FINAL TRANSCRIPT

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DHX - Q1 2008 Dice Holdings, Inc Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2008 Dice Holdings, Inc. Earnings Conference Call. At this time, all participants are in a listen-only mode. We will be facilitating a question and answer session towards the end of today's conference.

(OPERATOR INSTRUCTIONS)

As a reminder, this conference is being recorded for replay purposes. I will now turn the call over to Jennifer Bewley, Director of Investor Relations. Please proceed.

Jennifer Bewley - *Dice Holdings, Inc. - Director, IR*

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

Please note this morning we issued a press release describing the Company's results for the first quarter of 2008. A copy of that release can be viewed on the Company's website at diceholdingsinc.com.

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 belief and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by statements herein due to changes in economics, business, competitive, technological and/or regulatory factors.

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The principle risks that could cause our results to differ materially from our current expectation 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 federal securities law.

Today's call also includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margins 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. With that out of the way, I'll turn the call over to Scot.

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

Thank you, Jennifer. First, let me welcome all of you to the Dice Holdings First Quarter 2008 Conference Call. I'll start today by discussing our first quarter performance, including our perspective on the current economic conditions here in the U.S. 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 we'll open up the call for questions.

Now let me say a few words about the first quarter. Overall, we turned in very solid performance despite tougher market conditions. Revenue across the Company totaled $39.6 million, up 30%, year-over-year, or 27% on an organic basis. Adjusted EBITDA grew 43% to just under $17 million and we generated over $22 million in pre-cash flow. Domestically, DCS Online, our largest business segment, grew 16%, year-over-year, driven by growth in both the number of recruitment package customers and revenue per customer. We achieved this growth despite a U.S. market that continued to soften as the quarter progressed.

During the quarter, an increasing number of our customers and prospects delayed their purchase decisions and renewals as they became more cautious in managing their own businesses. Many of these customers have open positions and budget money for recruiting but lack the urgency to fill the positions. Broadly defined, there are two categories of customer we serve with Dice.com today.

The first category are clients who are in the tech sector directly or act as technology specialists, usually consulting in staffing firms. Typically, these customers have a regular need for our service and today are recruiting in a relatively tight technology labor market. Many actively use our service. However, upgrading these customers to larger packages has become more difficult as their clients' long-term needs have become more uncertain.

The other category of customers we serve with Dice.com are direct hiring companies. These customers have businesses in a variety of industries and may have only intermittent need for recruiting technology professionals. As we have mentioned before, it is this customer segment that presents a significant growth opportunity for Dice.

However, in this current environment, expanding direct hiring company usage has been difficult as their businesses have been, generally speaking, more directly impacted by the slowing economy. Putting it all together, it's a more difficult environment for growth in the U.S. and our forward guidance reflects that environment.

Moving overseas, eFinancialCareers had an exceptional first quarter. Revenues grew 75%, year-over-year, on a comparable basis with strong performance across all regions. Growth was driven by an increase in the number of clients we serve around the world and increase in yield per client with very strong growth from our newer markets, especially the Middle East and Asia. Even with this stellar performance, however, the continuing turmoil in the financial services industry is beginning to impact customer sentiment.

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Our eFinancialCareers clients tell us that they are increasingly concerned about the state of the markets and business uncertainty. This nervousness is most prominent in the UK, where we expect to see some business impact from the turmoil in the coming months and quarters. However, despite the change in customer sentiment, in Q1 the UK, which is our largest EFC market, grew 44%, year-over-year. Our focus this year in the eFinancialCareers business has been to build out our presence in our newer markets and to expand our service into new countries.

In Q1, we launched in Canada and are planning to launch service in at least two other markets this year. We've also increased our marketing expenditure to support our expansion with special focus on continental Europe, the Middle East, and Asia. Overall, we continue to see opportunity in expanding the EFC franchise to additional capital markets around the world and we are actively pursuing those opportunities.

During the quarter job seeker traffic and usage increased across all of our career sites. In Q1, unique visitors to Dice.com continued to grow with approximately 2 million unique visitors per month during the quarter, up double digits, year-over-year. Job applications also increased proportionately.

