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

**Large accelerated filer**     **Accelerated filer**     **Non-accelerated filer**     **Smaller Reporting Company**   
**Emerging Growth Company**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 \$183,000,000 as of June 28, 2019, the last business day of the registrant’s second fiscal quarter of 2019.

As of January 31, 2020, there were 53,780,705 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, 2019.

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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:

- a review of strategic alternatives may occur from time to time and the possibility that such review will not result in a transaction;
- disruption resulting from unsolicited offers to purchase the company;
- our ability to execute our tech-focused strategy;
- loss of key executives and technical personnel and our ability to attract and retain key executives, including our CEO;
- increases in the unemployment rate, cyclical or downturns in the United States or worldwide economy or the industries we serve, labor shortages, or job shortages;
- 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;
- covenants in our Credit Agreement (as defined below);
- inability to borrow funds under our Credit Agreement or refinance our debt;
- results of operations fluctuate on a quarterly and annual basis;
- periods of operating and net losses and history of bankruptcy;
- inability to successfully integrate recent and future acquisitions or identify and consummate future acquisitions;
- 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 changing 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;
- 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, tradename and intangible assets;
- significant downturn not immediately reflected in our operating results; and
- the UK’s departure from the EU.

## **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, impairment, gain or loss on sale of business including the prior operating results of those businesses, and other income or expense (“Adjusted EBITDA”), and Adjusted EBITDA Margin. See Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for definitions of these measures as well as reconciliations to the comparable GAAP measure.

**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](http://www.dhigroupinc.com). Our reports filed with the SEC are also available by visiting <http://www.sec.gov>.

**Introduction and Summary**

This section provides an overview of DHI Group, Inc. (“Company” or “DHI”). Please see our consolidated financial statements included elsewhere in this report for additional discussion regarding our results of operations for the year ended December 31, 2019.

(in thousands)	FY 2019	FY 2018	Change
<b>Revenues</b>	\$ 149,370	\$ 161,570	(8) %
<b>Operating income <sup>(1)</sup></b>	\$ 17,025	\$ 11,692	46 %
<b>Income before income taxes</b>	\$ 16,324	\$ 9,602	70 %
<b>Net income <sup>(2)</sup></b>	\$ 12,551	\$ 7,174	75 %
<b>Diluted earnings per share <sup>(2)</sup></b>	\$ 0.24	\$ 0.14	71 %
<b>Net cash provided by operating activities</b>	\$ 22,923	\$ 14,918	54 %
Adjusted Revenues <sup>(3)</sup>	\$ 149,370	\$ 152,258	(2) %
Adjusted EBITDA <sup>(3)</sup>	\$ 34,859	\$ 32,032	9 %
Adjusted EBITDA Margin <sup>(3)</sup>	23 %	21 %	n.m.

(1) Operating income for the year ended December 31, 2019 includes disposition related and other costs of \$1.7 million and a loss of \$0.5 million related to the sale of Hcareers. Operating income for the year ended December 31, 2018 includes a gain of \$3.4 million related to the sales of Rigzone and Hcareers and includes disposition related and other costs of \$7.6 million.

(2) Net income and diluted earnings per share for the year ended December 31, 2019 includes the negative impact of \$1.6 million, net of tax, and \$0.03 per share related to the items identified in number 1 above as well as the impact of discrete tax items. Net income and diluted earnings per share for the year ended December 31, 2018 includes the negative impact of \$4.7 million, net of tax, and \$0.09 per share related to the items identified in number 1 above as well as the impact of certain discrete tax items.

(3) 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, and Non-GAAP Measures” located elsewhere in this report.

## 2019 Highlights

DHI's primary goals for 2019 were to transform the business by investing in its people and its marquee product offerings to accelerate the pace of innovation. The Company delivered more than 20 major product releases and a dozen minor releases in 2019, representing historic levels of innovation. DHI strengthened its digital marketing initiatives and hired senior talent, which are key drivers of future revenue growth. The Company focused on specific key results including:

### **Increase the Velocity of Product Releases**

Dice launched new and improved products powered by IntelliSearch including Candidate Match™, Job Management for clients, Job Search & Job Alerts and Applications Management.

eFinancialCareers marketplace capabilities grew with the addition of Recruiter Profile, upgraded Candidate Profile, real-time Messaging and tailored Job Search.

### **Improve Candidate Quality**

Upgraded native mobile apps, enhanced premium job detail pages and personalized homepages dramatically improved the candidate experience on Dice and eFinancialCareers, advancing the brands as go-to sources for professionals managing their careers.

In an industry beset by quality issues, the Company invested in fraud detection and training initiatives to deliver relevant and high-quality candidates to recruiters and employers.

### **Dramatically Improve Client Experiences**

ClearanceJobs expanded its NextGen platform with features like Pulse and BrandAmp to help recruiters engage with cleared talent, and dashboards for employers and candidates to gain deep insight into network reach and profile performance.

Dice modernized its client experience through an improved user interface, streamlined recruiter workflow and newly designed intuitive Dice homepage.

Managed services offerings expanded for both eFinancialCareers and Dice, providing clients with sourced and screened candidates.

### **Build a Foundation for Growth**

A shift to a domain-driven development model increased the quality and speed of product delivery, and set the foundation for major product releases in 2020 and beyond.

Behind a growth posture and under the direction of new Chief Revenue Officer, Arie Kanofsky, the Company hired sales talent to focus on clients who recruit for their own needs, standing up commercial sales teams in the West (Denver) and East (New York), to be supported by the velocity of new product innovation.

### **Invest in Talent to Support a High-Performance Culture**

The Company rounded out its executive team, hiring a number of new senior leaders to support performance across the organization including Paul Farnsworth as Chief Technology Officer, Chris Henderson as Chief Strategy Officer, Arie Kanofsky as Chief Revenue Officer and Kevin Bostick as Chief Financial Officer.

### **Exceed our Financial Commitments**

Revenue for the ongoing tech-focused business stabilized and EBITDA margins held at 23% even as we invested for growth. With all non-core businesses fully divested, the Company focused efforts on product innovation and developing a go-to-market strategy to generate sustained long-term revenue growth in the future.

## Company Profile

DHI was incorporated in Delaware on June 28, 2005 and is a leading provider of data, insights and employment connections through specialized services for technology professionals. Our mission is to empower technology professionals and organizations that hire them to compete and win through expert insights and relevant employment connections by delivering three key value propositions:

- Providing the best search and match solution for recruiters and employers;
- Delivering the most relevant technology career related content; and
- Aggregating and analyzing workforce intelligence data to deliver specialized insights.

The majority of our revenues today are generated through the sale of recruitment packages, which allow customers to post jobs on our websites and source candidates through our resume databases. Recruitment packages are typically provided through contractual arrangements with annual, quarterly or monthly terms.

## Our Products and Services

We help organizations find the best talent, and we help technology, financial and security cleared professionals find the best jobs to advance their careers. Our vision is to create indispensable career marketplaces that match the highest quality candidates with the right career opportunities. Our solutions are available individually or bundled in packages, including:

- **Talent databases.** Each of our brands provide candidate databases with search capabilities that return relevant profiles, resumes, and social and web profiles that allow for a broader pool of talent. We help clients quickly find and connect with top talent to make their recruiting efforts more efficient.
- **Job postings.** Our job platforms are focused on specific verticals tailored to technology, finance and security-cleared individuals, making it easier for professionals to search for relevant jobs. In turn, the applications received by clients are more likely to be relevant and qualified compared to applications received on generalist sites. Providing professionals with the most relevant job postings benefits both the talent and the recruiting organization.
- **Employer Branding.** Each of our brands has a suite of offerings that help clients amplify their brand to reach more professionals. Possible solutions include display advertising, email, enhanced job postings or company profiles, and social targeting.
- **Managed Services.** This premium service delivers sourced and screened candidates to recruiters and employers.
- **Content and data.** Each of our brands provides tailored content to help professionals manage their careers and provide employers insight into recruiting strategies and trends.

## Industry and Skill Focused Brands

During 2019 we offered 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 <sup>2</sup>	29	Technology and engineering in the U.S.	Recruitment packages <sup>1</sup> , career fairs and open houses
ClearanceJobs	17	Security-cleared professionals	Recruitment packages <sup>1</sup>
eFinancialCareers	19	Financial services and technology	Recruitment packages <sup>1</sup> and job postings

<sup>1</sup> Recruitment packages are a combination of job postings and access to our searchable database of candidates.

<sup>2</sup> Includes Career Events (formerly known as Targeted Job Fairs)

**Dice** has been a go-to destination for technology and engineering talent in the United States for the past 29 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 72,000 job postings as of December 31, 2019 and during 2019, Dice had, on average, approximately 1.7 million monthly users.

Customers can purchase recruitment packages, job postings or advertisements. Approximately 92% of Dice revenue was derived from recruitment packages in 2019. Recruitment packages offer our customers the ability to access the candidate resume database and post up to a specified number of jobs. Customers are encouraged to purchase our recruitment packages on an annual basis.



Candidate Match and Search on Dice is powered by IntelliSearch, a proprietary and patent pending machine-learning technology that is foundational to many Dice products and services.

Professionals can post their resumes, search jobs and access our career-related content, news and tools. Skill Center, a tool implemented by Dice, uses data aggregated from across the web to show skill trends, giving professionals insights into potential skills gaps and development areas. Salary Predictor and Salary Calculator offer real-time salary tools leveraging predictive analysis to help tech professionals and employers discover tailored salary estimates based on skills, job titles, years of experience and location. Job Search and Job Alerts deliver tailored and personalized career opportunities to candidates.

**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. ClearanceJobs NextGen platform provides opportunities for employers and candidates to engage in real-time through messaging and employers to promote brand differentiators through BrandAmp and Pulse. The majority of candidates with resumes in our database have high-level security clearance. ClearanceJobs had approximately 54,000 job postings as of December 31, 2019 and during 2019, ClearanceJobs had, on average, 455,000 monthly users.

**eFinancialCareers** is one of 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 management, 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 30 finance and business websites around the world, including well-known publications and organizations. Employers can engage with financial services professionals through real-time messaging and promote their employment brand through Recruiter Profiles. eFinancialCareers had approximately 22,000 job postings as of December 31, 2019 and during 2019, eFinancialCareers had, on average, 2.3 million monthly users.

During 2018 and 2017, our results also included the activities related to the following brands:

<b>Service</b>	<b>Yrs. in Operation</b>	<b>Specialized Focus</b>	<b>Primary Source of Revenues</b>
Dice Europe <sup>2</sup>	17	Technology and engineering in the U.K. and Germany	Job postings and advertising
Rigzone <sup>3</sup>	21	Oil and gas	Recruitment packages <sup>1</sup> and advertising
BioSpace <sup>4</sup>	34	Biotechnology	Job postings and advertising
Hcareers <sup>5</sup>	22	Hospitality	Job postings
Health eCareers <sup>6</sup>	24	Healthcare	Job Postings

<sup>1</sup> Recruitment packages are a combination of job postings and access to our searchable database of candidates.

<sup>2</sup> Dice Europe ceased operations on August 31, 2018.

<sup>3</sup> Rigzone sold the RigLogix portion of the Rigzone business on February 20, 2018 and DHI transferred majority ownership of remaining Rigzone business to Rigzone management August 31, 2018.

<sup>4</sup> Transferred majority ownership of BioSpace on January 31, 2018 to BioSpace management.

<sup>5</sup> Hcareers was sold May 22, 2018.

<sup>6</sup> Health eCareers was sold December 4, 2017.

## **Our Industry**

We primarily operate in the talent discovery and acquisition segment of the broader market for human capital management services through career sites for technology professionals. There is a shortage of skilled professionals worldwide and we believe that the overall demand for talent acquisition and career development products and services has significant long-term growth potential.

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 2019, the seasonally unadjusted U.S. unemployment rate was 2.3% for computer-related occupations and 2.3% in the finance sector, as compared to the overall national average of 3.5%, seasonally adjusted. Historically, the unemployment rate for college graduates has been lower than the unemployment rate for the U.S. overall. As of December 2019, the seasonally unadjusted unemployment rate for college graduates was 1.8%.

We believe that there are four 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. As more companies leverage technology to advance their business, employers will increasingly need to hire tech talent to compete. According to analysis of data from Sand Cherry Associates leveraging data from the Bureau of Labor Statistics and CompTIA, tech jobs such as those that Dice serves account for 6.1% of all jobs in the United States and are expected to outperform national employment growth rates between 2016 to 2026 (10.7% vs 13.1% for tech jobs).
- **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 technology professionals 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.** The *PWC 23rd Annual Global CEO Survey* found that 33% of CEOs in North America are 'extremely concerned' about the availability of key skills as a threat to their organizations' growth prospects. In this environment where top talent is hard to find, organizations are increasingly prioritizing retention of talent and upskilling. According to the PWC report, only 18% of CEOs believe their organizations have made progress in establishing upskilling programs to develop employees' capabilities and employability with technical, soft and digital skills. These programs are an effort by organizations globally to address the aging labor force and short supply of technical, digital and soft skills.
- **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 2019*, 87% of surveyed companies expected technology to play an increasing role in sourcing/outreach recruiting activities.

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 are a leading provider of data, insights and employment connections through specialized online professional communities organized around common professional interests and skill sets powered by technology. This specialized approach provides technology professionals with more relevant career related information and opportunities, enhancing their ability to maximize their careers. Through engaging with professionals, we are able to build rich and unique data sets around valuable talent pools. The combination of our focused online professional websites and rich data sets allows organizations to find and hire professional talent more efficiently and effectively, and therefore incentivizes them to source talent through our online professional communities. The benefits our services provide to both professionals and recruiting customers create a robust marketplace.

## **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, the Salary Predictor allows professionals to evaluate their market value and map out which skills will increase their value. eFinancialCareers provides industry-specialized online career content, as well as career guides targeted to college and graduate students. 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 efficient access to large 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 more efficiently identify talent using our resume databases 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. 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.

***Hyper-targeted candidate outreach and employer branding.*** We offer recruiting customers the ability to target hard-to-find professionals with messages in the online forums they frequent. Our Lengo service leverages our social aggregation capabilities to assemble candidate target lists based on specific factors like skill sets, work experience, location, or interests; then executes hyper-targeted employer branding or job search campaigns in online forums where specific potential candidates spend time.

## **Our Strategic Goals**

Since arriving in April of 2018, CEO Art Zeile has led an aggressive effort to focus and build on our legacy of market leadership in technology talent acquisition and reinvigorate the business in multiple respects, including delivering best-in-class candidate quality and match capabilities; transforming Dice and eFinancialCareers from their job board legacies into indispensable marketplaces modeled on our market-leading and high growth brand, ClearanceJobs; investing in functional excellence to drive growth and product innovation; and transforming/expanding our sales team to drive renewed growth.

***Delivering best-in-class candidate quality and match capabilities for technology roles.*** We believe candidate quality is the essential foundation of success in our industry and we intend to differentiate our business by leading in this respect. In 2019, we dramatically improved the quality of our Dice candidate database to a level we believe is best-in-class and plan continued vigilance and innovation to drive continued improvements. We are also building on our unique legacy and intellectual property in the technology jobs space to create match capabilities for both candidates and clients that are reducing the time and effort required in job searching and talent acquisition. Our proprietary and patent-pending machine-learning technology, IntelliSearch, powers many Dice and ClearanceJobs products and is foundational to providing relevant job opportunities for candidates and efficient search and match solutions for clients.

***Building indispensable tech-focused career marketplaces.*** ClearanceJobs has established a unique franchise in the market for cleared professionals, many with tech experience. Built on a unique cohort of candidates and specialized employer and recruiter tools together, ClearanceJobs is a highly interactive two-sided marketplace environment. These attributes provide clear and measurable ROI for clients and has contributed to ClearanceJobs more than doubling its revenue over the past five years. With over 17 years in the market, ClearanceJobs is, what we believe, a highly defensible and valuable business. We are in the process of transforming our Dice and eFinancialCareers brands into similar career marketplaces customized for the needs of their unique candidate and client communities. In 2019, we delivered the eFinancialCareers marketplace capabilities and are focused on driving adoption in 2020. We plan to deliver similar capabilities within Dice in 2020 and expect these changes to transform the way our stakeholders use these solutions and to drive results as adoption increases.

***Investing in functional excellence and product innovation.*** Since joining DHI, CEO Art Zeile has built a leadership team capable of driving growth and supporting a culture of high performance, including new leaders of Product, Marketing, Technology, Strategy, Revenue, and Finance. While the most recent hires came late in 2019, the team has already begun to engineer a complete transformation of their respective functions and reinvigoration of the business as a whole. Specifically, 2019 was one of the most productive years in the Company's history in terms of product innovation with more than 20 major releases for Dice and eFC combined, including Candidate Match™, Job Management, Job Search and Job Alerts, Recruiter Profile, Candidate Profile and Messaging. We're investing to further increase the pace of innovation by adding engineers to our technology team, centered around a domain-driven development model to increase the quality and speed of product delivery. Finally, our recently rebuilt marketing team is already producing better results at lower cost in terms of driving traffic to Dice and eFC, with candidate registrations increasing to double-digits and with more to come as we leverage new capabilities in customer relationship management (CRM), product marketing, and digital analytics, among others.

***Transforming our sales effort to drive growth.*** As early leaders in online talent acquisition, DHI's brands have a legacy of strong recurring clients and revenue and, as a result, renewals have historically provided the majority of the Company's revenues. We believe there is significant opportunity to grow our customer base and expand to new revenue opportunities, particularly with

commercial accounts, or clients who recruit for their own needs, with an expanded and better enabled sales force. Specifically, in late 2019, we added 15 new Dice commercial accounts sales representatives, supported by a new sales development representative team, which we believe will enable a return to sustainable revenue growth. We will continue to grow our sales team as opportunities arise.

## **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, including content, to increase our brand awareness, traffic, new resumes posted and applications to job postings. We primarily engage in search engine marketing, online advertising, and 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. Some 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 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 as well as 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, 2019, we employed approximately 112 sales personnel in the United States and approximately 44 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 invest in fraud detection initiatives and 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 approximately 11,000 customers in total. No one customer accounted for more than 10% of our revenues in 2019. 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, 2019, notable customers of the Dice and ClearanceJobs included AT&T, Adecco, Amazon, Cisco, Dell, Equifax, GEICO, Kforce, Manpower, Microsoft, NCI, Oracle, Proctor & Gamble, Samsung and UnitedHealth. Notable customers of eFinancialCareers included Barclays, Bank of China, BlackRock, Bloomberg, BNY Mellon, BPCE Group, Citibank, Credit Suisse, Deutsche Bank, Ernst & Young, Goldman Sachs, HSBC, Macquarie Group Services, Moody's, Morgan Stanley, Schroders Investment Management, Societe Generale, State Street, Standard Chartered Bank, and UBS AG.

## **Technology**

We use a variety of open source and proprietary technologies to support our website services. Our websites provide a multitenancy technology platform with multiple application services developed to perform at scale. We primarily utilize Amazon Web Services (AWS) as our cloud infrastructure platform, which enables us to scale our compute, network, and storage capacity on an as-needed basis. Our application services and data connections are continually monitored 24/7 for performance and stability. Our application and infrastructure architecture enable us to ensure global reach, as well as advantages in resiliency and cloud delivery. Job seekers and customers can access our websites with any standard web browser, mobile web browsers, and iOS and Android applications. Our websites also utilize AWS disaster recovery, redundancy, and resiliency services, including multi-availability zone, multi-region, redundant storage and networking solutions, and self-healing capabilities.

## **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 and evolution of social networks increasing the interaction between candidates and potential employers

have made it easier for new competitors to emerge, 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 databases 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, contracting alternatives such as subscription or consumption based models, and our reputation among our candidates and 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;
- niche or specialist professional networking sites such as GitHub and Stack Overflow;
- 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 Indeed (owned by Recruit), TalentBin (owned by Monster Worldwide), Entelo, 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, Doximity, Upwork and JobServe;
- 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 Google News, 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. 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.

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, and EFINANCIALCAREERS. 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.”

## **Investments**

DHI has made no significant investments through acquisitions during the past five years. See also Note 2 of the Notes to Consolidated Financial Statements.

## **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.

### ***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. There currently are a number of proposals pending before federal, state, and foreign legislative and regulatory bodies. In addition, the European General Data Protection Regulation ("GDPR") took effect in May 2018 and applies to all of our European operations. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different than those previously in place in the European Union, and include significant penalties for non-compliance. Similarly, there are a number of legislative proposals in the United States, at both the federal and state level, that could impose new obligations in areas affecting our business. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements.

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.

Furthermore, favorable laws may change, including, for example, in the United States where the FCC voted to repeal net neutrality regulations. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense, or otherwise negatively affect 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" and "Capacity constraints, systems failures or breaches of our network security could materially and adversely affect our business. If we fail to manage our technical operations infrastructure, our existing customers may experience services outages, and our new customers may experience delays in the deployment of our solution."

## **Employees**

As of December 31, 2019, we had 559 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 from time to time consider strategic alternatives that may enhance stockholder value, which may result in the use of a significant amount of our management resources or significant costs, and we may not be able to fully realize the potential benefits of any such transaction.***

We may consider from time to time strategic alternatives to ensure the Company's ownership structure optimizes the Company's ability to achieve growth initiatives through its strategic plan and to maximize stockholder value. The consideration of strategic alternatives could result in, among other things, a sale, merger, consolidation or business combination, asset divestiture, partnering or other collaboration agreements, or potential acquisitions or recapitalizations, in one or more transactions, or continuing to operate with our current business plan and strategy. There can be no assurance that any review of strategic alternatives will result in the identification or consummation of any transaction. Although there would be uncertainty that considering any possible transaction would result in definitive agreements or the completion of such transaction, we may devote a significant amount of our management resources to analyzing and pursuing such a transaction, which could negatively impact our operations. In addition, we may incur significant costs in connection with seeking such transactions or other strategic alternatives regardless of whether the transaction is completed. In the event that we consummate a strategic alternative in the future, we cannot be certain that we would fully realize the potential benefit of such a transaction and cannot predict the impact that such strategic transaction might have on our operations or stock price. We do not undertake to provide updates or make further comments regarding the evaluation of strategic alternatives, unless otherwise required by law.

***We may not be successful in executing our tech-focused strategy which could have a material adverse effect on our results of operations.***

We may not be successful in pursuing our tech-focused strategy, which includes narrowing priorities to initiatives related to connecting technology professionals with employers. There can be no assurance that the allocation of resources behind our Tech-focused business and sales and marketing efforts will result in the strengthening of our competitive position, the failure of which could have a material adverse effect on our financial condition and results of operations. As a result of our strategic focus on the tech sector and divesting our businesses operating in different sectors, we have an increased dependence on the economic health of that sector and may not have the mitigating benefits of exposure to a portfolio of diverse industries in the event of a tech sector downturn.

***If we fail to attract or retain key executives and personnel, there could be a material adverse effect on our business.***

Our performance is substantially dependent on the performance of senior management and key technical personnel. We have employment agreements, which include non-compete provisions, with all members of senior management and certain key technical personnel. However, we cannot assure you that any of these senior managers or others will remain with us or that they will not compete with us in the event they cease to be employees, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In addition, we have not purchased key person life insurance on any members of our senior management. Our future success also depends upon our continuing ability to identify, attract, hire and retain highly qualified personnel, including skilled technical, management, product and technology, and sales and marketing personnel, all of whom are in high demand and are often subject to competing offers. There has in the past been, and there may in the future be, a shortage of qualified personnel in the career services market. We also compete for qualified personnel with other companies. A loss of a substantial number of qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for expansion of our business, could have a material adverse effect on our business. In addition, the recent significant

decline in our stock price may undermine the use of our equity as a retention tool and may make it more difficult to retain key personnel.

***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 and finance sectors. Demand for these professionals tends to be tied to economic and business cycles. Increases in the unemployment rate, specifically in the technology industry, 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 the technology industry. 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 2019, the seasonally unadjusted U.S. unemployment rate was 2.3% for computer-related occupations, and the same 2.3% in the finance sector, as compared to the overall national average of 3.5%, 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.

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 cyclical. 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 depression of oil prices led to decreased demand for energy professionals worldwide. Oil prices reached decade lows in 2016 and remained depressed. This decline in demand significantly decreased the sales of energy industry job postings and the use of related services and adversely impacted the results of Rigzone, a business we disposed of in 2018. As a result, we recorded a \$24.6 million impairment of goodwill and intangible assets and \$34.8 million impairment of goodwill at our former Corporate & Other segment for the fiscal years ended December 31, 2016 and 2015, respectively.

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.

Concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations. 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. In addition, Hong Kong has recently experienced significant political unrest and social strife. Any negative developments to China's economic condition could have an adverse impact on the global economy, and thus our business. Volatility in global financial markets may 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 domestic or global economy worsens, our business, results of operations and financial condition could be materially and adversely affected.

***A write-off of all or a part of our goodwill and intangible assets would hurt our operating results and reduce our net worth.***

We have significant intangible assets and goodwill. Goodwill represents the excess of the total purchase price of our acquisitions over the estimated fair value of the net assets acquired. As of December 31, 2019, we had \$156.1 million and \$39.0 million of goodwill and acquired intangible assets, respectively, on our balance sheet, which represented approximately 56% and 14%, respectively, of our total assets. The fair value of goodwill as of the most recent annual impairment testing date of October 1, 2019 resulted in the fair value exceeding the carrying value by 37%. We do not amortize goodwill under U.S. GAAP and instead are



required to review goodwill at least annually for impairment. The indefinite-lived acquired intangible asset of \$39.0 million is not amortized and instead is reviewed annually for impairment. The fair value of the Dice tradename as of the most recent annual impairment testing date of October 1, 2019 resulted in the fair value exceeding the carrying value by 26%. During 2016, goodwill and intangible assets of \$24.6 million related to Rigzone were fully written off. During 2015, goodwill of \$34.8 million related to Rigzone was written off. During 2013, goodwill and intangible assets of \$14.9 million related to Slashdot Media and Health Callings was written off. During 2008, goodwill of \$7.2 million related to eFinancialCareers' North American operations was written off. In the event impairment is identified again in the future for any of our reporting units, a charge to earnings would be recorded. Although it would not affect our cash flow or financial position, a write-off in future periods of all or a part of our goodwill or intangible assets would have a material adverse effect on our overall results of operations. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Goodwill."

***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, Monster.com, Stepstone and Seek, 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, Doximity, and Upwork. 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. We also compete with general business sites and print publications, as well as technology news and information community sites, such as Google News, Digg.com and Reddit.com. In addition, we face competition from aggregators of classified advertising, including Indeed, TalentBin, Entelo, ZipRecruiter, Google, and Craigslist. Social and professional networking sites, such as LinkedIn, Facebook, Twitter and Google compete with us in providing professional services. We also compete with new competitors, including career-focused community sites such as Glassdoor and talent relationship management software providers such as Avature and SmashFly, and emerging competitors with new business models and products that customers are more willing to trial during periods when talent is scarce.

***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.

***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, 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 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 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 recruitment packages. Our growth depends on our ability to retain our existing recruitment package customers and to increase the number of customers who purchase recruitment packages, as well as introduce new pricing options. 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. Dice U.S. recruitment package customers at December 31, 2019, 2018 and 2017 were 6,000, 6,200, and 6,450, respectively.

***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-sets our customers seek. For example, the professionals who post their resumes on Dice.com are generally highly educated, have extensive work 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. 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. If we fail to manage our technical operations infrastructure, our existing customers may experience services outages, and our new customers may experience delays in the deployment of our solution.***

We derive almost all of our revenues from the purchase of recruitment products and services and employment advertising offered on our Dice, eFinancialCareers, and ClearanceJobs websites. As a result, our operations depend on our ability to maintain and protect our website services, most of which are housed within Amazon Web Services. System failures, including network, software or hardware failures, which cause 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 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 technology 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;
- cyber security attacks;
- computer viruses or worms;
- identity theft; 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 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 numerous security measures; including access controls, network security, information security risk management processes, software development security, cryptography, operational security, business continuity and disaster recovery, and physical security, 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 will 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 security measures in an attempt to prevent unauthorized and unlawful intrusions, although in the future it is possible 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 viruses or malware or other similar disruptive problems, and we could inadvertently transmit these viruses or malware 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 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 the professionals, who use our websites 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 users' personal and professional information. While we believe we are in compliance with current law, we cannot ensure that we will not be subject to lawsuits or investigations for violations of law. Moreover, our current practices regarding the collection, storage and use of user information may not be in compliance with currently pending legislative and regulatory proposals by the United States federal government and various state and foreign governments intended to limit the collection and use of user information. While we have implemented and intend to implement additional programs designed to enhance the protection of the privacy of our users, these programs may not conform to all or any of these laws or regulations and we may consequently incur civil or criminal liability for failing to conform. As a result, we may be forced to change our current practices relating to the collection, storage and use of user information. Our failure or our perceived failure to comply with laws and regulations could also lead to adverse publicity and a loss of consumer confidence if it were known that we did not take adequate measures to assure the confidentiality of the personally identifiable information that our users had given to us. This could result in a loss of customers and revenue and materially adversely impact the success of our business. Concern among prospective customers and professionals regarding our use of personal information collected on our websites, such as credit card numbers, email addresses, phone numbers and other personal information, could keep prospective customers from using our career services websites. Internet-wide incidents or incidents with respect to our websites, including misappropriation of our users' personal information, penetration of our network security, or changes in industry standards, regulations or laws could deter people from using the Internet or our websites to conduct transactions that involve confidential information, which could have a material adverse impact on our business. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties (including voluntary third-party certification bodies such as TRUSTe). We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways and/or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted.

