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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the quarter-two 2013 Dice Holdings, Inc. earnings conference call. My name is Laura, and I will be your operator for today. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session toward the end of this conference. If at any time during the call you require assistance, (Operator Instructions). As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Ms. Jennifer Bewley, Vice President of Investor Relations and Corporate Communications for Dice Holdings, Inc. Please proceed, ma'am.

Jennifer Bewley - *Dice Holdings, Inc. - VP of IR and Corporate Communications*

Thanks, and good morning, everyone. With me on the call today is Scot Melland, Chairman, President and CEO of Dice Holdings, along with Michael Durney, EVP of the Industry Brands Group, CFO, and CEO-designate.

Please note this morning we issued a press release describing the Company's results for the second quarter of 2013. A copy of that release can be found on the Company's website at diceholdingsinc.com.

Before I hand the call over to Scot, I would like to note that today's call will include certain forward-looking statements, particularly statements regarding the 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 economic, business, competitive, technological and/or regulatory factors.

The principal 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 in the sections entitled Risk Factors; Forward-looking Statements; and Management's Discussion and Analysis of Financial Conditions and Results of Operations. The Company is under no obligation to update forward-looking statements except as required by the federal securities law.

Today's call will also include 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 will turn the call over to Scot.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Thank you, Jennifer. First, let me welcome all of you to the Dice Holdings' second-quarter 2013 conference call. I will start today by briefly discussing our performance, including our thoughts on the adoption of Open Web in our Dice service, as well as our acquisition of the IT Job Board. Then I will hand it over to Mike Durney, our CFO, to take you through our financial performance. Finally, I will make a few closing remarks and talk about the management changes we announced this morning. Then we will open it up for some questions.

Recruitment activity across our verticals has not changed much since our last Quarterly Report. We continue to see relatively stronger markets in technology and energy recruiting, as compared to the softer recruiting environment in global financial services. In the second quarter, worldwide revenues totaled $52 million, an increase of 7% year-over-year. Excluding the acquisition of our media properties, revenues decreased slightly to $47.9 million.

Customer billings were up 3% year-over-year but down a similar amount when you adjust for the media acquisitions. As for profitability, adjusted EBITDA was 35% of revenue or $18.3 million. As a whole, Q2 was not as strong as we expected. Even though we achieved our revenue and surpassed our EBITDA guidance for the quarter, momentum in the business was not what we expected, and we didn't -- did not achieve some of our sales goals. That said, our services performed well, and we continue to make steady progress improving our products, growing our communities, and expanding our market opportunity, including our entry into the European online recruiting business.

Now let's take a look at our major segments. In the Tech and Clearance segment, recruitment activity was roughly the same as in Q1. Customers are still having difficulty filling hard-to-find roles, especially in development and other hot areas, as turnover in the number of available professionals remain limited. We have seen indications that turnover may be increasing, with slightly higher voluntary departure statistics in the Professional and Business Services segment. And our twice-yearly employment survey also indicated that hiring managers are beginning to see more departures, but not at a level to change overall demand.

At Dice, the recruitment package customer count remained flat from Q1, similar to what we experienced last year, while yield per customer increased, again, to a new record. Also, solid demand for annual agreements was again partially offset by fewer short-term recruitment package deals and classified sales.

High clearance jobs, sequestration impacted our performance. However, the slowness was centered in the defense market and the Washington, DC Metro area, and doesn't appear to be bleeding over to other tech markets. On the positive side, interest in and usage of our Open Web technology continues to grow. As you may recall, Open Web is a natural language search tool that mines approximately 50 social sites and billions of Web pages to create aggregated professional profiles of individuals. These profiles are searchable, and combined with our core Dice service, offer customers very efficient access to both active and passive candidates.

During the quarter, about 40% of our recruitment package customers searched Open Web at least once. We also saw a 50% increase in the number of customers using this service on a regular basis, along with increasing profile views and searches. While regular users still account for a minority of Dice customers, and the overall number of Open Web searches remains a small percentage of our core database searches, user adoption is increasing, and customers are excited about the service. And the product development enhancements that we have planned for the second half of the year will integrate Open Web more deeply into the daily workflow of our recruiter customers, which should boost overall adoption and usage.

The other big news in Tech and Clearance is our acquisition of the UK-based IT Job Board. As many of you know, we have long looked for a way to expand our tech recruiting service outside the US. IT Job Board is a major step forward in pursuing that global expansion, and you will hear more about it in a moment in Mike's comments.

Moving on to our tech media properties. Slashdot Media performance was essentially flat to Q1. Slashdot continues to fulfill on its strategic benefits, but operating performance has lagged our expectations. As you may recall, we acquired Slashdot Media for three reasons. First, we expected these highly-trafficked tech communities to enable our customers to reach millions of engaged technology professionals on a regular basis. Slashdot is delivering on that promise, as Dice branding and job content are receiving millions of targeted impressions each month. And that's allowing us to invest less in marketing overall.

