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DHX - Q1 2012 Dice Holdings, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first-quarter 2012 Dice Holdings, Inc. earnings conference call. My name is Gina, and I will be your Operator for today.

At this time all participants are in listen only mode. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today, Ms. Jennifer Bewley, Vice President of Investor Relations and Corporate Communications. Please go ahead.

Jennifer Bewley - *Dice Holdings, Inc. - VP, IR & Corporate Communications*

Thanks, Gina, and good morning everyone. With me on the call today is Scot Melland, Chairman, President and CEO 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 first quarter of 2012. A copy of that release can be viewed on the Company's website at DiceHoldingsInc.com. In fact, we post all material information to our website and would encourage all investors to visit the site for more information on the Company.

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

Actual results may vary materially from those expressed or implied by the statements herein due to changes in economics, business, competitive, technological and/or regulatory factors. The principal risks that could cause our results to differ materially from our current expectations are detailed in the Company's SEC filings, including our annual report on Form 10-K in the sections entitled, Risk Factors, Forward-Looking Statements, and Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company is under no obligation to update any forward-looking statements, except as required by federal securities law.

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

With that I will turn it over to Scot.

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

Great, thank you, Jennifer. First, let me welcome all of you to the Dice Holdings first-quarter 2012 conference call. I will start today by discussing our first-quarter performance, including our thoughts on the key trends in each of our verticals. Then I will hand it over to Mike Durney, our CFO, to take you through our financial performance. Finally, I will make a few closing remarks and then we will open it up for some questions.

Q1 was a very good start to the year, as we continued to grow our customer base in professional communities around the world. We also made nice progress against our long-term operating goals. In Q1 revenues increased 15% year-over-year to $46.1 million. Customer billings also grew, increasing 10% year-on-year, with good performance at Dice and Rigzone, partially offset by a decline in billings at eFinancialCareers.

Adjusted EBITDA grew 16% to $18.5 million, and we generated nearly $22 million in free cash flow. These results, I think, demonstrate the attractiveness of our professional communities and the value and efficiency our services deliver for our recruiting and hiring manager customers.

Now let's take a look at our major brands. At Dice.com we continue to see healthy recruiting activity for technology professionals around the country, with no real shifts in overall market sentiment from this time in the last quarter.

Recruiting rebounded from the normal year-end seasonal dip, and as of the beginning of April job postings are up 11% year-over-year, with a bit stronger growth in some of the top regional tech centers like Boston, Atlanta and Dallas.

Sourcing activity is also strong as the number of resumes viewed on Dice increase year-over-year even when you account for the additional customers we serve. Those customers are searching a growing collection of profiles and resumes, with resumes up 4% year-over-year putting our searchable collection at over 1.4 million.

In Q1 we made good progress in product development, upgrading our mobile application, making registration, job application and browsing content much easier to do. And those changes are having an impact, as today we see about 10% of our visits coming from mobile devices. We believe that mobile usage will continue to grow, so these apps will become an important part or our distribution over the coming years.

In addition, we launched a handful of new talent communities and rolled out enhancements to our search and matching technology. Today we have talent communities in seven areas -- Android, mobile app development, Ruby on Rails, software engineering, online game development, project management, and Silicon Valley. These talent communities are important, because they offer unique content and are another way we are serving our passive user base.

Looking forward we believe that the healthy recruiting market in Tech will continue through 2012, even though we have yet to see the surge in turnover we would normally expect in an economic recovery.

At eFinancialCareers the story is a bit different. Recruitment activity in financial services slowed as we expected in the first quarter. Recruiting continues to be impacted by the uncertainties surrounding the sovereign debt crisis and overall banking profitability.

The environment is most challenging, as one would suspect, in Continental Europe, in areas like France, Italy and the Benelux region. Germany is much more resilient, as is the UK and the Asia-Pacific region.

