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## CoStar Group, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) And our first question will come from John Neff from William Blair. Please go ahead.

#### John Neff – William Blair

Hi, guys. Thank you. Congratulations on the quarter.

#### Andrew Florance

Thank you.

#### John Neff – William Blair

Couple questions for you. How do we think of the decline in cost structure? Do we think of that as cuts that are necessary to deliver on the margin targets? Or do we think of it as a natural decline following a period of significant investment? Or do we think of it as both?

#### Andrew Florance

If you were to – I would characterize the cuts that have occurred so far as being – they would not be characterized as layoffs in response to any environment or a target margin. It's more just basic business management given a bunch of factors like integrating together all these different companies we acquired in the UK into one much more efficient, streamlined company. It is things like backing all the friction out of the process that occurs after we expanded into so many U.S. markets. As soon as you take the foot off the accelerator in adding new markets as we've done here in the last five quarters, historically, every time we do that, our expenses drop off and it's frustrating because I can't get, Brian, when we're actually opening those new markets up and I know that we're ending a period of opening bunch of new markets. Brian will never in advance admit that costs will decline when we stop opening new markets. They always do. But now he has to admit that actually costs do decline after we stop opening up new geography. The company – if the company needed to, we have the ability to additionally reduce our cost structure. But we're running – right now we're making the margin targets we're looking for ahead of schedule and we will have room to continue to make those margin targets and enhance them. So we're taking advantage of the fact that we've got a strong balance sheet. The marketplace is very volatile. It's a little more challenging. But we feel we're comfortable where we are.

#### Brian Radecki

John, just to add a little color to that. As we completed the step up in cost structure in Q2, right around when I was made CFO, we reduced total costs 10% – 11% somewhere in that range or so. And I think as Andy said, we haven't had to make any major adjustments to that or sudden cost cuts or anything that wouldn't allow us to continue to run the business for long-term growth. We're still releasing new products like Showcase, delivering higher quality information. You see some of the efficiencies that we've gotten were from software releases, were from consolidating office space, getting paid \$7.6 million for new space in the UK, reducing, consolidating space here in Bethesda and saving \$1.2 million.

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