In March, resumes posted on Dice.com were up 26%, year-over-year, continuing a strong first quarter trend. At eFinancialCareers, unique visitors to our global network of career sites grew 60%, year-over-year, and local applications to local jobs also rose by more than 50%. Increasing local traffic and applications is a key goal for that business this year.

Some of this performance may be due to the uncertainty in the economy as professionals are more focused on their careers. With that being said, it is clear that our career sites are performing very well today and are giving our customers access to a larger pool of talented professionals.

One of the items you'll notice in our release is that we spent just under $15 million in sales and marketing in Q1, which was less than we anticipated earlier in the quarter. The under-spending was largely due to a delay in some new job seeker advertising programs, which began in the second quarter instead of the first quarter.

These new Dice advertising programs are now underway and include sponsorship of Dilbert, the widely popular business comic series, and some online video programs produced by Mania TV, including the leading online gaming program, which is called Arcade. We're excited about these sponsorships and other programs that will launch later this year because they allow us to reach tech professionals in a new way, creating a memorable experience with the Dice brand at a time when they may be considering their career options.

As we have noted many times in the past, much of our sales and marketing spend is discretionary and we can and do make adjustments, as necessary, given the business environment. However, overall, we will continue investing to build our professional communities, expanding our professional communities, and increasing their activity not only improves our service performance with customers but also drives brand loyalty and direct usage of our career sites, which lowers our operating costs in the long term.

So overall, Q1 was a success. We turned in strong revenue growth and profitability despite the softening market environment. We also continued to grow our professional communities and our footprint, globally. Now let me turn it over to Mike Durney to take you through our Q1 financial performance.

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

Okay. Thanks, Scot, and thanks, everyone, for joining today. I'll give an overview of our first quarter financial performance and then update you on our view of estimated financial performance for the rest of '08, including a first look at Q2.

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On a GAAP basis, consolidated revenues for the first quarter grew 30% to $39.6 million from $30.4 million in 2007 led by gains in eFinancialCareers and DCS Online. Operating income increased 128% to $10.4 million, driven primarily by the increase in revenues partially offset by a $3.3 million increase in overall operating expenses. Focusing for a moment on the leverage embedded in our operating model, revenues grew a little over $9 million year-over-year, and operating income increased a little under $6 million.

If we break the expense changes into cash and non-cash, you'll see that the non-cash cost was a net zero with increases in stock-based comp and depreciation offset by reduction of amortization and tangible assets. The increase in cash expenses was approximately $3.3 million with $1.7 million being the increase in spending in sales and marketing and $1.6 million being all other cash expenses. The largest piece of that other reflects being a public company, which includes higher audit and legal costs, P&L insurance, and some other costs, all which we obviously didn't have in the 2007 period.

Looking specifically at the increase in sales and marketing, we increased global spending from $13.2 million to $14.9 million and the percentage of revenues declined to roughly 38% of sales from 43% in the first quarter a year ago. As Scot outlined, some of our newer marketing plans for Dice in the first quarter didn't really get going until the second quarter but they are now underway, having started in the first week of April. We plan the new add product to start in the first quarter, which is now being executed.

And therefore, this year we'll have a slightly unusual pattern as we'll be spending more in sales and marketing in the second quarter than in the first. In addition to the seeker spending, our largest single event of the year in terms of customer acquisition or lead generation takes place in the second quarter, which is the annual [sherm] conference and expositions in June.

So adjusted EBITDA, which we define as operating income plus amortization and depreciation, non-cash stock-based comp and other non-cash charges, and finally the add back of deferred revenue written off in the eFinancialCareers acquisition, totaled $16.8 million, an increase of 43% from the $11.75 million we generated in the first quarter of '07. Adjusted EBITDA margin for Q1 '08 was over 42%.

