

COSTAR GROUP INC
Form 10-Q
October 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-24531

CoStar Group, Inc.
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of incorporation or
organization)

52-2091509
(I.R.S. Employer Identification No.)

1331 L Street, NW
Washington, DC 20005
(Address of principal executive offices) (zip code)

(202) 346-6500
(Registrant's telephone number, including area code)

(877) 739-0486
(Registrant's facsimile number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

As of October 24, 2014, there were 32,349,264 shares of the registrant’s common stock outstanding.

COSTAR GROUP, INC.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
Item 4.	<u>Controls and Procedures</u>	<u>43</u>
PART II OTHER INFORMATION		
Item 1.	<u>Legal Proceedings</u>	<u>45</u>
Item 1A.	<u>Risk Factors</u>	<u>45</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>45</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>45</u>
Item 5.	<u>Other Information</u>	<u>45</u>
Item 6.	<u>Exhibits</u>	<u>45</u>
	<u>Signatures</u>	<u>46</u>

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$ 153,056	\$ 112,301	\$ 419,840	\$ 325,333
Cost of revenues	40,932	31,724	114,056	97,431
Gross margin	112,124	80,577	305,784	227,902
Operating expenses:				
Selling and marketing	40,668	23,625	109,302	74,139
Software development	14,227	11,562	41,721	35,152
General and administrative	25,388	21,940	76,535	74,457
Purchase amortization	8,361	3,680	20,696	11,699
	88,644	60,807	248,254	195,447
Income from operations	23,480	19,770	57,530	32,455
Interest and other income	46	52	245	239
Interest and other expense	(2,698)	(1,736)	(8,066)	(5,249)
Income before income taxes	20,828	18,086	49,709	27,445
Income tax expense, net	7,871	7,034	18,763	10,510
Net income	\$ 12,957	\$ 11,052	\$ 30,946	\$ 16,935
Net income per share — basic	\$0.41	\$0.40	\$1.04	\$0.61
Net income per share — diluted	\$0.40	\$0.39	\$1.03	\$0.60
Weighted average outstanding shares — basic	31,742	27,758	29,692	27,607
Weighted average outstanding shares — diluted	32,075	28,349	30,134	28,137

See accompanying notes.

COSTAR GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

Three Months Ended
September 30,