

DHI GROUP, INC.
Form 10-K
February 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

☐ OR
☐ TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____
Commission File Number: 001-33584

DHI Group, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	20-3179218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1040 Avenue of the Americas, 8 th Floor	
New York, New York	10018
(Address of principal executive offices)	(Zip Code)

(212) 725-6550
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	
None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

The aggregate market value of common stock held by non-affiliates of the registrant was approximately \$396,000,000 as of June 30, 2015, the last business day of the registrant's second fiscal quarter of 2015.

As of February 5, 2016, there were 51,959,055 shares of the registrant's common stock, par value \$.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year end of December 31, 2015.

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NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Information contained herein contains forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, and descriptions of our business strategy. These statements often include words such as “may,” “will,” “should,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate” or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to:

- increases in the unemployment rate, cyclicalities or downturns in the United States or worldwide economy or the industries we serve, labor shortages, or job shortages;
- concerns regarding the global economic climate and European debt crisis and market perceptions concerning the instability of the Euro;
- competition from existing and future competitors;
- changes in the recruiting and career services business and technologies, and the development of new products and services;
- decreases or delays in business-to-business technology advertising spending could harm our ability to generate advertising revenue;
- failure to develop and maintain our reputation and brand recognition;
- failure to increase or maintain the number of customers who purchase recruitment packages;
- failure to attract qualified professionals or grow the number of qualified professionals who use our websites;
- failure to timely and efficiently scale and adapt our existing technology and network infrastructure;
- capacity constraints, systems failures or breaches of network security;
- compliance with laws and regulations concerning collection, storage and use of professionals’ professional and personal information;
- our indebtedness;
- inability to borrow funds under our Credit Agreement (as defined below) or refinance our debt;
- results of operations fluctuate on a quarterly and annual basis;
- periods of operating and net losses and history of bankruptcy;
- covenants in our Credit Agreement;
- inability to successfully integrate recent and future acquisitions or identify and consummate future acquisitions;
- strain on our resources due to future growth;
- misappropriation or misuse of our intellectual property, claims against us for intellectual property infringement or the failure to enforce our ownership or use of intellectual property;
- compliance with certain corporate governance requirements and costs incurred in connection with being a public company;
- compliance with the continued listing standards of the New York Stock Exchange (the “NYSE”);
- volatility in our stock price;
- failure to maintain internal controls over financial reporting;
- loss of key executives and technical personnel;
- U.S. and foreign government regulation of the Internet and taxation;
- changes in foreign currency exchange rates;
- failure to realize the full potential of our network;
- decrease in user engagement;
- failure to halt the operations of websites that aggregate our data, as well as data from other companies;
- failure of our businesses to attract, retain and engage users;

our foreign operations;
inability to expand into international markets;
unfavorable decisions in proceedings related to future tax assessments;
taxation risks in various jurisdictions for past or future sales;
write-offs of goodwill and intangible assets;
volatility in and direction of oil and related commodity prices; and
significant downturn not immediately reflected in our operating results.

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NON-GAAP FINANCIAL MEASURES

Information contained herein contains certain non-GAAP financial measures. These measures are not in accordance with, or an alternative for, generally accepted accounting principles in the United States (“GAAP”). Such measures presented herein include adjusted earnings before interest, taxes, depreciation, amortization, non-cash stock based compensation expense, and other income or expense (“Adjusted EBITDA”), Net Income Excluding Impairment Charge, Diluted Earnings per Share Excluding Impairment Charge, Adjusted Revenues, Adjusted EBITDA Margin, Adjusted Revenues Excluding Slashdot Media, Adjusted EBITDA Excluding Slashdot Media, Adjusted EBITDA Margin Excluding Slashdot Media, Revenue Growth in Constant Currency, and Free Cash Flow. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for definitions of these measures.

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PART I

Item 1. Business

Information Availability

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other material information concerning us are available free of charge on the Investors page of our website at www.dhigroupinc.com. Our reports filed with the SEC are also available at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, by calling 1-800-SEC-0330, or by visiting <http://www.sec.gov>.

Introduction and Summary

This section provides an overview of DHI Group, Inc. (the "Company" or "DHI"). 2015 includes a non-cash impairment charge of approximately \$34.8 million (\$34.2 million, net of income taxes) and \$0.67 diluted loss per share, net of income taxes, related to the partial write-down of Energy segment goodwill. Excluding this charge, net income for 2015 totaled \$23.3 million or \$0.46 diluted earnings per share.

	FY 2015	FY 2014	YoY % Change
Revenues	\$259,769	\$262,615	(1)%*
Operating income	\$6,355	\$46,604	(86)%
Income before income taxes	\$3,041	\$42,849	(93)%
Net income (loss)	\$(10,968)	\$27,612	(140)%
Diluted earnings (loss) per share	\$(0.21)	\$0.51	(141)%
Net cash provided by operating activities	\$60,809	\$55,543	9%
Adjusted Revenues	\$259,769	\$265,502	(2)%
Adjusted EBITDA	\$74,550	\$84,343	(12)%
Adjusted EBITDA Margin	29	% 32	% n.m.
Adjusted Revenues, excluding Slashdot Media	\$244,950	\$247,262	(1)%*
Adjusted EBITDA, excluding Slashdot Media	\$72,887	\$78,954	(8)%
Adjusted EBITDA margin, excluding Slashdot Media	30	% 32	% n.m.

* Excluding the negative impact of currency translation, revenues increased 1%. Adjusted Revenues, excluding Slashdot Media, increased 1%, year-over-year on a constant currency basis.

For a description of these non-GAAP measures and reasons why management believes they provide useful information to investors, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Non-GAAP Measures" located elsewhere in this report.

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2015 Highlights

2015 Progress on Key Strategic Goals: Path of Innovation, Integration and Evolution

In 2015, we made significant progress against our key strategic goals. Our path of innovation, integration and evolution continues, and many of our new and emerging products and services are gaining traction. Across all of our businesses we've made great strides in elevating our product, our people and our processes, which are leading to increased engagement with our customers and professionals, greater affinity with our brands, and deeper client relationships.

