

Zillow Group, Inc. (NASDAQ: Z) — Q1 2026 Financial Results Call

May 6, 2026

Corporate Participants

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Jeremy Hofmann — Chief Financial Officer

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Conference Call Q&A Participants

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This transcript has been edited by Zillow Group, Inc. (“Zillow Group”). It is intended to be consistent with the original Q1 2026 Financial Results Call. For a replay of Zillow Group’s Q1 2026 Financial Results Call, please view the [webcast](#).

This transcript contains forward-looking statements that involve risks and uncertainties, including with respect to Zillow Group’s future performance, product plans, and operating plans. These forward-looking statements were made based on expectations and assumptions as of the date of the Zillow Group Q1 2026 Financial Results Call. Zillow Group undertakes no obligation to update these statements as a result of new information or future events, except as required by law. These forward-looking statements are subject to risks and uncertainties, including those set forth in Zillow Group’s publicly available filings with the U.S. Securities and Exchange Commission.

Prepared Remarks

Operator

Hello, and welcome to Zillow Group’s First Quarter 2026 Financial Results call. We ask that you hold all questions until the completion of the formal remarks, at which time you will be given instructions for the question-and-answer session. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time.

Brad, you may begin.

Brad Berning

Thank you. Good afternoon and welcome to Zillow Group's quarterly Financial Results Call. Joining me today to discuss our results are Zillow Group's CEO, Jeremy Wacksman, and CFO, Jeremy Hofmann.

During today's call, we will make forward-looking statements about our future performance and operating plans based on current expectations and assumptions. These statements are subject to risks and uncertainties, and we encourage you to consider the risk factors described in our SEC filings for additional information. We undertake no obligation to update these statements as a result of new information or future events, except as required by law. Please review the cautionary statement and additional information in our earnings release, which can be found on our Investor Relations website.

This call is being broadcast on the internet and is available on our Investor Relations website. A recording of the call will be available later today.

During the call, we will discuss GAAP and non-GAAP measures, including Adjusted EBITDA, which we refer to as EBITDA, and Adjusted Free Cash Flow, which we refer to as Free Cash Flow. We encourage you to read our shareholder letter and earnings release — which can be found on our Investor Relations website — as they contain important information about our GAAP and non-GAAP results, including reconciliations of historical non-GAAP financial measures.

We will open the call with remarks, followed by live Q&A.

And with that, I will now turn the call over to Jeremy Wacksman.

Jeremy Wacksman

Good afternoon, everyone, and thank you for joining us.

Q1 was another quarter of consistent execution and continued momentum across our business. We delivered revenue near the high end of our outlook range and EBITDA above our outlook, putting us on track toward achieving our full-year goals. That consistency reflects a winning strategy — and a platform that is built to grow.

Our strategy is straightforward: make moving easier by connecting the entire housing journey into one integrated experience supporting both consumers and the professionals who serve them. In For Sale, that encompasses shopping, touring, financing, agent collaboration, and closing for consumers, as well as a suite of agent software tools to make them more efficient at serving clients; and in Rentals, it spans

search, tours, applications, leases and payments. This integration is what drives better outcomes for everyone involved and fuels our growth.

Roughly 80% of our traffic comes directly to us, and we have more than twice the daily active app users of our next closest competitor. Buyers, sellers, renters, and professionals choose Zillow because we build experiences they trust and come back to.

Our Q1 results reflect continued execution and progress across the business.

Total revenue increased 18% year over year in the first quarter, near the high end of our outlook range. We once again outperformed the broader housing market, which stayed essentially flat amid worse-than-expected weather and interest rate volatility.

EBITDA exceeded our outlook, driven by lower costs than planned, and we reported \$46 million of net income. We made further progress on margin expansion, with net income margin up more than 500 basis points year over year.

In For Sale, revenue grew 12% year over year in Q1 to \$514 million, with 8% growth in Residential revenue and 56% growth in Mortgages revenue. Our For Sale performance outpaced industry transaction trends, which were roughly flat, and reflects our ability to convert more high-intent movers as we improve outcomes for consumers through a more integrated experience.

In Rentals, Q1 revenue was up 42% year over year, driven by 57% growth in multifamily revenue. We are gaining wallet share for broad-based marketing spend with multifamily property managers as they continue to see the strong ROI we are providing to their businesses.

Our results this quarter reflect our ability to innovate and grow the business while delivering sustainable profitability regardless of macro conditions.

Before I give more detailed updates on what's driving our results in both For Sale and Rentals, I want to spend a moment on our company strategy — and on how we're using AI to accelerate it. We laid out our thinking on this at our AI Investor Summit in March, and I'll reiterate it here.

We have been building advanced technology in Residential real estate for 20 years, from the Zestimate to the mobile revolution to computer vision and beyond. We are now in the next chapter of that arc, and we believe Zillow is uniquely positioned to lead real estate in this chapter as well, thanks to three advantages: content, context,

and integration. These advantages are difficult to replicate and differentiate us from horizontal LLMs and from other real estate companies.

First, content: We have the most comprehensive and increasingly differentiated housing inventory in the country — across existing for-sale homes, new construction homes, and rentals — content that is elevated by proprietary rich media: Zillow 3D Home tours, interactive floor plans, virtual staging, and SkyTour. More than 10% of new for-sale listings on Zillow today include Zillow 3D Home tours and interactive floor plans, and we expect rich media to become the standard that buyers and sellers demand for every listing. That substantial, growing coverage is already making the consumer experience better, and over time, it will help make our AI more capable.

