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DHX - Q3 2013 Dice Holdings, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, welcome to the Q3 2013 Dice Holdings earnings conference call. My name is Alex, and I will be your operator for today. (Operator Instructions). As a reminder, this call is being recorded for replay purposes.

And now I'd like to hand the call over to Jennifer Bewley, Vice President of Investor Relations and Corporate Communication. Go ahead please, ma'am.

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

Thanks, Alex, and good morning, everyone. With me on the call today is Mike Durney, President and CEO of Dice Holdings; along with John Roberts, our CFO. This morning we issued a press release describing the Company's results for the third quarter of 2013. A copy of that release can be viewed on the Company's website at diceholdingsinc.com.

Before I hand over the call to Mike, I'd like to note that today's call includes 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 condition and results of operations. The Company is under no obligation to update any forward-looking statements, except as required by federal securities laws.

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 Mike.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Great. Thanks, Jennifer. First, let me welcome you all to the Dice Holdings third-quarter earnings results conference call. This morning we're going to try a slightly different format. First I'll introduce you to John Roberts, our new CFO, and he'll give you a brief business and financial update. Then I'll talk about the transition period and where we stand, including an update on the business and product milestones of our Open Web product. And then we'll open it up to questions.

John joined the Company a few weeks ago, having being the CFO at a variety of tech and media companies for more than a decade, and having started his career in public accounting. Throughout his career, John has shown a great ability to lead finance teams and to become a strategic partner in improving the operating and financial performance of a diverse set of companies.

We're excited to have him join us, and it's my pleasure to turn the call over to him.

John Roberts - *Dice Holdings, Inc. - CFO*

Thanks, Mike, and thanks to everyone for taking the time today to join our call. I'd like to start by briefly sharing why I'm excited to have recently joined the Company. I've known Dice for well over a decade, going back to when I was CFO at Razorfish in the early 2000s. Even then, Dice.com had a tremendous brand and community of tech professionals; and helped us quickly source, recruit, and hire the best technology professionals, all in a cost-effective manner.

That value proposition is very relevant today, and gives the Company a core principle to build upon by expanding product lines, verticals, and geographically. I was also attracted to the strong financial position of the Company, which gives us many avenues to pursue growth. And, finally, it's clear to me that Mike and the Board are committed to creating long-term shareholder value, a commitment that I share. And I look forward to being Mike's partner during the Company's transformation.

Given my short tenure at the Company, today I'll focus on giving you a quick update on the business. In Q3, revenues totaled $52.6 million, up 10% or $4.6 million, as compared to the prior year, due primarily to revenues from businesses acquired within the past 12 months. Revenues in the technology and clearance segment increased 12% year-over-year, or $4.1 million, to $37 million. At Dice.com, revenues were up about 1% year-over-year.

At the end of the quarter, the Dice service had 8450 recruitment package customers, a decline of 200 from the beginning of the quarter. About 7650, or 90% of our customers, are under annual contract at September 30. In Q3, we had approximately 1700 annual customers up for renewal, and the renewal rate was 66% during the quarter. Finally, average revenue per customer increased 2% year-over-year, to $998 per month.

On July 20, we expanded our online tech recruiting business to Europe by purchasing The IT Job Board from S3. We haven't previously detailed any contribution from this acquisition to our anticipated Q3 financial performance, in part because we had not completed the purchase accounting for the transaction. On a GAAP basis, The IT Job Board contributed $1.1 million to revenues in the quarter, and negatively impacted EBITDA by about $300,000.

With the inclusion of the written-off deferred revenue, added back, adjusted revenues would have been $1.5 million, and essentially breakeven at the adjusted EBITDA line. In this segment, our challenge continued to be our media proper areas. Slashdot Media contributed $3.7 million in revenue in the quarter as compared to $4.1 million a quarter ago; and $760,000 in the year-ago quarter from the acquisition date, which was in September of 2012.

Finally, in the tech and clearance segment, is ClearanceJobs. Recruitment activity softened as the quarter progressed, and into the government shutdown. Revenues were down 5% year-over-year, with a sharper decline in billings.

In our finance segment, revenues were down 9% year-over-year to $8.6 million. By region, and in respective local currencies, revenues in the UK, our largest market, declined 7% year-over-year in sterling. In the Asia-Pacific region, revenues declined 5% year-over-year in Singapore dollars, driven by continued softness in Australia. In continental Europe and the Middle East, revenues were down 5% year-over-year in euros; and 8% year-over-year in North America.

Moving on to energy, Rigzone's revenues were up 33%, to $6 million in the third quarter, with strong growth in career center, advertising, and events. On the events side, we have a biennial event that impacts year-over-year results. And this year, the event generated about $300,000 in revenue. Even without that impact, revenues were up 26% year-over-year.

To wrap up the segments, I'll share the Q3 change in billings for our key recruitment brands. On a year-to-year basis, Dice.com was down 3%; eFinancialCareers declined 10%; and billings at Rigzone grew 13%.