Company Profile

DHI was incorporated in Delaware on June 28, 2005. DHI is a leading provider of data, insights and employment connections through our specialized services for professional communities including technology and security clearance, financial services, energy, healthcare and hospitality. Each of our services is tailored for the specific industry or profession it serves. We focus on delivering three key value propositions:

- Providing the most efficient solution for recruiters and employers;
- Delivering the most relevant career content in our verticals; and
- Utilizing data and analytics to deliver specialized insights.

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The majority of our revenues today are generated through the sale of recruitment packages, which allow customers to post jobs and source candidates through our resume databases and, in the case of Dice, Dice Europe and eFinancialCareers to utilize our Open Web service for an additional fee. Recruitment packages are typically provided through contractual arrangements with annual, monthly or interim terms.

Our Products and Services

We help organizations find the best talent, and we help professionals find the best jobs and advance their careers. We do this through a number of products, including:

- **Resume databases.** Each of our brands provides powerful, detailed searches of a large number of candidate resumes. Showing customers the right talent makes their recruiting efforts more efficient.

- **Job postings.** Because our job collections are focused on specific verticals, professionals searching for jobs can easily find jobs that are most relevant to them. In turn, the applications received by our customers are more likely to be relevant and qualified compared to applications received from generalist sites. Thus, showing professionals the right job postings benefits both the talent and the recruiting organization.

- **Open Web.** Our Open Web product searches over 190 social and professional sources to create an aggregated profile of a candidate's professional experience, contributions, history and capabilities (as well as their passions and interests). This allows our customers to build broader pools of talent from across the web, gives them deeper insights into talent they discover, and allows them to engage prospective candidates with a differentiated message.

- **Content and data.** Each of our services provides tailored content to help professionals manage their careers and provide employers insight into recruiting strategies and trends. In addition, some of our brands offer data products specific to their industries.

Industry and Skill Focused Brands

We offer our talent acquisition and career development products and tools through the following key brands:

Service	Yrs. in Operation	Specialized Focus	Primary Source of Revenues
Dice	25	Technology and engineering in the U.S.	Recruitment packages ¹
Dice Europe	13	Technology and engineering in the U.K., Germany, Belgium and the Netherlands	Job postings and advertising
ClearanceJobs	13	Security-cleared professionals	Recruitment packages ¹
Targeted Job Fairs	27	Technology, energy and security cleared professionals	Career fairs and open houses
eFinancialCareers	15	Financial services	Recruitment packages ¹ and job postings
Rigzone	17	Oil and gas	Recruitment packages ¹ and advertising
BioSpace	30	Biotechnology	Job postings and advertising
Hcareers	18	Hospitality	Job postings
Health eCareers	20	Healthcare	Job postings

¹ Recruitment packages are a combination of job posting slots and access to our searchable database of candidates (in the case of Dice and Dice Europe, this includes our Open Web Service). Job posting slots allow the customer to post up to a specified number of jobs at a single time.

Dice has been a go-to destination for technology and engineering talent in the United States for the past 25 years. The job postings available on Dice, from both technology and non-technology companies across many industries, include positions for software engineers, big data professionals, systems administrators, database specialists, project managers, and a variety of other technology and engineering professionals. Dice had approximately 77,000 job postings as of December 31, 2015. During 2015, Dice in North America had on average 2.3 million monthly unique visitors.

Customers can purchase recruitment packages, job postings or advertisements. Approximately 87% of Dice revenue was derived from recruitment packages in 2015. Recruitment packages offer our customers the ability to access the

candidate resume database, post up to a specified number of jobs at a single time and utilize our Open Web product for an additional fee. Customers are incentivized to purchase our recruitment packages on an annual basis.

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Professionals can post their resumes, search jobs and access our career-related content, news and tools. Dice recently launched Skill Center, a tool that uses data aggregated from across the web to show skill trends, giving professionals insights into potential skills gaps and development areas.

Dice entered the European market in 2013 through the acquisition of The IT Job Board, a leading technology career site for the UK and Continental Europe. In 2015, we rebranded The IT Job Board to Dice. Our Open Web service is available to Dice Europe customers for an additional fee. In Europe, Dice had approximately 19,000 job postings as of December 31, 2015. During 2015, Dice Europe had on average 375,000 monthly unique visitors.

ClearanceJobs is a leading Internet-based career network dedicated to matching security-cleared professionals with the best hiring companies searching for employees. Authorized U.S. government contractors, federal agencies, national laboratories and universities utilize The Cleared Network to quickly and easily find candidates with specific, active security clearance requirements to fill open jobs in a range of disciplines. The majority of candidates with resumes in our database have high-level security clearance. ClearanceJobs had approximately 11,500 job postings as of December 31, 2015. During 2015, ClearanceJobs had on average 305,000 monthly unique visitors.

eFinancialCareers is the world's leading financial services careers website, operating websites in multiple markets in four languages mainly across the United Kingdom, Continental Europe, Asia, Australia, the Middle East and North America. Professionals from across many sectors of the financial services industry, including asset management, risk, investment banking, and information technology, use eFinancialCareers to advance their careers. eFinancialCareers extends its global footprint beyond its own sites through job posting distribution agreements with more than 40 finance and business websites around the world, including well-known publications and organizations. Recruitment package customers may purchase Open Web for an additional fee. eFinancialCareers had approximately 9,300 job postings as of December 31, 2015. During 2015, eFinancialCareers had on average 1.5 million monthly unique visitors.

Rigzone is a leading website dedicated to delivering online content, data, and career services in the oil and gas industry in North America, Europe and Asia Pacific. Oil and gas companies, as well as companies that serve the energy industry, use Rigzone to find talent for roles such as petroleum engineers, sales professionals with energy industry expertise and skilled tradesmen. In addition to recruitment packages and advertising, Rigzone provides a number of data services products including Riglogix, RigVantage and RigOutlook. OilCareers, a leading recruitment site for oil and gas professionals in Europe, was integrated into Rigzone in March 2015. Rigzone had approximately 3,000 job postings as of December 31, 2015. During 2015, Rigzone had on average 1.4 million monthly unique visitors.

Hcareers is the number one source for hospitality jobs across North America and is the largest provider of job postings for the hotel, restaurant, food service, casino and assisted living industries. Hospitality professionals like general managers, sales directors, and executive chefs use Hcareers to advance their careers. As of December 31, 2015, Hcareers had approximately 19,000 job postings. During 2015, Hcareers had on average 1.1 million monthly unique visitors.

