DHI GROUP, INC.
Form 10-Q
November 01, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended September 30, 2016

OR
£ TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-33584

DHI Group, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	20-3179218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1040 Avenue of the Americas, 8th Floor	
New York, New York	10018
(Address of principal executive offices)	(Zip Code)

(212) 725-6550
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes R No £
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No £
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company in Rule 12b-2 of the Exchange Act.
Large accelerated filer £ Accelerated filer R Non-accelerated filer £ Smaller Reporting Company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No R

As of October 28, 2016, there were 49,780,138 shares of the registrant's common stock, par value $.01 per share, outstanding.

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PART I
ITEM 1. Financial Statements
DHI GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except per share data)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	$ 29,421	$ 34,050
Accounts receivable, net of allowance for doubtful accounts of $2,666 and $2,887	37,863	46,380
Income taxes receivable	1,654	916
Prepaid and other current assets	3,810	3,072
Assets held for sale	—	4,265
Total current assets	72,748	88,683
Fixed assets, net	15,663	15,255
Acquired intangible assets, net	49,812	65,292
Goodwill	174,640	198,598
Deferred income taxes	276	322
Other assets	646	785
Total assets	$ 313,785	$ 368,935
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 19,979	$ 23,883
Deferred revenue	82,384	83,316
Income taxes payable	2,762	4,006
Liabilities held for sale	—	2,334
Total current liabilities	105,125	113,539
Long-term debt, net	90,679	99,436
Deferred income taxes	9,096	10,849
Accrual for unrecognized tax benefits	3,602	3,436
Other long-term liabilities	2,947	3,062
Total liabilities	211,449	230,322
Commitments and contingencies (Note 7)		
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 81,951 and 80,717 shares, respectively; outstanding: 50,144 and 52,622 shares, respectively	820	807
Additional paid-in capital	363,744	352,208
Accumulated other comprehensive loss	(29,325)	(20,468)
Accumulated earnings	38,600	49,476
Treasury stock, 31,807 and 28,095 shares, respectively	(271,503)	(243,410)
Total stockholders' equity	102,336	138,613
Total liabilities and stockholders' equity	$ 313,785	$ 368,935

See accompanying notes to the condensed consolidated financial statements.

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DHI GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$56,073	$65,138	$172,032	$194,710
Operating expenses:				
Cost of revenues	7,943	9,765	24,557	29,255
Product development	6,018	7,938	19,323	22,082
Sales and marketing	19,425	19,779	58,573	60,984
General and administrative	10,101	10,958	32,822	34,059
Depreciation	2,478	2,364	7,639	6,821
Amortization of intangible assets	1,570	3,376	6,106	10,875
Impairment of goodwill	15,369	—	15,369	—
Impairment of intangible assets	9,252	—	9,252	—
Disposition related and other costs (Note 10)	—	—	3,347	—
Total operating expenses	72,156	54,180	176,988	164,076
Operating income (loss)	(16,083)	10,958	(4,956)	30,634
Interest expense	(901)	(831)	(2,593)	(2,472)
Other income (expense)	(1)	7	(33)	(2)
Income (loss) before income taxes	(16,985)	10,134	(7,582)	28,160
Income tax (benefit) expense	(144)	3,623	3,294	10,879
Net income (loss)	$(16,841)	$6,511	$(10,876)	$17,281
Basic earnings (loss) per share	$(0.35)	$0.13	$(0.22)	$0.33
Diluted earnings (loss) per share	$(0.35)	$0.12	$(0.22)	$0.33
Weighted-average basic shares outstanding	47,719	51,228	48,596	51,792
Weighted-average diluted shares outstanding	47,719	52,230	48,596	53,056

See accompanying notes to the condensed consolidated financial statements.

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DHI GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$(16,841)	$6,511	$(10,876)	$17,281
Foreign currency translation adjustment	(2,221)	(3,972)	(8,857)	(4,170)
Unrealized losses on investments	—	(3)	—	(3)
Total other comprehensive loss	(2,221)	(3,975)	(8,857)	(4,173)
Comprehensive income (loss)	$(19,062)	$2,536	$(19,733)	$13,108

See accompanying notes to the condensed consolidated financial statements.

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DHI GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	$(10,876)	$17,281
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	7,639	6,821
Amortization of intangible assets	6,106	10,875
Deferred income taxes	(1,977)	(373)
Amortization of deferred financing costs	243	313
Stock based compensation	8,750	7,490
Impairment of goodwill	15,369	—
Impairment of intangible assets	9,252	—
Change in accrual for unrecognized tax benefits	166	172
Loss on sale of business	639	—
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	8,047	3,437
Prepaid expenses and other assets	(618)	1,601
Accounts payable and accrued expenses	(3,430)	(2,332)
Income taxes receivable/payable	(2,082)	6,050
Deferred revenue	(493)	(2,132)
Other, net	(123)	166
Net cash flows from operating activities	36,612	49,369
Cash flows from investing activities:		
Cash received from sale of business	2,429	—
Purchases of fixed assets	(8,461)	(6,710)
Net cash flows from investing activities	(6,032)	(6,710)
Cash flows from financing activities:		
Payments on long-term debt	(26,000)	(28,875)
Proceeds from long-term debt	17,000	20,000
Payments under stock repurchase plan	(26,179)	(29,561)
Payment of acquisition related contingencies	—	(3,829)
Proceeds from stock option exercises	2,664	5,897
Purchase of treasury stock related to vested restricted stock and performance stock units	(2,779)	(1,665)
Excess tax benefit over book expense from stock based compensation	400	2,114
Net cash flows from financing activities	(34,894)	(35,919)
Effect of exchange rate changes	(315)	394
Net change in cash for the period	(4,629)	7,134
Cash, beginning of period	34,050	26,777
Cash, end of period	$29,421	$33,911

See accompanying notes to the condensed consolidated financial statements.

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DHI GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of DHI Group, Inc. ("DHI" or the "Company") have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual audited consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") have been omitted and condensed pursuant to such rules and regulations. In the opinion of the Company's management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial position, results of operations and cash flows of the Company for the periods presented. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "Annual Report on Form 10-K"). Operating results for the nine month period ended September 30, 2016 are not necessarily indicative of the results to be achieved for the full year.

Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. Management believes the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results could differ materially from management's estimates reported in the condensed consolidated financial statements and footnotes thereto. There have been no significant changes in the Company's assumptions regarding critical accounting estimates during the nine month period ended September 30, 2016, except as disclosed in Notes 4, 5 and 12 relating to intangible assets and goodwill impairment at the Energy reporting unit within the Global Industry Group segment.

2. NEW ACCOUNTING STANDARDS

Accounting Standards Update (ASU) No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Company adopted the standard during the period ended March 31, 2016 and has retrospectively applied the provisions to all prior periods presented. The Company reclassified the December 31, 2015 balance of $1.6 million of debt issuance costs from Deferred financing costs to Long-term debt, net on the Condensed Consolidated Balance Sheets.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers. The new standard outlines the principles an entity must apply 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. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard becomes effective for reporting periods (interim and annual) beginning after December 15, 2017, with no early adoption permitted. The new standard can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application. The Company is currently evaluating the impact on its various revenue streams and is continuing to evaluate the potential impact on its consolidated financial statements and has not yet selected a transition method.