Our second advantage is context. Seventy percent of everyone who buys or sells a home in America uses Zillow during the process — spending an average of two to three hours a week over five months. They're not just browsing; they're saving homes, booking tours, determining their BuyAbility range, messaging with their agents and loan officers, and preparing to make offers. That activity spanning every point in the transaction is sustained, deep intent that Zillow uniquely sees and understands — and it is the context that compounds into a unique scaled data advantage. Zillow doesn't just see the search or the first question. We see the homes someone returns to every day, the affordability calculations, the conversations with loan officers, the deals closed. That full vantage is what allows us to do more than answer generic listing questions — we can answer personalized questions, anticipate what a consumer needs to do next, and actually help them take that action.

This leads to our third advantage, integration. For buyers and sellers, we connect marketing, search, touring, financing, and closing into a single, coherent experience interwoven with agent workflows. Tools that operate only at the top of the funnel can only answer surface-level questions — summarizing listings, providing market data, setting a search filter. But Zillow operates at the core of the transaction, not around the edges of it. We handle the complexity, understand the full picture, and help consumers and professionals take action.

That's what Zillow is delivering: A buyer can understand whether they can afford a home through BuyAbility, see available times and book a tour through ShowingTime, receive a pre-approved loan scenario from Zillow Home Loans, and connect with a Zillow Preferred agent who already knows their search history and preferences through our robust CRM system, Follow Up Boss — all within a single, continuous experience.

These three advantages are built on something that matters just as much as the technology itself: two decades of operating in one of the most regulated and

complex transaction categories. Structural complexity in housing shapes what AI can do and what it takes to do it well. Transactions are high-dollar, high-stakes, highly personal, and for most people, they happen only a handful of times over their entire lifetime. There are hundreds of thousands of brokers working across several hundred MLSs, powering 1.5 million agents. We've spent 20 years navigating this landscape, putting in place the industry relationships and infrastructure to provide products and services directly for the transaction — not just observe it from the outside. Our long history of innovation and investment enable us to deliver value that only increases as AI capabilities grow.

At our AI Summit last month, we also debuted Zillow's new, consumer-facing AI mode experience. This new way of engaging throughout our site is live for about 5% of our audience so far, which equates to availability for millions of users, and we plan to expand access this year as we continue to test, learn, and refine the experience — consistent with how we approach all major product rollouts. Early signals are encouraging: Zillow users in AI mode are having deeper, more substantive conversations than they do in traditional search — and we are seeing more actionable engagement as a result. As just one of many examples of how users are engaging throughout the transaction lifecycle: A recent AI mode user had 16 conversations across 10 days researching neighborhoods in Sonoma County, California — comparing areas, tracking sold properties, asking for shareable maps to discuss with a partner, and referencing their agent in Santa Rosa. They are now under contract to buy one of the homes they found through this robust experience. That is the arc Zillow covers: guiding the consumer from the very first question to keys in hand.

We are also empowering the professional at every step, embedding AI throughout the agent and loan officer experience to help them better serve customers and work more efficiently. This makes our platform increasingly indispensable to the professionals who drive the most volume in this industry.

Consider what a high-performing agent's day looks like: juggling multiple active clients while simultaneously running a pipeline of hundreds, prospecting for new listings, negotiating offers, and having the key conversations that move deals forward. Follow Up Boss, which top agents in the country rely on to manage their businesses, is becoming an AI-powered workflow engine that handles coordination, prioritization, and outreach so agents can stay focused on the judgment, advocacy, trust and human relationships that get deals done. The result is that great agents become, in effect, "super agents" who can take on more transactions, at higher quality, without more hours — all enabled by Zillow.

Just as AI is making our two-sided marketplace work smarter on both sides in For Sale, the same is true in Rentals. For renters, it's powering more personalized search and helping surface the right next step — whether that's scheduling a tour, submitting an application, or understanding financial readiness for a future home purchase. For property managers using AI Assist, it's streamlining lead management, applicant screening, and lease coordination, reducing friction at every step of the transaction.

Our commitment to AI-fueled efficiency doesn't stop at our consumer and professional products — it runs all the way through how Zillow itself operates. We are rapidly becoming an AI-native company, and internally, we're already seeing what that means in practice. Our engineers are shipping 40% more code per engineer at the same or higher quality, product and design teams are prototyping faster and taking features from concept to launch in a matter of days, and our employees are using AI to reinvent and streamline their workflows. We are investing to make AI a foundational capability for our employee base, channeling productivity gains directly back into building more and building faster — so the benefits compound over time.

We have spent two decades building the content, the context, and the integration that differentiate Zillow from others in our category. Now we are powered by AI across every layer of our company — in our products, in our professional tools, and in how we build. All that depth of capability positions Zillow to lead real estate in the AI era.

Now, I'll walk you through more details on how our strategy is coming to life in each area of our business, starting with For Sale.

Our thesis is straightforward: integration improves outcomes. When marketing, search, touring, financing, and agent collaboration work together, every participant in the transaction gets a better result: buyers and sellers move forward with more confidence, agents close more deals, and Zillow captures more of the opportunity already flowing through our funnel.

Here's how that thesis continues to prove out for buyers, sellers, and their real estate agents.

For buyers, the integrated experience begins the moment they start shopping. BuyAbility, a tool from Zillow Home Loans that helps buyers understand what they can realistically afford before they tour or make an offer, has enrolled 4.3 million users as of the end of Q1, up from 3.6 million at the end of 2025. Buyers see real value

in Zillow Home Loans affordability tools, competitive rates, free appraisals for eligible buyers, and fast loan officer response times.

Purchase loan origination volume grew by 96% year over year to a record \$1.5 billion in Q1, and Zillow Home Loans is now a top-25 purchase lender. Zillow Home Loans averages double-digit adoption across our Enhanced Markets, where the integrated transaction experience is most fully realized as we help agents and loan officers better serve buyers.

Enhanced Markets accounted for 49% of our connections in Q1, up from 44% in Q4 and well on our way to our target of at least 75%.