Operating expenses increased 23% year-over-year, or $7.8 million, to $41.1 million. Expenses from Slashdot Media contributed $3.5 million to the overall increase, while The IT Job Board acquisition added $2.3 million, including $820,000 of depreciation and amortization. In addition, we had about $1 million of employee-related separation expenses, including severance. These expenses are reflected in the G&A, product development, and sales and marketing lines; and segment operating expenses, primarily in tech and clearance and finance.

Those one-time expenses negatively impacted adjusted EBITDA and net income. Adjusted EBITDA was $17.8 million in the third quarter, or 34% of revenues. Net income for the quarter totaled $7.1 million, resulting in diluted EPS of $0.12.

Moving on to cash flow, net cash from operations in Q3 was $6.1 million. Lower billings from the second quarter, as well as timing of tax payments, impacted operating cash flow during the quarter. Deferred revenue totaled $69.4 million at September 30, up 5% year-over-year. The increase was driven by gains at Dice.com and Rigzone, as well as the inclusion of deferred revenue from The IT Job Board acquisition of $1.5 million.

Dice Holdings ended the quarter with $44.7 million in cash and cash equivalents, and $60 million of debt outstanding. A few notable uses of cash in the quarter were, one, the Company purchased nearly 2.6 million shares of common stock on the open market at an average cost of $8.73 per share, or approximately $22.5 million returned to shareholders. We have about $19 million left on our current authorization. Two, the acquisition of The IT Job Board for $12.2 million, net of cash acquired; and, three, we spent about $2.4 million in CapEx.

Yesterday we entered into a revised credit facility which provides a $200 million revolver and a $50 million term loan, which will expire in October 2018. There are no changes to our interest rates or covenants. We will have quarterly amortization payments on the term loan commencing in the first quarter next year.

This morning we also filed an S-3. This simply replaces our expired shelf registration, which was in place since March 2010. At this time, there are no transactions planned under the S-3. Before we discuss Q4 guidance, I want to take a minute to reconcile our Q3 performance to the outlook we provided in July, since that outlook did not include a forecast for The IT Job Board.

In July, we expected $52 million in revenues for Q3. On an apples-to-apples basis, we achieved $51.5 million, with the majority of the shortfall in the Slashdot Media business. On the adjusted EBITDA line, the forecast was $18.5 million. From our reported $17.8 million, The IT Job Board negatively impacted EBITDA by $300,000; and the employee separation costs were $1 million.

Below the EBITDA line, we had an additional depreciation and amortization of $820,000 from The IT Job Board. Our Q4 guidance includes The IT Job Board and reductions to account for our performance to date. We anticipate revenues for the full year to be $208 million, including $2.9 million from The IT Job Board, partially offset by a lower performance in Q3. And we anticipate adjusted EBITDA of $72 million, primarily due to the previously mentioned employee separation expenses.

For more, I'll turn the call back over to Mike.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Great. Thanks, John. I've been here for over 13 years; that's about 5000 days in the organization, but only about 30 of them as CEO. When you spend that much time in a company, you learn a lot of things. Then, when you change roles, you learn even more. Based on what I've learned over the transition period, I'm very excited to lead this organization forward.

It's a great perspective to have -- familiar with the organization from within, but not wed to the past. I've always been fascinated by what we do; why professionals choose our sites; what employers look to us for; what we can do more efficiently; and how we can serve customers and professionals better. We don't have all the answers, but we're putting a tremendous amount of energy and effort to reposition for growth and instill a sense of urgency throughout our organization.

I've spent the transition period working with our teams to prioritize our plans, especially in product, and to make a few organizational changes that will help speed us through our Company's transformation. I'm encouraged by the early progress we are making and am optimistic about our value proposition. But I'm fully grounded in the fact that our overall business has slowed, and it will take time for the investments we're making in product and people to show dividends.

Let we start with where we are and what we're doing. First, there are number of things that we will not change. Our specialty focus offers us tremendous differentiation against our competition. Our deep expertise within our communities offers hiring managers and recruiters of value that's difficult to replicate in a more general service. However, we'll have to get better at using the data we have to deliver our expertise to customers and professionals.

For professionals, we'll refine our focus to be more valuable to them throughout their careers. Here, we're starting from a position of strength, with targeted communities that are largely continuing to grow. For example, unique visitors on Dice are up 4% year-over-year to more than 2.3 million each month, while Rigzone crossed the 1 million unique visitor threshold for the first time during Q3. That number is roughly double what it was when we bought the company three years ago.

The goal here is to expand our market opportunity and improve engagement with professionals throughout their careers. Historically, we've used the phrase manage your career as a euphemism for helping you find a job. Now we want to provide tools, information, and a pathway to help professionals manage their careers from beginning to end. Our offerings will expand to satisfy a greater need than visiting our sites when professionals are ready to switch positions.

