Thomson StreetEvents℠

Conference Call Transcript

DHX - Q4 2008 Dice Holdings, Inc Earnings Conference Call

Event Date/Time: Feb 04, 2009 / 01:30PM GMT

CORPORATE PARTICIPANTS

Jennifer Bewley
Dice Holdings, Inc. - IR

Scot Melland
Dice Holdings, Inc. - Chairman, President & CEO

Michael Durney
Dice Holdings, Inc. - SVP Finance & CFO

CONFERENCE CALL PARTICIPANTS

Imran Khan
JPMorgan - Analyst

John Janedis
Wachovia - Analyst

Timothy McHugh
William Blair & Co. - Analyst

Jim Janesky
Stifel Nicolaus - Analyst

Collis Boyce
Morgan Stanley - Analyst

Craig Huber
Barclays Capital - Analyst

Youssef Squali
Jefferies & Co. - Analyst

John Blackledge
Credit Suisse - Analyst

Doug Campbell
Spare Capital - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen. And welcome to the fourth quarter 2008 Dice Holdings, Inc., earnings conference call. My name is Heather, and I'll be your coordinator for today. At this time, all participants are in a listen-only mode. We'll be facilitating a question and answer session towards the end of today's conference.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. We now turn the presentation over to your host for today's conference, Ms. Jennifer Bewley, Director of Investor Relations. Please proceed.

Jennifer Bewley - ***Dice Holdings, Inc. - IR***

Thanks, Heather. And good morning, everyone. With me on the call today is Scot Melland, Chairman, President, and Chief Executive Officer of Dice Holdings, along with Michael Durney, Senior Vice President of Finance and Chief Financial Officer.

Please note this morning we issued a press release describing the Company's results for the fourth quarter of 2008. A copy of that release can be viewed on the Company's website at diceholdingsinc.com. We routinely post all material information to our website and would encourage all investors to visit the site for more information on the Company.

Before we begin, I'd like to note that today's call includes certain forward-looking statements, particularly statements regarding future financial and operating results of the Company and its businesses. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances.

Actual results may vary materially from those expressed or implied by the statements herein due to changes in economics, business, competitive, technological and/or regulatory factors. The principle risks that could cause our results to differ materially from our current expectations are detailed in the Company's SEC filings, including our annual report on Form 10-K and the sections entitled risk factors, forward-looking statements, management's discussion and analysis of financial condition, and results of operation. The Company is under no obligation to update any forward-looking statements, except as required by federal securities law.

Today's call also includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, and free cash flow. For details on these measures, including why we use them and reconciliations to the most comparable GAAP measures, please refer to our earnings release and our Form 8-K that has been furnished to the SEC, both of which are available on our website. Now I'll turn the call over to Scot.

Scot Melland - ***Dice Holdings, Inc. - Chairman, President & CEO***

Thank you, Jennifer. First, let me welcome all of you to the Dice Holdings fourth quarter and full-year 2008 conference call. I'll start today by briefly discussing our fourth quarter, including our perspective on the current market conditions and how they're impacting our businesses. Then I'll hand it over to Mike Durney, our CFO, to take you through our financial performance in greater detail and our guidance, where we will take a different approach this year from what we've done in the past. After Mike, I'll make a few closing remarks. And then we'll open up the call for questions.

So let's begin with the fourth quarter. On our last call, I described how market conditions had gone from uncertain, to challenging, to difficult during the past year. Well, in the fourth quarter, those conditions deteriorated even further as recruitment activity dropped dramatically in November, December, and now January. Obviously, this impacted our results.

Worldwide revenues decreased 10% in the quarter, driven mainly by a decline in our US-based businesses and a drop in the UK portion of eFinancialCareers. Demand for our services declined both here in the US and abroad as companies pulled back on recruiting activity, given their concerns about their own businesses and the economy in general. We moved quickly to reduce expenses during the quarter, which allowed our adjusted EBITDA margins to remain high at 47%, roughly flat to last year's fourth quarter.

In general, I think the fourth quarter can be characterized by four major themes -- a rapid decline in the US and European economies, a sharp decrease in recruiting activity, collapsing confidence amongst businesses, and the spread of the global financial crisis to Asia and other fast-growing markets. Unfortunately, none of these trends bode well for 2009 results. However, this is a company that is taking prudent steps to manage through this down cycle with an eye towards smart investments that build our brands and our communities for the long term.

Let's talk a bit about our key services. The good news is that our major services continue to perform well for our customers and our job seekers. At Dice, traffic to the site grew 13% year over year in the fourth quarter, including 20% growth in key markets, such as New York, Silicon Valley, Chicago, and Boston, and 34% growth in Seattle. Over the same time period, new resumes posted to the site increased 67% year over year.

Technology professionals are coming to us in numbers greater than ever before. But it's not enough that they just visit our services. It's critical that they have a world-class experience and we keep them as part of the Dice community for the long term. So to that end, we will continue to improve our user experience throughout 2009, adding unique content and new services for job seekers, like our Dice Advantage service, which we launched in October. It's our first service sold directly to job seekers, which provides them additional help and exposure on the Dice service. I think Dice Advantage is a good example of how we are introducing new services that boost loyalty among our job seekers and make a little bit of money at the same time.

At eFinancialCareers, in the fourth quarter, total applications grew 18% year over year. And an important measure for this business, local applications to local jobs, increased 15% year over year. A key strategic initiative in 2009 will be to broaden the job types offered at eFinancialCareers. This involves adding career opportunities in finance that are relevant to our users' skills and experience but are outside of the capital markets industry. This includes jobs in corporate development, through treasury, senior level financial positions in industry or the public sector, and opportunities in insurance and retail brokerage.

Recruiting in these areas already happens on our sites in a small way. In 2009, we will put more emphasis on these areas to broaden the opportunities available to our community of professionals. And they are interested in these career options. In a recent survey we ran on eFinancialCareers in the US, over three-quarters of the respondents indicated that they were interested in career opportunities outside of the financial services industry. So this is a win-win for both our job seekers and our customers.

