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## Conference Call Transcript

DHX - Q4 and Year End 2009 Dice Holdings, Inc Earnings Conference Call

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## PRESENTATION

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**Operator**

Good day, ladies and gentlemen, and welcome to the Fourth Quarter and Year End 2009 Dice Holdings Earnings Conference Call. My name is Eric. I'll be your audio coordinator for today. At this time, all participants are in a listen only mode. We will facilitate a question and answer session at the end of the presentation.

(Operator Instructions)

As a reminder, the conference is being recorded for replay purposes. I would now like to turn your presentation over to Ms. Jennifer Bewley, Director of Investor Relations. Please proceed.

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

Thanks, Eric, 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 fourth quarter and full year 2009. A copy of that release can be viewed on the company's website at [diceholdingsinc.com](http://diceholdingsinc.com). In fact, we routinely post all 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 the future financial and operating results of the company and its businesses.



These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological, and/or regulatory factors.

The principal risks that could cause our results to differ materially from our current expectations are detailed in the company's SEC's filing, including our annual report on Form 10K in the sections entitled "Risk Factors," "Forward-looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operation."

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 8K that has been furnished to the SEC both of which are available on our website. Now I'll turn the call over to Scot.

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

Thank you, Jennifer. First let me welcome all of you to the Dice Holdings Fourth Quarter and Full Year 2009 Conference Call. I'll start today by briefly discussing our fourth quarter performance, including our perspective on current market conditions and how they are impacting our business. And then I'll hand it over to Mike Durney, our CFO, to take you through our financial performance in greater detail and our guidance for the year. After Mike, I'll make a few closing remarks, and then we'll open up the call for questions.

So now for the fourth quarter. On our last call I described how the recruitment market appeared to be leveling off. Well, that trend continued through the fourth quarter and, more importantly, market conditions improved in our core technology and financial services sectors which led to a better than expected close to the year.

In Q4, worldwide revenues declined 25% year over year to \$26.7 million, but were flat to Q3. In addition, our deferred revenue balance posted its first quarterly increase since the beginning of 2008 driven primarily by the momentum that we're seeing in the Dice.com business.

In North America, we saw a small increase in recruiting activity across our professional sectors driving up usage on our own websites during the quarter. For example, the number of resume database searches on Dice.com was higher in Q4 than in Q3 or earlier in the year, and the number of jobs listed on the site also increased. Today the Dice.com job count is about 14% higher than just six months ago.

As we have said many times, the job count is not a perfect measure of our business in the short term, but it is a good directional indicator over the long term. Outside North America, recruiting activity appears to be improving but at a much slower pace. Activity in financial services is noticeably better in the UK and the Asia-Pacific region, while the recovery in continental Europe has been slower and more mixed.

Overall the positives signs we began to see in the third quarter are more broad based today and we are pleased with how we closed the year. As we move into 2010, our attention will remain focused on our core customer segments and markets as we seek to make the most of the customer opportunity we have and the improving market conditions.

Let's talk a bit about our key services. At Dice.com, traffic to the site grew modestly year over year in the fourth quarter averaging about two million unique visitors per month with strong growth in some key technology markets like Seattle, Chicago and the Baltimore area.

In addition, the resume database continued to grow, including both passive and active candidates. In the fourth quarter alone, we added about 75,000 new resumes. On the customer side, renewal performance was better than expected as companies and recruiters are busier today and are generally anticipating a steadier recruiting need throughout 2010.

We were also surprised by the level of new business during the quarter, which was stronger than November and December of last year. At eFinancialCareers, traffic was stable with the normal seasonal downturn that we see at the end of the year. Local applications to local jobs remained strong growing 33% year over year on a per job basis. And eFinancialCareers also added about 75,000 new resumes in the quarter.

Business sentiment continues to improve in financial services fueled by the rebound and relative stability in the financial markets. During the quarter, we saw increased interest from sell side clients and recruiting agencies primarily in the UK, the US and Asia markets.



In December, we launched our new China career site listing positions available in mainland China and initially focusing on cross border recruitment. Although the site is quite small today, China and the region will continue to be a focus for EFC going forward.

So what do we expect to see in 2010? We believe that the recruitment market will continue to improve in a slow and measured way. As long as economic growth continues, we believe that the improving economy will drive greater usage of temporary staffing and eventually fulltime hiring, especially in the skilled professional areas where we compete.