Second, we were excited about their global traffic. 40% of Slashdot's and 80% of SourceForge's unique visitors are from outside North America. With the acquisition of IT Job Board, we will now be able to leverage that traffic to grow our tech recruiting business throughout Europe.

And, lastly, we just liked the tech media business. Despite our slow start, we still believe that Slashdot and SourceForge are truly unique properties, and will turn out to be great businesses for us in the long-term. And the new sales team and leadership are already beginning to improve operations. So, overall, as we look out to the rest of the year, we anticipate a solid recruiting environment in our tech business, with more of a headwind in our ClearanceJobs service due to sequestration.

Moving on to finance. The read we have from our clients is that the recruitment market is moving towards a level of stability, particularly in North America, Asia and the UK, while Continental Europe continues to struggle. Direct clients are focused on replacement hiring rather than expansion, while staffing agencies continue to see less demand, as many financial services companies are servicing their recruiting needs in-house. Despite the environment, we have made progress boosting traffic outside the US, and broadening the breadth of the financial services positions we cover. With our core client initiative, we are trialing a program which covers an expanded set of positions for some of our largest customers around the world. This is growing the eFC job count and delivering more value to our key strategic customers.

So, overall in financial services, as we look ahead, there is still a cautious approach to hiring at most banks and institutions, so we anticipate more of the same in financial services recruiting for the balance of the year.

In our Energy segment, Rigzone continues to deliver revenue growth, with Q2 increases in both career center and advertising revenues year-over-year. Our global energy community is also growing, delivering more value to our customers, with a 20% year-over-year increase in unique visitors and a 15% year-over-year increase in page views. The employment backdrop isn't as strong as it was a year ago, with the pace of job creation slowing in the US; but globally, the picture is better, with rig counts growing in Asia-Pacific, Africa and Europe, while falling a bit in the Middle East.

Overall, we expect oil and gas recruitment activity to remain solid for the foreseeable future, and the Rigzone team to continue to capitalize on that market lead.

So to wrap up, even though our momentum is not what we expected, in Q2, we continue to make steady progress improving our products, growing our communities, and expanding our market opportunity, while looking at other opportunities to foster growth.

So with that, I will turn it over to Mike to walk through our financial performance.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Great. Thanks, Scot. And thanks to everyone for taking the time to join us today. As always, I'll discuss our performance by segment and key brands, as well as cover our new acquisition that expands our online Tech recruiting business into Europe.

First, revenues totaled $52.0 million for Q2, up 7% year-over-year. That increase was driven by the inclusion of Slashdot Media, which added $4.1 million in revenues in the quarter. Otherwise, overall revenue would have been down by 1%, with Rigzone up, eFinancialCareers down, and Dice flat. Adjusted EBITDA totaled 35% of revenues or $18.3 million, which included about $600,000 contribution from Slashdot Media.

And with that quick overview, let's go to the segments. In Q2, revenues in the Technology and Clearance segment increased 13% year-over-year to $36.3 million, including Slashdot. Revenues at Dice.com were essentially flat year-over-year, and ClearanceJobs was down 3%. At the end of the quarter, Dice.com has 8650 recruitment package customers, flat from the beginning of the quarter and up 50 from June 30, 2012. Of those customers, 7750 or 89% were under annual contract -- the highest number we have ever had.

To put it into some perspective, over the last 12 months, total recruitment package customers grew by a net 50, and the number of annual customers grew by 250. Average revenue per customer increased 3% year-over-year to $998 per month per customer, another record for the Company. And to wrap up the customer metrics, the renewal rate on annual contracts improved a bit from Q1, and from last year's second quarter to 69%.

As a reminder, with about 1700 annual customers up for renewal, 1 percentage point is about 17 customers. So, 1 percentage point higher or lower, we don't regard as overly significant. We believe that Open Web has initially helped the retention rate slightly, and continuing to drive the adoption of Open Web will be a contributor to an improving renewal rate, as will the value customers are experiencing from the more than 300,000 US tech professionals who made their resume searchable for the first time on Dice in the first half of the year.

So moving on to the acquisition, the IT Job Board acquisition. While small in size, greatly expands the market opportunity for Dice, and it enables us to serve -- better serve our global customers. We have talked about expanding tech outside North America for a long time, and now we have made our first real step into that market. The IT Job Board service operates a network of Tech careers sites, including local versions for the UK, Germany, Belgium and Holland. In addition, the Company operates a media service that targets IT decision-makers and professionals globally.

IT Job Board has more than 0.25 million unique visitors each month, and nearly 1 million tech professionals to match with job opportunities. With this acquisition, you can begin to see the core of our expansion strategy and tech outside North America. We now have the IT Job Board recruitment side to the base, which can be combined with the millions of European tech professionals using our Slashdot and Sourceword services, and together with our global Open Web profiles, will enable us to provide greater value to Tech recruiters across Europe.