In addition, we will continue to improve the existing EFC service, develop our global footprint, and increase both local traffic and the level of seeker engagement in our newer developing markets.

As you can see, we are executing well on our strategy of building our professional communities. And our services are performing well for our customers. However, the market environment has changed dramatically, which makes cost containment another key priority for 2009. As a result, we have reduced expenses in nearly every department of the Company, as evidenced by our fourth quarter results. And we will continue to make adjustments as necessary.

You have heard us talk a lot in the past about controlling our marketing spend, as it is the single largest expense category that we have. Marketing and specifically job seeker marketing is a highly discretionary expense. And the vast majority of our marketing agreements are performance based and cancelable on short notice. With job seeker activity up significantly and job postings and recruitment activity down year over year, we simply do not need to spend as much to provide superior results for our customers.

Now this doesn't mean that we're going to stop marketing. Far from it, we will continue to spend to attract new users, professionals with unique skill sets, and to drive local applications in our newer markets. This does mean, however, that we have a considerable amount of flexibility in managing this part of our cost structure.

So given this difficult environment, what can you expect from us in 2009. First, as we've mentioned before, we will focus on maintaining and strengthening our customer relationships, both those who are with us today and those who are not currently using our services, because we fully expect to get many of those customers back as conditions improve. We will continue to invest to grow our professional communities. We may not have to spend as much in this environment to attract new professionals. But we will continue to invest since we believe that growing our communities leads to our long-term success.

We will continue to improve our career sites with the goal of better serving our communities and developing new revenue streams for the Company. And of course, we will manage our expenses.

Like many companies, we are facing a tough year. The magnitude of the decline and the recruitment advertising market in 2009 may be surprising to some. But frankly, we've been here before. In fact, most of our senior team has worked together since 2001, which was another challenging time. And we have full confidence in our products, our business model, and employees to get through this downturn and to build the Company for the future. So with that, let me turn it over to Mike.

Michael Durney *- Dice Holdings, Inc. - SVP Finance & CFO*

Okay. Thanks, Scot. And thanks to everyone for joining us today. I'll spend a few minutes covering Dice's overall financial performance for the fourth quarter and provide some details by business segment, discuss some customer metrics, the balance sheet and cash flows, and give some initial thoughts on 2009. Regarding '09, while we would like to succumb to the tendency to avoid giving guidance given the significant uncertainty, we will provide some insight into '09 based on what we see today. And when I get to it a little bit later, I'll point out that this is more a point-in-time estimate than traditional guidance range.

In the quarter, total revenues decreased $4 million to $35.5 million. The decline was a function of rapidly declining recruitment advertising market, which impacted each of our businesses, except for ClearanceJobs, which posted revenue growth of 37%, and the strengthening of the US dollar against the pound sterling, which had a $2.3 million negative impact versus last year, or more than half of the decline.

Excluding the $7.2 million charge for impairment of goodwill of eFinancialCareers US business, which I'll review more about in a moment, and 2007 JobsintheMoney write off, year-over-year operating expenses declined 9% or $2.2 million of which approximately $1.3 million resulted from the benefit of currency translation. The remainder was managed reductions in job seeker marketing, lower sales expense due to the decline in both the market at large and the fall off in our renewal rate, lower amortization expense, and a 10% reduction in our global work force made in November.

I want to note that the severance and related costs incurred in eliminating the roughly 30 positions is included in the appropriate individual expense lines consistent with how we've handled it in the past when we've had to unfortunately reduce staff size.

Operating income for the quarter totaled $3.3 million down 65% from the previous year, primarily due to the decline in revenues and the impairment charge. In the fourth quarter, we conducted our annual impairment testing of both eFinancialCareers US and international reporting units. Based on our projection of expected cash flows, which is in part based on the current and anticipated difficult environment for financial services recruiting, we determined that there was impairment to the eFinancialCareers US reporting unit of $7.2 million or roughly half the [carry and burn]. Based on similar analysis, we determined that there was no impairment of the international operations.

Adjusted EBITDA is reconciled in the press release with $16.8 million in the fourth quarter, a margin of 47%, which is in line with our 2007 fourth quarter performance and slightly ahead of our long-term goal of 40% to 45%. Traditionally, we spend less on marketing in the fourth quarter as compared to earlier in the year. And that was the case in both 2008 and 2007. And in addition, this year we had lower sales compensation costs resulting from lower billings. Those items caused our sales and marketing expense to be about 33% of revenue in the fourth quarter, the same as 2007.

Moving further down the income statement, interest expense declined $1.1 million as the company benefited from the payments on our term loan in 2008 of about $43 million and due to lower overall interest rates. Although, the impact of interest rate decline was muted by the interest rate swap agreements and the LIBOR floor that we have in place under our credit facility.

The Company's net loss for the quarter ended December 31 was $2.9 million, including the impact of the impairment charge and a $1.6 million non-cash pretax expense, reflecting the change in the fair value of the interest rate swap agreements. That results in a loss per diluted share of $0.05 for the quarter. And reflected in that $0.05 loss is the impact of the impairment charge which has no associated tax benefit of $0.11 per diluted share and the impact of the non-cash expense related to the hedges of $0.02 per share.

Our tax rate for the quarter was 38% when measuring against pretax income excluding the impairment charge. One note on taxes -- as we've indicated in the past, we did become a taxpayer in 2008. And we paid $3.4 million in the fourth quarter, primarily in the UK This did impact operating cash flows in the quarter.

As for the segments, DCS online, which represented 72% of our revenue, declined 5% to $25.6 million, comprised of a 7% decrease of Dice, partially offset by a 37% increase at ClearanceJobs, which has seen no impact so far from the decline in recruitment and advertising spending.

