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Conference Call Transcript

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Dice Holdings Inc. Third Quarter 2008 Earnings Conference Call. My name is Lacey, and I'll be your coordinator for today. At this time, all participants are in a listen-only mode. We will be facilitating a question and answer session towards the end of this conference.

(Operator Instructions)

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

Jennifer Bewley - ***Dice Holdings - Director of Investor Relations***

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

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

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

Actual results may vary materially from those expressed or implied by the statements herein due to changes in economics, business, competitive, technological, and or regulatory factors.

The principal risks that could cause our business 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 law.

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

Now, I'll turn the call over to Scot.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Thank you, Jennifer. First let me welcome all of you to the Dice Holding's Third Quarter 2008 Conference Call. I'll start today by briefly discussing our third quarter performance, including our perspective on current conditions in the US and elsewhere and how they are impacting our business. Then I'll hand it over to Mike Durney, our CFO to take you through our financial performance in greater detail and our guidance. After Mike, I'll make a few closing remarks and then we'll open up the call for questions

Now let's briefly discuss the third quarter. Overall, we turned in good financial performance, despite market conditions that softened considerably during the quarter. Worldwide revenues increased 3% year-over-year, driven mainly by eFinancialCareers international business, including robust growth in our newer markets, the Asia Pacific region and the Middle East. Profitability remains strong with adjusted EBITDA margins greater than 44% and we generated more than $13 million in free cash flow for the quarter.

In the US, DCS online, which is our largest business segment comprised of Dice.com and ClearanceJobs, grew 2% year-over-year. In the Dice business, we continue to see solid demand from the larger staffing, recruiting and consulting companies, however the recruitment package customer count declined as we lost some smaller recruiters and direct hiring companies.

We continue to see little urgency from customers to sign new agreements, with some customers willing to delay purchase decisions until they have greater clarity in their own businesses and some having literally no need for the service.

Outside the US, eFinancialCareers had another solid quarter with revenues up 16% year-over-year. Despite the strong year-over-year performance, customer acquisition and renewals in the UK continue to weaken and we now see signs of weakness in continental Europe. The rapidly shifting financial landscape is causing customers to pause to digest what has happened, and has prompted some customers to reassess their spending levels.

During the quarter, billings in the eFC US declined significantly. While the US is not a large part of our eFC business overall, the US market, which was impacted first by the credit crisis is likely to be an indicator of what we will see in the UK and continental Europe going forward.

Our newer regions, Asia Pacific and the Middle East, are slowing from their robust growth rates of earlier this year, but we still expect these markets to offset some of the negative impacts from other regions of the world. In fact, these other regions where we are relatively under penetrated and will continue to focus to expansion.

During the quarter, job seeker activity increased significantly for both Dice.com and eFinancialCareers. At Dice we serve roughly 1.8 million to 2 million unique visitors during the quarter. New resumes posted grew 40% year-over-year. And applications were up mid teens year-over-year.

At eFinancialCareers, we served about 1.6 million to 1.8 million unique visitors on a worldwide basis. The resume database increased 41% year-over-year worldwide, and local applications to local jobs were up 29% year-over-year. Overall, I think our third quarter performance, once again, demonstrates the strength of our business model.

Now, let me talk more broadly about what we are experiencing in our business. Over this past year we have seen the market environment move from uncertain to challenging, to now difficult in October, and our best guess is that it will continue to be a difficult environment well into 2009. With that said, recruitment activity hasn't stopped, recruiting continues and will continue, but at a reduced level.

In fact, even some high profile financial institutions which have been at the center of the current turmoil continue to recruit, however customers are now reassessing their recruiting needs on a case by case basis, given the uncertainty that they see in their own businesses. They are taking more time to evaluate their buying decisions, sometimes reducing their service levels, sometimes delaying their purchases, and sometimes canceling their service altogether. Obviously, this will impact our billings and revenue performance going forward.

So what are we going to do about it? First, the center of our business shares always been creating strong customer relationships. We're going to focus on maintaining those relationships. It's important that we continue to communicate, to innovate, and to deliver for our customers, even the ones who leave us because we fully expect to get many of those customers back as the market conditions improve.

