

ZILLOW GROUP, INC.

FORM 8-K (Current report filing)

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Address	1301 SECOND AVENUE FLOOR 31 SEATTLE, WA, 98101
Telephone	206-470-7000
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Industry	Real Estate Services
Sector	Financials
Fiscal Year	12/31

**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): August 2, 2018

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

Washington
(State or other jurisdiction
of incorporation)

1301 Second Avenue, Floor 31, Seattle, Washington

(Address of principal executive offices)

001-36853

(Commission
File Number)

47-1645716

(I.R.S. Employer
Identification No.)

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 financial results for the fiscal quarter ended June 30, 2018 . The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 and accompanying supporting tables as Exhibit 99.2 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 (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 8.01 Other Events

On August 6, 2018, Zillow Group announced that its wholly owned subsidiary, ZGM Holdco, Inc., has entered into a definitive agreement to acquire Mortgage Lenders of America, L.L.C. (“MLOA”), a national mortgage lender headquartered in Overland Park, Kansas. The purchase agreement contains customary representations, warranties and covenants of the parties as well as conditions to closing, including, among other things, the receipt of certain third-party consents and governmental approvals and the absence of a material adverse effect on MLOA. Zillow Group currently expects the transaction to close in the fourth quarter of 2018. Financial terms of the deal were not disclosed.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that involve risks and uncertainties. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” or the negative or plural of these words or similar expressions. Differences may result from actions taken by Zillow Group, as well as from risks and uncertainties beyond the company’s control, including the satisfaction of conditions precedent to the closing of Zillow Group’s acquisition of MLOA. Additional factors that could cause results to differ materially from those anticipated in forward-looking statements can be found under the caption “Risk Factors” in Zillow Group, Inc.’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 and in the company’s other filings with the Securities and Exchange Commission. Except as may be required by law, Zillow Group does not intend, nor undertake any duty, to update this information to reflect future events or circumstances.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press release dated August 6, 2018 entitled “Zillow Group Second Quarter 2018 Revenue Increased 22% Year-over-Year” issued by Zillow Group, Inc. on August 6, 2018.
99.2	Supplement entitled “Reported Consolidated Results” issued by Zillow Group, Inc. on August 6, 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: August 6, 2018

ZILLOW GROUP, INC.

By: /s/ S PENCER M. R ASCOFF

Name: Spencer M. Rascoff

Title: Chief Executive Officer



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ZILLOW GROUP SECOND QUARTER 2018 REVENUE INCREASED 22% YEAR-OVER-YEAR

- Premier Agent Revenue increased 22% year-over-year to \$230.9 million.
- Purchased 19 homes in Phoenix through Zillow Offers.
- Traffic to Zillow Group brands' mobile apps and websites reached an all-time high of more than 188 million unique users in April 2018.
- Visits to Zillow Group brands' mobile apps and websites, including Zillow, Trulia, StreetEasy and RealEstate.com, increased 14% year-over-year to approximately 1.9 billion.

SEATTLE - August 6, 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, today announced its consolidated financial results for the three months ended June 30, 2018. In a separate news release, Zillow Group announced that it has entered into a definitive agreement to acquire Mortgage Lenders of America, L.L.C., a national mortgage lender headquartered in Overland Park, Kansas.

“Zillow Group’s second quarter 2018 year-over-year revenue growth of 22% was driven primarily by our Premier Agent, Rentals and New Construction marketplaces,” said Zillow Group CEO Spencer Rascoff. “This quarter also marked a major milestone in Zillow Group’s history, as we launched our Homes business and began buying houses directly from homeowners in two cities through Zillow Offers™. At this exciting time in the real estate industry, Zillow Group is committed to developing innovative technology and services, like Zillow Offers and, with today’s announcement, potential for mortgage originations, that help our partners meet evolving consumer expectations, while generating more revenue opportunities.”

Complete financial results can be found in the investor relations section of Zillow Group’s website at <http://investors.zillowgroup.com/results.cfm>.

