DICE HOLDINGS, INC.
"Second Quarter 2014 Earnings Conference Call"

July 30, 2014, 8:30 AM Eastern
Michael Durney
John Roberts
Jennifer Bewley

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OPERATOR: Good morning and welcome to the Dice Holdings Incorporated Second Quarter 2014 Earnings Conference Call. All participants will be in listen only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by zero.

After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference over to Jennifer Bewley, Vice President, Investor Relations and Corporate Communications. Please go ahead.

JENNIFER BEWLEY: Thanks, Gary, 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 second 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'd like to note that today's call includes certain forward-looking statements, particularly statements regarding future financial and operating results of the Company and its businesses. These statements are based on Management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances.

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

MICHAEL DURNEY: Great. Thanks, Jennifer. Welcome to the Dice Holdings Second Quarter Earnings Results Conference Call. First I'll turn the call over to John to give you an update on our Q2 financial performance. Then I'll cover the progress we are making on our strategic plan, on Open Web, and on other product improvements. In addition, I'll spend a few minutes discussing the integration of our recent acquisitions. In fact, today I'm in our Denver office working with the Healthcare Team. Then finally we'll open it up to your questions.

So with that quick summary, I'll turn it over to John.

JOHN ROBERTS: Thanks, Mike. Today I want to start by highlighting areas of progress that are reflected in our second quarter financial performance.

We had better results than we anticipated in Q2, primarily due to outperformance in our Tech and Clearance and Energy segments, as well as better results from Slashdot Media. That revenue fell through to our Adjusted EBITDA line as cash operating expenses were in line with our expectations.

We've been working diligently on reinvigorating our operations and there are several areas of improvement in the quarter: first, modestly improved sales performance, particularly within eFinancialCareers; second, signs of stabilization in the number of recruitment package customers at Dice.com from Q1; and third, solid recovery in our cash flow after a lower-than-normal first quarter.

Second quarter revenues increased 28% or $14.5 million year-over-year to 66.5 million with the majority of that growth, 14 million of it, coming from our businesses that were acquired within the last 12 months. The $14 million reflects the negative impact of $1 million for the fair value adjustment to deferred revenue related to purchase accounting for the acquisitions.

Profitability remains strong with Adjusted EBITDA at 34% of adjusted revenues and up 26% year-over-year to $23.2 million. In Q2 recruiting activity remained favorable in each of our six specialized categories and most of the markets and regions that we serve.

In Tech and Clearance, revenues increased 5% year-over-year, including 2.5 million from our acquisition of the IT Job Board. For Dice.com, revenues declined 3% year-over-year.

At June 30th, Dice Recruitment Package customers were 8,000, essentially stable with the count on March 31st. While we don't get too optimistic about early signs of stability, we are pleased to have the unfavorable trend abate.

Within the Dice Recruitment Package customer base, there were minimal shifts quarter-over-quarter between shorter-term and annual customers with more than 90% or 7,400 of our customers under annual contract at quarter-end. The renewal rate on annual contracts in the second quarter was 67% with about 1,800 customers up for renewal during the quarter. In Q2, customers spent on average $1,036 per month, up 4% year-over-year, and again a new record. We are benefiting from: one, customers increasing their levels of service; two, better execution from our sales teams; and, three, the addition of Open Web.

Finally in Tech and Clearance, while just 3% of our overall revenues, ClearanceJobs revenues decreased 4% year-over-year but had a second straight quarter of better billings performance due in part to a more certain environment and growth in the cleared network.

Moving on to our Finance segment, revenues increased 6% year-over-year to $9.2 million with stronger year-over-year growth in billings. Currency translation played a larger and more favorable role this quarter. Translation from the pound to the dollar positively impacted revenues by $700,000 from the second quarter a year ago.

To give some perspective on the underlying business trends which continue to improve as compared to last year, I'll be discussing the regions in their respective functional currency. In the UK, revenues increased 2% year-over-year in sterling and accounts for about 44% of the segments' revenues. This is the first growth we've seen in our largest EFC market since Q3 2011.

In Asia-Pacific, revenues were up 2% in Singapore dollars with stronger performance in Asia, which was up 6% year-over-year, offset by continued softness in Australia. We've had good response in Asia to our new Search, Match and Filter service which is contributing to the growth.

In Continental Europe and the Middle East, revenues increased 7% in euros, (inaudible 7:00) remains positive in Germany, particularly in larger institutions, as well as the investment banking sector in France. The US was down 11% year-over-year.