Second, we will continue to grow our current communities. Fostering the expansion of our professional communities allows us to better serve and satisfy our customers. In fact, building those communities will largely be an outcome of our third initiative, which is product innovation. We will continue to focus on product development with the goal of better serving our communities and developing additional revenue opportunities.

And finally, we will manage our cost structure. This management team has been together a long time and we've seen much tougher conditions before. As we have done effetely this year, we will take appropriate steps to manage costs with the overriding goal of optimizing our company for the long term.

So, despite the economic backdrop, we turned in good financial performance in the third quarter, but more importantly, we are preparing our company for the difficult environment we expect to see in the coming months.

So, with that, let me turn it over to Mike for more details on the third quarter.

Michael Durney *- Dice Holdings - Senior Vice President of Finance and Chief Financial Officer*

Okay, thanks, Scot. Thanks to everyone for joining us today. I'll briefly give you a review of the results for the third quarter and our capital structure and give you and updated view of Q4 in light of the changes in the business climate that Scot referred to.

In the quarter, total GAAP revenues increased 4% to $39.6 million, driven largely by eFinancialCareers operations outside of the US and to a lesser extent, the Dice business in the US. The eFinancialCareers business increased 18% year-over-year, measured in dollars. With that, we saw significant growth in EMEA and Asia-Pac.

Operating income increased 7% to $11 million, we continued to invest more this year in marketing at both Dice and eFinancialCareers which was partially offset by lower amortization expense in the quarter. The sales and marketing expense was 36% of revenue in this quarter, compared to 35% in the last year quarter.

Adjusted EBITDA as we reconcile in the press release was $17.6 million in the third quarter with adjusted EBITDA margins of 44.5%. The EBITDA margin is roughly in line with '07's performance. High profitability is one of the two fundamental elements of our financial model. The efficiency and discretionary nature of our cost structure will be a key advantage as we manage through the changing market environment.

Moving on, income from continuing operations increased 41% to $6.4 million as our net interest expense declined by $1.1 million, or 36%, partially due to having prepaid a portion of the outstanding debt balance at the time of the IPO in the third quarter of '07 and to a lesser extent, as a result of a prepayment in September of a portion of our term loan, which I'll address in more detail in a few minutes.

We discussed in the past the accounting treatment of the interest rate swaps. During the quarter we recognized $139,000 in pretax income as a result of the change in the value of those swaps. Its times like these that they provide significant value as LIBOR as a benchmark rate has fluctuated wildly.

Our effective tax rate for the quarter was 31%, reflecting the favorable impact of a decrease in statutory rates outside the US and adjustments in state tax legislation. Going forward now, we expect the tax rate to be about 35%, down slightly from what we previously planned for.

And for the quarter, diluted earnings per share increased 43% to $0.10 per share, up from $0.07 per share a year ago. The impact of the lower tax rate on the effective -- the lower effective income tax rate was about $0.01 per share.

Now, as for the segments, please remember when we talk about the segments, we refer to their performance, including the add back of the deferred revenue written-off for the eFinancialCareers acquisition. This had no impact on the current period, but had a minor impact in the 2007 period, but it does make the comparison more meaningful. This is all outlined in the last page of our press release. And thankfully, this is the last period where it affects a comparison.

DCS online is represented 69% of our revenue grew 2%, which equates to just under 2% growth at Dice.com and 24% growth at ClearanceJobs. On September 30th, the recruitment package customer count at Dice was 8800, down 150 from June 30th. We anticipate our recruitment package customer will decline in the fourth quarter, which is a mixture of seasonality and the more difficult business environment.

Approximately 82% of our recruitment package customers were under annual contract at September 30th and our renewal rate on annual contracts was 65%, slightly down from the second quarter rate of 67.5%, which is reflective of the softening environment. Average revenue per recruitment package customer per month was $849 in the quarter, down less than 0.05% from the previous quarter, and the average length of the contract has been consistent at 10.5 months.

