COLLECTIVE INTELLIGENCE

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PSG-5™ · Five Phases, Three Gates, One Flywheel

The Government Growth Engine

How Private Companies and Portfolio Companies Turn Federal, State, County and City Buyers into Measurable, Repeatable Enterprise Value

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The BrainDance Collective, LLC

PREPARED FOR PRIVATE EQUITY SPONSORS, INDEPENDENT SPONSORS, SEARCH FUND BUYERS AND THE OWNERS OF PRIVATE COMPANIES WEIGHING THE PUBLIC MARKET

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Executive Summary

Government is the largest and most patient buyer most private companies will never meet. In fiscal year 2025 the federal government committed about $793 billion through contracts, according to the Government Accountability Office. State, local and education buyers add an estimated $1.5 trillion or more in procurement-addressable spend across roughly 90,000 entities. Yet the number of small firms winning federal prime contracts has fallen by roughly 40 percent over a decade, and fell another 6.9 percent in fiscal 2025 alone, while the dollars kept flowing.

That gap between a growing market and a shrinking field of competitors is the opportunity this paper examines. It is real, and it is not free. A company that has never sold to government should plan on 12 to 24 months before its first award, a sales cycle that runs roughly 15 months longer than a typical commercial one, compliance costs that can reach six figures before the first dollar, and a cash J-curve that bottoms out in Year 3 or 4.

This paper introduces the approach we use to make that investment deliberate rather than hopeful: **the BrainDance Public Sector Growth Path™ (PSG-5™)**, five phases and three gates that turn a one-time market entry into a repeatable capture capability:

- **Assess** the company against the B2G Readiness Index™ and decide which doors are open: set-aside status, full and open competition, teaming, or a state and local first entry.
- **Position** the company through registrations, certifications and a compliance platform across federal, state, county and city levels in parallel.
- **Access** the contract vehicles that matter, in sequence, from fast and narrow to slow and broad.
- **Capture** through the Capture Flywheel™, a weekly loop of screening, sourcing, matching and processing governed by one number per pursuit, the Opportunity Match Score™.
- **Perform and expand** so that each win raises the probability of the next and lowers the cost of winning it.

We close with the economics. In our illustrative model, a $60 million services company that enters the public market adds about $23 million of enterprise value by Year 5 on a fractional operating model, against $4.5 million of cumulative cost. The same program run with a fully hired in-house team adds about $18 million against $7.1 million of cost, and in a bear case it destroys value. The market rewards the capability. How the capability is staffed decides whether the reward survives the J-curve.

Our Hypothesis

We state the hypothesis up front so that every number that follows can be tested against it.

THE HYPOTHESIS

For the right company, government is a value creation lever, not a sales channel.

A disciplined entry into the public market can add durable, contracted, multi-year revenue that a buyer will underwrite, provided the company treats it as a capability to build and govern rather than a list of bids to chase.

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The hypothesis holds only if the trade-offs are named honestly. The case for and against, in one view:

The case for	The case against	The opportunity cost
Scale: $793 billion of federal contract obligations in FY2025, plus an estimated $1.5 trillion or more at the state and local level	**Time:** 12 to 24 months to a first award; cash arrives about 15 months later than a commercial sale	Leadership attention diverted from the core commercial plan during the hold period
Thinner competition: about 56,700 small business primes shared $179 billion in FY2025	**Cost:** a full in-house function runs $1.3 to $1.6 million a year before the first award	Capital that could fund commercial sales hires, pricing work or an add-on acquisition
Durability: multi-year contracts with options create backlog a buyer can see	**Margin:** public government services firms report median EBITDA margins near 9 to 10 percent	A slower ramp in the commercial book if the best people are pulled into proposals
Resilience: government demand has historically been steadier than commercial demand in downturns	**Policy risk:** shutdowns, contract terminations and program reforms are now recurring events	The value of saying no: some companies should not enter at all, and the assessment should say so
Valuation: contracted forward revenue is underwritten by buyers; public government services firms trade near 11x EBITDA	**Compliance:** cybersecurity, accounting and size rules carry real cost and real penalties	

Our conclusion, which the rest of this paper supports with formulas and a worked model: the hypothesis is true for companies with a sellable capability, a buyer that already purchases it, and an owner willing to fund a two to three year J-curve. It is false for companies that treat government as a quick revenue patch. And for nearly every company it is true only if the capability is built by people who have done it before, whether hired or borrowed.

The Largest Buyer, Measured

Government buys almost everything private companies sell: professional services, facilities maintenance, construction, IT, staffing, equipment, software, logistics and supplies. The public market is not one market, though. It is four levels of buyer, each with its own rules, portals and preferences.

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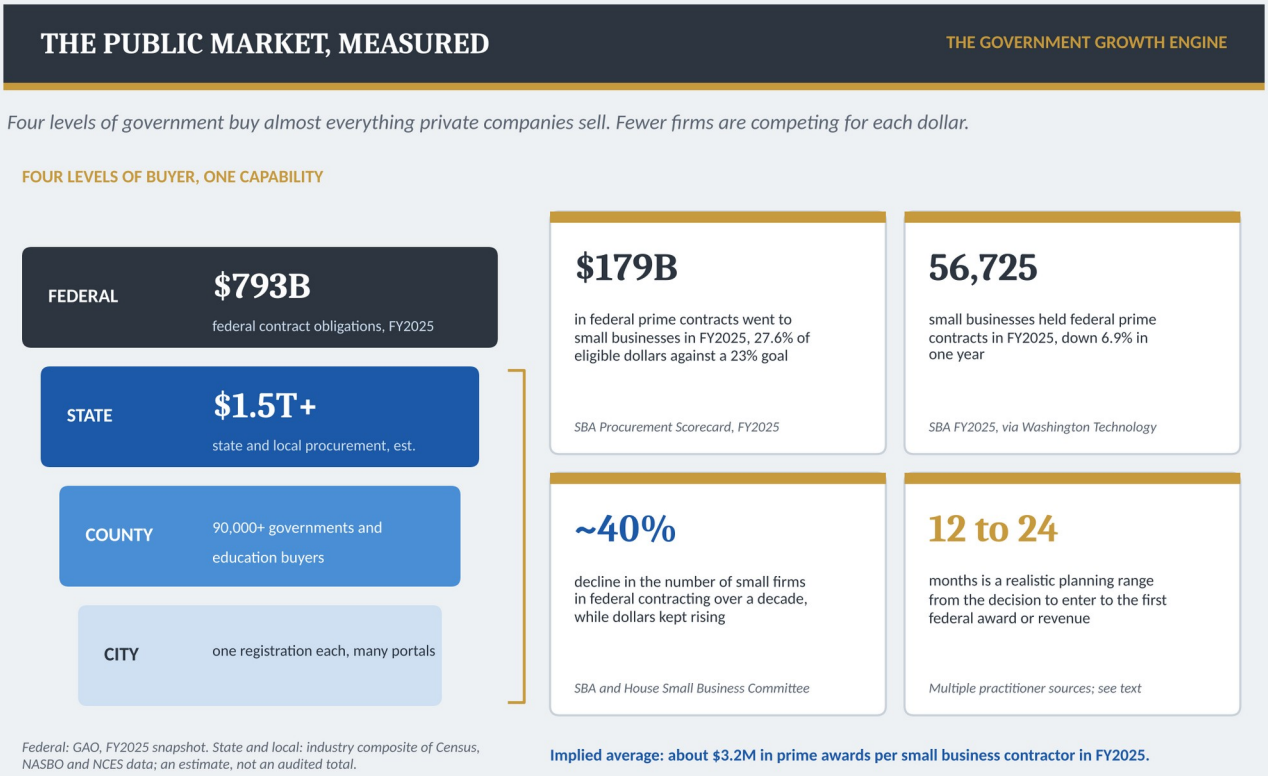


Figure 1: The public market, measured: four levels of buyer and a shrinking field of small business competitors.

Three facts frame the opportunity. First, the federal market is large and still growing: GAO reports fiscal 2025 contract commitments of about $793 billion, an increase of $17.8 billion over fiscal 2024 after adjusting for inflation, driven largely by defense. Second, Congress requires that 23 percent of eligible prime contract dollars go to small businesses, and agencies exceeded that goal again in fiscal 2025, awarding about $179 billion, or 27.6 percent, to small firms. Third, and most important for a new entrant, the number of firms sharing those dollars keeps falling. Dividing $179 billion by 56,725 small business contractors implies about $3.2 million in prime awards per firm in fiscal 2025.

