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FTC Sues Zillow, Redfin Over Agreement

Agency alleges antitrust violations in deal by 2 platforms for real-estate ads

By Kelly Cloonan And Will Parker

The Federal Trade Commission is suing **Zillow** and Redfin, now owned by **Rocket** Cos., alleging the two real-estate advertising platforms made an unlawful pact that suppresses competition.

The FTC's complaint alleges that Redfin agreed to end its contracts with advertising customers and help Zillow take over that business in exchange for a $100 million payment.

The agency also claims that Redfin agreed to stop competing in the advertising market for multifamily properties for up to nine years, and to serve as an exclusive syndicator of Zillow listings.

The agreement, which Zillow and Redfin entered in February, would likely lead to higher prices and worse terms for apartment advertising, the FTC said. It also reduces incentives for the two companies to compete for renters, the agency added.

"Paying off a competitor to stop competing against you is a violation of federal antitrust laws," said Daniel Guarnera, director of the FTC's Bureau of Competition, noting the rental industry's advertising market was already crowded.

The FTC said it was seeking to end the agreement between Zillow and Redfin and potentially require Redfin to build back its rental-listing business.

Zillow and Redfin are two of the three largest rental-home and apartment advertisers, according to the complaint. The other is CoStar Group, the publicly traded property-data company that operates Apartments.com and which has made a number of major acquisitions of other data companies during the past decade.

AL DRAGO/BLOOMBERG NEWS

The FTC is seeking to end the companies' deal.

Shares of Zillow closed down 4.3% at $77.05 each, while shares of Rocket, which owns Redfin, closed 3.7% lower at $19.38.

Federal regulators and law enforcement have increased their scrutiny of the real-estate business in recent years, particularly in the area of antitrust law. The Justice Department has for years investigated the National Association of Realtors over potentially anticompetitive practices by real-estate agents, and in 2024, the department sued rental-software company RealPage, and later several landlords, alleging the use of RealPage's rent-setting system was a form of price-fixing to increase rents for tenants.

The FTC complaint against Zillow and Redfin is more focused on the potential damage to landlords rather than consumers, though it claims renters are also harmed by the agreement between the two companies. In July, CoStar Group sued Zillow, alleging Zillow violated copyright laws by publishing CoStar-owned photos on its website.

A spokesperson for Zillow said its listing syndication with Redfin helps renters and property managers, expanding renters' access to multifamily listings across multiple platforms.

"It is pro-competitive and pro-consumer by connecting property managers to more high-intent renters so they can fill their vacancies and more renters can get homes. We remain confident in this partnership and the enhanced value it has delivered and will continue to deliver to consumers," the Zillow spokesperson said.

A representative for Redfin didn't respond to a request for comment.

Coty's Strategic Review Weighs CoverGirl Sale or Spinoff

By Natasha Khan

Cosmetics giant **Coty** is conducting a strategic review of CoverGirl and its other mass-market beauty brands, and will consider options including selling or spinning them off.

Coty's share price has dropped 42% since the beginning of the year. In the latest quarter, Coty reported a sales drop fueled by a 12% decline in the company's mass-market beauty business unit, which includes drugstore brands such as Sally Hansen, Max Factor and Rimmel.

Coty has cited headwinds including locked shelves in stores, immigration policy changes, and the ever-tightening squeeze on low-income consumers.

Sales growth has been slowing across the U.S. mass-market cosmetics industry and legacy brands like CoverGirl have been facing stiff competition from newer entrants such as **e.l.f. Beauty**.

Coty plans to lean into its higher-end prestige brands as well as its mass-market fragrances, and merge them into a single business unit, according to a company announcement reviewed by The Wall Street Journal. Two executives from Coty's mass-market beauty unit will leave the company.

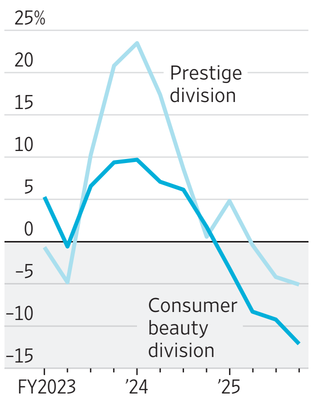
Coty has hired Citi to advise on the strategic review, according to the announcement.

Fragrance sales in recent years have outperformed sales in other beauty-product categories. Coty in August said it was making a big push into fragrance mists, which are lighter than traditional perfumes and gaining popularity as consumers layer scents and look for lower-priced treats.

