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DHX - Q1 2013 Dice Holdings, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2013 Dice Holdings, Inc., earnings conference call. My name is Marie and I will be your operator for today. (Operator Instructions). As a reminder, this call is being recorded for replay purposes.

And now, I would like to turn the call over to Jennifer Bewley, Vice President of Investor Relations and Corporate Communications for Dice Holdings. Please proceed.

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

Thanks, Marie, and good morning, everyone. With me on the call today is Scot Melland, Chairman, President, and CEO of Dice Holdings, along with Michael Durney, EVP of Industry Brands Group and CFO.

Please note, this morning we issued a press release describing the Company's results for the first quarter of 2013. A copy of that release can be viewed on the Company's website at DiceHoldingsInc.com.

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

Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological, and/or regulatory factors. The principal risks that could cause our results to differ materially from our current expectations are detailed in the Company's SEC 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 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 that has been furnished to the SEC, both of which are available on our website.

Now, I will turn the call over to Scot.

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

Thank you, Jennifer. First, let me welcome all of you to the Dice Holdings first-quarter 2013 conference call.

I'll start today by briefly discussing our performance, including the progress of our Open Web beta. Then I'll hand it over to Mike Durney, our CFO, to take you through our financial performance. I'll make a few closing remarks, and then we'll open it up for some questions.

Recruitment activity across our verticals has been largely stable since our last quarterly report. We continue to see relatively stronger markets in technology and energy recruiting, compared to softer volumes in global financial services.

In the first quarter, worldwide revenues totaled $50.4 million, an increase of 9% year over year. Excluding the acquisition of our media properties, revenues increased slightly to $46.4 million.

Billings grew 5% year over year, due primarily to the inclusion of our media business and strong growth at Rigzone. As for profitability, adjusted EBITDA margin was 34% of revenue, or nearly $17 million for total EBITDA.

Overall, Q1 was a good start to the year, particularly in light of the continued low levels of turnover in professional services, modest job growth, and caution due to sequestration, especially in the government and defense sectors. More importantly, our core services are performing well and our Open Web technology has been well received by Dice customers.

Although we are in the early stages of the transformation of our services the Open Web beta is already having a positive impact on our business.

As I mentioned on our last call, Open Web is a natural language search tool that mines about 50 social sites and billions of Web pages to create aggregated professional profiles of individuals. The platform brings together valuable pieces of public information scattered across the Web into a useful searchable profile containing the types of information that recruiters need to source talent. Professional information like skill sets and titles, current and previous employers, location, and educational background is combined with insight into a candidate's softer side, like interests, hobbies, and passions, and often direct contact information.

These aggregated profiles include links to the candidate's public social persona, including links to their blogs, Twitter, GitHub, Google Plus, and other social profiles.

Our goal with Open Web is to give recruiters a comprehensive view of the talent that is available in the market, as well as a more well-rounded view of each candidate's skills and experience, saving them time and improving the fit with their organizations. This capability, along with our core Dice service, offers hiring managers and recruiters a truly complete solution, reaching both passive and active candidates.

We announced the beta on our Dice.com site at the end of January, following a soft launch just after Thanksgiving, and I'm happy to report that we are making steady progress. During the quarter, the number of recruiters using Open Web grew, as did the number of Open Web searches and profile views.

Although it still accounts for a small percentage of total Dice usage, Open Web usage is growing, and it's having a positive impact on the renewals of the customers who use it. In Q1, those annual customers who were also regular users of the Open Web service renewed at rates significantly higher than our other customers, including customers with similar characteristics, usage, and performance.

While only 15% of the roughly 2,200 annual contracts up for renewal in Q1 were regular users of Open Web, their renewal rates were much higher than what we expected, by count and by dollar value. The higher renewal indicates value and customer satisfaction.

So I think you can see why we believe we're on the right track with Open Web and are excited about its potential.

In addition to the Open Web beta, we also made progress growing the Dice community and improving Dice's core product performance. In Q1, traffic to Dice.com increased 4% year over year. The number of applications increased 19% and our 30-day searchable collection of resumes jumped 37% year over year. These gains are the result of product changes we made late last year, as well as the better optimization of our overall marketing spending.

