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PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the Q3 2012 Dice Holdings Inc. earnings conference call. My name is Catherine and I will be your operator for today.

At this time, all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference. (Operator Instructions). As a reminder, this call is being recorded for replay purposes. I would like to turn the call over to Ms. Jennifer Bewley, Vice President of Investor Relations and Corporate Communications. Please proceed ma'am.

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

Thanks Catherine, and good morning everyone. With me on the call today is Scot Melland, Chairman, President and CEO of Dice Holdings, along with Mike 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 third quarter of 2012. A copy of that release can be viewed on the Company's website at DiceHoldingsInc.com.

We have one process note this morning. We typically file our Form 10-Q with the SEC on the same morning as our earnings announcement. As we are finalizing the documentation for the purchase price allocation of Geeknet Media, we expect that filing of Form 10-Q to be made in the next few days.

Before I hand the call over to Scot, I'd like to note that today's call 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 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



and the sections entitled Risk Factors or 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 statement except as required by the federal securities laws.

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.

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

Thank you Jennifer. Good morning everyone. Let me welcome you to the Dice Holdings third-quarter 2012 conference call.

I'll start today by discussing our third-quarter performance, including our thoughts on key trends and investments in our vertical services. Then I'll hand it over to Mike Durney, our CFO, to take you through our financial performance. Finally, I'll make a few closing remarks and then we will open it up for questions.

Since our last quarterly report, recruitment activity across our verticals has been generally stable with the exception of European financial services, which has continued to soften. In the third quarter, worldwide revenues totaled \$48 million, an increase of 3% year-over-year. Excluding the acquisition of the Geeknet Media properties, revenues increased 1% to \$47.3 million.

As for profitability, adjusted EBITDA was 40% of revenue or \$19.3 million with no contribution from the acquisition. I know that you would like to have a little bit more color on what's happening in our markets, so let's move on to some of our major brands.

In the Dice business, the recruiting environment for technology professionals was relatively unchanged in the quarter. Tech continues to be a tight labor market. According to the BLS, the employment rate for technology professionals averaged 3.3% in Q3. But turnover in the Professional and Business Services segment took a step back from the rates we saw in the previous quarter and remains below its long-term average. These trends are reflected in the Dice site where job postings were up slightly year-over-year, but have been essentially flat since February.

On the sourcing side, the number of resumes viewed grew from mid-single digits compared to last year's levels.

Importantly, we executed a bit better in the quarter. During Q3, we added to our recruitment package customer account. Our renewal rate on annual contract returned to 70% and revenue per customer increased again to another record, helped in part by larger customers increasing their service levels.

On the product side, we launched our new customer dashboard, where hiring managers and recruiters start their candidate searches and manage their jobs in the Dice backoffice. Feedback on the new dashboard has been positive with the number one response being that it helps me work faster and more efficiently. As you know, efficiency is at the heart of our value proposition. And it's clear that we are continuing to deliver on that promise through our investments in product development.

One of the highlights of Q3 was the acquisition of Geeknet Media, which is an important long-term strategic move for us. As you know, one of our strategic priorities is to evolve our career sites to become content and community sites for the verticals that they serve. The best example of this is Rigzone, where we are both the leading career site and the number one news and information service for the upstream oil and gas industry.

Slashdot and SourceForge will be great complements to the Dice.com service because these sites strengthen our ability to deliver unique and valuable information to the global tech community, which they use in their everyday work logs.

So let me walk you through why we are so excited about these properties. First, Slashdot and SourceForge have huge audiences that are highly engaged, socially adept, and built around community. Slashdot's pure moderated news generates more than 5000 comments each day and has



nearly 4 million unique visitors per month. Recent interviews included Linus Torvalds, the principal force behind the development of Linux, and Steve Wozniak, co-founder of Apple. As you can see, Slashdot is a key meeting place for the tech community.

SourceForge's audience is vast with 40 million unique visitors per month and nearly 5 million downloads of open source software every day. We believe these communities will enable our customers to reach millions of engaged technology professionals on a regular basis, helping them to build their employment brands and to drive talent to their opportunities.

The second reason we are so excited is that about 40% of Slashdot's and 80% of SourceForge's unique visitors are from outside North America, with a strong and substantial audience in emerging markets. As many of you know, we have long looked for a way to expand our tech recruiting service outside of the US. And we believe this audience could be the platform for launching that expansion.

