

FICTIONAL CASE FOR CHANGE

Acquisition of Risky Insurance Brokers Ltd

Companion resource to GA-005:

Before You Make a Decision You Can't Easily Reverse

The company, transaction, people, financial figures and board recommendation in this paper are fictional.

The simulation results are illustrative outputs reported in the supplied example, not independently re-run here. The full financial model and sensitivity tables are not included in this document.

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Case for Change: Acquisition of Risky Insurance Brokers Ltd

To: Goose Advisory Board

From: John Smith, CEO

Date: 21 September 2026

Re: Proposed Acquisition of Risky Insurance Brokers Ltd

Key Points

I am asking the board to approve confirmatory due diligence on a proposed £4.2m acquisition of Risky Insurance Brokers Ltd, not acquisition completion. The proposed funding is existing cash and facilities, with £1.2m of the consideration deferred against EBITDA retention targets.

Risky gives Goose a permanent, cash-generative distribution base and a live commercial testbed for our own advisory product: something we currently sell but have never had to run ourselves at P&L risk.

Modelled outcomes, using Monte Carlo simulation rather than a single forecast, show a median three-year NPV of £0.4m and a 72% probability of a positive return, against a genuine downside case in which we lose money.

Completing due diligence will cost £40,000 – £60,000 in advisory fees and roughly half my own time for six weeks, with no extra resource budgeted to cover it, so something else on our plate has to slow.

We considered organic growth and a lighter-touch referral partnership as alternatives; neither gets us the recurring revenue or the proof point this deal does.

Acquisition completion would be a one-way door decision under the framework the board adopted in September. I recommend proceeding to confirmatory due diligence only; a separate completion decision would return to the board.

1. The Opportunity

Risky Insurance Brokers Ltd is an independent commercial lines broker based in the East Midlands, founded in 2011, with twelve staff and a stable book of SME clients across construction, manufacturing and professional services. Its founder-owner is retiring and has approached three potential acquirers, of which we understand Goose to be the preferred buyer on cultural fit, though not necessarily on price.

The key terms currently on the table:

Target	Risky Insurance Brokers Ltd, an independent commercial lines SME broker, East Midlands
FY25 revenue	£2.6m commission & fee income
FY25 EBITDA	£0.68m (26% margin)
Purchase price	£4.2m (6.2x EBITDA)
Structure	£3.0m on completion; £1.2m deferred over 2 years, subject to EBITDA retention targets
Funding	Goose cash reserves and existing banking facility

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This has come to the board now because the founder wants to conclude a sale within the current tax year, and because it connects directly to a question we have already started asking ourselves: whether Goose's future lies purely in time-based advisory fees, or whether we should also own a piece of distribution.

2. Strategic Rationale

Goose Advisory currently sells judgement. Every pound of revenue depends on a person's time being billed, which caps how large the business can become without simply hiring more advisors and selling more hours. Risky would be Goose's first source of recurring, non-time-based revenue, commission income that persists whether or not a consultant is in the room.

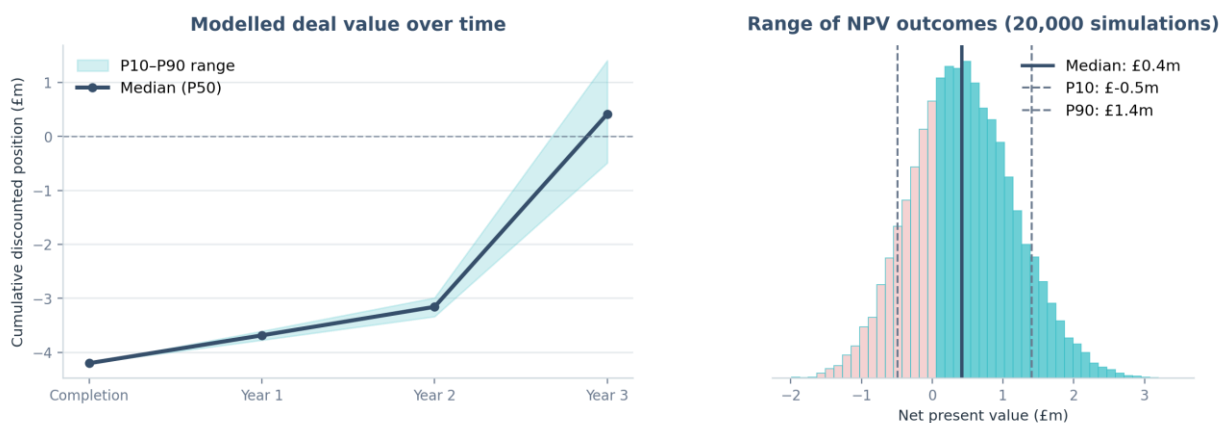
It also does something no client engagement can: it gives us a live business to run our own advice through. We would be able to apply the Goose Business Review, the decision architecture model, and our pricing and governance thinking to a real P&L we own, with our own capital at risk. That is a materially stronger proof point in front of prospective clients than another case study.

