

ISRAEL

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1. What are the main structures for mergers and acquisitions (M&A) transactions available under local law, and what are their key distinctions?

Share purchase

This structure is most common for private companies. The buyer acquires existing shares directly from shareholders, while the target remains the same legal entity. The buyer assumes the target's historical liabilities mitigated by indemnities, escrows, and oftentimes warranty and indemnity (W&I) insurance. This structure is simple to execute, usually tax efficient and supports business continuity. However, it equally requires robust diligence and detailed negotiations regarding representations and warranties and sellers' indemnity.

Asset purchase

The buyer acquires selected assets and may assume specified liabilities, making this structure well suited for carve-outs, distressed M&A and liability ring-fencing. Execution is often more complex as contracts, employees, intellectual property (IP), and other assets must be transferred individually. Asset sales can also be tax inefficient relative to share sales, given the target may incur capital gains tax and the shareholders may be taxed again upon distribution.

Reverse triangular mergers

This structure is most common for acquiring Israeli public companies but can also be used to avoid the need for unanimous shareholders' consent in a share sale of a private company. Mergers, however, generally take longer to complete due to statutory waiting periods and procedures, making them less common for private company acquisitions. Typically, a merger transaction in a public company would also include an undertaking by the main shareholders to support the deal. Note that under Israeli law, mergers can only be effected between two Israeli companies, which typically requires foreign investors to create an Israeli subsidiary to complete the merger.

Tender offers

Tender offers can be used to acquire Israeli public companies (though less common than merger structures), and in some cases are even mandatory. Under Israeli law, a "Special Tender Offer" is generally required to acquire control above 45% where no other shareholder holds a greater stake, or above 25% if there are no existing controlling shareholders (i.e., already holding 25% of the company). To acquire more than 90%, a buyer can choose to make a "Full Tender Offer" (as opposed to a merger). If 5% or less of the offerees oppose the offer, the buyer can squeeze out the remaining shareholders for the same consideration, subject to appraisal rights.

2. How would you describe the current M&A market in Israel?

The shadow of the judicial reform protests and the distress of the Iron Swords War led to widespread expectations of material slowdown, yet Israeli M&A has reached unexpected highs. This unexpected resilience has energized the market, with deal value reaching USD 80 billion in 2025. However, the headline growth in deal value has been driven disproportionately by several megadeals, rather

than by a meaningful increase in deal count, consistent with trends in other major markets. By comparison, when the market reached a similar aggregate value in 2021, activity was far broader: the PwC Exit Report for 2025 notes it took 171 deals to reach that market volume, versus fewer than 90 in 2025.

Technology continues to anchor Israeli dealmaking, led by cybersecurity and artificial intelligence (AI) adjacent assets. The largest transactions in 2025 were concentrated in cybersecurity, including Alphabet's USD 32 billion acquisition of Wiz, Palo Alto Networks' USD 25 billion acquisition of CyberArk, and ServiceNow's USD 7.75 billion acquisition of Armis, alongside notable activity in insurtech and fintech.

While Israel continues to be perceived as a high-risk market due to conflict and judicial uncertainty, Israeli startups continue to produce globally competitive technology and IP, attracting strategic buyers, who seek differentiated assets that can be scaled through global distribution and integrated into established product portfolios. Meanwhile, sponsor activity has been modest due to perceived limits on future liquidity opportunities. Geopolitical tensions have, in some instances, tempered foreign participation and extended deal timelines. This, together with the significant strengthening of the local currency (ILS) compared to the USD over the past year (roughly a 15% increase) has led to domestic conglomerates and financial institutions increasingly stepping in to fill portions of the activity gap previously occupied by foreign private capital.

3. What major trends have you seen in the past 12–24 months?

Early-stage investment

Early-stage venture financings in Israeli startups, particularly at pre-seed and seed stages, have shifted from priced equity rounds to investments through Simple Agreements for Future Equity (SAFE). SAFEs have replaced traditional term-sheet-driven equity financings, allowing parties to streamline documentation, reduce legal spending and accelerate execution. The trade-off is deliberate; investors are increasingly willing to forgo a binding valuation in exchange for more limited diligence needs and shortened negotiations over equity percentages. Reflecting this shift, the Fusion 2024 Pre-Seed Report, reported that 51% of venture capital firms invest exclusively through SAFEs, compared to 15% investing exclusively in equity rounds.

