



June 04, 2025

## THE LONG PULL: Long Government Spending (PPHC)

Remember when Trump and Bessent wanted to *reduce* government spending? It seems like forever ago, but it's true. Check out these headlines:

 The Center Square

### Trump's Treasury pick Scott Bessent says 'spending is out of control'

(The Center Square) – President-elect Donald Trump's nominee to lead the Treasury Department said federal spending is "out of control."

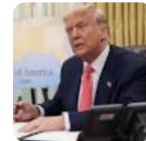


 Bloomberg.com

### Bessent Warns of 'Detox Period' for Economy, Touts Trump 'Call'

Treasury Secretary Scott Bessent warned that the US economy may see some disruption as the Trump administration shifts the basis for growth...

Mar 7, 2025



 CFO.com

### Scott Bessent calls government spending 'unsustainable' and a risk for 'calamity': Trial Balance

Scott Bessent calls government spending 'unsustainable' and a risk for 'calamity': Trial Balance. The Treasury secretary spoke on CNBC's Squawk...

Mar 17, 2025



 Reuters

### US Treasury's Bessent says economy may slow in shift away from public spending

US Treasury Secretary Scott Bessent said on Friday that the US economy may slow as it transitions away from public spending towards more private spending.

Mar 7, 2025



They promised that DOGE would save us from our reckless spending habits. They'd find and extinguish billions of dollars of waste and turn the US government into a lean, mean operation.

It sounded amazing, too good to be true. And then we got The Big Beautiful Bill ...



## Budget bill would add trillions to U.S. debt and increase inequality, Nobel laureate economists say

Six Nobel laureate economists said a massive budget bill passed by House lawmakers last month and backed by President Trump would weaken key...

14 hours ago



## Musk Calls Trump's Bill 'Abomination,' Emboldening GOP Critics

Former White House adviser Elon Musk on Tuesday issued a blistering criticism of President Donald Trump's tax and spending package,...

19 hours ago



Trump packed this bill with *more* government spending and *higher* budget deficits. The bill would add ~\$2T to the National Debt if passed. What's another \$2T amongst friends?

To quote *Talking Heads* ... "same as it ever was."

This isn't a political *Long Pull Report*. All I'm saying is that if Elon Musk and Donald Trump can't reduce government spending/waste, who can? Or, more importantly, would anyone besides Rand Paul ever want to?

Here's the good news: we can trade this by buying the pure-play "take rate" on higher federal spending called **Public Policy Holding Company (PPHC)**.

Before diving in, I want to shout out to Dan E in the Collective for pitching this name on May 20th. You can read his pitch [here](#).

**The Elevator Pitch:** PPHC is the US's largest (and only publicly-traded pure-play) government lobbying and public affairs firm. The company operates in a highly fragmented industry with a long organic and M&A growth runway. PPHC has steadily grown revenues at 10 %+ annually with 25% EBITDA margins and ~30% returns on capital. Management and employees own 75% of the company.

**Why Others Have Missed It:** The company has a \$240M market cap and trades on the London AIM market. That eliminates 95% of investors. PPHC also screens poorly due to GAAP accounting rules around stock-based compensation, equity portions of acquisition spending, and clawback/bonus provisions. According to GAAP, PPHC generates consistent operating losses.

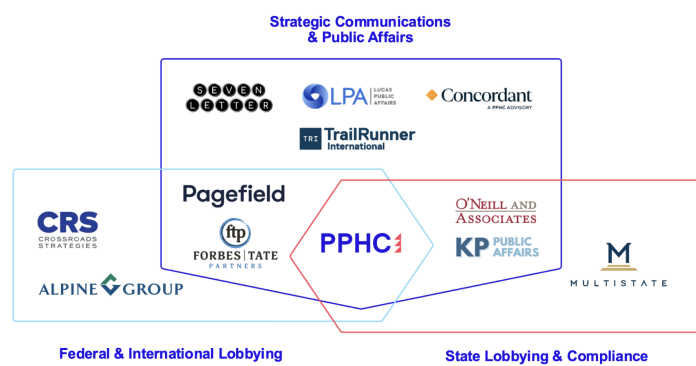
**Our Variant Perception:** PPHC's end markets are recession-resistant and should inflect higher over the coming years. Nothing will stop government spending, and tax bill complexity should provide years of higher revenues. Despite GAAP accounting losses, the company generates strong free cash flow from its recurring, low-concentration revenue base. PPHC will uplist to the US markets, at which point investors will realize the annuity-like nature of its cash flows, the steady end-market growth, and the history of premium multiples paid for similar businesses in private markets.

**What's The Upside:** PPHC estimates that they'll generate \$500M in revenue by 2030 from a mix of organic growth and M&A, which translates to \$125M in EBITDA at historical average margins. PE firms have paid up to 19x EBITDA for similar businesses. At 12x EBITDA, **PPHC would be worth \$1.5B or ~6x higher than the current share price.**

## Business Overview

PPHC is a government lobbying and public relations consulting company. They provide clients with bipartisan policy expertise across three primary segments: Government Relations Consulting, Public Affairs Consulting, and Diversified Services.

