

ZILLOW GROUP, INC.

FORM 8-K (Current report filing)

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Address	1301 SECOND AVENUE FLOOR 31 SEATTLE, WA, 98101
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Sector	Financials
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): April 12, 2018

ZILLOW GROUP, INC.
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction
of incorporation)

001-36853
(Commission
File Number)

47-1645716
(I.R.S. Employer
Identification No.)

1301 Second Avenue, Floor 31, Seattle, Washington
(Address of principal executive offices)

98101
(Zip Code)

(206) 470-7000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

Zillow Group, Inc. (“Zillow Group”) today issued a press release announcing its expansion of Instant Offers to Phoenix, Arizona and that it will test buying and selling homes directly. In connection with the announcement, Zillow Group also provided selected preliminary financial results for the fiscal quarter ended March 31, 2018 and updated consolidated full year 2018 outlook in a slide presentation that will be discussed on a live conference call and webcast hosted by Zillow Group’s CEO Spencer Rascoff and CFO Kathleen Philips. The full text of the press release and the slide presentation are furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K.

The information in this Item 2.02 and Exhibits 99.1 and 99.2 of this Current Report on Form 8-K shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated April 12, 2018 entitled “Zillow Expands Instant Offers to Phoenix; Will Work with Agents to Test Buying and Selling Homes Directly” issued by Zillow Group, Inc. on April 12, 2018.
99.2	Slide presentation dated April 12, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 12, 2018

ZILLOW GROUP, INC.

By: /s/ SPENCER M. RASCOFF

Name: Spencer M. Rascoff

Title: Chief Executive Officer

Zillow Expands Instant Offers to Phoenix;
Will Work with Agents to Test Buying and Selling Homes Directly

Brokerages West USA, Berkshire Hathaway HomeServices Arizona & Nevada Properties, and Coldwell Banker Premier Realty partner with Zillow in expanded test in Las Vegas and Phoenix;

Zillow Group provides select preliminary first quarter financial results and updated full-year 2018 outlook

SEATTLE, April 12, 2018 – Zillow Group, Inc. (NASDAQ:Z) (NASDAQ:ZG), which houses a portfolio of the largest and most vibrant real estate and home-related brands on mobile and the web, will expand Zillow Instant Offers™ to Phoenix this month. With this expansion, Zillow® plans to participate in the marketplace, buying and selling homes with Premier Agent® partners in the Phoenix and Las Vegas markets.

Zillow Expands Instant Offers to Phoenix

With Zillow Instant Offers, potential home sellers receive investor offers alongside a Premier Agent’s analysis of the home’s open market value within two business days of submitting basic information about their home. The process offers transparency, convenience and choice for sellers, and gives them certainty over their sale price and timing. Zillow began testing Instant Offers in May 2017 with Premier Agent partners in Las Vegas and Orlando, and will add Phoenix this month.

The program gives real estate agents the opportunity to acquire new listings by connecting them with motivated sellers who have taken a direct action to sell their home. Across all testing, Zillow found the vast majority of sellers who requested an Instant Offer ended up selling their home with an agent, making Instant Offers an excellent source of seller leads for Premier Agents and brokerage partners.

Zillow will also partner with three brokerages locally in Phoenix and Las Vegas: West USA (Phoenix), Berkshire Hathaway HomeServices Arizona & Nevada Properties (Phoenix and Las Vegas), and Coldwell Banker Premier Realty (Las Vegas). The partnerships will provide the brokerage companies with the ability to create new seller lead opportunities for their agents.

“Even in today’s hot market, many sellers are stressed and searching for a more seamless way to sell their homes,” said Zillow Chief Marketing Officer Jeremy Wacksman. “They want help, and while most prefer to sell their home on the open market with an agent, some value convenience and time over price. This expansion of Instant Offers, and Zillow’s entrance into the marketplace, will help us better serve both types of consumers as well as provide an opportunity for Premier Agents to connect with sellers. This is expected to be a vibrant line of business for us and for our partners in the real estate industry, while providing homeowners with more choices and information.”