On December 31st, the recruitment package customer account at Dice was 7,600, down 1,200 from the September 30 total of 8,800. The total today is approximately 7,400. The average length of contract was 11 months, which reflects in part the fact that 88% of the customers are under annual contract at December 31st, which is a greater percentage of the mix than any previous quarter in 2008.

During the fourth quarter, the Dice renewal rate on annual contracts was 55%, down from 65% in the third quarter. On a net basis, we lost approximately 500 annual customers during the fourth quarter, with the balance of the reduction being shorter term recruit and pay customers.

Customers continue to report to us that their key reason for not renewing is no current need. Historically, we've gotten back many of our non-renewals as some point in the future. Although, given the current continued deterioration in the environment, reengaging service with us is likely further out than we currently anticipate.

In terms of renewals and even in terms of pursuing new business, we're seeing a wide variety of things, very much company specific. We still see some upgrades of level of service, although not many. And we see some companies coming back after they told us they were on hold. But we certainly see more the other way. And it has materialized in a number of ways.

No need sometimes means they'll use their existing data base of resumes for a period of time and save the Dice fee for a few months. Occasionally, the person who originally contracted with us isn't at the company any longer. And for some direct employers there's a reluctance to post jobs in an environment where they may be laying off personnel, even if they have open positions.

Nothing we hear, though, suggests the customers believe that the site doesn't work for them. But they are delaying. And every delay has an impact on timing of bookings and billings and, consequently, revenue.

Average revenue per package customer was relatively flat at $853 per month compared to $849 in third quarter and $852 in the fourth quarter of 2007. This performance is reflective of larger customers, many of whom have consistent recruitment needs, albeit at potentially lower levels in '09, making up the greater percentage of the customer base than in previous quarters.

We do expect this average to decline slightly going forward as we had thought it would since the beginning of '08 based on the forecasted mix of business -- fewer new customers and more of them at the base level of service.

Moving on to eFinancialCareers, revenues decreased 21% on a US dollar basis and increased 3% measured in pounds sterling. As we know, the impact of the strengthening of the dollar versus the pound was approximately $2.3 million as compared to the fourth quarter a year ago.

So for purposes of discussing the regions, to give you a comparable assessment, I'll be giving you figures in pound sterling. But note that there is some favorable impacts of the results measured in sterling when converting from euros, Singapore dollars, and Australian dollars into pounds. But it's not very significant on an overall basis.

The eFinancialCareers business generated GBP4.9 million in the fourth quarter of 2008 as compared to GBP4.7 million in 2007. In the UK, revenues declined 10% year over year. As we noted in our October call, the pace of downgrades of service had increased. And customers were reassessing their needs. It's only accelerated from there.

The first quarter is an important period for eFinancialCareers as many of our large recruitment agency customer agreements come up for renewal. To date we've renewed about three-quarters of those customers, while we're still working on some. And then the aggregate, including those that didn't renew at all, the contract size of those customers has declined about 45% from the contract booked in the first quarter of 2008. Although, on a year-over-year basis, some of those customers had already reduced their level of service during 2008.

One reminder about the majority of eFinancialCareers contracts, they are cancelable, generally on 30 days notice. So it is conceivable that we may see some customers reduce or cancel these recent renewals.

During the quarter continental Europe and the Middle East grew 28% and accounts now for about 30% of segment revenues. And Asia Pacific increased 70% year over year and accounts for about 20% of the segment revenues. We were able to offset tougher markets, particularly in Australia, with near-term growth opportunities in what is still developing markets for us.

Moving to the other segment, which is 6% of total company revenues, that declined 19% to $2.2 million. The declines were across the board with JobsintheMoney down 31%, Targeted Job Fairs down 22%, and eFinancialCareers North America, which is the largest component of the segment, down 12%.

Overall, US revenues were 78% of the total. DCS online revenues declined 5% year over year. And overall US revenues declined 7% year over year. International was 22% of the total and declined 21%, all of which was due to the decline of the pound against the dollar.

So to sum it up, lower activity levels were apparent in most of our businesses and certainly our primary services despite a recruitment advertising market in an economy that weakened consistently throughout the year. Customer activity in the fourth quarter and beginning of 2009 had fallen considerably.

We've responded quickly and have been taking all reasonable measures to cut costs to minimize the impact on the bottom line without sacrificing long-term growth opportunities.

Switching to the balance sheet and to cash flows, deferred revenues at December 31st was $40.8 million, down 12% versus the $46.2 million at year-end 2007. The decline was primarily due to serving fewer equipment package customers at Dice and a small negative impact from currency translation on the eFinancialCareers balance.

In the quarter, we generated $4.4 million in cash from operations. As I mentioned earlier, tax payments had an impact as it did the reduction in deferred revenue.

For the full year of '08, we generated $54.2 million in operating cash flow, which we used primarily to pay down our term loan by $42.9 million. As for our credit facility, at December 31st, we had $81.5 million outstanding. And we had $61.6 million in cash and marketable securities for a net debt position of just under $20 million. And in mid-January 2009, we opted to prepay an additional $10 million on our term loan, which leaves the total debt outstanding as of January 31st at $71.2 million, including the quarterly scheduled payment made on January 2nd.

These payments do permanently reduce the term loan facility. However, our $75 million revolver is still in place and still untapped should we find a strategic acquisition opportunity. However, today there is nothing on the horizon, which brings us to an outlook for '09.

Given that there is a broader range of potential outcomes this year given the uncertainty, rather than abandon the practice of providing guidance, we thought it best to try to quantify for you what we see at the moment in terms of how the business is playing out for '09 and how we're planning for it internally.

We said many times that January is a good indicator of how the year will progress. January was not very good for us or for anyone else apparently. So we decided the most useful thing to do is tell you what our projections for the year are based on what we've seen to date and based on a reasonable set of assumptions of activity for the remainder of the year.