During the quarter we saw some staffing agencies and financial institutions adjust downward their recruiting programs to match their current needs. But these reductions have been much less severe than what we saw during the recent financial crisis. It is clear that the current environment is not a replay of 2009.

Job postings worldwide are down 19% year-on-year, with deeper declines in Europe and the UK, but job postings have been essentially flat now for the past three months.

Work on the new eFinancialCareers product platform continues to progress. The new platform is important because it will enable eFC to better support local language and character sets in some of our newer markets like China and Russia. It also provides enhanced account management tools for our customers, and improves our search and match functionality and mobile capability.

During Q1 we also continue to build our presence in Asia, adding some key sales and marketing hires, and we opened up a sales office in Hong Kong in March.

Moving onto the Energy segment, Rigzone had a very strong first quarter, benefiting from a strong recruiting market as well as the investments we made in sales and product development. As I mentioned on our last call, we combined the two Energy career sites into Rigzone, allowing us to go to market with a single brand and a single global community, and we are pleased with the early results. In Q1 Rigzone's traffic grew, as did its page views, customer base and flow of new profiles and resumes.

We also continue to build out the team around the world. In March Paul Kaplan joined Rigzone as President of the Americas, responsible for leading our efforts in North and South America. Paul has many years of experience in media, marketing and publishing, including several years in the oil and gas industry. He will work closely with our other senior managers to set the overall direction and to drive performance at Rigzone.

Since the beginning of the year we have added salespeople in Perth, Singapore, Dubai and London, improving our overall sales coverage in the Asia-Pacific region and EMEA. And we strengthened our worldwide customer support team.

There is more work to do to better cover the local energy markets around the world with editorial, career opportunities and targeted advertising, but we love the dynamics of the Energy business and we are very excited about Rigzone's global opportunity.

Another addition to the Dice team in Q1 that I want to mention is Bennett Smith, who joined us in February as our Chief Technology Officer. Bennett is responsible for developing the technology strategy for the Company and driving innovation through the development and use of new technology. We look forward to reporting on our progress in those areas in future quarters.

So overall I am very pleased with the way we started the year, as we continue to make progress against our key operating goals, specifically expanding our customer base, improving our products and services, and building out our Energy business.

So with that I will turn it over to Mike to discuss our financial performance.

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

Great, thanks, Scot, and thanks to everyone for taking the time to join us today. In summary, it was another solid quarter. On a year-over-year basis revenues were up 15%, adjusted EBITDA up 16%, net income up 31%, earnings per diluted share up 44%, free cash flow up 56%. And deferred revenue was up 18% year-over-year and up $8.8 million from December 31.

So with that summary, let's move on to the segments. Revenues in the Tech & Clearance segment increased 21% year-over-year to $31.1 million. Focusing on the customer metrics for Dice, at quarter end the Dice business had 8,650 recruitment package customers, up from 8,100 at the beginning of the year. Of the 8,650, a total of 7,450 customers were under annual contract, which is a new all-time high for Dice.

For us that means a couple of things. First, it is a nice milestone to have the most customers under annual contract in our history. More importantly, it is a confirmation of the strong value that Dice provides in today's market. Our specialty focus, speed and efficiency resonates with hiring managers and recruiters, resulting in more recurring usage, which results in more annual customers.

In Q1 the renewal rate on annual contracts was 73.5%, with slightly less than 2,000 contracts up for renewal in the quarter. Average revenue per customer increased 6% year-over-year to $956 per month per customer, up from $951 in the previous quarter and $900 in last year's first quarter.

To put some context around the longer-term growth in this metric, at the low point in the downturn, which was Q4 of 2009, our customers were on average generating $808 per month. Since that time average revenue per customer has increased 18%, and our customer base has jumped by more than 2,700 customers. Terrific results.

Since those new annual customers are likely to start their usage at Dice at the base level of service, which is $6,500 for an annual contract or $550 per month, we expect average revenue per customer to be relatively flat for the remainder of the year, which is something we said would happen for quite a while.