We are watching with great interest what happens to employ turnover after we finish this bonus season. As you know, turnover is a significant driver of recruiting activity and given the overall dissatisfaction amongst professionals today, we believe turnover will increase in 2010 in all of our segments as professionals become more confident of their prospects.

One thing I'd like to mention is that as the labor market recovers we do expect that traffic to our career sites will level off or even decline. This is a natural result of the market returning to normal as professionals become less concerned about their job security and become more selective with their applications. We are likely to see this shift in 2010, but given our ability to manage our marketplaces, we don't foresee any performance issues.

So what can you expect from us in 2010? First, we will focus on our core site customers and markets, investing more in marketing to grow our customer base, including winning back those customers who have used us in the past and reaching out to professionals with unique and hard to find skills.

We will increase our investment and product development, and have already begun to do so with the goal of making our services more interactive and fostering more direct engagement and networking between our communities and employers.

We will build out our healthcare site, AllHealthcareJobs, and further develop the healthcare vertical. And finally, we'll continue to pursue growth opportunities in new verticals and regions around the world. We think it's going to be an exciting year. So with that, let me turn it over to Mike.

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

Great, thanks, Scot, and thanks to everyone for taking the time to join us today on the call. From an overall point of view, the fourth quarter was a pretty good one with the actual results relatively strong and more importantly some positive indicators about the near term direction.

We've talked about stabilization in the business for a few months, and that is evident in the financial performance in Q4 as compared to Q3. In the quarter, revenues totaled \$26.7 million, flat from Q3, and each of the segments was roughly flat.

Adjusted EBITDA totaled \$11.4 million, down approximately \$600,000 from Q3. That decline on flat revenue reflected for the most part an increase in sales and marketing, and the biggest piece of that increase was in sales compensation given the strong sales finish to the year.

That strong finish led to the sequential increase in deferred revenue from the end of Q3 that Scot referred to earlier, the first increase since the first quarter of 2008. So that overall performance leads us to start to be relatively optimistic about 2010 which I'll provide some more thoughts on shortly. With that overall view, let's look at the segments.

Starting with the DCS online segment, revenues declined 24% year over year to \$19.4 million. Both new and renewal business at Dice improved sequentially. Given the seasonal pattern, typically you would see solid results in the renewal business and certainly that was the case.

However, you wouldn't necessarily see growth in new business, so that result is a bit of a good sign. All in all, the fourth quarter was the best quarter in absolute terms that the Dice.com service has seen all year. The renewal rate on annual contracts continued to improve in the fourth quarter at 66%, up from 60% in the third quarter and from 55% in last year's fourth quarter.

The December 31st customer count was 5,900, down 400 from the customer count at September 30th. This reduction reflects a typical seasonal pattern and was an improvement from the 1,200 net reduction in Q4 '08.

In order to enhance our information disclosure starting this period, we'll report the average number of Dice recruitment package customers for each quarter. And in the fourth quarter, the average customer count was 6,250. That average, when compared to the quarter end number, demonstrates the impact of contracts expiring on the last day of the year.

Historical average recruitment package customer count data back to the first quarter of '07 is available on our website. Moving on to other metrics, about 87% or 5,100 of our recruitment package customers are under annual contract. That 5,100 is flat from Q3.

The average monthly revenue per customer was \$808, down from the third quarter's \$815, and down five percent from last year. This is primarily driven by adjustments in service levels and the mix of the size of customers. It is typical that new customers come on at lower service levels and therefore don't fully offset the impact of larger customers having reduced their level of service.

Rounding out the DCS online segment, clearance jobs continued to deliver with revenues up 26% year over year. Switching to eFinancialCareers segment, revenues declined 24% year over year to \$5.8 million, or a decline of 27% measured in pound sterling. So for purposes of discussing the geographic regions, I'll refer to the results in pound sterling as the best measure of the underlying business trend.

In the UK, revenues declined 28% year over year and were flat sequentially, including measuring against the impact of revenue from the financial markets publication issued in the third quarter. Activity in the UK seems to be picking up.

In Asia, our revenues decreased 22% year over year, but increased sequentially. Financial services recruitment activity in the region has definitely increased although there is still caution related to longer term commitments.

