ARCH COAL INC
Form 10-Q
May 08, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2009

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________.

Commission file number: 1-13105

(Exact name of registrant as specified in its charter)

Delaware	**43-0921172**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One CityPlace Drive, Suite 300, St. Louis, Missouri	**63141**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: (314) 994-2700

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

At May 5, 2009, there were 144,400,301 shares of the registrant s common stock outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(in thousands, except per share data)

	Three Months Ended March 31	
	2009	**2008**
	(unaudited)	
REVENUES		
Coal sales	$ 681,040	$ 699,350
COSTS, EXPENSES AND OTHER		
Cost of coal sales	547,126	514,404
Depreciation, depletion and amortization	73,041	73,042
Selling, general and administrative expenses	25,114	25,680
Change in fair value of coal derivatives and coal trading activities, net	(528)	(30,558)
Costs related to acquisition of Jacobs Ranch	3,350	
Other operating (income) expense, net	(5,635)	58
	642,468	582,626
Income from operations	38,572	116,724
Interest expense, net:		
Interest expense	(20,018)	(20,488)
Interest income	6,468	425
	(13,550)	(20,063)
Income before income taxes	25,022	96,661
Provision for (benefit from) income taxes	(5,550)	15,240
Net income	30,572	81,421
Less: Net (income) loss attributable to noncontrolling interest	7	(274)
Net income attributable to Arch Coal, Inc.	$ 30,579	$ 81,147
EARNINGS PER COMMON SHARE		
Basic earnings per common share	$ 0.21	$ 0.56
Diluted earnings per common share	$ 0.21	$ 0.56
Basic weighted average shares outstanding	142,789	143,497

Diluted weighted average shares outstanding	142,848	144,596
Dividends declared per common share	$ 0.09	$ 0.07

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,766	$ 70,649
Trade accounts receivable	224,964	215,053
Other receivables	42,481	43,419
Inventories	205,770	191,568
Prepaid royalties	35,401	43,780
Deferred income taxes	32,121	52,918
Coal derivative assets	25,335	43,173
Other	53,459	45,818
Total current assets	647,297	706,378
Property, plant and equipment, net	2,797,697	2,703,083
Other assets:		
Prepaid royalties	86,151	66,918
Goodwill	46,832	46,832
Deferred income taxes	327,617	294,682
Equity investments	89,207	87,761
Other	94,948	73,310
Total other assets	644,755	569,503
Total assets	$ 4,089,749	$ 3,978,964
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 165,955	$ 186,322
Coal derivative liabilities	10,044	10,757
Accrued expenses and other current liabilities	201,689	249,203
Current maturities of debt and short-term borrowings	205,167	213,465
Total current liabilities	582,855	659,747

Long-term debt	1,238,807	1,098,948
Asset retirement obligations	260,876	255,369
Accrued pension benefits	76,023	73,486
Accrued postretirement benefits other than pension	58,943	58,163
Accrued workers compensation	28,728	30,107
Other noncurrent liabilities	80,409	65,526
Total liabilities	2,326,641	2,241,346
Equity:		
Common stock, $0.01 par value, authorized 260,000 shares, issued 144,400 and 144,345 shares, respectively	1,448	1,447
Paid-in capital	1,385,073	1,381,496
Treasury stock, 1,512 shares at March 31, 2009 and December 31, 2008, at cost	(53,848)	(53,848)
Retained earnings	496,451	478,734
Accumulated other comprehensive loss	(74,894)	(79,096)
Total Arch Coal, Inc. stockholders equity	1,754,230	1,728,733
Noncontrolling interest	8,878	8,885
Total equity	1,763,108	1,737,618
Total liabilities and equity	$ 4,089,749	$ 3,978,964

