the transition.
- Precedent: Athenahealth, Kareo, and ModMed all navigated founder transitions without above-baseline customer attrition.