WHITE & CASE

Outlook for M&A in Israel: Momentum builds on record-breaking 2017

Global demand for Israeli tech assets is pushing deal activity to new highs, while domestic firms increasingly seek scale abroad

Contents

Foreword

Israel's thriving start-up scene continues to draw attention from around the globe, resulting in record M&A deal activity in 2017

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Israel is home to more start-ups per capita than any other nation in the world. It also spends more on research and development, as a share of GDP, than any other developed country. As such, it is a seedbed for high-growth firms, particularly in the tech, cybersecurity and fintech industries. The dynamism of its entrepreneurs, and their ability to address demand and solve modern day challenges with cutting-edge technologies, keeps foreign acquirers coming back year after year.

Yet Israel also poses distinct challenges to investors. Success depends on an ability to navigate intense geopolitical dynamics as well as an evolving regulatory environment (see p.12 for more detail).

To better understand where dealmaking is headed in Israel, White & Case partnered with Mergermarket to survey 58 senior-level executives at Israel-based companies and private equity (PE) firms about their outlook for M&A. This report, the second in an annual series, highlights recent deal trends in Israel, reveals investor sentiments about the future, and identifies likely opportunities and challenges for the coming year.

Key takeaways include:

- **Israel set new records for deal value and volume in 2017**
  Investors poured US$25.7 billion into 109 transactions in 2017, marking a 33 percent uptick in value compared to the previous year, and the highest annual volume on record. This was led by foreign investment, which increased to its highest levels of volume on record. And figures suggest that Israel M&A is heading for another strong year – a total of US$4.3 billion worth of deals announced in Q1 almost doubled Q4 2017.

- **Stakeholders expect growth to accelerate**
  Seventy-nine percent of respondents say their companies will be involved in more M&A in the next 12 months compared to the previous. That is twice the percentage who said they expected more activity in our previous report.

- **Stakeholders expect an increase in dominance of inbound deals**
  In a shift from last year's findings, respondents expect foreign public companies and PE firms to be more active than domestic private companies and PE firms.

- **Regional instability is the top concern**
  Legal and regulatory issues and the challenge of settling on valuations are also seen as significant potential barriers to closing deals. Global economic volatility, the top concern identified in last year's survey, fell to fourth place this year.


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M&A Overview: Israel dealmaking sets new records

HEADLINES

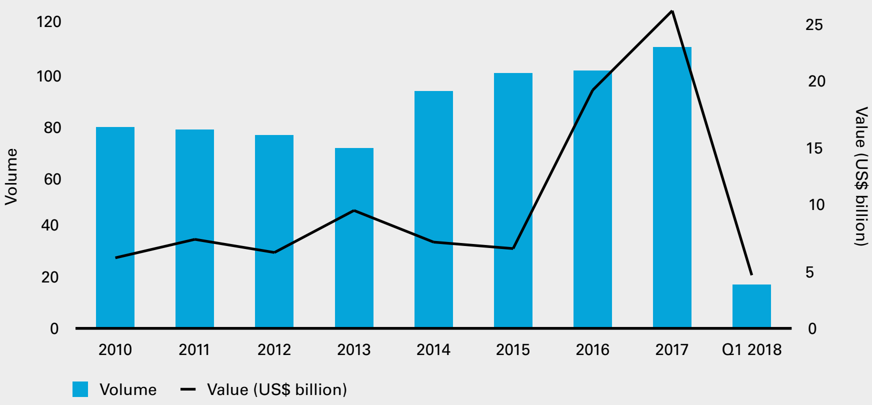
■ Israel hit new heights for overall value and volume in 2017 ■ Compared to 2016, the previous record year, value rose 33 percent to US$25.7 billion, and volume rose nine percent to 109 deals ■ Q1 deal value rose to US$4.3 billion, almost twice the value of the previous quarter ■ New records were also set for inbound deals, with US$26.35 billion invested across 79 deals in 2017-Q1 2018 ■ Technology, media and telecommunications (TMT) was the most active sector by volume, with 37 deals announced in 2017-Q1 2018

Deal statistics paint a positive picture for Israel's M&A landscape, with annual deal volume and value both setting new records in 2017. The country continues to benefit from its premier expertise and dense entrepreneurial ecosystem, particularly in the technology sector and in segments that are enhanced by the convergence with tech. This is drawing interest from both foreign companies and PE alike.

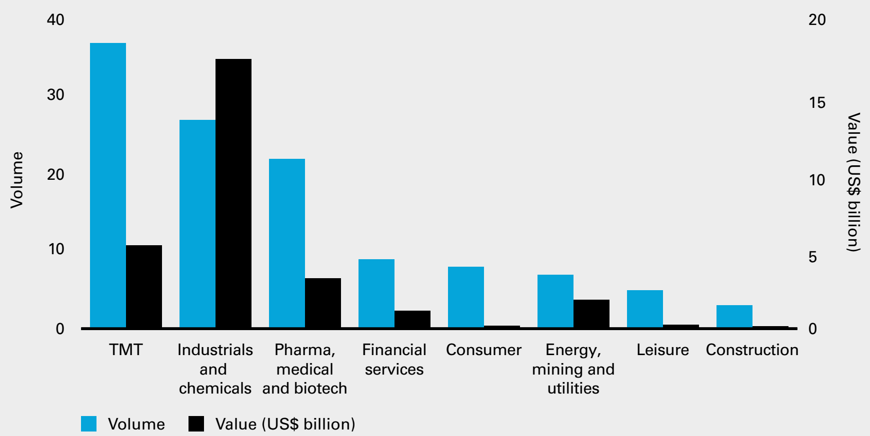
The 109 deals recorded in the year mark a notable uplift of nine percent compared to 2016, but value rocketed by 33 percent to US$25.7 billion. First quarter statistics indicate a promising year ahead for Israeli dealmaking, with US$4.3 billion spent across 17 deals almost doubling Q4 2017's deal value of US$2.2 billion and making it the second-highest first quarter on record, following 2017.

As in past years, the TMT sector claimed a clear majority of these transactions, with 37 deals in 2017-Q1 2018. "Israel has always been a hub for technology development," says an executive of a corporate that acquired one of the top 20 largest companies in 2017. "Some of the best technology is developed in Israel, yet its global outreach is limited. Businesses have taken note of this and are targeting technology companies in Israel for their hyper-developed technology."

