

# Movers & shakers: Defense as a service business

by Thomas Zadvydas | Published October 28, 2011 at 1:15 PM

For defense dealmakers, one of the best training grounds is the end market in which many of them once actively served: the U.S. armed forces.

Military service may provide many disciplines, not to say skills, particularly with advanced electronic equipment and weapons systems, but it also provides a potentially rich network of friends and relationships. Classmates from West Point or foxhole buddies may well come in handy when, after active duty, you put your shingle out as a defense adviser, investor or financier.

Veterans know the inside of the military machine, and their contacts can be a real resource, says senior managing director **Paul Weisbrich** of **McGladrey Capital Markets LLC**, a defense banker himself, though he did not serve. "You can use them for door openers if you need access to current military officers. They can also help, particularly with private equity groups, to hone targets and give relative opinions, and [can tell] where investments are either going to be plugged up or otherwise become more active."

That's exactly the case with these three defense dealmakers. All had extensive military service careers. One is now an investor, after decades as an investment banker; another has set up his own shop to provide financing for defense-related companies; and the third is engaged in advisory work. All three operate mostly in the middle market.

## **Jon Kutler, Admiralty Partners Inc.**

**Jon Kutler** has been ubiquitous in defense advisory for decades now. Today, Kutler, 55, runs Los Angeles-based **Admiralty Partners Inc.**, which primarily invests in aerospace, defense, space and federal information technology. He focuses on companies with an enterprise value between \$25 million and \$100 million, revenue over \$25 million, Ebitda over \$5 million and leverage between 3 and 3.5 times Ebitda.

A 10-year Navy veteran after graduating from the United States Naval Academy in 1978, Kutler went on to get a Harvard Business School M.B.A. and worked at a number of firms, including **Goldman, Sachs & Co.**, First Boston Corp. and Wasserstein Perella & Co. (where he opened that firm's West Coast office). In 1992 he started Los Angeles-based Quarterdeck Investment Partners Inc., a boutique aerospace and defense advisory firm bought by **Jefferies & Co.** in 2002. Soon after, Kutler started Admiralty.

"The reason Wall Street tends to attract military people is because after serving, especially in situations like being deployed on a ship or in a battalion, the hours on Wall Street seem easy," says Kutler. "The Navy gave me my sense for hard work, lots of travel, difficult hours, lots of stress and being comfortable with all that."

Kutler held several posts while stationed in San Diego, Hawaii and Washington. The 1979 Iranian hostage crisis found him serving on a frigate in the Persian Gulf as a communications officer, and later as an anti-submarine and nuclear weapons officer. He also did stints as an admiral's aide at headquarters for the Pacific fleet and at the Pentagon.

By the time Jefferies acquired Quarterdeck, Kutler had become well known for defense advisory. But he was driven by a desire for independence when he founded Admiralty. "A large percentage [of current aerospace advisers] at one point worked for me at these different firms," he says. He enjoyed finding veterans familiar with the intricacies of defense work and training them as bankers. "It used to be a substantial number for my advisory practice. When it came to investing my own capital, however, I decided I could easily handle my goal of one deal a year by myself," he says.

"I take a different approach in that I use my own capital. This focuses me on looking at fewer deals. I can get 100% of the upside and preserve capital through using primarily equity instead of leveraging it up to get a 20% promoted return. It also permits me to do more unique transactions because institutional money comes with significant guidance about what you can and cannot do."

Admiralty's most recent deal: the June acquisition of vehicle cover, shelter and camouflage netting systems maker **GMA Cover Corp.**, based in Guelph, Ontario. Kutler won't disclose the deal size, but he says it took less than six weeks to close. Done for the year.

Read more: [Movers & shakers: Defense as a service business - The Deal Pipeline](http://www.admiraltypartners.com/img/articles/thedeal.htm#ixzz6a5bsxXJi) <http://www.admiraltypartners.com/img/articles/thedeal.htm#ixzz6a5bsxXJi>