So moving further down the income statement, income from continuing operations was $3.8 million, an increase of 17% from a year ago. As we announced in mid March, the first quarter was impacted by a one-time non-cash pre-tax charge of $2.3 million for the determination that our two interest rate swap agreements didn't initially qualify for hedge accounting. Since the agreements now qualify for hedge accounting, any future changes to value will run through equity on the balance sheet as long as the hedges remain effective.

Finally, earnings per share from continuing operations totaled $0.06 per diluted share, which includes the $0.02 per share impact of the hedges. And including the gain we recognized on the disposition of the India joint venture, net income totaled $4.3 million in the quarter. As for the business segments, please remember when we talk about the segments, we refer to their performance including adding back of deferred revenue written off for the eFinancialCareers businesses from the acquisition in 2006. This had no impact on the current period but it does impact the comparable period a year ago and all this is clearly defined in the supplemental tables found at the back of the release.

DCS Online grew 16% in the first quarter, representing 68% of total revenue. On March 31st, recruitment package customer count was 9,150, up 450 customers from the December 31st amount. Of the total count at March 31, we had approximately 7,400 customers under annual agreements in comparison to slightly less in 7,200 under annual agreements at December 31st. While the rate of growth in number of customers was impacted by the overall environment, it was growth nonetheless and is now at an all-time high as of March 31st.

In terms of renewal rates, the retention rate on annual customers was just under 72% in Q1, in line with what it was in Q4, and each of those periods was slightly below our long-term range of 72% to 78%. In the quarter, the average per recruitment package customer totaled $859 per customer, per month, an increase of 4% versus last year, reflecting the impact of last year's price increases and slight overall increases in the level of service on an average basis during 2007.

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Going forward, you should expect this to decline a little bit from the first quarter level. In fact, March was slightly lower than January as we are seeing fewer upgrades in level of service of existing customers and the addition of net new customers at lower service levels on average than existing customers.

Moving onto eFinancialCareers segment, which is comprised of eFinancialCareers operations outside of North America, it represents about 25% of total revenue. In the quarter, revenues increased 77% to $9.8 million, primarily driven by solid results across all geographies. Normalizing for exchange rate variances, eFinancialCareers grew 75%, year-over-year. As Scot mentioned earlier, the UK increased 44%, France was quite strong, and in fact, continental Europe, in total, more than doubled over the year-ago quarter, and Asia continues to expand quite rapidly.

Finally, our other segment represents 7% of total revenue and consists of eFinancialCareers business in North America, JobsintheMoney, and the job fair business. Revenue totaled $2.7 million, up 19%, from $2.3 million a year ago, on an apples-to-apples basis. The largest component of other is the North American operations of eFinancialCareers, which increased 53%, year-over-year.

However, in terms of new business, we saw a fall off in bookings and renewals in the second half of March, coinciding with the destruction caused by the Bear Stearns bailout. In our job fair business, we had a handful of shows which didn't perform at the same level as that of the previous year, although, overall, the business grew 22%, year-over-year. Those shows were geographically diverse with no particular pattern emerging other than the reduced need in existing markets that we run the job fairs in.

To sum it all up, first quarter revenue growth was 27% on an apples-to-apples basis with the U.S. businesses expanding 16% and international up 77%. On an adjusted EBITDA basis, the eFinancialCareers international business now generated a higher EBITDA margin than the overall company rate.

Onto the balance sheet, deferred revenue at March 31st was $52.3 million, up 24% from the previous year. On a sequential basis, deferred revenue grew $6 million during the quarter, primarily driven by an increase at Dice.com. When assessing deferred revenue changes, recall that the contract terms are generally different for eFinancialCareers internationally compared to the U.S. operations. On the international side, the majority of contracts are billed monthly over the term of the contract so there's naturally a lower amount of deferred revenue. Therefore, you can't depend solely on changes in deferred revenue as an indictor of growth prospects.

As far as net debt, it now stands at $43.9 million at the end of the quarter with our cash position having increased $20.5 million during the quarter and our net debt position improving $22.8 million as we repaid $2.4 million of our term loan during the quarter. Cash and cash equivalents totaled $78.1 million as of March 31, 2008.