In our Energy segment, revenues were up 38% year-over-year to $8.5 million in the second quarter, including the acquisition of OilCareers which contributed $2 million in revenue. That acquisition supplemented Rigzone's growth of 5% year-over-year which was primarily driven by increases in our Career Center and Advertising businesses.

In our Healthcare segment, revenues totaled 6.6 million with 6.1 from the onTargetJobs acquisition which brought us HEALTHeCAREERS and BioSpace. The Hospitality segment, which consists of Hcareers also from the onTargetJobs acquisition, contributed 3.5 million to the second quarter.

Finally, Corporate and Other, this segment contains Slashdot Media, Work Digital and our Corporate-related costs. Slashdot Media revenues increased 14% year-over-year to $4.7 million, which was stronger than anticipated performance as we continue to work on realizing value from these properties. Our Corporate-related costs in Q2 were 3.5 million.

Q2 billings by segment: our Tech and Clearance, up 7% year-over-year including the IT Job Board; Finance billings grew 14% year-over-year; and Energy increased 41%, including OilCareers. Our billings performance is reflected in deferred revenue on the balance sheet, which totaled $85.7 million at June 30th, up 11% or 8.3 million from year-end. The acquisition of OilCareers added 1.1 million to the June 30th balance. Excluding the impact of OilCareers, this year's first half performance was better than the same period a year ago as deferred revenue grew by 9% in the first six months of 2014 as compared to 5% in the first six months of 2013, reflecting the progress we are making.

On the expense side, operating expenses increased $14.2 million or 36% year-over-year due to the inclusion of 15.8 million of expenses from our acquisitions, including 3.5 million of intangible amortization.

I also want to highlight our cost of revenues where the quarterly increase of $3.9 million as compared to last year is driven by the Healthcare segment due to royalties paid to healthcare associations which provide traffic and jobs to HEALTHeCAREERS. These relationships will continue and potentially expand, so I would anticipate that our cost of revenues will be approximately 15% of revenues for the balance of the year.

Adjusted EBITDA, which includes the add-back of $1 million for the fair value adjustment related to purchase accounting of the three acquisitions totaled 23.2 million during the second quarter. Reconciliations of Adjusted EBITDA to net income and net cash flow from operations are provided in our press release.

One note on the tax rate which was higher than in Q1, the primary reason is the proportion of income generated in the US was higher in Q2 which drove the overall rate slightly higher.

The Company posted net income in Q2 of $7.2 million, resulting in diluted EPS of $0.13. Cash flow from operations totaled 21.3 million in the quarter due in part to a catch up in collections from Q1. We ended the quarter with 20.1 million in cash and equivalents and $116.8 million of debt outstanding. The primary non-operating uses of cash during the quarter were: one, we purchased 1.6 million shares of our common stock on the open market pursuant to our stock repurchase plan at an average cost of $7.10 per share for a total cost of approximately 11.2 million; at the end of the second quarter, we had about $30.7 million left on our current authorization. Two, we repaid 4.6 million of outstanding debt; and three, CapEx was 2.4 million in the quarter. Anticipated 2014 capital spending remains in the range of $10 million.

For 2014, we have revised our expected financial performance to reflect the second quarter's better-than-anticipated performance and increased expectations for the second half of the year. We now expect revenues in the range of 258 to $262 million, an increase of 7 to 10 million from April. Adjusted EBITDA is now expected to be in the range of 81 to $82 million as compared to 75 to 77 in our previous guidance. Net income is anticipated to be between 23.1 to 23.4 million with diluted EPS of 0.42 to $0.43.

For Q3, we expect revenues of 65.5 to 66.5 million, and Adjusted EBITDA of 20 to $20.5 million for 30 to 31% of adjusted revenues. Our focused areas of investment in the quarter are product development, which has had some timing difference from the start of the year, and increased marketing to support Open Web.

For more, let me turn the call back over to Mike.

MICHAEL DURNEY: Great. Thanks, John. So today I want to provide an update on our strategic efforts to position the Company for future growth and to lead recruitings future.

In order to fulfill our vision we need to continue to strengthen our foundation, including: one, introducing new products and services; two, faster innovation in our current services; and, three, expanding our market opportunity through acquisition.

While this is a work in progress, we're pleased to deliver our second straight quarter of improved year-over-year sales, putting us ahead of where we expected to be at this point in our refresh of the Company. That said, our goal is in modest to organic growth, so we'll continue to work to deliver the efficient recruiting solutions employers need and enhance our services and product lineup.