And in continental Europe and the Middle East, revenues decreased 33% in the quarter and were flat sequentially. We have yet to see a meaningful change in recruitment activity on the continent. However, there were some unanticipated year end orders from customers using available budgets. That may be a sign that this market will improve.

Other revenues declined in total 33% year over year to \$1.5 million driven primarily by jobs and the money and the job fair business. For eFinancialCareers in the US, revenues declined 20% year over year, but it was the highest revenue quarter of the year. We are beginning to see some more consistency throughout the customer base with slightly better activity from the sell side and possibly the beginning of stabilization on the buy side.

AllHealthcareJobs is also included in other and has continued to grow, although off a very small base. Adjusted EBITDA totaled \$11.4 million, or 43% of revenues. Sales and marketing expense totaled \$9.1 million for the quarter, higher than our expectations due to the sales compensation expense I mentioned earlier.

Net income for the quarter totaled \$3.9 million, or \$0.06 per diluted share, which includes a mark to market gain of \$454,000 from our interest rate swaps. This compares to a loss in last year's fourth quarter driven by a non-cash impairment to our goodwill.

So moving over to the balance sheet and cash flow generation, as stated earlier deferred revenue at December 31 was \$33.9 million, an increase from the September 30 balance of \$31.6 million, and down from \$40.8 million as of December 31, '08. The sequential increase resulted from a higher renewal rate on annual contracts, and some increases in new business generation, together with some customers renewing their 2010 contracts prior to the end of the year.

We generated \$6.2 million of cash from operations this quarter compared to \$4.4 million in the year ago quarter for a total of \$22.6 million for the year. The biggest driver of the increase in the quarter was the generation of deferred revenue offset by an increase in the accounts receivable which arises from the billing of a significant amount of year end contracts right at the end of the year which will be collected in 2010.

Free cash flow totaled \$5.5 million for the quarter, and \$19.8 million for all of 2009. Net debt defined as total debt less cash and cash equivalents of marketable securities, was \$1.2 million at December 31 compared to \$6.3 million at September 30th. At year end, our total debt was \$50.3 million.

With the overall improvement in the environment, we've reinitiated our debt prepayments in January with a \$5 million prepayment and, in addition, we prepay a further \$5 million during February. From a cash usage standpoint, you can expect that we'll continue to prioritize our cash uses, of investing in our brands, expanding into new geographies or new verticals, and debt prepayments. So to sum it up, we delivered a decent financial performance during the fourth quarter against a fairly poor environment early in the year but which got progressively better throughout the second half.



So let's move on to our first look at anticipated financial performance for 2010. At this time last year, we believed that continuing to provide financial guidance in the face of very uncertain economic conditions was important, but we thought it best to move to a single point, best estimate approach rather than provide a range.

At the time, we believed that we would generate \$110 million of revenue and \$45 million of adjusted EBITDA for 2009. And although we had a dip in the environment at the end of Q1 and during Q2, we still generated \$110 million of revenue and \$49 million of adjusted EBITDA. Not bad.

As we look at where we are today, we think about a couple things. The environment has gotten better and activity is up, but off a relatively low base. Also it appears as though the return to growth in the employment markets will be slow.

In our business, when we start to see an upward turn in the environment, we find ourselves in the midst of two lags. The first is the operational lag during which needs increase, but customers or their providers use existing availability either in contracts with us or their internal resources. It takes a period of time for them to exhaust their contract capacity.

The second is the financial lag where we start to see more contract activity, but the combination of investing in product and marketing, together with the revenue recognition lag from advertising revenue, creates a drag on margin. These two are not sequential and they do overlap.

At this point, we find ourselves in the midst of the operational lag and the beginning stages of the financial lag. So with that as a backdrop, let's look at where we expect to be first for the year and then for Q1. We currently expect revenue of approximately \$110 million and adjusted EBITDA of \$42 million for 2010.

We believe that the revenue performance will gradually improve throughout the year, so you can essentially look at 2010 as a mirror image of 2009 with revenue roughly flat in the first half of the year, which is flat with the second half of '09, and increasing so that Q4 2010 would be effectively the same as Q1 2009.

