



Zillow, Inc. Reports Record Second Quarter 2013 Results

August 6, 2013

- Record Revenue of \$46.9 million, up 69% over second quarter 2012.
- Record Marketplace Revenue of \$36.5 million, up 86% over second quarter 2012.
- Record quarterly and all-time traffic, topping a record 61 million monthly unique users on mobile and Web in July 2013 (up 66% year-over-year).
- Premier Agent count grew 71% year-over-year, adding a record 4,777 quarterly subscribers.

SEATTLE, Aug. 6, 2013 (GLOBE NEWSWIRE) -- Zillow, Inc. (Nasdaq:Z), the leading real estate and home-related marketplace, today announced financial results for the quarter ended June 30, 2013.

"The second quarter was a tremendous one for Zillow as our focus and investments delivered record revenue, traffic and Premier Agent growth," said Spencer Rascoff, CEO of Zillow, Inc. "We're executing to the long game and making great progress against our strategic priorities to grow audience and gain market share, grow our Premier Agent business, and grow our emerging marketplaces. We've seen substantial audience growth with another record traffic month in July with more than 61 million unique users on mobile and Web, and we added a record number of Premier Agent subscribers during the quarter. Also, our emerging marketplaces are taking flight as Mortgages Revenue more than doubled in the quarter compared to last year, and we're beginning to test monetization in our growing Rentals Marketplace."

Second Quarter 2013 Financial Highlights

- Revenue increased 69% to a record \$46.9 million from \$27.8 million in the second quarter of 2012.
 - Marketplace Revenue increased 86% to a record \$36.5 million from \$19.6 million in the second quarter of 2012.
 - Real Estate Revenue grew 80% to \$30.6 million from \$17.0 million in the second quarter of 2012.
 - Mortgages Revenue grew 126% to \$5.8 million from \$2.6 million in the second quarter of 2012.
 - Display Revenue increased 29% to \$10.5 million from \$8.1 million in the second quarter of 2012.
- Due primarily to a non-recurring acceleration of share-based compensation expense of \$7.1 million relating to a prior acquisition and a previously announced increase in marketing and advertising expenses, GAAP net loss was \$10.2 million in the second quarter of 2013, compared to GAAP net income of \$1.3 million in the second quarter of 2012.
- Adjusted EBITDA was \$5.3 million, or 11% of revenue, compared to \$5.3 million in the second quarter of 2012, or 19% of revenue, due primarily to an exceptionally strong quarter for Display Revenue, better than anticipated Marketplace Revenue, and high operating leverage in our model.
- Basic and diluted loss per share was \$0.30, compared to basic and diluted earnings per share of \$0.05 and \$0.04, respectively, in the same period last year.

Operating and Business Highlights

- Zillow's audience continues to grow substantially, with traffic reaching a record of more than 61 million monthly unique users on mobile and Web in July 2013, an increase of 66% year-over-year. Average monthly unique users during the second quarter of 2013 were a record 54.3 million, up 62% year-over-year.
- Visits to Zillow via a mobile device nearly doubled year-over-year in the second quarter of 2013, and in July 2013 more than 321 million homes were viewed on Zillow via a mobile device. That equates to 120 homes per second. Today, 60% of visits to Zillow occur on a mobile device, jumping to nearly 70% on weekends. Zillow operates 24 apps across seven platforms.
- Premier Agent subscribers increased by a record 4,777 in the second quarter of 2013, and totaled 38,807 on June 30, 2013, up 71% year-over-year. Average monthly revenue per subscriber in the second quarter of 2013 was \$266, which

increased from \$263 year-over-year. Premier Agent revenue is reported as part of Marketplace Revenue.

- Zillow continued its investment in brand advertising this quarter, with the launch of a second TV spot in June, entitled "Long Distance." Zillow now has two TV spots airing nationwide as part of its first advertising campaign, called "Find Your Way Home."
- In August 2013, Zillow Rentals began testing monetization with a fee-based featured properties listing program for multi-family property managers, providing premier placement in local listings.
- Following our October 2012 acquisition of Buyfolio, Zillow began the roll-out of Agentfolio, a private and collaborative mobile- and Web-based shopping experience for Premier Agents and their clients, in June 2013. Now live in six major markets with plans for more underway, Agentfolio helps agents communicate better with their clients, which increases the value of agents in the home shopping experience.
- On August 7, 2013, President Barack Obama will answer questions submitted by consumers in an event hosted by Zillow. The event, *Zillow Presents: A Better Bargain for Responsible Homeowners —President Obama Answers Your Questions on Housing*, will be moderated by Zillow CEO Spencer Rascoff, and Zillow plans to live stream to Zillow.com/whitehouse at 10 a.m. PDT/1 p.m. EDT.
- For the second quarter in a row, Zillow executives will consider questions submitted via Twitter and Facebook during its second quarter earnings call, with the hashtag #ZEarnings, in addition to questions submitted by those dialed in.