The outlook we presented in the earnings release today reflects the set of projections that we are using to manage the business. It's reflective of our Q4 and January experience, seasonally adjusted for the following inputs -- renewal rates on annual contracts at Dice, which we expect to decline slightly from current levels and then be stable. While we don't know what the floor renewal rate might be on Dice annual contracts, we do believe that there's a core set of customers who will renew consistently. In addition, we look at renewal rates in part based on when the original contract was booked and the environment at the time to help assess likelihood of renewal.

New business at Dice we expect to continue to decline slightly from the January levels. Downgrades and cancellations at eFinancialCareers, which we expect to continue in each of the markets; and an exchange rate pound sterling to dollar at $1.40 to the pound throughout the year.

So with that as backdrop, we expect revenues for the first quarter to be approximately $29.5 million, sales and marketing expense of $10 million, down from the fourth quarter and down 33% from the previous year, and adjusted EBITDA of $13 million, a 44% margin.

We anticipate a smoother sales and marketing spend throughout '09 than in a normal environment as we've consciously pushed back some discretionary marketing spend as we monitor the environment.

I'd also note that starting the first quarter we expect the distribution of marketing spend towards customers to increase as a percentage of the total versus that to its job seekers, which should come as no surprise.

For the full year, we expect revenues of about $110 million, sales and marketing of approximately $40 million, and adjusted EBITDA of $45 million or 41% EBITDA margin.

Note that as of January 1, we have about $45 million of build or contracted and non-cancelable revenues. Our expectation for CapEx is about $2 million to $3 million. And the estimated tax rate for 2009 is 35%. In this scenario, we would generate cash of around $10 million during 2009.

Again, this is our best view today. If the recruitment and advertising market continues to dwindle, which is a possibility, or start to do better, which is also a possibility, our year view will change.

Given the pretty poor backdrop in '09, it's hard to see past this down cycle at the moment. However, we know it's just a cycle. And we'll continue to use our flexible cost structure and strong balance sheet to our advantage. With that, I'll turn it back over to Scot.

Scot Melland - ***Dice Holdings, Inc. - Chairman, President & CEO***

Thank you, Mike. Let me conclude our formal presentation today with a few thoughts. At the beginning of 2008, we said that we were entering an uncertain year. And it certainly turned out to be one. I think we were all surprised by the severity of the downturn that we experienced.

But if you look at the full year, despite the deteriorating market conditions, our revenue grew 9%. We delivered EBITDA margins of 44%. We also grew the size of our professional communities and our global footprint. And we successfully launched new career sites for our major services, all in all, not a bad performance in such a tough environment.

2009 will be a difficult year, no doubt about that. But the long-term prospects for our business model and our company are strong. And we intend to capitalize on them.

So with that, I would like to thank all of our employees for their focus and dedication. Thank you, all, for listening. And let's open up the call for some questions.

QUESTION AND ANSWER

Operator

Thank you, sir. (Operator Instructions) Your first question call comes from Imran Khan, JPMorgan. Please proceed.

Imran Khan *- JPMorgan - Analyst*

Yes, hi. Thank you for taking my questions. The question -- I have two questions, basically. You talked about expanding the job in other verticals for eFinancialCareers. I was trying to get a better sense. Are you planning to hire new sales reps on that area? Or are you reallocating your sales force? And if so, what kind of ramp time necessary?

Second thing, clearly, you're really cutting a lot of costs. I'm trying to better understand. If you can talk a little more where you're cutting the cost -- it seems like the sales and marketing costs have come down $15 million plus -- which area in sales and marketing you're you cutting costs. So give some more color on the sales cost side. That would be very helpful. Thank you.

Scot Melland *- Dice Holdings, Inc. - Chairman, President & CEO*

Great. I guess first on the eFinancialCareers side, I probably should clarify a little bit. We're really not expanding it into additional verticals. We're expanding really the job types that we are going to promote and focus on, on the site. So we're adding other financial positions that historically have not been a big focus, like senior level positions in corporate America, positions in the public sector, positions in insurance, retail brokerage, and other types of things. So it's not really -- I wouldn't characterize it as a move into another vertical. It's really an expansion of job types that these people really do qualify for and these people are really very interested in.

In terms of the sales side of it, we are expanding the number of salespeople within our current sales group that will be able to sell that service. Historically, we've sold that service because it was primarily capital markets focused, sold it through a specialized team of people with a lot of experience in the capital markets industry. We're now expanding the number of sales people within our sales organization that will be able to sell that product. So I think that's pretty good news there.

On the cost cutting side, we are cutting costs, no doubt about that. And most of that cost cutting is being felt in the sales and marketing area. And most of that is in the job seeker side of the fence. But as I mentioned in my comments and Mike mentioned in his, I think we feel pretty comfortable that the performance of the service is very strong right now. And so we we've got -- we definitely have the flexibility to do that.

Imran Khan *- JPMorgan - Analyst*

So a follow-up question -- in terms of total head count, it seems like it will increase this year. Is that a fair assumption?

Scot Melland *- Dice Holdings, Inc. - Chairman, President & CEO*

Well, the head count actually decreased at the end of last year because we did have a staff reduction in November, about 10% of our world wide head count. And we are not planning on expanding the head count this year. We're not being draconian about this. We are -- if we see opportunities that require people, we will do that. But it's just not our plan right now to expand the head count.

Imran Khan - *JPMorgan - Analyst*

Got it. Thank you.

Operator

Your next question comes from the line of John Janedis with Wachovia. Please proceed.

John Janedis - *Wachovia - Analyst*

Hi. Good morning. Thanks. A couple of questions -- first, Scot, when the economy turns, do you think you'll lead or lag the recovery, given the focus on tech and financials?