In the past, we have relied on the U.S.-European Union Frameworks, as agreed to by the U.S. Department of Commerce and the European Union ("EU"), as one of the means to legally transfer European personal information from Europe to the United States. However, on October 6, 2015, the European Court of Justice invalidated the U.S.-EU Safe Harbor framework. On February 2, 2016, the U.S. and E.U. announced agreement on a new framework for transatlantic data flows entitled the EU-US Privacy Shield. However, it is possible that Privacy Shield may be challenged in EU courts and there is some uncertainty regarding its future validity and our ability to rely on it for EU to US data transfers.

Additionally, the EU has enacted the GDPR, which took effect on May 25, 2018. The GDPR implemented more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR also provides for significant penalties for non-compliance. As a result of the GDPR, we expect regulatory and customer attention surrounding data privacy continue to increase. Furthermore, outside of the EU, we continue to see increased regulation of data privacy and security, including the adoption of more stringent subject matter specific state laws and national laws regulating the

collection and use of data, as well as security and data breach obligations. For example, California recently adopted the California Consumer Privacy Act of 2018, or CCPA, which became effective on January 1, 2020. The CCPA has been characterized as the first "GDPR-like" privacy statute to be enacted in the United States because it mirrors a number of the key provisions of the GDPR. The CCPA establishes a new privacy framework for covered businesses by, among other things, creating an expanded definition of personal information, establishing new data privacy rights for consumers in the State of California and creating a new and potentially severe statutory damages framework for violations of the CCPA and for businesses that fail to implement reasonable security procedures and practices to prevent data breaches.

The uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, reduce demand for our websites, restrict our ability to offer services in certain locations or subject us to sanctions by national data protection regulators, all of which could harm our business, financial condition, and results of operations. Failure to provide adequate privacy protections and maintain compliance with the new data privacy laws, including the EU-U.S. Privacy Shield framework and the GDPR, could have a material adverse effect on our financial condition and results of operations.

***We have indebtedness which could affect our financial condition, and, if adverse changes in the credit markets occur, we may not be able to borrow funds under our revolving credit facility or refinance our indebtedness.***

As of December 31, 2019, we had \$10.0 million of outstanding indebtedness under our credit agreement dated November 14, 2018 (the "Credit Agreement") and the facility provides capacity for us to borrow an additional \$80.0 million. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to take any of these actions, if necessary, on a timely basis or on terms satisfactory to us or at all.

Our Credit Agreement consists of a revolving facility and matures in November 2023. The funding of the revolving facility is dependent on a number of financial institutions. It is possible that one or more of the lenders will refuse or be unable to satisfy their commitment to lend to us should we need to borrow funds under the revolving credit facility. If borrowings are unavailable to us and we cannot generate sufficient revenues to fund our operations, our business will be adversely affected. In addition, the inability to borrow could hinder growth if we need funds to complete an acquisition.

Our indebtedness could limit our ability to:

- obtain necessary additional financing for working capital, capital expenditures or other purposes in the future;
- plan for, or react to, changes in our business and the industries in which we operate;
- make future acquisitions or pursue other business opportunities; or
- react in an extended economic downturn.

***The terms of our Credit Agreement may restrict our current and future operations, which would adversely affect our ability to respond to changes in our business and to manage our operations.***

Our Credit Agreement contains, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- incur additional debt;
- pay dividends and make other restricted payments;
- repurchase our own shares;
- create liens;
- make investments and acquisitions;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with affiliates;
- transfer all or substantially all of our assets or enter into merger or consolidation transactions; and
- make capital expenditures.

Our Credit Agreement also requires us to maintain certain financial ratios. A failure by us to comply with the covenants or financial ratios contained in our Credit Agreement could result in an event of default under our Credit Agreement which could adversely affect our ability to respond to changes in our business and manage our operations. In the event of any default under our Credit Agreement, the lenders under our Credit Agreement will not be required to lend any additional amounts to us. Our lenders also could elect to declare all amounts outstanding to be due and payable and require us to apply all of our available cash to repay these

amounts. If the indebtedness under our Credit Agreement were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full.

***We expect our operating results to fluctuate on a quarterly and annual basis.***

Our revenue and operating results could vary significantly from quarter-to-quarter and year-to-year and may fail to match our past performance because of a variety of factors, some of which are outside of our control. Any of these events could cause the market price of our common stock to fluctuate. Factors that may contribute to the variability of our operating results include:

- the size and seasonal variability of our customers' recruiting and marketing budgets;
- the emergence of new competitors in our market whether by established companies or the entrance of new companies;
- the cost of investing in our technology infrastructure may be greater than we anticipate;
- our ability to increase our customer base and customer and professional engagement;
- disruptions or outages in the availability of our websites, actual or perceived breaches of privacy and compromises of our customers' or professionals' data;
- changes in our pricing policies or those of our competitors;
- macroeconomic changes, in particular, deterioration in labor markets, which would adversely impact sales of our hiring solutions, or economic growth that does not lead to job growth, for instance increases in productivity;
- costs associated with data security which is becoming increasingly complex;
- the timing and costs of expanding our organization and delays or inability in achieving expected productivity;
- the timing of certain expenditures, including hiring of employees and capital expenditures;
- our ability to increase sales of our products and solutions to new customers and expand sales of additional products and solutions to our existing customers;
- the extent to which existing customers renew their agreements with us and the timing and terms of those renewals; and
- general industry and macroeconomic conditions.

***Our history of operations includes periods of operating and net losses, and we may incur operating and net losses in the future. Our significant net losses in periods prior to 2003 and the significant amount of indebtedness incurred by our predecessor led us to declare bankruptcy in early 2003.***

Our history of operations includes periods of operating and net losses. Our significant net losses in periods prior to 2003 and the significant amount of indebtedness incurred by our predecessor led us to declare bankruptcy in early 2003. Although we have managed to achieve an increase in revenues since Dice Inc. emerged from bankruptcy, we have also increased our operating expenses significantly, expanded our net sales and marketing operations, made significant acquisitions and have continued to develop and extend our online career services with the expectation that our revenues will grow in the future. We may not generate sufficient revenues to pay for all of these operating or other expenses, which could have a material adverse effect on our business, results of operations and financial condition.

***If we are not able to successfully identify or integrate recent or future acquisitions our management's attention could be diverted, and our efforts to integrate future acquisitions could consume significant resources.***

An important component of our tech-focused strategy is developing new capabilities that strengthen and expand our position in the global technology talent acquisition market and broaden the talent solutions through the acquisition of other complementary businesses and technologies (such as the 2013 acquisition of The IT Job Board, the 2012 WorkDigital acquisition, and the 2006 eFinancialGroup acquisition). Our further growth may depend in part on our ability to identify additional suitable acquisition opportunities or consummate such acquisitions on terms that are beneficial to us. We may not be able to identify suitable acquisition opportunities or consummate such acquisitions on favorable terms or at all. In addition, the anticipated results or operational benefits of any businesses we acquire may not be realized and we may not be successful in integrating other acquired businesses into our operations. Failure to manage and successfully integrate acquired businesses could harm our business. Even if we are successful in making an acquisition, we may encounter numerous risks, including the following:

- expenses, delays and difficulties in integrating the operations, technologies and products of acquired companies;
- potential disruption of our ongoing operations;
- diversion of management's attention from normal daily operations of our business;
- inability to maintain key business relationships and the reputations of acquired businesses;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;

- the impairment of relationships with customers and partners of the acquired companies or our customers and partners as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or our employees as a result of integration of new management personnel;
- entry into markets in which we have limited or no prior experience and in which our competitors have stronger market positions;
- dependence on unfamiliar employees, affiliates and partners;
- the amortization of acquired companies' intangible assets;
- insufficient revenues to offset increased expenses associated with the acquisition;
- inability to maintain our internal standards, controls, procedures and policies;
- reduction or replacement of the sales of existing services by sales of products and services from acquired business lines;
- potential loss of key employees of the acquired companies;
- difficulties integrating the personnel and cultures of the acquired companies into our operations;
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and
- the impact of potential liabilities or unknown liabilities of the acquired businesses.

If any of these risks materialize, they could have a material adverse effect on our business, results of operations, financial condition and liquidity.

In addition, any acquisition of other businesses or technologies may require us to seek debt or equity financing. Such financing might not be available to us on acceptable terms or at all. The global financial markets have recently experienced declining equity valuations and disruptions in the credit markets due to liquidity imbalances and repricing of risk, which may impact our ability to obtain additional financing on reasonable terms or at all.

***Misappropriation or misuse of our intellectual property could harm our reputation, affect our competitive position and cost us money.***

Our success and ability to compete are dependent in part on the strength of our intellectual property rights, the content included on our websites, the goodwill associated with our trademarks, trade names and service marks, and on our ability to use U.S. and foreign laws to protect them. Our intellectual property includes, among other things, the content included on our websites, our logos, brands, domain names, the technology that we use to deliver our products and services, the various databases of information that we maintain and make available and the appearance of our websites. We claim common law protection on certain names and marks that we have used in connection with our business activities and the content included on our websites. We also own a number of registered or applied-for trademarks and service marks that we use in connection with our business, including DICE, CLEARANCEJOBS.COM, and EFINANCIALCAREERS some of which we have acquired through business acquisitions. Although we generally pursue the registration of material service marks and other material intellectual property we own, where applicable, we have copyrights, trademarks and/or service marks that have not been registered in the United States and/or other jurisdictions. We generally enter into confidentiality and work-for-hire agreements with our employees, consultants, and vendors to protect our intellectual property rights. We also seek to control access to and distribution of our technology, documentation and other proprietary information as well as proprietary information licensed from third parties. Policing our intellectual property rights worldwide is a difficult task, and we may not be able to identify infringing users. The steps we have taken to protect our proprietary rights may not be adequate, and third parties could infringe, misappropriate or misuse our intellectual property rights. If this were to occur, it could harm our reputation and affect our competitive position. It could also require us to spend significant time and money in litigation. In addition, the laws of foreign countries do not necessarily protect intellectual property rights to the same extent as the laws of the United States. We have licensed in the past (on a royalty free basis), and expect to license in the future, various elements of our distinctive trademarks, service marks, trade dress, content and similar proprietary rights to third parties. We enter into strategic marketing arrangements with certain third-party web site operators pursuant to which we license our trademarks, service marks and content to such third parties in order to promote our brands and services and to generate leads to our websites. While we attempt to ensure that the quality of our brands is maintained by these licensees, we cannot assure you that third-party licensees of our proprietary rights will always take actions to protect the value of our intellectual property and reputation, and if they fail to do so, such failure could adversely affect our business and reputation.

***We could be subject to infringement and other claims relating to our services or the content on our websites that may result in costly litigation, the payment of damages or the need to revise the way we conduct business.***

We cannot be certain that our technology, offerings, services or content do not or will not infringe upon the intellectual property or other proprietary rights of third parties, or otherwise violate laws. From time to time we receive notices alleging potential infringement of intellectual property or other proprietary rights of third parties or non-compliance with applicable laws. In seeking to protect our marks, copyrights, domain names and other intellectual property rights, or in defending ourselves against claims of infringement or non-compliance that may or may not be without merit, we could face costly litigation and the diversion of our management's attention and resources. Claims against us could result in the need to develop alternative trademarks, content, technology or other intellectual property or enter into costly royalty or licensing agreements, or substantially modify or cease to offer one or more of our services, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. If we were found to have infringed on a third party's intellectual property or other proprietary rights, or failed to comply with applicable laws, among other things, the value of our brands and our business reputation could be impaired, and our business could suffer.

***If we are unable to enforce or defend our ownership or use of intellectual property, our business, competitive position and operating results could be harmed.***

The success of our business depends in large part on our intellectual property rights, including existing and future trademarks and copyrights, which are and will continue to be valuable and important assets of our business. Our business could be harmed if we are not able to protect the content of our databases and our other intellectual property. We have taken measures to protect our intellectual property, such as requiring our employees and consultants with access to our proprietary information to execute confidentiality agreements. In the future, we may sue competitors or other parties who we believe to be infringing our intellectual property. We may in the future also find it necessary to assert claims regarding our intellectual property. These measures may not be sufficient or effective to protect our intellectual property. We also rely on laws, including those regarding copyrights and trademarks to protect our intellectual property rights. Current laws, or the enforceability of such laws, specifically in foreign jurisdictions, may not adequately protect our intellectual property or our databases and the data contained in them. In addition, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet related businesses are uncertain and evolving, and we cannot assure you of the future viability or value of any of our proprietary rights. Others may develop technologies similar or superior to our technology. A significant impairment of our intellectual property rights could require us to develop alternative intellectual property, incur licensing or other expenses or limit our product and service offerings.

***We have incurred increased costs and will continue to incur these costs as a result of being a public company.***

As a public company, we have incurred and will continue to incur significant levels of legal, accounting and other expenses. In addition, the Sarbanes Oxley Act of 2002 ("Sarbanes Oxley"), the Dodd-Frank Act and related rules of the Securities and Exchange Commission (the "SEC") and the NYSE regulate corporate governance practices of public companies and impose significant requirements relating to disclosure controls and procedures and internal control over financial reporting. Compliance with these public company requirements has increased our costs, required additional resources and made some activities more time consuming. We are required to expend considerable time and resources complying with public company regulations.

***Actions of activist shareholders could cause us to incur substantial costs, divert management's attention and resources, and have an adverse effect on our business.***

We have been the subject of activity by activist shareholders in the past and shareholder activism generally is increasing. Responding to shareholder activism can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees from our strategic initiatives. Activist campaigns can create perceived uncertainties as to our future direction, strategy, or leadership and may result in the loss of potential business opportunities, harm our ability to attract new employees, investors, customers, and other partners, and cause our stock price to experience periods of volatility.

***If we do not meet the continued listing requirements of the NYSE our common stock may be delisted.***

Our common stock is listed on the NYSE. The NYSE requires us to continue to meet certain listing standards, including standards related to the trading price of our common stock, as well as our global market capitalization. While we are currently in compliance with the NYSE continued listing requirements, we cannot assure you that we will remain in compliance. If we do not meet the NYSE's continued listing standards, we will be notified by the NYSE and we will be required to take corrective action to meet the continued listing standards; otherwise our common stock will be delisted from the NYSE. A delisting of our common stock on the NYSE would reduce the liquidity and market price of our common stock and the number of investors willing to hold or



acquire our common stock, which could negatively impact our ability to access the public capital markets. A delisting would also reduce the value of our equity compensation plans, which could negatively impact our ability to retain key employees.

***Our stock price has been volatile in the past and may be subject to volatility in the future.***

The trading price of our common stock has been volatile in the past, including recent significant declines, and could be subject to fluctuations in response to various factors, some of which are beyond our control. Factors such as announcements of variations in our quarterly financial results and fluctuations in revenue could cause the market price of our common stock to fluctuate. Fluctuations in the valuation of companies perceived by investors to be comparable to us or in valuation metrics, such as our price to earnings ratio, could impact our stock price. Additionally, the stock markets have at times experienced price and volume fluctuations that have affected and might in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of publicly traded shares of companies in our industry have been particularly volatile and may be very volatile in the future. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes, international currency fluctuations or political unrest, may negatively impact the market price of our common stock.

***Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock price.***

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. If we are unable to maintain adequate internal controls, our business and operating results could be harmed. We are required to satisfy the requirements of Section 404 of Sarbanes Oxley and the related rules of the SEC, which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to issue a report on that assessment. We may be unable to remedy deficiencies before the requisite deadlines for those reports. Any failure to remediate deficiencies noted by our independent registered public accounting firm or to implement required new or improved controls or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

***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.***

Congress and various state and local governments, as well as the EU, have passed legislation that regulates various aspects of the Internet, including content, copyright infringement, user privacy, taxation, access charges, liability for third-party activities and jurisdiction. In addition, federal, state, local and foreign governmental organizations are also considering legislative and regulatory proposals that would regulate the Internet. Areas of potential regulation include libel, pricing, quality of products and services and intellectual property ownership. A number of proposals have been made at the state and local level that would impose taxes on the sale of goods and services through the Internet. Such proposals, if adopted, could substantially impair the growth of commerce over the Internet and could adversely affect our business, future results of operations, financial condition and liquidity. We may be subject to restrictions on our ability to communicate with our customers through email and phone calls. Several jurisdictions have proposed or adopted privacy related laws that restrict or prohibit unsolicited email or “spam.” These laws may impose significant monetary penalties for violations. For example, the CAN-SPAM Act of 2003, or “CAN-SPAM,” imposes complex and often burdensome requirements in connection with sending commercial email. Key provisions of CAN-SPAM have yet to be interpreted by the courts. Depending on how it is interpreted, CAN-SPAM may impose burdens on our email marketing practices or services we offer or may offer. Although CAN-SPAM is thought to have preempted state laws governing unsolicited email, the effectiveness of that preemption is likely to be tested in court challenges. If any of those challenges are successful, our business may be subject to state laws and regulations that may further restrict our email marketing practices and the services we may offer. The scope of those regulations is unpredictable. Because a number of these laws are relatively new and still in the process of being implemented, we do not know how courts will interpret these laws. Therefore, we are uncertain as to how new laws or the application of existing laws will affect our business.

Changes in laws or regulations that adversely affect the growth, popularity or use of the internet, including laws impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. Certain laws intended to prevent network operators from discriminating against the legal traffic that traverse their networks have been implemented in many countries, including across the E.U. In others, the laws may be nascent or non-existent. Furthermore, favorable laws may change,

including for example in the United States where the FCC voted to repeal existing net neutrality regulations. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws or such laws may be modified and new laws may be enacted in the future. Any such developments (or developments stemming from enactment or modification of other laws) may significantly harm our business, operating results and financial condition.

***If our users or customers do not find our candidate profiles useful, it could adversely impact demand for our products and services and the growth of our business.***

Our product integrates publicly available data on the internet to create aggregated profiles of prospective candidates' professional experience and other employment-related data. These profiles are made available to our customers through our TalentSearch product to help them identify prospective technical candidates in a way that reduces their need to search multiple websites, while delivering more relevant candidates and useful employment information to recruiters and employers that use it. Candidates sought out through the socially aggregated profiles may not be interested in the opportunities presented to them by the recruiters and employers who use the product, which could decrease its demand.

***If Internet search engines' methodologies are modified or our search result page rankings decline for other reasons, our user engagement could decline.***

We depend in part on various Internet search engines, such as Google, Bing and Yahoo!, to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites is not entirely within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in an attempt to improve their search results, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our new user growth or in ways that make it harder for our users to use our websites, or if our competitors' SEO efforts are more successful than ours, overall growth in our user base could slow, user engagement could decrease, and we could lose existing users. These modifications may be prompted by search engine companies entering the online professional networking market or aligning with competitors. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our websites would harm our business and operating results.

***We may not be able to halt the operations of websites that aggregate our data as well as data from other companies, including social networks, or copycat websites that have misappropriated our data in the past or may misappropriate our data in the future. These activities could harm our brand and our business.***

From time to time, third parties have misappropriated our data through website scraping, robots or other means and aggregated this data on their websites with data from other companies. In addition, "copycat" websites have misappropriated data on our network and attempted to imitate our brand or the functionality of our websites. These activities could degrade our brands and harm our business. When we have become aware of such websites, we have employed technological or legal measures in an attempt to halt their operations. However, we may not be able to detect all such websites in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may not be adequate to protect us against such websites. Regardless of whether we can successfully enforce our rights against these websites, any measures that we may take could require us to expend significant financial or other resources.

***If our business fails to attract and retain users, particularly users who create and post original content on our web properties, our financial results will be adversely affected.***

Our reliance upon user-generated content requires that we develop and maintain tools and services designed to facilitate:

- creation of user-generated content;
- participation in discussion surrounding such user-generated content;
- evaluation of user-generated content; and
- distribution of user-generated content.

If our development efforts fail to facilitate such activities on our web properties, the level of user engagement and interaction will not increase and may decline. Even if we succeed in facilitating such activities on our sites, there can be no assurance that such improvements will be deployed in a timely or cost-effective manner.

If we fail to increase user engagement and interaction on our web properties, we will not attract and retain a loyal user base or the advertisers who desire to reach them, which will adversely affect our business and our ability to maintain or grow our revenue.

***We face risks relating to our foreign operations.***

We operate websites serving numerous markets around the world. For the year ended December 31, 2019, approximately 20% of our total revenues were generated outside of the United States. Certain of these amounts are collected in local currency. As a result of operating outside the United States, we are at risk for exchange rate fluctuations between such local currencies and the United States dollar. To date, we have not engaged in exchange rate hedging activities. Even if we were to implement hedging strategies to mitigate this risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications. We are also subject to taxation in foreign jurisdictions. In addition, transactions between our foreign subsidiaries and us may be subject to United States and foreign withholding taxes. Applicable tax rates in foreign jurisdictions differ from those of the United States, and change periodically. The extent, if any, to which we will receive credit in the United States for taxes we pay in foreign jurisdictions will depend upon the application of limitations set forth in the U.S. Internal Revenue Code, as well as the provisions of any tax treaties that may exist between the United States and such foreign jurisdictions. Our current or future international operations might not succeed for a number of reasons including:

- difficulties in staffing and managing foreign operations;
- competition from local recruiting services or employment advertising agencies;
- operational issues, such as longer customer payment cycles and greater difficulties in collecting accounts receivable;
- seasonal reductions in business activity;
- language and cultural differences;
- taxation issues;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- credit risk;
- higher levels of payment fraud;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- the burdens of complying with a wide variety of foreign laws and regulations;
- difficulties in enforcing intellectual property rights in countries other than the United States; and
- general political and economic trends.

***Our future growth may depend on our ability to expand operations in international markets. We may have limited experience or we may need to rely on business partners in these markets, and our future growth will be materially adversely affected if we are unsuccessful in our international expansion efforts.***

We operate local websites in numerous markets around the world. Our future growth will depend significantly on our ability to expand our brands and product offerings in additional international markets. As we expand into new international markets, we may have only limited experience in marketing and operating our products and services in such markets. In other instances, we may have to rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting the online recruitment and advertising industry medium and, as a result, our operations in international markets may not develop at a rate that supports our level of investment. In addition, business practices in these new international markets may be unlike those in the other markets we serve and we may face increased exposure to fines and penalties under U.S. laws, such as the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures designed to ensure compliance with these laws, we cannot be sure that our employees, contractors or agents will not violate our policies. Any such violations could materially damage our reputation, our brand, our international expansion efforts, our business and our operating results.

***We may be impacted by unfavorable decisions in proceedings related to future tax assessments.***

We operate in a number of jurisdictions and are from time to time subject to audits and reviews by various taxation authorities with respect to income, payroll, sales and use, and other taxes for current and past periods. We may become subject to future tax

assessments by various authorities. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. There are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the ultimate tax outcome may differ materially from the tax amounts recorded in our consolidated financial statements. Any amount we might be required to pay in connection with an ongoing audit or review or a future tax assessment may have a material adverse effect on our financial position, cash flows or overall results of operations.

***Taxation risks could subject us to liability for past sales and cause our future sales to decrease.***

We do not collect sales or use tax in certain jurisdictions on all the services we provide in the United States. Our operations, and any future expansion of them, along with other aspects of our evolving business, may result in additional sales or use tax obligations.

Currently, the individual states' laws and regulations determine which services performed over the Internet are subject to sales tax. A number of states have been considering or have adopted initiatives that could impose sales tax on certain services delivered electronically. Additionally, many states have implemented laws or regulations requiring out-of-state vendors to collect sales tax, which may increase our tax filing obligations. Also, a state may take the position that certain services we provide are subject to sales tax under existing regulations. The imposition by state and local governments of various taxes upon certain services delivered over the Internet could create administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on all of our online competitors and potentially decrease our future sales.

We collect indirect tax (including value added tax and goods and services tax) as applicable on services sold by us on some of our international sites. Additional foreign countries may seek to impose indirect tax collection obligations on us.

A successful assertion by one or more jurisdictions that we should collect sales tax or other indirect tax on the sale of services could result in substantial tax liabilities for past sales, decrease our ability to compete, and otherwise harm our business.

***Because we recognize most of our revenue from our contracts over the term of the agreement, a significant downturn in these businesses may not be immediately reflected in our operating results.***

We recognize revenue from sales of our recruiting contracts over the terms of the agreements, which, on average, is approximately 12 months. As a result, a significant portion of the revenue we report in each quarter is generated from agreements entered into during previous quarters. Consequently, a decline in new or renewed agreements in any one quarter may not significantly impact our revenue in that quarter but may, instead, negatively affect our revenue in future quarters. In addition, we may be unable to adjust our fixed costs in response to reduced revenue. Accordingly, the effect of significant declines in the sales of these offerings may not be reflected in our short-term results of operations.

***The U.K.'s departure from the E.U. could adversely affect us.***

The U.K. held a referendum in June 2016 on its membership in the E.U., in which a majority of voters in the U.K. voted to exit the E.U. (commonly referred to as "Brexit"). The U.K. formally departed from the E.U. on Friday, January 31, 2020, subject to a transition period expected to last until December 31, 2020 (the "Transition Period"). During the Transition Period, most E.U. rules and regulations will continue to apply to the U.K. as negotiations between the U.K. and the E.U. commence regarding the customs and trading relationship between the U.K. and the E.U. Such negotiations are expected to continue on after the expiration of the Transition Period. Brexit could cause disruptions to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers and employees based in the U.K. and Europe. For example, if as a result of Brexit, financial institutions move all or a portion of their operations out of the U.K., it may result in decreased demand for jobs in the financial sector in the U.K. and could negatively impact the performance of our eFinancialCareers business. Further, the potential loss of the E.U. "passport," or any other potential restriction on free travel of U.K. citizens to Europe, and vice versa, could adversely impact the jobs market in general and our operations in Europe.

In addition, Brexit has resulted in significant volatility in the value of the British Pound Sterling and Euro currencies. Since our financial statements are denominated in U.S. dollars and we currently do not hedge currency risk, a decline in the value of the Pound or Euro may have an adverse impact on our financial condition and results of operations.

The ultimate effects of Brexit are uncertain and will depend on any agreements the U.K. makes to retain access to E.U. markets either during the Transition Period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. Uncertainty about future custom and trade agreements between of the U.K. and the E.U. could harm our business and financial results. In addition, other

E.U. member countries may consider referendums regarding their E.U. membership. These events, along with any political changes that may occur as a result of Brexit, could cause political and economic uncertainty in Europe. In addition, Brexit is likely to lead to legal uncertainty, including uncertainty regarding data protection, taxation, and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate, including the GDPR. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, results of operations and financial condition.

*We rely on the services of third-party data center hosting facilities. Interruptions or delays in those services could impair the delivery of our service and harm our business.*

Our Dice, eFinancialCareers, and Clearancejobs website applications utilize cloud computing technology. It is hosted pursuant to service agreements on technology platforms by third-party service providers, primarily through Amazon Web Services (AWS). We do not control the operation of these providers or their facilities, and the facilities are vulnerable to damage, interruption or misconduct. Unanticipated problems at these facilities could result in lengthy interruptions in our services. If the services of one or more of these providers are terminated, disrupted, interrupted or suspended for any reason, we could experience disruption in our ability to provide our services, which may harm our business and reputation. Further, any damage to, or failure of, the cloud services we use could result in interruptions in our services. Interruptions in our service may damage our reputation, reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their agreements and adversely affect our renewal rates and our ability to attract new customers. While we believe our application and network architecture and use of multiple availability zones and regions within Amazon Web Services Cloud reduce our risk, our business would be harmed if our customers and potential customers believe our services are unreliable.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

We do not own any properties. Our corporate headquarters are located at 1450 Broadway, 29th Floor, New York, New York, where we lease approximately 4,000 square feet. We lease approximately 45,000 square feet of office space in Urbandale, Iowa; 15,000 square feet of office space in London, England; and 28,000 square feet of office space in Centennial, Colorado. In addition, we have small offices in Frankfurt, Germany; Singapore; and Hong Kong.

During 2018, we subleased two of our leased properties. Our prior corporate headquarters, which was located at 1040 Avenue of Americas, New York, New York and included approximately 12,000 square feet, was subleased to a third party during the third quarter of 2018. We closed our San Jose office in the second quarter of 2018 and subleased the property, which included approximately 16,000 square feet, to a third party during the third quarter of 2018.

