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# EDITED TRANSCRIPT

DHX - Q2 2012 Dice Holdings, Inc. Earnings Conference Call

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the second-quarter 2012 Dice Holdings, Inc., earnings conference call. My name is Chanel, and I will be your operator for today. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to Ms. Jennifer Bewley, Vice President of Investor Relations and Corporate Communications.

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

Thanks, Chanel, 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 VP of Finance and CFO.

Please note, this morning we issued a press release describing the Company's results for the second 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 we'd 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 include 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 filings, including our annual report on Form 10-K in the sections entitled risk factors, forward-looking statements, and management's discussion and analysis of financial conditions and operating -- results of operations.

The Company is under no obligation to update any forward-looking statements, except as required by the federal securities laws.



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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 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, Chairman*

Thank you, Jennifer. First, let me welcome all of you to the Dice Holdings second-quarter 2012 conference call.

I'll start today by discussing our second-quarter performance, including our thoughts on the key trends in our verticals, then I'll hand it over to Mike Durney, our CFO, to take you through our financial performance. And finally, I'll make a few closing remarks, and then we'll open up the call for questions.

After a strong start to the year, we navigated through a tougher environment in Q2. Revenues increased 8% year over year to $48.5 million. Customer billings were essentially unchanged from 2011, with growth at Dice and Rigzone offset by a decline in billings at eFinancialCareers.

As for profitability, adjusted EBITDA grew 9% year on year to $20.1 million, with faster growth in net income up 22% year over year and earnings per share up 27% year over year.

Q2 is not the quarter we expected coming out of our strong Q1, and unfortunately, it will impact our anticipated full-year results. The environment got tougher in Q2, but regardless of the environment, we are not satisfied with our performance and we can do better. I'll speak more about that in a moment.

Now let's take a look at our major brands. At Dice, recruitment activity remained steady in Q2, but with fewer prospects and customers expressing urgency in filling their open positions. Job postings on Dice are up about 3% year over year, but have been flat since February of this year.

We continue to see stronger posting growth in the tech-centric markets, like Seattle and Silicon Valley, and slower recruiting in markets with a different industry mix, like the New York City metropolitan area, where job postings are down year over year. Large customers upgraded their service levels with us during the quarter; however, small -- sales to small and mid-sized prospects slowed, and we posted a slightly lower renewal rate on annual contracts.

These two factors drove a net decline in recruitment package customers.

The competitive environment also heated up, with some traditional competitors becoming more aggressive on price and more customers experimenting with social media for recruiting. Although difficult to measure, LinkedIn continues to impact our sales to smaller customers, and that impact is more pronounced when there is less urgency to hire and recruiters have more time.

In Q2, we also continued to make improvements to the Dice service, launching three new talent communities, redesigning our candidate registration process, and updating our customer dashboard, making it easier to search our resumes and profiles.

Our tech community also remains vibrant with year-over-year increases in visits, unique visitors, page views, and our resume database. Our usage is growing.

So overall, the tech environment and the tech recruitment market is more challenging than earlier in the year. Some of the slower growth is due to customers reacting to economic uncertainty, some is due to competitive pressures, and some is due to our own execution. To address this, we are focusing even more on boosting our product performance, accelerating our product development, and improving our marketing and sales execution, especially in the key technology markets.

We are not satisfied with the growth of Dice and we intend to change it.





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At eFinancialCareers, recruitment activity in financial services continued to weaken in Q2 with cost control and industry priority and the ongoing issues in continental Europe. Job postings on the site are down 23% year over year, with deeper declines in continental Europe and the UK and smaller decreases in Asia and the US.

For example, Germany was much more resilient earlier in the year, but recruiting activity slowed as the quarter progressed, and we now see recruiters in some European markets turning their focus away from investment banking to peripheral markets like insurance and technology consulting. In the UK, staffing agencies continue to adjust their service levels to match the clients' needs, which are down year over year, but still much less than what we experienced in the previous downturn.