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

I think a lot of it has to do with what happens in those particular verticals and industry segments. But in general, just from the conversations that we've had with our customers, I think there's a feeling that if the market does look better, if there is positive news, if the economy turns up, I think there will be some latent demand. Or there'll some demand that will spring back pretty quickly.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

I think, John -- this is Mike, sorry. I think history has shown, at least for us, that from a financial performance standpoint, we tend to lag a little bit. When the environment changes, companies may opt to use outside providers who are already customers of ours. So there is a short lag effect in terms of us realizing the benefit of a financial performance standpoint.

John Janedis - *Wachovia - Analyst*

Thanks. Mike, on a related note, are you seeing any evidence of employers moving to lower cost ways of reaching seekers given weaker budgets, maybe kind of like you saw in '01?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Lower -- what we do see is companies more apt to use their own web sites. That's what I refer to as save the fee for a period of time. There is a little bit of a move towards using search engines. But we haven't seen us lose significant amounts of business because people are using their own sites. We tend to view that as additive. But in short terms, they will do that.

John Janedis - *Wachovia - Analyst*

Okay. Thanks. And one last one -- to what extent do customers ask to renegotiate or lengthen terms of contracts?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

On the Dice side?

John Janedis - *Wachovia - Analyst*

Yes.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

I would say it happens incredibly rarely.

John Janedis - *Wachovia - Analyst*

All right, thanks a lot.

Operator

Your next question comes from the line of Timothy McHugh with William Blair & Co. Please proceed.

Timothy McHugh - *William Blair & Co. - Analyst*

Yes, just first wanted to ask about the EFC, kind of focusing a little more on some of the other areas of finance. What does this mean for JobsintheMoney, both in the US and abroad? And how are you thinking about it in terms of risk of just broadening the focus of that business and maybe taking away a little bit of the I guess the more focus of that vertical?

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

Sure. So as we expand the focus on the job types in eFinancialCareers, some of the positions that are currently on JobsintheMoney and some of the customers that we currently have using JobsintheMoney for senior level financial positions will be natural candidates to have those jobs on the new eFinancialCareers site. So there will be some of those jobs that will be appropriate for the scope of this service. And we will probably move those jobs over through our sales conversations with those customers over the next year, if appropriate.

And o if you look at what's going to happen to JobsintheMoney, JobsintheMoney will continue with probably a slightly smaller scope. And then we'll look at how that business is performing through the year and make a decision about what we really want to do with that business by the end of the year.

But I think the important point here is that we have this opportunity with EFC to really broaden the jobs covered and better serve that community that is out there looking for opportunities today and better serve the job types and the customers that are looking for that talent pool. So there's a nice marriage between desire for talent and talent availability there.

As far as risk, we're really not concerned about the risk because we've actually had recruiting going on in these job categories in a small way really for awhile now. And we've had satisfied experiences on both sides, both the job seeker side and the customer side. So it has worked well so far.

Timothy McHugh - *William Blair & Co. - Analyst*

Okay. And then can you walk through -- Mike, I missed some of your comments on the EFC trends in January and the renewal rates as well as the size of those, what you've been seeing early this year.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Sure. I think when the January-February period is the biggest renewal time for recruitment agencies -- not direct employees, but recruitment agencies -- of eFinancialCareers in the UK What we've seen so far through January is we've renewed about three-quarters of the customers who had contracts up for renewal. And the retention rate on revenue is about 55%. So that includes some customers who didn't renew, the roughly one-quarter that didn't renew. So we were seeing about 55% of the contracted revenue that we had from last year.

The other point I made is that, you go back to January of '08 and look at contracted revenue for those customers, some of them had reduced their level of service already because those contracts are cancelable or reducible on notice.

Timothy McHugh - ***William Blair & Co. - Analyst***

So based on your experience thus far, you would expect the revenue from those staffing customers to be down 45% if the other 25% you have haven't renewed yet follow a similar trend. Is that fair?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

Yes, from that customer base yes, although not year over year because last year already reflects some of the reductions that they had made during 2008.

Timothy McHugh - ***William Blair & Co. - Analyst***

Okay. And then my next question was the marketing expenses. You've obviously been doing a good job cutting back on that. And you talked about the reasons why you feel like you can do that. Where are we relative to the discretionary cutbacks that you can make, though, as you look at your guidance for 2009? Are we at a level where you've kind of cutback the amount that you're comfortable doing so? And all that's left in the budget is what you would deem necessary for the long-term growth of the business. Or if we saw further weakness, would there be room for additional cuts?

Scot Melland - ***Dice Holdings, Inc. - Chairman, President & CEO***

I think probably the best way to answer that question is to give you an idea of how we really look at that and measure that. We really do look at that job seeker marketing spend as something that we monitor and measure on almost a real-time basis. And so let's say the demand on the site increases. Then we have to look at are we performing very well for our customers or not? If the demand on the site decreases, there's probably additional opportunity there.

So we think we've got the marketing spend where we want it today. But it's really that part of the marketing is really a manageable part. And we see it as balancing the market place overall.

Timothy McHugh - ***William Blair & Co. - Analyst***

Okay. Great. And then one last one, if I could -- you mentioned the January-February as a key renewal period for the staffing customers. And obviously, I think year end in general is for the corporate customers. Other than the deferred revenue balance, which we can obviously see, can you talk about what type of visibility you feel like? How far forward do you feel truly comfortable? You gave the comments about the macro environment adding some uncertainty. But what do you feel comfortable with I guess at this point?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

In terms of what? In terms of our -- what we said about what we think financial performance will be or just the business in general? Sorry.

Timothy McHugh - ***William Blair & Co. - Analyst***

I was referring to the financial performance. Are you comfortable looking out three to six months at this point even in this macro environment, given the renewals you've seen? Or is it less than that, given how difficult the macro environment is?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

Well, I think the way I phrased in the comments I made before about our projection for '09 and the fact that we have -- at the beginning of January, we had $45 million roughly booked of the $110 million that we think we're going to do this year. So the visibility is certainly shorter than it's ever been. I know that may be a statement of the obvious. But in terms of how we're managing the business, because the bulk of our customers on the Dice side and the eFinancialCareers side, but more so on the Dice side, are annual customers.

