

The company that looked three times cheaper **cost two and a half times more per dollar of gross profit.**

1 THE QUESTION

Which business can reach a 3x return at these terms?

Two healthcare companies, Novrin and Tavelle, on the table at the same time. The target is a 3x return. The decision: back one, both or neither.

2 THE SURPRISING FINDING

The cheap one was the expensive one.

On the headline multiple, Tavelle looked about three times cheaper. Measured per dollar of **gross profit**, it cost about two and a half times more. Most of its revenue passes straight through at cost, so the headline flatters it. A scheduled payment change also lands on its core business.

3 THE ECONOMICS

Price, return and what each one needs.

Price per \$1 of gross profit · lower is better

Novrin		~8x
Tavelle		20x+

Expected return, weighted · illustrative

Novrin		2.5x
Tavelle		1.2x

About 26% against about 5% IRR.

What Novrin needs for 3x

\$60–70M

Year-four revenue. The plan implies about \$78M, so there is room.

What Tavelle needs for 3x

~\$24M

Year-four EBITDA, about a 12% margin. Public peers run about 9%.

Assumptions: illustrative. One exit at the end of year four, no payouts before it. 3x is the plan case (about 32% IRR). 2.5x and 1.2x weight the low, base and high cases.

4 THE RECOMMENDATION

The call comes first.

Back Novrin. Pass on Tavelle at these terms.

Novrin's revenue is mostly margin, and its customers are concentrated where it already wins. Tavelle reaches the target only if its margin beats public peers.

5 WHAT WOULD CHANGE THE CALL

The evidence that would flip it.

- ☐ A lower price for Tavelle. The call is about these terms, not the company.
- ☐ Proof that Tavelle's margin can clear 12%, above where public peers run.
- ☐ Novrin's year-four revenue tracking below \$60M. This is the first assumption to test in diligence.
- ☐ A delay or reversal of the scheduled payment change that hits Tavelle's core business.