

Friday, February 2, 2024

## DHI Group, Inc. (DHX) – Sponsored Research

## Q4 '23 Earnings Preview

DHI Group, Inc. (DHX) reports Q4 '23 results on Wednesday, February 7. Data from the latest U.S. Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) suggests demand for labor remained soft exiting 2023 as the number of job openings declined 20% Y/Y in December and fell approximately 17% on average for Q4. The number of quits also mirrored the trends in job openings, falling 17% in December and 14% on average for Q4. Although the JOLTS data points to further weakening of labor market conditions relative to Q3, initial year-end 2023 reports from a couple of IT staffing firms indicate demand for technology workers has begun to stabilize, albeit at lower levels than a year ago. All things considered, we believe our modeling assumptions for Q4 adequately reflect the challenging macro backdrop, and we expect DHI Group to meet both our estimates and consensus. As for guidance, we anticipate a conservative outlook for FY '24 calling for a Y/Y decrease in revenue and an adjusted EBITDA margin generally consistent with where the company exits FY '23. Our price target remains \$6.75 based on a FY '24 EV/Sales multiple of 2.5x.

## Exhibit I: Our Estimates Versus Consensus

	Q4 '23		Q1 '24		FY '24	
	K. Liu & Co.	Consensus	K. Liu & Co.	Consensus	K. Liu & Co.	Consensus
Revenues (\$MMs)	35.9	35.8	34.5	35.1	141.0	142.7
Adjusted EBITDA (\$MMs)	9.0	8.9	7.5	8.2	33.0	34.4
EPS	0.03	0.02	(0.00)	0.01	0.04	0.06

Sources: K. Liu &amp; Company LLC; FactSet Estimates

Management's FY '23 guidance implies Q4 revenue and adjusted EBITDA of \$35.1-\$36.6 million and \$8.8-\$9.1 million, respectively. Both our Q4 estimates and consensus are within management's guidance. Our revenue projection of \$35.9 million is comprised of \$23.6 million from Dice and \$12.4 million from ClearanceJobs. We expect bookings to decline nearly 15% Y/Y due to elevated churn and a difficult selling environment for Dice, partially offset by modest growth in bookings for ClearanceJobs. Our adjusted EBITDA estimate of \$8.9 million coincides with management's targeted adjusted EBITDA margin of 25% exiting the year. Looking forward, we note that our FY '24 projections assume that bookings will continue to decline throughout the first half of the year before returning to growth at year-end. From a profitability standpoint, we expect no change in the adjusted EBITDA margin as we surmise management will attempt to hold the line there. We remain comfortable with our assumptions and thus expect our estimates to fall within any guidance provided for FY '24.

## Analyst Certification and Additional Disclosures Appear on Page 4.

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Price Target \$ 6.75

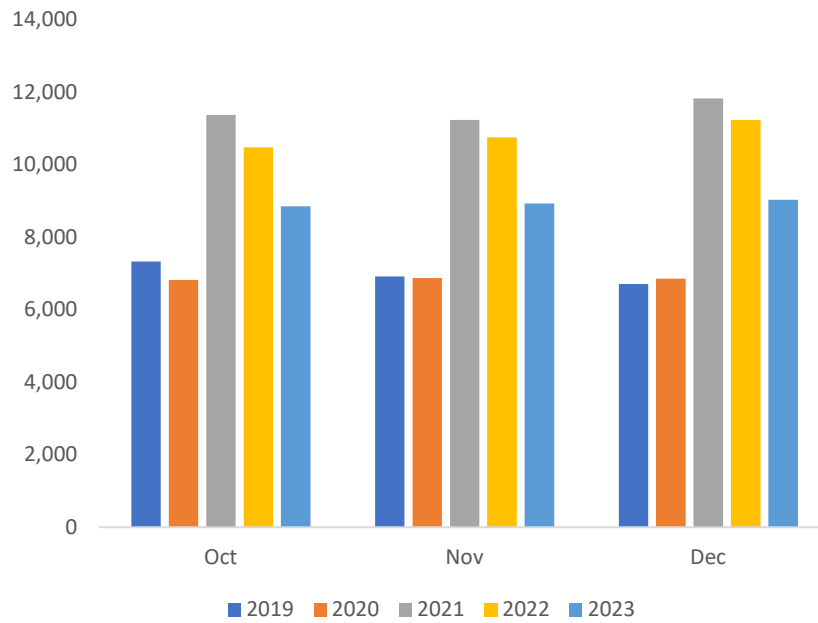
Price	2.14
Shares outstanding	46.8
Market cap	100.2
Cash and investments	3.7
Debt	40.0
Enterprise value	136.5
Fiscal Year End	December