You can think of PPHC as a Cost of Retaining Reputation in its customers' COGS. They do this by buying and operating independent lobbying firms, keeping the brands, then sharing costs with the parent holding company (see structure below).



PPHC operates across the entire lobbying/public affairs industry. They help politicians, NGOs, voters, journalists, and professional sports organizations tackle complex challenges like:

- Navigating new government policies
- Setting corporate agendas with local and federal governments
- Driving public investment and unlocking tax credits
- Crisis communication management
- Industry thought leadership

The company has over 1,200 clients spanning half the Fortune 100 list (see below).



Since 2018, PPHC has reduced its revenue concentration from its Top 10 customers from 26% to 9%. At the same time, the company has increased the number of customers paying *at least* \$100K/year from 134 to 503.

Revenue has increased from \$34M in 2018 to \$150M today, with EBITDA expanding from \$9.3M to \$39M, respectively.

What makes PPHC's business model particularly attractive is its focus on **recurring, relationship-based revenue streams**. Government relations and public affairs consulting require deep expertise, established relationships, and ongoing engagement rather than one-time transactions. Clients typically maintain long-term relationships

with their advisory firms due to the specialized knowledge needed and the critical nature of regulatory compliance and government relations strategy. This creates **natural barriers to entry and supports predictable revenue streams.**

Also, this is a capex-light business. The CEO referenced capex in the Capital Markets Day, saying (paraphrasing), “our only costs are butts in seats and office space.”

So it’s a great business with above-average economics, high margins, and minimal capex. Let’s dive into the industry dynamics.

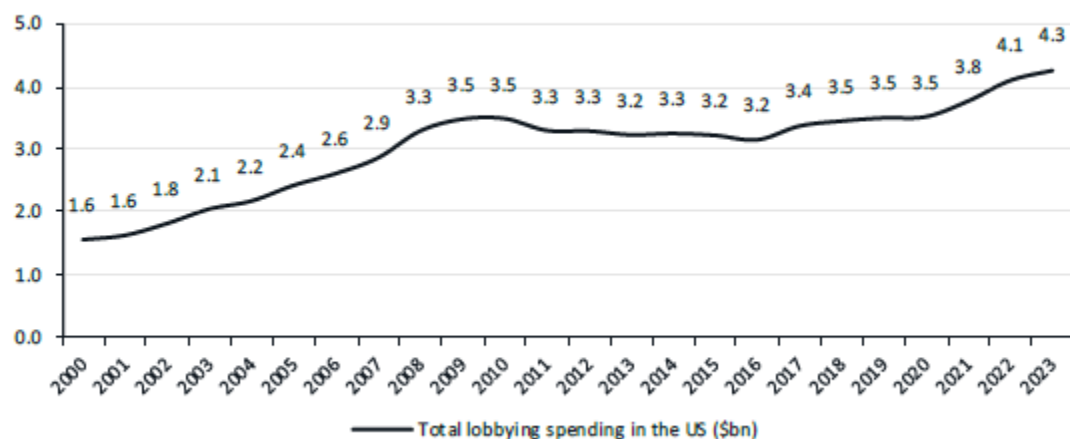
## Industry Dynamics: Steady Growth & Highly Fragmented

There are two reasons why I like this idea:

1. You’re betting that government spending will increase over time (almost as sure a bet as I’ve seen).
2. You’re betting that the industry will consolidate over time and that private equity will keep buying these companies.

US Federal Lobbying is a \$4B business, growing at ~4% per year over the past four years (see below).

**Figure 11: US federal regulated lobbying spend (US\$ bn) has been growing to >\$4bn p.a. at ~4% 5-year CAGR**



Source: Company reports, CG estimates

Steady and predictable growth despite different Presidents and varying economic cycles. That’s every investor’s dream.

Here’s a snippet from an expert call transcript with a Former Senior Executive of PPHC describing the company’s anti-recession business model (emphasis mine):

*“I believe **this industry is more recession-proof than most others**. COVID is a recent example. **When things get tight, people often turn to the government for assistance**, so they don't significantly cut their footprint. However, if a client has a specific issue, they might trim budgets, but that's more on a micro level ...*

