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DHX.N - Q4 2025 DHI Group Inc Earnings Call

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PRESENTATION

Operator

Good day and welcome to the DHI Group Inc. fourth quarter and full year 2025 financial results conference call.

(Operator Instructions) I would now like to turn the conference over to Todd Kehrli, PondelWilkinson Investor Relations. Please go ahead.

Todd Kehrli - *PondelWilkinson - ;Investor Relations*

Thank you, operator. Good afternoon and welcome to DHI Group's fourth quarter and year-end earnings conference call for 2025. Joining me today are DHI's CEO Art Zeile and CFO Greg Schippers.

Before I hand the call over to Art, I'd like to address a few quick items. This afternoon, DHI issued a press release announcing its financial results for the fourth quarter in year end 2025. The release is available on the company's website at DHI Group Inc.com.

This call is being broadcast live over the internet for all interested parties and the webcast will be archived on the investor relations page of the company's website.

I want to remind everyone that during today's call, management will make forward-looking statements that involve risk and uncertainties. Please note that except for historical information, statements on today's call may constitute forward-looking statements within the meaning of the Federal securities laws.

These forward-looking statements reflect DHI management's current views concerning future events and financial performance and are subject to risks and uncertainties, and actual results may differ materially from the outcomes contained in any forward-looking statements.

Factors that could cause these forward-looking statements to differ from actual results include risk and uncertainties discussed in the company's periodic reports on Form 10-k and 10-Q and other filings with the Securities and Exchange Commission. DHI undertakes no obligation to update or revise any forward-looking statements.

Lastly, on today's call, management will reference specific financial measures including adjusted EBITDA margin, free cash flow, and non-GAAP earnings per share, which are not prepared in accordance with US GAAP. Information regarding these non-GAAP measures

and reconciliations to the most directly comparable GAAP measures are available in our earnings release, which again can be found on our website at DHI Groupinc.com in the investor relations section. With that, I'll turn the call over to Art Zeile, CEO of DHI Group.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thank you, Todd. Good afternoon everyone and thank you for joining us today. I am Art Zeile, CEO of DHI Group, and with me is Greg Schippers, our CFO.

To start, I want to remind everyone that at DHI our mission is simple. We help employers find and connect with the technology professionals who drive innovation across the US economy. We do this through our two brands, Clearance Jobs and DC, both with strong positions and attractive markets.

Our model is straightforward. More than 90% of our revenue comes from annual or multi-year subscriptions. Customers who are employers or recruiters use our platforms to search for, engage with, and recruit tech talent.

Our exclusive focus on tech occupations along with our ongoing product innovation gives us a durable competitive advantage. Clearance Jobs is the leading marketplace for professionals with active US security clearances serving approximately 1800 customers including Lockheed, Booz Allen Hamilton, Lidos, Raytheon, and many others.

With 1.9 million candidates on our platform, we have the largest number of profiles of US cleared professionals, giving CJ a significant competitive advantage as a platform for hiring cleared tech talent for the defence sector.

Dice is essentially LinkedIn for tech hiring, Built over 35 years with 7.7 million profiles in our database representing the vast majority of technology professionals in the United States. While LinkedIn emphasizes a person's title, we focus on tech skills, of which there are over 100,000 distinct skills in our data model.

Tech professionals on dice actively update their profiles with new skills, making dice the most relevant platform for recruiters who need to source tech talent.

Both businesses generate strong recurring revenue and robust EBITDA margins, particularly at clearance jobs where margins run at or above 40%. And helps drive strong free cash flow conversion.

Investors often mistake us for a staffing and recruiting firm, but we are an essential software tool used by employers and recruiters to find top tech talent for their open positions.

Approximately 6,000 employers and staffing companies subscribe to our two SA platforms. Now I would like to provide an overview of our brand performance this quarter and outline the steps we have taken to improve our position moving forward.

Starting with clearance jobs, we believe the fourth quarter marked an inflection point. Bookings returned to positive year over year growth in the quarter following a decline in the third quarter. This improvement reflects both market tailwinds and improved sales execution following leadership changes earlier in the year.

The $1 trillion US defence budget for fiscal year 2026 marks an enormous single year increase over the previous year's budget. Historically, the defence budget has grown roughly in line with GDP growth rates of around 3%, so this is a significant year over year increase.