Add to this access to US-based global tech organizations, and we have the beginnings of something really interesting in tech recruitment in Europe. That's bigger than IT Job Board by itself, and bigger than we could have built from scratch. In addition, combining IT Job Board's successful IT media business with our under-monetized international traffic on Slashdot and SourceForge gives us another avenue for growth.

We acquired the company from SThree PLC, a large international staffing company -- and, by the way, a long-term client of our other services. We paid GBP8 million net of cash required upfront with up to GBP3 million in potential earnout payments through the end of 2014. We borrowed $15 million under our revolving credit facility in order to fund the acquisition. We expect this business to generate about GBP5 million in revenue during this fiscal year, with a little less than GBP1 million of EBITDA. We look forward to working with the IT Job Board team to further develop and grow that business.

Moving on to the Finance segment, eFinancialCareers, we continue to see soft recruiting activity with revenues down 11% year-over-year to $8.7 million, essentially flat with the first quarter. Currency translation negatively impacted revenues in the segment by $200,000. Looking at it by region, our largest market in the UK, revenues declined 11% year-over-year measured in sterling. In [SING] dollars, revenues in the Asia-Pac region declined 2% year-over-year, which was driven by weakness in Australia. In continental Europe and the Middle East, revenues decreased 17% in euros, and revenues were down 2% in North America.

The underlying trends in the business are relatively unchanged by geography and end market. We expect more of the same for the balance of the year. After 18 months or so of sequential declines, it looks like there are some signs of stabilization in some of the markets. In terms of progress on bringing Open Web technology to financial services, we anticipate going into a limited beta for a limited number of customers during the third quarter. We continue to focus on the learning of the Dice beta to optimize the Open Web version for eFinancialCareers.

And Rigzone's revenues were up 13% to $6 million in the second quarter, with double-digit increases across the board -- in advertising, career center, data, and events. For Rigzone, the Open Web capabilities will be added a little later this year. We're finding that profiles for all-in gas professionals are a little more robust, and believe adding Open Web will continue to illustrate Rigzone's leadership in the industry.

So to wrap up the segments, revenues excluding Slashdot Media were $47.9 million, down slightly from a year ago. Billings were down 4% year-over-year -- again, excluding Slashdot Media, including down 2% at Dice.com. Rigzone was down 4%, although the quarter-over-quarter variation in growth rates continues to be driven by the timing of large deals, including, in this case, events billing; and eFinancialCareers was down 9%.

Moving on to cash flow, net cash from operations in Q2 was $12.8 million and an 18% increase from last year's $10.8 million. Deferred revenue totaled $73.2 million at June 30, up 9% year-over-year. And the June 30 balance has about $2.2 million related to Slashdot.

On the balance sheet, as of June 30, we had $14.6 million in net cash, a combination of $40.6 million in cash equivalents, less $26 million of debt. A few notable uses of cash during the quarter were we spent about $8 million repurchasing stock. We bought 920,000 shares at an average cost of $8.85. Under the current authorization, we have approximately 41 million remaining. In addition, we repaid $8 million of outstanding debt under the revolving credit facility during the quarter. And CapEx totaled $2.8 million, and we anticipate 2013 CapEx to be in the range of $9 million to $10 million.

And so with that summary, let's turn to guidance. For the full year, we now expect revenues of $207 million. Essentially, we are expecting results relatively consistent to the first half. This forecast excludes any financial impact from our recent acquisition. On the EBITDA line, we now expect $73 million or 35% of revenue. Looking at Q3, we anticipate revenues of $52 million and adjusted EBITDA of $18.5 million or 36% of revenues. So, in summary, despite results that remain mixed by region and brand, we continue to deliver strong profitability in Q2.

In summary, I would say we are in a strong position to capitalize on additional growth opportunities. First, our expansion of tech recruiting platform into Europe, the combination of assets, the IT Job Board, traffic from SourceForge and Slashdot, and Open Web, creates a new way to serve our global customers, and also, address local hiring needs in Europe.

Open Web's expansion into energy and financial services, we expect will create new opportunities for those services. We have a portfolio of valuable brands and loyal users with a strong foundation as the specialty online recruiting company. We are confident the improvements we are making will return us to growth over the long-term, despite the near-term weakness.

And with that, I will turn it back to Scot.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Thank you, Mike. As you can see, in Q2, we continue to make steady progress, as Mike illustrated, improving our products, growing our communities and expanding our market opportunity, including this important entry into the European tech recruiting market.

Let me take a few moments to talk about the management changes we announced this morning. Today, we announced that I will step down as Chairman, President and CEO of Dice Holdings at the end of the third quarter. At the same time, Mike Durney will become the new President and CEO, and the Director of the Company. Peter Ezersky, a longtime Director of Dice Holdings, will become the new Chairman of Dice Holdings, and I will continue to serve as a Director of the Company.