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
	(unaudited)	
OPERATING ACTIVITIES		
Net income	$ 30,572	$ 81,421
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	73,041	73,042
Prepaid royalties expensed	9,461	8,863
Gain on dispositions of property, plant and equipment	(54)	(399)
Employee stock-based compensation	3,520	3,634
Changes in:		
Receivables	(9,005)	(8,752)
Inventories	(14,202)	(18,381)
Coal derivative assets and liabilities	11,298	(29,597)
Accounts payable, accrued expenses and other current liabilities	(37,891)	16,025
Deferred income taxes	(14,440)	(811)
Other	4,827	8,684
Cash provided by operating activities	57,127	133,729
INVESTING ACTIVITIES		
Capital expenditures	(191,886)	(244,491)
Proceeds from dispositions of property, plant and equipment	214	422
Purchases of investments and advances to affiliates	(5,881)	(812)
Additions to prepaid royalties	(20,315)	(19,079)
Reimbursement of deposits on equipment	3,209	
Cash used in investing activities	(214,659)	(263,960)
FINANCING ACTIVITIES		
Net proceeds from commercial paper and net borrowings on lines of credit	137,265	150,646
Net payments on other debt	(5,363)	(4,414)
Debt financing costs	(4,449)	
Dividends paid	(12,862)	(10,010)
Issuance of common stock under incentive plans	58	2,163
Cash provided by financing activities	114,649	138,385

Increase (decrease) in cash and cash equivalents	(42,883)	8,154
Cash and cash equivalents, beginning of period	70,649	5,080
Cash and cash equivalents, end of period	$ 27,766	$ 13,234

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Arch Coal, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Arch Coal, Inc. and its subsidiaries and controlled entities (the Company). The Company s primary business is the production of steam and metallurgical coal from surface and underground mines located throughout the United States, for sale to utility, industrial and export markets. The Company s mines are located in southern West Virginia, eastern Kentucky, Virginia, Wyoming, Colorado and Utah. All subsidiaries (except as noted below) are wholly-owned. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations for the three month period ended March 31, 2009 are not necessarily indicative of results to be expected for the year ending December 31, 2009. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2008 included in Arch Coal, Inc. s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

The Company owns a 99% membership interest in a joint venture named Arch Western Resources, LLC (Arch Western) which operates coal mines in Wyoming, Colorado and Utah. The Company also acts as the managing member of Arch Western.

2. Accounting Policies

New Accounting Pronouncements

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (Statement No. 160). Statement No. 160 requires that a noncontrolling interest (previously referred to as minority interest) in a consolidated subsidiary be displayed in the consolidated balance sheet as a separate component of equity and the amount of net income attributable to the noncontrolling interest be included in consolidated net income on the face of the consolidated statement of income. The adoption of Statement No. 160 resulted in a decrease in other liabilities and an increase in total equity of $8.9 million as of December 31, 2008 from what was previously reported for the reclassification of the noncontrolling interest in Arch Western. The adoption of Statement No. 160 resulted in a decrease in other operating expense, net and an increase in net income of $0.3 million for the three months ended March 31, 2008 from what was previously reported for the amount of income attributable to the noncontrolling interest in Arch Western.

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (Statement No. 161). Statement No. 161 requires additional disclosures about derivatives and hedging activities, including qualitative disclosures about objectives for using derivatives. It also requires tabular disclosures about the gross fair value of derivative instruments, gains and losses from derivative instruments by type of contract, and the locations of these amounts in the interim and annual financial statements. See Note 4, Derivatives for the disclosures required by Statement No. 161.

On January 1, 2009, Statement of Financial Accounting Standards No. 141(R), *Business Combinations* (Statement No. 141(R)) and Staff Position FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in Business Combination that Arise from Contingencies*, (FSP FAS 141(R)-1) became effective. The provisions of Statement No. 141(R) are effective for any business combinations that occur on or after January 1, 2009. Statement No. 141(R) clarifies and amends the accounting guidance for the acquirer s recognition and measurement of the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree in a business combination. FSP FAS 141(R)-1 amends Statement No. 141(R) and previous guidance, requiring that assets acquired and liabilities assumed in a business combination that arise from pre-acquisition contingencies be recognized at fair value in accordance with Statement of Financial Accounting Standards No. 157 (Statement No. 157) and

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amending disclosure requirements to include changes in the range of possible outcomes for both recognized and reasonably possible unrecognized pre-acquisition contingencies.