Also, NATO countries are boosting defence spending with a target of 5% of their GDPs, which would represent a spending increase of more than $500 billion per year, with US contractors likely to secure a significant portion of this incremental spend. Traditionally, over 60% of EU defence procurement spending goes to US military contractors.

These dynamics are promising for clearance jobs. With over 10,000 employers of cleared tech professionals and more than 100 government agencies in need of cleared tech professionals. CJ has a significant growth opportunity as government contractors look to staff new projects.

We are also excited about the progress that we have made with our agile ATS acquisition. It has been integrated with clearance jobs and we have doubled its revenue in less than 6 months.

This acquisition is a clear illustration of what we can that we can quote unquote expand the mission for clearance jobs and leverage the solid relationships we have built with 1800 military contractors over the past 24 years.

Looking back, we have almost doubled the revenue of clearance jobs in the last five years, and we continue to expect clearance jobs to be our primary growth engine in the near and medium term as defence contractors are increasingly ramping up hiring activity in anticipation of funded programs.

We also continued to innovate within clearance jobs. During the quarter, we piloted a premium candidate subscription, initially marketing it to a very small subset of our database. Early results were encouraging, validating the concept as a new recurring revenue stream.

Broader marketing to our full candidate base will occur in stages during 2026, and we expect this to become a more meaningful contributor over time. Turning the dice, the commercial technology hiring environment remains challenging.

Dyce's performance in the fourth quarter improved in that the rate of decline narrowed, but both bookings and revenue were still down year over year. We believe dice is well positioned to benefit as broader commercial tech hiring accelerates, but we are not assuming a return to bookings growth in dice until the tech hiring market returns to growth.

Industry data continues to show that overall tech job postings are largely flat compared with late 2024, neither materially better nor worse. That said, tech staffing trends have improved meaningfully.

Staffing industry analysts SIA now suggests that US tech staffing declined by about 10% in 2023, 6% in 2024, and about 2% in 2025, with growth projected to return in 2026.

During the quarter we continued our rollout of the DC Employer Experience, an online self-service platform. The platform serves two strategic purposes. First, it expands our addressable market, particularly among commercial employers who want flexible, lower commitment access to DC through monthly subscriptions or individual job postings.

Second, it improves operating efficiency by enabling greater self-service in all our customer relationships. Importantly, dice employer experience is a platform transition, a full-scale rewrite of our dice code base. Customers will be fully migrated into the new platform by the end of Q1, moving to a modernized interface and workflow, allowing for faster and more efficient new and enhanced product releases.

A key long-term demand driver across dice and the broader tech labor market continues to be AI related hiring.

At the end of 2025, 55% of DC job postings required AI-related skills, up from 28% a year earlier. DCE differentiates itself through its deep AI skills taxonomy, which covers more than 360 distinct AI-related skills.

Rather than treating AI as a single generic category, DC enables employers to identify and match candidates based on specific validated skill sets, an increasingly critical capability as AI roles become more specialized.

We believe this depth of skill intelligence positions dice as a differentiated platform for AI talent over the long-term. Looking ahead, we expect clearance jobs to deliver continued growth driven by defence spending, improved execution, and our expanded offerings.

Clearance Jobs operates in a specialized high barrier market at the intersection of defence, security, and technology, with significant upside from defence budget growth and NATO spending.

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For DC, while we believe it is increasingly becoming the go to destination for AI talent acquisition, we expect it to continue to be challenged until the commercial tech hiring market returns to growth. Having said that, our subscription model and margin structure give us resilience and allows us to deliver significant free cash flow.

We are confident in our ability to deliver strong free cash flow going forward and continue to believe the market doesn't fully reflect the value of each of our distinct brands today, which is why our board authorized a new $10 million buyback program starting this month.

Over time, as we execute, grow our customer base, and deliver solid profits and robust free cash flow, we see a clear path to continued, meaningful shareholder value creation. With that, I will turn the call over to Greg to walk you through the financial results and our guidance in more detail. Greg.

Greg Schippers - *DHI Group Inc - Chief Financial Officer*

Thank you, Art, and good afternoon, everyone. Jumping right in, we reported total revenue of $32.4 million for the fourth quarter, which was down 10% on a year over year basis and roughly flat compared to the third quarter.