We believe that our facilities are generally adequate for current and anticipated future use, although we may from time to time lease additional facilities as operations require.

#### **Item 3. Legal Proceedings**

From time to time we may be involved in disputes or litigation relating to claims arising out of our operations. We are currently not a party to any material unrecorded pending legal proceedings. See also Note 11 of the Notes to Consolidated Financial Statements.

#### **Item 4. Mine Safety Disclosures**

None.

## **PART II**

#### **Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

##### **Market Information**

Our common stock is listed on the NYSE under the ticker symbol “DHX”. We have not listed our stock on any other markets or exchanges. Prior to July 18, 2007, there was no public market for our common stock.

**Holders**

As of December 31, 2019, there were 22 stockholders of record of our common stock. A significant number of the outstanding shares of common stock which are beneficially owned by individuals and entities are registered in the name of Cede & Co. Cede & Co. is a nominee of The Depository Trust Company, a securities depository for banks and brokerage firms.

**Dividend Policy**

We have not declared or paid any cash dividends on our stock as a public company. We currently anticipate that all future earnings will be retained by the Company to support our long-term growth strategy. Accordingly, we do not anticipate paying periodic cash dividends on our stock for the foreseeable future.

Furthermore, we are restricted by our Credit Agreement in the amount of cash dividends that we can pay.

The payment of any future dividends will be at the discretion of our board of directors and subject to the Credit Agreement and will depend upon, among other things, future earnings, operations, capital requirements, our general financial condition, contractual restrictions and general business conditions.

**Repurchases of Equity Securities**

Our board of directors approved a stock repurchase program that permitted the Company to repurchase our common stock. The following table summarizes the stock repurchase plans approved by the board of directors:

	May 2018 to May 2019	May 2019 to May 2020
Approval Date	May 2018	April 2019
Authorized Repurchase Amount of Common Stock	\$7 million	\$7 million

Under each plan, management has discretion in determining the conditions under which shares may be purchased from time to time.

During the three months ended December 31, 2019, purchases of our common stock pursuant to the Stock Repurchase Plans were as follows:

Period	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share [2]	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31, 2019	20,355	\$ 3.50	20,355	5,657,618
November 1 through November 30, 2019	100,108	\$ 3.27	100,108	5,330,497
December 1 through December 31, 2019	110,997	\$ 3.23	110,997	4,971,917
Total	231,460	\$ 3.27	231,460	

[1] No shares of our common stock were purchased other than through a publicly announced plan or program.

[2] Average price paid per share includes costs associated with the repurchases.

**Securities Authorized for Issuance under Equity Compensation Plans**

The following table sets forth information required by this item as of December 31, 2019 regarding compensation plans under which the Company's equity securities are authorized for issuance:

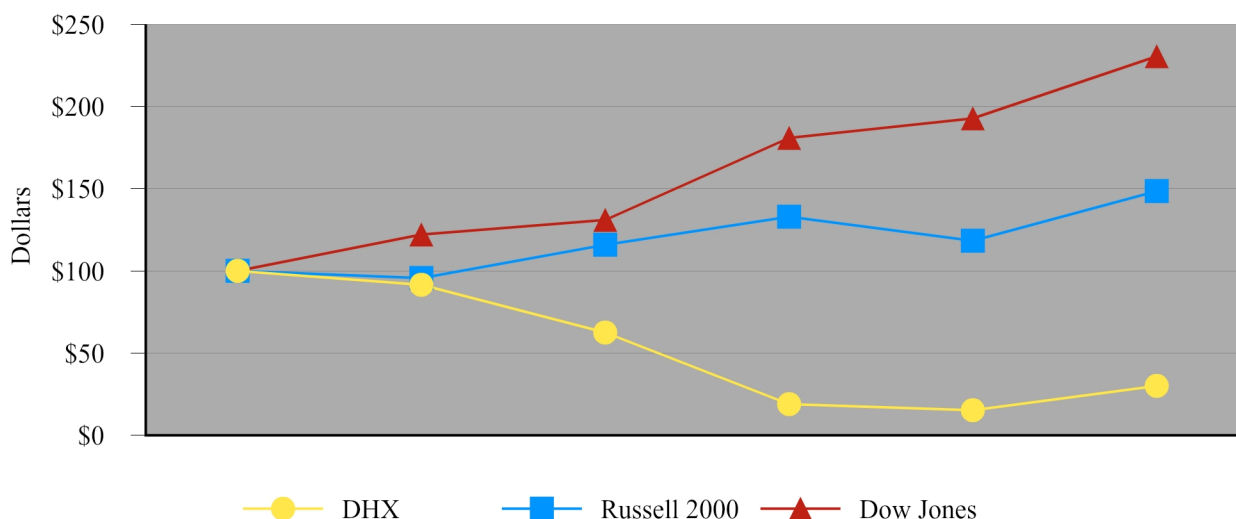
Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (\$)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	190,000	\$ 8.28	3,116,693
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	190,000	\$ 8.28	3,116,693

For material features of the plans, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Stock-Based Compensation.”

### Performance Graph

The following graph shows the total shareholder return of an investment of \$100 in cash on December 31, 2014 through December 31, 2019 (the last trading day of our common stock on the NYSE in 2019) for (i) our common stock, (ii) the Russell 2000 and (iii) the Dow Jones Internet Composite Index, at the closing price on December 31, 2019. All values assume reinvestment of the full amount of all dividends, if any.

### Comparative Returns



	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
DHX	\$ 100.00	\$ 91.61	\$ 62.44	\$ 18.98	\$ 15.18	\$ 30.07
Russell 2000	\$ 100.00	\$ 95.59	\$ 115.95	\$ 132.94	\$ 118.30	\$ 148.49
Dow Jones Internet Composite Index	\$ 100.00	\$ 122.11	\$ 130.99	\$ 180.87	\$ 192.64	\$ 230.49

The returns shown on the graph do not necessarily predict future performance. The performance graph is not deemed “filed” with the SEC.

## Item 6. Selected Financial Data

The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K (this “Annual Report”).

The following consolidated statements of operations data for the years ended December 31, 2019, 2018 and 2017 and the consolidated balance sheet data as of December 31, 2019 and 2018 have been derived from the audited consolidated financial statements and related notes of DHI Group, Inc. for such years, which are included elsewhere in this Annual Report. The consolidated statements of operations data for the years ended December 31, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017, 2016 and 2015 have been derived from the audited consolidated financial statements and related notes of DHI Group, Inc. for such years, which are not included in this Annual Report.

	For the year ended December 31,				
	2019	2018 (4)	2017 (3)	2016 (2)	2015 (1)
	(in thousands, except per share information)				
Revenues	\$ 149,370	\$ 161,570	\$ 207,950	\$ 226,970	\$ 259,769
Operating expenses	131,808	153,247	195,077	223,579	253,414
Other operating income (loss)	(537)	3,369	9,992	—	—
Operating income	17,025	11,692	22,865	3,391	6,355
Income (loss) from operations before income taxes	16,324	9,602	19,397	(119)	3,041
Net income (loss)	\$ 12,551	\$ 7,174	\$ 15,978	\$ (5,398)	\$ (10,968)
Basic earnings (loss) per share	\$ 0.26	\$ 0.15	\$ 0.33	\$ (0.11)	\$ (0.21)
Diluted earnings (loss) per share	\$ 0.24	\$ 0.14	\$ 0.33	\$ (0.11)	\$ (0.21)
Weighted average shares outstanding:					
Basic	48,739	48,520	47,908	48,319	51,402
Diluted	51,633	49,605	48,230	48,319	51,402

	For the year ended December 31,				
	2019	2018 (4)	2017 (3)	2016 (2)	2015 (1)
	(in thousands)				
<b>Other Financial Data:</b>					
Net cash from operating activities	\$ 22,923	\$ 14,918	\$ 34,409	\$ 44,997	\$ 63,159
Depreciation and amortization	9,743	9,762	11,890	16,636	23,192
Capital expenditures	(14,188)	(10,053)	(13,222)	(11,699)	(9,078)
Net cash from (used in) investing activities	(11,505)	7,489	(775)	(10,770)	(9,078)
Net cash used in financing activities	(12,423)	(27,174)	(44,781)	(44,634)	(47,012)

	At December 31,				
	2019	2018 (4)	2017 (3)	2016 (2)	2015 (1)
	(in thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 5,381	\$ 6,472	\$ 12,068	\$ 22,987	\$ 34,050
Acquired intangible assets, net	39,000	39,000	45,737	49,120	65,292
Goodwill	156,059	153,974	170,791	171,745	198,598
Total assets	278,321	258,385	295,718	310,095	368,935
Deferred revenue	51,626	56,086	83,646	84,615	83,316
Long-term debt, including current portion	9,435	17,288	41,450	84,760	99,436
Total stockholders’ equity	161,195	145,355	132,641	103,883	138,613

- (1) Reflects impairment of goodwill of \$34.8 million related to the Energy reporting unit.
- (2) Reflects the sale of Slashdot Media in January 2016 and the impairment of goodwill and intangible assets of \$24.6 million related to the Energy reporting unit.
- (3) Reflects the sale of Health eCareers on December 4, 2017 and the discontinuance of getTalent in the third quarter of 2017.
- (4) Reflects the transfer of majority ownership of the BioSpace business to BioSpace management on January 31, 2018, sale of the RigLogix portion of the Rigzone business on February 20, 2018, sale of Hcareers on May 22, 2018, transfer of majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018, and Dice Europe ceased operations August 31, 2018. On January 1, 2018, the Company adopted Topic 606, Revenue from Contracts with Customers. Refer to Note 3 of the Notes to Consolidated Financial Statements.



## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with Item 6. "Selected Financial Data," and our consolidated financial statements and the related notes included elsewhere in this Annual Report. Certain statements we make under this Item 7 constitute "Forward-Looking Statements" under the Private Securities Litigation Reform Act of 1995. See also "Note Concerning Forward-Looking Statements."

You should keep in mind that any forward-looking statement made by us herein, or elsewhere, speaks only as of the date on which it is made. New risks and uncertainties come up from time to time, and it is impossible to predict these events or how they may affect us. We have no obligation to update any forward-looking statements after the date hereof, except as required by applicable law.

### **Overview**

We are a leading provider of data, insights and employment connections through specialized services for technology professionals. Our mission is to empower professionals and organizations to compete and win through specialized insights and relevant employment connections. Employers and recruiters use our websites and services to source and hire the most qualified professionals in select and highly-skilled occupations, while professionals use our websites and services to find the best employment opportunities in, and the most timely news and information about, their respective areas of expertise.

In online recruitment, we target employment categories in which there has been a long-term scarcity of highly skilled, highly qualified professionals relative to market demand. Our websites serve as online marketplaces where employers and recruiters find and recruit prospective employees, and where professionals find relevant job opportunities and information to further their careers. Our websites offer job postings, news and content, career development and recruiting services tailored to the specific needs of the professional community that each website serves.

The Company modified its Tech-focused reportable segment in the first quarter of 2019 to reflect the current Tech-focused operating structure. The change comes as a result of the non-tech businesses being divested during 2018 and, as a result, corporate related costs are now reflected as part of the Tech-focused segment. Accordingly, all prior periods have been recast to reflect the current segment presentation.

We have been in the recruiting and career development business for more than 25 years. Based on our operating structure, we have identified one reportable segment as follows:

- Tech-focused— Dice, Dice Europe (ceased operations on August 31, 2018), ClearanceJobs, eFinancialCareers services, and corporate related costs (formerly in Other).

Dice, Dice Europe (ceased operations August 31, 2018), ClearanceJobs, eFinancialCareers services, and corporate-related costs (formerly in Other) are aggregated into the Tech-focused reportable segment primarily because the Company does not have discrete financial information for those brands or costs.

Prior to 2019, we had other services and activities that individually were not a significant portion of consolidated revenues, operating income or total assets. These included Hospitality (sold May 22, 2018), Rigzone (sold the RigLogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018), and BioSpace (transferred majority ownership to BioSpace management on January 31, 2018), and getTalent services (discontinued services in the third quarter of 2017), which are reported in the "Other" category, and are not considered a segment. The Company sold the Health eCareers business on December 4, 2017, which was previously reported in the Healthcare segment.

### **Our Revenues and Expenses**

We derive the majority of our revenues from customers who pay fees, either annually, quarterly or monthly, to post jobs on our websites and to access our searchable databases of resumes. Our fees vary by customer based on the number of individual users of our databases of resumes, the number and type of job postings and profile views purchased and the terms of the packages purchased. Our Tech-focused segment sells recruitment packages that can include access to our databases of resumes and job posting capabilities. Hcareers (sold May 22, 2018 and included in Other) sold job postings and access to our resume databases either as part of a package or individually. We believe the key metrics that are material to an analysis of our businesses are our

total number of Dice recruitment package customers and the revenue, on average, that these customers generate. Average monthly revenue per recruitment package customer is calculated by dividing recruitment package customer revenue by the daily average count of recruitment package customers during the month, adjusted to reflect a thirty day month. We use the simple average of each month to derive the quarterly amount. At December 31, 2019 and 2018, Dice had approximately 6,000 and 6,200 total recruitment package customers in the U.S., respectively, and the average monthly revenue per U.S. recruitment package customer was \$1,135 and \$1,119 for the years ended December 31, 2019 and 2018, respectively. Deferred revenue, as shown on the Consolidated Balance sheets, reflects customer billings made in advance of services being rendered. Backlog consists of deferred revenue plus customer contractual commitments not invoiced representing the value of future services to be rendered under committed contracts. We believe deferred revenue and backlog to be important measures of our business as they represent our ability to generate future revenue. Deferred revenue at December 31, 2019 and 2018 was \$51.6 million and \$56.1 million, respectively. Backlog at December 31, 2019 and 2018 was \$88.7 million and \$81.9 million, respectively. Deferred revenue at December 31, 2019 decreased from December 31, 2018 due to the increased flexibility in the Company's billing terms to customers to bring them in line with market standards. Backlog at December 31, 2019 increased from December 31, 2018 primarily due to the timing of closing contracts late in 2019.

To a lesser extent, we also generate revenue from advertising on our various websites or from lead generation and marketing solutions provided to our customers. Advertisements include various forms of rich media and banner advertising, text links, sponsorships, and custom content marketing solutions. Lead generation information utilizes advertising and other methods to deliver leads to a customer.

The Company's revenues declined \$12.2 million, or 7.6%, for the year ended December 31, 2019 compared to the same period of the prior year. The decline was due to the divested businesses and the closure of the Dice Europe business on August 31, 2018, which together declined \$12.3 million. The on-going Tech-focused segment, which excludes the Dice Europe operations, increased \$0.1 million, or 0.1%, compared to the year ended December 31, 2018. This increase was led by ClearanceJobs growth of 17.4%, and was partially offset by a 4.9% decline at eFinancialCareers and a 2.0% decline at Dice. The decline at eFinancialCareers was primarily related to foreign exchange fluctuations and the uncertainty surrounding Brexit. See further discussion in the Comparison of Years Ended December 31, 2019 and 2018.

The Company continues to evolve and present new products and features to attract and engage qualified professionals and match them with employers, such as the Dice TalentSearch powered by IntelliSearch, Dice Candidate Match<sup>TM</sup>, MyDiceHome, Dice Salary Predictor, Dice Job Search and Job Alerts, ClearanceJobs NextGen, ClearanceJobs Pulse, ClearanceJobs BrandAmp, eFinancialCareers Messaging, Recruiter Profile, Candidate Profile and Job Search platform. Our ability to grow our revenues will largely depend on our ability to grow our customer bases in the markets in which we operate by acquiring new customers while retaining a high proportion of the customers we currently serve, and to expand the breadth of services our customers purchase from us. We continue to make investments in our business and infrastructure to help us achieve our long-term growth objectives, such as the innovative products noted above.

Other material factors that may affect our results of operations include our ability to attract qualified professionals that become engaged with our websites and our ability to attract customers with relevant job opportunities. The more qualified professionals that use our websites, the more attractive our websites become to employers and advertisers, which in turn makes them more likely to become our customers, resulting positively on our results of operations. If we are unable to continue to attract qualified professionals to engage with our websites, our customers may no longer find our services attractive, which could have a negative impact on our results of operations. Additionally, we need to ensure that our websites remain relevant in order to attract qualified professionals to our websites and to engage them in high-value tasks, such as posting resumes and/or applying to jobs.

The largest components of our expenses are personnel costs and marketing and sales expenditures. Personnel costs consist of salaries, benefits, and incentive compensation for our employees, including commissions for salespeople. Personnel costs are categorized in our statement of operations based on each employee's principal function. Marketing expenditures primarily consist of online advertising, brand promotion and lead generation to employers and job seekers.

### **Critical Accounting Policies**

This discussion of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of

contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue, goodwill and intangible assets, stock-based compensation and income taxes. We based our estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that we believe are reasonable. In many cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Our actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements.

#### *Revenue Recognition*

Under Topic 606, we recognize revenue when control of the promised goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to receive in exchange for those goods or services. Revenue is recognized net of customer discounts ratably over the service period. Customer billings delivered in advance of services being rendered are recorded as deferred revenue and recognized over the service period. We generate revenues from the following sources:

*Recruitment packages.* Recruitment package revenues are derived from the sale to recruiters and employers of a combination of job postings and access to a searchable database of candidates on the Dice, ClearanceJobs, and eFinancialCareers websites. Certain of the Company's arrangements include multiple performance obligations, which primarily consists of the ability to post jobs and access to a searchable database of candidates. The Company determines the units of accounting for multiple performance obligations in accordance with Topic 606. Specifically, the Company considers a performance obligation as a separate unit of accounting if it has value to the customer on a standalone basis. The Company's arrangements do not include a general right of return. Services to customers buying a package of available job postings and access to the database are delivered over the same period and revenue is recognized ratably over the length of the underlying contract, typically from one to twelve months. The separation of the package into two deliverables results in no change in revenue recognition since delivery of the two services occurs over the same time period.

*Advertising revenue.* Advertising revenue is recognized over the period in which the advertisements are displayed on the websites or at the time a promotional e-mail is sent out to the audience.

*Classified revenue.* Classified job posting revenues are derived from the sale of job postings to recruiters and employers. A job posting is the ability to list a job on the website for a specified time period. Revenue from the sale of classified job postings is recognized ratably over the length of the contract or the period of actual usage.

*Career fair and recruitment event booth rentals.* Career fair and recruitment event revenues are derived from renting booth space to recruiters and employers. Revenue from these sales are recognized when the career fair or recruitment event is held.

#### *Goodwill*

We record goodwill when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired.

We determine whether the carrying value of recorded goodwill is impaired on an annual basis or more frequently if indicators of potential impairment exist. In testing goodwill for impairment, a qualitative assessment can be performed and if it is determined that the fair value of the reporting unit is more likely than not less than the carrying amount, the impairment review process compares the fair value of the reporting unit in which the goodwill resides to the carrying value of that reporting unit. If the fair value of the reporting unit is less than its carrying amount, an impairment charge is recorded for the amount the carrying value exceeds the fair value. Our annual impairment test for goodwill is performed on October 1 on the Tech-focused reporting unit.

The annual impairment tests for the Tech-focused reporting unit, which were performed as of October 1, 2019 and 2018, resulted in the fair value of the reporting unit exceeding the carrying value by 37% and 40%, respectively. Results for the Tech-focused reporting unit for the fourth quarter of 2019 and estimated future results as of December 31, 2019 are consistent with the October 1, 2019 analysis. As a result, the Company believes it is not more likely than not that the fair value of the reporting units is less than the carrying value as of December 31, 2019. Therefore, no interim impairment testing was performed as of December 31, 2019.

The amount of goodwill as of December 31, 2019 allocated to the Tech-focused reporting unit was \$156.1 million. Determining the fair value of a reporting unit is judgmental in nature and requires the use of estimates and key assumptions, particularly assumed discount rates and projections of future operating results. The discount rate applied for the Tech-focused reporting unit was 13.2%. An increase to the discount rate applied or reductions to future projected operating results could result in future impairment of the

Tech-focused reporting unit's goodwill. It is reasonably possible that changes in judgments, assumptions and estimates the Company made in assessing the fair value of goodwill could cause the Company to consider some portion or all of the goodwill of the Tech-focused reporting unit to become impaired. In addition, a future decline in the overall market conditions and/or changes in the Company's market share could negatively impact the estimated future cash flows and discount rates used to determine the fair value of the reporting unit and could result in an impairment charge in the foreseeable future.

The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting unit. Fair values are determined either by using a discounted cash flow methodology or by using a combination of a discounted cash flow methodology and a market comparable method. The discounted cash flow methodology is based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. We consider factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements. Additionally, the discounted cash flows analysis takes into consideration cash expenditures for product development, other technological updates and advancements to our websites and investments to improve our candidate databases. The market comparable method indicates the fair value of a business by comparing it to publicly traded companies in similar lines of business or to comparable transactions or assets. Considerations for factors such as size, growth, profitability, risk and return on investment are analyzed and compared to the comparable businesses and adjustments are made. A market value of invested capital of the publicly traded companies is calculated and then applied to the entity's operating results to arrive at an estimate of value. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of goodwill.

#### *Indefinite-Lived Acquired Intangible Assets*

The indefinite-lived acquired intangible assets include the Dice trademarks and brand name. The Dice trademark, trade name and domain name is one of the most recognized names of online recruiting and career development. Since Dice's inception in 1991, the brand has been recognized as a leader in recruiting and career development services for technology and engineering professionals. Currently, the brand is synonymous with the most specialized online marketplace for industry-specific talent. The brand has a significant online and offline presence in online recruiting and career development services. Considering the recognition and the awareness of the Dice brand in the talent acquisition and staffing services market, Dice's long operating history and the intended use of the Dice brand, the remaining useful life of the Dice trademark, trade name and domain name was determined to be indefinite.

We determine whether the carrying value of recorded indefinite-lived acquired intangible assets is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment review process compares the fair value of the indefinite-lived acquired intangible assets to its carrying value. If the carrying value exceeds the fair value, an impairment loss is recorded. The impairment tests performed as of October 1, 2019 and 2018 resulted in the fair value of the Dice trademarks and brand exceeding the carrying value by 26% and 2%, respectively. The increase in the fair value over the carrying value is driven by the industry growth expectations described below and the Company's investments in its product and its sales team, combined with a lower discount rate as a result of a decline in the risk-free rate.

Revenue attributable to the Dice trademarks and brand name have declined during the year ended December 31, 2019 due to competition in the technology recruiting market, challenges in developing and introducing new products and product enhancements to the market and the Company's ability to attribute value delivered to customers. Revenues related to the Dice trademarks and brand name declined 2% and 7% for the years ended December 31, 2019 and 2018, respectively, and declined 3% and 4% for the three months ended December 31, 2019 and 2018, respectively, representing a decrease in the rate of decline for each period. Revenue projections for the year ending December 31, 2020 include a modest increase compared to the year ended December 31, 2019 and then increasing to rates approaching industry growth projections. The Company's ability to achieve these revenue projections may be impacted by, among other things, the factors noted above that have contributed to the decline in recent periods. Cash flows attributable to the Dice trademarks and brand name declined during 2019 as a result of the lower revenue, as well as increased spending focused on new and enhanced products. Operating expenses, excluding amortization expense and disposition related and other costs, are projected to increase for the year ending December 31, 2020 as compared to the year ended December 31, 2019, including a small operating margin reduction, as the company continues to invest in new and enhanced products, and then increase at levels that allow for modest operating margin improvements. If future cash flows attributable to the Dice trademark are not achieved, the Company could realize an impairment in a future period. The Company utilized a relief from royalty rate method to value the Dice trademarks and brand name using a royalty rate of 6.0% based on comparable industry studies and improving operating margins and a discount rate of 14.2%.

The determination of whether or not indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the indefinite-lived acquired intangible assets. We consider factors such as historical performance, anticipated market conditions, operating expense trends and capital

expenditure requirements. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets.

### *Income Taxes*

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The calculation of our tax liabilities involves dealing with uncertainties in applying tax laws and regulations in numerous jurisdictions. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the positions will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Because of the complexity of some of these uncertainties, the ultimate resolution could result in a payment that is materially different from our current estimate of the accrual for unrecognized tax benefits.

### **Recent Developments**

None.

### **Cyclicality**

The labor market and certain of the industries that we serve have historically experienced short-term cyclicality. However, we believe that online career websites continue to provide economic and strategic value to the labor market and industries that we serve.

Any slowdown in recruitment activity that occurs could negatively impact our revenues and results of operations. Alternatively, a decrease in the unemployment rate or a labor shortage, including as a result of an increase in job turnover, generally means that employers (including our customers) are seeking to hire more individuals, which would generally lead to more job postings and database licenses and have a positive impact on our revenues and results of operations. 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 recruitment 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 over a year.

From time to time, we see market slowdowns, which can lead to lower demand for recruiting technology, financial and security cleared professionals. If recruitment activity slows in the industries in which we operate during 2020 and beyond, our revenues and results of operations could be negatively impacted.

## Results of Operations

Our historical financial information discussed in this Annual Report has been derived from the Company's financial statements and accounting records for the years ended December 31, 2019, 2018 and 2017. Consolidated operating results and consolidated operating results as a percent of revenue follows:

(in thousands)	For the year ended December 31,				
	2019	2018	2017	2019 vs 2018	2018 vs 2017
<b>Revenues</b>	<b>\$149,370</b>	<b>\$161,570</b>	<b>\$207,950</b>	<b>\$ (12,200)</b>	<b>\$ (46,380)</b>
Operating expenses:					
Cost of revenues	16,237	18,344	29,974	(2,107)	(11,630)
Product development	17,216	20,212	24,984	(2,996)	(4,772)
Sales and marketing	55,909	59,721	80,508	(3,812)	(20,787)
General and administrative	31,003	37,589	40,749	(6,586)	(3,160)
Depreciation	9,743	9,280	9,752	463	(472)
Amortization of intangible assets	—	482	2,138	(482)	(1,656)
Impairment of fixed and intangible assets	—	—	2,226	—	(2,226)
Disposition related and other costs	1,700	7,619	4,746	(5,919)	2,873
<b>Total operating expenses</b>	<b>131,808</b>	<b>153,247</b>	<b>195,077</b>	<b>(21,439)</b>	<b>(41,830)</b>
Other operating income (loss):					
Gain (loss) on sale of businesses	(537)	3,369	6,699	(3,906)	(3,330)
Proceeds from restitution award	—	—	3,293	—	(3,293)
<b>Total other operating income (loss)</b>	<b>(537)</b>	<b>3,369</b>	<b>9,992</b>	<b>(3,906)</b>	<b>(6,623)</b>
<b>Operating income</b>	<b>\$ 17,025</b>	<b>\$ 11,692</b>	<b>\$ 22,865</b>	<b>\$ 5,333</b>	<b>\$ (11,173)</b>

	For the year ended December 31,		
	2019	2018	2017
<b>Revenues</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Operating expenses:			
Cost of revenues	10.9 %	11.4 %	14.4 %
Product development	11.5 %	12.5 %	12.0 %
Sales and marketing	37.4 %	37.0 %	38.7 %
General and administrative	20.8 %	23.3 %	19.6 %
Depreciation	6.5 %	5.7 %	4.7 %
Amortization of intangible assets	— %	0.3 %	1.0 %
Impairment of intangible assets	— %	— %	1.1 %
Disposition related and other costs	1.1 %	4.7 %	2.3 %
<b>Total operating expenses</b>	<b>88.2 %</b>	<b>94.8 %</b>	<b>93.8 %</b>
Other operating income (loss):			
Gain (loss) on sale of businesses	(0.4)%	2.1 %	3.2 %
Proceeds from restitution award	— %	— %	1.6 %
<b>Total other operating income (loss)</b>	<b>(0.4)%</b>	<b>2.1 %</b>	<b>4.8 %</b>
<b>Operating income</b>	<b>11.4 %</b>	<b>7.2 %</b>	<b>11.0 %</b>

## Comparison of Years Ended December 31, 2019 and 2018

### Revenues

	Year Ended December 31,		Increase (Decrease)	Percent Change	Foreign Exchange Impact <sup>(6)</sup>
	2019	2018			
(in thousands, except percentages)					
<b>Tech-focused</b>					
Dice <sup>(1)</sup>	\$ 92,527	\$ 94,438	\$ (1,911)	(2.0)%	\$ —
eFinancialCareers	32,098	33,758	(1,660)	(4.9)%	(1,002)
ClearanceJobs	24,745	21,086	3,659	17.4 %	—
Tech-focused, excluding Dice Europe	149,370	149,282	88	0.1 %	(1,002)
Dice Europe <sup>(2)</sup>	—	2,976	(2,976)	n.m.	—
<b>Tech-focused</b>	<b>149,370</b>	<b>152,258</b>	<b>(2,888)</b>	<b>(1.9)%</b>	<b>(1,002)</b>
<b>Other</b>					
Hcareers <sup>(3)</sup>	—	5,329	(5,329)	n.m.	—
Rigzone <sup>(4)</sup>	—	3,771	(3,771)	n.m.	—
BioSpace <sup>(5)</sup>	—	212	(212)	n.m.	—
<b>Other</b>	<b>—</b>	<b>9,312</b>	<b>(9,312)</b>	<b>n.m.</b>	<b>—</b>
<b>Total revenues</b>	<b>\$ 149,370</b>	<b>\$ 161,570</b>	<b>\$ (12,200)</b>	<b>(7.6)%</b>	<b>\$ (1,002)</b>

(1) Includes Dice U.S., and Career Events (formerly known as Targeted Job Fairs).