Israel M&A 2010-Q1 2018



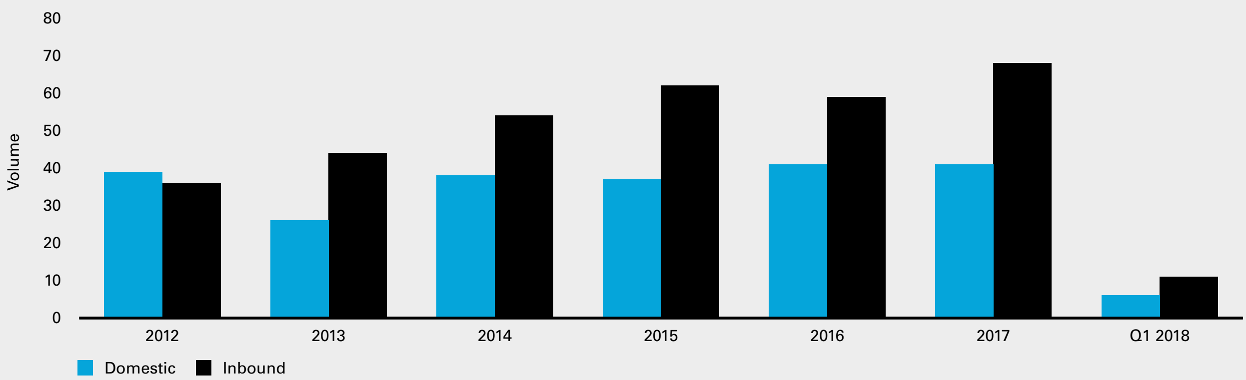
Top sectors 2017-Q1 2018



Top 10 Israel M&A deals 2017-Q1 2018

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (US$ million)
13/03/2017	Mobileye N.V. (97.3% Stake)	Automotive	Israel	Intel Corporation	USA	14,993
19/03/2018	Orbotech Ltd.	Computer: Semiconductors	Israel	KLA-Tencor Corporation	USA	3,101
07/08/2017	Netafim Ltd. (80% Stake)	Industrial products and services	Israel	Mexichem S.A.B.de C.V.	Mexico	1,516
05/07/2017	Tamar field (9.25% Stake)	Oil and gas	Israel	Tamar Petroleum Ltd.	Israel	980
24/07/2017	NeuroDerm Ltd.	Medical: Pharmaceuticals	Israel	Mitsubishi Tanabe Pharma Corporation	Japan	885
29/01/2018	Tamar field (7.5% Stake); Dalit field (7.5% Stake)	Oil and gas	Israel	Tamar Petroleum Ltd.	Israel	798
18/09/2017	Teva Pharmaceutical Industries Ltd (Women's Health Unit—contraception, fertility, menopause and osteoporosi brands portfolio)	Medical: Pharmaceuticals	Israel	CVC Capital Partners Limited	United Kingdom	703
18/09/2017	Teva Pharmaceutical Industries (Women's Health Unit—emergency contraception brands portfolio)	Medical: Pharmaceuticals	Israel	Foundation Consumer Healthcare, LLC	USA	675
26/11/2017	The Phoenix Holdings Ltd. (47.35% Stake)	Insurance related	Israel	Sirius International Insurance Group Ltd.	Bermuda	657
10/08/2017	Plarium Global Ltd.	Computer software	Israel	Aristocrat Leisure Limited	Australia	500

Israel domestic versus inbound M&A by volume



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Dealmaking from foreign investors set new records for value and volume in 2017-Q1 2018, with US$26 billion invested across 79 deals.

Intel's acquisition of Mobileye highlights the demand for automotive assets among technology firms in the quest for driverless car technology. The developer of advanced driver assistance systems and autonomous driving was acquired by the tech giant in early 2017 for US$15 billion. The transaction marked the second-largest M&A deal in Israel's history (the largest being Teva Pharmaceuticals' US$40 billion acquisition of Actavis Generics, a unit of Allergan, in 2015).

Inbound influx

Dealmaking from foreign investors set new records for value and volume in 2017-Q1 2018, with US$26 billion invested across 79 deals.

The US was notably active, while China was notable for its absence. Of the ten largest deals, the US claimed three: Intel's acquisition of Mobileye; Foundation Consumer Healthcare's US$675 million purchase of women's health assets Theramex; and KLA-Tencor

Corporation's US$3.1 billion purchase of semiconductor firm Orbotech.

The US$885 million acquisition of pharmaceutical company NeuroDerm by Japanese firm Mitsubishi Tanabe Pharma Corporation highlights the attractiveness of local Israeli firms to global players. This deal marks the largest sum ever to be paid for an Israeli biotech company, giving the Japanese firm access to the lucrative US market.

After taking four of the ten largest deals in 2016, it is notable that no Chinese investors made it to the leaderboard between 2017 and Q1 2018. Inbound bids from China evaporated following the country's decision to tighten regulation and approval of outbound M&A towards the end of 2016.

While 2017's domestic deal volume remained level with 2016 at 41 deals, an annual value of US$2.6 billion dropped 24 percent from US$3.5 billion a year prior. Israel is in the midst of a regulatory shift that is resulting in the restructuring of some of its largest conglomerates. M&A efforts at these companies have been curtailed as this process unfolds.

Yet some noteworthy transactions still took place between Israel-based firms, including Tamar Petroleum's purchase of stakes in the Dalit and Tamar natural gas fields from Noble Energy and Delek Drilling, for a total value of US$1.8 billion. A further two deals made it into the top 20: Mizrahi Tefahot Bank's US$404 million takeover of the Union Bank of Israel; and Frutarom Industries' acquisition of a majority stake in Enzymotec, a nutritional ingredients and medical foods manufacturer, for US$219 million.

Outward bound

Rather than focusing on opportunities at home, Israeli capital was directed towards overseas M&A in the past year. Whereas foreign buyers often turn to Israel to acquire top technology, Israeli buyers often look overseas to enter larger markets and achieve scale.

There were 47 outbound deals in 2017, a new record that surpassed 2016 by 20. At US$3.2 billion, total

value was more subdued, but nonetheless beat 2016 by just over US$1 billion. The largest deal, Delek Group's US$1.1 billion acquisition of a majority stake in Canada's Ithaca Energy, accounted for more than a third of this value.

Unlike in the past, US targets were not prominent. In 2016, six of the top outbound deals targeted US companies, as Israeli companies pursued scale in the world's largest market. But in 2017 until the end of Q1 2018, only three US deals featured in the top table, while the UK and Netherlands combined accounted for five top-ten deals.

This is probably a result of the unique strategic opportunities available in non-US markets in 2017, and should not be considered a trend that is likely to continue.