In March 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The new standard will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can currently for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The updated standard becomes effective for fiscal years beginning after December 15, 2016 and interim periods the following year, with early adoption permitted. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement should be applied prospectively. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements and forfeitures should be applied using a modified retrospective transition method. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. The Company is determining the expected impact of this standard on its financial statements.

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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. The Company is determining the expected impact of this standard on its financial statements.

3. SALE OF SLASHDOT MEDIA

The Company sold the Slashdot and SourceForge businesses (together referred to as “Slashdot Media”) on January 27, 2016 for $2.8 million cash plus working capital of $0.4 million and incurred approximately $0.8 million of selling costs. A $0.6 million loss on sale of business was recognized in the nine month period ended September 30, 2016.

The Slashdot Media business was classified as “held for sale” as of December 31, 2015 and was shown on the Condensed Consolidated Balance Sheets under the heading of “Assets held for sale” and the liabilities were shown under “Liabilities held for sale.” Operating results through date of sale are included in the Corporate & Other segment in Segment Information, Note 12.

There was no revenue for Slashdot Media for the three month period ended September 30, 2016. Revenue was $3.5 million for the same period in 2015 and $0.7 million and $11.2 million for the nine month periods ended September 30, 2016 and 2015, respectively. There was no income before incomes taxes for Slashdot Media for the three month period ended September 30, 2016 and $0.2 million for the three month period ended September 30, 2015. There was $2.7 million loss before incomes taxes for Slashdot Media, including loss on sale, severance, and accelerated stock based compensation, for the nine month period ended September 30, 2016 and $0.7 million of income before taxes for the nine month period ended September 30, 2015.

4. 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 Condensed Consolidated Balance Sheets for cash, accounts receivable, 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 Company historically had obligations, to be paid in cash, related to its acquisitions if certain future operating and financial goals are met. The fair value of this contingent consideration is determined using expected cash flows and present value technique. Expected cash flows are determined using the probability weighted-average of possible outcomes that would occur should delivery of certain product enhancements occur. There is no market data available to use in valuing the contingent consideration; therefore, the Company developed its own assumptions related to the expected future delivery of product enhancements to estimate the fair value of these liabilities. A 2% discount rate is used to fair value the expected payments. The liabilities for the contingent consideration were established at the time of acquisition and are evaluated at each reporting period.

The Company made the final cash payment of $3.8 million of acquisition related contingencies in the nine month period ended September 30, 2015 to extinguish the liability. The remaining fluctuation in the nine month period ended

September 30, 2015 was due to foreign currency exchange rate changes.
Impairment—The Company began an interim goodwill impairment test of the Energy reporting unit as of September 30, 2016 because the cash flow projections for this reporting unit decreased due to a decline in financial performance resulting from declining oil prices and the resulting decreased demand for the reporting unit’s services. The interim impairment test is not complete but the Company estimates that goodwill at the Energy reporting unit with a carrying value of $15.4 million

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should be written down to zero. Accordingly, the Company has recorded an impairment charge of $15.4 million as of September 30, 2016 and is reflected as Impairment of Goodwill on the Condensed Consolidated Statements of Operations.
To arrive at the implied fair value of goodwill as of September 30, 2016, the Company performed a preliminary calculation of the fair value of all the assets and liabilities of the reporting unit as if it had been acquired in a business combination. After assigning fair value to the assets and liabilities of the reporting unit, the Company estimated the implied fair value of goodwill was zero in the quarter ended September 30, 2016. The fair value of the assets and liabilities of this reporting unit was determined by a combination of a discounted cash flow methodology and market comparable method. The goodwill balance represented a Level 3 asset measured at fair value on a nonrecurring basis subsequent to its original recognition.
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. The long-lived assets of the Energy reporting unit were tested for recoverability due to the downturn in the current and expected future financial performance of the reporting unit. The process will be completed in the fourth quarter but the Company estimated and recorded an impairment charge of unamortized intangible assets of $9.3 million as of September 30, 2016. Energy is included in the Global Industry Group segment. As of September 30, 2016 unamortized intangible assets at the Energy reporting unit were zero.

5. ACQUIRED INTANGIBLE ASSETS, NET

Below is a summary of the major acquired intangible assets and the weighted-average amortization period for the acquired identifiable intangible assets (in thousands):

	As of September 30, 2016					
	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Impairment	Acquired Intangible Assets, Net	Weighted-Average Amortization Period
Technology	$10,308	$ (9,408)	$ (834)	$ —	$ 66	3.8 years
Trademarks and brand names—Dice	39,000	—	—	—	39,000	Indefinite
Trademarks and brand names—Other	23,194	(13,633)	(2,818)	(3,168)	3,575	6.1 years
Customer lists	28,473	(12,338)	(2,880)	(6,084)	7,171	7.0 years
Candidate and content database	15,918	(14,491)	(1,427)	—	—	2.6 years
Acquired intangible assets, net	$116,893	$ (49,870)	$ (7,959)	$ (9,252)	$ 49,812	

	As of December 31, 2015				
	Total Cost	Accumulated Amortization	Foreign Currency Translation Adjustment	Acquired Intangible Assets, Net	Weighted-Average Amortization Period
Technology	$10,308	$ (8,831)	$ (615)	$ 862	3.8 years
Trademarks and brand names—Dice	39,000	—	—	39,000	Indefinite
Trademarks and brand names—Other	23,419	(13,156)	(2,238)	8,025	6.1 years
Customer lists	63,373	(42,808)	(5,068)	15,497	5.5 years
Candidate and content database	24,888	(22,088)	(892)	1,908	2.4 years
Acquired intangible assets, net	$160,988	$ (86,883)	$ (8,813)	$ 65,292	

During the second quarter of 2016, the Company retired $44.1 million of fully amortized acquired intangible assets.
During the quarter ended September 30, 2016, the long-lived assets of the Energy reporting unit were tested for recoverability due to the downturn in the current and expected future financial performance of the reporting unit. The

process will be completed in the fourth quarter but the Company estimated and recorded an impairment of unamortized intangible assets of $9.3 million as of September 30, 2016.

Based on the carrying value of the acquired finite-lived intangible assets recorded as of September 30, 2016, and assuming no subsequent impairment of the underlying assets, the estimated future amortization expense is as follows (in thousands):

October 1, 2016 through December 31, 2016	$652
2017	2,228
2018	1,781
2019	1,476
2020	1,421
2021 and thereafter	3,254
Total	$10,812

6. INDEBTEDNESS

Credit Agreement—In November 2015, 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 an Amended and Restated Credit Agreement (the "Credit Agreement"), which provides for a revolving loan facility of $250.0 million maturing in November 2020. The Company borrowed $105.0 million under the new Credit Agreement to repay all outstanding indebtedness, including accrued interest and fees, under the previously existing credit agreement dated October 2013, terminating that agreement.

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. Negative covenants include restrictions on incurring certain liens; making certain payments, such as stock repurchases and dividend payments; making certain investments; making certain acquisitions; 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 2.0 to 1.0, 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 September 30, 2016, the Company was in compliance with all of the financial covenants under the Credit Agreement.

The obligations under the Credit Agreement are guaranteed by four of the Company's wholly-owned subsidiaries, eFinancialCareers, Inc., Targeted Job Fairs, Inc., Rigzone.com, Inc. and onTargetJobs, Inc., 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.