There is a narrower commercial logic too. Risky's SME client base is a plausible referral channel for Goose's advisory services, and Goose's network of PE-backed and growth-stage clients is a plausible referral channel back into Risky for placement business. Neither synergy is large on its own (the modelling below treats it accordingly), but both are real and largely untested until we own the relationship.

We would be acquiring a live test of whether our own advice actually works.

3. Financials

Rather than present a single forecast, we have modelled the deal using Monte Carlo simulation: 20,000 randomised scenarios across the variables we are genuinely uncertain about: organic growth, margin drift, how much of the cross-sell synergy actually materialises, integration cost, and the risk of losing a key broker during transition. A single-point forecast would imply a confidence we don't have. This shows the range instead.



The left panel shows modelled cumulative discounted value, using a 10% discount rate. For this simplified illustration, the full £4.2m consideration is represented as an initial outflow, rather than modelling the proposed £3.0m completion payment and £1.2m deferred payment schedule. Year 3 includes an assumed continuing value based on EBITDA and a valuation multiple. That continuing value is not cash received from a planned sale. The right panel shows the full distribution of three-year net present value outcomes.

Median (P50) three-year NPV: £0.4m.

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Reasonable downside (P10): – £0.5m, a scenario in which growth stalls, synergies largely fail to materialise, and we still pay full integration costs.

Reasonable upside (P90): +£1.4m.

Probability of a positive NPV: 72%, leaving approximately 28% of simulated NPVs that are not positive, under the modelled assumptions.

The model deliberately does not adjust for tax or routine capital expenditure, and treats EBITDA as a reasonable proxy for distributable cash, appropriate for a board-level range rather than a substitute for the fully worked model that would sit behind a completion decision. Key inputs are summarised below. The appendix contains explanatory questions and answers; the full reproducible model, complete assumption set and sensitivity tables are not included in this document.

Organic growth	Normal distribution, mean 3% p.a., s.d. 4% (modest and genuinely uncertain)
Synergy run-rate by Y3	Triangular: £0 – £0.30m, most likely £0.12m
Integration cost (Y1)	Normal, mean £0.18m, s.d. £0.05m
Retention shock	10% chance of a key-broker loss, cutting Y1 EBITDA by 15 – 25%
Exit / continuing multiple	Normal, mean 6.0x, s.d. 0.6x
Discount rate	10%, held fixed

The outcome is most sensitive to how much of the cross-sell synergy actually materialises and to keeping integration cost under control, followed by the exit/continuing-value multiple and whether we experience a retention shock. Organic growth and margin assumptions matter comparatively little within the ranges modelled. That tells us where management attention should actually go after completion: synergy delivery and integration discipline, not growth-chasing.

On price: the proposed £4.2m consideration is approximately 6.2x the stated £0.68m EBITDA. No independently verified comparable-transaction range is supplied in this fictional example. Price should therefore be tested during due diligence against suitable transaction evidence, earnings quality, client concentration and retention risk. We would not recommend proceeding above c.7x EBITDA (c.£4.8m) without materially stronger underwriting of the growth and retention assumptions than we have today; that is the board's reference point for any renegotiation.

The multiple, the modelling assumptions and the synergy case have been reviewed ahead of this paper by our retained corporate finance adviser and by the associate joining next month, both of whom challenged the initial synergy assumptions downward before this version was produced.

4. Costs and Benefits

The financial model captures the quantifiable range. Underneath it, the specific drivers are worth naming.

Benefits: a recurring commission income base of c.£2.6m; Risky's SME client relationships as a referral channel into Goose advisory work; Goose's client network as a placement referral channel into Risky; and a live commercial proof point for our own decision architecture and pricing thinking.

Costs: £4.2m purchase consideration (£3.0m on completion); £40,000 – £60,000 in due diligence and transaction advisory fees; an estimated £0.15 – 0.2m of one-off integration cost in Year 1 (systems, rebranding, advisor time); and the less visible cost of founder and leadership attention during integration, at a point when the firm is already absorbing its first associate hire.

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The deferred consideration structure (£1.2m held back against two years of EBITDA retention) is deliberate: it reduces our cash at risk on completion and aligns the outgoing founder's incentives with a clean handover, which matters more in a relationship-driven broking business than in most acquisitions.

It is also worth naming what else £4.2m could do. It could fund several more associate hires and a year or more of product development on the Goose Business Review and related tools: a path that grows the advisory business we already understand, with none of the integration or regulatory risk this carries. We prefer Risky because it does something more advisory hiring can't: it gives Goose a recurring revenue base independent of billable hours, and a live proof point for our own advice. That is a strategic bet, not a financial one, and the board should treat it as such.