And lastly, we just like the tech media business. We believe that Slashdot and SourceForge are truly unique assets in the technology world, and look forward to working with the team to grow that business. So while this is a long-term strategy, we're working on an exciting roadmap to leverage these sites and expect to see the impact of these properties early next year.

Moving on to eFinancialCareers, recruitment activity in financial services continues to slow driven by the uncertainty over banking activity and profitability. As a result, job postings on the site are down roughly 20% year-over-year. As you would probably expect, demand slowed over the summer months, but the slowdown was more pronounced than usual in the UK and Continental Europe. Recruiting levels have been steadier in the US and Asia-Pacific regions, with Southeast Asia and China considerably stronger than Australia. We continue to work with our partners at Dow Jones to deliver co-branded career centers for the WallStreetJournal.com and MarketWatch.com websites, and initial conversations with customers about the benefits of this partnership have been very positive.

Overall, with the market continuing to be cautious, we are not seeing signs of increased hiring demand in Financial Services, so we expect more of the same as we close out this year.

At Rigzone, our recruiting business continues to benefit from upticks in contract values and new customers. Demand for skilled workers in the oil and gas industry remains robust despite the low price of natural gas. We continue to see very strong year-over-year growth outside the US, with particular success in Europe. In addition, we benefited from strong growth in our content supported advertising business. That's our traditional advertising business. As customers have recognized the growing and highly valuable worldwide audience available on Rigzone.

Just to illustrate how engaged our oil and gas community is around the world, we recently hosted a virtual open house for a large multinational producer based in Asia which was attended by over 1800 oil and gas professionals. Our ability to drive that kind of engagement halfway around the world for a single open house is quite unique.

Rigzone has significant growth opportunities ahead of it and good momentum in the business. The team is focused on building out the infrastructure around the world to capitalize on that opportunity, and we are excited to see what this business can become.

The overall recruitment activity across most of our verticals has been stable quarter-to-quarter. It almost feels like customers and prospects are treading water, waiting for resolution of the US elections, the fiscal cliff and the European debt crisis. We are performing a bit better in this environment, and with the addition of Slashdot and SourceForge, we are in an even better long-term position to capitalize on our core technology business. Our product development continues and we look forward to sharing with you some of the new enhancements to our Dice service in the months ahead.

So with that, let me turn it over to Mike to discuss our financial performance.

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

Great, thanks Scot. Thanks to everyone for taking the time to join us today. In the third quarter, revenues totaled \$48 million and EBITDA totaled \$19.3 million. If you exclude the Geeknet Media acquisition impact, revenues were \$47.3 million and EBITDA was still \$19.3 million as the impact

of the acquisition on EBITDA was effectively zero. Net income for the quarter was \$11 million, helped in part by the reversal of tax provisions, and earnings per diluted share were \$0.17.

So with that quick overview, let's start with the segments. Revenues in the Tech and Clearance segment increased 10% year-over-year to \$33 million. SourceForge, Slashdot, and Freecode are reported in the Tech and Clearance segment, and the completion in the quarter from that acquisition was \$761,000 for the two weeks or so that we owned the business.

Looking solely at the Dice.com business, revenues grew 7% year-over-year. At the end of the quarter, the Dice service had 8650 recruitment package customers, up 50 from the 8600 at the beginning of the quarter. On a year-over-year basis, average customers served by Dice grew nearly 6%, or 450 recruitment package customers. We have reversed the trend we experienced in the second quarter in overall market conditions that are essentially unchanged but where we put more focus on markets where demand is stronger and efficiency is important.

The number of customers under annual contract grew again sequentially to 7600, a record for the Dice.com service. That's a gain of 100 annual customers from the second quarter and a year-over-year increase of 7%.

During Q3, the renewal rate on annual contracts was 70%, and the renewal rate was relatively consistent each month of the quarter. The quarter had slightly more than 1600 annual contracts up for renewal. As a reminder, the second and third quarters have smaller renewal books in terms of customer account, which does have an impact on the change in deferred revenue.

Average revenue per customer increased 4% year-over-year to 978 per month per customer, another record for the Company, and up 2% sequentially from 956 in the second quarter. While we continue to believe the revenue per customer metric will flatten out, it still hasn't happened, as on average customers spend more per month on Dice.

Performance continues to be strong for ClearanceJobs, despite the concerns around defense spending and sequestration. While it accounts for 5% of total revenues, ClearanceJobs grew 12% year-over-year as more customers continue to be added to the service and the utilization of cleared network grows from both customers and candidates.