From a metric standpoint, remember that we're coming into 2010 with 5,900 Dice customers, whereas we began 2009 with 7,600 customers. And we expect the customer count to grow throughout the year. We have deferred revenue of approximately \$33 million coming into 2010, whereas we had \$41 million entering 2009. So while revenue performance will be roughly flat, we do anticipate an increase in sales activity during 2010.

On the cost side, a little perspective. Total cash operating expense in 2009 was approximately \$60 million, so operating expense, excluding depreciation, amortization of intangibles and stock based comp. That \$60 million was \$27 million lower than the \$87 million incurred in 2008, or about a third less.

In 2010, we expect to increase expenses to \$68 million, about 13% higher. That increase in expenses of \$8 million is roughly allocated as follows: a third to marketing, a third to product development, and a third to everything else, including increased sales compensation costs from greater sales activity.

That increase in expenses on flat revenue yields and EBITDA estimate of \$42 million, or 38% of revenue, slightly below our long term range, but an investment for anticipated growth coming out of 2010. Quickly moving down the income statement and amortization expense will be lower in 2010 given the write off in certain of the assets acquired.

Amortization of stock based comp will be approximately \$4 million, down from \$5 million in 2009. And interest expense is expected to \$4.5 million, which includes \$800,000 of amortization of deferred financing costs and approximately \$600,000 related to the remaining interest rate swap, so net income is expected to \$13.5 million.

We expect CapEx this year to be in the \$4 million to \$5 million range reflecting continued investment in the products and free cash flow to be more than \$20 million. And quickly, looking at the first quarter, we expect revenue of \$26 million, roughly flat with Q4, sales and marketing expense of approximately \$10 million, and EBITDA of \$9 million or a 35% margin.

So in conclusion, we've just finished a pretty rough year for our industry and emerged from it pretty well. Late in the year, we began to gear up for growth which we believe we're at the forefront of. We'll make investments to grow the business, but you can expect us to be prudent in those investments as we always have been. And if 2010 plays out the way it looks to us now, you should expect some pretty decent growth in 2011. And with that, I'll turn it back to Scot.

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



Thank you, Mike. Let me conclude today with a few thoughts. At the beginning of 2009, we said that we would be facing a tough year and it certainly turned out to be one. We acted quickly to manage through the downturn, and despite a 29% decline in revenues we delivered adjusted EBITDA margins of 45% and generated free cash flow of just under \$20 million.

In addition, we entered a sizable new market with our acquisition of AllHealthcareJobs, providing yet another leg of growth for our company. And finally, we improved the performance of our core services, expanding their value to both customers and professionals alike.

It appears to us that our business bottomed out in the second quarter of last year, and the gradual improvements we have experienced since then leave us optimistic about 2010. In January, we laid out our growth roadmap for the company, which shows how we can grow our business in the coming years. With the improving market conditions, we now see the opportunity to execute on that growth strategy and we'll spend it judiciously to go after it. I'd like to thank all of our employees for their continued focus and hard work. Thank you all for listening. Let's open up the call for some questions.

## QUESTION AND ANSWER

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### Operator

Thank you.

(Operator Instructions)

Your first question comes from the line of Youssef Squali with Jefferies & Company. Please proceed.

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### Youssef Squali - Jefferies & Co. - Analyst

Hi, good morning. This is Sundeep Saudia on behalf of Youssef. Just two quick questions. First, in terms of the 2010 guidance, how much growth are you expecting from AllHealthcareJobs? And also are you baking in any growth or contribution from any new verticals in 2010 or is this all organic? And then I have a quick follow up.

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### Michael Durney - Dice Holdings, Inc. - SVP - Finance, CFO

Sure, to take the second part first, there's no growth assumptions in here for new verticals so the revenue and EBITDA performance that we expect is purely from the businesses we have. We do expect AllHealthcareJobs to grow pretty significantly, again off a relatively low base. We're making investments in the product, building out the sales force, making investments in marketing, so we expect a decent level of growth. But from an overall contribution, it will remain in 2010 a very small part of the overall plank.

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### Youssef Squali - Jefferies & Co. - Analyst

Got it. And then I saw that the renewal rates are improving which is a good sign. But I'm just thinking how do you - how would one plan to improve the renewal rates back to the historical range that you had, especially when the pricing climate is fairly promotional?

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### Scot Melland - Dice Holdings, Inc. - President, CEO

Well, I think the renewal rates on a customer basis we expect to improve just because the market conditions are improving and most of the customers that we're speaking with are more - they're busier. They're more active today and have greater need for our service.