Total bookings for the quarter were $31.2 million down 5% year over year. Our total recurring revenue was down 12% compared to the prior year, and the bookings that drive our recurring revenue were down 6% for the quarter. Clearance jobs revenue was $13.9 million up 1% year over year and flat sequentially.

Bookings for CJ were $14.6 million up 3% year over year. We ended the fourth quarter with 1,775 CJ recruitment package customers, which was down 9% on a year to year basis and down 3% on a sequential basis.

This reduction continues to be attributable to churn, with customers spending less than $15,000 in annual recurring revenue. CJ accounts spending greater than $15,000 in annual recurring revenue increased by approximately 60 accounts versus the prior year and includes approximately 25 accounts that upgraded from a lower tier.

Our average annual revenue per CJ recruitment package customer was up 8% year over year and up 2% sequentially to $27,246. Approximately 90% of CJ revenue is recurring and comes from annual or multi-year contracts.

For the quarter, CJ's revenue renewal rate was 90%, and CJ's retention rate was 109%. These solid rates demonstrate the continued value CJ delivers in recruitment of cleared professionals.

DC revenue was $17.4 million which was down 17% year over year and down 4% sequentially. DCE bookings were $16.6 million down 11% year over year.

We ended the fourth quarter with 4,132 DICE recruitment package customers, which is down 3% from last quarter and down 12% year over year.

DC revenue renewal rate was 78% for the quarter and its retention rate was 94%. The reduction in customer count from the prior year quarter continues to be attributable to churn with smaller customers spending less than $15,000 per year,

which represent approximately 75% of the total churn on count and who are more likely to be impacted by the difficult macroenvironment and uncertainty.

We believe the introduction of our NICE platform, which offers customers the flexibility of monthly subscriptions, will help reduce future churn among smaller accounts by lowering upfront commitment and improving affordability.

Our average annual revenue per DICE recruitment package customer was $15,635 down 5% year over year and down 1% sequentially. Approximately 90% of DICE revenue is recurring and comes from annual or multi-year contracts.

Both brands continued to onboard notable new clients. In the fourth quarter. Clearance jobs secured annual contracts with ServiceNow, Forward Edge AI, and Pennsylvania State University, while Dice landed Ameriprise Financial,

Atlas Copco Group, and the Metropolitan Water District of Southern California, demonstrating that employers outside the traditional tech industry are using our platforms to hire talent to fulfil their tech developed needs.

Now let's move to operating expenses. For the fourth quarter, our operating expenses decreased $5.3 million to $27.7 million when compared to $33.1 million in the year ago quarter and includes a $1.4 million impairment of a right of use asset as we intend to sublease our New York City office space.

Excluding the impairment, our fourth quarter operating expenses declined $6.7 million or 20%. Improvements to our operating efficiency, including the Dice employer experience platform, along with adjusting the business for the difficult market environment over the past few years,

we have reduced our annual operating expenses and capitalized development costs by approximately $35 million. For the quarter we had income tax expense of $800,000 on income before taxes of $2.2 million. Our tax rate for the quarter differed from our approximate statutory rate of 25% due to a non-deductible impairment.

Tax law changes which allowed for the immediate deduction of R&D costs helped reduce our 2025 income tax payments by $3.1 million as compared to 2024 and will favourably affect our 2026 cash outlay for income taxes. Moving on to the bottom line, we recorded net income of $1.3 million or $0.03 per diluted share in the fourth quarter.

For the prior year quarter, we reported net income of $1 million or $0.02 per diluted share. Net income for the quarter was impacted by the previously mentioned $1.4 million impairment and a $900,000 impairment of an investment.

Non-GAAP earnings per share for the quarter was $0.09 per share compared to $0.07 per share for the prior year quarter. Diluted shares outstanding for the quarter were 44.6 million shares, down 1.3 million shares, or 3% from the prior year quarter.

Adjusted EBITDA for the fourth quarter was $9.4 million a margin of 30%, compared to $9.2 million or a margin of 26% in the fourth quarter a year ago. On a segmented basis, CJ adjusted EBITDA remains strong at $6 million in the fourth quarter, representing a 43% adjusted EBITDA margin as compared to adjusted EBITDA of $6.4 million or a margin of 47% in the prior year period.