Second Quarter and Year to Date 2018 Financial Highlights

In the second quarter of 2018, Zillow Group began reporting financial results for its two reportable segments: the Internet, Media & Technology (“IMT”) segment and the Homes segment. The IMT segment includes the financial results for the Premier Agent, Rentals, Mortgages and new construction marketplaces, dotloop, and display, as well as revenue from the sale of various other marketing and business products and services to real estate professionals. The Homes segment includes the financial results from Zillow Group’s buying and selling of homes directly.

The following table sets forth our financial highlights for the periods presented (in thousands, unaudited):

	Three Months Ended June 30,		2017 to 2018 % Change	Six Months Ended June 30,		2017 to 2018 % Change
	2018	2017		2018	2017	
Revenue:						
IMT segment:						
Premier Agent	\$ 230,885	\$ 189,725	22 %	\$ 444,617	\$ 365,026	22 %
Rentals	33,288	23,710	40 %	62,351	45,255	38 %
Mortgages	19,305	20,936	(8)%	38,328	41,206	(7)%
Other (1)	41,768	32,479	29 %	79,829	61,138	31 %
Total IMT segment revenue	325,246	266,850	22 %	\$ 625,125	\$ 512,625	22 %
Homes segment	—	—	N/A	—	—	N/A
Total revenue	\$ 325,246	\$ 266,850	22 %	\$ 625,125	\$ 512,625	22 %
Other Financial Data:						
Loss before income taxes:						
IMT segment	\$ (1,539)	\$ (21,845)		\$ (10,488)	\$ (26,451)	
Homes segment	(12,154)	—		(19,196)	—	
Total loss before income taxes	\$ (13,693)	\$ (21,845)		\$ (29,684)	\$ (26,451)	
Net loss	\$ (3,093)	\$ (21,845)		\$ (21,684)	\$ (26,451)	
Adjusted EBITDA (2):						
IMT segment	\$ 64,724	\$ 39,700		\$ 115,724	\$ 94,499	
Homes segment	(8,724)	—		(13,414)	—	
Total Adjusted EBITDA	\$ 56,000	\$ 39,700		\$ 102,310	\$ 94,499	
Percentage of Revenue:						
Loss before income taxes:						
IMT segment	— %	(8)%		(2)%	(5)%	
Homes segment	N/A	N/A		N/A	N/A	
Total loss before income taxes:	(4)%	(8)%		(5)%	(5)%	
Net loss	(1)%	(8)%		(3)%	(5)%	
Adjusted EBITDA:						
IMT segment	20 %	15 %		19 %	18 %	
Homes segment	N/A	N/A		N/A	N/A	
Total Adjusted EBITDA	17 %	15 %		16 %	18 %	

(1) Other Revenue primarily includes revenue generated by new construction and display, as well as revenue from the sale of various other marketing and business products and services to real estate professionals.

(2) See below for more information regarding our presentation of Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, which is net loss on a consolidated basis and loss before income taxes for each segment, for each of the periods presented.

Second Quarter 2018 Audience Highlights

- More than 186 million average monthly unique users accessed Zillow Group brands' mobile apps and websites, an increase of 4% year-over-year. Zillow Group brands' mobile apps and websites reached an all-time high of more than 188 million unique users in April 2018, an increase of nearly 14 million unique users from the same period last year.
- Visits to Zillow Group brands' mobile apps and websites Zillow[®], Trulia[®], StreetEasy[®] and RealEstate.com increased 14% year-over-year to approximately 1.9 billion.