BioSpace is a leading resource for biotechnology careers, news and resources and has helped recruitment, communication and discovery among business and scientific leaders within the life sciences. In addition to recruitment packages, customers can purchase BioSpace's HotBeds campaigns, a unique branding and advertising product to assist regional clusters of companies with high demands for biotech talent. BioSpace had approximately 1,200 job postings as of December 31, 2015. During 2015, BioSpace had on average 400,000 monthly unique visitors.

Health eCareers is a leading website dedicated to providing career services across many disciplines and specialties within the healthcare industry, including physicians, nurses, and a broad spectrum of allied health professions. Health eCareers powers the career centers for over 100 healthcare associations, extending its reach to professionals across the healthcare industry. Health eCareers had approximately 14,500 job postings as of December 31, 2015. During 2015, Health eCareers had on average 495,000 monthly unique visitors.

BrightMatter was formed in October 2015 as a new division focusing on a number of next-generation recruitment products and services that will be applicable across DHI brands. This division brought together the operations of WorkDigital and getTalent as well as other product initiatives. WorkDigital is the technology group that developed the underlying technology for our Open Web products, and it is currently developing new applications of that technology,

including the FreshUp service as well as workforce analytics products for our talent acquisition brands. getTalent is a Software as a Service (“SaaS”) talent sourcing management and engagement tool. getTalent expands the overall market opportunity for DHI brands beyond traditional Talent Acquisition products and services.

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Our Industry

We primarily operate in the talent discovery and acquisition segment of the broader market for human capital management services through vertically-oriented career sites. We believe that the overall demand for talent acquisition and career development products and services has significant long-term growth potential. Over the next decade, the aging labor force of the United States is expected to lead to a labor supply-demand imbalance as baby-boomers retire. We believe that international economies show similar trends, with an aging labor force in Europe and shortages of skilled professionals to meet the demand of developing economies in Asia.

We also believe that certain industries that employ highly-skilled and highly-paid professionals will experience particularly strong demand for effective recruiting solutions due to the scarcity of such professionals. For example, as of December 2015, the seasonally unadjusted U.S. unemployment rate was 2.6% for computer-related occupations, 2.6% in the finance sector, and 3.2% in the healthcare sector, as compared to the overall national average of 5.0%, seasonally adjusted. Historically, the unemployment rate for college graduates has been lower than the unemployment rate for the U.S. overall. As of December 2015, the seasonally adjusted unemployment rate for college graduates was 2.3%.

We believe that there are five major trends that will continue to shape demand for talent acquisition services:

Greater competition for professional talent. The candidate-employer relationship has changed, with the balance of power shifting towards the candidates. The length of time to fill positions is an indicator of the availability of qualified talent in the labor market. Our proprietary indicator of time to fill an open position, the DHI-DFH Vacancy Duration Measure, indicates that the mean time to fill a position was 27.6 working days in October 2015, up from 22.1 in October 2012. In addition, our December 2015 Hiring Survey found that 47% of hiring managers cannot fill spots due to salary requirements.

Sourcing of talent will become more mainstream. Companies are increasingly engaging in ongoing sourcing to build robust candidate pools for both “just in time” candidates as well as future hiring needs. This means recruiters must proactively identify and build relationships with professionals ahead of the creation of a specific job opening. Our December 2015 Hiring Survey shows that nearly three-quarters (74%) of companies say sourcing and building a bench of talent is more important today than a year ago. Complementing this trend is an increased interest in sourcing analytics, recruiting marketing, and employment branding.

Continued professional interest in career brands specific to industry and skills. Our services focus on domains or industries that require specialized skills and knowledge and, thus, customized content, profiles and search parameters. In addition, the professionals in our verticals often share a sense of personal identity and community that goes beyond the confines of their careers. We believe that both specialized skills and the sense of personal identity and community lead professionals in our verticals to prefer specialized career brands over generalist ones.

Talent attraction and retention becoming more of a strategic priority for companies. According to the Aberdeen Group, in 2014, 79% of companies identify their main talent acquisition pressure as a shortage of critical skills available in the labor pool, up from 55% in 2012. Similarly, the PWC 2015 US CEO Survey found that 34% of U.S. CEOs are ‘extremely concerned’ about the availability of key skills as a threat to their organizations’ growth prospects (an additional 44% are ‘somewhat concerned’). In this environment where top talent is hard to find, organizations are increasingly prioritizing retention of talent. According to Deloitte’s Global Human Capital Trends 2015, 66% of human resources respondents reported that they are updating their engagement and retention strategies.

Increased use of data and analytics in human capital management and increased need for insights. As many companies prove the power of analytics in marketing and other business domains, organizations are seeking to gain a competitive advantage by applying data-driven insights to improve their hiring, retention and leadership capabilities. According to Deloitte’s Global Human Capital Trends 2015, 75% of surveyed companies believe that using people analytics is ‘important’.

In this environment, we believe there is an opportunity for career management and talent acquisition tools that leverage the common interests, goals and skills of select professional communities. We believe that a focus on professional communities allows organizations to more efficiently identify talent, with more complete data and insights about that talent.

Our Value Proposition

We have become a leading provider of data, insights and employment connections by focusing on professional communities that share common interests, goals and skills. We believe that this focus has allowed us to build valuable talent pools with the most complete and relevant information. In turn, that means organizations can get to that talent faster, more efficiently and with better data and insights about that talent. By providing a large number of employment opportunities and original and community-shared career-related content for professionals, we encourage the use of our websites and continue to

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attract professionals to our services. We believe these factors have helped us to achieve a critical mass of both customers and professionals, contributing to the attractiveness and efficiency of our online marketplaces.

Benefits we provide to Professionals

Relevant employment connections. When professionals post their resumes or apply for jobs on our websites, they can make valuable connections with organizations who prize their skills and expertise. Professionals can avoid having to “sort through the clutter” on generalist career sites, and get the most out of their time by using our more focused services.