During the quarter, we also made significant progress leveraging our recently acquired properties, Slashdot and SourceForge, which we have renamed Slashdot Media. In Q1, we launched job widgets on these properties, displaying relevant career opportunities within the content areas of both sites and delivering millions of impressions to the Dice.com service each month.

This is important because it gives Dice regular exposure to the wider technology community and has enabled us to reduce our overall marketing spend. We continue to be enthusiastic about the potential of Slashdot Media. Our longer-term goals for the business include leveraging its huge global community to grow our technology recruiting service outside the US and building out Slashdot's lead generation, custom content, and marketing services businesses.

So looking ahead to the rest of the year, we expect the tech labor market to remain tight with low turnover and moderate job growth, and the Dice business should perform fine in that environment, with sequestration a bit of a wild card for all of us.

On the media side, we believe that we have the transition issues from the acquisition behind us and expect to see steady improvement with our new sales leadership in place.

Moving on to eFinancialCareers. The feedback we have from clients is that the recruitment market in financial services has achieved a level of stability, particularly in North America and Asia, while continental Europe continues to struggle. The UK is somewhere in between, with some signs of stability.

Our large banking clients continue to shift their activities to in-house recruiting, which benefits our direct hire business, but that positive impact is offset by lower activity in volume from our recruitment agency customers. Clients have become more comfortable with our new back office, which we launched in Q4, and we continue to push ahead with additional product enhancements. In fact, later this year we plan to launch a version of the Open Web technology at eFinancialCareers, as well as a new mobile site.

Overall, we don't anticipate much change in financial services recruiting for the balance of the year. The signs of stabilization we are seeing are encouraging, and we firmly believe that recruiting will recover as overall confidence in banking profitability return to normal. We just can't predict when that will happen.

In our energy segment, RIGZONE continues to deliver terrific growth, with revenues in both career center and advertising increasing more than 30% year on year. The global buildout of our sales, marketing, and editorial teams is paying off with a growing customer base and user community outside of North America. And our package selling approach, which brings together all of RIGZONE's services, also continues to drive positive results, particularly in advertising and event sales.

Overall, we expect RIGZONE growth to continue throughout the year. Although the pace of job creation in oil and gas has moderated from last year's levels, RIGZONE continues to have substantial opportunity with a very large global market, multiple product lines, and the leading brand in the energy sector.

So to wrap it up, the year is off to a good start. We delivered solid financial performance, despite a mixed employment environment across our verticals. Our core recruiting services are performing well and our new Open Web technology has been well received by our customers and is having a positive impact, even though we are in the very early stages of its development and adoption.

So with that, let me turn it over to Mike to walk you through our financial performance.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Okay, thanks, Scot. Good morning, everyone.

For the quarter on a summary basis, revenues totaled $50.4 million, up 9% year over year, primarily from the inclusion of the Slashdot Media acquisition, and excluding that impact, revenues were $46.4 million.

Adjusted EBITDA totaled 34% of revenues, or $16.9 million, and for the quarter, the Slashdot Media business generated an EBITDA loss of about $300,000. Deferred revenue increased $7.8 million in the quarter to $77.2 million.

And so, with that quick overview, let's go to the segments. Revenues in the tech and clearance segment increased 15% year over year to $35.8 million, which includes Slashdot Media's $4.1 million in revenue. Looking at the Dice and ClearanceJobs services, revenues increased 2% year over year.

At the end of the quarter, Dice had 8,650 recruitment package customers, up from 8,400 at the beginning of the quarter, or a net gain of 250, and returning us to our high of 2012 after the typical seasonal decline in December.

The number of annual customers was essentially flat with year-end at about 7,700. It is up ever so slightly. And the count is higher than the end of the first quarter of 2012 when we had a little less than 7,500. This continues the pattern we've been experiencing for quite some time. The number of annual customers continues to exceed the previous peaks, while the hiring managers with inconsistent tech needs, who are more intermittent customers, have been harder to attract.

