

COSTAR GROUP INC
 Form 424B2
 September 25, 2017
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This preliminary prospectus supplement and the accompanying prospectus relate to an effective registration statement under the Securities Act of 1933, as amended, but this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(2)
 Registration No. 333-220607**

Subject to completion, dated September 25, 2017

**Preliminary prospectus supplement
 To prospectus dated September 25, 2017**

\$750,000,000

CoStar Group, Inc.

Common Stock

We are offering _____ shares of our common stock, \$0.01 par value per share, with an aggregate offering price of \$750,000,000. At an assumed offering price of \$280.82, the last reported sale price of our common stock on September 22, 2017, we would expect to issue and sell 2,670,750 shares of our common stock.

Our common stock is listed on the Nasdaq Global Select Market under the symbol CSGP. The last reported sale price of our common stock on the Nasdaq Global Select Market on September 22, 2017 was \$280.82 per share. You are urged to obtain current market data and should not use the market price as of September 22, 2017 as a prediction of the future market price of our common stock.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to _____ additional shares of common stock from us representing an aggregate amount of approximately \$112,500,000. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$ _____ and total proceeds to us, before discounts, commissions and expenses, will be \$ _____.

Investing in our common stock involves risks. See Risk factors beginning on page S-5 of this prospectus supplement. You should also consider the risk factors described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on October , 2017.

Joint Bookrunners

J.P. Morgan Goldman Sachs & Co. LLC Citigroup

BofA Merrill Lynch SunTrust Robinson Humphrey Wells Fargo Securities

Co-Managers

Needham & Company Stephens Inc. William Blair

JMP Securities

B. Riley & Co.

The date of this prospectus supplement is September , 2017.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus or that is contained in any free writing prospectus issued by us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus and in the documents

incorporated by reference herein and therein or that is contained in any free writing prospectus issued by us is accurate only as of their respective dates. Our business, financial condition, results of operation and prospects may have changed since those dates.

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About this prospectus supplement

We provide information to you about the common stock in two separate documents: (1) this prospectus supplement, which describes the specific terms of the common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in that prospectus and (2) the accompanying prospectus, which provides general information about securities we may offer from time to time, including securities other than the common stock being offered by this prospectus supplement. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

It is important for you to read and consider all of the information contained in this prospectus supplement, the documents incorporated by reference herein and the accompanying prospectus in making your investment decision. You also should read and consider the information in the documents we have referred you to in [Where you can find additional information](#) and [Incorporation by reference](#) on page [S-23](#) of this prospectus supplement and page 3 of the accompanying prospectus.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in these materials where you can find additional related discussions. The table of contents in this prospectus supplement provides the pages on which these captions are located.

Unless otherwise indicated or the context otherwise requires, references in this prospectus supplement to [Registrant](#), [Company](#), [we](#), [us](#), or [our](#) are to CoStar Group, Inc. and its consolidated subsidiaries, and [CoStar](#) refers to CoStar Group, Inc., a Delaware corporation.

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TABLE OF CONTENTS**Cautionary statements regarding forward-looking statements**

Certain parts of this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and in the accompanying prospectus, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements include information that is not purely historic fact and include, without limitation, statements concerning our financial outlook for 2017 and beyond, our possible or assumed future results of operations generally, and other statements and information regarding assumptions about our revenues, revenue growth rates, gross margin percentage, net income, net income per share, fully diluted net income per share, EBITDA, adjusted EBITDA, non-generally accepted accounting principles (GAAP) net income, non-GAAP net income per share, weighted-average outstanding shares, taxable income, cash flow from operating activities, available cash, operating costs, amortization expense, intangible asset recovery, capital and other expenditures, legal proceedings and claims, legal costs, effective tax rate, equity compensation charges, future taxable income, pending acquisitions, the anticipated benefits of completed or proposed acquisitions, the anticipated benefits of cross-selling efforts, product development and release, sales and marketing campaigns, product integrations, elimination and de-emphasizing of services, contract renewal rate, the timing of future payments of principal under our \$400.0 million term loan facility available to us under a credit agreement dated April 1, 2014 (as amended, the Credit Agreement), expectations regarding our compliance with financial and restrictive covenants in our Credit Agreement, financing plans, geographic expansion, capital structure, contractual obligations, our database, database growth, services and facilities, employee relations, future economic performance, our ability to liquidate or realize our long-term investments, management's plans, goals and objectives for future operations, and growth and markets for our stock. Sections of this prospectus supplement, including Market, ranking and other data, Summary, The offering, Risk factors, Use of proceeds and Capitalization and the documents incorporated by reference herein, including Business, Risk Factors, Properties, Legal Proceedings, Management's Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures about Market Risk, Controls and Procedures and the Financial Statements and related notes contain forward-looking statements.