Upticks in level of service from some customers will be offset by the averaging in of a base level of new customers. Strong results across the board for Dice -- billings, revenue, customer count, annual renewal rate and revenue per customer. And ClearanceJobs grew 18%.

Moving on to the Finance segment, revenue for the eFinancialCareers business was down 5% year-over-year to $10 million. Currency translation negatively impacted revenues by $170,000, so excluding that impact, revenues declined 4% year-over-year.

Although down year-over-year, revenues were up -- I'm sorry, billings were up from Q4, giving us continued confidence that we are not looking at a replay of the performance in the financial crisis. The relative revenue decline in the last two quarters pales in size compared to what we experienced in the 2008 and 2009 period.

So looking at the individual markets, in the UK, which continues to be a little more than 40% of the segment, revenues declined 4% year-over-year measured in sterling. In the first quarter Asia-Pacific became the second-largest region for eFinancialCareers. In the quarter its revenues increased slightly measured in Singapore dollars.

No great change in sentiment. Clients and prospects are still relatively cautious on 2012, but it is an area that we have invested additional sales and marketing resources to more fully capitalize on the region's growth.

In Continental Europe and the Middle East, revenues decreased 5% year-over-year, measured in euros. Some markets are better than others, and some vertical areas are better than others, so for example IT consulting, insurance, and corporate business. But the core financial services recruiting hasn't shown any improvement, and we continue to expect soft trends in Continental Europe.

In North America revenues were down 15% year-over-year, but billings were only down 7%.

Switching over to Energy. Since we have now integrated the two sides we report all the performance metrics on a combined basis. Revenues were up 32% to $4 million in the first quarter. To put a little color on the main revenue streams, advertising was up 28%, career Center was up 37%, and data services was up 12%.

Billings jumped 48% year-over-year, generating a $2.8 million increase in deferred revenue at March 31 compared to year-end. The combined business is really coming together, and we are excited about the path it is on.

During the quarter there was a short-term impact on revenues in the integration period, as our sales and client services teams were helping customers with the transition and so we didn't book as many short-term deals as we would have liked. But our total quarter billings performance certainly demonstrates that we are on a significant growth track.

So to wrap up the segments, business was generally as expected. On the cost side we continued our investments in sales, marketing, product development, with cash cost, which is operating expenses excluding depreciation/amortization and stock-based comp, up nearly 15% year-over-year.

We did not get to all our product and marketing initiatives in Q1, but the plan is unchanged and we see this as a timing issue versus a change in strategy.

Adjusted EBITDA grew 16% to $18.5 million, which resulted in adjusted EBITDA margin of 40%. Net income increased 31% to $8.6 million or $0.13 per diluted share, which is 44% higher than a year ago.

Moving onto the balance sheet and cash flows. Deferred revenue totaled $69.7 million at March 31, an increase of 18% year-over-year, and up $8.8 million from the December 31, 2011 balance. That increase was driven primarily by the performance of Dice and at Rigzone.

Net cash from operations in Q1 was $23.4 million, an increase of 58% year-over-year. The largest drivers are growth in net income, change in accounts receivable due to the timing of billings and collections, and lower year-end performance-based compensation paid in the first quarter of this year than last year.

Capital expenditures totaled $1.4 million, so free cash flow for the quarter was $21.9 million, which is up 56% year-over-year. We repurchased approximately 1.35 million shares of common stock during the quarter at an average price of $9.04 per share for a total cash expenditure of $12.3 million.

In March we announced a new $65 million authorization from the Board to repurchase our common shares upon completion of our previous $30 million repurchase plan. From the start of the first plan last August through March 31, we have repurchased nearly 3.7 million shares at an average price of $8.71 per share, returning $32.2 million of cash to the shareholders. That leaves 62.8 million available for share repurchase under the authorized plans as of March 31.

We ended the quarter with nearly $69 million in cash and investments, the majority of which is held outside the US. And we have $14 million remaining outstanding on our term loan facility.