DC's adjusted EBITDA increased to $5.2 million representing a 30% adjusted EBITDA margin compared to $4.3 million in a 20% margin last year. Operating cash flow for the fourth quarter was $7.2 million compared to $4.4 million in the prior year period.

Free cash flow, which is operating cash flows, less capital expenditures, was $5.7 million for the fourth quarter compared to $1.6 million in the fourth quarter of last year.

Our capital expenditures, which consist primarily of capitalized development costs, were $1.4 million in the fourth quarter compared to $2.7 million in the fourth quarter last year, a savings of $1.3 million or 47%.

Capitalized development costs in the fourth quarter of 2025 for CJ were $454,000 compared to $524,000 in the 2024 period, while capitalized development costs for DIC were $1 million this quarter as compared to $1.6 million in the 2024 period.

We are targeting total capital expenditures in 2026 to range between $6 million and $7 million as compared to $7.3 million last year. For the full year we generated $13.8 million of free cash flow compared to $7.1 million last year.

From a liquidity perspective, at the end of the quarter we had $2.9 million in cash, and our total debt was $30 million under our $100 million revolver, resulting in leverage at 0.85 times our adjusted EBITDA. We continue to target one time leverage for the business.

Deferred revenue at the end of the quarter was $39.9 million down 12% from the fourth quarter of last year. Our total committed contract backlog at the end of the quarter was $99.6 million which was down 5% for the end of the fourth quarter last year.

Short-term backlog was $76.1 million at the end of the fourth quarter, a decrease of $2.6 million or 3% year over year. Long-term backlog, that is revenue to be recognized in 13 or more months, was $23.5 million at the end of the quarter, a decrease of $2.6 million or 10% from the prior year quarter.

During the quarter we repurchased 2.9 million shares for $5.2 million under our stock repurchase program. For the year we've repurchased a total of 5.5 million shares for $11.4 million and over the past three years we've repurchased 9.1 million shares for $26.5 million under our stock repurchase programs and from investing in share-based awards.

Following the close of the fourth quarter, we completed the $5 million plan authorized in November 2025, and last week our board approved a new $10 million stock repurchase program which will begin this month and will run through February of 2027.

Moving on to guidance, we expect clearance jobs bookings to grow in 2026. However, we do not anticipate DC Bookings growth resuming until tech hiring improves. As a result, we expect DHI revenue of $118 million to $122 million for the full year, and for the first quarter, we expect revenue of $28 million to $30 million.

For CJ, we expect revenue of $56 to $58 million for the full year, and for the first quarter we expect revenue of $13 million to $14 million. At dice, we expect revenue of $62 million to $64 million for the full year and for the first quarter we expect revenue of $15 million to $16 million.

We expect the CJ bookings miss that occurred in the third quarter of 2025 to cause a small sequential and year over year revenue decline for CJ in the 1st quarter but returning to growth in the second quarter of 2026. From a profitability standpoint, we are targeting a full year adjusted EBITDA margin for DHI of 25% and margins of 40% for CJ and 22% for DC.

The lower year over year margins are driven by bookings challenges in 2025 related to the continued soft tech hiring environment and uncertainty surrounding government defence spending. These bookings challenges in 2025 drive the lower revenue in 2026.

Our focus remains on delivering long-term sustainable and profitable revenue growth leads to strong free cash flow generation averaging at or above 10% of revenues. To wrap up, although the hiring environment over the past 2+ years has impacted our revenue growth, we remain optimistic about the road ahead.

We anticipate the record breaking defence budget will be a growth driver for CJ and that companies across all industries will steadily increase their investments in technology initiatives, creating a strong growth opportunity for both clearance jobs and dice.

We remain focused on strengthening our industry leading solutions, optimizing our go to market strategy, and executing with efficiency, ensuring we are well positioned to capitalize on the opportunities that lie ahead. And with that, let me turn the call back to art.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thanks, Greg. I want to thank all of our employees once again for their outstanding work this quarter. It is a pleasure to be part of such a great team. That said, we are happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Zach Cummins, B. Riley Securities Holdings Inc

Zach Cummins - *B. Riley Securities Holdings Inc - Analyst*

Hi, good afternoon, Art and Greg. Congrats on solid results here in Q4 and nice to see, Clarence Jobs moving towards sustained growth here in 2026. Just starting with Clarence Jobs, yeah, I, I'm curious on your assumptions around just the bookings trajectory in business. Obviously, potentially a lot of tailwinds with the strong defence spending environment that we're seeing going into next year, so.

