DHI Group, Inc.

First Quarter 2015 Public Earnings Call

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CORPORATE PARTICIPANTS

Jennifer Milan – *Director of Investor Relations*

John Roberts - *CFO*

Mike Durney – *President and CEO*

PRESENTATION

Operator
Good morning and welcome to DHI's First Quarter 2015 Earnings Conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero.

After today's presentation there will be an opportunity to ask questions. To ask a question you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Jennifer Milan, Director of Investor Relations. Please go ahead, ma'am.

Jennifer Milan
Thanks and good morning, everyone. With me on the call today is Mike Durney, President and Chief Executive Officer of DHI, Group Inc. along with John Roberts, our Chief Financial Officer.

This morning we issued a press release describing the company's results for the first quarter. A copy of that release can be viewed on the company's website at dhigroupinc.com.

Before I hand the call over to Mike, I'd like to note that today's call includes certain forward-looking statements, particularly, statements regarding future financial and operating results of the company and its businesses. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in the economics, business, competitive, technological and/or regulatory factors.

The principal risks that could cause our results to differ materially from our current expectations are detailed in the company's SEC filings, including our Annual Report on Form 10-K in the sections entitled "Risk Factors," "Forward-Looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The company is under no obligation to update any forward-looking statements except as required by 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 Mike.

Mike Durney
Great. Thanks, Jen, and welcome to our first earnings call as DHI Group, Inc. Last week, we announced that we changed the name of our company from Dice Holdings to DHI, which we did for a couple reasons. First, it was to recognize that the company has evolved from predominantly one brand as it was until several years ago to a multi-brand company serving a number of vertical markets across different geographies. Second, we rallied the organization around our focus on providing value to the organizations that use our services to source and recruit professionals and to the professionals who are looking to us for career guidance. Our company now embodies delivering higher insights, a tagline that reinforces our focus on providing data, analytics and insights to those organizations and those professionals.

Our new name is symbolic of how far we've come from being purely a tech-focused job board to delivering services that extend beyond the traditional job posting and resume database services that have been the hallmark of our business for almost 25 years. While job postings continue to be one of the most important methods for recruitment advertising, and proprietary databases of resumes remain incredibly valuable from a sourcing standpoint, we recognized early on that there were other methods developing of identifying, engaging with and recruiting professionals.

When we look at the company's opportunities, we see a number of new avenues for growth. For example, we have developed source and concierge services where we utilize our expertise to source and engage the professionals on behalf of our clients who either don't have the domain expertise or don't have the time to efficiently source candidates on their own. Open Web and the technology behind it also provide capabilities to lead us in new directions. To date, Open Web has been important in increasing the value of our Tech and Financial Services brands and it will do the same for our other brands. Open Web can lead us into new services and new territories. The technology platform aggregates data that can be used for other initiatives like Fresh Up, which is in its early stages as a product. We've also expanded our business with the addition of new brands specifically with the acquisition of HEALTHeCAREERS, HCareers and BioSpace in November 2013. We expanded into new markets that add incremental value and diversify our portfolio. So, we're now DHI.

A little more than a year ago we outlined a number of goals and strategic initiatives designed to strengthen our company's performance and better position us for growth, and we've accomplished a great deal. While it's definitely a work in process, I'm pleased with the results to date and the continued progress made in the first quarter. The first two goals were improving Dice in the areas of product development, marketing and sales, and investing in technology and support for additional products built around our WorkDigital team. The other strategic goals we articulated were building out our data and analytics capabilities and investing in mobile.

In the first quarter we saw further improvements at Dice, the launch of new mobile services and the ongoing deployment of enhanced products for clients and professionals across our brands. We continue to leverage our development teams with the launch of an Open Web mobile app for recruiters at eFinancialCareers and enhancements made to further strengthen the standalone Open Web service for both eFinancialCareers and the IT Job Board. We enhanced our capabilities in predictive analytics by identifying passive candidates' willingness to change jobs. This is another example where we provide greater efficiency for our customers. We also made great progress in building a comprehensive skills knowledgebase in our technology and financial services verticals.