Skills/industry-specific career management tools, information and insights. We provide professionals with targeted and relevant career development tools, content and news. For example, Dice and ClearanceJobs provide professionals with market and salary information and local market trends. In addition, Dice’s new Skill Center tool provides data-driven insights on current skills trends by analyzing skills data collected from across the web. eFinancialCareers provides industry-specialized online career content, as well as print and online career guides targeted to college and graduate students. The Rigzone services provide energy industry news from around the globe, detailed salary information, and data services related to the worldwide offshore rig fleet. We believe our career development services and tools provide professionals with the insights they need to propel their careers forward, and thus increase the engagement of professionals with our sites.

Benefits we provide to our Customers

Large pools of qualified and hard-to-reach professionals. We seek to improve the efficiency of the recruiting process for our customers by providing quick and easy access to large and fresh pools of highly qualified and hard-to-reach professionals. Because the communities of professionals who visit our websites are highly-skilled and specialized within specific industries, we believe our customers who post jobs receive applications from candidates who are better qualified for the positions, and that they receive fewer irrelevant applications than when using generalist sites. In addition, since our resume data and resume search functions are highly tailored by specialty, we believe that our customers can identify talent using our resume databases more quickly and easily than by using broader services.

Relevant information on prospective candidates. We believe that the specialized nature of our job posting and resume search products makes them inherently more relevant and efficient for recruiting. In addition, our new Open Web product creates an aggregated profile of a professional’s experience, contributions, and capabilities as well as their passions and interests. Using all of these products together gives our customers the most complete view of a prospective candidate, and allows them to not only identify the best talent but also tailor their recruiting approach to each individual.

Our Strategic Goals

Our goal is to be the leading provider of data, insights and connections through our specialized services for select professional communities. Our primary objective is to maximize the long-term potential of our websites and services. We continue to pursue our goals by pursuing the following strategies:

Increase the Efficiency, Effectiveness, Value and Relevance in our Core Talent Acquisition Products. In the dynamic and competitive environment in which we operate, we must continuously enhance the value of our marketplaces through both audience growth and product innovation.

Reach new customers and professionals through continued branding, direct marketing and direct sales activities;
Enhance, expand and develop additional content, community and career-management features across our websites to increase engagement among professionals; and

Build new features and greater efficiencies into our online services through ongoing innovation.

Develop Deeper, Higher-value Relationships with our Customer and User Bases. We believe our existing installed base of clients and users offer substantial opportunity for growth and, in an effort to leverage this opportunity for growth, will focus on selling additional products to existing clients and fostering client success to drive higher retention. In addition, we believe there is opportunity to foster repeat visitation, improved loyalty and deeper engagement with the professionals who already use our services.

Enhance current product offerings with more actionable data and greater depth of analysis;

Deepen our relationships with and expand the services - such as Open Web, Sourcing Concierge and Branding products - we sell to our existing customers;

Offer new products and services that make recruiters more effective; and

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• Help professionals throughout their career lifecycle by creating new products and services geared towards personalized career management.

Enter the Sourcing Management Market with a Unique Combination of Acquisition, Sourcing and Management, and Pipelining. We believe we can add more value to the sourcing and recruiting process by extending our offerings so that they allow organizations not only to discover and access professional talent, but also interact and maintain relationships with prospective candidates over time.

• Plan to launch in 2016, the next generation version of getTalent, a strategic talent pipelining, engagement and analytics SaaS solution that was in beta testing throughout 2015; and

• Launch versions of Open Web in other verticals.

Pursue International Expansion in Select Verticals. We believe that recruiting is increasingly becoming global, and we intend to continue to evaluate and selectively pursue international opportunities to better serve our existing customers and to further expand our business outside of the United States.

Marketing and Sales

We focus our long-term marketing efforts on growing the number of professionals who visit and engage with our websites, which we believe increases the attractiveness of our websites to our customers. We use a combination of direct marketing, branding and communications initiatives to increase our brand awareness, traffic, new resumes posted and applications to job postings. We primarily engage in search engine marketing, online advertising, participation in industry events, social media marketing and content marketing. Many of our brands use strategic alliances with relevant publishers, trade associations and industry groups to increase reach and traffic. Many of our brands have also invested in broader awareness campaigns that include outdoor advertising in select cities where competition for their respective specializations is high.

Our customer marketing efforts are primarily focused on lead generation activities, such as email and direct mail campaigns and participation in industry events. We also use marketing communications, such as media relations, social media, and thought leadership content, to enhance brand awareness and client relationships.

We sell our products primarily through our direct sales force. We have a number of direct sales teams organized by brand, market segment, and geography. Our field sales groups target Fortune 1000 companies, large staffing and recruiting firms and other large and mid-size businesses. Our in-house sales teams focus on generating new business from recruiters and small- and mid-size companies, renewing customer contracts, increasing the service levels customers purchase and servicing the needs of our largest clients. As of December 31, 2015, we employed approximately 190 sales personnel in the United States and approximately 80 in the rest of the world. In addition to our internal sales organization, we also use ad networks to help generate ad sales.

We also maintain teams of account managers and customer support specialists who work to ensure customers get the most from our products and services by providing training and assistance. In addition, our customer support departments perform some compliance functions, such as reviewing the websites for false or inaccurate job postings.

Customers

We currently serve a diversified customer base consisting of over 16,000 customers in total. No one customer accounted for more than 1% of our revenues in 2015. Our customers include small, mid-sized and large direct employers, staffing companies, recruiting agencies, consulting firms and marketing departments of companies. As of December 31, 2015, notable customers of the Tech & Clearance segment included AT&T, Adecco, Salesforce, Cisco, Apple, Oracle, IBM, Kforce, NCI, Manpower, Microsoft, Charles Schwab, Starbucks, Robert Half, Yahoo, Symantec, and Hewlett Packard. Notable customers of the Finance segment included Robert Half, Moody's Investors Service, JP Morgan Chase, Bloomberg, Michael Page International, UBS, Morgan Stanley and Standard Chartered Bank. Notable customers of the Energy segment included Schlumberger, Petronas, Saudi Aramco, Shell, Wood Group, Inpex, China Petroleum and Chevron. Notable customers of the Healthcare segment included Mayo Clinic, Vanderbilt University Medical Center and St Jude Children's Research Hospital. Notable customers of the Hospitality segment included Hilton, Hyatt, Marriott and Four Seasons. See item 7 for a description of the segments.