Zillow to Participate as a Buyer and Seller of Homes

Beginning this spring, home sellers in the Phoenix and Las Vegas real estate markets will be able to compare an agent’s comparative market analysis (CMA) to offers from Zillow or other investors.

When Zillow buys a home, it will make necessary repairs and updates and list the home as quickly as possible. A local agent will represent Zillow in the purchase and sale of each home, enabling agents to earn commissions.

Zillow has hired Arik Praver to oversee the business operations surrounding Zillow's participation in the Instant Offers marketplace as Chief Business Development Officer. Prior to joining Zillow Group, Praver was most recently Chief Integration Officer at Invitation Homes, the largest single-family rental owner and operator in the United States. Praver spent five years prior to that serving in executive leadership roles at large real estate owners and operators in the United States.

Additional Information for Investors

In conjunction with this announcement, Zillow Group provided select preliminary financial results for the first quarter of 2018 and updated its consolidated full year 2018 outlook in a presentation, which is available on the Investor Relations section of the Zillow Group website at <http://investors.zillowgroup.com/releases.cfm#events>.

Zillow Group CEO Spencer Rascoff and CFO Kathleen Philips will host a live conference call and webcast today at 2 p.m. Pacific Time (5 p.m. Eastern Time). A link to the live webcast, presentation slides and a recorded replay of the conference call will be available on the company's investor relations website at <http://investors.zillowgroup.com/releases.cfm#events>. The live call may also be accessed via telephone at (877) 643-7152 toll-free domestically and at (443) 863-7921 internationally. Zillow Group's management will answer questions submitted via Slido, in addition to answering questions from dialed-in participants, during the live conference call. Questions may be submitted at www.slido.com using the event code #ZHomes.

Forward-Looking Statements

This press release 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, market opportunities, strategic partnerships and operational plans for 2018. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "will," "projections," "continue," "business outlook," "forecast," "estimate," "outlook," "guidance," or similar expressions constitute forward-looking statements. Differences in Zillow Group's actual results from those described in these forward-looking statements may result from actions taken by Zillow Group as well as from risks and uncertainties beyond Zillow Group's control. Factors that may contribute to such differences include, but are not limited to, Zillow Group's investment of resources to pursue strategies that may not prove effective; the impact of the real estate industry on Zillow Group's business; Zillow Group's ability to maintain and effectively manage an adequate rate of growth; Zillow Group's ability to innovate and provide products and services that are attractive to its users and advertisers; Zillow Group's ability to compete successfully against existing or future competitors; the impact of pending litigation and other legal and regulatory matters; Zillow Group's ability to increase awareness of the Zillow Group brands in a cost-effective manner; Zillow Group's ability to attract consumers to Zillow Group's mobile applications and websites; Zillow Group's ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments; the reliable performance of Zillow Group's network infrastructure and content delivery processes; and Zillow Group's ability to protect its intellectual property. The foregoing list of risks and uncertainties is illustrative, but is not exhaustive. For more information about potential factors that could affect Zillow Group's business and financial results, please review the "Risk Factors" described in Zillow Group's Annual Report on Form 10-K for the year ended December 31, 2017

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.

About Zillow Group

Zillow Group (NASDAQ:Z) (NASDAQ:ZG) houses a portfolio of the largest real estate and home-related brands on mobile and the web. The company's brands focus on all stages of the home lifecycle: renting, buying, selling and financing. Zillow Group is committed to empowering consumers with unparalleled data, inspiration and knowledge around homes, and connecting them with the right local professionals to help. The Zillow Group portfolio of consumer brands includes real estate and rental marketplaces Zillow[®], Trulia[®], StreetEasy[®], HotPads[®], Naked Apartments[®], RealEstate.com and Out East[™]. In addition, Zillow Group provides a comprehensive suite of marketing software and technology solutions to help real estate, rental and mortgage professionals maximize business opportunities and connect with millions of consumers. The company operates a number of business brands for real estate, rental and mortgage professionals, including Mortechn[®], dotloop[®], Bridge Interactive[®] and New Home Feed[®]. The company is headquartered in Seattle.