On the pricing front, I think it's our belief that as the market improves in general there'll be greater need for services - for our service and services like us. And so as a result, we think the pricing environment will probably improve and become a little bit less promotional. We're not expecting any increases in prices, but I think it's probably a less promotional environment overall.

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**Youssef Squali - Jefferies & Co. - Analyst**

So that should stabilize then over time?

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

Yes.

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**Youssef Squali - Jefferies & Co. - Analyst**

Okay. All right. And just one quick thing, in terms of the long term EBITDA margins, I mean is the - how should we think about that? I understand the need for reinvestments for this year, but how is that trending? How should we look at it?

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

Yes, I think the - nothing's changed in our view of long term margins. We believe they should be for our business in the low 40s to 45% and nothing's changed. You know, I referred to the financial lag where we see enough good signs, where we're making some level of investment. Again, for context, the expected cash operating expense increase this year is \$8 million off of last year, but that does have a margin impact in the near term. But overall, on a long term basis, we don't expect any change.

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**Youssef Squali - Jefferies & Co. - Analyst**

Okay, good. Thanks.

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**Operator**

Your next question comes from the line of John Janedis with Wells Fargo. Please proceed.

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**John Janedis - Wells Fargo Securities LLC - Analyst**

Hi, thank you. Two quickies here, please. First, when looking at your flat revenue guidance, can you help us think about the underlying assumptions there meaning do recruitment package customers need to get back to the 7,000 level? And does that mean the average revenue at Dice.com moves back to the twenties? And then I've got a follow up.

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

Yes, I think we would expect there'd continue to be a drag in average revenue per customer during the course of this year and into next year, but that will turn at some point as customers upgrade their levels of service. So we expect that that will drag for the near term and then turn upward.

We do expect that there's some increase in revenue from non-recruitment package customers, so there's classified revenue and there's advertising revenue. Those aren't huge contributors, but we do expect that in a better environment that will generate slightly more revenue as a percentage of the total. Clearance jobs we expect to continue to perform well, so that will drive some of the revenue on the DCS line.

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**John Janedis - Wells Fargo Securities LLC - Analyst**

Okay. And then just on the EFC front, it looks like you're expecting I think that property if you will to outperform the rest of the portfolio. So I think the guidance implies maybe up mid-singles. I'm wondering how much of the improvement is from your strategy to go really beyond I guess





the core job categories historically? And given the structural changes in the industry, how big do you think the address of a market there is here at this point, meaning '10?

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

Well, I think a lot of the growth that we foresee in 2010 actually is not related to the expansion into the broader categories. It's really coming from the core EFC business, you know, the core investment banking, core financial services job categories.

The broader categories we've had some success there, but I think just the overall environment impeded our success in 2009 and we're really not counting on that. We think we can achieve more there, but we're really not counting on that in 2010. As far as the overall market potential, I think we haven't really at this point really haven't updated our view on that.

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**Operator**

And your next question comes from the line of John Blackledge with Credit Suisse. Please proceed.

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**John Blackledge - Credit Suisse - Analyst**

Thanks. Two questions. The first one would be would you expect to add another vertical in 2010 or invest resources to grow the healthcare vertical? And then second, as the recovery ensues, both in your business and the broader economy both domestically and internationally, do you see any secular headwinds with the emergence of social networks or other competition that could curb the slope of the recovery as we head past 2010 into 2011 and beyond? Thanks.

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

I think on the first question about an additional vertical, you know, if we find the right thing, if we find the right deal and the right opportunity, we'd love to add a vertical in 2010. I think there's nothing imminent right now and there's nothing - as Mike pointed out earlier - there's nothing in the forecast for 2010, but sure we'd love to do it.

As far as secular headwinds, as you know there are different and new ways of recruiting that use social technologies - LinkedIn is probably the best example of that. We haven't seen that affecting our business directly and so we really don't foresee any secular headwinds at least for our business going into 2010, 2011.

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

Yes, I think we've said publicly a few times our view of the way the marketplace works in poor times, people who recruit - either direct employers or recruitment firms and staffing firms - tend to weigh the value of time versus the value of dollars. And in poor times, dollars become more valuable and time is less so obviously because they have more time to fill their needs.