Estimates	2022A	2023E	2024E
Sales	149.7	150.5	141.0
Adj. EBITDA	31.0	35.2	33.0
NG EPS	0.30	0.36	0.29

Valuation	2022A	2023E	2024E
EV/Sales	0.9x	0.9x	1.0x
EV/EBITDA	4.4x	3.9x	4.1x
P/E	7.2x	6.0x	7.5x

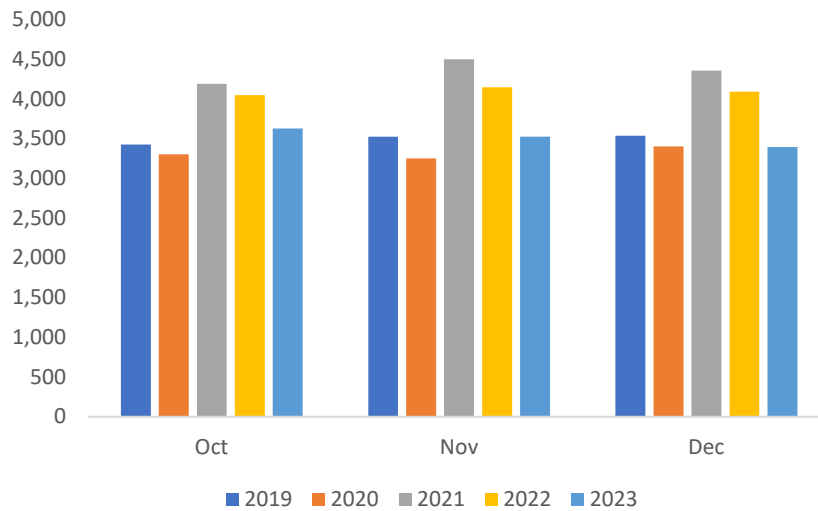
In \$MMs expect per share data

Exhibit II: U.S. Job Openings in Thousands



Source: U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey

Exhibit III: U.S. Quits in Thousands



Source: U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey

DHI Group, Inc. (DHX) K. Liu & Company LLC (\$000s)	FY '19(A)	FY '20(A)	FY '21(A)	Q1 - Mar	Q2 - Jun	Q3 - Sep	Q4 - Dec	FY '22(A)	Q1 - Mar	Q2 - Jun	Q3 - Sep(A)	Q4 - Dec	FY '23(E)	Q1 - Mar	Q2 - Jun	Q3 - Sep	Q4 - Dec	FY '24(E)	FY '25(E)
<b>Revenues</b>	<b>149,370</b>	<b>111,167</b>	<b>119,903</b>	<b>34,334</b>	<b>37,057</b>	<b>38,527</b>	<b>39,762</b>	<b>149,680</b>	<b>38,620</b>	<b>38,538</b>	<b>37,433</b>	<b>35,915</b>	<b>150,506</b>	<b>34,496</b>	<b>35,426</b>	<b>35,440</b>	<b>35,670</b>	<b>141,032</b>	<b>147,691</b>
Cost of revenue	16,237	14,285	15,088	4,099	4,181	4,561	4,766	17,607	4,912	4,956	4,971	4,950	19,789	5,000	5,000	5,000	5,000	20,000	20,400
<b>Gross profit (loss)</b>	<b>133,133</b>	<b>96,882</b>	<b>104,815</b>	<b>30,235</b>	<b>32,876</b>	<b>33,966</b>	<b>34,996</b>	<b>132,073</b>	<b>33,708</b>	<b>33,582</b>	<b>32,462</b>	<b>30,965</b>	<b>130,717</b>	<b>29,496</b>	<b>30,426</b>	<b>30,440</b>	<b>30,670</b>	<b>121,032</b>	<b>127,291</b>
Product development	17,216	14,888	16,020	3,942	4,360	4,680	4,692	17,674	4,694	4,158	4,432	4,000	17,284	4,000	4,000	4,000	4,000	16,000	17,000
Sales and marketing	55,909	39,693	43,701	13,941	14,274	14,992	16,157	59,364	16,060	14,723	14,036	13,250	58,069	13,000	13,000	13,000	13,000	52,000	54,000
General and administrative	31,003	26,624	28,583	7,766	9,109	8,668	8,506	34,049	8,208	8,453	7,210	7,250	31,121	7,750	7,750	7,750	7,750	31,000	33,000
Depreciation	9,743	10,259	16,344	3,958	4,228	4,408	4,893	17,487	4,173	4,162	4,241	4,241	16,817	4,250	4,250	4,250	4,250	17,000	17,000
Amortization of intangible assets	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Other non-recurring items	2,237	37,808	1,919	--	--	--	(2,061)	(2,061)	--	2,115	302	--	2,417	--	--	--	--	--	--
<b>Operating income (loss)</b>	<b>17,025</b>	<b>(32,390)</b>	<b>(1,752)</b>	<b>628</b>	<b>905</b>	<b>1,218</b>	<b>2,809</b>	<b>5,560</b>	<b>573</b>	<b>(29)</b>	<b>2,241</b>	<b>2,224</b>	<b>5,009</b>	<b>496</b>	<b>1,426</b>	<b>1,440</b>	<b>1,670</b>	<b>5,032</b>	<b>6,291</b>