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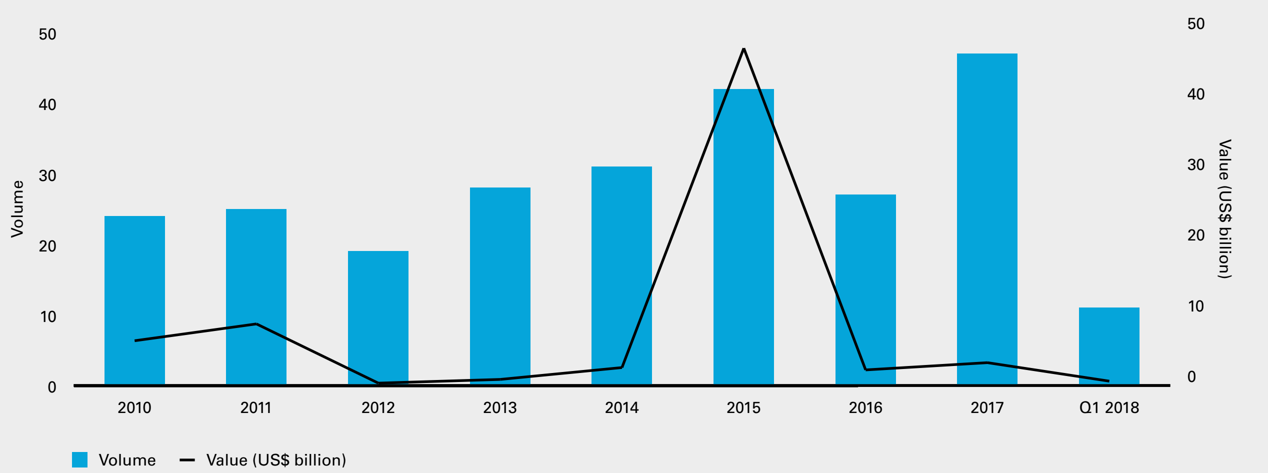
Record number of outbound deals recorded in 2017

Activism rising

While Israeli firms have traditionally not been subject to the level of shareholder activism seen by their US counterparts, the picture is beginning to change. Israeli companies have been increasingly subject to shareholder activism and hostile bids over recent years, both from international activists and Israeli investors. And because Israeli

Israel outbound M&A 2010-Q1 2018



Top 10 Israel outbound deals 2017-Q1 2018

Announced date	Target company	Sector	Target country	Bidder company	Bidder country	Deal value (US$ million)
06/02/2017	Ithaca Energy Inc. (80.3% Stake)	Oil and gas	United Kingdom	Delek Group Ltd.	Israel	1,074
22/02/2018	Universal Avionics Systems Corporation	Industrial products and services	USA	Elbit Systems Ltd.	Israel	515
24/04/2017	MarketTech Holdings Limited (29% Stake)	Real estate	United Kingdom	LabTech Investments Ltd.	Israel	331
23/05/2017	Brack Capital Properties N.V. (40.37% Stake)	Real estate	Netherlands	Teddy Sagi (Private Investor)	Israel	283
28/03/2017	Strauss Coffee B.V. (25.1% Stake)	Consumer: Foods	Netherlands	The Strauss Group	Israel	279
25/04/2017	Juno USA, LP	Services (other)	USA	Gett, Inc.	Israel	250
09/02/2017	Centro Canalejas Madrid, S.L. (50% Stake)	Real estate	Spain	Mohari Ltd.	Israel	240
15/02/2017	StoneRiver, Inc.	Computer software	USA	Sapiens International Corporation N.V.	Israel	102
02/07/2017	Tuttnauer Europe B.V.	Medical	Netherlands	Fortissimo Capital	Israel	100
06/03/2017	Sentido Cypria Bay; Cypria Maris Beach Hotel & Spa; Laura Beach & Splash Resort	Leisure	Cyprus	Fattal Hotels Ltd.; ISSTA Lines Ltd.	Israel	85

law does not allow for "poison pill" strategies that would discourage hostile takeovers, Israeli companies are particularly vulnerable.

Israeli activist hedge fund Brosh Capital was particularly active in 2017, having targeted pharmaceutical companies Alcobra, Kamada, along with digital advertising agency Matomy, over the course of the year. In each of these cases, Brosh was able to successfully overturn senior management figures on the grounds of poor management and lack of strategy.

In 2017, investors witnessed one of the few examples of an Israeli company being acquired in what started as an unsolicited (hostile) transaction, Frutarom's acquisition of Enzymotec. The transaction was completed as a negotiated deal. The ability of an Israeli company to adopt a shareholder rights plan (frequently called a "poison pill") is significantly constrained, if it exists at all. A typical poison pill adopted by a US target company prevents a potential acquirer from acquiring more than 15 percent of the target's shares without negotiating with the target's board. Israeli law also gives shareholders the right to make the decision about whether a potential acquirer of a company's shares can exceed the 25 percent and 45 percent levels by mandating a pro rata tender offer to all shareholders in order to exceed those specific levels. Conversely, Israeli law makes it significantly harder to acquire the remaining minority interest after a hostile acquirer has exceeded the 50 percent ownership level.

Activist pressure has continued into 2018. Israeli chipmaker Mellanox came under pressure from US activist firm Starboard Value, which launched a proxy fight in January to unseat the entire board of the company on the grounds of insufficient revenue returns and over-reliance on revenue growth.

The wave of shareholder activism targeting Israeli firms is likely to continue. Israeli activist activity is governed by the Israeli Companies Law, which contains more shareholder-friendly provisions than its US equivalent, making it likely that the nascent activist trend will continue in the future.

Expectations are high for future growth

HEADLINES

- 79 percent of respondents expect to be involved in more deals over the next 12 months compared to the previous 12 months
- 69 percent expect competition for Israeli assets to increase over the next 12 months
- 64 percent expect increased availability of debt over the next 12 months

The outlook for M&A in Israel is resoundingly positive, and optimism among market participants is running high. Convergence in the technology sector and demand for tech investments among financial sponsors plays to the country's strengths. Overseas investors are making more deals than ever before, and the country has had its best year for M&A on record.

Our survey finds that 79 percent of respondents expect to be involved in more deals over the next 12 months compared with the previous 12 months. This number more than doubles the 36 percent of respondents who said this in last year's survey.

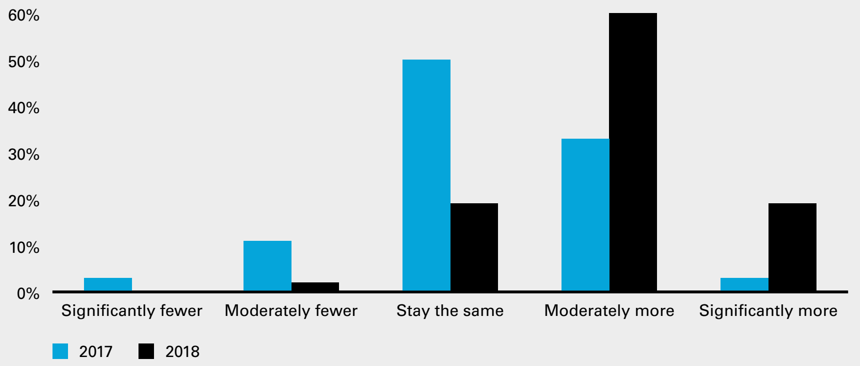
The significant demand among overseas acquirers to access Israel's technological knowhow is a key driver of activity. The advances that Israeli companies have made in recent decades have put them at the vanguard in areas ranging from cybersecurity to autonomous driving, and there is no sign that demand for these premier assets will abate.