The £3.0m completion consideration would be funded from cash reserves and the existing banking facility, with the split to be confirmed during due diligence, leaving Goose with significantly reduced reserves against a normal year of trading costs and the associate hire already under way. We would want the board comfortable with post-completion runway specifically, not just the return, before approving; the due diligence phase should produce a clear cash-flow forecast for the twelve months following completion, not only the three-year return case.

5. Execution Plan

Subject to approval, the indicative plan has three phases. Where the proposed transaction requires Section 178 approval, we would engage with the FCA early and submit the notification when the decision to acquire control has been made, before control changes. The assessment period starts when the notification is complete and normally allows 60 working days, excluding permitted interruption periods. Completion timing is conditional on the required regulatory approval and the board's final decision.

Confirmatory due diligence (Weeks 1 – 6). Financial and legal due diligence, client concentration analysis, regulatory permissions review (FCA authorisation status and any conditions), and direct conversations with Risky's top ten clients by revenue to test retention risk before we commit capital.

Completion and stabilisation (Weeks 6 – 12). Complete on the agreed terms; retain the outgoing founder in an advisory capacity through the transition window; communicate to staff and top clients within the first week to control the narrative rather than let it leak; no systems or branding changes in this phase: stability first.

Integration (Months 3 – 12). Migrate finance and reporting into Goose's systems; introduce the two firms' client bases to each other deliberately and slowly, rather than as a single announcement; and review progress against the Year 1 modelled range at the six and twelve month marks.

Resourcing for due diligence. We estimate £40,000 – £60,000 in external legal and corporate finance advisory fees to complete due diligence and documentation, funded from the existing operating budget rather than requiring separate approval. On the Goose side, due diligence and negotiation will absorb roughly half of my time over the six-week window. No additional FTE is being hired to cover this, so something on the existing workload has to give; see the appendix for what that means in practice.

Consistent with the decision architecture the board adopted in September, this acquisition is a genuine one-way door (difficult and expensive to unwind once completed) and is being brought to the board with the full rigour that classification requires, rather than the lightweight decision log we would use for a reversible call.

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6. People Implications

Risky's twelve staff include two senior brokers who hold the majority of key client relationships. Due diligence must confirm the transaction structure and employment implications. TUPE may apply where the business transfers to a new employer; a share acquisition alone would normally leave the employing company unchanged. Retaining those two individuals through the first twelve months is important to delivery; their potential loss is the specific risk represented by the modelled retention shock.

We propose retention arrangements for both senior brokers linked to the same period as the deferred consideration, and a clear, early conversation with all Risky staff about roles, reporting lines and what will (and will not) change in the first year.

On the Goose side, this is additional complexity landing at the same time as our first associate hire. I would own integration personally through completion and stabilisation, then hand day-to-day oversight to a named integration lead from Month 3, to be confirmed as part of the approval, so that this doesn't silently become another decision that defaults to the founder's desk.

7. Risks and Mitigations

Key-person attrition. A material delivery and client-retention risk in this fictional case. Mitigated through retention arrangements for the two senior brokers and an outgoing-founder advisory period through transition.

Client concentration. If a small number of clients account for a large share of Risky's revenue, losing one materially changes the numbers. To be quantified explicitly during due diligence before completion.

Regulatory and compliance. Risky's FCA authorisations and compliance history need independent review; any material findings should be treated as a condition of completion, not a post-completion fix. The Section 178 change-of-control approval is also a hard dependency on the timeline in Section 5, not a formality: completion cannot happen before it clears.

Integration distraction. Landing alongside our first associate hire risks stretching leadership capacity. Mitigated by the phased plan in Section 5 and a named integration lead from Month 3.

Overpaying. The proposed 6.2x EBITDA multiple is an illustrative deal term, not evidence of market value. The reported P10 result does not establish that the price is fair. If due diligence identifies reasons the multiple should be lower, that is grounds to renegotiate or walk away, not to proceed regardless.

Downside case, in aggregate. The modelled P10 (–£0.5m) is a reasonable downside, not an absolute floor: a genuinely bad outcome (both senior brokers leaving, integration costs overrunning, and synergies failing to land at all) could lose more than that, although the deferred consideration may reduce the amount ultimately payable if the agreed conditions are not met. The £3.0m completion payment is not a cap on total exposure: fees, integration costs, other liabilities and further losses may add to it. The non-financial cost would likely matter more than the financial one: a botched integration would pull leadership attention away from the core advisory business and the associate hire already under way, at exactly the point we can least afford it, and would carry a credibility cost specific to us: a firm that advises on decision-making handling its own acquisition badly undermines the proposition this paper makes.