At our core, we are the leading specialty online recruiting company in six key verticals. Fundamentally, we've always known that one career site doesn't fit all careers or all recruiting challenges. The opportunity here is to leverage a specialty focus with great products and apps, great service, as well as data and analytics that help our professionals and employers be the most efficient and most effective they can be. There'll always be more to come from a team that embraces innovation, operates with a sense of urgency, and strives for continuous improvement.

For now, let's talk about what we've accomplished toward our vision in the second quarter, starting with 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 last year, we launched Open Web as a separate product available through Dice.com, serving North American employers. I'm pleased to announce we've now launched Open Web in Europe with the IT Job Board service. In both markets Open Web can be purchased as a standalone product or bundled with our Recruitment Package in the US or the CV database in Europe.

Through June, about 450 Open Web customers have been sold ahead of our expectations. Open Web is off to a great start and many customers are already recognizing it as a leading tool. A tech source at Blue Shield California recently said it's the number one tool they use to recruit and source candidates, and HP noted it's efficiency at your fingertips.

We're continuing to build on our market-leading position by adding additional data, as well as additional functionality with the intent to drive even more sourcing efficiency into the product.

When we launched Open Web in beta we sourced about 50 sites. Today we source information from about 130 sites with a continuing focus on our specialty areas of Technology, Energy, and Healthcare. This is the beauty of Open Web. It's agnostic in terms of where the data is publicly shared.

There are two beliefs we look forward to the future product roadmap: one, data will continue to proliferate in obvious and not so obvious places; and, two, the places where professionals share that data will continue to change. The key is Open Web could bring information in, match it at a rate that's unseen in the industry, deliver it in a way that's valuable to recruiters and hiring managers, and provide ways to connect directly with talent. All of that drives efficiency.

On the additional functionality front, for Dice customers who purchase Open Web with their Recruitment Package, we've now implemented and integrated search experience. This functionality unifies our customers' workflow, enabling them to see one set of search results across the whole spectrum of candidates: active, actionable and passive. This addresses one of the key inhibitors of usage for Open Web with customers no longer having to tab between search results. One search will basically put the world's tech talent at their fingertips. By providing most current data in the most searchable fashion, there's no doubt that Open Web will be the cornerstone of tech recruiting and we will continue to invest to build-out additional features and functionality.

Another area of investment focus to the Company is mobile. During the second quarter we launched an Android version of the new Dice app and released a new version of the iPhone app where user reviews have been very strong, resulting in an improved rating. That increase was driven by several new features including: one, implementing one account for a better user experience across mobile and desktop versions of the site; two, better search experience with edit filters; three, job recommendations after a successful application; and last but not least, a seamless application process, creating more efficiency.

Because of these improvements, we are now seeing more applications per unique user via our iPhone app than we see on the Dice website. Now we have the kind of app we want to promote to redefine the experience of using Dice for technology professionals and there's more to come.

More broadly, improving the candidate experience is core to expanding our relevance to professionals throughout their careers and increasing our engagement with them more routinely. Mobile is one aspect, as is improving our desktop experience.

During the quarter we released a new registration process on Rigzone that greatly improved the time it takes for candidates to get their resumes into the hands of Energy's premier employers. Since the introduction, we've seen the average number of daily new resume uploads increase by more than 35%. Likewise, the small tweak in the eFinancialCareers upload process also lifted the number of resumes.

We're devoting a lot of energy and effort towards building robust mobile applications and mobile-enabled sites, and to deliver a superior candidate experience regardless of where our professionals choose to access our services. We're continuing our focused investments in product throughout the year, which will account for improving our current services, as well as adding to our current lineup down the road.

Finally, I want to spend a little time on our recent acquisitions which have expanded our market opportunity and account for the majority of growth this year.

First, we've just past the one-year anniversary of the IT Job Board acquisition. Strategically we wanted to expand into tech recruiting outside the US and have been very pleased with the performance of this business. We've completed a fair amount of technical work related to the integration, and the site is now more responsive. Now with the addition of Open Web, we should be the first choice for tech recruiting in Europe. We're excited about our progress with the IT Job Board business and how it allows us to expand our tech recruiting footprint.

The onTargetJobs acquisition, which brought us the leading career sites in Healthcare and Hospitality, has performed above our expectations. The integration of HEALTHeCAREERS with Health Callings is underway, including migrating professional information, e-commerce, and customers. The Health Callings site will be operational throughout the rest of the year as we fulfill our contractual obligations while showing those healthcare customers the power of a larger community on HEALTHeCAREERS by cross posting their positions. We're very excited to have an unmatched service in healthcare recruiting.