At Dice, we continue to evolve the Open Web service with the further rollout of an integrated Open Web and talent match experience. With this integrated experience we have unified the workflow for recruiters to manage their candidate search in one place for all actionable candidates. We launched integrated search agents for recruiters so they will be alerted to new candidates that meet their criteria whether they are active or passive. We are already seeing improved product usage for both Open Web and talent match as a result. For Dice's Open Web, we are seeing continued demand as we added 125 net new annual customers during the quarter and the number of Open Web clients increased more than 20% since the end of 2014.

Also at Dice, we continue to refine the experience for candidates. While we continue to make improvements, we are seeing great results in terms of engagement which leads to better performance for employers. For instance, while overall traffic was up modestly year-over-year, applications were up more than 30% and registrations were up 47%. This is just one example of the work we're doing across our brands where we've been taking services with success and improving them even further. At Dice, we're also seeing continued success with our source and concierge product which posted its strongest quarter ever.

At eFinancialCareers where we launched Open Web in December as a standalone service with a search algorithm based on skills and company-specific to financial services, clients have been very receptive to the new tool with 72 clients signed up as of March 31st. The launch of eFinancialCareers Open Web highlights our ability to use data and analytics to enhance efficiency in the recruiting process. Concierge services and financial services continues to perform well for clients and we launched a new sponsored content or native advertising product in February that is generating early interest with a number of clients.

Looking forward to the remainder of the year the environment for most of our primary verticals remains broadly similar to recent trends with the exception of energy where sentiment has continued to worsen. Job cuts have now reached 100,000 and are likely to be deeper than previously anticipated. More announcements are being made on the project deferrals as E&P companies refine their 2015 investment plans. Rig counts in the US have declined for 20 straight weeks and are now down about 60% since October. We've seen estimated budget cuts of approximately 30% in North America and 16% internationally.

From a hiring and recruiting standpoint, historically dramatic changes in the price of oil have caused the industry to go into standstill and this time is no different. We continue to believe, however, that once the turmoil in the industry mitigates, recruiting activity will start to recover. This is supported by the feedback we are receiving from clients and we remain confident in our overall opportunity in the marketplace longer-term.

In late March, we successfully completed the integration of our OilCareers product into our original platform. With that integration, we now have one globally centralized online oil and gas talent base that is the largest in the world with almost two million searchable resumes and over three million registered users. User engagement has been strong so far, and in addition to the integration work, we will launch a complete refresh of the Rigzone site in early May. Our approach is to continue on the path of innovation and vertical leadership.

We've made great progress in 2014 and early 2015 and are confident in our direction, although we do recognize there's more to do. In this regard sourcing remains a priority for us as we continue to see sourcing evolve as an emerging theme in recruiting. Companies and recruiters are spending more time and resources on sourcing candidates versus the past, and talent sourcing has become more of a strategic initiative. Companies are no longer recruiting purely around open positions but are engaging in ongoing dialogue with communities of potential candidates in an effort to establish themselves as employer brands of choice.

We've been a leader in sourcing from its early stages when Dice created the first profile database for IT professionals and that leadership has continued with the success of Open Web where we are providing efficient access to professionals companies would not previously have discovered. Our deep specialized focus on professional communities is more relevant today than ever and gives us a leg up on how we discover and engage with talent. We're investing in sourcing products that will continue our leadership position in this area.

Specifically, in the near term we'll continue to work on improving product performance and capabilities across all of our brands. We'll also continue to enhance our products with actionable data and improve depth of analysis while iterating and launching new versions of Open Web. At the same time, we'll build on our now stronger platform with strategic expansion initiatives. This will include expansion of Tech and AMEA with the launch of the Dice brand and platform as we had intended with the acquisition of the IT

Job Board. We are also building out more offerings in Healthcare where we are also working on a new sourcing product that will expand the opportunity for us. More about that in Q2.