Debt issuance costs of $646,000 were incurred and are being amortized over the life of the loan. These costs are included in interest expense. Unamortized deferred financing costs from the previous credit facility of $973,000 are being amortized over the life of the new Credit Agreement.

The amounts borrowed as of September 30, 2016 and December 31, 2015 are as follows (dollars in thousands):

	September 30, 2016	December 31, 2015
Amounts borrowed:		
Revolving credit facility	$ 92,000	$ 101,000
Less: deferred financing costs, net of accumulated amortization of $1,406 and $1,163	(1,321)	(1,564)
Total borrowed	$ 90,679	$ 99,436
Available to be borrowed under revolving facility	$ 158,000	$ 149,000
Interest rates:		
LIBOR rate loans:		

Interest margin	2.00 %	2.00 %
Actual interest rates	2.56 %	2.25 %

There are no scheduled payments for the revolving loan facility of $250.0 million until maturity of the Credit Agreement in November 2020.

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7. COMMITMENTS AND CONTINGENCIES
Leases
The Company leases equipment and office space under operating leases expiring at various dates through December 2025. Future minimum lease payments under non-cancellable operating leases as of September 30, 2016 are as follows (in thousands):

October 1, 2016 through December 31, 2016	$1,169
2017	4,352
2018	4,143
2019	3,707
2020	3,293
2021 and thereafter	7,231
Total minimum payments	$23,895

Rent expense was $1.1 million and $3.4 million for the three and nine month periods ended September 30, 2016, respectively, and $1.2 million and $3.4 million for the three and nine month periods ended September 30, 2015, respectively, and is included in General and Administrative expense in the Condensed Consolidated Statements of Operations.
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 effect on the Company’s financial condition, operations or liquidity.
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.

8. EQUITY TRANSACTIONS
Stock Repurchase Plans—The Company’s board of directors 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. The following table summarizes the Stock Repurchase Plans approved by the board of directors:

	V	VI
Approval Date	December 2014	December 2015
Authorized Repurchase Amount of Common Stock	$50 million	$50 million
Effective Dates	December 2014 to December 2015	December 2015 to December 2016

During the quarter ended September 30, 2016 purchases of the Company’s common stock pursuant to Stock Repurchase Plans were as follows:

Total Number of Shares	Average Price Paid per Share	Approximate Dollar Value of Shares Purchased	Approximate Dollar Value of Shares that May Yet

Purchased			Be Purchased Under the Plans or Programs
410,000	$ 6.70	$ 2,746,000	$ 22,313,000

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There were no unsettled share repurchases as of September 30, 2016. Approximately $0.9 million of share repurchases had not settled as of December 31, 2015, and are included in accounts payable and accrued expenses in the accompanying Condensed Consolidated Balance Sheets.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss, net consists of the following components (in thousands):

	September 30, 2016	December 31, 2015
Foreign currency translation adjustment	$ (29,325)	$ (20,468)

Changes in accumulated other comprehensive loss during the three month period ended September 30, 2016 are as follows (in thousands):

	Foreign currency translation adjustment
Beginning balance	$ (27,104)
Other comprehensive loss	(2,221)
Ending balance	$ (29,325)

Changes in accumulated other comprehensive loss during the three month period ended September 30, 2015 are as follows (in thousands):

	Foreign currency translation adjustment	Unrealized gains on investments	Total
Beginning balance	$ (14,107)	$ 3	$ (14,104)
Other comprehensive loss	(3,972)	(3)	(3,975)
Ending balance	$ (18,079)	$ —	$ (18,079)

Changes in accumulated other comprehensive loss during the nine month period ended September 30, 2016 are as follows (in thousands):

	Foreign currency translation adjustment
Beginning balance	$ (20,468)
Other comprehensive loss	(8,857)
Ending balance	$ (29,325)

Changes in accumulated other comprehensive loss during the nine month period ended September 30, 2015 are as follows (in thousands):

	Foreign currency translation adjustment	Unrealized gains on investments	Total
Beginning balance	$ (13,909)	$ 3	$ (13,906)
Other comprehensive loss	(4,170)	(3)	(4,173)

Ending balance	$ (18,079)	$ —	$ (18,079)

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10. DISPOSITION RELATED AND OTHER COSTS

In January 2016, the Company completed the sale of Slashdot Media and incurred severance costs and additional stock based compensation expense for the acceleration of stock vesting. As a result, the Company recognized a loss on the sale of assets of Slashdot Media.

Effective January 1, 2016, the Company organized leadership responsibilities to leverage operating capabilities more effectively across four of its brands which serve specific industries, and to optimize these brands for future growth by streamlining operations and development. This entailed combining four of its global brands (eFinancialCareers, Rigzone, Hcareers and BioSpace) to have one management structure under a combined group called Global Industry Group ("GIG").

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

	Accrual at December 31, 2015	Expense	Cash Payments	Non-Cash	Accrual at September 30, 2016
Severance—Slashdot Media	$ —	$ 981	$ (981)	$ —	$ —
Accelerated stock based compensation expense—Slashdot Media	—	900	—	(900)	—
Loss on sale of Slashdot Media	—	639	—	(639)	—
Severance related to other brands	—	827	(827)	—	—
Total	$ —	$ 3,347	$ (1,808)	$ (1,539)	$ —

11. 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. Compensation expense for stock-based awards made to employees and directors in return for service is recorded in accordance with Compensation-Stock Compensation of the FASB ASC. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

The Company recorded total stock based compensation expense of $2.3 million during the three month period ended September 30, 2016 and $8.8 million of compensation expense, which included $0.9 million of accelerated compensation due to Slashdot Media as shown in Note 10 during the nine month period ended September 30, 2016. The Company recorded $2.4 million and $7.5 million during the three and nine month periods ended September 30, 2015, respectively. At September 30, 2016, there was $17.0 million of unrecognized compensation expense related to unvested awards, which is expected to be recognized over a weighted-average period of approximately 1.6 years.

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. There was no cash flow impact resulting from the grants.

The restricted stock vests in various increments 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 four years for employees.

A summary of the status of restricted stock awards as of September 30, 2016 and 2015 and the changes during the periods then ended is presented below:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	2,236,250	$ 8.10	2,249,600	$ 8.55
Granted	165,700	$ 6.90	23,500	$ 8.94
Forfeited	(142,875)	$ 8.00	(86,875)	$ 8.35
Vested	(65,250)	$ 8.76	(46,125)	$ 8.83
Non-vested at end of period	2,193,825	$ 8.00	2,140,100	$ 8.56

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	2,122,225	$ 8.54	1,786,581	$ 8.45
Granted	1,199,200	$ 7.47	1,211,600	$ 8.85
Forfeited	(294,375)	$ 8.15	(231,937)	$ 8.29
Vested	(833,225)	$ 8.57	(626,144)	$ 8.92
Non-vested at end of period	2,193,825	$ 8.00	2,140,100	$ 8.56

PSUs—PSUs are granted to employees of the Company and its subsidiaries. These shares are part of the compensation plan for services provided by the employees. The fair value of PSUs is measured using the Monte Carlo pricing model. The expense related to the PSUs is 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 measurement period and a three-year measurement period. For performance periods one and two, vesting is not to exceed total grant divided by three. For performance period three, vesting is no less than zero and no greater than 150% of initial grant less shares vested in performance periods one and two. There was no cash flow impact resulting from the grants. The fair value of PSUs is measured using the Monte Carlo pricing model using the following assumptions:

	Nine Months Ended September 30,	
	2016	2015
Weighted average fair value of PSUs granted	$7.24	$9.25
Dividend yield	— %	— %
Risk free interest rate	0.9 %	1.1 %
Expected volatility	33.5 %	33.6 %

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A summary of the status of PSUs as of September 30, 2016 and 2015 and the changes during the periods then ended is presented below:

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	670,838	$ 8.03	415,000	$ 9.25
Forfeited	(72,084)	$ 8.05	—	$ —
Vested	(18,750)	$ 8.25	—	$ —
Non-vested at end of period	580,004	$ 8.02	415,000	$ 9.25

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	Shares	Weighted-Average Fair Value at Grant Date	Shares	Weighted-Average Fair Value at Grant Date
Non-vested at beginning of the period	415,000	$ 9.25	—	$ —
Granted	417,500	$ 7.24	415,000	$ 9.25
Forfeited	(98,751)	$ 8.17	—	$ —
Vested	(153,745)	$ 9.13	—	$ —
Non-vested at end of period	580,004	$ 8.02	415,000	$ 9.25

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 nine month periods ended September 30, 2016 and September 30, 2015.

A summary of the status of options previously granted as of September 30, 2016 and 2015, and the changes during the periods then ended is presented below:

	Three Months Ended September 30, 2016		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of the period	2,273,323	$ 7.89	$539,367

Exercised	(336,360)	$ 4.86	$854,271
Forfeited	(66,563)	$ 8.12	—
Options outstanding at end of period	1,870,400	$ 8.43	$1,059,282

	Three Months Ended September 30, 2015		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of the period	3,327,207	$ 6.59	$8,791,060
Exercised	(389,507)	$ 1.94	$2,497,074
Forfeited	(12,813)	$ 7.16	—
Options outstanding at end of period	2,924,887	$ 7.20	$3,175,484

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	Nine Months Ended September 30, 2016		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of the period	2,673,512	$ 7.46	$5,485,248
Exercised	(618,110)	$ 4.31	$2,198,143
Forfeited	(185,002)	$ 8.16	—
Options outstanding at end of period	1,870,400	$ 8.43	$1,059,282
Exercisable at end of period	1,574,804	$ 8.47	$946,591
	Nine Months Ended September 30, 2015		
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at beginning of the period	4,667,738	$ 6.14	$19,357,512
Exercised	(1,552,788)	$ 7.25	$8,009,410
Forfeited	(190,063)	$ 10.78	—
Options outstanding at end of period	2,924,887	$ 7.20	$3,175,484
Exercisable at end of period	2,181,725	$ 6.81	$3,126,162

In connection with the Company's sale of Slashdot Media, the Company accelerated the vesting of 130,375 shares of restricted stock and 24,001 stock options to certain former employees during the nine month period ended September 30, 2016, the expense of which is recorded in Disposition Related and Other Costs in the Condensed Consolidated Statements of Operations.
The weighted-average remaining contractual term of options exercisable at September 30, 2016 is 2.4 years. The following table summarizes information about options outstanding as of September 30, 2016:

	Options Outstanding		Options Exercisable
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Number Exercisable
$ 6.00 - $ 8.99	1,153,562	2.4	971,091
$ 9.00 - $ 14.50	716,838	3.3	603,713
	1,870,400		1,574,804

12. SEGMENT INFORMATION
The Company changed its reportable segments during the first quarter of 2016 to reflect the current operating structure. Accordingly, all prior periods have been recast to reflect the current segment presentation.
The Company has three reportable segments: Tech & Clearance, Global Industry Group and Healthcare. The Tech & Clearance reportable segment includes the Dice, Dice Europe and ClearanceJobs services. The Global Industry Group reportable segment includes the eFinancialCareers, Rigzone, Hcareers and BioSpace services. The Healthcare reportable segment includes the Health eCareers service. Management has organized its reportable segments based upon our internal management reporting.

The Company has other services and activities that individually are not more than 10% of consolidated revenues, operating income or total assets. These include Slashdot Media (business sold in the first quarter of 2016) and Brightmatter, which are reported in the "Corporate & Other" category, along with corporate-related costs which are not considered in a segment.

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The Company's foreign operations are comprised of the Dice Europe operations and a portion of the eFinancialCareers and Rigzone services, which operate in Europe, the financial centers of the gulf region of the Middle East and Asia Pacific. The Company's foreign operations also include Hcareers, which operates in Canada and a portion of Brightmatter, which operates in Europe. Revenue by geographic region, as shown in the table below, is based on the location of each of the Company's subsidiaries.
The following table shows the segment information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
By Segment:				
Revenues:				
Tech & Clearance	$33,971	$35,723	$102,130	$104,688
Global Industry Group	15,352	18,865	48,452	59,080
Healthcare	6,735	6,912	20,648	19,473
Corporate & Other	15	3,638	802	11,469
Total revenues	$56,073	$65,138	$172,032	$194,710
Depreciation:				
Tech & Clearance	$1,620	$1,635	$5,128	$4,845
Global Industry Group	234	231	686	695
Healthcare	539	464	1,630	1,025
Corporate & Other	85	34	195	256
Total depreciation	$2,478	$2,364	$7,639	$6,821
Amortization:				
Tech & Clearance	$233	$863	$1,690	$2,631
Global Industry Group	1,074	2,063	3,619	6,901
Healthcare	218	317	654	951
Corporate & Other	45	133	143	392
Total amortization	$1,570	$3,376	$6,106	$10,875
Operating income (loss):				
Tech & Clearance	$12,896	$14,207	$38,020	$39,677
Global Industry Group	(22,817)	1,583	(19,694)	5,608
Healthcare	(366)	136	(537)	213
Corporate & Other	(5,796)	(4,968)	(22,745)	(14,864)
Operating income (loss)	(16,083)	10,958	(4,956)	30,634
Interest expense	(901)	(831)	(2,593)	(2,472)
Other income (expense)	(1)	7	(33)	(2)
Income (loss) before income taxes	$(16,985)	$10,134	$(7,582)	$28,160
Capital expenditures:				
Tech & Clearance	$1,718	$1,370	$5,131	$4,013
Global Industry Group	312	47	853	569
Healthcare	245	532	642	2,160

Corporate & Other	650	29	1,616	61
Total capital expenditures	$2,925	$1,978	$8,242	$6,803

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
By Geography:				
Revenues:				
United States	$41,617	$46,682	$126,617	$139,225
United Kingdom	5,291	8,725	18,875	27,905
EMEA, APAC and Canada (1)	9,165	9,731	26,540	27,580
Non-United States	14,456	18,456	45,415	55,485
Total revenues	$56,073	$65,138	$172,032	$194,710

(1) Europe (excluding United Kingdom), the Middle East and Africa ("EMEA") and Asia-Pacific ("APAC")

	September 30, 2016	December 31, 2015
Total assets:		
Tech & Clearance	$ 173,872	$177,519
Global Industry Group	107,050	150,111
Healthcare	15,287	18,134
Corporate & Other	17,576	23,171
Total assets	$ 313,785	$368,935