Finally, our most recent acquisition, OilCareers, the leading recruitment site for oil and gas professionals in Europe is proving to be a great complement to the Rigzone business. Integration is underway with the teams focused on enhancing sales to reflect the market strengths of both brands.

So to sum up our acquisitions, they've allowed us to expand geographically in tech and energy, to become the leader in online healthcare recruiting, and to enter in new attractive vertical hospitality. We'll continue to pursue acquisitions as part of how we intend to grow.

This year sets a clear path for the Company to build a stronger foundation, expand our market opportunity, and position us to lead the future of recruiting. We were able to build on our early progress of the first quarter to deliver better results for our candidates, customers, and shareholders in the second quarter.

Our investment areas for this year continue to be: one, build the Dice.com products; two, invest in work digital and focus our efforts on enhancing data; three, develop mobile-enabled sites and apps; and, four, expand the culture of innovation and efficiency.

Finally, I want to thank all of our Team Members around the world for their hard work and dedication. We're an Organization going through a lot of change, change in process, change in focus, change in speed, all around trying to serve our customers and professionals better and more efficiently. Change can be hard but necessary, and I appreciate every day the efforts of all my colleagues and want to thank them publicly for their effort.

With that, let's open the call to questions.

OPERATOR: We will now begin the question and answer session. To ask a question, you may press star, then one, on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Tim McHugh with William Blair. Please go ahead.

STEVEN: Hi. Good morning. It's actually Steven (inaudible 20:54) for Tim. First, I just wanted to ask about the Slashdot business. Looks like you had a pretty strong quarter there and the revenue contribution was much higher than we had expected. Is there anything that changed in the business, and what generally drove the improvement there?

JOHN ROBERTS: Yes. We have seen a change in the Slashdot business over the last couple of months. We've focused very much on modernization of the user base and we've added some pieces to the business where we've been better able to monetize them. We're actually pretty happy now with the way the business has been operating, and I think it'll be important going forward. We're still working on how we interact between Dice and Slashdot, and that's an ongoing process, but as a stand-alone business it's actually performed pretty well recently.

STEVEN: Okay. Then on Open Web, I was just wondering how the impact would be reflected in your financials. Would we see the impact mostly in, you know, higher average revenue per monthly customer in the IT segment or would it be reported some in other IT revenue as well?

JOHN ROBERTS: So I think it'll be reflected in a couple of spots. So right now it's reflected in second clearance because that's where the, you know it's—Open Web is sold through that segment right now. As it expands to other segments, you'll potentially see the impact of Open Web rolling through those other segments as well. But, you know, as we've said, it does increase the average revenue per customer since it's typically sold as an additional add-on to a Recruitment Package.

STEVEN: Okay. I guess then lastly, you've been in a period with an accelerated pace of investment in the business which has, you know, brought down margins some. So just want to get some more detail on your progress there. Would you expect to see a continued accelerated level of investment, you know, over the next year or two or would you expect some leverage from the investments you've made?

JOHN ROBERTS: So I think what you'll see in the short-term, you see reflected in the guidance we just gave for the second half of the year, in the beginning, especially in Q2, we didn't make all of the investments that we had anticipated, specifically on the product development side and the marketing side. We do expect to have some catch up in those investments in Q3 and through the rest of the year which, you know, is reflected in the 30 to 31% margin that we're talking about for the current year. I think as we move forward we'll see some leverage and some return on that investment, and you won't see the impact on the margin longer-term over the next couple of years.

STEVEN: Okay. Thanks.

OPERATOR: The next question comes from Randy Reece with Avondale Partners. Please go ahead.

RANDLE REECE: Morning. First of all, I was wondering what changed in—to bring down your D&A guidance a couple of million for the year?

JOHN ROBERTS: Yes. There were a couple of things in there, Randy. So, CapEx a little bit lower than we had initially thought, and also as we finalized the OilCareers purchase accounting there were some movement between where that purchase accounting resided on the balance sheet between intangibles and goodwill and some other assets and liabilities, so that brought it down as well.

RANDLE REECE: I wanted to talk a little about going to market with Open Web and some of your experiences to-date. Our own research suggests that there is great demand for this sort of tool because sophisticated recruiters have been doing such searches manually on the open Internet with Internet search engines for years. That's very clunky and not very many people are going to go the trouble of doing that. The—I guess the (inaudible 25:00) you have to leave is to get people to feel like they can trust the results and that it works for them. Is—does this elongate the selling cycle for you or do you have to trial with customers pretty long to persuade them that they should be paying for this kind of product?