"Israel is attracting increasing interest for its technology assets. This demand is silently creating competition for assets as businesses want to keep this newfound destination a secret," says an executive of an Israeli insurer.

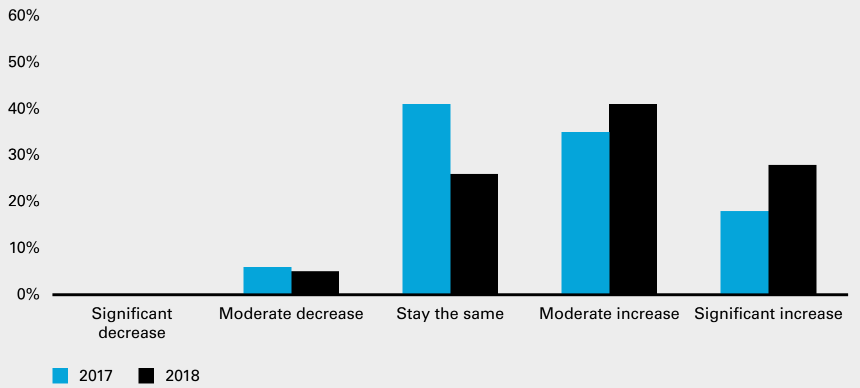
Concentration laws are invigorating M&A

Another reason for this optimism is the impact that Israel's Anti-

Over the next 12 months, do you expect your organization to be involved in more or fewer M&A deals in Israel compared to the previous 12 months?



Over the next 12 months, do you expect competition for assets in Israel to change compared to the previous 12 months?



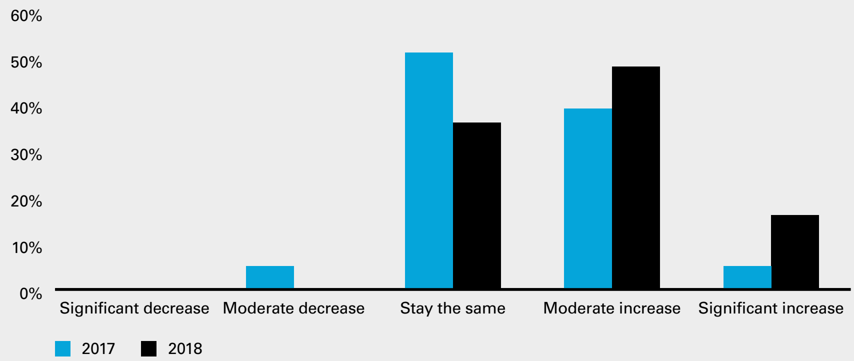
Concentration Law is having on the investment climate within the country. The legislation dismantles the country's "business pyramids"—multi-tiered holding companies that own businesses in multiple sectors—in a bid to lessen their political influence and boost market competition.

Passed in 2013, the law has been phased in gradually. The country's business pyramids were given four years to consolidate their holdings into three tiers, with a further two years to reach the two-level limit permitted by law. For one executive of an Israeli PE firm, the effects of this process are beginning to be felt: "The concentration of businesses in Israel is slowly diluting and there is suddenly a wave of opportunities that have shown up in the country. We had planned a certain set of deals to complete over the next 12 months, but looking at the available prospects, our expectations have been exceeded."

The process appears to be having the desired effect on competition. Sixty-nine percent of respondents expect competition for assets to increase over the next 12 months, compared with 53 percent who said this a year ago. And 28 percent expect competition to significantly increase, versus 18 percent a year ago.

For certain domestic corporate acquirers, particularly those with an already diverse asset base, the law may be more of a hindrance than a help, as some deals are more likely to be blocked.

Over the next 12 months, do you expect the availability of financing for M&A transactions in Israel to change compared to the previous 12 months?



69%

of respondents expect competition to increase over the next 12 months

But the majority say that access to acquisition financing will improve, with 64 percent anticipating greater availability of debt over the next 12 months. This compares favorably against the 44 percent who said the same a year prior.

Dominance of inbound deals expected to increase

HEADLINES

■ 43 percent of respondents believe overseas PE firms will be some of the most active participants in the M&A market ■ 33 percent expect foreign public companies to become more active ■ China withdrew from Israel's M&A scene in 2017, accounting for just one of the year's top-20 deals ■ But 51 percent of respondents expect Asia to provide the biggest annual increase to the number of foreign investors in the coming year

One of the most striking observations from this year's survey is the shift in expectations about which types of companies will drive M&A activity in the next year. In general, it is predicted that foreign buyers will be more active than domestic acquirers.

Specifically, 43 percent of respondents believe overseas PE firms will be some of the most active participants in the M&A market, a year-on-year increase of nine percent. Thirty-three percent of respondents say that foreign public companies will be the most active, a nine percent increase compared to last year.

Fewer see domestic PE firms as being the most active in the coming year—36 percent, down from 46 percent in our previous report. And the same goes for domestic/Israeli private companies, with only 23 percent saying domestic/Israeli private companies will be most active in M&A, down from 36 percent last year.

These views are consistent with market data, which shows a notable increase in inbound Israeli M&A activity in 2017. Domestic activity has been relatively flat for the past six years.

