

# FINAL TRANSCRIPT

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## **DHX - Dice Holdings, Inc. Acquires Rigzone - Conference Call**

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## CORPORATE PARTICIPANTS

**Rachel Cecarelli**

*Dice Holdings, Inc. - PR, IR Associate*

**Michael Durney**

*Dice Holdings, Inc. - VP of Finance, CFO*

## CONFERENCE CALL PARTICIPANTS

**Tim McHugh**

*William Blair - Analyst*

**Craig Huber**

*Access 342 - Analyst*

**Lev Polinsky**

*JPMorgan - Analyst*

**John Blackledge**

*Credit suisse - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Dice Holdings, Inc. acquires Rigzone conference call. My name is Tawanda and I will be your coordinator for today. At this time all participants are in listen-only mode. Later we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to Ms. Rachel Cecarelli, public-relations investor relations associate. You may proceed.

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**Rachel Cecarelli** - *Dice Holdings, Inc. - PR, IR Associate*

Thanks and good morning, everyone. With me on the call today is Michael Durney, Senior Vice President of Finance and Chief Financial Officer. Please note this morning we issued a press release describing the Company's acquisition of Rigzone. A copy of that release can be viewed on the Company's website at [DiceHoldingsInc.com](http://DiceHoldingsInc.com).

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

Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological and/or regulatory factors. The principle risks that could cause our results to differ materially from 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 operation.

The Company is under no obligation to update any forward-looking statements except as required by the federal securities laws. Today's call may include certain non-GAAP financial measures including adjusted the EBITDA. For details on these measures, including why we use them, please refer to our previous earnings release which are available on our website. Now I'll turn the call over to Mike.



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**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Great. Thanks, Rachel, and thanks to all of you for joining us today on the call. As we announced this morning, we have completed the acquisition of Rigzone, the US market leader in the oil and gas industry delivering content, data, advertising and of course career services.

This acquisition, which largely complements the WorldwideWorker acquisition, further builds on our position in energy recruiting to create the leading energy recruiting service globally. In addition, Rigzone delivers a valuable content and data business that is industry-specific and specialized for the upstream oil and gas industry. So let's talk about the strategic rationale.

First, we've liked the energy sector for a long time and WorldwideWorker confirmed our hypothesis. The energy sector contains many of the characteristics that we like; it's highly competitive for talent with critical shortages in some areas and looming generational and geographical gaps. The sector values efficiency in finding talent, talent that is highly skilled, highly paid and generally needed immediately.

And there is a significant contract and project component to energy which creates turnover and significant effort in recruiting energy professionals. All good trends, but what makes energy the right fit for a specialized or vertical player is two points. One, companies need energy professionals with clear requirements and unique skills which is best served through specialized search. And two, there is a community aspect to the energy industry.

Rigzone was founded in 1999 and has built an unmatched energy community in the US. Rigzone has more than 500,000 unique visitors each month which may tap into the ad supported news on the oil and gas industry, the data services business, equipment brokerage, bookstore and of course the career center. It has over 600,000 registered users; its news service alone reaches over 150,000 e-mail subscribers each week and its career center has more than 300,000 resumes.

The combination of the career center with the data and content business has helped Rigzone build this community that is largely passive and spans the upstream oil and gas industry from drilling rig owners and operators to offshore support services employees, executives, recruiters and HR leaders, parts and equipment makers and industry workers at many skill levels.

To demonstrate the strength of the Rigzone brand, in the period immediately after the Deepwater Horizon disaster traffic increased by more than 200,000 unique visitors per month as people sought information from a trusted source. The Rigzone and WorldwideWorker services complement each other with Rigzone's traditional strength in North America and WorldwideWorker's focus on the Middle East, Asia and Africa.

When you consider Rigzone's US reach with WorldwideWorker's community that is more than 80% international, this is a powerful combination, a large and distinctive audience for energy recruiters, companies and advertisers.

Rigzone was founded by David Kent, Sr., a long time industry veteran and has been owned and operated by David Kent, Jr. for the past few years. The Kents and their entire team of about 15 people are joining the Dice Holdings family and we're thrilled to have their expertise to add to the WorldwideWorker team.

So here is the deal. The initial consideration is \$39 million in cash and was funded by borrowings under our new credit facility that we entered into at the end of July. In addition to the initial cash purchase price there is an earn-out future based on growth in revenue for the first year of ownership with a maximum payable of up to \$16 million in cash.

For the 12-month period ending June 30, 2010 Rigzone's revenue was approximately \$8.2 million, about half of that revenue was generated from the career center, about 25% from advertising some portion of which is actually career related, about 15% from subscription data services and the remainder from other smaller revenue streams.