(2) Dice Europe ceased operations on August 31, 2018.

(3) The Company sold Hcareers on May 22, 2018.

(4) The Company sold the RigLogix portion of the Rigzone business on February 20, 2018 and majority ownership of the remaining Rigzone business was transferred to Rigzone management on August 31, 2018.

(5) The Company transferred majority ownership of the BioSpace business to BioSpace management on January 31, 2018.

(6) Foreign exchange impact is calculated by determining the increase (decrease) in current period revenues where current period revenues are translated using prior period exchange rates.

We experienced a decrease in the Tech-focused segment revenue of \$2.9 million, or 1.9%, which was driven by Dice Europe's decline of \$3.0 million due to its ceasing operations on August 31, 2018. Excluding Dice Europe and the impacts of foreign exchange, revenue for the Tech-focused segment increased 1% year over year. Revenue at Dice U.S. decreased by \$1.9 million, or 2.0%, for the year ended December 31, 2019 compared to the same period of 2018, an improvement from the 6.9% decline experienced during the year ended December 31, 2018. Renewal rates have improved over the prior year period while recruitment package customer count was down slightly year over year. Revenues for ClearanceJobs increased by \$3.7 million, or 17.4%, for the year ended December 31, 2019 as compared to the same period in 2018, driven by continued high demand for professionals with government clearance and consistent product releases and enhancements driving activity on the site. eFinancialCareers revenue decreased \$1.7 million, or 4.9%, compared to 2018, mainly due to the impact on U.K. revenue from the uncertainty around Brexit and the impacts of foreign exchange.

Revenues for Other decreased \$9.3 million, which was due to the non-tech businesses which were divested during 2018.

### Cost of Revenues

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
(in thousands, except percentages)				
Cost of revenues	\$ 16,237	\$ 18,344	\$ (2,107)	(11.5)%
Percentage of revenues	10.9%	11.4%		

Cost of revenues decreased by \$2.1 million, or 11.5%, as the Tech-focused segment decreased \$0.7 million and Other decreased \$1.4 million. In the Tech-focused segment, \$0.5 million reduction was due to Dice Europe ceasing operations on August 31, 2018

and \$0.9 million reduction was due to a decrease in technology infrastructure costs, partially offset by an increase in compensation related costs of \$0.7 million. Other decreased \$1.4 million due to the non-tech businesses being divested during 2018.

#### *Product Development Expenses*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Product development	\$ 17,216	\$ 20,212	\$ (2,996)	(14.8)%
Percentage of revenues	11.5%	12.5%		

Product development expenses decreased \$3.0 million or 14.8%, as the Tech-focused segment decreased \$1.7 million and Other decreased \$1.3 million. The decrease in Tech-focused was mainly due to higher utilization of the Company's employees in the design and development of product enhancements and features for the Company's sites. This resulted in a higher capitalization rate of internal development costs, which decreased operating expenses in the current period, and are reflected as purchases of fixed assets in the Consolidated Statements of Cash Flows. Other decreased \$1.3 million due to the non-tech businesses being divested during 2018.

#### *Sales and Marketing Expenses*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Sales and marketing	\$ 55,909	\$ 59,721	\$ (3,812)	(6.4)%
Percentage of revenues	37.4%	37.0%		

Sales and marketing expenses decreased \$3.8 million, or 6.4%, as the Tech-focused segment decreased \$0.6 million and Other decreased \$3.2 million. In the Tech-focused segment, compensation related costs increased \$3.9 million, of which \$2.5 million related to higher sales commissions, including a transitional impact of adopting ASC Topic 606, while consulting costs, professional fees and events, together increased \$1.6 million. These increases were offset by a \$4.0 million reduction in discretionary marketing expenses realized from efficiencies in vendor selection and a \$2.3 million decrease due to Dice Europe ceasing operations on August 31, 2018. Other decreased \$3.2 million due to the non-tech businesses being divested during 2018.

#### *General and Administrative Expenses*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
General and administrative	\$ 31,003	\$ 37,589	\$ (6,586)	(17.5)%
Percentage of revenues	20.8%	23.3%		

General and administrative costs decreased \$6.6 million or 17.5% as the Tech-focused segment decreased \$5.3 million and Other decreased \$1.3 million. In the Tech-focused segment, \$2.1 million was due to a decrease in consulting costs, \$1.3 million due to a decrease in legal fees and contingencies, which was primarily related to the applicability of provisions of the FCRA to one of our products, as described in Note 11 to the Consolidated Financial Statements, and a \$1.8 million decrease mainly due to the resolution of a sales tax contingency and a decrease from lower stock based compensation, which was primarily due to the acceleration and vesting related to the Company's former Chief Executive Officer in 2018. Other decreased \$1.3 million due to the non-tech businesses being divested during 2018.

#### *Depreciation*

	Year Ended December 31,		Increase	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Depreciation	\$ 9,743	\$ 9,280	\$ 463	5.0%
Percentage of revenues	6.5%	5.7%		



Depreciation expense increased \$0.5 million or 5.0%, as the Tech-focused segment increased \$0.8 million and Other decreased \$0.3 million. In the Tech-focused segment, depreciation increased primarily in connection with the higher headcount and capitalization rate of internal development costs, which are reflected as purchases of fixed assets in the Consolidated Statements of Cash Flows. Other decreased due to the non-tech businesses being divested during 2018.

*Amortization of Intangible Assets*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Amortization	\$ —	\$ 482	\$ (482)	(100.0)%
Percentage of revenues	—%	0.3%		

Amortization expense decreased by \$0.5 million to zero due to the removal of amortizable intangible assets related to the non-tech businesses divested during the year ended December 31, 2018.

*Disposition Related and Other Costs*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Disposition related and other costs	\$ 1,700	\$ 7,619	\$ (5,919)	(77.7)%
Percentage of revenues	1.1%	4.7%		

The disposition related and other costs of \$1.7 million for the year ended December 31, 2019, as described in Note 14 to the Consolidated Financial Statements, are primarily due to severance and related costs incurred in reorganizing the Tech-focused business.

The disposition related and other costs of \$7.6 million in 2018 are primarily due to severance, lease exit, and other related costs in connection with the non tech businesses divestiture process and the reorganization to the tech-focused strategy.

*Other Operating Income (loss)*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Other operating income (loss)	\$ (537)	\$ 3,369	\$ (3,906)	(115.9)%
Percentage of revenues	(0.4)%	2.1%		

Other operating income (loss) for the year ended December 31, 2019, included a loss of \$0.5 million on the 2018 sale of Hcareers, which was related to a post-closing adjustment upon the finalization of the working capital terms and related contingencies. See also Note 4 to the Consolidated Financial Statements.

Other operating income for the year ended December 31, 2018 included a gain of \$4.6 million related to the sale of the RigLogix portion of the Rigzone business on February 20, 2018 and a \$0.8 million gain related to post closing price adjustment to the sale of the Health eCareers business. These gains were partially offset by losses recognized on the sale of the Hcareers business on May 22, 2018 of \$0.8 million, the transfer of majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018 of \$0.7 million and the transfer of majority ownership of the BioSpace business to BioSpace management on January 31, 2018 of \$0.5 million. See also Note 4 of the Notes to Consolidated Financial Statements.

*Operating Income*

	Year Ended December 31,	
	2019	2018
	(in thousands, except percentages)	
Revenue	\$ 149,370	\$ 161,570
Operating Income	17,025	11,692
Percentages of revenues	11.4%	7.2%

Operating income for the year ended December 31, 2019 was \$17.0 million, a margin of 11.4%, as compared to \$11.7 million, a margin of 7.2%, for the same period in 2018. The increased operating income and percentage margin were driven by cost savings initiatives, a reduction in disposition related and other costs in 2019, higher utilization of the Company's employees in the design and development of product enhancements and features for the Company's sites, and the closure of Dice Europe in 2018, which had a lower operating margin.

*Interest Expense and Other*

	Year Ended December 31,		Decrease	Percent Change
	2019	2018		
	(in thousands, except percentages)			
Interest expense	\$ 701	\$ 2,054	\$ (1,353)	(65.9)%
Percentage of revenues	0.5%	1.3%		

Interest expense decreased by \$1.4 million, or 65.9%, from the same period in 2018 due to lower weighted-average debt outstanding during the year ended December 31, 2019.

*Income Taxes*

	Year Ended December 31,	
	2019	2018
	(in thousands, except percentages)	
Income before income taxes	\$ 16,324	\$ 9,602
Income tax expense	3,773	2,428
Effective tax rate	23.1%	25.3%

A reconciliation between tax expense at the federal statutory rate and the reported income tax expense is summarized as follows:

	Year Ended December 31,	
	2019	2018
Federal statutory rate	\$ 3,428	\$ 2,016
Gain (loss) on sale of businesses	84	(6,111)
Stock-based compensation	380	2,112
State taxes, net of federal effect	467	(38)
Difference between foreign and U.S. rates	(192)	(102)
Change in accrual for unrecognized tax benefits	107	(1,179)
U.S. tax on global intangible low-taxed income, net of credits	84	229
Executive compensation	147	126
Currency translation gains (losses)	(67)	219
U.S. transition tax on foreign earnings	140	368
Research and development tax credits	(557)	(481)
Change in valuation allowances	12	5,117
Other	(260)	152
Income tax expense	\$ 3,773	\$ 2,428

Our effective income tax rate was 23.1% and 25.3% for the years ended December 31, 2019 and 2018, respectively. The 2019 tax rate differed from the federal statutory rate primarily because of tax deficiencies in stock-based compensation; state tax expense; and tax credits for research and development. The 2018 tax rate differed from the federal statutory rate primarily because of permanent book/tax differences in basis related to the gain or loss on sale of businesses; tax deficiencies in stock-based compensation; a decreased accrual for unrecognized tax benefits; and an increase in the valuation allowance for capital loss carryforwards.

*Earnings per Share*

	Year Ended December 31,	
	2019	2018
	(in thousands, except per share amounts)	
Net income	\$ 12,551	\$ 7,174
Weighted-average shares outstanding-diluted	51,633	49,605
Diluted earnings per share	0.24	0.14

Diluted earnings per share was \$0.24 and \$0.14 for the years ended December 31, 2019 and 2018, respectively, an increase of \$0.10. The improvement in earnings per share was primarily driven by the improved net income year over year.

**Comparison of Years Ended December 31, 2018 and 2017**

*Revenues*

	Year Ended December 31,		Increase (Decrease)	Percent Change	Foreign Exchange Impact <sup>(7)</sup>
	2018	2017			
	(in thousands, except percentages)				
Tech-focused:					
Dice <sup>(1)</sup>	\$ 94,438	\$ 101,471	\$ (7,033)	(6.9)%	\$ —
eFinancialCareers	33,758	32,480	1,278	3.9 %	904
ClearanceJobs	21,086	17,342	3,744	21.6 %	—
Tech-focused, excluding Dice Europe	149,282	151,293	(2,011)	(1.3)%	904
Dice Europe <sup>(2)</sup>	2,976	7,105	(4,129)	(58.1)%	242
Tech-focused	152,258	158,398	(6,140)	(3.9)%	1,146
Healthcare <sup>(3)</sup>	—	24,354	(24,354)	n.m.	—
Other					
Hcareers <sup>(4)</sup>	5,329	14,368	(9,039)	(62.9)%	—
Rigzone <sup>(5)</sup>	3,771	7,171	(3,400)	(47.4)%	47
BioSpace <sup>(6)</sup>	212	3,592	(3,380)	(94.1)%	—
Slashdot Media and getTalent	—	67	(67)	n.m.	—
Other	9,312	25,198	(15,886)	(63.0)%	47
<b>Total revenues</b>	<b>\$ 161,570</b>	<b>\$ 207,950</b>	<b>\$ (46,380)</b>	<b>(22.3)%</b>	<b>\$ 1,193</b>

(1) Includes Dice and Career Events (formerly known as Targeted Job Fairs)

(2) Dice Europe ceased operations on August 31, 2018.

(3) The Company sold Health eCareers on December 4, 2017.

(4) The Company sold Hcareers on May 22, 2018.

(5) The Company sold the RigLogix portion of the Rigzone business on February 20, 2018 and majority ownership of the remaining Rigzone business was transferred to Rigzone management on August 31, 2018.

(6) The Company transferred majority ownership of the BioSpace business to BioSpace management on January 31, 2018.

(7) Foreign exchange impact is calculated by determining the increase (decrease) in current period revenues where current period revenues are translated using prior period exchange rates.

We experienced a decrease in the Tech-focused segment revenue of \$6.1 million, or 3.9%. Revenue at Dice U.S. decreased by \$7.0 million, or 6.9%, for the year ended December 31, 2018 compared to the same period of 2017. The rate of Dice U.S. revenue decline narrowed throughout the 2018 period, as compared to the 2017 period. The lower Dice U.S. revenues were a result of competition in the technology recruiting market, challenges in developing and introducing new products and product enhancements to the market, and the Company's ability to attribute value delivered to customers. Recruitment package customer count in the U.S. decreased from 6,450 at December 31, 2017 to 6,200 at December 31, 2018 while average monthly revenue per U.S. recruitment package customer increased from \$1,110 to \$1,119 for the years ended December 31, 2017 and 2018, respectively. Dice Europe revenue decreased by \$4.1 million as compared to the same period in 2017 primarily due to Dice Europe ceasing operations on August 31, 2018. Revenues for ClearanceJobs increased by \$3.7 million for the year ended December 31, 2018 as compared to the same period in 2017, primarily due to continuing strong market conditions and enhanced product offerings. eFinancialCareers revenue increased \$1.3 million compared to 2017 primarily due to a positive impact of foreign exchange of \$0.9 million, coupled with strong renewals and new business activity in its Asia market.

Healthcare segment revenue, consisting of Health eCareers, decreased as a result of Health eCareers being sold on December 4, 2017.

Revenues from the Other segment decreased by \$15.9 million, or 63.0%, primarily due to the transfer of the majority ownership of BioSpace to BioSpace management on January 31, 2018, the sale of the RigLogix portion of the Rigzone business on February 20, 2018, sale of Hcareers on May 22, 2018, and transfer of the majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018. Subsequent to the divestiture dates, BioSpace and Rigzone are no longer included in the Company's consolidated financial results.

*Cost of Revenues*

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Cost of revenues	\$ 18,344	\$ 29,974	\$ (11,630)	(38.8)%
Percentage of revenues	11.4%	14.4%		

Cost of revenues decreased by \$11.6 million, or 38.8%, as the Healthcare segment decreased by \$8.6 million as a result of the sale of Health eCareers on December 4, 2017. Other cost of revenues decreased \$2.8 million due to the divested businesses. The Tech-focused segment decreased \$0.2 million, which was primarily due to Dice Europe ceasing operations on August 31, 2018.

*Product Development Expenses*

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Product development	\$ 20,212	\$ 24,984	\$ (4,772)	(19.1)%
Percentage of revenues	12.5%	12.0%		

Product development expenses decreased \$4.8 million or 19.1%, as the Healthcare segment decreased \$2.3 million due to the sale of Health eCareers on December 4, 2017. Other decreased \$3.8 million, of which \$2.7 million related to divested businesses and \$1.1 million was due to the discontinuance of getTalent in the third quarter of 2017. These decreases were partially offset by an increase in the Tech-focused segment of \$1.3 million, primarily due to compensation related costs as the segment develops new products and features.

*Sales and Marketing Expenses*

	Year Ended December 31,		Increase	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Sales and marketing	\$ 59,721	\$ 80,508	\$ (20,787)	(25.8)%
Percentage of revenues	37.0%	38.7%		

Sales and marketing expenses decreased \$20.8 million, or 25.8%, as costs decreased \$9.2 million in the Healthcare segment due to the Health eCareers sale on December 4, 2017. Other decreased \$8.7 million, of which \$7.5 million was related to the divested businesses in 2018 and \$1.2 million was due to the discontinuance of getTalent in the third quarter of 2017. The Tech-focused segment decreased \$2.9 million primarily due to Dice Europe ceasing operations on August 31, 2018. In the on-going Tech-focused segment, expenses were approximately flat to the prior year, with increases in compensation related costs offset by savings in discretionary marketing.

#### General and Administrative Expenses

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
General and administrative	\$ 37,589	\$ 40,749	\$ (3,160)	(7.8)%
Percentage of revenues	23.3%	19.6%		

General and administrative costs decreased \$3.2 million or 7.8%. The Healthcare segment decreased \$2.8 million due to the sale of Health eCareers on December 4, 2017. Other decreased \$2.2 million, which was primarily related to the divested businesses in 2018. The Tech-focused segment increased \$1.9 million, primarily due to a \$2.8 million increase in consulting costs, \$1.0 million for the Fair Credit Reporting Act lawsuit and \$0.6 million related to recruiting and employee training. These increases were partially offset by a \$1.4 million decrease in stock based compensation costs and \$1.3 million was due to lower legal and other professional fees.

#### Depreciation

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Depreciation	\$ 9,280	\$ 9,752	\$ (472)	(4.8)%
Percentage of revenues	5.7%	4.7%		

Depreciation expense for the year ended December 31, 2018 decreased \$0.5 million or 4.8%. Depreciation in the Healthcare segment decreased \$1.6 million due to the sale of Health eCareers on December 4, 2017. Depreciation in Other decreased \$0.9 million due to the divested businesses in 2018. Depreciation in the Tech-focused segment increased \$2.0 million, which was driven by the development and release of new products and features in 2018 and the latter part of 2017.

#### Amortization of Intangible Assets

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Amortization	\$ 482	\$ 2,138	\$ (1,656)	(77.5)%
Percentage of revenues	0.3%	1.0%		

Amortization expense for the year ended December 31, 2018 decreased \$1.7 million, or 77.5%. The decrease is primarily due to the divestiture of businesses in the Healthcare segment and Other.

#### Impairment of fixed and intangible assets

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Impairment of fixed and intangible assets	\$ —	\$ 2,226	\$ (2,226)	(100.0)%
Percentage of revenues	—%	1.1%		

During 2017, \$2.2 million of capitalized development costs related to getTalent were written off as the getTalent services (included in Other) were discontinued during the third quarter of 2017. No such costs were written off during the year ended December 31, 2018.

*Disposition Related and Other Costs*

	Year Ended December 31,		Increase	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Disposition related and other costs	\$ 7,619	\$ 4,746	\$ 2,873	60.5%
Percentage of revenues	4.7%	2.3%		

Disposition related and other costs, as described in Note 14 of the Notes to Consolidated Financial Statements, increased \$2.9 million or 60.5%. The \$7.6 million of expenses in 2018 was primarily due to the divestitures of the non-tech businesses and the reorganization to the tech-focused strategy, which primarily consisted of severance and retention, lease exit, business closure, professional fees related to activist shareholders, search, financial advisory, and legal services, and other costs to further these strategic objectives.

Disposition related and other costs of \$4.7 million in 2017 are primarily due to severance and other related costs in connection with the divestiture process and the reorganization to the tech-focused strategy.

*Other Operating Income*

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Other operating income	\$ 3,369	\$ 9,992	\$ (6,623)	(66.3)%
Percentage of revenues	2.1%	4.8%		

Other operating income for the year ended December 31, 2018 included a gain of \$4.6 million related to the sale of the RigLogix portion of the Rigzone business on February 20, 2018 and a \$0.8 million gain related to post closing price adjustment to the sale of the Health eCareers business. These gains were partially offset by losses recognized on the sale of the Hcareers business on May 22, 2018 of \$0.8 million, the transfer of majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018 of \$0.7 million and the transfer of majority ownership of the BioSpace business to BioSpace management on January 31, 2018 of \$0.5 million. See also Note 4 of the Notes to Consolidated Financial Statements.

Other operating income for the year ended December 31, 2017 included \$6.7 million of gain on sale from the sale of the Health eCareers business (see Note 4) and proceeds from restitution award of \$3.3 million in the OilPro related legal matter.

*Operating Income*

	Year Ended December 31,	
	2018	2017
	(in thousands, except percentages)	
Revenue	\$ 161,570	\$ 207,950
Operating Income	\$ 11,692	\$ 22,865
Percentage of revenues	7.2%	11.0%

Operating income for the year ended December 31, 2018 was \$11.7 million, a margin of 7.2%, compared to \$22.9 million for the same period in 2017, a margin of 11.0%, and a year over year decrease of \$11.2 million, or 48.9%. Contributing to the higher margin in 2017 was the \$6.7 million gain on the sale of Health eCareers and the \$3.3 million restitution award related to an OilPro legal matter. These increases were partially offset by a \$2.2 million asset impairment in 2017 and the increase in disposition related and other costs of \$2.9 million.

### Interest Expense

	Year Ended December 31,		Decrease	Percent Change
	2018	2017		
	(in thousands, except percentages)			
Interest expense	\$ 2,054	\$ 3,445	\$ (1,391)	(40.4)%
Percentage of revenues	1.3%	1.7%		

Interest expense for the year ended December 31, 2018 decreased \$1.4 million or 40.4% from the same period in 2017 primarily due to lower weighted-average debt outstanding during the year ended December 31, 2018.

### Income Taxes

	Year Ended December 31,	
	2018	2017
	(in thousands, except percentages)	
Income before income taxes	\$ 9,602	\$ 19,397
Income tax expense	2,428	3,419
Effective tax rate	25.3%	17.6%

A reconciliation between tax expense at the federal statutory rate and the reported income tax expense is summarized as follows:

	Year Ended December 31,	
	2018	2017
Federal statutory rate	\$ 2,016	\$ 6,789
Loss on sale of businesses	(6,111)	(1,571)
Stock-based compensation	2,112	1,414
State taxes, net of federal effect	(38)	35
Difference between foreign and U.S. rates	(102)	(1,054)
Change in accrual for unrecognized tax benefits	(1,179)	1,003
U.S. tax on global intangible low-taxed income, net of credits	229	—
Executive compensation	126	—
Currency translation gains	219	—
Gross tax on foreign dividend	—	275
Foreign tax credits	—	(275)
U.S. transition tax on foreign earnings	368	2,962
Federal rate change impact on deferred tax liabilities	—	(3,281)
Research and development tax credits	(481)	(1,764)
Change in valuation allowances	5,117	(780)
Other	152	(334)
Income tax expense	<u>\$ 2,428</u>	<u>\$ 3,419</u>

Our effective income tax rate was 25.3% and 17.6% for the years ended December 31, 2018 and 2017, respectively. The 2018 tax rate differed from the federal statutory rate because of permanent book/tax differences in basis related to the gain or loss on sale of businesses; tax deficiencies in stock-based compensation; a decreased accrual for unrecognized tax benefits; and an increase in the valuation allowance for capital loss carryforwards. The 2017 tax rate differed from the federal statutory rate for a number of reasons, including the allocation of income between the U.S. and foreign jurisdictions; permanent book/tax differences in basis related to the gain or loss on sale of businesses; tax deficiencies in stock-based compensation; an increased accrual for unrecognized tax benefits; the transition tax on foreign earnings; a decrease in deferred tax liabilities because of a change in the federal statutory rate; credits for research and development; and a reduction in the valuation allowance for foreign tax credits.

### Earnings per Share

	Year Ended December 31,	
	2018	2017
	(in thousands, except per share amounts)	
Net income	\$ 7,174	\$ 15,978
Weighted-average shares outstanding-diluted	49,605	48,230
Diluted earnings per share	0.14	0.33

Diluted earnings per share was \$0.14 and \$0.33 for the years ended December 31, 2018 and 2017, respectively, a decrease of \$0.19. The decrease was primarily due to 2017 including a \$6.6 million gain on the sale of Health eCareers and \$3.3 million in restitution awards, partially offset by a \$2.9 million increase in disposition related and other costs in 2018.

### Liquidity and Capital Resources

#### Non-GAAP Financial Measures

We have provided certain non-GAAP financial information as additional measures for our operating results. These measures are not in accordance with, or an alternative for, measures in accordance with U.S. GAAP and may be different from similarly titled non-GAAP measures reported by other companies. We believe the presentation of non-GAAP measures, such as Adjusted Revenues, Adjusted EBITDA and Adjusted EBITDA margin, provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations.

#### Adjusted Revenues

Adjusted Revenues is a non-GAAP metric used by management to measure operating performance. Adjusted Revenues represents Revenues less the revenues of divested businesses. We consider Adjusted Revenues to be an important measure to evaluate the performance of our ongoing businesses and provide comparable results excluding our divestitures.

#### Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP metrics used by management to measure operating performance. Management uses Adjusted EBITDA as a performance measure for internal monitoring and planning, including preparation of annual budgets, analyzing investment decisions and evaluating profitability and performance comparisons between us and our competitors. The Company also uses this measure to calculate amounts of performance based compensation under the senior management incentive bonus program. Adjusted EBITDA represents net income plus (to the extent deducted in calculating such net income) interest expense, income tax expense, depreciation and amortization, non-cash stock based compensation, losses resulting from certain dispositions outside the ordinary course of business including prior negative operating results of those divested businesses, certain writeoffs in connection with indebtedness, impairment charges with respect to long-lived assets, expenses incurred in connection with an equity offering or any other offering of securities by the Company, extraordinary or non-recurring non-cash expenses or losses, transaction costs in connection with the credit agreement, deferred revenues written off in connection with acquisition purchase accounting adjustments, writeoff of non-cash stock based compensation expense, severance and retention costs related to dispositions and reorganizations of the Company, and losses related to legal claims and fees that are unusual in nature or infrequent, minus (to the extent included in calculating such net income) non-cash income or gains, interest income, business interruption insurance proceeds, and any income or gain resulting from certain dispositions outside the ordinary course of business, including prior positive operating results of those divested businesses, and gains related to legal claims that are unusual in nature or infrequent.

We also consider Adjusted EBITDA, as defined above, to be an important indicator to investors because it provides information related to our ability to provide cash flows to meet future debt service, capital expenditures and working capital requirements and to fund future growth. We present Adjusted EBITDA as a supplemental performance measure because we believe that this measure provides our Board, management and investors with additional information to measure our performance, provide comparisons from period to period and company to company by excluding potential differences caused by variations in capital structures (affecting interest expense) and tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and to estimate our value.



We understand that although Adjusted EBITDA is frequently used by securities analysts, lenders and others in their evaluation of companies, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our liquidity or results as reported under GAAP. Some limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

To compensate for these limitations, management evaluates our liquidity by considering the economic effect of excluded expense items independently, as well as in connection with its analysis of cash flows from operations and through the use of other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis.

Adjusted EBITDA Margin is computed as Adjusted EBITDA divided by Adjusted Revenues. Adjusted Revenues, Adjusted EBITDA and Adjusted EBITDA Margin are not measurements of our financial performance under GAAP and should not be considered as an alternative to revenue, net income, operating income, cash provided by operating activities, or any other performance measures derived in accordance with GAAP as a measure of our profitability or liquidity.

A reconciliation of Adjusted Revenues for the years ended December 31, 2019, 2018 and 2017 follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Revenues	\$ 149,370	\$ 161,570	\$ 207,950
Health eCareers <sup>(1)</sup>	—	—	(24,354)
Hcareers <sup>(2)</sup>	—	(5,329)	(14,368)
Rigzone <sup>(3)</sup>	—	(3,771)	(7,171)
BioSpace <sup>(4)</sup>	—	(212)	(3,592)
Adjusted Revenues	<u>\$ 149,370</u>	<u>\$ 152,258</u>	<u>\$ 158,465</u>

(1) The Company sold Health eCareers on December 4, 2017.

(2) The Company sold Hcareers on May 22, 2018.

(3) The Company sold the Riglogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of remaining Rigzone business to Rigzone management on August 31, 2018.

(4) The Company transferred majority ownership to BioSpace management on January 31, 2018.