MICHAEL DURNEY: Yes. I think, Randy, it's actually a mix as you pointed out. Some recruiters and employers have been doing searches like this on their own laboriously for quite a while and see immediately the value in terms of aggregation and how we make it much more efficient. But there are—you know, there's a big part of the customer base that has to be sold on the concept. There's a new way of searching. Some of the parameters are slightly different when you aggregate public information which is a little bit different. So I would say it's a mix, but we've certainly seen a level of adoption continue to grow in terms of interests, and now we're starting to see it—having just at the end of June—rolled out the product into the UK and Netherlands and Belgium. But I would say, you know, simply it's a mix but it—we firmly believe it's the future as do many.

RANDLE REECE: If you look at the revenue upside versus expectations in Dice.com, how much was that driven by Open Web and how much of it was not—other non-subscription revenue?

JOHN ROBERTS: Yes I think…

MICHAEL DURNEY: I mean, I would say conceptually some of it is Open Web, although we're on a pace that's slightly ahead of where we thought we'd be, and the impact from a revenue standpoint, as you know, from a subscription standpoint tends to come farther out in the future. So in the near-term it's pretty small, but I think the rest of it is across the board, including IT Job Board, you know, is a relatively recent acquisition with some different selling patterns than we've experienced in the US that exists in the UK. You know, we've seen revenue come in slightly quicker than we thought, but I would say Open Web versus our expectations is not a big piece.

RANDLE REECE: So it sounds like the retail business has improved which would be a good leading indicator.

MICHAEL DURNEY: Yes. I think our short-term experience has been slightly better than we had thought.

RANDLE REECE: Thank you very much.

OPERATOR: The next question comes from Youssef Squali with Cantor Fitzgerald. Please go ahead.

YOUSSEF SQUALI: Thank you very much. Couple of questions, please. I'm trying to just back into some organic growth numbers for the second half of the year. I was wondering, John, if you can just help us maybe carve those out by segments. So what's implied in your full-year guidance for the second half of the year between Dice and EFC, et cetera? Then in terms of Open Web, I don't—maybe I missed this, but can you maybe quantify the number of paying users for Open Web as of 6/30 versus 3/30?

JOHN ROBERTS: Sure. So let's start with the guidance. I mean, if you look at the guidance for Q3 and the rest of the year based on where Q2 came in, you know, there's not much organic growth that's reflected in the numbers. I mean, if you look at the change, Q2 to Q3 in terms of the range we gave, it's really impacted by a couple of things. So it's primarily impacted by the Energy business, so in Q2 in the Energy business there was the OTC impact which was several hundred thousand dollars in Q2. So that's bringing down the Q3 number a little bit on the Energy side.

Then Q3 in the Slashdot business has historically been a little bit of a lower quarter due to seasonality. So you see that reflected from Q2 to Q3 in the Corporate and Other segment which is, as you know, is predominantly on the—you know, related to Slashdot.

YOUSSEF SQUALI: Okay. So then no organic growth at Dice and EFC?

JOHN ROBERTS: No.

YOUSSEF SQUALI: Okay. All right. On the Open Web?

JOHN ROBERTS: Sorry. What was the Open Web question again?

YOUSSEF SQUALI: Yes. Just trying to…

JOHN ROBERTS: Change in the number?

YOUSSEF SQUALI: …quantify integration, yes.

JOHN ROBERTS: Yes. So we ended the quarter with about 450 paying Open Web customers.

YOUSSEF SQUALI: What was the number as of Q1?

JOHN ROBERTS: It was about 300.

YOUSSEF SQUALI: So is the rate accelerating or decelerating or—just to get a sense of the trajectory there?

MICHAEL DURNEY: Yes. I think what—the number 300 at the end of the first quarter includes what we sold in December. So December and January are significant renewal periods, as you know, for our business, and so there was a relative surge of customers who bought Open Web together with their Recruitment Package. Q2 historically has been the worst quarter for annual customers in terms of new business and level of retention, in number of customers up for retention. So what we expect in the second quarter would be quite a bit lower than what we saw in the first quarter and I think that played out. But it's a—at our expectations or about.

YOUSSEF SQUALI: Mm-hmm. Then, Mike, you talked about potential acquisitions, expanding addressable market, et cetera. So you're in six verticals now. As you look at the addressable opportunity ahead of you, is it more within those six verticals that it would make sense to go deeper or do you expect to eventually move into, you know, a greater number of verticals as you try to grab more share?