Moving to eFinancialCareers, weak recruiting activity continued with revenues down 20% year-to-year to \$9.4 million. Currency translation negatively impacted revenues by about \$160,000 year-over-year.

In the UK, revenues declined 20% year-over-year, measured in Sterling. The UK market continues to have clients adjusting the service to match present market conditions.

Revenues in the Asia-Pacific region declined 7% year-over-year in Singapore dollars. Australia continues to be considerably weaker than Southeast Asia, and then mainland China where demand held steady. Although the region continues to be impacted by the overall decline worldwide in Financial Services recruiting, there is significant interest in the region. As an example, we held a virtual career fair with 20 Chinese banks and financial institutions participating and more than 1500 candidates registering for the event.

Moving to Continental Europe and the Middle East, revenues decreased 40% year-over-year, measured in euros, and that is by far our weakest area. And revenues were up 4% year-over-year in North America where demand levels have been pretty consistent. The North American performance has been helped by the addition of the FIN site. While the plan is to consolidate that service into the eFinancialCareers platform, it continues to garner usage and generate revenues in the short term.

Outside the softer markets in Europe, the customer feedback on future hiring plans has been similar in Financial Services quarter-over-quarter.

Moving onto energy, revenues were up 10% to \$4.5 million in the third quarter with gains of 22% year-over-year in the career center and 24% year-over-year in advertising. Partially offsetting those increases was our events business which was down year-over-year due to the absence in 2012 of a large industry event that is held bi-annually. We continue to add customers in the career center business and we're continuing the process

of rightsizing contracts of larger customers who have historically had unlimited use packages. This has a positive impact on revenue overall but occasionally slows down the renewal process.

Advertising is delivering on a 42% year-over-year increase in unique visitors. That increase is the result of a combination of the integration of the worldwide workers site, investment in editorial content and increases in marketing.

To wrap up the segments, revenues excluding the acquisition were \$47.3 million, up slightly on a year ago with gains in Tech and Clearance and energy and continued declines in the Finance segment.

Adjusted EBITDA was \$19.3 million, which resulted in a margin of 40%. We are still operating under our long-term plan for continued investment in product development and marketing, but the timing of spend has been different than anticipated, which you'll see in our Q4 guidance as well as the inclusion of a full quarter from the Media acquisition which carries lower markets than the Company average. More about that in a minute.

There's one item below EBITDA that we should point out on income tax line. Due to the expiration of the statute of limitations covering various tax positions, our tax expense was favorably impacted by \$1.7 million.

Net income increased 18% year-over-year to \$11 million and earnings per diluted share were \$0.17 which was favorably impacted by both the share repurchase plan and the tax items. The effect of the tax benefit was \$0.03 per diluted share.

During the third quarter, we repurchased approximately 2.7 million shares of common stock at an average price of \$8.15 per share, or approximately \$22.4 million. We reduced our share count by about 10% since the inception of the share repurchase program a year ago. Under our current authorization announced in March, we have little more than \$18 million remaining.

In addition to the share repurchase, we paid \$20 million for the acquisition of Slashdot, SourceForge and Freecode which reduce our net cash position quarter-over-quarter. At September 30, our net cash totaled \$8 million consisting of cash and investments of \$50 million less total debt of \$42 million. With \$42 million outstanding, we currently have \$113 million available under our credit facility for further acquisitions and share repurchases.

Net cash from operations in Q3 was \$10.3 million, a decline from last year's \$17.3 million, in part due to an unfavorable impact from the change in deferred revenue and the timing of tax payments. Deferred revenue totaled \$66.1 million at September 30, of which about \$2.4 million is related to the acquisition. That's an 11% increase year-over-year but down \$700,000 from the June 30 balance. The sequential decrease was primarily due to our billings performance in the third quarter which declined 6% year-over-year, excluding the acquisition, mostly due to the eFinancialCareers business.

To sum up the quarter, we continue to deliver profitability and cash flow but more importantly, we took strategic steps to bolster our company in the long-term through the acquisition of SourceForge, Slashdot, and Freecode. Our strategy and performance allows us to consistently reinvest in our businesses, make strategic acquisitions and return cash to our shareholders. As we accomplished all three, it was a pretty successful Q3.

