

# ZILLOW<sup>®</sup>GROUP

April 28, 2022

Dear Fellow Shareholders,

During the second year of the pandemic and a year of increased volatility, we made bold decisions that we believe will better position the company to capture the large opportunity that we see ahead.

Over the past 15+ years, Zillow has demonstrated a history of relentless reimagination as we focus on our mission to help people unlock life's next chapter. Four years ago, we made a big bet to continue pushing that innovation when we shifted strategic focus from a purely ad-based business model to one that is focused on transactions. This marked our transition from Zillow 1.0 to what we call Zillow 2.0, and aligned with the start of our iBuying business.

This November, we announced our decision to wind down our iBuying operations. This decision was not taken lightly. Ultimately, we determined that further scaling up iBuying operations was too risky, too volatile to our earnings and operations, provided too little opportunity for return on equity, and served too narrow a portion of our customers. (A detailed discussion of this decision may be found in our Q3 2021 Shareholder Letter<sup>1</sup>.) We have made excellent progress on the wind down and executed well thanks to our dedicated employees.

Today, our mission remains steady, and our vision for Zillow 2.0 remains unchanged. We are moving forward with our strategy to help more high-intent movers find and win their home through digital solutions, first-class partnerships, and easier buying, selling, financing and renting experiences.

We learned a lot from our venture into iBuying. We know our customers better than we ever have before, because we've been in the trenches with them, buying and selling thousands of homes. We've developed valuable software, services, and support that will serve our customers, our partners, and us well in the next phase of our business. And, moving forward we've been freed up to turn our Research & Development capabilities and capacity toward innovating for a much broader set of mover-customers than the narrow focus on iBuying

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<sup>1</sup> [https://s24.q4cdn.com/723050407/files/doc\\_financials/2021/q3/Zillow-Group-Q3%2721-Shareholder-Letter.pdf](https://s24.q4cdn.com/723050407/files/doc_financials/2021/q3/Zillow-Group-Q3%2721-Shareholder-Letter.pdf)

allowed. As we look to the future, we have the building blocks in place and now it's about stacking them in new, impactful ways to solve more problems for more customers and partners.

In February 2022, we published an updated Investor Strategy Deck<sup>2</sup> that details the opportunity we see to capture more mover-customers in our funnel through the concept of the "housing super-app" – an integrated digital experience in which Zillow connects all the fragmented pieces of the moving process and brings them together on one transaction platform. Underpinning this strategy is a significant addressable market with housing-related industry transaction fees of roughly \$300 billion in 2021<sup>3</sup>.

The opportunity is large, and currently, we are a very small part of it, despite our outsized audience and trusted brand. Yet, we believe we are well-positioned to capitalize on this opportunity. No other company has our track record of technology innovation in the housing industry. Over the past 15+ years, we have steadily grown the size of our team of engineers, designers, product managers, data scientists-and-analysts, and many more that make up a formidable investment in Research & Development reflecting our belief in the opportunity ahead. In 2021, we increased our software releases into production four times over our releases in 2015, and we are investing in our ability to further accelerate our pace of innovation for customers and partners.

In 2021, we estimate that 67%<sup>4</sup> of actual U.S. home buyers used Zillow, roughly 25%<sup>5</sup> of actual U.S. home buyers reached out to connect with a Zillow Premier Agent, and approximately 360,000<sup>6</sup> customers transacted with Zillow. We also estimate that our overall customer transaction share is roughly 3%. We are proud of what we have accomplished to date, and see an opportunity to increase our share of customer transactions going forward. We expect to do this by improving our customer experience and funnel with a specific focus on:

- Improving the critical touring experience through ShowingTime, the industry's leading for-sale home-touring reservation system that we acquired in September 2021;

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<sup>2</sup> [https://s24.q4cdn.com/723050407/files/doc\\_financials/2021/q4/Zillow-Investor-Strategy-Presentation-\(February-2022\)-ZG.pdf](https://s24.q4cdn.com/723050407/files/doc_financials/2021/q4/Zillow-Investor-Strategy-Presentation-(February-2022)-ZG.pdf)

<sup>3</sup> Our total addressable market of \$300 billion is inclusive of Zillow Group's estimate of ~\$100bn in referral fees derived from participating in real estate transactions with our partners per the 2021 National Association of REALTORS® U.S. Economic Outlook, Title and Escrow premiums of ~\$26bn per the American Land Title Association and Doma estimates, Mortgage Origination estimated revenue of \$155 bn per the Mortgage Bankers Association, and rentals estimated industry revenue of \$16bn per Fortune Business Insights and Zillow Group internal data.

<sup>4</sup> Internal estimate derived from the annual number of home sales in 2021 per National Association of REALTORS® and Zillow Group internal data and estimates.

<sup>5</sup> Estimated from Zillow Group internal data.