Now, moving on to the eFinancialCareers segment, revenues increased 16% on a dollar basis and 24% measured in pounds sterling. The impact of the strengthening of the dollar versus the pound was nearly $700,000 as compared to the third quarter of last year. For purpose of the discussion of the regions, to give a comparable assessment, I'll give you the figures in pounds sterling.

In the UK revenues increased 3% year-over-year. In the UK recruitment activity hasn't stopped, but it certainly has slowed and we expect more of an impact from the financial crisis going forward. We've noted in October the pace of downgrades of service has increased as customers reassess their future needs in this environment.

In the UK as well as other markets, the impact of the financial crisis will be felt on the fourth quarter recruitment activity, as it is far less likely today, the companies will bring on new people before year end bonuses are allocated as compared to prior years where there was less reluctance to take on the bonus obligation in better markets.

In the quarter, continental Europe and the Middle East grew 48% year over year with similar [sentiment] to the UK, however there are certain geographies where we still have customer penetration opportunity, including a few markets in Europe and the Middle East. Finally, Asia pacific increased 87% in the quarter, which was another region of opportunity mixed with some reduction in recruitment need.

We served the Singapore and Hong Kong market for a little over two years and have had a physical presence in Singapore for about 18 months. While there clearly is some impact from the financial crisis on recruitment activity there, we think since we are in the early stages of developing the market that there will be growth opportunities in the near term.

One last point on eFinancialCareers, the third quarter of '08 included the revenue generated from our distribution of careers and financial markets to universities in our key markets which totaled about GBP250,000 in revenue. In the '07 period, certain of the markets were distributed in the fourth quarter, so the revenue was split between the two quarters.

Our other segment, which represented 7% of revenues consist of eFinancialCareers business in the US and Canada, JobsintheMoney and TargetedJobFairs. Other revenues decreased 21% to 2.6 million. The primary driver of the decline was our job fair business which has seen less demand for this type of recruiting and the decline in JobsintheMoney.

In the job fair business we've had reductions generally in demand during '08, and the third quarter specifically was impacted by a major fair we did in August of '07 which we did not have near the success in the '08 event.

So to sum it up, our two core services grew year-over-year in the quarter -- Dice did roughly 2%, eFinancialCareers international operations at 24%. We think this performance continues to demonstrate our ability to win business even in a tough environment. In addition, profitability has consistently been strong with adjusted EBITDA margins of 44.5%.

So now switching to the balance sheet and cash flows, deferred revenue at September 30th was up -- was 44.9 million, up slightly versus the September 30 '07 balance, but down 4.5 million from our June 30th balance. The balance in the US is up slightly year-over-year, although we have fewer customers, while the eFinancialCareers business, while far smaller was up slightly as well, although the impact to some extent was impacted by exchange rates.

I mentioned our strong profitability as one of our fundamental elements of solid financial model earlier, the second is cash generation. In the quarter we generated 13.1 million in cash from operations, up 22% versus last year. We had CapEx of about $900,000 resulting in free cash flow of $12.3 million in the quarter, up 26% from the third quarter of '07.

Year to date, we've generated more than $50 million in cash from operations and $47 million in free cash flow on adjusted EBITDA of $51.2 million. Although this high level of conversation will not continue as we become a cash tax payer, as we did in the fourth quarter, it continues to demonstrate the cash generating ability of our business, even in a slower environment.

As for the capital structure, on September 30th, we had $100 million of debt outstanding under our term loan and $78.6 million of cash and marketable securities for a net debt position of about $21.7 million, or approximately 0.3 times trailing 12 months EBITDA.

In September, we opted to prepay $21.4 million of our term loan. Additional, in mid October we prepaid an additional $18.5 million for a total reduction in the term loan of about $40 million over the last month. These are permanent reductions under the term loan facility. The pre-tax impact of interest reductions resulting from the two prepayments is approximately $2.2 million on an annual basis.

So to recap where we stand today, we have a remaining balance under the term loan of $81.5 million which is all due in March 2012, other than quarterly amortization payments of $250,000 and we have the $75 million revolver which is currently totally undrawn.