At the close of the quarter, we announced our acquisitions of FINS.com and our marketing agreement with Dow Jones for eFinancialCareers to power their career sites for The Wall Street Journal and MarketWatch.com here in the United States. While this deal will have limited impact on our financial results in the short term, we believe the added distribution will boost our brand building in the US and lead to greater success for EFC in the years ahead. The Wall Street Journal is a special property, and we are very excited to work with them to deliver career opportunities to their audience.

In addition, work continues on the back office for eFinancialCareers, integrating some key job distribution and CRM vendors. And we launched a Russian-language microsite during the quarter, which will allow us to carry Russian editorial and to capitalize on local search marketing.

Overall, we expect that financial services recruiting will be slower for the rest of 2012. However, I want to stress that the slowness we are experiencing is nothing like the slowdown in 2008. As it relates to recruiting, this is not a replay of the financial crisis.

At Rigzone, energy recruiting continues to be very strong, despite a pullback in the price of oil and a plateau of rigs working in the US. During Q2, we started to see the advantage of having dedicated sales resources in each of the oil-producing regions with strong gains in Europe and initial sales in Australia. In addition, we benefited from substantial upticks in contract values on the career side and strong results in our content-supported advertising business.

In June, we successfully introduced new advertising inventory and continued to work on regionalizing our services around the world by investing in marketing, editorial, and sales. In short, the business is doing well, the team is growing, and momentum is with us.

So after a strong start to the year, growth slowed in the second quarter and our results were more mixed. As I mentioned earlier, we're disappointed with our Q2 performance and can do better.

As a result, going forward, we are going to focus on improving product marketing and sales execution at Dice, especially in the small customer segment. Expanding our revenue streams at eFC, this includes expanding our advertising products and coverage of job categories outside core investment banking, like insurance and wealth management. In the US, the Wall Street Journal relationship will be helpful. And finally, accelerating the development of our next-generation services.

All of these efforts have already begun, and I would expect them to start bearing fruit in the months ahead. And none of this changes our long-term strategic goals of growing our customer base worldwide, improving our core products and services, and building out our energy and healthcare businesses. We are just going to change our approach and we are going to move faster.

With that, I'll turn it over to Mike to discuss our financial performance.

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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.

As Scot mentioned earlier, revenue was up 8%, EBITDA was up 9%, and net income grew 22% in the quarter.



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So with that, let's jump into the segments. Revenue in the Tech and Clearance segment increased 14% year over year to $32.2 million.

Looking at the metrics that we routinely track, at quarter-end the Dice business had 8,600 recruitment package customers, down 50 from the 8,650 we had at the beginning of the quarter, but up 550 from June 30, 2011. The sequential decline in the customer count is driven by fewer short-term contracts, reflecting the environment with few smaller customers buying short-term or introductory packages.

However, the number of customers under annual contract continue to grow, and totaled 7,500 at the end of June, which is up 50 from the previous quarter-end and is up more than 600 from a year ago.

During the quarter, the renewal rate on annual contracts was 68% with slightly less than 1,700 contracts up for renewal. The second quarter is the seasonally slowest one for annual contracts. The renewal rate fell outside our more normal low 70s experience and was driven by an abnormally low rate in May and a more normal, although not altogether great, experience in April and June.

We've reviewed the non-renewal feedback. It continues to fall into the typical categories in similar proportions, with no current need and pricing continuing to be the most frequent reasons for nonrenewal.

Average revenue per customer increased 5% year over year to [$970] per month per customer from $921 and was up sequentially from $956 in the first quarter.

Larger customers, which are those with contracts of $50,000 or greater, who were up for renewal in the period renewed in the aggregate for a higher total value in the second quarter.

Revenue of ClearanceJobs, which accounts for a little more than 5% of total revenue for the Company, grew 15% year over year, primarily due to customer growth.

Moving to eFinancialCareers, weak recruiting activity continued with revenues down 15% year over year to $9.8 million. Currency translation negatively impacted revenues by about $250,000. Excluding that impact, revenues declined 13% year over year.