Looking forward to the remainder of the year, our expectations to close out the year relatively unchanged. For the full year which now includes the contribution from Geeknet Media, we anticipate revenues of \$194 million, up from \$189 million when we spoke to you in July. We expect the contribution from the acquisition to be a little more than \$5 million for the year and our revenue estimate for the business, excluding Geeknet, remains mostly unchanged. Tech and Clearance was a little bit higher, Financial a little bit lower and Energy about the same.

On the full-year EBITDA line, we are raising our guidance by \$2 million to \$76.5 million. The EBITDA impact of the acquisition is assumed to be zero. Below the EBITDA line, depreciation and amortization expenses were up roughly \$1 million due to the amortization expense from the acquisition. All-in-all, net income is expected to be \$37.6 million, up from \$35 million on previous estimates.

There are some comments on the short-term impact on revenue and EBITDA from Geeknet Media. We are still getting our arms around some of the nuances of the business as it relates to short-term revenue projections, including the impact of seasonal buying patterns, inventory constraints,



customer product and creative delivery schedules and some others. So we've developed a Q4 revenue estimate of \$4.5 million based on what we know today. It could be \$0.5 million lower, it could be \$0.5 million lower, but we conservatively think \$4.5 million is a good estimate.

On the expense side, we are refining our spending and investment plans. In addition there are some acquisition transition related costs and we put in place some employee incentive plans, all of which impact the EBITDA line in Q4 as it did in Q3. So, we think net zero on the EBITDA line is a good place. But nothing has changed in terms of what we think full-year revenue and EBITDA performance can be once we get through the transition phase.

As for the quarter, we anticipate revenues up 9% year-over-year to \$51.4 million. We anticipate EBITDA at 36% of revenues or \$18.6 million.

For those of you who have been with us for a while, you'll recognize this year is a break from traditional highest EBITDA margins of the year in Q4 which typically happens due to the seasonality because we spend less on marketing around the holiday season. That will still happen, but there are two unique impacts. One is the acquisition and transition related expenses that are driving the Geeknet properties to breakeven on the EBITDA line in the short-term, and the others are continued investment in product development. In the ongoing investment issue, once again our timing was off a little bit in Q3. Those investments are slated now to occur in Q4.

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

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

Thank you Mike. As I mentioned earlier, recruitment activity across most of our verticals has been stable quarter-to-quarter as customers and prospects wait for a resolution of some of the big issues impacting the global economy and the labor markets. The good news here is that many of these issues will be sorted out soon and we are well positioned to capitalize on what we anticipate to be a continued gradual employment recovery with the recovery of the global economy as well.

Let me take a moment to welcome Goli Sheikholeslami to the Board of Directors. Goli joined us at the end of September and comes to us from Everyday Health, a leading provider of online health information, where she is Executive Vice President and Chief Product Officer. She is a digital industry veteran having held leadership positions at the Washington Post and Conde Nast earlier in her career, and she has considerable experience in product development and vertical content. We look forward to working with Goli and the rest of the Board at as we launch our next generation of services.

Thank you all for listening. Let's open up the call for some questions.

QUESTIONS AND ANSWERS

Operator

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

Jeff Silber - BMO Capital Markets - Analyst

Thank you so much. The EBITDA margin you generated in the quarter was a bit higher than expected. You said the acquisition really had nothing to do with that. Can you walk through why that came in ahead of your expectations?



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

Sure. I think we've talked for a while about investing in product development. It's probably taken us a little bit longer than we thought it would. You are right. The impact of the Geeknet Media acquisition on EBITDA was zero, although the impact on the margin was probably 100 basis points or so for the short period of time that we owned it. But it's really the amount of time it's taken us to launch our product development initiatives. And there is a couple of other things that are relatively on the margin.

Jeff Silber - BMO Capital Markets - Analyst

Great, we can go through that off-line. In terms of leveraging your debt level, how much are you comfortable with? Do you expect to be paying down those debt levels over time or are you going to be using it for maybe further acquisitions, etc.?

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

I think, historically, we have said as a management team we are comfortable operating the business with a leverage of 2 to 2.5 times. We've done it before, we've done it at higher levels, but we think that's a pretty good range for us. It's not that we target that range, but we think it's a pretty good range to operate the business in. And I think where the leverage is today, we are continuing to look for acquisition opportunities. We have a share repurchase plan in place that has \$18 million left under it, so I think we generate sufficient cash flow that we could certainly pay it down over a relatively short period of time. But the main focus of cash flow, including our available credit facility, is to look for acquisition opportunities.

