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 June 30, 2023

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

Commission File Number: 001-36853

ZILLOW GROUP, INC.
(Exact name of registrant as specified in its charter)

Washington	**47-1645716**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1301 Second Avenue, Floor 31,
Seattle, Washington 98101
(Address of principal executive offices) (Zip Code)
(206) 470-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	ZG	The Nasdaq Global Select Market
Class C Capital Stock, par value $0.0001 per share	Z	The Nasdaq Global Select Market

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 has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 July 26, 2023, 56,684,307 shares of Class A common stock, 6,217,447 shares of Class B common stock and 169,924,312 shares of Class C capital stock were outstanding.

ZILLOW GROUP, INC.

Quarterly Report on Form 10-Q

For the Three Months Ended June 30, 2023

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As used in this Quarterly Report on Form 10-Q, the terms "Zillow Group," "the Company," "we," "us" and "our" refer to Zillow Group, Inc., unless the context indicates otherwise.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including Part I, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations), contains forward-looking statements based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include all statements that are not historical facts and generally may be identified by terms such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those risks, uncertainties and assumptions described in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, including, but not limited to risks related to:

- the current and future health and stability of the economy and United States residential real estate industry, including changes in inflationary conditions, interest rates, housing availability and affordability, labor shortages and supply chain issues;
- our ability to manage advertising inventory and pricing and maintain relationships with our real estate partners;
- our ability to establish or maintain relationships with listing and data providers, which affects traffic to our mobile applications and websites;
- our ability to comply with current and future multiple listing service ("MLS") rules and requirements;
- our ability to continue to innovate and compete successfully to attract customers and real estate partners;
- our ability to operate and grow Zillow Home Loans, our mortgage origination business, including the ability to obtain or maintain sufficient financing to fund its origination of mortgages, meet customers' financing needs with its product offerings, continue to grow the origination business and resell originated mortgages on the secondary market;
- the duration and impact of natural disasters and other catastrophic events (including public health crises) on our ability to operate, demand for our products or services, or general economic conditions;
- our ability to maintain adequate security measures or technology systems, or those of third parties on which we rely, to protect data integrity and the information and privacy of our customers and other third parties;
- the impact of pending or future litigation and other disputes or enforcement actions;
- our ability to attract and retain a highly skilled workforce;
- acquisitions, investments, strategic partnerships, capital-raising activities, or other corporate transactions or commitments by us or our competitors;
- our ability to continue relying on third-party services to support critical functions of our business;
- our ability to protect and continue using our intellectual property and prevent others from copying, infringing upon, or developing similar intellectual property;
- our ability to comply with domestic and international laws, regulations, rules, contractual obligations, policies and other obligations, or to obtain or maintain required licenses to support our business and operations;
- our ability to pay debt, settle conversions of our convertible senior notes, or repurchase our convertible senior notes upon a fundamental change;
- our ability to raise additional capital or refinance on acceptable terms, or at all;
- actual or anticipated fluctuations in quarterly and annual results of operations and financial position;
- the assumptions, estimates and internal or third-party data that we use to calculate business, performance and operating metrics; and
- volatility of our Class A common stock and Class C capital stock prices.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, and we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

In addition, statements such as “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

WHERE YOU CAN FIND MORE INFORMATION

Our filings with the Securities and Exchange Commission (“SEC”), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, are available on the “Investors” section of our website at www.zillowgroup.com, free of charge, as soon as reasonably practicable after the electronic filing of these reports with the SEC. The information contained on our website is not a part of this Quarterly Report on Form 10-Q or any other document we file with the SEC.

Investors and others should note that Zillow Group announces material financial information to its investors using its press releases, SEC filings and public conference calls and webcasts. Zillow Group intends to also use the following channels as a means of disclosing information about Zillow Group, its services and other matters, and for complying with its disclosure obligations under Regulation FD:

- Zillow Group Investor Relations Webpage (https://investors.zillowgroup.com)
- Zillow Group Blog (https://www.zillowgroup.com/news/)
- Zillow Group Twitter Account (https://twitter.com/zillowgroup)

The information Zillow Group posts through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following Zillow Group’s press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time and reflects current updated channels as of the date of this Quarterly Report on Form 10-Q. The information we post through these channels is not a part of this Quarterly Report on Form 10-Q or any other document we file with the SEC, and the inclusion of our website addresses and Twitter account are as inactive textual references only.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data, unaudited)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,566	$ 1,466
Short-term investments	1,745	1,896
Accounts receivable, net of allowance for doubtful accounts	90	72
Mortgage loans held for sale	73	41
Prepaid expenses and other current assets	155	126
Restricted cash	2	2
Total current assets	3,631	3,603
Contract cost assets	23	23
Property and equipment, net	309	271
Right of use assets	108	126
Goodwill	2,374	2,374
Intangible assets, net	153	154
Other assets	20	12
Total assets	$ 6,618	$ 6,563
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 21	$ 20
Accrued expenses and other current liabilities	118	90
Accrued compensation and benefits	50	48
Borrowings under credit facilities	66	37
Deferred revenue	49	44
Lease liabilities, current portion	29	31
Total current liabilities	333	270
Lease liabilities, net of current portion	126	139
Convertible senior notes	1,663	1,660
Other long-term liabilities	10	12
Total liabilities	2,132	2,081
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $0.0001 par value; authorized — 30,000,000 shares; no shares issued and outstanding	—	—
Class A common stock, $0.0001 par value; authorized — 1,245,000,000 shares; issued and outstanding — 56,684,307 and 57,494,698 shares as of June 30, 2023 and December 31, 2022, respectively	—	—
Class B common stock, $0.0001 par value; authorized — 15,000,000 shares; issued and outstanding — 6,217,447 shares	—	—
Class C capital stock, $0.0001 par value; authorized — 600,000,000 shares; issued and outstanding — 169,820,864 and 170,555,565 shares as of June 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	6,174	6,109
Accumulated other comprehensive loss	(19)	(15)
Accumulated deficit	(1,669)	(1,612)
Total shareholders' equity	4,486	4,482
Total liabilities and shareholders' equity	$ 6,618	$ 6,563

See accompanying notes to the condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except share data, which are presented in thousands, and per share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	$ 506	$ 504	$ 975	$ 1,040
Cost of revenue	104	97	196	189
Gross profit	402	407	779	851
Operating expenses:				
Sales and marketing	173	163	329	337
Technology and development	140	119	277	227
General and administrative	153	120	276	232
Impairment and restructuring costs	2	—	8	14
Acquisition-related costs	1	—	1	—
Total operating expenses	469	402	891	810
Income (loss) from continuing operations	(67)	5	(112)	41
Other income	42	5	74	7
Interest expense	(9)	(9)	(18)	(17)
Income (loss) from continuing operations before income taxes	(34)	1	(56)	31
Income tax benefit (expense)	(1)	9	(1)	4
Net income (loss) from continuing operations	(35)	10	(57)	35
Net loss from discontinued operations, net of income taxes	—	(2)	—	(11)
Net income (loss)	$ (35)	$ 8	$ (57)	$ 24
Net income (loss) from continuing operations per share:				
Basic	$ (0.15)	$ 0.04	$ (0.24)	$ 0.14
Diluted	$ (0.15)	$ 0.04	$ (0.24)	$ 0.13
Net income (loss) per share:				
Basic	$ (0.15)	$ 0.03	$ (0.24)	$ 0.10
Diluted	$ (0.15)	$ 0.03	$ (0.24)	$ 0.09
Weighted-average shares outstanding:				
Basic	233,629	243,942	234,023	246,229
Diluted	233,629	245,163	234,023	248,544

See accompanying notes to the condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss)	$ (35)	$ 8	$ (57)	$ 24
Other comprehensive loss:				
Unrealized losses on investments	(16)	(12)	(4)	(20)
Total other comprehensive loss	(16)	(12)	(4)	(20)
Comprehensive income (loss)	$ (51)	$ (4)	$ (61)	$ 4

See accompanying notes to the condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share data, which are presented in thousands, unaudited)

	Class A Common Stock, Class B Common Stock and Class C Capital Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at April 1, 2023	233,994	$ —	$ 6,157	$ (1,634)	$ (3)	$ 4,520
Issuance of common and capital stock upon exercise of stock options	450	—	17	—	—	17
Vesting of restricted stock units	1,556	—	—	—	—	—
Share-based compensation expense	—	—	150	—	—	150
Repurchases of Class A common stock and Class C capital stock	(3,277)	—	(150)	—	—	(150)
Net loss		—	—	(35)	—	(35)
Other comprehensive loss	—	—	—	—	(16)	(16)
Balance at June 30, 2023	232,723	$ —	$ 6,174	$ (1,669)	$ (19)	$ 4,486

	Class A Common Stock, Class B Common Stock and Class C Capital Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at April 1, 2022	246,268	$ —	$ 6,298	$ (1,495)	$ (1)	$ 4,802
Issuance of common and capital stock upon exercise of stock options	188	—	6	—	—	6
Vesting of restricted stock units	1,122	—	—	—	—	—
Share-based compensation expense	—	—	112	—	—	112
Repurchases of Class A common stock and Class C capital stock	(6,437)	—	(249)	—	—	(249)
Net income	—	—	—	8	—	8
Other comprehensive loss	—	—	—	—	(12)	(12)
Balance at June 30, 2022	241,141	$ —	$ 6,167	$ (1,487)	$ (13)	$ 4,667

	Class A Common Stock, Class B Common Stock and Class C Capital Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2023	234,268	$ —	$ 6,109	$ (1,612)	$ (15)	$ 4,482
Issuance of common and capital stock upon exercise of stock options	823	—	30	—	—	30
Vesting of restricted stock units	2,921	—	—	—	—	—
Share-based compensation expense	—	—	271	—	—	271
Repurchases of Class A common stock and Class C capital stock	(5,289)	—	(236)	—	—	(236)
Net loss	—	—	—	(57)	—	(57)
Other comprehensive loss	—	—	—	—	(4)	(4)
Balance at June 30, 2023	232,723	$ —	$ 6,174	$ (1,669)	$ (19)	$ 4,486

	Class A Common Stock, Class B Common Stock and Class C Capital Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
Balance at January 1, 2022	250,630	$ —	$ 7,001	$ (1,667)	$ 7	$ 5,341
Cumulative-effect adjustment from adoption of guidance on accounting for convertible instruments and contracts in an entity's own equity	—	—	(492)	156	—	(336)
Issuance of common and capital stock upon exercise of stock options	995	—	42	—	—	42
Vesting of restricted stock units	1,811	—	—	—	—	—
Share-based compensation expense	—	—	213	—	—	213
Repurchases of Class A common stock and Class C capital stock	(12,295)	—	(597)	—	—	(597)
Net income	—	—	—	24	—	24
Other comprehensive loss	—	—	—	—	(20)	(20)
Balance at June 30, 2022	241,141	$ —	$ 6,167	$ (1,487)	$ (13)	$ 4,667

See accompanying notes to the condensed consolidated financial statements.

ZILLOW GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	Six Months Ended June 30,	
	2023	2022
Operating activities		
Net income (loss)	$ (57)	$ 24
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	85	87
Share-based compensation	233	193
Amortization of right of use assets	12	11
Amortization of contract cost assets	11	16
Amortization of debt discount and debt issuance costs	3	24
Loss on extinguishment of debt	—	21
Accretion of bond discount	(20)	(11)
Other adjustments to reconcile net income (loss) to net cash provided by operating activities	1	11
Changes in operating assets and liabilities:		
Accounts receivable	(19)	81
Mortgage loans held for sale	(32)	46
Inventory	—	3,881
Prepaid expenses and other assets	(30)	4
Contract cost assets	(11)	(8)
Lease liabilities	(15)	(8)
Accounts payable	—	(1)
Accrued expenses and other current liabilities	27	(69)
Accrued compensation and benefits	2	(47)
Deferred revenue	5	1
Other long-term liabilities	(2)	(1)
Net cash provided by operating activities	193	4,255
Investing activities		
Proceeds from maturities of investments	806	160
Purchases of investments	(638)	(1,023)
Purchases of property and equipment	(66)	(60)
Purchases of intangible assets	(18)	(11)
Net cash provided by (used in) investing activities	84	(934)
Financing activities		
Repayments of borrowings on credit facilities	—	(2,205)
Net borrowings (repayments) on warehouse line of credit and repurchase agreements	29	(58)
Repurchases of Class A common stock and Class C capital stock	(236)	(597)
Settlement of long-term debt	—	(1,158)
Proceeds from exercise of stock options	30	42
Net cash used in financing activities	(177)	(3,976)
Net increase (decrease) in cash, cash equivalents and restricted cash during period	100	(655)
Cash, cash equivalents and restricted cash at beginning of period	1,468	2,838
Cash, cash equivalents and restricted cash at end of period	$ 1,568	$ 2,183
Supplemental disclosures of cash flow information		
Noncash transactions:		
Capitalized share-based compensation	$ 38	$ 20
Write-off of fully depreciated property and equipment	16	33
Write-off of fully amortized intangible assets	2	196
Recognition of operating right of use assets and lease liabilities	—	14
Settlement of beneficial interests in securitizations	—	79

See accompanying notes to the condensed consolidated financial statements.

ZILLOW GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Index to Notes to Condensed Consolidated Financial Statements

Note 1. Organization and Description of Business

Zillow Group is reimagining real estate to make home a reality for more and more people. As the most visited real estate website in the United States, Zillow and its affiliates help people find and get the home they want by connecting them with digital solutions, great partners, and easier buying, selling, financing and renting experiences.

Our portfolio of affiliates, subsidiaries and brands includes Zillow, Zillow Premier Agent, Zillow Home Loans (our affiliate lender), Zillow Rentals, Trulia, StreetEasy, HotPads and Out East. In addition, Zillow Group provides a comprehensive suite of marketing software and technology solutions for the real estate industry, including Mortech, New Home Feed and ShowingTime+, which includes ShowingTime, Bridge Interactive and dotloop.

In the fourth quarter of 2021, we began to wind down the operations of Zillow Offers, our iBuying business which purchased and sold homes directly in markets across the country. The wind down was completed in the third quarter of 2022, and we have presented the financial results of Zillow Offers as discontinued operations in our condensed consolidated statements of operations for the three and six months ended June 30, 2022. No assets or liabilities were classified as discontinued operations as of December 31, 2022. See Note 3 for additional information.

Certain Significant Risks and Uncertainties

We operate in a dynamic industry and, accordingly, can be affected by a variety of factors. For example, we believe that changes in any of the following areas could have a significant negative effect on us in terms of our future financial position, results of operations or cash flows: current and future health and stability of the economy and United States residential real estate industry, including changes in inflationary conditions, interest rates, housing availability and affordability, labor shortages and supply chain issues; our ability to manage advertising inventory and pricing and maintain relationships with our real estate partners; our compliance with multiple listing service rules and requirements to access and use listing data, and to maintain or establish relationships with listings and data providers; our investment of resources to pursue strategies and develop new products and services that may not prove effective or that are not attractive for customers and real estate partners or that do not allow us to compete successfully; our ability to operate and grow Zillow Home Loans, our mortgage origination business, including the ability to obtain or maintain sufficient financing and resell originated mortgages on the secondary market; the duration and impact of natural disasters and other catastrophic events (including public health crises) on our ability to operate, demand for our products or services or general economic conditions; outcomes of legal proceedings; our ability to attract and retain a highly skilled workforce; protection of Zillow’s information and systems against security breaches or disruptions in operations; reliance on third-party services to support critical functions of our business; protection of our brand and intellectual property; and changes in laws or government regulation affecting our business, among other things.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements include Zillow Group, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. These condensed consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes included in Zillow Group, Inc.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which was filed with the SEC on February 15, 2023. The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited financial statements of Zillow Group, Inc. as of that date.

The unaudited condensed consolidated interim financial statements, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2023 and our results of operations, comprehensive income (loss), and shareholders’ equity for the three and six month periods ended June 30, 2023 and 2022, and cash flows for the six month periods ended June 30, 2023 and 2022. The results for the three and six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023, for any interim period, or for any other future year. Certain reclassifications of prior period amounts have been made to conform to the current period presentation. Unless indicated otherwise, the information in the Notes to Condensed Consolidated Financial Statements relates to our continuing operations and does not include the results of discontinued operations.

There were no significant changes to the significant accounting policies disclosed in Note 2 in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, except for the updates noted below. Such updates were made due to our determination that we have a single operating and reportable segment, as well as certain changes to how we disaggregate our revenue into categories, beginning in the first quarter of 2023.

Recoverability of Goodwill

Goodwill is measured as the excess of consideration transferred for an acquired business over the net of the acquisition date fair values of the assets acquired and the liabilities assumed, and is not amortized. We assess the impairment of goodwill at the reporting unit level on an annual basis, in our fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired. In our evaluation of goodwill, we initially perform a qualitative assessment to determine whether the existence of events or circumstances indicates that it is more likely than not that the carrying value of each reporting unit is greater than its fair value. If it is more likely than not that the carrying value of a reporting unit is greater than its fair value, we perform a quantitative assessment and an impairment charge is recorded in our statements of operations if the carrying value of the reporting unit exceeds its fair value.

Beginning in 2023, our chief operating decision maker, who is our chief executive officer, manages our business, makes operating decisions and evaluates operating performance on the basis of the company as a whole, instead of on a segment basis as he did prior to 2023. This aligns to our ongoing growth strategy and our intent to provide integrated customer solutions for all tasks and services related to facilitating real estate transactions. This resulted in revisions to the nature and substance of information regularly provided to and used by the chief operating decision maker. Accordingly, we have realigned our operating structure, resulting in a single operating and reportable segment. In line with this, the nature and substance of the information regularly provided to our segment manager similarly changed, and we determined that we have only one reporting unit. Because the segment change impacted the structure of our reporting units, we performed a qualitative goodwill impairment assessment immediately before and immediately after the change in reporting units. Based on those assessments, we determined it was more likely than not that the fair value of our current and legacy reporting units exceeded their respective carrying values. Therefore, we concluded that it was not necessary to perform a quantitative impairment test.

Revenue Recognition

We recognize revenue when or as we satisfy our performance obligations by transferring control of the promised products or services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those products or services.

As a practical expedient, we do not adjust the promised amount of consideration for the effects of a significant financing component as the period between our transfer of a promised product or service to a customer and when the customer pays for that product or service is generally one year or less.

We do not disclose the transaction price related to remaining performance obligations for (i) contracts with an original expected duration of one year or less or (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for performance completed to date. The remaining duration over which we satisfy our performance obligations is generally less than one year.

We disaggregate our revenue into the following categories: Residential, Rentals, Mortgages and Other, described below.

Residential. Residential revenue includes revenue generated by our Premier Agent and new construction marketplaces, as well as revenue from the sale of advertising and business technology solutions for real estate professionals through StreetEasy for-sale product offerings and ShowingTime+.

Our Premier Agent program offers a suite of marketing and technology products and services to help real estate agents and brokers achieve their advertising goals while growing and managing their businesses and brands. All Premier Agent partners receive access to a dashboard portal on our mobile application and website that provides individualized program performance analytics, our customer relationship management tool that captures detailed information about each contact made with a Premier Agent partner through our mobile and web platforms and our account management tools. The marketing and business technology products and services promised to Premier Agent partners are delivered over time, as the customer simultaneously receives and consumes the benefit of the performance obligations.

Premier Agent advertising products, which include the delivery of validated customer connections, or leads, are primarily offered on a share of voice basis. Payment is received prior to the delivery of connections. Connections are delivered when consumer contact information is provided to Premier Agent partners. We do not promise any minimum or maximum number of connections to customers, but instead control when and how many connections to deliver based on a customer’s share of voice. We determine the number of connections to deliver to Premier Agent partners in each zip code using a market-based pricing method in consideration of the total amount spent by Premier Agent partners to purchase connections in the zip code during the month. This results in the delivery of connections over time in proportion to each Premier Agent partners’ share of voice. A Premier Agent partners’ share of voice in a zip code is determined by their proportional monthly prepaid spend in that zip code as a percentage of the total monthly prepaid spend of all Premier Agent partners in that zip code, and determines the proportion of consumer connections a Premier Agent partner receives. The number of connections delivered for a given spend level is dynamic - as demand for advertising in a zip code increases or decreases, the number of connections delivered to a Premier Agent partner in that zip code decreases or increases accordingly.