The following table shows the carrying amount of goodwill by segment as of December 31, 2015 and September 30, 2016 and the changes in goodwill for the nine month period ended September 30, 2016 (in thousands):

	Tech & Clearance	Global Industry Group	Healthcare	Corporate & Other	Total
Goodwill at December 31, 2015	$95,523	$80,096	$ 6,269	$16,710	$198,598
Foreign currency translation adjustment	(1,111)	(5,388)	—	(2,090)	(8,589)
Impairment	—	(15,369)	—	—	(15,369)
Goodwill at September 30, 2016	$94,412	$59,339	$ 6,269	$14,620	$174,640

The decline in oil prices in 2014 and 2015 and the continued volatility in 2016 has decreased demand for energy professionals worldwide. This decline in demand and any future declines in demand for energy professionals could significantly decrease the use of the Company's energy industry job posting websites and related services, which may adversely affect the Energy reporting unit's financial condition and results of operations. As a result of these factors, the Company further evaluated the fair value of this reporting unit and recorded an estimated goodwill impairment of $15.4 million during the quarter ended September 30, 2016 at the Global Industry Group segment bringing goodwill for the Energy reporting unit to zero.

On June 23, 2016, the United Kingdom ("UK") held a referendum in which British citizens approved an exit from the EU, commonly referred to as "Brexit." As a result of the referendum, 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 UK and Europe along with adversely impacting foreign currencies, particularly the British Pound Sterling as compared to the United States dollar. These disruptions and uncertainties could decrease demand for finance, technology and energy professionals in the markets we serve. This decline in demand and any future declines in demand could significantly decrease the use of our finance, technology and energy industry job posting websites and related services, which may adversely affect the related reporting unit's financial condition and results of operations. If recruitment activity is slow in the industries in which we operate during 2016 and beyond, our revenues and results of operations will be negatively impacted. As a result of these factors, the Company further evaluated the fair value of the following reporting units - Dice Europe and Finance - and does not believe they are currently at risk of failing the first step of the impairment test. If events and circumstances change resulting in significant reductions in actual operating income or projections of future operating income, the Company will test these reporting units for impairment prior to the annual impairment test.

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13. 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. In 2016, shares issuable from stock-based awards of 0.8 million for both the three and nine month periods ended September 30, 2016 were excluded from the computation of shares contingently issuable upon exercise as we recognized a net loss. Stock-based awards of approximately 2.5 million shares were outstanding during the three and nine month periods ended September 30, 2016, and approximately 2.5 million and 2.4 million shares were outstanding during the three and nine month periods ended September 30, 2015, respectively, but were excluded from the calculation of diluted EPS for the periods then ended because the effect of the awards are anti-dilutive. The following is a calculation of basic and diluted earnings per share and weighted-average shares outstanding (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income (loss) from continuing operations—basic and diluted	$(16,841)	$6,511	$(10,876)	$17,281
Weighted-average shares outstanding—basic	47,719	51,228	48,596	51,792
Add shares issuable from stock-based awards	—	1,002	—	1,264
Weighted-average shares outstanding—diluted	47,719	52,230	48,596	53,056
Basic earnings (loss) per share	$(0.35)	$0.13	$(0.22)	$0.33
Diluted earnings (loss) per share	$(0.35)	$0.12	$(0.22)	$0.33

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report. See also our consolidated financial statements and the notes thereto and the section entitled "Note Concerning Forward-Looking Statements" in our Annual Report on Form 10-K for the year ended December 31, 2015.

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, without limitation, information concerning our possible or assumed future results of operations, including 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 assumptio 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, competition from existing and future competitors in the highly competitive market in which we operate, failure to adapt our business model to keep pace with rapid changes in the recruiting and career services business, failure to maintain and develop our reputation and brand recognition, failure to increase or maintain the number of customers who purchase recruitment packages, cyclicality or downturns in the economy or industries we serve, the uncertainty surrounding the UK's future departure from the European Union ("EU"), including uncertainty in respect of the regulation of data protection and data privacy, failure to attract qualified professionals to our websites or grow the number of qualified professionals who use our websites, failure to successfully identify or integrate acquisitions, U.S. and foreign government regulation of the Internet and taxation, our ability to borrow funds under our revolving credit facility or refinance our indebtedness and restrictions on our current and future operations under such indebtedness. These factors and others are discussed in more detail in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, under the headings "Risk Factors," "Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Information contained herein contains certain non-GAAP financial measures. These measures are not in accordance with, or an alternative for measures in accordance with U.S. GAAP. Such measures presented herein include adjusted earnings before interest, taxes, depreciation, amortization, non-cash stock based compensation expense, and other non-recurring income or expense ("Adjusted EBITDA") and Free Cash Flow. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

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 federal securities laws.

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. Our reports filed with the SEC are also available at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, by calling 1-800-SEC-0330, or by visiting http://www.sec.gov.

Overview

We are a leading provider of data, insights and employment connections through our specialized services for professional communities including the following industry groups: technology and security clearance, financial services, energy, healthcare and hospitality. 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.

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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.
Through our predecessors, we have been in the recruiting and career development business for more than 26 years.
Based on our operating structure, we have identified three reportable segments.
Our reportable segments include:
- Tech & Clearance— Dice, Dice Europe and ClearanceJobs
- Global Industry Group— eFinancialCareers, Rigzone, Hcareers and BioSpace
- Healthcare— Health eCareers

We have other services and activities that individually are not more than 10% of consolidated revenues, operating income or total assets. These include Slashdot Media (business sold in the first quarter of 2016) and Brightmatter and are reported in the "Corporate & Other" category, along with corporate-related costs which are not considered in a segment.
Recent Developments
Declines and continued volatility in oil prices have decreased demand for energy professionals worldwide. This decline in demand for energy professionals has significantly decreased the use of our energy industry job posting websites and related services. As a result, we recorded an impairment of goodwill and intangible assets of $24.6 million at the Energy reporting unit within the Global Industry Group 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 purchased and the terms of the package purchased. Our Tech & Clearance segment sells recruitment packages that can include both access to our databases of resumes and Open Web profiles, as well as job posting capabilities. Our Global Industry Group and Healthcare segments sell 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 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 September 30, 2016 and June 30, 2016, Dice had approximately 7,250 and 7,300 total recruitment package customers in the U.S., respectively, and the average monthly revenue per U.S. recruitment package customer increased from $1,101 and $1,087 for the three and nine months ended September 30, 2015, respectively, to $1,122 and $1,121 for the three and nine months ended September 30, 2016, respectively. Deferred revenue is a key metric of our business as it indicates a level of sales already made that will be recognized as revenue in the future. Deferred revenue reflects the impact of our ability to sign customers to longer term contracts. We recorded deferred revenue of $82.4 million at September 30, 2016 and $84.3 million at December 31, 2015, including $969,000 of Slashdot Media deferred revenue classified as held for sale as of December 31, 2015.
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 for the third quarter of 2016 declined year-over-year in each of our brands except ClearanceJobs and declined for the nine month period in each of our brands except ClearanceJobs and Health eCareers. The declines are due to many factors including macroeconomic impacts and evolutions in the digital recruitment market. Macroeconomic drivers include the prolonged down-turn in the Energy market resulting in year-over-year revenue declines of $2.6 million in the third quarter and $9.3 million for the nine month period. Foreign currency, primarily changes in the USD:GBP exchange rate, contributed $1.2 million of the year-over-year revenue reduction for the quarter and $2.2 million for the nine month period. Uncertainty around Brexit has also contributed to lower revenues. The digital recruitment market continues to be impacted by attribution, which reflects

our ability to receive the proper credit for value delivered to customers based on our customers’ internal tracking systems. Demonstrating attribution for candidates provided to each customer is a key initiative for the Company. However, attribution challenges have contributed to lower renewal rates as demonstrated by the reduction in recruitment package customer count at Dice.