Of the $81.5 million, $80 million is hedged at an average rate of 7.1% and the remainder is on a floating rate, and we currently intend to pay that down according to the amortization schedule in the agreement, that however could change.

In regards to acquisition opportunities and international expansion, two of our key growth initiatives and how this debt prepayment impacts it, it doesn't. Obviously, with current facility and cash on hand, we continue to have the capacity to do acquisitions and make further investments to promote our long term growth strategy.

Our facility has restrictions on acquisitions including size, structure, geography and terms, given the credit conditions and the baskets in the facility, we continue to measure acquisition opportunities against what in this market should be considered attractive pricing hedged at about 7.1%. So for the time being, we've completed the negative carry costs of that 40 million outweighted opportunities that would be of a size requiring us to maintain the cash level we had pre-acquisition and prepayment.

By way of comparison, as of today we have more cash than we did at January 1st of this year and 44 million less of debt. So we continue to look for strategic acquisitions and investment opportunities while taking steps to optimize our capital structure.

So with that, let's take a look at our updated view of the fourth quarter. We currently expect to generate revenues in the range of $35.5 million to $36.5 million with a distribution of revenues among the segments of roughly 72% for Dice, 22% for eFinancialCareers and 6% for other.

We're providing a wider range than normal as customer activity both new and existing is much more uncertain at eFinancialCareers around the year end holiday period. It generally is a much slower activity time, and we expect this year to potentially result in a higher rate of short term reductions or cancellations than normal prior to the period.

A couple of things about Q4 view, especially when comparing to Q3 results at eFinancialCareers, the third quarter included the results of careers and financial markets, as I mentioned earlier, about GBP250,000 pounds or $450,000. The movement in the exchange rate between the dollar and the pound sterling, at this point is about $0.30 compared to the third quarter, so on a little less than GBP5 million of revenue, the impact on dollars is about 1.5 million.

Measured in sterling, Q3 at eFinancialCareers was about GBP5.2 million with GBP250,000 related to the careers and financial markets, and we expect Q4 to be in the range of GBP4.6 million to GBP4.8 million, so lower than Q3 by about 5% to 10%.

As for sales and marketing expense, we currently anticipate spending $12.5 million to $13 million in the quarter. We traditionally spend less as a percentage of revenue in the fourth quarter, and we've made further reductions in this year's fourth quarter given the overall economic conditions. And with those components, we expect adjusted EBITDA to be in the range of $15.7 million to $16.7 million.

So, over the full year, we now expect revenues in the range of $155 million to $156 million. Sales and marketing around $58 million, and we expected adjusted EBITDA to be at the low end of the previous range or $67 million to $68 million.

So to summarize, its been a challenging market this year with solid financial performance. However, with more difficulty ahead, the financial discipline we've built in this Company over the years, the discretionary nature of our marketing investments and its overall financial model will certainly continue to benefit us in this marketplace.

And with that, I'll turn it back to Scot.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Thanks, Mike. Let me conclude today our formal presentation with a few -- a few thoughts. The market environment has definitely weakened over the past months, and we believe it will continue to be a different environment well into 2009.

When we spoke last quarter, I said that I expected us to execute well on the opportunity that we have, despite these conditions, I think our third quarter performance lives up to that statement. Our products are performing very well today, we are quite profitable and we generate a significant amount of cash.

In fact, the investments we made in bundling our professional communities and improving our products over the past years have put us in a position where we can afford to spend less and still deliver a high quality service to our customers. We have always said that we have discretion in managing our cost structure, going forward we will use that discretion to manage our costs in this environment.

Finally, we are confident of -- in our long term market opportunity, our positioning in the market and our ability to capitalize on that opportunity. I'd like to thank all of our employees for their ongoing hard work and dedication.

Thank you all for listening, and now let's open up the call for questions

QUESTION AND ANSWER

Operator

(Operator Instructions)

And our first question will come from the line of John Janedis with Wachovia. Please proceed.

John Janedis - ***Wachovia - Analyst***

Hi, good morning. Can you guys talk about -- a bit about more on the Dice business? Obviously it's changed a lot since the last employment downturn, but can you give us a sense of maybe what the renewals were back in the '01, '02, or '03 timeframe?

