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

## Improved Bookings Yield Solid Q4 Results and Outlook for FY '24

DHI Group (DHX) reported Q4 '23 results ahead of our estimates and consensus. While the selling environment continues to present challenges, new customer bookings at both Dice and ClearanceJobs rebounded from the depressed levels seen in Q3. For Dice, the introduction of new pricing bundles produced an uplift in the annual contract value of deals transacted in the quarter, and bookings declined less than we feared. At ClearanceJobs, bookings growth reaccelerated into the mid-teens due in part to the passage of the 2024 National Defense Authorization Act in midDecember. The improved bookings performance translated into a modest revenue beat, which combined with lower levels of marketing spend yielded upside on both the adjusted EBITDA and EPS lines.

Thus far in FY '24, the improved cadence of new bookings and renewals in Q4 appears to have carried over, and management is cautiously optimistic that total bookings growth will return to positive levels in the latter half of the year. Reflecting the bookings trajectory of late, however, management's guidance for FY '24 calls for a low single digit decrease in revenue and an adjusted EBITDA margin of $24 \%$. We note that the guidance compares favorably with our prior estimates and consensus, which generally reflected a mid-single digit decline in revenue and an adjusted EBITDA margin of $23 \%-24 \%$.

In our view, the stronger sales performance in Q4 is encouraging and bodes well for the new year. More specifically, we believe management's shift towards selling bundled offerings provides significant opportunities for growth with both new and existing customers and is likely to translate into higher retention rates over the long term. In addition, we believe management's willingness to explore alternative customer engagement models like programmatic recruiting further expands the company's addressable market opportunity and offers new vectors for growth. With all this in mind, we raise our estimates for this year and next, primarily reflecting an increase in our assumptions for new business partially offset by a modestly higher forecast for operating expenses. We continue to anticipate that DHI Group will return to positive bookings and revenue growth in Q4 and see accelerating growth and margin expansion in FY ' 25 . Given the uptick in our estimates, we raise our price target from $\$ 6.75$ to $\$ 7.00$ based on an unchanged FY '24 EV/Sales multiple of $2.5 x$.

| Price Target |  | \$ | 7.00 |
| :---: | :---: | :---: | :---: |
| Price |  |  | 2.12 |
| Shares outstanding |  |  | 46.8 |
| Market cap |  |  | 99.3 |
| Cash and investments |  |  | 4.2 |
| Debt |  |  | 38.0 |
| Enterprise value Fiscal Year End |  |  | 133.0 |
|  |  |  | cember |
| Estimates | 2023A | 2024E | 2025E |
| Sales | 151.9 | 147.4 | 156.6 |
| Adj. EBITDA | 36.3 | 35.4 | 39.6 |
| NG EPS | 0.37 | 0.31 | 0.38 |
| Valuation | 2023A | 2024E | 2025E |
| EV/Sales | 0.9x | 0.9x | 0.8x |
| EV/EBITDA | $3.7 x$ | $3.8 x$ | $3.4 x$ |
| P/E | 5.7x | $6.8 x$ | $5.6 x$ |

## In \$MMs expect per share data

## Analyst Certification and Additional Disclosures Appear on Page 6.

K. Liu \& Company LLC conducts or pursues business with companies covered in its research reports. Investors should therefore be aware potential conflicts of interest may exist. Our reports do not constitute investment advice as we have not considered any individual client's financial situation, risk tolerance and other factors relevant to recommending a particular security or other action. Before making any investment decision, you should consult an investment advisor and other appropriate professionals.