Our new Shop with Pre-Approval feature, which is now available across our entire platform, takes the integration a step further. Buyers who have a Zillow Home Loans verified pre-approval in hand now get a clearer view of the monthly cost of ownership and whether a listing is within their pre-approval budget. It makes the shopping experience more grounded and actionable, signals to us and agents that a buyer is higher-intent, and it is one of the clearest expressions yet of what our integrated platform can do to help a buyer shop with confidence.

Shop with Pre-Approval is unique to Zillow, and it works in concert with our tool called My Agent, which lets buyers designate the agent they're working with (regardless of whether they're a Zillow Preferred agent) and shop alongside them — making a buyer's whole team present and accessible as they use Zillow. Messaging on the Zillow app then threads it all together by letting a buyer, agent and loan officer communicate in one place.

We're also bringing co-shoppers into a cohesive, integrated experience, because a significant portion of buyers aren't going it alone. On Zillow, buyers can search and collaborate with a co-shopper in real time. This capability became available earlier this year and is already driving better buyer engagement because it brings a naturally collaborative part of the homebuying journey into Zillow's integrated ecosystem where those discussions can be acted on.

For sellers, we continue to expand our suite of products designed to provide differentiated ways to market homes and achieve stronger results.

Zillow Preview gives pre-market listings broad public exposure on the most visited real estate platform in America. Unlike pre-marketing in a private listing network, Preview puts listings in front of the buying public from day one. With Preview, sellers can build interest and get real-time signals — views, saves, tour scheduling requests — from Zillow's massive audience of deeply engaged users, which is pricing

intelligence they can actually use. And Preview listings surface right in a buyer's regular Zillow search and recommendations, no insider access required.

Yesterday, we announced a new Zillow Preview collaboration with Realtor.com, extending the visibility of Preview listings across the two most visited real estate platforms in the country. This wide exposure benefits sellers, buyers and agents with unrestricted access to the inventory in more places.

New Harris Poll survey data backs up why this matters: nearly 9 in 10 Americans would be interested in viewing pre-listed homes online if they were buying a home, and 85% of soon-to-be sellers said they'd be more likely to hire an agent who can pre-market their home to the broadest online audience. So it's no wonder agent adoption of Zillow Preview has moved so quickly. We announced Preview just seven weeks ago with five initial brokerage partners, and we have since added more than 60 brokerages. We are currently onboarding agents to use Preview, and we're excited about the significant agent demand as we launch and scale it.

After Zillow Preview builds initial momentum and the listing goes active, sellers and agents can choose Zillow Showcase to maximize impact. Showcase listings provide an immersive, high-impact listing experience that includes interactive floor plans, 3D tours, virtual staging, and SkyTour — and they drive more engagement, and sell faster and for more money, than non-Showcase listings.

Zillow Showcase was on 4.3% of new listings in Q1, up from 3.7% in Q4. Agents using Showcase on the majority of their listings win more new listings than peers who don't, which is why adoption continues to grow — including through recent enterprise-level agreements with some of the country's largest brokers and franchisors.

Together, Preview and Showcase give sellers and their agents a complete marketing toolkit for the listing lifecycle.

For professionals, the tools and infrastructure Zillow provides on both sides of the transaction can increasingly function as an operating system for modern real estate.

Follow Up Boss is the customer relationship management system of choice for more than 80% of the highest-volume real estate teams in the country, and it's seen more than 70% growth in monthly active users since Zillow acquired it at the end of 2023. ShowingTime enables tours on 90% of all homes for sale in the country — 40 million tours were booked through the platform last year. And dotloop facilitates closings for nearly half of all transactions nationwide.

Each of these is a significant product in its own right. Connected, they power the transaction, from the first signal that a consumer is shopping, to the final closing document.

Zillow Pro brings it all together — giving agents a single, connected system to manage all of their clients, including those who originated outside the Zillow ecosystem. Zillow Pro is in beta and already drawing meaningful interest, with more than 12,000 agents using the product so far. It's on track for a broader nationwide rollout in the second half of this year. Over time, we expect Zillow Pro to reinforce our role as a long-term partner for real estate professionals across their entire business.

All of our For Sale solutions point to the same conclusion: the more integrated the experience, the better the outcome — for buyers, for sellers, for agents, for loan officers, and for Zillow. We are executing against our \$1 billion incremental mid-cycle revenue target in For Sale, and the momentum we are building gives us conviction about the path ahead.

In Rentals, we are building something that has not previously existed in the category: a true, comprehensive, two-sided marketplace that brings together the most and the widest variety of listings, high-intent demand, and modern transaction tools.

Our strategy is twofold: First, we're building a trusted destination for renters to find every type of property — from single-family homes to large apartment communities. Second, we're modernizing the rental transaction itself, streamlining how renters and property managers connect and manage applications, leases, and payments.

We reached an all-time high of 76,000 multifamily properties as of the end of Q1, up from 55,000 properties a year ago. Combining this with our industry-leading inventory of longtail rentals — smaller buildings and single-family homes — Zillow had 2.7 million average monthly active rental listings in Q1, the most in the category.

Zillow Rentals attracted 36 million average monthly unique visitors in Q1 — and because of our relentless focus on the consumer experience, renters rate Zillow as their #1 preferred platform.

High-quality audience engagement translates to strong outcomes for our partners. Property managers tell us Zillow delivers the highest return on marketing investment in our category — compared with not just other rental platforms, but other digital marketing options available to them, including search and social. They keep renewing and upgrading their presence on Zillow as a result of the ROI we provide, and we see a significant opportunity to keep growing wallet share from here and capture more of the marketing dollars currently being spent on other advertising platforms.

Multifamily was the engine behind our 42% year-over-year increase in Rentals revenue in Q1.