It just curious of your assumptions that you're making on the bookings front with your initial guidance for clients' jobs in in 2026.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Well, first and foremost, Zach, that's a great question. I will tell you that we think that part of the results of last year was due to sales execution and leadership, and we do have a new leader coming on board. We did have our President, who's the previous VP of sales for CJ, drop into the role in late October, and he made an immediate difference.

And you can see that obviously swinging from 7% year over year bookings for Q3 to 3% in Q4. I would say we do foundationally believe that the new defence budget that was just passed yesterday is going to be a tailwind for CJ. We could see visibly the larger customers in Q4, despite having the largest government shutdown in the history of the United States, feel very confident in their position.

And renew at elevated rates. So we think that that's going to be more pervasive in kind of the community as we move forward into 2026, especially in the aftermath of that defence budget being passed and then obviously put into law by President Trump.

Zach Cummins - *B. Riley Securities Holdings Inc - Analyst*

Understood. And then just shifting over to dice, obviously nice to see some green shoots with, the overall staffing side of it potentially returning to growth this year, but.

As the mix of overall AI related job postings continues to grow on your platform. I mean, how are you thinking about just the overall value for dice and potentially even kind of outperforming a potential inflection in the broader commercial environment inflection that that we're hoping to see there.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

That's a great question, a question that is asked by just about everyone, including our board last week at our quarterly board meeting. I can tell you that there's obviously a mix of opinions, a range of opinions as to how AI affects the coding community, programmers in the United States. I can tell you that we believe that this is the year that that's going to become very visible.

We do see signs that There is this one particular philosophy that if you become more efficient in anything that is generated, there is higher demand for it, and we think that that is evidenced by the discussions that are being happened by like Mark Andreessen and SAM Altman saying no, we think that there's going to be kind of a mini explosion of demand for AI.

Now that has played out in terms of the demand for AI professionals on the dice site, but I think that, commercial activity in general is still subdued, and there's kind of a wait and see approach. But I think this is the year that we figure out whether or not AI really is a substitute for, development capacity and for the community at large and tech professionals, but we're seeing signs that there is high demand. There's no question about that.

Zach Cummins - *B. Riley Securities Holdings Inc - Analyst*

Understood. And then just final question on the margin front, for dice, is it really just, the factors of kind of a lower revenue base that that's causing the margins to compress here, or are there any incremental investments that you're planning on in 2026 for dice?

Greg Schippers - *DHI Group Inc - Chief Financial Officer*

Yeah, so Zach, this is Greg. Yeah, the compression on margin is purely related to, the revenue. Well, in the end it's the bookings challenges and then that flowing through the revenue in 2026. So, we're targeting lower OpEx in 2026 versus 2025, but it just doesn't quite keep up with the decline in revenue. And as it relates to investments in dice, we do continue to invest in dice.

I think, as Art commented, the platform is much more efficient now. We can do a lot more development and a lot more enhancements faster with fewer people, and so we took those folks out last year. So we intend to continue to invest, but, the just the runoff of that bookings in 2025 is going to slow revenue in 2026 and cause margin compression in the short-term.

Zach Cummins - *B. Riley Securities Holdings Inc - Analyst*

Understood. That's really helpful. Well, thanks again for taking my questions and best of luck with the rest of the quarter. Thank you so much, Greg.

Operator

Gary Prestopino, Barrington Research Associates Inc

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

Good morning, good afternoon, everyone. Yeah, I know. Art, could you just elaborate a little bit on the new premier subscription, package that you're putting out for CJ?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Yes, I'm happy to do so that has been in the works for quite some time, since the middle of 2025. In many respects it has the same kind of attributes, same kind of feature set as LinkedIn premium subscription. And the LinkedIn price point is pretty substantial. It's about $60 per month.