A reconciliation of Adjusted EBITDA for the years ended December 31, 2019, 2018 and 2017 follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Reconciliation of Net Income to Adjusted EBITDA:</b>			
<b>Net income</b>	<b>\$ 12,551</b>	<b>\$ 7,174</b>	<b>\$ 15,978</b>
Interest expense	703	2,054	3,445
Income tax expense	3,773	2,428	3,419
Depreciation	9,743	9,280	9,752
Amortization of intangible assets	—	482	2,138
Non-cash stock based compensation	5,704	6,606	8,608
Impairment of fixed and intangible assets	—	—	2,226
(Gain) loss on sale of businesses, net	537	(3,369)	(6,699)
Costs related to strategic alternatives process	—	—	807
Disposition related and other costs	1,700	7,619	4,746
Proceeds from restitution award	—	—	(3,293)
Legal contingencies and related fees	149	1,965	739
Divested businesses	—	(2,243)	(4,916)
Other	(1)	36	23
Adjusted EBITDA	<u>\$ 34,859</u>	<u>\$ 32,032</u>	<u>\$ 36,973</u>

Reconciliation of Operating Cash Flows to Adjusted EBITDA:

<b>Net cash provided by operating activities</b>	<b>\$ 22,923</b>	<b>\$ 14,918</b>	<b>\$ 34,409</b>
Interest expense	703	2,054	3,445
Amortization of deferred financing costs	(147)	(342)	(690)
Income tax expense	3,773	2,428	3,419
Deferred income taxes	(2,493)	(2,699)	(212)
Change in accrual for unrecognized tax benefits	(107)	1,179	(346)
Change in accounts receivable	(1,694)	(11,947)	(1,976)
Change in deferred revenue	4,583	18,866	(712)
Costs related to strategic alternatives process	—	—	807
Disposition related and other costs	1,700	7,619	4,746
Proceeds from restitution award	—	—	(3,293)
Legal contingencies and related fees	149	1,965	739
Divested businesses	—	(2,243)	(4,916)
Changes in working capital and other	5,469	234	1,553
Adjusted EBITDA	<u>\$ 34,859</u>	<u>\$ 32,032</u>	<u>\$ 36,973</u>

A reconciliation of Adjusted EBITDA Margin for the years ended December 31, 2019, 2018 and 2017 follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Adjusted Revenues	\$ 149,370	\$ 152,258	\$ 158,465
Adjusted EBITDA	\$ 34,859	\$ 32,032	\$ 36,973
Adjusted EBITDA Margin	23%	21%	23%

### Cash Flows

We have summarized our cash flows for the years ended December 31, 2019, 2018 and 2017 as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Cash from operating activities	\$ 22,923	\$ 14,918	\$ 34,409
Cash from (used in) investing activities	(11,505)	7,489	(775)
Cash used in financing activities	(12,423)	(27,174)	(44,781)

We have financed our operations primarily through cash provided by operating activities and borrowings under our revolving credit facility. At December 31, 2019, we had cash of \$5.4 million compared to \$6.5 million at December 31, 2018. Cash held by foreign subsidiaries totaled approximately \$1.9 million and \$2.2 million at December 31, 2019 and 2018, respectively. Cash and cash equivalent balances and cash generation in the United States, along with the unused portion of our revolving credit facility, are sufficient to maintain liquidity and meet our obligations without being dependent on cash and earnings from our foreign subsidiaries.

### Liquidity

Our principal internal sources of liquidity are cash on hand, as well as the cash flow that we generate from our operations. In addition, we had \$80.0 million in borrowing capacity under our \$90.0 million Credit Agreement at December 31, 2019, subject to certain availability limits including our consolidated leverage ratio, which generally limits borrowings to 2.5 times annual adjusted EBITDA levels, as defined in the Credit Agreement. We believe that our existing U.S. cash and cash equivalents, cash generated from operations and available borrowings under our Credit Agreement will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months and the foreseeable future thereafter. However, it is possible that one or more lenders under the revolving credit facility may refuse or be unable to satisfy their commitment to lend to us or we may need to refinance our debt and be unable to do so. In addition, our liquidity could be negatively affected by a decrease in demand for our products and services. We may also make acquisitions and may need to raise additional capital through future debt financings or equity offerings to the extent necessary to fund such acquisitions, which we may not be able to do on a timely basis or on terms satisfactory to us or at all.

### Comparison of Years Ended December 31, 2019 and 2018

#### Operating Activities

Net cash flows from operating activities primarily consist of net income adjusted for certain non-cash items, including depreciation, amortization, changes in deferred tax assets and liabilities, stock based compensation and the effect of changes in working capital. Net cash flows from operating activities were \$22.9 million and \$14.9 million for the years ended December 31, 2019 and 2018, respectively, an increase of \$8.0 million. Cash inflow from operations is driven by earnings and is dependent on the amount and timing of billings and cash collection from our customers. Cash provided by operating activities during the year ended December 31, 2019 increased due to increased income before changes in working capital and a change in billing terms implemented in the first half of 2018 to bring them in line with market standards, which reduced operating cash flows during the 2018 period. The impact of this change was most significant in the first half of 2018 and then diminished throughout the remainder of the year and has substantially stabilized in 2019.

#### Investing Activities

During the year ended December 31, 2019, cash used in investing activities was \$11.5 million compared to \$7.5 million of cash provided by investing activities during the year ended December 31, 2018. Cash used by investing activities during the year ended December 31, 2019 was attributable to the acquisition of fixed assets, including costs of internally developed software, of \$14.2 million, partially offset by escrow cash received from the sale of the non-tech businesses of \$2.7 million. Cash provided by investing activities during the year ended December 31, 2018 was attributable to net cash received from the sale of businesses of \$17.5 million, partially offset by the acquisition of fixed assets, including costs of internally developed software, of \$10.1 million.

#### Financing Activities

Cash used in financing activities during the year ended December 31, 2019 was \$12.4 million primarily due to \$8.0 million of net repayments on long-term debt and \$2.5 million of repurchases of common stock. Cash used during the year ended December 31, 2018 was \$27.2 million primarily due to \$24.0 million of net repayments on long-term debt and \$2.0 million of repurchase of common stock.

## **Comparison of Years Ended December 31, 2018 and 2017**

### *Operating Activities*

Net cash flows from operating activities primarily consist of net income adjusted for certain non-cash items, including depreciation, amortization, changes in deferred tax assets and liabilities, stock based compensation, impairment of intangible goodwill and fixed and intangible assets, gain or loss on the sale of businesses, and the effect of changes in working capital. Net cash flows from operating activities were \$14.9 million and \$34.4 million for the years ended December 31, 2018 and 2017, respectively, a decrease of \$19.5 million. Cash inflow from operations is driven by earnings and is dependent on the amount and timing of billings and cash collection from our customers. Cash provided by operating activities during the year ended December 31, 2018 decreased due to \$11.0 million lower earnings, which includes cash flows from operating activities, excluding changes in working capital, and \$8.5 million from changes in working capital. The lower earnings are primarily due to lower adjusted revenues of \$6.1 million and the increase in disposition related and other costs of \$2.9 million during the year ended December 31, 2018. In addition, the proceeds from restitution award of \$3.3 million in the year ended December 31, 2017 did not recur in the same period of 2018. The changes in working capital are primarily due to increased flexibility in the Company's billing terms to customers to bring them in line with market standards.

### *Investing Activities*

During the year ended December 31, 2018, cash provided by investing activities was \$7.5 million compared to \$0.8 million of cash used during the year ended December 31, 2017, an increase of \$8.3 million. Cash from investing activities during the year ended December 31, 2018 was attributable to net cash received from the sale of businesses of \$17.5 million, partially offset by the acquisition of fixed assets, including costs of internally developed software, of \$10.1 million. Cash used in investing activities during the year ended December 31, 2017 was attributable to \$13.2 million used to acquire fixed assets, including costs of internally developed software, partially offset by \$12.9 million of net cash proceeds from the sale of the Health eCareers.

### *Financing Activities*

Cash used in financing activities during the year ended December 31, 2018 was \$27.2 million primarily due to \$24.0 million of net repayments on long-term debt and \$2.0 million of repurchases of common stock. Cash used during the year ended December 31, 2017 was \$44.8 million primarily due to \$44.0 million of payments on long-term debt.

## **Financings and Capital Requirements**

### *Credit Agreement*

In November 2018, the Company, together with Dice Inc. (a wholly-owned subsidiary of the Company) and its wholly-owned subsidiary, Dice Career Solutions, Inc. (collectively, the "Borrowers") entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement"), which matures in November 2023, and replaced the previously existing credit agreement dated November 2015. The Credit Agreement provides for a revolving loan facility of \$90 million, with an Expansion Option up to \$140 million, as permitted under the terms of the Credit Agreement. The Company borrowed \$18 million to repay, in full, all outstanding indebtedness, including accrued interest, under the previous credit agreement and to pay certain costs associated with the Credit Agreement. Unamortized debt issuance costs of \$0.2 million were recorded to interest expense at the time of reduction.

Borrowings under the Credit Agreement bear interest, at the Company's option, at a LIBOR rate or a base rate plus a margin. The margin ranges from 1.75% to 2.50% on LIBOR loans and 0.75% to 1.50% on base rate loans, determined by the Company's most recent consolidated leverage ratio. The facility may be prepaid at any time without penalty.

The Credit Agreement contains various customary affirmative and negative covenants and also contains certain financial covenants, including a consolidated leverage ratio and a consolidated interest coverage ratio. Borrowings are allowed under the Credit Agreement to the extent the consolidated leverage ratio, calculated on a pro forma basis, is equal to or less than 2.50 to 1.00. Negative covenants include restrictions on incurring certain liens; making certain payments, such as stock repurchases and dividend payments; making certain investments; making certain acquisitions; making certain dispositions; and incurring additional indebtedness. Restricted payments are allowed under the Credit Agreement to the extent the consolidated leverage ratio, calculated on a pro forma basis, is equal to or less than 2.00 to 1.00, plus an additional \$5.0 million of restricted payments. The Credit Agreement also provides that the payment of obligations may be accelerated upon the occurrence of customary events of default, including, but not limited to, non-payment, change of control, or insolvency. As of December 31, 2019, the Company was in compliance with all of the financial covenants under the Credit Agreement. Refer to Note 10 in the Notes to the Condensed Consolidated Financial Statements.

The obligations under the Credit Agreement are guaranteed by two of the Company's U.S. based wholly-owned subsidiaries and secured by substantially all of the assets of the Borrowers and the guarantors and stock pledges from certain of the Company's foreign subsidiaries.

#### *Other Capital Requirements*

We anticipate capital expenditures in 2020 to be approximately \$16 million to \$18 million. The increase over prior periods is due to the additional investments in the development of new products and features. We intend to use operating cash flows to fund capital expenditures.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Commitments and Contingencies**

The following table presents certain minimum payments due and the estimated timing under contractual obligations with minimum firm commitments as of December 31, 2019:

	Payments due by period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Credit Agreement	\$ 10,000	\$ —	\$ —	\$ 10,000	\$ —
Operating lease obligations	22,884	4,392	7,616	6,425	4,451
<b>Total contractual obligations</b>	<b>\$ 32,884</b>	<b>\$ 4,392</b>	<b>\$ 7,616</b>	<b>\$ 16,425</b>	<b>\$ 4,451</b>

We make commitments to purchase advertising from online vendors which we pay for on a monthly basis. We have no significant long-term obligations to purchase a fixed or minimum amount with these vendors.

Our principal commitments consist of obligations under operating leases for office space and equipment and long-term debt. As of December 31, 2019, we had \$10.0 million outstanding under our Credit Agreement. Interest payments are due quarterly or at varying, specified periods (to a maximum of three months) based on the type of loan (LIBOR or base rate loan) we choose. See Note 10 "Indebtedness" in our consolidated financial statements for additional information related to our Credit Agreement.

Future interest payments on our Credit Agreement are variable due to our interest rate being based on a LIBOR rate or a base rate. Assuming an interest rate of 3.56% (the rate in effect on December 31, 2019) on our current borrowings, interest payments are expected to be \$0.4 million per year in 2020-2022 and \$0.3 million in 2023.

As of December 31, 2019, we recorded approximately \$1.8 million of unrecognized tax benefits as liabilities, and we are uncertain if or when such amounts may be settled. Related to the unrecognized tax benefits considered permanent differences, we have also recorded a liability for potential penalties and interest. Included in the balance of unrecognized tax benefits at December 31, 2019 are \$1.8 million of tax benefits that if recognized, would affect the effective tax rate. The Company believes it is reasonably possible that as much as \$0.4 million of its unrecognized tax benefits may be recognized in the next twelve months.

#### **Recent Accounting Pronouncements**

For a discussion of new accounting pronouncements affecting the Company, refer to Note 2 of Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

We have exposure to financial market risks, including changes in foreign currency exchange rates, interest rates, and other relevant market prices.

## **Foreign Exchange Risk**

We conduct business serving multiple markets, in four languages, mainly across Europe, Asia, Australia, and North America using the eFinancialCareers name. Rigzone (sold RigLogix portion of the Rigzone business on February 20, 2018 and DHI transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018), Dice Europe (ceased operations on August 31, 2018) and Hcareers (sold May 22, 2018) also conducted business outside the United States. For the years ended December 31, 2019 and 2018, approximately 20% and 25%, respectively, of our revenues were earned outside the United States and certain of these amounts are collected in local currency. We are subject to risk for exchange rate fluctuations between such local currencies and the British Pound Sterling and between local currencies and the United States dollar and the subsequent translation of the British Pound Sterling to United States dollars. We currently do not hedge currency risk. A decrease in foreign exchange rates during a period would result in decreased amounts reported in our Consolidated Balance Sheets, Consolidated Statements of Operations, Comprehensive Income (Loss), and of Cash Flows. For example, if foreign exchange rates between the British Pound Sterling and United States dollar decreased by 1.0%, the impact on our revenues and expenses during 2019 would have been a decrease of approximately \$0.1 million each.

In connection with Brexit, the global markets and currencies have been adversely impacted, including a decline in the value of the British Pound Sterling as compared to the United States dollar. Volatility in exchange rates could continue as the U.K. negotiates its exit from the E.U. We currently do not hedge our British Pound Sterling exposure and therefore are susceptible to currency risk. In the longer term, any impact from Brexit on us will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect our operations and financial results. In addition, trade talks or pacts between the United States and other nations could adversely affect our operations and financial results.

The financial statements of our non-United States subsidiaries are translated into United States dollars using current exchange rates, with gains or losses included in the cumulative translation adjustment account, which is a component of stockholders' equity. As of December 31, 2019 and 2018, our translation adjustment decreased stockholders' equity by \$29.2 million and \$31.2 million, respectively. The change from December 31, 2018 to December 31, 2019 is primarily attributable to the position of the United States dollar against the British Pound Sterling.

## **Interest Rate Risk**

We have interest rate risk primarily related to borrowings under our Credit Agreement. Borrowings under our Credit Agreement bear interest, at our option, at a LIBOR rate or base rate plus a margin. The margin ranges from 1.75% to 2.50% on the LIBOR loans and 0.75% to 1.50% on the base rate, as determined by our most recent consolidated leverage ratio. As of December 31, 2019, we had outstanding borrowings of \$10.0 million under our Credit Agreement. If interest rates were to rise by 1.0%, annual interest expense on our current borrowings would increase by approximately \$0.1 million.

LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressure may cause LIBOR to disappear entirely or to perform differently than in the past. It is expected that certain banks will stop reporting information used to set LIBOR at the end of 2021 when their reporting obligations cease. This would effectively end the usefulness of LIBOR and may end its publication. The consequences of these developments cannot be entirely predicted but, as noted above, could impact the interest rates of LIBOR loans. If LIBOR is no longer widely available, the Company will pursue alternative interest rate calculations under the Credit Agreement. The Company is evaluating the expected impact of this change on its consolidated financial statements.

**Item 8. Financial Statements and Supplementary Data**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of DHI Group, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DHI Group, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 6, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principles

As discussed in Notes 3 and 6 to the financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, *Leases*, under the modified retrospective method, and contract acquisition costs in 2018 due to adoption of ASU No. 2014-09, *Revenue from Contracts with Customers*, under the modified retrospective method.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
February 6, 2020

We have served as the Company's auditor since 2005.



**DHI GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2019 and 2018**  
**(in thousands, except per share data)**

	December 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,381	\$ 6,472
Accounts receivable, net of allowance for doubtful accounts of \$708 and \$647	21,158	22,850
Income taxes receivable	2,353	2,203
Prepaid and other current assets	4,180	7,330
<b>Total current assets</b>	<b>33,072</b>	<b>38,855</b>
Fixed assets, net	20,352	15,890
Acquired intangible assets	39,000	39,000
Capitalized contract costs	7,515	7,939
Goodwill	156,059	153,974
Deferred income taxes	7	136
Operating lease right-of-use asset	19,712	—
Other assets	2,604	2,591
<b>Total assets</b>	<b>\$ 278,321</b>	<b>\$ 258,385</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 18,908	\$ 25,030
Operating lease liabilities	3,643	—
Deferred revenue	50,568	54,723
Income taxes payable	984	1,168
<b>Total current liabilities</b>	<b>74,103</b>	<b>80,921</b>
Long-term debt, net	9,435	17,288
Deferred income taxes	12,823	10,444
Deferred revenue	1,058	1,363
Accrual for unrecognized tax benefits	1,787	1,680
Operating lease liabilities	16,664	—
Other long-term liabilities	1,256	1,334
<b>Total liabilities</b>	<b>117,126</b>	<b>113,030</b>
Commitments and contingencies (Note 11)		
Stockholders' equity		
Convertible preferred stock, \$.01 par value, authorized 20,000 shares; no shares issued and outstanding	—	—
Common stock, \$.01 par value, authorized 240,000; issued 69,509 and 87,522 shares, respectively; outstanding: 53,918 and 53,396 shares, respectively	696	876
Additional paid-in capital	227,227	383,123
Accumulated other comprehensive loss	(29,248)	(31,236)
Accumulated earnings	83,986	71,435
Treasury stock, 15,591 and 34,126 shares, respectively	(121,466)	(278,843)
<b>Total stockholders' equity</b>	<b>161,195</b>	<b>145,355</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 278,321</b>	<b>\$ 258,385</b>

See accompanying notes to the consolidated financial statements.

**DHI GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the years ended December 31, 2019, 2018 and 2017**  
**(in thousands, except per share amounts)**

	For the year ended December 31,		
	2019	2018	2017
Revenues	\$ 149,370	\$ 161,570	\$ 207,950
Operating expenses:			
Cost of revenues	16,237	18,344	29,974
Product development	17,216	20,212	24,984
Sales and marketing	55,909	59,721	80,508
General and administrative	31,003	37,589	40,749
Depreciation	9,743	9,280	9,752
Amortization of intangible assets	—	482	2,138
Impairment of fixed assets	—	—	2,226
Disposition related and other costs (Note 14)	1,700	7,619	4,746
Total operating expenses	<u>131,808</u>	<u>153,247</u>	<u>195,077</u>
Other operating income (loss):			
Gain (loss) on sale of businesses (Note 4)	(537)	3,369	6,699
Proceeds from restitution award	—	—	3,293
Total other operating income (loss)	<u>(537)</u>	<u>3,369</u>	<u>9,992</u>
Operating income	17,025	11,692	22,865
Interest expense and other	(701)	(2,054)	(3,445)
Other expense	—	(36)	(23)
Income before income taxes	16,324	9,602	19,397
Income tax expense	3,773	2,428	3,419
Net income	<u>\$ 12,551</u>	<u>\$ 7,174</u>	<u>\$ 15,978</u>
Basic earnings per share	\$ 0.26	\$ 0.15	\$ 0.33
Diluted earnings per share	\$ 0.24	\$ 0.14	\$ 0.33
Weighted-average basic shares outstanding	48,739	48,520	47,908
Weighted-average diluted shares outstanding	51,633	49,605	48,230

*See accompanying notes to the consolidated financial statements.*

**DHI GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2019, 2018, and 2017**  
**(in thousands)**

	<b>For the year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net income	\$ 12,551	\$ 7,174	\$ 15,978
Foreign currency translation adjustment	1,988	(3,906)	4,946
Total other comprehensive income (loss)	1,988	(3,906)	4,946
Comprehensive income	<u>\$ 14,539</u>	<u>\$ 3,268</u>	<u>\$ 20,924</u>

*See accompanying notes to the consolidated financial statements.*

DHI GROUP, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
For the years ended December 31, 2019, 2018, and 2017 (in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total
	Shares Issued	Amount	Shares Issued	Amount					
<b>Balance at January 1, 2017</b>	—	\$ —	81,989	\$ 820	\$ 366,247	\$ (274,986)	\$ 44,078	\$ (32,276)	\$ 103,883
Net income							15,978		15,978
Other comprehensive income								4,946	4,946
Stock based compensation					8,608				8,608
Restricted stock issued			1,725	17					17
Restricted stock forfeited or withheld to satisfy tax obligations			(655)	(7)		(1,187)			(1,194)
Exercise of common stock options			66	1	402				403
Cumulative-effect of new accounting principle (see Note 2)					280		(280)		—
<b>Balance at December 31, 2017</b>	—	—	83,125	831	375,537	(276,173)	59,776	(27,330)	132,641
Net income							7,174		7,174
Other comprehensive income								(3,906)	(3,906)
Stock based compensation					6,606				6,606
Restricted stock issued			4,087	41					41
Restricted stock forfeited or withheld to satisfy tax obligations			(440)	(4)		(693)			(697)
Performance-based restricted stock units eligible to vest			750	8					8
Cumulative-effect of new accounting principle (see Note 2)							4,485		4,485
Unclaimed shareholder liability (see Note 12)					980				980
Purchase of treasury stock under stock repurchase plan						(1,977)			(1,977)
<b>Balance at December 31, 2018</b>	—	—	87,522	876	383,123	(278,843)	71,435	(31,236)	145,355
Net income							12,551		12,551
Other comprehensive income								1,988	1,988
Stock based compensation					5,704				5,704
Restricted stock issued			2,258	23					23
Restricted stock forfeited or withheld to satisfy tax obligations			(560)	(5)		(1,904)			(1,909)
Performance-based restricted stock units eligible to vest			449	4					4
Performance-based restricted stock units forfeited			(160)	(2)					(2)
Retirement of treasury stock (see Note 12)			(20,000)	(200)	(161,600)	\$ 161,800			—
Purchase of treasury stock under stock repurchase plan						(2,519)			(2,519)
<b>Balance at December 31, 2019</b>	—	\$ —	69,509	\$ 696	\$ 227,227	\$ (121,466)	\$ 83,986	\$ (29,248)	\$ 161,195

See accompanying notes to the consolidated financial statements.

**DHI GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2019, 2018 and 2017**  
**(in thousands)**

	For the year ended December 31,		
	2019	2018	2017
Cash flows from (used in) operating activities:			
Net income	\$ 12,551	\$ 7,174	\$ 15,978
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	9,743	9,280	9,752
Amortization of intangible assets	—	482	2,138
Deferred income taxes	2,493	2,699	212
Amortization of deferred financing costs	147	342	690
Stock based compensation	5,704	6,606	8,608
Impairment of fixed assets	—	—	2,226
Change in accrual for unrecognized tax benefits	107	(1,179)	346
(Gain) loss on sale of businesses	537	(3,369)	(6,699)
Changes in operating assets and liabilities:			
Accounts receivable	1,694	11,947	1,976
Prepaid expenses and other assets	(904)	1,759	(1,120)
Capitalized contract costs	453	(3,236)	—
Accounts payable and accrued expenses	(5,621)	1,743	1,659
Income taxes receivable/payable	(338)	(972)	(2,111)
Deferred revenue	(4,583)	(18,866)	712
Other, net	940	508	42
Net cash flows from operating activities	<u>22,923</u>	<u>14,918</u>	<u>34,409</u>
Cash flows from (used in) investing activities:			
Cash received from sale of business, net	2,683	17,542	12,947
Purchases of fixed assets	(14,188)	(10,053)	(13,222)
Purchases of cost method investments	—	—	(500)
Net cash flows from (used in) investing activities	<u>(11,505)</u>	<u>7,489</u>	<u>(775)</u>
Cash flows from (used in) financing activities:			
Payments on long-term debt	(28,000)	(31,000)	(44,000)
Proceeds from long-term debt	20,000	7,000	—
Payments under stock repurchase plan	(2,519)	(1,977)	—
Proceeds from stock option exercises	—	—	403
Purchase of treasury stock related to vested restricted stock	(1,904)	(693)	(1,184)
Financing costs paid	—	(504)	—
Net cash flows used in financing activities	<u>(12,423)</u>	<u>(27,174)</u>	<u>(44,781)</u>
Effect of exchange rate changes	(86)	(829)	228
Net change in cash and cash equivalents for the period	<u>(1,091)</u>	<u>(5,596)</u>	<u>(10,919)</u>
Cash and cash equivalents, beginning of period	6,472	12,068	22,987
Cash and cash equivalents, end of period	<u>\$ 5,381</u>	<u>\$ 6,472</u>	<u>\$ 12,068</u>

*See accompanying notes to the consolidated financial statements.*

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## **1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

DHI Group, Inc. (“DHI” or the “Company”), a Delaware corporation, was incorporated on June 28, 2005. DHI is a leading provider of data, insights and employment connections through its specialized services for technology professionals and other select online communities. Its mission is to empower tech professionals and organizations to compete and win through expert insights and relevant employment connections. Employers and recruiters use its websites and services to source, hire and connect with the most qualified and highly-skilled tech professionals, while professionals use its websites and services to find ideal employment opportunities, relevant job advice and tailored career-related data. For over 25 years, through its predecessor companies, the Company was built on providing employers and professionals with career connections, news, tools and information. The Company serves multiple markets located throughout North America, Europe, the Middle East and the Asia Pacific region.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**—The consolidated financial statements include the accounts of DHI and its wholly-owned subsidiaries and cost method investment. All intercompany balances and transactions have been eliminated in consolidation.

**Revenue Recognition**—On January 1, 2018, we adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for periods beginning after January 1, 2018 are presented under Topic 606, while prior periods are reported under the accounting standards in effect for the period presented.

Under Topic 606, we recognize revenue when control of the promised goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to receive in exchange for those goods or services. Revenue is recognized net of customer discounts ratably over the service period. Billings with customers are based on contractual schedules. Customer billings delivered in advance and payments received in advance of services being rendered are recorded as deferred revenue and recognized over the service period. We generate revenues from the following sources:

**Recruitment packages.** Recruitment package revenues are derived from the sale to recruiters and employers of a combination of job postings and access to a searchable database of candidates on Dice, ClearanceJobs, eFinancialCareers and Rigzone (sold the RigLogix portion of the Rigzone business on February 20, 2018 and DHI transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018). Certain of the Company’s arrangements include multiple performance obligations, which primarily consists of the ability to post jobs and access to a searchable database of candidates. The Company determines the units of accounting for multiple performance obligations in accordance with Topic 606. Specifically, the Company considers a performance obligation as a separate unit of accounting if it has value to the customer on a standalone basis. The Company’s arrangements do not include a general right of return. Services to customers buying a package of available job postings and access to the database are delivered over the same period and revenue is recognized ratably over the length of the underlying contract, typically from one to twelve months. The separation of the package into two deliverables results in no change in revenue recognition since delivery of the two services occurs over the same time period.

**Advertising revenue.** Advertising revenue is recognized over the period in which the advertisements are displayed on the websites or at the time a promotional e-mail is sent out to the audience.

**Classified revenue.** Classified job posting revenues are derived from the sale of job postings to recruiters and employers. A job posting is the ability to list a job on the website for a specified time period. Revenue from the sale of classified job postings is recognized ratably over the length of the contract or the period of actual usage.

**Data services revenue.** Access to the Company’s database of energy industry data is provided to customers for a fee. Data services revenue is recognized ratably over the length of the underlying contract, typically from one to twelve months. The data services business, called RigLogix, was sold on February 20, 2018.

**Career fair and recruitment event booth rentals.** Career fair and recruitment event revenues are derived from renting booth space to recruiters and employers. Revenue from these sales are recognized when the career fair or recruitment event is held.

**Concentration of Credit Risk**—Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand. The Company believes it is not exposed to any significant credit risk.

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. No single customer represents 10% or more of revenues for the years ended December 31, 2019, 2018 and 2017.

**Allowance for Doubtful Accounts**—The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of DHI's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

**Statements of Cash Flows**—All bank deposits are considered cash and cash equivalents.

The supplemental disclosures to the accompanying consolidated statements of cash flows are as follows (in thousands):

	2019	2018	2017
Supplemental cash flow information:			
Interest paid	\$ 639	\$ 1,807	\$ 3,254
Taxes paid	1,506	2,634	4,697
Non-cash investing and financing activities:			
Capital expenditures on fixed assets included in accounts payable and accrued expenses	140	223	63

**Investments**— During 2017, pursuant to the achievement of certain performance milestones, the Company purchased additional preferred stock representing a 2.3% interest in the fully diluted shares of a leading tech skills assessment company for \$0.5 million, bringing its total interest to 10.0%. During the year ended December 31, 2018, the skills assessment company completed an additional equity offering, lowering DHI's total interest to 7.6%. As of December 31, 2019, it was not practicable to estimate the fair value of the preferred stock as the shares are not traded. The Company has elected the measurement alternative in accordance with FASB ASC 321, *Investments - Equity Securities*, and is carrying the investment at its original cost of \$2.0 million. The investment is included in other assets on the consolidated balance sheets.