Moving to the individual markets, in the UK revenues declined 10%, measured in sterling. Relatively speaking, the UK market is hanging in there, considering the country's in a double-dip recession. But we have not escaped clients adjusting their service level to match present market conditions.

Revenues in the Asia-Pacific region declined 8% year over year, measured in Singapore dollars. The entire decline in that region was in Australia, as the rest of the Asia market was flat year over year.

For the most part, financial institutions are following their recruitment plans for the year, but they are reluctant to be more ambitious in their hiring and are taking a more wait-and-see approach.

In continental Europe and the Middle East, revenues decreased 27% year over year, measured in euros, and that market is weak across the board.

And in North America, revenues were down 12% year over year. Large financial institutions have been undergoing reassessments of recruitment resources and spend, and while that trend will benefit us over the long haul, it's put additional pressure on use of outside recruiters, who are customers of the service.

All in all, sentiment is similar in that it will be a challenging year for financial services recruitment, with continued downward pressure.

Switching over to energy, revenues were up 25% to $5.3 million in the second quarter, with substantial gains in the career center segment and in advertising. The events business was essentially flat as we ended up not participating in an event that we originally planned to, based on the location of that event this year.



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And in the other category, while small, healthcare was up 43% year over year, and in the job fair business, we've seen some pretty good interest in doing events for customers with specific tech and energy needs.

Adjusted EBITDA grew 9% to $20.1 million, which resulted in adjusted EBITDA margin of 42%. We're still operating under our same long-term plan for continued investment in product development and in marketing. However, we've made some discretionary changes in marketing spend in certain markets of eFinancialCareers to match the current recruitment activity and we have slowed a number of items down a little, but we're still going forward with investment.

Moving down to income statement, interest expense was $1.1 million, which includes about $800,000 of deferred financing costs written off in conjunction with replacing our former debt facility.

Earnings per diluted share were $0.14 per share, up 27% year over year, reflecting a 22% increase in net income to $9.5 million and the impact of the share repurchase plan. During the second quarter, we repurchased approximately 2.3 million shares of common stock at an average price of $9.74.

And through the end of the second quarter, we've repurchased approximately 6 million shares. Under our current authorization, announced in March, we have a little more than $40 million remaining.

Moving onto the balance sheet and cash flows, deferred revenue totaled $66.8 million at June 30, an increase of 11% year over year and down $2.9 million from March 31. The sequential decline was primarily driven by Dice and eFinancialCareers. Energy was flat sequentially, which primarily reflects the timing difference between when events are billed and when they occur.

Net cash from operations in Q2 was $10.8 million, a decline from last year's $23.4 million in the period. The primary contributions to the decline were in deferred revenue and the timing of federal tax payments. Last year, we had the benefit of stock option exercises and the second quarter included a tax refund of $2 million, whereas in the 2012 period, we were once again a full tax payer.

And capital expenditures totaled $1.6 million, so Q2 free cash flow was $9.2 million.

We ended the quarter with nearly $57 million in cash and investments, the majority of which is outside of the United States.

Some other items of note in the quarter, first, we entered into a new credit agreement to replace the one put in place in the summer of 2010. This new facility accomplishes a number of items on our list. It increased the size to $155 million, extended the maturity to 2017, eliminated the term loan component as the new agreement is entirely a revolver, lowered spreads, and eliminated baskets on acquisitions and share purchases and dividends. Under the new facility, those items are generally limited only by an occurrence test. There are no separate size limits.

Second, as Scot pointed out, we entered into an agreement with Dow Jones to buy the FINS.com assets and to provide the career center for TheWallStreetJournal.com and MarketWatch.com. With the acquisition, which was for a relatively nominal amount, we got a number of assets, including the brand name, some mobile app technology, and the registered user base. But most importantly, it opened the door for the long-term strategic marketing arrangement with Dow Jones.

