

Meridian Staffing Solutions

Healthcare & Education Staffing

Format Investment Memo (+ simple model)

Difficulty Associate

Suggested Time Take-home (24–48 hours)

You are evaluating **Meridian Staffing Solutions (“MSS”)**, a multi-specialty healthcare services outsourcing platform that places skilled professionals on a contract basis across three end markets. Using the data package below, write a concise investment analysis and build a simple base-case model to support your recommendation.

1. Business Overview

MSS deploys credentialed professionals — therapists, special-education specialists, nurses, allied-health staff, and clinical-research professionals — on contract assignments nationwide. A centralized employee/office model drives cost efficiency, scalability, and talent development. The Company runs a “candidate-first” model: it sources scarce, hard-to-find specialists, then brings them to clients — which gives MSS pricing power and industry-leading contract gross margins versus traditional, client-led staffing firms.

MSS maintains a proprietary database of ~500,000 professionals and operates several specialty brands, including a fast-growing telehealth/virtual-therapy offering and a managed-service-provider (MSP) program for school districts.

2. End Markets

Segment	% of GP	2020 Rev	5-yr CAGR	Gross Margin	Avg Bill Rate
Education	~55%	\$193M	~14%	~40%	\$72/hr
Healthcare	~34%	\$154M	~9%	~31%	\$64/hr
Life Sciences	~10%	\$38M	~4%	~37%	~\$207/hr

- **Education** (largest, highest-margin): places speech-language pathologists, school psychologists, special-ed teachers, OTs and school nurses, primarily into small/mid-sized and rural districts. Demand is anchored by a federal mandate (the Individuals with Disabilities Education Act, “IDEA”) backed by \$13B+ of annual federal funding. Assignments run the full school year; ~75% of segment gross profit is generated by placements that start July–October, giving strong full-year visibility.
- **Healthcare**: places nurses and allied-health professionals into hospitals, with a focus on specialized, higher-bill-rate, lower-volume roles (OR, ER, ICU, cath lab, imaging) in less-populated geographies that attract less competition.
- **Life Sciences**: places highly specialized clinical-development professionals (clinical operations, biostatistics, medical writing, QA, pharmacovigilance) at small/mid biopharma clients via a consultative sale.

3. Key Statistics & Quality Indicators

- ~3,000 total clients served; largest customer is <15% of revenue (highly fragmented).

- ~34 distinct specialties; ~500,000 professionals in the proprietary candidate database.
- Telehealth division growing 40%+ annually; MSP program growing rapidly off a small base.
- Strong free-cash-flow conversion (~97% of EBITDA, given low capex intensity).
- Average tenure of the top 20 leaders is ~16 years.

4. Financial Summary

Figures in \$ millions. Company is being marketed as a carve-out from a large staffing parent.

\$ in millions	FY-2	FY-1	FY-0	Fwd Yr 1E
Revenue	325	357	392	~445
Gross Profit	109	121	139	~155
Gross Margin %	33.5%	33.9%	35.5%	~35%
PF Adj. EBITDA	~52	~59	~66	~72
EBITDA Margin %	16%	16%	17%	16%

Forecast assumptions (management case): consolidated revenue CAGR ~8–9%, with Education growing fastest (low-20s% in Year 1, tapering to high-single-digits); Healthcare ~3%; Life Sciences mid-single-digits. ~30 bps of gross-margin improvement from mix shift to higher-margin segments. NWC ~17% of revenue. Capex ~\$1.5–2.0M/yr (asset-light). Assume cash taxes ~26.5%.

5. Your Assignment

Write a brief investment analysis (2–3 pages) and build a simple supporting base-case model. Take a clear position. Suggested capital structure for the model: entry at ~11–12x EBITDA, ~4.5–5.5x total leverage, 5-year hold. State all assumptions you make.

Required Deliverables

- **Investment Merits** — the top 3–5 reasons to make this investment.
- **Investment Risks** — the top 3–5 risks and how you would mitigate each.
- **Key Diligence Items** — the 5–7 most important questions to resolve.
- **Simple base-case model** — entry/exit, leverage, IRR & MOIC.
- **Investment Thesis** — a 2–3 sentence recommendation (yes/no and why).

Framing hints (not solutions):

- Treat the three segments differently — they have distinct growth, margin and reimbursement profiles.
- Address government-funding dependency head-on: what happens to EBITDA if IDEA funding is reduced? This is the single most important sector-specific risk.
- Frame the proprietary candidate database and the candidate-first model as the supply-side moat that supports pricing power.
- Be specific in diligence requests (e.g., “provider annual churn rate by specialty”), not generic (“understand the revenue”).

Discussion Questions (be ready to defend verbally)

- What makes specialty healthcare/education staffing attractive for an LBO vs. other services?
- Is a high-teens EBITDA margin sustainable? What would drive expansion toward the low-20s%?
- Walk through a downside: IDEA funding is cut 15% and a large district churns.
- How would you size the addressable market for each of the three segments?
- Is the telehealth division a feature or a distraction to the core thesis?