Quarterly Conference Call to Include Business Outlook

Zillow management will discuss Zillow, Inc.'s second quarter of 2013 financial results, as well as the third quarter and full year 2013 business outlook in a conference call today at 2 p.m. PDT (5 p.m. EDT) that will also be webcast live. The live webcast of the conference call will be available on the investor relations section of Zillow, Inc.'s website at <http://investors.zillow.com/>. For those without access to the Internet, the call may be accessed toll-free via phone at 877-643-7152 with conference ID# 20442479. Callers outside the United States may dial 443-863-7921 with conference ID# 20442479. Questions submitted via Zillow's Twitter account (www.twitter.com/zillow) using the hashtag #ZEarnings, and questions posted on the Zillow Facebook page (www.facebook.com/zillow) will be considered during the Q&A portion of the call, in addition to questions submitted by those dialed in. Following completion of the call, a recorded replay of the webcast and a copy of the prepared remarks will be available on the investor relations section of Zillow, Inc.'s website. The recorded replay will be available until August 13, 2013. To listen to the telephone replay, call toll-free 855-859-2056 with conference ID# 20442479. Callers outside the United States may dial 404-537-3406 with conference ID# 20442479.

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, the statements regarding our belief about execution of our strategic priorities, growth in our marketplaces and audience, the date and content of and participants in future events to be hosted by Zillow, and expansion of Agentfolio. Statements containing words such as "may," "believe," "anticipate," "expect," "intend," "plan," "project," "will," "projections," "business outlook," "estimate," or similar expressions constitute forward-looking statements. Differences in Zillow's actual results from those anticipated in these forward-looking statements may result from actions taken by Zillow as well as from risks and uncertainties beyond Zillow's control. Factors that may contribute to such differences include, but are not limited to, Zillow's ability to maintain and effectively manage an adequate rate of growth; the impact of the real estate industry on Zillow's business; Zillow's ability to innovate and provide products and services that are attractive to its users and advertisers; Zillow's ability to increase awareness of the Zillow brand; Zillow's ability to maintain or establish relationships with listings and data providers; Zillow's ability to attract consumers to Zillow's mobile applications and websites; Zillow's ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments; Zillow's ability to compete successfully against existing or future competitors; the reliable performance of Zillow's network infrastructure and content delivery processes; and Zillow'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's business and financial results, please review the "Risk Factors" described in Zillow's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission, or SEC, and in Zillow's other filings with the SEC. Except as may be required by law, Zillow does not intend, and undertakes no duty, to update this information to reflect future events or circumstances.

Use of Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, this press release includes references to Adjusted EBITDA, which is a non-GAAP financial measure. We have provided a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure, 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. In particular, 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; 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 income (loss) and our other GAAP results.

About Zillow, Inc.

Zillow, Inc. (Nasdaq:Z) operates the leading real estate and home-related information marketplaces on mobile and the Web, with a complementary portfolio of brands and products that help people find vital information about homes, and connect with the best local professionals. Zillow's brands serve the full lifecycle of owning and living in a home: buying, selling, renting, financing, remodeling and more. In addition, Zillow offers a suite of tools and services to help local real estate, mortgage, rental and home improvement professionals manage and market their businesses. Welcoming more than 61 million monthly unique users in July 2013, the Zillow, Inc. portfolio includes Zillow.com®, Zillow Mobile, Zillow Mortgage Marketplace, Zillow Rentals, Zillow Digs™, Postlets®, Diverse Solutions®, Agentfolio™, Mortech™ and HotPads®. Zillow is headquartered in Seattle.

Please visit <http://investors.zillow.com/>, www.zillowblog.com, www.twitter.com/zillow, and www.facebook.com/zillow, where Zillow discloses information about the company, its financial information, and its business which may be deemed material.

The Zillow logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=10012>.

[Zillow.com](http://www.zillow.com), Zillow, Postlets and Diverse Solutions are registered trademarks of Zillow, Inc.

Mortech, HotPads, Digs and Agentfolio are trademarks of Zillow, Inc.