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Technology

We use a variety of technologies to support our websites. Each of our systems is designed so that it can be scaled by provisioning additional resources, adding additional hardware and increasing network capacity. Whenever possible, we host our applications on clustered, high-availability hardware and cloud platforms. Our applications and data connections are monitored 24/7 for performance, responsiveness and stability.

Currently, our primary technology operations facilities are in co-location data centers in limited access, temperature-controlled environments with emergency power generation capability and service from multiple telecommunications providers, as well as with top-tier cloud providers. Beginning in 2016, we will begin moving our technology operations to a cloud-hosted infrastructure model, which will provide greater business agility and flexibility, improved global delivery capabilities, and improved disaster recovery protection across all services. In the current operational model, we maintain backup systems for website operations within our geographically separate recovery data center. We replicate website data at various times throughout the day from the production co-location facility to the recovery data center. In the event of a loss of a data center, we have business resumption technology and offsite data storage capabilities in place. Additionally, we have robust firewalls and switchgear to provide network security, and have used substantial expert assistance in their configuration and testing.

Competition

The market for talent acquisition services is highly competitive with multiple online and offline competitors. With the evolution of the online recruiting model, there has been an increasing need to provide ease-of-use and relevance to professionals, as well as an efficient and cost-effective recruitment method for direct employers, recruiters and staffing companies. Additionally, further technological advancements have made it easier for new competitors to emerge with minimal barriers to entry, and advertisers have many alternatives available to reach their target audiences. Our ability to maintain our existing customer base and generate new customers depends to a significant degree on the quality of our candidate bases and audiences, the quality of our services, our ability to enhance our websites and the underlying technology of our websites to meet the needs of a rapidly-evolving marketplace, our pricing strategy and ability to introduce value-added products and services, and our reputation among our customers and potential customers, who are increasingly-sophisticated and demanding. Our competitors include:

- social and professional networking sites, such as LinkedIn, Facebook, Twitter and Google;
- generalist job boards, some of which have substantially greater resources and brand recognition than we do, such as CareerBuilder, Monster, StepStone, and Seek which, unlike specialized job boards, permit customers to enter into a single contract to find professionals across multiple occupational categories and attempt to fill all of their hiring needs through a single website;
- aggregators and distributors of job postings and profiles, including SimplyHired, Indeed (owned by Recruit), Talent Bin (owned by Monster Worldwide), Entelo, Gild, ZipRecruiter, Google and Craigslist;
- career-focused community sites such as Glassdoor;
- newspaper and magazine publishers, national and regional advertising agencies, executive search firms and search and selection firms that carry classified advertising, many of whom have developed, begun developing or acquired new media capabilities, such as recruitment websites, or have partnered with generalist job boards;
- specialized services focused specifically on the industries we service, such as FT.com, Oilandgasjobsearch.com (owned by CareerBuilder), Doximity, Upwork, JobServe and Stack Overflow;
- talent relationship management software providers such as Avature and SmashFly;
- new and emerging competitors with new business models and products;
- our customers, who seek to recruit candidates directly by using their own resources, including corporate websites; and
- general business sites and print publications, as well as technology news and information community sites, such as news.google.com, Digg.com and Reddit.com.

Intellectual Property

We seek to protect our intellectual property through a combination of service marks, trademarks, copyrights and other methods of restricting disclosure of our proprietary or confidential information. We have one or more patent applications pending for some of our current services. As we continue to develop and improve our technology, patents

may become a more significant part of our intellectual property in the foreseeable future. We generally enter into confidentiality agreements with our employees, consultants and vendors. We also seek to control access to and distribution of our technology, documentation and other proprietary information.

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We generally pursue the registration of the material service marks we own in the United States and internationally, as applicable. We own a number of registered, applied for and/or unregistered trademarks and service marks that we use in connection with our businesses. Our trademarks and registered trademarks in the United States and other countries include DICE, CLEARANCEJOBS.COM, RIGZONE.COM, EFINANCIALCAREERS, HEALTHCAREERS NETWORK, and HCAREERS.COM. Registrations for trademarks may be maintained indefinitely, as long as the trademark owner continues to use and police the trademarks and timely renews registrations with the applicable governmental office. Although we generally pursue the registration of our material service marks and other material intellectual property we own, where applicable, we have trademarks and/or service marks that have not been registered in the United States and/or other jurisdictions. We have not registered the copyrights in the content of our websites, and do not intend to register such copyrights.

The steps we have taken to protect our copyrights, trademarks, service marks and other intellectual property may not be adequate, and third parties could infringe, misappropriate or misuse our intellectual property. If this were to occur, it could harm our reputation and affect our competitive position. See Item 1A. “Risk Factors-Misappropriation or misuse of our intellectual property could harm our reputation, affect our competitive position and cost us money.”

Strategic Investments

DHI has made investments through the following acquisitions during the past five years:

	Oil Careers Ltd.	onTargetjobs, Inc.	JobBoard Enterprises Ltd.	WorkDigital Ltd.
Date Acquired	March 2014	November 2013	July 2013	October 2012
Description	Leading recruitment site for oil and gas professionals in Europe	Leading vertical recruiting service in healthcare and hospitality	Online recruitment company in the technology industry and the corporate owner of The IT Job Board	Technology company focused on the recruitment industry
Brands Included	OilCareers.com	Health eCareers, BioSpace and Hcareers	The IT Job Board	WorkDigital
Strategic Rationale	Expansion of Rigzone’s presence in non-U.S. markets	Expansion into healthcare and hospitality verticals	Scale Dice into international markets	Technology platform and foundation for Open Web
Purchase Price	\$26.1 mm in cash at closing and \$0.3 mm paid for working capital	\$46.3 mm net of cash acquired plus payment of \$0.6 mm for working capital	£8.0 mm net of cash acquired plus deferred payments made totaling £3.0 mm	\$10.0 mm in cash plus deferred payments made totaling an additional \$10.0 mm

Regulation and Legislation**User Privacy**

We collect, store and use a variety of information about both professionals and customers on our website properties. Within the websites, the information that is collected, stored and used has been provided by the professionals or customers with the intent of making it publicly available. We do not ask professionals or customers to supply social security numbers. Our business data is separated from website operations by a variety of security layers including network segmentation, physical and logical access controls, firewalls, and many industry-accepted, best-practice information security controls.