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On a pro forma basis EBITDA for the business was approximately \$5.5 million or a margin of about 65%. Based on this cost structure and the great opportunity that exists we believe that the business can and should support further investment and we plan to invest in the business as we are investing in the WorldwideWorker business. However, we would still wide expect the Rigzone EBITDA margin to be higher than the overall Dice Holdings margin.

At our investor day on September 30 we will provide an update on the impact of this acquisition including near-term financial goals, we'll update how we plan to operate the WorldwideWorker and Rigzone sites and how the two will interact, and at that time we'll articulate our reporting segments given the significance of this acquisition to the Company.

So let me close by stating how thrilled we are to add Rigzone to the Dice Holdings businesses. We are the clear leader in online recruitment in technology, finance, security clearance and now energy and we have a growing business in healthcare. So with that brief overview, I'm happy to open up to questions. Operator?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Youssef Squali, Jefferies.

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### Unidentified Participant

Good morning, this is Sandeep sitting in for Youssef. Thanks for taking my questions. Just a couple of questions. So, in terms of your growth plans going forward -- a two part question -- give us some color in terms of how would you grow the -- both the energy sector acquisition that you just made recently, where the synergies are and how would you go from \$8 million today to five times that or more. How much of a runway do you have? Just thoughts on time frames, etc. And I have a follow-on.

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### Michael Durney - Dice Holdings, Inc. - VP of Finance, CFO

Sure. So if you look at the two businesses from a geographic standpoint there's very little overlap between them. They do share some customers; the customers seem to buy for different regions from the two services.

If you look at the Rigzone business, as I mentioned earlier, about half of it is from -- half of the revenue stream is from Career Center and then they have some other revenue streams which we're pretty excited about and we think some of that we can explore adding on to the WorldwideWorker service in terms of news and information sources. So there are growth opportunities there.

I think if you look at the two businesses, what we believe about Rigzone we certainly believed about WorldwideWorker when we bought it three months ago. And that is that there are other oil and gas, natural gas and other energy sectors where we think we can grow the business. And one of the things that we bring is a lead generation process and ability to support sales and growth and marketing which we expect to bring to them.

So I think if you look at our opportunity, the two of them together, we think certainly the opportunity is to double the business over a couple of years and we will articulate that when we have our investor day.



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**Unidentified Participant**

Okay. And I was on the site and it definitely seemed fairly content heavy, a lot of good content in terms of news and equipment data and all that. But I also noted that there were about 3,500 job postings, at least on the pace that I was in -- I wanted to just double-check if that's a fair assumption. Do you think the demand or the volume there is compelling enough or is job posting sort of not the right metric to look at this business from outside?

**Michael Durney - Dice Holdings, Inc. - VP of Finance, CFO**

Sorry, yes, the count -- this morning it was about 4,000 when I looked worldwide, of which a significant percentage of about 75% are in the US or focused on the US. That is a decent metric to look at. By comparison that is about 10 times higher than the WorldwideWorker site.

It is one of the metrics and it's no different than other services that we own in terms of using it as a metric. And I think the answer to the question is, yes, it is compelling enough and we think there's the opportunity to grow that by further penetrating the oil and gas and other energy sectors.

**Unidentified Participant**

I see. Just a follow-up on that. So the competitor sites that you must have done due diligence on, where do you place the activity on this site versus the others?

**Michael Durney - Dice Holdings, Inc. - VP of Finance, CFO**

I think if you look at the other major competitor direct competitor is Oil Careers which is based in Europe and has more jobs on the site. But based on the due diligence we found, we believe that the combination of these two together, we'll be the premium site.

**Unidentified Participant**

Got it. Thanks so much.

**Operator**

Tim McHugh, William Blair.

**Tim McHugh - William Blair - Analyst**

Yes, Mike, I wanted to ask about the pricing or the contract nature. Can you give us a little update? How does that compare to WorldwideWorker?

**Michael Durney - Dice Holdings, Inc. - VP of Finance, CFO**

Sure, sorry --

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**Tim McHugh** - William Blair - Analyst

No, go ahead.

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

So the pricing is lower, the pricing structure is actually relatively similar to the Dice business in the US -- for the Career Center the advertising is obviously different and is impression based, as you might suspect. But on the Career Center the pricing looks and feels like the Dice business, although it tends to be more non-annual than the Dice business, but the pricing is similar.

**Tim McHugh** - William Blair - Analyst

Okay. And can you give us at least some qualitative comment, what's been the historical growth rate of that revenue and EBITDA you've given for us? Has it been steady, have they seen significant growth in the last couple years, how has the business performed?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Yes, I think the business certainly was impacted negatively by the overall economic environment including oil prices over the last couple years. I would say that it grew significantly through 2007 into 2008, had a decline and has bounced back at a rate -- just by way of comparison -- at a rate that's faster than the Dice business has bounced back from the economic environment.