On January 1, 2009, the Company adopted Staff Position No. EITF 03-6-01 *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-01). FSP EITF 03-6-01 clarifies whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in computing earnings per share under the two-class method. FSP EITF 03-6-01 had no effect on basic earnings per share for the three months ended March 31, 2009 and resulted in a decrease of $0.01 in basic earnings per share for the three months ended March 31, 2008 from what was previously reported.

On January 1, 2009, the Company adopted Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, (FSP FAS 157-2) prospectively for the Company s fair value measurements other than those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP FAS 157-2 deferred the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities. FSP FAS 157-2 is effective for all fair value measurements prescribed by generally accepted accounting principles for nonfinancial assets and nonfinancial liabilities after the date of adoption, however, there was no transition impact upon initial adoption.

On January 1, 2009, the Company prospectively adopted EITF Issue 08-6, *Accounting for Equity Method Investments,* (EITF 08-6). EITF 08-6 clarifies the application of the equity method. This EITF concludes that equity method investments should be recognized using a cost accumulation model and that the investments as a whole should be assessed for other-than-temporary impairment. EITF 08-6 also concludes on the accounting for gains or losses on the issuance of shares by the investee and for the loss of significant influence. EITF 08-6 did not have a significant impact on the accounting for the Company s equity investments.

3. Fair Value Measurements

Statement No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include available-for-sale equity securities and coal futures that are submitted for clearing on the New York Mercantile Exchange.

Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company s level 2 assets and liabilities include commodity contracts (coal and heating oil) with fair values derived from quoted prices in over-the-counter markets or from prices received from direct broker quotes.

Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. These include the Company s commodity option contracts (primarily coal and heating oil) valued using modeling techniques, such as Black-Scholes, that require the use of inputs, particularly volatility, that are not observable.

The table below sets forth, by level, the Company s financial assets and liabilities that are accounted for at fair value:

	Fair Value at March 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Assets:				
Available-for-sale investments	$ 317	$ 317	$	$
Derivatives	25,335	3,992	20,349	994

Total assets	$ 25,652	$ 4,309	$ 20,349	$ 994
Liabilities:				
Derivatives	$ 51,590	$	$ 53,262	$ (1,672)

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The Company s contracts with certain of its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. Each level in the table above displays the underlying contracts according to their classification in the accompanying condensed consolidated balance sheet, based on this counterparty netting.

The following table summarizes the change in the fair values of financial instruments categorized as level 3.

	Three Months Ended March 31, 2009 (In thousands)
Beginning balance	$ 1,050
Gains (losses), realized or unrealized:	
Recognized in earnings	(387)
Recognized in other comprehensive income	320
Settlements, purchases and issuances	1,683
Ending balance	$ 2,666

Net unrealized gains during the three months ended March 31, 2009 related to level 3 financial instruments held on March 31, 2009 were $0.1 million.

4. Derivatives

The Company generally utilizes derivative financial instruments to manage exposures to commodity prices. Additionally, the Company may hold certain coal derivative financial instruments for trading purposes.

All derivative financial instruments are recognized in the balance sheet at fair value. In a fair value hedge, the Company hedges the risk of changes in the fair value of a firm commitment, typically a fixed-price coal sales contract. Changes in both the hedged firm commitment and the fair value of a derivative used as a hedge instrument in a fair value hedge are recorded in earnings. In a cash flow hedge, the Company hedges the risk of changes in future cash flows related to a forecasted purchase or sale. Changes in the fair value of the derivative instrument used as a hedge instrument in a cash flow hedge are recorded in other comprehensive income. Amounts in other comprehensive income are reclassified to earnings when the hedged transaction affects earnings and are classified in a manner consistent with the transaction being hedged. The Company formally documents the relationships between hedging instruments and the respective hedged items, as well as its risk management objectives for hedge transactions.

The Company evaluates the effectiveness of its hedging relationships both at the hedge s inception and on an ongoing basis. Any ineffective portion of the change in fair value of a derivative instrument used as a hedge instrument in a fair value or cash flow hedge is recognized immediately in earnings. The ineffective portion is based on the extent to which exact offset is not achieved between the change in fair value of the hedge instrument and the cumulative change in expected future cash flows on the hedged transaction from inception of the hedge in a cash flow hedge or the change in the fair value of the firm commitment in a fair value hedge.