(ZFIN)

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

| | <u>June 30, 2013</u> | <u>December 31, 2012</u> |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 131,552 | \$ 150,040 |
| Short-term investments | 38,138 | 44,054 |
| Accounts receivable, net | 13,083 | 8,655 |
| Prepaid expenses and other current assets | <u>3,081</u> | <u>2,652</u> |
| Total current assets | 185,854 | 205,401 |
| Long-term investments | 38,368 | 9,389 |
| Property and equipment, net | 19,117 | 13,634 |
| Goodwill | 54,284 | 54,284 |
| Intangible assets, net | 19,597 | 21,248 |
| Other assets | <u>312</u> | <u>279</u> |
| Total assets | <u>\$ 317,532</u> | <u>\$ 304,235</u> |

Liabilities and shareholders' equity

Current liabilities:

| | | |
|------------------|----------|----------|
| Accounts payable | \$ 5,817 | \$ 3,158 |
|------------------|----------|----------|

| | | |
|--|-------------------|-------------------|
| Accrued expenses and other current liabilities | 3,473 | 6,318 |
| Accrued compensation and benefits | 3,853 | 2,514 |
| Deferred revenue | 9,308 | 8,349 |
| Deferred rent, current portion | <u>149</u> | <u>94</u> |
| Total current liabilities | 22,600 | 20,433 |
| Deferred rent, net of current portion | 3,308 | 3,485 |
| Shareholders' equity: | | |
| Preferred stock | -- | -- |
| Class A common stock | 3 | 3 |
| Class B common stock | 1 | 1 |
| Additional paid-in capital | 377,267 | 351,981 |
| Accumulated deficit | <u>(85,647)</u> | <u>(71,668)</u> |
| Total shareholders' equity | <u>291,624</u> | <u>280,317</u> |
| Total liabilities and shareholders' equity | <u>\$ 317,532</u> | <u>\$ 304,235</u> |

ZILLOW, INC.

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------------|--------------------|-----------------|
| | June 30, | | June 30, | |
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenue | \$ 46,920 | \$ 27,765 | \$ 85,886 | \$ 50,598 |
| Costs and expenses: | | | | |
| Cost of revenue (exclusive of amortization) (1)(2) | 4,294 | 3,264 | 8,424 | 6,614 |
| Sales and marketing (2) | 32,924 | 12,153 | 52,718 | 20,468 |
| Technology and development (2) | 11,071 | 5,818 | 21,682 | 10,848 |
| General and administrative (2) | <u>8,978</u> | <u>5,232</u> | <u>17,211</u> | <u>9,677</u> |
| Total costs and expenses | <u>57,267</u> | <u>26,467</u> | <u>100,035</u> | <u>47,607</u> |
| Income (loss) from operations | (10,347) | 1,298 | (14,149) | 2,991 |
| Other income | <u>115</u> | <u>34</u> | <u>170</u> | <u>65</u> |
| Net income (loss) | <u>\$ (10,232)</u> | <u>\$ 1,332</u> | <u>\$ (13,979)</u> | <u>\$ 3,056</u> |
| Net income (loss) per share — basic | \$ (0.30) | \$ 0.05 | \$ (0.41) | \$ 0.11 |
| Net income (loss) per share — diluted | \$ (0.30) | \$ 0.04 | \$ (0.41) | \$ 0.10 |
| Weighted-average shares outstanding — basic | 34,553 | 28,946 | 34,164 | 28,647 |
| Weighted-average shares outstanding — diluted | 34,553 | 31,320 | 34,164 | 31,163 |

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

\$ 4,492 \$ 2,374 \$ 8,700 \$ 4,378

(2) Includes share-based compensation expense as follows:

| | | | | |
|----------------------------|------------------|-----------------|------------------|-----------------|
| Cost of revenue | \$ 176 | \$ 92 | \$ 339 | \$ 177 |
| Sales and marketing | 7,777 | 289 | 9,004 | 479 |
| Technology and development | 1,034 | 498 | 2,068 | 808 |
| General and administrative | 1,480 | 346 | 3,202 | 1,179 |
| Total | <u>\$ 10,467</u> | <u>\$ 1,225</u> | <u>\$ 14,613</u> | <u>\$ 2,643</u> |

Other Financial Data:

| | | | | |
|---------------------|----------|----------|-----------|-----------|
| Adjusted EBITDA (3) | \$ 5,275 | \$ 5,272 | \$ 10,398 | \$ 10,719 |
|---------------------|----------|----------|-----------|-----------|

(3) See above for more information regarding our presentation of Adjusted EBITDA.