Business Outlook - Third Quarter and Full Year 2018

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

Zillow Group Outlook as of August 6, 2018	Three Months Ending September 30, 2018	Year Ending December 31, 2018
Revenue:		
IMT segment:		
Premier Agent	\$237 to \$239	\$921 to \$927
Rentals	\$37 to \$38	\$136 to \$138
Mortgages	\$18 to \$19	\$76 to \$77
Other	\$43 to \$44	\$167 to \$168
Total IMT segment revenue	\$335 to \$340	\$1,300 to \$1,310
Homes segment	\$2 to \$7	\$20 to \$40
Total revenue	\$337 to \$347	\$1,320 to \$1,350
Adjusted EBITDA*:		
IMT segment	\$77 to \$82	\$276 to \$286
Homes segment	\$(12) to \$(9)	\$(39) to \$(33)
Total Adjusted EBITDA	\$65 to \$73	\$237 to \$253
Weighted average shares outstanding — basic	202.0 to 204.0	197.5 to 199.5
Weighted average shares outstanding — diluted	212.5 to 214.5	208.0 to 210.0

In addition, Zillow Group expects to hold 300 to 550 homes in inventory as related to the Homes segment as of December 31, 2018.

* Zillow Group has not provided a quantitative reconciliation of forecasted Adjusted EBITDA to forecasted GAAP net loss for total Adjusted EBITDA or to forecasted GAAP loss before income taxes for segment Adjusted EBITDA within this earnings release because the company is 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 the company's 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 loss and loss before income taxes, 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 measure discussed in this release, please see "Use of Non-GAAP Financial Measure" below.

Conference Call and Webcast Information

Zillow Group CEO Spencer Rascoff and Interim CFO Jennifer Rock will host a live conference call and webcast to discuss the results today at 2 p.m. Pacific Time (5 p.m. Eastern Time). A Quarterly Update letter will be posted to the Quarterly Results section of Zillow Group's investor relations website at <http://investors.zillowgroup.com/results.cfm> prior to the live conference call and webcast.

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 #ZEarnings.

A link to the live webcast and recorded replay of the conference call will be available on the investor relations section of Zillow Group's website. The live call may also be accessed via phone at (877) 643-7152 toll-free domestically and at (443) 863-7921 internationally.

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 the proposed acquisition of Mortgage Lenders of America, L.L.C., our business outlook, 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, the satisfaction of conditions precedent to the closing of Zillow Group’s acquisition of Mortgage Lenders of America, L.L.C., 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; 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; 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 Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 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 Measure

To provide investors with additional information regarding our financial results, this press release includes references to Adjusted EBITDA, including forecasted Adjusted EBITDA, which is a non-GAAP financial measure. We have provided a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, which is net loss on a consolidated basis and loss before income taxes for each segment, within this earnings release.

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 loss before income taxes and our other GAAP results. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP.

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 which 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 great real estate professionals. 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 professionals maximize business opportunities and connect with millions of consumers. Zillow Offers™ provides homeowners in certain metropolitan areas with the opportunity to receive offers to purchase their home from Zillow. When Zillow buys a home, it will make necessary updates and list the home for resale on the open market. The company operates a number of business brands for real estate, rental and mortgage professionals, including Mortechn®, dotloop®, Bridge Interactive® and New Home Feed®. Zillow Group is headquartered in Seattle, Washington.

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, Out East and New Home Feed are registered trademarks of Zillow, Inc. Zillow Offers is a trademark 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.

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Adjusted EBITDA

The following tables set forth a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, which is net loss on a consolidated basis and loss before income taxes for each segment, for each of the periods presented (in thousands, unaudited):

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	IMT	Homes	Consolidated	IMT	Homes	Consolidated
Reconciliation of Adjusted EBITDA to Net Loss and Loss Before Income Taxes:						
Net loss (1)	N/A	N/A	\$ (3,093)	N/A	N/A	\$ (21,845)
Income tax benefit	N/A	N/A	(10,600)	N/A	N/A	—
Loss before income taxes	\$ (1,539)	\$ (12,154)	\$ (13,693)	\$ (21,845)	\$ —	\$ (21,845)
Other income	(3,089)	—	(3,089)	(1,610)	—	(1,610)
Depreciation and amortization expense	25,763	257	26,020	27,022	—	27,022
Share-based compensation expense	35,770	3,173	38,943	29,193	—	29,193
Acquisition-related costs	632	—	632	43	—	43
Interest expense	7,187	—	7,187	6,897	—	6,897
Adjusted EBITDA	\$ 64,724	\$ (8,724)	\$ 56,000	\$ 39,700	\$ —	\$ 39,700