Michael Durney - ***Dice Holdings - Senior Vice President of Finance and Chief Financial Officer***

Yes, John from a -- we used to track it slightly differently so I cant compare apples to apples, but I can tell you that in the '01 period we saw customer count reductions in the many hundreds per month. So the customer retention rate was far lower than we've seen now because the customer distribution was far different back then. It was much more dominated by entities that don't exist anymore.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

I guess I would add to that that this environment is not even close to what we saw in '01 and '02 in terms of what happened with many technology companies essentially just dumping their people on the street. This is not that environment at all.

John Janedis - ***Wachovia - Analyst***

Okay, and maybe somewhat related, your implied eFC growth estimate for 4Q shows pretty rapid deceleration there. I know the contract structures a bit different from Dice, but how are the relative renewal rates looking from one to the other?

Michael Durney - ***Dice Holdings - Senior Vice President of Finance and Chief Financial Officer***

Yes, the contract -- we don't talk about renewal rates at eFC, the contract -- they are different, they are adjustable or cancelable on notice. Despite the fact they're annual agreements, customers can typically adjust them. We've seen some, we've certainly seen more recently than we saw during the third quarter and earlier in the year, but I have to say, we haven't seen a lot of them.

John Janedis - ***Wachovia - Analyst***

Okay, and maybe just one last quick one. Given the comments about increases in total resume volume. Is there a way that you're working on to maybe try to monetize that increase there?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Well, one of the things that we are working on and, in fact, we launched a product during the quarter in sort of a test mode launch -- we worked on a product called Dice Advantage, which is a service that is sold directly to the job seekers which provides certain benefits to them, enables them to have highlighted listing of their resume in a resume database, gives them the opportunity to see who has viewed their resume.

So it has some nice kind of premium services that are not available to the regular rank and file user of our service. So we are looking at ways of monetizing, if you will, the job seeker traffic. We're also looking at expanding our advertising programs.

But again, advertising -- third party advertising, in other words advertising that appears on the site that's not a job posting has never been a big focus of our service and I don't think ever really will be a big focus of our service because we want to maintain a very strong relationship with the technology professionals and the financial services professionals.

John Janedis - ***Wachovia - Analyst***

All right. Thank you very much.

Operator

And our next question will come from the line of Doug Anmuth with Barclays Capital. Please proceed.

Doug Anmuth - ***Barclays Capital - Analyst***

Thanks for taking my question. Just regarding your EBITDA margins, you've really been able to hold them pretty consistent with the last couple years, despite the slow down. So what gives you comfort that you're going to be able to continue to do that going forward, even potentially in a more difficult operating environment? And where else do you look to take out potential costs? And I have a follow up as well Thanks.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Well, I think -- one of the reasons we feel confident that we can manage the cost structure is that we have spent a considerable amount of money over the last three to four years really building up -- essentially doing two things, building up the traffic and the activity on the site. If you look at the growth in our traffic and the activity level, in terms of applications and resumes, it -- its huge compared to where we were two or three years ago. And this service performance is very strong today.

If we believe that we're heading into an environment where there may be fewer recruiters using the service, or there may be fewer jobs, actually being searched for on the service, we feel that we've got the flexibility with the current level of traffic and the current community size to pull back if we need to on certain of our marketing programs.

Outside of marketing, we always look at things like what are -- where are we spending in terms of technology, where are we spending in terms of other infrastructure, but that's more of an ongoing activity for us.

Doug Anmuth - ***Barclays Capital - Analyst***

And then, can you also just comment on pricing in the current environment? You've said in the past that some of your competitors have been pretty aggressive in terms of discounting. I assume that's continuing in the current environment, is that fair?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Yes, I think that's a fair statement. Pricing -- what we've seen over the last quarter as it ahs been really the whole year, pricing has been more aggressive than what we saw last year versus this year. I think in the last quarter it also got a little bit more aggressive with more promotion. A lot of that, I think, has to do with some of the market share wars that are going on between some of the larger players.

Doug Anmuth - ***Barclays Capital - Analyst***

Okay, great. Thank you.