Please visit <http://investors.zillowgroup.com>, www.zillowgroup.com/ir-blog, and www.twitter.com/zillowgroup, where Zillow Group discloses information about the company, its financial information, and its business which may be deemed material.

The Zillow Group logo is available at <http://zillowgroup.mediaroom.com/logos-photos>.

Zillow, Premier Agent, Mortechn, Bridge Interactive, StreetEasy, HotPads and New Home Feed are registered trademarks of Zillow, Inc. Zillow Instant Offers and Out East are trademarks of Zillow, Inc. Trulia is a registered trademark of Trulia, LLC. dotloop is a registered trademark of DotLoop, LLC. Naked Apartments is a registered trademark of Naked Apartments, LLC.

Twitter is a registered trademark of Twitter, Inc.

(ZFIN)

 Zillow GROUP

Investor Update Call

April 12, 2018



Select preliminary financial information and forward-looking statements

This presentation contains select preliminary Q1 2018 financial information. This information is subject to change pending completion of our financial closing and review procedures, and the preliminary financial information presented here and actual financial results as reported in our Quarterly Report on Form 10-Q may differ materially.

This presentation also 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 financial outlook, market opportunities, and operational plans for 2018. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "will," "projections," "continue," "business outlook," "forecast," "estimate," "outlook," "guidance," or similar expressions constitute forward-looking statements. Differences in Zillow Group's actual results from those described in these forward-looking statements may result from actions taken by Zillow Group, as well as from risks and uncertainties beyond Zillow Group's control. Factors that may contribute to such differences include, but are not limited to, Zillow Group's investment of resources to pursue strategies that may not prove effective; the impact of the real estate industry on Zillow Group's business; Zillow Group's ability to innovate and provide products and services that are attractive to its users and advertisers; Zillow Group's ability to compete successfully against existing or future competitors; and the impact of pending litigation and other legal and regulatory matters. The foregoing list of risks and uncertainties is illustrative, but is not exhaustive. For more information about potential factors that could affect Zillow Group's business and financial results, please review the "Risk Factors" described in Zillow Group's Annual Report on Form 10-K for the year ended December 31, 2017 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.

Zillow Group (ZG) announced today:

- Expansion of the Instant Offers program to Phoenix, in addition to Las Vegas and Orlando
- ZG will participate in the Instant Offers marketplace as a buyer in Phoenix and Las Vegas
- ZG will partner with Premier Agents and Brokers to buy and sell homes
- A new financial reporting segment will be created
- Selected preliminary first quarter 2018 results
- Updated consolidated full year 2018 outlook

Two segments = Larger TAM



Internet, Media & Tech (IMT) segment \$17B TAM¹

Premier Agent	Suite of marketing and business technology solutions to help real estate agents, teams and brokerages grow their businesses and brands.
Rentals	Advertising and suite of tools sold to property managers and other rentals professionals.
Mortgages	Advertising and mortgage software sold to mortgage lenders and other mortgage professionals.
Other	Revenue from new construction, dotloop, display, as well as from the sale of various other advertising and business software solutions.

Homes segment TAM linked to \$1.8T²

Zillow Group participating in the Instant Offers marketplace by buying houses and selling them on the open market with commissioned Premier Agents.

1. Borrell Associates 2017. Total spent on online and offline residential real estate advertising.
2. \$1.8T represents estimated aggregate transaction value of existing and new homes sold in 2017. US Census Bureau and National Association of REALTORS® 2017; Zillow Group internal estimate.



Homes segment financial model

For illustrative purposes only

Revenue – Sales price of homes
Cost of revenue:
Purchase price of homes
Costs to purchase homes (commissions, escrow, title, etc.)
Home improvement costs (including direct labor)
Gross Margin
Other operating expenses:
Holding costs (insurance, taxes, HOA fees, etc.)
Costs to sell homes (closing costs, commissions, escrow, title, etc.)
Corporate overhead (indirect labor, marketing, etc.)
Adjusted EBITDA ¹

Model assumes 90 day or less holding period when fully operational.