We are part of the way there, but there is more to do. Rigzone is a good example. By providing original and aggregated content -- as well as sponsored webinars; rig ownership data; rig movement information -- oil and gas professionals are more informed about what's going on in their industry. In turn, they visit the site regularly and interact on an ongoing basis. That interaction, for instance, leads Rigzone to have email open rates that most companies dream about; and, frankly, make better, more informed candidates.

On a site like Dice, it could be something as simple as giving technology professionals a look at the behind-the-scenes job market; or information from technology companies about products that make their jobs easier; or offering skills mapping that identifies hot trends that will help them progress. There is a variety of paths to take, and we will enhance our knowledge within those markets we serve to attract professionals regularly.

Now, switching over to the hiring manager and recruiter side, we'll focus on providing talent efficiently. Efficiency takes a lot of forms -- quickly putting together slate of candidates; understanding who the best candidates are for your company; understanding the likelihood that a candidate actually becomes a hire, which is what we refer to as actionability; or helping companies understand, from a talent perspective, where they should open a new office. Essentially, we want to produce talent for our customers with a minimum amount of effort on their part, and one that makes their recruitment efforts more effective.

If we do that, our ROI strengthens, and our value to customers is enhanced. On the big-picture strategy, our changes are more tweaks than overhauls. But the products that we develop and focus on to get there will change, in part to utilize our own data better. As a specialist with unique expertise, we have to have the best information, the best data, and the most efficient way to deliver it. Any insight customers or professionals need -- we should be the first stop or their first call. We will get better providing and analyzing data in each of our verticals; which, in turn, is the kind of content that makes us more valuable to professionals and customers.

As an example, in the third quarter Rigzone launched a product called [Rig Recruit IQ]. This product marries our rig data that we collect and sell, as part of a subscription-based data service, with our recruiting expertise. That gives customers an understanding of when rigs are coming in and out of service, which has workforce and recruiting implications. It's just one of the ways we understand the power of big data.

Of course Dice's Open Web big data recruiting has been in beta throughout 2013 as we tested new features. And I'm happy to say Open Web is ready for the next stage of development. Customers regularly using Open Web continue to renew at higher rates than a like group not using Open Web. We've seen repeatedly how customers are leveraging the data and candidate insights to gain an edge in tech recruiting.

And customer events, one early adopter reported filling a CTO role in Silicon Valley with Open Web. Another said that their response rates were significantly higher than other sources. It's these valuable peer-to-peer endorsements that will allow us to continue to drive usage, and move more customers into regular users. And I might add, we hired a developer in Des Moines using Open Web.

On the product side, one of the big hurdles to driving recurring adoption is to make Open Web part of a recruiter's natural workflow. The first step to being fully integrated with Dice was to harmonize the profiles between resumes found on Dice and the results found using Open Web. Essentially, no more tabbing between a candidate's Dice resume and that same professional's Open Web profile, and making candidate information consistent visually. Regardless of where you started your search, either in Open Web or our resume database, you'll see similar results.

In October, we rolled that out to a subset of our client base. While this may seem like a small step, it's a big step forward for Open Web to ultimately integrating search. Once that engineering is complete, recruiters will see a combined set of results, including full candidate information with resumes, as well as Open Web profiles. Then all recruiters' normal habits on Dice will also include Open Web candidates, or essentially a complete map of the tech population.

This is one important step in providing efficiency. Naturally, the level of information is different. A detailed resume in the Dice database contains more specific skill sets, while Open Web profiles contain many other attributes that are valuable. To drive adoption, we need to have recruiters do less work, or for our product to drive the efficiency they want to fully value our product. And we know more adoption of Open Web means more revenue.

In addition, we've released an Open Web extension for users of Chrome browsers. Whenever you visit a tech professional's profile on a social site, Open Web will show you if that candidate has any other profiles. For those clients using cloud-based ATS systems, Open Web will also give you a profile using an email address. It's an incredibly valuable shortcut to getting the best social information on a candidate, regardless of when they entered the Company's recruiting system. So, essentially, we've opened the front door of Open Web.

These Open Web milestones are just the beginning. We've committed to constantly integrating our products. This means we'll develop new products and features faster, and there will be more sharing of resources and services among each of our brands.

We're committed to creating revenue streams in new areas, too. One service where we've accelerated development in eFinancialCareers, as well as Dice and Health Callings, is search, match, and filter. We will do a search; create a short list; and qualify candidates to hiring managers' openings for an additional fee. We have leveraged a database search service that Rigzone has had for a long time and rolled it into the other services. While it is early, we already have had success selling this product.

At eFinancialCareers, the product has been well received by smaller financial services organizations, like fund managers, who want to take advantage of eFinancialCareers but don't necessarily have the resources to source candidates for themselves. On Dice, we have seen successful clients who have called to purchase a single job posting. It's not that they don't want to use our resume and Open Web database; they simply don't have the time for every role, or they may not have the internal expertise for certain types of searches. This product helps them get the most out of their investment, and makes them more efficient as a recruiting team.