Jeff Silber - BMO Capital Markets - Analyst

Just a quick numbers question. You mentioned in your comments about Energy slowing a bit. I think you said there was an industry event that did not occur this quarter. Roughly what was the impact of that?

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

So what is year-over-year revenue growth of 10%, but for that event that happened last year in the third quarter, the growth rate would probably be 16% or 17%

Jeff Silber - BMO Capital Markets - Analyst

Okay. Great. I'll jump back in the queue. Thanks so much.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - Huber Capital Management LLC - Analyst

Yes, good morning. My first question, could you speak a low bit further in your Tech category what you're seeing for your small cast customers versus your large customers. And I have a couple of follow-ups.



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

Sure. So we continue to see really the trends that we talked about earlier in the year. Our larger customers tend to be upgrading their services with us, and faring a little bit better in this market environment. I think on the smaller side of things, you still have a lot of -- even with the tightness of the tech labor market, if you look across the country, you still have areas that are not as strong in terms of demand. And so when things are slower, many small customers, especially the small recruiters, tend to use their proprietary databases and other sources to help them fill reqs on behalf of their customers. So, the business there is a little bit softer than what we would've expected.

Craig Huber - *Huber Capital Management LLC - Analyst*

Also, can you talk a little bit further about what you've seen in the marketplace in terms of pricing from your major competitors out there, how much has the pricing would you say is generally changed versus a year ago, and the trend versus, say, the second quarter?

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

I think the pricing environment in Q3 was roughly the same as it's been in Q2. Versus a year ago though, it's a more aggressive pricing environment. I think you're seeing some of the -- or we are seeing a bunch -- some of the larger players in the space, traditional players in the space that are more aggressive on pricing. And so our philosophy is really not to match those prices because we try to be disciplined in our own pricing approach and believe in the value of our service. So, our pricing environment really hasn't changed over the last quarter or true, quarter or two, but it is more aggressive than it was.

Craig Huber - *Huber Capital Management LLC - Analyst*

Do you might if you can quantify that, you talk about roughly down, say, 10% in some of the traditional guys year-over-year?

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

It's difficult to say because the way it impacts the market is the sales teams are given greater flexibility to close deals. And so the information that we have is anecdotal coming in through sales in terms of what pricing is out there. The rack rates or publish prices are essentially the same as they have been, but definitely a few percentage points.

Craig Huber - *Huber Capital Management LLC - Analyst*

My last question back on technology, I think you mentioned tech unemployment rate in the low 3.3% or so. Can you talk a little bit further about the lack of tech turnover among the employees out there, and what's that doing to your business? What data are you looking at there? Can you quantify when you say that statement?

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

When we look at turnover, I wish there were better third-party information out there on turnover. But unfortunately there isn't. The best that's out there is really what's published by the Bureau of Labor Statistics in their JOLTS data. And so we focus in on the -- (inaudible) business and services segment, our professional business services segment since that has a large amount of tech consulting and tech services included in it. And what we've seen is that that turnover rate or sort of the amount of people that are voluntarily leaving their jobs is still lower than it has been historically. And normally, in a recovery, we would've expected there to be a surge in turnover. Turnover is better today than it was two years ago, but it's not surging.

And so I think, as we look forward, what we would expect is that, as the general economy gets better, there should be a surge in turnover because there is -- if you look at some of the surveys that have been done about employee satisfaction, employee satisfaction is quite low by historical standards. And so there is pent-up demand to try new things.

But what seems to be holding people to their desks today is concern about the economy. They don't want to be the first person out, last person in at a new opportunity, and then also flexibility to move since many people have situations with their housing that they may not be able to move.

Craig Huber - *Huber Capital Management LLC - Analyst*

I do have one more question. These items you mentioned about Washington DC around the election, the fiscal cliff, you didn't mention the debt ceiling that's getting raised, but you should think about that as well. Are you hearing directly from many of your customers that that's causing them to sit on their hands in terms of hiring (technical difficulty) several weeks, several few months?

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

I think what we are hearing is that they are slowing down. They don't want to be heroes in front of what could be a change in the marketplace. Sometimes, I think some customers use it as a crutch, as an excuse, but I definitely think it's real in that, as they are planning for 2013, it's just another set of elements that they have to consider as they are planning their businesses and planning their headcount and their recruiting, and it's out there. And so I think what we are likely to see here is delayed decision-making until there is a little bit more clarity.

