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DHX - Q1 2014 Dice Holdings, Inc. Earnings Conference Call

EVENT DATE/TIME: APRIL 30, 2014 / 12:30PM GMT

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CORPORATE PARTICIPANTS

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

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

John Roberts *Dice Holdings, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Youssef Squali *Cantor Fitzgerald - Analyst*

Randy Reece *Avondale Partners - Analyst*

Michael Purcell *Stifel Nicolaus & Company - Analyst*

Ned Davis *Wm Smith & Co. - Analyst*

Stephen Sheldon *William Blair & Company - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2014 Dice Holdings Inc. earnings conference call. My name is Jan, and I am 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 the conference. (Operator Instructions) As reminder, this call is being recorded for replay purposes. I would 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, IR & Corporate Communications*

Thanks and good morning, everyone. With the on the call today is Mike Durney, President and CEO of Dice Holdings, along with John Roberts, our Chief Financial Officer. This morning we issued a press release describing the Company's results for the first quarter of 2014. A copy of that release can be viewed on the Company's website at DiceHoldingsInc.com.

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

Actual results may vary materially from those expressed or implied by the statements herein, due to changes in 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 board on Form 10-K, in the sections entitled risk factors, forward-looking statements, management's discussion and analysis of financial conditions 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, free cash flow, and adjusted revenue. For details on these measures, including way 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. With that, I will turn the call over to Mike.

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

Great. Thanks, Jennifer. Let me welcome you all to the Dice Holdings first-quarter earnings results conference call. First I'm going to turn the call over to John, and he will give you date on our Q1 financial performance. Then I will cover the progress we are making on our strategic plans, on Open Web and other product improvements. In addition, I will spend a few minutes discussing our expansion in oil and gas recruiting with acquisition of OilCareers late in the first quarter. And then finally, we will open it up to questions. So with that, I will turn it over to John.

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

Thanks, Mike. And thank you, everyone, for taking the time today to focus on our first-quarter financial results. As we go through our refresh, this quarter's financial performance includes several elements of forward movement. First, improved sales performance, which is reflected in the increased deferred revenue balance. Two, an increase in renewal rate on annual customers at Dice.com as compared to the second half of 2013. And, three, returning Slashdot Media to profitability.

There is still more work to do, including attracting more new customers across our brands and realizing the full value of all of our recently acquired businesses. We do expect a solid online recruiting market as a backdrop to continue to work on our operations.

Revenues in the quarter increased 20% year-over-year to $60.7 million and adjusted EBITDA increased 10% year-over-year to $18.6 million or 30% of adjusted revenues for the first quarter. In both cases, the growth is primarily due to businesses acquired within the past 12 months.

In the first quarter, overall recruitment activity was fairly consistent in tech, energy, healthcare, and hospitality. Recruiting momentum is beginning to pick up in financial services, which resulted in the second consecutive quarter of year-over-year billings growth at eFinancialCareers. In Tech & Clearance, revenues increased 1% year-over-year including $2.1 million from our acquisition of The IT Job Board. For Dice.com revenues declined 4% year-over-year. Recruitment package customers were 8000 at March 31 as compared to 8100 at year end.

New customer acquisition was slower this quarter, particularly in short-term contracts, which usually rebound from the seasonal end to the year. In Q1 the renewal rate on annual contracts was 67.5% by customer account, up from 66% in the fourth quarter, with about 2200 customers up for renewal in the first quarter. On March 31 we had 7400 customers under annual contract or 93% of our recruitment package customers.

As we have seen for many quarters, our customers continue to buy additional and new services from us, which drove average revenue per customer to $1022 per month, up 1% from the fourth-quarter average and 3% year-over-year. Open Web, our big data recruiting tool, contributed, as did additional branding opportunities for our customers to reach tech professionals.

Finally, in Tech & Clearance, while just 4% of our overall revenues, ClearanceJobs revenues declined 9% year-over-year but had much stronger billings performance, which was up 9% year-over-year, reflecting in large part a more certain market for government contractors.