So, in summary, we delivered strong financial results for the first quarter, returned cash to our shareholders, and continued to execute against our long-term strategic plan. A good start to the year.

Moving onto an updated view of our anticipated financial performance, first, I will give you an updated view on the full year and then provide initial expectations for Q2.

For the full year we are increasing our revenue expectation by a $1 million to $198 million. We anticipate total cash expenses to be $116 million, which is down slightly from our initial guidance, and that resulted in an increase in adjusted EBITDA of $2 million to $82 million for the year, 41% adjusted EBITDA margin.

For the second quarter we expect revenues of $49 million, up 9% year-over-year. Total cash expenses we expect to be $30.5 million with an adjusted EBITDA of $18.5 million or 38%.

As compared to Q1, we anticipate spending more in marketing and product development in Q2, as we previously talked about the timing issues. You should expect to see that specifically at the Dice business and at Rigzone.

And with that overview, I'm going to turn it back to Scot.

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

Now, thank you, Mike. As you can see, Q1 was a solid start to the year, with good customer, revenue and profit growth, despite the drag we have in financial services.

We also made significant progress upgrading our products and services, building out our presence in Asia, and building out our Energy business. I think Q1 positions us very well for a successful 2012.

Thank you all for listening? And with that, why don't we open up the call for any questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

My first question is on the Dice.com site. What type of companies are you seeing most growth from? Is it staffing agencies, technology companies, non-technology companies, any color would be great?

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

Well, we actually have seen customer growth in each of those segments that you mentioned. I think if you were to break down the new customers, what you will see is a little bit more growth on what we would call our direct hiring companies -- small to medium-sized direct hiring companies, which has been one of the pushes of our Company overall to penetrate that part of the market. But, generally, we saw growth from recruiters, from staffing firms and from regular corporates.

Jeff Silber - *BMO Capital Markets - Analyst*

Great, great. And you mentioned the strong renewal rates. Can you just remind us about the seasonality within that metric?

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

Sure. From a customer account standpoint, Q4 is the highest level that we have because we have a fair number of customers that are on calendar year and they renew in Q4. It is about -- historically it has been about 30%. Q1 this year was pretty high, given the growth in the business last year and customers renewing this year. Q2 tends to be lower than the others, and Q3 is a little higher than Q2.

Jeff Silber - *BMO Capital Markets - Analyst*

All right, great. If I could just make it a quick numbers question. What are you guiding for capital spending for the year?

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

I would expect it to be somewhere in the $5 million to $7 million range.

Jeff Silber - *BMO Capital Markets - Analyst*

All right, great, thanks so much.

Operator

John Janedis, UBS.

John Janedis - *UBS - Analyst*

I think there was a reference to the 10-Q related to a decrease in salaries and cost and incentive comp at the Energy segment. Can you give us detail there, was that a timing issue?

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

Yes. I don't think we will give you a lot of detail, but we used to have two separate businesses that had two organizations when we bought them in 2010. Those existed through the first quarter of 2011 and now we have made that change. Scot referenced hiring a new President of Rigzone's Americas business and that happened right at the end of the first quarter.

John Janedis - *UBS - Analyst*

Would you guys expect the net headcount there combined hiring staff still to be down year-over-year then?

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

No, the headcount is up. The piece that is in G&A -- the cost of what is in G&A is down.

John Janedis - *UBS - Analyst*

Okay, and then --.

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

But the headcount overall in the business is up.

John Janedis - *UBS - Analyst*

Okay. And just on the (inaudible) from that perspective. I know it turned negative during the quarter, as you mentioned. I think the implied guidance suggest that we get further in the second quarter, but then does it also implies that it kind of flatlines from there?

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

Yes, that is a good read.

John Janedis - *UBS - Analyst*

Okay, so maybe we mark the bottom here and then we bounce along the bottom and it hopefully gets better from there.

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

Well, I think, you are right. I think what we are really seeing in the business is that customers have adjusted their recruiting activity, or thei9r recruiting plans really to the environment that they see right now. And we went through that transition.