We primarily recognize revenue related to the Premier Agent products and services based on the monthly prepaid spend recognized on a straight-line basis during the monthly billing period over which the products and services are provided. This methodology best depicts how we satisfy our performance obligations to customers, as we continuously transfer control of the performance obligations to the customer over time. Given a Premier Agent partner typically prepays their monthly spend and the monthly spend is refunded on a pro-rata basis upon cancellation of the contract by a customer, we have determined that Premier Agent partner contracts are effectively daily contracts, and each performance obligation is satisfied over time as each day lapses. We have not allocated the transaction price to each performance obligation within our Premier Agent partner arrangements, as the amounts recognized would be the same irrespective of any allocation.

We also offer a pay for performance pricing model called “Flex” for Premier Agent advertising services in certain markets. Flex is available to select partners alongside our legacy market-based pricing model. With the Flex model, Premier Agent partners are provided with validated leads at no initial cost and pay a performance advertising fee only when a real estate transaction is closed with one of the leads, generally within two years. With this pricing model, the transaction price represents variable consideration, as the amount to which we expect to be entitled varies based on the number of validated leads that convert into real estate transactions and the value of those transactions. We estimate variable consideration and record revenue as performance obligations, or validated leads, are transferred. We do not believe that a significant reversal in the amount of cumulative revenue recognized will occur once the uncertainty related to the number of transactions closed is subsequently resolved. We record a contract asset for our estimate of the consideration to which we will be entitled when the right to the consideration is conditional. When the right to consideration becomes unconditional, upon the close of a real estate transaction, we reclassify amounts to accounts receivable.

Our new construction marketing solutions allow home builders to showcase their available inventory to home shoppers. New construction revenue primarily includes revenue generated by advertising sold to builders on a cost per residential community basis whereby we recognize revenue on a straight-line basis during the contractual period over which the communities are advertised on our mobile applications and websites. New construction revenue also includes revenue generated on a cost per impression basis whereby we recognize revenue as impressions are delivered to users interacting with our mobile applications and websites, which is the amount for which we have the right to invoice. Consideration for new construction products is billed in arrears.

StreetEasy for-sale revenue primarily consists of our pay for performance pricing model available in the New York City market for which agents and brokers are provided with leads at no initial cost and pay a performance referral fee only when a real estate purchase transaction is closed with one of the leads. Under the StreetEasy pricing model, the transaction price represents variable consideration, as the amount to which we expect to be entitled varies based on the number of leads that convert into real estate transactions and the value of those transactions. We estimate variable consideration based on the expected number of closed transactions during the period. We do not believe that a significant reversal in the amount of cumulative revenue recognized will occur once the uncertainty related to the number of transactions closed is subsequently resolved. We record a corresponding contract asset for the estimate of variable consideration for StreetEasy Experts when the right to the consideration is conditional. When the right to consideration becomes unconditional upon the close of a real estate transaction, we reclassify amounts to accounts receivable.

Our dotloop real estate transaction management software-as-a-service solution is primarily billed in advance on a monthly basis and revenue is recognized ratably over the contract period which aligns to our satisfaction of performance obligations.

ShowingTime revenue is primarily generated by Appointment Center, a software-as-a-service and call center solution allowing real estate agents, brokerages and multiple listing services to efficiently schedule real estate viewing appointments on behalf of their customers. Appointment Center revenue is primarily billed in advance on a monthly basis and recognized ratably over the contract period which aligns to our satisfaction of performance obligations.

Rentals. Rentals revenue includes the sale of advertising and a suite of tools to rental professionals, landlords and other market participants under the Zillow and StreetEasy brands. Rentals revenue includes revenue generated by advertising sold to property managers, landlords and other rental professionals on a cost per lead, lease, listing or impression basis or for a fixed fee for certain advertising packages. We recognize revenue as leads, clicks and impressions are provided to rental professionals, or as rental listings are published on our mobile applications and websites, which is the amount for which we have the right to invoice. We recognize revenue related to our fixed fee rentals product on a straight-line basis over the contract term as the performance obligations, rental listings on our mobile applications and websites, are satisfied over time based on time elapsed. The number of leases generated through our rentals pay per lease product, Zillow Lease Connect, during the period is accounted for as variable consideration, and we estimate the amount of variable consideration based on the expected number of qualified leases secured during the period. We do not believe that a significant reversal in the amount of cumulative revenue recognized will occur once the uncertainty related to the number of leases secured is subsequently resolved. We record a corresponding contract asset for the estimate of variable consideration for Zillow Lease Connect when the right to the consideration is conditional. When the right to consideration becomes unconditional upon the execution of a lease, we reclassify amounts to accounts receivable. Rentals revenue also includes revenue generated from our rental applications product, through which potential renters can submit applications to multiple properties for a flat service fee. We recognize revenue for the rental applications product on a straight-line basis during the contractual period over which the customer has the right to access and submit the rental application.

Mortgages. Mortgages revenue primarily includes revenue generated by Zillow Home Loans, our affiliated mortgage lender, and marketing products sold to mortgage professionals on a cost per lead basis, including our Custom Quote and Connect services.

Mortgage origination revenue reflects origination fees on purchase or refinance mortgages and the corresponding sale, or expected future sale, of a loan. When an interest rate lock commitment ("IRLC") is made to a customer, we record the expected gain on sale of the mortgage, plus the estimated earnings from the expected sale of the associated servicing rights, adjusted for a pull-through percentage (which is defined as the likelihood that an interest rate lock commitment will be originated), as revenue. Revenue from loan origination fees is recognized at the time the related purchase or refinance transactions are completed, usually upon the close of escrow and when we fund the purchase or refinance mortgage loans. Once funded, mortgage loans held for sale are recorded at fair value based on either sale commitments or current market quotes and are adjusted for subsequent changes in fair value until the loan is sold. Origination costs associated with originating mortgage loans are recognized as incurred. We sell substantially all of the mortgages we originate and the related servicing rights to third-party purchasers.

Mortgage loans are sold with limited recourse provisions, which can result in repurchases of loans previously sold to investors or payments to reimburse investors for loan losses. Based on historical experience, discussions with our mortgage purchasers, analysis of the volume of mortgages we originated and current housing and credit market conditions, we estimate and record a loss reserve for mortgage loans held in our portfolio and mortgage loans held for sale, as well as known and projected mortgage loan repurchase requests. These have historically not been significant to our financial statements.

Zillow Group operates Custom Quote and Connect through its wholly owned subsidiary, Zillow Group Marketplace, Inc., a licensed mortgage broker. For our Connect and Custom Quote cost per lead marketing products, participating qualified mortgage professionals typically make a prepayment to gain access to consumers interested in connecting with mortgage professionals. Mortgage professionals who exhaust their initial prepayment prepay additional funds to continue to participate in the marketplace. In Zillow Group's Connect platform, consumers answer a series of questions to find a local lender, and mortgage professionals receive consumer contact information, or leads, when the consumer chooses to share their information with a lender. Consumers who request rates for mortgage loans in Custom Quotes are presented with customized quotes from participating mortgage professionals. For our cost per lead mortgages products, we recognize revenue when a user contacts a mortgage professional through our mortgages platform, which is the amount for which we have the right to invoice.

Other. Other revenue includes revenue generated from display products, which consist of graphical mobile and web advertising sold on a cost per thousand impressions or cost per click basis to advertisers promoting their brands on our mobile applications and websites. We recognize display revenue as clicks occur or as impressions are delivered to users interacting with our mobile applications or websites, which is the amount for which we have the right to invoice.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. On an ongoing basis, we evaluate our estimates, including those related to the accounting for certain revenue offerings, restructuring costs, amortization period and recoverability of contract cost assets, website and software development costs, recoverability of long-lived assets and intangible assets, share-based compensation, income taxes, the presentation of discontinued and continuing operations, business combinations and the recoverability of goodwill, among others. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The health of the residential housing market and interest rate environment have introduced significant additional uncertainty with respect to estimates, judgments and assumptions, which may materially impact the estimates previously listed, among others.

Recently Issued Accounting Standards Not Yet Adopted

In June 2022, the Financial Accounting Standards Board issued guidance to improve existing measurement and disclosure requirements for equity securities that are subject to a contractual sale restriction. This guidance is effective for interim and annual periods beginning after December 15, 2023 on a prospective basis, with early adoption permitted. We expect to adopt this guidance on January 1, 2024. We have not yet determined the impact the adoption of this guidance will have on our financial position, results of operations and cash flows.

Note 3. Discontinued Operations

Zillow Offers Wind Down

In November 2021, the Board of Directors of Zillow Group (the "Board") made the determination to wind down Zillow Offers operations. This decision was made in light of home pricing unpredictability, capacity constraints and other operational challenges faced by Zillow Offers that were exacerbated by an unprecedented housing market, a global pandemic and a difficult labor and supply chain environment, all of which led us to conclude that, despite its initial promise in earlier quarters, Zillow Offers was unlikely to be a sufficiently stable line of business to meet our goals going forward.

The wind down of Zillow Offers was completed in the third quarter of 2022, at which time Zillow Offers met the criteria for discontinued operations. Accordingly, we have presented the results of operations, excluding allocation of any general corporate expenses, of Zillow Offers as discontinued operations in our condensed consolidated statements of operations for the three and six months ended June 30, 2022. No assets or liabilities were classified as discontinued operations as of December 31, 2022.

The following table presents the major classes of line items of the discontinued operations included in the condensed consolidated statements of operations for the periods presented (in millions):

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Revenue	$ 505	$ 4,226
Cost of revenue	469	3,999
Gross profit	36	227
Operating expenses:		
Sales and marketing	19	152
Technology and development	—	6
General and administrative	3	10
Restructuring costs	1	25
Total operating expenses	23	193
Income from discontinued operations	13	34
Loss on extinguishment of debt	(7)	(21)
Other income	7	13
Interest expense	—	(36)
Income (loss) from discontinued operations before income taxes	13	(10)
Income tax expense	(15)	(1)
Net loss from discontinued operations	$ (2)	$ (11)
Net loss from discontinued operations per share:		
Basic	$ (0.01)	$ (0.04)
Diluted	$ (0.01)	$ (0.04)

The following table presents significant non-cash items and capital expenditures of the discontinued operations for the six months ended June 30, 2022 (in millions):

Amortization of debt discount and debt issuance costs	$	21
Loss on debt extinguishment		21
Share-based compensation		15
Inventory valuation adjustment		9
Depreciation and amortization		7
Settlement of beneficial interests in securitizations		(79)

Restructuring

Restructuring charges attributable to continuing operations relate to employee termination costs and certain indirect costs that do not qualify as discontinued operations. Restructuring costs totaled $2 million for the three and six month periods ended June 30, 2023 and primarily pertained to employee termination costs that did not relate to the Zillow Offers wind down.

There were no restructuring costs attributable to continuing operations for the three months ended June 30, 2022. Restructuring costs totaled $14 million for the six months ended June 30, 2022 and were related to the Zillow Offers wind down. Cumulative restructuring charges attributable to continuing operations related to the Zillow Offers wind down as of June 30, 2022 totaled $23 million.

Note 4. Fair Value Measurements

We apply the following methods and assumptions in estimating our fair value measurements:

Cash equivalents — The fair value measurement of money market funds is based on quoted market prices in active markets (Level 1). The fair value measurement of other cash equivalents is based on observable market-based inputs principally derived from or corroborated by observable market data (Level 2).

Short-term investments — The fair value measurement of our short-term investments is based on observable market-based inputs or inputs that are derived principally from or corroborated by observable market data by correlation or other means (Level 2).

Restricted cash — The carrying value of restricted cash approximates fair value due to the short period of time amounts are held in escrow (Level 1).

Mortgage loans held for sale — The fair value of mortgage loans held for sale is generally calculated by reference to quoted prices in secondary markets for commitments to sell mortgage loans with similar characteristics (Level 2).

Forward contracts — The fair value of mandatory loan sales commitments and derivative instruments such as forward sales of mortgage-backed securities that are utilized as economic hedging instruments is calculated by reference to quoted prices for similar assets (Level 2).

Interest rate lock commitments — The fair value of IRLCs is calculated by reference to quoted prices in secondary markets for commitments to sell mortgage loans with similar characteristics. Expired commitments are excluded from the fair value measurement. Since not all IRLCs will become closed loans, we adjust our fair value measurements for the estimated amount of IRLCs that will not close. This adjustment is effected through the pull-through rate, which represents the probability that an IRLC will ultimately result in a closed loan. For IRLCs that are cancelled or expire, any recorded gain or loss is reversed at the end of the commitment period (Level 3).

The pull-through rate is based on estimated changes in market conditions, loan stage and historical borrower behavior. Pull-through rates are directly related to the fair value of IRLCs as an increase in the pull-through rate, in isolation, would result in an increase in the fair value measurement. Conversely, a decrease in the pull-through rate, in isolation, would result in a decrease in the fair value measurement. Changes in the fair value of IRLCs are included within revenue in our condensed consolidated statements of operations. The following table presents the range and weighted-average pull-through rates used in determining the fair value of IRLCs as of the dates presented:

	June 30, 2023	December 31, 2022
Range	48% - 99%	47% - 100%
Weighted-average	83%	87%

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of the dates presented (in millions):

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	$ 1,394	$ 1,394	$ —	$ —
Commercial paper	115		115	
Short-term investments:				
U.S. government treasury securities	1,529	—	1,529	—
Corporate bonds	160	—	160	—
Commercial paper	42	—	42	—
U.S. government agency securities	14	—	14	—
Mortgage origination-related:				
Mortgage loans held for sale	73	—	73	—
IRLCs - other current assets	1	—	—	1
Forward contracts - other current assets	1	—	1	—
Total	$ 3,329	$ 1,394	$ 1,934	$ 1

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds	$ 1,338	$ 1,338	$ —	$ —
Short-term investments:				
U.S. government treasury securities	1,716	—	1,716	—
Corporate bonds	161	—	161	—
Commercial paper	10	—	10	—
U.S. government agency securities	9	—	9	—
Mortgage origination-related:				
Mortgage loans held for sale	41	—	41	—
Forward contracts - other current assets	1	—	1	—
Total	$ 3,276	$ 1,338	$ 1,938	$ —

At June 30, 2023, the notional amounts of the economic hedging instruments related to our mortgage loans held for sale were $118 million and $155 million for our IRLCs and forward contracts, respectively. At December 31, 2022, the notional amounts of the economic hedging instruments related to our mortgage loans held for sale were $62 million and $90 million for our IRLCs and forward contracts, respectively. We do not have the right to offset our forward contract derivative positions.

See Note 8 for the carrying amounts and estimated fair values of our convertible senior notes.

Note 5. Cash and Cash Equivalents, Investments and Restricted Cash

The following table presents the amortized cost and estimated fair market value of our cash and cash equivalents, investments, and restricted cash as of the dates presented (in millions):

	June 30, 2023		December 31, 2022	
	Amortized Cost	Estimated Fair Market Value	Amortized Cost	Estimated Fair Market Value
Cash	$ 57	$ 57	$ 128	$ 128
Cash equivalents:				
Money market funds	1,394	1,394	1,338	1,338
Commercial paper	115	115	—	—
Short-term investments:				
U.S. government treasury securities (1)	1,547	1,529	1,731	1,716
Corporate bonds	160	160	162	161
Commercial paper	42	42	10	10
U.S. government agency securities	14	14	9	9
Restricted cash	2	2	2	2
Total	$ 3,331	$ 3,313	$ 3,380	$ 3,364

(1) The estimated fair market value includes $18 million and $15 million of gross unrealized losses as of June 30, 2023 and December 31, 2022, respectively.

The following table presents available-for-sale investments by contractual maturity date as of June 30, 2023 (in millions):

	Amortized Cost	Estimated Fair Market Value
Due in one year or less	$ 718	$ 714
Due after one year	1,045	1,031
Total	$ 1,763	$ 1,745

Note 6. Property and Equipment, net

The following table presents the detail of property and equipment as of the dates presented (in millions):

	June 30, 2023	December 31, 2022
Website development costs	$ 378	$ 291
Leasehold improvements	90	90
Office equipment, furniture and fixtures	23	24
Computer equipment	18	18
Construction-in-progress	1	7
Property and equipment	510	430
Less: accumulated amortization and depreciation	(201)	(159)
Property and equipment, net	$ 309	$ 271

We recorded depreciation expense related to property and equipment (other than website development costs) of $6 million for each of the three months ended June 30, 2023 and 2022, and $12 million and $13 million for the six months ended June 30, 2023 and 2022, respectively.

We capitalized website development costs of $50 million and $34 million for the three months ended June 30, 2023 and 2022, respectively, and $95 million and $67 million for the six months ended June 30, 2023 and 2022, respectively. Amortization expense for website development costs included in cost of revenue was $27 million and $18 million for the three months ended June 30, 2023 and 2022, respectively, and $49 million and $31 million for the six months ended June 30, 2023 and 2022, respectively.

Note 7. Intangible Assets, net

The following tables present the detail of intangible assets as of the dates presented (in millions):

	June 30, 2023		
	Cost	Accumulated Amortization	Net
Software	$ 72	$ (21)	$ 51
Customer relationships	58	(14)	44
Trade names and trademarks	45	(17)	28
Developed technology	49	(22)	27
Purchased content	11	(8)	3
Total	$ 235	$ (82)	$ 153

	December 31, 2022		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 59	$ (10)	$ 49
Software	54	(15)	39
Developed technology	49	(15)	34
Trade names and trademarks	45	(15)	30
Purchased content	8	(6)	2
Total	$ 215	$ (61)	$ 154

Amortization expense recorded for intangible assets was $12 million and $17 million for the three months ended June 30, 2023 and 2022, respectively, and $24 million and $36 million for the six months ended June 30, 2023 and 2022, respectively. Amortization expense for trade names and trademarks and customer relationships intangible assets is included in sales and marketing expenses. Amortization expense for all other intangible assets is included in cost of revenue.

We did not record any impairment costs related to our intangible assets for the three or six months ended June 30, 2023 or 2022.

Note 8. Debt

The following table presents the carrying values of Zillow Group's debt as of the dates presented (in millions):

	June 30, 2023	December 31, 2022
Credit facilities		
Master repurchase agreements:		
Atlas Securitized Products, L.P. (1)	$ 19	$ 23
JPMorgan Chase Bank, N.A.	8	—
Citibank, N.A.	—	3
Warehouse line of credit:		
Comerica Bank	39	11
Total credit facilities	66	37
Convertible senior notes		
1.375% convertible senior notes due 2026	496	495
2.75% convertible senior notes due 2025	561	560
0.75% convertible senior notes due 2024	606	605
Total convertible senior notes	1,663	1,660
Total debt	$ 1,729	$ 1,697

(1) Agreement was reassigned from Credit Suisse AG, Cayman Islands ("Credit Suisse") on May 25, 2023. See Credit Facilities section below for further information.

Credit Facilities

To provide capital for Zillow Home Loans, we utilize master repurchase agreements and a warehouse line of credit. The following table summarizes certain details related to our outstanding master repurchase agreements and warehouse line of credit as of June 30, 2023 (in millions, except interest rates):

Lender	Maturity Date	Maximum Borrowing Capacity	Weighted-Average Interest Rate
Atlas Securitized Products, L.P.	March 11, 2024	$ 50	7.07 %
JPMorgan Chase Bank, N.A.	May 30, 2024	100	6.75 %
Comerica Bank	December 29, 2023	50	7.05 %
	Total	$ 200	

On May 25, 2023, the Zillow Home Loans master repurchase agreement with Credit Suisse was reassigned to Atlas Securitized Products, L.P. ("Atlas"). No other material changes were made to the master repurchase agreement in connection with the reassignment.

On June 1, 2023, Zillow Home Loans entered into a master repurchase agreement with JPMorgan Chase Bank, N.A. ("JPMC"). The master repurchase agreement provides a total maximum borrowing capacity of $100 million, $25 million of which is committed, until May 30, 2024.

On June 9, 2023, the Zillow Home Loans master repurchase agreement with Citibank N.A., which had a maximum borrowing capacity of $100 million, expired and was not renewed.

On June 24, 2023, Zillow Home Loans amended its warehouse line of credit with Comerica Bank to extend the maturity date to December 29, 2023. In accordance with this amendment, Zillow Home Loans will not be permitted to draw additional amounts on the warehouse line of credit after September 30, 2023.

In accordance with the master repurchase agreements, Atlas and JPMC (together the "Lenders") have agreed to pay Zillow Home Loans a negotiated purchase price for eligible loans, and Zillow Home Loans has simultaneously agreed to repurchase such loans from the Lenders under a specified timeframe at an agreed upon price that includes interest. The master repurchase agreements contain margin call provisions that provide the Lenders with certain rights in the event of a decline in the market value of the assets purchased under the master repurchase agreements. At both June 30, 2023 and December 31, 2022, $28 million in mortgage loans held for sale were pledged as collateral under the master repurchase agreements.