Moving on to our Finance segment, revenues increased 2% year-over-year to $8.8 million, including $0.5 million positive impact on revenues from currency translation. We have seen stronger buying from large financial institutions in Europe and Asia as well as new agencies starting business to serve a better financial services recruiting market, which drives the need for our services.

On a local currency basis, in the UK revenues increased 3% year-over-year in sterling. In Asia PAC region revenues were down 2% in Singapore dollars with stronger performance in Asia, which was up 6% year-over-year, offset by continued softness in Australia.

In Continental Europe and the Middle East, revenues were consistent in euros from last year's first quarter. We are seeing stronger performance from the sell side and recruitment sectors in France, along with a stable Germany, offset by softness in the Middle East.

Finally, the US was down 11% year-over-year.

In our Energy segment revenues were up 14% to $5.9 million in the first quarter including $200,000 from our recent acquisition of OilCareers. OilCareers' impact on EBITDA was a loss of $100,000 for the quarter due to deal-related expenses primarily. On an ongoing basis, OilCareers' EBITDA margin is consistent with the Company average.

For Healthcare, revenues totaled $6.5 million with $5.9 million of that from HEALTHeCAREERS and BioSpace, which were acquired as part of the OnTargetjobs acquisition late last year. That reflects a reduction of $400,000 for purchase accounting.

And revenues were $2.9 million in the Hospitality segment with a reduction of $0.5 million for purchase accounting. Finally, Corporate & Other -- this segment contains a Slashdot Media, WorkDigital, and our corporate-related costs. Slashdot Media revenues were flat year-over-year at $4.1 million. There was significant work done on this business over the past six months. We've implemented new revenue streams and during the quarter adjusted the cost base with an EBITDA margin approaching the total Company margin.

Our corporate-related cash costs in Q1 were $3.4 million. To wrap up to segments, Q1 billings by segment are Tech & Clearance up 8% year-over-year, including The IT job Board; Finance billings up 7% year-over-year; and Energy billings decreased 1% year-over-year, including OilCareers.

On the expense side, operating expenses increased year-over-year, primarily due to the acquisitions, including driving the lion's share of the change in the cost of revenues and G&A lines. In addition, sales expense rose year-over-year, reflecting the better billings performance in the quarter.

Adjusted EBITDA, which includes adding back $1.2 million for the fair value adjustment related to purchase accounting of the three acquisitions, totaled $18.6 million during the first quarter. Reconciliations of adjusted EBITDA to net income and cash flow from operations are provided in our press release.

Cash flow from operations totaled $12 million during the first quarter, a decrease from the $21.9 million generated in last year's first quarter. Cash flow from operations was impacted by a few items. One, we are in the process of implementing new financial systems. Tying together those systems with our new CRM resulted in delayed invoicing early in the quarter, and the follow through on collections impacted accounts receivable. We expect the new systems will make us more efficient going forward and increase our ability to share amongst our brands.

On the liability side, the timing of performance bonus payments differed from the prior-year. We also paid about $1.5 million of separation payments related to the OnTargetjobs acquisition during Q1. At March 31, deferred revenue totaled $88.2 million, up 14% year-over-year and sequentially. The $10.8 million sequential increase was primarily driven by increases at three of our key recruiting brands -- Dice.com, Rigzone, and eFinancialCareers, reflective of the improved sales performance. OilCareers added $1 million to the deferred revenue balance at quarter end.

Dice Holdings ended the quarter with $18 million in cash and equivalents and $121 million of debt outstanding. A few notable uses of cash in the quarter were, one, roughly $26 million for the OilCareers acquisition net of cash acquired. We were able to use our cash outside the US to pay for OilCareers. At quarter end approximately $13 million of our $18 million is outside the US.

And second, we purchased slightly more than 960,000 shares of our common stock on the open market at an average cost of $7.26 per share for a total cost of approximately $7 million. At the end of the first quarter we had about $41.9 million left on our current authorization, which the Board of Directors authorized in December 2013 for $50 million.