The past 12 years running Dice have been a fun and rewarding experience for me. Together, we have built a global company with exciting growth prospects, made a positive impact in the vertical communities we serve, and created significant value along the way. As I look forward, I'm confident that Dice will continue to succeed in this dynamic global recruitment market. I also know that it's time for me to move on, take on new challenges, and get back to the people and the causes that I care about most.

We're making this transition now for a few key reasons. First, our product innovation strategy is in place with the launch and growth of our Open Web services. While still in the early stages of development, our new technology is resonating with customers and will enable us to deliver much more value to our recruitment customers in the future. Second, we have a fantastic new leadership in place at our flagship Dice.com business. Shravan Goli and the rest of his team are transitioning Dice into a social recruiting leader and a more strategic vendor for our customers.

And, finally, we are handing over the reins to Mike Durney. Mike and I have been partners in building business over the past 12 years, and he has been much more than a CFO for many years. His success in integrating and growing our Rigzone service, and more recently, the impact he has had guiding our finance and healthcare brands, prove that he is more than ready to take on the role of CEO. I'm confident that Mike will do a terrific job leading this Company.

With these pieces in place, now is a great time to turn over Dice to the next generation of leadership. And as I mentioned earlier, I'm not going away completely; Mike and I will work together over the next quarter to ensure a smooth transition, and then I will continue to serve on the Board of Directors.

So, thank you all for listening. Let's open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Tim McHugh, William Blair.

Tim McHugh - *William Blair & Company - Analyst*

I guess, first, just on Open Web, can you elaborate a little bit more on the impact on renewals? And just to kind of help us understand, from a financial perspective, if it's having much of an impact yet on either, I guess, renewals or more directly of revenue?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

So, essentially, what's going on is we have, in the second quarter, we had about 22% of our customers that were up for renewal who were regular users of the Open Web service. And we still have a fairly low definition of usage for regular users, but we think it's one that's fair, given where we are in the adoption of the service. And those customers that were regular users renewed at higher rates, and they renewed at -- they renewed essentially at a couple of percentage points more than what we would have expected for that type of customer. And I think, as you know, a couple of percentage points does have a fairly significant financial impact for us.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then, on Geeknet, can you -- or the Slashdot, I guess, assets, the profitability there, has that turned around as well? Or given that the revenue growth remained fairly flat, is that still a drag on the profitability?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, I think we are now profitable. It was relatively breakeven plus or minus when we started. So, we generated about $600,000 of EBITDA from that business on the $4 million of revenue in the second quarter. So it's starting to get there. Revenue growth, obviously, will -- on a fixed cost base, will increase the profitability in margin percentage, which is what we expect. And don't forget that there is an impact from a marketing spend on Dice, which we have gotten the benefit of.

Tim McHugh - *William Blair & Company - Analyst*

Okay, and then just on the acquisition, why is it not included in the guidance? Is there something in terms of the timing of -- you need to make sure you know what you have? Or I guess what was the logic behind not putting that in?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, it's a fair question. It's a couple of things. One, it's relatively small and it's -- it will be for five months of the year. Two, we have the deferred revenue write-off -- write-down issue, which we will work through as we work on the closing. So the recorded revenue will be impacted, as you know, from our previous acquisitions. And, three, frankly, when we gave the update on guidance, we decided not to muddy the water by adding something new, and just show the business coupled with the first two things. We thought that was best way to portray it.

Tim McHugh - *William Blair & Company - Analyst*

Do you have a rough sense of that deferred revenue impact? And is it fair to assume most of that will be this year, so as we think to '14?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes. Yes, so if you compare it to the Dice business, the impact of deferred revenue at any one time is lower, because they are generally shorter term deals than our experience. And so the impact -- there will be some impact in 2014, but it's likely to be very small.

Tim McHugh - *William Blair & Company - Analyst*

And then I guess (multiple speakers) --

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

(multiple speakers) The way I would view it -- sorry, the way I would view it is, the business will generate about $5 million -- GBP5 million of revenue this year. And so we will have five months of that less the deferred revenue write-down.

Tim McHugh - *William Blair & Company - Analyst*

Okay, and I guess just one last question on that. As we think to longer-term, is there any reason why the EBITDA margin there, it seems around 20%, couldn't improve significantly? And is that just a matter of scale? Or are there things you can do just right away, in terms of kind of the way the business is managed, to improve that?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, I think it's scale. I think it's purely scale. We have a good infrastructure which we can build on.

Tim McHugh - *William Blair & Company - Analyst*

Okay, thank you.