Preference of acquisitions over IPOs

The PwC Exit Report for 2025 (assessing transactions over USD 10 million) indicates that Israel's exit market favored M&A over initial public offerings (IPOs), with only six IPOs in 2024 and seven in 2025, compared to 47 M&A deals in 2024 and 77 in 2025. This marks a sharp shift from 2021, when IPOs and M&A were more balanced (72 and 99, respectively). Even the largest Israeli IPO this cycle, eToro's Nasdaq listing at a reported USD 4.3 billion valuation, appears modest in comparison to recent headline acquisitions. Given that public market valuations remain uncompetitive compared to offers from major acquirers, many Israeli startups prioritized strategic sales (often to global buyers) over the longer and less predictable path to the public markets, given earlier liquidity, lower execution risk and scaling benefits.

Distressed M&A

Two challenging years have produced a bifurcated exit market: while some targets have emerged as attractive acquisition opportunities, others faced financial strain and investor pullbacks amid the geopolitical environment. Recent data shows a marked increase in low-value sales, particularly among companies that raised significant capital in 2021 but did not achieve durable growth and are now pursuing expedited exits. Between January and November 2025, the number of M&A transactions increased by 60% year-over-year, yet approximately half were valued below USD 50 million and many represented low yield return or sales at a loss relative to invested capital.

4. What are your predictions for the M&A market in the next 12–24 months?

Israel's M&A environment is entering 2026 on firmer footing. Interest rate cuts by the Bank of Israel (to 4.25% in November 2025 and 4.0% in January 2026) and strong equity performance (with local stock exchange indices, including TA-35 and TA-135, up approximately 51% over 2025) have improved valuation confidence. Market participants anticipate sustained activity with a larger share of high-value deals concentrated in technology, cyber, and digital infrastructure.

Exit dynamics are expected to continue favoring acquisitions over IPOs, oftentimes supporting a shift toward privatization, although this trend may become less prevalent in 2026 if the Tel Aviv Stock Exchange (TASE) continues to show strong performance. Structurally, public company transactions will presumably continue to utilize mergers (including reverse triangular mergers), with more public-to-private transactions and selective tender offers of undervalued public companies.

As national security concerns stabilize, foreign participation is expected to increase, with the new rate cuts supporting leverage and sponsor activity. In the transition period, investors will likely conduct thorough due diligence and employ creative deal structures, such as earn-outs and enhanced minority protections, to address valuation uncertainty and align interests. These mechanisms will allow PE sponsors to provide tailored solutions for portfolio companies facing volatile public markets or delayed IPO windows. The use of W&I insurance is expected to remain prevalent in sponsor-led deals, reducing escrow sizes and seller exposure.

5. What are the key laws and regulations governing M&A?

The core statutory framework for Israeli M&A is anchored in the Companies Law 1999, which governs equity issuances (including options and shares), corporate approvals, fiduciary duties, mergers, and tender offers. The Securities Law 1968 regulates public company disclosure, takeover rules, and insider trading. These regimes are complemented by the Economic Competition Law 1988 and the Income Tax Ordinance (New Version) 1961, as well as related regulations and administrative guidance. Other regulatory regimes may be applicable depending on the target's business and the acquirer's profile, such as national security and employment law considerations.

The main regulators in the field of M&A activity include:

- **Registrar of Companies.** In private company transactions, ongoing reporting and corporate formalities are typically managed through filings with the Registrar of Companies, along with ensuring compliance and, where required, obtaining necessary approvals.
- **Israel Securities Authority (ISA).** Transactions involving public companies require reports to the ISA and the TASE, covering public company disclosure and trading requirements.
- **Israel Tax Authority (ITA).** Regulates ownership transfers and related tax matters, particularly employee equity incentive plans, also in the context of M&A transactions.
- **Israel Competition Authority (ICA).** An ICA filing is required if merger thresholds are met (e.g., concentration, market share, or turnover-based thresholds).

In addition, acquisitions in regulated industries may trigger industry-specific licenses or permits.

6. What forms of consideration are commonly used? Are there restrictions on non-cash consideration?

Israeli M&A transactions are predominantly cash only, although cash-and-stock consideration is not uncommon. Deal terms frequently include deferred consideration, earn-outs, and rollover equity, particularly in small and mid-market technology transactions. Unlike deferred consideration, which guarantees payment at a later date regardless of business performance, earn-outs introduce contingent consideration, meaning the seller's additional compensation depends on actual post-closing results. The difference between the two is highlighted by their tax treatment. Deferred consideration is generally taxed at signing, even if the funds are received later, while contingent consideration is typically taxed only when the funds are received. ITA has provided specific guidance for such cases (ITA Circular 19/2018).