On January 31, 2018, the Company transferred a majority ownership of the BioSpace business to BioSpace management with zero proceeds received from the transfer. The Company retained a 20% preferred share interest in the BioSpace business. The fair value of the investment was estimated to be zero at the time of the transfer. As of December 31, 2019, it was not practicable to estimate the fair value of the preferred stock investment as the shares are not traded. The investment is recorded at cost, which is zero. Upon a liquidation, sale or change in control of BioSpace within five years of January 31, 2018, the Company has the right to the first \$1.0 million of proceeds or the option to convert its 20% preferred stock interest to a 20% common stock interest. On January 31, 2023, the 20% preferred share interest will convert to a 20% common share interest.

Rigzone is a website dedicated to delivering online content, data, and career services in the oil and gas industry in North America, Europe, the Middle East, 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. On August 31, 2018, the Company transferred a majority ownership of the Rigzone business to Rigzone management, while retaining a 40% common share interest, with zero proceeds received from the transfer. The Company agreed to provide \$0.4 million of funding to the Rigzone business, which was recorded in accounts payable and accrued expenses on the consolidated balance sheets as of December 31, 2018. The Company has no further funding requirements to the Rigzone business. The Company has evaluated the 40% common share investment in the Rigzone business and has determined the investment meets the definition and criteria of a variable interest entity ("VIE"). The Company evaluated the VIE and determined that the Company does not have a controlling financial interest in the VIE, as the Company does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. The common share interest is being accounted for under the equity method of accounting as the Company has the ability to exercise significant influence over Rigzone. As accumulated earnings of the VIE have been approximately zero since the date of transfer, the investment continues to be recorded at cost, which was zero at December 31, 2019.

**Fixed Assets**—Depreciation of equipment, furniture and fixtures, computer software and capitalized website development costs are provided under the straight-line method over estimated useful lives ranging from two to five years. Amortization of leasehold improvements is provided over the shorter of the term of the related lease or the estimated useful life of the improvement. The cost of additions and betterments is capitalized, and repairs and maintenance costs are charged to operations in the periods incurred.

**Capitalized Software Costs**—Capitalized software costs consist of costs to purchase and develop software for internal use. The Company capitalizes certain incurred software development costs in accordance with the Internal Use Software subtopic of the

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

FASB ASC. Costs incurred during the application-development stage for software bought and further customized by outside vendors for the Company's use and software developed by a vendor for the Company's proprietary use have been capitalized.

**Website Development Costs**—The Company capitalizes certain costs incurred in designing, developing, testing and implementing enhancements to its websites. These costs are amortized over the enhancement's estimated useful life, which generally approximates two years. Costs related to the planning and post implementation phases of website development efforts are expensed as incurred.

**Goodwill and Indefinite-Lived Acquired Intangible Assets**—Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The indefinite-lived acquired intangible assets include the Dice trademarks and brand name. The Company performs a test for impairment of goodwill and indefinite-lived intangible assets annually on October 1, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the recorded asset is impaired. The impairment review process for goodwill compares the fair value of the reporting unit in which goodwill resides to its carrying value. The impairment review process for indefinite-lived intangible assets compares the fair value of the assets to their carrying value. The determination of whether or not the asset has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the Company's reporting units or the intangible asset. Changes in the Company's strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of goodwill or indefinite-lived intangible assets. See Note 5 for discussion of impairment charges.

**Capitalized Contract Costs**—The Company capitalizes certain contract acquisition costs consisting primarily of commissions paid when contracts are signed. For costs incurred to obtain new business sales contracts, the Company capitalizes and expenses these costs over an average customer life, which was approximately two years as of December 31, 2019. For the remaining sales contracts, the Company capitalizes and expenses these costs over a weighted average contract term, which was approximately one year as of December 31, 2019. See Note 3 for additional contract acquisition cost disclosures.

**Foreign Currency Translation**—For the Company's foreign operations whose functional currency is not the U.S. dollar, the assets and liabilities are translated into U.S. dollars at current exchange rates. Resulting translation adjustments are reflected as Other Comprehensive Income (Loss). Revenue and expenses are translated at average exchange rates for the period. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are charged to operations as incurred.

**Advertising Costs**—The Company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2019, 2018 and 2017 was \$20.1 million, \$26.7 million and \$35.3 million, respectively.

**Income Taxes**—The Company recognizes deferred taxes by the asset and liability method. Under this method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The primary sources of temporary differences are stock-based compensation, amortization and impairment of intangible assets, and depreciation of fixed assets.

**Stock-Based Compensation**—The Company has a plan to grant equity awards to certain employees and directors of the Company and its subsidiaries. See Note 15.

**Fair Value of Financial Instruments**—The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses approximate their fair values. The Company's long-term debt consists of borrowings under its credit facility. See Note 5 for fair value disclosures.

**Risks and Uncertainties**—The Company is subject to the risks, expenses and uncertainties frequently encountered by companies in the rapidly evolving markets for online products and services. These risks include the failure to develop and extend the Company's online service brands, the rejection of the Company's services by consumers, vendors and/or advertisers, the inability of the Company to maintain and increase the levels of traffic on its online services, as well as other risks and uncertainties. In the event that the Company does not successfully execute its business plan, certain assets may not be recoverable.

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. DHI's significant estimates include the useful lives and valuation of fixed assets and intangible assets, goodwill, the income tax valuation allowance, and the assumptions used to value the Performance-Based Restricted Stock Units ("PSUs") of the Company.



**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Earnings per Share**—The Company follows the Earnings Per Share topic of the FASB ASC in computing earnings per share (“EPS”). Basic EPS is calculated by dividing net income by the weighted average number of shares outstanding. When the effects are dilutive, diluted earnings per share is calculated using the weighted average number of shares outstanding, and the dilutive effect of stock-based compensation awards as determined under the treasury stock method. Certain stock awards were excluded from the computation of diluted (loss) earnings per share due to their anti-dilutive effect. See Note 19.

**New Accounting Pronouncements**— In May 2014, FASB issued ASU No. 2014-09 ("Topic 606"), Revenue from Contracts with Customers. Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition, and requires entities to measure and recognize revenue and the related cash flows it expects to be entitled for the transfer of promised goods or services to customers and requires an entity to recognize the incremental costs of obtaining a contract with a customer as an asset if the entity expects to recover those costs over time. Topic 606 became effective for reporting periods beginning after December 15, 2017. Topic 606 provides companies with two implementation methods. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). The Company has chosen the modified retrospective application method and has implement Topic 606 effective January 1, 2018.

The Company has determined that the January 1, 2018 cumulative effect to its revenue streams was an increase of approximately \$0.2 million to deferred revenues, and the cumulative effect to its contract acquisition costs was an increase to contract acquisition cost assets of approximately \$6.1 million, with a net after tax increase to retained earnings of approximately \$4.5 million. The cumulative impact on contract acquisition costs was computed based on contracts in force as of December 31, 2017 using average commission rates on both new business sales to be amortized over approximately two years and the remaining sales contracts to be amortized over approximately one year. See Note 3 to the Notes to the Consolidated Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new standard aims to improve existing U.S. GAAP and will change certain aspects of accounting for equity investments, financial instruments, financial liabilities, and presentation and related disclosures. The updated standard became effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted the new standard in the first quarter of 2018, and has determined the adoption did not have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard has requirements on how to account for leases by both the lessee and the lessor and adds clarification for what constitutes a lease, among other items. The updated standard becomes effective for fiscal years beginning after December 15, 2018 and interim periods the following year, with early adoption permitted. The new standard must be applied using a modified retrospective transition. In July 2018, the FASB issued updated guidance which allows an additional transition method to adopt the new standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. DHI has implemented the new standard effective January 1, 2019 and has elected to recognize a cumulative effect adjustment to the beginning balance of retained earnings in the period of adoption. Adoption of this standard has resulted in a right-of-use asset of \$17.2 million, net of accrued rent and lease exit costs, and related operating lease liability of \$18.0 million being established on the Company's balance sheet on January 1, 2019, with no cumulative-effect adjustment to retained earnings. Right-of-Use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make payments arising from the lease. The Company has implemented processes and tools to assist in the ongoing lease data collection and analysis, and has updated accounting policies and internal controls as a result of adopting this standard.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The Company adopted the standard during the three months ended March 31, 2017. The new standard requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled, rather than in additional paid-in capital. Accordingly, the new standard eliminates the requirement to reclassify excess tax benefits from operating activities to financing activities in the statement of cash flows. Additionally, the Company can now make a policy election to account for forfeitures as they occur. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement were applied prospectively. The tax effect of awards vested resulted in income tax expense of \$1.4 million during the twelve months ended December 31, 2017. The Company will record forfeitures as they occur, rather than estimating in advance. On January 1, 2017, under the modified retrospective transition method as required by the standard, the Company recorded a cumulative-effect adjustment of \$0.3 million to decrease accumulated earnings and increase additional paid-in capital to remove estimated forfeitures on all outstanding equity awards after December 31, 2016.

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In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes how entities will account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current "incurred loss" model with an "expected loss" model that requires consideration of a broader range of information to estimate expected credit losses over the lifetime of a financial asset. ASU 2016-13 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2022 for Smaller Reporting Companies. The Company is evaluating the expected impact of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other*. The new standard eliminates Step 2 from the goodwill impairment test and requires the Company to compare the fair value of a reporting unit with its carrying amount. The Company should recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Accordingly, the Company has adopted the new standard during the year ended December 31, 2017, which did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurements (Topic 820), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removes, modifies, and adds certain disclosure requirements for fair value measurements. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the expected impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The new standard requires entities that are customers in cloud computing arrangements to defer implementation costs if they would be capitalized by the entity in software licensing arrangements under the internal-use software guidance. ASU No. 2018-15 is effective for fiscal years beginning after December 15, 2019 and interim periods within those years and early adoption is permitted. The amendments allow either a retrospective or prospective approach to all implementation costs incurred after adoption. The Company is evaluating the expected impact of this standard on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12 *Simplifying the Accounting for Income Taxes*. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is evaluating the expected impact of this standard on its consolidated financial statements.

### **3. REVENUE RECOGNITION**

On January 1, 2018, the Company adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 will be presented under Topic 606, while prior period amounts will not be adjusted and continue to be reported under the accounting standards in effect prior to January 1, 2018.

We recorded a net increase to opening retained earnings of \$4.5 million as of January 1, 2018 due to the cumulative impact of adopting Topic 606.

The Company recognizes revenue when control of the promised goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to receive in exchange for those goods or services. Revenue is recognized net of customer discounts ratably over the service period. Customer billings delivered in advance of services being rendered are recorded as deferred revenue and recognized over the service period. The Company generates revenue from recruitment packages, advertising, classifieds, data services, and career fair and recruitment event booth rentals.

#### Disaggregation of revenue

Our brands serve various economic professions, such as technology, financial, hospitality (the Hcareers business was sold on May 22, 2018), and energy (sold the RigLogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018). The following table provides information about disaggregated revenue by brand and includes a reconciliation of the disaggregated revenue with reportable segments (in thousands):

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	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Tech-focused	Other	Total	Tech-focused	Other	Total
Dice <sup>(1)</sup>	\$ 92,527	—	\$ 92,527	\$ 94,438	\$ —	\$ 94,438
ClearanceJobs	24,745	—	24,745	21,086	—	21,086
eFinancial Careers	32,098	—	32,098	33,758	—	33,758
Dice Europe <sup>(2)</sup>	—	—	—	2,976	—	2,976
Rigzone <sup>(3)</sup>	—	—	—	—	3,771	3,771
Hcareers <sup>(3)</sup>	—	—	—	—	5,329	5,329
BioSpace <sup>(3)</sup>	—	—	—	—	212	212
<b>Total</b>	<b>\$ 149,370</b>	<b>\$ —</b>	<b>\$ 149,370</b>	<b>\$ 152,258</b>	<b>\$ 9,312</b>	<b>\$ 161,570</b>

(1) Includes Dice U.S. and Career Events (formerly known as Targeted Job Fairs).

(2) The Company ceased Dice Europe operations on August 31, 2018.

(3) The Company sold the RigLogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018. Hcareers was sold on May 22, 2018 and the Company transferred majority ownership of BioSpace to BioSpace management on January 31, 2018.

Revenue for periods ending prior to January 1, 2018 have not been presented under Topic 606.

#### Contract Balances

The following table provides information about opening and closing balances of receivables and contract liabilities from contracts with customers as required under Topic 606 (in thousands):

	As of December 31, 2019	As of December 31, 2018	As of January 1, 2018
Receivables	\$ 21,158	\$ 22,850	\$ 38,769
Short-term contract liabilities (deferred revenue)	50,568	54,723	83,646
Long-term contract liabilities (deferred revenue)	1,058	1,363	—

We receive payments from customers based upon contractual billing schedules; accounts receivable is recorded when customers are invoiced per the contractual billing schedules. As the Company's standard payment terms are less than one year, the Company elected the expedient, where applicable. As a result, the Company did not consider the effects of a significant financing component. Contract liabilities include customer billings delivered in advance of performance under the contract, and associated revenue is realized when services are rendered under the contract.

Receivables increase due to customer billings and decrease by cash collected from customers along with business divestitures. Included in January 1, 2018 is \$4.4 million of receivables related to businesses divested during the year ended December 31, 2018. Contract liabilities increase due to customer billings and are decreased as performance obligations are satisfied under the contracts. Included in January 1, 2018 is \$8.4 million of short-term contract liabilities related to the businesses divested during the year ended December 31, 2018.

The Company recognized the following revenues as a result of changes in the contract liability balances in the respective periods (in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>Revenue recognized in the period from:</b>		
Amounts included in the contract liability at the beginning of the period	\$ 54,825	\$ 75,967

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Transaction price allocated to the remaining performance obligations

Under the guidance of Topic 606, the following table includes estimated deferred revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period (in thousands):

	2020	2021	2022	Total
Tech-focused	\$ 50,568	\$ 1,050	\$ 8	\$ 51,626

Contract acquisition costs

In connection with the adoption of Topic 606, we are required to capitalize certain contract acquisition costs consisting primarily of commissions paid when contracts are signed. As allowed for by the practical expedient, the Company is using a portfolio approach for contract acquisition costs, which allows the new revenue guidance to be applied to a portfolio of contracts with similar characteristics. As a result, the Company has applied the portfolio approach to new business contracts and recurring or remaining business contracts. The Company reasonably expects that the effects of applying the portfolio approach would not differ materially from applying Topic 606 at the individual contract level. As of January 1, 2018, the date we adopted Topic 606, we capitalized \$6.1 million in contract acquisition costs related to contracts that were not completed. The cumulative effect for contract acquisition costs was computed based on contracts in force as of December 31, 2017 using the average commission rates on both new business sales contracts, to be amortized over approximately two years, and the remaining sales contracts to be amortized over approximately one year. For costs incurred to obtain new business sales contracts, we will record these costs over an average customer life, which was determined using customer renewal rates; for the remaining sales contracts, we will record these costs over the weighted average contract term. The Company recorded \$11.8 million and \$10.1 million of expense related to the amortization of contract acquisition costs during the years ended December 31, 2019 and 2018, respectively, and there was no impairment loss incurred. During the year ended December 31, 2018, \$1.2 million of contract acquisition costs were removed due to the sale of BioSpace and the RigLogix portion of the Rigzone business in the first quarter of 2018, the sale of Hcareers in the second quarter of 2018, and the transfer of majority ownership of the remaining Rigzone business to Rigzone management in the third quarter of 2018.

In accordance with Topic 606, the impact of adoption to our consolidated statements of operations was as follows:

(in thousand, except per share amounts)	Year Ended December 31, 2018		
	As Reported	Balance Without Adoption of Topic 606	Effect of Change-Higher (Lower)
Revenues	\$ 161,570	\$ 161,457	\$ 113
Operating expenses	\$ 153,247	\$ 156,129	\$ (2,882)
Gain on sale of businesses	\$ 3,369	\$ 4,568	\$ (1,199)
Operating income	\$ 11,692	\$ 9,896	\$ 1,796
Net income	\$ 7,174	\$ 5,827	\$ 1,347
Basic earnings per share	\$ 0.15	\$ 0.12	\$ 0.03
Diluted earnings per share	\$ 0.14	\$ 0.12	\$ 0.02

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In accordance with Topic 606, the impact of adoption to our consolidated balance sheet was as follows:

(in thousands)	<b>As of December 31, 2018</b>		
	As reported	Balance Without Adoption of Topic 606	Effect of Change- Higher (Lower)
<b>Assets</b>			
Capitalized contract assets	\$ 7,939	\$ —	\$ 7,939
<b>Total Assets</b>	<b>\$ 258,385</b>	<b>\$ 250,446</b>	<b>\$ 7,939</b>
<b>Liabilities &amp; Stockholders Equity</b>			
Deferred revenue	\$ 54,723	\$ 54,610	\$ 113
Deferred income taxes	\$ 10,444	\$ 8,450	\$ 1,994
<b>Total liabilities</b>	<b>\$ 113,030</b>	<b>\$ 110,923</b>	<b>\$ 2,107</b>
<b>Stockholders equity</b>			
Accumulated earnings	\$ 71,435	\$ 65,603	\$ 5,832
<b>Total stockholders' equity</b>	<b>\$ 145,355</b>	<b>\$ 139,523</b>	<b>\$ 5,832</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>\$ 258,385</b>	<b>\$ 250,446</b>	<b>\$ 7,939</b>

In accordance with Topic 606, the impact of adoption to our consolidated statement of cash flows was as follows:

(in thousands)	<b>Year Ended December 31, 2018</b>		
	As Reported	Balance Without Adoption of Topic 606	Effect of Change- Higher (Lower)
Cash flows from operating activities:			
Net Income	\$ 7,174	\$ 5,827	\$ 1,347
Adjustments to reconcile net income to net cash flows from operating activities:			
Deferred income taxes	\$ 2,699	\$ 1,896	\$ 803
Gain on sale of businesses, net	\$ (3,369)	\$ (4,568)	\$ 1,199
Capitalized contract costs	\$ (3,236)	\$ —	\$ (3,236)
Deferred revenue	\$ (18,866)	\$ (18,753)	\$ (113)
Net cash flows from operating activities	\$ 14,918	\$ 14,918	\$ —

#### 4. SALE OF BUSINESSES

The Company transferred a majority ownership of the Rigzone business to Rigzone management on August 31, 2018. The Company retained a 40% common share interest in Rigzone. The Company incurred approximately \$0.4 million in selling costs and recognized a \$0.4 million loss on sale in the third quarter of 2018.

The Company sold the Hcareers business on May 22, 2018 for \$16.5 million and incurred approximately \$1.5 million in selling costs, with \$1.7 million of the purchase price placed in escrow (recorded in prepaid and other current assets), to be released twelve months after the closing date, subject to the terms and conditions of the transaction agreement, including certain contingencies. Additionally, the Company recorded a receivable of \$0.2 million related to working capital, subject to the terms and conditions of the transaction agreement. Net cash proceeds of \$14.0 million were received on the date of sale of Hcareers. As a result of the sale, a \$0.8 million loss was recognized in the second quarter of 2018. During the second quarter of 2019, the escrow of \$1.7 million and working capital terms and related contingencies were finalized resulting in the Company recording an additional loss on sale of \$0.5 million and receiving cash of \$0.7 million from the escrow and \$0.2 million from working capital.

The Company sold the RigLogix portion of the Rigzone business on February 20, 2018 for \$4.2 million and incurred approximately \$0.6 million in selling costs. \$0.4 million of the purchase price was placed in escrow, which was released to the Company in the first quarter of 2019. As a result of the sale, a \$4.6 million gain was recognized in the first quarter of 2018. The gain on sale

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exceeded net proceeds as liabilities transferred in the transaction exceeded assets, primarily due to deferred revenues of \$1.2 million.

The Company transferred a majority ownership of the BioSpace business to BioSpace management on January 31, 2018. The Company retained a preferred share interest in BioSpace, Inc., representing a 20% diluted interest. The Company incurred approximately \$0.3 million in selling costs and recognized a \$0.5 million loss on sale during the year ended December 31, 2018.

The Company sold the Health eCareers business on December 4, 2017 for \$15.0 million and incurred approximately \$0.6 million of selling costs. \$1.5 million of the purchase price was placed in escrow, which was released to the Company in the second quarter of 2019.

## **5. FAIR VALUE MEASUREMENTS**

The FASB ASC topic on Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value and requires certain disclosures for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. As a basis for considering assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses and long-term debt approximate their fair values. The fair value of the long-term debt was estimated using present value techniques and market based interest rates and credit spreads. The estimated fair value of long-term debt is based on Level 2 inputs.

Certain assets and liabilities are measured at fair value on a non-recurring basis. These assets include goodwill and intangible assets which result as acquisitions occur. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable. Such instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, for example, when there is evidence of impairment.

**Impairment**—The impairment review process for goodwill compares the fair value of the reporting unit in which the goodwill resides to the carrying value of that reporting unit. If the fair value of the reporting unit is less than the carrying value, an impairment charge is recorded for the excess of the carrying value over the fair value of the reporting unit. Fair values are determined either by using a discounted cash flow methodology or by using a combination of a discounted cash flow methodology and a market comparable method. The discounted cash flow methodology is based on projections of the amounts and timing of future revenues and cash flows, assumed discount rates and other assumptions as deemed appropriate. Factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements are considered. Additionally, the discounted cash flows analysis takes into consideration cash expenditures for product development, other technological updates and advancements to the websites and investments to improve the candidate databases. The market comparable method indicates the fair value of a business by comparing it to publicly traded companies in similar lines of business or to comparable transactions or assets. Considerations for factors such as size, growth, profitability, risk and return on investment are analyzed and compared to the comparable businesses and adjustments are made. A market value of invested capital of the publicly traded companies is calculated and then applied to the entity's operating results to arrive at an estimate of value.

As required under FASB ASC 360, *Impairment or Disposal of Long-Lived Assets*, an impairment loss shall be recognized only if the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. During 2017, the Company performed an in-depth review of the getTalent product and the market outlook due to slow sales of the product and the high cost of development. Based on the review, the Company determined the required investments to competitively position the product were too high. As a result, the product offering was canceled. The long-lived assets of getTalent were tested for recoverability. This process resulted in an impairment of capitalized website development costs of \$9.3 million, which was recorded in the third quarter of 2017 and reduced the net book value of assets related to getTalent to zero. GetTalent (discontinued in the third quarter of 2017) is included in Other as defined in Note 18.

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**6. LEASES**

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842), applying the modified retrospective transition. Periods beginning after January 1, 2019 will be presented under Topic 842, while prior period amounts will not be adjusted and continue to be reported under the accounting standards in effect prior to January 1, 2019.

We have operating leases for corporate office space and certain equipment. Our leases have terms from one year to eight years, some of which include options to renew the lease, and are included in the lease term when it is reasonably certain that the Company will exercise the option. No leases include options to purchase the leased property. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We do not have any lease agreements with related parties.

Operating lease ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Based on the present value of the lease payments for the remaining lease term of the Company's existing leases, the Company recorded operating ROU assets of \$17.2 million and operating lease liabilities of \$18.0 million as of January 1, 2019. Operating lease ROU assets and liabilities commencing after January 1, 2019 are recognized at commencement date based on the present value of lease payments over the lease term. When readily available, the Company uses the implicit rate in determining the present value of the lease payments. When leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on information available at the commencement of the lease, including the lease term. Because the implicit rate in each lease is not available, the Company used its incremental borrowing rate to determine the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All operating lease expense is recognized on a straight-line basis over the lease term.

The component of lease cost were as follows (in thousands):

	<b>Year Ended December 31, 2019</b>
Operating lease cost*	\$ 4,265
Sublease income	(1,322)
Total lease cost	<u>\$ 2,943</u>

\*Includes short-term lease costs and variable lease costs, which are immaterial.

Supplemental cash flow information related to leases was as follows (in thousands):

	<b>Year Ended December 31, 2019</b>
<b>Cash paid for amounts included in measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 4,632
<b>Right-of-use assets obtained in exchange for lease obligations:</b>	
Operating leases	\$ 7,434

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Supplemental balance sheet information related to lease was as follows (in thousands, except lease term and discount):

	<b>Year Ended December 31, 2019</b>
Operating lease right-of-use assets	\$ 19,712
Operating lease liabilities - current	3,643
Operating lease liabilities - non-current	16,664
Total operating lease liabilities	\$ 20,307
<b>Weighted average remaining lease term (in years)</b>	
Operating leases	5.9 years
<b>Weighted average discount rate</b>	
Operating leases	4.0%

As of December 31, 2019, future operating lease payments were as follows: (in thousands):

	<b>Operating Leases</b>
2020	\$ 4,392
2021	3,935
2022	3,681
2023	3,453
2024	2,972
2025 and Thereafter	4,451
Total lease payments	22,884
Less imputed interest	(2,577)
Total	\$ 20,307

As of December 31, 2019, the Company has no additional operating or finance leases that have not yet commenced.

Future minimum lease commitments as of December 31, 2018, under Accounting Standard Codification Topic 840, the predecessor to Topic 842, are as follows (in thousands):

	<b>Operating Leases</b>
2019	\$ 4,244
2020	3,710
2021	3,097
2022	2,540
2023	2,300
2024 and thereafter	4,524
Total minimum payments	\$ 20,415



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**7. FIXED ASSETS, NET**

Fixed assets, net consist of the following as of December 31, 2019 and 2018 (in thousands):

	2019	2018
Computer equipment and software	\$ 6,869	\$ 8,954
Furniture and fixtures	2,934	2,809
Leasehold improvements	3,593	2,890
Capitalized development costs	35,925	26,919
	<u>49,321</u>	<u>41,572</u>
Less: Accumulated depreciation and amortization	(28,969)	(25,682)
Fixed assets, net	<u>\$ 20,352</u>	<u>\$ 15,890</u>

**8. ACQUIRED INTANGIBLE ASSETS, NET**

As a result of the sale of Hcareers (sold May 22, 2018), the Company disposed of all its remaining unamortized acquired intangible assets. Acquired intangible assets disposed of in conjunction with the sale had costs of \$12.9 million and accumulated amortization of \$6.7 million. Therefore, as of December 31, 2019 and 2018, the net value of all finite-lived acquired intangible assets was zero.

As of December 31, 2019 and 2018, the Company had an indefinite-lived acquired intangible asset of \$39.0 million related to the Dice trademark and brand name. The Company evaluates the indefinite-lived acquired intangible asset for impairment on an annual basis. No impairment has been recorded during the twelve months ending December 31, 2019 and 2018.

Considering the recognition of the Dice brand, its long history, awareness in the talent acquisition and staffing services market, and the intended use, the remaining useful life of the Dice.com trademarks and brand name was determined to be indefinite. We determine whether the carrying value of recorded indefinite-lived acquired intangible assets is impaired on an annual basis or more frequently if indicators of potential impairment exist. The impairment review process compares the fair value of the indefinite-lived acquired intangible assets to its carrying value. If the carrying value exceeds the fair value, an impairment loss is recorded. The impairment test performed as of October 1, 2019 and 2018 resulted in the fair value of the Dice trademarks and brand name exceeding the carrying value by 26% and 2%, respectively. The increase in the fair value over the carrying value is driven by the industry growth expectations described below and the Company's investments in its product and its sales team, combined with a lower discount rate as a result of a decline in the risk-free rate.

Revenue attributable to the Dice trademarks and brand name have declined during the year ended December 31, 2019 due to competition in the technology recruiting market, challenges in developing and introducing new products and product enhancements to the market and the Company's ability to attribute value delivered to customers. Revenues related to the Dice trademarks and brand name declined 2% and 7% for the years ended December 31, 2019 and 2018, respectively, and declined 3% and 4% for the three months ended December 31, 2019 and 2018, respectively, representing a decrease in the rate of decline for each period. Revenue projections for the year ending December 31, 2020 include a modest increase compared to the year ended December 31, 2019 and then increasing to rates approaching industry growth projections. The Company's ability to achieve these revenue projections may be impacted by, among other things, the factors noted above that have contributed to the decline in recent periods. Cash flows attributable to the Dice trademarks and brand name declined during 2019 as a result of the lower revenue, as well as increased spending focused on new and enhanced products. Operating expenses, excluding amortization expense and disposition related and other costs, are projected to increase for the year ending December 31, 2020 as compared to the year ended December 31, 2019, including a small operating margin reduction, as the company continues to invest in new and enhanced products, and then increase at levels that allow for modest operating margin improvements. If future cash flows attributable to the Dice trademark are not achieved, the Company could realize an impairment in a future period. The Company utilized a relief from royalty rate method to value the Dice trademarks and brand name using a royalty rate of 6.0% based on comparable industry studies and improving operating margins and a discount rate of 14.2%.

The determination of whether or not indefinite-lived acquired intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the indefinite-lived acquired intangible assets. Fair values are determined using a profit allocation methodology which estimates the value of the trademark and brand name by capitalizing the profits saved because the company owns the asset. We consider factors such as historical performance, anticipated market conditions, operating expense trends and capital expenditure requirements. Changes in our strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets. If projections are not achieved, the Company could realize an impairment in a future period.