During the quarter, renewal rate on annual contracts slipped a bit to 68% on roughly 2,200 customers up for renewal.

When you look at the geographical differences, customers located in states like Illinois, Maryland, and Washington had lower than average renewal rates in the quarter. These are relatively solid markets and may be a reflection of timing or last year's first quarter, which had particularly strong growth in annual customers, including many first-time customers.

Average revenue per customer increased 4% year over year to 992 per month per customer, another record. That's also up slightly from the 986 in the fourth quarter, and as we have expected for a very long time, it is starting to flatten out.

For Slashdot Media, revenues totaled $4.1 million in Q1. On a year-over-year basis for that business, revenues declined 14%. The business was negatively impacted by delays in budget setting among a handful of our largest clients and, to some extent, by the transition of the sales force. Since we focused on the integration with Dice, we've started to see the traffic and branding benefits, which has resulted in a subsequent saving in marketing expense at Dice.

Moving to ClearanceJobs, revenues grew 3% year over year; however, billings were down 9% as that service is feeling the most headwinds from sequestration.

Moving to eFinancialCareers, we continued to see softer recruiting activity with revenues down 14% year over year to $8.6 million, but billings were down less than revenues during the quarter, and currency translation impact was relatively small.

Looking at the markets, in the UK revenues declined 15% year over year in sterling. We're still seeing some reductions in service level from our agency clients, especially in Q1 when the bulk of the larger ones were up for renewal, but the trend shows some signs of stabilization. Business from direct hiring companies has held up well as more of them are moving recruiting in house.

Revenues in the Asia-Pacific region declined 5%, measured in Singapore dollars, primarily driven by continued weakness in Australia. Besides Australia, the Asia market is actually pretty good, but does suffer some impact of lower activity amongst global players, which has restricted some of the growth during the period.

In continental Europe and the Middle East, revenues decreased 28% year over year, measured in euros, and continues to be our weakest region. The level of activity across the region is quite slow and doesn't really show any signs of turning.

And revenues were up 2% year over year in North America, with relatively stronger demand from the buy side, as compared to the sell side. The North America performance is partly a reflection of our expanding out from our historical concentration on capital markets to better cover segments like wealth management and insurance.

Moving onto energy, revenues were up 24% to $5 million in the first quarter with substantial gains in career center, up 30%, and in advertising, which was up 35%.

Advertising is really delivering, and we hear that often from our clients because RIGZONE is regularly referred to as one of the top referrers of traffic. Billings were strong, too. Part of that performance was driven by upfront billings for events which were scheduled to take place later in the year, as well as growth in advertising and career center.

So to wrap up the segments, revenues, excluding Slashdot Media, were $46.4 million, up slightly compared to a year ago, with stronger gains in energy and continuing declines in the finance segment. Looking at billings performance and excluding Slashdot Media, billings were down 2% at tech and clearance, down 11% at eFinancialCareers, and up 20% at RIGZONE.

On the expense side, we continue to invest in product development across each of the sites, including the investments we're making in the WorkDigital business, which is driving Open Web. We're also investing in new CRM and other back-office systems in order to improve our overall efficiency.

I want to focus for a moment on the sales and marketing line. Year over year, the total is essentially flat. This after adding about $900,000 in sales expense from the acquisition of Slashdot Media. We did say when we bought Slashdot that we intended to reduce our spend on third-party tech sites to drive traffic and usage to the Dice.com site. So while our operating and engagement metrics, like community traffic and high-value tasks on Dice have increased, we have spent less in marketing, while taking advantage of the benefits of accessing the users of Slashdot and SourceForge.

All in for marketing expenses on Dice.com, we spent about $1 million less than in the first quarter of 2012.

On a total Company basis, excluding the impact of the acquisition, cash operating expenses were up 5% year over year. Adjusted EBITDA was $16.9 million, which resulted in a margin of 34%.

The low EBITDA D&A expense was higher, due to the investment in our new CRM and back-office systems and the impact of the acquisitions in 2012. Stock comp expense results from the grants to employees of the various acquisitions and the higher stock price at the time of the grant, and all this results in net income of $7.1 million and earnings per diluted share of $0.12.