Moving onto cash flow, we generated $23.6 million in cash flow from operating activities in the first quarter, a 66% increase versus the previous year. As historically happens in the first calendar quarter of each year, our conversion of adjusted EBITDA of cash flow is quite high given the increase in deferred revenue together with an improvement in collection activities in the UK and we spent approximately $750,000 on CapEx in the quarter.

So let's take our first look at second quarter. We currently anticipate generating revenues in the range of $40 million to $40.5 million. The distribution of those revenues among the segments will be similar to the first quarter. As of the beginning of the quarter, we have approximately 73% of the midpoint of our estimate under contracts, the highest it's been since we started measuring in 2004.

Due to timing shift, there are newer add campaigns that we covered earlier. We expect to increase our investment in sales and marketing expenses in absolute dollars to $16.3 million to $16.8 million. And as a percentage of revenue, that would be 41% to 42% in the second quarter. And we anticipate adjusted EBITDA margin in the range of 40% to 41% for the segment.

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Now to update you on the full year 2008. We told you on our last call if new customer acquisition or existing customer retention rate environment got worse than what we were experiencing in January, we would be toward the low end of the range. Well now we are there and that the margin is slightly worse as we've seen a slowdown in new customer acquisition rates, although retention rates are roughly the same as they had been. Therefore, we're adjusting the low end of the range down by $3 million, or 2% of revenue.

Therefore, we anticipate generating $158 million to $163 million of revenues for the full year of 2008. The revenue contributions by segment have changed slightly, reflecting the softness in the U.S. and the relative strength, so far, in the eFinancialCareers international business. DCS Online is now expected to generate $106 million to $108 million in revenue and other, $11 million to $12 million, and then reflecting the strength in the first quarter results, we now expect eFinancialCareers to generate $41 million to $43 million in revenue.

We anticipate sales and marketing spends for the full year to be in the $60 million to $62 million range, a reduction of about $3 million reflecting reduced sales compensation on our lower billings expectations and some reductions in deferrals and marketing spends, and finally, a shift of a small amount from marketing spends to product development. And adjusted EBITDA, we now expect to be $66 million to $70 million or an adjusted EBITDA margin of 42% to 43%. All of our other previous views on the full year '08 have not changed.

So to summarize, while the current environment has not been very good, generally, we operate a business that has significant operating margins and generates lots of free cash flow while we continue to take share from our competitors, at least as far as we can tell from publicly available information and what we see in the private side and more importantly, based on what we hear from our customers. And with that, I'll turn it back to Scot.

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

Thank you, Mike. Let me wrap up our formal presentation with a few closing thoughts. Again, Q1 was a successful quarter. We turned in strong revenue growth, profitability, and cash flow despite a softening marketing environment, which we believe shows the power of our specialty focus and our business model.

As we move forward in 2008, you can expect us to continue executing on our core strategy by growing our communities of professionals worldwide, launching our career sites in new markets around the world, updating and improving our services. In fact, in Q1, we began the rollout of our new eFinancialCareers careers sites, which have been very well received. Later this summer, we will launch a new version of our Dice.com career site with new features and improved usability. And finally, you can expect us to continue to pursue acquisitions in related areas that meet our strategic goals and create value for our shareholders.

I would like to thank all of our employees around the globe for their ongoing hard work and dedication. Thank you all for listening and now let's open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS)

Your first question will be from the line of Heath Terry of Credit Suisse. Please proceed.

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Heath Terry - *Credit Suisse - Analyst*

Great night. Thank you. I was wondering if you could talk to us a little bit. You mentioned your comments on customer retention. Can you give us an idea of what you're seeing from a pricing standpoint, particularly in situations where you're going up against competitors, what your major competitors are doing, if anything, as far as using pricing on packages as a negotiating point?

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

Heath, this is Scot. As we've mentioned before in this and as you know, in this market, in this industry, there's always been a lot of wheeling and dealing when you get to larger packages and a lot of promotional activity, especially by some of our competitors. What we've seen recently over the last quarter is a continuation of a few of our competitors getting very aggressive on price, at least certainly more aggressive than we are.