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The Company continues to evolve and present new products to the market such as getTalent, Lengo, Shift and others. 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 recruitment package customers and advertisers 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. 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-valued 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

There have been no material changes to our critical accounting policies as compared to the critical accounting policies described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

Revenues

	Three Months Ended September 30, 2016	2015	Increase (Decrease)	Percent Change
	(in thousands, except percentages)			
Tech & Clearance	$33,971	$35,723	$ (1,752)	(4.9)%
eFinancialCareers	8,766	9,287	(521)	(5.6)%
Rigzone	2,122	4,734	(2,612)	(55.2)%
Hcareers	3,631	3,900	(269)	(6.9)%
BioSpace	833	944	(111)	(11.8)%
Global Industry Group	15,352	18,865	(3,513)	(18.6)%
Healthcare	6,735	6,912	(177)	(2.6)%
Corporate & Other	15	3,638	(3,623)	(99.6)%
Total revenues	$56,073	$65,138	$ (9,065)	(13.9)%

Revenues for the three months ended September 30, 2016 decreased $9.1 million, or 13.9% from the same period of 2015 due to a decrease of $3.5 million of revenue from the Slashdot business which was sold in January 2016 and decreases of $2.6 million in the Rigzone business and $1.8 million in the Tech & Clearance segment. The decrease in the Tech & Clearance segment of $1.8 million, or 4.9%, was primarily at Dice, which decreased by $2.0 million compared to the same period in 2015. Recruitment package customer count in the U.S. decreased from 7,700 at September 30, 2015 to 7,250 at September 30, 2016. However, average monthly revenue per U.S. recruitment package customer increased approximately 2% from the three month period ended September 30, 2015 to the three month period ended September 30, 2016. Revenues for Dice Europe decreased $0.3 million for the three month period ended September 30, 2016 compared to the three month period ended September 30, 2015 due to lower renewals. Revenues for ClearanceJobs increased by $0.6 million for the three month period ended September 30, 2016 as compared to the same period in 2015, primarily due to favorable market conditions and increased sales of its “pay-for-performance” product.

The Global Industry Group segment revenue decreased $3.5 million, or 18.6%. This decrease was primarily due to a decrease at the Rigzone business of $2.6 million as a result of continued difficult conditions in the energy market.
Currency

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translation for the three month period ended September 30, 2016 negatively impacted eFinancialCareers revenue by approximately $0.9 million.

The Healthcare segment, consisting of Health eCareers, decreased revenue by $0.2 million, or 2.6% from the comparable 2015 period due to decreased usage of job posting products by certain customers.

Revenues from Corporate & Other, which consists of revenue from Slashdot Media and Brightmatter, decreased by $3.6 million or 99.6% primarily due to the sale of the Slashdot Media business in January 2016.

Cost of Revenues

	Three Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Cost of revenues	$7,943	$9,765	$(1,822)	(18.7)%
Percentage of revenues	14.2 %	15.0 %		

Corporate & Other decreased by $1.4 million primarily due to lower expenses at Slashdot Media since the business was sold in January 2016. The Global Industry Group segment decreased by $348,000 due to decreased employee-related expenses and savings as a result of fewer job fairs. The Healthcare segment decreased by $161,000 primarily due to lower royalties of $230,000 paid to healthcare associations, partially offset by increased compensation costs.

Product Development Expenses

	Three Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Product development	$6,018	$7,938	$(1,920)	(24.2)%
Percentage of revenues	10.7 %	12.2 %		

Corporate & Other decreased $600,000 with a decrease at Slashdot Media of $921,000 since the business was sold in January 2016, partially offset by Brightmatter increasing $330,000 due to an increase in the number of employees supporting the development of next generation recruitment products and services. The Global Industry Group segment decreased $854,000 and the Tech & Clearance segment decreased $580,000 primarily due to lower compensation costs.

Sales and Marketing Expenses

	Three Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Sales and marketing	$19,425	$19,779	$(354)	(1.8)%
Percentage of revenues	34.6 %	30.4 %		

Sales and marketing costs for the Global Industry Group segment decreased $810,000 primarily due to decreased discretionary marketing spend and decreased employee-related expenses. Corporate & Other was down $442,000 due to Slashdot Media since the business was sold in January 2016, partially offset by an increase at Brightmatter of $203,000 due to increased compensation costs and increased discretionary marketing spend. The Tech & Clearance segment increased by $510,000 primarily due to a branding campaign at Dice and other marketing initiatives. The Healthcare segment increased $388,000 primarily due to increased discretionary marketing spend.

General and Administrative Expenses

	Three Months Ended September 30, 2016	2015	Decrease	Percent Change

	(in thousands, except percentages)			
General and administrative	$10,101	$10,958	$ (857)	(7.8)%
Percentage of revenues	18.0 %	16.8 %		

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General and administrative expense for the Global Industry Group segment decreased $705,000 primarily attributable to decreased compensation costs and employee-related expenses. Corporate & Other was flat with savings of $180,000 recognized from the sale of Slashdot Media in January 2016 and decreased compensation costs at Corporate of $395,000 offset by increased compensation costs at Brightmatter of $254,000 and recruiting and legal fees at Corporate of $368,000.

Depreciation

	Three Months Ended September 30, 2016	2015	Increase	Percent Change
	(in thousands, except percentages)			
Depreciation	$2,478	$2,364	$ 114	4.8 %
Percentage of revenues	4.4 %	3.6 %		

The increase was due to increased capital expenditures in the Healthcare segment in the second half of 2015 and Brightmatter in 2016, which increased the amount of depreciable assets.

Amortization of Intangible Assets

	Three Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Amortization	$1,570	$3,376	$(1,806)	(53.5)%
Percentage of revenues	2.8 %	5.2 %		

Amortization expense for the three month period ended September 30, 2016 decreased by $840,000, $630,000 and $245,000 due to certain intangible assets at the Global Industry Group, Tech & Clearance and Healthcare segments, respectively, becoming fully amortized.

Impairment of Goodwill

Goodwill of $15.4 million related to Rigzone, the Energy reporting unit, was written down to zero in the third quarter of 2016 due to the decline in demand for energy professionals, which has significantly decreased the use of our energy industry job posting websites and related services.

Impairment of Intangible Assets

Unamortized intangible assets of $9.3 million related to Rigzone, the Energy reporting unit, were written off in the third quarter of 2016 as a result of the decline in demand for energy professionals, which has significantly decreased the use of our energy industry job posting websites and related services.

Operating Income (Loss)

Operating income (loss) for the three month period ended September 30, 2016 was $(16.1) million compared to $11.0 million for the same period in 2015, a decrease of $27.0 million or 246.8%. The decrease was primarily driven by the impairment of goodwill and intangible assets at Rigzone of $24.6 million.