Exhibit I: Reported Results and Guidance Versus Expectations

|  | Q4 '23 |  |  | Q1 '24 |  |  | FY '24 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Actual | K. Liu \& Co. | Consensus | Guidance | K. Liu \& Co. | Consensus | Guidance | K. Liu \& Co. | Consensus |
| Revenues (\$MMs) | 37.3 | 35.9 | 35.8 | NA | 34.5 | 35.1 | 147.3-150.4 | 141.0 | 142.7 |
| Adjusted EBITDA (\$MMs) | 10.1 | 9.0 | 8.9 | NA | 7.5 | 8.2 | 35.4-36.1 | 33.0 | 34.4 |
| EPS | 0.05 | 0.03 | 0.02 | NA | (0.00) | 0.01 | NA | 0.04 | 0.06 |

Sources: DHI Group; K. Liu \& Company LLC; FactSet Estimates

Q4 revenue of $\$ 37.3$ million ( $-6.2 \% \mathrm{Y} / \mathrm{Y}$ ) was ahead of our $\$ 35.9$ million estimate and the Street's $\$ 35.8$ million. Revenue from both Dice and ClearanceJobs outpaced our expectations, coming in at $\$ 24.6$ million ( $-12.5 \% \mathrm{Y} / \mathrm{Y}$ ) and $\$ 12.7$ million ( $+9.1 \% \mathrm{Y} / \mathrm{Y}$ ), respectively, versus our estimates of $\$ 23.6$ million and $\$ 12.4$ million. The upside in revenue across both platforms was attributable to a greater rebound in new business bookings than we assumed.

Dice bookings totaled $\$ 22.2$ million ( $-13.6 \% \mathrm{Y} / \mathrm{Y}$ ), easily exceeding our projection of $\$ 19.8$ million. Although Dice continues to experience some churn in its customer cohort spending less than $\$ 10,000$ annually, new business bookings improved markedly from Q3 levels. In particular, the introduction of pricing bundles that include unlimited job postings and corporate branding pages has been well received by customers and has yielded average annual contract values meaningfully above historical levels.

Clearancejobs bookings of $\$ 13.9$ million ( $+15.1 \% \mathrm{Y} / \mathrm{Y}$ ) also surpassed our $\$ 12.4$ million projection even as the potential for a government shutdown continues to cause some delays in sales cycles. Per management, the passage of the 2024 National Defense Authorization Act in mid-December served as a catalyst for sales.

As for other key customer metrics, revenue renewal rates were generally consistent with our expectations for both Dice and Clearancejobs, while lower customer counts were more than offset by higher average revenue per customer.

Exhibit II: Key Metrics

|  | Q4 '21 | Q1 '22 | Q2 '22 | Q3 '22 | Q4 '22 | Q1 '23 | Q2 '23 | Q3 '23 | Actual Q4 '23 | $\begin{array}{\|c\|} \hline \text { Estimated } \\ \underline{\text { Q4 '23 }} \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Dice bookings (000s) | 25,937 | 36,819 | 25,645 | 24,982 | 25,674 | 37,618 | 21,843 | 19,112 | 22,194 | 19,831 |
| ClearanceJobs bookings (000s) | 10,279 | 13,865 | 9,677 | 11,517 | 12,067 | 15,948 | 10,460 | 12,091 | 13,887 | 12,351 |
| Dice recruitment package customers | 6,004 | 6,249 | 6,386 | 6,409 | 6,311 | 6,171 | 6,007 | 5,752 | 5,492 | 5,752 |
| ClearanceJobs recruitment package customers | 1,878 | 1,928 | 1,976 | 2,030 | 2,064 | 2,078 | 2,069 | 2,054 | 2,055 | 2,119 |
| Dice avg monthly revenue per customer | 1,160 | 1,176 | 1,192 | 1,239 | 1,282 | 1,306 | 1,295 | 1,294 | 1,316 | 1,293 |
| ClearanceJobs avg monthly revenue per customer | 1,486 | 1,534 | 1,559 | 1,609 | 1,656 | 1,710 | 1,737 | 1,785 | 1,823 | 1,774 |
| Dice revenue renewal rate | 91\% | 104\% | 99\% | 98\% | 94\% | 92\% | 84\% | 78\% | 78\% | 80\% |
| ClearanceJobs revenue renewal rate | 105\% | 104\% | 99\% | 97\% | 98\% | 95\% | 90\% | 94\% | 96\% | 95\% |
| Dice customer renewal rate | 86\% | 86\% | 85\% | 84\% | 83\% | 82\% | 79\% | 73\% | 71\% | NA |
| ClearanceJobs customer renewal rate | 88\% | 87\% | 84\% | 84\% | 80\% | 83\% | 81\% | 81\% | 78\% | NA |