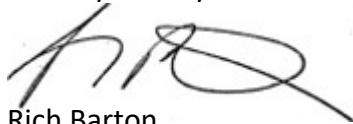
<sup>6</sup> Please see the appendix slides at [https://s24.q4cdn.com/723050407/files/doc\\_financials/2021/q4/Zillow-Investor-Strategy-Presentation-\(February-2022\)-ZG.pdf](https://s24.q4cdn.com/723050407/files/doc_financials/2021/q4/Zillow-Investor-Strategy-Presentation-(February-2022)-ZG.pdf) for important information about this operating metric.

- Preparing customers to be transaction-ready through intuitive and digitized mortgage offerings;
- Developing new seller solutions that leverage learnings from iBuying to stand up new, more asset-light services; and,
- Coupling these product improvements with an enhanced partner agent network including focusing on how we interact with, support, and improve the experience for our partners and our mutual customers.

One of the benefits of these product and service improvements is they have an eye towards integration, which is a win for the customer, a win for our partners, and a win for Zillow because it will drive more transactions and more revenue per transaction. On February 10, 2022, we announced new targets of \$5 billion in annual revenue and 45% EBITDA margins by the end of 2025.

Our foundation and positioning are strong and we are so much smarter, more experienced, and more battle-hardened now than we were a year ago. Innovation is a bumpy road. I'm really proud of our history of innovation, and I have confidence in our ability to accelerate innovation in the months and years ahead. Our company was built on big swings and we're going to continue taking them. We take big swings on products, on technologies, on business models, and even on the future of how our employees work. Big swings are as core to Zillow as the Zestimate, and they are part of what makes our company so special.

Thank you for your continued support.



Rich Barton

Co-founder and Chief Executive Officer, Zillow Group, Inc.

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**A note about Forward-Looking Statements:** This letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties, including, without limitation, statements regarding the future performance and operation of our business, expected wind-down plans of Zillow Offers operations, the current and future health and stability of the residential housing market and economy and our expectations regarding shifts in behavior by customers and employees. Statements containing words such as “may,” “believe,” “anticipate,” “expect,” “intend,” “plan,” “project,” “predict,” “will,” “projections,” “continue,”

“estimate,” “outlook,” “guidance,” “would,” “could” or similar expressions constitute forward-looking statements. Forward-looking statements are made based on information currently available to management, and although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee these results. Differences in Zillow Group’s actual results from those described in these forward-looking statements may result from actions taken by Zillow Group as well as from risks and uncertainties beyond Zillow Group’s control. Factors that may contribute to such differences include, but are not limited to, disruptions in operations (including in our ability to complete the disposition of homes in inventory), and relationships with customers, suppliers, vendors, broker partners, contractors, employees, and lenders given our decision to wind down Zillow Offers operations; unanticipated developments that may prevent, delay or increase the costs associated with our wind down activities; our access to and the availability of financing on terms acceptable to us to finance the purchase of homes through Zillow Offers during the wind down of Zillow Offers operations; the impact of the COVID-19 pandemic (including variants) or other public health crises and any associated economic downturn on our future financial position, operations and financial performance; the magnitude, duration and severity of the COVID-19 pandemic (including variants) and the availability, widespread distribution, use and efficacy of vaccines; the impact of actions taken by governments, businesses and individuals in response to the COVID-19 pandemic (including variants), including changes in laws or regulations that limit our ability to operate; the current and future health and stability of the economy, financial conditions and residential housing market, including any extended slowdown in the real estate markets as a result of the COVID-19 pandemic (including variants); changes in laws or regulations applicable to our business, employees, products or services, including current and future laws, regulations and orders that limit our ability to operate in light of the COVID-19 pandemic (including variants); changes in general economic and financial conditions that reduce demand for our products and services, lower our profitability or reduce our access to credit; actual or anticipated fluctuations in our financial condition and results of operations; changes in projected operational and financial results; addition or loss of significant customers; actual or anticipated changes in our rates of growth and innovation relative to that of our competitors; acquisitions, strategic partnerships, joint ventures, capital-raising activities or other corporate transactions or commitments by us or our competitors; actual or anticipated changes in technology, products, markets or services by us or our competitors; ability to protect the information and privacy of our customers and other third parties; ability to protect our brand and intellectual property; ability to obtain or maintain licenses and permits to support our current and future businesses; ability to comply with MLS rules and requirements to access and use listing data, and to maintain or establish relationships with listings and data providers; ability to operate our mortgage origination business, including the ability to obtain sufficient financing; fluctuations in the valuation of companies perceived by investors to be comparable

to Zillow Group; the impact of natural disasters and other catastrophic events; and the impact of pending or future litigation or regulatory actions; and the issuance of new or updated research or reports by securities analysts. The foregoing list of risks and uncertainties is illustrative but not exhaustive. For more information about potential factors that could affect Zillow Group's business and financial results, please review the "Risk Factors" described in Zillow Group's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC and in Zillow Group's other filings with the SEC. Except as may be required by law, Zillow Group does not intend, and undertakes no duty to update this information to reflect future events or circumstances.