In healthcare, we are providing a similar service which helps us stand out from the competition; another step in providing talent efficiently. Another area of focus is mobile. We didn't get it right on Dice the first time. But Rigzone's apps, which were launched during the quarter, earned 4.5 stars in the Apple Store, and nearly 5 stars for their Android app. We learn, and then we act.

So, to summarize, our focus is on expanding our relevance to professionals throughout their career, and to deliver talent efficiently to hiring managers and recruiters. Our promise is to deliver on this proposition with new and better products and features that will be developed faster and be more responsive to customers' needs. We are allocating resources where necessary, taking our strong team and making it stronger, and positioning the Company for long-term growth.

We have heightened our focus on creating value for shareholders. The creation of shareholder value comes from a variety of sources, including generating organic growth from our existing businesses; acquisitions which expand the Company's market opportunity; and through maximizing our capital structure. And we are focused on all three. I'm excited to take the lead of the Company, and want to thank all of our employees for their hard work through the transition.

Now, Operator, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Tim McHugh, William Blair.

Tim McHugh - *William Blair & Company - Analyst*

Hello, yes. Thanks, Mike. I guess first just the customer renewal rate and the overall customer account for Dice is something I wanted to ask about. And if you can just give more color, and in particular relative to -- obviously the commentary about Open Web has been positive. And the thought has been that, as that grows, that will have a positive impact on renewal rates. So, can you just talk a little bit more about what you saw?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Sure. So, a couple of things. So, Open Web, the renewal rate -- as I said earlier -- the renewal rate for customers using Open Web on a recurring basis is higher than it would have been if there were not Open Web customers. And so that's continued, and the spread's continued. We still don't have significant increase in adoption. We think that the adding of integrated profiles, and making the use of Open Web and the talent match service -- which is a Dice search service -- more efficient, will help the adoption. And that should help retention rates over time.

I think there's a couple of other things that impact renewal rates and the customer count in total. So, as John pointed out, a higher percentage, again, of total customers are under annual agreement, so we're still struggling a little bit with the shorter-term contracts. But on the annual contracts, we saw a couple of things. One, there was a little bit of a slowdown in September, ahead of the government shutdown. I don't know that, on Dice, that had a huge impact. But it did have an impact. And it mirrored the impact we saw in July and August of 2011, when we had the default looming. And then it bounced back afterwards. So we think that had a short-term impact, and we would expect that to rebound.

During the quarter, we put in the new CRM system, which temporarily impacted the productivity of the sales teams. I don't think that's a huge item, but it is an item that impacted August and September. And so, I think those are factors. And the last, we've seen something that's not huge, but we have seen customers rolling their contracts forward to sync up with the end of the year. It's something we've seen in the past, too. We saw a little bit more of it in the third quarter, as we are negotiating with customers, setting them up for calendar year renewal. So I think all of those factor into what happened with the retention rate and with billings in the third quarter.

Tim McHugh - *William Blair & Company - Analyst*

Okay, that's helpful. And then, Slashdot -- can you talk about what is the issue there? Is it the market? Is it internal execution? And what have you put in place to try and fix the performance there?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

The literal answer to your first two pieces is yes and yes. The market certainly has declined significantly for traditional display advertising. We were not well positioned to transition from that. We've had a historical reliance on big tech companies as our core customers. And I won't name them, but they are all the ones that you would think. And some of those had either slight drops, or significant drops, or total drops over the last few months in terms of their spend on traditional display. And we were not well positioned for that.

So, some of it is execution, and some of it is the market. We have changed some of the leadership in the Company. My observation is -- from a content and product and tech standpoint, we performed quite well. From a sales and sales execution standpoint, we haven't. And that's what we're changing.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then, lastly, the Rigzone underlying growth rate. It seems like Q4, the implied guidance is for a fair amount slower growth rate. And I know there's some lumpiness in revenue. Is there anything -- the bookings sounded solid -- but is there anything, any reason for that, or any underlying challenges that are reflected there?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

No. There is lumpiness in that business from the events, and there are events that take place at different times during the year. It's not a huge part of the business, but it does have an impact on year-over-year growth. And John pointed out the biannual event that happened in September in Aberdeen. And there's events that roll in and out of quarters.

The other thing I would say -- and you guys have heard me say this before -- so when we give guidance on the individual segments, we use percentages. And so 1 percentage point is $0.5 million, and so there's a fair amount of rounding in there. I wouldn't read anything else into it; I think the business is fine.

Tim McHugh - *William Blair & Company - Analyst*

Okay, thank you.

Operator

Youssef Squali, Cantor.