Our continued growth in Rentals is a reflection of what happens when you build real value and improve the transaction experience on both sides of the marketplace — and we're not stopping there. For example, the Total Monthly Price feature we launched recently lets property managers display the all-in cost of a rental. This gives renters a clearer picture and property managers a differentiated way to present their inventory.

And in April, we launched two new tools for multifamily property managers: a live analytics dashboard that gives partners a single place to track portfolio performance, benchmark against market trends, and make smarter leasing and advertising decisions — and a paid social product that puts their listings in front of renters on Instagram, Facebook, and TikTok, fully built and managed by Zillow. The two are designed to work together: identify which units need more traffic in the dashboard, then dial up social reach instantly. It's all part of the growing list of ways Zillow's rental platform is leveling up for partners and making it easier for them to fill units faster.

The same principles driving our For Sale strategy apply in Rentals: transparency builds trust, integration drives efficiency, and a better experience on both sides of the marketplace compounds over time. Rentals revenue has grown at an average of 32% annually since 2022, significantly outpacing the broader rental advertising market. And because nearly every buyer starts as a renter, our progress in Rentals continues to expand the top of Zillow's funnel overall and contribute to durable growth across the business. With a clear path toward our incremental mid-cycle target of \$1 billion or more in annual revenue, Rentals is one of our most compelling growth opportunities.

Before I turn it over to our CFO, Jeremy Hofmann, I want to step back and put this quarter in context.

We delivered 18% revenue growth, net income of \$46 million, net income margin expansion, and continued growth in both For Sale and Rentals, all against a housing market that was essentially flat. Our revenue has consistently outperformed industry total transaction value for more than three years now. That kind of performance, in this kind of environment, does not happen by accident. It reflects the durability of a multi-year strategy that is designed to perform across market cycles — and a platform that operates across the entire housing transaction, that consumers trust and return to throughout a months-long journey, and that professionals rely on every day to run their businesses.

Underpinning all of it is a strong brand millions of people come to for help making one of the biggest financial decisions of their lives. We earn the trust of consumers

and professionals by consistently showing up for them at every stage of the housing journey. It's why roughly 80% of our traffic comes directly to us. It's why "Zillow" is searched more often than the term "real estate." It's why we have more than twice the daily active app users of our next closest competitor. And it's why Zillow is the only large company in our category that has increased the amount of the real estate audience we reach over the past six quarters, according to Comscore. When people are ready to move, Zillow is where they start — and, increasingly, where they stay to take the next step, and the next.

We are focused on helping more people move with confidence, delivering real value to the professionals who serve them, and creating long-term value for shareholders. We're on track toward achieving our full-year goals, and we are in control of our own path.

With that, I'll turn the call over to Jeremy.

Jeremy Hofmann

Thanks Jeremy and good afternoon everyone.

We delivered excellent results in Q1 and are well positioned to continue delivering strong performance as we execute on our strategy in 2026 and beyond.

In Q1, we generated revenue of \$708 million, up 18% year over year, and near the high end of our outlook range. EBITDA of \$182 million was above the high end of our outlook range of \$175 million, resulting in an EBITDA margin of 26%, which was flat year over year. Excluding \$11 million of incremental year over year legal costs, EBITDA would have been \$193 million in Q1, representing 27% margin and 160 basis points of margin expansion.

We reported net income of \$46 million, with a net income margin of 6%, up more than 500 basis points year over year. Share-based compensation expense was down 16% year over year. Diluted net income per share was \$0.19 compared to \$0.03 a year ago. We generated \$127 million of free cash flow in the quarter, a 44% increase compared with the same period a year ago.

Now, let me take you through the details of the quarter.

Our For Sale revenue grew 12% year over year to \$514 million. Within the For Sale revenue category, Residential revenue of \$450 million was up 8% year over year and in line with our growth outlook. The majority of the increase in Residential revenue was due to growth in Zillow Preferred, primarily driven by the expansion of connections alongside our Enhanced Markets growth and strong conversion for our

Preferred partners. Zillow Showcase, our suite of agent software tools, and New Construction, were also contributors to Residential revenue growth. Market Based Pricing revenue continues to decline as we transition the majority of our agent-related activity to our Preferred partners.

Within the For Sale revenue category, Mortgages revenue increased 56% year over year to \$64 million, above our outlook for 40% growth, as we saw better than expected conversion rates from customers in our pipeline. Purchase loan origination volume growth accelerated to 96% year over year, which was the main driver of our Mortgages revenue growth. Our results continue to demonstrate that Zillow Home Loans has an attractive value proposition for buyers. Note that as Zillow Home Loans continues to scale, the gap between loan origination volume growth and Mortgages revenue growth will continue to narrow over time.

Rentals continues to be one of our most exciting growth stories. Q1 revenue of \$183 million grew 42% year over year, with multifamily revenue up 57%. We reached 76,000 total properties on the platform — up 38% from a year ago — a milestone that reflects the strength of our value proposition with property managers. The growth algorithm here is straightforward and working: add more properties, deliver best-in-class ROI, and capture more wallet share. We see a clear path to \$1 billion or more in annual Rentals revenue, and Q1 is another data point confirming we're on track.

We produced strong growth in the quarter despite tougher than expected macro conditions, with winter weather and higher interest rates impacting For Sale shopping activity. As a result, the real estate industry grew 2% as reported by NAR, and we estimate purchase mortgage origination volume declined 1% year over year.

Q1 EBITDA expenses of \$526 million were below our outlook of \$535 to \$540 million as we benefited from lower people-related and legal costs than we anticipated.

We ended the quarter with cash and investments of \$788 million, down from \$1.3 billion at the end of 2025. We repurchased \$626 million of our stock during the quarter — a meaningful level of activity that reflects our conviction in the long-term value of the business and our commitment to returning capital when the opportunity is compelling. This resulted in our diluted shares outstanding declining from 256 million shares a year ago to 240 million shares at quarter end. As of the end of March, we have approximately \$1.3 billion remaining under our existing authorizations.