Operator

Youssef Squali, Cantor Fitzgerald. (multiple speakers)

Youssef Squali - *Cantor Fitzgerald - Analyst*

So, starting with the question on guidance, what is the primary driver for that $8 million reduction in top line and $6 million reduction in EBITDA guidance? Just working through the numbers, particularly for the fourth quarter, we can't really get there very easily. Can you just walk us through the math, if you could please, Mike?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Sure. So the reduction in revenue is a piece of each of the verticals, but concentrated mostly in tech and clearance. So Slashdot is a piece of that. We had expected that there would be better performance, given some of the things we have done in the first half of the year, which we now don't think will have the revenue benefit yet in the second half of the year.

EFinancialCareers, there was some signs early on that we thought the business would turn in the second half of the year, and we are doing some initiatives, like advertising, as an example, where we thought there would be more benefit in the second half of the year, which hasn't come to fruition yet. We are still thoughtful about how we enter the advertising arena, but it hasn't come through yet. And so we have now taken it out of our estimates for the rest of the year.

Those are the biggest drivers. And I think from a margin standpoint, we have some initiatives we're working on that we think are critical to the Company's growth, including Open Web and some other ones. And so there is not a cost reduction reflected in the estimate, because we are set on implementing those initiatives.

Youssef Squali - *Cantor Fitzgerald - Analyst*

On Tech and Clearance, as you look at the expected weakness, is that mostly from the customer count? Or do you think you'll have to give in on pricing to maintain that business?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, our current view is it's really reflective of what's going on with the shorter-term customers. So, as I mentioned earlier, the annual customer count continues to grow. The revenue per customer continues to grow. We have said for a long time we expect it to flatten, and it's growing by a small amount sequentially.

But it's really the shorter-term agreements, which have two impacts. One is, they generate revenue in a short period of time. And, two, they are the foundation for upsells. So we have a long history of selling one-month arrangements, and then extending them into annual agreements. And it's been a source of growth. And the impact of not having that flow shortage from customers then rolls itself through. That's really it. It's not pricing. It's not yield.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Then, I guess, on -- are these short-term agreements coming in at a lower price? Because, again, I mean, it's pretty simple. It's just a number of customers into ARPU. And to get there -- to get you to your implied Q4 guidance, either your customer count has to come down pretty dramatically, or ARPU has to come down pretty dramatically.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, it's the volume. It's the volume of short-term customers. And as we have said over a long period of time, when you look at the tech business and we give specific information that help you with the customer count in the revenue per customer, that is about 85% of the business. There is another 15% which is the classified and advertising, and that's the piece that suffered.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay, okay. And on the -- energy revenue was weaker this quarter. I was wondering if there was anything in there that was one-time in nature or is that just the nature of that business now?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Sorry, weaker than what?

Youssef Squali - *Cantor Fitzgerald - Analyst*

Well, weaker than we had expected and I think probably weaker than your -- the guidance that you put out in that business at the end of Q1?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, I don't -- I mean it's about where we expected. Might be slightly less. I don't think it's very much weaker. I think at the risk of sounding overly defending about it, what we do is we give guidance on the full number, and then we try to give some directional guidance on the four segments. And at 1 percentage point is about $0.25 million, so I would say energy is pretty close to what we expected.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay, and my last question, back to Open Web, I guess as you connect or as you scrape the Web to just get more information on particular profile users, what is the risk of having one of these large sources maybe kind of make it more difficult for you guys to access their database, their repository of data?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Well, we really don't have much riskier, because the way we run the service is we are not going through the APIs; we are taking publicly available information that is -- in a way, that is very similar to the way Google and the major search engines collect their information. So there isn't any sort of proprietary avenue that could be shut down.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay, unless they shut it down to the whole Web, which obviously would make sense.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Right, exactly.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay, yes, thanks a lot. Thank you.

Operator

Michael Purcell, Stifel.

Michael Purcell - *Stifel Nicolaus - Analyst*

Mike, I just wanted to follow-up on Youssef's question on the Tech and Clearance. Last year, Clearance was about $10 million in revenue, or so I assume, and your package customers I think was about $100 million. So within the reduction, by my math, is about $7 million in Tech and Clearance. Can you just kind of quantify how much is Clearance? And then how much is your transactional business, is your classified and your advertising? It sounds like more of the pressure is in the classified and the advertising business.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, that is true. Clearance -- I will separate it into three pieces, without being overly specific. Say you have the Dice business, the Clearance business, and the Slashdot business. So Slashdot is the largest single piece. We had expectations coming out of the beginning of the year that business would get some leverage, and it's from cell structure and product. And it just hasn't happened yet. We're still optimistic it will happen. We just don't believe it is going to happen in the back half of this year.

Clearance is a piece -- it is a $10 million business. Sequestration certainly has had an impact from a revenue standpoint this year. It's not huge in the overall scheme of things, but it is a piece. And then the last piece is the -- what I said to Youssef's question, which is from a classified and shorter-term recruitment package standpoint, that is where we have felt the impact. And that has been true for a while.