So to sum up the quarter, lower sales activity levels are apparent in our two major brands, while the impact on profitability has been minimized to date with lower spending, although without impacting our long-term strategic plan.

Moving onto guidance, our second-quarter performance in the current market has consequences for our outlook. First I'll give you an updated view of the full year, and then provide initial expectations for Q3.

Full-year revenue is now expected to be $189 million, which is up 6% year over year, but down about 5% from our previous view that we shared with you in April. This is reflective of the second quarter's performance and our expectation for a weaker overall environment. We continue to



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invest to bring the next generation of products and services to our customers, and we expect that the revenue performance and spending plans will translate into $74.5 million in adjusted EBITDA.

For the third quarter, we anticipate revenues of $47 million, essentially flat year over year. Adjusted EBITDA is expected to be $17 million, or 36% of revenues, which reflects some of the timing differences in spending for product development versus our plan.

So while we're displeased with our overall performance in the second quarter, we continue to build our business by investing in it, while generating significant EBITDA and free cash flow.

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

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

Thank you, Mike.

You know, we were surprised by the quick change in the environment in Q2 and by our performance, but we know what we need to do and we're focused on executing, and none of this changes the long-term opportunity that we laid out for the market 18 months ago. Our services are performing well, and we're committed to delivering on that growth agenda, and delivering profitably.

So thank you all for listening, and let's open up the call for some questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). John Janedis, UBS.

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**John Janedis** - *UBS - Analyst*

Thanks. Good morning. Can you guys talk more about your adjusted EBITDA margins? I think traditionally you've had a comfort level in the 40% to 45% range, and the guide for this year, I think, is slightly below. I guess next year could be a tough year.

I know the eFC weakness doesn't help, but has anything changed in the business that would translate to a slightly lower margin going forward? And do you have less flexibility on the cost side as a result of increased competition?

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

Yes, I think, to try to put in some context, we have made a few adjustments in eFinancialCareers and marketing in certain of the markets, but haven't made wholesale adjustments, so the impact of the financial segment revenue and spending for this year does have an impact on EBITDA. So our guidance for this year, I think, brings us to about 39.5%, which is slightly below the 40%.

As we look out, we're making some investments. Some of them are permanent investments, some of them are one-time investments, and so we fundamentally don't think that there's a change in the EBITDA margin profile of the business going forward, although we are at the low end or slightly below the low end in the near term.

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

I guess the only thing I would add to that is that I think you need to keep in perspective that usage of Dice is up year over year. Usage of Rigzone is up year over year. It's really just eFinancialCareers where the actual recruiting activity on the site is down.

And so, we still have the philosophy of managing the marketplaces so that they're even and they're appropriate, but that explains, I think, some of the spending that we are doing.

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**John Janedis** - *UBS - Analyst*

Okay, thanks, Scot. And then, Scot, maybe one other quick one. You've obviously been through a few cycles now at Dice. How does this one feel, maybe, compared to the one 10 years ago or are there any signs of a bottom at eFC?

And just from an HR perspective, obviously your guidance reflects it, but what are the HR folks actually telling you when your salespeople talk to them?

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

So on the cycle, I think what this feels like is this feels like a softness, and I guess you -- I probably need to go into a little bit more detail by product.

I think what we're seeing in Tech is just a slowdown in growth and I think it has a lot to do with what you see in the overall environment. There's not a lot of incentive to make big moves in your employee base right now because of uncertainty politically, uncertainty in the economic context.

Tech is still tight, but it tends to be tight in the tech centers. When you get outside of the tech industry and the tech centers, it's a different story. It reflects much more of what's going on in the overall economy.

Energy, terrific, expansion. You know, it's a great market. Tailwinds for us there, and we're very excited about it.

And then, you've got financial services, which is going through, I think, what really is a cycle. Again, we need to have clarity of what's going on in Europe, clarity of what regulatory frameworks are going to be here in the US, and I think then you'll see much more turnover and much more recruiting activity coming in financial services.