China set to re-enter the market

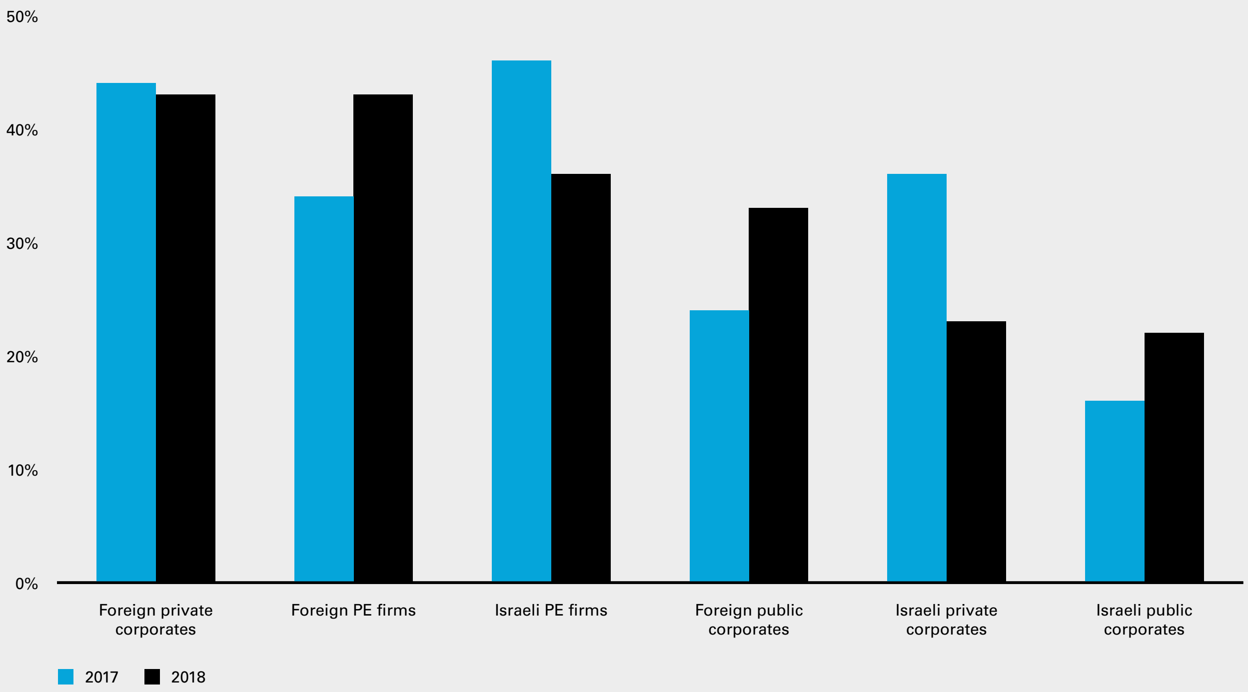
China's role in Israel M&A dropped considerably in 2017. In 2016, China had four of the top ten largest deals in Israel. But there was only one Chinese transaction in the top 20 deals in 2017: the US$112 million acquisition of a 65 percent stake in Servotronix Motion Control by Chinese appliances giant Midea Group.

This is likely due to changes in regulations in China. At the end of 2016, China tightened its rules pertaining to outbound investments in order to control currency movements and curb investments that the government deemed overly speculative.

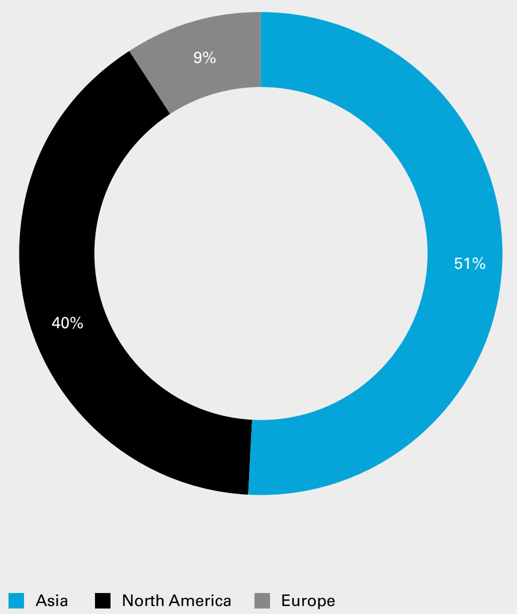
However, in December 2017, regulators made a number of improvements to promote the continuous development of overseas investments by simplifying and clarifying certain procedural requirements. These changes, which came into effect in March 2018, should allow Chinese M&A activity to increase in Israel in the future.

Indeed, 51 percent of survey respondents expect Asia to provide the biggest annual increase in the number of foreign investors in the coming year. Moreover, 85 percent of respondents expect the number of Asian bidders targeting Israeli companies to increase over the next 12 months compared with the previous 12 months; 35 percent expect a significant increase.

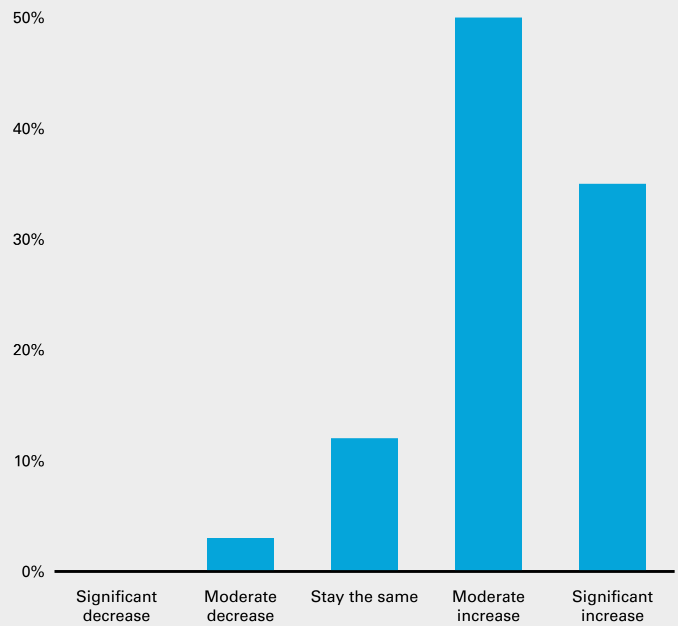
Which type of acquirer do you expect to be most active in Israel over the next 12 months? (Please pick top two)



The number of foreign acquirers of Israeli companies from which region will increase the most over the next 12 months compared to the last 12 months?



Do you expect the number of Asian bidders targeting Israeli companies to change over the next 12 months compared to the previous 12 months?



Regional instability is top concern

HEADLINES

■ 68 percent of respondents chose regional instability as one of their top three challenges to dealmaking ■ Only 26 percent say that Israel's regulatory regime is harder to navigate compared with other developed countries ■ 58 percent believe Israel's regulatory environment is now similar to other developed economies in terms of the challenges it presents for M&A

Few countries can match Israel's entrepreneurial might and technological expertise. At the same time, few developed markets are as geopolitically sensitive, and the country is undergoing a period of regulatory change.

While some of these factors are longstanding, our survey indicates that investors' concerns have shifted over the last 12 months. A year ago, 76 percent of respondents cited global economic volatility as a top-three challenge to dealmaking in Israel, overshadowing all other concerns. Macro concerns have since subsided and are now seen as a key challenge for 52 percent of respondents.