Interest and other income (expense), net	(701)	(2,834)	721	(90)	383	(2,156)	(100)	(1,963)	(627)	(775)	(472)	(686)	(2,560)	(680)	(640)	(616)	(619)	(2,555)	(2,228)
<b>Income (loss) before provision for income taxes</b>	<b>16,324</b>	<b>(35,224)</b>	<b>(1,031)</b>	<b>538</b>	<b>1,288</b>	<b>(938)</b>	<b>2,709</b>	<b>3,597</b>	<b>(54)</b>	<b>(804)</b>	<b>1,769</b>	<b>1,538</b>	<b>2,449</b>	<b>(184)</b>	<b>786</b>	<b>824</b>	<b>1,051</b>	<b>2,477</b>	<b>4,063</b>
Provision for income taxes	3,773	(2,857)	(629)	(763)	(162)	(12)	358	(579)	(514)	(677)	759	384	(48)	(46)	196	206	263	619	1,016
<b>Net income (loss) from continuing operations</b>	<b>12,551</b>	<b>(32,367)</b>	<b>(402)</b>	<b>1,301</b>	<b>1,450</b>	<b>(926)</b>	<b>2,351</b>	<b>4,176</b>	<b>460</b>	<b>(127)</b>	<b>1,010</b>	<b>1,153</b>	<b>2,496</b>	<b>(138)</b>	<b>589</b>	<b>618</b>	<b>788</b>	<b>1,857</b>	<b>3,047</b>
Income (loss) from discontinued operations, net	--	2,122	(29,340)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Net income (loss)</b>	<b>12,551</b>	<b>(30,245)</b>	<b>(29,742)</b>	<b>1,301</b>	<b>1,450</b>	<b>(926)</b>	<b>2,351</b>	<b>4,176</b>	<b>460</b>	<b>(127)</b>	<b>1,010</b>	<b>1,153</b>	<b>2,496</b>	<b>(138)</b>	<b>589</b>	<b>618</b>	<b>788</b>	<b>1,857</b>	<b>3,047</b>
Tax rate	23.1%	8.1%	61.0%	-141.8%	-12.6%	1.3%	13.2%	-16.1%	951.9%	84.2%	42.9%	25.0%	-1.9%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>Non-GAAP Reconciliation:</b>																			
<b>Operating income (loss)</b>	<b>17,025</b>	<b>(32,390)</b>	<b>(1,752)</b>	<b>628</b>	<b>905</b>	<b>1,218</b>	<b>2,809</b>	<b>5,560</b>	<b>573</b>	<b>(29)</b>	<b>2,241</b>	<b>2,224</b>	<b>5,009</b>	<b>496</b>	<b>1,426</b>	<b>1,440</b>	<b>1,670</b>	<b>5,032</b>	<b>6,291</b>
Add: intangible assets amortization	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Add: non-recurring items	2,386	39,001	3,888	109	214	(4)	(1,935)	(1,616)	421	2,215	921	--	3,557	--	--	--	--	--	--
Add: stock-based compensation	5,704	5,764	7,681	2,235	2,456	2,497	2,331	9,519	2,887	2,397	1,989	2,500	9,773	2,750	2,750	2,750	2,750	11,000	12,000
<b>Non-GAAP operating income</b>	<b>25,115</b>	<b>12,375</b>	<b>9,817</b>	<b>2,972</b>	<b>3,575</b>	<b>3,711</b>	<b>3,205</b>	<b>13,463</b>	<b>3,881</b>	<b>4,583</b>	<b>5,151</b>	<b>4,724</b>	<b>18,339</b>	<b>3,246</b>	<b>4,176</b>	<b>4,190</b>	<b>4,420</b>	<b>16,032</b>	<b>18,291</b>