MICHAEL DURNEY: Yes. I think it's—as we look out we don't think that there's a tremendous number of other verticals where we can provide the same value that we do in the six we're in. There's things we find occasionally, but I wouldn't look at it as new verticals. I would focus on a couple of things. One is international, so you know, there's a number of markets we don't operate in Tech. Then there's other potential markets for expanding our services, potentially Healthcare down the road which is a slightly different business. But I would think about international.

The other area to think about is how we get deeper penetration into the customer bases, and so we look at things that would add features, functionality, the ability to serve customers and make them more efficient and more effective, and that may be other tools that we could add-on to our businesses. So I would really focus on those two things more than I would new verticals.

YOUSSEF SQUALI: Got it. Okay. Great. Thank you.

OPERATOR: The next question comes from Craig Huber with Huber Research Partners. Please go ahead.

CRAIG HUBER: Yes. Good morning. Just wanted—can you just give us an update if you would please on pricing, I guess, within Dice.com; how much you're charging for basic package there and then how much the add-on would be for Open Web; and then also simply how much you're charging for Open Web as just a standalone product in the US? I have some follow-ons. Thank you.

MICHAEL DURNEY: Yes. So the pricing for the core product hasn't changed over the last couple of years. You're talking in round numbers. For the base level of service it's about $1,000 for a month for one user and five job slots; it’s about $6,500 for an annual package, and as you know, more than 90% of our customers are under annual package. If you would buy Open Web in North America separately, it's about $5,000 for a year, and if you buy it together with the Dice service you get a discount that's about 25% off of that, so you'd package them together so you're in the $10,000 range if you buy them at the same time and both for a year. So that pricing hasn't changed since we launched the product as a paid service.

CRAIG HUBER: Then also just more broadly, how would you describe pricing in the marketplace here in the US across your verticals among your competitors? I'm just curious what you're seeing out there. Is it stability, do you see any pricing going up anywhere?

MICHAEL DURNEY: Yes. I would say a couple of things. One, I think from a pricing environment not much has changed over the last 12 to 18 months. I would say it's a period of relative stability. The only thing that I think happens in pricing is LinkedIn, you know, continues to add new pricing levels to their service, so they have more tiering. But from an overall environment standpoint, it really hasn't changed very much, so I certainly think there's a firming over the last, I'd call it—it's been a while—I'd call it probably 18 to 24 months.

CRAIG HUBER: How would you characterize the impact you're seeing out there from your main—one of your main competitors, LinkedIn—today versus, say a year ago?

MICHAEL DURNEY: I think it's probably roughly the same. You know, LinkedIn is a great competitor. They do a great job with their service. They continue to add things onto their service. As we've said many times, you know, we believe firmly that LinkedIn brings dollars into the market and they get their share of it. I think from our standpoint, we continue to focus on efficiency and effectiveness in our verticals and that's how we compete in winning our verticals, and we're pretty comfortable in the direction we're going from how we provide that value.

CRAIG HUBER: Then also if I could add or ask, the better tone to your revenues here this latest quarter, has it changed your thinking at all on expenses for the back half of the year? You mentioned some internal investment spending you guys wanted to do, but you haven't—do you feel you have any extra latitude now to pick up some of the spending on the marketing side, for example the back half? Just some color would be helpful. Thanks.

JOHN ROBERTS: Yes. Sure. So I think that's right, and I think that's—you know, you'll see that reflected in the Q3 guidance we just gave, actually. So if you look at—while we didn't give specific expense numbers, I mean, you can back into what the operating expense numbers are for Q3, and the increase is really in two key areas. So, one of them is in the product development area. So you'll remember back at the beginning of the year we talked about making additional investments over the course of this year in the product and technology area, and in Dice.com and Open Web specifically has taken us a little bit longer than we initially anticipated to—it's really headcount. So it's been taking a little bit longer than initially anticipated to make those hires, but we're still committed to making those investments and you see that reflected in the numbers in the second half of the year.

Then the second part and probably the larger part of the increase in expenses certainly in Q3 is on the marketing side. So, again, really around Dice.com and specifically Open Web as we continue to roll out Open Web, especially roll it out globally, I think you're going to see some increase on the marketing side there specifically, and that's reflected in the expense growth over the second half of the year.

