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Veeam reaches for Coveware to bolster its cyber-resilience offerings

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by **Justin Lam**

Enterprise backup and recovery vendors like Veeam are looking to add greater security, governance and risk management capabilities to their offerings and further differentiate them from increasingly commodity products. The pickup of Coveware brings incident response services and expertise to Veeam, which should enhance its value proposition.

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Introduction

The rise of ransomware attacks has elevated the importance of enterprise backup and recovery vendors like Veeam Software, Commvault Systems Inc., Cohesity, Rubrik Inc. and Dell Technologies Inc. The entire sector has placed new emphasis on cyber resilience, and the stakeholders driving or influencing the technology are accompanied by the key infrastructure and IT stakeholders that Veeam and its most direct competitors have built relationships with. The acquisition of incident response specialist Coveware should help Veeam equip its offerings with enhanced enterprise cyber-resilience capabilities.

Snapshot

Acquirer	Veeam Software
Target	Coveware [Insight Partners]
Subsector	Data security
Deal value	Undisclosed
Date announced	April 22, 2024
Closing date	March 29, 2024
Advisers	None disclosed

THE TAKE

Veeam's desire to add greater security functionality to its core backup and recovery platform mirrors its desire to be a more strategic provider to enterprise customers. The purchase of Coveware should give the buyer operational experience to help customers prevent, mitigate and remediate ransomware incidents. Ransomware incident response is increasingly overseen by legal teams because criminal events have a material effect on an organization's operations and financial standing. As such, it is critical for enterprises to know about attacks and threats as well as the underlying data resilience to keep their operations going while still facilitating any forensic investigation of previously compromised environments.

Deal details

Terms of the transaction were not disclosed. Coveware was founded in 2018 by CEO Bill Siegel and CTO Alex Holdtman. The company, which doesn't appear to have raised any venture funding, has approximately 30 employees and is headquartered in Norwalk, Connecticut.

Deal rationale

Coveware brings external credibility and expertise to Veeam. Like many enterprise backup and recovery providers, Veeam faces industry pressure to differentiate its offerings and avoid commodification with greater security and governance capabilities. The target's expertise should immediately enhance Veeam's existing go-to-market services, including its Cyber Secure Program.

Additionally, the acquirer's focus on large enterprise should be significantly improved. Enterprise ransomware response involves collaboration among different stakeholders, including legal, security, engineering and IT teams — having the expertise to navigate and prepare organizations will be imperative for Veeam as it further pursues customers beyond its core buyer personas within infrastructure or IT teams. Moreover, offerings such as Veeam's Cyber Secure Program provide a "white glove" service to drive higher customer satisfaction and potentially identify new prospects for its core Data Platform.

Ransomware attacks looking to inflict the greatest enterprise damage will want to destroy any backup software system. Having additional tools to prepare enterprises and their backup and recovery systems for more comprehensive resilience should be valued by enterprise stakeholders, boosting Veeam's addressable market and customer profile.

Enterprises are aiming to minimize or transfer their ransomware risks by an interwoven combination of better cyber resilience and insurance. Obtaining or retaining cyber insurance frequently requires enterprises to have stronger resilience and control measures. According to 451 Research's Voice of the Enterprise: Information Security, Cyber Insurance 2023 survey, only 16% of respondents report that their organization has no plans to implement cyber insurance.

Acquirer profile

Founded in 2006, Seattle-based Veeam Software was purchased by Insight Partners in 2020 for \$5 billion. The vendor has roughly 5,500 employees worldwide.

Competition

Veeam faces competitive challenges across multiple fronts, especially within its core enterprise backup and recovery business, where its key rivals are also seeking to add security functionality to their offerings. Rubrik, which recently went public, is ambitiously broadening its portfolio to address both the data management and security segments.

Indirectly, Veeam faces challenges in gaining brand recognition as the company and its key rivals press further into the cyber-resilience space. Data backup and recovery have typically been overseen by IT infrastructure teams, whereas other aspects of cyber resilience have different buyers and influencers.

Security operations personnel are typically the first enterprise teams responsible for detecting, defending against or mitigating cyberattacks. Their recognition of Veeam's Data Platform, as well as their familiarity with its operations, could be limited. However, these security operations personnel are buyers of other cyber-resilience offerings — from extended detection and response to security incident and event management tools.

CONTACTS

Americas: +1 800 447 2273

Japan: +81 3 6262 1887

Asia-Pacific: +60 4 291 3600

Europe, Middle East, Africa: +44 (0) 134 432 8300

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