Interest and other income, net	(701)	(2,834)	721	(90)	383	(2,156)	(100)	(1,963)	(627)	(775)	(472)	(686)	(2,560)	(680)	(640)	(616)	(619)	(2,555)	(2,228)
Add: loss (gain) on unusual item	--	1,802	(1,388)	--	--	1,709	--	1,709	--	--	--	--	--	--	--	--	--	--	--
<b>Non-GAAP income before taxes</b>	<b>24,414</b>	<b>11,343</b>	<b>9,150</b>	<b>2,882</b>	<b>3,958</b>	<b>3,264</b>	<b>3,105</b>	<b>13,209</b>	<b>3,254</b>	<b>3,808</b>	<b>4,679</b>	<b>4,038</b>	<b>15,779</b>	<b>2,566</b>	<b>3,536</b>	<b>3,574</b>	<b>3,801</b>	<b>13,477</b>	<b>16,063</b>
Provision for income taxes	3,773	(2,857)	(629)	(763)	(162)	(12)	358	(579)	(514)	(677)	759	384	(48)	(46)	196	206	263	619	1,016
<b>Non-GAAP net income (loss)</b>	<b>20,641</b>	<b>14,200</b>	<b>9,779</b>	<b>3,645</b>	<b>4,120</b>	<b>3,276</b>	<b>2,747</b>	<b>13,788</b>	<b>3,768</b>	<b>4,485</b>	<b>3,920</b>	<b>3,653</b>	<b>15,826</b>	<b>2,612</b>	<b>3,339</b>	<b>3,368</b>	<b>3,538</b>	<b>12,857</b>	<b>15,047</b>
Non-GAAP tax rate	15.5%	-25.2%	-6.9%	-26.5%	-4.1%	-0.4%	11.5%	-4.4%	-15.8%	-17.8%	16.2%	9.5%	-0.3%	-1.8%	5.6%	5.8%	6.9%	4.6%	6.3%
<b>Non-GAAP operating income</b>	<b>25,115</b>	<b>12,375</b>	<b>9,817</b>	<b>2,972</b>	<b>3,575</b>	<b>3,711</b>	<b>3,205</b>	<b>13,463</b>	<b>3,881</b>	<b>4,583</b>	<b>5,151</b>	<b>4,724</b>	<b>18,339</b>	<b>3,246</b>	<b>4,176</b>	<b>4,190</b>	<b>4,420</b>	<b>16,032</b>	<b>18,291</b>
Add: depreciation	9,743	10,259	16,344	3,958	4,228	4,408	4,893	17,487	4,173	4,162	4,241	4,241	16,817	4,250	4,250	4,250	4,250	17,000	17,000
Add: other income (expense), net	1	(1)	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Adjusted EBITDA from continuing operations</b>	<b>34,859</b>	<b>22,633</b>	<b>26,162</b>	<b>6,930</b>	<b>7,803</b>	<b>8,119</b>	<b>8,098</b>	<b>30,950</b>	<b>8,054</b>	<b>8,745</b>	<b>9,392</b>	<b>8,965</b>	<b>35,156</b>	<b>7,496</b>	<b>8,426</b>	<b>8,440</b>	<b>8,670</b>	<b>33,032</b>	<b>35,291</b>
<b>EPS</b>	<b>0.24</b>	<b>(0.63)</b>	<b>(0.64)</b>	<b>0.03</b>	<b>0.03</b>	<b>(0.02)</b>	<b>0.05</b>	<b>0.09</b>	<b>0.01</b>	<b>(0.00)</b>	<b>0.02</b>	<b>0.03</b>	<b>0.06</b>	<b>(0.00)</b>	<b>0.01</b>	<b>0.01</b>	<b>0.02</b>	<b>0.04</b>	<b>0.07</b>