Borrowings on the repurchase agreements and warehouse line of credit bear interest either at a floating rate based on Secured Overnight Financing Rate plus an applicable margin, as defined by the governing agreements, or Bloomberg Short-Term Bank Yield Index Rate plus an applicable margin, as defined by the governing agreements. The repurchase agreements and warehouse line of credit include customary representations and warranties, covenants and provisions regarding events of default. As of June 30, 2023, Zillow Home Loans was in compliance with all financial covenants and no event of default had occurred. The repurchase agreements and warehouse line of credit are recourse to Zillow Home Loans, and have no recourse to Zillow Group or any of its other subsidiaries.

For additional details related to our repurchase agreements and warehouse line of credit, see Note 13 in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Convertible Senior Notes

Effective January 1, 2022, we adopted guidance which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Refer to Note 2 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for additional information regarding the adoption of this guidance.

The following tables summarize certain details related to our outstanding convertible senior notes as of the dates presented or for the periods ended (in millions, except interest rates):

					June 30, 2023		December 31, 2022	
Maturity Date	**Aggregate Principal Amount**	**Stated Interest Rate**	**Effective Interest Rate**	**Semi-Annual Interest Payment Dates**	**Unamortized Debt Issuance Costs**	**Fair Value**	**Unamortized Debt Issuance Costs**	**Fair Value**
September 1, 2026	$ 499	1.375 %	1.57 %	March 1; September 1	$ 3	$ 647	$ 4	$ 504
May 15, 2025	565	2.75 %	3.20 %	May 15; November 15	4	601	5	531
September 1, 2024	608	0.75 %	1.02 %	March 1; September 1	2	774	3	629
Total	$ 1,672				$ 9	$ 2,022	$ 12	$ 1,664

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
Maturity Date	**Contractual Coupon Interest**	**Amortization of Debt Issuance Costs**	**Interest Expense**	**Contractual Coupon Interest**	**Amortization of Debt Issuance Costs**	**Interest Expense**
September 1, 2026	$ 2	$ 1	$ 3	$ 1	$ —	$ 1
May 15, 2025	4	1	5	4	1	5
September 1, 2024	1	—	1	2	—	2
Total	$ 7	$ 2	$ 9	$ 7	$ 1	$ 8

Maturity Date	Six Months Ended June 30, 2023 Contractual Coupon Interest	Six Months Ended June 30, 2023 Amortization of Debt Issuance Costs	Six Months Ended June 30, 2023 Interest Expense	Six Months Ended June 30, 2022 Contractual Coupon Interest	Six Months Ended June 30, 2022 Amortization of Debt Issuance Costs	Six Months Ended June 30, 2022 Interest Expense
September 1, 2026	$ 4	$ 1	$ 5	$ 3	$ —	$ 3
May 15, 2025	8	1	9	8	1	9
September 1, 2024	2	1	3	3	1	4
Total	$ 14	$ 3	$ 17	$ 14	$ 2	$ 16

The convertible notes are senior unsecured obligations. The convertible senior notes maturing in 2026 (“2026 Notes”), 2025 (“2025 Notes”) and 2024 (“2024 Notes”) (together, the “Notes”) are classified as long-term debt in our condensed consolidated balance sheets based on their contractual maturity dates. Interest on the convertible notes is paid semi-annually in arrears. The estimated fair value of the convertible senior notes is classified as Level 2 and was determined through consideration of quoted market prices in markets that are not active.

The Notes are convertible into cash, shares of Class C capital stock or a combination thereof, at our election, and may be settled as described below. They will mature on their respective maturity date, unless earlier repurchased, redeemed or converted in accordance with their terms.

The following table summarizes the conversion and redemption options with respect to the Notes:

Maturity Date	Early Conversion Date	Conversion Rate	Conversion Price	Optional Redemption Date
September 1, 2026	March 1, 2026	22.9830	$ 43.51	September 5, 2023
May 15, 2025	November 15, 2024	14.8810	67.20	May 22, 2023
September 1, 2024	March 1, 2024	22.9830	43.51	September 5, 2022

The following table summarizes certain details related to the capped call confirmations with respect to the convertible senior notes:

Maturity Date	Initial Cap Price	Cap Price Premium
September 1, 2026	$ 80.5750	150 %
September 1, 2024	72.5175	125 %
July 1, 2023	105.45	85 %

There were no conversions of the Notes during the three and six months ended June 30, 2023 or 2022.

The last reported sale price of our Class C capital stock did not exceed 130% of the conversion price of each series of the Notes for more than 20 trading days during the 30 consecutive trading days ended June 30, 2023. Accordingly, each series of the Notes is not redeemable or convertible at the option of the holders from July 1 through September 30, 2023.

For additional details related to our convertible senior notes, see Note 13 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Note 9. Income Taxes

We are primarily subject to income taxes in the United States (federal and state), as well as certain foreign jurisdictions. As of June 30, 2023 and December 31, 2022, we have provided a valuation allowance against our net deferred tax assets that we believe, based on the weight of available evidence, are not more likely than not to be realized. We have accumulated federal tax losses of approximately $1.8 billion as of December 31, 2022, which are available to reduce future taxable income. We have accumulated state tax losses of approximately $63 million (tax effected) as of December 31, 2022.

Our income tax expense or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account for the relevant period. We update our estimate of the annual effective tax rate on a quarterly basis and make year-to-date adjustments to the tax provision or benefit, as applicable. We recorded income tax expense of $1 million for the three and six months ended June 30, 2023, primarily related to state income taxes. We recorded an income tax benefit of $9 million for the three months ended June 30, 2022 and an income tax benefit of $4 million for the six months ended June 30, 2022, primarily related to state income taxes.

Note 10. Share Repurchase Authorizations

Prior to July 31, 2023, the Board authorized the repurchase of up to $1.8 billion of our Class A common stock, Class C capital stock, outstanding convertible senior notes or a combination thereof (together the "Repurchase Authorizations"). For additional information on these authorizations, see Note 13 to our Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Repurchases of stock under the Repurchase Authorizations may be made in open-market transactions or privately negotiated transactions, or in such other manner as deemed appropriate by management, and may be made from time to time as determined by management depending on market conditions, share price, trading volume, cash needs and other business factors, in each case as permitted by securities laws and other legal requirements. As of June 30, 2023, $264 million remained available for future repurchases pursuant to the Repurchase Authorizations. On July 31, 2023, the Board authorized the repurchase of up to an additional $750 million of our Class A common stock, Class C capital stock, convertible senior notes or a combination thereof, which increases the amount available for future repurchases to $1.0 billion under our total Repurchase Authorizations of $2.5 billion.

The following table summarizes, on a settlement date basis, our Class A common stock and Class C capital stock repurchase activity under the Repurchase Authorizations for the periods presented (in millions, except share data, which are presented in thousands, and per share amounts):

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2022	
	Class A common stock	Class C capital stock	Class A common stock	Class C capital stock
Shares repurchased	496	2,781	1,165	5,272
Weighted-average price per share	$ 45.18	$ 45.86	$ 38.31	$ 38.91
Total purchase price	$ 23	$ 127	$ 44	$ 205

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Class A common stock	Class C capital stock	Class A common stock	Class C capital stock
Shares repurchased	810	4,479	2,577	9,718
Weighted-average price per share	$ 44.12	$ 44.76	$ 49.30	$ 48.40
Total purchase price	$ 36	$ 200	$ 127	$ 470

Note 11. Share-Based Awards

In addition to the option awards and restricted stock units typically granted under the Zillow Group, Inc. 2020 Incentive Plan (the "2020 Plan") which vest quarterly over four years, during the first quarter of 2023, the Compensation Committee of the Board approved option and restricted stock unit awards granted under the 2020 Plan in connection with the 2022 annual review cycle that vest quarterly over three years. The exercisability terms of these equity awards are otherwise consistent with the terms of the option awards and restricted stock units typically granted under the 2020 Plan. For additional information regarding our share-based awards, see Note 16 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Option Awards

The following table summarizes option award activity for the six months ended June 30, 2023:

	Number of Shares Subject to Existing Options (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2023	28,598	$ 44.90	7.08	$ 15
Granted	6,287	42.16		
Exercised	(823)	37.60		
Forfeited or cancelled	(671)	49.94		
Outstanding at June 30, 2023	33,391	44.46	7.21	276
Vested and exercisable at June 30, 2023	18,805	44.88	5.94	160

The following assumptions were used to determine the fair value of all option awards granted for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Expected volatility	61%	60%	55% - 61%	55% - 60%
Risk-free interest rate	3.75%	2.97%	3.75% - 4.04%	1.94% - 2.97%
Weighted-average expected life	5.25 years	5.00 years	5.25 - 6.50 years	4.50 - 6.00 years
Weighted-average fair value of options granted	$25.81	$17.82	$23.76	$24.60

As of June 30, 2023, there was a total of $426 million in unrecognized compensation cost related to unvested option awards.

Restricted Stock Units

The following table summarizes activity for restricted stock units for the six months ended June 30, 2023:

	Restricted Stock Units (in thousands)	Weighted-Average Grant Date Fair Value
Unvested outstanding at January 1, 2023	10,930	$ 46.85
Granted	7,331	42.49
Vested	(2,921)	47.16
Forfeited	(512)	46.21
Unvested outstanding at June 30, 2023	14,828	44.66

As of June 30, 2023, there was a total of $604 million in unrecognized compensation cost related to unvested restricted stock units.

Share-Based Compensation Expense

The following table presents the effects of share-based compensation expense in our condensed consolidated statements of operations during the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 4	$ 4	$ 8	$ 7
Sales and marketing	19	14	35	25
Technology and development	42	38	81	66
General and administrative	65	43	109	78
Share-based compensation - continuing operations	130	99	233	176
Share-based compensation - discontinued operations	—	3	—	17
Total share-based compensation	$ 130	$ 102	$ 233	$ 193

Note 12. Net Income (Loss) Per Share

For the periods presented, the following table reconciles the denominators used in the basic and diluted net income (loss) and net income (loss) from continuing operations per share calculations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Denominator for basic calculation	233,629	243,942	234,023	246,229
Effect of dilutive securities:				
Option awards	—	964	—	1,757
Unvested restricted stock units	—	257	—	558
Denominator for dilutive calculation	233,629	245,163	234,023	248,544

For the periods presented, the following Class A common stock and Class C capital stock equivalents were excluded from the calculations of diluted net income (loss) and net income (loss) from continuing operations per share because their effect would have been antidilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Weighted-average Class A common stock and Class C capital stock option awards outstanding	22,315	207	20,045	2,650
Weighted-average Class A common stock and Class C capital stock restricted stock units outstanding	15,366	7,357	13,746	5,284
Class C capital stock issuable upon conversion of the Notes	33,855	33,855	33,855	33,855
Total Class A common stock and Class C capital stock equivalents	71,536	41,419	67,646	41,789

Note 13. Commitments and Contingencies

Commitments

During the three and six months ended June 30, 2023, there were no material changes to the commitments disclosed in Note 18 in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Legal Proceedings

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities, some of which are at preliminary stages and some of which seek an indeterminate amount of damages. We regularly evaluate the status of legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or additional loss may have been incurred to determine if accruals are appropriate. We further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made if accruals are not appropriate. For certain cases described below, management is unable to provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons, (i) the proceedings are in preliminary stages; (ii) specific damages have not been sought; (iii) damages sought are, in our view, unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories presented. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material effect on our financial position, results of operations or cash flow. For the matters discussed below, we have not recorded any material accruals as of June 30, 2023 or December 31, 2022.

In August and September 2017, two purported class action lawsuits were filed against us and certain of our executive officers, alleging, among other things, violations of federal securities laws on behalf of a class of those who purchased our common stock between February 12, 2016 and August 8, 2017. One of those purported class actions, captioned *Vargosko v. Zillow Group, Inc. et al*, was brought in the U.S. District Court for the Central District of California. The other purported class action lawsuit, captioned *Shotwell v. Zillow Group, Inc. et al*, was brought in the U.S. District Court for the Western District of Washington. The complaints allege, among other things, that during the period between February 12, 2016 and August 8, 2017, we issued materially false and misleading statements regarding our business practices. The complaints seek to recover, among other things, alleged damages sustained by the purported class members as a result of the alleged misconduct. In November 2017, an amended complaint was filed against us and certain of our executive officers in the *Shotwell v. Zillow Group* purported class action lawsuit, extending the beginning of the class period to November 17, 2014. In January 2018, the *Vargosko v. Zillow Group* purported class action lawsuit was transferred to the U.S. District Court for the Western District of Washington and consolidated with the *Shotwell v. Zillow Group* purported class action lawsuit. In February 2018, the plaintiffs filed a consolidated amended complaint, and in April 2018, we filed our motion to dismiss the consolidated amended complaint. In October 2018, our motion to dismiss was granted without prejudice, and in November 2018, the plaintiffs filed a second consolidated amended complaint, which we moved to dismiss in December 2018. On April 19, 2019, our motion to dismiss the second consolidated amended complaint was denied. On October 11, 2019, plaintiffs filed a motion for class certification which was granted by the court on October 28, 2020. On February 17, 2021, the Ninth Circuit Court of Appeals denied our petition for review of that decision. On October 21, 2022, the parties jointly filed a notice of settlement with the U.S. District Court for the Western District of Washington to inform the court that the parties have reached an agreement to settle this action. On March 31, 2023, the plaintiffs filed a motion seeking preliminary approval of the parties' proposed settlement, which motion was granted by the court on April 3, 2023. The terms of the parties' proposed settlement agreement are contained in the settlement documents filed with the court on March 31, 2023. The court has set August 8, 2023 as the hearing date for final approval of the settlement. The full amount of the settlement payment has been paid by our insurance carriers under the applicable insurance policy and pursuant to the terms of the proposed settlement, and is currently being held in escrow by plaintiff's counsel pending final approval of the settlement.

In October and November 2017 and January and February 2018, four shareholder derivative lawsuits were filed in the U.S. District Court for the Western District of Washington and the Superior Court of the State of Washington, King County, against certain of our executive officers and directors seeking unspecified damages on behalf of the Company and certain other relief, such as reform to corporate governance practices. The plaintiffs in the derivative suits (in which the Company is a nominal defendant) allege, among other things, that the defendants breached their fiduciary duties in connection with oversight of the Company's public statements and legal compliance, and as a result of the breach of such fiduciary duties, the Company was damaged, and defendants were unjustly enriched. Certain of the plaintiffs also allege, among other things, violations of Section 14(a) of the Securities Exchange Act of 1934 and waste of corporate assets. On February 5, 2018, the U.S. District Court for the Western District of Washington consolidated the two federal shareholder derivative lawsuits pending in that court (the "Federal Suit"). On February 16, 2018, the Superior Court of the State of Washington, King County, consolidated the two shareholder derivative lawsuits pending in that court (the "State Suit"). The Federal Suit and State Suit were stayed until our motion to dismiss the second consolidated amended complaint in the securities class action lawsuit discussed above was denied in April 2019. On July 8, 2019, the plaintiffs in the Federal Suit filed a consolidated shareholder derivative complaint, which we moved to dismiss on August 22, 2019. On February 28, 2020, our motion to dismiss the Federal Suit was denied. On February 16, 2021, the court in the State Suit matter stayed the action. On March 5, 2021, a new shareholder derivative lawsuit was filed in the U.S. District Court for the Western District of Washington against certain of our executive officers and directors seeking unspecified damages on behalf of the Company and certain other relief, such as reform to corporate governance practices, alleging, among other things, violations of federal securities laws. The U.S. District Court for the Western District of Washington formally consolidated the new lawsuit with the other consolidated Federal Suit pending in that court on June 15, 2021. On November 14, 2022, the parties jointly filed a stipulation with the U.S. District Court for the Western District of Washington informing the court that, among other things, they have agreed in principle to all material terms of a settlement. On April 20, 2023, the plaintiffs filed a motion seeking preliminary approval of the parties' proposed settlement, which motion was granted by the court on April 25, 2023. The terms of the parties' proposed settlement agreement are contained in the settlement documents filed with the court on April 20, 2023 and found on Zillow's Investor Relations page at https://investors.zillowgroup.com/investors/resources/investor-faqs/default.aspx. The court has set August 29, 2023 as the hearing date for final approval of the settlement. The full amount of plaintiffs' attorneys' fees and costs associated with the settlement is expected to be paid by our insurance carriers under the applicable insurance policy and pursuant to the terms of the proposed settlement.

On September 17, 2019, International Business Machines Corporation ("IBM") filed a complaint against us in the U.S. District Court for the Central District of California, alleging, among other things, that the Company has infringed and continues to willfully infringe seven patents held by IBM and seeks unspecified damages, including a request that the amount of compensatory damages be trebled, injunctive relief and costs and reasonable attorneys' fees. On November 8, 2019, we filed a motion to transfer venue and/or to dismiss the complaint. On December 2, 2019, IBM filed an amended complaint, and on December 16, 2019 we filed a renewed motion to transfer venue and/or to dismiss the complaint. Our motion to transfer venue to the U.S. District Court for the Western District of Washington was granted on May 28, 2020. On August 12, 2020, IBM filed its answer to our counterclaims. On September 18, 2020, we filed four Inter Partes Review ("IPR") petitions before the U.S. Patent and Trial Appeal Board ("PTAB") seeking the Board's review of the patentability with respect to three of the patents asserted by IBM in the lawsuit. On March 15, 2021, the PTAB instituted IPR proceedings with respect to two of the three patents for which we filed petitions. On March 22, 2021, the PTAB denied institution with respect to the last of the three patents. On January 22, 2021, the court partially stayed the action with respect to all patents for which we filed an IPR and set forth a motion schedule. On March 8, 2021, IBM filed its second amended complaint. On March 25, 2021, we filed an amended motion for judgment on the pleadings. On July 15, 2021, the court rendered an order in connection with the motion for judgment on the pleadings finding in our favor on two of the four patents on which we filed our motion. On August 31, 2021, the Court ruled that the parties will proceed with respect to the two patents for which it previously denied judgment, and vacated the stay with respect to one of the three patents for which Zillow filed an IPR, which stay was later reinstated by stipulation of the parties on May 18, 2022. On September 23, 2021, IBM filed a notice of appeal with the United States Court of Appeals for the Federal Circuit with respect to the August 31, 2021 judgment entered, which judgment was affirmed by the Federal Circuit on October 17, 2022. On March 3, 2022, the PTAB ruled on Zillow's two remaining IPRs finding that Zillow was able to prove certain claims unpatentable, and others it was not. On October 28, 2022, the court found one of the two patents upon which the parties were proceeding in this action as invalid, and dismissed IBM's claim relating to that patent. Following the court's ruling, on October 28, 2022, the parties filed a joint stipulation with the court seeking a stay of this action, which was granted by the court on November 1, 2022. On November 25, 2022, Zillow filed a motion to join an IPR petition within *Ebates Performance Mktg., Inc. d/b/a Rakuten Rewards v. Int'l Bus. Machs. Corp.*, IPR2022-00646 concerning the final remaining patent in this action, which the court granted on April 20, 2023. We deny the allegations of any wrongdoing and intend to vigorously defend the claims in the lawsuit. There is a reasonable possibility that a loss may be incurred related to this matter; however, the possible loss or range of loss is not estimable.

On July 21, 2020, IBM filed a second action against us in the U.S. District Court for the Western District of Washington, alleging, among other things, that the Company has infringed and continues to willfully infringe five patents held by IBM and seeks unspecified damages. On September 14, 2020, we filed a motion to dismiss the complaint filed in the action, to which IBM responded by the filing of an amended complaint on November 5, 2020. On December 18, 2020, we filed a motion to dismiss IBM's first amended complaint. On December 23, 2020, the Court issued a written order staying this case in full. On July 23, 2021, we filed an IPR with the PTAB with respect to one patent included in the second lawsuit. On October 6, 2021, the stay of this action was lifted, except for proceedings relating to the one patent for which we filed an IPR. On December 1, 2021, the Court dismissed the fourth claim asserted by IBM in its amended complaint. On December 16, 2021 Zillow filed a motion to dismiss the remaining claims alleged in IBM's amended complaint. On March 9, 2022, the Court granted Zillow's motion to dismiss in full, dismissing IBM's claims related to all the patents asserted by IBM in this action, except for the one patent for which an IPR was still pending. On March 10, 2022, the PTAB rendered its decision denying Zillow's IPR on the one remaining patent, for which this case continues to remain stayed. On August 1, 2022, IBM filed an appeal of the Court's ruling with respect to two of the dismissed patents. Zillow's responsive brief was filed on September 30, 2022, and IBM's reply brief was filed on November 4, 2022. We deny the allegations of any wrongdoing and intend to vigorously defend the claims in the lawsuit. There is a reasonable possibility that a loss may be incurred related to this matter; however, the possible loss or range of loss is not estimable.

