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China’s Fosun to buy Israeli insurance firm, despite irate employees

Israeli tycoon Yitzhak Tshuva is selling off another piece of his empire; workers respond with a strike

BY DAVID SHAMAH June 21, 2015, 7:08 pm

Protesters hold up signs and chant slogans as they gather outside the house of businessman Yitzhak Tshuva, in Ramat Poleg, Netanya, in a May 18 protest calling for a change in the goverment's gas export policy (Photo credit: Gili Yaari/Flash 90)

Yet another mega-deal between Israel and China was announced over the weekend – but this time, the deal may not go as smoothly as the principals may have anticipated.

Delek Group, owned by Israeli business tycoon Yitzhak Tshuva, announced Sunday that it was selling a majority holding in the Phoenix Insurance Company to Chinese conglomerate Fosun International. According to a statement to the Tel Aviv Stock Exchange, Fosun was to purchase 52.31% of Phoenix for a total of NIS 1.8 billion ($471 million).

Upon receiving the news, however, Phoenix workers called a strike, declaring that they would “embitter the lives of the new owners.” The strike was called, union officials said, over the company’s refusal to discuss distributing a percentage of the money the company stands to earn to the workers, something they say their contracts call for.

In a notice distributed to workers Sunday, union officials said that “the Delek Group did not respond to our demands to discuss terms before the sale. As a result, we have called a full strike, beginning 11:30 a.m. Sunday. All union members are hereby requested to leave their offices and wait in the lobby for instructions before going home.”

The Phoenix deal is the second major one between Israel and China in the past several days. Last week, China’s XIO Group bought out Lumenis, an Israeli company that is one of the world’s foremost producers of medical laser technology. The deal was estimated at $510 million, at least 16% more than the Lumenis shares were worth on the Nasdaq exchange.

The Phoenix sale had been long expected, as Delek continues to sell off assets in order to comply with new laws on the size of conglomerates. Delek owns large shares (about 25%) in the Tamar and Leviathan gas fields off Israel’s coast, as well as other energy-related assets in the Israeli economy – along, until now, with the insurance company, which operates in Israel, Europe, and the US.

The Knesset in 2013 passed legislation requiring large financial-industrial complexes to sell off assets in order to encourage competition. Large banks, holding companies, and investment firms that have majority or large interests in cellphone service providers, gas stations, supermarket chains, food production companies, and other such “real economy” businesses (as the law terms them) will have to sell off some of their assets – and if they don’t, they are likely to be targeted by authorities and fined, with their executives held personally liable for violating the law.

Tshuva, the majority owner of Delek (he is said to be worth around $4 billion), is considered one of the “tycoons” the Knesset had in mind when passing the legislation – and as a result, Delek has been spinning off assets. Over the past year, it has sold parts of its operations in Europe and the US to investment firms, and it sold a large part of Phoenix last year to US based Kushner Holdings (although it retained a majority stake in the company).

Fosun is considered one of the largest conglomerates in China, and the company has done several previous deals in Israel – most notably the purchase of Israeli health tech firm Alma Lasers in 2013, and Check-Cap Pharmaceuticals in 2014.

According to reports in the Israeli media, Fosun suspected that it could have labor issues with Phoenix workers, and demanded a discount on the market price of shares in case it had to compensate workers, and/or resolve other issues, such as a possible government fine in light of an investigation the Israel Stock Exchange is conducting against the company due to possible fraud by one of its workers. The Phoenix deal also has to be approved by the Treasury's Supervisor of Insurance, Dorit Selinger.

Barring any last-minute problems, though, that deal is expected to go through – and the action by workers Sunday is not expected to scare Fosun off from purchasing Phoenix, or from continuing its investment activity in Israel, according to Edouard Cukierman, chairman of Cukierman & Co. Investment House and a managing partner of the Catalyst Investment Funds, a large joint Israel-China investment fund, which has secured over $100 million for investments in Israeli firms that work with China.

"This is not Fosun's first investment here, and in fact we know them very well, having worked on the Alma and Check-Cap deals," said Cukierman. "It's understandable that some of the workers would fear the future – but in past deals things have eventually worked out, as the companies that are bought out are able to take advantage of important new opportunities."

Chinese investors, as well, know how the game is played in Israel, said Cukierman. "The international investors, including those from China, know what to expect. The fact that the Fosun board of directors approved the Phoenix deal, despite knowing that there would be labor unrest, shows that they are confident that they can work things out. This certainly will not discourage further Chinese investments in Israel."

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