

COSTAR GROUP INC
Form 10-Q
April 24, 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 March 31, 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 April 18, 2014, there were 28,768,360 shares of the registrant’s common stock outstanding.

COSTAR GROUP, INC.

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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 March 31,	
	2014	2013
Revenues	\$ 119,076	\$ 104,033
Cost of revenues	33,643	33,606
Gross margin	85,433	70,427
Operating expenses:		
Selling and marketing	27,745	26,978
Software development	12,351	12,102
General and administrative	24,897	29,820
Purchase amortization	3,299	4,125
	68,292	73,025
Income (loss) from operations	17,141	(2,598)
Interest and other income	137	104
Interest and other expense	(1,615)	(1,755)
Income (loss) before income taxes	15,663	(4,249)
Income tax expense (benefit), net	5,923	(1,839)
Net income (loss)	\$9,740	\$(2,410)
Net income (loss) per share — basic	\$0.34	\$(0.09)
Net income (loss) per share — diluted	\$0.34	\$(0.09)
Weighted average outstanding shares — basic	28,273	27,428
Weighted average outstanding shares — diluted	28,840	27,428

See accompanying notes.

COSTAR GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended		
	March 31,		
	2014	2013)
Net income (loss)	\$9,740	\$(2,410))
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustment	259	(1,640))
Net decrease in unrealized loss on investments	178	63)
Total other comprehensive income (loss)	437	(1,577))
Total comprehensive income (loss)	\$10,177	\$(3,987))

See accompanying notes.

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

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$223,443	\$255,953
Accounts receivable, less allowance for doubtful accounts of approximately \$3,857 and \$3,397 as of March 31, 2014 and December 31, 2013, respectively	32,286	20,761
Deferred and other income taxes, net	37,362	22,506
Prepaid expenses and other current assets	8,113	6,597
Debt issuance costs, net	2,547	2,649
Total current assets	303,751	308,466
Long-term investments	22,168	21,990
Property and equipment, net	57,338	57,719
Goodwill	718,824	718,587
Intangibles and other assets, net	137,168	144,472
Deposits and other assets	1,818	1,855
Debt issuance costs, net	3,729	