

PE Hub

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PE DEALS

OceanSound Partners: US DoD's desire to counter adversaries opens opportunities for PE

'The US DoD is prioritizing the modernization of our defense posture across the board, including its legacy unmanned aerial (UAS) and counter-UAS technology systems,' according to Joe Benavides, a managing partner at OceanSound.

OceanSound Partners recently acquired Antenna Research Associates (ARA), a provider of integrated radio frequency and advanced communications products to the aerospace and defense end-markets, based in Laurel, Maryland. Joe Benavides, a managing partner at OceanSound, told PE Hub that the Department of Defense's focus on modernizing its networking connectivity to strengthen operational and tactical readiness within the armed forces was among the factors that drew the firm to ARA.

Private equity firms are increasingly investing in a modernization drive by the DoD. Recent examples include Sverica Capital Management's investment in Electronic Source Company and Sagewind Capital's acquisition of Sabel Systems, a digital engineering research and development services provider to the DoD.

What does ARA do and how does this deal reflect your investment thesis?

Antenna Research Associates (ARA) is a leading provider of integrated radio frequency (RF) and advanced communications products to the aerospace and defense (A&D) end-markets. Since



its founding in 1963, ARA has developed a portfolio of over 50 patents used in delivering differentiated RF systems and, more recently, innovative products leveraging small form-factor active electronically scanned array technology to become a leading provider of RF solutions to the A&D market. ARA's ability to miniaturize their products and long legacy in RF technologies is a major differentiator as it enables the development of small, low-cost, higher-volume platforms such as drones, low-earth orbit satellites, man portable communications and other mobile A&D platforms.

OceanSound focuses on investments in middle-market companies where our expertise at the intersection of government and highly regulated enterprise end markets can drive strong growth and outperformance. Our deep understanding of the complexities of investing in heavily regulated industries and our expertise in the A&D market will prove invaluable, helping to accelerate ARA's growth and strategic transformation.

Was ARA for sale?

ARA sought a partner which could help accelerate its growth, and was advised by Raymond James.

What form of opportunities have you identified with this deal?

The US DoD is prioritizing the modernization of our defense posture across the board, including its legacy unmanned aerial (UAS) and counter-UAS technology systems. Its goal is to lower the cost and increase the performance of its UAS systems to better manage threats from US adversaries. These priorities will continue to drive demand for advanced, low-cost, high-performance technologies, and ARA is well-positioned to capitalize on this need.

The DoD's National Defense Strategy

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emphasizes the need to improve US military systems to counter China and Russia's own ongoing investment and modernization efforts. The DoD is focused on modernizing networking connectivity to strengthen operational and tactical readiness within the Armed Forces (eg increasing demand for communications platforms that enable performance at the edge). This benefits smaller, agile players like ARA, enabling them to shorten procurement timelines and accelerate the fielding of modern systems.

What is your growth strategy?

ARA is a new platform company investment for OceanSound. We expect to apply our firm's ownership process to help transform the company into a more strategically important and scalable business. ARA's new board members – announcements forthcoming – are highly successful and experienced executives in the A&D technology market and will be

great advisors to OceanSound and ARA. We believe we can drive growth at the company via both organic opportunities (eg enhanced business development opportunities with key customers) and carefully deliberated acquisition opportunities (eg we have a healthy set of potential targets).

Do you have anything else similar to ARA in your portfolio? What are the similarities and the parallels?

ARA joins several other OceanSound portfolio companies that also provide technology solutions to the A&D end-market; these include Lynx Software Technologies, DMI and SMX.

Lynx and ARA both address key areas of focus for the A&D market:

- Mission-ready solutions (ruggedized) – must perform in most challenging environments (eg rapid changes in

temperature, high friction, exposure elements, rapid changes in altitudes, etc)

- Security – cyber security is paramount
- Safety/reliability/high performance – dependable, lives, many dollars, potential geopolitical implications, etc – all at risk
- Software defined – reconfigurable, upgradable, lower total cost of ownership
- Open architecture – lower total cost of ownership, plug and play, reduces development time and cost, others can design on it, etc
- Miniaturization – enables solutions such as smaller UAVs (eg drones) and satellites to operate
- Lower cost – software/hardware technology decreases costs
- Speed – the technologies allow for the accelerated development and manufacturing of new products.