



Analysis

Five Trends in Israeli M&A in 2018

From the resurgence of cybersecurity to deals seeking to bring cannabis firms to stock exchanges, here are the trends that shaped Israeli M&A in 2018

Micki Shapira 09:43 25.01.19

2018 saw an overall of 132 M&A deals involving Israeli companies compared to 125 deals in 2017. Based on data collected by Israel-based market research company IVC Research Center Ltd., Tel Aviv-based nonprofit Startup Nation Central (SNC), and media reports, these figures can be seen as representing stability. A break-down shows much has changed.

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More industrial companies acquired. In previous years, tech and pharma deals were the most common, but a growing number of local industrialists exporting globally drew the buyers. With 27 transactions involving industrial Israeli companies totaling around \$12 billion in worth, the sector led the action in 2018. The \$7.1 acquisition of Israel-headquartered flavor and fragrance company Frutarom Industries Ltd. by NYSE-listed International Flavors & Fragrances Inc. (IFF) was the biggest single M&A deal in the local market. Pepsico acquired Israeli home carbonation company SodaStream for \$3.2 billion in another high-profile deal.



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Growing Israeli companies get to play buyers. Seeking inorganic growth Israeli buyers look beyond the local market for global expansion. Israeli companies bought 28 foreign companies in 2018, compared to 15 in 2017. Fifteen transactions involved U.S.-based companies, mainly in the tech sector. Two examples: early in 2018, Nasdaq-listed Amdocs Ltd. announced it has entered into a definitive agreement to acquire premium content service Vubiquity Inc. for \$224 million; in August, Nasdaq-listed Nice Ltd. announced it acquired behavioral analytics software company Mattersight Corporation.

The resurgence of cybersecurity. Collaboration between government and defense arms, businesses, and universities turns Israel into a global center of cybersecurity activity. After a boom of M&A transactions in the autotech sector, 2018 saw 12 Israeli cybersecurity companies sold. The deals' aggregated worth stood at around \$3 billion, including the \$2.1 billion acquisition of Imperva Inc. by technology investment firm Thoma Bravo LLC, announced as closed in January 2019.

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Controlling shareholders shed local assets. Either through M&A transactions or the stock exchange, some controlling shareholders decided to divest of holdings in Israeli banking, retail, and energy companies. The driver: local legislation aiming to break up corporate conglomerates.

Israeli cannabis companies merge to get into exchanges. Israel steps onto the cannabis field with robust academic research, lively startup scene, and an expected reform that will allow Israeli producers, some of them growing weed in the desert, to export their goods. 8 M&A deals involving Israeli cannabis firms were registered in 2018. In most, the cannabis firm was merged with a shelf-company hoping to both raise funds and drive market valuation up. The long-awaited reform can see the trend continue in 2019.

Micki Shapira, a partner at Israel-based law firm Yigal Arnon & Co. serves as chairman of the corporate committee and the M&A subcommittee of the Israel Bar Association in the Tel-Aviv District.