We do have a fair amount of visibility out every passing day in terms of what we either book new or renewed for annual. But the level of new business is certainly lower. And so there is less visibility there. And the projected renewal rates have greater uncertainty than they've ever had.

Timothy McHugh - ***William Blair & Co. - Analyst***

Okay. Thank you.

Operator

Your next question comes from the line of Jim Janesky with Stifel Nicolaus. Please proceed.

Jim Janesky - ***Stifel Nicolaus - Analyst***

Good morning. A couple of questions -- first, did -- is the renewal rate for staffing agencies in your Dice segment, is that skewed towards the January-February timeframe in the US as well? Or was that just a comment on eFinancialCareers in the UK?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

That was purely a comment on eFinancialCareers in the UK. The UK also, just to be clear, that's the UK market. But some of those customers have worldwide arrangements, just to be absolutely clear. The renewal time frames on staffing and consulting companies in the US for Dice are not concentrated in any period.

Jim Janesky - ***Stifel Nicolaus - Analyst***

Okay. So they're spread out over the -- fairly even, Mike, over the year?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

There's pockets of concentration. Certainly, we have some in December because people are on calendar year. I think, Jim, just to be further clear, we highlight eFinancialCareers because it's got far, far fewer customers. And so there isn't any concentration of those types of customers that just happen in January-February. Of 7,400 customers, there is some distribution. There are more in December. The bigger ones tend to be spread out.

Jim Janesky - ***Stifel Nicolaus - Analyst***

So in following up on Tim's question, part of the uncertainty in the gap of about 50% between what's deferred and what your total revenue outlook is for 2009 has to do with what the staffing agencies are going to -- their pattern of spending over the balance of the year. Is that correct?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

No, I think -- because if you look at staffing, consulting, and recruiting companies, which we put into one bucket, versus companies hiring through direct employers, if you look at the mix, direct employers are a greater than 50% share of the count, slightly less than 50% of the revenue.

So I wouldn't say our view on filling the gap to use that phrase of revenue for the rest of the year is dependent on staffing companies because we have some in November. We have some in September. And those will have relatively small impact on revenue when they're up for renewal later in the year.

Jim Janesky - *Stifel Nicolaus - Analyst*

Okay.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Just to be totally clear.

Jim Janesky - *Stifel Nicolaus - Analyst*

Okay. That makes sense. And to what extent -- I mean, recruitment, staffing, consulting agencies tend to be -- the temporary positions tend to be earlier cycle than permanent positions. To what extent can that help your recovery moving from a lagging to more of a leading or coincident type of recovery in your revenues?

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

I think if you look at what happened through 2008 as the market weakened throughout the year, it was the staffing, recruiting, consulting firms that actually did a little bit better. We had better renewal performance with those guys. They kept their levels up higher and seemed to be weathering the storm a lot better than other types of customers.

I think now we're hearing from those customers if you look at their public releases that they're now seeing conditions impact their financial performance. And I think we're feeling that as well now.

In a recovery scenario, what typically happens is we do see temporary contractor business increase followed then by full-time hiring. In a typical recovery scenario, I would expect that temporary contractor business to go up and to go up first.

Jim Janesky - *Stifel Nicolaus - Analyst*

Okay. Mike, should we use 38% for an effective tax rate for 2009 and 2010?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

I would use 35%.

Jim Janesky - *Stifel Nicolaus - Analyst*

35%? Okay. Thanks.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Okay.

Operator

Your next question comes from the line of Collis Boyce with Morgan Stanley. Please proceed.

Collis Boyce - *Morgan Stanley - Analyst*

Hi, guys. Thanks for taking my call or question, sorry. First question I guess is following up on the sales and marketing. I guess trying to ask a different way, if you are forecasting $10 million for the next quarter and $40 million over the course of the year, how much of that could be variable versus fixed? I'm just wondering if things do get materially worse, kind of how low could that potentially go? I understand that if the economy rebounds, it might go up. I'm just wondering how much more wiggle room for the downside could there be.

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

Those expenses typically are not -- we really don't consider them as variable because they don't move directly as an impact of customer count or as an impact of revenue moving up or down. Those are really controlled by us. So we usually refer to them as discretionary.

And I guess to get at sort of the meat of your question, we do have a lot of discretion. I mean, we could -- and I think we mentioned this in the past -- we could theoretically cut our marketing almost to zero and in the short -- on the job seeker side. And the short-term impact to our business would be very, very small. But you wouldn't want to do that because there are people out there today that you want to reach and there deep pockets of hot demand in certain skills that you need to serve for your customers. And so we need to continue to spend in those areas. If we did find ourselves in a real difficult situation, we do have a lot of flexibility to take that cost down.

Collis Boyce - *Morgan Stanley - Analyst*

Okay. And then on the customer side, can you give us any sense of the number of customers? Obviously it was down Q over Q. Is there any way to give us any color on the number of those customers that might have gone out of business, merged, or declared bankruptcy?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Yes, it's not very many. There are some small recruiters and small consulting firms or value-added sellers on Dice side that have gone out of business or can't be found. It is pretty small. Merged -- in our business, there's some of that, not a lot necessarily. And I'd point out, while this is not a big impact, there are some acquisitions and mergers that don't necessarily result in the customer going away because they have separate agreements and they keep them for some reason. So it's relatively small.

Collis Boyce - *Morgan Stanley - Analyst*

Okay. And then the last is just following up on one of the comments that you had made is do you feel that you guys have a core base of customers that'll continue to renew? And I was just trying to get an understanding of kind of how big that could be. So out of the 7,600 customers or number of package customers at the end of the quarter, I mean, is that something that's 80% of that, 50%? Any details you could give would be great.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Yes, that's a great question. It's one we ask ourselves all the time. So we define it. And we struggle to define it. And we don't have an answer to give you guys.