Operator

And our next question will come from the line of Tim McHugh with William Blair and Company. Please proceed.

Tim McHugh - ***William Blair and Company - Analyst***

Yes, I was wondering you mentioned the eFC trends that you've seen in the US might be a precursor to what you expect to see internationally. I was wondering if you could therefore provide a little more color in what you did see in the US during the last quarter or two.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

In general what we saw in the US -- and remember, I think to keep it in context, the eFC business in the U.S. is very small. It's only been operating for a little over two years and it has been hit by the financial crisis, really for over the last year. So it's a very small part of the business.

What we saw was given the upheaval that has really happened over the last, I think you could call it probably six to eight weeks, many of the customers have -- are basically sitting back and they're digesting what's going on. There is still a lot of recruiting that's happening, I mean we've had -- interestingly enough, we've actually had calls from people saying look is there still recruiting going on.

There is still recruiting going on the US, but what we saw was that many of these larger banks, many of the recruiters that serve those banks have paused and are trying to absorb what's happened and look -- they're all looking at what their needs are going to be in the sort term and then what their needs are going to be in 2009.

So we did see billings decline in the quarter. And I think as we see the same kind of reaction happening now and in the UK and in parts of continental Europe, I think we could see the same kind of downturn in billings.

Michael Durney - ***Dice Holdings - Senior Vice President of Finance and Chief Financial Officer***

Yes, Tim -- this is Mike, sorry just to put some context, I think Scot was talking about the overall market, not necessarily a precursor of what our financial performance will be. Scot mentioned eFinancialCareers in the US is a tiny piece of our business grouped in with other and measured year-over-year, the decline in eFinancialCareers is about 5%.

Tim McHugh - ***William Blair and Company - Analyst***

That's in the US?

Michael Durney - ***Dice Holdings - Senior Vice President of Finance and Chief Financial Officer***

In the US.

Tim McHugh - ***William Blair and Company - Analyst***

Okay. And then on the acquisition front, you mentioned it's still something you consider. Does the current environment make you more likely to do a transaction given pricing may finally be coming down, or does it make you pause at all to move forward with something in this environment?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

No, I think -- we still continue to look at acquisition opportunities and would love to be able to expand the business that way, either into another industry or vertical area, or into a position in an attractive country market somewhere in the world. We have yet to -- we have yet to basically come to terms that we think we can do attractively for the Company. So we continue to be out there, but have yet to see really valuations adjust much.

I think we've said this all along, I think its as true now as its been all year and last year is that the properties that we really like and are attractive that the price of those doesn't change a whole lot, it might on the margin, but it doesn't change a lot.

And the ones that we don't particularly think are key, which we've seen come back to us perhaps a few times at lower prices, we continue to think [aren't] key strategically. The environment does make us balance the current business versus other vertical opportunities.

Tim McHugh - ***William Blair and Company - Analyst***

Okay, then lastly can I ask about JobsintheMoney? You mentioned it was weak in the quarter, what's your plans at this point for that business going forward?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Well, what we did over the -- a little over a year ago is we relaunched the site, we gave it a new website, a new functionality, basically brought it up to speed from where it had existed when we acquired the business along with eFinancialCareers at the end of 2006.

This past year we put marketing dollars into it, we built the traffic. I think where we are with that business is that we're going to continue to let that business be out there and be a product for our company, but it's not a major focus of the business going into next year. And I think that's really the right decision given the environment that we're looking at.

Tim McHugh - ***William Blair and Company - Analyst***

Okay, thank you.

Operator

And our next question will come from the line of Imran Kahn with JPMorgan. Please proceed.

Imran Kahn - ***JPMorgan - Analyst***

Yes, hi. Thank you for taking my question. A couple of questions about the cost structure -- try to better understand that. Some of the newer business that newer country business that you think will help the revenue growth rate, could you help us understand the cost structure of those business, whether -- how much margins [drag] those business could be?

And secondly, looking at the sales and marketing, what percentage of sales and marketing is allocated with advertising? And third, what -- how much of your sales force compensation component is commission versus fixed salary? Thank you.