Now there are still uncertainty, obviously, in that recruiting market, but you are right, we are probably bouncing along until we see a change in the market environment.

John Janedis - *UBS - Analyst*

Okay, thank you.

Operator

Tim McHugh, William Blair & Co.

Tim McHugh - *William Blair & Co. - Analyst*

First, Mike, can you give us the billings growth by the segments again? I'm sorry, I don't think I caught all those as you are running through those.

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

Sure. So Tech & Clearance was up 12%.

Tim McHugh - *William Blair & Co. - Analyst*

Okay.

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

Energy was up 48%. Finance was down 10%.

Tim McHugh - *William Blair & Co. - Analyst*

Okay. And on that Energy business, with 48% billings growth the guidance seems to imply kind of 30% to 35% revenue growth. Is there a reason why those two shouldn't be closer together as we look forward to the next couple of quarters?

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

I think the main reason is, not unlike the Dice business, there is some seasonality to how customers buy the service. I think advertising is slightly different than Career Center and it is slightly different than the events business. So one of the biggest events is in Q2, so there is some billings for

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that in Q1. So we have talked about this before. I wouldn't read too much into one quarter's billings, since it is very timing-based as compared to expectations for revenue.

Tim McHugh - *William Blair & Co. - Analyst*

Is deferred --.

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

There is a reason why they should be different.

Tim McHugh - *William Blair & Co. - Analyst*

Is deferred -- and then I guess along those lines, deferred revenue growth was a little better than the billings growth, which I know deferred is a point in time only, but is there any color around any differences between the two of those?

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

Yes, deferred revenue is the accumulation of four quarters' worth the billings versus revenue as compared to just measuring one quarter.

Tim McHugh - *William Blair & Co. - Analyst*

On the customer account you mentioned you are at an all-time high for the number of annual contracts, but the total customers for -- this is, I believe, for Tech, isn't at an all-time high. So what is the delta? Are you doing a better job capturing annual contracts from the customers that you have or are there some small customers that haven't rebounded yet at this point in the cycle? I guess what can we infer from reaching a peak in the annual before you reach a peak in the total -- or total number of customers?

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

I think there is a couple of things going on in there. First is that we are pretty good in getting our customers to sign onto annual agreements. And I think part of that is because many customers have now been with us for a while, and so they trust the services and they willing to go long-term on the services.

I think that the second reason goes back to the market conditions. I mentioned at the end of my comment that I said we expect a nice market environment for Tech, and it is definitely a nice market environment. But we have yet to really see the surge in turnover that we saw in 2006, 2007, beginning of 2008. And so I think what you see when that turnover happens is it brings in a number of other customers into the market, and who buy shorter-term deals. And so I would expect if we get that surge, we will collect some of that customer growth as well.

The last thing I would note is that we do a lot of classified business today. In fact, our classified business is larger today than it has been in years past. Part of that is because we have added to our product line products that are specifically targeted to serving some of the regular corporate customers. The best example is one that we call Premium Post. So it is a very high-end premium price posting that gives them much more branding, and that has been popular.

Tim McHugh - *William Blair & Co. - Analyst*

Okay, great. And then one last question just for Mike. The D&A in the 2Q guidance seems to imply a step up, but then the annual a fairly significant step back down and that in 3Q and 4Q. Is there something about 2Q that is hitting it?

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

So I think the Q2 piece is rounding.

Tim McHugh - *William Blair & Co. - Analyst*

Okay.

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

And then if you look in the Q -- in the 10-Q, we have the amortization, which varies depending on the rollout of the products -- of the brands, sorry.

Tim McHugh - *William Blair & Co. - Analyst*

Okay, thanks.

Operator

Jim Janesky, Avondale Partners.

Jim Janesky - *Avondale Partners - Analyst*

When a customer does not renew, Scot, what are the reasons for that and how has that changed over the last couple of years?

