

marketplaces. Properties include LoopNet, the most heavily trafficked commercial real estate marketplace on the Web (with over 10 million registered members), as well as the apartment resource ApartmentFinder.com, Apartments.com,

ing; Vanguard, 8.8%; Baron Capital, 6.7% (4/19 proxy). Chairman: Michael Klein. President & CEO: Andrew Florance. Incorporated: DE. Address: 1331 L Street, NW, Washington, DC 20005. Telephone: 202-346-6500. Internet: www.costargroup.com

Past Est'd '16-'18 **ANNUAL RATES** Past 5 Yrs. 18.0% 22.5% 10 Yrs. 11.5% of change (per sh) to '23-'25 Revenues "Cash Flow" 18.5% 18 5% 21.5% 25.5% 20.5% Earnings Dividends Book Value 17.0% 13.5% 19.0%

1287.9

137.4 146.7

9.3

1213.3

6.3

147.9

154.2

1504.7

8.1

189.9

198.0

**Current Assets** 

Accts Payable Debt Due

Current Liab.

Cal- endar	QUAR Mar.31		VENUES (Sep.30		Full Year
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	352.8	365	1390
2020	400	415	425	435	1675
2021	460	475	490	505	1930
Cal-	EARNINGS PER SHARE A				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
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	2.61	2.63	10.00
2020	2.80	2.30	2.75	2.70	10.55
2021	3.55	2.90	3.50	3.45	13.40
Cal-	QUARTERLY DIVIDENDS PAID				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2016			-		
2017	NO CASH DIVIDENDS				
2018	BEING PAID				
2019					

For CoStar Group, 2020 should be a year of heightened investment activity. The Washington, DC-based information services company, the leading provider of analytic tools and online marketplaces for the domestic real estate industry, looks to have had a strong 2019. (Fourth-quarter results were set to be released shortly after we went to press.) Indeed, we think that full-year share earnings probably rose more than 20%, to the \$10.00 level, thanks to further gains across the bread-and-butter CoStar Suite platform (where data are sold to brokers and other large institutional clients on a subscription basis), and to deeper penetration of the attractive multifamily space (where the Apartments.com site is becoming quite formidable). Yet . . .

Bottom-line growth appears poised to decelerate in the coming periods. That's because the company plans to step up advertising initiatives in an effort to grab an even larger slice of the multifamily pie. This spending uptick, along with costs associated with a recent beefing up of the salesforce (to better capitalize on crossselling opportunities), will probably weigh

heavily on margins. Consequently, we expect 2020's share-net advance to clock in at only about 6%.

Further out, though, we see profit momentum returning in a big way. By 2021, the spending pressures should be easing, setting the stage for a steady margin recovery. Plus, the multifamily push and new cross-selling initiatives ought to be supporting organic top-line growth of around 15%. And acquisitions, including the just-announced one for RentPath, owner of the ApartmentGuide.com, Rentals.com, and Rent.com portals, should be garnering nice benefits. (CoStar has agreed to pay \$588 million in cash for RentPath in connection with the latter's Chapter 11 bankruptcy proceeding.) All told, we remain very bullish on the longterm prospects here and, even without factoring in RentPath, envision share net climbing to \$21.00 by 2023-2025.

This stock, up roughly 65% over the past year, remains timely. The shares are now on the pricey side, however, so new investors in the name may wish to wait for a slightly lower entry point. Justin Hellman February 21, 2020

(A) Diluted earnings per share. Excludes non-recurring items: '05, (7¢); '07, 24¢. Next earnings report due late February/early March.

2020

(B) In millions.

Company's Financial Strength Stock's Price Stability A+ 65 Price Growth Persistence 100 **Earnings Predictability** 50