

ZILLOW INC
Form S-1/A
June 20, 2011
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As filed with the Securities and Exchange Commission on June 20, 2011

Registration No. 333-173570

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ZILLOW, INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

7389
(Primary Standard Industrial
Classification Code Number)

20-2000033
(I.R.S. Employer
Identification Number)

999 Third Avenue, Suite 4600

Seattle, Washington 98104

(206) 470-7000

www.zillow.com

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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Spencer M. Rascoff

Chief Executive Officer

Zillow, Inc.

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 20, 2011

PRELIMINARY PROSPECTUS

Shares

Zillow, Inc.

Class A Common Stock

\$ per share

This is the initial public offering of our Class A common stock. We are selling shares of our Class A common stock. We currently expect the initial public offering price to be between \$ and \$ per share. Concurrent with the closing of this offering, existing investors, including funds affiliated with Technology Crossover Ventures, have agreed to purchase from us in a private placement the number of shares of Class A common stock with an aggregate purchase price of \$5,500,000, at a price per share equal to the initial public offering price.

Since Zillow's inception, we have had authorized Class A common stock, which has one vote per share, and authorized Class B common stock, which has ten votes per share. All shares of Class B common stock are held by our founders, Richard Barton and Lloyd Frink. Following this offering and the concurrent private placement, Mr. Barton will have voting control over approximately % of our Class A common stock and 55% of our Class B common stock, representing % of the voting power of our outstanding capital stock, and Mr. Frink will have voting control over approximately 45% of our Class B common stock, representing % of the voting power of our outstanding capital stock.

We have granted the underwriters an option to purchase up to _____ additional shares of Class A common stock to cover over-allotments.

We have applied to list our Class A common stock on The Nasdaq Global Market under the symbol Z.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Initial Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds to Zillow, Inc. (before expenses)	\$	\$

The underwriters expect to deliver the shares to purchasers on or about _____, 2011 through the book-entry facilities of The Depository Trust Company.

Citi

Allen & Company

Pacific Crest Securities

ThinkEquity LLC

First Washington Corp.

, 2011.

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

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SUMMARY

The following summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. In this prospectus, unless the context requires otherwise, references to Zillow, our company, we, us and our refer to Zillow, Inc. In addition, in this prospectus, we use the term unique user. We count a unique user the first time a computer or mobile device with a unique IP address accesses our website or one of our mobile applications during a calendar month. If an individual accesses our website or mobile applications using different IP addresses within a given month, the first access by each such IP address is counted as a separate unique user.

ZILLOW, INC.

Mission

*Our mission is to build the most trusted and vibrant home-related marketplace
to empower consumers with information and tools to make intelligent decisions about homes.*

Our Company

Zillow is the leading real estate information marketplace. We provide vital information about homes, real estate listings and mortgages through our website and mobile applications, enabling homeowners, buyers, sellers and renters to connect with real estate and mortgage professionals best suited to meet their needs. We are transforming the way people make home-related decisions. Zillow provides consumers and real estate professionals an edge in real estate .

We maintain an unwavering commitment to giving consumers free access to as much useful information as possible. Our living database of more than 100 million U.S. homes including homes for sale, homes for rent and homes not currently on the market attracts an active and vibrant community of users. Individuals and businesses that use Zillow have updated information on more than 28 million homes and added more than 60 million home photos, creating exclusive home profiles available nowhere else. These profiles include rich, detailed information about homes, such as property facts, listing information and purchase and sale data. We provide this information to our users where, when and how they want it, both through our website and through our industry-leading mobile applications that allow consumers to access our information when they are curbside, viewing homes.

Using complex, proprietary automated valuation models, we provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes. Our products and services present residential real estate data in novel ways that have revolutionized the way consumers search for, find and understand home-related information and make real estate decisions.

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Consumers increasingly are turning to the Internet and mobile devices for real estate information. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%. We operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry. During May 2011, Zillow was used on a mobile device more than 8.8 million times, with more than 1.7 million homes viewed on mobile devices each day.

Real estate and mortgage professionals are a critical part of the home-related marketplace. We enable consumers to connect with real estate and mortgage professionals best suited to meet their needs.

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Our real estate marketplace benefits from network effects. As more consumers come to our website to use our products and services, more real estate and mortgage professionals contribute content to distinguish themselves, thereby making our marketplace more useful and attracting additional consumers.

We generate revenues from local real estate professionals, primarily on an individual subscription basis, and from mortgage professionals and brand advertisers. During the three months ended March 31, 2011, we generated revenue of \$11.3 million, as compared to \$5.3 million in the three months ended March 31, 2010, an increase of 111%. For the years ended December 31, 2008, 2009 and 2010, we generated revenues of \$10.6 million, \$17.5 million and \$30.5 million, representing year-over-year growth of 49%, 65% and 74%, respectively.

