

**Profiler Talk: Soaring Pine's Sam Simon on investment in military parts supplier**  
by Deborah Balshem in Fort Lauderdale  
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**Soaring Pine Capital**, a **Simon Group Holdings** company, earlier this year acquired a majority stake in Dayton, Ohio-based **ETI Tech**, a parts supplier to the military and aerospace sectors.

Founded in 1996, ETI provides more than 200 flight hardware parts for military aircraft and ground support equipment to the aerospace defense industry for fixed and rotary wing aircrafts, including the F-35. Its customers include US government agencies and Tier 1 prime contractors to the government, including Lockheed Martin, GSA, The Boeing Company, BAE Systems, and Defense Logistics Agency.

Mergermarket spoke with Simon Group Holdings' founder and Chairman Sam Simon about the deal, ETI's acquisition strategy, and how increased defense spending is driving growth.

Simon's full list of deals and relationships can be found on [Profiler app - Sam Simon](#). Download the app [here](#), to check profiles of M&A individuals before meeting them.

### Initial appeal

Prior to the ETI Tech acquisition, Soaring Pine wasn't invested in the aerospace and defense industry. "Diversification is healthy," said Simon, who also saw an opportunity to back a seasoned and capable management team with significant industry expertise.

ETI's Midwest location also was a factor. "Many aerospace and defense (A&D) companies are located on the West Coast. ETI is close to Soaring Pine's Birmingham, Michigan headquarters," Simon explained.

Simon Group Holdings' family office has a proprietary deal flow network, based on industry contacts built over 40 years. "We see deals that others don't, and one of our contacts alerted us to the opportunity," Simon said.

Soaring Pine avoided a competitive process due to its ability to be referred at a high level, according to Simon, who said the firm became "the serious front runner once ETI learned of our interest." Soaring Pine was interested in ETI largely for its investment philosophy and cultural fit, with a key element the firm's long-term perspective, he noted.

The firm was introduced to ETI Tech in late 3Q16 and closed the deal in early 1Q17.

### Deal structure

Companies in aerospace and defense tend to have lumpy revenue, according to Simon. "We knew that going in and formulated our purchase price and terms of our financing accordingly. For many of its customers, ETI is the sole source supplier."

Beginning with the initial introduction of the ETI opportunity, Soaring Pine worked with veteran aerospace industry executives Bill McLendon and Jeff Hartman, who were named president and CEO, and executive vice president and CFO, respectively. Simon is Chairman of the Board.

Simon mentioned that McLendon and Hartman also are investors, and that Simon Group Holdings leaders generally invest their own capital, along with the other investors, "so incentives are properly aligned."

The ETI deal "fits squarely" into Soaring Pine's investment sweet spot of between USD 2m and USD 7m. The firm typically invests in new platform companies with EBITDA of more than USD 2m, and with enterprise values up to USD 100m and potentially more with co-investment partners.

Soaring Pine's hold period usually ranges from three to seven years.

### Acquisition criteria

Simon said Soaring Pine plans to use ETI as a platform investment, leveraging its experienced management to grow the business organically and through acquisitions.

ETI sells products domestically, and internationally on an indirect basis, and will look to further expand its geographic footprint. The company also plans to add new product offerings, as it recently acquired more manufacturing capacity in its Englewood, Ohio, facility, Simon pointed out.

Under parent company, **ETI Mission Controls**, the company is looking at several acquisition opportunities. Simon explained that Soaring Pine, **Wells Fargo**, and **Comerica Bank**, along with McLendon and Hartman, formed ETI Mission Controls with the goal to grow a platform of related aerospace partner companies.

Acquisitions will be focused on small to mid-market defense and aerospace companies that would add capabilities to ETI. Engineering, product manufacturing, and quality control entities would be complementary additions, according to Simon.

Additionally, management is capable of taking on other aerospace and defense companies that may have different attributes than ETI, he added, noting defense services and commercial aviation businesses could also make nice additions to its platform.

Simon said increased industry consolidation is anticipated throughout the next four to five years, based on increased US and global defense spending.

### Advisors & financing

**League Park Advisors** acted as financial advisor to ETI while **Doeren Mayhew** and **Nixon Peabody** acted as financial advisors and legal counsel to ETI Mission Controls, respectively.

Comerica Bank, Wells Fargo and Soaring Pine Capital provided financing for the deal.

### About Soaring Pine

Founded under the umbrella of Simon Group Holdings in 2014, Soaring Pine Capital invests in lower middle market opportunities via private equity and real estate, particularly in energy, logistics, infrastructure, transportation, manufacturing and business services.

Simon Group Holdings was created in 1985 with the founding of Atlas Oil Company by Sam Simon. It has interests in the areas of comprehensive energy solutions, fuel supply, oil field services, logistics and transportation, real estate investment, private equity, technology services and turnkey modular solutions.

Other deals Simon has recently worked on include Soaring Pine's acquisition of **Technology Solutions**, a provider of fulfillment and construction services to multiple system operators, and the firm's formation of **VESTA Modular**, a lessor and seller of modular structures, which recently bought **MSpace Holdings** in a 363-bankruptcy sale.