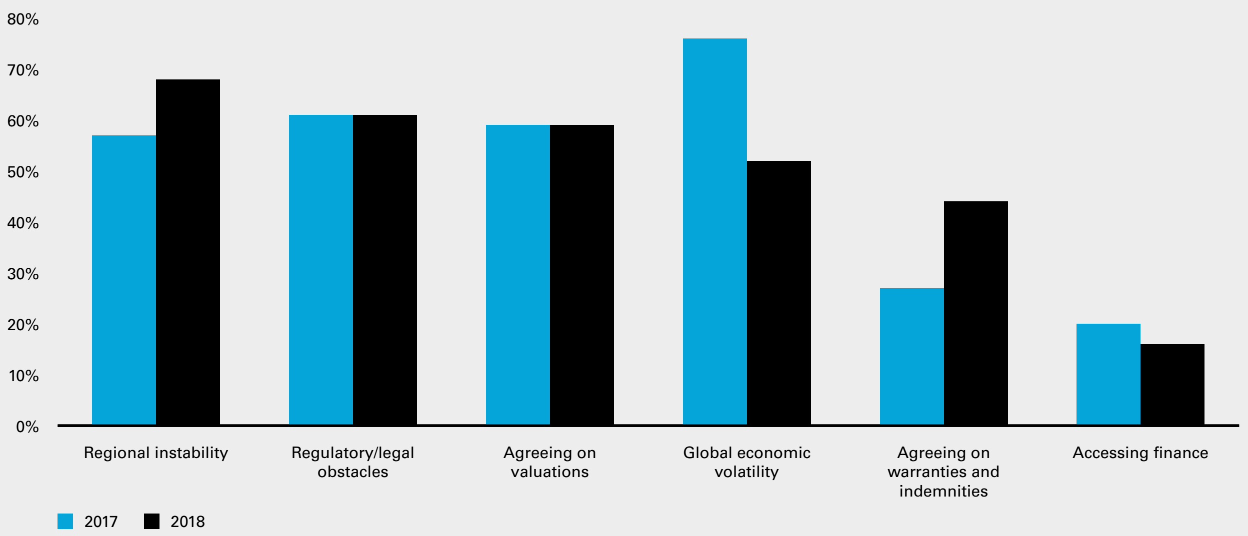
68%

of respondents cite regional stability as a top-three concern

But 68 percent now say that regional instability is a top-three concern, compared to 57 percent in our last survey. This comes as uncertainty runs high both within the country and the wider region. Legal challenges faced by Prime Minister Benjamin Netanyahu are contributing to the uncertainty.

Export of weapons from Israel increased 40 percent in 2017, compared to 2016. In part, this may be due to rising defense budgets around the world. Elbit Systems Ltd., an Israel-based international defense electronics company, expects consolidation in the defense sector. Indeed, Elbit already announced two deals in 2018—its purchase of US-based Universal Avionics Systems Corporation, a maker of flight management systems, and its purchase of IMI Systems, Israel's state-owned weapons maker.

What will be the top three challenges to Israeli M&A dealmaking over the next 12 months?



Blockchain is booming

Blockchain holds huge potential, although it is largely yet to be realized.

An overwhelming 96 percent of respondents say that banking, insurance and fund management is likely to be the area of economic activity that will be most disrupted by blockchain over the next five years. Crowdfunding is also ripe for disruption from this emerging technology, according to 54 percent of those surveyed.

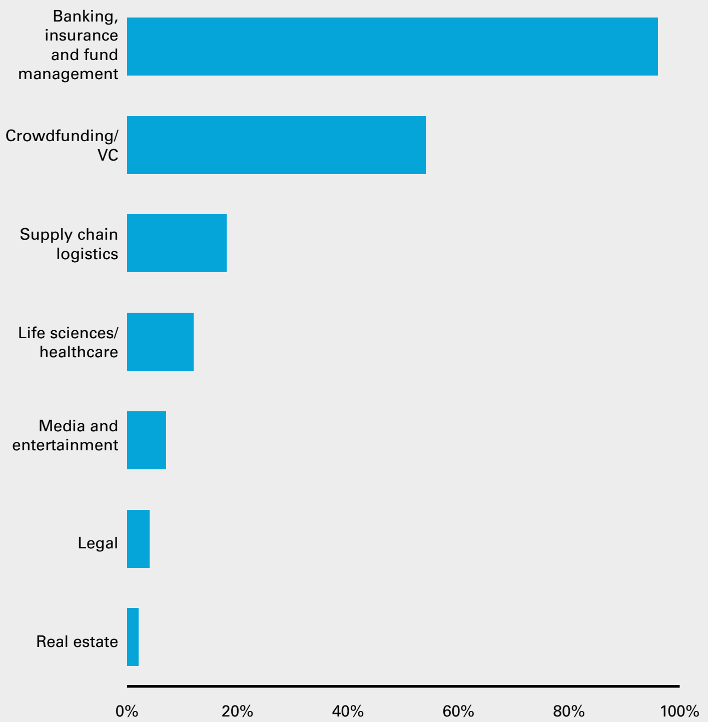
Indeed, 57 percent of respondents expect cryptocurrencies to be used by the majority or all of the world's population by 2025.

This is despite the fact that certain regulators around the world have taken regulatory positions adverse to cryptocurrency usage, including, in some cases, banning local trading platforms. A major concern for regulators continues to be compliance with securities, commodities, anti-money laundering, consumer protection, and tax laws by cryptocurrency ecosystem participants. Regulators in other jurisdictions, though, are keen on ensuring regulation does not unnecessarily burden the growth of the cryptocurrency-based sector of the economy, and are working on updating their legal regimes to accommodate DLT and other emerging technologies.

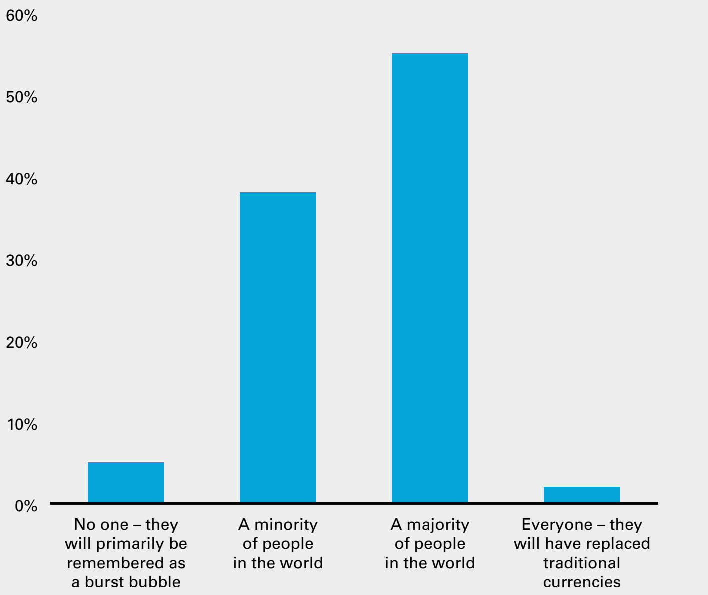
In December 2017, the Israel Securities Authority proposed blocking new listings of companies whose business models are based on cryptocurrencies and suspending those already trading on the Tel Aviv Stock Exchange. But a report published by the Israel Securities Authority in March 2018 made a distinction between so-called "utility tokens" and "security tokens," a development that was welcomed by many blockchain advocates, leaving room for the possibility that some blockchain tokens would not be regulated as securities in Israel.