For 2014 we anticipate revenues in the range of $248 million to $255 million, a change from our last report, primarily due to the acquisition of OilCareers. Our adjusted EBITDA is forecast to be $75 million to $77 million for the year. In Q2 we anticipate revenues of $62 million to $63 million and adjusted EBITDA of $19 million to $19.5 million.

One item to note is that the purchase accounting for OilCareers is preliminary, given the timing of acquisition, and will be finalized in Q2.

With that, I will turn the call over to Mike.

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

Great. Thanks, John. This morning I want to update you on key initiatives for the Company, which will both build a stronger foundation and position us for recruiting's future. We are the leading specialty online recruiting company in six key verticals. With that base, we're working to expand our market opportunity through, one, faster innovation of our services; two, introducing new products and services; and, three, acquisitions. As we build our Company, we focus on two main themes, expanding our relevance to professionals throughout their careers and thereby increasing our engagement with them more routinely, and delivering access to the best talent efficiently to hiring managers and recruiters in order to make them as effective as possible.

In order to fulfill that mission we are building a culture of high performance within the Company and our efforts around the team is the first step toward an even brighter future. The energy is high and we believe that enthusiasm helps spark our better sales performance. While it will take some time to get the Company's organic growth rate to a reasonable place, we are satisfied with the first signs of progress. In the meantime we will post double-digit top-line growth, primarily from acquisitions in 2013 and 2014.

Core to delivering on our mission of enhancing our ability to expand the types of services we offer. That combined with better execution is an area of investment and focus this year. Front and center is Open Web. Open Web is a big data recruiting service that sources publicly available information and creates professional profiles of individuals that are optimized for recruiters and hiring managers. In December we launched Open Web as a separate product available through Dice.com. In order to access Open Web's profiles, hiring managers must purchase the service either as part of their Dice.com recruitment package or they can buy standalone access to Open Web, which is still only accessible through Dice.com.

Through March nearly 300 Open Web customers have been sold and it has generated more than $1 million in sales. First and foremost, Open Web is a service that drives sourcing efficiency. Here's one example. Pier 1, a large specialty retail chain, recently shared that they had been searching five months for a complex hybrid telecommunications engineer. Then their talent manager turned to Open Web, and within two hours they felt their engineer, even though they ran the exact search they had done thousands of other times on other services without Open Web. As the talent scout said, if I had used Dice's tool from the start I would have exceeded everybody's expectations.

To read this specific case study and others, please visit Dice.com/OpenWeb. In terms of our expectations for Open Web, as a commercial product, it's ahead of where we planned to be at this stage. And while small at this time, we are encouraged that Open Web is getting us into new accounts. The product is sparking more discussions with customer prospects than we would have been able to achieve without our big data sourcing tool.

I am also happy to share that Open Web is in beta to The IT Job Board service in the UK and Europe. We are in tests with several clients prior to our expected full release in Q2. When combined with our specialty services, Open Web is a one-of-a-kind product. It delivers talent efficiently, and we look forward to making it a cornerstone of technology recruiting in Europe.

Driving efficiency from professionals is equally as important to fulfill our customers' and professionals' needs. To that end we have launched an easy application process that integrates our customer systems both on our site and off, known as Apply with Dice and EasyApply.

One of the most frustrating experiences for professionals is long application forms that vary if the employer chooses to funnel their applications through their own site. Apply with Dice is an answer to those frustrations. It's a shortcut that our customers can place on job postings both on their site and on Dice, which allows candidates to use their Dice profile to apply for open positions in one click.

Because this feature creates a seamless and short application process for tech professionals, one of the largest technology service providers in North America is reporting back to us a lift in applications to that positions. And Apply with Dice makes it perfectly clear which service is driving responses to their openings. This is a good example of how improving the candidate experience leads to a better ROI for employers. This feature is also available this week in the Dice mobile app to make on-the-go applications possible for adopting customers, resolving a long-standing annoyance for candidates.