We post our privacy policies on our websites so that our users can access and understand the terms and conditions applicable to the collection, storage and use of information collected from users. Our privacy policies also disclose the types of information we gather, how we use it and how a user can correct or change their information. Our privacy policies also explain the circumstances under which we share this information and with whom. Professionals who register for our websites have the option of indicating specific areas of interest in which they are willing to receive offers via email or postal mail. These offers contain content created either by us or our third-party partners.

To protect confidential information and to comply with our obligations to our users, we impose constraints on our customers to whom we provide user data, which are consistent with our commitments to our users. Additionally, when

we provide lists to third parties, including to our advertiser customers, it is under contractual terms that are consistent with our obligations to our users and with applicable laws and regulations.

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U.S. and Foreign Government Regulation

We are subject to a number of government regulations, both domestic and foreign, that regulate our products and online service offerings, including content, copyright infringement, user privacy, advertising and promotional activities, taxation, access charges, liability for third-party activities and jurisdiction. In addition, federal, state, local and foreign governmental organizations have enacted and also are considering, and may consider in the future, other legislative and regulatory proposals that would regulate the Internet. Areas of potential regulation include, but are not limited to, libel, electronic contracting, pricing, quality of products and services and intellectual property ownership. There are a number of U.S. and foreign laws and regulations that affect companies conducting business online. Certain laws regulate commercial electronic messages. Such laws frequently provide a right on the part of the recipient to request the sender to stop sending messages, and establish penalties for the sending of email messages that are not compliant with such laws, including messages that are intended to deceive the recipient as to source or content or that do not provide an electronic method of informing the sender of the recipient's decision not to receive further commercial emails.

We are subject to domestic and foreign laws and regulations regarding privacy and protection of data. Our privacy policies and terms of use agreements describe our practices concerning the use, storage, transmission and disclosure of user data. Any failure by us to comply with our privacy policies or terms of use agreements, or privacy-related laws and regulations, could result in proceedings against us by governmental authorities or others, which could harm our business. The interpretation of these privacy and data protection laws and various regulators' approach to their enforcement, as well as our products and services, continue to evolve over time. We face the risk that these laws may be interpreted and applied in conflicting ways in different jurisdictions or in a manner that is not consistent with our current data protection practices, or that new and unclear laws will be enacted. Complying with these varying domestic and foreign requirements could cause us to incur additional costs and change our business practices. Further, any failure by us to adequately protect our users' privacy and data could result in a loss of confidence in our products and services and, ultimately, in a loss of customers, which could have an adverse effect on our business.

The application of laws and regulations affecting online business to our products and services is often unclear, and these laws and how various jurisdictions interpret these laws continue to evolve. Compliance with these laws may be expensive and could harm our business. Any failure by the Company to comply with these laws and regulations could result in actions against us by governmental authorities or other entities, which could harm our business, including governmental or court orders that we cease certain activities.

See Item 1A. "Risk Factors-Our business is subject to U.S. and foreign government regulation of the Internet and taxation, which may have a material adverse effect on our business."

Employees

As of December 31, 2015, we had 861 employees. Our employees are not represented by any union and are not the subject of a collective bargaining agreement. We believe that we have a good relationship with our employees.

Item 1A. Risk Factors

We may be adversely affected by cyclical, volatility or an extended downturn in the United States or worldwide economy, or in or related to the industries we serve.

Our revenues are generated primarily from servicing customers seeking to hire qualified professionals in the technology, healthcare, hospitality and finance sectors and the energy industry. Demand for these professionals tends to be tied to economic and business cycles. Increases in the unemployment rate, specifically in the technology, healthcare, finance and other vertical industries we serve, cyclical or an extended downturn in the economy could cause our revenues to decline. For example, during the recession in 2001, employers reduced or postponed their recruiting efforts, including their recruitment of professionals in certain of the vertical industries we serve, such as technology. The 2001 economic recession, coupled with the substantial indebtedness incurred by our predecessor, Dice Inc., resulted in Dice Inc. filing for Chapter 11 protection in 2003. As of December 2015, the seasonally unadjusted U.S. unemployment rate was 2.6% for computer-related occupations, 2.6% in the finance sector, and 3.2% in the healthcare sector, as compared to the overall national average of 5.0%, seasonally adjusted. The increase in unemployment and decrease in recruitment activity experienced during 2008 and 2009 resulted in decreased demand

for our services. During 2009, we experienced a 29% decline in revenues compared to 2008. If the economic environment experienced during 2008 and 2009 returns, our ability to generate revenue may be adversely affected.

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In addition, the general level of economic activity in the regions and industries in which we operate significantly affects demand for our services. When economic activity slows, many companies hire fewer employees. Therefore, our operating results, business and financial condition could be significantly harmed by an extended economic downturn or future downturns, especially in regions or industries where our operations are heavily concentrated. Further, we may face increased pricing pressures during such periods as customers seek to use lower cost or fee services. Additionally, the labor market and certain of the industries we serve have historically experienced short term cyclicity. It is difficult to estimate the total number of passive or active job seekers or available job openings in the United States or abroad during any given period. If there is a labor shortage, qualified professionals may be less likely to seek our services, which could cause our customers to look elsewhere for attractive employees. Such labor shortages would require us to intensify our marketing efforts toward professionals so that professionals who post their resumes on our websites remain relevant to our customers, which would increase our expenses. Furthermore, if there is a shortage of available job openings in a particular region or sector we serve, the number of job postings on our websites could decrease, causing our business to be adversely affected. For example, the continued decline of oil prices has led to decreased demand for energy professionals worldwide. Oil prices have reached decade lows in 2016 and there continues to be downward pricing pressure. This decline in demand has significantly decreased the sales of our energy industry job postings and the use of related services. As a result, we recorded a \$34.8 million impairment of goodwill at our Energy segment for the fiscal year ended December 31, 2015. The continued decline of oil prices and any future declines in demand for energy professionals could continue to adversely affect our financial condition and results of operations.

Any economic downturn or recession in the United States or abroad for an extended period of time could have a material adverse effect on our business, financial condition, results of operations and liquidity. Based on historical trends, improvements in labor markets and the need for our services generally lag behind overall economic improvements. Additionally, there has historically been a lag from the time customers begin to increase purchases of our services and the impact to our revenues due to the recognition of revenue occurring over the length of the contract, which can be several months to a year.

Volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions. Accordingly, if the economy does not fully recover or worsens, our business, results of operations and financial condition could be materially and adversely affected.

Concerns regarding the global economic climate and European debt crisis and market perceptions concerning the instability of the Euro could adversely impact our business.

Concerns persist regarding the global economic climate, the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns, or market perceptions concerning these and related issues, could adversely affect demand for our services in the European market and our business, results of operations, financial condition and liquidity.

We operate in a highly competitive developing market and we may be unable to compete successfully against existing and future competitors.

The market for career services is highly competitive and barriers to entry in the market are relatively low. For example, there are tens of thousands of job boards currently operating on the Internet, and new competitors may emerge. We do not own any patented technology that would preclude or inhibit competitors from entering the recruiting and career development services market. We compete with other companies that direct all or portions of their websites toward certain segments or sub-segments of the industries we serve. We compete with generalist job boards, some of which have substantially greater resources and brand recognition than we do, such as CareerBuilder and Monster.com, which, unlike specialist job boards, permit customers to enter into a single contract to find professionals across multiple occupational categories and attempt to fill all of their hiring needs through a single website, as well as job boards focused specifically on the industries we service, such as FT.com, JobServe and Oilandgasjobsearch.com. We also compete with newspaper and magazine publishers, national and regional

advertising agencies, executive search firms and search and selection firms that carry classified advertising, many of whom have developed, begun developing or acquired new media capabilities, such as recruitment websites, or have recently partnered with generalist job boards. In addition, we face competition from aggregators of classified advertising, including SimplyHired, Indeed, Google, and Craigslist. Social and professional networking sites, such as LinkedIn, Facebook, Twitter and Google compete with us in providing professional services. Our Open Web service competes with Entelo, Gild and Talent Bin. We also compete with new and emerging competitors with new business models and products that customers are more willing to trial during periods when talent is scarce. In addition, many of our customers also seek to recruit candidates directly by using their own resources, including corporate websites. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could cause our customers to stop using our services or put pressure on

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us to decrease our prices. If our current or potential customers, or the qualified professionals who use our websites, choose to use these websites rather than ours, demand for our services could decline and our revenues could be reduced. Additionally, job postings and resume posting in the career services industry are not marketed exclusively through any single channel, and accordingly, our competition could aggregate a set of postings similar to ours. Our inability to compete successfully against present or future competitors could materially adversely affect our business, results of operations, financial condition and liquidity.

We must adapt our business model to keep pace with rapid changes in the recruiting and career services business, including rapidly changing technologies and the development of new products and services.

Providing online recruiting and career development services is a rapidly evolving business, and we will not be successful if our business model does not keep pace with new trends and developments. The adoption of recruiting and job seeking, particularly among those who have historically relied on traditional recruiting methods, requires acceptance of a new way of conducting business, exchanging information and applying for jobs. If we are unable to adapt our business model to keep pace with changes in the recruiting business, or if we are unable to continue to demonstrate the value of our online services to our customers, our business, results of operations, financial condition and liquidity could be materially adversely affected. Our success is also dependent on our ability to adapt to rapidly changing technology and to make investments to develop new products and services. Accordingly, to maintain our competitive position and our revenue base, we must continually modernize and improve the features, reliability and functionality of our service offerings and related products in response to our competitors. Future technological advances in the career services industry may result in the availability of new recruiting and career development offerings. Some of our competitors have longer operating histories, larger client bases, longer relationships with clients, greater brand or name recognition, or significantly greater financial, technical, marketing and public relations resources than we do. As a result, they may be in a position to respond more quickly to new or emerging technologies and changes in customer requirements, and to develop and promote their products and services more effectively than we can. We may not be able to adapt to such technological changes or offer new products on a timely or cost-effective basis or establish or maintain competitive positions. If we are unable to develop and introduce new products and services, or enhancements to existing products and services, in a timely and successful manner, our business, results of operations, financial condition and liquidity could be materially and adversely affected.

Trends that could have a critical impact on our success include:

- rapidly changing technology in online recruiting;
- evolving industry standards relating to online recruiting;
- developments and changes relating to the Internet and mobile devices;
- evolving government regulations;
- competing products and services that offer increased functionality;
- changes in requirements for customers and professionals; and
- privacy protection concerning data available and transactions conducted over the Internet.

Many individuals are using devices other than personal computers to access the Internet. If users of these devices do not widely adopt solutions we develop for these devices, our business could be adversely affected.

The number of people who access the Internet through devices other than personal computers, including smart phones and handheld tablets or computers, has increased dramatically in the past few years and is projected to continue to increase. If we are unable to develop mobile solutions to meet the needs of our users, our business could suffer.

Additionally, as new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our solutions for use on these alternative devices, and we may need to devote significant resources to the creation, support, and maintenance of such devices.

If we fail to develop and maintain our reputation and brand recognition our business could be adversely affected.

We believe that establishing and maintaining the identity of our key brands, such as Dice, eFinancialCareers, Rigzone, Health eCareers, Hcareers and ClearanceJobs, is critical in attracting and maintaining the number of professionals and customers using our services, and that the importance of brand recognition will increase due to the growing number of Internet services similar to ours and relatively low barriers to entry. Promotion and enhancement of our brands will depend largely on our success in continuing to provide high quality recruiting and career development services. If

users do not perceive our existing career and recruiting services to be of high quality, or if we introduce new services or enter into new business ventures that are not favorably received by users, the uniqueness of our brands could be diminished and accordingly the attractiveness of our websites to professionals and customers could be reduced. We may also find it necessary to increase substantially our financial commitment to creating and maintaining a distinct brand loyalty among users. If we cannot provide high quality career services, fail to protect, promote and maintain our brands or incur excessive expenses in an attempt to improve our career

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services or promote or maintain our brands, our business, results of operations, financial condition and liquidity could be materially adversely affected.

Our business is largely based on customers who purchase monthly or annual recruitment packages. Any failure to increase or maintain the number of customers who purchase recruitment packages could adversely impact our revenues.