Moving onto cash flow and the balance sheet, net cash from operations in Q1 was $21.9 million, a decline from last year's $23.4 million, primarily due to lower net income and the timing of tax cash payments.

On the balance sheet, deferred revenue totaled $77.2 million at March 31. That's an 11% increase sequentially. Each of our key recruiting brands contributed to the sequential growth, including Dice, eFinancialCareers, and RIGZONE. It's also an 11% increase year over year, of which Slashdot Media represents $2.4 million of the $7.5 million increase.

We reversed our net debt position from December 31 through strong cash generation and the subsequent $12 million debt repayment during the quarter. As of March 31, we had $11.6 million in net cash, a combination of $45.6 million in cash and cash equivalents and $34 million of debt outstanding.

In addition, we repurchased about 450,000 shares of common stock at an average price of $9.54 for approximately $4.3 million. Under our current authorization, we have $50 million available for repurchase.

So to sum up the first quarter, we continue to deliver strong profitability, cash flow, and solid deferred revenue growth. More importantly, we're making progress on the adoption of Open Web and moving our products forward. While our concerns around the slow growth environment, sequestration, and the always shifting market dynamics, we continue to add value for customers and expect that to continue to pay off.

Moving onto guidance for the full year of 2013, we anticipate revenues of $215 million and adjusted EBITDA of $79 million, or 37% of revenue. We've trimmed the contribution estimate from Slashdot Media for the balance of the year; otherwise, the forecast is essentially unchanged above the EBITDA line. We've increased our anticipated stock comp expense and depreciation expense to reflect the grants I noted above and the timing of the ongoing investment in the CRM system, respectively. Net income is expected to be $35.5 million.

In Q2, we anticipate revenues of $52 million and adjusted EBITDA of $17 million, or 32% of revenues. Some of our anticipated spending in Q1 will now occur in Q2.

So overall, we expect to see continued challenges in what we expect will be a slow growth environment, but our model continues to deliver financial flexibility and strong cash flow. That enables our balanced investment strategy, which remains unchanged -- investing in transforming our services, reviewing acquisition opportunities, and returning cash to shareholders.

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

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

Thank you, Mike.

As you can see, Q1 was a good start to the year. We delivered solid financial performance, despite a mixed environment across our vertical. Our services are performing well and our new Open Web technology has been well received, even though we are early on in its development.

I'd like to take this opportunity to welcome Shravan Goli, our new President of Dice, who joined the Company in March. Shravan comes to us from InterActiveCorp where he was CEO at Dictionary.com, after stints at Yahoo and Microsoft. He brings an in-depth understanding of Internet technology and digital and social media. And best of all, he is a techie. We are very excited about Shravan joining the team.

So 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. I just wanted to focus on the income statement for a second. Your G&A costs went up pretty sizably on a year-over-year basis. Can you just give us a little bit more color why? And is this the normalized run rate we should be using for the rest of the year? Thanks.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Sure, so there's a couple of things in there. So one of them is stock comp. So as I mentioned in the remarks, stock comp expense went up, because we've made some grants to employees that we've taken on as part of the acquisitions, and the stock price was higher. So that's about $0.5 million of the increase.

And then there's a host of other things. So Slashdot Media is several hundred thousand dollars for its infrastructure. We've added a handful of offices around the world -- Hong Kong -- and expanded some of the other offices for RIGZONE and eFinancialCareers.

And we've incurred a couple of other costs as part of looking at opportunities. And all of that kind of adds with normal increased ads to what the base was last year. Having said all that, I think it's probably a decent run rate. Maybe a little bit high, but it's a decent run rate.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great, that's helpful. And then shifting gears just to the Open Web product. I know you talked a little bit last quarter about some thoughts about pricing, and I know right now it is included in the basic package. But do think eventually this might be something you might charge clients for?