Diesel fuel price risk management

The Company is exposed to price risk with respect to diesel fuel purchased for use in its operations. The Company purchases approximately 50 million gallons of diesel fuel annually in its operations. To reduce the volatility in the price of diesel fuel for its operations, the Company uses forward physical diesel purchase contracts, as well as heating oil swaps and purchased call options. At March 31, 2009, the Company had protected the price of approximately 66% of its remaining expected purchases for fiscal year 2009 and 28% of its expected purchases for fiscal year 2010. Since the changes in the price of heating oil highly correlate to changes in the price of the hedged diesel fuel purchases, the heating oil swaps and purchased call options qualify for cash flow hedge accounting. The Company held heating oil swaps and purchased call options for approximately 36.2 million gallons as of March 31, 2009.

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Coal risk management positions

The Company may sell or purchase forward contracts and options in the over-the-counter coal market in order to manage its exposure to coal prices. The Company has exposure to the risk of fluctuating coal prices related to forecasted sales or purchases of coal or to the risk of changes in the fair value of a fixed price physical sales contract. Certain derivative contracts may be designated as hedges of these risks.

At March 31, 2009, the Company held derivatives for risk management purposes totaling 0.9 million tons of coal that are expected to settle during the remainder of 2009 and 0.2 million tons of coal that are expected to settle in 2010.

Coal trading positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market for trading purposes. The Company may also include nonderivative contracts in its trading portfolio. The Company is exposed to the risk of changes in coal prices on its coal trading portfolio. The timing of the estimated future realization of the value of the trading portfolio is 81% in the remainder of 2009, 18% in 2010 and 1% in 2011.

Tabular derivatives disclosures

The Company s contracts with certain of its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. Such netting arrangements reduce our credit exposure related to these counterparties. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. The amounts shown in the table below represent the fair value position of individual contracts, regardless of the net position presented in the accompanying condensed consolidated balance sheet. The fair value and location of derivatives reflected in the accompanying condensed consolidated balance sheet are as follows:

	Fair Value	
As of March 31, 2009 (in thousands)	**Asset Derivatives**	**Liability Derivatives**
Derivatives Designated as Hedging Instruments Under Statement No. 133		
Heating oil	$ 2,077 **1**	$ 43,623 **1**
Coal	2,837 **2**	26,770 **2**
Total	4,914	70,393
Derivatives Not Designated as Hedging Instruments Under Statement No. 133		
Coal held for trading purposes	147,551 **2**	116,714 **2**
Coal	8,619 **2**	232 **2**
Total	156,170	116,946
Total derivatives	161,084	187,339
Effect of counterparty netting	(135,749)	(135,749)
Total derivatives as classified in the balance sheet	**$ 25,335**	**$ 51,590**

Location in the Balance Sheet

1 Accrued expenses and other current liabilities ($41,546)

2 Coal derivative assets ($25,335) and Coal derivative liabilities ($10,044)

The Company had a current asset for the right to reclaim cash collateral of $13.8 million and $6.6 million at March 31, 2009 and December 31, 2008, respectively. These amounts are not included with the derivatives presented in the table above.

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The effects of derivatives on measures of financial performance are as follows:

For the Three Months Ended March 31, 2009
(in thousands)

Derivatives in Statement No. 133 Fair Value Hedging Relationships	Loss	Hedged Items in Statement No. 133 Fair Value Hedge Relationships	Gain
Coal	$ (3,188) **1**	Firm commitments	$ 3,188 **1**

Derivatives in Statement No. 133 Cash Flow Hedging Relationships		Loss Recognized in OCI (Effective Portion)		Losses Reclassified from OCI into Income (Effective Portion)		Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Heating oil	$	(2,865)	$	(12,217) **2**	$	
Coal		(5,622)		(2,984) **1**		
Totals	$	(8,487)	$	(15,201)	$	

Derivatives Not Designated as Hedging Instruments under Statement No. 133		Gain
Coal	$	181 **3**

Location in Statement of Income:

1-Coal sales

2-Cost of coal sales

3-Change in fair value of coal derivatives and

coal trading
activities, net

During the next twelve months, based on fair values at March 31, 2009, losses on derivative contracts designated as hedge instruments in cash flow hedges of approximately $59.0 million are expected to be reclassified from other comprehensive income into earnings.

