

## Israel Trendspotter: Dealmakers optimistic despite Brexit and Turkish coup attempt

- Private equity interest in tech increasing
- Israel's energy sector active
- Brexit could impact activity in long-term

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Following a record first half, dealmakers remain optimistic about Israel-related M&A and investment activity despite Brexit and the recent coup attempt in Turkey. Continued interest from Chinese investors and the US are expected to keep activity strong in H2, lawyers, bankers, and industry sources told this news service.

1Q16 was the largest 1Q by value on record with USD 3.514bn from 22 deals while overall 1H16 was the second largest half by value on record with USD 5.524bn from 47 deals, according to *Mergermarket* data. While deal value decreased in 2Q compared to 1Q, the number of deals increased from the first quarter and overall both quarters were above historical averages for Israel both by value and volume, according to the data.

"Deal activity in Israel continues to be dominated by the tech and life science sectors, with the number of tech deals above USD 400m increasing, especially in software. Interest from Chinese investors is also continuing to grow," said Len Rosen, CEO Barclays Israel. There has also been an increase in private equity deals over the past few years as tech companies mature, he added.

The largest tech deal in 1H was the acquisition of Israeli software company **SintecMedia** by US PE-fund **Francisco Partners** for USD 400m and the largest life science deal was **Dentsply Sirona's** [NASDAQ: XRAY] purchase of **MIS Implants Technologies** for USD 375m, according to *Mergermarket* data.

Israel's energy sector is also active and, despite the failed coup in Turkey last weekend, could get a boost from the recent reconciliation between Israel and Turkey, said an Israel-based investment banker.

### Turkey and Israeli energy

The reconciliation between Turkey and Israel gives Israel new options for exporting its gas and provides Turkey with a new option to diversify its gas sources, as reported.

The first stage could be Israeli exports to Turkey followed by a second stage of Israel exporting gas to Europe via Turkey, as reported.

A USD 2bn pipeline could be built to transport gas to Turkey, according to earlier reports. Both Turkish conglomerate **Zorlu Holdings**, which is active in Israel's electricity sector, and a consortium of 15 Turkish energy companies, led by **Turcas Petrol** [IST: TRCAS], have stated in recent years their interest in importing Israeli gas to Turkey, as reported.

Other activity in Israel's gas sector has included negotiations by **Harel Insurance Investments and Financial Services** [TASE: HARL] and **Israel Infrastructure Fund** (IIF) to buy a 3% stake in the Tamar gas field from **Noble Energy** [NYSE: NBL] with an option to acquire another 1%, according to Haaretz.

In addition, Israeli conglomerate **Delek Group** [TASE: DLEKG] is in talks to buy from UK-based oil and gas company **EnQuest** [LSE: ENQ.L] a 20% stake in the Kraken field in the North Sea. On 18 July Delek announced it was in negotiations to acquire the stake for an estimated USD 162m.

## Tech and China

Chinese interest continues to intensify, said Edouard Cukierman, Founder and Managing Partner of Catalyst Funds and organizer of the GoForIsrael conference.

While the number of delegations and companies coming to Israel and developing activities is strong, to help facilitate and accelerate the process, the annual GoForIsrael conference will be held in Shanghai in September and host 100 Israeli startups and over 1,000 Chinese participants, he said.

Participating Chinese investors include **Alibaba** [NYSE: BABA], **Baidu** [NASDAQ: BIDU], **Lenovo** [HKG: 0992], private equity and venture capital funds, and insurance business players. Israeli companies include **HeadSense**, **TravelersBox**, and **Roboteam**.

Interest in Israel from multinational corporations such as **Google** [NASDAQ: GOOG] and **Apple** [NASDAQ: AAPL] has increased "a lot" and intra-country tech M&A also appears to be growing, Rosen said. With the exception of chip companies **Mellanox** [NASDAQ: MLNX] and **EZChip**, most intra deals are on the small side and are the result of niches that have more than one company developing in Israel, such as in the adtech space, he noted.

He pointed to fintech, cybersecurity, and big data, among growth areas in tech.

## Stormy waters ahead?

In the short term, commercial real estate is expected to be affected by Brexit, an Israel-based lawyer said. In the long term, fintech, pharma, and joint R&D projects between the EU and Israel that involve the UK could be impacted, Daniel Chinn, partner at Tulchinsky Stern, said.

The US elections are also expected to add to uncertainty and delay deals later this year, the Israel-based banker said.

However, activity remains strong for now, said Shai Pines, partner at Israeli law firm Hamburger Evron & Co., noting that he is busy with several transactions between Israel and the Far East. In addition, Israel continues to attract dealmakers eager to do deals in Israel, said Zohar Fisher, Founder of Robus Legal Marketing and co-organizer of the annual Foreign Law Firms Conference in Israel, which in June had over 70 foreign law firms from around the world among its 350 attendees.

"It is quite encouraging that in spite of the geopolitical situation, Israel is still very attractive to foreign investors," Pines said.

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