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Okay. So I guess starting with the question about new countries, really many of these new areas like Asia, like the Middle East, some of the developing parts of Europe we're still talking about very small amounts of marketing dollars put against them.

We're talking in the hundreds of thousands of dollars rather than in the millions of dollars so it's very sensible for us to continue to grow the marketing in those territories to increase the local applications for local jobs. So it's not a big expense, it's not a very big expense item for the Company.

On the sales and marketing front, roughly 75% of the marketing that we do is job seeker marketing or professional community marketing versus the customer side of it. That is the part of our marketing programs that are dedicated to building the communities.

I think one thing to keep in perspective, and we've mentioned this from tie to time, for many of our services, the majority of the traffic that we get is self generated traffic, it comes over the [transom]. The paid portion of our traffic is actually quite small. For example, for Dice.com, the paid portion of the traffic is only about 20%.

So even though we spend, I think a great deal of money today in job seeker or community marketing. It only produces a small amount of the overall traffic that we get and that's part of the equation that we look at when we're looking at managing that cost line item.

I think your last question was about sales force compensation, our sales teams -- we have various sales teams, direct sales team, we have telemarketing groups and such. A great deal of their compensation, much more than 50% of their compensation is variable and based upon performance. It's actually closer to probably about two-thirds of their compensation.

Imran Kahn - ***JPMorgan - Analyst***

Got it. Thank you.

Operator

And our next question will come from the line of Collis Boyce with Morgan Stanley. Please proceed.

Collis Boyce - ***Morgan Stanley - Analyst***

Thank you. when - I guess this is a little bit of a longer term question, but one of the thins historically that you've talked about is IT and financial verticals benefiting potentially down the road from when the baby boom generation has to retire. Assuming that some of those people are going to have to work longer now, does that impact kind of your thought process on the business going out say the next five to ten years?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Its possible that you could see people working longer, but if you look at some of the forecasts from the Bureau of Labor Statistics and other organizations, the general forces that are going on out there that are good for our lines of business, our segments, are really twofold. One is that on the demand side, the demand for technical people, for knowledge workers, and on the financial side, the demand for knowledge workers in the finance area is expected to increase really for the foreseeable future.

On the financial side of things, I think there's going to be a digestion over the next couple of years as that whole industry shakes itself out. But we'll probably see a good demand for those people -- those skill sets, because those areas raising capital and distributing capital and managing assets aren't going away.

So you've got demand side a push on that, or pull on that. On the supply side, you still have a pretty substantial demographic shift that is coming. And so, I think as we think about our business we really don't see those two dynamics changing much. They might change slightly on the margin, but we think it's still favorable for us in the long term.

Collis Boyce - ***Morgan Stanley - Analyst***

Okay, and then I guess one quick follow up. I understand that you guys don't necessarily want to charge the job seeker. I guess previously you guys have talked about Premium Post, are there any other kind of small, kind of little incremental screens that you might be able to try to offset some of the kind of lack of up-selling?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

Yes, I mean we're always thinking about and looking at new revenue streams for the business. You mentioned Premium Post, we launched that, that's the premium service for -- specifically for HR managers, in direct hiring companies and has been a nice boost to us. I just mentioned a few moments ago Dice Advantage, which is a package of services for the job seeker.

That literally has just launched, so we think that will be a nice small revenue stream for us. We're looking at different types of value added advertising. We think we have very attractive -- very attractive audiences that use our various services.

And we're looking at ways that we can create add products that are value add to the job seeker or the professional, as well as to the advertiser, rather than being a -- obstructing what the job seeker and professional is trying to do. And we think we have a few ideas there and you may see us do some of that over the coming months.

Collis Boyce - ***Morgan Stanley - Analyst***

Thank you very much.

Operator

And our next question will come from the line of Youssef Squali with Jeffries and Company. Please proceed.

Youssef Squali - ***Jeffries and Company - Analyst***

Thank you very much. Couple questions. First Scot, if I look at your Q4 guidance, it basically implied year on year decline for both Dice and eFC. And from where you sit today, can you realistically see a scenario for top line growth next year?