We rolled that out to a small user group at the beginning of Q4 and expanded to about 1,000 total candidates that were given the opportunity to buy this subscription. Subsequently, moving into January, we've been kind of advancing that to about. 10,000 total candidates and it has seen a take rate of about 1.5% and it is growing so it feels pretty good.

We also at the same time essentially randomized pricing so we offered some candidates a low pricing at 995, another set of candidates 1,299, another set of candidates 149. Another set of candidates in 1,999 and it looks like the most promising price point is 1,299.

So we are going to go out to the full set of about 1.9 million candidates and make this offer to them for premium candidate experience or subscription by the end of Q1. We're just kind of literally rolling it out in phases week by week.

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

But could you explain what the premium subscription does? I'm a little bit, I guess, fuzzy on that. What is, what exactly are you offering the candidate?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Absolutely. So as one example, you can see who looked at your profile over the last week, 30 days, 60 days, 90 days. What that is to a candidate is a signal that a recruiter is very interested in your pro. Profile so you can reciprocate by going straight to that recruiter and saying, hey, I looked at, I know that you looked at my profile. Would you like to engage in a conversation?

You also can look at a particular job posting and get a score 0 to 100 as to how close you match the required attributes of that particular job posting. And it will also tell you what the GAAP is, what you should go out and learn if you really want those kind of career opportunities in the future.

It will also give you a boost towards those jobs that are being searched for. So if a recruiter is searching for a Java developer in Centennial, Colorado and you have this premium candidate subscription. It will boost your profile a little bit closer to the top so that you're more visible to that recruiter. They take your profile more seriously.

Those are just three of the features that are embedded in this. There's probably like 10 features and I could definitely get you a much more comprehensive summary of that, Gary, but it really is promoting a candidate's, their ability to essentially use the.

Platform with more sophistication and have more engagement with recruiters because it's always about the engagement with recruiters and giving them more signals as to what they need to do with their career.

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

Okay, and you also mentioned that, besides the fact you've cut expenses, you've got new products rolling out, did some personnel changes, particularly on the sales side or head of sales. Could you just talk a little bit about that?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Yes, I will tell you that at the beginning of last year, January 2025, we essentially separated the brands and we designated Presidents. Alex Shilt is the President of clearance jobs, and he used to be the VP of sales of clearance jobs, so he was promoted from VP of sales to President,

and we had to find a replacement for him. Unfortunately I think that we found a person that didn't really scale to the full size of the CJ sales team, which consists of about 50 people, so it's a pretty meaningful sized team to manage, and we saw bookings decay Q1, Q2, Q3.

We thought that that was part of the macro environment or at least partially due to the macro environment, but then we convinced ourselves that we really needed to. Find a new leader at the time that we decided that in October, Alex dropped into his old role.

He became the acting VP of sales for CJ at the same time that he was the President. And so, he was doing double duty, but we saw an immediate remarkable improvement in bookings. Like literally we went from 7% or a decline of 7% in bookings Q3 year over year to 3% in Q4 and you know I think that that trend will continue over the course of 2026.

So we think that there is a It does make a difference having the right person in the role. We convinced ourselves of that and we do believe that the macro environment did to a certain degree hold us back, but now the macro environment feels a lot different, a lot better, and especially in light of the defence budget that was passed into law yesterday.

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

Okay, and this individual can you think he's, he can continue to have double responsibility as President and then head of sales too?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

No, we are actually bringing on board and announcing a new VP of sales in the next, few weeks, and so we've been hard at it through a Hydrogen struggles led search to find the new VP of sales for clearance jobs and, I personally think the candidate, the person that is going to become our new VP of sales is spectacular. So again, I don't want to announce it too early, but it will be announced within a few weeks.

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

Okay, and then just lastly, I mean if you could cite maybe three or four encouraging signs that you're seeing, I mean obviously the clearance jobs bookings were up, but what else, is happening on a macro.

Macro environment plane, we know about the fact that you've cut costs and that's great and all that, but what, what's giving you some encouragement here?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

I personally think that the context of the defence budget is going to help us a lot that most of our roles are very heavily technical and weighted towards software development on the clearance jobs platform and programs like the Golden Dome are all about software so I think that The fact that we are moving to a much more technology rich defence budget will help us and we are already seeing that obviously.