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

Great question. So the -- when customers don't renew we do -- we actually do surveys to find out reasons for nonrenewal. It is interesting, the most common reason for nonrenewal is no need. And if you think about it, some -- we tend to talk about things with all of our customers as being subscription based because we want to hang onto them on a continuous basis. But for some customers they only need is for a period of time. We did a good job. They have filled their position. They move on and then they come back to us a few months later if they have another need. So the number one reason for nonrenewal is the no need. So I just don't need it right now.

The second reason really comes down -- then it drops down significantly. The second reason is probably price. And then the third is alternatives. So alternative uses or alternative services that they are trying.

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

Just as a reminder, I know we said this historically that when we talk about the renewal rate, the renewal rate that we measure on annual contracts is the rate in which customers renew in the month that they are up for renewal. So we start -- if we start with 73.5, roughly half of the ones that don't renew in the month are up for renewal will come back at some point, either the following month or two months later or six months later. And so that -- at least it helps explain some of the delta.

Jim Janesky - *Avondale Partners - Analyst*

Okay, thanks. And, Scot, how is -- has that been consistent with prior cycles, those three reasons?

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

Yes, yes, it has.

Jim Janesky - *Avondale Partners - Analyst*

Okay. And so when you say no need, what about an annual subscriber, what is -- I would imagine that is different. If they -- because they are buying a package. Do they sometimes have no need and just go away or is that more likely for individual jobs?

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

And yes, yes. You are right. It is more likely for shorter-term agreements for that to be the reason for nonrenewal, but it is actually the number one reason for annual contracts as well.

What you find is that some, especially recruiters, can move in and out of the recruiting market. So they might be recruiting for technology people for a period of time, and then they shift over to health care or they shift to whatever their local market needs are. So it is still the number one reason for annuals as well.

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

You also have -- sorry -- you also have a group of customers, mostly direct employers, who may have a need to build a small tech organization, buy an annual subscription because they know it is going to take them a little while to fill a need of three or four or six or eight positions. And then once they fill the group they don't have an ongoing need at that level. They may come back and buy one posting to fill a job. But the no need also is -- I am not really in the Tech business, but I have a tech need for a short period of time. But the way the pricing is structured it is worth buying for a year to try to fill those positions.

Jim Janesky - *Avondale Partners - Analyst*

Okay. And with the Energy segment could -- you gave us an idea of the order of magnitude that, as you referred to it, a transition hit the revenue line item. And is that already coming back in the second quarter or is that more a back half of 2012?

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

What I referred to before really was short term. So for the month of January and into February the salespeople and client services people were really focused on making sure that the existing WorldwideWorker and Rigzone customers had the best experience in terms of transitioning out of WorldwideWorker and into Rigzone. And on the Rigzone service we made some changes as well.

And so they really didn't sell many one- and three-month smaller packages. We renewed a fair number of annual customers, as we always have in that period. But it really is a first-quarter issue.

And it is not much of an issue. I just use that as an explanation of what was going on during the quarter. But I think you can tell from the billings rate and the deferred revenue growth that the issue is minor and not going forward.

Jim Janesky - *Avondale Partners - Analyst*

Okay, thank you.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

Craig Huber. A couple questions, I guess. First, on the Finance area, your numbers there look like they are down about 5.5% of your revenue there. Can you talk about what is the positive side here? What is going on there to hold that number up? It certainly didn't collapse even though we have massive pressure, I guess in the commercial banking and investment banking sector. I think you talked about this that it is actually doing fairly well. Let's hold that number up please.

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

Well, I think if you look at the environment, what has happened is there is less recruiting. There is not no recruiting, there is just less recruiting. So what you have is customers adjusting down -- and sorry, just to highlight that a little bit more.

You can almost think about it as they are spending their time doing replacement hires, doing some aggressive moves in certain desks or certain areas, but there is not a lot of growth hiring. So I think that is probably the best way to characterize what is going on.