In times of improvement or tightness in the labor market, that equation tends to shift and time is more valuable than dollars at some level. And we expect that as that shift happens - it's started to happen we believe and continues to happen - that we will get the benefit of that because there's a proven track record for our services in terms of efficiency that recruiters will pay for.

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**John Blackledge - Credit Suisse - Analyst**

Great, thank you.

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**Operator**

Your next question comes from the line of Joe Alkire with William Blair and Company. Please proceed.



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**Joseph Alkire - William Blair & Company - Analyst**

Yes, thank you. I was wondering if you could talk a little more about the new sales and renewal activity during the quarter. I know it's seasonally a stronger period for deferred revenue, but I'm just wondering if the customers are expanding their packages or are these more customers returning to Dice?

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

Yes, I think we have seen some customers expand their package, but not very pervasive yet. I think that falls into the operational lag where they're renewing their contracts, they may renew them at the same level which is a commitment for annual contracts. There's a commitment for the year where they can certainly go up if they need to add, but cannot go down because those contracts are firm. So we haven't yet seen a lot of expansion, but we have seen it to some degree.

And on the new sales, some level of the new sales are people coming back. They may have been gone for three months or six months or even a year or longer and that is a driver of the new business activity with people coming back either at the existing firm or they may have moved somewhere else and generated new customer activity - new customer opportunity for us.

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**Joseph Alkire - William Blair & Company - Analyst**

Okay. And then I know this is how you measure renewals. Some get - if a renewal gets pushed out it to a certain extent gets lost. And I'm wondering to the extent somebody delayed their renewal from 4Q to 1Q, have you been able to sign those customers? I know it's still a little early, but any color you can provide there would be helpful.

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

Yes, that does happen. So there are renewals that don't close in December because of vacations or other priorities and we have seen some of that. I don't think it's terribly different than we've seen in the past except in 2008 into 2009 given how bad that was. But we have seen that happen. The customer count is higher today than it was at the end of the year which reflects some number of customers coming back that didn't renew in December.

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**Operator**

(Operator Instructions)

Your next question comes from the line of Craig Huber with Access 342. Please proceed.

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**Craig Huber - Access 342 - Analyst**

Yes, good morning. A couple minor questions and I'll follow up. What was your number - your employee count at year end please? And then also you mentioned early in your prepared remarks that your resume searches were up in the fourth quarter. I'd just be curious if you could quantify how much that was up and I'll follow up.

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

The employee count was 265 at the end of the year which is the same as it was at the end of September.

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

You know, on the resume search side, it was up in the fourth quarter versus the third quarter versus the second quarter, so it's been a progression throughout the year. But we have not released those operational statistics publicly.

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**Craig Huber - Access 342 - Analyst**

Okay. And then your margin guidance for the first quarter, can you just give us a little more understanding why do you think it'd be roughly 35% adjusted EBITDA margin in the first quarter? I realize you're talking about roughly \$10 million for sales and marketing, but you're talking about \$26 million of revenues. Can you talk about some of the other costs that you're anticipating ratcheting up here in the first quarter versus the trends that we've seen here recently to push the margin down to roughly 35%?

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

Sure. I mean the biggest is in product development we are hiring people in the development and product management group. We're making some investments in services - add on services. We're investing in AllHealthcareJobs - into that site and making some changes in that site. That's the biggest piece.

There's some other minor stuff that aggregates to some percentage of revenue which people like to talk about occasionally, but there's the onset of payroll taxes for employees and there's some other costs we incur in the beginning of the year. But product development really is the driver.

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**Operator**

Your next question comes from the line of Imran Khan with JP Morgan. Please proceed.

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**Imran Khan - JPMorgan - Analyst**

Yes, hi. Thank you for taking my questions. I have two questions about guidance. First, about the Q1 revenue guidance. If I look at historically since 2004 since like every quarter in Q1 your revenue grows sequentially from Q4 except for Q1 of 2009 when the economy was in pretty bad shape. Why do you think your revenue will decline sequentially from Q4 to Q1, again considering things are getting better?

And secondly, you give both EBITDA guidance and EBITDA margins guidance. How committed are you to the margins guidance, i.e., that is if your revenue is better like fourth quarter? Are you going to see the revenue flow to the EBITDA or you will increase investment to match the revenue and still guide towards - to get to your margins guidance? Thank you.