Now that's not new in this quarter or last quarter. And it does have an impact, so that 15% or so, that's not recruitment package revenue-related, which is classified -- traditional classifieds and advertising, is the area that on the Dice business is really suffering.

Michael Purcell - *Stifel Nicolaus - Analyst*

Okay, so it sounds like the package part of the business is maybe slightly weaker than your expectations 90 days ago but not materially so?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, I would say that's true. I'm using package as, on the annual and longer-term -- so, three, six, 12 months. I definitely think that's true. So the package as it relates to the one month's, which has historically been around 10% of the business, and is now in the single digits, that's as weak as it had been. We thought it would get slightly better. It hasn't.

Michael Purcell - *Stifel Nicolaus - Analyst*

Okay. And then just to follow-up, could you speak about the -- kind of the cadence of how the month went? Scot, in your prepared remarks, you said you met the stated expectations, but not kind of maybe perhaps what you were thinking internally. So I was just wondering how the business progressed, and maybe up to what you are seeing today? And also with an Open Web, how is that progressing in terms of renewal rates getting better? Thanks.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

So. similar to what Mike said, if you look at the quarter, the change in the momentum that we were expecting essentially happened fairly evenly throughout the quarter. It wasn't -- there wasn't a shock to the system or anything like that. We just expected to be -- at the end of the quarter, we expected to be further along in the improvements in Slashdot. We expected to have a little bit better performance on the transactional side of the Dice business. And we expected to see a little bit better performance out of eFC. And we just didn't see that momentum building, and that has impacted the forward look. But it wasn't really a shock to the system in that.

On the Open Web side of things, the Open Web continues to progress. And customers are very excited about it, and we're getting lots of great feedback, which we are now putting into the development plan. And you will see very soon some new additions to that service, which will be very important to our customers, especially making that service more relevant and easily accessible in their day-to-day workflow, which will lead to, we believe, lead to a lot of success for that service.

As far as the specific renewal impact, the customers that are up for renewal, a small portion of them are using it. And they like it and we are seeing high renewal rates as a result.

Michael Purcell - *Stifel Nicolaus - Analyst*

Thank you, all.

Operator

Jeff Silber, BMO Capital.

Jeff Silber - *BMO Capital Markets - Analyst*

Going back to the core business, I think you had mentioned it a few times that the momentum was not what you had expected. I'm wondering because of that, is there any change or potential change in your pricing strategy going forward? And if you could also just talk generally about what's going on in the pricing side of the business. Thanks.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Well, as far as what's happening in pricing, there really aren't any changes out there competitively in the pricing environment. I mean, LinkedIn put through a pricing increase earlier in the quarter, which is always a good thing when the competitors are lifting pricing.

But -- and we have run some experiments, as we always do, testing different price points. Specifically, we have tested a lower price point on some of our classified services through Web store, and through some of our direct sold classified services. But that's still a test that's ongoing. As far as in the future, I don't think we're really anticipating any real changes to the pricing structure.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

I think if you look at what we said historically about the business, it still applies today. The way those services are priced, and they are different among the services, they are incredibly valuable when there is a need for recruitment and customers find somebody through our service. And so we don't see, over the mid to long-term, a need to lower pricing.

Scot said from competitors increasing pricing. That's always a good cover, an umbrella for us, and we are continuing to think about how that impacts our own pricing structure. But I wouldn't look for any dramatic changes in pricing in the future.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. And in terms of the management transition, I don't think there was any mention of the CFO role. Mike, are you keeping that position? Or will there be a replacement there?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, I guess we didn't say that. So, yes, there will be a replacement, so I will find myself with enough things to do in the CEO role. So we are going to start a search for a replacement for the CFO role. We will look at internal and external candidates. And hopefully, that will take not too long, but we're going to be pretty thorough about it.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. Thanks for clarity.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

I guess a couple things. Can you just talk a little further about if you are seeing any material changes out there from your major competitors in recent months? Monster, Career Builder or LinkedIn, other than this price increase for LinkedIn? But any other material changes you are seeing in strategy out there, anything that is impacting your business materially?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Really not any major changes going on out there. We mentioned the LinkedIn price increase. Monster continues to be promotional, which I think -- you probably would expect, given their position in the market today. Careerbuilder tends to be more disciplined on pricing and disciplined overall. And then around the world, we really haven't seen a change in the competitive environment.

Craig Huber - *Huber Research Partners - Analyst*

You mentioned monster. Have you seen Monster step up the price discounts, if you will? Or more -- just more of the same?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Not a change. Not a change from what we have had quarter-to-quarter with Monster.