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

Well, I think, you know, initially what we did is we included it in the beta. We included that in the recruitment package, because we really didn't want there to be any barrier to customers trying it, and then more importantly using it on a regular basis and putting it into their recruitment methodology, their operations.

Over time, as we deliver, as they find value and as we deliver the value for them, there will be monetization opportunities here. You know, this is a view-based service. We could do something on a view basis.

There's also additional services and functionality that we will be adding down the road that potentially are things we are going to charge for. But I really do think that is down the road. The goal right now is to get customers to try and then to have it become part of their regular usage.

Jeff Silber - *BMO Capital Markets - Analyst*

Okay, great. Just a quick numbers questions. What your thoughts are capital spending for the rest of the year?

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

All in, I don't think our view has changed on the full year. It's a little bit frontloaded, but it's probably in the $7 million to $8 million range. The full year, not rest of the year.

Jeff Silber - *BMO Capital Markets - Analyst*

Yes, I have got it. All right, great. I'll jump back in the queue. Thanks so much.

Operator

Youssef Squali, Cantor Fitzgerald.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Thank you very much. A couple of questions, please. Scot, during the last recession your margins hit a high of 47% when your revenues hit a wall.

This time around your margins are almost at an all-time low, 33%, 34%, with revenues flattening out. Trying to understand kind of the logic of that. Is it because of increased investments to reaccelerate growth? Is it just the mix of M&A now that you have a few companies, new companies with lower margins under the umbrella? Or is it really just the competitive environment having changed? And I have a follow-up, please.

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

Sure, sure. So you're right, these really aren't the typical margins that we would expect to deliver in this business. But there's really some very specific reasons why the margins are where they are today.

One of the biggest impacts is just really eFinancialCareers, which -- our approach there is -- the business is down there, but we believe that the recruiting in financial services and certainly the feedback from our customers is that their recruitment will return as things sort themselves out. So as the market sorts itself out and as regulations sorts itself out.

So we've made the conscious decision there to continue to build that infrastructure and maintain that infrastructure around the world, so that when it does come back we get the full benefit of that returning market. So eFinancialCareers does pull down the overall margin structure of the Company.

Second is Slashdot Media. So it is a lower-margin business. Q1, with some of the transition issues we had coming out of the acquisition, as Mike mentioned in his comments, Q1 the EBITDA was very low there. Lower than expected. But we expect that business to improve as we go throughout the year now, because we've got new sales leadership in place, and we're beyond some of the transitional issues we had coming out of the acquisition.

And then the last piece of it is really product development. So we are spending more on product development. This is -- the best way to think about this, though, is that we are investing in Open Web. We're investing in the next generation of our services. If we're right about the impact that these services are going to have, we will grow into our normalized margins.

Youssef Squali - *Cantor Fitzgerald - Analyst*

And then your normalized margins will be in what?

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

Back into the 40s.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Into the 40s. So, if I just look at your guidance for the year, it would imply that at some point towards the back half of the year you're already going to get back to probably the low 40s type of margins. Is that fair? And, well, is that the right math? How do you get there?

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

Yes, I think the math is right. As you know from covering us for a long time, the fourth quarter is always the highest, because we tend to spend less on marketing as revenues grow during the year.

So I think using will fourth quarter specifically probably isn't the perfect analysis for this. But I think as we come out of 2013 into 2014, we would expect to get back into that range later in 2014 or the beginning of 2015.

So I think looking at individual quarters, we may get there just like in individual quarters in the past. We exceeded 45%. But I think we're comfortable at some point with the investments we're making, all of which we believe are leverageable in the business. We believe the Slashdot Media business is leverageable, given that we think it's at its low point in terms of revenue. All those will contribute incremental margin that's pretty high.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Okay. And my last question is what was the deferred revenue growth or even the dollar amount ex-acquisitions? I think last quarter it was up about 14% and then 11% ex-acquisitions.

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

Yes. So from the end of December to the end of March, all of that is organic, because there's really no change in the Slashdot Media deferred revenue. And Slashdot Media deferred revenue slightly different than the traditional recruiting businesses in terms of what generates it and how it's used. But year over year the $7.5 million growth in deferred revenue -- $2.4 million is from Slashdot Media.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Great, okay. Thank you very much.