Naved Khan - *Cantor Fitzgerald - Analyst*

Yes, hello, thanks. This is actually Naved Khan for Youssef. Just a couple of questions. Since the actual shutdown happened in October, can you guys talk about the trends you saw into this month? And what are you baking into your guidance for the fourth quarter in terms of going forward? And then I have a follow-up.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, I would say that coming out of the shutdown in the middle of the month, we haven't had enough time to see trends. I think the overall performance of the business, both from a new business rate and from a retention rate, so far in October are what we thought they would be. So there hasn't been much of a change there. And we would expect some of that to rebound coming out of that. But it's too early to see a huge trend, post-shutdown.

Naved Khan - *Cantor Fitzgerald - Analyst*

Yes, okay. And then just on the Open Web initiative, how exactly are you rolling this out? Are the customers that are using it are the ones that have renewed? Or are you letting customers sort of test it, and then basically using it as a tool for retention and renewal?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

So, the product has been in beta for a while. We've had different strategies in terms of how we market it, and how we go to market with the product. In the background we've been working on a number of features, including this integrated profiles that I described before; where now when somebody does a search in either place, the profiles that they see for candidates include both candidates that come from the Dice database of resumes and profiles, and then Open Web searches.

That product has been in development for a while. We tested it with a handful of core customers over the last couple of months. We've now rolled it out to a subset of the customer base. And we expect to roll it out to the rest of the customer base over the rest of this quarter. So we're being thoughtful about how we roll it out, and getting feedback and input -- which we've gotten quite a bit, actually, from the first group of customers.

So, Open Web itself can be used by any paying customer. But the integrated profiles, which is a really key initiative for us in terms of generating higher usage, is being rolled out slowly over a segment of the customer base.

Naved Khan - *Cantor Fitzgerald - Analyst*

I see, okay. And then can you just expand a little bit on the latest acquisition that you just made, and what the opportunity is there?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Sure. So, in July we closed on the acquisition of IT Job Board. The IT Job Board is a collection of a few tech-focused career sites in the UK, Germany, and in the Benelux region. And we view that -- one, we view it as there's good opportunity in each of those markets for them individually. But, strategically, for us, the real initiative has been to use that as a springboard to penetrate tech online recruiting outside North America. And so those plans are in place.

So, for the moment, the business is running as it was before. We're doing a couple of things with Slashdot and SourceForge to generate traffic and awareness. But there's more to come in terms of the big strategic item, which is to roll out tech in other markets.

Naved Khan - *Cantor Fitzgerald - Analyst*

Okay, great. Thank you.

Operator

Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Thanks so much. I'm not sure if you discussed the pricing environment in your prepared remarks. If you can just give us a little bit more color on that, that would be great.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Sure. I would say, generally speaking, the pricing environment hasn't changed a whole lot, which I think was probably true last quarter as well. There seems to be relative stability in the market. There aren't as many crazy pricing things that we hear about. And I'm talking about the general market, both North America and non-North America, and across the various verticals that we operate in. So we haven't seen much in terms of pricing that's different from three months ago or six months ago.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, that's great to hear. Looking at the guidance -- and maybe I'm just reading a little bit too much into it -- but if you look at the guidance for energy for the fourth quarter, it implies flat year-over-year revenue. Is that just a rounding issue?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

I would say, yes, that's a rounding issue. There is some lumpiness from the events that we do, in terms of what quarters they fall in, and how many of them we do, which generate about 10% to 15% of revenue. But I would view most of that as rounding.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. And then, finally, in terms of use of cash, what your plans are going forward.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, generally speaking, our use of cash plans haven't changed from what they've been in the past, which are -- we generate a fair amount of cash from our operations. We look to use that to either look for acquisition opportunities to expand our market opportunity, or share repurchases. And they are the same.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. Thanks so much.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

Yes, good morning. Can we just talk a little bit more, please, about the small acquisitions, and the performance year-over-year that you haven't already talked about? What I'm really curious about is, on a pro forma basis for the quarter, assuming you own the small acquisitions for both this year's quarter or full quarter, and also a year ago -- what was the revenue percent change for the small acquisitions year-over-year, please? And also the margins as well, or just the profits. Thanks.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, so, pro forma, the Slashdot acquisition year-over-year -- revenues were down about $1 million from the period where we only owned it a piece last year; that full quarter of 2012 until this year. And IT Job Board -- I don't recall specifically what it was a year ago. But it was down slightly year-over-year to this year. And this year is impacted by -- for us, is impacted by the deferred revenue write-down.

From an EBITDA standpoint, Slashdot Media is near breakeven for this quarter. And IT Job Board had a small EBITDA loss for us in this period, in part because -- as you guys who have followed us for a long time know -- we do these acquisitions, we have deferred revenue write-downs. And so we have the impact of that, of $300,000 to $400,000 in this period. So our margin was negatively impacted -- it's small; but negatively impacted by about $300,000.