**Tim McHugh** - William Blair - Analyst

Okay. And then lastly, you mentioned you'll give us some more detail on the plans of integrating them and WorldwideWorker. But is it fair to assume that you would look eventually to kind of have one brand and one site in this sector or is there reason to think that you would maintain these two businesses separately and just have them work together behind the scenes?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Yes, for the near-term they're going to work separately and then share the benefits that each of them brings to the table. So we'll do a fair amount of coordinating. But the brands will be separate; they have slightly different focuses and slightly different value propositions in a couple of areas. I think over time what you'll see is a coordinated effort to how we sell and how we deliver the product, but that is to be worked out and we will talk about that a little bit more at the end of September.

**Tim McHugh** - William Blair - Analyst

Was this part of your strategy -- I mean, when you guys acquired WorldwideWorker was this part of how you had always planned to expand into North America? Or can you give us a sense if there was a little more opportunistic (inaudible) on the transaction with WorldwideWorker?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Yes, I would characterize it as we've been interested in Rigzone, we have worked with Rigzone over the past couple years specifically in the job fair business. So we've had a relationship with the Kents and the team for a couple years and really liked working with them and really liked the business.

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So, I would say that it has been on the radar screen the whole time we were prepared and happy to go forward with WorldwideWorker and expand that brand. And then we had an opportunity to join up with David and his group and so we took advantage of it.

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**Tim McHugh** - *William Blair - Analyst*

Okay. Thanks, Mike.

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**Operator**

Craig Huber, Access 342.

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**Craig Huber** - *Access 342 - Analyst*

Yes, good morning, thank you. Just a few housekeeping type questions first. What is the incremental depreciation and amortization on this acquisition on an annualized basis, first?

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**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

We will go through that at the end of September. We're still working on the purchase price allocation and the impact of the deferred revenue write-down, which, as you know, always has a significant impact early on and we'll come up with that and portray it at the end of September at our investor day.

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**Craig Huber** - *Access 342 - Analyst*

Okay. So you don't have a ballpark for that number now then?

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**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

No.

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**Craig Huber** - *Access 342 - Analyst*

Okay. And then is this -- the revenues for this on your P&L, is this going to be included in that other revenue line or are you going to break it out separately?

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**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

When we have our investor day we're going to recast the segments, but we will expand out the other segment, which we'll portray on September 30.

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**Craig Huber** - *Access 342 - Analyst*

Okay. And then just wanted to further understand. I think you mentioned 15 employees. Are those 15 inflows coming over to work for your company? Are there any additional employees that help run this whole operation or what?

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**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

There are 15, roughly 15 employees at Rigzone, they are all coming with us. And they're all based in Houston. And they will continue to be based in Houston and we are likely to add resources including people, both to the WorldwideWorker business and to the Rigzone business in the near-term.

**Craig Huber** - Access 342 - Analyst

And I guess my last question -- one of my last questions -- when you mentioned you were going to invest in this business, can you give us a little further clarity on what do you want to build out here further?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Yes, so, certainly lead generation and marketing the brand is one area, although I wouldn't say that that's a huge dollar amount. But we will invest in marketing and lead generation. Further personnel, we'll add a handful of people and we like each of the revenue streams and we're going to pursue how to grow each of the revenue streams in the Rigzone business and, as I mentioned earlier, look to see how we add those revenue streams based on Rigzone's experience into our other services.

**Craig Huber** - Access 342 - Analyst

And then while I have you here can I just ask a question just off-topic? I mean given the increased discussion in the marketplace of a potential massive slowing in the economy here you stepped up to talk about since your last public conference call. Is there anything new you can tell us on how your business is faring here versus what you told us last time?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Nothing has changed from what we said in July.

**Craig Huber** - Access 342 - Analyst

Okay. Very good, thank you.

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Okay.

**Operator**

(Operator Instructions). Imran Khan, JPMorgan.

**Lev Polinsky** - JPMorgan - Analyst

Yes, this is Lev Polinsky calling in for Imran. Thank you very much for calling on us. A quick question -- a bunch of our questions have been answered. One question that I wanted to ask, can you talk a little bit more about the customer base for Rigzone? Sort of who are the customers, is there a lot of concentration or is it fairly dispersed?



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**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Sure. The main customer base on the Career Center side are -- tend to be mid to large E&P type companies. There's a not a tremendous amount of overlap -- you didn't ask about overlap -- there's not a tremendous amount of overlap between WorldwideWorker and Rigzone. From a concentration standpoint I would characterize Rigzone as having slightly more concentration than the Dice business, but not a tremendous amount.