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	IMT	Homes	Consolidated	IMT	Homes	Consolidated
Reconciliation of Adjusted EBITDA to Net Loss and Loss Before Income Taxes:						
Net loss (1)	N/A	N/A	\$ (21,684)	N/A	N/A	\$ (26,451)
Income tax benefit	N/A	N/A	(8,000)	N/A	N/A	—
Loss before income taxes	\$ (10,488)	\$ (19,196)	\$ (29,684)	\$ (26,451)	\$ —	\$ (26,451)
Other income	(5,535)	—	(5,535)	(2,563)	—	(2,563)
Depreciation and amortization expense	52,561	365	52,926	54,157	—	54,157
Share-based compensation expense	64,267	5,417	69,684	55,588	—	55,588
Acquisition-related costs	659	—	659	148	—	148
Interest expense	14,260	—	14,260	13,620	—	13,620
Adjusted EBITDA	\$ 115,724	\$ (13,414)	\$ 102,310	\$ 94,499	\$ —	\$ 94,499

(1) We use loss before income taxes as our profitability measure in making operating decisions and assessing the performance of our segments, therefore, net loss is calculated and presented only on a consolidated basis within our financial statements.

Reported Consolidated Results

ZILLOW GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 431,045	\$ 352,095
Short-term investments	468,541	410,444
Accounts receivable, net	64,083	54,396
Inventory	5,666	—
Prepaid expenses and other current assets	38,169	24,590
Total current assets	1,007,504	841,525
Contract cost assets	43,384	—
Property and equipment, net	118,242	112,271
Goodwill	1,931,076	1,931,076
Intangible assets, net	299,228	319,711
Other assets	26,739	25,934
Total assets	\$ 3,426,173	\$ 3,230,517
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 5,928	\$ 3,587
Accrued expenses and other current liabilities	55,360	61,373
Accrued compensation and benefits	23,418	19,109
Deferred revenue	35,920	31,918
Deferred rent, current portion	2,622	2,400
Total current liabilities	123,248	118,387
Deferred rent, net of current portion	18,263	21,330
Long-term debt	394,420	385,416
Deferred tax liabilities and other long-term liabilities	36,561	44,561
Total liabilities	572,492	569,694
Shareholders' equity:		
Class A common stock	6	6
Class B common stock	1	1
Class C capital stock	13	13
Additional paid-in capital	3,428,541	3,254,146
Accumulated other comprehensive loss	(1,275)	(1,100)
Accumulated deficit	(573,605)	(592,243)
Total shareholders' equity	2,853,681	2,660,823
Total liabilities and shareholders' equity	\$ 3,426,173	\$ 3,230,517

ZILLOW GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
IMT	\$ 325,246	\$ 266,850	\$ 625,125	\$ 512,625
Homes	—	—	—	—
Total revenue	325,246	266,850	625,125	512,625
Cost of revenue (exclusive of amortization) (1)(2):				
IMT	25,527	20,260	49,446	40,492
Homes	—	—	—	—
Total cost of revenue	25,527	20,260	49,446	40,492
Sales and marketing (2)	147,727	131,218	285,018	237,158
Technology and development (2)	100,376	78,541	194,309	151,409
General and administrative (2)	60,579	53,346	116,652	98,812
Acquisition-related costs	632	43	659	148
Total costs and expenses	334,841	283,408	646,084	528,019
Loss from operations	(9,595)	(16,558)	(20,959)	(15,394)
Other income	3,089	1,610	5,535	2,563
Interest expense	(7,187)	(6,897)	(14,260)	(13,620)
Loss before income taxes	(13,693)	(21,845)	(29,684)	(26,451)
Income tax benefit	10,600	—	8,000	—
Net loss	\$ (3,093)	\$ (21,845)	\$ (21,684)	\$ (26,451)
Net loss per share — basic and diluted	\$ (0.02)	\$ (0.12)	\$ (0.11)	\$ (0.14)
Weighted-average shares outstanding — basic and diluted	194,155	185,439	192,807	184,305