Craig Huber - *Huber Research Partners - Analyst*

Okay. And then talking just further about the US job -- online job market, can you maybe update us on your thoughts on how you think the overall industry is going to do that should maybe size the US market as well?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, so our view is -- it's slightly lower than we originally thought, just depends on the margin based on information that's come out over the last three months. So I think worldwide, we've probably reduced our estimate by $100 million or so. The US is a big part of that reduction. But I think order of magnitude, the split between US and international hasn't changed a whole lot in our view.

Our view of the overall market is the same in terms of what's happening, which is, LinkedIn is providing a service that brings dollars into the market. They get the lion's share of that increase. And then there's shifting amongst others with an overall reduction in a number of players, and flat to up slightly with players like us.

Craig Huber - *Huber Research Partners - Analyst*

And what -- just to size the market for everybody, what number are you thinking right now?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

It's about 4.8 billion to 5 billion worldwide. Roughly half and half, North America and non-North America.

Craig Huber - *Huber Research Partners - Analyst*

I'm sorry -- and what sort of percent change are you looking for there on a global (multiple speakers) --?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

(multiple speakers) Mid -- Yes, it's mid to upper single digits.

Craig Huber - *Huber Research Partners - Analyst*

What about the same for the US piece as well?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

The US is lower. International is higher.

Craig Huber - *Huber Research Partners - Analyst*

Okay. And then also, can you just talk a little further -- I'm sorry to ask you this again -- but the lower revenue guidance for the full year, how much of that can you directly put on the acquisitions opposed to core business?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, it's a couple million dollars for Slashdot.

Craig Huber - *Huber Research Partners - Analyst*

Okay. And then my final question, Mike. On the cost front, is there anything that we should know about across your four major cost categories? Any significant changes in the trends there you are expecting in the third and/or fourth quarter? In particular I want to hone in on the sales and marketing line.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

I would not say there is any significant changes from where we were three months ago or at the beginning of this year. We are continuing to invest in product. We are reducing what we spend in marketing, principally as a result of the Slashdot acquisition, and because we have made improvements in the product, speaking about the Dice service specifically. Other than that, I don't think you'll see much in the way of change.

Craig Huber - *Huber Research Partners - Analyst*

But in terms of sales -- sorry to ask you this -- the sales and marketing numbers that you put out there, the first half of the year, do you think that trend you're expecting it pretty similar in the back half of the year? Or are you thinking even lower than that in the back half?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

I think the trends will be the same. As you know, we spend less in marketing in the fourth quarter from a seasonal standpoint, but I wouldn't say there will be any change in the trends.

Craig Huber - *Huber Research Partners - Analyst*

Okay, great. Thank you.

Operator

Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

First of all, if I back into the fourth quarter, makes it look like you are suggesting a sequential decrease in Tech and Clearance of about $1 million from third to fourth quarter. Is that right or is it just noise?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Noise.

Randy Reece - *Avondale Partners - Analyst*

All right. The UK Job Board you are acquiring, what do you know about -- let's say that you got to the operation as far as how much they depended on the staffing side of it to feed them business? And how much are you going to have to rebuild the way that you make contact with candidates and with employers?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes. So it's a good question and one we have thought a lot about as part of the transaction. So, the history of the IT Job Board being owned by SThree is, you go back a number of years, it was essentially a repository -- and I am saying essentially, not literally -- but a repository on behalf of the staffing company. And so it itself did not pursue staffing clients as a customer base way back when. That has transitioned over the last couple of years. But a fair amount of the traffic and profiles comes from the association with their former parent company.

Having said that, the activity level on the site, very little of it came from what was the profiles they got from the parent company. And so, on the one hand, we have made plans to supplement the flow of traffic; but from an activity level, we actually don't think there will be any impact. And when we supplement the flow of traffic, we think the activity level will actually increase.

Randy Reece - *Avondale Partners - Analyst*

And when you look at just the total help-wanted advertising market -- online help-wanted advertising market, it looked like, the past few years, that paid advertising was losing share to unpaid. We don't have a lot of ways to guess what that mix is. But everything that I look at that measures the total market shows a lot of slowing in it.

It sounds like if you are suggesting maybe low single-digit growth in the US, and upper single-digit outside the US, it sounds like you are suggesting that that share shift has really slowed down or stopped. Do you have any reflection on that?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

I'm sorry, the share shift from --?

Randy Reece - *Avondale Partners - Analyst*

From paid to unpaid?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Oh, from paid to unpaid. So there certainly has been, from a sourcing and overall online recruiting, there has been a shift from paid to unpaid. I don't know that that slows down. I think, over time, it probably slows down, because there is only so many free or unpaid places you can go.

I think, generally, what we believe has happened -- and I think the data would prove this -- is that part of that migration has been from generalists to unpaid, and not specifically from specialists to unpaid. We have been impacted by it by everybody else, but the lion's share of the impact has been on generalists.

Randy Reece - *Avondale Partners - Analyst*

That makes sense. Thank you very much.

Operator

Doug Arthur, Evercore Partners.

