

Friday, April 12, 2024

DHI Group, Inc. (DHX) – Sponsored Research

Recent Data Portends Improving Demand Environment for Dice

In a press release yesterday, DHI Group (DHX) highlighted CompTIA's analysis of the U.S. Bureau of Labor Statistics (BLS) latest employment data, which noted that employers added 191,000 new technology job postings in March. The number of new job postings increased by 8,000 from February and reached the highest level since August 2023. In addition, Dice's own analysis of Q1 '24 data from Lightcast revealed a 16% sequential increase in job postings for both tech positions and tech recruiters. The uptick in tech job postings was attributable to a 23% Q/Q increase in postings from staffing companies, which we would expect to lead the way out of a downturn, and a 15% Q/Q increase in postings from non-staffing companies. Taken together, these recent data points suggest the demand environment for Dice should improve moving forward as employers look to fill open technology roles. Also worth noting, ManpowerGroup's (MAN) Employment Outlook Survey for Q2 '24 shows the strongest Net Employment Outlook (NEO), defined as the percentage of employers planning to hire less the percentage anticipating staffing reductions, in North America at +31% with the IT industry being the strongest contributor in the region with a NEO of +51%.

Our estimates for Q1 and FY '24 reflect steady sequential improvement in Dice bookings growth, culminating in a return to positive growth exiting the year. Considering the aforementioned data points, we remain comfortable with our current assumptions for the year and are cautiously optimistic that Dice growth could inflect sooner than we anticipate. That said, we maintain our estimates and price target of \$7.00, which represents an unchanged FY '24 EV/Sales multiple of 2.5x.

Price Target \$ 7.00

Price	2.41
Shares outstanding	48.0
Market cap	115.8
Cash and investments	4.2
Debt	38.0
Enterprise value	149.6
Fiscal Year End	December

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	1.0x	1.0x	1.0x
EV/EBITDA	4.1x	4.2x	3.8x
P/E	6.5x	7.7x	6.3x

*In \$MMs expect per share data***Analyst Certification and Additional Disclosures Appear on Page 3.**

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DHI Group, Inc. (DHX)																				
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	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	798	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

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