**Lev Polinsky** - *JPMorgan - Analyst*

And then just a quick question. Of the employees can you give us a rough indication of how by many of them are sort of more of a sales position, how many of them are creating the content, etc.?

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Sure. There's -- if you take 15 people and you look at the different revenue streams, basically there are one or two people in each of the areas. So there's a handful of people in the career services side, there are one or two people in the advertising side, there's a handful of people who do the news aggregation.

There's not a lot of original content created, for the most part it's aggregation. There's a handful, one or two, three people who work in the data services business. And then there are the traditional tech and infrastructure people. So for a relatively large business as online recruiting businesses go, there's a relatively few number of people.

**Lev Polinsky** - *JPMorgan - Analyst*

Okay. And then one last question. Just wanted to get a better understanding of what's driving the slightly higher margins, is it a bigger proportion of advertising as a part of revenue compared to Dice overall?

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Yes, I would say that what drives the margins is that this business was created a number of years ago, it was a grass-roots growth business by people who have been in the industry for a long time, they generated a fair amount of brand recognition through having the different parts of the business or the different revenue streams and they've been able to leverage that by providing a valuable service.

So historically there's not been a lot spent on sales and marketing and lead generation. Editorial or content is generated or sourced relatively inexpensively and they run a really lean, tight ship that's maximized the profits for the business.

**Lev Polinsky** - *JPMorgan - Analyst*

Great, thank you very much.

**Operator**

John Blackledge, Credit Suisse.

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**John Blackledge** - *Credit suisse - Analyst*

Thanks. Most of my questions have been asked. But, Mike, those numbers you gave, were they last 12 months? I'm sorry, I kind of missed that.

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Yes, the revenue and EBITDA was through June 30, 2010.

**John Blackledge** - *Credit suisse - Analyst*

Okay, so last 12 months. And how many customers do they have on the career side?

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

On the career side -- in the customer count the way we would do it from users and job posters it's a little over 400. They have some other spot users, but I would use 400 by way of comparison with what we report for the Dice business.

**John Blackledge** - *Credit suisse - Analyst*

Okay. And then could you talk to the -- I know someone asked about the historical growth, but the growth rated by segment historically or what they've done on a year-over-year basis, something?

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Yes, we're not prepared to give a lot of specifics going back in time. I think we're comfortable given what the business looks like today. I would say that when we look at the business breaking them down, the Career Center and the advertising businesses were both impacted by the overall environment and oil prices specifically in 2008 and into 2009 and have rebounded.

The data services business, given that it's an information, subscription-based business was not impacted by the downturn and has held up pretty well. To date it has not been a huge growth part of the business. But it held up quite well.

**John Blackledge** - *Credit suisse - Analyst*

And then just lastly on the margins, they'll stay around 65% with kind of increased investment or do you think they'll dip a little bit?

**Michael Durney** - *Dice Holdings, Inc. - VP of Finance, CFO*

Yes, our current plan is to have them dip slightly in the near term because we will make some level of investment, as I mentioned earlier, in lead generation, sales and marketing and we'll make some investments in the infrastructure and technology as we look to expand the offerings. But they certainly will be higher than the overall Dice Holdings margins.

**John Blackledge** - *Credit suisse - Analyst*

That's great. Thank you.

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**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Okay.

**Operator**

Youssef Squali, Jefferies.

**Unidentified Participant**

Hi, Mike, this is Sandeep again. Just one follow-on. So in terms of the margin profile, since there are at least three business segments -- you talked about the Career Center, the data services and advertising -- is the margin getting boosted by the other two services on the content side? And if you decide to boost the career part of the segment would that kind of change the margin profiles going forward?

**Michael Durney** - Dice Holdings, Inc. - VP of Finance, CFO

Yes, I think -- I wouldn't say that the margins are getting boosted by any one segment. The data services business has slightly lower margins than the other just because it's -- the effort required to aggregate the data which generates the value that they sell as part of a subscription package. The others are somewhat intertwined in the margins. I wouldn't look at the margins any different in the other businesses. I think the margins are boosted because they run a really great business.

**Unidentified Participant**

Makes sense, thanks.

**Operator**

And with no further questions I would now like to turn the call over to Ms. Rachel Cecarelli for closing remarks.

**Rachel Cecarelli** - Dice Holdings, Inc. - PR, IR Associate

Thank you for your time this morning and interest in Dice Holdings. Management will be available to answer any follow-up questions you may have. Please call me at 212-448-8269 to be placed in the queue. Thank you.

**Operator**

Thank you for joining today's conference. That concludes the presentation. You may now disconnect. And have a wonderful day.

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