We recognize that not all of our current potential customers have the resources to source candidates for themselves, regardless of how efficient we make our services. And as I shared with you last year, we accelerated a service that Rigzone had utilized for some time to the other brands. This service fills the gap and helps customers search, match, and filter a slate of candidates.

We're building on early successes, including helping a hedge fund find and hire its [latest target] credit analyst in 25 days, and an investment manager hired an investment analyst in just over a month with eFinancialCareers service as the backbone. We will continue to add resources to get this service into more geographies for eFC and to build on our technology vertical. There is much more to come to drive efficiency in our product in 2014 and part of that is a cohesive, focused mobile strategy across our brands.

During the quarter, we pushed updates to the new version of the Dice mobile app; we launched an iPhone app for HEALTHeCAREERS; and continue to see outsized growth, 86% year-over-year, in mobile traffic to Rigzone. For Dice the update included job recommendations and an integrated experience from discovery of the job to our app. For example, a tech professional may discover a career opportunity on Twitter through our Twitter cards, which we have now branded as #Dice141. As we discussed in our last call, this advancement enables us to attach richer information for our clients with their everyday tweets of job postings on Twitter through Dice. With our mobile update, when they click on the Twitter card they will be taken to our app to view the job.

Speaking of #Dice141, customers who are early adopters and are utilizing them in their recruiting have identified several benefits. One, it's easier for candidates to apply on the go with all the pertinent information on the job in the tweet; two, they are getting greater reach with more technology professionals viewing the Twitter card as compared to more standard tweets; and, three, those technology professionals are converting into additional views and an increase in applications.

As I said before, we believe we can lead in recruiting through a social network that allows for instantaneous connections by Twitter. It's all about efficiency.

In fact, there's a clear theme to our product efforts in the first quarter -- ease and efficiency on our platforms and off. Our work to improve our products and position is in its early stages, but we are getting into a good rhythm; and, once we had to the team as planned, we anticipate an acceleration in innovation through 2014.

We have covered our team and our cost advancements. Let's move on to expanding our market opportunities. With the acquisition of OilCareers during the quarter, we seized an opportunity to expand our Energy segment and move our energy recruiting service forward in Europe. To put some context around why it's a great combination, the majority of Rigzone's revenues are in North America, while two thirds of OilCareers' revenues are in Europe. Together we have a lot of experience and expertise in online recruiting for the energy sector, and we see lots of opportunities to leverage the best of both brands. In addition, we immediately added sales, marketing, and product team that helps us pursue our international initiatives in energy.

Finally, I wanted to follow up on OnTargetjobs acquisition from November of 2013. We are integrating our healthcare brands, HEALTHeCAREERS and Health Callings. The integration is well underway to consolidate the business. [Units] with our overarching goal to create the best recruitment solutions for hospitals and health systems. We have integrated the teams with the focus on enhancing sales and product for the HEALTHeCAREERS service. In addition, we have leveraged some of our resources into rebuilding the BioSpace service, serving the biotech and life sciences industry.

We have increased the performance of our recently acquired brands, including HEALTHeCAREERS, HCareers for the hospitality industry, and The IT Job Group. We are devoting a lot of energy and effort toward our priorities for this year, which are, one, continue to build the Dice.com products and sales; two, invest in WorkDigital and focus our efforts on enhancing data; three, developing mobile-enabled sites and apps; and, four, expanding the culture of innovation and efficiency throughout the Company. This year sets a clear path for our Company to build a stronger foundation, expand our market opportunity, and position us to lead in the future of recruiting.

With the best position in six key recruiting verticals, our early progress is rewarding because we understand leveraging success amongst each brand will deliver the right returns for professionals, hiring managers, and shareholders.

So with that, let's open up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Youssef Squali from Cantor Fitzgerald.

Youssef Squali - *Cantor Fitzgerald - Analyst*

So just a couple questions to start. So trying to get to some organic growth numbers, it looks like by our math we are getting to organic core, down about 2% for the quarter ex-acquisitions. First of all, is that -- is that the number you get to? And more importantly, what kind of organic growth is baked into your Q2 and 2014 guidance?