¹ Adjusted EBITDA is a non-GAAP financial measure which excludes other income, depreciation and amortization expense, share-based compensation expense, acquisition-related costs, interest expense and income taxes. For additional information regarding our presentation of Adjusted EBITDA, please see the slide entitled "Appendix – Use of non-GAAP financial measure".

Selected preliminary Q1 2018 results and updated full year 2018 consolidated outlook¹

Selected Preliminary Q1 2018 Results²

Total Preliminary Revenue	\$299 - \$301 million
Preliminary Net Loss	\$(20) - \$(18) million
Preliminary Adjusted EBITDA ³	\$45 - \$47 million

Updated FY 2018 Consolidated Outlook⁴

Total Forecasted Revenue	\$1.43 - \$1.58 billion
Forecasted Adjusted EBITDA ⁵	\$260 - \$285 million

FY 2018 Outlook Assumptions

Homes in Inventory at Year End	300 - 1,000
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1. Zillow Group selected preliminary Q1 2018 results and updated full year consolidated outlook as of April 12, 2018.
2. Zillow Group expects to release its financial results for the first quarter of 2018 in early May 2018.
3. See the slide entitled "Appendix - Reconciliation of Preliminary Q1 2018 Adjusted EBITDA" for a reconciliation of Preliminary Adjusted EBITDA to preliminary net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP").
4. Zillow Group expects to provide the updated outlook for each segment in early May 2018.
5. Zillow Group has not provided a quantitative reconciliation of forecasted Adjusted EBITDA to forecasted GAAP net income (loss) within this presentation because we are unable, without making unreasonable efforts, to calculate certain reconciling items with confidence. These items include, but are not limited to: income taxes which are directly impacted by unpredictable fluctuations in the market price of our capital stock; depreciation and amortization expense from new acquisitions; impairments of assets; and acquisition-related costs. These items, which could materially affect the computation of forward-looking GAAP net income (loss), are inherently uncertain and depend on various factors, many of which are outside of Zillow Group's control. For more information regarding the non-GAAP financial measures discussed in this presentation, please see the slide entitled "Appendix - Use of non-GAAP financial measure".

Questions

Questions may be submitted via **Slido**. We encourage you to visit www.slido.com where you can submit questions by entering the event code **#ZHomes**. Participants may vote on which submitted questions are prioritized to be answered on the call.

Appendix – Use of non-GAAP financial measure

To provide investors with additional information regarding our financial results, this presentation includes references to Adjusted EBITDA (including forecasted Adjusted EBITDA), which is a non-GAAP financial measure. We have provided a reconciliation of preliminary Q1 2018 Adjusted EBITDA to preliminary Q1 2018 net loss, the most directly comparable GAAP financial measure, on the slide entitled "Appendix – Reconciliation of Preliminary Q1 2018 Adjusted EBITDA".

Adjusted EBITDA is a key metric used by our management and board of directors to measure operating performance and trends, and to prepare and approve our annual budget. The exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect acquisition-related costs;
- Adjusted EBITDA does not reflect interest expense or other income;
- Adjusted EBITDA does not reflect income taxes; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

Appendix – Reconciliation of Preliminary Q1 2018 Adjusted EBITDA

Reconciliation of preliminary Q1 2018 Adjusted EBITDA to preliminary net loss:

	Three Months Ended March 31, 2018
Preliminary Net loss	\$(19,000)
Preliminary Other income	(2,400)
Preliminary Depreciation and amortization expense	26,800
Preliminary Share-based compensation expense	30,600
Preliminary Interest expense	7,000
Preliminary Income tax expense	3,000
Preliminary Adjusted EBITDA	\$46,000

The table above presents a reconciliation of preliminary Adjusted EBITDA to preliminary net loss at the midpoint of the range for the period presented (in thousands, unaudited).