The four levels differ in ways that shape strategy:

Level	How it buys	Where you register	Typical first entry
Federal	Formal competitions under the FAR; schedules, IDIQs and GWACs; set-aside programs	SAM.gov; SBA certifications; GSA eOffer	Subcontract, GSA MAS order or small set-aside
State	Statewide contracts and agency solicitations under state procurement codes	State supplier portal (in Georgia, Team Georgia Marketplace)	Agency or university solicitation
County	Board-approved bids and RFPs; heavy use of cooperative contracts	County vendor portal; often the state registry	Cooperative contract piggyback or local RFP
City	Council-approved bids; local small and disadvantaged business programs	City vendor portal; local certification office	Small purchase or local program set-aside

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State and local procurement deserves more attention than it gets. In Georgia, for example, the State Purchasing Division posts solicitations on the Georgia Procurement Registry, and since July 1, 2018 municipal corporations, counties and local boards of education have been required to post there as well. One registration in Team Georgia Marketplace therefore opens a window onto state and local demand at the same time. Cooperative purchasing organizations such as Sourcewell and OMNIA Partners extend that reach nationally: Sourcewell reports more than 50,000 member agencies, and OMNIA reports more than $30 billion in annual spend managed through its contracts.

Why the Door Is Both Wider and Narrower in 2026

Few years have changed the rules of public procurement as much as the last two. A sponsor evaluating a government entry in 2026 is evaluating a moving target, and the assessment phase must account for it.

Development	What happened	What it means for an entrant
Budget instability	A 43-day shutdown ran from October 1 to November 12, 2025, followed by a 76-day DHS-specific lapse in 2026; FY2027 is funded by a continuing resolution that expires December 11, 2026	Model stop-work and payment delays into cash plans; diversify across agencies and levels
Procurement consolidation	Executive Order 14240 (March 2025) directs consolidation of common goods and services buying at GSA	Fewer, larger vehicles; GSA vehicles become more important to hold
FAR overhaul	The Revolutionary FAR Overhaul moved into formal rulemaking in 2026; the rewritten Part 19 keeps the Rule of Two for small business set-asides	Simpler rules over time, but transition-period uncertainty in solicitations
8(a) reform	SBA suspended more than 1,000 of about 4,300 8(a) participants in January 2026 and began termination proceedings against 628 firms in March; a June 2026 proposed rule would remove the presumption of social disadvantage	Do not build a plan on 8(a) access without counsel; verify any teammate's status
Size standards	SBA proposed on August 20, 2026 to consolidate about 1,000 size standards into 338, with large increases in many industries; the rule is not final	Some mid-sized firms may become small; affiliation rules still apply to sponsor-owned companies
Cybersecurity	CMMC requirements entered DoD contracts on November 10, 2025; DoD estimates a small entity's Level 2 third-party certification at about $102,000 to $105,000 over three years	Defense entrants need a cyber budget and timeline before bidding work that touches controlled information

Two of these developments matter most to private equity. The first is affiliation. Under SBA rules, a company's size is measured together with its affiliates, and a sponsor with control rights is generally treated as affiliated with its other portfolio companies. Most sponsor-backed companies are therefore other than small for set-aside purposes, whatever their own revenue. The proposed size standard increases do not

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change the affiliation rules, as several law firms have noted in their analyses of the proposal. The second is that the remaining paths for an other-than-small company, full and open competition, teaming, mentor-protégé joint ventures and state and local markets, are all still open, and the shrinking supplier base makes each of them more attractive than it was a decade ago.

The Economics of Entry: Time, Money and the Sales Cycle

A government entry is an investment with a long fuse. Practitioner estimates of the time from a decision to enter until a first federal award cluster between 12 and 24 months, and many advisers use about 18 months as a planning midpoint. The figure below shows why: the shaping work that wins a competition happens months before a solicitation is released, and evaluation, award and contract start add more months after the proposal is submitted.

The first government dollar arrives roughly 15 months later than the first commercial dollar

Illustrative first pursuit for a new entrant. Later pursuits overlap, so the gap narrows as the pipeline fills.

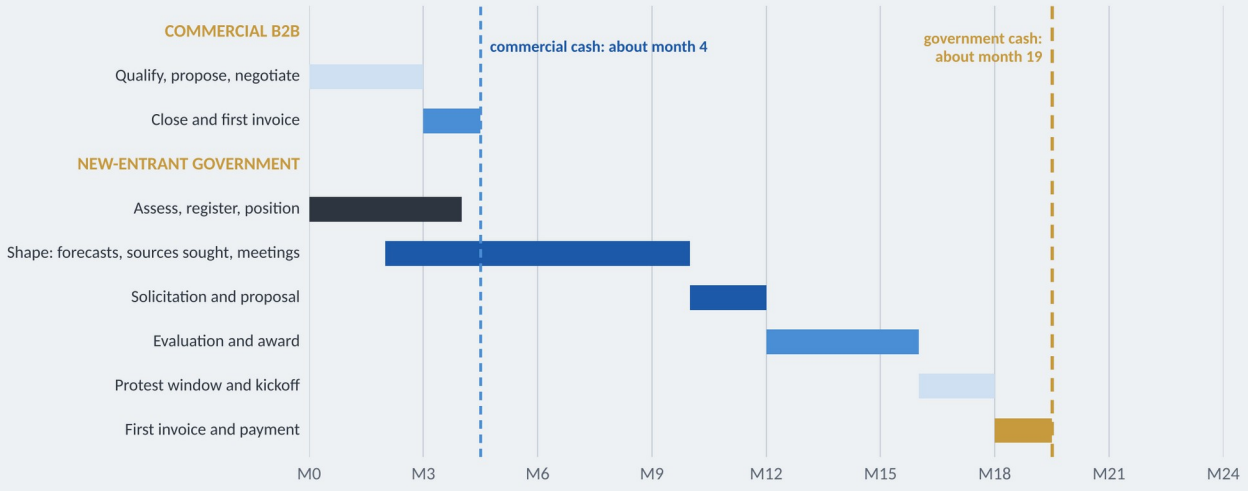


Figure 2: The first government dollar arrives roughly 15 months later than the first commercial dollar for a new entrant.

Four formulas let a sponsor reason about this investment before committing to it. We use them throughout the paper and in our own work.

FORMULA 1 · TIME TO FIRST CASH

$$T_{cash} = T_{shape} + T_{propose} + T_{award} + T_{start} + T_{pay}$$

T_{shape} is the months of pre-solicitation positioning, $T_{propose}$ the solicitation window, T_{award} the evaluation period, T_{start} the protest window and kickoff, and T_{pay} the first invoice cycle.

Example: 10 + 2 + 4 + 2 + 1.5 = 19.5 months for a first pursuit, which matches the illustrative timeline above.

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FORMULA 2 · COST PER WIN

$$CPW = C_{bid} \div P_{win}$$

C_{bid} is the fully loaded cost of one proposal, and P_{win} is the realized win rate. Cost per win is the number a sponsor should compare with the margin a win produces.

Example: at $50,000 per proposal and a 10 percent win rate, each win costs $500,000; at a 25 percent win rate it costs $200,000. Better qualification, not more writing, moves this number.

FORMULA 3 · BREAK-EVEN WIN PROBABILITY

$$P_{win}^{*} = C_{bid} \div (TCV \times m)$$

TCV is the total contract value over its expected life and m is the contribution margin on that work. A pursuit whose honest P_{win} is below P_{win}^{*} destroys value even if it is won occasionally.

Example: a $45,000 bid on a $4.0 million, four-year task order at a 16 percent margin has P_{win}^{*} = 7.0 percent.

FORMULA 4 · REQUIRED BID VOLUME

$$N_{bids} = \Delta R \div (P_{win} \times ACV)$$

ΔR is the new annual revenue target, and ACV is the average annual value of a win. Working this backward sets the size of the pipeline and the capacity of the team.

Example: $10 million of new annual revenue at a 25 percent win rate and $1.5 million per award requires about 27 proposals.

The money side is equally concrete. A company that builds the function itself typically needs a capture director, a capture manager, a proposal manager, a contracts and compliance manager and a proposal coordinator. Published 2026 salary guides place average capture manager pay between $150,000 and $220,000, and senior proposal leaders in government contracting can earn $140,000 to $180,000 or more. Add benefits, recruiting fees, market intelligence tools, proposal production, travel and a compliance platform, and the annual cost of an in-house team lands near $1.3 to $1.6 million. That cost is fixed from the day the team is hired, more than a year before the first award.