We tend to be a little bit more, I guess, disciplined in terms of our annual agreement pricing and our rack rate pricing but we have seen some others in the industry become a little bit more aggressive and usually it is around renewal time. It is around that time period where customers are making their buying decisions.

What that's done has had a couple of impacts. One is that it basically is part of the reason why customers are taking so long to make their decisions because they are being hit by various offers from various providers and obviously in these times, they have to consider them and evaluate them. But it's also kind of muddying the waters up there a little bit. So I would expect that we're going to see this promotional pricing environment really throughout the rest of the year.

Heath Terry - *Credit Suisse - Analyst*

Great. Thank you.

Operator

Your next question will be from the line of Youseff Squali with Jefferies & Company. Please proceed.

Youseff Squali - *Jefferies & Company - Analyst*

Thank you very much. Good morning. A couple questions. First, your '08 guidance is I guess predicated on a pretty strong EFC business and I was wondering why wouldn't the EFC business kind of suffer from the kind of same dramatic slowdown you're seeing in the DCS business, one or two or three quarters out, considering that the European business is also kind of starting to see some weakness or difficult environment as you've kind of talked about really? What kind of gives you the confidence in that 40%-plus year-on-year growth?

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

Okay. This is Scot again. I'll start off here. What gives us a lot of confidence in that business is that they are growing so quickly in terms of customer acquisition. There still are many, many customers in various markets around the world that have yet to try to the extent or buy the level of package that we think they really need for their recruiting needs in that business.

And then if you combine that with what's happening in these financial markets around the world, what we see in Asia, what we see in the Middle East, is a huge amount of staff building and capability building by the major banks and by other service providers in the financial markets. You extend that into continental Europe. The same is relatively a little bit softer but relatively true for continental Europe.

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And then when you move into the UK, which is the largest market for that business, that's where we're beginning to hear from customers some hesitancy about their future hiring plans. But the large overall story with that business is that it's still very much on the front end of customers really trying this type of service for the first time or maybe for the second time and then upgrading their service levels.

Youseff Squali - *Jefferies & Company - Analyst*

How much of the EFC business is from Asia/Middle East?

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

This is Mike. Overall, Asia is less than 15%. Middle East is even smaller than that.

Youseff Squali - *Jefferies & Company - Analyst*

So the two would be less than 20% of EFC's overall revenues. Is that fair?

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

That is fair.

Youseff Squali - *Jefferies & Company - Analyst*

Okay. And lastly, this is somewhat related to the previous question. But can you maybe just speak to potential -- or potentially, how much of the slowdown is really kind of economy driven versus how much of it is due to competition? And I'm not only talking about guys that are kind of following similar business model but also some others, like networks that are also starting to emerge as potential competitors. And just can you kind of update us on who you're kind of coming up against these days?

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

I would say that the vast majority of what we're seeing is needs related and most of that, the needs are being determined by the economic conditions. In fact, when we talk to customers who have downgraded service or have not renewed with us, the number one reason that we get is that they just don't have any need. And I think one thing to keep in mind here is that we fully expect to get most of these customers back and in fact, they tell us that they will come back as their needs change in the future. So I think this is largely economic needs-related slowdown.

We are seeing more usage and trial of other services that are out there and I think that's to be expected, especially -- not really broadly the social networking services but certainly LinkedIn is getting a lot of usage across the recruiting community today. There's a lot of experimental use of other social networking services.

But again, the way -- what we're hearing from our customers is that the way that they are using these services is a bit different than the way they use our services. They tend to be using the social networking services to get background information on people, to network into other references, and they tend not to be using it for full-scale recruiting purposes.

Youseff Squali - *Jefferies & Company - Analyst*

Okay. Thank you.

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Operator

Your next question will be from the line of John Janedis of Wachovia. Please proceed.

John Janedis - *Wachovia Capital Markets - Analyst*

Hi. Thank you. Can you talk about growth rates by month during the quarter? And as you look to the back end of the year and you look at the guidance, to reinterpret the numbers, you're really just not expecting any kind of recovery until at least '09 in the U.S.? Thanks.