And second, on Dice down 4%, yet your deferred revenue is up 14%. Maybe you can talk a little bit about what is driving deferred revenues, how much of that is acquisition versus not, and what is baked into, again, expectations for Dice. Do we get back to positive growth by the end of year?

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

Sure. Let me take the deferred revenue piece first and then we can go back to the growth. So if you look at the deferred revenue increase from the end of the year, about $1 million of it is related to OilCareers. If you look at that, that's the fees from the most recent acquisition. If you look at where the majority of the change is coming from, if you look at Dice and Tech & Clearance growth overall, and the billings being up 8% in there, year-over-year, that has the majority of where the change is coming year-over-year.

Youssef Squali - *Cantor Fitzgerald - Analyst*

So would that imply, if the billings are up for Dice, would that imply an inflection point back in the second half? Do we get to positive growth?

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

Yes. I think if you look at what's happened in the first quarter, certainly the number of short-term customers has declined, as it has been through 2013, and it's something to focus us on and looking at different ways to further penetrate the smaller, shorter-term customer base, not because shorter-term customers will change the revenue so much but because they are good leads. But what's happening is the bigger customers continue to buy more product from us, as evidenced by the revenue per customer. And so we -- and we are seeing some improved performance in the first quarter in terms of retaining those customers and selling them at greater levels. So, the expectation is that later in the year there will be an inflection point from a Dice.com standpoint. And you see that reflected in the organic growth guidance for Tech & Clearance as well.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay. And then on the cash, can you talk a little bit about the health of the balance sheet? I think you have $18 million cash. I know you still have a fair amount of debt, $121 million. How do you look at the use of cash? You have been somewhat active in buying back your stock. Does the current cash level still afford you that possibility? Or do you feel that that's not top of mind right now?

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

I think it still affords us the opportunity. I don't think our view of that has changed. As we look at capital allocation, moving forward it's a balance of a few things. It's investing in growth in the business. It's buying back shares. And in the most recent quarter it was a use for -- to use some trapped non-US cash to pay for the OilCareers acquisition.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay, thank you.

Operator

Randy Reece from Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

I've been spending time around these recruiting industry tradeshows here in town. And it sounds like the enthusiasm about and Open Web sourcing tool is pretty high. But the most interest that I hear is to find a tool that covers all occupations. And I was wondering if your development path includes going in that direction.

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

Yes. So, Randy, I think Open Web as a tool can be used ultimately for anything. You can do any search in any market because it indexes, profiles across multiple platforms. So it's not specific to any one vertical. We firmly believe, though, the best application for it is combining our proprietary databases and the data you get out that those, together with what you find from the Open Web sources. So I would say what you are hearing is not overly surprising and probably fits with recruiting in general where there is the need for general services and there is the need for specialty services. And ultimately we think Open Web, together with our specialty services, has the potential to solve both of those.

Randy Reece - *Avondale Partners - Analyst*

That is the element that people I spoke with said was missing was on the database side your candidates are primarily technology, and there needs to be some integration with profiles covering a broader range. But I do understand that you have plans to extend this to your other brands. Is that correct?

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

Yes, we have plans to do a number of things with Open Web and the technology behind Open Web. Certainly, expanding into other brands is one of them. We're determining what the best route is and where the most value is, but outside the Open Web service itself and the technology behind it can serve any category.

Randy Reece - *Avondale Partners - Analyst*

Just kind of playing with numbers, it looks like that you have brought, I'm going to guess, Tech & Clearance sales and marketing expense down significantly. And I know you had been expecting to get more and more of your own traffic. What has the progress been like on that front?

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

The progress is along the lines that we saw in 2013, where we are getting benefit from product improvements. We're getting benefit from the acquisitions we've made. We're getting benefit from some organic traffic. So your supposition is correct that we are spending less on marketing, as was the case through 2013.

Operator

Michael Purcell from Stifel.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

John, Mike, I want to go back to Youssef's question earlier on tech and billing. So if I have my numbers right, the tech billings was 8% growth this quarter. I think it was about minus 1% the quarter before and maybe minus 3% or minus 4% the quarter before that. Is that correct?