Combining our \$788 million of cash and investments with our \$500 million undrawn revolving credit facility, we have total liquidity of approximately \$1.3 billion. This strong liquidity position gives us flexibility on our financial priorities to invest in growth,

maintain an adequate risk-based capital reserve, support flexibility for potential M&A, and continue to be opportunistic with share buybacks.

Turning to our outlook for Q2 2026. We expect total Revenue of \$750 to \$765 million, implying year-over-year growth of approximately 16% at the midpoint of our outlook range. We expect For Sale revenue growth to be similar to Q1. Within For Sale, we expect Residential Revenue growth of mid single digits year over year. For Mortgages, we continue to see a strong pipeline, which we expect puts us on track for growth at similar levels to Q1. In Rentals, we expect revenue growth of approximately 30% year-over-year for the quarter.

In Q2 we expect EBITDA expenses of \$600 million and EBITDA of \$150 to \$165 million. Our expectations include approximately \$20 million of incremental legal expenses and approximately \$16 million of incremental advertising spend compared to a year ago. Excluding the \$20 million of anticipated incremental legal expenses year over year, we expect EBITDA would be approximately \$170 to \$185 million in Q2, implying relatively flat year over year EBITDA margins.

We are planning for approximately \$80 million of total advertising spend in Q2, up from \$64 million last year. The incremental year over year advertising growth is due to timing of planned product launches that were already included in our original full-year outlook.

Taken together, our Q1 results and Q2 outlook have us squarely on track for the full year — and importantly, the structural drivers that we expect to accelerate margins in the back half of 2026 are already in motion.

Turning to our full year outlook for 2026, we continue to expect to deliver mid-teens total Revenue growth, approximately 30% growth in Rentals revenue, and continued EBITDA margin expansion.

We are updating our outlook for full-year share-based compensation expense, which we now expect to be down more than 15% year over year, versus our previous guide of down more than 10%.

We expect our fixed cost base of approximately \$1.1 billion to grow with inflation and believe it is the right investment level as we execute our growth strategy.

For variable costs, we are continuing to invest in Rentals and loan officers in Zillow Home Loans during the first half of 2026. We expect a slower pace of Rentals investment in the second half of the year. This will drive variable cost growth to trend towards in line with revenue growth by year end.

We have consistently said we will be opportunistic with our advertising spend, dialing it up or down depending on where we see opportunities across the business. In 2026 we plan to accelerate consumer awareness of our expanding offerings with modest growth in our advertising spend.

Our full-year outlook implies margins will expand meaningfully in the back half of the year, and there are a number of drivers I will walk you through.

First and foremost, our structural revenue growth drivers and cost levers are well intact. We expect these structural drivers to result in mid teens revenue growth, EBITDA growing faster than revenue, and net income growing faster than both revenue and EBITDA.

From a revenue perspective, we continue to see a strong growth opportunity in 2026 and beyond. In For Sale, more consumers are receiving the integrated Housing Super App experience, which results in conversion improving for our Preferred Agents, Zillow Home Loans continuing to grow at a rapid pace, and our software suite getting into the hands of more agents. When coupled with the continued growth in Zillow Showcase and New Construction, our For Sale category growth prospects are solid. And of course, our Rentals revenue is on a clear path to \$1bn+ in annual revenue. Our rental growth algorithm is clear — add more properties to our apps and sites, and deliver best in class ROI to increase wallet share. The combination of our For Sale and Rentals offerings are durable and growing, setting us up to succeed in any market environment.

From a cost perspective, there are four key drivers to margin expansion in the second half of the year.

First, we expect to continue to leverage fixed costs, which is within our control.

Second, variable expense growth will decelerate as we move through the year. In the first half of 2026, we expect variable costs to be a headwind of more than 400 basis points to EBITDA margins. By year end, we expect that headwind to be close to neutral — a meaningful swing that flows directly to the bottom line.

Third, we expect that legal expenses will be an approximately 200 basis point headwind to EBITDA margins in the first half of 2026. We expect that legal expenses will be less of a headwind to margins in the second half of the year as we get through the FTC trial.

Finally, our advertising spend is more heavily weighted in Q2 this year than in prior years due to planned product launches. In the back half of the year, we expect advertising to follow a more typical seasonal pattern — meaning less year-over-year pressure on margins than we're seeing now.

To close, we are pleased with our results in Q1, and confident in our ability to deliver against our 2026 and mid-cycle targets. We are successfully executing on our strategy and we have the right investments in place to support further revenue growth while expanding EBITDA margins, accelerating net income growth, and continuing to build the platform that we believe will define how people move into their next home.

And with that, operator, we'll open the line for questions.

Questions & Answers

Operator

Thank you. Our first question today comes from Ryan McKeveny from Zelman & Associates. Ryan, you may now unmute your line and ask your question.

Ryan McKeveny — Zelman & Associates

Great. Thank you for taking the questions. So first, I wanted to dig in on Preview. Obviously, it's early days, but you've quickly ramped up broker partners. So, curious if you can talk about what you're learning thus far, maybe what you're seeing in terms of reception or uptake across the landscape of brokers, agents, as well as home sellers.

And then secondarily on the relationship with Realtor.com, I guess, how should we think about the strategy or the opportunity of working with them versus kind of Zillow standalone? Thank you.

Jeremy Wacksman, CEO

Thanks, Ryan. This is Jeremy Wacksman. I'll take that. So, on Preview early learnings — I mean, the response really has been more than we expected. We announced it just two months ago with five partners. And as I said, now more than 60 have been announced. And we are really heads-down on onboarding agents and onboarding franchisees and getting it into the hands of those folks. So, we've been really pleased with the results.