As we maintain our elevated sense of urgency to capitalize in the investments we've made in innovation and bringing new products to market, we expect to see ongoing levels of investment in product and sales. In short, 2015 is a year in which we continue on our path of product innovation and building organizational leverage as we work to better position the company for longer-term growth. We have a strong team in place throughout the entire organization and are intensely focused on delivering against our key strategic initiatives.

Before I turn it over to John, I'd just like to take a moment to acknowledge and thank all of our employees for their ongoing hard work and dedication. Individually and collectively they are focused, engaged and executing at a higher level. The team has accomplished a great deal so far and have a lot to be proud of. With increased collaboration has come more frequent product innovation resulting in added efficiencies for both employers and professionals. We're building a much stronger foundation for long-term growth, which will ultimately translate into improvements in our operating and financial performance. With that, I just want to turn it over to John.

John Roberts
Thanks, Mike. I will review the details of our Q1 financial performance and then we will open the call up to questions. Overall, we are pleased with the continued progress we made on our operations during the first quarter despite headwinds from currency effects and the negative impacts of declining oil prices on our energy business. Recruitment activity in the first quarter was fairly consistent across our brands with the exception of Energy where the recruitment market has gotten worse compared to what we saw in Q4 and at the beginning of Q1.

For the first quarter I want to highlight a few areas important to our results. First, year-over-year growth in revenues including growth in most of our operating segments. Second, higher year-over-year revenue per recruitment packaged customer at Dice reflecting the positive impact of Open Web and increased service levels by customers. And third, strong cash flows from operations while we continue to invest in innovation for future growth.

First quarter revenues increased 5% year-over-year to $63.8 million compared to $60.7 million last year. After adding back the $1.2 million fair value adjustment to deferred revenue in Q1 2014, adjusted revenues grew 3% year-over-year in spite of negative currency impacts. The majority of the growth came from our Tech & Clearance segment including growth from all brands within that segment. Now for more detail on the specific segments.

I will compare Q1 revenues on a segment basis to adjusted revenues in Q1 2014 where appropriate. Adjusted revenues adds back to deferred revenue adjustment to Q1 2014 which effectively has the impact of lowering the year-over-year growth rates. We feel it is appropriate to give this comparison in order to provide a more fair perspective of our relative performance, especially in the Healthcare and Hospitality verticals given the size of the deferred revenue adjustment in those segments. There is a reconciliation between revenues and adjusted revenues in our press release.

For Tech & Clearance, revenues increased 4% year-over-year compared to adjusted revenues. For Dice, revenues increased 3% year-over-year. At March 31st, Dice recruitment package customers were roughly 7,800, which is flat to the count at the end of the 4th quarter. Within the Dice recruitment package customer base there were minimal shifts quarter-over-quarter between shorter-term and annual customers with about 93% or nearly 7,300 of our customers under annual contract at quarter end.

The renewal rate on annual contracts was relatively flat on a sequential basis, but has been on a moderate uptick over the course of the last year. The renewal rate was 69% in the quarter with about 2,200 customers up for renewal during the quarter. In Q1, recruitment package customers spent on average $1,055 per month, up 3% year-over-year as customers continue to increase their levels of service including Open Web.

Finally, within the Tech & Clearance segment ClearanceJobs, while only 4% of our overall revenues achieved year-over-year growth of 19% in revenues. Growth in this segment was driven primarily by improved market conditions, continued shortage of cleared professionals as well as the ClearanceJobs product launch of pay-per-view job postings.

Moving onto our Finance segment, revenues decreased 3% year-over-year to $8.6 million. Translation from foreign currencies negatively impacted revenues by $600,000 compared to the first quarter a year ago. So on a constant currency basis revenues increased by 5% year-over-year.