Our forward-looking statements are also identified by words such as hope, anticipate, may, believe, expect, intend, will, should, plan, estimate, predict, continue and potential or the negative of these terms or other comparative terminology. You should understand that these forward-looking statements are estimates reflecting our judgment, beliefs and expectations, not guarantees of future performance. They are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. The following important factors, in addition to those discussed or referred to under the heading Risk Factors, and other unforeseen events or circumstances, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- commercial real estate market conditions;
- general economic conditions, both domestic and international;
- our ability to identify, acquire and integrate acquisition candidates;
- our ability to realize the expected benefits, cost savings or other synergies from acquisitions, on a timely basis or at all;
- our ability to combine acquired businesses successfully or in a timely and cost-efficient manner;
- business disruption relating to integration of acquired businesses or other business initiatives;
- theft of any personally identifiable information we maintain or process;
- any actual or perceived failure to comply with privacy or data protection laws, regulations or standards;
- the amount of investment for sales and marketing and our ability to realize a return on investments in sales and marketing;

our ability to effectively and strategically combine, eliminate or de-emphasize service offerings;
reductions in revenues as a result of service changes;

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the time and resources required to develop upgraded or new services and to expand service offerings;
changes or consolidations within the commercial real estate industry;
customer retention;
our ability to attract new clients;
our ability to sell additional services to existing clients;
our ability to integrate our North America and International product offerings;
our ability to integrate the backend systems of CoStar and LoopNet and subsequently create operating efficiencies and provide improved data to our customers;
our ability to successfully transition LoopNet to a pure marketing site, where all listings are paid and searches are free, in a timely manner and minimize the impact of that transition on revenue;
our ability to successfully introduce and cross-sell new products or upgraded services in U.S. and foreign markets;
our ability to attract consumers to our online marketplaces;
our ability to increase traffic on our network of sites;
the success of our marketing campaigns in generating brand awareness and site traffic;
competition;
foreign currency fluctuations;
global credit market conditions affecting investments;
our ability to continue to expand successfully, timely and in a cost-efficient manner, including internationally;
our ability to effectively penetrate and gain acceptance in new sectors and geographies;
our ability to control costs;
litigation or government investigations in which we become involved;
changes in accounting policies or practices;
release of new and upgraded services or entry into new markets by us or our competitors;
data quality;
expansion, growth, development or reorganization of our sales force;
employee retention;
technical problems with our services;
managerial execution;
changes in relationships with real estate brokers, property managers and other strategic partners;
legal and regulatory issues; and
successful adoption of and training on our services.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of, and are based on information available to us on, the date of the applicable document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to update any such statements or release publicly any revisions to these forward-looking statements to reflect new information or events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events.

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Summary

The following summary should be read together with the information contained in other parts of this prospectus supplement and the accompanying prospectus or incorporated by reference herein or therein. This summary highlights selected information about the Company, including important information from this prospectus supplement and the accompanying prospectus regarding the offering of the shares of common stock. You should read this prospectus supplement and the accompanying prospectus, including the documents we incorporate by reference, carefully to understand fully the terms of the offering as well as other considerations that are important to you in making a decision to invest in the shares. You should pay special attention to the Risk factors section beginning on page S-5 of this prospectus supplement, and the Risk Factors sections in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2017 and June 30, 2017 to determine whether an investment in the shares is appropriate for you. This prospectus supplement and the accompanying prospectus include and incorporate forward-looking statements that involve risks and uncertainties.

Our company

We are the number one provider of information, analytics and online marketplaces to the commercial real estate industry in the United States (U.S.) and the United Kingdom (U.K.) based on the fact that we offer the most comprehensive commercial real estate database available; have the largest research department in the industry; own and operate leading online marketplaces for commercial real estate and apartment listings in the U.S. based on the numbers of unique visitors and site visits per month; provide more information, analytics and marketing services than any of our competitors and believe that we generate more revenues than any of our commercial real estate information competitors. We created and compiled our standardized platform of information, analytics and online marketplace services where industry professionals and consumers of commercial real estate, including apartments, and the related business communities can continuously interact and facilitate transactions by efficiently accessing and exchanging accurate and standardized real estate-related information. We service a community which includes hundreds of thousands of commercial real estate professionals. Our websites attract approximately 37 million unique visitors a month, according to data from the second quarter of 2017.

Since our founding in 1987, our strategy has been to provide commercial real estate professionals with critical knowledge and tools. We provide value to our clients by supplying proprietary data that, combined with our analytic methods, creates essential decision-making support tools for professionals in the commercial real estate industry. Our service offerings span all commercial property types, including office, retail, industrial, multifamily, commercial land, mixed-use properties and hospitality.

We deliver our commercial real estate information content to our U.S. customers primarily via an integrated suite of online service offerings that includes information about space available for lease, comparable sales information, information about properties for sale, tenant information, Internet marketing services, analytical capabilities, information for clients' websites, information about industry professionals and their business relationships, data integration and industry news. We also operate complementary online marketplaces for commercial real estate listings and apartment rentals. We strive to cross-sell our services to our customers and to upsell services that may best suit their needs.

Recent developments

Acquisitions

We have continually expanded the geographical coverage of our existing information services and developed new information, analytics and online marketplace services. In addition to internal growth, we have grown our business through strategic acquisitions.

On January 31, 2017, we acquired Koa Lei, Inc. (doing business as Westside Rentals and now known as Westside Rentals, LLC), an online marketplace specializing in Southern California real estate rentals, and its affiliated entity Westside Credit Services, LLC, a provider of credit checks and tenant screening for landlords in the Southern California real estate rental market.

On May 10, 2017, we acquired certain assets and assumed certain liabilities from Datasphere Technologies, Inc., in each case, related to the LandWatch.com® business.

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