On November 16, 2021, November 19, 2021 and January 6, 2022, three purported class action lawsuits were filed against us and certain of our executive officers, alleging, among other things, violations of federal securities laws on behalf of a class of those who purchased our stock between August 7, 2020 and November 2, 2021. The three purported class action lawsuits, captioned Barua v. Zillow Group, Inc. et al., Silverberg v. Zillow Group, et al. and Hillier v. Zillow Group, Inc. et al. were brought in the U.S. District Court for the Western District of Washington and were consolidated on February 16, 2022. On May 12, 2022, the plaintiffs filed their amended consolidated complaint which alleges, among other things, that we issued materially false and misleading statements regarding our Zillow Offers business. The complaints seek to recover, among other things, alleged damages sustained by the purported class members as a result of the alleged misconduct. We moved to dismiss the amended consolidated complaint on July 11, 2022, plaintiffs filed their opposition to the motion to dismiss on September 2, 2022, and we filed a reply in support of the motion to dismiss on October 11, 2022. On December 7, 2022, the court rendered its decision granting defendants' motion to dismiss, in part, and denying the motion, in part. On January 23, 2023, the defendants filed their answer to the consolidated complaint. We intend to deny the allegations of wrongdoing and intend to vigorously defend the claims in this consolidated lawsuit. We do not believe that a loss related to this consolidated lawsuit is probable.

On March 10, 2022, May 5, 2022 and July 20, 2022 shareholder derivative suits were filed in the U.S. District Court for the Western District of Washington and on July 25, 2022, a shareholder derivative suit was filed in the Superior Court of the State of Washington, King County (the "2022 State Suit"), against us and certain of our executive officers and directors seeking unspecified damages on behalf of the Company and certain other relief, such as reform to corporate governance practices. The plaintiffs (including the Company as a nominal defendant) allege, among other things, that the defendants breached their fiduciary duties by failing to maintain an effective system of internal controls, which purportedly caused the losses the Company incurred when it decided to wind down Zillow Offers operations. Plaintiffs also allege, among other things, violations of Section 14(a) and Section 20(a) of the Securities Exchange Act of 1934, insider trading and waste of corporate assets. On June 1, 2022 and September 14, 2022, the U.S. District Court for the Western District of Washington issued orders consolidating the three federal derivative suits and staying the consolidated action until further order of the court. On September 15, 2022, the Superior Court of the State of Washington entered a temporary stay in the 2022 State Suit. Upon the filing of the defendants' answer in the related securities class action lawsuit on January 23, 2023, the stay in the 2022 State Suit was lifted. A partial stay was then reentered in the 2022 State Suit on June 26, 2023. The defendants intend to deny the allegations of wrongdoing and vigorously defend the claims in these lawsuits. We do not believe that a loss related to these lawsuits is probable.

In addition to the matters discussed above, from time to time, we are involved in litigation and claims that arise in the ordinary course of business. Although we cannot be certain of the outcome of any such litigation or claims, nor the amount of damages and exposure that we could incur, we currently believe that the final disposition of such matters will not have a material effect on our business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In the ordinary course of business, we enter into contractual arrangements under which we agree to provide indemnification of varying scope and terms to business partners and other parties with respect to certain matters. For additional information regarding our indemnifications, see Note 18 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Note 14. Revenue and Contract Balances

We recognize revenue when or as we satisfy our performance obligations by transferring control of the promised products or services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those products or services.

Beginning in 2023, our chief executive officer, who acts as the chief operating decision maker, manages our business, makes operating decisions and evaluates operating performance on the basis of the company as a whole, instead of on a segment basis as he did prior to 2023. Accordingly, this change resulted in revisions to the nature and substance of information regularly provided to and used by the chief operating decision maker. This serves to align our reported results with our ongoing growth strategy and our intent to provide integrated customer solutions for all tasks and services related to facilitating real estate transactions. As a result, we have determined that we have a single reportable segment. Our revenues are classified into four categories: Residential, Rentals, Mortgages and Other. Certain prior period amounts have been revised to reflect these changes.

The Residential revenue category primarily includes revenue for our Premier Agent and new construction marketplaces, as well as revenue from the sale of other advertising and business technology solutions for real estate professionals, including StreetEasy for-sale product offerings and ShowingTime+. Our Rentals and Mortgages revenue categories remain consistent with our historical presentation, and our Other revenue category primarily includes revenue generated from display advertising.

Disaggregation of Revenue

The following table presents our revenue disaggregated by category for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Residential	$ 380	$ 392	$ 741	$ 810
Rentals	91	71	165	132
Mortgages	24	29	50	75
Other	11	12	19	23
Total revenue	$ 506	$ 504	$ 975	$ 1,040

Contract Balances

Contract assets represent our right to consideration in exchange for goods and services that we have transferred to the customer when that right is conditional on something other than the passage of time. Contract assets are primarily related to our Premier Agent Flex, Zillow Lease Connect and StreetEasy Experts offerings, whereby we estimate variable consideration based on the expected number of real estate transactions to be closed for Premier Agent Flex and StreetEasy Experts, and qualified leases to be secured for Zillow Lease Connect. The current portion of contract assets is recorded within prepaid expenses and other current assets and the long-term portion of contract assets is recorded within other assets in our condensed consolidated balance sheets and totaled $90 million and $71 million as of June 30, 2023 and December 31, 2022, respectively.

Contract liabilities consist of deferred revenue, which relates to payments received in advance of performance under a revenue contract. Deferred revenue is primarily related to prepaid advertising fees received or billed in advance of satisfying our performance obligations and prepaid but unrecognized subscription revenue. Deferred revenue is recognized when or as we satisfy our obligations under contracts with customers.

For the three months ended June 30, 2023, the opening balance of deferred revenue was $49 million, of which $46 million was recognized as revenue during the period. For the three months ended June 30, 2022, the opening balance of deferred revenue was $56 million, of which $52 million was recognized as revenue during the period.

For the six months ended June 30, 2023, the opening balance of deferred revenue was $44 million, of which $42 million was recognized as revenue during the period. For the six months ended June 30, 2022, the opening balance of deferred revenue was $51 million, of which $49 million was recognized as revenue during the period. As of June 30, 2023 and 2022, deferred revenue was $49 million and $52 million, respectively.

Note 15. Subsequent Event

Acquisition of Aryeo, Inc.

On July 31, 2023, Zillow Group, Inc. acquired Aryeo, Inc., a software company which serves real estate photographers, for approximately $35 million in a combination of cash and our Class C capital stock, subject to certain adjustments. The purchase price will be allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the acquisition date. We are in the process of performing the procedures necessary to determine the purchase price allocation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those described in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, including in the section titled "Note Regarding Forward-Looking Statements," and also those factors discussed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview of our Business

Zillow Group is reimagining real estate to make home a reality for more and more people. As the most visited real estate website in the United States, Zillow and its affiliates help people find and get the home they want by connecting them with digital solutions, great partners, and easier buying, selling, financing and renting experiences.

Our portfolio of affiliates, subsidiaries and brands includes Zillow Premier Agent, Zillow Home Loans, our affiliate lender, Zillow Rentals, Trulia, StreetEasy, HotPads and Out East. In addition, Zillow Group provides a comprehensive suite of marketing software and technology solutions for the real estate industry, including Mortech, New Home Feed and ShowingTime+, which includes ShowingTime, Bridge Interactive and dotloop.

As of June 30, 2023, we had 5,991 employees compared to 5,724 employees as of December 31, 2022.

Health of Housing Market

Our financial performance is impacted by changes in the health of the housing market, which is impacted, in turn, by general economic conditions. Current market factors have been driven by low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates, as well as home price fluctuations and inflationary conditions. These factors may have a negative impact on the number of transactions consumers complete using our products and services and on demand for our advertising services. According to industry data from the National Association of REALTORS®, total residential real estate transaction dollars declined more than 20% during both the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 and during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. Despite the industry headwinds and total residential real estate transaction value declines, we continue to invest in the execution of our strategy to increase customer transactions and revenue per transaction. We believe this continued investment in our strategic priorities has resulted in year over year Residential revenue results, described below, for the three and six months ended June 30, 2023 as compared to the same periods in the prior year, that exceeded residential real estate industry performance for the same periods. The extent to which market factors impact our results and financial position will depend on future developments, which are uncertain and difficult to predict.

Change in Reportable Segments

Beginning in 2023, our chief operating decision maker manages our business, makes operating decisions, and evaluates operating performance on the basis of the company as a whole, instead of on a segment basis as he did prior to 2023. Accordingly, this change resulted in revisions to the nature and substance of information regularly provided to and used by the chief operating decision maker. This serves to align our reported results with our ongoing growth strategy and our intent to provide integrated customer solutions for all tasks and services related to facilitating real estate transactions. As a result, we have determined that we have a single operating and reportable segment.

Revenue Overview

Our revenue is classified into four categories: Residential, Rentals, Mortgages and Other. Certain prior period amounts have been revised to reflect these changes.

Residential. Residential revenue includes revenue generated by our Premier Agent and new construction marketplaces, as well as revenue from the sale of advertising and business technology solutions for real estate professionals through StreetEasy for-sale product offerings and ShowingTime+.

Premier Agent revenue is generated by the sale of advertising services, as well as marketing and technology products and services, to help real estate agents and brokers grow and manage their businesses. We offer these products and services through our Premier Agent program. Premier Agent products, which include the delivery of validated customer connections, or leads, are primarily offered on a share of voice basis. Connections are distributed to Premier Agent partners in proportion to their share of voice, or an agent advertiser's share of total advertising purchased in a particular zip code. Connections are delivered when customer contact information is provided to Premier Agent partners. Connections are provided as part of our suite of advertising services for Premier Agent partners; we do not charge a separate fee for these customer leads.

We also offer a pay for performance pricing model called "Flex" for Premier Agent advertising services in certain markets to select partners. With the Flex model, Premier Agent partners are provided with validated leads at no initial cost and pay a performance advertising fee only when a real estate transaction is closed with one of the leads, generally within two years.

New construction revenue primarily includes advertising services sold to home builders on a cost per residential community or cost per impression basis. StreetEasy for-sale revenue includes advertising services sold to real estate professionals serving the New York City for sale market primarily on a cost per listing or performance fee basis. ShowingTime revenue is primarily generated by Appointment Center, a software-as-a-service and call center solution allowing real estate agents, brokerages and multiple listing services to efficiently schedule real estate viewing appointments on behalf of their customers. Appointment Center services also include call center specialists who provide scheduling support to customers. Appointment Center revenue is primarily billed in advance on a monthly basis. Our dotloop real estate transaction management software-as-a-service solution is a monthly subscription service allowing real estate partners to efficiently manage their transactions.

Rentals. Rentals revenue includes advertising and a suite of tools sold to property managers, landlords and other rental professionals on a cost per lead, lease, listing or impression basis or for a fixed fee for certain advertising packages through both the Zillow and StreetEasy brands. Rentals revenue also includes revenue generated from our rental applications product, through which potential renters can submit applications to multiple properties for a flat service fee.

Mortgages. Mortgages revenue includes revenue generated through mortgage originations and the related sale of mortgages on the secondary market through Zillow Home Loans and from advertising sold to mortgage lenders and other mortgage professionals on a cost per lead basis, including our Custom Quote and Connect services.

Other. Other revenue includes revenue generated primarily by display advertising. Display revenue consists of graphical mobile and web advertising sold on a cost per thousand impressions or cost per click basis to advertisers promoting their brands on our mobile applications and websites.

For additional information regarding our revenue recognition policies, see Note 2 of our Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Discontinued Operations

In the fourth quarter of 2021, the Board made the determination to wind down the operations of Zillow Offers, our iBuying business which purchased and sold homes directly in certain markets across the United States. The wind down was completed in the third quarter of 2022 and resulted in approximately a 25% reduction of Zillow Group's workforce. The financial results of Zillow Offers have been presented in the accompanying condensed consolidated financial statements as discontinued operations and, therefore, are excluded from the following discussion of the results of our continuing operations. Given the wind down of Zillow Offers and corresponding shift in our strategic plans, financial performance for prior and current periods may not be indicative of future performance. For additional information, see Note 3 in our Notes to the Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

August 2022 Equity Award Actions

On August 3, 2022, upon the recommendation of the Compensation Committee of the Board, the Board approved adjustments to the exercise price of certain outstanding vested and unvested option awards for eligible employees. The exercise price of eligible option awards was reduced to $38.78, which was the closing market price of our Class C capital stock on August 8, 2022. No other changes were made to the terms and conditions of the eligible option awards. In addition, the Board approved a supplemental grant of restricted stock units to eligible employees that was granted on August 8, 2022 and vests quarterly over a two-year period beginning in August 2022. The repricing of eligible option awards and the issuance of supplemental restricted stock units (collectively the "August 2022 Equity Award Actions") has and is expected to continue to result in incremental share-based compensation expense over the remaining requisite service period, which is largely through the third quarter of 2024. For additional information regarding the August 2022 Equity Award Actions, see Note 16 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Financial Overview

For the three months ended June 30, 2023 and 2022, we generated total revenue of $506 million and $504 million, respectively, an increase of $2 million. The change in total revenue was primarily attributable to the following:

- Rentals revenue increased by $20 million to $91 million for the three months ended June 30, 2023 compared to $71 million for the three months ended June 30, 2022. The increase in Rentals revenue was primarily due to growth in average monthly rentals unique visitors which increased 15% to 31 million during the three months ended June 30, 2023 from 27 million during the three months ended June 30, 2022. The increase in Rentals revenue was also driven by a 12% increase in quarterly revenue per average monthly rentals unique visitor to $2.94 for the three months ended June 30, 2023 as compared to $2.63 for the three months ended June 30, 2022, primarily driven by lower occupancy rates and the corresponding increase in advertising spend from multifamily property managers.

- Residential revenue decreased by $12 million to $380 million for the three months ended June 30, 2023 compared to $392 million for the three months ended June 30, 2022, primarily driven by macro housing market factors including low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates, as well as home price fluctuations. The decrease in Residential revenue was driven by an 8% decrease in the number of visits for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, due primarily to these macro housing market factors. The impact of the decrease in visits was partially offset by a 6% increase in Residential revenue per visit, driven by continued improvement in our ability to connect high-intent customers.

- Mortgages revenue decreased by $5 million to $24 million for the three months ended June 30, 2023 compared to $29 million for the three months ended June 30, 2022, primarily due to a decrease in revenue from Custom Quote and Connect advertising services driven by a decrease in demand for mortgages attributable to the higher interest rate environment as compared to the prior year period. This resulted in a 23% decrease in leads generated from marketing products sold to mortgage professionals.

During the three months ended June 30, 2023 and 2022, we generated gross profit of $402 million and $407 million, respectively, representing a year-over-year decrease of 1%.

Key Metrics

Management has identified visits, unique users and the volume of loans originated through Zillow Home Loans as relevant to investors' and others' assessment of our financial condition and results of operations.

Visits

The number of visits is an important metric because it is an indicator of consumers' level of engagement with our mobile applications, websites and other services. We believe highly engaged consumers are more likely to use our products and services, including Zillow Homes Loans, or be transaction-ready real estate market participants and therefore are more sought-after by our Premier Agent partners.

We define a visit as a group of interactions by users with the Zillow, Trulia and StreetEasy mobile applications and websites. A single visit can contain multiple page views and actions, and a single user can open multiple visits across domains, web browsers, desktop or mobile devices. Visits can occur on the same day, or over several days, weeks or months.

Zillow and StreetEasy measure visits with Google Analytics, and Trulia measures visits with Adobe Analytics. Visits to Trulia end after thirty minutes of user inactivity. Visits to Zillow and StreetEasy end either: (i) after thirty minutes of user inactivity or at midnight; or (ii) through a campaign change. A visit ends through a campaign change if a visitor arrives via one campaign or source (for example, via a search engine or referring link on a third-party website), leaves the mobile application or website, and then returns via another campaign or source.

The following table presents the number of visits to our mobile applications and websites for the periods presented (in millions, except percentages):

	Three Months Ended June 30,		2022 to 2023 % Change	Six Months Ended June 30,		2022 to 2023 % Change
	2023	2022		2023	2022	
Visits	2,653	2,897	(8)%	5,140	5,524	(7)%

During the three months ended June 30, 2023, visits to our mobile applications and websites decreased by 8% compared to the three months ended June 30, 2022. During the six months ended June 30, 2023, visits to our mobile applications and websites decreased by 7% compared to the six months ended June 30, 2022. These decreases were primarily driven by macro housing market factors including low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates as well as home price fluctuations.

Unique Users

Measuring unique users is important to us because much of our revenue depends in part on our ability to connect home buyers and sellers, renters and individuals with or looking for a mortgage to real estate, rental and mortgage professionals, products and services. Growth in consumer traffic to our mobile applications and websites increases the number of impressions, clicks, connections, leads and other events we can monetize to generate revenue. For example, our revenue depends in part, on users accessing our mobile applications and websites to engage in the sale, purchase and financing of homes, including with Zillow Home Loans, and a significant portion of our Residential revenue, Rentals revenue and Other revenue depend on advertisements being served to users of our mobile applications and websites.

We count a unique user the first time an individual accesses one of our mobile applications using a mobile device during a calendar month and the first time an individual accesses one of our websites using a web browser during a calendar month. If an individual accesses our mobile applications using different mobile devices within a given month, the first instance of access by each such mobile device is counted as a separate unique user. If an individual accesses more than one of our mobile applications within a given month, the first access to each mobile application is counted as a separate unique user. If an individual accesses our websites using different web browsers within a given month, the first access by each such web browser is counted as a separate unique user. If an individual accesses more than one of our websites in a single month, the first access to each website is counted as a separate unique user since unique users are tracked separately for each domain. Zillow, StreetEasy and HotPads measure unique users with Google Analytics, and Trulia measures unique users with Adobe Analytics.

Due to third-party technological limitations, user software settings or user behavior, Google Analytics may assign a unique cookie to different instances of access by the same individual to our mobile applications and websites. In such instances, Google Analytics would count different instances of access by the same individual as separate unique users. Accordingly, reliance on the number of unique users counted by Google Analytics may overstate the actual number of unique users who access our mobile applications and websites during the period.

The following table presents our average monthly unique users for the periods presented (in millions, except percentages):

	Three Months Ended June 30,		2022 to 2023 % Change	Six Months Ended June 30,		2022 to 2023 % Change
	2023	2022		2023	2022	
Average monthly unique users	226	234	(3)%	219	222	(1)%

During the three and six months ended June 30, 2023, average monthly unique users decreased by 3% and 1%, respectively, compared to each of the three and six months ended June 30, 2022. These decreases were primarily driven by macro housing market factors including low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates as well as home price fluctuations.

Loan Origination Volume

Loan origination volume is an important metric as it is a measure of how successful we are at the origination and subsequent sale of mortgage loan products through our mortgage origination business, Zillow Home Loans, which directly impacts our Mortgages revenue. Loan origination volume represents the total value of mortgage loan originations closed through Zillow Home Loans during the period.

The following table presents loan origination volume by purpose and in total for Zillow Home Loans for the periods presented (in millions, except percentages):

	Three Months Ended June 30,		2022 to 2023	Six Months Ended June 30,		2022 to 2023
	2023	2022	% Change	2023	2022	% Change
Purchase loan origination volume	$ 336	$ 194	73 %	$ 595	$ 317	88 %
Refinance loan origination volume	4	136	(97)%	7	714	(99)%
Total loan origination volume	$ 340	$ 330	3 %	$ 602	$ 1,031	(42)%

During the three months ended June 30, 2023, total loan origination volume increased 3% compared to the three months ended June 30, 2022. This increase was primarily driven by the continued growth in Zillow Home Loans purchase loan originations, partially offset by interest rate increases which negatively impacted refinance loan originations. During the six months ended June 30, 2023, total loan origination volume decreased 42% compared to the six months ended June 30, 2022. This decrease was primarily driven by interest rate increases which negatively impacted refinance loan originations, partially offset by the increase in purchase loan originations as we continue to prioritize growth in Zillow Home Loans purchase originations.

Results of Operations

Given continued uncertainty surrounding the health of the housing market, interest rate environment and inflationary conditions, financial performance for current and prior periods may not be indicative of future performance.