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

| | Six Months Ended | |
|--|-------------------------|-----------------|
| | June 30, | |
| | 2013 | 2012 |
| Operating activities | | |
| Net income (loss) | \$ (13,979) | \$ 3,056 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,934 | 5,085 |
| Share-based compensation expense | 14,613 | 2,643 |
| Loss on disposal of property and equipment | 668 | 69 |
| Bad debt expense | 765 | 280 |
| Deferred rent | (122) | 900 |
| Amortization of bond premium | 210 | 398 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (5,193) | (2,397) |
| Prepaid expenses and other assets | (462) | 1,464 |
| Accounts payable | 2,659 | 1,570 |
| Accrued expenses | (1,506) | 1,076 |
| Deferred revenue | 959 | 2,920 |
| Net cash provided by operating activities | <u>8,546</u> | <u>17,064</u> |
| Investing activities | | |
| Proceeds from maturities of investments | 33,000 | -- |
| Purchases of investments | (56,272) | -- |
| Purchases of property and equipment | (10,996) | (5,898) |
| Purchases of intangible assets | (1,707) | (1,688) |
| Acquisitions, net of cash acquired of \$0 in 2013 and \$2,029 in 2012 | <u>--</u> | <u>(36,405)</u> |
| Net cash used in investing activities | (35,975) | (43,991) |

Financing activities

| | | |
|---|-------------------|------------------|
| Proceeds from exercise of Class A common stock options | 8,941 | 4,793 |
| Net cash provided by financing activities | <u>8,941</u> | <u>4,793</u> |
| Net decrease in cash and cash equivalents during period | (18,488) | (22,134) |
| Cash and cash equivalents at beginning of period | <u>150,040</u> | <u>47,926</u> |
| Cash and cash equivalents at end of period | <u>\$ 131,552</u> | <u>\$ 25,792</u> |

Supplemental disclosures of cash flow information

Noncash transactions:

| | | |
|---|----------|----------|
| Capitalized share-based compensation | \$ 1,732 | \$ 1,081 |
| Write-off of fully depreciated property and equipment | \$ 792 | \$ -- |

Adjusted EBITDA

The following table presents a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP financial measure, for each of the periods presented (in thousands, unaudited):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------------|------------------|------------------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Reconciliation of Adjusted EBITDA to Net Income (Loss): | | | | |
| Net income (loss) | \$ (10,232) | \$ 1,332 | \$ (13,979) | \$ 3,056 |
| Other income | (115) | (34) | (170) | (65) |
| Depreciation and amortization expense | 5,155 | 2,749 | 9,934 | 5,085 |
| Share-based compensation expense | <u>10,467</u> | <u>1,225</u> | <u>14,613</u> | <u>2,643</u> |
| Adjusted EBITDA | <u>\$ 5,275</u> | <u>\$ 5,272</u> | <u>\$ 10,398</u> | <u>\$ 10,719</u> |

Revenue by Type

The following tables present our revenue by type and as a percentage of total revenue for each of the periods presented (in thousands, unaudited):

| | Three Months Ended | | Six Months Ended | |
|---------------------------|--------------------|------------------|------------------|------------------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Revenue: | | | | |
| Marketplace revenue: | | | | |
| Real estate | \$ 30,637 | \$ 17,046 | \$ 56,746 | \$ 31,231 |
| Mortgages | <u>5,814</u> | <u>2,577</u> | <u>10,723</u> | <u>4,985</u> |
| Total Marketplace revenue | 36,451 | 19,623 | 67,469 | 36,216 |
| Display revenue | <u>10,469</u> | <u>8,142</u> | <u>18,417</u> | <u>14,382</u> |
| Total revenue | <u>\$ 46,920</u> | <u>\$ 27,765</u> | <u>\$ 85,886</u> | <u>\$ 50,598</u> |

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------|------------------|------|
| | June 30, | | June 30, | |
| | 2013 | 2012 | 2013 | 2012 |

Percentage of Total Revenue:

Marketplace revenue:

| | | | | |
|---------------------------|-------------|-------------|-------------|-------------|
| Real estate | 65% | 61% | 66% | 62% |
| Mortgages | <u>12%</u> | <u>9%</u> | <u>12%</u> | <u>10%</u> |
| Total Marketplace revenue | 78% | 71% | 78% | 72% |
| Display revenue | <u>22%</u> | <u>29%</u> | <u>21%</u> | <u>28%</u> |
| Total revenue | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Key Growth Drivers

The following tables set forth our key growth drivers for each of the periods presented:

Average Monthly Unique Users for the Three Months Ended June 30, 2012 to 2013

| | <u>2013</u> | <u>2012</u> | <u>% Change</u> |
|--------------|-----------------------|-------------|-----------------|
| | (in thousands) | | |
| Unique Users | 54,317 | 33,474 | 62% |

Unique users source: We measure unique users with Google Analytics.

At June 30, 2012 to 2013

| | <u>2013</u> | <u>2012</u> | <u>% Change</u> |
|---------------------------|-------------|-------------|-----------------|
| Premier Agent Subscribers | 38,807 | 22,696 | 71% |

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