Our Opportunity

Homes are the center of peoples' lives, the focus of some of their most important decisions and often their most valuable assets. In addition to whether to buy, sell or rent, consumers make many other important home-related decisions throughout their lifetimes, including decisions relating to refinancing or home equity loans, home maintenance and home improvement. Residential real estate is one of the largest sectors of the U.S. economy and supports a large number of professionals that provide home-related services. We believe the following activities represent large market opportunities for Zillow:

Purchase and Sale. Sales of existing and new homes in the United States in 2010 had an aggregate transaction value of approximately \$1.2 trillion, according to data published in April 2011 by the U.S. Census Bureau and the National Association of REALTORS®, or NAR. Residential real estate brokerage commissions and fees totaled approximately \$60 billion in 2010, as derived by Zillow using data released in 2011 by the U.S. Census Bureau, NAR and REAL Trends. There are more than 1.8 million licensed real estate agents in the United States, according to data published in April 2011 by the Association of Real Estate License Law Officials. In an effort to acquire new client relationships and sell homes, real estate agents and brokers spent an estimated \$6.2 billion on residential advertising in 2010, according to a 2011 report published by Borrell Associates.

Rental. The overall size of the U.S. rental market, including rent, utilities and insurance, exceeded \$300 billion in 2009, according to data published by the U.S. Census Bureau in March 2011 and our own estimates.

Home Financing. In 2009 in the United States, 4.6 million purchase loans were originated, representing more than \$852 billion in borrowings, and 8.1 million refinancing and home equity loans were originated, representing more than \$1.7 trillion in borrowings, according to data available from the Federal Financial Institutions Examination Council. These loans generated approximately \$26 billion in fees for mortgage lenders and brokers, according to data available from the Federal Financial Institutions Examination Council, data released in December 2010 by the Mortgage Bankers Association and our own analysis. There were approximately 266,000 mortgage lenders and brokers in the United States in 2009, according to data available from the Bureau of Labor Statistics.

Home Maintenance and Improvement. Approximately \$463 billion was spent on home improvement and repair by U.S. consumers in 2010, according to an April 2011 report from the Harvard Joint Center for Housing Studies. Additionally, more than 650,000 businesses in 2007 earned the majority of their revenue by providing remodeling services, according to a January 2011 report from the Harvard Joint Center for Housing Studies.

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Industry Challenges

Highly Fragmented, Local and Complex Market The market for residential real estate transactions and home-related services is highly fragmented, local and complex. Each home has unique characteristics, including location, value, size, style, age and condition. Each consumer approaches home-related transactions with a personal set of objectives, priorities and values. Real estate agents generally operate in local markets as independent contractors with different experience and skills. These conditions create challenges for consumers and real estate and mortgage professionals alike.

Absence of Consumer Orientation Historically, consumers had minimal access to comprehensive and objective residential real estate data, even though many home-related decisions are extraordinarily information-intensive. While real estate and mortgage professionals had some data, consumers did not have free, independent and easy access to it. Even when accessible, the data was difficult to interpret and analyze.

Increasing Role of the Internet and Mobile Technologies Consumers increasingly are turning to the Internet and mobile devices for real estate information. With the widespread adoption of mobile and location-based technologies, consumers expect home-related information to be available on their mobile devices where, when and how they want it.

The Zillow Edge

We are transforming the way consumers make home-related decisions and connect with real estate and mortgage professionals. We maintain an unwavering commitment to giving consumers free access to as much useful information as possible, and to providing transparency for all market participants. Our living database of homes, our Zestimates and our Rent Zestimates form the foundation of our products and services.

Living Database of Homes Our dynamic and comprehensive living database includes detailed information on more than 100 million U.S. homes, or most U.S. homes, and includes homes for sale, for rent and recently sold, as well as properties not currently on the market. This database is central to the value we provide to consumers and real estate and mortgage professionals. It contains extensive information that users can search, through an easy-to-use interface, to identify, analyze and compare homes. It includes information such as property facts, listing information and purchase and sale data. We apply extensive computer analytics to the data and transform it into information that is accessible, understandable and useful. We refer to the database as *living* because the information is continuously updated by the combination of our proprietary algorithms, synthesis of third-party data from hundreds of sources, and through improvements by us and, importantly, by our community of users.

Zestimates and Rent Zestimates We have developed industry-leading automated home valuation models that use advanced statistical methods and complex, proprietary algorithms. We use these models to provide current home value estimates, or Zestimates, on nearly 100 million U.S. homes, and current rental price estimates, or Rent Zestimates, on nearly 100 million U.S. homes.