Revenue

	Three Months Ended June 30,		2022 to 2023		% of Total Revenue Three Months Ended June 30,	
	2023	2022	$ Change	% Change	2023	2022
	(in millions, except percentages, unaudited)					
Residential	$ 380	$ 392	$ (12)	(3)%	75 %	78 %
Rentals	91	71	20	28	18	14
Mortgages	24	29	(5)	(17)	5	6
Other	11	12	(1)	(8)	2	2
Total revenue	$ 506	$ 504	$ 2	— %	100 %	100 %

	Six Months Ended June 30,			2022 to 2023					% of Total Revenue Six Months Ended June 30,	
	2023		2022		$ Change	% Change			2023	2022
	(in millions, except percentages, unaudited)									
Residential	$	741	$	810	$	(69)	(9)%		76 %	78 %
Rentals		165		132		33	25		17	13
Mortgages		50		75		(25)	(33)		5	7
Other		19		23		(4)	(17)		2	2
Total revenue	$	975	$	1,040	$	(65)	(6)%		100 %	100 %

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Total revenue increased $2 million to $506 million:

- Rentals revenue increased $20 million, or 28%, year over year. The increase in Rentals revenue was primarily due to growth in average monthly rentals unique visitors which increased 15% to 31 million during the three months ended June 30, 2023 from 27 million during the three months ended June 30, 2022. Average monthly rentals unique visitors are measured with Comscore data, which includes average monthly unique visitors on rental listings on Zillow, Trulia and HotPads mobile apps and websites. The increase in Rentals revenue was also driven by a 12% increase in quarterly revenue per average monthly rentals unique visitor to $2.94 for the three months ended June 30, 2023 as compared to $2.63 for the three months ended June 30, 2022, primarily driven by lower occupancy rates and the corresponding increase in advertising spend from multifamily property managers. We calculate quarterly revenue per average monthly rentals unique visitor by dividing total Rentals revenue for the period by the average monthly rentals unique visitors for the period and then dividing by the number of quarters in the period.

- Residential revenue decreased $12 million, or 3%, year over year, primarily driven by macro housing market factors including low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates as well as home price fluctuations. These factors resulted in a 4% decrease in Premier Agent revenue during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The decrease in Residential revenue was driven by an 8% decrease in the number of visits for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 due to the macro housing market factors described above. The impact of this decrease was partially offset by a 6% increase in Residential revenue per visit to $0.143 for the three months ended June 30, 2023 from $0.135 for the three months ended June 30, 2022 driven by continued improvement in our ability to connect high-intent customers. We calculate Residential revenue per visit by dividing the revenue generated by our Residential offerings by the number of visits in the period. We expect Residential revenue to decrease in absolute dollars during the three months ending September 30, 2023, primarily due to continued pressure from the macro housing market factors described above.

- Mortgages revenue decreased $5 million, or 17%, year over year due to a decline in our Custom Quote and Connect advertising services revenue. The decrease in our Custom Quote and Connect advertising revenue was primarily due to a 23% decrease in leads generated from marketing products sold to mortgage professionals. This decrease in leads was driven by a decrease in demand for mortgages attributable to the higher interest rate environment as compared to the prior year period.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Total revenue decreased $65 million, or 6%, to $975 million:

- Residential revenue decreased $69 million, or 9%, year over year, primarily driven by macro housing market factors including low housing inventory, fewer new for-sale listings, increases and volatility in mortgage interest rates as well as home price fluctuations. These factors resulted in an 11% decrease in Premier Agent revenue during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. These factors also resulted in a 2% decrease in Residential revenue per visit to $0.144 for the six months ended June 30, 2023 from $0.147 for the six months ended June 30, 2022.

- Mortgages revenue decreased $25 million, or 33%, year over year. This decrease was due to a decline in our Custom Quote and Connect advertising services revenue, which drove 62% of the decrease, and a decrease in mortgage originations revenue, which drove 33% of the decrease. The decrease in our Custom Quote and Connect advertising revenue was primarily due to a 32% decrease in leads generated from marketing products sold to mortgage professionals. This decrease in leads was driven by a decrease in demand for mortgages attributable to the higher interest rate environment as compared to the prior year period. The decrease in mortgage originations revenue was due to a 42% decrease in total loan origination volume from $1.0 billion for the six months ended June 30, 2022 to $602 million for the six months ended June 30, 2023, primarily resulting from a decrease in demand for refinance mortgages attributable to the higher interest rate environment as compared to the prior year period. The decrease in mortgage originations revenue was partially offset by a 13% increase in gain on sale margin. Gain on sale margin represents the net gain on sale of mortgage loans divided by total loan origination volume for the period. Net gain on sale of mortgage loans includes all components related to the origination and sale of mortgage loans, including the net gain on sale of loans into the secondary market, loan origination fees, unrealized gains and losses associated with changes in fair value of interest rate lock commitments and mortgage loans held for sale, realized and unrealized gains or losses from derivative financial instruments and the provision for losses relating to representations and warranties.

- Rentals revenue increased $33 million, or 25%, year over year. The increase in Rentals revenue was primarily due to growth in average monthly rentals unique visitors which increased 15% to 30 million during the six months ended June 30, 2023 from 26 million during the six months ended June 30, 2022. The increase in Rentals revenue was also driven by an 8% increase in quarterly revenue per average monthly rentals unique visitor to $2.75 for the six months ended June 30, 2023 as compared to $2.54 for the six months ended June 30, 2022, primarily driven by lower occupancy rates and the corresponding increase in advertising spend from multifamily property managers.

Adjusted EBITDA

The following table summarizes net income (loss), which includes the impact of discontinued operations, and Adjusted EBITDA, which excludes the impact of discontinued operations (in millions, except percentages):

	Three Months Ended June 30,		2022 to 2023		% of Revenue Three Months Ended June 30,	
	2023	2022	$ Change	% Change	2023	2022
Net income (loss)	$ (35)	$ 8	$ (43)	(538)%	(7)%	2 %
Adjusted EBITDA	$ 111	$ 145	$ (34)	(23)%	22 %	29 %

	Six Months Ended June 30,		2022 to 2023		% of Revenue Six Months Ended June 30,	
	2023	2022	$ Change	% Change	2023	2022
Net income (loss)	$ (57)	$ 24	$ (81)	(338)%	(6)%	2 %
Adjusted EBITDA	$ 215	$ 311	$ (96)	(31)%	22 %	30 %

To provide investors with additional information regarding our financial results, we have disclosed Adjusted EBITDA, a non-GAAP financial measure, within this Quarterly Report on Form 10-Q. We have provided a reconciliation below of Adjusted EBITDA to net income (loss), the most directly comparable U.S. generally accepted accounting principle ("GAAP") financial measure.

We have included Adjusted EBITDA in this Quarterly Report on Form 10-Q as it is a key metric used by our management and Board to measure operating performance and trends and to prepare and approve our annual budget. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the results of discontinued operations;
- Adjusted EBITDA does not consider the potentially dilutive impact of share-based compensation;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect impairment and restructuring costs;
- Adjusted EBITDA does not reflect acquisition-related costs;
- Adjusted EBITDA does not reflect interest expense or other income;
- Adjusted EBITDA does not reflect income taxes; and
- Other companies, including companies in our own industry, may calculate Adjusted EBITDA differently from the way we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash-flow metrics, net income (loss) and our other GAAP results.

The following table presents a reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, which is net income (loss) for each of the periods presented (in millions, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Reconciliation of Adjusted EBITDA to Net Income (Loss):				
Net income (loss)	$ (35)	$ 8	$ (57)	$ 24
Loss from discontinued operations, net of income taxes	—	2	—	11
Income taxes	1	(9)	1	(4)
Other income	(42)	(5)	(74)	(7)
Depreciation and amortization	45	41	85	80
Share-based compensation	130	99	233	176
Impairment and restructuring costs	2	—	8	14
Acquisition-related costs	1	—	1	—
Interest expense	9	9	18	17
Adjusted EBITDA	$ 111	$ 145	$ 215	$ 311

Costs and Expenses, Gross Profit and Other Items

	Three Months Ended June 30,		2022 to 2023		% of Total Revenue Three Months Ended June 30,	
	2023	2022	$ Change	% Change	2023	2022
	(in millions, except percentages, unaudited)					
Cost of revenue	$ 104	$ 97	$ 7	7 %	21 %	19 %
Gross profit	402	407	(5)	(1)	79	81
Operating expenses:						
Sales and marketing	173	163	10	6	34	32
Technology and development	140	119	21	18	28	24
General and administrative	153	120	33	28	30	24
Impairment and restructuring costs	2	—	2	—	—	—
Acquisition-related costs	1	—	1	—	—	—
Total operating expenses	469	402	67	17	93	80
Other income	42	5	37	740	8	1
Interest expense	(9)	(9)	—	—	(2)	(2)
Income tax benefit (expense)	(1)	9	(10)	(111)	—	2

	Six Months Ended June 30,		2022 to 2023		% of Total Revenue Six Months Ended June 30,	
	2023	2022	$ Change	% Change	2023	2022
	(in millions, except percentages, unaudited)					
Cost of revenue	$ 196	$ 189	$ 7	4 %	20 %	18 %
Gross profit	779	851	(72)	(8)	80	82
Operating expenses:						
Sales and marketing	329	337	(8)	(2)	34	32
Technology and development	277	227	50	22	28	22
General and administrative	276	232	44	19	28	22
Impairment and restructuring costs	8	14	(6)	(43)	1	1
Acquisition-related costs	1	—	1	—	—	—
Total operating expenses	891	810	81	10	91	78
Other income	74	7	67	957	8	1
Interest expense	(18)	(17)	(1)	(6)	(2)	(2)
Income tax benefit (expense)	(1)	4	(5)	(125)	—	—

Cost of Revenue

Cost of revenue consists of expenses related to operating our mobile applications and websites, including associated headcount-related expenses, such as salaries, benefits, bonuses and share-based compensation expense, as well as revenue-sharing costs related to our commercial business relationships, depreciation expense, and costs associated with hosting our mobile applications and websites. Cost of revenue also includes amortization costs related to capitalized website and development activities, amortization of software, amortization of certain intangible assets and other costs to obtain data used to populate our mobile applications and websites, and amortization of certain intangible assets recorded in connection with acquisitions, including developed technology. Cost of revenue also includes credit card fees and ad serving costs paid to third parties, and direct costs to originate mortgage loans, including underwriting and processing costs.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Cost of revenue increased $7 million, or 7%, year over year, primarily driven by increases of $4 million in depreciation and amortization expense due to an increase in capitalized website and development activities, $2 million in ad serving costs and $2 million in software and hardware costs. The increases were partially offset by a $2 million decrease in lead acquisition costs.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Cost of revenue increased $7 million, or 4%, year over year, primarily driven by increases of $7 million in depreciation and amortization expense due to an increase in capitalized website and development activities, $3 million in ad serving costs and $3 million in software and hardware costs. The increases were partially offset by a $7 million decrease in lead acquisition costs due to a decrease in loan origination volumes.

Gross Profit

Gross profit is calculated as revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross profit has and will continue to be affected by a number of factors, including the mix of revenue from our various product offerings.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Gross profit decreased by $5 million, or 1%, due to increases in cost of revenue, primarily associated with additional depreciation and amortization expenses, which outpaced the growth of revenue. Total gross margin decreased from 81% to 79%.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Gross profit decreased by $72 million, or 8%, primarily due to a decrease in revenue, discussed above. Total gross margin decreased from 82% to 80%.

Sales and Marketing

Sales and marketing expenses consist of advertising costs and other sales expenses related to promotional and marketing activities, headcount-related expenses, including salaries, commissions, benefits, bonuses and share-based compensation expense for sales, sales support, customer support, including the customer connections team and mortgage loan officers and specialists, marketing and public relations employees, depreciation expense and amortization of certain intangible assets recorded in connection with acquisitions, including trade names and trademarks and customer relationships.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Sales and marketing expenses increased $10 million, or 6%, due to increases of $4 million in marketing and advertising costs and $4 million in headcount-related expenses, including share-based compensation expense, as we continue to invest and support the growth of our business, as well as a $2 million increase in travel expenses. The increases were partially offset by a $2 million decrease in third-party professional service fees.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Sales and marketing expenses decreased $8 million, or 2%, due to decreases of $8 million in marketing and advertising costs due to active cost management, $3 million in third-party professional service fees and $3 million in depreciation and amortization expense. The decreases were partially offset by a $5 million increase in travel expenses and a $2 million increase in software and hardware costs.

Technology and Development

Technology and development expenses consist of headcount-related expenses, including salaries, benefits, bonuses and share-based compensation expense for individuals engaged in the design, development and testing of our products, mobile applications and websites and the tools and applications that support our products. Technology and development expenses also include equipment and maintenance costs and depreciation expense.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

Technology and development expenses increased $21 million, or 18%, primarily due to an increase of $17 million in headcount-related expenses, including share-based compensation expense, primarily driven by the August 2022 Equity Award Actions.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Technology and development expenses increased $50 million, or 22%, primarily due to an increase of $41 million in headcount-related expenses, including share-based compensation expense, primarily driven by the August 2022 Equity Award Actions, $4 million in third-party professional service fees and $3 million in travel expenses.

General and Administrative

General and administrative expenses consist of headcount-related expenses, including salaries, benefits, bonuses and share-based compensation expense for executive, finance, accounting, legal, human resources, recruiting, corporate information technology costs and other administrative support. General and administrative expenses also include legal settlement costs and estimated legal liabilities, legal, accounting and other third-party professional service fees, rent expense, depreciation expense and bad debt expense.

Three months ended June 30, 2023 compared to three months ended June 30, 2022

General and administrative expenses increased $33 million, or 28%, primarily due to an increase of $30 million in headcount-related expenses, including share-based compensation expense. The increase in headcount-related expenses was primarily driven by a $17 million increase in share-based compensation expense associated with the departures of certain personnel, as well as the impact of the August 2022 Equity Award Actions. We expect general and administrative expenses to decrease in absolute dollars for the three months ending September 30, 2023 as a result of the impact of costs associated with the departure of certain personnel recorded in the three months ended June 30, 2023, as discussed above.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

General and administrative expenses increased $44 million, or 19%, primarily due to an increase of $44 million in headcount-related expenses, including share-based compensation expense. The increase in headcount-related expenses was impacted by a $17 million increase in share-based compensation expense associated with the departures of certain personnel, as well as the impact of the August 2022 Equity Award Actions.

Impairment and Restructuring Costs

Impairment and restructuring costs were $2 million and $8 million for the three and six months ended June 30, 2023, respectively. Costs incurred during the three months ended June 30, 2023 primarily pertained to employee termination costs that did not relate to the Zillow Offers wind down. Costs incurred during the six months ended June 30, 2023 also include impairment costs of $6 million related to reductions in our right of use assets associated with changes in the use of certain office space in our lease portfolio.

There were no impairment and restructuring costs incurred during the three months ended June 30, 2022. Such costs totaled $14 million for the six months ended June 30, 2022. These costs do not qualify as discontinued operations and were primarily attributable to employee termination costs associated with the wind down of Zillow Offers operations. For additional information regarding these costs, see Note 3 of our Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Other Income

Other income consists primarily of interest income earned on our cash, cash equivalents and investments and fair value adjustments on an outstanding warrant.

Other income increased $37 million and $67 million for the three and six months ended June 30, 2023, respectively. The increase in other income was primarily driven by increases in returns on investments due to the higher interest rate environment as compared to the prior year period.

Income Taxes

We are primarily subject to income taxes in the United States (federal and state), as well as certain foreign jurisdictions. As of June 30, 2023 and December 31, 2022, we have provided a valuation allowance against our net deferred tax assets that we believe, based on the weight of available evidence, are not more likely than not to be realized. There is a reasonable possibility that within the next several years, sufficient positive evidence will become available to demonstrate that a significant portion of the valuation allowance against our U.S. net deferred tax assets will no longer be required. We have accumulated federal tax losses of approximately $1.8 billion as of December 31, 2022, which are available to reduce future taxable income. We have accumulated state tax losses of approximately $63 million (tax effected) as of December 31, 2022.

We recorded income tax expense of $1 million for the three and six months ended June 30, 2023, primarily related to state income taxes. We recorded an income tax benefit of $9 million for the three months ended June 30, 2022 and an income tax benefit of $4 million for the six months ended June 30, 2022, primarily related to state income taxes.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash flows from operations, debt financing and equity offerings. Our cash requirements consist principally of working capital, general corporate needs and mortgage loan originations. We generally reinvest available cash flows from operations into our business and to service our debt obligations.

Sources of Liquidity

As of June 30, 2023 and December 31, 2022, we had cash and cash equivalents, investments and restricted cash of $3.3 billion and $3.4 billion, respectively. Cash and cash equivalents balances consist of operating cash on deposit with financial institutions and money market funds. Investments consist of fixed income securities, which include U.S. government treasury securities, U.S. government agency securities, investment grade corporate securities, and commercial paper. Restricted cash primarily consists of amounts held in escrow related to funding customer home purchases in our mortgage origination business. Amounts on deposit with third-party financial institutions exceed the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation insurance limits, as applicable. As of June 30, 2023, Zillow Group and its subsidiaries were in compliance with all debt covenants specified in the facilities described below.

From time to time, our liquidity is affected by our use of cash and capital resources to finance acquisitions. On July 31, 2023, we acquired Aryeo, Inc., a software company which serves real estate photographers, for approximately $35 million in a combination of cash and our Class C capital stock, subject to certain adjustments.

We believe that cash from operations and cash and cash equivalents and investment balances will be sufficient to meet our ongoing operating activities, working capital, capital expenditures, strategic acquisitions and investments and other capital requirements for at least the next 12 months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operations, debt financing and equity offerings, as applicable.

Summarized Cash Flow Information

The cash flows related to discontinued operations have not been separated. Accordingly, the condensed consolidated statements of cash flows and the following discussions include the results of continuing and discontinued operations for the six months ended June 30, 2022. There were no cash flows related to discontinued operations for the six months ended June 30, 2023. See Note 3 in our Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for additional information on discontinued operations, including supplemental cash flow information. The following table presents selected cash flow data for the periods presented (in millions, unaudited):

	Six Months Ended June 30,	
	2023	**2022**
Cash Flow Data:		
Net cash provided by operating activities	$ 193	$ 4,255
Net cash provided by (used in) investing activities	84	(934)
Net cash used in financing activities	(177)	(3,976)

Cash Flows Provided By Operating Activities

Our operating cash flows result primarily from cash received from real estate professionals, rental professionals, mortgage professionals, builders and brand advertisers, as well as cash received from sales of mortgages originated by Zillow Home Loans and, prior to September 30, 2022, from customers for sales of homes through Zillow Offers. Our primary uses of cash from operating activities include marketing and advertising activities, mortgages funded through Zillow Home Loans and employee compensation and benefits. Additionally, uses of cash from operating activities include costs associated with operating our mobile applications and websites and other general corporate expenditures. Prior to the wind down of Zillow Offers operations, our primary uses of cash from operating activities also included payments for homes purchased through Zillow Offers.

For the six months ended June 30, 2023, net cash provided by operating activities was $193 million. This was driven by a net loss of $57 million, adjusted by share-based compensation of $233 million, depreciation and amortization of $85 million, amortization of right of use assets of $12 million, accretion of bond discount of $20 million, amortization of contract cost assets of $11 million, and amortization of debt issuance costs of $3 million. Changes in operating assets and liabilities decreased cash provided by operating activities by $75 million. The changes in operating assets and liabilities are primarily related to a $32 million increase in mortgage loans held for sale due to an increase in purchase loan origination volume, a $30 million increase in prepaid expenses and other current assets and a $19 million increase in accounts receivable both primarily due to an increase in revenue from products and services billed in arrears, a $15 million decrease in lease liabilities due to contractual lease payments, an $11 million increase in contract cost assets and a $2 million decrease in other long term liabilities. These changes were partially offset by a $27 million increase in accrued expenses and other current liabilities primarily driven by the timing of billings, a $5 million increase in deferred revenue and a $2 million increase in accrued compensation and benefits.

For the six months ended June 30, 2022, net cash provided by operating activities was $4.3 billion. This was driven by net income of $24 million, adjusted by share-based compensation of $193 million, depreciation and amortization of $87 million, amortization of debt discount and debt issuance costs of $24 million, a loss on extinguishment of debt of $21 million, amortization of contract cost assets of $16 million, amortization of right of use assets of $11 million, accretion of bond discount of $11 million, and $11 million in other adjustments to reconcile net income to net cash provided by operation activities. Changes in operating assets and liabilities increased cash provided by operating activities by $3.9 billion. The changes in operating assets and liabilities were primarily related to a $3.9 billion decrease in inventory, an $81 million decrease in accounts receivable, primarily associated with the wind down of Zillow Offers operations, a $46 million decrease in mortgage loans held for sale, and a $4 million decrease in prepaid expenses and other current assets primarily related to the repayment of the term loans associated with our Zillow Offers securitization transactions. These changes were partially offset by a $69 million decrease in accrued expenses and other current liabilities driven primarily by the wind down of Zillow Offers operations, a $47 million decrease in accrued compensation and benefits, an $8 million increase in contract cost assets, and an $8 million decrease in lease liabilities.