Sources: DHI Group; K. Liu \& Company LLC

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Gross margin of $86.7 \%$ was slightly above our assumption of $86.2 \%$ due to the upside in revenue, while total operating expenses were in line with our estimate as lower sales and marketing expenses were offset by higher expenses elsewhere. Worth noting, technologists are increasingly creating profiles on Dice and Clearancejobs unprompted amid the soft job market, enabling management to reduce or reallocate marketing spend that would otherwise be used to grow the candidate pool. Adjusted EBITDA of \$10.1 million (27.0\% margin) exceeded our estimate of $\$ 9.0$ million and consensus of $\$ 8.9$ million. EPS of $\$ 0.05$ also beat our estimate of $\$ 0.03$.

Cash at the end of Q4 totaled $\$ 4.2$ million, while debt outstanding declined from $\$ 40.0$ million to $\$ 38.0$ million. In Q4, DHI Group generated $\$ 7.6$ million in cash flow from operations and used $\$ 5.3$ million for capital expenditures.

Management's initial guidance for FY '24 calls for a low single digit decline in revenue along with an adjusted EBITDA margin of 24\%, implying revenue and adjusted EBITDA of \$147.3-\$150.4 million and \$35.4-\$36.1 million, respectively. The outlook for the year compares favorably to our estimates and consensus heading into the print. Prior to revisions, we were projecting revenue and adjusted EBITDA of $\$ 141.0$ million and $\$ 33.0$ million, respectively, while consensus stood at $\$ 142.7$ million and $\$ 34.4$ million.

Exhibit III: Estimate Revisions

|  | Current Quarter |  | Current Year |  | Next Year |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Old Estimate | New Estimate | Old Estimate | New Estimate | Old Estimate | New Estimate |
| Revenues (\$MMs) | 34.5 | 35.9 | 141.0 | 147.4 | 147.7 | 156.6 |
| Adjusted EBITDA (\$MMs) | 7.5 | 7.6 | 33.0 | 35.4 | 35.3 | 39.6 |
| EPS | (0.00) | 0.00 | 0.04 | 0.09 | 0.07 | 0.14 |

Source: K Liu \& Company LLC

We raise our estimates for this year and next to reflect an uptick in our assumptions for bookings growth. While we continue to believe bookings growth will remain under pressure in the near-term, we now expect sequential improvement in the rate of decline throughout FY '24 with DHI Group reaching an inflection point in growth by Q4. That in turn should set the stage for accelerating top line growth and renewed margin expansion in FY '25.