Craig Huber - *Huber Research Partners - Analyst*

If you think -- now I'm just curious, just given some of the issues around the acquisitions, does it give you any hesitation or pause about doing any future small acquisitions here? Or do you think these are just more one-off?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, it does give pause. I think a reflection on any acquisition makes us think about what we'd want to do going forward. I think you're right, that relatively small acquisitions come with their own set of items. I think the Slashdot, SourceForge acquisition used the term one-off. I don't know that I would say it's one-off. But there are unique issues to that business that we knew when we bought it, and they were just deeper and broader than we planned for. And it's taken us longer to fix it. But we're going to fix it, and there's a lot of focus now on fixing it. And we've brought somebody in to help us fix it.

I think if you look back, IT Job Board is new, but that acquisition is performing just fine for us in the couple of months we've owned it. I think the one -- when we did healthcare, the healthcare business is growing quite nicely. But if I had to do it all over again, I wouldn't have bought something that small. So the answer is yes, it makes us think about size of acquisition, and focus of acquisition, for small ones. But, strategically, I think we're doing the right thing in terms of expanding our footprint in a variety of ways.

Craig Huber - *Huber Research Partners - Analyst*

And then also if you could please, just the deferred revenue -- can you just speak a little bit further, if you adjust that for the small acquisitions, what that looked like both sequentially, but also year over year -- what's the differences there? Thanks.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

So, deferred revenue changed by about $3 million. $1.5 million of it is related to the acquisition, so it's about half.

I'm sorry, Craig, was that your question?

Craig Huber - *Huber Research Partners - Analyst*

Yes, okay, that's helpful there. And then also, just given your new role as CEO -- and congratulations to both of you in your new roles here -- I'm just curious if you could just tell us briefly what you think you may be doing different here in terms of the future of the Company; how you run this, versus how it was run before. Or is it more just status quo going forward here?

John Roberts - *Dice Holdings, Inc. - CFO*

Craig, this is John, so let me start. I've been at the Company for a couple of weeks now, so this is week three. And from my perspective, as I said at the beginning, I'm excited to join the Company for a number of reasons. One of them is the strong financial performance that the Company has demonstrated over the years. So I think I come into a CFO role here with a very strong financial organization, with a company that has a strong financial position and underpinning to it.

And my role, and my objectives and goal, is to try to enhance that and improve that, and drive better performance over the longer-term. I don't come in with a -- thinking that there's a radical change to that, but look for ways to continue to make improvements to it over the next number of years.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

I'm certainly looking forward to John improving the CFO position, I hope. For me -- and I referred to this earlier in the opening remarks -- yes, strategically, we're going to go down the same or similar path. I participated in that strategy over a number of years, and so I wouldn't have -- anybody should not have expected that it would be significantly different. Yes, my focus is making sure we have the resources in the right place to optimize our performance.

I think we have to get better at product development; we have to be faster; we have to broader in terms of the things we look at from a product standpoint -- not broader in terms of our business footprint, but broader in how we think about adding product. I'm instilling a sense of urgency in the organization to have it move faster. And we've made some adjustments in how we're aligned, and how we're structured, and how the reporting works; to try to improve that.

We have a number of great businesses; we have a number of good businesses; and we have one or two businesses that need focus. And we're going to build on the strengths and work on the weaknesses.

Craig Huber - *Huber Research Partners - Analyst*

Lastly, if I could just ask please, the $1 million severance of extension you guys took in the quarter, where was that focused at in your business? And is there anything you're seeing differently in the marketplace that made you take that, please?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

So, the $1 million is a couple of things related to changes in the organization. And it spread out in a few different places. It's generally things that I thought we should do from an organization standpoint, and that's the cost of making those changes. There's nothing more to it; we pointed it out because it did have an impact on our EBITDA performance for the third quarter. But I wouldn't view it as anything more than we've made some changes as far as the transition.

Craig Huber - *Huber Research Partners - Analyst*

It's not a reaction to what you're seeing in the marketplace?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

No, no, no. No, it's organizational changes.

Craig Huber - *Huber Research Partners - Analyst*

Okay, thank you.

Operator

Michael Purcell, Stifel.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Yes, thanks for taking the questions. And welcome, John. I'm hoping we can work on the tech side just a little bit more. Got some questions. So it seems to me that, all in all, tech came in, on a like-to-like, about $0.5 million or so below what you expected. It seems mainly at Slashdot. Is that right?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, that is correct.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. And then so if I just back in the guide, if I estimate -- I don't know, maybe $2 million contribution from IT Job Board in the fourth quarter, if that's about right or not, it seems like the tech outlook is just coming down just a smidge, by $1 million or so. Is that fair?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

I think, directionally, that's fair. I think it's too much on the core tech side. But I think, directionally, it's right.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. Then on the core tech side, it seems like it met your expectations. The bookings were down about 3%. I think it was about 2% last quarter overall, so it seems like that business is going okay. Mike, I'm wondering, is there any way you can quantify -- we're reading the same headlines us everybody else about some of these large enterprises reducing tech staff, et cetera. I'm wondering if you could quantify how much that may have hit you, versus what you guys were thinking at the beginning of the second quarter.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Sure. So, I think the first thing I would say is I think you're a little generous in saying it's okay. I think we need to improve. There are things in place -- the new management of Dice has only been in place for about six months, and they're doing some really good stuff in terms of turning that business. So I appreciate the okay, but my view is we need to do better.