Interest Expense

	Three Months Ended September 30, 2016	2015	Increase	Percent Change
	(in thousands, except percentages)			
Interest expense	$901	$831	$ 70	8.4 %
Percentage of revenues	1.6 %	1.3 %		

Interest expense for the three month period ended September 30, 2016 approximates the three month period ended September 30, 2015.

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Income Taxes

	Three Months Ended September 30, 2016	2015
	(in thousands, except percentages)	
Income (loss) before income taxes	$(16,985)	$10,134
Income tax (benefit) expense	(144)	3,623
Effective tax rate	0.8 %	35.8 %

The effective income tax rate was 0.8% and 35.8% for the three month periods ended September 30, 2016 and 2015, respectively. The rate was lower in the current period because of a $2.8 million tax benefit from the reduction of deferred tax liabilities resulting from an impairment of intangible assets. Excluding the impairment, the effective tax rate related to ordinary income was 35.2%, which was similar to the prior year period.

Earnings (Loss) per Share

Basic earnings (loss) per share was $(0.35) and $0.13 for the three month periods ended September 30, 2016 and September 30, 2015, respectively, while diluted earnings (loss) per share was $(0.35) and $0.12, respectively. The decreases were primarily due to a decrease in net income, partially offset by decreased weighted-average shares outstanding due to stock repurchases. We recorded an impairment of goodwill and intangible assets of $24.6 million or $0.45 per diluted share related to the Global Industry Group segment.

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Revenues

	Nine Months Ended September 30, 2016	2015	Increase (Decrease)	Percent Change
	(in thousands, except percentages)			
Tech & Clearance	$102,130	$104,688	$(2,558)	(2.4)%
eFinancialCareers	26,724	26,800	(76)	(0.3)%
Rigzone	7,455	16,795	(9,340)	(55.6)%
Hcareers	11,477	12,217	(740)	(6.1)%
BioSpace	2,796	3,268	(472)	(14.4)%
Global Industry Group	48,452	59,080	(10,628)	(18.0)%
Healthcare	20,648	19,473	1,175	6.0 %
Corporate & Other	802	11,469	(10,667)	(93.0)%
Total revenues	$172,032	$194,710	$(22,678)	(11.6)%

Revenues for the nine months ended September 30, 2016 decreased $22.7 million, or 11.6% from the same period of 2015 due to a decrease of $10.4 million related to the sale of the Slashdot business in January 2016 and decreases of $9.3 million in the Rigzone business and $2.6 million in the Tech & Clearance segment. We experienced a decrease in the Tech & Clearance segment revenue of $2.6 million, or 2.4%. Revenue at Dice decreased by $3.5 million compared to the same period in 2015. Recruitment package customer count in the U.S. decreased from 7,700 at September 30, 2015 to 7,250 at September 30, 2016. However, average monthly revenue per U.S. recruitment package customer increased approximately 3% from the nine month period ended September 30, 2015 to the nine month period ended September 30, 2016. Revenues for Dice Europe decreased $0.9 million for the nine month period ended September 30, 2016 as compared to the same period in 2015, primarily due to lower renewals. Revenues for ClearanceJobs increased by $1.8 million for the nine month period ended September 30, 2016 as compared to the same period in 2015, primarily due to favorable market conditions and increased sales of its "pay-for-performance" product.

The Global Industry Group segment revenue decreased $10.6 million, or 18.0%. This decrease was primarily due to a decrease at the Rigzone business of $9.3 million as a result of continued difficult conditions in the energy market.

Currency translation for the nine month period ended September 30, 2016 negatively impacted eFinancialCareers revenue by approximately $1.6 million.

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The Healthcare segment, consisting of Health eCareers, increased revenue by $1.2 million, or 6.0% from the comparable 2015 period, as a result of enhanced product offerings.

Revenues from Corporate & Other, which consists of revenue from Slashdot Media and Brightmatter, decreased by $10.7 million or 93.0% primarily due to the sale of the Slashdot Media business in January 2016.

Cost of Revenues

	Nine Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Cost of revenues	$24,557	$29,255	$(4,698)	(16.1)%
Percentage of revenues	14.3 %	15.0 %		

Corporate & Other decreased by $3.9 million primarily due to lower expenses at Slashdot Media since the business was sold in January 2016. The Global Industry Group segment decreased by $980,000 as a result of fewer events and decreased employee-related expenses.

Product Development Expenses

	Nine Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Product development	$19,323	$22,082	$(2,759)	(12.5)%
Percentage of revenues	11.2 %	11.3 %		

The Global Industry Group segment decreased $1.6 million primarily due to compensation costs and lower consulting expenses. Corporate & Other decreased $1.2 million due to a decrease at Slashdot Media of $2.4 million since the business was sold in January 2016, partially offset by Brightmatter increasing $1.3 million due to an increase in the number of employees supporting the development of next generation recruitment products and services. The Tech & Clearance segment decreased $691,000 due to savings in compensation costs. An increase of $752,000 was experienced in the Healthcare segment, primarily driven by additional salaries and related costs due to the increased number of employees.

Sales and Marketing Expenses

	Nine Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
Sales and marketing	$58,573	$60,984	$(2,411)	(4.0)%
Percentage of revenues	34.0 %	31.3 %		

Sales and marketing costs for the Global Industry Group segment decreased by $2.4 million due to decreased discretionary marketing spend of $1.7 million and lower compensation expenses. Corporate & Other was down $1.2 million primarily due to a decrease at Slashdot Media since the business was sold in January 2016, partially offset by an increase at Brightmatter of $349,000 in compensation expense due to increased headcount and increased marketing initiatives. The Healthcare segment sales and marketing expense increased $892,000 primarily due to increased discretionary marketing spend and compensation costs.

General and Administrative Expenses

	Nine Months Ended September 30, 2016	2015	Decrease	Percent Change
	(in thousands, except percentages)			
General and administrative	$32,822	$34,059	$(1,237)	(3.6)%
Percentage of revenues	19.1 %	17.5 %		

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General and administrative expense for the Global Industry Group segment decreased $2.0 million primarily attributable to decreased compensation costs, recruiting fees and rent expense. The Tech & Clearance segment was down $257,000 primarily due to decreased compensation costs and lower bad debt expense, partially offset by increased facilities cost related to a new office in 2015. Healthcare was down $248,000 due to lower employee-related costs while Corporate & Other was up $1.1 million primarily due to an increase in professional fees and related costs at Corporate of $1.2 million, including $640,000 of professional fees, $371,000 of fees associated with the agreement to add a director, and recruiting fees of $165,000. In addition, Brightmatter expenses increased $765,000 due to compensation costs. Partially offsetting these increases was a decrease at Slashdot Media of $953,000 since the business was sold in January 2016.

Stock-based compensation expense was $8.8 million, including $0.9 million of accelerated stock compensation expense related to Slashdot Media as shown in Note 10, an increase of $1.3 million compared to the same period in 2015. The increase was primarily due to PSUs issued in 2015 and 2016 which vest over a three-year period as described in Note 11 to the Condensed Consolidated Financial Statements.

Disposition Related and Other Costs

	Nine Months Ended September 30,		Increase	Percent Change
	2016	2015		
	(in thousands, except percentages)			
Disposition related and other costs	$3,347	$ —	$ 3,347	n.m.
Percentage of revenues	1.9 %	—%		

The disposition related and other costs are primarily due to the sale of Slashdot Media, including severance of $981,000, stock based compensation acceleration of $900,000, and a loss on sale of $639,000. Also included in disposition related and other costs is other severance primarily related to the formation of Global Industry Group of $827,000.