The BrainDance Public Sector Growth Path™

PSG-5™ is the method we use to turn the market's potential into a governed program. It is built on the same idea that runs through this series: strategy is only valuable when it is executed by people accountable for the result. Each phase has an owner, a defined output and a signed artifact, and three gates force a decision instead of letting the program drift.

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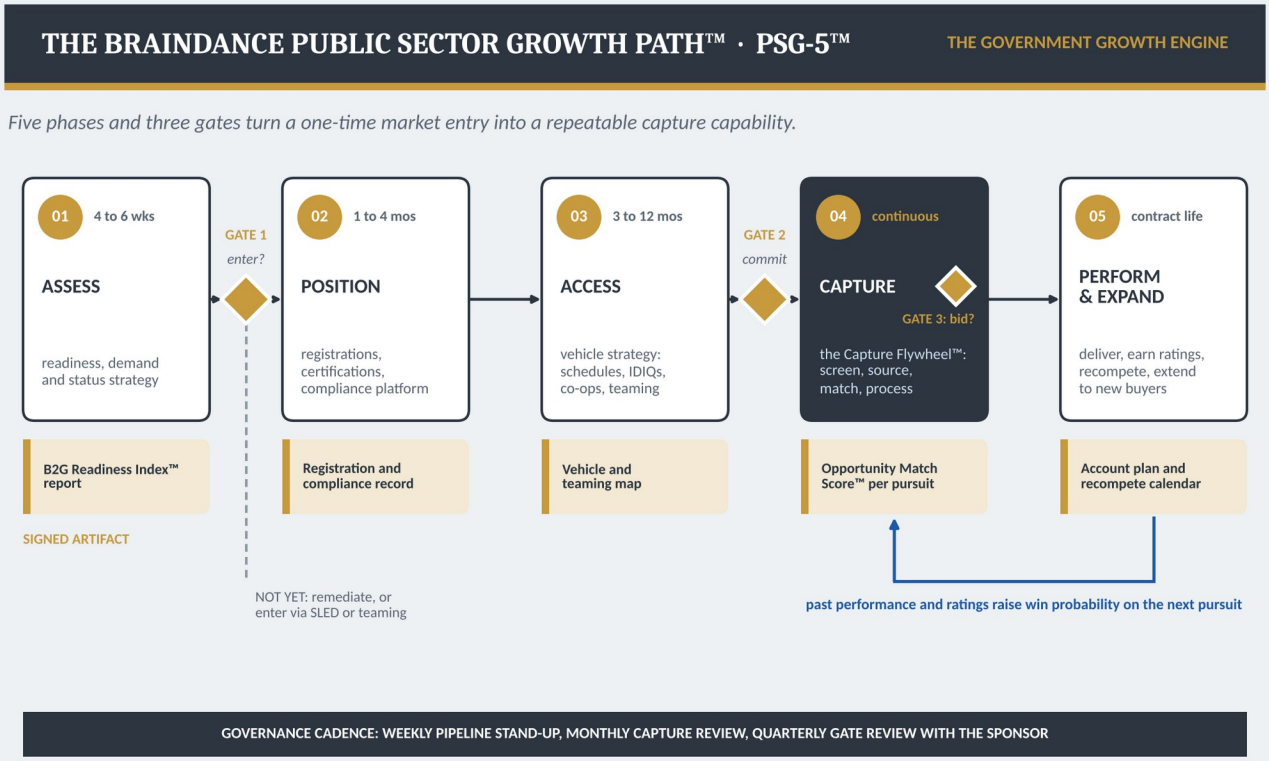


Figure 3: The BrainDance Public Sector Growth Path™ (PSG-5™): five phases, three gates and a feedback loop from performance to capture.

The phases at a glance:

Phase	Purpose	Typical duration	Signed artifact
01 Assess	Score readiness, size the addressable demand and choose the status strategy	4 to 6 weeks	B2G Readiness Index™ report and entry recommendation
02 Position	Complete registrations and certifications; stand up the compliance platform	1 to 4 months	Registration and compliance record
03 Access	Win positions on the vehicles that reach target buyers, and form teaming relationships	3 to 12 months, overlapping	Vehicle and teaming map
04 Capture	Run the Capture Flywheel™ every week and bid only what the gate allows	Continuous	Opportunity Match Score™ for every pursuit
05 Perform and Expand	Deliver, earn performance ratings, defend recompetes and extend to adjacent buyers	Contract life	Account plan and recompete calendar

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THE THREE GATES

Gate 1, Enter: at the end of Assess, the sponsor decides whether to enter, and through which door. "Not yet" is a legitimate answer.

Gate 2, Commit: before the first major proposal, the sponsor confirms that registrations, compliance and at least one vehicle or teaming path are in place.

Gate 3, Bid: every pursuit is scored, and only pursuits that clear the Opportunity Match Score™ threshold and their break-even win probability receive proposal dollars.

Phase 01: Assess

The most expensive mistake in government contracting is entering the wrong part of the market with the wrong status. Assessment answers four questions before any money is spent: Does government buy what we sell, in volume, today? Can we compete on price and compliance? Which doors are open to us given our size and ownership? And can we carry the J-curve?

DEFINITION

RI B2G Readiness Index™

A weighted composite of six dimensions, each scored from 0 to 100 using spend data, interviews and document review:

- **Market demand, 25 percent:** obligations in the company's codes, buyer concentration, upcoming recompetes
- **Offer and price fit, 15 percent:** comparability to awarded prices and labor categories
- **Eligibility and status, 15 percent:** size with affiliates, certifications available, teaming options
- **Past performance, 15 percent:** relevance and transferability of commercial references
- **Compliance infrastructure, 15 percent:** accounting system, cybersecurity, policies, insurance
- **Capacity and cash, 15 percent:** delivery bench, working capital for a 30 to 60 day payment cycle and the J-curve

Gate rules: 75 or above, enter as a direct prime; 60 to 74, enter in stages through teaming, state and local, and cooperative contracts while building federal past performance; below 60, remediate first. Any single dimension below 40 requires remediation regardless of the composite.

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IN PRACTICE

Worked example: Company A

Company A is a sponsor-backed facilities and technical services firm with $60 million of revenue and a 12 percent EBITDA margin. It has never held a government contract. Its scores:

- **Market demand 82, Offer and price fit 74, Eligibility and status 55, Past performance 62, Compliance 58, Capacity and cash 80**
- **Composite:** 0.25 × 82 + 0.15 × (74 + 55 + 62 + 58 + 80) = 69.9, reported as 70
- **Decision at Gate 1:** enter in stages. The company is other than small because of affiliation, so set-asides are closed; it leads with GSA, state, county and cooperative contracts and subcontracts to an installation prime

No dimension is below 40, but status and compliance are the weakest. The remediation plan funds an accounting system upgrade and a cybersecurity gap assessment in Phase 02.

Company A is an illustrative composite built to show the method and the arithmetic; it is not a client.

The status decision is where sponsor-owned and founder-owned companies diverge most sharply. The decision tree below is the version we walk through with every client.