And I think that dovetails into your second question. The collaboration with Realtor, I mean, it's really just a win-win for both Zillow and our agent partners, as well, obviously, as Realtor. It extends the visibility of this pre-market inventory to now two of the most visited real estate platforms in the country. And we think that further

increases the value and the demand for Preview listings, which was already very strong.

As a reminder, Zillow Preview brings pre-market listings in front of the public from day one. It's better for buyers. Buyers can see listings. That's the way to get homes sold fastest and for most money, it's better for sellers. Sellers can build interest and they can get those real-time signals before they're ready to actively list the property from, now, not just Zillow's massive audience of deeply engaged users, but Realtor.com's audience as well.

So, still very early days. Hard to believe we've made this much progress in just the first two months. We're excited to continue.

Ryan McKeveny — Zelman & Associates

Great. Thanks for that. And then I guess on the EBITDA guidance, both in the context of 2Q, but also the full year. Maybe, can you dig a bit more into how much of the cost is within your control to get the expected margin ramp? And I guess, I'm curious both from a fixed cost and variable cost perspective, just visibility you guys have into the business to have confidence in the margin ramp in the back half. Thank you.

Jeremy Hofmann, CFO

Yeah. Thanks, Ryan. It's Jeremy Hofmann. I'll take that one. So, Q2, two things are going on from a cost perspective. One is we're expecting legal costs to be up approximately \$20 million year-over-year. So if you adjust for that, you'd see an EBITDA guide of \$170 million to \$185 million, which is more in line with margins from last year. The other is we're expecting advertising dollars to increase by about \$16 million in Q2. So, those are the two factors.

As we get into the back half of the year, we are confident in the full-year guide. And there are a variety of reasons for why. The first half of the year in aggregate, we're right on plan. So that's a good start. And as we move into the second half of the year, the structural revenue drivers we have are well intact across For Sale and Rentals, and that growth algorithm is durable regardless of macro environment, just because the business is scaling and diversifying so much.

And then with respect to costs, a lot is in our control. So the first one is, fixed costs, that's well within our control, we expect to leverage those. The second is variable costs, which we expect to be a 400 basis point headwind in the first half of the year, a lot of that's in our control. We expect our Rentals investment pace to slow down in the back half of the year. And we expect variable expenses to be closer to neutral-to-EBITDA margins by year end, so in our control primarily as well.

Legal costs were a headwind in the first half of the year. We expect there'll be less of a headwind in the second half, really as we move past the FTC trial. That is on an accelerated timeline. And as a result, the costs are on an accelerated timeline as well, but we're eager to get through that.

And then the last one is well in our control, which is advertising spend. That's more heavily weighted in Q2 this year than in years prior, just due to planned product launches. But in the back half of the year, we expect advertising to follow a more typical seasonal pattern. So EBITDA is on track for margins to expand this year, and we feel good about it.

Ryan McKeveny — Zelman & Associates

Great. Thank you.

Operator

Thank you. Our next question comes from Ron Josey at Citi. Ron, you may now unmute your line and ask your question.

Ronald Josey — Citigroup

Great. Thanks for taking the question. Jeremy, I want to ask a little bit more on Rentals here. Just given the strength that we're seeing across multifamily in both properties, but also revenue growth. We're lapping the Redfin partnership in the back half of the year. Just talk to us about the outlook and thoughts on the broader competitive environment of Rentals, only because I know we're marching towards that billion-dollar opportunity, but we do have tougher comps in the back half.

And then, as a separate question, just AI mode, got to ask this, given we're following up from the Summit earlier in the year, actually just a few weeks ago. Live for 5% of the audience today, this is AI mode. Just talk to lessons learned thus far. I know it's early days here, but just lessons learned and thoughts about rolling this out more broadly. Thank you.

Jeremy Hofmann, CFO

Yep. Thanks, Ron. I'll take the first one and then hand it to Jeremy on the AI mode. On Rentals, we expect continued strong growth and execution in the second half of the year.

So our full year guide of approximately 30% implies second half Rentals revenue growth of upper 20%, even after lapping the Redfin-related revenue growth acceleration in the second half of last year. And then when we step back and look at

the last few years of growth. In 2024, we grew Rentals revenue 27%. In 2025, we grew Rentals revenue 39%. And we expect to grow another 30% this year.

So almost doubling the business over that period and growing the business faster in 2026 at nearly double the size is something we're really proud of and we're well on track for that billion-dollar-plus annual revenue target.

I will say the opportunity from here does still feel early, and like we're just getting started, just because the strategy that we have to aggregate as much of the supply as possible, both for single-family homes for rent and apartments for rent is really differentiated.

And the value proposition we're bringing to consumers and advertisers is so compelling. So you see that in the growth that we've had the last few years. And we expect it to continue from here.

Jeremy Wacksman, CEO

Yeah. And just to add on to that, I mean, that's part of why we have that target out there — billion-dollar-plus annualized revenue target — but that's not the end state. We expect growth beyond that, because as Jeremy said, the strategy continues to be really unique and we see it as more and more valuable.

I mean, the Rental audience growing to 36 million average monthly unique visitors. And as I mentioned, number one, brand preference, that's what drives this ROI for advertisers, right? They want to fill their leases and they want a high quality audience to do it.

That's why we continue to see we are the best ROI advertising tool they have. Again, not just against apartment-focused sites, but against Search and Social platforms as well. And that's really the category of ad spend here, is they're spending everywhere trying to find renters, and Zillow Rentals increasingly has the renters they want and has more of them. So we see green lights ahead for Rentals growth.

And then on AI mode, you're going to hear us say it's early a lot, because it is early. I mean 5% of audience, we're getting a huge signal from millions of users. And what we're seeing is that they're having deeper, more substantive conversations than they do in traditional search.