The other really big macro effect for us is the dice. Dependency on staffing recruiting agencies, so we have been in a tech staffing recession since 2023, and that's clearly evidenced by the staffing industry analyst kind of figures that I pronounced on my side of the script.

We're coming out of that. You can go to staffing industry analysts. They have a new tech staffing bullhorn indicator, and it shows the revenue growth in the tech staffing industry month over month previous period, and it shows that we are going towards growth in 2026. The staffing industry analyst Pulse report that comes out after.

Every 60 days showed that the median tech staffing firm in December of last year, the median grew 10%. The 75th percentile tech staffing firm in the United States grew 32%. So we're seeing kind of a surge. In tech staffing demand.

Now, obviously I'm not trying to overplay that. It's an uncertain world that we live in today, but you can definitely see the trend lines if you go to staffing industry analysts and look at these indicators. And again we've been in a recession, so it's a cyclical business. We're hopefully coming out of the cycle.

Gary Prestopino - *Barrington Research Associates Inc - Analyst*

Great to hear. Thank you so much. Appreciate it.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thank you.

Operator

Max Michaelis, Lake Street Capital Markets

Max Michaelis - *Lake Street Capital Markets - Analyst*

Hey guys, great quarter. A few questions for me. I kind of want to stick with the clearance jobs here. It's good to see bookings up 3% in Q4 and then your guidance for clearance jobs at 4%. Going back to your comments earlier in the call about bookings growth expected to continue in clearance jobs.

Should we expect acceleration from this 3%? I know, quarterly volatility is a thing, but should we expect clearance jobs, bookings growth to kind of creep up into the mid-single-digit range? Anything helps there.

Greg Schippers - *DHI Group Inc - Chief Financial Officer*

Yeah, this is Greg and Max, yeah, you should expect that to trip up through the year. So we expect it to get a little more legs under it, as the, this new defence budget kind of gets moving and stuff. There's be a little bit of lag, with everyone, getting their contracts in order, but we definitely expect that to happen through the year.

Max Michaelis - *Lake Street Capital Markets - Analyst*

Okay, thank you. And then for clearance jobs margins, I think adjusted the margin was 43% in 2025 and then your guidance calls for around 40%. Is there any reason for that, step down in 2026 investment or, help me out with that.

Greg Schippers - *DHI Group Inc - Chief Financial Officer*

Yeah, no, that's a good question, and it, it's really, it is a result of the rather flat bookings through 2025 and in particular the decline in the third quarter of 7%, in six months or so that can that moves over to revenue.

And we have a pretty consistent OpEx base if not increasing a little bit at CJ expected through 2026 as we continue to invest, in that business so that's going to compress that margin a little bit but again, we're still in that 40% range with CJ but the revenues will be just a bit more challenged because of the lag in that booking mess.

Max Michaelis - *Lake Street Capital Markets - Analyst*

Okay, and then shifting over to dice is my last question. Going back to an earlier question talking about the green shoots and staffing, can you remind me what the percentage of revenue is, between staffing and commercial accounts at DICE?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Approximately 80% is really dependent upon tech staffing firms in the United States. So we have some of the very largest tech staffing firms in the United States in the world. DOGE is the largest customer for us. Robert Half is number two.

We have Randstad, workforce, Job Bot, and then there is a very long tail of tech staffing firms in the United States. There's approximately 18,000 tech staffing firms, so. The bottom line is that we have traditionally been very dependent upon them because for them, the, DC platform is the equivalent of Salesforce.com to a salesperson.

It's up on their laptop or their screen every single day, every hour of the day as they're searching for candidates. They have a lot of urgency of getting people in the seat, so to speak, because they can only bill their customers when they actually do land in the position. So again we're kind of the you know go to platform for many of the tech staffing firms in the United States.

Max Michaelis - *Lake Street Capital Markets - Analyst*

Yeah, I knew it was high. I just couldn't remember the exact number, but thanks for taking my questions guys.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thank you, Max. I appreciate it. Have a great day.