Depreciation

	Nine Months Ended September 30,		Increase	Percent Change
	2016	2015		
	(in thousands, except percentages)			
Depreciation	$7,639	$6,821	$ 818	12.0 %
Percentage of revenues	4.4 %	3.5 %		

The increase was primarily due to increased capital expenditures in the Healthcare segment in the second half of 2015 and Tech & Clearance segment and Brightmatter in 2016, which increased the amount of depreciable assets.

Amortization of Intangible Assets

	Nine Months Ended September 30,		Decrease	Percent Change
	2016	2015		
	(in thousands, except percentages)			
Amortization	$6,106	$10,875	$(4,769)	(43.9)%
Percentage of revenues	3.5 %	5.6 %		

Amortization expense for the nine month period ended September 30, 2016 decreased by $2.8 million, $940,000 and $735,000 due to certain intangible assets at the Global Industry Group, Tech & Clearance and Healthcare segments, respectively, becoming fully amortized.

Impairment of Goodwill

Goodwill of $15.4 million related to Rigzone, the Energy reporting unit, was written down to zero in the third quarter of 2016 due to the decline in demand for energy professionals, which has significantly decreased the use of our energy industry job posting websites and related services.

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Impairment of Intangible Assets

Unamortized intangible assets of $9.3 million related to Rigzone, the Energy reporting unit, were written off in the third quarter of 2016 as a result of the decline in demand for energy professionals, which has significantly decreased the use of our energy industry job posting websites and related services.

Operating Income (Loss)

Operating income (loss) for the nine month period ended September 30, 2016 was $(5.0) million compared to $30.6 million for the same period in 2015, a decrease of $35.6 million or 116.2%. The decrease was primarily due to impairment of goodwill and intangible assets at Rigzone of $24.6 million, the sale of Slashdot Media in January 2016, and increased investment in Brightmatter.

Interest Expense

	Nine Months Ended September 30,		Increase	Percent Change
	2016	2015		
	(in thousands, except percentages)			
Interest expense	$2,593	$2,472	$ 121	4.9 %
Percentage of revenues	1.5 %	1.3 %		

Interest expense for the nine month period ended September 30, 2016 approximates the nine month period ended September 30, 2015.

Income Taxes

	Nine Months Ended September 30,	
	2016	2015
	(in thousands, except percentages)	
Income (loss) before income taxes	$(7,582)	$28,160
Income tax expense	3,294	10,879
Effective tax rate	(43.4)%	38.6 %

The effective income tax rate was (43.4)% and 38.6% for the nine month periods ended September 30, 2016 and 2015, respectively. The rate was lower in the current period because of a $2.8 million tax benefit from the reduction of deferred tax liabilities resulting from an impairment of intangible assets. Excluding the impairment, the effective tax rate related to ordinary income was 35.9%. The rate on ordinary income was higher in the prior year period because of changes resulting from a state tax examination and adjustments of estimated amounts related to prior-year foreign returns, each a result of the OnTargetJobs acquisition, and because of the cumulative effect of state tax legislation which affected our apportionment methodology.

Earnings (Loss) per Share

Basic and diluted earnings (loss) per share were $(0.22) for the nine month period ended September 30, 2016 and $0.33 for the nine month period ended September 30, 2015. The decreases were due to a decrease in net income, partially offset by decreased weighted-average shares outstanding due to stock repurchases. We recorded an impairment of goodwill and intangible assets of $24.6 million or $0.44 per diluted share related to the Global Industry Group segment.

Liquidity and Capital Resources

Non-GAAP Measures

We have provided certain non-GAAP financial information as additional information 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 EBITDA and Free Cash Flow, provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations.

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Adjusted EBITDA

Adjusted EBITDA is a non-GAAP metric 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. We also use this measure to calculate amounts of performance based compensation under the senior management incentive bonus program. Adjusted EBITDA, as defined in our Credit Agreement as “Consolidated 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 option expenses, losses resulting from certain dispositions outside the ordinary course of business, 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 up to $250,000, deferred revenues written off in connection with acquisition purchase accounting adjustments, writeoff of non-cash stock compensation expense, and business interruption insurance proceeds, minus (to the extent included in calculating such net income) non-cash income or gains, interest income, and any income or gain resulting from certain dispositions outside of the ordinary course of business.

We present Adjusted EBITDA as a supplemental performance measure because we believe that this measure provides our board of directors, 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 also present Adjusted EBITDA because covenants in our Credit Agreement contain ratios based on this measure. Our Credit Agreement is material to us because it is one of our primary sources of liquidity. If our Adjusted EBITDA were to decline below certain levels, covenants in our Credit Agreement that are based on Adjusted EBITDA may be violated and could cause a default and acceleration of payment obligations under our Credit Agreement. See Note 6 “Indebtedness” for additional information on the covenants for our Credit Agreement.

Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with U.S. GAAP as a measure of our profitability.

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 U.S. 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 your 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.

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A reconciliation of Adjusted EBITDA for the nine month periods ended September 30, 2016 and 2015 (in thousands) follows:

	For the nine months ended September 30,	
	2016	2015
Reconciliation of Net Income (Loss) to Adjusted EBITDA:		
Net income (loss)	$(10,876)	$17,281
Interest expense	2,593	2,472
Income tax expense	3,294	10,879
Depreciation	7,639	6,821
Amortization of intangible assets	6,106	10,875
Impairment of goodwill	15,369	—
Impairment of intangible assets	9,252	—
Non-cash stock compensation expense	7,850	7,490
Severance—Slashdot Media	981	—
Accelerated stock based compensation expense—Slashdot Media	900	—
Loss on sale of business	639	—
Other	33	2
Adjusted EBITDA	$43,780	$55,820
Reconciliation of Operating Cash Flows to Adjusted EBITDA:		
Net cash provided by operating activities	$36,612	$49,369
Interest expense	2,593	2,472
Amortization of deferred financing costs	(243)	(313)
Income tax expense	3,294	10,879
Deferred income taxes	1,977	373
Severance—Slashdot Media	981	—
Change in accrual for unrecognized tax benefits	(166)	(172)
Change in accounts receivable	(8,047)	(3,437)
Change in deferred revenue	493	2,132
Changes in working capital and other	6,286	(5,483)
Adjusted EBITDA	$43,780	$55,820

Free Cash Flow

We define free cash flow as net cash provided by operating activities minus capital expenditures. We believe free cash flow is an important non-GAAP measure for management and investors as it provides useful cash flow information regarding our ability to service, incur or pay down indebtedness or repurchase our common stock. We use free cash flow as a measure to reflect cash available to service our debt as well as to fund our expenditures. A limitation of using free cash flow versus the U.S. GAAP measure of net cash provided by operating activities is free cash flow does not represent the total increase or decrease in the cash balance from operations for the period since it includes cash used for capital expenditures during the period.

We have summarized our free cash flow for the nine month periods ended September 30, 2016 and 2015 (in thousands).

	For the nine months ended September 30,	
	2016	2015
Cash from operating activities	$36,612	$49,369
Purchases of fixed assets		