<b>Non-GAAP EPS</b>	<b>0.40</b>	<b>0.29</b>	<b>0.20</b>	<b>0.08</b>	<b>0.09</b>	<b>0.07</b>	<b>0.06</b>	<b>0.30</b>	<b>0.08</b>	<b>0.10</b>	<b>0.09</b>	<b>0.08</b>	<b>0.36</b>	<b>0.06</b>	<b>0.07</b>	<b>0.07</b>	<b>0.08</b>	<b>0.29</b>	<b>0.33</b>
Basic shares outstanding	48,739	48,278	46,333	44,702	44,682	44,190	43,593	44,274	43,886	43,460	43,405	43,605	43,589	43,805	44,005	44,205	44,405	44,105	44,905
Diluted shares outstanding	51,633	49,571	48,912	47,170	46,961	46,273	49,149	46,533	45,240	44,159	44,324	44,524	44,562	44,724	44,924	45,124	45,324	45,024	45,824
<b>Selected Balance Sheet Data:</b>																			
Cash and cash equivalents	5,381	4,542	1,540	4,966	3,615	3,848	3,006	3,006	5,368	2,724	3,724	5,670	5,670	13,152	18,023	17,171	20,708	20,708	37,664
Accounts receivable	21,158	16,134	18,385	22,205	18,342	18,861	20,494	20,494	24,980	18,990	18,591	18,759	18,759	22,919	17,883	18,124	18,186	18,186	19,317
Fixed assets	20,352	23,033	20,581	20,712	20,941	21,365	21,252	21,252	21,879	22,133	23,376	24,135	24,135	24,885	25,635	26,385	27,135	27,135	31,135
Goodwill and other intangible assets	195,059	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900	151,900
Accounts payable and accrued expenses	18,908	15,308	15,859	11,916	16,987	19,650	23,818	23,818	12,403	14,257	15,731	18,030	18,030	11,840	13,388	14,875	17,850	17,850	18,660
Deferred revenue	51,626	36,582	46,146	56,786	54,144	52,252	50,864	50,864	58,844	53,434	48,844	45,111	45,111	60,466	56,026	51,461	49,310	49,310	56,248
Debt	9,435	19,583	22,730	32,767	30,000	30,000	30,000	30,000	46,000	43,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Stockholders' equity	161,195	127,570	116,362	108,205	108,105	105,334	106,239	106,239	101,252	100,476	103,088	106,778	106,778	109,427	112,804	116,209	119,784	119,784	134,979

## Analyst Certification

Kevin Liu, CFA (“the analyst”) certifies that all of the views expressed in this report accurately reflect the analyst’s personal views regarding the companies and securities covered by this report, and no part of the analyst’s compensation was, is, or will be, directly or indirectly, tied to the specific recommendations or views expressed by the analyst in this report. The analyst has received and is eligible to receive compensation based on K. Liu & Company LLC’s overall revenues, the performance of the analyst’s recommendations, and other competitive factors.

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