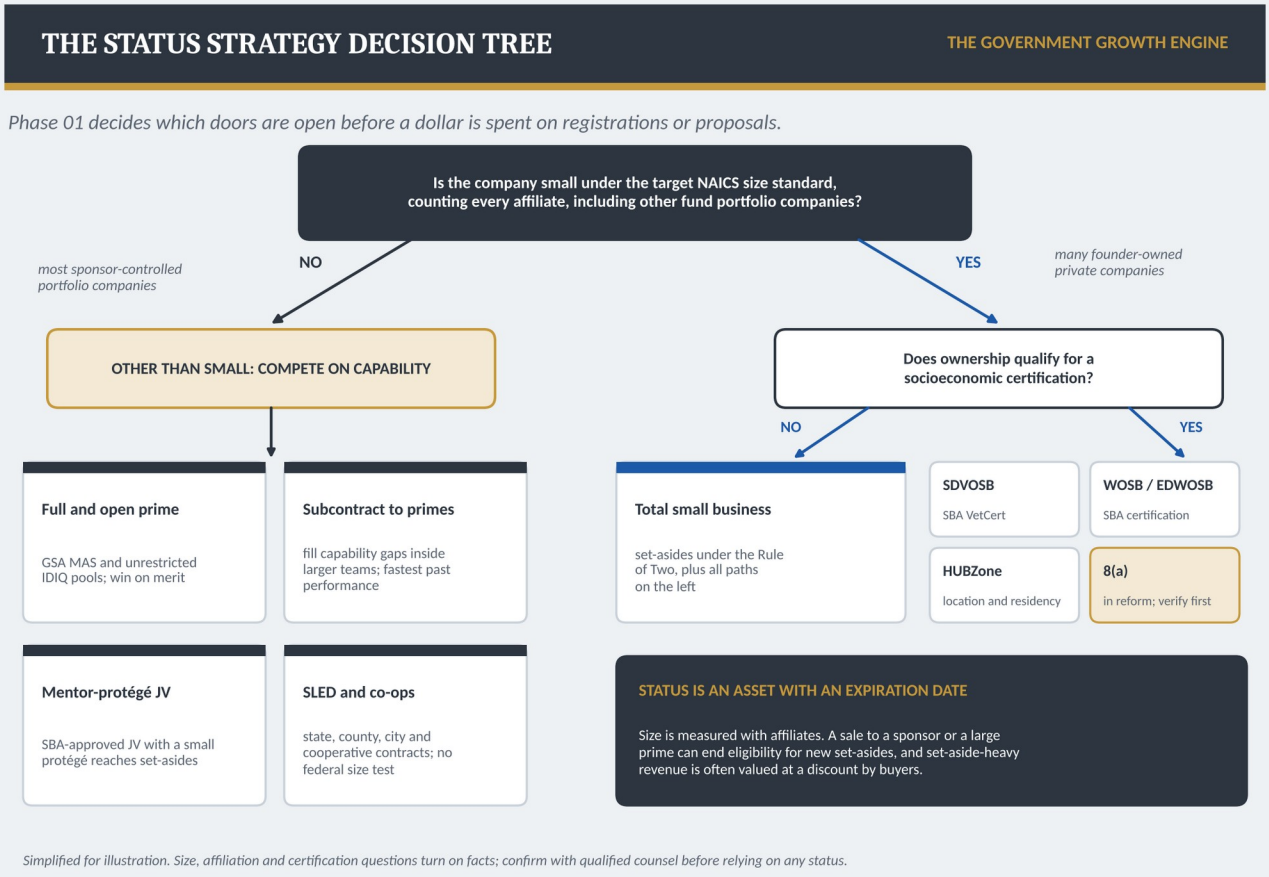


Figure 4: The status strategy decision tree: size with affiliates decides which doors are open.

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THE SPONSOR'S STATUS RULE

If a company wins on a set-aside, its value is tied to a status that a change of control can end. HigherGov's analysis of transaction data notes that smaller contractors and those with majority set-aside revenue often sell at a significant discount. A sponsor should either build revenue that does not depend on status, or price the status risk explicitly at entry and at exit.

Phase 02: Position

Positioning is administrative work with strategic consequences. The registrations are mostly free; the cost is in time, accuracy and the compliance platform behind them. The work runs in parallel across all four levels, and the goal is to be bid-ready, meaning registered, certified where eligible and compliant, by about month six.

Phase 02 runs in parallel across four levels of government

Illustrative sequencing for a Georgia-based company. Ranges reflect published and reported processing times, not guarantees.

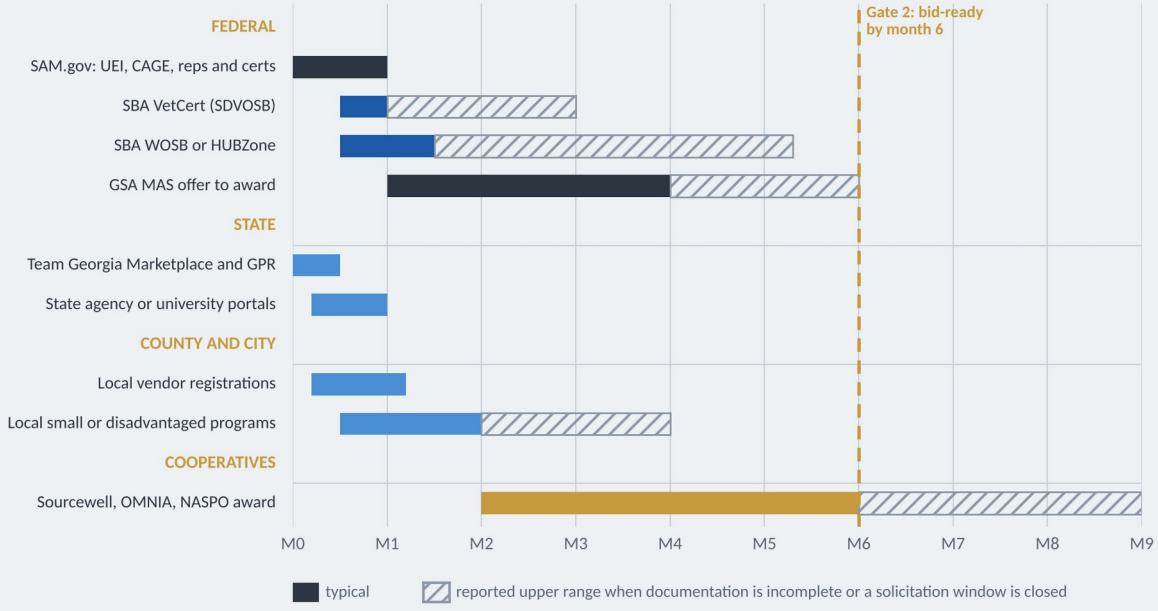


Figure 5: Phase 02 runs in parallel across four levels of government, with Gate 2 at about month six.

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Item	What it is	Typical timing	Watch for
SAM.gov registration	Unique Entity ID, CAGE code, representations and certifications; required for any federal award	Weeks	Annual renewal; exact match to IRS and banking records
SBA certifications	SDVOSB through VetCert, WOSB or EDWOSB, HUBZone; only if eligible	SBA reported VetCert decisions averaging about 12 days in late 2025; HUBZone has historically averaged longer than 90 days	Ownership and control documents; affiliation
GSA Multiple Award Schedule	The broadest federal commercial vehicle	GSA targets 120 days or less for IT offers; complex offers take longer	Commercial sales practices disclosures; minimum sales thresholds
State and local portals	Team Georgia Marketplace and the Georgia Procurement Registry, plus county, city and university portals	Days to weeks	Commodity code selection drives which notices arrive
Compliance platform	Accounting system able to segregate costs, timekeeping, cybersecurity controls, policies and insurance	One to six months	CMMC for defense work; flow-down clauses from primes

For a defense entrant, cybersecurity is the long pole. DoD's own estimate of a small entity's Level 2 third-party certification is about $101,752 for preparation and assessment, and practitioner estimates of the full first cycle, including remediation, range from about $80,000 to $250,000. That cost belongs in the Assess phase budget, not as a surprise in Year 2.

Phase 03: Access

A contract vehicle is a pre-competed agreement that lets buyers place orders quickly with the companies that hold it. Vehicles concentrate dollars: GovSpend reports that the five largest governmentwide vehicles accounted for 52 percent of awards made through such vehicles in fiscal 2025. Holding the right vehicle does not create revenue, but not holding it can exclude a company from whole categories of demand.