So, this is not 2008. This is not 2003 or 2002. This is -- I see this as just a softness that we're going to get through.

As far as what our HR people are telling us, essentially that's what they're telling us. They're telling us that they're less -- the urgency to fill positions is less than what it was, and so they actually may be, in some cases, recruiting, but maybe what they're hearing internally is let's take our time. So again, this whole sort of uncertainty and slowness is showing through.

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**John Janedis** - *UBS - Analyst*

Okay, thanks, and maybe, sorry, one last one I can sneak in. Just on the -- back to Dice for a second, I think the implied guidance is for maybe 3% to 4% growth for the back half of the year. I assume you still think you're taking share, but can you give us a sense of maybe how you're thinking about the overall vertical? Is it growing below that, do you think, above, or in line?

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

I think the growth of the tech vertical is -- we're probably growing in line with that.





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**Operator**

Tim McHugh, William Blair.

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

Yes, just wanted to follow up, Scot, you commented on LinkedIn earlier and you always get this question, but it seemed like you were -- your comment was a little more open to the view that it's having an impact on your business. I guess, just relative to what you would've thought a couple quarters ago, are you seeing a bigger impact than before or am I just reading too much into the comments you made?

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

I think -- you know, LinkedIn has been out there for several years, and we've been competing with them or alongside them, however you want to describe it, for those years.

I think what you're seeing is that, especially in the small-customer segment, when the urgency is less, recruiters have more time. And when they have more time, they're willing to spend more time on sourcing, sourcing candidates, and so they will use their proprietary networks more. They'll use the free part of LinkedIn more, and I think that clips some of the growth opportunity that we have in that small sector.

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

Okay, but is that -- I guess that's reflective -- the environment has made that behavior change, but I guess, just from a longer-term perspective, is your view on the competitive dynamic with LinkedIn any different?

And then, can you elaborate -- you mentioned you wanted to change some things to improve the small-customer proposition that you have. What are you trying to do?

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

I think the competition with LinkedIn is essentially the same.

It's rare that we have an either/or decision made by a customer. It's much more of a situation where customers are buying both services, but I do think in this slower environment, recruiters especially are going to use their proprietary networks, and then they're going to enhance their proprietary networks more with tools like LinkedIn. So I think there is a larger impact today than there was in some of the months prior because of the market conditions.

As far as what we're doing in the small-customer segment, it has to do with changing some of our products so that they better fit with small direct-hiring companies and serve those customers better because they tend to be -- tend to have different needs than the recruiters do.

And then, also, this is probably much more importantly, one of the things I mentioned was the story in Tech is much more of a market-by-market story, and I think we can do a much better job in focusing our marketing and sales efforts on the markets where the business is and where the business is growing than we have in the past.



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

Does just, not to beat this up too much, but just for those small customers, small direct-hire customers, is that making -- the talent networks, is that making the job postings more efficient? Is there anything specific you can say that makes your product more appealing to them?

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

We introduced a product a while back called Premium Post, which was an enhanced job posting which gives better branding, and we've also embellished that with -- by providing additional service, so helping customers actually access some candidates out of the database, even if they don't have the time or the desire to go into the database.

So it has -- essentially the best way to think about it is taking the job ad, and then adding additional service on top of it, because many of the direct hiring or HR folks don't have the time or training and knowledge to do full sourcing.

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**Operator**

Jeff Silber, BMO Capital Markets.

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**Jeff Silber** - *BMO Capital Markets - Analyst*

Thanks so much. Scot, in your remarks you talked a little about the issue with recruiters in financial services in North America, companies not using as much. Are you seeing that elsewhere, or is most of the pressure coming in the other markets more from the direct hiring companies as opposed to the recruiters?

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

Is this specific to financial services?

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**Jeff Silber** - *BMO Capital Markets - Analyst*

Specific to financial services, and then I was going to ask about Dice as well.

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

So, essentially what we're seeing really around the globe in financial services is that the staffing agencies or the recruiters that are active in that market, you know, are pulling back their service levels to match the level of recruiting that they're doing.