And if you look at how that manifests itself then is that you have customers adjusting down to the level of what they need at this time. You have staffing agencies that are obviously still busy, still doing work, so it is not like their contracts are going to go away. So there is a base level of recruiting that is happening out there and there is a base level of service that they're buying from us.

Craig Huber - *Huber Research Partners - Analyst*

And then, also, on the Energy side, your guidance -- maybe this is just surrounding it, but your guidance seems to imply that it steps up pretty nicely in the back part of the year -- your revenue you're anticipating in your Energy segment. Is that just rounding or is there a reason why you are anticipating that?

I think we are on a pretty significant growth track, which is the same thing that happened last year. If you look at last year the growth -- the step-up in Q2 versus Q1 and then Q3 and Q4 had a nice step up. We expect that to be this year too.

Now some of the revenue in and individual quarters is driven by the events business, so in Q2 we have the largest event of the year, which is actually next week in Houston. But I would expect as we season the new sales organization and client services organization, that you will see increases in the business throughout the year. And I think that is consistent with what we have said we expect to happen.

Craig Huber - *Huber Research Partners - Analyst*

Okay, then also, if you could please, could you talk a little bit further -- I missed what you said about sales and marketing, what to expect in the second quarter and for the full year. I guess, you reported about $16.6 million in the first quarter. How should that trend here in the second quarter in particular?

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

Yes, I think you will see it increase -- take a step up in Q2. Part of it is Energy and the fact we are going to spend more in Energy. Part of it is event driven, so Princeton's in Q2 is the largest tradeshow for Dice, which is the SHRM show in June. We will do some other marketing around some of the new initiatives that Scot was talking about before, so I would expect that number to increase sequentially. And then it should flatten out for the rest of the year, and then as it always does decline slightly and Q4.

Craig Huber - *Huber Research Partners - Analyst*

Okay. Then also, could you speak a little bit further about what you're seeing in the Tech market, particularly by region around the country? Just a little bit more flavor there would be helpful.

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

I think it is fair to say, if you look at our posting growth and what is going on inside of the turnover of the postings on the site that there is active recruiting going on across the US. But there are certain markets that -- where the growth is -- where it is hotter, and the growth is higher.

So some of the -- I highlighted a couple in my statement. Markets like Boston, Dallas, Atlanta. You see obviously Silicon Valley is very tight and growing quickly. And then there is some other markets that maybe are a little bit slower in their growth, and I think that is related to some of the industries that dominate those markets.

A good example is New York City. It is still a very large -- in fact, it is the largest metropolitan area for Dice right now. But it is not growing as quickly because of its dependence on financial services. So, again, we are not seeing that same sort of level of recruiting in financial services that we would normally see, and that comes out in the fin tech world. So good market overall, growing overall, but you've got pockets of strength and pockets of less strength.

Craig Huber - *Huber Research Partners - Analyst*

Where is the tech unemployment rate right now please, and how has it been in recent months?

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

I think in the recent months we are still -- we are hovering around 4%. So you are really hovering around -- and that is nationwide again -- so you are hovering around what a lot of people consider to be full employment. In certain markets, though, it is going to be tighter than that.

Craig Huber - *Huber Research Partners - Analyst*

Very good, thank you.

Operator

Jordan Rohan, Stifel Nicolaus.

Jordan Rohan - *Stifel Nicolaus - Analyst*

I got some high-level questions for you. The first is you mentioned that one source of cancellations is competitive products. Can you talk about the competitive landscape, particularly in Tech?

What I am referring to, of course, is have you seen further inroads from LinkedIn, and is there more room to gain share against Monster and CareerBuilder that at some point going to run its course there?

The second question is on, I guess, the Energy vertical. I am not really an Energy expert. I never really had to cover companies in that space. But clearly the price of natural gas is cratering, and I'm wondering if that is changing drilling activity levels, and if you have any sensitivity to that or if you are on the other side of the spectrum more towards the crude oil side? Just give me some perspective on that. Thank you so much.