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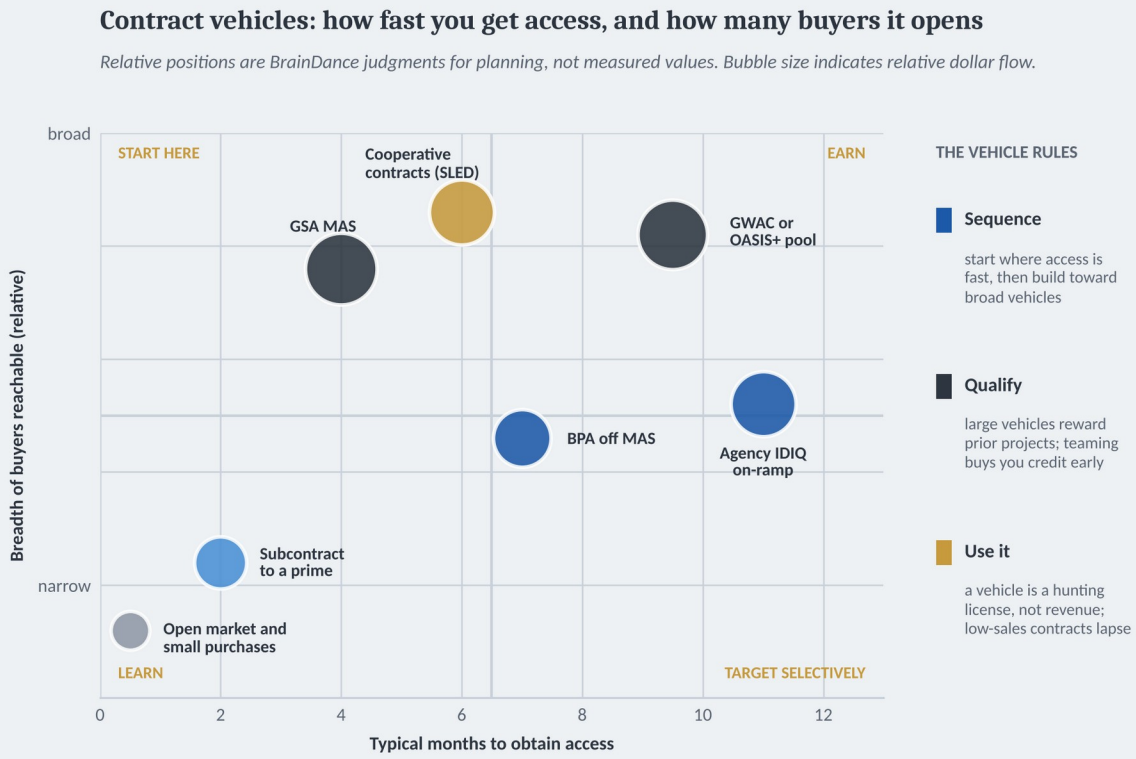


Figure 6: Contract vehicles plotted by speed of access and breadth of buyers, with the sequencing rules we apply.

We sequence vehicles from fast and narrow to slow and broad:

Vehicle	What it opens	How a new entrant gets on	Our view
Subcontract to a prime	Work inside large contracts; prime past performance by association	Teaming agreement; primes above $900,000 must plan small business subcontracting	Fastest way to learn and earn ratings
GSA MAS	Orders from federal agencies, and in some categories state and local buyers	Open, continuous solicitation	Hold early; market actively, or it lapses
Cooperative contracts	Tens of thousands of state, local and education buyers	Respond to the lead agency's competitive solicitation	Often the best first win for an other-than-small company
Agency IDIQ and BPAs	A defined agency's recurring requirements	On-ramps and recompetes on the agency's calendar	Target two or three, chosen from Assess data
GWACs and OASIS+	Governmentwide professional services and IT	OASIS+ Phase II opened January 12, 2026 with continuous on-ramping; qualifying projects are scored	Earn it with the projects won in Years 1 and 2

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Task orders under a vehicle are where most of the money moves, and where the matching discipline in Phase 04 pays for itself. A vehicle that holds 100 contractors produces a competition on every order; the companies that win repeatedly are the ones that knew the requirement before it was released.

Phase 04: Capture

Capture is the work of winning before the proposal is written: knowing the buyer, shaping the requirement, assembling the team and pricing to win. Most new entrants treat it as a series of projects. We run it as a loop.

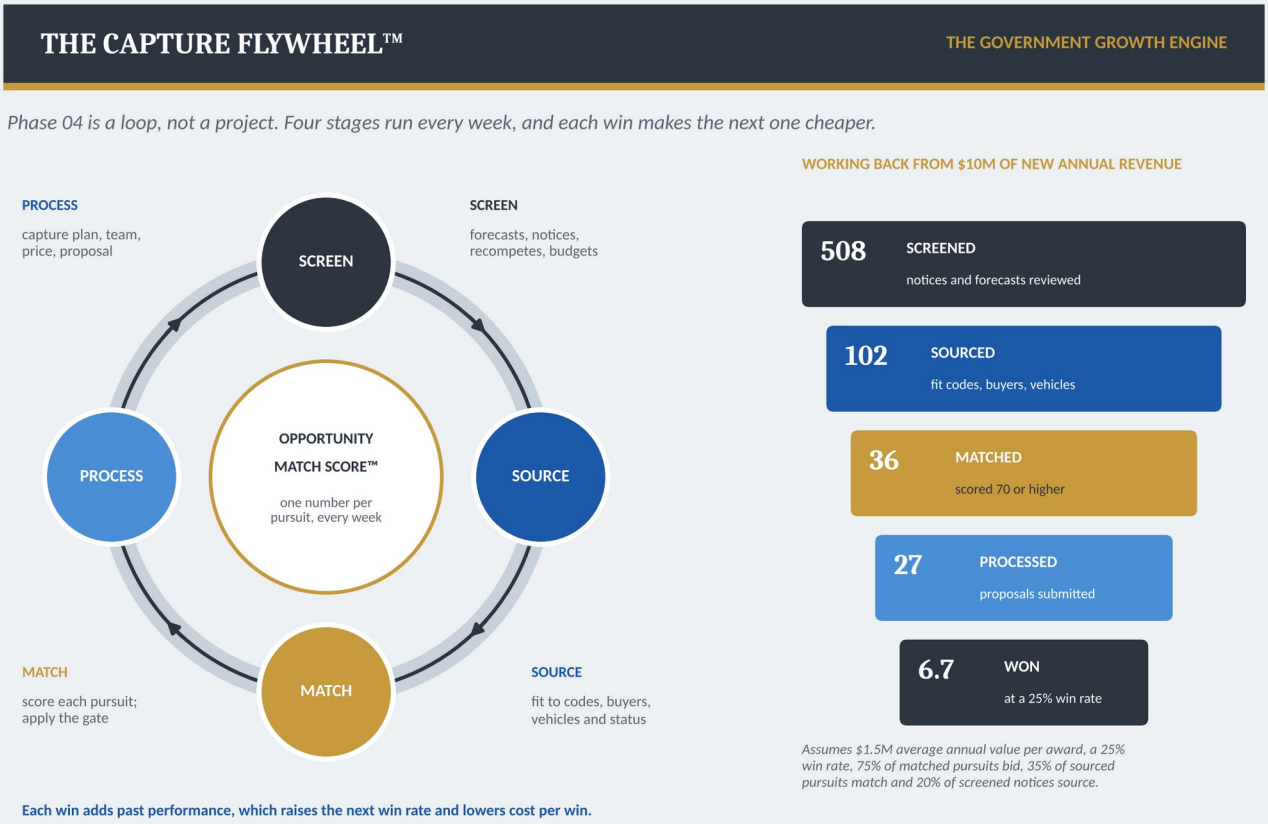


Figure 7: The Capture Flywheel™: screen, source, match and process every week, working backward from a revenue target.

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The four stages

Stage	What happens	Inputs	Output
Screen	Review forecasts, sources sought notices, solicitations, recompete calendars and budget documents	Federal, state, county, city and cooperative feeds; agency forecasts	A long list of possible pursuits
Source	Keep only pursuits that fit the company's codes, buyers, vehicles and status	Readiness Index data; vehicle and teaming map	A qualified pipeline
Match	Score each pursuit on the Opportunity Match Score™ and test it against its break-even win probability	Customer intelligence; competitor and incumbent analysis; price-to-win	A bid, team or no-bid decision at Gate 3
Process	Capture plan, teaming, solution, pricing and a compliant, evaluator-friendly proposal	Templates, past performance library, pricing model	A submitted proposal and lessons learned

DEFINITION

OMS Opportunity Match Score™

A 0 to 100 score for every pursuit, built from eight weighted factors scored 0 to 5:

- **Customer access, 20; requirement fit, 15; past performance, 15; competitive position, 15**
- **Price-to-win feasibility, 10; margin, 10; teaming strength, 10; strategic value, 5**
- **Knockout:** if the company is not eligible for the vehicle or the set-aside, the score is zero

Gate 3 rules: 70 or above and an estimated P_{win} above P_{win}, bid as prime; 55 to 69, pursue as a teammate or subcontractor; below 55, no-bid. The score is recorded with its date and owner, so the decision can be audited later.*