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

We're not going to talk about growth rates by month but I think what you will get from the guidance is that what we saw in the back half of the first quarter was it was slower. What we said in early February was it was slowing so I think we did see it slow and that's true in April too. Historically, April and May, in terms of the U.S. business, have been the slowest, even in better times, from a seasonality standpoint in terms of new customers.

So there is that impact today. I think if you look out, one thing that you should remember about a subscription-based business where, at least on the Dice business, 90% of it comes from recruitment package customers who under 82% of them are still under annual contracts, is that the delay in booking has a cascading effect on revenue. So you are correct. We are not assuming that there is a change in the back half of the year, not that we know. We certainly have not assumed there's a change in the back half of the year. And if there is, the impact would come in '09 and not in '08 from a revenue standpoint.

John Janedis - *Wachovia Capital Markets - Analyst*

Okay. And as it relates to Dice then, Mike, I think the numbers may turn somewhat close to being negative or around negative in the second half of the year. Does that mean that you expect recruitment package customers to kind of decline a bit and you see a lift in price in the year-over-year basis? Or will you not try to push for any more rate increases given the environment?

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

We are currently not anticipating pushing through rate increases. The last one we did was in August on the base package. And given what's happening with broad pricing, we're not currently anticipating changing the pricing. I think from the revenue-per-customer and customer count standpoint, we assume that the customer count will be relatively flat and that revenue per customer, on average, will decline slightly, as I said earlier, because there are fewer upgrades in level of service, there's fewer number.

And the upgrades that there are, and there are some, there are customers upgrading their level of service with us, are lower as a percentage of their existing contracts than they've been in the past, as you might expect in this environment. And the new customer rate, we believe, will be at lower overall revenue so there will be smaller packages. Not that their rate will change but on average, they will be at lower levels.

John Janedis - *Wachovia Capital Markets - Analyst*

And just one quick last one. With the slowing environment out there, are you seeing a contraction in multiple acquisitions and this maybe a chance to be more opportunistic?

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Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

I would like to say we've seen a contraction in multiple expectations but that hasn't happened yet. We think it will but it hasn't happened yet. There is generally a lag. One thing to keep in mind is that when you look at the broad range of acquisition opportunities in our business and one thing we have seen is an increase in traffic of those opportunities. It's been marked in the last few months.

A lot of those businesses are owned by founders, sole proprietors, who generate a pretty decent living from running their business and so multiple contractions don't always flow through those people. To their credit, they have really good businesses that are relatively small. But we continue to look. As I mentioned, we see more opportunities and we are pursuing more opportunities.

John Janedis - *Wachovia Capital Markets - Analyst*

Thank you very much.

Operator

Your next question will be from the line of [Carlos Boyce] of Morgan Stanley. Please proceed.

Carlos Boyce - *Morgan Stanley - Analyst*

Yes. I was actually just following up on the acquisition question. I didn't know if you could give us any type of color on the acquisition pipeline and if you guys have a particular focus on either geographies or new verticals.

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

I'm trying to think of how much we really want to say here. As Mike said, that it's been a pipeline that's been relatively active recently. We are looking at things that expand our footprint globally, so we're looking at things outside the U.S., as well as in the U.S. and we are looking at things to take us into new customer segments. And probably the best way to think about that is through new sectors or new verticals. So really, we're looking at both and hopefully, evaluation expectations will change over time.

Carlos Boyce - *Morgan Stanley - Analyst*

Okay. Thank you very much.

Operator

Your next question will be from the line of Imran Khan of J. P. Morgan. Please proceed.

Imran Khan - *J.P. Morgan - Analyst*

Yes, hi. Thank you for taking my questions. Two questions. First, you talked about entering into new markets. I was wondering if you could isolate some of the cost assumptions you're looking into getting into those markets and what revenue assumptions

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you're looking into getting into those markets. And secondly, I have housekeeping questions. Can you give us some color, like what the breakdown of posting revenue versus package revenue for EFC, what kind of trends you're seeing on that? Thank you.

