



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Price	5.32	6.27	7.19	8.33	9.90	10.77	10.17	10.89	9.90	12.34	15.28	17.82	21.89	25.69	26.73	32.70	38.10	43.85	Revenues per sh	62.15
Gain	.89	1.31	1.04	1.05	1.04	2.10	1.65	1.61	1.65	2.72	3.91	5.30	4.44	6.39	6.03	10.41	14.50	14.50	"Cash Flow" per sh	22.55
Return	.44	.79	.41	.65	.58	1.26	.97	.85	1.24	1.65	2.57	3.29	2.04	4.26	4.59	8.28	10.15	11.75	Earnings per sh ^A	18.50
Options	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Div'ds Decl'd per sh	Nil
to Sell	1	0	1	0	4	4	0	0	1										Cap'l Spending per sh	1.50
Hld's(000)	34966	34970	34970	35100															Book Value per sh	123.50
																			Common Shs Outst'g ^B	37.00
																			Avg Ann'l P/E Ratio	45.0
																			Relative P/E Ratio	2.50
																			Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 6/30/19		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Total Debt	None	209.7	226.3	251.7	349.9	440.9	575.9	711.8	837.6	965.2	1191.8	1390	1600							Revenues (\$mill)	2300
Leases, Uncapitalized	Annual rentals \$30.5 mill.	22.2%	21.9%	22.6%	31.0%	31.0%	26.3%	12.6%	25.7%	24.6%	35.1%	36.5%	37.0%							Operating Margin	40.0%
No Defined Benefit Pension Plan		14.7	16.0	12.9	32.8	40.1	70.4	78.5	70.2	63.6	77.7	90.0	100							Depreciation (\$mill)	150
Pfd Stock	None	19.3	17.5	29.1	44.4	72.6	101.0	65.9	138.1	154.1	301.6	370	430							Net Profit (\$mill)	685
Common Stock	36,548,654 shs. as of 7/19/19	41.7%	48.9%	40.0%	38.0%	37.5%	38.0%	38.0%	38.0%	38.0%	38.0%	25.0%	21.0%							Income Tax Rate	21.0%
MARKET CAP: \$22.9 billion (Large Cap)		9.2%	7.7%	11.6%	12.7%	16.5%	17.5%	9.3%	16.5%	16.0%	25.3%	26.6%	26.9%							Net Profit Margin	29.8%
CURRENT POSITION	2017 2018 6/30/19	203.6	184.3	521.4	98.0	196.9	480.5	337.4	472.5	1141.2	1059.1	1225	1300							Working Cap'l (\$mill)	1500
Cash Assets	1211.5	1100.4	1297.8																	Long-Term Debt (\$mill)	Nil
Receivables	60.9	89.2	95.6																	Shr. Equity (\$mill)	4570
Inventory	--	--	--																	Return on Total Cap'l	15.0%
Other	15.5	23.7	20.4																	Return on Shr. Equity	15.0%
Current Assets	1287.9	1213.3	1413.8																	Retained to Com Eq	15.0%
Accts Payable	9.3	6.3	7.0																	All Div'ds to Net Prof	Nil
Debt Due	--	--	--																		
Other	137.4	147.9	190.3																		
Current Liab.	146.7	154.2	197.3																		

	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
Revenues "Cash Flow"	11.5%	17.5%	14.0%
Earnings	18.5%	23.0%	20.0%
Dividends	21.0%	24.0%	21.5%
Book Value	16.0%	18.5%	10.0%

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	199.7	206.9	212.7	218.3	837.6
2017	226.5	237.2	247.5	254.0	965.2
2018	273.7	297.0	305.5	315.6	1191.8
2019	328.4	343.8	353.8	364	1390
2020	380	395	405	420	1600

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.95	.91	1.11	1.29	4.26
2017	1.05	.86	1.41	1.27	4.59
2018	1.65	1.66	2.16	2.81	8.28
2019	2.53	2.23	2.50	2.89	10.15
2020	3.00	2.55	2.90	3.30	11.75

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	NO CASH DIVIDENDS BEING PAID				
2016	NO CASH DIVIDENDS BEING PAID				
2017	NO CASH DIVIDENDS BEING PAID				
2018	NO CASH DIVIDENDS BEING PAID				
2019	NO CASH DIVIDENDS BEING PAID				

CoStar Group appears to be firing on all cylinders these days. The large-cap issue has appreciated about 25% in value since our last full-page review in May and nearly 90% year to date. What's more, results continue to exceed our expectations, with second-quarter share net of \$2.23 handily topping our \$1.97 call and the year-earlier mark of \$1.66.

Growth is being driven by strong booking trends, especially at Apartments.com. In fact, sales bookings across that important rental network, acquired in 2014, surged 122% on a year-over-year basis during the June period. And the momentum ought to persist, as stepped-up marketing and brand-building initiatives, and a beefed-up salesforce, help Apartments.com wrest further share from other online portals. Additional M&A activity will probably be a plus, too, as the company continues to evaluate a large deal pipeline. Most recently, CoStar purchased Off Campus Partners, a well-positioned student housing listing business. And similar transactions are likely in the cards, given the company's excellent finances (it has no debt and around \$1.3

billion in cash on its balance sheet) and the generally fragmented state of the rental listing space.

The company is working to more effectively monetize LoopNet.com, its core commercial real estate listings platform. CoStar is adding new video and virtual content to the website, an effort that should ultimately lead to more advertising dollars. It's also looking to capitalize on untapped cross-selling opportunities, which should be good news for both LoopNet.com and Apartments.com. Margins, meanwhile, will probably remain in an expansion mode, with sales ramping and investment spending starting to taper off. All told, we now see share earnings jumping 23% this year (to \$10.15) and another 16% in 2020 (to \$11.75).

The long-term story remains compelling here. Though this timely (2) stock trades at a rich valuation, it's worth noting that our projections do not include future acquisitions. CoStar is also in the habit of overachieving, so we may well be raising our estimates down the road if the stellar quarterly reports keep rolling in.

*Justin Hellman
August 23, 2019*

(A) Diluted earnings per share. Excludes non-recurring items: '05, (7c); '07, 24c. Next earnings report due late October.	(B) In millions.	Company's Financial Strength	A
		Stock's Price Stability	60
		Price Growth Persistence	100
		Earnings Predictability	50