MICHAEL DURNEY: Yes. I think just to supplement that, I think, you know, what we've been saying for a couple of quarters now is we knew that we needed to make investments in the number of areas in order to compete to win in our verticals and so we've made those investments. I don't know that our current revenue performance has changed our thinking a whole lot. We know we need to make those investments so, you know, we've made that commitment. What we're pleased about is that some of those investments are now starting to pay off in terms of how the businesses perform. We have a long way to go, but initially we're pretty pleased and it's nice to see that reflected in the revenue performance versus what we thought three and six months ago.

CRAIG HUBER: I believe you said that in the US your eFinancialCareers revenue this last quarter was down 11% year-over-year. If that's the case, can you just maybe highlight for us what areas you're seeing the most pressure, please?

MICHAEL DURNEY: Yes. So I would say that that business, you know, has underperformed for a while. What I'm pleased about now is we've reorganized the eFinancialCareers sales and marketing groups. We now have brought on both a Marketing Lead and a Head of Sales in that business, and I'm optimistic now that we have the infrastructure in place in order to compete. I think from a competitive standpoint that is the business that has been the most impacted by direct competition, and I think that will continue, but I think we can perform a lot better serving customers, both in North America specifically and then global customers who have needs, both in North America and outside North America.

So we are quite focused on operating performance and time will tell, but I'm happy now that we have a full group there.

CRAIG HUBER: One last question, if I could. I believe the data you guys send out on a monthly basis about your job postings number for like Dice.com has been down I guess every month for the last year or so. Just wondering when you think that might start to turn positive year-over-year given the better revenue trend you guys saw in the second quarter.

MICHAEL DURNEY: Yes, well, that's a good question. Look, I think we've been saying for a while and I think the market's saying that, you know, the job posting business is changing. You know, there's a lot more sourcing now and so while we continue to publish the job number and it's important for professionals to see the breadth of jobs on the site, the direct correlation between job postings and our revenue performance continues to diverge, and I think you're going to see that more and more with products like Open Web which is all about sourcing and not about job postings.

CRAIG HUBER: Actually, I'm sorry. I do have one more question. For your tech business here in the US, is there any major regional differences you're seeing in how you guys are performing across the US in the major tech hubs out there?

MICHAEL DURNEY: Not much has changed. You know, the Silicon Valley continues to be hot. There are other markets that have strength in them. We continue to see that their strength is, as we refer to it, closer to the customers, so certainly development, mobile development, big data is obviously hot, and less heat the farther away from the customer you go into the back-end and operations.

But I don't think it's changed very much. The competition for people with certain skill sets continues to be as hot as ever and we feel it too. You know, we're—as John just referred to the fact that we're trying to hire people and we have as hard a time hiring certain types of skill sets as anybody else.

CRAIG HUBER: Great. Thank you.

JENNIFER BEWLEY: Gary, do we have any more questions?

OPERATOR: The next question comes from Jeff Silber with BMO. Please go ahead.

HENRY CHIEN: Hi. Good morning. It's Henry Chien calling in for Jeff. I wanted to dig in a little bit into the upside surprise, you know, in terms of revenue growth versus your expectations. You know, we've seen a nice uptick in billings and revenue for Recruitment Package. I just wanted to understand, if you could help us understand what's sort of driving that, and has anything—what has changed over the past quarter that—from your perspective?

JOHN ROBERTS: Yes. I think I'll start and maybe Mike can add in too. But I think there are a number of things that happened kind of, you know, throughout both the Dice.com and the IT JB, the IT Job Board business. You know, Mike talked about them a little bit earlier and I don’t think there's one specific thing that drove it. I think there are number of good things that were just happening over the course of the quarter, whether it was Open Web, whether it was improvement in the IT Job Board business. We saw some stabilization in the customer count which we talked about and saw some improvement in some other shorter-term business as well.

So I think it was the combination of positive factors within that segment. I mean, I think if you look at the other parts as well, you know, one of the big contributors to the upside from the guidance in total was Slashdot as well. So we did see some fairly significant improvements there over the course of the quarter in terms of the types of products they’re out in the market with and the success they've had in selling them, particularly in the second quarter.

MICHAEL DURNEY: Yes. I think the—sorry—the other thing that, you know, we have a number of relatively new acquisitions and some of those acquisitions have different selling patterns and different revenue patterns than what we had before. So, for instance on the Healthcare and Hospitality, those businesses continue to be very job posting centric and not subscription as our Dice and eFinancialCareers and Rigzone businesses have been in. So understanding those patterns for relatively new acquisitions takes some time and I think the performance of those businesses have shown that the usage continues to be there and so there's some benefit there. I think that was true in OilCareers too, which we just acquired in March.