We talked about that a bit when we were with you all during the AI Summit. This can be a lot of incremental activity, because you can ask and have conversations about things that you don't get to express in setting a search filter or in looking at a listing.

The example I gave is just one of many examples of people just spending time going deeper. And for the transaction, that's a higher-intent customer at the end of the

day. It's keeping that person on Zillow. That person is getting more value from Zillow and those folks find more of their needs from our platform. And then when they reach out to talk to a loan officer or an agent, they're ultimately going to be a higher-converting customer.

So the structural advantage we have here over the long term is to build the best AI mode experience because of the content we have on our platform, the context of all those consumers and professionals using our platform, and the fact that we span the full gamut of the platform.

Again, once you start in our category, triaging homes is the very top of the funnel. And ultimately, you are trying to get your financing, go tour homes, virtually tour homes, meet with your agent, message with your agent, make an offer, and ultimately close, and that's what we're helping you do. And AI mode is just the start of our ability to take AI in the hands of consumers and really help them with that in an AI native way.

Operator

Thank you. Our next question comes from Brad Erickson at RBC Capital Markets. Brad, you may now unmute your line and ask your question.

Brad Erickson — RBC Capital Markets

Great. Thanks for taking the question. So I guess, Residential, starting the year out a little softer here. Obviously, the question becomes what's kind of instructing the back half confidence that you're guiding to? Markets clearly weakened starting out the quarter, so we'd just be curious on sort of how much cushion is in there and sort of your market assumptions you're embedding in your outlook For Sale, and Residential, in particular?

And then secondarily, as we think about Mortgage really performing well here, picking up the slack, the critique there is obviously around the lower margin profile and that sort of thing. Can you speak to that? And just maybe how do you think investors should sort of ascribe credit to that segment, given the potential you see margin-wise over the longer term? Thanks.

Jeremy Hofmann, CFO

Yeah. Thanks, Brad. I'll take those. So in terms of what we're looking for in the back half of the year and how we've thought about it, we're planning for the housing market to continue to be effectively flat.

You're right that it started off slower than I think folks anticipated. We're not planning for that to get any better. And against that backdrop, we're expecting

mid-single-digit growth in Residential. We're expecting For Sale growth to be faster than Residential, given Mortgages are outperforming our expectations thus far.

And the Enhanced Markets playbook is clearly working regardless of housing market conditions. So that gives us confidence on the For Sale category overall, regardless of what housing does.

And then Rentals, I talked about before, but that continues to be a real bright spot for us and one of the most compelling growth opportunities we have. So when we put that all together, total revenue continues to be on track for mid-teens growth given the consistent diversification of the business and all of those structural growth drivers are well intact.

And then with respect to the Mortgages margin question, we are making great progress on growing the mortgage business, but we're not yet at scale. Margins are improving. We are seeing better loan officer productivity. We are seeing better processor productivity. Even last year, we improved loan officer productivity by 11% despite growing loan officer account by about 40%. So that just gives you a sense. That will take time.

But when we look at the mortgage opportunity overall, we see a far bigger opportunity for us than being a top 25 lender. So we're a top 25 lender in the country today. We're proud of that and the progress we've made, but our goal is to be one of the biggest purchase mortgage originators in the country. And as we build that scale, the margin dollars potential is really compelling because we don't spend the same amount of money on customer acquisition costs. And we think mortgage origination is purpose-built for AI applications over time too.

So that's how we're thinking about it. It's still a nascent business, but one that we see big revenue potential for and big margin dollars potential for, not to mention the consumer benefits we see when integrating mortgage with great real estate agents.

Brad Erickson — RBC Capital Markets

Understood. Thank you.

Operator

Thank you. Our next question comes from Nick Jones of BNP Paribas. Nick, you may now unmute your line and ask your question.

Nick Jones — BNP Paribas

Great. Thank you. I guess a follow up on Rentals. I'm just curious, as that business continues to kind of grow nicely here, is there kind of a threshold where kind of the

product velocity and the rental side may start looking kind of what you've done in Residential? It seems like you're seeing a lot of success there. Some of the products you're rolling out are being well received. And as you kind of approach this billion-dollar revenue threshold, might your posture on the segment start to change? So that's kind of the first question.

And then the second question more broadly is you kind of build this end-to-end stack. Are you getting more visibility into the consumer behavior than you would have had historically, since I guess you're ostensibly getting more views into their psychology, whether they're looking at pre-approvals. And I think you gave a stat at the AI Summit that 65% of renters also look at maybe buying a home. So I guess ostensibly you're getting better and better data as to maybe how the macro environment is starting to look. So I'm just curious if that's the right way to think about it. Thank you.

Jeremy Wacksman, CEO

Maybe I'll take the first and you can weigh in on the second. I think on Rentals, I mean, no, I don't think you should expect our posture to change. We're excited about the march we're making towards the billion-dollar-plus target we put out there. And as we've said for some time now, we don't think that's the end.

The reason for that is just look at the strategy and the penetration of the strategy. We are mid 70,000 buildings out of the 140,000, 150,000 buildings that are out there in multifamily. And we are a very high ROI advertiser source for them against all of their advertising sources. So our ability to see packages get upgraded as they bring more of their portfolios on to our higher ROI provides a long runway for multifamily Rentals growth.

And then remember, our strategy is twofold. It's multifamily plus single family and long tail, which is, combined 2.7 million average monthly active rental listings to provide and becoming a one-stop shop for all renters. And so all of our property management tools for the semi-pro and long tail professionals start to contribute more to the platform, provide more digital tools and services and integrate those across the segments. And we see tremendous growth coming from there as well.

And then I think your second question, correct me if I'm wrong, was more about, can we see more of the context of the real-estate transaction and For Sale? And yes, I mean, that's kind of been our strategy really for the last decade now as we've gone down funnel and become a transaction platform.