I'll be discussing the regions and their respective functional currency to give perspective on the underlying business trends. Overall, the trend is positive in the major financial centers. In the UK, revenues increased 3% year-over-year in sterling and accounted for about 43% of the segment's revenues in the quarter. Broadly, the environment continues to be better than last year. In the Asia Pacific region, which is 26% of overall segment revenues, revenues were up 10% in Singapore dollars with stronger performance in Asia, which was up 15% year-over-year, including Hong Kong and Singapore. In Continental Europe and the Middle East, a combined 18% of the segment, revenues increased 16% in euros, although by country or territory such as Switzerland and the Middle East sentiment is more mixed. And in the US, which is 14% of the segment revenues, was up 2% year-over-year.

In our Energy segment, revenues were $6.3 million, up 4% year-over-year compared to adjusted revenues. This includes OilCareers which we acquired in March 2014. In the quarter, we saw more disruption in the Energy market caused by the volatility and falling oil prices resulting in a deterioration of the recruitment market. We expect the impact to continue as we move forward into 2015 given layoffs at several large energy companies and the impact on hiring plans. While we are committed to our long-term position in the Energy market and are not broadly scaling back our presence or cost base, we will be making adjustments to shorter-term discretionary spending.

In our Healthcare segment, revenues were $7.1 million, up 3% year-over-year compared to adjusted revenues primarily due to increased usage by customers. The Hospitality segment contributed $4 million in revenue in the quarter, up approximately $500,000 or 16% year-over-year compared to adjusted revenues, again primarily due to increased usage by customers. There were a number of customers where we saw acceleration of their buying patterns as they expanded the volume of job postings purchased.

Finally, Corporate and Other, this segment contains Slashdot Media and WorkDigital. Slashdot Media revenues decreased 7% year-over-year primarily due to its largest customer selling a portion of their business and reducing corresponding advertising as well, as well as the recent changes to Google's search algorithms. This segment also contains our Corporate-related costs which were $3.9 million in the quarter.

On a year-over-year basis for our segments, Q1 billings for Tech & Clearance were down 1% including a decrease of 2% year-over-year at Dice, which was due to the timing in Q1 2014 of a bill for one large customer. Finance billings were down 6% although up 1% on a constant currency basis and Energy billings decreased 21%. For Healthcare, Q1 billings increased 13% year-over-year and Hospitality billings were up 9% driven by the timing of a few large contracts and annual renewals. Deferred revenue, which totaled $90.8 million at the end of Q1, was up 3% or $2.6 million from the end of Q1 2014. The year-over-year increase was primarily driven by our Tech & Clearance segment as well as Finance partially offset by a decrease in our Energy segment.

On the expense side, operating expenses increased 3% year-over-year to $54.6 million primarily due to higher year-over-year sales and marketing expense in our Tech & Clearance segment and a full quarter's worth of OilCareers costs given their March 2014 acquisition. Depreciation and amortization was $1.2 million lower than last year at roughly $6 million for Q1 primarily due to fewer depreciable assets and certain intangible assets becoming fully amortized. Adjusted EBITDA totaled $17.6 million during the first quarter effectively flat with last year. After adding back the deferred revenue adjustment of $1.2 million to Q1 2014, adjusted EBITDA is down approximately one million dollars from last year. Reconciliations of adjusted EBITDA to net income and net cash flow from operations are provided in our press release.

The company posted net income in Q1 of $5.1 million, resulting in diluted EPS of $0.09. Cash flow from operations totaled $19.1 million in the first quarter compared to $12 million last year. This is up 59% year-over-year while we continue to invest in our business for growth and innovation. The increase was primarily driven by improved cash generated from accounts receivable and lower payments related to the onTargetjobs acquisition that were made in Q1 2014. The financial strength and consistency of our business allowed us to expand strategically and continue to return cash to stockholders through our buyback program.

We generated free cash flow in the quarter of $16.6 million. The main uses of that free cash flow were: 1) we used about $9.2 million to repurchase approximately 1 million shares of our common stock at an average cost of $8.91 per share, leaving us at quarter end with about $41 million on our current authorization; 2) we reduced our net debt balance by approximately $5.6 million; and 3) we paid the final portion of the earn out from the IT Job Board acquisition for approximately $3.8 million.