Regulators in the US seem likely to take a harder line, although it is far from clear where they will come down at this early juncture. During congressional testimony in February 2018, US Securities and Exchange Commission (SEC) chairman Jay Clayton said that "I believe every ICO [initial coin offering] I've seen is a security." The SEC had already indicated publicly that it considered tokens issued by certain issuers, The DAO and Munchee Inc., to be securities. And in late February, the SEC issued subpoenas and requests for information to dozens of people and companies involved in ICOs, presumably to determine the status of tokens they issued. At the same time, the SEC continues to encourage potential issuers to work with SEC staff in the design and issuance of tokens, and SEC staff are actively working with numerous token issuers to determine the security or non-security status of new tokens.

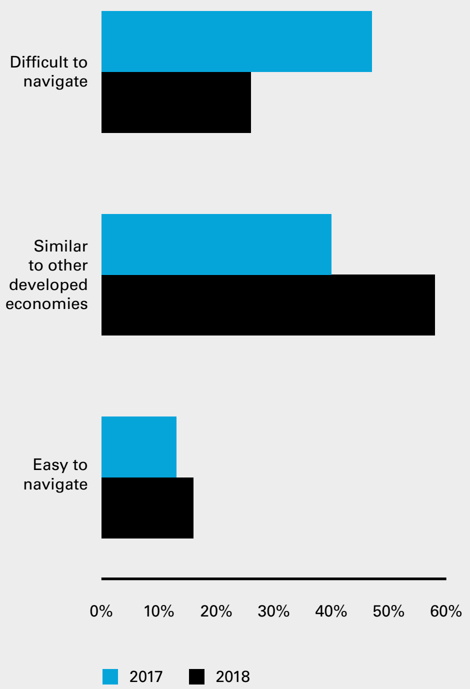
In which sectors/areas of economic activity will distributed ledger technology (e.g. blockchain) have the greatest disruptive impact over the next five years? (Please select top two)



In your opinion, by 2025 will cryptocurrencies be used by…



Compared to other developed economies, is the regulatory environment in Israel…?



Our survey clearly shows that the regulatory environment in Israel is improving. Only 26 percent of respondents say that Israel's regulatory regime is harder to navigate compared with other developed countries, way down from the 47 percent who said the same last year.

In 2018, after a few years of perceived regulatory uncertainty, the Bank of Israel provided clarification on a number of points related to M&A in the credit card context, including criteria for potential acquirers, expected timelines for the approval process, and the ongoing regulatory framework. This has been encouraging. Also important, two of the most prominent regulators in Israel are expected to be replaced this year, the Governor of the Bank of Israel and the Commissioner of Capital Markets, Insurance and Savings.

Possible drag from US tax reform

The United Nations estimates that the recent US tax reform, the largest of its kind in over 30 years, could bring almost US$2 trillion back to the United States as firms repatriate cash from foreign affiliates.

Respondents to our survey suggest this could affect M&A in Israel." The repatriation of US cash has the potential to reduce the amount of money that is up for investment, which could have a large impact on M&A activity," says the director of strategy at an Israel-based company.

> **"The repatriation of US cash has the potential to reduce the amount of money that is up for investment, which could have a large impact on M&A activity.**

Tech is still on top

Perhaps unsurprisingly, an overwhelming 91 percent of respondents said that technology and media will hold the crown as the most appealing sector for investors over the next 12 months. Eighty-five percent said the same in last year's survey.

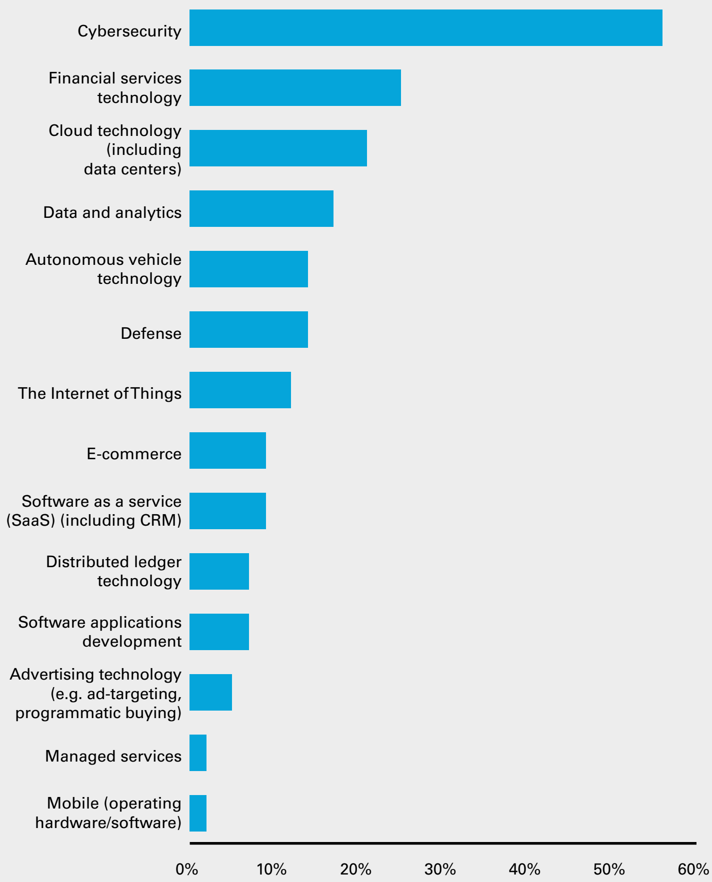
Delving into the types of tech companies most likely to attract investment dollars, cybersecurity stands out for 56 percent of respondents. Global attacks such as WannaCry and NotPetya have brought cyber risks into sharp focus, creating greater demand for cybersecurity firms' products and services.

Israel's government has committed to advancing its cyber capabilities to remain vigilant and the country has developed an ecosystem of cyber start-ups and produced some of the sector's leaders, such as Check Point Software Technologies.

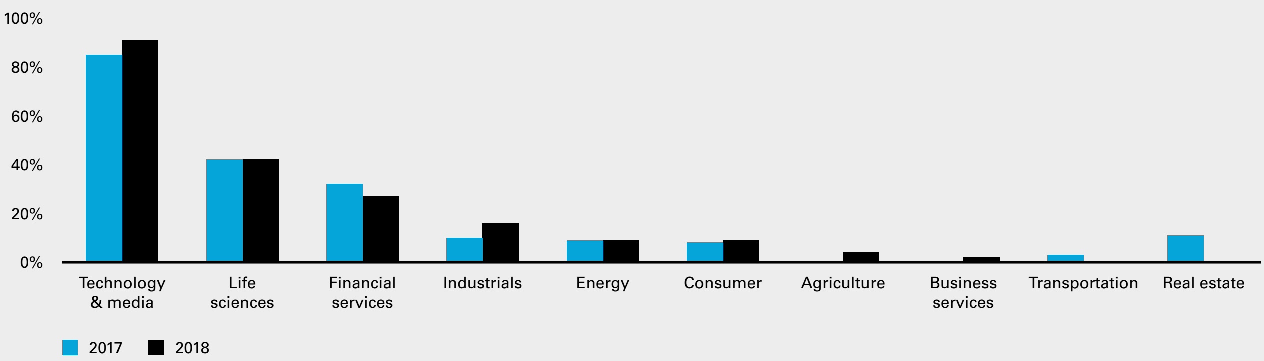
"Cybersecurity and application development are the two sub-sectors that are most appealing to acquirers in Israel," says an executive of a corporate. "The level of cybersecurity technology is phenomenal in Israel and the world is desperately seeking this technology."