In Financial Services, it's probably even more specific though because, in Financial Services, there are still many large financial institutions who are trying to get clarity on the rules that they have to operate under so that they can properly plan their workforce.

Craig Huber - *Huber Capital Management LLC - Analyst*

Great, thank you.

Operator

Tim McHugh, William Blair.

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

Yes, first just a numbers question to start. The billings decline of 6%, I think that was for the overall company but I missed it if you gave some of the segment level numbers like you historically have.

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

Yes, so 6% is the overall company. Dice was down slightly, about 2%. Energy was up slightly, about 4%. And eFinancialCareers was down about 20%.

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

Okay. And then Scot, can you just elaborate maybe a bit more on you talked about a little bit moving some of your resources around geographically. But it sounded like there was some disappointment with kind of how you executed from a sales perspective as a company last quarter, but you feel more positive about that. Was that the main thing that you changed, and is that a correct way to think about it?



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

I think, going back to what we said last quarter or coming out of Q2, we were a little disappointed as to how we had executed. And I noted particularly that I thought we could do better in terms of sales and marketing as well as speeding up our product development. And so we have made some organizational changes within the Company, and we have switched some resources around to focus more of our sales and marketing on areas where we think the fish are biting. And so those are essentially the changes we've made.

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

Okay. And on the energy sector, did the events movement or the movement of the event out of the quarter impact the billings as well, or is that not impacting that number?

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

Yes, it does impact billings. It's not -- not all of it was billed last year in the third quarter. It does have an impact. I think billings was impacted by a number of things, not dissimilar to Q4 of last year where you have some timing issues. So we have one big customer that last year was billed in the third quarter, this year was billed in the second quarter. We have one or two that have slipped out of Q3 into October. So I know you've heard us say this before. From quarter-to-quarter, in a growth mode, you're going to have some lumpiness in terms of year-over-year billings performance as we grow the business. And I would say that's what we saw in Q3.

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

Okay. And on the Geeknet assets that you bought in the lower-than-normal margin in the near term, how long could that lower margin last? Is it truly kind of a one-quarter initial transition transaction expense, or integration expense, or could those integration activities last for a couple of quarters here?

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

Yes, so I would say that the meat of it will be in Q3 and Q4, and some will roll into Q1, but that should be it.

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

Okay. And then lastly, you get asked every quarter about LinkedIn and what you're seeing, so I'll ask that question this quarter. I think you last quarter said, because of the slower environment, you saw clients using it more often. Has there been any change I guess in how you would look at the competitive environment versus them?

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

I think there's really been no change in the competitive environment going into the third quarter from the second quarter. LinkedIn specifically has a lot of momentum in the business, and I think this environment, as you mentioned, allows recruiters, especially small recruiters, more time for the execution of their sourcing assignment. And so what we've always seen in this business is that when they have more time, they use their proprietary networks first, and then they use -- once they've exhausted their proprietary networks, they go out to third parties like us and LinkedIn and others to help them. And so we are in that kind of environment right now in most of the markets. And so it's not surprising that they are making that shift.



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

Great, thanks.

Operator

Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Hi. I am wondering first of all what kind of P&L impact the Dow Jones deal had in the quarter.

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

So, it's small. There are some revenue that we generate from operating within the Fins business in its existing form offset by there are some costs we incur with Dow Jones to operate the site in the near term until we finish the integration, so net-net it's timing.

Randy Reece - *Avondale Partners - Analyst*

Okay. I guess I'm trying to get a better handle on the variance between my expectations and your guidance for the Energy segment in the fourth quarter. And I was wondering if you could kind of split the behavior of the online and job fair business.

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

Sure. So, there are a handful of events in Q4. There were relatively few in Q3. So these are industry events, right? So we don't control when they happen and how they happen.

From a timing standpoint, we continue to invest in the business and grow the sales and marketing infrastructure. I would view the growth opportunity as we build out, especially overseas, as kind of staircase. So we are into the next phase of penetrating the market.

I'm not sure I can respond to comparing what we're going to do to your expectations, but the business continues to grow. And so you should see decent sequential growth from Q3 into Q4 in terms of revenue, certainly in billings.

Randy Reece - *Avondale Partners - Analyst*

Very good. Thank you.

Operator

John Janedis, UBS.