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| DHI Group, Inc. (DHX) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Q4 '23 Variance Analysis |  |  |  |  |  |  |  |
| (\$000s) | Q4 '23(E) | Q4 '23(A) | Variance | Q4 '22(A) | Y/Y Growth | Q3 '23(A) | Q/Q Growth |
| Revenues | 35,915 | 37,287 | 3.8\% | 39,762 | -6.2\% | 37,433 | -0.4\% |
| Cost of revenue | 4,950 | 4,948 | 0.0\% | 4,766 | 3.8\% | 4,971 | -0.5\% |
| Gross profit (loss) | 30,965 | 32,339 | 4.4\% | 34,996 | -7.6\% | 32,462 | -0.4\% |
| Product development | 4,000 | 4,493 | 12.3\% | 4,692 | -4.2\% | 4,432 | 1.4\% |
| Sales and marketing | 13,250 | 12,602 | -4.9\% | 16,157 | -22.0\% | 14,036 | -10.2\% |
| General and administrative | 7,250 | 7,402 | 2.1\% | 8,506 | -13.0\% | 7,210 | 2.7\% |
| Depreciation | 4,241 | 4,339 | 2.3\% | 4,893 | -11.3\% | 4,241 | 2.3\% |
| Other non-recurring items | -- | -- |  | $(2,061)$ | -100.0\% | 302 | -100.0\% |
| Operating income (loss) | 2,224 | 3,503 | 57.5\% | 2,809 | 24.7\% | 2,241 | 56.3\% |
| Interest and other income (expense), net | (686) | (792) | 15.5\% | (100) | 692.0\% | (472) | 67.8\% |
| Income (loss) before provision for income taxes | 1,538 | 2,711 | 76.3\% | 2,709 | 0.1\% | 1,769 | 53.3\% |
| Provision for income taxes | 384 | 563 | 46.4\% | 358 | 57.3\% | 759 | -25.8\% |
| Net income (loss) | 1,153 | 2,148 | 86.2\% | 2,351 | -8.6\% | 1,010 | 112.7\% |
| Tax rate | 25.0\% | 20.8\% |  | 13.2\% |  | 42.9\% |  |
| Non-GAAP Reconciliation: |  |  |  |  |  |  |  |
| Operating income (loss) | 2,224 | 3,503 | 57.5\% | 2,809 | 24.7\% | 2,241 | 56.3\% |
| Add: non-recurring items | -- | 27 |  | $(1,935)$ | -101.4\% | 921 | -97.1\% |
| Add: stock-based compensation | 2,500 | 2,194 | -12.2\% | 2,331 | -5.9\% | 1,989 | 10.3\% |
| Non-GAAP operating income | 4,724 | 5,724 | 21.2\% | 3,205 | 78.6\% | 5,151 | 11.1\% |
| Interest and other income, net | (686) | (792) | 15.5\% | (100) | 692.0\% | (472) | 67.8\% |
| Add: loss (gain) on unusual item | -- | -- |  | -- |  | -- |  |
| Non-GAAP income before taxes | 4,038 | 4,932 | 22.1\% | 3,105 | 58.8\% | 4,679 | 5.4\% |
| Provision for income taxes | 384 | 563 | 46.4\% | 358 | 57.3\% | 759 | -25.8\% |
| Non-GAAP net income (loss) | 3,653 | 4,369 | 19.6\% | 2,747 | 59.0\% | 3,920 | 11.5\% |
| Non-GAAP tax rate | 9.5\% | 11.4\% |  | 11.5\% |  | 16.2\% |  |
| Non-GAAP operating income | 4,724 | 5,724 | 21.2\% | 3,205 | 78.6\% | 5,151 | 11.1\% |
| Add: depreciation | 4,241 | 4,339 | 2.3\% | 4,893 | -11.3\% | 4,241 | 2.3\% |
| Add: other income (expense), net | -- | -- |  | -- |  | -- |  |
| Adjusted EBITDA from continuing operations | 8,965 | 10,063 | 12.3\% | 8,098 | 24.3\% | 9,392 | 7.1\% |
| EPS | 0.03 | 0.05 | 85.9\% | 0.05 | 0.7\% | 0.02 | 111.3\% |
| Non-GAAP EPS | 0.08 | 0.10 | 19.4\% | 0.06 | 75.2\% | 0.09 | 10.7\% |
| Basic shares outstanding | 43,605 | 43,539 | -0.2\% | 43,593 | -0.1\% | 43,405 | 0.3\% |
| Diluted shares outstanding | 44,524 | 44,612 | 0.2\% | 49,149 | -9.2\% | 44,324 | 0.6\% |
| Selected Balance Sheet Data: |  |  |  |  |  |  |  |
| Cash and cash equivalents | 5,670 | 4,206 | -25.8\% | 3,006 | 39.9\% | 3,724 | 12.9\% |
| Accounts receivable | 18,759 | 22,225 | 18.5\% | 20,494 | 8.4\% | 18,591 | 19.5\% |
| Fixed assets | 24,135 | 25,272 | 4.7\% | 21,252 | 18.9\% | 23,376 | 8.1\% |
| Goodwill and other intangible assets | 151,900 | 151,900 | 0.0\% | 151,900 | 0.0\% | 151,900 | 0.0\% |
| Accounts payable and accrued expenses | 18,030 | 17,408 | -3.4\% | 23,818 | -26.9\% | 15,731 | 10.7\% |
| Deferred revenue | 45,111 | 49,971 | 10.8\% | 50,864 | -1.8\% | 48,844 | 2.3\% |
| Debt | 40,000 | 38,000 | -5.0\% | 30,000 | 26.7\% | 40,000 | -5.0\% |
| Stockholders' equity | 106,778 | 107,542 | 0.7\% | 106,239 | 1.2\% | 103,088 | 4.3\% |
| Sources: DHI Group; K. Liu \& Company LLC |  |  |  |  |  |  |  |