(1) Amortization of website development costs and intangible assets included in technology and development

\$ 21,020	\$ 23,159	\$ 43,569	\$ 46,420
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(2) Includes share-based compensation expense as follows:

Cost of revenue	\$ 1,256	\$ 1,025	\$ 2,211	\$ 1,928
Sales and marketing	6,340	6,250	11,502	11,780
Technology and development	14,347	10,400	25,889	18,891
General and administrative	17,000	11,518	30,082	22,989
Total	\$ 38,943	\$ 29,193	\$ 69,684	\$ 55,588

Other Financial Data:

Adjusted EBITDA (3)	\$ 56,000	\$ 39,700	\$ 102,310	\$ 94,499
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(3) See Exhibit 99.1 for more information regarding our presentation of Adjusted EBITDA and for a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, for each of the periods presented.

ZILLOW GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended June 30,	
	2018	2017
Operating activities		
Net loss	\$ (21,684)	\$ (26,451)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	52,926	54,157
Share-based compensation expense	69,684	55,588
Amortization of contract cost assets	18,309	—
Amortization of discount and issuance costs on 2021 Notes	9,504	8,855
Deferred income taxes	(8,000)	—
Loss on disposal of property and equipment	2,106	2,024
Bad debt expense	(352)	3,960
Deferred rent	(2,845)	1,750
Amortization (accretion) of bond premium (discount)	(504)	376
Changes in operating assets and liabilities:		
Accounts receivable	(9,335)	(11,149)
Inventory	(5,666)	—
Prepaid expenses and other assets	(14,697)	(5,845)
Contract cost assets	(21,371)	—
Accounts payable	1,855	(1,714)
Accrued expenses and other current liabilities	(5,189)	1,203
Accrued compensation and benefits	4,309	503
Deferred revenue	4,002	1,635
Net cash provided by operating activities	73,052	84,892
Investing activities		
Proceeds from maturities of investments	172,573	133,432
Purchases of investments	(230,276)	(193,604)
Purchases of property and equipment	(31,212)	(31,608)
Purchases of intangible assets	(4,777)	(6,784)
Purchase of equity method investment	—	(10,000)
Proceeds from divestiture of a business	—	579
Cash paid for acquisition, net	—	(6,002)
Net cash used in investing activities	(93,692)	(113,987)
Financing activities		
Proceeds from exercise of stock options	99,656	62,263
Value of equity awards withheld for tax liability	(66)	(295)
Net cash provided by financing activities	99,590	61,968
Net increase in cash and cash equivalents during period	78,950	32,873
Cash and cash equivalents at beginning of period	352,095	243,592
Cash and cash equivalents at end of period	\$ 431,045	\$ 276,465
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 4,733	\$ 4,458
Noncash transactions:		
Capitalized share-based compensation	\$ 4,623	\$ 5,289
Write-off of fully depreciated property and equipment	\$ 13,293	\$ 7,552
Write-off of fully amortized intangible assets	\$ 10,797	\$ 5,302

Non-GAAP Net Income per Share

Our presentation of non-GAAP net income per share excludes the impact of share-based compensation expense, acquisition-related costs and income taxes. This measure is not a key metric used by our management and board of directors to measure operating performance or otherwise manage the business. However, we provide non-GAAP net income per share as supplemental information to investors, as we believe the exclusion of share-based compensation expense, acquisition-related costs and income taxes facilitates investors' operating performance comparisons on a period-to-period basis. You should not consider non-GAAP net income per share in isolation or as a substitute for analysis of our results as reported under GAAP.