Now I'd like to turn to our outlook for the remainder of the year. For 2015, we have revised our expected financial performance to reflect the worsening of our Energy segment. Our guidance includes ranges for both the upcoming quarter and the full year. For 2015, we anticipate revenues in the range of $263 million to $271 million and adjusted EBITDA of $77 million to $82 million. In Q2, we expect revenues of $64 million to $65.5 million and adjusted EBITDA of $17 million to $18 million.

There are a few items impacting the Q2 guidance specifically that I want to highlight. One, as we mentioned, the worsening of the Energy Recruitment market is projected to have a greater than anticipated impact on Q2 revenues. Because we believe the negative impacts to not be permanent, we are not making wholesale reductions in the expenses in our Energy segment; however, we are reducing short-term discretionary spending where appropriate. And two, on a year-over-year basis the strengthening dollar is expected to have approximately a $1.4 million negative impact on Q2 revenue.

With that, we are ready to open the call up for questions.

QUESTIONS AND ANSWERS

Operator
Yes, thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time we will pause momentarily to assemble our roster.

The first question comes from Kara Anderson with B. Riley & Company.

Kara Anderson
Hi. Good morning. With regards to Dice.com recruitment package customers, what's the biggest driver behind getting that number to grow again?

Mike Durney
So, Kara, this is Mike. I think there's a couple things. One, further penetration of Open Web and further adoption of Open Web would be a big driver. I think the amount of business that opens from having the conversations around Open Web with customer prospects has been pretty significant, but that's a long lead time sale as companies are not used to that type of sourcing, so further adoption of Open Web is a big piece. The other area that we've struggled with from a pure account standpoint is shorter-term customers, and we're looking at a variety of ways to increase shorter-term customers. If you look at annual customer count, it's been relatively steady for quite a period of time. But having shorter-term customers as a pipeline for upgrading to longer-term is a key initiative for us that we're spending time on in terms of packaging, delivery and we're going to try a couple things over the course of the next few months.

Kara Anderson
Okay. And then on Open Web, you added fewer net subscribers for financial services than technology. Is that reflective of sort of where you are in the cycle or does the use of Open Web differ for financial services than technology?

Mike Durney
I think it's really the effect of the customer base opportunity is far smaller in financial services. If you think of technology as an employment category, it's an employment vertical and so it reaches lots of potential customers so that the customer prospect pipeline for the Tech segment is pretty large. Financial services, you have a relatively defined number of potential customers. That's the biggest driver plus where we are from adoption cycle. We've only had it launched in financial services for four months.

Kara Anderson
And, did you guys provide—I don't know if I missed it—the total number of Open Web subscribers?

Mike Durney
So, if you look at the three different businesses where Open Web is currently being sold, so Dice, EFC and IT Job Board, if you look at all the customers there at the end of the quarter, it's just over 900.

Kara Anderson
Okay. And then for the change in guidance for the year, I know you guys commented on that, but is that really just reflective of a weaker Energy segment or are there other changes since you provided initial 2015 guidance in January?

Mike Durney
No, the vast majority is Energy. So there is some FX in there, as FX has gotten a little bit worse, but the vast majority of it is the Energy business.

Kara Anderson
Great. Thank you. That's it for me.

Mike Durney
Thank you.

Operator
Thank you. The next question comes from Youssef Squali with Cantor Fitzgerald.

Youssef Squali
Thank you. Good morning. Couple questions, maybe just starting with one. If I look at the guidance for the second quarter and then for the year and look at trying to figure out the linearity or the variance versus your prior guidance, it looks like you're basically assuming a worse Q2, but for the year you're effectively assuming some sort of improvement in the second half. So maybe you can walk us through your thinking there and why that should happen. I think you only called out FX as a headwind for Q2, and then I have a couple of follow-up.

