

PE Hub

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PE DEALS

Bain Capital's Dewey Awad: Cybersecurity threats are 'always changing and evolving'

Bain Capital Tech Opportunities recently led a \$190m growth investment in Blackpoint Cyber

Private equity-backed cybersecurity deals continue to proliferate. This year has seen some significant deals, including Vista Equity Partners' taking cybersecurity training specialist KnowBe4 private in a \$4.6 billion deal that closed on February 1.

In May, PE Hub saw an uptick, and we rounded up six transactions announced that month.

And earlier in June, Bain Capital announced it led a \$190 million growth investment in Blackpoint Cyber, with participation from Accel.

PE Hub spoke with Bain Capital partner Dewey Awad and principal Zach Berger about cybersecurity opportunities in general and the Blackpoint deal in particular.

Bain Capital invested in the company out of its Tech Opportunities business unit, which was established in 2019. The unit pursues investments in application software, fintech and payments, healthcare IT and infrastructure & security.

Headquartered in Ellicott City, Maryland, Blackpoint is a provider of managed detection and response (MDR) software.

"We liked the cybersecurity space because threats are always changing and evolving," Awad said. "There's always work to be done, especially for software vendors. Number two, this idea of managed detection and response was a sub theme that we identified at the very beginning of



Zach Berger, Dewey Awad, Bain Capital

our fund."

Awad noted that the central theme of the investment was taking advantage of the fact that there aren't enough trained cybersecurity personnel to go around to all the companies that need them in order to protect against hackers.

Blackpoint's clients are managed service providers (MSPs) and enterprise companies. Many small- and medium-sized businesses rely on MSPs to help look after and manage their IT.

MSPs are often major targets for cyber attackers because they have several different small businesses in their network. If a hacker breaks into an MSP, they gain access to a network of several small businesses, making them all vulnerable.

"One of the biggest things is the focus on the managed service provider market," Berger told PE Hub. "Everything that [Blackpoint] has done has put the MSP front and center including making it easy for them to manage and onboard more clients and find ways where they can protect their customers better."

A market potentially in consolidation

Bain Capital Tech Opportunities' first fund closed in 2020 on \$1.3 billion, and is now fully invested with 11 investments.

The investment in Blackpoint Cyber was made via its second fund, the fifth from that vehicle, which closed in January on \$2.4 billion. Post-Blackpoint, the fund will

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be roughly 25 percent invested, according to Awad.

“Blackpoint is a higher-growth, breakout opportunity,” he added. “It was a company that we think has a long-term high growth rate. And a lot of penetration.”

There’s been some consolidation and vendor exhaustion in the enterprise market. For PE firms, Awad said it makes sense to focus on specific categories, such as threat intelligence or network protection.

“In talking to our chief information

security officer, he mentioned that the company looks at 1,000-plus [enterprise market] tools a year,” he added. “It’s difficult to manage all of them and figure out which ones are the best in each category. They’re relying more and more on the largest, most established cybersecurity vendors out there such as CrowdStrike, SentinelOne or Palo Alto Networks to serve as the integration hub and for them to figure out who are the right guys to buy and then offer within their control framework.”

Before BlackPoint, Bain Capital Tech

Opportunities’ experience in cybersecurity began when it led a 2020 \$145 million Series C investment Biocatch, an Israeli provider of behavioral biometrics intelligence that detects digital fraud. It was a minority investment.

The deal was made right as the covid pandemic hit, Awad said. Biocatch struggled through the first three quarters of 2020, but it had a massive rebound and has been on a tear ever since. It’s been a mid-40s to low-50 percent grower and will be at 100 million ARR this year. ■