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

Yes, okay. So on the first question, we have this debate internally all the time. So we say it's declined. We try to use round numbers, so I said flat. It actually is a slight decline if you use the \$26.7 million to \$26 million. And I think I've said this before, there is some rounding aspect to that so it - let's talk about in concept as flat.

I think the driver today is the environment is certainly better. It's better off a relatively low base. One aspect is if you look at Q4 and focus on the average customer counts, we'll just focus on Dice for a moment, the average customer count was 6,250. So if we go from 6,300 to 5,900 and the average is 6,250, that implies we had a good number of customers through the end of the year.

And remember we've talked about it in the past that during '09 we did sell a number of customers -- which approximated 250 -- in the middle of the year that were good to the end of the year some of whom renewed but a majority of which did not renew by the end of the year of that group. So we start out the quarter 400 lower than we started Q4 and 350 lower than the average for Q4.

It takes some amount of time to get those back and it's one of the reasons why we talk about relatively flat in the beginning part of the year and revenue growing for the end of the year because we expect to get some number of them back. So that's the - that's why we think the revenue will be relatively flat because we need to make up some number of those that were customers for the full fourth quarter.

On the margin, we're committed to spending prudently. If revenue exceeds our estimate, it is likely that in the short term it would flow through to EBITDA and the margin percentage would go up. We don't spend to maintain a margin.

Having said that, we will spend in product and spending in marketing to continue to drive value for the customers, and as it gets harder and harder to fulfill the activity level requirements from customers we may have to spend. But the simple answer to your question is it will flow through in the short term.

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**Imran Khan - JPMorgan - Analyst**

All right, thank you.

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**Operator**

Your next question comes from the line of Adam Koser with Stifel Nicolaus. Please proceed.

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**Adam Koser - Stifel Nicolaus & Company Inc. - Analyst**

Good morning. Could you guys talk a little bit about how renewals trended between your direct employer customers and your staffing firm customers?

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

Renewal behavior was roughly similar. I think what we're seeing in some of the direct customers is that the service levels still tend to be a little bit more challenged than the service levels we see in the - on the staffing and recruiting side. But as far as renewal behavior it's basically similar between the two.

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**Adam Koser - Stifel Nicolaus & Company Inc. - Analyst**

Okay. And I know this is the first time you guys are providing actual guidance for 2010, but based on how renewals have trended so far and how the quarter went and now what you're seeing in the early time in 2010, have you guys changed how you were thinking about sales and marketing spent or product development from before versus now?

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

Not really. I mean we put most of the planning for 2010 in place in November and December of this year so we've just really gone through one month now in 2010 and so we're continuing to really execute on what we put in place. So at this point really no change.

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**Adam Koser - Stifel Nicolaus & Company Inc. - Analyst**

Okay, thanks.

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**Operator**

Your next question is a follow up question from the line of Craig Huber with Access 342. Please proceed.

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**Craig Huber - Access 342 - Analyst**

Yes, good morning. Can you just update us - your marketing or advertising spend in 2009 - can you break down how that spend was for the folks looking for jobs versus your customers who are actually paying for your service? How did you roughly break that down into your advertising budget versus how did that play out in 2008? Thanks.

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



Sure. So historically the split - so if you take the sales and marketing line, a third of it is sales cost which is generally sales people compensation, and two-thirds of it is marketing cost. And historically the split between marketing to job seekers and marketing to customers has been roughly 75/25; 75% to job seekers, 15% -- or 25% to customers. During '09, that began to move from 75/25 almost towards 50/50. So at the beginning of the year it was two-thirds/one-third and by the end of the year it was probably 55/45.

Having said that - and we've been pretty clear about that in the past and we're happy to talk about how we split them - there is some level of cost that transcends both. The easiest example is we do some amount of radio advertising that reaches both job seekers and reaches potential customers and the messaging on it is geared towards reaching both. But I think the simple way to answer the question is the move has been from roughly 75/25 to 55/45.

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**Adam Koser - Stifel Nicolaus & Company Inc. - Analyst**

Great, thank you.

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**Operator**

Ladies and gentlemen, this concludes our Q&A session. I would like to turn the call over to Jennifer Bewley for closing remarks.

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**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**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes our presentation. You may now disconnect, and have a good day.

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