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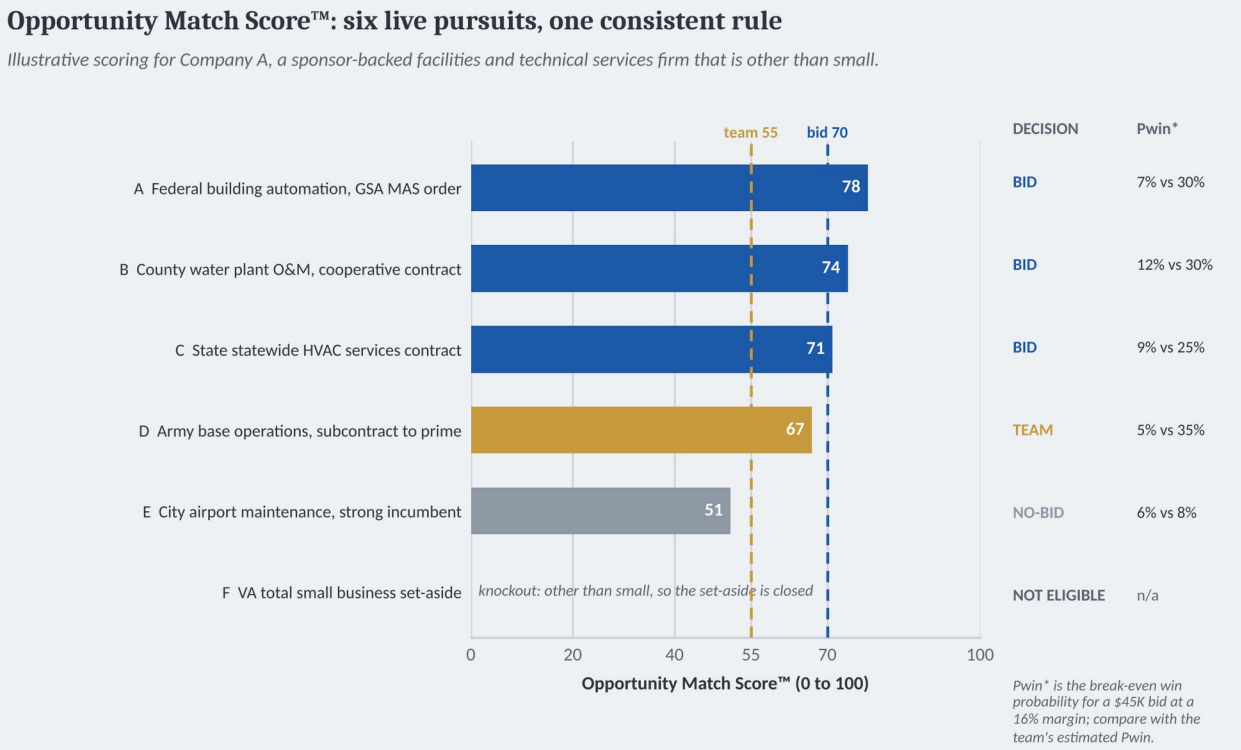


Figure 8: Opportunity Match Score™ applied to six live pursuits for Company A, with the break-even win probability check.

The example shows why the score and the break-even test are used together. Pursuit E, a city airport maintenance contract with a strong incumbent, clears its break-even win probability, so a simple expected-value test would say bid. The score says no-bid, because a low competitive position and weak customer access predict that the estimated win rate is optimistic. Industry sources report that incumbents win roughly 70 to 80 percent of recompetes, and that challengers who wait for the solicitation win far less often. Pursuit F is a knockout: Company A is other than small, so the set-aside is closed no matter how well the work fits.

Pipeline math

Formula 4 sets the scale of the loop. To add $10 million of new annual revenue at a 25 percent win rate and $1.5 million per award, Company A must submit about 27 proposals. If three in four matched pursuits are bid, about 36 must clear the match; if about one in three sourced pursuits matches, about 102 must be sourced; and if one in five screened notices sources, about 508 must be screened. That is roughly ten notices a week, every week, which is why the Capture Flywheel is a standing operation and not a campaign.

Phase 05: Perform and Expand

The first contract is the most expensive one a company will ever win, and its real value is what it makes possible. Performance ratings, references and relevant projects raise the win rate on the next pursuit, qualify the company for broader vehicles and reduce cost per win. Our model assumes the win rate rises from 8 percent in Year 1 to 28 percent by Year 5 as past performance accumulates, which is the central mechanism behind the returns that follow.

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Discipline	What it protects or creates
Deliver to the contract, and document it	Strong performance ratings and references for the next proposal
Recompete calendar from day one	Begin defending each contract 12 to 18 months before it ends; the incumbent advantage is real but not automatic
Expand within the buyer	Adjacent offices, follow-on task orders and modifications at lower cost per win
Extend to adjacent buyers	Use federal past performance in state, county and city pursuits, and the reverse
Feed the flywheel	Every win and loss updates the Opportunity Match Score weights and the pricing model

The Financial Case: A Worked Model

We built an illustrative quarterly model for Company A to test the hypothesis with numbers rather than adjectives. Every figure below comes from the same model, and every assumption is listed in the appendix so that a sponsor can replace ours with their own.

The core assumptions:

Assumption	Base case	Why
Proposals submitted	6, 12, 18, 22 and 24 in Years 1 to 5	Capacity of a dedicated team as the pipeline matures
Win rate	8, 15, 22, 27 and 28 percent	Rises as past performance builds
Average annual value per win	$0.5M rising to $1.7M	Small first awards, larger task orders later
Timing	2 quarters from bid to award, 1 more to revenue; 4-year average life	Consistent with the sales cycle above
Incremental contribution margin	16 percent of government revenue	Below commercial gross margin; existing overhead absorbs part of the load
Cost of the function	In-house $1.3M to $1.6M a year; fractional $0.75M to $1.05M a year, including compliance	Market salaries and fees; fractional cost rises as it blends into hires
Valuation	8x contracted next-twelve-month EBITDA from government work	Lower middle market multiple; no expansion assumed

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Company A base case: the same market, two ways to staff the engine

Illustrative model. Contribution at 16% of government revenue, less the full cost of the business development function.

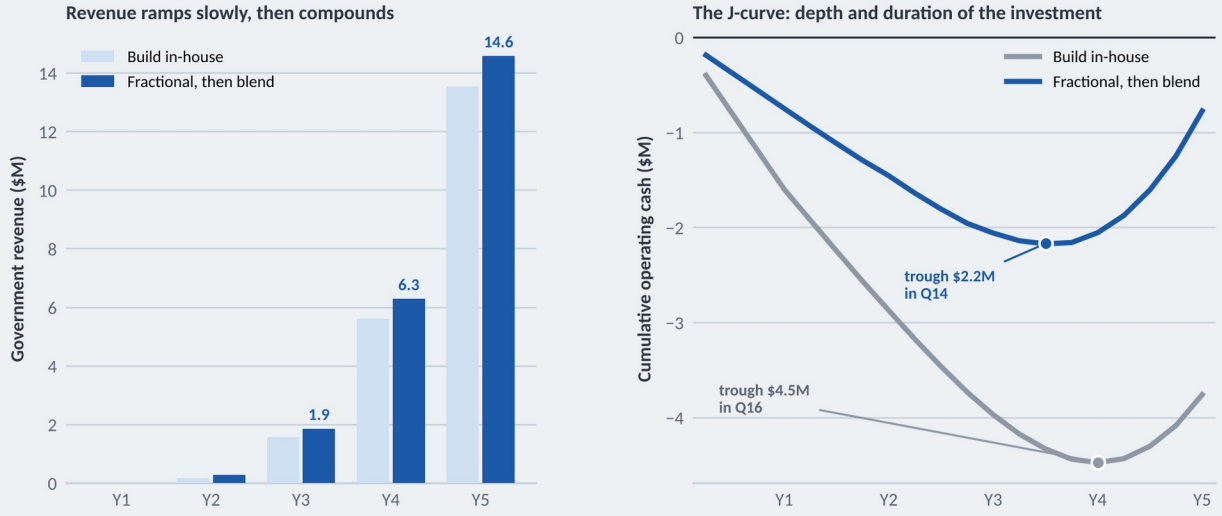


Figure 9: Company A base case: revenue compounds after a slow start, and the staffing model sets the depth of the J-curve.

The revenue curve is nearly the same in both staffing models. The difference is cost and speed. The in-house build starts bidding a quarter later because the team must be hired first, carries a fixed cost from the first month and reaches a cash trough of about $4.5 million in Year 4. The fractional build starts on an existing playbook, scales its cost with volume and bottoms out at about $2.2 million in Year 4.