Cash Flows Provided By (Used In) Investing Activities

Our primary investing activities include the purchase and sale or maturity of investments and the purchase of property and equipment and intangible assets.

For the six months ended June 30, 2023, net cash provided by investing activities was $84 million. This was the result of $168 million of net proceeds from the maturity of investments and $84 million of purchases of property and equipment and intangible assets.

For the six months ended June 30, 2022, net cash used in investing activities was $934 million. This was the result of $863 million of net purchases of investments and $71 million of purchases of property and equipment and intangible assets.

Cash Flows Used In Financing Activities

Net cash used in financing activities has primarily resulted from repurchases of Class A common stock and Class C capital stock, the exercise of employee option awards, repayments of borrowings on the warehouse lines of credit and master repurchase agreements related to Zillow Home Loans, and, prior to September 30, 2022, settlement of long term debt including our Zillow Offers securitization term loans, proceeds from our Zillow Offers securitization transaction, and proceeds from and repayments of borrowings on our credit facilities related to Zillow Offers.

For the six months ended June 30, 2023, net cash used in financing activities was $177 million, which primarily related to $236 million of cash paid for share repurchases, partially offset by $30 million of proceeds from the exercise of option awards and $29 million of net borrowings on our warehouse line of credit and master repurchase agreements related to Zillow Home Loans.

For the six months ended June 30, 2022, cash used in financing activities was $4.0 billion, which was primarily related to $2.2 billion of repayments on borrowings of our credit facilities related to Zillow Offers, $1.2 billion for the partial repayment of the term loans associated with the Zillow Offers securitization transactions, $597 million of cash paid for share repurchases and $58 million of net repayments on our warehouse line of credit and master repurchase agreements related to Zillow Home Loans. The cash outflows were partially offset by $42 million of proceeds from the exercise of option awards.

Capital Resources

We continue to invest in the development and expansion of our operations. Ongoing investments include, but are not limited to, improvements in our technology platforms, infrastructure and continued investments in sales and marketing. To finance these investments and ongoing operations, and in the event that we require additional funding to support strategic business opportunities, we have issued convertible senior notes. As of June 30, 2023, we have $1.7 billion aggregate principal of convertible senior notes outstanding. The convertible notes are senior unsecured obligations, and interest on the convertible notes is paid semi-annually. The following table summarizes our convertible senior notes as of the periods presented (in millions, except interest rates):

			June 30, 2023	December 31, 2022
Maturity Date	**Aggregate Principal Amount**	**Stated Interest Rate**	**Carrying Value**	**Carrying Value**
September 1, 2026	$ 499	1.375 %	$ 496	$ 495
May 15, 2025	565	2.75 %	561	560
September 1, 2024	608	0.75 %	606	605
Total	$ 1,672		$ 1,663	$ 1,660

We may from time to time seek to redeem, retire or purchase outstanding debt through cash purchases and/or exchanges for cash, shares of stock or a combination of cash and stock, pursuant to the redemption terms of such debt securities, in open market purchases, privately negotiated transactions or otherwise. In particular, the 2024 Notes and 2026 Notes may be redeemed if the last reported sale price of our Class C capital stock exceeds $56.56 per share for a specified period of trading days. To the extent our Class C capital stock price rises above those levels, we may redeem the 2024 Notes and/or 2026 Notes, in which case, we would expect to settle any conversions in cash up to the principal amount and shares of Class C capital stock for any conversion obligation in excess of the principal amount. Such redemptions, repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved in any such transactions, individually or in the aggregate, may be material. Refer to Note 8 of our Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for additional information regarding our convertible senior notes, including conversion rates, conversion and redemption dates and the related capped call transactions.

Prior to July 31, 2023, the Board authorized the repurchase of up to $1.8 billion of our Class A common stock, Class C capital stock, outstanding convertible senior notes or a combination thereof. During the six months ended June 30, 2023, we repurchased 0.8 million shares of Class A common stock and 4.5 million shares of Class C capital stock at an average price of $44.12 and $44.76 per share, respectively, for an aggregate purchase price of $36 million and $200 million, respectively. As of June 30, 2023, $264 million remained available for future repurchases pursuant to this authorization, which repurchases decrease our liquidity and capital resources when effected. For additional information on this authorization, see Notes 13 and 15 to our Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. On July 31, 2023, the Board authorized the repurchase of up to an additional $750 million of Class A common stock, Class C capital stock, convertible senior notes or a combination thereof, which increases the amount available for future repurchases to $1.0 billion under our total authorizations of $2.5 billion.

Zillow Home Loans operations impact our liquidity and capital resources as a cash intensive business that funds mortgage loans originated for resale in the secondary market. We primarily use debt financing to fund mortgage loan originations. The following table summarizes our warehouse line of credit and master repurchase agreements as of the periods presented (in millions, except interest rates):

Lender	Maturity Date	Maximum Borrowing Capacity	Outstanding Borrowings at June 30, 2023	Outstanding Borrowings at December 31, 2022	Weighted Average Interest Rate
Atlas Securitized Products, L.P. (1)	March 11, 2024	$ 50	$ 19	$ 23	7.07 %
JPMorgan Chase Bank, N.A.	May 30, 2024	100	8	—	6.75 %
Citibank, N.A.	June 9, 2023	—	—	3	— %
Comerica Bank	December 29, 2023	50	39	11	7.05 %
	Total	$ 200	$ 66	$ 37	

(1) Agreement was reassigned from Credit Suisse AG, Cayman Islands on May 25, 2023. No other material changes were made to the agreement in connection with the reassignment.

Refer to Note 8 of our Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q for additional information on Zillow Group's warehouse line of credit and master repurchase agreements.

Contractual Obligations and Other Commitments

Convertible Senior Notes - Includes the aggregate principal amounts of the 2024 Notes, 2025 Notes and 2026 Notes due on their contractual maturity dates, as well as the associated coupon interest. As of June 30, 2023, we have an outstanding aggregate principal amount of convertible senior notes of $1.7 billion, none of which is payable within 12 months. Future interest payments associated with the convertible senior notes total $61 million, with $27 million payable within 12 months. Refer to Note 8 of our Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for maturity dates, stated interest rates and additional information on our convertible senior notes.

Credit Facilities - Includes principal amounts due for amounts borrowed under the warehouse line of credit and master repurchase agreements to finance mortgages originated through Zillow Home Loans. As of June 30, 2023, we have outstanding principal amounts of $66 million. Amounts exclude an immaterial amount of estimated interest payments.

Operating Lease Obligations - Our lease portfolio primarily comprises operating leases for our office space. For additional information regarding our operating leases, see Note 12 to our Notes to Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Additionally, as of June 30, 2023, we had outstanding letters of credit of approximately $12 million, which secure our lease obligations in connection with certain of the operating leases of our office spaces.

Purchase Obligations - We have non-cancellable purchase obligations for content related to our mobile applications and websites and certain cloud computing costs. During the six months ended June 30, 2023, there were no material changes to the purchase commitments disclosed in Note 18 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures. We evaluate our estimates, judgments and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates, and the health of the real estate market and the broader economy have introduced significant additional uncertainty with respect to estimates, judgments and assumptions, which may materially impact our estimates. For information on our critical accounting policies and estimates, see Part II Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. There have been no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

Under our current investment policy, we invest our excess cash in money market funds, U.S. government treasury securities, U.S. government agency securities, investment grade corporate securities and commercial paper. Our current investment policy seeks first to preserve capital, second to provide sufficient liquidity for our operating and capital needs and third to maximize yield without putting our principal at risk.

Our short-term investments are exposed to market risk due to the fluctuation of prevailing interest rates that may reduce the yield on our investments or their fair value. For our investment portfolio, we do not believe an immediate 10% increase in interest rates would have a material effect on the fair market value of our portfolio.

As of June 30, 2023, we had approximately $1.7 billion aggregate principal amount of convertible senior notes outstanding with maturities ranging from September 2024 through September 2026. All outstanding convertible senior notes bear fixed rates of interest and, therefore, do not expose us to financial statement risk associated with changes in interest rates. The fair values of the convertible senior notes change primarily when the market price of our stock fluctuates or interest rates change.

We are also subject to market risk which may impact our mortgage loan origination volume and associated revenue and the net interest margin derived from borrowings under our warehouse line of credit and master repurchase agreements that provide capital for Zillow Home Loans. Market risk occurs in periods where changes in short-term interest rates result in mortgage loans being originated with terms that provide a smaller interest rate spread above the financing terms of our warehouse line of credit and master repurchase agreements, which can negatively impact our results of operations. This risk is primarily mitigated through the expedited sale of our loans. As of June 30, 2023 and December 31, 2022, we had $66 million and $37 million, respectively, of outstanding borrowings on our warehouse line of credit and master repurchase agreements which bear interest either at a floating rate based on Secured Overnight Financing Rate ("SOFR") plus an applicable margin, as defined by the governing agreements, or Bloomberg Short-Term Bank Yield Index Rate ("BSBY") plus an applicable margin, as defined by the governing agreements. We manage the interest rate risk associated with our mortgage loan origination services through the use of forward sales of mortgage-backed securities. Assuming no change in the outstanding borrowings on the warehouse line of credit and master repurchase agreements, we estimate that a one percentage point increase in SOFR or BSBY, as applicable, would not have a material effect on our annual interest expense associated with the warehouse line of credit and master repurchase agreements as of June 30, 2023 and December 31, 2022.

For additional details related to our credit facilities and convertible senior notes, see Note 8 to our Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Inflation Risk

The macroeconomic environment in the United States has experienced, and continues to experience inflationary pressures. While it is difficult to accurately measure the impact of these inflationary pressures on our business, we believe these effects have been pervasive throughout our business during the past several quarters. In response to ongoing inflationary pressures in the United States, the Federal Reserve has implemented a number of increases to the federal funds rate in recent quarters. These increases have impacted other market rates derived from this benchmark rate, including mortgage interest rates. The increase in mortgage interest rates across the industry has decreased demand for mortgages overall and, in turn, had an adverse impact on our Mortgages revenue.

If inflationary pressures persist, our costs, in particular labor, marketing and hosting costs, may increase and we may not be able to fully offset such higher costs through price increases. In addition, uncertain or changing economic and market conditions, including inflation or deflation, may continue to affect demand for our products and services and the housing markets in which we operate. Our inability or failure to quickly respond to inflation could harm our business, results of operations and financial condition. We cannot predict the duration or magnitude of these inflationary pressures, or how they may change over time, but we expect to see continued impacts on the residential real estate industry, our customers and our company. Despite these near-term effects, we do not expect these inflationary pressures to have a material impact on our ability to execute our long-term business strategy.

Foreign Currency Exchange Risk

We do not believe that foreign currency exchange risk has had a material effect on our business, results of operations or financial condition. As we do not maintain a significant balance of foreign currency, we do not believe an immediate 10% increase or decrease in foreign currency exchange rates relative to the U.S. dollar would have a material effect on our business, results of operations or financial condition.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of June 30, 2023. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that these disclosure controls and procedures were effective as of June 30, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal proceedings in which we are involved, see Note 13 under the subsection titled “Legal Proceedings” in our Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have not been any material changes to the risk factors affecting our business, financial condition or future results from those set forth in Part I, Item 1A (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. However, you should carefully consider the factors discussed in our Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the three months ended June 30, 2023.

Purchase of Equity Securities by the Issuer

The following table summarizes our stock repurchases during the three months ended June 30, 2023 (in millions, except share data which are presented in thousands, and per share amounts):

	Total Number of Shares Purchased		Average Price Paid Per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
Period	Class A common stock	Class C capital stock	Class A common stock	Class C capital stock		
April 1 - April 30, 2023	—	—	$ —	$ —	—	$ 414
May 1 - May 31, 2023	447	2,458	45.17	45.83	2,905	281
June 1 - June 30, 2023	49	323	45.27	46.11	372	264
Total	496	2,781			3,277	

(1) On December 2, 2021, the Board authorized a stock repurchase program granting the authority to repurchase up to $750 million of its Class A common stock, Class C capital stock or a combination of both. On May 4, 2022, the Board authorized the repurchase of up to an additional $1 billion (together the "Repurchase Authorizations") of its Class A common stock, Class C capital stock or a combination thereof. On November 1, 2022, the Board further expanded the Repurchase Authorizations to allow for the repurchase of a portion of our outstanding convertible senior notes. There were no repurchases of convertible senior notes during the three months ended June 30, 2023. On July 31, 2023, the Board expanded the Repurchase Authorizations to authorize the repurchase of up to an additional $750 million of Class A common stock, Class C capital stock, convertible senior notes or a combination thereof. The Repurchase Authorizations do not have an expiration date.

Item 6. Exhibits

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of Zillow Group, Inc. (Filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 17, 2015, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Zillow Group, Inc. (Filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2020, and incorporated herein by reference).
10.1*	Executive Departure Agreement and Release, dated May 17, 2023, by and between Zillow Group, Inc. and Allen Parker.
31.1	Certification of Chief Executive Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1^	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2^	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the inline XBRL document).
*	Indicates a management contract or compensatory plan or arrangement.
^	The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 2, 2023

ZILLOW GROUP, INC.

By:	/s/ JENNIFER ROCK
Name:	Jennifer Rock
Title:	Chief Accounting Officer

Exhibit 10.1

EXECUTIVE DEPARTURE AGREEMENT AND RELEASE

This Executive Departure Agreement and Release ("Agreement") is entered into by and between Allen Parker, his marital community, heirs, successors, and assigns (hereinafter "Executive") and Zillow Group, Inc., its subsidiaries, successors and assigns (collectively hereinafter, the "Company"). Executive has been employed by Zillow, Inc., a wholly-owned subsidiary of Zillow Group, Inc. Executive and the Company are sometimes collectively referred to as the "Parties."

The Parties acknowledge that Executive has been employed as the Chief Financial Officer of the Company, pursuant to the terms and conditions of an Amended and Restated Executive Employment Agreement between them, dated November 13, 2018 (the "Employment Agreement"). The parties further acknowledge that Executive is a participant in the Zillow Group, Inc. Executive Severance Plan, as amended and restated (the "Severance Plan"), pursuant to the terms of the applicable plan documents. The Parties further acknowledge that they wish to end Executive's employment with the Company amicably, and enter into this Agreement to govern the terms of such employment termination.

This Agreement is being presented to Executive on May 17, 2023. In order to become fully effective and for Executive to receive all of the benefits described in this Agreement, among other conditions as set forth in this Agreement, the Agreement must be executed by Executive no later than June 7, 2023 and not revoked (the "Effective Date" of this Agreement is the eighth (8th) day after Executive signs this Agreement and returns it to the Company, so long as it has not been revoked by Executive before that date).

Executive acknowledges that he was removed from his position as Chief Financial Officer and he hereby resigns from any and all other officer or director positions he may hold with the Company or with any Company subsidiary, effective as of May 18, 2023.

Subject to Executive's compliance with the terms and conditions set forth in this Agreement, Executive's transition of his job duties and responsibilities as required under this Agreement, and Executive's execution and non-revocation of a renewed release of claims as set forth on Exhibit D, Executive will receive the following severance benefits and payments as further described in Section 3 below (Severance Benefits):

(a) Twelve (12) months of equity award vesting acceleration;
(b) Eighteen (18) months to exercise vested stock options post-termination (rather than the standard three (3) months);
(c) Payment of the cost of six (6) months of continued medical benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"); and
(d) Six (6) months of cash severance benefits at the rate of Executive's most recent base salary.

The Agreement will only become effective, and these benefits and payments will only be provided to Executive, subject to the terms and conditions set forth herein.

1. **Executive's Representations and Warranties.** Executive specifically represents, warrants, and agrees as follows:

(a) Executive has authority to enter into this Agreement (including, if Executive is married, on behalf of Executive's marital community).

(b) Executive has not transferred, in whole or in part, any rights related to Executive's employment with the Company.

(c) Executive has fully complied with the terms of the Proprietary Rights Agreement dated December 19, 2018 ("Confidentiality Agreement") (attached hereto as Exhibit A, and incorporated herein by reference), which Executive acknowledges having previously signed in exchange for valid consideration. Executive acknowledges and agrees that the terms and conditions of said Confidentiality Agreement are in force now and during the Transition Period (as defined below) and survive the employment relationship, subject to Section 9 below (Rights Not Waived), except that the post-employment restricted period described in Section 4.3 of the Confidentiality Agreement is reduced to six (6) months pursuant to Section 3(d).

(d) Executive is bound by the Mutual Agreement to Arbitrate Claims dated December 19, 2018 ("Arbitration Agreement") (attached hereto as Exhibit B, and incorporated herein by reference), which Executive acknowledges having previously signed in exchange for valid consideration. Executive acknowledges and agrees that the terms and conditions of said Arbitration Agreement are in force and survive the employment relationship, subject to Section 9 below (Rights Not Waived).

2. **Period of Employment.** If Executive signs this Agreement and allows it to become effective, Executive's employment with the Company will continue until February 15, 2024, or such earlier date as Executive's employment may be terminated pursuant to this Section 2 (Executive's last day of employment, whenever it occurs, shall be the "Separation Date").

(a) Transition Period. Between now and the Separation Date (the "Transition Period"), Executive will remain an employee of the Company, and will be expected to transition his duties and responsibilities to Company personnel and perform other duties and tasks as requested by the Company. During the Transition Period, Executive must continue to comply with all of the Company's policies and procedures and with all of Executive's statutory and contractual obligations to the Company (including, without limitation, under this Agreement and the Confidentiality Agreement). During the Transition Period, Executive agrees to exercise the highest degree of professionalism and utilize his expertise and creative talents in performing his job duties.

(b) Compensation During Transition Period. Subject to Executive's compliance with all the terms and conditions of this Agreement, during the Transition Period, Executive will continue to be paid at the same base salary rate, and will continue to be eligible for the Company's standard benefits, subject to the terms and conditions applicable to such plans and programs. In addition, Executive's Company stock options or other equity awards will continue to vest under the existing terms and conditions set forth in the governing plan documents and equity agreements. Executive will not be able to participate in any bonus, commissions, or incentive program, and will only be eligible to receive the cash compensation expressly set forth herein.

(c) Compliance with Agreement. Executive acknowledges and agrees that the Company may terminate his employment at any time during the Transition Period if he fails to comply with the terms of this Agreement. Executive further acknowledges and agrees that in such event, or if the Company terminates Executive's employment for Cause (as defined in the Severance Plan), he will immediately cease to be entitled to any rights to continued vesting of equity compensation as provided for under this Agreement and will no longer be eligible for the severance benefits, as set forth below.

(d) Effect of Other Employment. Executive agrees that within five business days of accepting an offer of employment at another company, he will provide the Company's Chief Executive Officer with written notice of his acceptance of the position. Executive further acknowledges and agrees that upon such employment at another company he will immediately cease to be entitled to any further employment compensation, benefits, or other rights inuring to him under this Agreement (other than severance benefits under the terms and conditions set forth herein), including but not limited to any rights to continued vesting of equity compensation as provided for under this Agreement, and his employment with the Company will terminate.

(e) Effect of Executive's Death or Total Disability. This Agreement and Executive's employment hereunder shall terminate automatically upon the death or Total Disability of Executive. "Total Disability" shall mean Executive's inability, with reasonable accommodation, to perform Executive's duties under this Agreement for a period or periods aggregating ninety (90) days in any period of one hundred eighty (180) consecutive days as a result of physical or mental illness, loss of legal capacity or any other cause beyond Executive's control. Termination under this paragraph shall be deemed to be effective (i) at the end of the calendar month in which Executive's death occurs or (ii) immediately upon a determination by the Board of Directors (or the Compensation Committee thereof) of Executive's Total Disability. In the case of termination of employment under this paragraph, Executive or his legal representatives shall be entitled to any accrued and unpaid vacation pay or other benefits which may be owing in accordance with the Company's policies, and to COBRA benefits to the extent permitted by law, but Executive will not be entitled to any other pay, compensation or benefits, nor to the severance benefits set forth below.