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| DHI Group, Inc. (DHX) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| K. Liu \& Company LLC |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| (\$000s) | FY '19(A) | FY '20(A) | FY '21(A) | FY '22(A) | Q1-Mar | Q2-Jun | Q3 - Sep | Q4-Dec | FY '23(A) | Q1-Mar(E) | Q2-Jun | Q3-Sep | Q4-Dec | FY '24(E) | Q1-Mar | Q2-Jun | Q3-Sep | Q4- Dec | FY'25(E) |
| Revenues | 149,370 | 111,167 | 119,903 | 149,680 | 38,620 | 38,538 | 37,433 | 37,287 | 151,878 | 35,896 | 36,966 | 37,167 | 37,320 | 147,350 | 37,548 | 39,187 | 39,812 | 40,047 | 156,594 |
| Cost of revenue | 16,237 | 14,285 | 15,088 | 17,607 | 4,912 | 4,956 | 4,971 | 4,948 | 19,787 | 5,000 | 5,000 | 5,000 | 5,000 | 20,000 | 5,250 | 5,250 | 5,250 | 5,250 | 21,000 |
| Gross profit (loss) | 133,133 | 96,882 | 104,815 | 132,073 | 33,708 | 33,582 | 32,462 | 32,339 | 132,091 | 30,896 | 31,966 | 32,167 | 32,320 | 127,350 | 32,298 | 33,937 | 34,562 | 34,797 | 135,594 |
| Product development | 17,216 | 14,888 | 16,020 | 17,674 | 4,694 | 4,158 | 4,432 | 4,493 | 17,777 | 4,500 | 4,500 | 4,500 | 4,500 | 18,000 | 4,750 | 4,750 | 4,750 | 4,750 | 19,000 |
| Sales and marketing | 55,909 | 39,693 | 43,701 | 59,364 | 16,060 | 14,723 | 14,036 | 12,602 | 57,421 | 13,500 | 13,500 | 13,000 | 13,000 | 53,000 | 14,000 | 14,000 | 13,500 | 13,500 | 55,000 |
| General and administrative | 31,003 | 26,624 | 28,583 | 34,049 | 8,208 | 8,453 | 7,210 | 7,402 | 31,273 | 7,750 | 7,750 | 7,750 | 7,750 | 31,000 | 8,250 | 8,250 | 8,250 | 8,250 | 33,000 |
| Depreciation | 9,743 | 10,259 | 16,344 | 17,487 | 4,173 | 4,162 | 4,241 | 4,339 | 16,915 | 4,350 | 4,350 | 4,350 | 4,350 | 17,400 | 4,500 | 4,500 | 4,500 | 4,500 | 18,000 |
| Amortization of intangible assets | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other non-recurring items | 2,237 | 37,808 | 1,919 | $(2,061)$ | -- | 2,115 | 302 | -- | 2,417 |  | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Operating income (loss) | 17,025 | $(32,390)$ | $(1,752)$ | 5,560 | 573 | (29) | 2,241 | 3,503 | 6,288 | 796 | 1,866 | 2,567 | 2,720 | 7,950 | 98 | 2,437 | 3,562 | 3,797 | 10,594 |
| Interest and other income (expense), net | (701) | $(2,834)$ | 721 | $(1,963)$ | (627) | (775) | (472) | (792) | $(2,666)$ | (651) | (595) | (571) | (578) | $(2,396)$ | (557) | (493) | (470) | (477) | $(1,997)$ |
| Income (loss) before provision for income taxes | 16,324 | $(35,224)$ | $(1,031)$ | 3,597 | (54) | (804) | 1,769 | 2,711 | 3,622 | 145 | 1,271 | 1,996 | 2,143 | 5,555 | 241 | 1,944 | 3,092 | 3,321 | 8,597 |
| Provision for income taxes | 3,773 | $(2,857)$ | (629) | (579) | (514) | (677) | 759 | 563 | 131 | 36 | 318 | 499 | 536 | 1,389 | 60 | 486 | 773 | 830 | 2,149 |