And second, Mike, you talked earlier about managing cost structure, your EBITDA margins already run in the mid 40's so one of the highest of any companies we cover. How -- as you stress tested your models for what next year or for how high can it go, how much more kind of room -- headroom do you think you have?

Scot Melland *- Dice Holdings - Chairman, President and Chief Executive Officer*

So on the fourth quarter and what it means for 2009, you're absolutely right, I mean we are showing year-over-year declines with our guidance for the fourth quarter. And that's really -- that is really a product of what we've seen happen in the environment in the third quarter, and so we think we're being prudent by setting that guidance.

As we go into 2009, I think the implication is that from where we sit today, we believe 2009 the environment will be as difficult as it is today; potentially even more difficult. And so, is there a scenario where there could be growth? I guess you could think of one. But I think -- but realistically, we're probably looking -- we're not looking at growth in 2009.

Michael Durney *- Dice Holdings - Senior Vice President of Finance and Chief Financial Officer*

Yes, just to follow up on that and then I want to get a clarification on the second question, Youssef. On Q4 guidance, you're right, this has declined year-over-year, just to break it down a little bit. DCS online business, Dice and ClearanceJobs is probably in the low single digits, year-over-year, decline.

eFC measured in dollars is probably 15% to 20% decline, measured in pounds it's roughly flat. So I just want to point out how we look at the business in terms of constant currency versus dollar measured terms. So I'm sure you know that, but we'll just put that in some perspective.

The -- when you asked about stress testing the margins you asked about -- I think -- I just wanted to clarify, you asked about how high they can go. Is that what you asked?

Youssef Squali *- Jeffries and Company - Analyst*

Yes.

Michael Durney *- Dice Holdings - Senior Vice President of Finance and Chief Financial Officer*

Yes, I think in short terms they can certainly go higher. I think if we're talking about the environment we're in, and back to the question that Doug asked earlier is there certainly -- as we've said many times, there's a fair amount of flexibility in the cost structure.

To the extent that we're in a worsening market, we can make some adjustments [at] cost structure and maintain the margins. If the environment continues to get worse, which is what we think will happen in the near term there will be pressure on the margins, although we don't think at this moment an awful lot, but there will be some.

On the higher side, we've always said that we think 45 over a long period is the upper boundary. It certainly can be higher in short periods of time as it has been and it might be in the future for very short periods of time because of the matching of where we spend out sales and marketing versus the revenue we recognize.

So there are -- there certainly is an upper boundary, its not much higher than were we are now, but over the long term, we continue to think, and this hasn't changed, that the upper boundary is around 45 or the mid 40's.

Youssef Squali *- Jeffries and Company - Analyst*

Okay.

Michael Durney *- Dice Holdings - Senior Vice President of Finance and Chief Financial Officer*

Does that answer your question? Is that --?

Youssef Squali - ***Jeffries and Company - Analyst***

Yes -- no that's helpful. Thanks a lot.

Operator

(Operator Instructions)

Our next question will come from the line of Mark May with Needham. Pleas proceed.

Mark May - ***Needham - Analyst***

Thanks. I think most of my questions have been answered. But I will ask, have you noticed any change over the last couple of months given the environment in terms of the M&A market? Do you think that the current market will -- environment will end up being a catalyst for consolidation in your industry based not just on theory, but specifically on the kinds of discussions and things that you've been seeing in the last few months?

Scot Melland - ***Dice Holdings - Chairman, President and Chief Executive Officer***

I think, in general, I guess you're probably call this theory, but in general I think these types of markets do foster M&A discussions. But, there's nothing that I can point to.

Operator

And at this time, we have no questions in queue. I would now like to turn the call back over to Jennifer Bewley for closing remarks.

Jennifer Bewley - ***Dice Holdings - Director of Investor Relations***

Thank you for your time this morning and interests in Dice Holdings. Management will be available to answer any follow up questions you have. Please call Investor Relations at 212-448-4181 to be placed in the queue. Thanks.

Operator

Thank you for your participating in today's conference. This concludes your presentation, you may now disconnect. Good day, everyone.

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