3. **Severance Benefits.** If: (i) Executive timely signs and returns this Agreement and allows it to become effective by not revoking it; (ii) Executive complies with his obligations hereunder during and after the Transition Period; (iii) Executive's employment with the Company is not terminated by the Company for Cause or due to Executive's death or Total Disability prior to February 15, 2024; and (iv) on or within twenty-one (21) days after the Separation Date, Executive executes and returns to the Company the renewed release in Exhibit D (the "Renewal Release" or "Exhibit D") and allows the Renewal Release to become effective by not revoking it, then the Company will deem Executive's employment termination to be an "Involuntary Termination" under the Severance Plan, and accordingly, agrees to provide the following severance benefits to Executive, subject to the terms and conditions described below:

(a) *Equity Award Vesting Acceleration Benefit*. Notwithstanding anything to the contrary in any equity award agreement, within seven days of the Release Effective Date (as defined in the Renewal Release), each outstanding equity grant (e.g., outstanding stock options, restricted stock units, and any other Company equity compensation awards) held by Executive as of the Separation Date (each, an "Award" and collectively, the "Equity Awards") shall automatically become vested and, if applicable, exercisable, as to the portion of such Awards that were scheduled to vest solely based on continued service during the twelve (12) month period following the Separation Date (the "Vesting Acceleration"). As of the Separation Date, Executive understands and agrees that vesting of all Equity Awards shall cease (taking into account the Vesting Acceleration), and the unvested portions of the Equity Awards shall automatically terminate and, if applicable, not become exercisable. Exhibit C lists each Award held by Executive as of the date this Agreement is being presented to Executive, and the extent to which such Award shall be vested as of the Separation Date (assuming for purposes of this Exhibit C that the Separation Date is February 15, 2024), taking into account the Vesting Acceleration, and the extent to which such Award shall terminate as of the Separation Date.

(b) *Extended Option Post-Termination Exercise Period*. Notwithstanding anything to the contrary in any equity award agreement, each outstanding stock option held by Executive that is or becomes vested as of the Separation Date (each, a "Vested Option" and collectively, the "Vested Options") shall remain exercisable until the earlier of (i) eighteen (18) months from the Separation Date or (ii) the latest day upon which the Vested Option would have expired by its original terms under any circumstances. Except as otherwise set forth in this Agreement, each Vested Option shall be subject to the terms and conditions of the individual equity award agreement evidencing the grant and the Zillow Group, Inc. incentive plan under which it was granted.

(c) *Continued Medical Benefits.* The Company will provide Executive with a payment of two thousand five hundred seventy-one dollars and twenty-three cents ($2,571.23) per month, after deduction of applicable taxes and withholdings, estimated as the cost of COBRA coverage for Executive to cover self and dependents, from the Separation Date and for six (6) months thereafter, payable on the first regular payroll date of each such month. The first payment will occur on the first semi-monthly payroll date that is at least seven days after the Release Effective Date.

(d) *Cash Severance Benefits*. In further consideration of six (6) months of Executive's compliance with the post-employment non-compete contained in Section 4.3 of the Confidentiality Agreement, the Company will provide a total of six (6) months of severance payments to Executive at Executive's last base salary rate, on regular semi-monthly Company payroll dates, in the amount of twenty-nine thousand eight hundred and four dollars and seventy-one cents ($29,804.71) per semi-monthly pay period, minus applicable taxes and withholdings. The first payment will occur on the first semi-monthly payroll date that is at least seven days after the Release Effective Date.

Executive specifically acknowledges and agrees that the Company is not obligated to provide any benefit or make any payments set forth in this Section 3 (Severance Benefits) unless Executive agrees to the terms in this Agreement and the Renewal Release (and does not revoke either such agreement) and that these payments and benefits are in exchange for the consideration identified herein. Any violation of the Confidentiality Agreement (subject to Section 9 below, Rights Not Waived) by Executive during the period in which Executive is receiving Cash Severance Benefits pursuant to Section 3(d) shall afford the Company the right to terminate some or all of the Severance Benefits set forth in Section 3(a)-(d) at its sole discretion. All payments made by the Company to Executive under this Agreement will be subject to withholding of applicable income and employment taxes and will be reported to the Internal Revenue Service on Form W-2. Executive agrees that the Company may withhold from any payments payable to Executive under this Agreement any amounts Executive owes to the Company. Except as set forth in Section 9 below (Rights Not Waived), Executive will not at any time seek additional consideration in any form from the Company except as expressly set forth in this Agreement. Executive specifically acknowledges and agrees that the Releasees (defined below) have made no representations to Executive regarding the tax consequences of any payments or benefits received by Executive or for Executive's benefit pursuant to this Agreement.

4. **Final Pay.** On or before the next regular payday after the Separation Date, the Company will pay Executive his normal wages for the most recent pay period through the Separation Date. Executive acknowledges that these payments, together with the payments Executive has already received, represent full payment of all compensation and benefits of any kind (including wages, salary, vacation, sick leave, commissions, bonuses, incentive compensation and equity participation) that Executive earned as a result of Executive's employment by the Company, including pay for all hours worked. Company owes Executive, and shall owe Executive, no further compensation or benefits of any kind, except as described above. In addition, any and all agreements to pay Executive compensation or benefits of any kind are terminated.

5. **Equity Awards.** Executive agrees that Executive is only eligible to retain Equity Awards which have vested on or before the Separation Date, and that no additional or accelerated rights or vesting are being conferred as a result of the termination of Executive's employment or his execution of this Agreement, except as expressly set forth in Section 3 above (Severance Benefits). Except as set forth in Section 3 above, any remaining unvested portions of such grants shall cease to vest and shall automatically terminate as of the Separation Date. Executive understands and agrees that the Company has not made and does not make any representation of any kind or nature whatsoever regarding the past, current, or future value of any equity right granted to Executive during Executive's employment and further understands and agrees that

claims concerning any Equity Grant are addressed by Section 7 below (Release of Claims), and are released and waived according to those terms.

6. **Expense Reimbursement.** Executive shall provide the Company with final expense reports within thirty (30) days following the Separation Date with respect to any eligible business expenses incurred prior to the Separation Date. The Company shall reimburse Executive for such expenses in accordance with, and to the extent such expenses are reimbursable pursuant to, the Company's expense reimbursement policies in effect at the time such expenses were incurred by Executive.

7. **Release of Claims.** Subject to Section 9 below (Rights Not Waived), Executive hereby irrevocably releases the Releasees from any and all claims, rights, penalties, damages, debts, accounts, duties, costs, liens, obligations, liabilities, charges, complaints, causes of action or demands of whatever kind or nature that Executive now has or has ever had against the Releasees, whether known or unknown, that arose on or before the time Executive signed this Agreement, including without limitation any claims related to or arising out of Executive's employment, the decision to terminate that employment, and Executive's separation from employment. The "Releasees" are the Company and each of its subsidiaries, parent companies, affiliates, joint venturers, insurers, insurance policies, and benefit plans; each of the current and former officers, directors, representatives, owners, members, partners, managers, shareholders, employees, agents, servants, administrators, fiduciaries and attorneys of the entities and plans described in this sentence; and the predecessors, successors, transferees, and assigns of each of the persons and entities described in this sentence.

(a) Subject to Section 9 below (Rights Not Waived), this release covers all statutory, common law, constitutional, and other claims, and includes but is not limited to: wrongful or tortious termination, specifically including actual or constructive termination in violation of public policy; any and all contract claims of any nature (except breach of this Agreement), including but not limited to implied or express employment contracts and breach of the covenant of good faith and fair dealing, express or implied; any and all tort claims of any nature, including but not limited to claims for negligence, libel, slander, defamation, misrepresentation, fraud, negligent or intentional infliction of emotional distress, negligent hiring, retention and training, and negligent or intentional interference with business relations; discrimination, harassment, failure to accommodate and/or retaliation under any federal, state or local statute or regulation; any claims brought under any federal, state or local statute or regulation related to military leave and/or reinstatement or related rights; and any claims that could be brought under any applicable local, state, or federal employment discrimination or other statutes, including the Americans with Disabilities Act of 1990 as amended (ADA), the Civil Rights Act of 1964 as amended (including Title VII of that Act), Section 1981 of U.S.C. Title 42, Section 1983 of U.S.C. Title 42, the Equal Pay Act of 1963, the Employee Retirement Income Security Act of 1974 (ERISA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Federal Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act (WARN), the National Labor Relations Act (NLRA), the Labor Management Relations Act (LMRA), the Immigration and Nationality Act, the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the Family and Medical Leave Act (FMLA), the Age Discrimination in

Employment Act of 1967 (ADEA), as amended, 29 U.S.C. §§ 621, *et seq.*, the Sarbanes-Oxley Act, the False Claims Act, the Dodd–Frank Wall Street Reform and Consumer Protection Act, the Consumer Product Safety Improvement Act, the Occupational Safety and Health Act, the Food Safety Modernization Act, the Washington Law Against Discrimination (RCW 49.60), the Washington Family Care Act (RCW 49.12), the Washington Prohibited Employment Practices Law (RCW 49.44), the anti-retaliation provisions of the Washington Industrial Insurance Act (RCW 51.48) and the Washington Industrial Safety and Health Act (RCW 49.17), the Washington Whistleblower Act (RCW 42.40), the Washington Industrial Welfare Act (RCW 49.12), the Washington Agricultural Labor Law (RCW 49.30), the Washington Hours of Labor Law (RCW 49.28), the Washington Veterans Employment and Reemployment Act (RCW 73.16), the Washington Military Family Leave Act (RCW 49.77), the Washington Domestic Violence Leave Law (RCW 49.76), the Washington Little Norris-LaGuardia Act (RCW 49.32), the Washington Fair Credit Reporting Act (RCW 19.182), the Washington Electronic Privacy Act (RCW 9.73), and all similar federal, state, and local laws.

(b) Subject to Section 9 below (Rights Not Waived), Executive agrees not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims Executive is releasing in this Agreement, either through any complaint to any governmental agency or otherwise.

(c) Executive represents that Executive has reported to the Company any and all complaints, lawsuits, declarations, administrative complaints or charges arising from or relating to any claims Executive is releasing in this Agreement. Executive further represents that Executive has not raised a claim of sexual harassment or abuse with the Company. These representations do not limit Executive's right to file certain governmental charges in the future, as stated in Section 9 below (Rights Not Waived).

(d) Executive agrees that this Agreement gives Executive fair economic value for any and all potential claims Executive may have, and that Executive is not entitled to any other damages or relief. Executive understands that Executive is releasing potentially unknown claims, and that Executive has limited knowledge with respect to some of the claims being released. Executive acknowledges that there is a risk that, after signing this Agreement, Executive may learn information that might have affected Executive's decision to enter into this Agreement. Executive acknowledges, for example, that Executive may learn of injuries of which Executive is not presently aware. Executive assumes this risk and all other risks of any mistake in entering into this Agreement. Executive agrees that this release is fairly and knowingly made.

(e) Executive agrees that this Agreement shall be governed by the laws of the State of Washington that apply to contracts executed and to be performed entirely within the State of Washington, but nonetheless expressly agrees to waive all rights under Section 1542 of the California Civil Code and all other similar federal and state law. Section 1542 of the California Civil Code reads as follows:

> A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the

release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Executive consciously intends the foregoing consequences even as to claims for damages that may exist as of the date Executive executes this Agreement that Executive does not know exist, and which, if known, would materially affect Executive's decision to execute this Agreement, regardless of whether the lack of knowledge is the result of ignorance, oversight, error, negligence or any other cause.

8. **No Admission of Liability.** The Company does not admit any liability or wrongdoing whatsoever with respect to any claims Executive is releasing herein, and the Company expressly disclaims any liability to Executive and expressly denies any and all such liability and wrongdoing.

9. **Rights Not Waived.** Notwithstanding the foregoing, this release specifically excludes the following:

(a) **Executive's rights, if any, to receive ERISA-covered benefits (*e.g.,* pension or medical benefits) that are vested pursuant to a formally-adopted and properly- authorized written benefit plan.**

(b) **Claims, charges, complaints, causes of action or demands of whatever kind or nature that post-date this Agreement.**

(c) **Any rights and entitlements that cannot be waived as a matter of law, such as any workers' compensation benefits and any unemployment compensation benefits.**

(d) **Executive's right to (i) file any charges or participate in any investigations or proceedings conducted by the Equal Employment Opportunity Commission (EEOC), the Securities and Exchange Commission (SEC), the National Labor Relations Board (NLRB), the U.S. Department of Labor (DOL), or any other governmental agency, although Executive is waiving any and all right to recovery of any monetary award or individual relief as to all claims Executive is releasing in this Agreement, except for any right Executive may have to receive a payment from a government agency (and not the Company) for information provided to the government agency; or (ii) disclose instances of sexual harassment or sexual assault.**

(e) **Executive's right and ability to (i) provide testimony, information or documents if legally compelled to do so, or (ii) communicate with or provide information or documents to the EEOC, SEC, NLRB, DOL or other governmental agency; however in all cases, Executive agrees to take all reasonable steps (such as redacting information or providing information under seal) to avoid any public disclosure of trade secret information or other confidential business information.**

(f) **Executive's right to discuss or disclose conduct, or the existence of a settlement involving conduct, that Executive reasonably believed to be illegal discrimination,**

illegal harassment, illegal retaliation, a wage and hour violation, or sexual assault, or that is recognized as illegal under state, federal, or common law, or that is recognized as against a clear mandate of public policy, where the conduct occurred at the workplace, at work-related events coordinated by or through the employer, between employees, or between an employer and an employee, whether on or off the employment premises; provided, however, that Executive remains subject to Executive's obligation to keep confidential the amount paid in settlement of any claim.

(g) **Executive's right and ability to take any action to challenge the knowing and voluntary nature of this agreement under the Older Workers Benefit Protection Act (OWBPA). For example, this Agreement does not prevent Executive from filing or pursuing a charge of discrimination, lawsuit or arbitration to the extent it is brought under the federal Age Discrimination in Employment Act of 1967 (ADEA) and challenges the knowing and voluntary nature of this agreement under the OWBPA. Further, nothing in this Agreement shall cause Executive to be liable for damages, attorneys' fees, costs or disbursements in connection with any such charge of discrimination, lawsuit or arbitration to the extent it is so brought. However, if this Agreement is found to be knowing and voluntary under the OWBPA, Executive's release and waiver of claims under the ADEA, as provided in this Agreement, shall be fully effective.**

10. **Consideration Period**. Executive has twenty-one (21) days from the date this Agreement was presented to Executive to consider this Agreement before signing it. Executive may use as much or as little of this period as Executive chooses before signing.

11. **Revocation Period.** Executive has the right to revoke his signature on this Agreement within seven (7) days of execution. To revoke, Executive must send a written letter of revocation pursuant to the notice provisions set forth in Section 16 below (Notices), which must be received within the required seven (7)-day period. If Executive revokes, this Agreement will not become effective or enforceable, and Executive will not be eligible to receive the Severance Benefits described in Section 3 above (Severance Benefits).

12. **Age Discrimination in Employment Act Notice**. Executive expressly acknowledges and agrees that, by entering into this Agreement, Executive is waiving any and all rights or claims that Executive may have arising under the Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the date on which Executive signs this Agreement. Executive further expressly acknowledges and agrees that:

(a) By receiving the consideration identified in this Agreement, Executive will receive compensation beyond that which Executive was already entitled to receive before entering into this Agreement;

(b) Executive was advised by the Company, and is hereby advised, to consult with an attorney of Executive's choosing before signing this Agreement;

(c) Executive has carefully read and understands all of the provisions of this Agreement as written;

(d) Executive knowingly and voluntarily agrees to all of the terms set forth in this Agreement;

(e) Executive knowingly and voluntarily intends to be bound by this Agreement;

(f) Executive was given a copy of this Agreement and informed that Executive has twenty-one (21) days within which to consider the Agreement;

(g) Executive was informed that Executive had seven (7) days following the date of execution of the Agreement in which to revoke the Agreement, as provided in Section 11 above (Revocation Period);

(h) Executive understands that Executive has not waived any rights or claims that may arise under the Age Discrimination in Employment Act of 1967, as amended, (29 U.S.C.§§ 621, *et seq.*), after the date Executive signs this Agreement; and

(i) Executive specifically agrees that modifications to this Agreement, whether material or immaterial, do not restart the running of the twenty-one (21) day period referenced in Section 10 above (Consideration Period).

13. **Workers' Compensation Claims.** Executive acknowledges and agrees that Executive has already filed workers' compensation claim(s) for any and all on-the-job injuries Executive suffered while employed by the Company, and that Executive has not suffered any on- the-job injuries for which Executive has not already filed a workers' compensation claim.

14. **Company Materials.** On or before the Separation Date, Executive shall turn over to the Company all property of the Company, including without limitation all files, memoranda, keys, manuals, equipment, data, records, and other documents, including electronically recorded documents and data that Executive received from the Company or its directors or employees or that Executive generated in the course of his employment with the Company. No later than the Separation Date, Executive shall also provide the Company with access to all Company-related computer files and any and all passwords needed to access those files.

15. **Cooperation with Legal and Licensing Matters.** In exchange for the consideration described in this Agreement, Executive also agrees to fully cooperate in (i) the investigation, arbitration, or other legal action and defense of any claims, charges, allegations, or similar actions involving Releasees arising out of or related to conduct or events allegedly occurring on or before the Separation Date; (ii) the transition of any business licensing and operations matters or responsibilities, if any, Executive may currently hold or maintain on behalf of or related to the Company; and (iii) perform the duties and execute the responsibilities required by applicable regulations. Cooperation with respect to this Section 15 shall include, upon request of the Company, participating in and testifying at depositions, trials, mediations, arbitrations, or

other hearings; providing information in written format such as declaration or affidavit; retaining relevant documents and other materials; being available to the Company and its attorneys for interview or other consultation; and providing general assistance to the Company and its attorneys. Executive further agrees to immediately notify the Company if Executive is subject to a subpoena, investigation, demand, audit, or other inquiry by any state, local or federal regulator, agency, or other third party regarding, pertaining to, or related to the Company. Executive acknowledges that this is a material term of this Agreement, and that breach of this term would cause damage to the Company. Lack of compliance may be shown by failure to notify the Company as required in this Section 15, and/or failure, after notice in writing, to abide by the Company's request.

16. **Notices.** All notices hereunder, to be effective, shall be in writing and shall be delivered by (a) email, and (b) written letter via U.S. Certified Mail to:

If to the Company:
General Counsel Zillow Group, Inc.
1301 Second Avenue, Floor 31
Seattle, WA 98101 generalcounsel@zillowgroup.com

If to Executive:
Allen Parker
Address and email on file at the Company

or to such other address as a party may notify the other pursuant to a notice given in accordance with this Section 16.

17. **Final and Complete Agreement.** This Agreement (together with the Confidentiality Agreement and Arbitration Agreement attached hereto) supersedes all prior understandings between the Parties and represents the entire Agreement between the Parties with respect to all matters involving Executive's employment with or termination from the Company. Executive acknowledges and agrees that the severance benefits offered herein fulfill and exceed all of the Company's obligations to provide Executive with any severance benefits in connection with Executive's employment termination, pursuant to the Severance Plan, the Employment Agreement, and any other agreement, plan or policy. By executing this Agreement, Executive further represents, agrees and acknowledges that nothing has occurred, whether as discussed in this Agreement or as anticipated with respect to the terms of continued employment during the Transition Period, or otherwise, that constitutes or gives rise to Executive's ability to resign his employment for Good Reason (as defined and set forth in the Severance Plan or the Employment Agreement), and the Company's obligations to provide Executive any and all severance benefits will be as set forth in this Agreement. Any modification of this Agreement must be made in a writing that specifically refers to this Agreement and is signed by Executive and the Company. No oral representations have been made or relied upon by the Parties. The Parties have cooperated in the drafting and preparation of this Agreement. The language in all parts of this Agreement

shall be in all cases construed according to its fair meaning and not strictly for or against either of the Parties.

18. **No Disparagement; No Interference.** Subject to Section 9 above (Rights Not Waived), Executive will not make (or direct anyone to make) any negative or derogatory comment to any third party, including current employees, consultants, customers and prospects of the Company and the press, regarding the Company, its affiliates, employees, agents, business, products or related activities, Executive's relationship with the Company, or the termination of that relationship, including on any internet website or through any other social media source or outlet (e.g., Facebook, Twitter, Glassdoor, blogs, etc.), or industry group or chat room, publication or website. Executive will not, apart from good faith competition (as permitted by Executive's Confidentiality Agreement), interfere with the Company's relationships with its customers, employees, vendors, bankers or others, subject to Section 9 above (Rights Not Waived).

19. **Confidentiality of Offers and Agreement.** Subject to the terms of Section 9 above (Rights Not Waived), Executive agrees that the. discussions and negotiations leading to this Agreement are strictly confidential and cannot be disclosed other than to Executive's legal counsel.