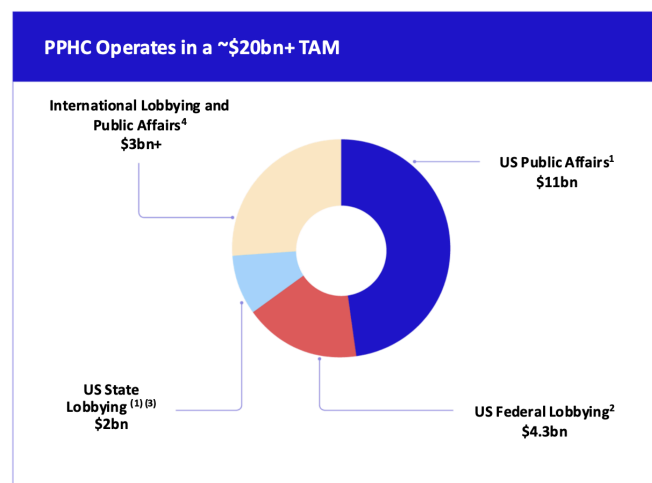
*If you have a unified government, like if Democrats take back the House, keep the Senate, and Harris wins, **there will be strong demand for government relations**. Corporate America would have a moment of concern and fight back against policies they see as detrimental to economic growth. **In a divided government, there is potential for deal-making, which could drive government relations budgets**.*

*If Republicans control everything, various regulatory reforms would prompt the business community to ensure they have a seat at the table to address their issues. This makes the field **relatively recession-proof**. There are cyclical elements, **like a big tax bill, which would increase demand and revenue** across K Street. The pandemic is a prime example, where the government was actively making moves, and companies ramped up efforts to ensure they weren't negatively impacted or to secure their interests.”*

That confirms my initial hypothesis: No matter who's in the White House or what party rules the government, lobbying will always be needed.

Then there's industry consolidation. As I mentioned, PPHC is the US's largest government lobbying company by revenue at ~\$150M run-rate for 2025. Yet the company operates in a \$4B+ industry. So, despite being the largest player, **PPHC represents 4% of just its government lobbying TAM**.

PPHC has an attractive and defensible position in the ~\$20bn+ US federal & state lobbying and public affairs markets, and is actively pursuing the international lobbying and public affairs markets





Cannacord Research explains the industry's fragmentation (emphasis added):

*“The US lobbying market is highly fragmented – **there are >2.5k government-registered providers** of lobbying services and >12k registered lobbyists in the country.*

*As such, the industry is an often-disconnected patchwork of in-house lobbyists, individuals working on a consulting basis, boutique advisors, and small to medium-sized agencies. **Bloomberg Government estimates >380 firms operating in the space with at least \$1m in revenue in 2023.**”*

Only one other direct competitor is trying to consolidate this space, Advocus Partners, with eight federal and state lobbying and advocacy agencies.

There's just so much white space left to consolidate, and PPHC is one of the only available options, and *the only* publicly-traded pure-play.

So what gives PPHC the right to win?

## **Management, Incentives, & Capital Allocation**

This is a relationship business with sticky customers, recurring revenue, high switching costs, and high barriers to entry. These factors make management, incentives, and capital allocation *much more* critical.

If I asked you to construct an ideal management/employee incentive program and M&A capital allocation framework, you'd probably say:

- A) I want management and employees to own a lot of stock.
- B) I don't want to overpay for acquisitions.
- C) I want a cash *and* equity component to all deals.
- D) I want that equity component to focus on a long-term horizon (5+ years).
- E) I'd want the acquired companies to “do their thing” and operate independently.

That's how PPHC operates. Management and employees own 75% of the company's stock, with 85 employees participating in the program. M&A deals are a mix of cash and equity. The equity comes with a 5-year earn-out period that vests after four years. PPHC also includes every level of employee in the earn-out, so even the lowest-ranking employee receives a payday at vesting. Most importantly, PPHC keeps the company independent by having the same name and branding.

I hate saying this, but it reminds me of Berkshire Hathaway's acquisition framework.

## Conclusion: PPHC Will Be A Much Bigger Business

I had a call with Cliff Sosin two weeks ago. We discussed stocks, industries, and anything that had recently caught our attention. As Cliff tends to do, he blurted something so obvious but critical when analyzing companies (I'm paraphrasing):

*“Look, at the end of the day, all you’re trying to do is determine the probability of this business being materially bigger in a few years than it is today. And then working backwards to explain the probability behind that larger, future number.”*

I love that. Did I already know that? Yes, obviously. But sometimes I get lost in the minutiae of rigorous analysis and forget to answer the simple question, *“Does this business have a high probability of being significantly larger in a few years than it is today?”*

PPHC has a high probability of becoming much bigger in a few years than it is today. The company operates in a highly fragmented industry with a long organic and inorganic growth runway. It is the largest player in the space and will spend years consolidating the industry at leading margins and returns on capital.

Eventually, the market (or PE) will recognize the business’s earnings power and value it appropriately, significantly higher than today’s multiple.

I'll leave you with this comment from the former Senior Executive at PPHC:

***“I don't think there's a scenario where the business performs terribly. It's all about the level of growth and what's organic versus needing to introduce new elements. Unless there's gross mismanagement, which I'm not suggesting is likely, you will probably maintain a strong, sustainable profit margin.”***

This is why I love my job. I love learning about new companies from Collective members, like Dan E., and sharing my research with a group that will return it 100x over in new ideas, comments, and criticisms.

Your Value Operator,

Brandon