During the three months ended March 31, 2009, the Company recognized net unrealized and realized gains related to its trading portfolio (including derivative and non-derivative contracts) of $0.3 million as reflected in the caption Change in fair value of coal derivatives and coal trading activities, net in the accompanying condensed consolidated statement of income. These gains are not included in the above table.

5. Business Combinations

On March 8, 2009, Arch Coal entered into an agreement to purchase the Jacobs Ranch mining complex in the Powder River Basin from Rio Tinto Energy America for a purchase price of $761.0 million. At December 31, 2008, Jacobs Ranch controlled approximately 381 million tons of coal reserves as reported by Rio Tinto Energy America, which are adjacent to the Company s Black Thunder mining complex. The Company recognized costs of $3.4 million related to the potential acquisition in the accompanying condensed consolidated statement of income for the three months ended March 31, 2009 in accordance with Statement No. 141(R). The completion of the transaction is subject to certain governmental and regulatory conditions and approvals, including those under competition laws and regulations, and other customary conditions. There can be no assurance that the transaction will be completed as contemplated in the agreement.

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6. Stock-Based Compensation

During the three months ended March 31, 2009, the Company granted options to purchase approximately 1.0 million shares of common stock with a weighted average exercise price of $14.05 per share and a weighted average grant-date fair value of $6.62 per share. The options fair value was determined using the Black-Scholes option pricing model, using a weighted average risk-free rate of 1.75%, a weighted average dividend yield of 2.56% and a weighted average volatility of 69.40%. The options vest ratably over four years. The options provide for the continuation of vesting for retirement-eligible recipients that meet certain criteria. The expense for these options will be recognized through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn part or all of the award. The Company also granted 35,000 shares of restricted stock during the three months ended March 31, 2009 at a weighted average grant-date fair value of $14.05 per share. The restricted stock vests in three to four years.

The Company recognized stock-based compensation expense from all plans of $3.5 million and $4.7 million in the three months ended March 31, 2009 and 2008, respectively. This expense is primarily included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income.

7. Inventories

Inventories consist of the following:

	March 31, 2009	December 31, 2008
	(In thousands)	
Coal	$ 74,964	$ 64,683
Repair parts and supplies, net of allowance	130,806	126,885
	$ 205,770	$ 191,568

8. Debt

	March 31, 2009	December 31, 2008
	(In thousands)	
Commercial paper	$ 32,936	$ 65,671
Indebtedness to banks under credit facilities	443,597	273,597
6.75% senior notes ($950.0 million face value) due July 1, 2013	955,807	956,148
Other	11,634	16,997
	1,443,974	0

Number of shares as to which Charles P. Coleman III has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	0

Number of shares as to which Scott Shleifer has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	0
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	0

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [X].

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

If a parent holding company has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

N/A

Item 8. Identification and Classification of Members of the Group.

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to §240.13d-1(c) or §240.13d-1(d), attach an exhibit stating the identity of each member of the group.
N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

	February 16, 2016 (Date)
Tiger Global Investments, L.P. By Tiger Global Performance, LLC Its General Partner	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Tiger Global Performance, LLC	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Tiger Global Management, LLC	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Charles P. Coleman III	/s/ Charles P. Coleman III Signature
Scott Shleifer	/s/ Scott Shleifer Signature

Exhibit A

AGREEMENT

The undersigned agree that this Schedule 13G dated February 16, 2016 relating to the Class A Common Stock, par value $0.0001 of Zillow Group, Inc. shall be filed on behalf of the undersigned.

Tiger Global Investments, L.P. By Tiger Global Performance, LLC Its General Partner	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Tiger Global Performance, LLC	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Tiger Global Management, LLC	/s/ Anil L. Crasto Signature Anil L. Crasto Chief Operating Officer
Charles P. Coleman III	/s/ Charles P. Coleman III Signature
Scott Shleifer	/s/ Scott Shleifer Signature

SK 03559 0004 7028440