Our customers typically include recruiters, staffing firms, consulting firms and direct hiring companies. Customers can choose to purchase recruitment packages, classified postings or advertisements. Most of our revenues are generated by the fees we earn from our customers who purchase monthly or long-term recruitment packages. Our growth depends on our ability to retain our existing monthly and annual recruitment package customers and to increase the number of customers who purchase recruitment packages. Any of our customers may decide not to continue to use our services in favor of alternate services, lack of need, or because of budgetary constraints or other reasons. We cannot assure you that we will be successful in continuing to attract new customers or retaining existing customers or that our future sales efforts in general will be effective. If our existing customers choose not to use our services, decrease their use of our services, or change from being recruitment package customers to purchasing individual classified postings, our services, job postings and resumes posted on our websites could be reduced, search activity on our websites could decline, the usefulness of our services to customers could be diminished, and we could experience declining revenues and/or incur significant expenses.

If we fail to attract qualified professionals to our websites or grow the number of qualified professionals who use our websites, our revenues could decline.

The value of our websites to our customers is dependent on our ability to continuously attract professionals with the experience, education and skill-set our customers seek. For example, the professionals who post their resumes on Dice.com are highly educated, with approximately 79% having a bachelor's degree or higher, as of January 2016. Our online surveys indicate that over 70% of professionals who use Dice.com have more than five years of experience, over half have greater than 10 years of experience, and the majority are currently employed. To grow our businesses, we must continue to convince qualified professionals that our services will assist them in finding employment, so that customers will choose to use our services to find employees. We do not know the extent to which we have penetrated the market of qualified professionals in the industries we serve or the extent to which we will be able to grow the number of qualified professionals who use our websites. If we are unable to increase the number of professionals using our websites, or if the professionals who use our websites are viewed as unattractive by our customers, our customers could seek to list jobs and search for professionals elsewhere, which could cause our revenues to decline. We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our websites are accessible within an acceptable load time.

A key element to our continued growth is the ability of our users (whom we define as anyone who visits our website, regardless of whether or not they are a customer), enterprises and professional organizations in all geographies to access our website within acceptable load times. We call this "website performance." We have experienced, and may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our website simultaneously, and denial of service or fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the performance of our websites, especially during peak usage times and as our solutions become more complex and our user traffic increases. If our websites are unavailable when users attempt to access them or do not load as quickly as they expect, users may seek other websites to obtain the information for which they are looking, and may not return to our websites as often in the future, or at all. This would negatively impact our ability to attract customers, enterprises and professional organizations and increase engagement on our websites. We expect to continue to make significant investments to maintain and improve website performance and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

Capacity constraints, systems failures or breaches of our network security could materially and adversely affect our business.

We derive almost all of our revenues from the purchase of recruitment products and services and employment advertising offered on our websites. As a result, our operations depend on our ability to maintain and protect our computer systems, most of which are located in redundant and independent systems and with cloud providers. Any system failure, including network, software or hardware failure that causes interruption or an increase in response time of our services, could substantially decrease usage of our services and could reduce the attractiveness of our services to both our customers and professionals. An

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increase in the volume of queries conducted through our services could strain the capacity of the software or hardware we employ. This could lead to slower response times or system failures and prevent users from accessing our websites for extended periods of time, thereby decreasing usage and attractiveness of our services. Our operations are dependent in part on our ability to protect our operating systems against:

- physical damage from acts of God;
- terrorist attacks or other acts of war;
- power loss;
- telecommunications failures;
- network, hardware or software failures;
- physical and electronic break-ins;
- hacker attacks;
- computer viruses or worms; and
- similar events.

Although we maintain insurance against fires, floods and general business interruptions, the amount of coverage may not be adequate in any particular case. Furthermore, the occurrence of any of these events could result in interruptions, delays or cessations in service to users of our services, which could materially impair or prohibit our ability to provide our services and significantly impact our business.

Additionally, overall Internet usage could decline if any well-publicized compromise of security occurs or if there is a perceived lack of security of personal and corporate information that is stored within our systems to facilitate hiring and recruitment business processes. “Hacking” involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment and online job boards, in particular, have been targeted by hackers who seek to gain unauthorized access to job seeker and customer data for purposes of implementing “phishing” or other schemes. Despite our implementation of firewalls, switchgear and other network security measures, our websites, servers, databases and other systems may be vulnerable to computer hackers, physical or electronic break-ins, sabotage, computer viruses, worms and similar disruptions from unauthorized tampering with our computer systems. Our systems, like the systems of many other websites, have been targeted in the past in cyber attacks and hacks and may continue to be subject to such attacks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, such techniques often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. We will continue to review and enhance our computer systems to try to prevent unauthorized and unlawful intrusions, but in the future it is possible that we may not be able to prevent all intrusions and such intrusions could result in our network security or computer systems being compromised and possibly result in the misappropriation or corruption of proprietary or personal information or cause disruptions in our services. We might be required to expend significant capital and resources to protect against, remediate or alleviate problems caused by such intrusions. We may also not have a timely remedy against a hacker who is able to penetrate our network security. Our networks could also be affected by computer viruses or other similar disruptive problems and we could inadvertently transmit viruses across our networks to our users or other third parties. Our hardware and back-up systems could fail causing our services to be interrupted. Any of these occurrences, and negative publicity arising from any such occurrences, could harm our business or give rise to a cause of action against us. Our general business interruption insurance policies have limitations with respect to covering interruptions caused by computer viruses or hackers. We have not added specific insurance coverage to protect against these risks. Our activities and the activities of third party contractors involve the storage, use and transmission of proprietary and personal information, including personal information collected from professionals who use our websites. Accordingly, security breaches could expose us to a risk of loss or litigation and possibly liabilities. We cannot assure you that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements. Any security breaches or our inability to provide users with continuous access to our networks could materially impact our ability to provide our services as well as materially impact the confidence of

our customers in our services, either of which could have a material adverse effect on our business.

We may be liable with respect to the collection, storage and use of the personal and professional information of our professionals and our current practices may not be in compliance with proposed new laws and regulations.

Our business depends on our ability to collect, store, use and disclose personal and professional data from the professionals who use our websites. Our policies concerning the collection, use and disclosure of personally identifiable information are described on our websites. In recent years, class action lawsuits have been filed and the Federal Trade Commission and state agencies have commenced investigations with respect to the collection, use, sale and storage by various Internet companies of use