Growing investment in the auto-tech industry continues to be a key influencer of Israel's M&A activity. Intel's landmark US$15 billion acquisition of Mobileye put Israel on the global map as a leader for autonomous driving technology. Later in the year, the US$450 million acquisition of Argus, the developer of technology which guards autonomous vehicles against cybersecurity threats, by German car parts manufacturer Continental, reflects a rising demand for cutting-edge technologies within the industry. And the pipeline for deals looks healthy, with the recent opening of R&D facilities within Israel by international companies such as Daimler, Skoda and SEAT indicating that innovative technologies will continue to come to market.

Within the technology sector, which sub-sectors will be the most appealing to acquirers of Israeli companies over the next 12 months? (Please select top two)

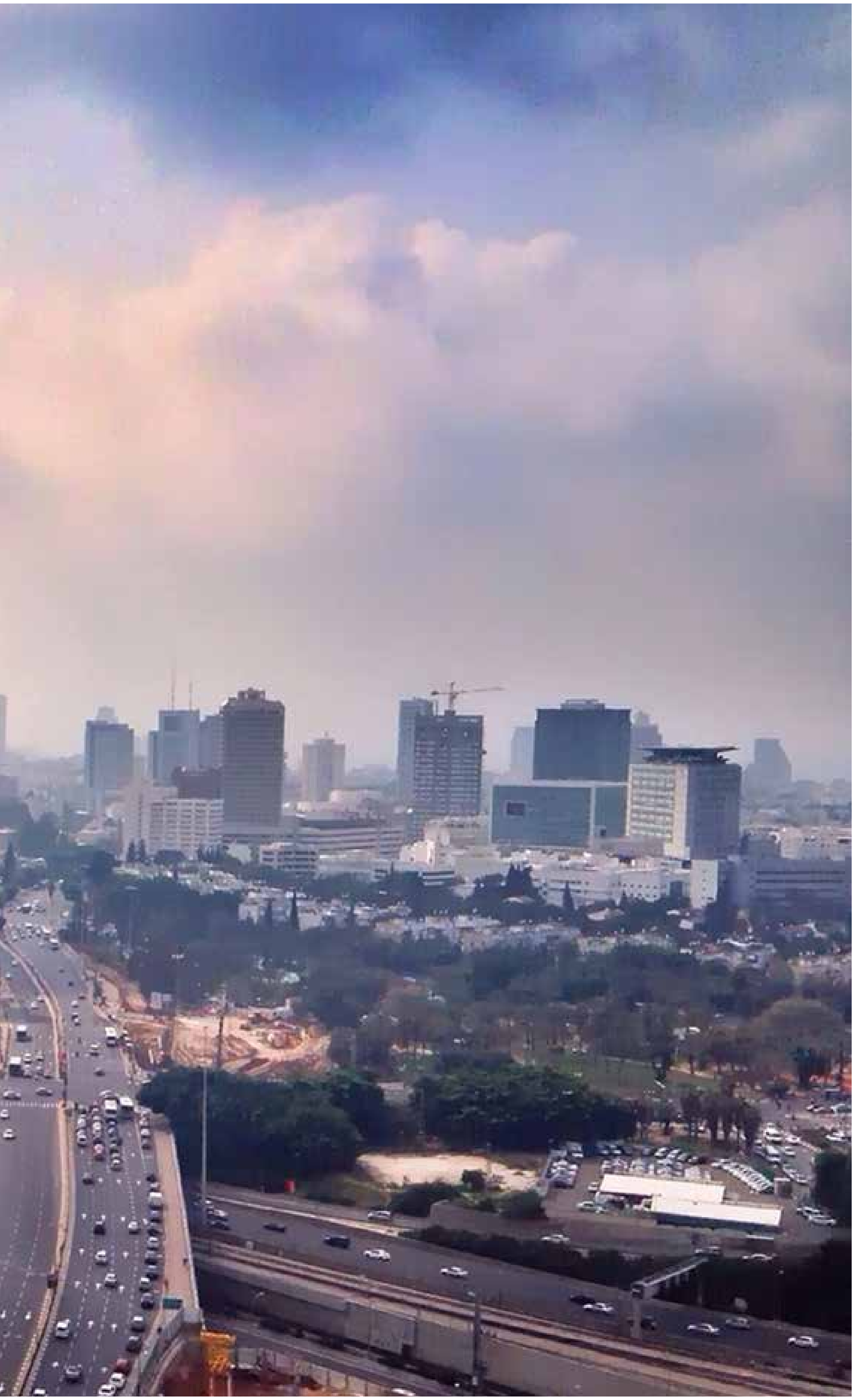


Which sector do you think will be most appealing to acquirers of Israeli companies over the next 12 months? (Please select top two)



Conclusion: Five trends to watch in the coming year

All signs point to a healthy M&A market in 2018. There is no shortage of disruptive companies to acquire, and the country's pro-competition legislative agenda is helping to build a strong deal pipeline for the future



Based on our survey, market data, and experience in the market, we expect the following trends to define Israeli M&A over the next 12 months:

Tech charges ahead
Israel's booming start-up landscape will continue to bring a steady stream of assets to the market. Our survey shows that cybersecurity will be a key focus for investors. This is due to both the technological prowess of Israeli firms and the intense global demand for cybersecurity assets in the face of growing security concerns.

The return of China
China was notably absent from the market in 2017, following the tightening of its outbound M&A rules in late 2016. A revision of these rules, which now provide greater clarity, should result in Chinese bidders increasingly returning to the fold in 2018.

US less active
While not unique to Israel, the Trump administration's corporate tax overhaul could lead to the repatriation of capital and lower overseas investment. As the biggest investor in Israel in 2017, any pullback from US companies could be felt keenly.

Outbound increases
Given the domestic market's growth limitations, Israeli companies are likely to increasingly pursue outbound M&A in order not only to acquire revenues in the first instance, but also to access greater long-term economic growth.

Regulatory change
The December 2019 deadline for compliance with the Anti-Concentration Law has implications for M&A activity in 2018, and will be keenly watched by dealmakers. It has been reported in the press that several large sponsors have been preparing for the sale processes of the two largest credit cards in Israel, which are due to begin imminently.

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