Four things protect us against that downside. The deferred consideration is paid only if EBITDA retention targets are met, so underperformance reduces what we pay, not only what we get. Due diligence is a genuine gate, not a formality; we can still walk away. The walk-away price in Section 3 gives us an explicit renegotiation ceiling rather than a vague sense of overpaying. And the sale and purchase agreement would carry standard warranties and indemnities from the outgoing founder. None of this eliminates the risk in the P10 case; it reduces how much of it we are exposed to.

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8. Alternatives Considered

Two alternatives are worth naming directly, alongside the option of simply not proceeding.

Organic build. Using the same capital to hire more associates and fund product development instead, covered in Section 4. We prefer Risky because it buys something organic growth can't: recurring, non-time-based revenue and a live proof point for our own advice.

A referral partnership instead of acquiring. A commercial agreement to cross-refer clients with Risky, or a broker like it, without capital outlay, integration or regulatory risk. We prefer acquisition because a referral arrangement is easy for either side to walk away from and wouldn't give us the recurring revenue base or the P&L proof point that is the actual strategic case in Section 2, but it is a real, lower-risk alternative and has not been formally costed.

Not proceeding. Nothing forces our hand. Goose continues as a healthy, purely time-based advisory business regardless. But the founder has two other interested parties, so declining most likely means Risky goes to one of them, not that it waits for us. More importantly, declining doesn't answer the underlying question in Section 2; it just defers it to the next opportunity, on terms we won't get to choose in advance.

One limitation is worth stating plainly: we have not run a structured search across multiple broker targets. Risky came to us via the founder's own process, not a market scan we initiated, and the board should weigh the benchmarking in Section 3 with that in mind.

9. Recommendation

I recommend the board approve proceeding to confirmatory due diligence on the terms set out in Section 1, with a final completion decision returning to the board once due diligence, client concentration analysis and the regulatory review are complete.

The modelled range is not overwhelmingly positive: a 72% probability of a positive NPV leaves approximately 28% of simulated NPVs that are not positive. The board should consider that modelled downside explicitly when deciding whether to approve due diligence. What makes it worth proceeding is that the downside case is a loss we can absorb, the upside case meaningfully changes the shape of Goose's revenue, and due diligence still stands between us and an irreversible commitment.

10. Next Steps

- Board approval to proceed to confirmatory due diligence. Owner: Board, this meeting.
- Commission financial, legal and regulatory due diligence, including client concentration analysis. Owner: John Smith. Target: complete within 6 weeks.
- Confirm retention terms for the two senior brokers ahead of staff communication. Owner: John Smith.
- Name an integration lead for Month 3 handover, separate from the founder. Owner: John Smith, before completion.
- Return to the board with due diligence findings and a final completion recommendation. Owner: John Smith.

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Appendix: FAQ and Modelling Assumptions

This appendix explains the illustrative modelling approach, continuing value, decision gates and management-capacity trade-offs. It does not include due diligence findings, the full financial model, a complete assumption table or sensitivity analysis.

Q: Why Monte Carlo rather than a low/medium/high scenario model?

A: A low/medium/high scenario model can help boards test distinct assumptions, but three scenarios do not by themselves describe a probability distribution. The 20,000 illustrative simulations reported here show a modelled distribution conditional on the selected inputs and assumptions, including outcomes with negative NPV. Neither approach removes uncertainty or establishes the actual future distribution.

Q: What is driving the Year 3 jump in the fan chart?

A: Year 3 includes the modelled continuing value of the business (EBITDA × an assumed 6x multiple), consistent with how we would value Risky if we held it to that point. It is a modelling convention for comparability, not a proposal to sell.

Q: What happens if due diligence changes the picture materially?

A: The recommendation in Section 9 is to proceed to due diligence, not to complete. A material adverse finding, on client concentration, regulatory history or otherwise, returns to the board as a reason to renegotiate or withdraw, not a hurdle to work around.

Q: To pursue this, what (if anything) needs to stop, slow down, or becomes at risk of delivery?

A: Realistically, three things. My own time on new business development and client origination will be reduced for the six-week due diligence window and through the completion and stabilisation phase, shown indicatively as Weeks 6–12 in Section 5, which will thin the sales pipeline during that period. The pace of onboarding and mentoring our incoming associate will also slow, since I would otherwise be spending that time on their ramp-up. And product development on the Goose Business Review and related tools, already a lower priority than client-facing work, would likely stall for the duration rather than simply slow. Nothing currently committed to an existing client is at risk; those engagements continue as planned, but the pipeline behind them will be thinner for a quarter than it would otherwise be. No additional FTE is budgeted to cover this; the board should treat that trade-off as a real cost of proceeding, not an afterthought.

Note: this paper is a worked, illustrative example prepared to demonstrate Goose Advisory's approach to board-level financial cases. The target, deal terms and figures are fictional; the structure, the Monte Carlo methodology and the modelling approach reflect how we would actually build one.