Operator

Kevin Liu, K Liu & Company LLC

Kevin Liu - *K Liu & Company LLC - Analyst*

Hi, good afternoon, guys. I know my congrats on a solid finish to the year. Maybe if I could just continue on that line of questioning, for the staffing and recruiting piece of dice, can you talk a little bit about, the trends you've seen within, business with those companies, and as they start to see their own businesses stabilize, is it possible that you'll see growth there, which is this been kind of offset by the commercial side of your business?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

That's a great question, Kevin. As always, I would have to say that as we looked at, this SIA Pulse report over the course of the year, it bumped along, not really meaningfully changing as an indicator for the first half of the year. I personally think that that's because of the macro environment, tariff announcements and just uncertainty in general coming into a new administration.

Then in the second half of the year you can see a distinct trend. Where the 75th percentile was always doing extremely well, the 25th percentile was still, in a tough shape where there were revenue declines. So I used to tell the sales team it feels like it's a tale of two cities, and we have to go after those.

Staffing firms that have requisitions and that are doing extremely well. So when you ask, will we see increases, we are already seeing it with certain companies that are doing well, kind of exiting 2025. We always look at the median as illustration of, what the average firm is doing or what their performance looks like,

and the average firm up until this last pulse report was, like 0% to 1% to 2%. But it looks pretty good moving into 2026 based on how we exited the year and I would also say the interesting thing about it is that December is a tough month. Generally speaking, our industry in general,

whether it's staffing or it's hiring people commercially is always down in the month of December, generally just because, I mean it's the holiday. Season, so people aren't hiring that with velocity.

Now I can also tell you that our book of business in terms of renewals has a peak around December and January just because people have liked to line up their contracts with their calendar year or fiscal year.

Kevin Liu - *K Liu & Company LLC - Analyst*

Yeah, and just on that note, I wanted to chat a little bit about kind of the renewal trends you've been seeing of late. Obviously, Q4 looked like a nice bounce back, from Q3 levels.

Can you talk about just kind of, how easy or difficult it was to kind of get your larger customers, especially, to renew during that period and what you've seen kind of into the new year, and then as we look out for, 26, just wondering if you would expect to see continued improvement, in overall renewal rates.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Yeah, I would say, well, speaking to each brand individually, clearance jobs actually had a very nice bounce back as we've been talking about a great revenue renewal rate for Q4. I would say that the larger customers felt very bullish about their prospects moving into 2026 because they knew that they were going to see a larger defence budget,

and as you probably heard, President Trump Even promoted the idea of a $1.5 trillion defence budget for fiscal year 2027 which starts obviously October of this year. So it feels like we have turned the corner with CJ and this is again in the kind of overshadowing event of the government shutdown which you know lasted longer than any other shutdown in history that mostly kind of affected the confidence of the small

and medium firms because They obviously have a different balance sheet profile than the large ones. Turning over the dice, I would say again we had a bounce back in terms of revenue renewal rate.

Our bigger customers felt better, kind of in line with that idea that there are certain tech staffing firms that are doing a lot better than they did at the beginning of 2025 and we were the beneficiaries of that during the renewal season. So that's just generally how I describe it.

Kevin Liu - *K Liu & Company LLC - Analyst*

All right, great, and then just on CJ as well, it was kind of interesting to hear that, the Agile ATS revenue base has kind of doubled already. I know it's off a small base, but how do you think about how Agile can contribute to growth on the CJ side this year?

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Well, I think it's going to be still growing steadily. I think that it really does fit a great market need. It's generally for smaller and mid-sized companies, so that's what we are, doing is we are pitching for those type of customers.

I would say that because of the early Success that we saw with Agile ATS bookings and revenue, we're actually adding to the sales team specifically to essentially promote Agile ATS moving into 2026.

We felt enough confidence in what we had seen that we wanted to expand on that success and so we're adding resources and we think that it is going to be a bigger growth driver for us in the year ahead.

Kevin Liu - *K Liu & Company LLC - Analyst*

Sounds great. Thanks for taking the questions and good luck here.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thank you I appreciate it, Kevin.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to AR Day for closing remarks. Please go ahead.

Arthur Zeile - *DHI Group Inc - President, Chief Executive Officer, Chief Financial Officer, Director*

Thank you operator and thank you all for joining us today. As always, if you have any questions about our company or would like to speak with the management team, please reach out to Todd Curley and he will assist in arranging a meeting. Thank you for your interest in DHI Group and have a wonderful day.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.