We see it on both sides. When recruiting heats up, they hire more staff. They have more usage. They raise their service levels with us. When you get to leaner times, like we're going through right now in financial services, they pull back on those service levels and may have fewer users or less usage of the site, and so that's really what's happening.

We're seeing that in the UK where the staffing agencies have a very large position in that market and we're seeing it in the recruiter base here in the US. But really, it's happening around the world in financial services.

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**Jeff Silber** - *BMO Capital Markets - Analyst*

And then within the Dice business, if you can comment on that as well?



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

In the Dice business, again, tech is a -- it's a steady market. It's just not -- it's a more mixed market, and so what you're seeing as far as recruiting in tech is there's a flow of recruiting, but it's not what it was three and six months ago.

And so, the recruiters have a little more time. And again, I'm talking about the markets that are not in the tech-centric areas. I think there really is a difference between the tech-centric markets and the more normal metro markets here in the US.

**Jeff Silber** - *BMO Capital Markets - Analyst*

Okay, great, and then, just a couple numbers-related questions. Within the finance vertical, if you can remind us roughly what the breakdown is between your traditional financial services clients and some of the others that you've talked about. And then, also, within the tech vertical, if you can give us the same breakdown between small and large customers. Thanks.

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

Yes, so we've never been overly specific in finance about direct versus staffing and recruiting and consulting firms, but on the Dice side, the number of -- I'm sorry, the percentage of customers who are direct employers is more than 50%, somewhere in the 55% to 60% range. Recruiter, staffing, and consulting firms are the remainder.

Financial services is not terribly dissimilar to that in terms of the share of customers. From a revenue share, they both work essentially the same way where the opposite is true from a revenue share standpoint, so recruiters, staffing, and consulting firms generate the majority of the revenue because they tend to be bigger users.

On large versus small, the bulk of our customer base is small to mid-sized recruiting, consulting firms in the tech business, and that hasn't changed. The bigger users, on average, have bought more service in the last quarter, but the nature of the way the customer breakdown is -- hasn't changed.

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

I was just going to say, just to add, the very important point that Mike made in his comments that I think will give you a better understanding of what's happening in the tech business is that overall we saw the recruitment-package customer count go down, a little bit. But the number of annual contracts increased in the quarter and increased year over year.

So what do you take away from that? What you take away is that the customers that have regular need, regular usage, those continue to expand, and the larger customers are adding to their service levels. So I think that speaks to the strength of the service, especially in those customers that have a regular recruiting need for technology.

**Jeff Silber** - *BMO Capital Markets - Analyst*

All right, great. Thank you.

**Operator**

Jim Janesky, Avondale Partners.



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**Jim Janesky** - *Avondale Partners - Analyst*

Yes, hi, Scot and Mike. The question is -- the first question is around what customers are telling you longer term. Do they say, listen, when the need comes back, we're going to significantly increase our spending with you again? Or do you think it is -- the market share might have shifted on a more secular basis?

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

So I think -- we always, and Mike noted this in his comments, when someone doesn't renew with us -- we always look at reasons for renewal. Those reasons for non-renewal have basically stayed the same, and that's the customer doesn't have any need, they filled it and they don't have any current needs so they're not going to buy the service, and then pricing. And so those are still the top two reasons, and so I think that gives you some indication.

As far as -- so as -- long term, as need comes back, we expect, or as customers have this need, whether it's short term or long term, we would expect them to come back to our site and use it fairly aggressively.

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**Jim Janesky** - *Avondale Partners - Analyst*

And when you look at the -- you talked about changing the way you go to market, what has driven that? Is it because of competition over time has changed, the type of competition, the pricing and such, or -- and with things -- or do you more attribute the slowdown to the market than your ability to deliver?