7. What is the typical scope and focus of due diligence?

Buyer due diligence typically includes parallel legal and financial tracks, with the scope tailored to the transaction's size, complexity, and risk profile. In private-company transactions, due diligence is often expansive and informs of the agreement's valuation and risk-allocation framework, shaping representation and warranty (R&W) protections, closing conditions and indemnity arrangements.

Public-company acquisitions typically involve more targeted diligence, given the breadth of information available through continuous stock exchange reporting. Auction-style transactions can further streamline due diligence, as sellers often provide vendor due diligence reports to potential bidders, usually, on a non-reliance basis.

Where the buyer is a competitor or potential competitor of the target, due diligence must be structured to comply with Israeli competition law and avoid unlawful exchanges of competitively sensitive information, such as business plans, or customer lists. Items identified as competitively sensitive can usually

be reviewed by an external advisor or a “clean team.” Limited disclosures are required until there is a high likelihood of the transaction’s completion, including any necessary regulatory approvals.

8. How common are warranty and indemnity (W&I) insurance policies, and how do they affect negotiations of representations and warranties?

W&I insurance has become a common feature of Israeli M&A, particularly in sponsor-led and cross-border deals. It is less frequent in very small transactions or where the seller is expected to retain meaningful post-closing exposure.

The majority of the coverage is provided by foreign underwriters with local onshore underwriting remaining limited. Premiums vary by deal profile and are generally comparable to United States and European transactions.

Underwriters typically require targeted due diligence and a fulsome disclosure process. The policy then serves as the buyer’s primary recourse for unknown breaches, subject to customary exclusions for known issues and other standard carve-outs, including forward-looking statements, transfer pricing, and certain cyber/IP matters. W&I insurance is typically paired with reduced escrows and a shorter survival period, and is generally placed quickly, with limited effect on transaction timelines.

9. Distinct from antitrust and competition law requirements, are there restrictions or review mechanisms for foreign buyers acquiring domestic businesses or assets?

Israel does not have a single, unified foreign direct investment (FDI) statute or a comprehensive, cross-sector screening regime. In general, foreign investors may buy and sell Israeli assets and securities without blanket restrictions. Instead, oversight is implemented through sector-specific regulation, heightened scrutiny of certain investors or transactions, and targeted national security and anti-terrorism restrictions.

Sensitive industries are supervised by sector regulators (such as the Bank of Israel, Supervisor of Capital Markets, and the Ministry of Communications) which have broad discretion on licensing and may impose deal-specific approvals or conditions. To support regulators where an FDI may implicate national security, Israel established an inter-ministerial advisory committee in 2019. Regulators may refer transactions to the committee which provide a recommendation. The referring regulator retains full discretion to approve the investment and is not bound by the committee’s findings.

Separately, Israeli law imposes national security and anti-terrorism restrictions, including a general prohibition on economic activity by Israelis with “enemy states” and their entities or nationals. For these purposes, Iran, Syria, Lebanon, and Iraq (subject to certain exemptions for Iraq) are designated “enemy states.” Israel also restricts certain imports from states lacking diplomatic relations with Israel through permit requirements (even if they are not designated as “enemy states”). In addition, defense exports, transfers of related know-how, and exports of dual-use goods are likewise subject to stringent export-control rules.

10. What are the major disclosure or announcement requirements for public M&A transactions?

Under Israeli law, a public company is required to file an immediate report regarding negotiations for a transaction that deviates from its ordinary course of business, or that could have a material effect on the company or the price of its securities. However, the regulations allow a company to defer the report if the transaction is still at the negotiation stage preceding entry into a preliminary agreement, or if disclosure could prevent the transaction's completion or materially worsen its terms, provided that the information has not been made public.

Throughout negotiations, parties must comply with insider trading restrictions and maintain robust confidentiality and information controls for anyone with access to non-public deal information.

In a tender offer, the bidder must publish a formal offer document with a prescribed disclosure whose scope and content requirements vary depending on the type of tender offer (whether a Special or a Full Tender Offer). In general, the offer document typically includes the identity of the offeror, the type and terms of the offer, the consideration and payment mechanics, conditions and completion mechanics, offer timetable and procedures, financing and purpose and post-offer intentions. In a Special Tender Offer the target board must also publish its position on the offer (support, opposition, or no recommendation).