Operator

Okay, thank you. Tim McHugh, William Blair and Company.

Tim McHugh - *William Blair & Company - Analyst*

Hi guys. Can you extrapolate a little more on the kind of integration challenges you talked about with Slashdot? And then you said you brought down your expectations for them this year. And how much did you bring that down by, or what are the new kind of expectations?

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

So, you know, first on the challenges -- when we made the acquisition back last fall, we did have some disruption of the sales team. And so we lost some of our sales leadership. We lost some of the salespeople. And as a result, you lose momentum in building the pipeline. And that impacted us a little bit in the fourth quarter, and then it hit in the first quarter.

We've also -- as I mentioned, we now have new sales leadership in place, and we've got stability in the organization. And so I think going forward we're now going to reap the benefit of that and bring the revenue back to where we think it should be.

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

On the second piece, Tim, it's about $2 million. Full year.

Tim McHugh - *William Blair & Company - Analyst*

Does that assume, if -- I'm running the math -- that basically, you get back to the run rate that you had expected in the third and fourth quarters?

Michael Durney - *Dice Holdings, Inc. - EVP of Industry Brands Group and CFO*

Yes, that is correct.

Tim McHugh - *William Blair & Company - Analyst*

And have you seen the sales performance turn around, or is it -- sorry. I guess is it something you have seen, or is it more just based on the other changes that you described that you would expect it to start to get better?

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

We have some agreements that have either been executed or are in the pipeline that we believe are going to impact us, especially in the second and third quarters.

Tim McHugh - *William Blair & Company - Analyst*

Okay. And then just more broadly on kind of the second half. Given where the Q2 guidance you gave, it assumes a much better -- at least on a year-over-year basis or anything kind of sequentially -- even excluding Slashdot kind of organic growth for the business. What -- can you give us some more color on what's different, I guess, in the second half that you would expect that growth rate to pick up?

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

Well, I think if you look at the Dice, the tech and clearance business, the Dice and CJ business, what we're expecting is that once we get further into the year, the impact of sequestration -- so some of the caution around that -- will be lifted. Combine that with some of the impact of Open Web, both on new business as well as the impact on renewal rates due to Open Web, will start to flow through in the second and third quarters.

Tim McHugh - *William Blair & Company - Analyst*

Okay, all right. Thank you.

Operator

Jordan Rohan, Stifel Nicolaus.

Jordan Rohan - *Stifel Nicolaus - Analyst*

Thanks so much. I know you had some commentary on eFinancialCareers in the introduction and the results, but I was hoping if you could, for those of us who aren't as close to the competitive situation there, talk about the other providers there. Do you think you're losing share? Or is this really, truly a macro situation there?

Which countries are most significantly affected? And for that matter, how is eFinancialCareers doing in the US, where I believe 20% or 25% of its revenues may come from? Thank you.

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

So I think from the competitive environment, I would view the competitive environment of eFinancialCareers, while it varies market to market, is somewhat the same as Dice is in that there are no direct financial services providers that really stand out from a competitive standpoint. There's a number of them around, just like Dice has a number of tech-focused ones, but the competitive environment is LinkedIn and Zing and Viadeo, the social networks, professional networking sites in the various markets.

And it competes probably more so with recruiters, specifically, because the tendency historically in financial services has been to go to recruiters more so than it has been in tech. So from a pure competition standpoint, I would view it that way. You have very few direct competitors and more competition from the professional networking sites and from recruiters.

If you look at the markets -- so the splits haven't changed very much from last quarter to quarter before. Where the UK's about 40%, continental Europe is about 20%. Asia, including Australia, is about 25%, and North America is about 15%. So it's the split, and that hasn't changed very much recently. Europe used to be higher and Asia used to be lower, because Asia has now grown quite a bit more.