John Roberts
Sure. So there's a couple pieces to it, Youssef. Take FX first, so if you look at where the pound to the dollar was as a trend in 2014, it certainly had more of a negative impact or we think it's going to have a more negative impact on us in Q2 than it did in Q1 if you look at where the rates were. That worsening effect will get better for us over the course of the year, alright, so we'll have less currency impact as we move through the course of year given where the rates were in 2014. So, I think that's certainly a piece of it.

I think another piece of it is that as we look at some of the—and Mike talked about some of the new products on the horizon particularly in healthcare and as we continue to make progress is Tech & Clearance—as we move through the course of the year, we expect to see some benefit from some of those products, some of the newer ones and some of the existing work we've been doing over the course of the last year to 18 months as we move through the rest of 2015. So I think there's a couple impacts that you're seeing reflected in there.

Youssef Squali
Okay. Then on Corp and Other, can you just again go through what happened to Slashdot? I think you also called out the Google algo change. How did that impact the a—is that impact in Slashdot in particular or is that impact in some other piece of business?

John Roberts
No, Youssef, it's purely on Slashdot—the SourceForge piece of the business, which is the bigger piece of the Slashdot Media business, generates revenue a variety of ways. Traditional display advertising, lead generation and there are offers around downloads, and given the way Google has changed the algorithm it's had a disproportionate negative impact on the download business and other offers that we have associated with downloads. Not unlike what others in our space have seen.

Youssef Squali
Okay. But arguably that's not a one quarter thing. That's probably going to take several quarters to remedy if it's remedied, right?

John Roberts
Yes. We believe it will have an impact through the rest of this year. Now if you look at the Slashdot business there is some seasonality to the Slashdot business putting aside the impact of the search algorithm, so the display and lead generation tends to ramp up late in the year. So we think the second half of the year is going to be better than the first half of the year for the overall Slashdot Media business. But the Google algorithm change impacts a portion of the SourceForge business today.

Youssef Squali

Got it. Lastly, on the Clearance revenue growth of 19%, maybe can you again just help explain what drove that and how sustainable that is going forward, I guess at least in Q2 and the rest of year?

John Roberts
Sure. So there's a couple things there. One is the business has rebounded from what happened in 2013 into 2014, sequestration and the government shutdown. Maybe it's related to the Presidential cycle, but there's certainly a lot more money in government contracting business today than there was a year and two years ago. So we've seen a steady amount of growth and now we've seen significant growth year-over-year in the core business.

The other thing we've done is we've launched in that business pay-per-view pricing to a number of customers, which to date has been incredibly successful. So it's driven a fair amount of the revenue growth for a defined set of customers, and so we're expanding it now a little more broadly within ClearanceJobs, but the reception has been great and the impact on revenue has been great.

Youssef Squali
Okay. Thanks a lot.

Operator
Thank you. And the next question comes from Jeff Silber with BMO.

Henry Chen
Hi, good morning. It's Henry Chen calling in for Jeff. Did you guys give out an organic growth rate for 1Q?

Mike Durney
We did not. So we gave the growth rate of 5%. So the thing that's impacting it a little bit is the OilCareers acquisition. It was in Q1 of 2014. But now that that business, so the OilCareers business, as we discussed is basically integrated within the rig zone platform, it's not a separate, standalone business that we track. It's part of the Energy segment, so it's blended in within the Q1 numbers now.

The other thing we talked about is that without FX, the growth was about 3%.

Henry Chen
And OilCareers is the only—

Mike Durney
OilCareers had a partial quarter in 2014.

Henry Chen
Okay. And for your full year guidance, I know you said it's $1.4 million currency impact for 2Q. Do you have an estimate for what that number is for the full year?

John Roberts
It's going to be closer to about $4 million for the full year.

Henry Chen
Thank you. And how should we think about product development expenses and sales and marketing going forward? I know you mentioned some investments and new products, so I was just wondering how we should think about that for the rest of the year.