Doug Arthur - *Evercore Partners - Analyst*

Yes, a question for Scot. You mention that you are seeing early signs of turnover increase. And I guess as you look back on 12 years in the tech market, I mean, it just seems surprising -- assuming there is no major change in the unemployment rate in the tech space, so the market has been relatively tight. But you have talked about this issue of turnover affecting your business. How do you see that progressing? And have you ever seen a period over your 10-year, where the employment market, particularly in tech, has been reasonably good, not great, where demand for your products has been sort of this flat? Thanks.

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Sure, sure. So on the -- as far as the turnover part of the question, what's been really unusual about this recovery is the fact that, in prior recoveries, you usually get a surge in turnover, so you go -- the example we always give is looking at professional business services, turnover surging way about the 10-year average. And that is something that we saw in the last two recoveries, but we didn't see in this recovery. And so that's been quite unusual.

What we have seen, and so we have been essentially waiting to see the turnover increase, we think that the reason it didn't surge is because of the people's feelings about the overall economy, and nervousness about the overall economy, as well as potentially the real estate market preventing people from being able to get out of their homes and to move to opportunities.

What we saw in this quarter that leads us to believe that this could be breaking finally, are really two data points. One is that we did see the professional and business services category report turnover in the last couple of months either close to or slightly above the 10-year average. And that's the first time we have seen that in this recovery. So, two months, I wouldn't read too much into it, but it is a positive indicator.

The second is that we do, every six months, an employment survey of a broad cross-section of recruiters and employers. One of the questions we ask them is, are you experiencing more voluntary departures? And we actually saw a several percentage point increase in those employers reporting that they had seen some voluntary turnover increase.

And so just two indicators that this could be breaking finally. And as you know, historically, when this has broken, it's been good essentially for everyone's businesses, but for our business as well. Have we seen a time where there has been a surge in turnover that we have not benefited? We haven't seen a time like that.

Doug Arthur - *Evercore Partners - Analyst*

So, I mean, basically, as you look back over the last 12 years, this recovery has obviously been unusual in the sense that the markets you serve are in pretty healthy shape, but the turnover issue has been the major difference?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

Yes, I would -- let me put one caveat in there. Absolutely, this is different, and so we haven't seen the turnover surge we would have expected. I would characterize the markets, though, as being varied. So, financial services, I think, is a very tough market today globally. Rigzone and energy, a good market. And then the tech market is good but it's tight. And so we've been waiting for this turnover to break, and I think, potentially, it's finally breaking.

Doug Arthur - *Evercore Partners - Analyst*

Okay, great. Thank you.

Operator

(Operator Instructions). John Janedis, UBS.

John Janedis - *UBS - Analyst*

Thank you, and best of luck, Scot, and congratulations. Scot, are we at the early stages maybe -- it's kind of related to Doug's question, but -- are we at the early stage of maybe a change in the way the tech industry sources talent, maybe using more of an internal resource? And when you do your survey, do you ask if recruiters are planning on changing sourcing methods?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

So, I will start with the survey. In the survey, it is broad and it's broad to all professionals. So it's not tech-specific. We don't really ask them about their recruiting methods. And we tend to focus on their hiring intent and then the flow of what they expect to do.

Back -- as far in your question on the tech side, are we seeing a different way of recruiting for tech people? Yes, there is -- has been a shift in the way companies are looking at the tech area, and how to find the tech resources. And Mike alluded to this a few moments ago, where we are seeing a shift more towards sourcing.

So if you think about our business as being sort of half-sourcing and half -- or part-sourcing and part-advertising, there has been a shift probably in the last couple of years towards sourcing. And I think a lot of that is due to LinkedIn, and the comfort that companies are now having with using tools like LinkedIn -- and our database, quite frankly, to find talent.

So it's a little bit more sourcing-based. But, that being said, advertising is still an incredibly important part of this. And I think will be down the road.

John Janedis - *UBS - Analyst*

Are you finding that's accelerating over the past few months? Or it's more consistent?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

No, I'd say it's more -- just consistent.

John Janedis - *UBS - Analyst*

Okay, and then maybe one last question. Just based on what you know today, is the Clearance situation something that you expect to be a multi-year problem or issue?

Scot Melland - *Dice Holdings, Inc. - Chairman and CEO*

I don't -- you know, we're definitely feeling the impact today. A lot of it depends on what happens in Washington. Many of the companies have adjusted now, so I wouldn't expect that this is a multi-year problem, but that really depends upon what goes on, at least on the defense part of it, what goes on in Washington.

John Janedis - *UBS - Analyst*

Thank you.

Operator

Thank you for your question. I would now like to turn the call over to Jennifer Bewley for closing remarks.

Jennifer Bewley - *Dice Holdings, Inc. - VP of IR and Corporate Communications*

Thank you, and thank you all 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

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect and have a good day.