I think from what's going on in the tech employment marketplace, I think there is some impact. I don't think it's huge, though; and I don't think it's new, frankly. So the impact of any one organization having significant reductions in staff doesn't really have a huge impact on us. But I think what's going on overall in the tech market, outside Silicon Valley and Silicon Alley, and some of the other core tech markets, those are strong. But what's going on outside of those markets in middle America, which is still a big employer of tech professionals, has had some impact.

And we've seen the unemployment rate increase a little bit in September in tech. Although one month up or down tends to move quite a bit from month to month, but it did increase in September.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. No, I didn't mean to imply that you think it's okay. I'm just really trying to get a sense of the packaged business versus what you guys were thinking in the beginning of the second quarter, where comes out this year.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

And the second thing, on the finance -- it looks like the rate it has declined has mitigated so much. And with your guidance, even though the billings were down 10% or so, it looks like eFinance could be flat this quarter from your guidance?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, so, we said towards the beginning of the year we were beginning to see some signs that it was stabilizing, and we tried to be cautious about how we communicated that because it wasn't stabilizing; but we were seeing signs of stabilization. And I think we have actually now seen that. And so, give or take $100,000, the business has essentially been flat from the second quarter through the end of the year.

It's not better, but I would say at the end of September and into October, we've heard some things from clients that make it seem like it's getting better, or might get better. So, I'm generally cautious about that market, and especially as you get towards the end of the year. But I think, as you know in that business, billings and revenue tend to track a little bit more closely as opposed to being in front, because we don't bill a lot of stuff up front like we do in the other businesses.

So I wouldn't focus so much on billings and revenue year-over-year in Q3. But I would say it is flattening, which is something we thought would start to happen a number of months ago.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay, thank you.

Operator

(Operator Instructions). Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Good morning. I was listening with interest in your commentary about ways you plan to change your value proposition. And what's unclear to me is if this means changing your cost structure, maybe adding more personnel cost, or other fixed cost.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

I think that's a good question. But I would separate them. So, from adding personnel, we have been adding personnel during this year. We have been building out the product development aspect of our business and focus more on product and systems development, which is something we talked about over the last year plus. So that has been happening. I think the focus on the value proposition -- I don't think, in and of itself, necessitates us adding personnel or fixed cost to it. I think we just have to be smarter about what areas of the market we go after, and how we generate content, including-user generated content or data or other services.

So, for instance, I referred to our matching service, where historically Rigzone has done -- had a side of their business where they did searches through the database and presented a short list of candidates to customers, for which we charge a premium. And as compared to the single job posting rate. it's a significant premium. And we've rolled that out to the other services.

But we're using existing people on staff to do that work, because we do some of that work for ourselves and in the background for customers. And so, using that as an example, when we talk about the value proposition, I wouldn't view it as necessitating an increase in people. But to be clear, we have been adding people, especially in product and systems development.

Randy Reece - *Avondale Partners - Analyst*

But that doesn't change your expected return on your product development investment. That's just kind of a periodic surge (multiple speakers).

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, it's been an ongoing effort. It's reflected in what our results have been. We need to generate more product development and we need to do things faster, and that has required us to add people. But that's been in the works for quite a long period of time. If you look at our product development costs, we said for a long time that it would increase that as a percentage of revenue. That has happened. But I don't think that's directly tied to other areas where we can increase our value proposition for customers and for professionals.

Randy Reece - *Avondale Partners - Analyst*

All right. I'm curious about your transition plan with The IT Job Board assets. How much of their job listings in the past came from the staffing company, directly or indirectly? And how do you get job postings on those boards fast enough to keep from having a big dent in the revenue generation?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

From the staffing company, you mean S3, the company that owned them, specifically?

Randy Reece - *Avondale Partners - Analyst*

Yes, yes.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, so, if you go back a number of years, that number was pretty significant. And IT Job Board itself did not pursue staffing and recruiting companies as clients because of the conflict. What they did a couple of years ago is they separated the organization and started to sell to what's referred to as recruitment consultants in Europe. And so the impact of S3 on the business is not very significant in terms of a change. And part of our arrangement in buying the company was they've committed to be a customer for a period of time under normal terms.

And so I wouldn't expect any change in terms of what happens with the business. But it does free us up now to be more aggressive in terms of how we go after recruitment consultants and recruitment agencies.

Randy Reece - *Avondale Partners - Analyst*

All right. Can you give us an idea of what the investment plan is at -- timing, and when you expect some kind of improvement, and what kind of possible synergies you might be able to pull in?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

I'm sorry, Randy -- from IT Job Board?