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

Sure, so I will start off here on the Tech side of things. So competitively, the competitive situation really hasn't changed. As I have mentioned in the past, the competition with LinkedIn is very interesting because it is rarely head-to-head competition. Essentially we are both calling on customers, both trying to get our fair share -- or hopefully unfair share of their recruiting dollars. And, obviously, they are doing very well.

We continue to grow, so we are getting an increasing share of what many of these companies are spending. And that is coming at the expense of some of the other general players. And I think in LinkedIn's case don't underestimate the amount that is coming out of executive recruiting budgets to fill the LinkedIn plate.

So no real change there. I think Monster and CareerBuilder, we do sense that the competition between the two of them is heated up, and it is definitely fierce. And as far as have we run the course of taking share from other players in the market, I think there is still more out there as we penetrate some of the direct hiring companies, some of the small- and medium-sized corporate companies, which are still a fairly small part of our overall customer base.

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

Then on the Energy question, the historical strength of Rigzone has been in the Gulf and focused on upstream and crude specifically. I think if you look at the natural gas business and the crude business, a lot of the skills at certain levels are interchangeable, a fair number of them aren't interchangeable.

So I think the impact on us from a penetration standpoint is not very great in the natural gas business. But to answer the question on have we seen moves, yes, we have seen moves. There has been changes in where people are making investments and where they're drilling. But the impact on us is minimal, if any, given the historical focus of Rigzone.

Operator

(Operator Instructions). John Blackledge, Credit Suisse.

John Blackledge - *Credit Suisse - Analyst*

Thank you, two questions. First, Scot, is there any particular reason why we haven't seen the turnover surge on the Tech side?

And then, Mike, you mentioned some shift in the product investment into 2Q from 1Q, particularly at Dice and Rigzone. I am just wondering if you could talk about the product initiatives? Are they investments in social or mobile and are they focused more on seekers or clients or both? Thank you.

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

Sure, on the turnover question, turnover tends to be much more of a function of how professionals view the economy. And so -- I mean, I think what is really going on out there is that there are people that definitely -- if you look at the surveys there are people that are itching to switch jobs and maybe are unhappy with where they are today, but they still don't feel comfortable making that switch. They don't want to be the first person in at the new Company if the economy overall is a bit shaky.

And so even though there is strong demand for tech people, there is need for tech people, I think if you talk to a lot of recruiters out there what they will tell you is that it is very difficult these days compared to past years pulling people out of companies, because they tend to want to hang onto their desks a little bit stronger.

Don't underestimate the impact of housing too. They may be underwater in their house and they can't switch from one market to another. So that limits them in terms of being able to switch markets, and they have to take the positions within a current market.

So I think what we need to see is we need to see a little bit better overall economic situation or maybe a little bit more time in a good economic situation so that people feel comfortable in switching.

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

On the second question, I think the answer is all about. I think it is across the board. The -- if you take Rigzone, for instance, we were quite focused at the back half of last year and into the first part of this past quarter on the integration. We have a number of initiatives -- some of them are social, some of them are features and functionality, some of them are regionalization. I think you are going to see more and more of that from a product development standpoint.

Remember, for us product development includes editorial, so we just hired editorial people in London and Singapore for the Rigzone business for the first time. We will have coverage outside -- on the ground outside North America.

On marketing, I think you're going to see more regional -- worldwide regional marketing initiatives for Rigzone on the seeker side. The customer side you will see some, not a lot. On the Dice side I think it is across the board. It is the same initiatives that we have talked about, just continuing to build on those from a timing standpoint.

John Blackledge - *Credit Suisse - Analyst*

Great, thank you.

Operator

There are no other questions in queue. I would like to turn the call back over to Jennifer Bewley for closing.

Jennifer Bewley - *Dice Holdings, Inc. - VP, IR & Corporate Communications*

Thanks everyone for your time this morning and interest in Dice. We 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. Have a good day.

Operator

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