Mike Durney
I think you should think about it as on a similar trend as to where it's been over the last, I'd say, year to year and a half. I mean, those are the areas that we've continued to make investment in. We've talked about the areas of investment in the past in Dice product and technology, the WorkDigital team, etc., as well as some of the sales and marketing initiatives. I think from a percentage of revenue basis, you should think about it as continuing on a similar trend to where it's been in the last number of quarters. We talk a lot about investing further, but as we've said through 2014, we did ramp up investments. So when you look out for the rest of the year, I don't think you're going to see a tremendous amount of incremental investment over where we are today. We've set the level from a resource standpoint. We'll mix and match a little bit, but you won't see further ramping.

Henry Chen
Got it. Okay, great. Thanks so much.

Operator
Thank you. And the next question comes from Randy Reece with Avondale Partners.

Randy Reece
Good morning. You had a sequential downtick in the average revenue per Dice recruitment packaged customer. I was wondering what the dynamics were beneath that change.

Mike Durney
I'm not sure it's anything in particular, Randy, except that if you look at kind of the full adoption and integration of Open Web into the business as well as the other services of sourcing concierge and so forth that have been driving that over the course of the last year, I think what you're seeing is that some of that is now in the base as you're comparing it to Q1 of last year where less was in the base as you move backward, obviously, given the newness of some of those products.

Randy Reece
I was just a little surprised that compared with Q4 that it would be lower. Given that the number of customers was in line with our expectations, it didn't look like there was necessarily any kind of customer mix shift. Is that accurate?

Mike Durney
I think that's true. I don't think there was any significant customer mix shift.

Randy Reece
Also, on your guidance it implies like $2 million to $3 million less operating expenses in fiscal '15. Is there anything that changed there? Is that any cost control or reflecting recent trends? What's going on?

John Roberts
So I think some of it is related to what we talked about or what I mentioned with the Energy business. So we certainly brought down our expectations on revenue, again, primarily related to Energy. And one of the things I mentioned is that we are going to, I'd say, be cautious as we look at shorter-term discretionary spending in the energy business. While we're not going through any level of significant cost reduction in the energy business, per se, we are going to make sure that we're increasingly cautious and aware and taking a look at some of the shorter-term discretionary spending. So I think that's the primary piece.

Randy Reece
Is it accurate to say your guidance implies Energy could tail down to $5 million to $6 million a quarter in

the second half of the year?

John Roberts
Yes.

Randy Reece
Very good. Thank you very much.

John Roberts
Thank you.

Operator
Thank you. Once again, to ask a question, please press star and then 1 on your touchtone phone. And we do have a question from Tracy Young with Evercore ISI.

Tracy Young
Yes, you made a comment about Slashdot and the loss of a client. Did that happen this quarter and how should we think about Slashdot for the full year? Thanks.

Mike Durney
It did happen this quarter. It was related to one of their largest customers who sold a portion of their business and there was some specific advertising that customer was doing related to that business that they sold. So that business is effectively, it was gone for us in Q1; it's effectively gone moving forward given what the customer did. Slashdot is off obviously working to try and replace that revenue with other customers, but that discrete piece of business, you can think about that as not there.

Tracy Young
Okay, thank you.

Mike Durney
Thank you.

Operator
Thank you. And the next question comes from Bill Sutherland with Emergent Growth Equity.

Bill Sutherland
Thanks. Hey, Mike, I wondered if you could help us just maybe step back a little bit in terms of the IT market, both here and for IT Job Board. We all know how tight it is and how tough it is for employers right now. Just if you could give us some sense in terms of turnover and the factors that really impact your business, because it would seem to me that you might be seeing a little more acceleration more than you are in Dice itself. Thanks.

Mike Durney
Sure. So turnover is high. We talked about turnover and how significant turnover is to our business. For a long period of time, it took a long time coming out of the recession for turnover to bounce back in Professional and Business Services, which it now has for a period of time. So generally that's good for our business. The unemployment rate in Tech is now like below 2%, I believe. It fluctuates between below 2% and above 2%.