Collis Boyce - *Morgan Stanley - Analyst*

Okay. Thank you, guys, very much.

Operator

Your next question comes from the line of Craig Huber with Barclays Capital. Please proceed.

Craig Huber - *Barclays Capital - Analyst*

Yes, good morning. A few things -- on head count, you mentioned a 10% reduction in head count in the month of November. Where did you end the year in terms of the full-time corporate employees?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

283.

Craig Huber - *Barclays Capital - Analyst*

Okay. And then did you have any other additional head count reductions after the November layoff? And also, what about in the first quarter? Have you reduced any of your employee counts?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

The answer to the after November, the answer is no. Today, we have within one or two or three people, we have roughly the same number.

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

Yes, there's a natural flow of performance issues and other things, but not in -- there was no organized reduction in force.

Craig Huber - *Barclays Capital - Analyst*

And do you have any plans in the coming months, or just going to see how things go?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

We have no plans on employee base.

Craig Huber - *Barclays Capital - Analyst*

Okay. And then if I could jump over, I know there's been a lot of questions on sales and marketing. Could you just break down for folks on the line if you would please the dollars? You talked about roughly $40 million for the year from sales versus the marketing. How does that break down? Within the marketing piece, what percent roughly are you figuring this year would come from job seekers versus your customers?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

So historically, the break down of sales versus marketing has been one-third, two-thirds; one-third to sales, two-thirds to marketing. We expect that to change slightly but not a tremendous amount. In terms of the two-thirds that is marketing, historically, it has been three-quarters or so to job seeker and a quarter to lead generation or to get customers. And I mentioned earlier that the distribution of those will change. So job seeker might be 60% to two-thirds going forward, down from the 75%. And the lead generation customer acquisition would be a third to 40%.

Craig Huber - *Barclays Capital - Analyst*

What about the sales part of this $40 million or so? How do you see that playing out for the year? You mentioned that you didn't -- there was a lot of discretionary in this overall thing. But just the sales piece in particular, what are you budgeting that part?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

It's not tremendously different from the one-third/two-thirds that I mentioned earlier. Sales will be down because billings are down.

Craig Huber - ***Barclays Capital - Analyst***

And the last question -- as you try to manage your costs as best you can in this environment, what economic assumptions are you basing your guidance on? Are you expecting it all second half of the year recovery? In your own mind, if you push, is it backend loading in 2010? What are your thoughts on what your basing your assumptions on?

Scot Melland - ***Dice Holdings, Inc. - Chairman, President & CEO***

We're not making any assumption of a recovery in 2009. We're essentially taking the conditions that we have today and really expecting them not to get better throughout the year.

Craig Huber - ***Barclays Capital - Analyst***

Very good. Thank you.

Operator

Your next question comes from the line of Youssef Squali with Jefferies & Co. Please proceed.

Youssef Squali - ***Jefferies & Co. - Analyst***

Thank you very much. Mike, couple questions for you -- in setting your guidance for Q1 and '09, can you help us try to gauge what you -- I guess what you baked in there in terms of pressure on customer losses versus pricing? If I use your Q1 guidance and the comment you made earlier about having lost a couple hundred customers on the BCS side so far, to get to your numbers, even if I continue that at a slower pace in February and March, I need to probably bake in a dramatic decline in average revenue per customer. So is that what you're kind of saying, that there is probably more pressure on the pricing side than there is on the customer side?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

No, I would say -- well, we're not prepared to give any more guidance on specifics or on how we built it. We've probably given too much already. But in terms of what I said earlier, we expect that average revenue per customer will decline slightly throughout the year. So you can infer from that we assume the customer count will decline at a relatively significant pace.

So if you take 55% renewal rate on annual contracts, you factor in fewer short-term contracts given the environment. And if you were to extend out to 55% renewal rate and factor in an assumption for new annual contracts, which we don't think will be very great, I think you'd come to a lower customer account number.

Youssef Squali - ***Jefferies & Co. - Analyst***

I see. And what was the mix of or what's been -- historically been the mix of short-term contracts to total?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

So historically, annual contracts at any given time have been in the low 80s percent -- it used to be slightly less -- but low 80s percent. At December 31st, it's 88%. And that's in part driven by the fact that year end -- this is true every year end, more so this year -- we have fewer short-term contracts because there's less activity that drives short-term contracts around the holiday period. The majority of the remainder are one-month contracts, which tend to cycle through.

We do generate some level of one-month contracts as kind of a paid trial. So those at times will convert into annual contracts because it's somebody paying for a month's worth of service before they're willing to commit to a year's worth of service. But I would say the mix will continue to be similar going forward.

Youssef Squali - ***Jefferies & Co. - Analyst***

Okay. And moving onto the balance sheet for a sec, is there -- do you plan on any more debt prepayments in '09?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

I would say it is more likely than not that we will have further debt repayments.

Youssef Squali - ***Jefferies & Co. - Analyst***

Does that --?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

We assess constantly in terms of the mix of cash and debt and the negative carry costs, given the interest rate environment. So I think it's quite likely we will. But it's something we assess all the time.

Youssef Squali - ***Jefferies & Co. - Analyst***

Is it then fair to assume that the priority is really on lightening up on the debt side as opposed to doing any kind of buyback?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

We certainly are not entertaining in the near term stock buybacks, principally because our credit facility doesn't allow it.

Youssef Squali - ***Jefferies & Co. - Analyst***

Yes.

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

That's one of the reasons. But it's a pretty good reason. And the opportunity to get the ability to do that with our current lenders is rather limited without paying some different rate on the current outstanding balance. So I think it's -- that is not an option for the near term.

Youssef Squali - ***Jefferies & Co. - Analyst***

You're talking about the $75 million credit facility? Or you're talking about covenants to the -- on the debt?

Michael Durney - ***Dice Holdings, Inc. - SVP Finance & CFO***

It is one facility which has two pieces. So it's one agreement. The term loan and the revolver are one agreement.