So I think when you look at the markets, the UK certainly suffered, but the biggest drivers of what's impacted the business in continental Europe specifically is France and the Benelux area, and then to a lesser extent, because they're smaller, some of the other countries. North America has performed fine. We have been expanding out the market opportunity, which has helped us a little bit, as I said earlier. You know, areas like wealth management, for instance. So by expanding the market opportunity, we've done pretty well and revenues have grown a little bit.

Year over year we do suffer broadly from the global entities -- you know, the big banks that are based in the US, the big banks that are based in Europe, the UK. Specifically when they reduce their spend because they're reducing their recruitment activity, it impacts all of the regions, because they look at the global deals. Not all of them, but some of them look at the global deals, and so that does have an impact in North America. It has an impact in Asia as well, and certainly impacts continental Europe.

Jordan Rohan - *Stifel Nicolaus - Analyst*

All right. Thank you.

Operator

Craig Huber, Huber Research Partners.

Craig Huber - *Huber Research Partners - Analyst*

Yes, good morning. Thanks for taking my questions. I'd be curious to hear your updated thoughts on what you're seeing in the marketplace from your major competitor LinkedIn out there. Are you feeling any better in terms of your positioning now versus, say, a year ago versus them?

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

Overall there hasn't been much change in what's happening in the market. You've got LinkedIn, which I think is really our primary competitor today. You've got Monster still, with some issues, and CareerBuilder I think benefiting from the issues that Monster is facing. And then to round it out, indeed, and the other aggregators are picking up business in this sort of low-end, low-priced segment of the market.

As far as our competitive profile versus LinkedIn, I think it's improving. I think with Open Web out there now in the Dice service, we have customers that are now quite excited about being able to use Dice to reach out into the social world, and they are excited about seeing the additional information that they get from Open Web that's over and above what they can get from LinkedIn and other services. So I would say from a product perspective, we are definitely moving forward with our competitive position.

Craig Huber - *Huber Research Partners - Analyst*

If I could also ask, are you seeing anything significantly different in the marketplace from CareerBuilder, Monster, and/or LinkedIn on the pricing side or their strategy? Anything significantly changing out there for them?

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

Really, not a lot of change on the pricing front. I think maybe one thing I would add in there is that LinkedIn does have many different price points, and so customers are finding a smorgasbord of price points with LinkedIn. And then some of the other players are discounting off of their rack rates, but in general not a big change.

Craig Huber - *Huber Research Partners - Analyst*

And then also on your Dice.com business here in the US, is there any significant geographic differences worth noting as you think about across the US here?

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

You know, probably the best way to describe the way the business and the market looks right now is a little bit along customer type and then a little bit along geography. So on the customer type side, you've got large staffing firms, consulting firms generally doing very well, because in general companies are still leaning towards outsourcing talent to contractors as well as the staffing firms rather than hiring full time.

And then on the -- as far as geography, you've got the major tech centers generally doing better than the rest of the country, with a couple of weaker areas driven by the industry influence that happens in those Metro areas. So, for example, the DC region -- Northern Virginia, Maryland DC region -- is weaker this year because of what happening with sequestration. New York City and the greater New York area a bit weaker because of what's going on in financial services.

Craig Huber - *Huber Research Partners - Analyst*

Well, yes. What about what you're seeing in Silicon Valley? I'm curious.

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

Silicon valley, a very active market but a very tight market. And what's interesting is we're still seeing people generally less willing to change jobs. So you've got turnover still at levels that are lower than what we would expect. And so we -- even with the -- if you hear about what people are saying about Silicon Valley, is that it's really difficult to grab talent today. Part of that is that there's a nervousness about -- in general with tech professionals moving from one position to another.

Craig Huber - *Huber Research Partners - Analyst*

And then my final question. On your sales and marketing line, can you just give us your latest thoughts? If your outlook for the top line materializes as you would expect, what should we think about the ins and outs in the sales and marketing line, in terms of -- do you have a lot of flexibility there for this year? Just your thoughts there, please.

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

Yes, I think generally we always have flexibility in sales and marketing. But as we continue down the path we're on, we think we have done the things we want to do, which primarily relates to what we're spending in terms of acquisition of professionals, jobseekers on the Dice side. I think the answer, Craig, is yes, we have flexibility, but we are continuing on a path.