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

Yes.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. So we are seeing improvement there. I was wondering, one, if you could talk about the cadence of that. And then secondly, as that continues to grow can you give us a little bit more color on how Open Web -- one, I'm just curious. If I buy Open Web separately, is that in the package count or not? And then before, could you also give us some color that, for customers that are now including Open Web, what the renewal rates are doing?

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

Yes, so just to clarify the Tech & Clearance point, too, that includes the IT Job Board, just so we are clear on what's in there. I just wanted to clarify that point.

So on the customers, if somebody buys Open Web separately within Dice, they are customer. If somebody buys Open Web together with their Dice recruitment package, that's one customer.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. Then are you seeing any cannibalization between the two? And then again, are the renewal rates at a higher level for customers that are including Open Web as part of your full services?

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

I would say we are not seeing any cannibalization. I think what we are seeing is it's actually opening more doors and giving us an opportunity to renew customers that may not have renewed -- the delta in terms of the renewal rate is not great yet. Right? So it's 100 to 200 basis points over what was the back half of last year, but it is having an impact. So there's certainly no cannibalization because people who are buying the service, find the benefit of having both, generally. You have the database and the specific content in the form of profiles that is unique to Dice, together with the ability to supplement with new and different profiles or supplement the profiles that we have with other data, to the extent that you buy both. So, certainly, we've seen no cannibalization, and we are seeing uplift.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. And then just on the tech market overall, recruiting trends are about stable with what you saw the quarter before. So I'm just wondering if we are seeing tailwinds influencing your numbers or if this is more your product improvement generating some better numbers right now.

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

Yes, okay, it's a good question. I think it's stable. On the margin it might be slightly better. So I think it's probably some combination. But I would say it's more our product and how we are going to market with it and our sales reorganization and the focus than it is just riding some tailwind. But honestly, I would have to say it's both and it's easier to get momentum if it's stable to slightly better.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay. And then lastly, on Energy it was down 1% in billings versus, I think, up 3% the quarter before. Is there anything there to note?

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

Yes, I will take that one. You guys who have followed us for a long time know Energy bounces up and down. It's up 50% and then it's down 3% and then it's up 20%. And this was one of those quarters where couple things fell into the second quarter, a few things may have fallen into the fourth quarter. I would say there's no -- there's nothing to be read from it.

Michael Purcell - *Stifel Nicolaus & Company - Analyst*

Okay, thank you.

Operator

Ned Davis from William Smith and Company.

Ned Davis - *Wm Smith & Co. - Analyst*

Good morning. Just following up on the last question, trying to get a little bit better handle on your competitive position and how you think you are doing, particularly in the financial and tech areas, do you think that you are differentiating your product significantly more than you have and in the past, and that that is your strategy, particularly in the Financial and Tech & Clearance sectors? Is that how you expect to drive market share and then eventually organic growth? And can you give a little more color on that?

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

Sure. No; I think the simple answer is yes. We aim to differentiate our product and the value of being a specialist. I think you asked about Finance and Tech together. I would view them as slightly different. If you are in the financial services industry and some of the issues that has had, the specialty nature serves us well in some respects and has hurt over the last few years in terms of what has happened in that industry.

There are few other direct providers of the type of information we have about professionals in financial services other than some of the big generalists.

And tech is a little bit different in that there are lots of places where there is information about tech officials. One of the great benefits of Open Web this we aggregate all that information because there's so much of it. So there's places that people can find information about profiles like GitHub and StackOverflow and Quora and Reddit and Meetup. There's lots of them. And all those can be used as a source of information for professionals, as can generalists. Generalists -- it's a little bit harder because of the skill specificity of tech people. But again, the real value of Open Web is we are aggregating a lot of that information and putting it into a usable profile. And competitively, that's where we are going.

Ned Davis - *Wm Smith & Co. - Analyst*

Okay. And on the -- could I just ask you generally, with the acquisition in, I think, energy in the quarter, your UK and European volumes -- I don't know whether you commented in the press release on that. But how are you doing overall outside of the US, particularly in light of the acquisitions you made there?