When you are the software platform for a buyer, not just to look for what listings are for sale, but to actually get pre-approved, book tours, virtually tour, hire your agent,

message with your agent, bring your co-shopper into the messaging platform, start to write offers and then close on the transaction. You're using Zillow tools.

And then on the agent side, the context you're asking about isn't just on the consumer side, it's on the professional side, right? Follow Up Boss, this CRM for top teams is seeing all that data about those buyers and sellers to help those agents be more responsive and being the operating system for everything the agent does. From buyer management and project management and coordination to tour management and scheduling to listing marketing with Preview and Showcase.

So that platform provides, I think, really unparalleled context in the real-estate category. And that's what helps us build a better platform overall for this one-stop shop that we keep talking about and we're increasingly delivering, but it also helps us build the most capable AI platform.

So that as we all begin to expect AI-enabled services in our verticals, you will expect the Zillow one to be the one that understands you the best, that helps supercharge the professionals the best, and that helps provide the most friction-free and delightful experience.

Jeremy Hofmann, CFO

Yeah. And maybe just to layer on top of that, Nick. Jeremy said it well, but think about the consumer problem to solve. The consumer wants to see as much inventory as possible as a buyer or a renter and they are often the same person.

So having that inventory all in one place – For Sale homes, apartments, new homes and existing homes and the most of it is solving the consumer problem. It's giving us great context.

And then yes, we're building relationships with these consumers over multiple transactions. And if we do a good job on the Rentals front, why shouldn't we earn the right, for the For Sale business, if and when that person becomes a buyer? That's all part of the strategy, but it starts at the fundamental solve the consumer needs. And we think we're doing that quite well.

Nick Jones — BNP Paribas

Thanks.

Operator

Thank you. Our next question comes from John Colantuoni at Jefferies. John, you may now unmute your line and ask your question.

John Colantuoni — Jefferies

Okay. Great. Thanks for taking my questions. The first one I wanted to ask about, Residential revenue growth. I was just hoping you could help reconcile the slowdown that you're looking for in the second quarter relative to your expectation for the housing market to sort of bounce along the bottom again. And just curious, if there's anything transitory there and maybe you're expecting a pickup in the second half?

And then second, just talk a little bit about early responses from agents and sellers regarding the Zillow Preview product and why you think you've got the right approach relative to some alternatives that have been launched? Thanks.

Jeremy Hofmann, CFO

So Jeremy, I can take the first one. And then, maybe you take the second one.

Jeremy Wacksman, CEO

Yeah.

Jeremy Hofmann, CFO

Yeah, I think John, for Q2, the market started out slower than folks anticipated. Weather and rates throughout the first quarter was worse than, I think, than folks were anticipating. And that impacts sentiment. That impacts agent sentiment when there is some excitement around the real estate industry, albeit muted, heading into the year and the transactions don't end up occurring.

So as a result, I'd say the agent sentiment heading into the spring selling season impacts market-based pricing (MBP). And as a result, we've seen this now a number of years in a row, but MBP lags a bit because of that agent sentiment. So you're seeing that play through in the numbers from Q1 to Q2. And we're just not anticipating or planning for any recovery in transaction volume throughout the course of the year. So you're not seeing that come through in Preferred either.

But I would really point to just agent sentiment and how that impacts how they think about MBP and what they're willing to buy being the biggest factor there. When we look at the Enhanced Markets strategy, it's clearly working quite well. You can see that in the consistent revenue performance. You can see it also in the Mortgages growth as well. So that's what we're most focused on versus the quarterly fluctuations, and that structural driver feels well intact, but the — on the margin move is really around MBP sentiment.

Jeremy Wacksman, CEO

And then your second question on Preview. The response to Preview, I think, kind of proves that it's something that's broadly desired by most of the market, and that's just because public is better than private. The vast majority of sellers want to sell their home for the most money and sell it fastest and using the public market and making it available to a broad pool of buyers is how you do that. That's why we gave out some consumer sentiment stats. Most sellers are going to use agents who can help them maximize price.

And the only benefit of private is it benefits the brokerage that hides listings for their own gain. So it's not surprising you're seeing such strong support from brokers and agents even in just the first two months, and we're excited to continue to grow and expand it.

Operator

Thank you. Our final question today comes from Nikhil Devnani at Bernstein. You may now unmute your line and ask your question.

Nikhil Devnani — Bernstein

Hey, thanks for squeezing me in. Appreciate it. I wanted to just follow up on John's question there around the revenue guidance. So if I think about 2026, is there an expectation on your part that Residential improves from mid-single digits in the back half? Or is mid-teens achievable even if that becomes the run rate for Residential for the rest of the year?

Jeremy Hofmann, CFO

Yeah, I can take that one. So I'll say this, Nikhil. The housing market has been effectively flat. We're not planning for that to get better. It may, but we're not planning for it. So against that backdrop, what informs the mid-teens guide is we expect mid-single-digit growth in Residential. We expect For Sale to grow faster than Residential, because of the Enhanced Markets working so well and mortgage growing so nicely. And then total revenue continues to be on track for mid-teens growth, because you include Rentals as well. So they all layer on top of each other. We're not planning for any macro changes versus what we saw in the first quarter. And despite that, well intact for mid-teens revenue growth for the year.

Operator

This completes the allotted time for questions. I will now turn the call back over to Jeremy Wacksman for closing remarks.

Jeremy Wacksman, CEO

Great. Thanks, everyone, for joining us today and for staying a few minutes longer. We really appreciate your continued support. We are tremendously excited for what's ahead, and we look forward to speaking with you next quarter. Thanks all.

Operator

Thank you for joining Zillow Group's First Quarter 2026 financial results call. This concludes today's conference call. You may now disconnect.