The following table sets forth a reconciliation of net income, adjusted, to net loss, as reported on a GAAP basis, and the calculation of non-GAAP net income per share - basic and diluted, for each of the periods presented (in thousands, except per share data, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss, as reported	\$ (3,093)	\$ (21,845)	\$ (21,684)	\$ (26,451)
Share-based compensation expense	38,943	29,193	69,684	55,588
Acquisition-related costs	632	43	659	148
Income tax benefit	(10,600)	—	(8,000)	—
Net income, adjusted	\$ 25,882	\$ 7,391	\$ 40,659	\$ 29,285
Non-GAAP net income per share — basic	\$ 0.13	\$ 0.04	\$ 0.21	\$ 0.16
Non-GAAP net income per share — diluted	\$ 0.13	\$ 0.04	\$ 0.20	\$ 0.15
Weighted-average shares outstanding — basic	194,155	185,439	192,807	184,305
Weighted-average shares outstanding — diluted	205,830	195,021	203,923	193,119

Segment Results of Operations

The following tables present our segment results for the periods presented (in thousands, unaudited):

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	IMT	Homes	Consolidated	IMT	Homes	Consolidated
Revenue	\$ 325,246	\$ —	\$ 325,246	\$ 266,850	\$ —	\$ 266,850
Costs and expenses:						
Cost of revenue	25,527	—	25,527	20,260	—	20,260
Sales and marketing	145,177	2,550	147,727	131,218	—	131,218
Technology and development	95,967	4,409	100,376	78,541	—	78,541
General and administrative	55,384	5,195	60,579	53,346	—	53,346
Acquisition-related costs	632	—	632	43	—	43
Total costs and expenses	322,687	12,154	334,841	283,408	—	283,408
Income (loss) from operations	2,559	(12,154)	(9,595)	(16,558)	—	(16,558)
Other income	3,089	—	3,089	1,610	—	1,610
Interest expense	(7,187)	—	(7,187)	(6,897)	—	(6,897)
Loss before income taxes	\$ (1,539)	\$ (12,154)	\$ (13,693)	\$ (21,845)	\$ —	\$ (21,845)

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	IMT	Homes	Consolidated	IMT	Homes	Consolidated
Revenue	\$ 625,125	\$ —	\$ 625,125	\$ 512,625	\$ —	\$ 512,625
Costs and expenses:						
Cost of revenue	49,446	—	49,446	40,492	—	40,492
Sales and marketing	281,770	3,248	285,018	237,158	—	237,158
Technology and development	187,412	6,897	194,309	151,409	—	151,409
General and administrative	107,601	9,051	116,652	98,812	—	98,812
Acquisition-related costs	659	—	659	148	—	148
Total costs and expenses	626,888	19,196	646,084	528,019	—	528,019
Loss from operations	(1,763)	(19,196)	(20,959)	(15,394)	—	(15,394)
Other income	5,535	—	5,535	2,563	—	2,563
Interest expense	(14,260)	—	(14,260)	(13,620)	—	(13,620)
Loss before income taxes	\$ (10,488)	\$ (19,196)	\$ (29,684)	\$ (26,451)	\$ —	\$ (26,451)

Key Metrics

The following table sets forth our key metrics for each of the periods presented:

	Three Months Ended June 30,		2017 to 2018 % Change
	2018	2017	
	(in millions)		
Average Monthly Unique Users (1)	186.1	178.1	4%
Visits (2)	1,920.6	1,678.7	14%

(1) Zillow, StreetEasy, HotPads, Naked Apartments and RealEstate.com (as of June 2017) measure unique users with Google Analytics, and Trulia measures unique users with Adobe Analytics.

(2) Visits includes visits to the Zillow, Trulia, StreetEasy and RealEstate.com (as of June 2017) mobile apps and websites. We measure Zillow, StreetEasy and RealEstate.com visits with Google Analytics and Trulia visits with Adobe Analytics.