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Blue-chip City analysts agree that Silver Lake's £2.2bn takeover of ZPG will go ahead

A slew of City analysts have revisited their price targets for ZPG Plc (LON:ZPG) after the online property portal agreed to be taken over for £2.2bn by US private equity firm Silver Lake.

On Friday, the Zoopla owner asked shareholders to accept the 490p a share cash offer, saying the bid represented an "attractive premium".

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ZPG's largest shareholder, Daily Mail and General Trust PLC (LON:DMGT), has already thrown its weight behind the deal.

Given DMGT's backing, analysts at RBC reckon the deal is "likely to close", adding that it is the best interests of the company.

Offer expected to be waved through

"We believe this deal will enable ZPG to strengthen its position in the highly competitive markets in which it operates and accelerate its growth potential, including overseas," wrote RBC's Sherri Malek in a research note.

Malek and her team bumped their price target up to 490p (from 410p) to reflect the offer, downgrading the stock to 'sector perform' (from 'outperform') simultaneously.

Barclays also nudged its price target up to the offer price (of 490p) and cut its rating to 'equal weight' following Silver Lake's bid.

Analyst Andrew Ross echoed Malek's thoughts that the deal will go through, especially with DMGT and the board backing it. Plus, the 30% premium (to Thursday's closing price) is "healthy, he adds.

As for a counter bid, Ross said he would not rule that out completely, but thinks it's unlikely.

Take the deal and run

Also following suit with the target hike to 490p (from 335p) was UBS's Richard Eary, who shifted his recommendation up to 'neutral' as well.

The analyst reckons there is a "high probability" that shareholders will accept the offer, which he thinks would be the right move.

"Given the magnitude of the premium, we believe it is unlikely the offer price will be increased or a counter bid made," he wrote.

More M&A in the sector likely

Deutsche Bank's Silvia Cuneo upped her price target to 490p as well. As was mooted by a few City number crunchers on Friday, she reckons the ZPG-Silver Lake deal is likely to spur some more consolidation in the sector.

Share Information

Code: ZPG

Listing: LSE

Sector: Media

Website: www.zpg.co.uk

Company Synopsis:

ZPG Plc (LSE:ZPG) (ZPG) is a digital media, lead generation and workflow solutions platform that owns and operates some of the UK's most trusted digital brands including Zoopla, uSwitch, PrimeLocation, Hometrack and Property Software Group. Our mission is to provide the most useful resources for consumers when finding, moving or managing their home and to be the most effective partner for related businesses.

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"With no clear synergies between ZPG and existing assets in Silver Lake's tech portfolio, we think other deals in the space are a possibility," Cuneo said.

"The PCW and online classifieds sectors have started to re-rate on the back of this bid. Our preference is for GoCompare.com Group PLC (LON:GOCO) and [Oslo-listed] Schibsted which look undervalued for their growth profiles."

ZPG shares were broadly flat 489p on Monday morning.

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