



## Zillow Group, Inc.

Second Quarter 2016 Earnings Highlights

August 4, 2016

*"We are executing well against our long-term strategic priorities to increase audience size, grow our Premier Agent and emerging marketplaces, and attract and retain the best talent in the industry."* – Zillow Group, Inc. CEO Spencer Rascoff.

### Financial Highlights

- **Q2 2016 total Revenue increased 31% yoy to a record \$208.4M from \$158.7M in Q2 2015, excluding revenue from Market Leader, which was divested in Q3 2015.**
- **Premier Agent® business continued to accelerate as top performing agents realize the benefits of advertising on Zillow Group's mobile applications and websites.**
  - Up 28% yoy to \$147.1M, also a record and came in at the high end of guidance.
  - Total sales to Premier Agent Advertisers who have been customers for more than one year increased 57% yoy.
  - Sales to existing Premier Agent Advertisers accounted for 70% of total bookings.
  - Premier Agent Advertisers who spend more than \$5,000 per month:
    - Increased 73% yoy on a total dollar basis.
    - Increased 68% yoy in the number of agent advertisers.
- **GAAP net loss of \$156.1M and Adjusted EBITDA of \$(101.3M) include the impact of a \$130M litigation settlement and \$12.5M in related legal costs.**
  - Q2 2016 Adjusted EBITDA would have been \$28.7M, or 14% of revenue, excluding the impact of the litigation settlement (see Zillow Group's earnings press release [here](#) for a reconciliation of GAAP to non-GAAP measures).

### Business Highlights

- **Zillow Group's market share in June 2016 was up 4 percentage points since March 2016, capturing 67% of the mobile and Web real estate audience<sup>1</sup>.**
  - Zillow Group's mobile-only market share is even larger, capturing 78% of the category<sup>1</sup>.
- **More than 168M average monthly unique users for Q2 2016.**
  - All-time high of more than 171M unique users in May to Zillow Group consumer brands Zillow, Trulia, StreetEasy, HotPads and Naked Apartments, an increase of 20% yoy.

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<sup>1</sup> comScore data June 2016

- **Leads to Zillow Group Premier Agent Advertisers for Q2 2016 grew nearly 50% yoy to more than 4M.**
  - Zillow Group has several initiatives focused on lead conversion, including hosting agent training events for its brokerage partners and working with technology partners to have their lead-management software help shared clients maximize lead conversion.
- **Emerging marketplaces continue to grow even faster than the Premier Agent business.**
  - Mortgages marketplace revenue grew 77% yoy.
    - Seeing more valuable loan information requests due to product enhancements.
  - New York City marketplace represents significant opportunity.
    - Recent acquisition of Naked Apartments allows Zillow Group to further augment its category leadership.
    - 80% of first time visitors to StreetEasy return within 48 hours.
  - Rentals marketplace commands the largest audience in the category<sup>2</sup> and more than 100% revenue growth yoy.
    - Averaging 30M+ monthly rental shoppers<sup>3</sup> on Zillow Group apps and websites.
- **Acquired small, Atlanta-based technology startup, Bridge Interactive.**
  - Offers simple and powerful tools to help brokers and MLSs ensure control, security and accuracy of their listings.
  - Technology provides a secure data distribution system for MLSs, which both improves the system performance of the MLS and helps ensure that only authorized parties receive the data.
  - Helps solve challenges facing Zillow Group's thousands of valued broker partners, and enhances the important role of the MLS in the real estate industry.

## **Business Outlook**

- **Addressing significant media market opportunity in residential real estate, rentals, mortgages and in New York City by focusing on four strategic priorities:**
  - Grow audience.
  - Grow agent advertising business.
  - Continue to grow emerging marketplaces.
  - Continue to maintain extraordinary company culture that attracts, retains and motivates extraordinary people to do their best work.
- **Raising 2016 full year revenue guidance.**
  - 2016 full year revenue now expected to be in the range of \$830 to \$840 million (up from \$825 to \$835 million).

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<sup>2</sup> Zillow's custom-defined Rental Sites category ranking based on US Media Metrix comScore data, Unique Visitors, June 2016; Zillow Rental Network is the unduplicated reach of Zillow.com Rentals, Trulia.com rentals, HotPads.com, and MyNewPlace.com, Media Metrix Audience Duplication report, June 2016

<sup>3</sup> Source: Google Analytics and Omniture, May 2016

The following table presents Zillow Group’s business outlook for the periods presented (in millions):

<u>Zillow Group Outlook as of August 4, 2016</u> (in millions)	<u>Three Months Ending</u> <u>September 30, 2016</u>	<u>Year Ending</u> <u>December 31, 2016</u>
Revenue	\$217 to \$222	\$830 to \$840
Premier Agent revenue	\$156 to \$158	\$597 to \$602
Display revenue	\$15 to \$16	\$60 to \$62
Operating expenses	\$220 to \$225	***
Adjusted EBITDA (1)	\$48 to \$53	\$125 to \$135
Depreciation and amortization	\$24 to \$26	\$97 to \$102
Share-based compensation expense	\$26 to \$28	\$105 to \$110
Capital expenditures	***	\$44 to \$46
Weighted average shares outstanding — basic	179.5 to 181.5	179.0 to 181.0
Weighted average shares outstanding — diluted	196.0 to 198.0	195.5 to 197.5

\*\*\* Outlook not provided

- (1) Forecasted Adjusted EBITDA for the year ending December 31, 2016 in the table above excludes the impact of a \$130.0 million litigation settlement and includes \$28.2 million in related legal costs. Including the impact of the \$130.0 million litigation settlement and \$28.2 million in related legal costs, forecasted Adjusted EBITDA for the year ending December 31, 2016 is \$0. A reconciliation of forecasted Adjusted EBITDA (including the impact of the \$130.0 million litigation settlement and \$28.2 million in related legal costs) to forecasted net loss is provided in Zillow Group’s earnings press release available [here](#).

### Forward-Looking Statements

This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties, including, without limitation, statements regarding our business outlook and future operational plans. Statements containing words such as “may,” “believe,” “anticipate,” “expect,” “intend,” “plan,” “project,” “will,” “projections,” “continue,” “business outlook,” “estimate,” “outlook,” or similar expressions constitute forward-looking statements. Actual results may differ materially. For information about potential factors that may affect Zillow Group’s business and financial results, please review the “Risk Factors” described in Zillow Group, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission, or SEC, and in Zillow Group’s other filings with the SEC. Except as may be required by law, Zillow Group does not intend, and undertakes no duty, to update this information to reflect future events or circumstances.

### Use of Non-GAAP Financial Measures

This communication includes discussion of Adjusted EBITDA, which is a non-GAAP financial measure not prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). This non-GAAP financial measure is not prepared under a comprehensive set of accounting rules and, therefore, should only be reviewed alongside results reported under GAAP.

We urge you to review our earnings press release as it contains important information about our financial results, including reconciliation tables and related information about this non-GAAP financial measure. The earning press release is available on the Investor Relations section of the Zillow Group website at <http://investors.zillowgroup.com/releases.cfm>. It is also included as Exhibit 99.1 to our Current Report on Form 8-K as furnished to the SEC on August 4, 2016, which is available on the Investor Relations section of the Zillow Group website at <http://investors.zillowgroup.com/sec.cfm> and the SEC's website at [www.sec.gov](http://www.sec.gov).