Where a transaction requires shareholder approval, the company must circulate detailed meeting materials describing the deal's principal terms, deal protections (such as termination fees) and any valuation or fairness materials relied upon.

11. How are public takeovers regulated, and what are the main procedural requirements?

In addition to corporate approvals (board, shareholders, special committees, etc.), public M&A transactions that meet statutory thresholds based on transaction size and the parties' market shares may require merger clearance from the ICA. Additional approvals may also be required where the target has received Israeli Innovation Authority (IIA) funding or ITA tax benefits. Where the buyer offers securities, the target may seek an advance ITA ruling to defer Israeli tax and, absent an exemption under the Israeli Securities Law, the buyer may need to file an Israeli prospectus for the issuance.

In sale processes, especially competitive ones, directors are expected to run the process consistent with their fiduciary duties (duty of care and duty of loyalty). No-shop and exclusivity provisions are generally acceptable with a workable fiduciary out, and material information is typically provided to *bona fide* bidders on an even-handed basis. Deal protections are common (including break fees, matching rights and notice covenants) but are generally kept within reasonable limits to avoid discouraging superior proposals and remain subject to fiduciary outs.

Israeli deal practice also emphasizes minority shareholder protections. Mergers and tender offers generally require equal treatment of shareholders of the same class, and tender offers also typically provide appraisal rights. If the statutory squeeze-out threshold is met, minority holders can be cashed out; if not, they generally remain alongside the new controlling shareholder.

12. How are M&A disputes commonly resolved? Are there preferred dispute resolution forums or governing laws?

In most cases, M&A agreements for the acquisition of Israeli companies are governed by Israeli law, and disputes are typically referred to Israeli courts. However, it is not uncommon for parties to agree to arbitrate, particularly in cross-border deals where parties may favor international arbitration. When international arbitration is used, the seat and governing law are commonly selected from established English-speaking venues.

Litigation arising from private M&A transactions is generally uncommon in Israel and is expected to remain so, given the extensive use of W&I insurance.

M&A-related disputes involving Israeli public companies are typically litigated following public disclosure of the transaction. These claims usually focus on deal fairness (such as an inadequate price or prejudice to minority shareholders) and deficiencies in the approval process (such as failure to obtain required corporate approvals).

13. What role are emerging technologies playing in shaping upcoming M&A opportunities or challenges locally?

The M&A market is responding to rapid AI innovation and heightened cybersecurity demand. In these deals, IT, privacy and data protection representations and warranties receive heightened scrutiny and are often negotiated as fundamental representations. Targets are commonly expected to comply not only with Israeli law, but also with General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA) standards. In AI deals, there is added scrutiny of the use of AI training datasets and IP rights, while in cybersecurity deals, targets are expected not to have material data breaches or unauthorized access incidents and to maintain “industry standard” security measures and “industry best practices.” Risk allocation has also become more tailored, with smaller general escrows supplemented by targeted escrows and/or W&I insurance. Buyers frequently require a separate escrow or holdback for IP claims, data breach and privacy claims, sized to the specific risk profile and any identified issues.

In the legal market, the adoption of legal AI tools in M&A is reshaping expectations around speed and responsiveness. As new models can quickly review and synthesize large document sets, parties increasingly conduct diligence on tighter timelines and expect key issues to be surfaced earlier. This compression can increase accuracy risk if outputs are not carefully validated.

14. Are there any other significant corporate M&A considerations in Israel?

Tax considerations often shape the structure of a transaction. In many cases, buyers opt for a two-stage acquisition, where they purchase 70–80% of the company in the first stage and provide put/call options for the remaining shares in the second stage. This structure can defer tax on the remaining 20–30% and help manage Israeli tax mechanics.

Employee equity, particularly section 102 options, are a major diligence and transactional consideration in Israeli M&A. Israeli companies generally structure employee equity under the special tax regime in section 102 of the Israeli Income

Tax Ordinance to obtain favorable tax treatment. In M&A, section 102 compliance is frequently a gating issue because tax outcomes depend on technical requirements (including plan adoption, trustee appointment, filings, grant procedures and holding periods) and directly affects transaction payoffs.

Grants by the IIA can also trigger transaction considerations, as ongoing restrictions may apply to grant beneficiaries or consents may be required. For example, if the target received a research and development grant from the IIA and the buyer intends to transfer the target's IP or the manufacturing of the target's products outside of Israel, the IIA will typically require an additional payment tied to the transfer.

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