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

Okay. The first question. In terms of the new markets, the revenue assumptions are tiny, in part because we haven't talked about when we expect to actually launch them and we generally launch them organically with existing customers' needs for eFinancialCareers. That's been the history. So the revenue side will be relatively small in '08.

The investment side is also relatively small because we balance the traffic, international traffic and local traffic, needs and so and I think we've said this before about launching such. We've already launched, in the last 12 to 18 months, that we do it on a relatively low investment basis on the eFinancialCareers side. Sorry, Imran. Do you mind saying the second question again?

Imran Khan - *J.P. Morgan - Analyst*

The second question, in terms of EFC revenue source, can you give us some color? Like what percentage of EFC revenue was package revenue versus job posting?

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

Yes, we haven't disclosed it publicly. The way that eFinancialCareers is sold around the world is much more of a mix of either slots, which is generally the way Dice is sold in the U.S. and listings, together with database access. If you put the packages together, either in database access with slots or database access with postings, that is the majority of the revenue of eFinancialCareers, like it would be at Dice but for the listings versus slots.

Imran Khan - *J.P. Morgan - Analyst*

All right. Thank you.

Operator

(OPERATOR INSTRUCTIONS)

Your next question will be from the line of Doug Anmuth of Lehman Brothers. Please proceed.

Unidentified Participant

Good morning. This is actually [Brian] on the call for Doug. I had a quick question. I was wondering if there was anything in a downturn in the slowdown that you're seeing during this quarter that surprised you or some behavior, particularly from the financial companies, that surprised you? And I guess, secondly, in terms of the consulting companies versus the direct hiring companies within DCS Online, are you seeing real softness amidst financial companies sort of slowing down their own tech hiring? Thanks.

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

I think, first, were there any surprises or are there any surprises that we're seeing in this slowdown? Really, not too many. I think that we really expected that if the economy, as we mentioned in our last call with the guidance for the year, we really expected

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that if the economy began to slow to a great extent, which I think will be confirmed when the final statistics come out on the first quarter.

That what'll happen is it'll impact the direct hiring companies first because these are the companies that have the greatest exposure outside of some of the sectors of the economy that are doing very well or continue to do well. And so I think we expected it. I think it came true and now we're adjusting our thinking and our approach to those customers and to the U.S. business, going forward.

As far as financial services firms, what's interesting what happened in the first quarter in the U.S. for months and months, there was lots of talk in the press about the turmoil in the financial markets really since starting in mid summer, as I'm sure you all remember. But we didn't see much behavioral change in the customers.

They continued to recruit aggressively. They continued to buy additional amounts in their packages, and I think what happened in probably February and then leading up to the Bear Stearns announcement was a big change in psychology effecting a lot of financial services firms and others who play in the market but don't have the kind of exposures that the bigger banks have.

I think it really has -- we've really seen a change in psychology where they abruptly change their plans. And so that's what's happened in the U.S. Really, we have not seen that happen outside the U.S. and I think what we're looking at and monitoring is whether that will happen outside the U.S.

In terms of financial services use of IT professionals, it continues to be more steady than what you see in terms of recruiting for financial services or capital markets professionals by those same players. And I think that's a function of many of these institutions still have very large technology projects that are underway. Many of them have technology implementation that's going to cause cutting in their organizations and so I think that preserves that part of their business and that part of their recruiting.

Unidentified Participant

I just had one quick follow-up question. You provided at EFC, the UK was up 44%, year-over-year. What was it up in 4Q?

Mike Durney - *Dice Holdings, Inc. - SVP Finance, CFO*

It was in the same range, high 40%s.

Unidentified Participant

Okay. Thank you.

Operator

And there are no more questions at this time. I will turn the call back over to Jennifer Bewley for closing remarks.

Jennifer Bewley - *Dice Holdings, Inc. - Director, IR*

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 Investor Relations at 212-448-4181 to be placed in the queue. Thanks.

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Operator

Thank you for your participation in today's conference. This concludes our presentation and you may now disconnect. Have a wonderful day.

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