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

I'm sorry, in energy specifically?

Ned Davis - *Wm Smith & Co. - Analyst*

Well, we are really just looking at Europe, UK and Europe, just generally. I know you had different strategies for the different verticals. But I'm just wondering how you are doing over there and if you can give us any more insight on that.

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

Sure. So if we take energy first, so Rigzone is a global brand that obviously started in North America and has significant strength in North America and has significant strength amongst multinational providers in the oil and gas sector. If you look around the world, one of the growth areas for that was Europe and the North Sea specifically, some in Africa and then Asia. We have made progress on Rigzone in each of those areas. But what we found is we came up against a relatively formidable competitor in OilCareers serving the North Sea market in Europe and, to a lesser extent, Africa. And they have a fabulous brand in those markets.

And so, what we did was we took an opportunity to consolidate the two of them. And now we are by far the leader. We were the leader before, but now by far the leader in energy recruiting. I think there's still lots of opportunity in Asia. We have to further penetrate the Asian market. But now, I think Europe is really strong for us in energy.

Financial services, as John commented in some of his remarks, we have been saying for a while we thought we are starting to see signs that the environment was getting better in the UK and Europe. And now we have, I think, finally seen it. So there's a contrast there between the revenue performance and the billings performance and what we are hearing from customers. So, revenue still reflects what has happened in the past year as it rolls forward, but the activity in Europe, Continental Europe and the UK -- not every market but a lot of the markets -- has been really strong over the last three months. And so, we are pretty happy about that and we feel good about the fact that we thought we were seeing signs over the last six to nine months, and now we have actually seen some proof points of that on financial services.

Tech -- the effort on -- we bought IT Job Board about nine months ago. I think UK continues to be good. The Benelux region is relatively strong. Germany is still a challenge for us. That's a challenge in eFinancialCareers too, but Germany is a challenge in tech. But having that infrastructure to be able to build out tech in Europe and then eventually in Asia is really important strategically for us. But I would say, more germane to your specific question, I think the UK and Benelux for us has been pretty good. In Germany, we are still looking for ways to perform well there.

Ned Davis - *Wm Smith & Co. - Analyst*

Thank you.

Operator

(Operator Instructions) Tim McHugh from William Blair.

Stephen Sheldon - *William Blair & Company - Analyst*

It's Stephen Sheldon in for Tim. First, just wanted to get some more detail on the Open Web rollout. I think you said that 300 clients are currently paying for it. What percentage is that of your total client base that's actually using the product right now?

And then could you also maybe give some detail on, of those 300, how many are using it on a standalone basis versus adding it on?

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

Sure. So as a percentage of people actually using it, it's either 100% or pretty near 100% because in order to use it you have to have paid for it. I'll step a little away from 100% because we may have given somebody some free trials for a short period of time. But in order to use it now you have to pay for it, once it came out of beta, and once we went through a transition.

So on the question of how many standalone, there are very few standalone. And that's what we expected. I think one of the things that has happened is I think we sold a few standalones and then customers of Open Web said, well, I think I would be enhanced by putting the two together and so then bought Dice, which obviously is a better result. But the answer on standalones is very few that are actually still only standalone.

Stephen Sheldon - *William Blair & Company - Analyst*

Okay. And then looking at the cost of revenue, jumped quite a bit this quarter. I think in your commentary you said that a lot of that was due to the acquisitions. Could you give some more color on that?

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

Sure. So most of it, if you look at cost of revenues and G&A, actually, if you look at those changes year-over-year, the majority of the change is due to the acquired businesses over the last 12 months. There's a mix of items in their related to the businesses from primarily OnTargetjobs but also some of the other acquisitions we've done. And that is the majority of what the increase is.

Stephen Sheldon - *William Blair & Company - Analyst*

Okay, thanks.

Operator

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

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

Thank you for your time this morning and interest in our Company. 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 great day.

Operator

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