

COSTAR GROUP INC
Form 10-Q
November 08, 2006

**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, 2006

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.)*

**2 Bethesda Metro Center, 10th Floor
Bethesda, Maryland 20814**

(Address of principal executive offices) (zip code)

(301) 215-8300

(Registrant's telephone 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of

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1934 (Check One).

Large accelerated filer Accelerated filer Non-accelerated filer

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 November 6, 2006 there were 18,934,083 shares of the registrant's common stock outstanding.

COSTAR GROUP, INC.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	<u>Condensed Consolidated Statements of Operations</u>	3
	<u>Condensed Consolidated Balance Sheets</u>	4
	<u>Condensed Consolidated Statements of Cash Flows</u>	5
	<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	25
Item 4.	<u>Controls and Procedures</u>	26
PART II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	26
Item 1A.	<u>Risk Factors</u>	26
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 3.	<u>Defaults upon Senior Securities</u>	27
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	27
Item 5.	<u>Other Information</u>	27
Item 6.	<u>Exhibits</u>	28
	<u>Signature</u>	29

PART I ¾ FINANCIAL INFORMATION**Item Financial Statements****1.****COSTAR GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Revenues	\$ 40,571	\$ 34,320	\$ 116,791	\$ 98,534
Cost of revenues	14,005	11,001	39,537	32,327
Gross margin	26,566	23,319	77,254	66,207
Operating expenses:				
Selling and marketing	8,834	9,326	31,868	29,248
Software development	2,835	2,580	8,817	7,457
General and administrative	7,985	7,092	23,187	20,722
Restructuring charge	-	2,217	-	2,217
Purchase amortization	1,076	1,132	3,300	3,360
	20,730	22,347	67,172	63,004
Income from operations	5,836	972	10,082	3,203
Other income, net	1,852	932	4,888	2,255
Income before income taxes	7,688	1,904	14,970	5,458
Income tax expense, net	2,990	767	6,108	2,204
Net income	\$ 4,698	\$ 1,137	\$ 8,862	\$ 3,254
Net income per share – basic	\$ 0.25	\$ 0.06	\$ 0.47	\$ 0.18
Net income per share – diluted	\$ 0.25	\$ 0.06	\$ 0.46	\$ 0.17
Weighted average outstanding shares – basic	18,787	18,485	18,724	18,390
Weighted average outstanding shares – diluted	19,130	19,092	19,176	18,945

See accompanying notes.

Table of Contents

COSTAR GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,769	\$ 28,065