Coty's newly combined prestige and consumer beauty fragrance division—which will include fragrance brands like Gucci, Calvin Klein, Hugo Boss, Vera Wang and David Beckham—accounts for 69% of Coty's sales.

Coty in 2020 sold a majority stake in its professional-beauty and hair-care businesses—including the Wella, Clairol and OPI brands—to private-equity firm KKR. Coty used much of the $2.5 billion cash proceeds to pay down debt.

Coty's quarterly segment revenue, change from a year earlier



Note: Latest fiscal quarter ended June 30
Source: S&P Capital IQ

CRAIG BARRITT/GETTY IMAGES FOR COVERGIRL

CoverGirl is facing new rivals such as e.l.f. Beauty.

Restructuring Costs Eat Into Lamb Weston's Earnings

By Connor Hart

Lamb Weston logged lower profit in its fiscal first quarter, though sales edged higher, as the company continued working to cut costs and improve working capital.

The french-fry maker on Tuesday posted a profit of $64.3 million, or 46 cents a share, for its quarter ended Aug. 24. That compares with earnings of $127.4 million, or 88 cents a share, in the same period last year.

Stripping out certain one-time items, adjusted earnings were 74 cents a share. Analysts polled by FactSet expected adjusted earnings of 54 cents a share.

Quarterly sales edged 0.3% higher to $1.66 billion, slightly ahead of the $1.62 billion that Wall Street modeled. North American sales sank 2%, while international sales grew 4%.

Volumes rose 6% on customer wins and retention, particularly in North America and Asia, the company said. This gain, however, was offset by a 7% decline in price and sales mix, as customers gravitated toward lower-priced products.

During the recent quarter, Lamb Weston continued to make progress on its continuing cost-savings program, which is expected to deliver at least $250 million of annualized run-rate savings by the end of fiscal 2028.

The Eagle, Idaho, company said it was on track to deliver at least $100 million of these expected savings, as well as an additional $60 million worth of working-capital improvements, by the end of the current fiscal year. It expects to record $70 million to $100 million in pretax charges stemming from the program, most of which will be paid in this year, it said. The recent quarter included approximately $32 million of these charges, it noted.

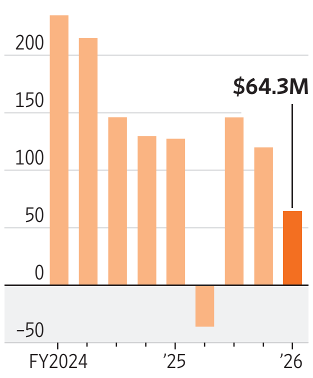
Lamb Weston backed its full-year outlook for adjusted Ebitda—or earnings before interest, taxes, depreciation and amortization—of $1 billion to $1.2 billion on sales of $6.35 billion to $6.55 billion. Analysts are looking for adjusted Ebitda of $1.11 billion and sales of $6.49 billion.

Shares rose 4.3%, to $58.08 in Tuesday's trading.

PHIL MASTURZO/USA TODAY NETWORK/REUTERS

The company said its effort to reduce costs was on track.

Lamb Weston quarterly net profit



Note: Latest fiscal quarter ended Aug. 24
Sources: S&P Capital IQ; the company

Paychex Raises Earnings Outlook Despite Worries of Stagnation

By Nicholas G. Miller

Paychex posted higher first-quarter revenue and upped its full-year earnings outlook despite concerns that a stagnant macroeconomic environment for small and medium businesses limits upside for the company.

The payroll management company recorded $1.54 billion in sales, in line with Wall Street's expectations and up from $1.32 billion the year before.

Paychex posted first-quarter net income of $383.8 million, or $1.06 a share, down from $427.4 million, or $1.18 a share, the year prior. Adjusted earnings were $1.22 a share. Analysts expected $1.20, according to FactSet.

Total expenses increased 29% to $998.1 million. The company cited costs around its acquisition of Paycor.

Stifel analysts said last week that stagnant conditions around hiring, business creation and bankruptcy among small and medium-size businesses could limit potential sales acceleration for Paychex. There are some signs businesses are delaying decisions amid macroeconomic volatility, the analysts said.

Still, Paychex slightly raised its adjusted earnings growth guidance for the year to a range of 9% to 11%, from its previous forecast of 8.5% to 10.5%. It reiterated the rest of its guidance for the year, which includes revenue growth of 16.5% to 18.5%.