| Net income (loss) from continuing operations | 12,551 | $(32,367)$ | (402) | 4,176 | 460 | (127) | 1,010 | 2,148 | 3,491 | 109 | 953 | 1,497 | 1,607 | 4,166 | 180 | 1,458 | 2,319 | 2,490 | 6,448 |
| Income (loss) from discontinued operations, net | -- | 2,122 | $(29,340)$ | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Net income (loss) | 12,551 | $(30,245)$ | $(29,742)$ | 4,176 | 460 | (127) | 1,010 | 2,148 | 3,491 | 109 | 953 | 1,497 | 1,607 | 4,166 | 180 | 1,458 | 2,319 | 2,490 | 6,448 |
| Tax rate | 23.1\% | 8.1\% | 61.0\% | -16.1\% | 951.9\% | 84.2\% | 42.9\% | 20.8\% | 3.6\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% | 25.0\% |
| Non-GAAP Reconciliation: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating income (loss) | 17,025 | $(32,390)$ | $(1,752)$ | 5,560 | 573 | (29) | 2,241 | 3,503 | 6,288 | 796 | 1,866 | 2,567 | 2,720 | 7,950 | 798 | 2,437 | 3,562 | 3,797 | 10,594 |
| Add: intangible assets amortization |  | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Add: non-recurring items | 2,386 | 39,001 | 3,888 | $(1,616)$ | 421 | 2,215 | 921 | 27 | 3,584 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Add: stock-based compensation | 5,704 | 5,764 | 7,681 | 9,519 | 2,887 | 2,397 | 1,989 | 2,194 | 9,467 | 2,500 | 2,500 | 2,500 | 2,500 | 10,000 | 2,750 | 2,750 | 2,750 | 2,750 | 11,000 |
| Non-GAAP operating income | 25,115 | 12,375 | 9,817 | 13,463 | 3,881 | 4,583 | 5,151 | 5,724 | 19,339 | 3,296 | 4,366 | 5,067 | 5,220 | 17,950 | 3,548 | 5,187 | 6,312 | 6,547 | 21,594 |
| Interest and other income, net | (701) | $(2,834)$ | 721 | $(1,963)$ | (627) | (775) | (472) | (792) | $(2,666)$ | (651) | (595) | (571) | (578) | $(2,396)$ | (557) | (493) | (470) | (477) | $(1,997)$ |
| Add: loss (gain) on unusual item | -- | 1,802 | $(1,388)$ | 1,709 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Non-GAAP income before taxes | 24,414 | 11,343 | 9,150 | 13,209 | 3,254 | 3,808 | 4,679 | 4,932 | 16,673 | 2,645 | 3,771 | 4,496 | 4,643 | 15,555 | 2,991 | 4,694 | 5,842 | 6,071 | 19,597 |
| Provision for income taxes | 3,773 | $(2,857)$ | (629) | (579) | (514) | (677) | 759 | 563 | 131 | 36 | 318 | 499 | 536 | 1,389 | 60 | 486 | 773 | 830 | 2,149 |
| Non-GAAP net income (loss) | 20,641 | 14,200 | 9,779 | 13,788 | 3,768 | 4,485 | 3,920 | 4,369 | 16,542 | 2,609 | 3,453 | 3,997 | 4,107 | 14,166 | 2,930 | 4,208 | 5,069 | 5,240 | 17,448 |
| Non-GAAP tax rate | 15.5\% | -25.2\% | -6.9\% | -4.4\% | -15.8\% | -17.8\% | 16.2\% | 11.4\% | 0.8\% | 1.4\% | 8.4\% | 11.1\% | 11.5\% | 8.9\% | 2.0\% | 10.4\% | 13.2\% | 13.7\% | 11.0\% |
| Non-GAAP operating income | 25,115 | 12,375 | 9,817 | 13,463 | 3,881 | 4,583 | 5,151 | 5,724 | 19,339 | 3,296 | 4,366 | 5,067 | 5,220 | 17,950 | 3,548 | 5,187 | 6,312 | 6,547 | 21,594 |