Randy Reece - *Avondale Partners - Analyst*

Yes.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, so, we're still developing those plans in conjunction with Slashdot and SourceForge outside North America. One of the synergies we expect to come out of this is, historically we've got a very small organization -- a tiny organization -- selling Slashdot and SourceForge outside North America. So while the majority of the traffic for SourceForge and about 40% of the traffic for Slashdot come from outside North America, the percentage of revenue that we generated outside North America for the two businesses combined, I think, was somewhere between 10% and 15%.

So one of the things we're going to do is utilize the IT media portion of IT Job Board to sell Slashdot and SourceForge, especially in Europe, and then into Asia. So that's one of the areas where we get synergies from that. From a product roadmap, we're still developing the timing around how we integrate the North American business Dice, together with the international business, so that is to come.

Randy Reece - *Avondale Partners - Analyst*

All right. Thank you very much.

Operator

Bill Sutherland, Emerging Growth Equities.

Bill Sutherland - *Emerging Growth Equities - Analyst*

Thanks. Most of mine have been asked, of course, but I had a couple just a little more color kind of questions, Mike -- on the transactional business for Dice, and what's that doing to the overall growth trend? And associated with that is just wondering about the hiring patterns for the large -- some of your traditional, large enterprise clients. Obviously flattish or certainly not growing as much as they should, and whether the -- because the net growth in the marketplace is potentially more in the small and emerging growth kinds of employers. Whether that's more of a challenge as far as your traditional model.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes. So, on the first piece, the transactional business, certainly we've seen a fall-off in that over the last year plus, and that certainly has an impact. It has an impact in two ways. From a pure revenue standpoint in the short term, the impact on revenue is not great from an initial sales standpoint. What it does impact, though, is the ability to use it as a lead generation tool. So from a Web store, the self-service product, we saw a decline through the beginning of this year. We changed the pricing early on to try to generate more volume. That has now started to happen. But the impact of this lack of urgency around needs for filling positions has translated into less short-term business, which then reduces the pipeline. So we are doing some things structurally to remedy that.

On the second piece, we haven't seen a huge impact in terms of the patterns of large clients. The largest clients tend to be the big staffing consulting firms, together with the big tech companies. And our arrangements with them have not materially changed. They are not growing significantly, but they're certainly not reducing. And that has contributed to the flattening revenue per customer, which we predicted would happen for two-plus years now, and now it finally seems to have happened. Which is not the worst thing in the world, as long as we generate increases in customer account. But the relationship with the bigger clients has not changed.

Bill Sutherland - *Emerging Growth Equities - Analyst*

Okay. So the key thing is increasing customer count. And I guess that brings us back to the whole sales -- the structure of the salesforce. I know that that's been a focus for a few quarters, to get the productivity up. So, what are you -- where do you take the efforts -- where do you refocus now to move the needle on sales productivity?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes. So, looking at the whole -- and focused on tech and clearance segment, specifically -- so, we've done a couple things. We've brought in a new head of sales for that business in July. We've made some other changes in the organization. I think from a productivity and focus standpoint, we're doing a couple things. One is we're getting the salespeople -- both the inside salespeople, the telesales people; together with the -- what we call the national accounts people, the field sales group -- getting in front of more customers more routinely, which is something we're quite focused on, and has had an impact so far. It's not a huge impact, but it certainly has had an impact on our relationship with customers. So that's one.

As I mentioned earlier, we have put in a new CRM system, which is the first time we've changed the CRM in 12 years -- so, the last one was put in in 2001 -- which should increase productivity and make the sales process more seamless. We have some growing and adoption pains, but the whole sales organization is convinced that it was the right thing to do. So once we get over the adoption pains, we'll be a much more efficient salesforce.

And we're looking at the organization structure and trying to supplement it with some new people, and that's been in the works for a couple of months.

Bill Sutherland - *Emerging Growth Equities - Analyst*

But as far as incentives and so forth, you feel like that's appropriately set?

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Yes, I think so. We're always looking to tweak it. And I think having new sales leadership brings some new thoughts and new experiences, and experiences from other places. So I wouldn't say, specifically, that it's set in stone and we're thrilled with it. But generally, I think the structure that we have is pretty good. But I think we're going to try to evaluate whether we should tweak it.

Bill Sutherland - *Emerging Growth Equities - Analyst*

Okay. Thanks, Mike.

Operator

Thank you. We have no further questions left in the queue. I would now like to hand the call back to Michael Durney for closing remarks.

Mike Durney - *Dice Holdings, Inc. - President and CEO*

Okay. Well, thanks, everybody, for your time and interest in Dice Holdings. We are here to answer any follow-up questions that you may have. Call us at 212-448-4181, and we'll be happy to answer whatever questions you have. Thanks very much, everybody.

Operator

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