Craig Huber - *Huber Research Partners - Analyst*

Okay, thank you.

Operator

Doug Arthur, Evercore Partners.

Doug Arthur - *Evercore Partners - Analyst*

Actually I'm good, thank you.

Operator

(Operator Instructions) Randy Reece, Avondale Partners.

Randy Reece - *Avondale Partners - Analyst*

Good morning. I was just wondering if you had a feel for how the tech recruiting market in the US is growing if you include unpaid recruitment advertising that would be, I guess, brought to attention via social media and search engines?

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

I think it's difficult to measure the unpaid part of what's going on. Overall, we do think that online recruiting, which would include LinkedIn and some of the paid social media providers, is growing in the sort of mid-single digits this year.

The unpaid side of it, you know, there are more unpaid options available today than there were several years ago. So there's definitely experimentation going on in those unpaid areas, but I wouldn't want to speculate as to how much that's really growing.

Randy Reece - *Avondale Partners - Analyst*

And with staffing companies, do you believe their absolute activity level is slowing down, or are they shifting their mix?

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

I think that the staffing firms in the technology space are definitely very active today, and they're seeing their businesses do pretty well. Manpower just announced a hiccup the other day, so they are having some individual issues with their business. But in general the tech staffing world is pretty good. Was that getting to your question?

Randy Reece - *Avondale Partners - Analyst*

I was wondering about -- if you look at your own staffing Company related business, if it was reflective of the market or if staffing companies are doing something to maybe advertise a little differently than they had in the past?

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

Each of them have their own programs that they are pursuing. They're all pursuing having a greater social media presence and building up their own brands. And so that's obviously what they should be doing.

I think the issue that many of the staffing firms have had historically with their own branding activities is that many of the candidates that they really want to reach are not naturally gravitating towards their brands. And so they need the third-party services to get these higher skilled candidates that normally don't think about working for those firms.

Randy Reece - *Avondale Partners - Analyst*

That makes a lot of sense. I hear people in the IT staffing industry talk repeatedly about scarcity of candidates and that being a gating factor to their growth. I guess I'm trying to reconcile, if candidates are as scarce as everyone is talking about, why isn't the IT job market as a whole growing faster than -- or let's just say the recruiting business. Why isn't it growing faster? Is there really that much of a tightness? It just doesn't feel like it compared with past cycles, but maybe it's skill specific?

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

I think the tightness is definitely there. But when you -- and this is where turnover becomes so important. If tech professionals are nervous about switching from one opportunity to the next, then everything slows down. So it's a daisy chain of recruiting assignments that happen. If someone leaves Company A to go to Company B, that creates a hole in Company A which has to be filled. In a tight market they're going to steal somebody from Company C, and that creates a hole that needs to be filled.

So if there's more movement, that creates many more recruiting assignments. And that's how the turnover really impacts recruiting.

Randy Reece - *Avondale Partners - Analyst*

Have you seen any of the kinds of shifts between full-time recruiting and contract-type recruiting that you would typically see in cyclical fluctuations? And what does that tell you about the market right now?

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

Well, at the beginning of the recovery -- so going into late 2009, 2010, we did see a shift in our job postings to more full-time positions. That shift has been relatively -- that proportion has been relatively stable since.

And so part of what I'm reading from that is that we haven't quite gone up -- gotten over the hump yet, or direct hiring companies haven't quite gotten over the hump yet of building up their full-time teams. And that's why I think some of the consultants and recruiting firms continue to do well.

Randy Reece - *Avondale Partners - Analyst*

Very good, thank you very much.

Operator

And now I'd like to hand the call back over to the rest of the presenters for any closing remarks.

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

Thank you for your time this morning and interest in Dice Holdings. Management will be available to answer any follow-up questions you may have. Please call investor relations at 212-448-4181 or e-mail ir@dice.com to be placed in the queue. Thanks. Have a great day.

Operator

Thank you, ladies and gentlemen. That concludes your conference call for today. Thank you for joining us, and you may now all disconnect.