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**9. GOODWILL**

The following table shows the carrying amount of goodwill by segment as of December 31, 2019 and 2018 and the changes in goodwill for the years then ended (in thousands):

	<u>Tech-focused</u>	<u>Other</u>	<u>Total</u>
<b>Goodwill at January 1, 2018</b>	\$ 157,477	\$ 13,314	\$ 170,791
Foreign currency translation adjustment	(3,503)	—	(3,503)
Sale of business	—	(13,314)	(13,314)
<b>Goodwill at December 31, 2018</b>	<u>\$ 153,974</u>	<u>\$ —</u>	<u>\$ 153,974</u>
Foreign currency translation adjustment	2,085	—	2,085
<b>Goodwill at December 31, 2019</b>	<u><u>\$ 156,059</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 156,059</u></u>

The annual impairment tests for the Tech-focused reporting unit, which were performed as of October 1, 2019 and 2018, resulted in the fair value of the reporting unit exceeding the carrying value by 37% and 40%, respectively. Results for the Tech-focused reporting unit for the fourth quarter of 2019 and estimated future results as of December 31, 2019 are consistent with or have exceeded the October 1, 2019 analysis. As a result, the Company believes it is not more likely than not that the fair value of the reporting unit is less than the carrying value as of December 31, 2019. Therefore, no interim impairment testing was performed as of December 31, 2019.

The amount of goodwill as of December 31, 2019 allocated to the Tech-focused reporting unit was \$156.1 million. Determining the fair value of a reporting unit is judgmental in nature and requires the use of estimates and key assumptions, particularly assumed discount rates and projections of future operating results. The discount rate applied for the Tech-focused reporting unit was 13.2%. An increase to the discount rate applied or reductions to future projected operating results could result in future impairment of the Tech-focused reporting unit's goodwill. It is reasonably possible that changes in judgments, assumptions and estimates the Company made in assessing the fair value of goodwill could cause the Company to consider some portion or all of the goodwill of the Tech-focused reporting unit to become impaired. In addition, a future decline in the overall market conditions and/or changes in the Company's market share could negatively impact the estimated future cash flows and discount rates used to determine the fair value of the reporting unit and could result in an impairment charge in the foreseeable future.

**10. INDEBTEDNESS**

**Credit Agreement**—In November 2018, the Company, together with Dice Inc. (a wholly-owned subsidiary of the Company) and its wholly-owned subsidiary, Dice Career Solutions, Inc. (collectively, the “Borrowers”), entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”), which matures in November 2023, and replaces the previously existing credit agreement dated November 2015. The Credit Agreement provides for a revolving loan facility of \$90 million, with an expansion option up to \$140 million, as permitted in the Credit Agreement. The Company borrowed \$18 million to repay, in full, all outstanding indebtedness, including accrued interest, under the previous credit agreement and to pay certain costs associated with the Credit Agreement. Unamortized debt issuance costs of \$0.2 million were recorded to interest expense at the time of reduction.

Borrowings under the Credit Agreement bear interest, at the Company's option, at a LIBOR rate or a base rate plus a margin. The margin ranges from 1.75% to 2.50% on LIBOR loans and 0.75% to 1.50% on base rate loans, determined by the Company's most recent consolidated leverage ratio. The facility may be prepaid at any time without penalty.

The Credit Agreement contains various customary affirmative and negative covenants and also contains certain financial covenants, including a consolidated leverage ratio and a consolidated interest coverage ratio. Borrowings are allowed under the Credit Agreement to the extent the consolidated leverage ratio, calculated on a pro forma basis, is equal to or less than 2.50 to 1.00. Negative covenants include restrictions on incurring certain liens; making certain payments, such as stock repurchases and dividend payments; making certain investments; making certain acquisitions; making certain dispositions; and incurring additional indebtedness. Restricted payments are allowed under the Credit Agreement to the extent the consolidated leverage ratio, calculated on a pro forma basis, is equal to or less than 2.00 to 1.00, plus an additional \$5.0 million of restricted payments. The Credit Agreement also provides that the payment of obligations may be accelerated upon the occurrence of customary events of default, including, but not limited to, non-payment, change of control, or insolvency. As of December 31, 2019, the Company was in compliance with all of the financial covenants under the Credit Agreement.

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The obligations under the Credit Agreement are guaranteed by two of the Company's wholly-owned subsidiaries, and secured by substantially all of the assets of the Borrowers and the guarantors and stock pledges from certain of the Company's foreign subsidiaries.

The amounts borrowed as of December 31, 2019 and 2018 are as follows (dollars in thousands):

	December 31, 2019	December 31, 2018
<b>Amounts borrowed:</b>		
Revolving credit facility	\$ 10,000	\$ 18,000
Less: deferred financing costs, net of accumulated amortization of \$172 and \$25	(565)	(712)
Total borrowed	<u>\$ 9,435</u>	<u>\$ 17,288</u>
Available to be borrowed under revolving facility	\$ 80,000	\$ 72,000
<b>Interest rates:</b>		
LIBOR rate loans:		
Interest margin	1.75%	1.75%
Actual interest rates	3.56%	4.25%

There are no scheduled payments until maturity of the Credit Agreement in November 2023.

## 11. COMMITMENTS AND CONTINGENCIES

### *Litigation*

The Company is subject to various claims from taxing authorities, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are reasonably estimable. Although the outcome of these legal matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, operations or liquidity.

During the first quarter of 2018, the Company recorded a \$1.0 million liability related to a class action lawsuit regarding the applicability of provisions of the Fair Credit Reporting Act (the "FCRA") to one of our products. The lawsuit was brought by Ian Douglas, individually, as a representative of the class and on behalf of the general public, against DHI Group, Inc. and Dice Inc. asserting six claims under the FCRA that the Company's Open Web profiles are "consumer reports" and Dice is a "consumer reporting agency" under the FCRA, including claims pursuant to the private right of action in 15 U.S.C. Section 1681n for alleged willful violations of the FCRA. The action was originally filed in a federal district court on July 26, 2017, but as part of the settlement process, the action was re-filed in the Superior Court of Santa Clara County, California (Case No. 18CV331732). The recorded liability reflected a settlement, which became final and was paid in the third quarter of 2019, that resolved all remaining claims subject to the lawsuit. A compliance hearing is currently scheduled for April 3, 2020.

### *Tax Contingencies*

The Company operates in a number of tax jurisdictions and is routinely subject to examinations by various tax authorities with respect to income taxes and indirect taxes. The determination of the Company's worldwide provision for taxes requires judgment and estimation. The Company has reserved for potential examination adjustments to our provision for income taxes and accrual of indirect taxes in amounts which the Company believes are reasonable.

## 12. EQUITY TRANSACTIONS

**Stock Repurchase Plans**— The Company's Board of Directors ("Board") approved a stock repurchase program that permits the Company to repurchase its common stock. Management has discretion in determining the conditions under which shares may be purchased from time to time. There were no stock repurchase plan in place during the year ended December 31, 2017. The following table summarizes the Stock Repurchase Plans approved by the Board of Directors:

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	<b>May 2018 to May 2019</b>	<b>May 2019 to May 2020</b>
Approval Date	May 2018	April 2019
Authorized Repurchase Amount of Common Stock	\$7 million	\$7 million

As of December 31, 2019 the value of shares that may yet to be purchased under the current plan was \$5.0 million.

During the years ended December 31, 2019, 2018 and 2017 purchases of the Company’s common stock pursuant to Stock Repurchase Plans were as follows:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Shares repurchased <sup>[1]</sup>	848,760	1,086,420	—
Average purchase price per share <sup>[2]</sup>	\$ 2.97	\$ 1.82	\$ —
Dollar value of shares repurchased (in thousands)	\$ 2,519	\$ 1,977	\$ —

[1] No shares of our common stock were purchased other than through a publicly announced plan or program.

[2] Average price paid per share includes costs associated with the repurchases.

There were 4,310 and 26,337 unsettled share repurchases, which are included above in the number of shares purchased as of December 31, 2019 and 2018, respectively. There were no unsettled share repurchases as of December 31, 2017.

The Company's Board approved the retirement of 20 million shares of treasury stock during the first quarter of 2019 and, as a result, the Company reduced additional paid in capital by \$161.6 million and Common Stock by \$0.2 million during the quarter. The value of treasury stock retired was computed based on the average repurchase price of all treasury shares as of March 31, 2019, which was \$8.09 per share.

**Convertible Preferred Stock**—The Company has 20 million shares of convertible preferred stock authorized, with a \$0.01 par value. No shares have been issued and outstanding since prior to our initial public offering in 2007. The rights, preferences, privileges and restrictions granted to and imposed on the convertible preferred stock are as set forth below. The Company currently has no preferred stock outstanding. The Company’s amended and restated certificate of incorporation permits the terms of any preferred stock to be determined at the time of issuance.

*Dividend provisions*

The preferred stockholders would be entitled to dividends only when dividends are paid to common shareholders. In the event of a dividend, the holders of the preferred shares would be entitled to share in the dividend on a pro rata basis, as if their shares had been converted into shares of common stock.

*Conversion rights*

Any holder of preferred stock has the right, at its option, to convert the preferred shares into shares of common stock at a ratio of one preferred stock share for one common stock share. The holders of 66 2/3% of all outstanding preferred stock have the right at any time to require all the outstanding shares of preferred stock to be converted into an equal number of shares of common stock. Voting rights include the right to vote at a special or annual meeting of stockholders on all matters entitled to be voted on by holders of common stock, voting together as a single class with the common stock. There are no redemption rights associated with the preferred stock.

*Liquidation rights*

Upon the occurrence of liquidation, the holders of the preferred shares shall be paid in cash for each share of preferred stock held, out of, but only to the extent of, the assets of the Company legally available for distribution to its stockholders, before any payment or distribution is made to any shareholders of common stock. The liquidation value is \$2.17 per share, subject to adjustments for stock splits, stock dividends, combinations, or other recapitalizations of the preferred stock.

**Dividends**—No dividends were declared during the years ended December 31 2019, 2018 or 2017. Our Credit Agreement limits our ability to declare and pay dividends. Refer to Note 10 “Indebtedness.”

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**Unclaimed Shareholder Liability**—Prior to the third quarter of 2018, other long-term liabilities included \$1.0 million due to former shareholders of the Company under a Joint Plan of Reorganization that was agreed to by the Company and two of its creditors, and confirmed by the U.S. Bankruptcy Court of the Southern District Court of New York on June 24, 2003. During the third quarter of 2018, the Company concluded the unclaimed amounts were no longer due and payable and further, such amounts represent additional equity of the Company. Accordingly, the Company reclassified \$1.0 million from other long-term liabilities to additional paid-in capital during the third quarter of 2018.

### 13. ACCUMULATED OTHER COMPREHENSIVE LOSS

FASB ASC topic on Comprehensive Income establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that all items that are required to be recognized as components of comprehensive income be reported in a financial statement with the same prominence as other financial statements. The Company had no amounts reclassified out of accumulated other comprehensive income for the years ended December 31, 2019, 2018, and 2017. The foreign currency translation adjustments impact comprehensive income. Accumulated other comprehensive income (loss), net consists of the following components, net of tax (in thousands):

	Year Ended December 31,		
	2019	2018	2017
<b>Foreign currency translation:</b>			
Balance at beginning of year	\$ (31,236)	\$ (27,330)	\$ (32,276)
Translation adjustments	1,988	(3,906)	4,946
Balance at end of year	<u>\$ (29,248)</u>	<u>\$ (31,236)</u>	<u>\$ (27,330)</u>

### 14. DISPOSITION RELATED AND OTHER COSTS

In May 2017, the Company announced plans to divest a number of its online professional communities to achieve greater focus and resource allocation toward its core tech-focused business. The planned divestitures included: BioSpace (transferred majority ownership to BioSpace management on January 31, 2018), Hcareers (sold May 22, 2018), Health eCareers (sold December 4, 2017), and Rigzone (sold the RigLogix portion of the Rigzone business on February 22, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018). Additionally, the Company ceased the Dice Europe operations on August 31, 2018 and vacated certain offices during 2018. In connection with the planned divestitures and reorganization to the tech-focused strategy, the Company incurred certain costs, including severance and retention, lease exit, business closure, professional fees related to activist shareholders, search, financial advisory, and legal services, and other costs to further these strategic objectives.

The following table displays a roll forward of the disposition related and other costs and related liability balances (in thousands):

	Accrual at December 31, 2018	Expense	Cash Payments	Accrual at December 31, 2019
	Severance and retention	\$ 1,089	\$ 1,258	\$ (2,202)
Professional fees and other costs	1,271	442	(1,713)	—
Lease exit and related asset impairment costs	947	—	(582)	365
Total disposition related and other costs	<u>\$ 3,307</u>	<u>\$ 1,700</u>	<u>\$ (4,497)</u>	<u>\$ 510</u>

	Accrual at December 31, 2017	Expense	Cash Payments	Non-cash Impairment	Accrual at December 31, 2018
	Severance and retention	\$ 1,237	\$ 3,191	\$ (3,339)	—
Professional fees and other costs	825	2,914	(2,468)	—	1,271
Lease exit and related asset impairment costs	—	1,514	(399)	(168)	947
Total disposition related and other costs	<u>\$ 2,062</u>	<u>\$ 7,619</u>	<u>\$ (6,206)</u>	<u>\$ (168)</u>	<u>\$ 3,307</u>

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	Accrual at December 31, 2016	Expense	Cash Payments	Accrual at December 31, 2017
Severance and retention	\$ —	\$ 3,112	\$ (1,875)	\$ 1,237
Professional fees and other costs	—	1,634	(809)	825
Total disposition related and other costs	\$ —	\$ 4,746	\$ (2,684)	\$ 2,062

### 15. STOCK BASED COMPENSATION

Under the 2012 Omnibus Equity Award Plan, the Company has granted stock options, restricted stock and Performance-Based Restricted Stock Units (“PSUs”) to certain employees and directors. On January 1, 2017, as a result of ASU No. 2016-09 as discussed in Note 2, the Company began recording expense based upon the number of awards outstanding with no estimate for forfeitures. Previously, the Company estimated forfeitures that it expected would occur and recorded expense based upon the number of awards expected to vest.

The Company recorded stock based compensation expense of \$5.7 million and \$6.6 million in the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, there was \$9.1 million of unrecognized compensation expense related to unvested awards, which is expected to be recognized over a weighted-average period of approximately 1.5 years.

In connection with the employment agreement for the Company's new Chief Executive Officer, the Company granted, as Inducement Grants Under NYSE Rule 303A.08, 1,750,000 restricted stock units during the second quarter of 2018 and 750,000 performance based restricted stock units during the fourth quarter of 2018 to the Company's new Chief Executive Officer.

**Restricted Stock**—Restricted stock is granted to employees of the Company and its subsidiaries, and to non-employee members of the Company’s Board. These shares are part of the compensation plan for services provided by the employees or Board members. The closing price of the Company’s stock on the date of grant is used to determine the fair value of the grants. The expense related to the restricted stock grants is recorded over the vesting period as described below. There was no cash flow impact resulting from the grants.

The restricted stock vests in various increments either quarterly or on the anniversaries of each grant, subject to the recipient’s continued employment or service through each applicable vesting date. Vesting occurs over one year for Board members and over two to four years for employees.

A summary of the status of restricted stock awards as of December 31, 2019, 2018, and 2017 and the changes during the periods then ended is presented below:

	Year Ended December 31,					
	2019		2018		2017	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	4,518,932	\$ 2.32	2,393,257	\$ 5.48	2,226,375	\$ 7.87
Granted	2,257,940	\$ 2.72	4,087,342	\$ 1.68	1,724,500	\$ 4.05
Forfeited	(560,375)	\$ 2.75	(439,750)	\$ 4.20	(655,000)	\$ 6.54
Vested	(2,221,710)	\$ 2.36	(1,521,917)	\$ 5.03	(902,618)	\$ 7.89
Non-vested at end of period	3,994,787	\$ 2.46	4,518,932	\$ 2.32	2,393,257	\$ 5.48

**PSUs**—PSUs are granted to employees of the Company and its subsidiaries. These shares are granted under two compensation agreements that are for services provided by the employees. Under the first agreement, with a grant during the year ended December 31, 2017, the fair value of PSUs were measured using the Monte Carlo pricing model. The expense related to these PSUs are recorded over the vesting period. These shares will vest on the dates the Compensation Committee certifies the Company’s achievement of stock price performance relative to the Russell 2000 Index, provided that the recipient remains employed through such date. Performance will be measured over three separate measurement periods: a one-year measurement period, a two-year

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measurement period and a three-year measurement period. For performance periods one and two, vesting is not to exceed the total grant divided by three. For performance period three, vesting is no less than zero and no greater than 150% of the initial grant less shares vested in performance periods one and two. As of December 31, 2019, there were 237,500 unvested shares related to this agreement.

Under the second agreement, the fair value of the PSUs are measured at the grant date fair value of the award, which was determined based on an analysis of the probable performance outcomes. The performance period is based on the achievement of bookings targets during the year ended December 31, 2019, as defined in the agreement. The earned shares will then vest over a three year period, one-third on each of the first, second, and third anniversaries of the grant date, or if later, the date the Compensation Committee certifies the performance results with respect to the performance period. As of December 31, 2019, there were 1,427,150 unvested shares related to the second agreement.

There were no cash flow impact resulting from the grants.

The fair value of PSUs measured using the Monte Carlo pricing model utilized the following assumptions:

	Year Ended December 31,	
	2017	
Weighted average fair value of PSUs granted	\$	5.38
Dividend yield of DHI Group, Inc. stock		—%
Dividend yield of Russell 2000 Index		1.4%
Risk free interest rate		1.5%
Volatility of DHI Group, Inc. stock		41.0%
Volatility of Russell 2000 Index		16.7%

A summary of the status of PSUs as of December 31, 2019, 2018, and 2017 and the changes during the periods then ended, is presented below:

	Year Ended December 31,					
	2019		2018		2017	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	1,255,000	\$ 3.45	760,003	\$ 6.92	580,004	\$ 8.02
Granted	837,150	\$ 2.54	750,000	\$ 1.58	397,500	\$ 5.38
Forfeited	(427,500)	\$ 5.26	(255,003)	\$ 8.27	(217,501)	\$ 7.04
Vested	—	\$ —	—	\$ —	—	\$ —
Non-vested at end of period	<u>1,664,650</u>	<u>\$ 2.53</u>	<u>1,255,000</u>	<u>\$ 3.45</u>	<u>760,003</u>	<u>\$ 6.92</u>

**Stock Options**—The fair value of each option grant is estimated using the Black-Scholes option-pricing model using the weighted-average assumptions in the table below. This valuation model requires the Company to make assumptions and judgments about the variables used in the calculation, including the fair value of the Company’s common stock, the expected life (the period of time that the options granted are expected to be outstanding), the volatility of the Company’s common stock, a risk-free interest rate and expected dividends. The expected life of options granted is derived from historical exercise behavior. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury rates in effect at the time of grant. The stock options vest 25% after one year, beginning on the first anniversary date of the grant, and 6.25% each quarter following the first anniversary. There was no cash flow impact resulting from the grants. No stock options were granted during the years ended December 31, 2019, 2018, and 2017.

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A summary of the status of options previously granted as of December 31, 2019, 2018, and 2017, and the changes during the periods then ended is presented below:

	<b>Year Ended December 31, 2019</b>		
	<b>Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>
Options outstanding at January 1	327,000	\$ 8.35	\$ —
Exercised	—	\$ —	\$ —
Forfeited	(137,000)	\$ 8.46	—
Options outstanding at December 31	<u>190,000</u>	\$ 8.28	\$ —
Exercisable at December 31	<u>190,000</u>	\$ 8.28	\$ —

	<b>Year Ended December 31, 2018</b>		
	<b>Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>
Options outstanding at January 1	1,101,875	\$ 9.28	\$ —
Exercised	—	\$ —	\$ —
Forfeited	(774,875)	\$ 9.67	—
Options outstanding at December 31	<u>327,000</u>	\$ 8.35	\$ —
Exercisable at December 31	<u>327,000</u>	\$ 8.35	\$ —

	<b>Year Ended December 31, 2017</b>		
	<b>Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Aggregate Intrinsic Value</b>
Options outstanding at January 1	1,779,613	\$ 8.46	\$ 50,869
Exercised	(66,188)	\$ 6.08	\$ 12,821
Forfeited	(611,550)	\$ 7.25	—
Options outstanding at December 31	<u>1,101,875</u>	\$ 9.28	\$ —
Exercisable at December 31	<u>1,076,155</u>	\$ 9.32	\$ —
Options expected to vest on December 31	<u>25,720</u>	\$ 7.43	

The weighted-average remaining contractual term of options exercisable at December 31, 2019 is 0.8 years. The following table summarizes information about options outstanding as of December 31, 2019:

<b>Exercise Price</b>	<b>Options Outstanding</b>		<b>Options Exercisable</b>
	<b>Number Outstanding</b>	<b>Weighted-Average Remaining Contractual Life (in years)</b>	<b>Number Exercisable</b>
\$ 7.00 - \$ 7.99	110,000	1.1	110,000
\$ 8.00 - \$ 8.99	10,000	1.8	10,000
\$ 9.00 - \$ 9.99	70,000	0.1	70,000
	<u>190,000</u>		<u>190,000</u>



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**16. INCOME TAXES**

Deferred tax assets (liabilities) included in the balance sheet as of December 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Deferred tax assets:		
Net operating loss carryforward	\$ —	\$ 71
Capital loss carryforward	5,044	5,263
Allowance for doubtful accounts	150	145
Provision for accrued expenses and other, net	792	1,621
Stock-based compensation	2,162	2,603
Deferred revenue	211	537
Tax credit carryforward	146	272
	<u>8,505</u>	<u>10,512</u>
Less valuation allowance	5,072	5,305
Deferred tax asset, net of valuation allowance	<u>3,433</u>	<u>5,207</u>
Deferred tax liabilities:		
Acquired intangibles	(10,253)	(10,374)
Depreciation of fixed assets	(4,288)	(3,291)
Capitalized contract costs	(1,708)	(1,850)
Deferred tax liability	(16,249)	(15,515)
Net deferred tax liability	<u>\$ (12,816)</u>	<u>\$ (10,308)</u>
Recognized in Consolidated Balance Sheets:		
Deferred tax asset	7	136
Deferred tax liability	(12,823)	(10,444)
Net deferred tax liability	<u>\$ (12,816)</u>	<u>\$ (10,308)</u>

The Company had no deferred tax assets as of December 31, 2019 and \$0.1 million as of December 31, 2018 related to net operating loss carryforwards; \$5.0 million and \$5.3 million, respectively, at December 31, 2019 and 2018 related to capital loss carryforwards; and \$0.1 million and \$0.3 million, respectively, at December 31, 2019 and 2018 related to tax credit carryforwards. The capital losses expire in 2023 and 2024. The tax credit carryforward period is indefinite. The Company has recorded valuation allowances of \$5.1 million and \$5.3 million, respectively, at December 31, 2019 and 2018 in order to measure only the portion of the deferred tax assets which are more likely than not to be realized.

Tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017 is as follows (in thousands):

	2019	2018	2017
Current income tax expense (benefit):			
Federal	\$ 524	\$ (1,299)	\$ 1,984
State	72	(119)	(285)
Foreign	684	1,570	1,504
Current income tax expense	<u>1,280</u>	<u>152</u>	<u>3,203</u>
Deferred income tax expense (benefit):			
Federal	1,660	1,387	(207)
State	539	104	329
Foreign	294	785	94
Deferred income tax expense (benefit)	<u>2,493</u>	<u>2,276</u>	<u>216</u>
Income tax expense	<u>\$ 3,773</u>	<u>\$ 2,428</u>	<u>\$ 3,419</u>

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A reconciliation between the tax expense at the federal statutory rate and the reported income tax expense is summarized as follows:

	Year Ended December 31,		
	2019	2018	2017
Federal statutory rate	\$ 3,428	\$ 2,016	\$ 6,789
Gain (loss) on sale of businesses	84	(6,111)	(1,571)
Stock-based compensation	380	2,112	1,414
State taxes, net of federal effect	467	(38)	35
Difference between foreign and U.S. rates	(192)	(102)	(1,054)
Change in accrual for unrecognized tax benefits	107	(1,179)	1,003
U.S. tax on global intangible low-taxed income, net of credits	84	229	—
Executive compensation	147	126	—
Currency translation gains (losses)	(67)	219	—
Gross tax on foreign dividend	—	—	275
Foreign tax credits	—	—	(275)
U.S. transition tax on foreign earnings	140	368	2,962
Federal rate change impact on deferred tax liabilities	—	—	(3,281)
Research and development tax credits	(557)	(481)	(1,764)
Change in valuation allowances	12	5,117	(780)
Other	(260)	152	(334)
<b>Income tax expense</b>	<b>\$ 3,773</b>	<b>\$ 2,428</b>	<b>\$ 3,419</b>
Effective tax rate	23.1%	25.3%	17.6%

H.R.1, commonly known as the Tax Cuts and Jobs Act (“TCJA”), was signed into law in December 2017 and made significant changes to the Internal Revenue Code. Changes included a reduction in the U.S. statutory federal tax rate from 35% to 21%; the transition of U.S. international taxation from a worldwide tax system to a territorial system; a one-time transition tax on the deemed repatriation of undistributed earnings from foreign subsidiaries; and a tax on global intangible low-taxed income earned by foreign subsidiaries.

Subsequent to enactment of the TCJA in December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to provide guidance regarding accounting for the TCJA’s impact. SAB 118 required companies to recognize those tax items for which accounting had been completed. For items whose accounting had not been completed, companies were required to recognize provisional amounts to the extent they were reasonably estimable, with subsequent adjustments over a measurement period as more information was available and calculations were finalized. The measurement period provided in SAB 118 concluded as of December 2018.

As of December 31, 2017, the Company applied the guidance of SAB 118 and recorded a provisional decrease of \$3.3 million in its deferred tax liabilities to reflect the new U.S. statutory rate of 21%; and recorded a liability of \$3.0 million less tax credits of \$1.4 million for a \$1.6 million provisional estimate of the transition tax on the deemed repatriation of foreign earnings.

In the year ended December 31, 2018, the Company completed its measurement-period analysis of the impact of the TCJA on its deferred tax liabilities and its transition tax liability. No change was made to the provisional adjustment of the deferred tax liabilities. For the transition tax, the Company recognized a measurement-period adjustment on the basis of revised foreign earnings computations and additional guidance issued by U.S. federal and state tax authorities. The adjustment increased the transition tax liability to \$2.0 million, resulting in tax expense of \$0.4 million. In the year ended December 31, 2019, the Company increased its transition tax liability to reflect further guidance issued by tax authorities, resulting in tax expense of \$0.1 million.

As of December 31, 2017, the Company indicated that it was evaluating the impact of the TCJA on the Company's existing accounting position with regard to indefinite reinvestment, which was that with the exception of its Canada subsidiary, all unremitted earnings of foreign subsidiaries were indefinitely reinvested outside the U.S. The Company completed this evaluation in the year ended December 31, 2018 and made no change to its indefinite reinvestment position. The Company also sold its Canada subsidiary during 2018. As of December 31, 2019, undistributed earnings of all foreign subsidiaries will continue to be indefinitely reinvested

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

outside the U.S., and taxes that would result from distributions have not been provided as determination of the deferred tax liability is not practicable.

The TCJA established new rules designed to tax U.S. companies on global intangible low-taxed income ("GILTI") earned by foreign subsidiaries. Companies could make an accounting policy election either to recognize deferred taxes for temporary basis differences related to GILTI; or to recognize tax expense as current period cost in the period when the tax related to GILTI is incurred. As of December 31, 2017, the Company indicated that it was evaluating its policy election alternatives and the impact of GILTI on tax expense. The Company completed this evaluation in the year ended December 31, 2018 and elected to treat tax expense related to GILTI as a current period cost. The Company recognized tax expense of \$0.1 million and \$0.2 million, respectively, during the years ended December 31, 2019 and 2018 related to its GILTI liability.

An uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a tax return not yet filed, that has not been reflected in measuring income tax expense for financial reporting purposes. At December 31, 2019 and 2018, the Company has recorded a liability of \$1.8 million and \$1.7 million, respectively, which consists of unrecognized tax benefits of \$1.4 million for 2019 and 2018, and estimated accrued interest and penalties of \$0.4 million and \$0.3 million, respectively. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2019, 2018 and 2017, interest expense (income) and penalties recorded in the Consolidated Statements of Operations were \$94,000, \$(61,000) and \$(41,000), respectively. Following is a reconciliation of the amounts of unrecognized tax benefits, net of tax and excluding interest and penalties, for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Unrecognized tax benefits—beginning of period	\$ 1,422	\$ 2,539	\$ 2,153
Increases in tax positions related to current year	163	330	278
Increases in tax positions related to prior year	41	—	646
Decreases in tax positions related to prior year	—	(9)	—
Settlements with taxing authorities	—	(838)	—
Lapse of statute of limitations	(192)	(600)	(538)
Unrecognized tax benefits—end of period	<u>\$ 1,434</u>	<u>\$ 1,422</u>	<u>\$ 2,539</u>

The foregoing table indicates unrecognized tax benefits, net of tax and excluding interest and penalties. The balance of gross unrecognized benefits was \$1.5 million, \$1.5 million, and \$2.7 million at December 31, 2019, 2018 and 2017, respectively. If the unrecognized tax benefits at December 31, 2019, 2018 and 2017 were recognized in full, tax benefits of \$1.8 million, \$1.7 million and \$2.9 million, respectively, would affect the effective tax rate.

