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OceanSound's Joe Benavides 'intrigued' by European defense

New York-based OceanSound is looking at Europe 'more closely' but barriers to entry remain.

Joe Benavides, OceanSound

John James, Boka Group

OceanSound Partners is eyeing the European defense technology market, Joe Benavides, CEO and founder, told PE Hub. An investment across the Atlantic would be a first for the New York-headquartered firm.

"We are very intrigued," said Benavides. "We've been looking more closely at this region for the past couple of years. The challenge there is that it's very nation-specific."

OceanSound typically invests in technology companies serving government and enterprise end-markets with an enterprise value of $100 million-$500 million. To date, the firm has 10 platform companies, although that number is soon to be 12, according to Benavides. In terms of add-ons, the firm has so far completed 50, with five deals to come by the end of the year.

The reason behind OceanSound's trust in the defense segment is simple. "Countries can't survive without a strong defense posture," said Benavides, "because that's your greatest offense."

Suboptimal aspects

Completing a deal across the Atlantic when an asset operates in the defense industry is challenging. "There are numerous barriers within individual countries, which is definitely a suboptimal aspect of investing in Europe," said Benavides.

"However, we believe that a lot of the new demand generated by new European funds is going to flow back to the US."

These barriers vary between countries. Scandinavia is more open to US investment, according to a source knowledgeable on the matter. The UK is "incredibly friendly," while Spain and Italy fall somewhere in the middle. The source called Germany and France "very territorial."

But Europe needs defense funding. "The US has just said, we need to focus on China," the source said. "Europe needs to pick up another €500 billion of defense spending."

The pressure to invest in defense in Europe is a "wonderful thing," the source added.

Boka Group managing partner and group CEO John James agrees that there is a large amount of capital looking to go to Europe. "Part of that is because they recognize there's still a value arbitrage between both sides of the Atlantic, and they're, in many cases, getting a better deal in Europe," he said.

Boka has offices in the US, UK and Australia. It targets deep-tech investments in areas of security and defense, aerospace and spacetech, sovereign resilience and quantum systems.

"The companies in Europe have always found it harder to find money," another source knowledgeable on the matter told PE Hub. "That gives the US investors more of an opportunity. "My only caveat is that I'm not entirely sure the Europeans will welcome US capital with open arms."

Though the menu for the European defense market has now greatly expanded, it might not be for everyone, the source added. "Europe doesn't necessarily want to share that pie with the Americans."