20. **Section 409A.** The parties intend that all payments and benefits in this Agreement are exempt from Section 409A of Internal Revenue Code (the "Code"), and any ambiguities or ambiguous terms herein will be interpreted consistently with that intent. To the extent not so exempt, the parties intend that all payments and benefits will comply with Section 409A, and any ambiguities or ambiguous terms herein will be interpreted consistently with that intent. Every payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The severance benefits described herein are intended to be exempt from Section 409A pursuant to Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). Notwithstanding the foregoing, if Executive is a "specified employee" within the meaning of Section 409A of the Code at the time of Executive's separation from service, then no severance pay or benefits payable to Executive, pursuant to this Agreement or otherwise, that are considered deferred compensation for purposes of Section 409A (together, the "Deferred Payments") will be paid until the date that is six (6) months and one (1) day following the date of Executive's separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. If Executive dies prior to the six (6) month anniversary of the separation from service, then any payments delayed by this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit.

21. **Severability.** If any provision of this Agreement or compliance by Executive or the Company with any provision of this Agreement constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, will be deemed modified to the extent necessary so that it is no longer in violation of law, unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, said provision, to the extent that it is in

violation of law, unenforceable or void, will be deemed severable from the remaining provisions of this Agreement, which provisions will remain binding on both Executive and the Company.

22. **Governing Law.** This Agreement is governed by the laws of the State of Washington that apply to contracts executed and to be performed entirely within the State of Washington. Notwithstanding the foregoing, the Parties acknowledge that the Federal Arbitration Act applies to the Arbitration Agreement entered into by the parties.

23. **Venue; Attorneys' Fees.** The parties acknowledge the fact that the Arbitration Agreement excludes claims for temporary equitable relief in aid of arbitration ("Temporary Injunction Proceedings"). To the maximum extent permitted by law, the parties expressly agree to submit to the exclusive jurisdiction and exclusive venue of courts located in the State of Washington, King County, for Temporary Injunction Proceedings, regardless of where Executive resides or where Executive performed services for the Company. Subject to Section 9(f) above (Rights Not Waived), the prevailing party in any legal action will be entitled to an award of attorney's fees and reasonable litigation costs. The Parties may assert this Agreement as a defense to any released claims the Executive might bring.

24. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument, binding on the Parties.

25. **Headings Not Controlling.** The headings in this Agreement are for convenience only and shall not affect the meaning of the terms as set out in the text.

26. **Waiver.** No waiver of any provision of this Agreement shall be valid unless in writing, signed by the party against whom the waiver is sought to be enforced. The waiver of any breach of this Agreement or failure to enforce any provision of this Agreement shall not waive any later breach.

27. **Binding Effect**. This Agreement is binding upon and shall benefit the Parties and their personal representatives, heirs, successors and assigns.

28. **No Reliance. Executive warrants that no promise or inducement has been offered for this Agreement other than as set forth herein and that this Agreement is executed without reliance upon any other promises or representations, oral or written. Executive acknowledges that Executive has had the opportunity to conduct an investigation into the facts and evidence relevant to the decision to sign this Agreement. Executive acknowledges that, in deciding to enter into this Agreement, Executive has not relied on any promise, representation, or other information not contained in this Agreement, and also has not relied on any expectation that the Company has disclosed all material facts. By entering into this Agreement, Executive is assuming all risks that Executive may be mistaken as to the true facts, that Executive may have been led to an incorrect understanding of the true facts, and/or that facts material to Executive's decision to sign this Agreement may have been withheld. Executive will have no claim to rescind this Agreement on the basis of any alleged**

mistake, misrepresentation, or failure to disclose any fact. None of what is stated in this Section 28, however, will affect Executive's right to challenge the validity of this Agreement under the Older Worker Benefit Protection Act (OWBPA).

EXECUTIVE ACKNOWLEDGES AND AGREES THAT EXECUTIVE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS AGREEMENT, THAT EXECUTIVE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF EXECUTIVE'S CHOICE, AND THAT EXECUTIVE SIGNS THIS AGREEMENT WITH THE INTENT OF RELEASING THE RELEASEES FROM ANY AND ALL CLAIMS THAT AROSE ON OR BEFORE THE TIME EXECUTIVE SIGNS THE BELOW ACCEPTANCE TO THE FULL EXTENT PROVIDED IN THIS AGREEMENT.

ACCEPTED AND AGREED TO:

ZILLOW GROUP, INC.

By: /s/ DAN SPAULDING
Name: Dan Spaulding
Title: Chief People Officer
Date: May 17, 2023

EXECUTIVE

By: /s/ ALLEN PARKER
Name: Allen Parker
Date: June 7, 2023

Exhibit A

Confidentiality Agreement

Exhibit B

Arbitration Agreement

Exhibit C
Equity Awards

Award Date	Award Type	Award Price	Award Amount	Vest Date	Awards Vesting	ESP Result
3/6/2020	NQ	$ 49.3500	225,000	5/17/2023	14,062	Normal Vesting
3/5/2021	NQ	$ 38.7800	221,155	5/17/2023	13,822	Normal Vesting
3/7/2022	RSU		90,000	5/17/2023	5,625	Normal Vesting
8/8/2022	RSU		35,951	5/17/2023	4,494	Normal Vesting
3/7/2023	RSU		95,000	5/17/2023	7,923	Normal Vesting
3/6/2020	NQ	$ 49.3500	225,000	8/16/2023	14,063	Normal Vesting
3/5/2021	NQ	$ 38.7800	221,155	8/16/2023	13,822	Normal Vesting
3/7/2022	RSU		90,000	8/16/2023	5,625	Normal Vesting
8/8/2022	RSU		35,951	8/16/2023	4,494	Normal Vesting
3/7/2023	RSU		95,000	8/16/2023	7,923	Normal Vesting
3/6/2020	NQ	$ 49.3500	225,000	11/15/2023	14,062	Normal Vesting
3/5/2021	NQ	$ 38.7800	221,155	11/15/2023	13,823	Normal Vesting
3/7/2022	RSU		90,000	11/15/2023	5,625	Normal Vesting
8/8/2022	RSU		35,951	11/15/2023	4,494	Normal Vesting
3/7/2023	RSU		95,000	11/15/2023	7,923	Normal Vesting
3/6/2020	NQ	$ 49.3500	225,000	2/14/2024	14,063	Normal Vesting
3/5/2021	NQ	$ 38.7800	221,155	2/14/2024	13,822	Normal Vesting
3/7/2022	RSU		90,000	2/14/2024	5,625	Normal Vesting
8/8/2022	RSU		35,951	2/14/2024	4,494	Normal Vesting
3/7/2023	RSU		95,000	2/14/2024	7,923	Normal Vesting
3/5/2021	NQ	$ 38.7800	221,155	5/15/2024	13,822	Accelerate
3/7/2022	RSU		90,000	5/15/2024	5,625	Accelerate
8/8/2022	RSU		35,951	5/15/2024	4,494	Accelerate
3/7/2023	RSU		95,000	5/15/2024	7,923	Accelerate
3/5/2021	NQ	$ 38.7800	221,155	8/14/2024	13,822	Accelerate
3/7/2022	RSU		90,000	8/14/2024	5,625	Accelerate
3/7/2023	RSU		95,000	8/14/2024	7,923	Accelerate
3/5/2021	NQ	$ 38.7800	221,155	11/13/2024	13,822	Accelerate
3/7/2022	RSU		90,000	11/13/2024	5,625	Accelerate
3/7/2023	RSU		95,000	11/13/2024	7,913	Accelerate
3/5/2021	NQ	$ 38.7800	221,155	2/13/2025	13,823	Accelerate
3/7/2022	RSU		90,000	2/13/2025	5,625	Accelerate
3/7/2023	RSU		95,000	2/13/2025	7,914	Accelerate
3/7/2022	RSU		90,000	5/14/2025	5,625	Forfeit
3/7/2023	RSU		95,000	5/14/2025	7,913	Forfeit
3/7/2022	RSU		90,000	8/13/2025	5,625	Forfeit
3/7/2023	RSU		95,000	8/13/2025	7,914	Forfeit
3/7/2022	RSU		90,000	11/12/2025	5,625	Forfeit
3/7/2023	RSU		95,000	11/12/2025	7,913	Forfeit
3/7/2022	RSU		90,000	2/12/2026	5,625	Forfeit
3/7/2023	RSU		95,000	2/12/2026	7,895	Forfeit

Exhibit D

Renewal Release

This is a renewed release agreement (“Renewal Release” or “Exhibit D”) between Allen Parker (“Executive”) and Zillow Group, Inc. (the “Company”). It incorporates the terms of the prior release agreement between Executive and the Company to which this Exhibit is attached (“Agreement”). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Agreement. The parties further agree as follows:

1. General Release of Claims

In consideration for the severance benefits provided to Executive by the Company, Executive, on behalf of himself, his marital community, his heirs, executors, administrators, successors and assigns, agrees to the following:

(a) Subject to the Section below entitled “Rights Not Waived,” Executive hereby irrevocably releases the Releasees from any and all claims, rights, penalties, damages, debts, accounts, duties, costs, liens, obligations, liabilities, charges, complaints, causes of action or demands of whatever kind or nature that Executive now has or has ever had against the Releasees, whether known or unknown, that arose on or before the time Executive signed this Agreement, including without limitation any claims related to or arising out of Executive’s employment and Executive’s separation from employment. The “Releasees” are the Company and each of its subsidiaries, parent companies, affiliates, joint venturers, insurers, insurance policies, and benefit plans; each of the current and former officers, directors, representatives, owners, members, partners, managers, shareholders, employees, agents, servants, administrators, fiduciaries and attorneys of the entities and plans described in this sentence; and the predecessors, successors, transferees, and assigns of each of the persons and entities described in this sentence.

(b) Subject to the Section below entitled “Rights Not Waived,” this release covers all statutory, common law, constitutional, and other claims, and includes but is not limited to: wrongful or tortious termination, specifically including actual or constructive termination in violation of public policy; any and all contract claims of any nature (except breach of this Agreement), including but not limited to implied or express employment contracts and breach of the covenant of good faith and fair dealing, express or implied; any and all tort claims of any nature, including but not limited to claims for negligence, libel, slander, defamation, misrepresentation, fraud, negligent or intentional infliction of emotional distress, negligent hiring, retention and training, and negligent or intentional interference with business relations; discrimination, harassment, failure to accommodate and/or retaliation under any federal, state or local statute or regulation; any claims brought under any federal, state or local statute or regulation related to military leave and/or reinstatement or related rights; and any claims that could be brought under any applicable local, state, or federal employment discrimination or other statutes, including the Americans with Disabilities Act of 1990 as amended (ADA), the Civil Rights Act of 1964 as amended (including Title VII of that Act), Section 1981 of U.S.C. Title 42, Section 1983 of U.S.C. Title 42, the Equal Pay Act of 1963, the Employee Retirement Income Security Act of 1974 (ERISA), the Genetic Information Nondiscrimination Act of 2008 (GINA), the Federal Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act (WARN), the National Labor Relations Act (NLRA), the Labor Management Relations Act (LMRA), the Immigration and Nationality Act, the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), the Family and Medical Leave Act (FMLA), the Age Discrimination in Employment Act of 1967 (ADEA), as amended, 29 U.S.C. §§ 621, et seq., the Sarbanes-Oxley Act, the False Claims Act, the Dodd–Frank Wall Street Reform and Consumer Protection Act, the Consumer Product Safety Improvement Act, the Occupational Safety and Health Act, the Food Safety Modernization Act, the Washington Law Against Discrimination (RCW 49.60), the Washington Family Care Act (RCW 49.12), the Washington Prohibited Employment Practices Law (RCW 49.44), the anti-retaliation provisions of the Washington Industrial Insurance Act (RCW 51.48) and the Washington Industrial Safety and Health Act (RCW 49.17), the Washington Whistleblower Act (RCW 42.40), the Washington Industrial Welfare Act (RCW 49.12), the Washington Agricultural Labor Law (RCW 49.30), the

Washington Hours of Labor Law (RCW 49.28), the Washington Veterans Employment and Reemployment Act (RCW 73.16), the Washington Military Family Leave Act (RCW 49.77), the Washington Domestic Violence Leave Law (RCW 49.76), the Washington Little Norris-LaGuardia Act (RCW 49.32), the Washington Fair Credit Reporting Act (RCW 19.182), the Washington Electronic Privacy Act (RCW 9.73), and all similar federal, state, and local laws.

(c) Subject to the Section below entitled "Rights Not Waived," Executive agrees not to seek any personal recovery (of money damages, injunctive relief, or otherwise) for the claims Executive is releasing in this Renewal Release, either through any complaint to any governmental agency or otherwise.

(d) Executive represents that Executive has reported to the Company any and all complaints, lawsuits, declarations, administrative complaints or charges arising from or relating to any claims Executive is releasing in this Renewal Release. Executive further represents that Executive has not raised a claim of sexual harassment or abuse with the Company. These representations do not limit Executive's right to file certain governmental charges in the future, as stated in the Section below entitled "Rights Not Waived."

(e) Executive understands that Executive is releasing potentially unknown claims, and that Executive has limited knowledge with respect to some of the claims being released. Executive acknowledges that there is a risk that, after signing this Renewal Release, Executive may learn information that might have affected Executive's decision to enter into this Renewal Release. Executive acknowledges, for example, that Executive may learn of injuries of which Executive is not presently aware. Executive assumes this risk and all other risks of any mistake in entering into this Renewal Release. Executive agrees that this release is fairly and knowingly made.

(f) The Company does not admit any liability or wrongdoing whatsoever with respect to any claims Executive is releasing herein, and the Company expressly disclaims any liability to Executive and expressly denies any and all such liability and wrongdoing.

2. Rights Not Waived.

Notwithstanding the foregoing, this release specifically excludes the following:

(a) Executive's rights, if any, to receive ERISA-covered benefits (e.g., pension or medical benefits) that are vested pursuant to a formally-adopted and properly-authorized written benefit plan.

(b) Claims, charges, complaints, causes of action or demands of whatever kind or nature that post-date this Renewal Release.

(c) Any rights and entitlements that cannot be waived as a matter of law, such as any workers' compensation benefits and any unemployment compensation benefits.

(d) Executive's right to (i) file any charges or participate in any investigations or proceedings conducted by the Equal Employment Opportunity Commission (EEOC), the Securities and Exchange Commission (SEC), the National Labor Relations Board (NLRB), the U.S. Department of Labor (DOL), or any other governmental agency, although Executive is waiving any and all right to recovery of any monetary award or individual relief as to all claims Executive is releasing in this Renewal Release, except for any right Executive may have to receive a payment from a government agency (and not the Company) for information provided to the government agency; or (ii) disclose instances of sexual harassment or sexual assault.

(e) Executive's right and ability to (i) provide testimony, information or documents if legally compelled to do so, or (ii) communicate with or provide information or documents to the EEOC, SEC, NLRB, DOL or other governmental agency; however in all cases, Executive agrees to take all reasonable steps (such as redacting information or providing information under seal) to avoid any public disclosure of trade secret information or other confidential business information.

(f) Executive's right to discuss or disclose conduct, or the existence of a settlement involving conduct, that Executive reasonably believed to be illegal discrimination, illegal harassment, illegal retaliation, a wage and hour violation, or sexual assault, or that is recognized as illegal under state, federal, or common law, or that is recognized as against a clear mandate of public policy, where the conduct occurred at the workplace, at work-related events coordinated by or through the employer, between employees, or between an employer and an employee, whether on or off the employment premises; provided, however, that Executive remains subject to Executive's obligation to keep confidential the amount paid in settlement of any claim.

(g) Executive's right and ability to take any action to challenge the knowing and voluntary nature of this agreement under the Older Workers Benefit Protection Act (OWBPA). For example, this Renewal Release does not prevent Executive from filing or pursuing a charge of discrimination, lawsuit or arbitration to the extent it is brought under the federal Age Discrimination in Employment Act of 1967 (ADEA) and challenges the knowing and voluntary nature of this agreement under the OWBPA. Further, nothing in this Renewal Release shall cause Executive to be liable for damages, attorneys' fees, costs or disbursements in connection with any such charge of discrimination, lawsuit or arbitration to the extent it is so brought. However, if this Renewal Release is found to be knowing and voluntary under the OWBPA, Executive's release and waiver of claims under the ADEA, as provided in this Renewal Release, shall be fully effective.

3. ADEA Waiver and Revocation Period

(a) Consideration Period. Executive has twenty-one (21) days from the Separation Date to consider this Renewal Release before signing it. Executive may use as much or as little of this period as Executive chooses before signing.

(b) Revocation Period. Executive has the right to revoke his signature on this Renewal Release within seven (7) days of execution. To revoke, Executive must send a written letter of revocation pursuant to the notice provisions set forth in Section 16 of the Agreement (Notices), which must be received within the required seven (7)-day period. If Executive revokes, this Renewal Release will not become effective or enforceable, and Executive will not receive the Severance Benefits described in Section 3 of the Agreement (Severance Benefits).

(c) Age Discrimination in Employment Act Notice. Executive expressly acknowledges and agrees that, by entering into this Renewal Release, Executive is waiving any and all rights or claims that Executive may have arising under the Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the date on which Executive signs this Renewal Release. Executive further expressly acknowledges and agrees that:

i. By receiving the consideration identified here in and in the Agreement, Executive will receive compensation beyond that which Executive was already entitled to receive before entering into this Renewal Release;

ii. Executive was advised by the Company, and is hereby advised, to consult with an attorney of Executive's choosing before signing this Renewal Release;

iii. Executive has carefully read and understands all of the provisions of this Renewal Release as written;

iv. Executive knowingly and voluntarily agrees to all of the terms set forth in this Renewal Release;

v. Executive knowingly and voluntarily intends to be bound by this Renewal Release;

vi. Executive was given a copy of this Renewal Release and informed that Executive has twenty-one (21) days within which to consider the Renewal Release;

vii. Executive was informed that Executive had seven (7) days following the date of execution of the Renewal Release in which to revoke the Renewal Release;

viii. Executive understands that Executive has not waived any rights or claims that may arise under the Age Discrimination in Employment Act of 1967, as amended, (29 U.S.C.§§ 621, et seq.), after the date Executive signs this Renewal Release; and

ix. Executive specifically agrees that modifications to this Renewal Release, whether material or immaterial, do not restart the running of the twenty-one (21) day period referenced in this Renewal Release above.

(d) Workers' Compensation Claims. Executive acknowledges and agrees that Executive has already filed workers' compensation claim(s) for any and all on-the-job injuries Executive suffered while employed by the Company, and that Executive has not suffered any on- the-job injuries for which Executive has not already filed a workers' compensation claim.

4. Release Effective Date

This Exhibit D becomes effective and binding eight (8) days after Executive signs and returns this Exhibit D to the Company, so long as Executive has not revoked it (the "Release Effective Date").

EXECUTIVE ACKNOWLEDGES AND AGREES THAT EXECUTIVE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS RENEWAL RELEASE, THAT EXECUTIVE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF EXECUTIVE'S CHOICE, AND THAT EXECUTIVE SIGNS THIS RENEWAL RELEASE WITH THE INTENT OF RELEASING THE RELEASEES FROM ANY AND ALL CLAIMS THAT AROSE ON OR BEFORE THE TIME EXECUTIVE SIGNS THE BELOW ACCEPTANCE TO THE FULL EXTENT PROVIDED IN THIS RENEWAL RELEASE.

ACCEPTED AND AGREED TO:

EXECUTIVE

____
Allen Parker

Dated: ____________________________

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13-14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard Barton, certify that:

1. I have reviewed this report on Form 10-Q of Zillow Group, Inc. for the fiscal quarter ended June 30, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By:	/s/ RICHARD BARTON
Name:	Richard Barton
Title:	Chief Executive Officer
Date:	August 2, 2023

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy Hofmann, certify that:

1. I have reviewed this report on Form 10-Q of Zillow Group, Inc. for the fiscal quarter ended June 30, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:	/s/ JEREMY HOFMANN
Name:	Jeremy Hofmann
Title:	Chief Financial Officer
Date:	August 2, 2023

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Zillow Group, Inc. (the "Company") for the fiscal quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Barton, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ RICHARD BARTON
Name:	Richard Barton
Title:	Chief Executive Officer
Date:	August 2, 2023

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Zillow Group, Inc. (the “Company”) for the fiscal quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeremy Hofmann, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	/s/ JEREMY HOFMANN
Name:	Jeremy Hofmann
Title:	Chief Financial Officer
Date:	August 2, 2023