The Company files income tax returns in the U.S. and various foreign jurisdictions. The Company is generally no longer subject to examinations by U.S. federal tax authorities for tax years prior to 2016, or by U.S. state and foreign authorities for tax years prior to 2015. The Company believes it is reasonably possible that as much as \$0.4 million of its unrecognized tax benefits may be recognized by the end of 2020 as a result of a lapse of the statute of limitations.

**17. EMPLOYEE SAVINGS PLAN**

The Company has a savings plan (the "Savings Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the Savings Plan, participating employees may defer a portion of their pretax earnings, up to the Internal Revenue Service annual contribution limit. The Company contributed \$1.4 million, \$1.3 million, and \$1.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, to match employee contributions to the Savings Plan.

**18. SEGMENT INFORMATION**

The Company previously had two reportable segments which was reduced to one reportable Tech-focused segment when Health eCareers (Healthcare reportable segment) was sold on December 4, 2017. The Company modified its Tech-focused reportable segment in the first quarter of 2019 to reflect the current Tech-focused operating structure. The change comes as a result of the non-tech businesses being divested during 2018, and, as a result, corporate related costs are now reflected as part of the Tech-focused segment. Accordingly, all prior periods have been recast to reflect the current segment presentation.

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company has one reportable segment, Tech-focused, which includes the Dice, Dice Europe (ceased operations on August 31, 2018), ClearanceJobs, eFinancialCareers services, Brightmatter (absorbed into Tech-focused in the third quarter of 2017 and formerly in Other), and corporate related costs (formerly included in Other). Management has organized its reportable segment based upon its internal management reporting.

Prior to 2019, the Company had other services and activities that individually were not significant in relation to consolidated revenues, operating income or total assets. These include Hcareers (sold May 22, 2018), Rigzone (sold the RigLogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018), Biospace (majority ownership transferred to BioSpace management on January 31, 2018), and getTalent (discontinued operations in the third quarter of 2017) services, which are recorded in the "Other" category.

The Company's foreign operations are comprised of the Dice Europe (ceased operations on August 31, 2018) operations and a portion of the eFinancialCareers and Rigzone services (sold the RigLogix portion of the Rigzone business on February 20, 2018 and transferred majority ownership of the remaining Rigzone business to Rigzone management on August 31, 2018), which operate in Europe, the financial centers of the gulf region of the Middle East, and Asia Pacific. The Company's foreign operations also included Hcareers (sold May 22, 2018), which operated in Canada. During the 2019 period, the Company changed its method of presenting revenue by geographic region and as such, 2019 is based on the location of each of the Company's subsidiaries. The prior presentation was based on the customer's location. The Company believes this method better reflects the revenue generated from each geographic region. The prior periods have been recast to be consistent with the 2019 presentation.

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table shows the segment information (in thousands and recast for the change in reportable segments):

	2019	2018	2017
<b>By Segment:</b>			
Revenues:			
Tech-focused	\$ 149,370	\$ 152,258	\$ 158,398
Healthcare	—	—	24,354
Other	—	9,312	25,198
Total revenues	<u>\$ 149,370</u>	<u>\$ 161,570</u>	<u>\$ 207,950</u>
Depreciation:			
Tech-focused	\$ 9,743	\$ 9,001	\$ 6,972
Healthcare	—	—	1,625
Other	—	279	1,155
Total depreciation	<u>\$ 9,743</u>	<u>\$ 9,280</u>	<u>\$ 9,752</u>
Amortization:			
Tech-focused	\$ —	\$ —	\$ 132
Healthcare	—	—	596
Other	—	482	1,410
Total amortization	<u>\$ —</u>	<u>\$ 482</u>	<u>\$ 2,138</u>
Operating income (loss):			
Tech-focused	\$ 17,025	\$ 7,280	\$ 22,867
Healthcare	—	—	(1,507)
Other	—	4,412	1,505
Operating income	17,025	11,692	22,865
Interest expense and other	(701)	(2,054)	(3,445)
Other expense	—	(36)	(23)
Income (loss) before income taxes	<u>\$ 16,324</u>	<u>\$ 9,602</u>	<u>\$ 19,397</u>
Capital expenditures:			
Tech-focused	\$ 14,188	\$ 10,060	\$ 10,481
Healthcare	—	—	1,160
Other	—	221	1,914
Total capital expenditures	<u>\$ 14,188</u>	<u>\$ 10,281</u>	<u>\$ 13,555</u>

	2019	2018	2017
<b>By Geography:</b>			
Revenues:			
United States	\$ 119,882	\$ 121,097	\$ 154,406
United Kingdom	17,343	22,356	25,529
EMEA, APAC and Canada (1)	12,145	18,117	28,015
Non-United States	29,488	40,473	53,544
Total revenues	<u>\$ 149,370</u>	<u>\$ 161,570</u>	<u>\$ 207,950</u>

(1) Europe (excluding United Kingdom), the Middle East and Africa (“EMEA”) and Asia-Pacific (“APAC”). Revenues from Canada ceased May 22, 2018 upon the sale of the Company's Hcareers business.

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company divested all of its non-tech businesses during 2018, and, as a result, all assets were entirely Tech-focused as of December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018	December 31, 2017
Total assets:			
Tech-focused	\$ 278,321	\$ 258,385	\$ 269,296
Other	—	—	26,422
Total assets	<u>\$ 278,321</u>	<u>\$ 258,385</u>	<u>\$ 295,718</u>

## 19. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed based on the weighted-average number of shares of common stock outstanding. Diluted EPS is computed based on the weighted-average number of shares of common stock outstanding plus common stock equivalents assuming exercise of stock options, where dilutive. The following is a calculation of basic and diluted earnings per share and weighted-average shares outstanding (in thousands, except per share amounts):

	2019	2018	2017
Income from continuing operations—basic and diluted	<u>\$ 12,551</u>	<u>\$ 7,174</u>	<u>\$ 15,978</u>
Weighted-average shares outstanding—basic	48,739	48,520	47,908
Add shares issuable from stock-based awards	2,894	1,085	322
Weighted-average shares outstanding—diluted	<u>51,633</u>	<u>49,605</u>	<u>48,230</u>
Basic earnings per share	\$ 0.26	\$ 0.15	\$ 0.33
Diluted earnings per share	\$ 0.24	\$ 0.14	\$ 0.33

**DHI GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**20. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

The following is a summary of unaudited quarterly results of operations for 2019 and 2018:

	For the Three Months Ended			
	March 31	June 30	September 30	December 31
(in thousands, except per share amounts)				
<b>2019</b>				
Revenues	\$ 37,120	\$ 37,359	\$ 37,176	\$ 37,715
Total operating expenses	33,528	33,057	31,903	33,320
Other operating loss	—	(537)	—	— [1]
Operating income	<u>\$ 3,592</u>	<u>\$ 3,765</u>	<u>\$ 5,273</u>	<u>\$ 4,395</u>
Net income	<u>\$ 1,588</u>	<u>\$ 3,061</u>	<u>\$ 4,381</u>	<u>\$ 3,521</u>
Basic earnings per common share	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u> [2]
Diluted earnings per common share	<u>\$ 0.03</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.07</u> [2]
<b>2018</b>				
Revenues	\$ 43,071	\$ 41,595	\$ 38,917	\$ 37,987
Total operating expenses	40,861	39,686	37,085	35,615
Other operating income (loss)	\$ 4,639	\$ (839)	\$ (365)	\$ (66) [3]
Operating income (loss)	<u>\$ 6,849</u>	<u>\$ 1,070</u>	<u>\$ 1,467</u>	<u>\$ 2,306</u>
Net income (loss)	<u>\$ 3,503</u>	<u>\$ (205)</u>	<u>\$ 930</u>	<u>\$ 2,946</u>
Basic earnings (loss) per common share	<u>\$ 0.07</u>	<u>\$ —</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u> [2]
Diluted earnings (loss) per common share	<u>\$ 0.07</u>	<u>\$ —</u>	<u>\$ 0.02</u>	<u>\$ 0.06</u> [2]

[1] Escrow and working capital terms and related contingencies were finalized regarding the Hcareers's sale resulting in an additional loss on the sale.

[2] The sum of the quarter may not equal the full year amount.

[3] Majority ownership of the BioSpace business was transferred to BioSpace management on January 31, 2018, the RigLogix portion of the Rigzone business was sold on February 20, 2018. Hcareers was sold on May 22, 2018, and majority ownership of the remaining Rigzone business was transferred to Rigzone management on August 31, 2018.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal period covered by this report.

Based on such evaluations, the CEO and CFO have concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

*Management’s Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP has audited the Company’s internal control over financial reporting as of December 31, 2019 and has issued a report regarding its assessment included herein.

*Changes in Internal Controls*

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of DHI Group, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of DHI Group, Inc. and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 6, 2020, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of a new accounting standard.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
February 6, 2020

**Item 9B. Other Information**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10 will be set forth in our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders (the "Proxy Statement") to be filed within 120 days of the Company's fiscal year end of December 31, 2019 and is incorporated herein by reference.

On December 12, 2019, Kevin Bostick became the Company's Chief Financial Officer. Prior to Mr. Bostick joining the Company, Luc Grégoire served as the Company's Chief Financial Officer. Mr. Grégoire will continue to be employed by the Company in an advisory capacity through February 2020.

#### Executive Officers of the Company

Set forth below is information relating to the Company's executive officers as of February 6, 2020.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Art Zeile	55	President and Chief Executive Officer
Kevin Bostick	52	Chief Financial Officer
Paul Farnsworth	48	Chief Technology Officer
Christian Dwyer	53	Chief Product Officer
Michelle Marian	54	Chief Marketing Officer
Arie Kanofsky	51	Chief Revenue Officer
Chris Henderson	52	Chief Strategy Officer
Pam Bilash	61	Chief Human Resources Officer
Brian P. Campbell	55	Senior Vice President, Corporate Development, General Counsel and Corporate Secretary

*Art Zeile* has been President and Chief Executive Officer, as well as a director of the Company since April 2018. Prior to joining DHI, Art co-founded HOSTING, a cloud computing services company and served as its Chief Executive Officer from 2008 until 2016. At HOSTING, Art formulated a strategy for a rollup of cloud services companies in the U.S. and focused on managing security and compliance for mission critical web applications. Earlier in his career, Art served as CEO of QTC Management Inc, a healthcare technology company, from 2006 to 2007. Prior to joining QTC Management, Art co-founded Inflow Inc., a public data center company, and Link-VTC, one of the first companies to deliver videoconferencing services. Art earned a bachelor's degree in Astronautical Engineering from the U.S. Air Force Academy and served in the United States Air Force from 1988 until 1993. Art also received a master's degree in public policy from Harvard University.

*Kevin Bostick* has been Chief Financial Officer since joining the Company in December 2019. He has overall responsibility for the Company's financial organization, including financial planning, accounting, financial reporting, investor relations, treasury, internal audit and tax matters. Prior to joining DHI, Mr. Bostick was partner and CFO at Level 5 Capital Partners, a private equity firm, since 2018. From 2013 to 2018, Mr. Bostick served as president and CFO of 365 Data Centers, a data center company. He has also served as CFO at Elevation DC, Local Insight Media and New Global Telecom. Earlier in his career he held leadership roles at Level 3 Communications, JP Morgan and KPMG. Mr. Bostick holds an MBA from The Wharton School, University of Pennsylvania and a B.S. in accounting from Penn State University.

*Paul Farnsworth* is the Chief Technology Officer, joining the Company in February 2019. Prior to joining DHI, Mr. Farnsworth served as Chief Technology Officer at Reed Group, where he was responsible for all aspects of technology delivery and support including: product software delivery, end user environment support, hosting, vendor strategy, client professional services, and enterprise program management. Prior to Reed Group, he was the Senior Vice President of Information at Level 3 Communications, where he led the IT Solutions Delivery Group. He served as Programme Director at BT, with responsibility for customer facing portals and websites in Europe and India. Earlier in his career he held technology leadership roles of increasing responsibility at Qwest Corporation prior to its acquisition by CenturyLink. He has served as the Board Technology Advisor at SafeHarbor Technology Corporation and held board appointments at various startup and growth companies, advising on technology best practices and future roadmaps.

*Christian Dwyer* is the Chief Product Officer, joining the Company in September 2018. Mr. Dwyer oversees the product strategy, development and expansion of DHI products including Dice, ClearanceJobs and eFinancialCareers. Prior to joining DHI, Mr. Dwyer served as the Executive Vice President of Product Management at HealthGrades, where he led product strategy, product development and business development across consumer web, mobile and native applications. He previously served as Senior Vice President and General Manager at AOL/MapQuest, where he successfully repositioned the business for growth by establishing

partnership alliances and scaling new products across web and mobile applications. Earlier in his career he held leadership positions at Navidec and Carpoint.com. Mr. Dwyer serves as a board member for the Colorado Technology Association. He earned an M.S. in Finance from the University of Colorado at Denver and a B.A. in Business Economics from the University of California at Santa Barbara.

*Michelle Marian* is the Chief Marketing Officer, joining the Company in October 2018. Ms. Marian leads DHI's global marketing organization with responsibility for its digital marketing strategy, demand generation and branding. Prior to joining DHI, Ms. Marian was the Head of Global Digital Marketing at Crocs, where she was responsible for driving new customer growth and a data-driven customer centric approach to eCommerce. Prior to Crocs, she served as the Vice President of Marketing at Shopathome.com, defining the marketing strategy and execution of customer acquisition and engagement initiatives at the company. Earlier in her career, Ms. Marian held executive marketing positions at Webroot, Safeway, and AOL. Ms. Marian holds a Masters of International Business Studies from the University of South Carolina and a B.S. in International Business & Marketing from the University of Colorado at Boulder.

*Arie Kanofsky* is the Chief Revenue Officer, joining the Company in October 2019. Arie is responsible for driving growth and scaling sales opportunities for DHI's brands globally. Prior to joining DHI, Mr. Kanofsky was the VP of Growth and Head of Sales for Smartlinx Solutions. Previously, he was the Chief Sales Officer at Sterling Talent Solutions. Earlier in his career, he was the Director of Sales for JobFox. Mr. Kanofsky was also the co-founder and executive vice president of JobExpo.com (formerly CareerFairsUSA prior to its merger with JobExpo.com). Mr. Kanofsky holds a B.A. in Communication from the University of Tampa.

*Chris Henderson* is the Chief Strategy Officer, joining the Company in April 2019. Mr. Henderson is responsible for the development and implementation of DHI's strategy in support of the CEO and other executive leaders. Prior to joining the Company, Mr. Henderson served as the CEO of the Universal Service Administrative Company, which delivers the FCC's \$10 billion Universal Service effort to deliver high quality broadband to all Americans. Mr. Henderson previously held a number of senior roles in the public sector including Senior Advisor to Interior Secretary Ken Salazar and COO of City for the Denver under Mayor John Hickenlooper. He also spent twelve years at Vestar Capital Partners, a private equity firm, where he was managing director, member of the investment committee and co-head of the consumer group. Mr. Henderson holds an M.B.A. from Columbia University and a B.A. in Political Science from the University of Colorado at Boulder.

*Pam Bilash* is the Chief Human Resources Officer, joining the Company in January 2014 through its acquisition of onTargetjobs where she led the Human Resources team as Executive Vice President since 2009. Ms. Bilash brings the Company more than 25 years' experience in talent management and in the information industry. Prior to joining onTargetjobs, Ms. Bilash worked for Thomson Reuters in roles of increasing responsibility, culminating as Senior Vice President of Human Resources for the healthcare group and serving on their Human Resources leadership team, in addition to her executive duties. Ms. Bilash is a graduate of the University of Hartford.

*Brian P. Campbell* is the Senior Vice President, Corporate Development, General Counsel and Corporate Secretary of DHI Group, Inc. He served as Vice President, Business and Legal Affairs at DHI since June 2003, after joining our predecessor, Dice Inc. in January 2000. Mr. Campbell is responsible for managing our legal affairs, including intellectual property, mergers and acquisitions, strategic alliances, corporate securities, real estate, litigation and employment law, as well as corporate development and supervising outside counsel. Mr. Campbell also oversees our privacy initiatives. Prior to joining the Company, Mr. Campbell served as Vice President, General Counsel and Corporate Secretary at CMP Media, where he worked since 1995. From 1988 to 1995, Mr. Campbell worked as a Corporate Associate at the law firm of Mudge, Rose, Guthrie, Alexander and Ferdon. Mr. Campbell is the Vice Chair of the Small Law Department Network of the Association of Corporate Counsel and is a past president of the New York City Chapter of the Association of Corporate Counsel, where he served on the Board of Directors for six years and has been a member for twenty-five years. Mr. Campbell earned a J.D. from St. John's University School of Law and a B.A. (English) from the University of Virginia, and is currently a candidate for an M.B.A. (Management) degree from Molloy College.

We have adopted a code of conduct and ethics that applies to all of our directors, officers and employees, including or chief executive officer, chief financial officer and persons performing similar functions. Our code of conduct and ethics is posted on the investors section of our website at [www.dhigroupinc.com](http://www.dhigroupinc.com).

## **Diversity**

Inclusion and diversity remain key priorities for the Company. The diverse backgrounds, skills and experiences of executive officers and board members is important to both our values and performance. We believe that a diverse board, management team and workforce that is reflective of our diverse customer base will position us to better understand customers' wants and needs, which we believe drives our ability to deliver superior customer value and successfully innovate. Diverse perspectives amongst our management team and board allows them to evaluate issues through different experiences and perspectives and help guide the Company in a thoughtful way.

**Item 11. Executive Compensation**

The information called for by Item 11 pertaining to executive compensation will be set forth in the Proxy Statement and is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information called for by Item 12 pertaining to security ownership of certain beneficial owners and management will be set forth in the Proxy Statement and is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information called for by Item 13 pertaining to certain relationships and related transactions will be set forth in the Proxy Statement and is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services**

The information called for by Item 14 pertaining to principal accounting fees and services will be set forth in the Proxy Statement and is incorporated herein by reference.

**PART IV**

**Item 15. Exhibits**

- (a) 1. Financial Statement Schedules  
The consolidated financial statements are listed under Item 8 of this Annual Report.
- 2. Financial Statement Schedules.  
See (b) below.
- 3. Exhibits.
  
- 2.1 [Share Purchase Agreement, dated as of May 22, 2018, by and among DHI Group, Inc., OnTargetJobs Canada, Inc. and Virgil AcquisitionCo Inc. \(incorporated by reference from Exhibit 2.1 to Company's Current Report on Form 8-K \(File No. 001-33584\) filed on May 29, 2018\).](#)
- 3.1 [Amended and Restated Certificate of Incorporation \(incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on July 23, 2007\).](#)
- 3.2 [Second Amended and Restated By-laws \(incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on March 9, 2016\).](#)
- 3.3 [Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Dice Holdings, Inc., effective April 21, 2015.](#)
- 4.1 [Specimen Stock Certificate \(incorporated by reference from Exhibit 4.1 to Amendment No. 4 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on June 22, 2007\).](#)
- 4.2 [Second Amended and Restated Shareholders Agreement, dated as of July 23, 2007, by and between DHI Group, Inc. and the eFG Shareholders named therein \(incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on July 23, 2007\).](#)
- 4.3 [Institutional and Management Shareholders Agreement, dated as of July 23, 2007, by and among DHI Group, Inc., the Quadrangle Entities named therein, the General Atlantic Entities named therein and the Management Shareholders named therein \(incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on July 23, 2007\).](#)
- 4.4 [Amendment No. 1 to Second Amended and Restated Shareholders Agreement, dated as of February 4, 2008, by and among DHI Group, Inc. and the eFG Shareholders named therein \(incorporated by reference from Exhibit 4.4 to the Company's Annual Report on Form 10-K \(File No. 001-33584\) filed on March 25, 2008\).](#)
- 4.5\* [Description of Capital Stock.](#)
- 10.1† [The DHI Group, Inc. 2005 Omnibus Stock Plan \(the "2005 Stock Plan"\) \(incorporated by reference from Exhibit 10.14 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on May 18, 2007\).](#)
- 10.2† [Form of Stock Option Award Agreement under the 2005 Stock Plan \(incorporated by reference from Exhibit 10.15 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on May 18, 2007\).](#)
- 10.3† [The DHI Group, Inc. 2007 Equity Award Plan \(the "2008 Equity Plan"\) \(incorporated by reference from Exhibit 10.16 to Amendment No. 1 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on May 18, 2007\).](#)
- 10.4† [Form of Stock Award Agreement under the 2007 Equity Plan \(incorporated by reference from Exhibit 10.11 to Amendment No. 2 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on June 8, 2007\).](#)
- 10.5† [The DHI Group, Inc. 2012 Omnibus Equity Award Plan \(the "2012 Equity Plan"\) \(incorporated by reference from Exhibit 10.1 to the Company's Registration Statement on Form S-8 \(File No. 333-182756\) filed on July 19, 2012\).](#)
- 10.6† [Form of Stock Option Award Agreement under the 2012 Equity Plan \(incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-8 \(File No. 333-182756\) filed on July 19, 2012\).](#)
- 10.7† [Form of Restricted Stock Award Agreement under the 2012 Equity Plan \(incorporated by reference from Exhibit 10.3 to the Company's Registration Statement on Form S-8 \(File No. 333-182756\) filed on July 19, 2012\).](#)
- 10.8† [Form of Performance-Based Restricted Stock Unit Award Agreement under the 2012 Equity Plan \(incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 \(File No. 001-33584\) filed on April 29, 2015\).](#)

- 10.9† [The DHI Group, Inc. Executive Cash Incentive Plan \(incorporated by reference from Exhibit 10.12 to Amendment No. 2 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on June 8, 2007\).](#)
- 10.10† [Employment Agreement, dated as of April 20, 2000, and amended as of March 1, 2001, between Earthweb Inc. and Michael P. Durney \(incorporated by reference from Exhibit 10.4 to Amendment No. 6 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on July 11, 2007\).](#)
- 10.11† [Separation Agreement, dated as November 1, 2017, by and between DHI Group, Inc. and Michael P. Durney \(incorporated by reference from Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 \(File No. 001-33584\) filed on February 12, 2018\).](#)
- 10.12† [Separation Agreement dated as of February 9, 2018 between eFinancialCareers Limited and James Bennett \(incorporated by reference from Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 \(File No. 001-33584\) filed on February 12, 2018\).](#)
- 10.13† [Employment Agreement, dated as of January 31, 2000, and amended as of March 1, 2001, between Earthweb Inc. and Brian Campbell \(incorporated by reference from Exhibit 10.7 to Amendment No. 6 to the Company's Registration Statement on Form S-1 \(File No. 333-141876\) filed on July 11, 2007\).](#)
- 10.14† [Employment Agreement, dated as of June 20, 2005 between eFinancialCareers Limited and John Benson \(incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2008 \(File No. 001-33584\) filed on May 7, 2008\).](#)
- 10.15† [Employment Agreement dated as of November 16, 2004, and amended as of July 1, 2011 between eFinancialCareers Limited and James Bennett \(incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q \(File No. \(001-33584\) filed on April 25, 2012 with the Securities and Exchange Commission\).](#)
- 10.16† [Amendment to Employment Agreement dated as of July 29, 2013 between Dice Inc., DHI Group, Inc. and Michael P. Durney \(incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 \(File No. 001-33584\) filed on October 29, 2013\).](#)
- 10.17† [Employment Agreement dated as of January 1, 2014 between Dice Inc. and Pamela Bilash \(incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 \(File No. 001-33584\) filed on April 30, 2014\).](#)
- 10.18† [Employment Agreement dated as of January 1, 2014 between Dice Inc. and Klavs Miller \(incorporated by reference from Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 \(File No. 001-33584\) filed on April 30, 2014\).](#)
- 10.19 [Second Amended and Restated Credit Agreement dated as of November 14, 2018, among DHI Group, Inc., Dice Inc. and Dice Career Solutions, Inc., as Borrowers, the various lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A. and BMO Harris Bank N.A., as co-syndication agents and TD Bank, N.A., as documentation agent.](#)
- 10.20† [Employment Agreement dated as of November 1, 2016 between Dice Inc. and Luc Grégoire \(incorporated by reference from Exhibit 10.23 to the Company's Annual Report on Form 10-K \(File No. 001-33584\) filed on February 9, 2017\).](#)
- 10.21† [Separation Agreement, dated as of June 16, 2017 among DHI Group, Inc., Dice Inc., and Shraavan Goli \(incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on June 29, 2017\).](#)
- 10.22† [Employment Agreement and Addendum to Employment Agreement dated as of April 9, 2018 between DHI Group, Inc., Dice Inc. and Art Zeile \(incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 \(File No. 001-33584\) filed on August 2, 2018\).](#)
- 10.23† [Employment Agreement and Addendum to Employment Agreement dated as of September 9, 2018 between DHI Group, Inc. and Christian Dwyer.](#)
- 10.24† [Employment Agreement and Addendum to Employment Agreement dated as of September 25, 2018, between DHI Group, Inc. and Michelle Marian.](#)
- 10.25† [Separation Agreement dated as of June 26, 2019 between DHI Group, Inc. and Ian Shepherd \(incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on June 26, 2019\).](#)
- 10.26\*† [Employment Agreement and Addendum to Employment Agreement dated as of October 17, 2019, between DHI Group, Inc. and Arie Kanofsky.](#)
- 10.27† [Employment Agreement dated as of December 12, 2019 among DHI Group, Inc., Dice Inc. and Kevin Bostick \(incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K \(File No. 001-33584\) filed on December 13, 2019\).](#)

10.28†	<a href="#">Separation Agreement dated as of December 12, 2019 between DHI Group, Inc. and Luc Gregoire (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-33584) filed on December 13, 2019).</a>
21.1*	<a href="#">Subsidiaries of the Registrant.</a>
23.1*	<a href="#">Consent Independent Registered Public Accounting Firm</a>
31.1*	<a href="#">Certifications of Art Zeile, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certifications of Kevin Bostick, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certifications of Art Zeile, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certifications of Kevin Bostick, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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\* Filed herewith.

† Identifies a management contract or compensatory plan or arrangement.

(b) Financial Statement Schedules.



**Item 16. Form 10-K Summary**

None.

**SCHEDULE II**

**DHI GROUP, INC.**  
**CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS**  
**As of December 31, 2017, 2018 and 2019**  
**(in thousands)**

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Income</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
<b>Reserves Deducted From Assets to Which They Apply:</b>				
<b>Reserve for uncollectible accounts receivable:</b>				
Year ended December 31, 2017	\$ 3,181	\$ 1,556	\$ (3,049)	\$ 1,688
Year ended December 31, 2018	1,688	1,069	(2,110)	647
Year ended December 31, 2019	647	882	(821)	708
<b>Deferred tax valuation allowance:</b>				
Year ended December 31, 2017 <sup>(1)</sup>	\$ 1,033	\$ (809)	\$ —	\$ 224
Year ended December 31, 2018 <sup>(2)</sup>	224	5,081	—	5,305
Year ended December 31, 2019	5,305	(233)	—	5,072

(1) Reduction primarily due to utilization of foreign tax credits.

(2) Increase primarily due to valuation allowance for tax capital loss carryforward resulting from Rigzone sale.

*See notes to the DHI Group, Inc. consolidated financial statements included elsewhere herein.*

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 6, 2020

DHI Group, Inc.

By: /S/ Art Zeile

\_\_\_\_\_  
Art Zeile

President and Chief Executive Officer

(on behalf of the registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Art Zeile _____ Art Zeile	President, Chief Executive Officer and Director (Principal Executive Officer)	February 6, 2020
/S/ Kevin Bostick _____ Kevin Bostick	Chief Financial Officer (Principal Financial and Accounting Officer)	February 6, 2020
/S/ Brian Schipper _____ Brian Schipper	Chairman and Director	February 6, 2020
/S/ Carol Carpenter _____ Carol Carpenter	Director	February 6, 2020
/S/ Golnar Sheikholeslami _____ Golnar Sheikholeslami	Director	February 6, 2020
/S/ Scipio Carnecchia _____ Scipio Carnecchia	Director	February 6, 2020
/S/ Jim Friedlich _____ Jim Friedlich	Director	February 6, 2020
/S/ Jennifer Deason _____ Jennifer Deason	Director	February 6, 2020
/S/ David Windley _____ David Windley	Director	February 6, 2020