An unemployment rubric (ph), which is essentially full employment or higher than full employment as measured by economists, an unemployment rate where essentially as people refer to it—any unemployment in Tech is voluntary, so you have to want to not be working now to not have a job in technology. That unemployment rates that low are not ideal for our business, because the need for using services like ours declines at a certain point when there's full employment because you don't have that rate of activity. Now the amount of activity on the site continues to be pretty healthy and I think it demonstrates the value that we have as a career management tool as opposed to just places people go to get jobs. But what you're seeing overall in technology, especially in the hotter areas, is people are getting jobs and employers are finding people offline, so they're doing it through referrals or they're doing it through other means besides using services like ours.

So, ideally, from a step-back standpoint, looking overall, the unemployment rate at the level it is, again, is not ideal. A slightly higher unemployment rate where there's more need for our services would be a better scenario for us. That's in the US.

In Europe, it's less so, so it's mixed, obviously, through the different markets we operate in. We're in the UK, Germany and the Benelux countries, and the employment situation is similar, although not identical. There, from our standpoint, we've seen some growth in the tech business outside North America, but the competition for us is stiffer over there because there are more direct competitors to the IT Job Board. And one of the reasons why we're laser-focused on rolling out the Dice brand and Dice platform into those markets to supplement what we have in IT Job Board is because we think the user experience will be improved, which should allow us to better compete with those direct competitors over there.

Bill Sutherland
So when you look at this cycle compared to past cycles, do you think the turnover, voluntary turnover, is as high as you would expect it to be given just the current status of the market, the IT market? Because it seems like the turnover might overcome this issue, because I understand this unemployment issue and how that inhibits growth.

Mike Durney
Yes, there's really, it's the tail of kind of two ends of the spectrum. So as we describe it, if you're closer to the customer, the need for you is much greater. So developers on the front end, the farther you are away from the customer, the more risk there is and the slightly higher unemployment rate there is. That's the bulk of technology in the US. There's six to seven million technology professionals in the United States. And while what happens in Silicon Valley and some of the other hot frontend development tech markets gets a lot of press, but the majority of employment in technology sits farther away from the customer and that's the one that has most risk to it. As you get more cloud computing and more SAS and IAS providers, that market doesn't have quite the velocity that the developer market does.

Bill Sutherland
Right. Okay. That's helpful. Last thing, if you could give us a little more color on FreshUp, how it works and the expected impact. Thanks.

Mike Durney
Sure. So FreshUp, which we've talked about in the past, is a product that has been developed out of the original Open Web technology infrastructure. Essentially, what the FreshUp product does is it takes publicly available information, aggregates profiles and then can be used to freshen up databases of clients. So as we've talked about before, and we haven't talked about it a lot yet because it's still, in my view, not a business yet, it's still a product which we're trying to develop into a business, the usage for that would be like customer lists of tech marketers, it could be periodicals or publishers who have customer lists that are dated and you can use the publicly available information that we've aggregated into profiles to freshen up your customer lists. So we're in the process of building strategic plans around

how we make that product into a business.

So at this point that's all we have to say about it. It doesn't generate much revenue. It does generate some revenue, but not very much. But it's a key initiative for us to determine whether there's actually a business there. I'm pretty excited about it.

Bill Sutherland
It's not a subscription, is it?

Mike Durney
It is not a subscription today. It could be over time, but it is a product that's sold today on a one-off basis to, let's say, a publisher to freshen up their lists.

Bill Sutherland
Great. I get it. Thanks a lot.

Operator
Thank you. And as there are no more questions at the present time, I would like to turn the call back over to Jennifer Milan for any closing comments.

Jennifer Milan
Thank you for your time this morning and your interest in DHI. Management will be available to answer any follow-up questions you may have. Please call Investor Relations at 212-448-4181 to be placed into the queue. Thank you and have a great day, everyone.

Operator
Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.