From revenue to enterprise value

FORMULA 5 · THE PUBLIC REVENUE VALUE EQUATION™

$$\Delta EV = M \times (R_{NTM} \times m - C_{B2G})$$

R_{NTM} is contracted government revenue for the next twelve months at exit, m is the contribution margin, C_{B2G} is the run-rate cost of the function, and M is the exit multiple. A buyer underwrites contracted forward revenue, not pipeline.

Company A, fractional base case: 8 × ($24.5M × 16% − $1.05M) = 8 × $2.88M = **$23.0M** of enterprise value added.

FORMULA 6 · NET VALUE AND VALUE-TO-INVESTMENT RATIO

$$NV = \Delta EV + \Sigma CF_t \qquad VIR = NV \div \Sigma C_t$$

ΣCF_t is cumulative operating cash from the program through exit, which is negative in most cases, and ΣC_t is the cumulative cost of the function.

Company A, fractional: NV = $23.0M − $0.8M = $22.2M; VIR = $22.2M ÷ $4.45M = **5.0x**. **In-house:** NV = $18.4M − $3.8M = $14.6M; VIR = $14.6M ÷ $7.1M = **2.1x**.

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FORMULA 7 · THE OPPORTUNITY COST TEST

$$OC = \Sigma C_t \times [(1 + h)^n - 1]$$

The program must create more net value than the same dollars would earn at the sponsor's hurdle rate h over n years in the next-best use in the value creation plan.

At a 20 percent hurdle over five years: fractional OC = $4.45M × 1.49 = $6.6M, well below $22.2M of net value. In-house OC = $7.1M × 1.49 = $10.6M against $14.6M, a much thinner margin of safety.

Year 5 outcome, base case	Build in-house	Fractional, then blend
Government revenue in Year 5	$13.5M	$14.6M
Contracted next-twelve-month revenue at exit	$23.4M	$24.5M
Contract backlog beyond Year 5	$82M	$85M
Cumulative cost of the function	$7.1M	$4.45M
Deepest cumulative cash position	−$4.5M (Q16)	−$2.2M (Q14)
Enterprise value added (Formula 5)	$18.4M	$23.0M
Net value created (Formula 6)	$14.6M	$22.2M
Value-to-investment ratio	2.1x	5.0x

For context, Company A's enterprise value before the program is about $57.6 million at 8 times its $7.2 million of EBITDA. The fractional base case adds about 40 percent to that value by the end of a five-year hold, while government work becomes roughly 29 percent of forward revenue. That is a meaningful diversification, not a replacement of the commercial business.

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Scenarios: what could go wrong, and what could go right

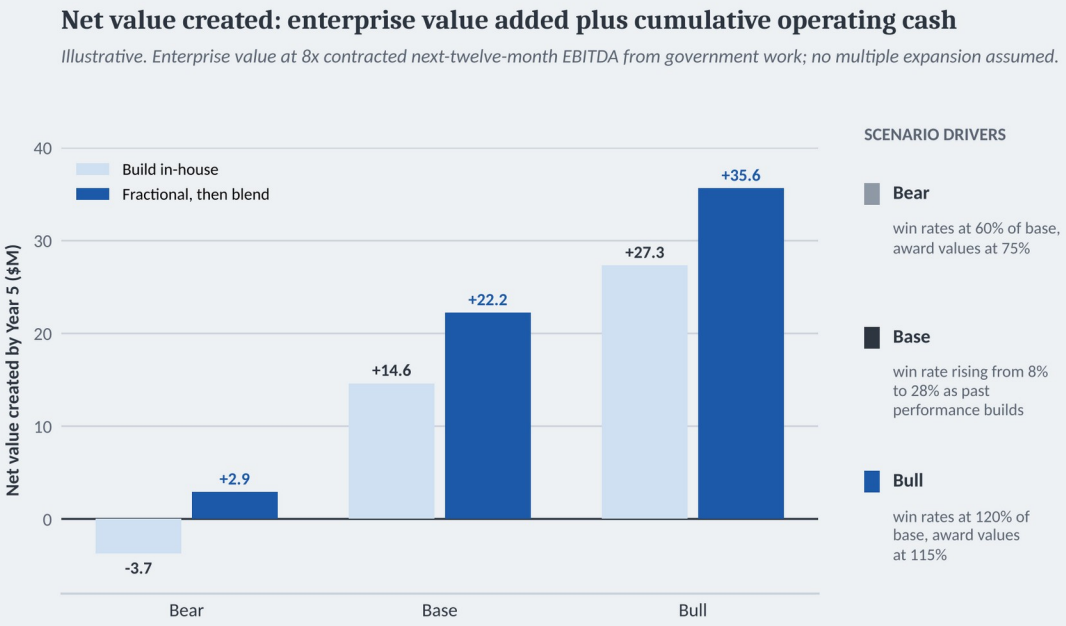


Figure 10: Net value created by Year 5 under bear, base and bull assumptions for each staffing model.

The scenarios carry the most important message in this paper. In the bear case, with win rates at 60 percent of base and award values 25 percent lower, the in-house program loses about $3.7 million of net value, while the fractional program still creates about $2.9 million. The market did not change between the two columns; the cost structure did. A fixed cost base turns a disappointing win rate into a loss, while a variable one turns it into a smaller gain.

> **THE STOP-LOSS RULE**
>
> Set a stop-loss at Gate 2 and at month 18. If the program has not produced a qualified pipeline and at least one award by month 18, pause and reassess. In our model, stopping at that point costs about $2.25 million with an in-house team and about $1.12 million with a fractional one. Knowing the cost of stopping is part of deciding to start.

All model outputs are illustrative and depend on the stated assumptions. They are not forecasts for any specific company and are not investment advice.

Build, Borrow or Blend: Who Runs the Engine

Every path through PSG-5™ ends at the same conclusion. Winning government work repeatedly requires a dedicated function: people who know how agencies buy, how evaluators score, how to price against an incumbent and how to keep a company compliant. No commercial sales team, however strong, absorbs that work as a side project, and companies that try usually learn it through a string of expensive losses. The real question is how to stand up the function.

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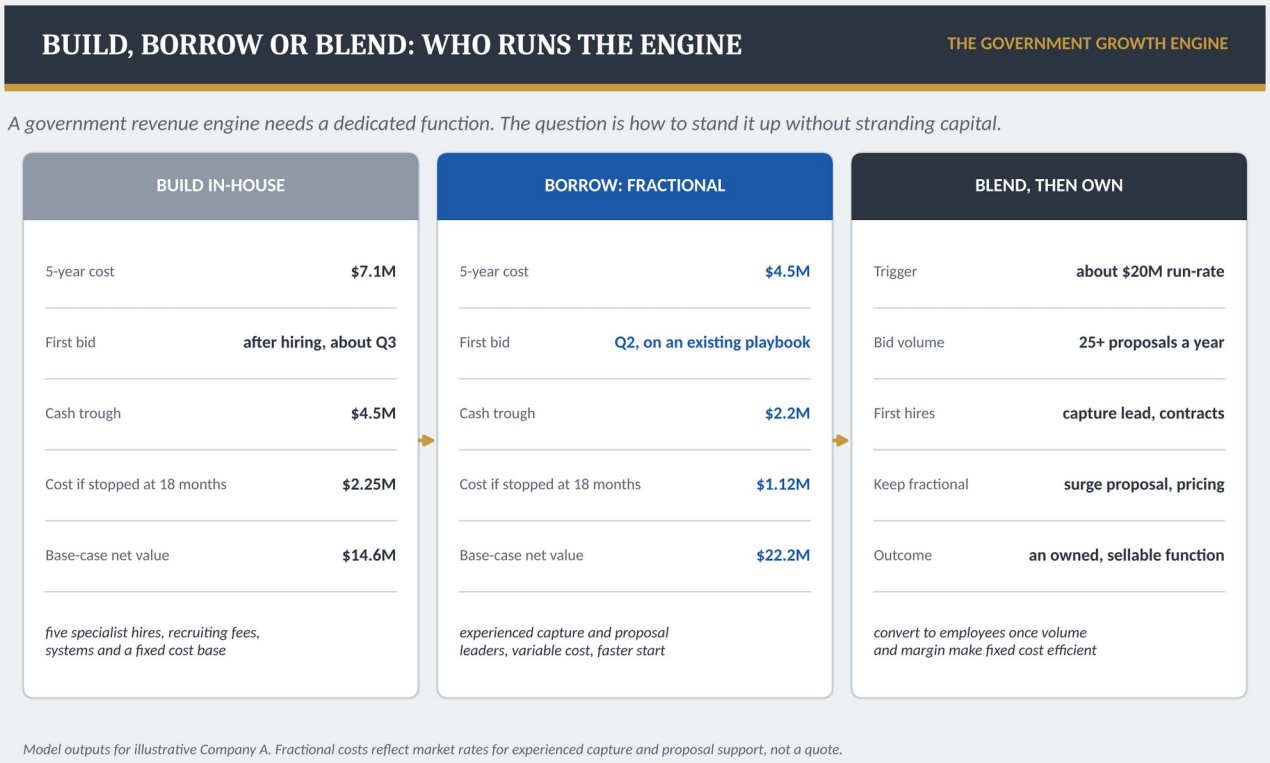


Figure 11: Build, borrow or blend: the cost, speed and risk of three ways to run the engine.