HENRY CHIEN: Got it. Thank you. Do you think that you're seeing share gains or is that more of a broad-based overall market growth?

MICHAEL DURNEY: I think it's a little hard to tell in a very short period, on a short-term basis. We are focused on market share and we're focused on outperforming our market share, but I would think it would be hard to determine that in a relatively short period, so I think time will tell.

HENRY CHIEN: Got it. Just one last question in terms of the expenses; you mentioned that product development and sales and marketing, some of it has shifted to the second half. Are there any other line items in the quarter that might've shifted from quarter-to-quarter?

JOHN ROBERTS: No. Those are really the two and just to clarify; it's more on the marketing side than it is on the sales side so it's really product development and marketing I'd focus on.

HENRY CHIEN: Got it. Okay. Thanks so much.

OPERATOR: Again, if you have a question, please press star, then one. The next question comes from Ned Davis with William Smith & Company. Please go ahead.

NED DAVIS: Yes. Good morning. You made some comments about the metrics on mobile and I didn't quite understand them, but I really have two questions then relating to it. Number one, I think you had indicated before that you had been a little bit slow in developing your mobile applications and I'm wondering where you are right now just generally in the Company with those applications? Secondly, is there an increment to revenue and/or margins from the mobile or is this just really a necessity to accommodate the way people want to access information?

MICHAEL DURNEY: So I think on the first piece what I said is that the number of applies per user on the mobile apps is higher than it is on the desktop, which we have found to be interesting in that, you know, historically it's been harder to do certain functions on mobile and we've spent a lot of time on development in terms of usability and features and functionality on mobile. So it's early, but on Android and the iPhone we've seen higher applies per user which we find to be fascinating and hopefully a trend that will continue.

So that was the answer to the first question. I think from where we are, we're putting a lot of effort into it. I think we have some more things going on. There's a big focus on the Dice service, which we've talked about for a number of quarters, and that continues, but we have a lot more work to do across the Company in terms of mobile. So I'm relatively pleased with where we are, but certainly acknowledge there's a lot more to do.

From a—what we expect to realize from—and I think that's a common question, you know, our view is we're trying to be the most efficient and most effective provider to professionals and to employers, and mobile's an important part of being efficient, and so we view it as a delivery mechanism. Whether it can be monetized separately over time, that's not our chief focus, but we're certainly going to look at different ways that we may be able to monetize it. But that efficiency and effectiveness for professionals and employers is the key to what we focus on.

NED DAVIS: Okay. I just was wondering also—on the Dice.com, you mentioned, you know, changes or innovation. Could you just maybe sort of state the three things that you think in Dice.com you will be doing over not just this year, but the next couple of years to improve the overall product, and what it can do to the organic growth there going forward? I think that's a hard thing analysts have to deal with because Dice has been so successful but the organic growth has been kind of slow lately.

MICHAEL DURNEY: Yes. So I think it's a fair question. I'm not sure I'm going to articulate the three things we're going to work on going forward, but if you go back to efficiency and effectiveness, how we deliver candidates and professionals to employers and recruiters, it's first and foremost—we talked about mobile and the ability to drive performance through mobile and deliver candidates to recruiters when they need them and where they need them. That's certainly number one. I think from an Open Web standpoint we're going to focus on alerts and delivery and notification and, again, that's all about efficiency. There's, you know, a huge number of aggregated profiles within Open Web. Any one customer or user can only see so many profiles at one time—that's true of any service, but they can only access or use a certain number, and so delivering updates and delivering changes for them is going to be a big focus going forward too.

NED DAVIS: Thank you. Appreciate it.

OPERATOR: The next question is a follow-up from Randy Reece with Avondale Partners. Please go ahead.

RANDLE REECE: Just real quickly, did you—the numbers you gave for Dice.com, did that include ClearanceJobs, and if not, what did ClearanceJobs do in the quarter?

JOHN ROBERTS: No. So we gave separate numbers for each, Randy, actually. So Dice.com, the revenue was down 3% year-over-year and then ClearanceJobs was down. The revenue was down 4% year-over-year, however, they did have a second straight quarter of improved and better billings performance.

RANDLE REECE: Thank you very much.

OPERATOR: This concludes our question and answer session. I'd like to turn the call back over to Jennifer Bewley for any closing remarks.

JENNIFER BEWLEY: Thank you for your time this morning and interest in Dice Holdings. Management will be available to answer any follow-up questions you may have. Please call me at 212-448-4181 to be placed in the queue. Have a great day.

OPERATOR: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.