Youssef Squali - ***Jefferies & Co. - Analyst***

Got it. Okay. Okay. Thanks.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Okay.

Operator

Your next question comes from the line of John Blackledge with Credit Suisse. Please proceed.

John Blackledge - *Credit Suisse - Analyst*

Thanks for taking the questions. A couple things -- on the contract renewals that are coming up in '09, just to clarify, are you guys holding the line on pricing? Or are you dropping pricing a bit, given the renewal rates are expected to be down? And then if you could just provide the renewal rates 1Q '08 through 3Q '08. And then on the debt repayments, is it because there's no acquisition opportunities and you are going to utilize expected free cash flow plus your existing cash? Thanks.

Scot Melland - *Dice Holdings, Inc. - Chairman, President & CEO*

So on the renewal pricing, we are maintaining our regular renewal pricing and discounts we're paying up front and such. If a customer is a long-term customer and they may be at pricing that's a little more advantageous than the current rates, we'll more likely than not grandfather them in if they're a long-term customer. But essentially, we're staying with our given pricing strategy.

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Then on the renewal rates, the renewal rates on annual contracts for Dice in Q1 '08 was about 71.5%. It was 67.5% in Q2 and 65% in Q3, 55% in Q4. Q2 tends to be the lowest number of contracts up for renewal. And Q4 tends to be the highest, just to give you some flavor.

And in terms of cash utilization, we continue to look for acquisition opportunities. We spend a lot of time on it. There are things that we see that we like. There's things that we see that we end up not liking. The one thing that has been consistent, though, is that the things that we look at tend to be relatively small. And so having a $75 million untapped revolver together with the cash we have means we can balance debt repayments and continue to look for acquisitions. There is nothing on the horizon, though.

John Blackledge - *Credit Suisse - Analyst*

All right. Okay. And just one follow up -- so the renewal rate was 55% versus -- in the fourth quarter of '08 versus 65%. Does that number kind of hold for the first couple of quarters because I know you said you're expecting renewal rates to kind of dip and then level off? So are you expecting them to dip the first three quarters and then level off in the fourth quarter because it was down somewhat fairly significantly in the fourth quarter of '08?

Michael Durney - *Dice Holdings, Inc. - SVP Finance & CFO*

Yes. Yes, I mean, we expected to be slightly lower at the beginning of '09 on the margin and then begin to flatten because, at some point, there's a couple of things that happen. You do reach the core customer base. Even though we're not ready to quantify what that core customer base is, you do reach a core customer base that will use the service and will renew.

And the other factor that comes into play is, if you look at annual contracts up for renewal in Q3 and Q4, Q3 and Q4 of '07, while there was the beginnings of some rumblings in the markets we operate in -- that Dice because we're talking about Dice -- that Dice operates in, the environment was still pretty good. So you had annual contracts either being renewed in '07 -- second half of '07 -- or new customers being booked. Those are the ones that are up for renewal in Q3 '08 and Q4 '08. So you're renewing off contracts that were booked in a better environment.

As you get later into '09, you're renewing -- potentially renewing -- customers that booked in a not-so-good environment, which does have an impact on what the renewal rate will be. If you're likely to have contracted with us in Q3 '08, probably slightly more likely to renew in Q3 '09, given that the environment was not very good in Q3 '08.

John Blackledge *- Credit Suisse - Analyst*

Right, easier comps as the year goes on theoretically. All right, thank you for the questions.

Michael Durney *- Dice Holdings, Inc. - SVP Finance & CFO*

Okay.

Operator

(Operator Instructions) And your next question comes from the line of [Doug Campbell] with [Spare Capital]. Please proceed.

Doug Campbell *- Spare Capital - Analyst*

Thanks. This question might be in the silver lining department. I would think there might be some unusually attractive opportunities for acquisitions in the current and ongoing environment. And you mentioned you were looking as you always are for that. Is there anything in your debt covenants that would preclude you from picking up an acquisition that you would otherwise think was economically attractive?

Scot Melland *- Dice Holdings, Inc. - Chairman, President & CEO*

Well, in the current environment, as Mike mentioned, we are looking at acquisition opportunity. We don't have anything imminent there. We've seen things that we like but maybe don't like from a valuation perspective. We've seen things that didn't turn out to be as good as we thought they were when we first looked at them.

Is there anything in our debt covenants that would prevent us from doing something that we would like to do? There are limitations or baskets that limit the size of what we can do in our covenants. But we don't see those as limiting, really impacting the kinds of things that we're looking at. As Mike mentioned earlier, most of what we're looking at are smaller types of acquisitions that would fit within the covenants that are part of that agreement.

Doug Campbell *- Spare Capital - Analyst*

I have just one other question if you have time. In terms of your efforts to find employment for people in the more traditional financial community outside of that community where financial skills are needed, my working assumption would be that would account for a rather modest absorption of those people. Is that correct? Or do you see significant opportunity to shift people outside of the traditional areas you're focused on?

Scot Melland *- Dice Holdings, Inc. - Chairman, President & CEO*

Well, I think there are a number of jobs in those categories that we mentioned that we're broadening into. I think, though, that we're still in the process of really mapping out how large that opportunity is. So we see opportunity there. I think it's one that we definitely should go after as a company because it's a good opportunity for the Company. And it's a good way -- a great way to help serve that community. But we still don't have I think our arms around as to how large that opportunity could be for us.

Doug Campbell *- Spare Capital - Analyst*

Okay. Thank you.

Operator

As there are no further questions in the queue at this time, I'd like to turn the call back over to Jennifer Bewley for closing remarks.

Jennifer Bewley - ***Dice Holdings, Inc. - IR***

Thank you for your time this morning and interest in Dice Holdings. Management will be available to answer any follow-up questions you may have. Please call Investor Relations at (212) 448-4181 to be placed in the queue. Have a good day.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a great day.