	Build in-house	Borrow: fractional or consulting	Blend, then own
Who	Five specialist hires plus systems	An experienced capture and proposal team engaged as needed	Fractional leadership with selective hires
Speed to first bid	Slower; hiring takes one to two quarters	Faster; playbook, tools and templates exist	Fast start, then continuity
Cost profile	Fixed, $1.3M to $1.6M a year from day one	Variable, scales with bid volume	Shifts from variable to fixed as volume justifies it
Risk if the program stalls	High: severance, stranded cost	Low: scale down or pause	Moderate and declining
Knowledge retention	Strong once built	Must be transferred deliberately	Designed in: playbook, library and hires
Best fit	Companies already above about $20M of government revenue	Entry and early growth, Years 1 to 3	The path from entry to an owned, sellable function

Our recommendation for most sponsor-backed and founder-owned companies is to borrow first, blend second and own last. Engage an experienced fractional team to run Assess, Position, Access and the first cycles of Capture. Hire the first in-house roles, typically a capture lead and a contracts manager, once

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government revenue approaches about $20 million and bid volume reaches roughly 25 proposals a year. Keep fractional capacity for surge proposals, pricing and recompetes. By the time of exit, the company owns a functioning, documented government business that a buyer can diligence and value.

Building a full in-house team from day one is the right answer only for companies with an urgent, well-defined government opportunity and the balance sheet to carry a deeper J-curve. Otherwise it is the most expensive way to learn what an experienced team already knows.

What This Means for Sponsors

For private equity firms, independent sponsors and search fund buyers, the public market shows up in four places in the life of an investment.

Situation	How PSG-5™ is used	What the sponsor receives
Value creation plan	Run Assess on a portfolio company whose capabilities match public demand	A Readiness Index, an entry decision at Gate 1 and a funded, staged plan
Pre-close diligence	Test a target's government revenue for status dependence, recompete exposure and backlog quality	A view of how much of the revenue survives a change of control
Buy-and-build	Evaluate a set-aside add-on with the sponsor's status rule in mind	A price that reflects status risk, or a plan to transition the revenue
Exit preparation	Document the function, backlog and win rates two years before a sale	Contracted forward revenue and a capture engine a buyer can underwrite

Readers of this series will recognize the thread. Issue No. II argued that fragmented advisory work taxes value creation. Issue No. IV introduced the forward deployed executive and the V^2 Equation™, $cD + fdE = V^2$. PSG-5™ applies the same logic to the public market: a clear change design in Phases 01 through 03, and experienced operators who execute Phases 04 and 05 until the value is validated in contracted revenue.

Conclusion

We began with a hypothesis: for the right company, government is a value creation lever, not a sales channel. The research and the model support it, with conditions.

- **The opportunity is real.** About $793 billion of federal contract commitments in FY2025, an estimated $1.5 trillion or more of state and local procurement, and a field of small competitors that has shrunk by roughly 40 percent in a decade.
- **The cost is real.** Plan on 12 to 24 months to a first award, roughly 15 months of added sales cycle, six-figure compliance costs for defense work and a J-curve that bottoms out in Year 3 or 4.
- **The downsides are real.** Lower margins than many commercial lines, budget instability, shifting small business programs and status rules that can impair value at exit.
- **The opportunity cost is real.** The same capital and leadership attention could fund the commercial plan; Formula 7 makes that comparison explicit.

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- **The return is measurable in advance.** With the formulas in this paper, a sponsor can estimate time to cash, cost per win, required bid volume and enterprise value added before committing a dollar, and track each one quarterly against the plan.

In our illustrative base case, a disciplined entry adds about $23 million of enterprise value to a $60 million company within a five-year hold on $4.45 million of cost. The same market, entered with a fixed in-house cost base, adds less in the base case and loses money in the bear case. The market rewards the capability; the operating model decides how much of that reward the owner keeps.

Assess it. Position it. Access it. Capture it. Then compound it.

If you own or advise a company whose capabilities match what government buys, let's connect and schedule a B2G Readiness assessment: letstango@braindancecollective.com.

Appendix: Formulas, Terms and Sources

Formula reference

#	Formula	Use
1	$T_{cash} = T_{shape} + T_{propose} + T_{award} + T_{start} + T_{pay}$	Months from first positioning to first cash
2	$CPW = C_{bid} \div P_{win}$	Cost per win
3	$P_{win}^{*} = C_{bid} \div (TCV \times m)$	Break-even win probability for a pursuit
4	$N_{bids} = \Delta R \div (P_{win} \times ACV)$	Proposals required to reach a revenue target
5	$\Delta EV = M \times (R_{NTM} \times m - C_{B2G})$	Enterprise value added by the program
6	$NV = \Delta EV + \Sigma CF_t$; $VIR = NV \div \Sigma C_t$	Net value created and value-to-investment ratio
7	$OC = \Sigma C_t \times [(1 + h)^n - 1]$	Opportunity cost at the sponsor's hurdle rate

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Glossary

Term	Meaning
PSG-5™	The BrainDance Public Sector Growth Path™: Assess, Position, Access, Capture, and Perform and Expand, with three gates
B2G Readiness Index™	Six-dimension weighted score that decides whether and how a company enters the public market
Capture Flywheel™	The weekly loop of screening, sourcing, matching and processing pursuits
Opportunity Match Score™	Eight-factor 0 to 100 score for each pursuit, with a knockout for eligibility
Public Revenue Value Equation™	Formula 5: enterprise value added from contracted forward government revenue
Set-aside	A competition limited to small businesses or a socioeconomic category
Affiliation	SBA rules that measure a company's size together with entities that control it or that it controls
IDIQ, GWAC, BPA	Pre-competed vehicles under which agencies place task or delivery orders
Cooperative contract	A contract competed once by a lead public agency and usable by many state and local buyers
Recompete	A new competition for work that is already being performed by an incumbent

Model assumptions

Quarterly model over five years. Proposals of 6, 12, 18, 22 and 24 per year (Year 1 bidding begins in Q2; the in-house case starts one quarter later for hiring). Win rates of 8, 15, 22, 27 and 28 percent. Average annual value per win of $0.5M, $0.9M, $1.2M, $1.5M and $1.7M by bid year. Award two quarters after submission, revenue one quarter after award, four-year average realized life. Contribution margin of 16 percent. Function cost including compliance platform: in-house $1.60M, $1.30M, $1.35M, $1.40M and $1.45M; fractional $0.75M, $0.75M, $0.90M, $1.00M and $1.05M. Exit at 8x contracted next-twelve-month EBITDA from government work. Bear case: win rates at 60 percent and award values at 75 percent of base. Bull case: 120 percent and 115 percent. Fractional costs reflect market rates for experienced capture and proposal support, not a quote.

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models. Her view of the public market is an operator's view: government revenue is worth pursuing only when it is chosen with the same discipline as an acquisition, scored before it is pursued and governed until it is validated in contracted revenue. PSG-5™ puts that discipline into a repeatable method.

About The BrainDance Collective

The BrainDance Collective is a collection of experienced executives who design and execute solutions to complex problems, achieving the primary mission of a private company or agency shoulder to shoulder with its team, from within the organization. Guided by three commitments, Integrity Over Everything, Partners Not Vendors, and People Are the Point, BrainDance brings 150+ years of combined executive experience across Fortune 500 brands to bear on strategy, technology adoption, and operating performance.

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