| Add: depreciation | 9,743 | 10,259 | 16,344 | 17,487 | 4,173 | 4,162 | 4,241 | 4,339 | 16,915 | 4,350 | 4,350 | 4,350 | 4,350 | 17,400 | 4,500 | 4,500 | 4,500 | 4,500 | 18,000 |
| Add: other income (expense), net | 1 | (1) | 1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Adjusted EBITDA from continuing operations | 34,859 | 22,633 | 26,162 | 30,950 | 8,054 | 8,745 | 9,392 | 10,063 | 36,254 | 7,646 | 8,716 | 9,417 | 9,570 | 35,350 | 8,048 | 9,687 | 10,812 | 11,047 | 39,594 |
| EPS | 0.24 | (0.63) | (0.64) | 0.09 | 0.01 | (0.00) | 0.02 | 0.05 | 0.08 | 0.00 | 0.02 | 0.03 | 0.04 | 0.09 | 0.00 | 0.03 | 0.05 | 0.05 | 0.14 |
| Non-GAAP EPS | 0.40 | 0.29 | 0.20 | 0.30 | 0.08 | 0.10 | 0.09 | 0.10 | 0.37 | 0.06 | 0.08 | 0.09 | 0.09 | 0.31 | 0.06 | 0.09 | 0.11 | 0.11 | 0.38 |
| Basic shares outstanding | 48,739 | 48,278 | 46,333 | 44,274 | 43,886 | 43,460 | 43,405 | 43,539 | 43,571 | 43,739 | 43,939 | 44,139 | 44,339 | 44,039 | 44,539 | 44,739 | 44,939 | 45,139 | 44,839 |
| Diluted shares outstanding | 51,633 | 49,571 | 48,912 | 46,533 | 45,240 | 44,159 | 44,324 | 44,612 | 44,496 | 44,812 | 45,012 | 45,212 | 45,412 | 45,112 | 45,612 | 45,812 | 46,012 | 46,212 | 45,912 |
| Selected Balance Sheet Data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 5,381 | 4,542 | 1,540 | 3,006 | 5,368 | 2,724 | 3,724 | 4,206 | 4,206 | 14,886 | 19,306 | 17,981 | 22,868 | 22,868 | 34,762 | 38,876 | 37,409 | 44,852 | 44,852 |
| Accounts receivable | 21,158 | 16,134 | 18,385 | 20,494 | 24,980 | 18,990 | 18,591 | 22,225 | 22,225 | 23,821 | 18,635 | 18,960 | 22,514 | 22,514 | 24,370 | 19,625 | 20,204 | 24,138 | 24,138 |
| Fixed assets | 20,352 | 23,033 | 20,581 | 21,252 | 21,879 | 22,133 | 23,376 | 25,272 | 25,272 | 26,172 | 26,822 | 27,472 | 28,122 | 28,122 | 28,872 | 29,622 | 30,372 | 31,122 | 31,122 |
| 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 | 23,818 | 12,403 | 14,257 | 15,731 | 17,408 | 17,408 | 12,039 | 13,838 | 15,250 | 18,150 | 18,150 | 12,500 | 14,513 | 16,000 | 19,050 | 19,050 |
| Deferred revenue | 51,626 | 36,582 | 46,146 | 50,864 | 58,844 | 53,434 | 48,844 | 49,971 | 49,971 | 65,325 | 59,845 | 54,303 | 56,425 | 56,425 | 73,662 | 67,870 | 61,586 | 65,559 | 65,559 |
| Debt | 9,435 | 19,583 | 22,730 | 30,000 | 46,000 | 43,000 | 40,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 | 38,000 |
| Stockholders' equity | 161,195 | 127,570 | 116,362 | 106,239 | 101,252 | 100,476 | 103,088 | 107,542 | 107,542 | 110,187 | 113,676 | 117,709 | 121,852 | 121,852 | 124,818 | 129,062 | 134,167 | 139,443 | 139,443 |

## 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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