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

I think there's a combination of things going on here. I think the biggest impact -- because we were surprised in Q2. The biggest impact is what's happening in the market, and where three, six months ago, we had a very strong tech recruiting market and it was a very strong tech recruiting market everywhere, now we have a more mixed tech recruiting market where the business is centered and the growth is centered in very tech-centric metropolitan areas.

What we need to do is we need to double down, and make sure that we've got the right sales and marketing approach into those markets so we're capturing all the business that's there, and I think we probably have been a little bit slow in doing that.

Competitively, you know, we've seen some pretty interesting pricing hitting the marketplace, and of course, LinkedIn continues to get trial, continues to move along.

And so, I think those are the two things competitively that we're focused on. And as far as long term, one of the reasons why we're spending more on product development is we are trying to push the product now into the next generation of the service to position us for the long term.

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**Operator**

(Operator Instructions). Craig Huber, Huber Research Partners.

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**Craig Huber** - *Huber Research Partners - Analyst*

Yes, good morning. A few questions. I'll do them one at a time, please. First one, can you give us a little more comment about the pricing environment? You made some, but just elaborate a little bit further. Maybe if you could quantify it, and if I could maybe add, historically your Company has been very apprehensive to cut price for Dice in your products. Is that still the case right now?



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

So as far as pricing, we've seen some of the traditional players give their sales teams a lot of flexibility in pricing, and so it's led to maybe discounts that maybe are 10% to 15% more than what we've seen in the past, and then, maybe to close deals, additional product is thrown in.

And so, you're right about our philosophy. Our philosophy is that our services drive a lot of value and we should be paid for that. And so, we've tended to be much more strict about our pricing policy and we're going to continue to be that way.

**Craig Huber** - *Huber Research Partners - Analyst*

And then, also, historically your sales and marketing line of expenses has been an area where you've been able to cut back significantly in tougher times and stuff. Is that your plan here in the back half of this year? Or should we think of this $16 million or so -- $16 million, $16.5 million run rate the last two quarters, what do you think it will be the back half of the year?

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

Yes, I think we've been pretty clear that we're not looking to reduce significantly. We've made some adjustments on eFinancialCareers that we deemed to be appropriate, but we're not cutting back.

So I think the run rate, other than in the fourth quarter when we traditionally spend less just from a seasonal standpoint, is probably a pretty fair indication of what we expect.

**Craig Huber** - *Huber Research Partners - Analyst*

And then, lastly, I just wanted to just get a little better understanding the timing of this suddenness of the slowdown. Obviously you guys reported last time April 25; you had a couple of conferences you presented at in the middle of June. Was this more that you got hit with this more in, say, the first three weeks or so of July? I mean, you had a little negative comment to that this conference has been nothing like what you were perhaps talking about now. Just if you could explain the timing of when you started to really see this impact.

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

Yes, I think we saw it throughout the second quarter in varying degrees. We try not to react or overreact to short periods of time, but we gave an indication at the beginning of June, whenever that was, that the environment was not as good as we had thought it was. I think we used traffic lights as a way to attempt to portray things that we saw that were positive, neutral, and negative.

So I would say it's generally throughout. I said earlier, using one measurement, which is renewal rates on annual contracts, that May was not good. April and June were generally fine. I wouldn't say they were great, but they were generally fine.

So there's different indicators that we see during the period. It's not -- there's generally no bright lights that would say one thing or another. But I think we've been relatively open about what we saw in June that we had seen to date.

**Craig Huber** - *Huber Research Partners - Analyst*

Do you feel, though, what you've seen so far in July has made you even more pessimistic?



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

I don't know that it's made us more pessimistic. It hasn't made us more optimistic.

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**Craig Huber** - *Huber Research Partners - Analyst*

Can you comment on how the renewal rates have looked so far this month?

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

No.

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**Operator**

There are no further questions. I would now like to turn our call over to Ms. Jennifer Bewley.

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

Thank you for your time this morning and interest in Dice Holdings. 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.

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**Operator**

Ladies and gentlemen, that concludes the presentation. Thank you for your participation. You may now disconnect. Have a great day.

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