John Janedis - *UBS - Analyst*

Thank you. You guys have historically talked about adjusted EBITDA margins in that 40% to 45% range. Does the Geeknet deal change that over the long-term, and can you maybe speak to any kind of revenue synergy opportunities from the deal?

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

So, if we look at the margin of the business going forward, one of the things that Mike highlighted in its points as well as some of the questions is that in the near term there are number of things that we have going on. Investment in product development as well as the impact now of the Geeknet properties and then the integration costs associated with the purchase of the Geeknet properties. So, there is a short-term impact on the profitability of those Geeknet properties because there's a lot of transitional things going on, which will clear themselves up as we get into next year.

On top of that, as we grow that business, the margin profile of that business will improve. And I think we can see that the Company overall is a 40% EBITDA business going forward. So, we've got this investment today. We've got some transition that we are doing with Geeknet, but as we look out into the forward quarters and years, we see this coming out as 40% plus.

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

Keep in mind Geeknet today is about 10% of the revenue, right? So the core business is 40% to 45%. We add 10% revenue business. That's a run rate 20% to 25% once we get through the transition. Geeknet Media is a relatively fixed cost business today. The majority of the costs are in personnel. There's not a lot of other spending outside of personnel, and so there is a fair amount of leverage in that which we expect to come. So you're going to average in 90% of the business is 40% to 45%, 10% is currently 25% or so, and we expect to grow. So we are pretty confident that the overall profile of the Company doesn't change very much.

John Janedis - UBS - Analyst

Thanks. And then on Europe, you talked about Continental Europe being challenging. Can you remind us how much of (inaudible) revenue is from that region outside of the UK? And from an acquisition perspective, would you consider increasing the exposure you have there currently if assets for sale get cheaper outside of financials?

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

Yes, so on eFinancialCareers, it's now slightly less than 20% of eFinancialCareers' business. Rigzone, it's a relatively small percent. We don't really focus on the region so much from a revenue standpoint because a lot of the selling in those regions are to multinationals who have operations worldwide and are not necessarily impacted directly by what's going on on the continent.

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

And so as a region, in the short-term it's a challenging area. But the Rigzone business has had great success in Europe. So, it really somewhat depends on what line of business you're talking about. Long-term, the European market is I think going to be a good one.

John Janedis - UBS - Analyst

One related question Scot. You talked about the region being down about 40% during the quarter. Could you just remind us on the size relative to the -- I guess where the bottom was back in '09, was it down worse than 40%, better than 40%?

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

It was probably down about the same.



John Janedis - UBS - Analyst

Thank you.

Operator

[Matt Belvedere], Stifel Nicolaus.

Matt Belvedere - Stifel Nicolaus - Analyst

Thanks for taking my question. If I just back out the Geeknet acquisition, it looks like 4Q revenue would be down both year-over-year and quarter-over-quarter. I mean, looking out to 2013, clearly the macro is somewhat of an unknown. But how should we think about organic growth? I think the Street has got 10% revenue growth built in. Is there a reason to think that revenue could be flat organically, excluding the acquisitions next year? How should we think about that in 2013?

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

I think, order of magnitude, it's relatively flat sequentially, probably down slightly year-over-year. So the Tech and Clearance business we assume is roughly flat. Some of that is seasonality, so we have a drop-off in short-term business around the Thanksgiving to New Year period. So that's how I would think about that business sequentially.

Finance we believe will be down and Energy we believe will be up sequentially. So you end up with roughly flat. And I would say there's a lot of factors that go into 2013 which Scot described before, which probably transcend what our business is going to do Q3 to Q4.

Matt Belvedere - Stifel Nicolaus - Analyst

And then just on the free cash flow, it seems like you've had a couple -- free cash flow has been down year-over-year. A lot of this is clearly the change in deferred revenues. But should we see the conversion, which historically has been 70% plus of EBITDA, should that begin to normalize, or should we continue to assume free cash kind of stays as deferred revenue moderates, the free cash flow generation should still be somewhat less than prior levels?

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

So deferred revenue, the change in deferred revenue and the collection of the Billings that drive deferred revenue is the biggest driver of cash flow in the near term measured in short periods of time. One thing I would say, and we've said this for a long time, is that a significant amount of free cash flow is generated in Q1 because Q4 is a pretty big billings period which we end up collecting in Q1. So, I wouldn't look at one quarter versus another. I would try to look at it as trends over a period of time. I don't think anything has changed from a free cash flow standpoint, but as you pointed out, it is driven by the change in deferred revenue and the amount of billings.