Competitive Advantages

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We believe we have the following competitive advantages:

Inimitable Database. Our living database of homes is the result of years of substantial investment, sophisticated economic and statistical analysis, complex data aggregation and millions of user contributions.

Independent Market Position and Consumer Focus. Zillow has been built independently of any real estate industry group. We believe our independence enables us to create compelling products and services with broad consumer appeal.

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Powerful Brand and Scale. We have established a powerful brand identity and built a large user community in a short time. More than two-thirds of our traffic is direct, with demonstrated consumer intent to visit the Zillow brand. During May 2011, 22.0 million unique users visited our website and mobile applications, representing year-over-year growth of 102%, which we achieved with virtually no advertising expense to date.

Consumer-Oriented Mortgage Marketplace. Unlike other sources of mortgage rate quotes, in Zillow Mortgage Marketplace consumers can anonymously submit loan requests, receive an unlimited number of personalized mortgage quotes and then choose to contact these lenders on their own terms. In the first five months of 2011, consumers submitted more than 1.7 million mortgage loan requests in Zillow Mortgage Marketplace.

Personalized Experience. We present consumers and real estate and mortgage professionals with many opportunities to personalize their Zillow experience, leading to more informed home shopping and financing decisions.

Mobile Leadership. We operate the most popular mobile real estate applications across iPhone, iPad, Android and BlackBerry that enable people to access and analyze information about homes curbside where, when and how they want it.

Proven Management Team. We believe the extensive experience and depth of our management team are distinct competitive advantages in the complex and evolving industry in which we compete.

Growth Strategies

Our growth strategies are:

Focus on Consumers. Maintain our unwavering focus on consumers and leverage our industry independence to enhance existing products and services and develop new offerings with broad consumer appeal.

Enhance Our Living Database. Enhance the information in our database of homes, and use it as the foundation for new analyses, insights and tools to inform consumers throughout the home ownership lifecycle.

Deepen and Strengthen Our Marketplace. Deepen and strengthen our marketplace by creating new opportunities for high-quality consumer-initiated connections with real estate and mortgage professionals when consumers want their services.

Efficiently Increase Brand Awareness. Expand public relations, social media and other marketing programs to efficiently increase our brand awareness.

Leverage Our Sales Force. Leverage our sales force's expertise and productivity with new advertising offerings.

Expand Our Mobile Leadership. Innovate and expand our offerings for mobile devices, launching more applications and extending our brand and products across additional mobile platforms.

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Pursue Strategic Opportunities. Pursue strategic opportunities, including commercial relationships and acquisitions, to strengthen our market position, enhance our capabilities and accelerate our growth.

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Measuring unique users is important to us because our marketplace revenues depend in part on our ability to enable our users to connect with real estate and mortgage professionals and our display revenues depend in part on the number of impressions delivered. Furthermore, our community of users improves the quality of our living database with their contributions. We count a unique user the first time a computer or mobile device with a unique IP address accesses our website or one of our mobile applications during a calendar month. If an individual accesses our website or mobile applications using different IP addresses within a given month, the first access by each such IP address is counted as a separate unique user. We measure unique users with Omniture analytical tools.

	Average Monthly Unique Users for the Three Months Ended March 31,			
	2010	2011		2010 to 2011 % Change
	(in thousands)			
Unique Users	9,301	17,306		86%

	Average Monthly Unique Users for the Three Months Ended December 31,				
	2008	2009	2010	2008 to 2009 % Change	2009 to 2010 % Change
	(in thousands)				
Unique Users	5,518	7,611	12,666	38%	66%

Premier Agent Subscribers

The number of Premier Agent subscribers is an important driver of revenue growth because each subscriber pays us a monthly fee to participate in the Premier Agent program. We define a Premier Agent subscriber as an agent with a paid subscription at the end of a period.

	At March 31,			
	2010	2011		2010 to 2011 % Change
Premier Agent Subscribers	3,438	10,710		212%

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	At December 31,			2008 to 2009 % Change	2009 to 2010 % Change
	2008	2009	2010		
Premier Agent Subscribers	26	2,764	8,102	*	193%

* Not meaningful because the Premier Agent program was launched in October 2008.

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Risks

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the section of this prospectus titled Risk Factors, and include but are not limited to the following:

We have incurred significant operating losses in the past and we may not be able to generate sufficient revenue to be profitable over the long term.

If real estate and mortgage professionals or other advertisers reduce or end their advertising spending with us and we are unable to attract new advertisers, our business would be harmed.

If we do not innovate and provide products and services that are attractive to our users and to our advertisers, our business could be harmed.

We may be unable to increase awareness of the Zillow brand cost-effectively, which could harm our business.