Operator

(Operator Instructions). Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

I'm wondering if you could just sort of talk longer-term about the Geeknet acquisition. I think the press release mentioned \$20 million in '11 revenues. I mean what do you sort of, broadly speaking, see as kind of the target growth rate for this business over the next three-plus years?

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

I think, when you look at the assets that are in that business, SourceForge and Slashdot and Freecode, these are huge traffic generators and global traffic generators. And I think we've seen the team there do a good job at monetization of that opportunity. I think, as we go forward, we'll see more monetization, especially outside the US, as we make the most of that media business. So long-term growth rate, if this is a \$20 million business today, we feel pretty comfortable this could be a \$30 million to \$40 million business. I think the time frame is something that we have to get our arms around as we work with the team to do the long-term planning.

Doug Arthur - *Evercore Partners - Analyst*

And that \$30 million to \$40 million includes obviously layering in or more effectively integrating recruitment services?

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

That is the core advertising business of Geeknet. I think the other value that we are looking to generate out of this is to the core recruiting service that we have. So, that benefit will I think show up in terms of lower marketing costs and better product performance for the Dice services. So to answer your question specifically, it's separate.

Doug Arthur - *Evercore Partners - Analyst*

Okay, thank you.

Operator

Youssef Squali, Cantor Fitzgerald.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Thank you very much. Just two quick questions. One, Mike, could you go back and give us again what the revenue and EBITDA guidance at the end of Q2 was versus what it would be at the end of Q3? I'm sorry, yes, adjusted for the acquisitions? I just wanted to see what the apple-to-apples comparison is.

And then on to Geeknet Media, content is obviously a different sale than what you're used to. You have a little bit of it in Rigzone, but you're going to have to do more of it with the new acquisitions. Can you maybe just walk us through, maybe, Scot, how you're thinking about the sales and marketing effort you guys need to double down on that investment? Is the structure already there so you won't need to do much to it to kind of optimize it? Maybe just again walk us through the investments required to get it to where you want it to be. Thanks.

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

So, on the first question, the full-year guidance on the revenue line is roughly the same as what we said in Q2. There is little roundings here and there. I think Dice is slightly -- I'm sorry, Tech and Clearance, of which Dice is the majority -- is slightly higher. Finance is slightly lower. Net-net they're within a couple hundred thousand dollars on the \$189 million that we said at the end of Q2.

On the EBITDA line, it's about \$2 million higher because there is no impact from Geeknet Media in the current projections. That comes from the spending that we didn't get to in Q3. Some of it rolls into Q4. Not a lot of it, but some of it.

So, I think net-net, putting aside rounding, the revenue assumption for the full year is the same and EBITDA is up \$2 million.

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

And then on the Geeknet, the plans for Geeknet and how far along are we in terms of having the right pieces in place to execute on the opportunity, I think the great news here is that we have a very strong team of people at Geeknet. And I think what we are looking to do is really let them do what they do well even better. And so there's ideas that we have in terms of new product that will be brought out to new advertising product that the market would like to see from us, and so we plan to execute on that, as well as just taking better advantage of what we currently have across -- and selling that across the full range of the audience.

So you are right that this is a different business for us, but we are actually -- we are in this business today with Rigzone and some of the other ad selling that we do across our network of sites. So it's not all that new.

Youssef Squali - *Cantor Fitzgerald - Analyst*

How big do you think ad-driven revenue could become for you guys, say, I don't know, a year to two years from now?

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

I think specifically on Geeknet, I'll go back to what I said earlier, which is we think the potential is sort of \$30 million to \$40 million here, and we just have to figure out the time frame and the best way to execute on that. For our other businesses, as you know, we have been adding content to the Dice business. This will obviously help us there. And we have been focused on advertising sales at Dice as well as eFinancialCareers as an opportunity in the eFinancialCareers network. So, I think the focus right now is more on advertising sales coming through Geeknet than the other services, but the other services have potential there as well.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay. Helpful, thank you.

Operator

Thank you for your question. I would now like to turn the call over to Jennifer for closing remarks. Thank you.

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

Thanks Catherine. Thanks to everyone for your time this morning and interest in Dice Holdings. Management will be available to answer any follow-up questions you may have. Please give me a call at Investor Relations at 212-448-4181 to be placed in the queue. Have a good day.

Operator

Thank you for joining today's conference. This concludes the presentation. You may now disconnect. Have a good day.



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