We are dependent on the real estate industry, and changes to that industry, or declines in the real estate market or increases in mortgage interest rates, could reduce the demand for our products and services.

Corporate Information

Zillow, Inc. was incorporated in Washington in December 2004. Our principal executive offices are located at 999 Third Avenue, Suite 4600, Seattle, Washington 98104, and our telephone number is (206) 470-7000. Our website address is www.zillow.com. In addition, we maintain a Facebook page at www.facebook.com/zillow and a twitter feed at www.twitter.com/zillow. Information contained on, or that can be accessed through, our website, Facebook page or twitter feed does not constitute part of this prospectus and inclusions of our website address, Facebook page address and twitter feed address in this prospectus are inactive textual references only.

Zillow, Zillow.com, Zestimate, Make Me Move, and the Zillow logo are registered trademarks of Zillow in the United States and in some other countries. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

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The Offering

Class A common stock offered in this offering _____ shares (or _____ shares if the underwriters exercise their over-allotment option in full)

Class A common stock offered by us in the concurrent private placement

Concurrent with the closing of this offering, funds affiliated with Technology Crossover Ventures, and PAR Investment Partners, L.P., will purchase from us in a private placement the number of shares of our Class A common stock with an aggregate purchase price equal to \$5.0 million and \$0.5 million, respectively, at a price per share equal to the initial public offering price. Based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the range set forth on the cover page of this prospectus, this would be _____ shares. The sale of these shares to funds affiliated with Technology Crossover Ventures and to PAR Investment Partners, L.P. will not be registered in this offering. We refer to the private placement of these shares of Class A common stock as the concurrent private placement.

Class A common stock to be outstanding after this offering and the concurrent private placement

_____ shares (or _____ shares if the underwriters exercise their over-allotment option in full)

Class B common stock to be outstanding after this offering and the concurrent private placement

9,528,313 shares

Total Class A common stock and Class B common stock to be outstanding after this offering and the concurrent private placement

_____ shares (or _____ shares if the underwriters exercise their over-allotment option in full)

Voting rights

Since Zillow's inception, we have had authorized Class A common stock, which has one vote per share, and authorized Class B common stock, which has ten votes per share. All shares of Class B common stock are held by our founders, Richard Barton and Lloyd Frink. Following this offering and the concurrent private placement, Mr. Barton will have voting control over approximately _____ % of our Class A common stock and 55% of our Class B common stock, representing _____ % of the voting power of our outstanding capital stock, and Mr. Frink will have voting control over approximately 45% of our Class B common stock, representing _____ % of the voting power of our outstanding capital stock.

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Use of proceeds	We plan to use the net proceeds from this offering and the proceeds of the concurrent private placement for general corporate purposes, including working capital. We also may use a portion of these proceeds to acquire or make investments in complementary businesses, products or technologies. See Use of Proceeds.
Directed share program	The underwriters have reserved for sale, at the initial public offering price, up to shares of the Class A common stock being offered to persons who are directors, officers or employees, or who are otherwise associated with us. See Underwriting.
Nasdaq symbol	Z

The number of shares outstanding after this offering and the concurrent private placement is based on _____ shares of Class A common stock outstanding and 9,528,313 shares of Class B common stock outstanding as of March 31, 2011 and, unless otherwise indicated, excludes:

1,300,000 shares of our Class A common stock reserved for future issuance under our 2011 Incentive Plan, which will become effective in connection with this offering, as more fully described in Executive Compensation Employee Benefit Plans ;

5,477,032 shares of our Class A common stock issuable upon the exercise of options, outstanding as of March 31, 2011, to purchase shares of our Class A common stock at a weighted average exercise price of \$4.27 per share; and

186,631 shares of our Class A common stock issuable upon the exercise of outstanding options granted after March 31, 2011, to purchase shares of our Class A common stock at an exercise price of \$6.33 per share.

Except as otherwise indicated, all information in this prospectus assumes and reflects:

the reclassification of our common stock into our Class A common stock;

that our amended and restated articles of incorporation, which we will file in connection with the completion of this offering, and amended and restated bylaws, which we will adopt in connection with the completion of this offering, are in effect;

the automatic conversion of all outstanding shares of our convertible preferred stock into 9,276,190 shares of our Class A common stock to be effected upon the effectiveness of the registration statement of which this prospectus is a part;

the automatic conversion of all outstanding shares of our Class C common stock into 2,305,980 shares of our Class A common stock to be effected upon the effectiveness of the registration statement of which this prospectus is a part;

a 3.38-to-1 reverse stock split of our Class A common stock, Class B common stock and Class C common stock that was effected on June 17, 2011; and

no exercise by the underwriters of their option to purchase an additional _____ shares of our Class A common stock to cover over-allotments, if any.

