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MWW - Q1 2012 Monster Worldwide Earnings Conference Call

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OVERVIEW:

MWW announced 1Q12 revenue of \$246m and EPS of \$0.04. Results exceeded management expectations on bookings and EPS. Management announced 2Q12 EPS guidance of \$0.04-0.08.



CORPORATE PARTICIPANTS

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Jeff Silber *BMO Capital Markets - Analyst*

Mark Mahaney *Citigroup - Analyst*

Mark Marcon *Robert W. Baird & Co., Inc. - Analyst*

PRESENTATION

Operator

Good morning. My name is Shante, and I will be your conference operator today. At this time, I would like to welcome everyone to the first quarter 2012 earnings conference call. (Operator Instructions) I would now like to turn the call over to Miss Lori Chaitman. Ma'am, you may begin your conference.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Good morning, and thank you for joining us on Monster Worldwide's first quarter 2012 conference call. We will have formal remarks from Sal Iannuzzi, Chairman, President and Chief Executive Officer, and James Langrock, Executive Vice President and Chief Financial Officer. In addition to Sal and James, members of our executive management team are available to answer your questions during the Q&A part of the call. They are Tim Yates, Ted Gilvar, Patrick Manzo, Michael Miller, Lise Poulos and Mark Stoeber.

Before we begin, I would like to remind you that, except for historical information, the statements made during this conference call constitute forward-looking statements under applicable securities laws. Such forward-looking statements involve certain risks and uncertainties including statements regarding the Company's strategic direction, prospects and future results.

Certain factors, including factors outside of our control, may cause actual results to differ materially from those contained in the forward-looking statements, including economic and other conditions in the markets in which we operate, risks associated with acquisitions or dispositions, competition, and the other risks discussed in our Form 10-K and our other filings made with the Securities and Exchange Commission. With that, I would like to turn the call over to Sal for his comments. Sal?



Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

Thank you, Lori. Good morning everyone, and thank you for joining us today. Given our recent presentations at the [Baird] conference and Innovation Day, our prepared remarks will be shorter than usual. We will, of course, take the questions at the end of James' financial review.

The overall global business environment during the quarter remained uncertain, and was as much as we anticipated coming into the quarter. In this environment, we exceeded our expectations on Booking and EPS, and were at the top of our range on revenue. The key highlights of the quarter were, Bookings were up 5% year-over-year, excluding the DWP transactions, bookings were 4% lower than last year's first quarter.

On a geographic basis, bookings in North America were up 6% year-over-year, during the quarter we executed better, and experienced strong results in key verticals, such as Government, Staffing and Newspapers. We had improved performance in (Inaudible), but results of the eComm channel remain inconsistent and weak.

As noted in January, we took a number of steps to improve our performance, and our competitive position in the US. As a result, we definitely noticed a increase in our win/loss performance and highly competitive situations. We believe these initiatives began to pay off during the quarter, and will gain momentum throughout the year. We are confident that these actions will allow us to continue the longer term trend of share gains in the United States.

Looking to Europe, we were up 13%. Excluding DWP, they were down 16%. Economic indicators in Europe throughout the quarter were weaker than was generally forecasted. Euro area unemployment was at an all time high according to Eurostat, and it is widely believed that many countries within Europe sank back into the recession. We believe that the decline in the Monster's European Bookings reflected this economic uncertainty, and does not reflect a competitive concern.

Bookings in Asia Pac were flat year-over-year, and reflect the general cooling of the Asian economy. While Bookings of our Korean business declined 3%, the business continues to be extremely profitable and is well positioned to retain its growth when the Korean economy picks up. Bookings in China increased by 4%, and India 2%.

Consolidated revenue was down 3%. EPS was \$0.04 versus our guidance of [\$0.00] to \$0.04. During the first quarter we largely completed our restructuring and, as anticipated, began the redeployment of expense dollars into marketing. During the quarter we purchased 4.4 million shares at the average cost of \$7.58, deploying \$33 million.

As I mentioned at the recent [Baird] Conference, and as many of you were able to observe at our recent Innovation Day, we are very focused on bringing our new products to our customers on a global basis. We are aggressively pursuing market share gains in all of our markets, and are supporting the steps that would increase B2B marketing dollars. Client interest in 6Sense technology, PRS and SeeMore continues to increase. A number of our current government contracts, including DWP, OhioMeansJobs and (Inaudible) for Vets have PRS and SeeMore embedded in the solution, and the 6Sense functionality was a critical ingredient in securing those transactions.

In addition, our enterprise pipeline has essentially doubled during to quarter, and interest within our staffing vertical in particular have significantly increased. Our newer product continues to perform well. During the quarter global bookings of CAN and PRS grew approximately 10% year-over-year.

Looking forward to the second quarter, we expect that the current uncertainty and market volatility is likely to continue. As an indication of that uncertainty, at the beginning of last quarter, many predicted steadily improving global economy. That view has now changed, and many fear a failure of the recovery and weakening business conditions, particularly in Europe.

The optimism of last quarter was overstated, and we trust that the current pessimism is also overstated. However, it is difficult to present how these uncertainties will be resolved and therefore we are positioning the company both offensively and defensively. Offensively, we are aggressively pursuing the objectives I've just discussed. Defensively, we continue to be extremely careful not to let spending get out in front of market conditions.

When we announced our course restructuring and redeployment program, we noted that the primary benefit of this program was designed to allow us to move expense dollars from products and technology to sales and marketing and to offset, in part, a normal upward (Inaudible) in

operating expense. A secondary benefit was designed to increase flexibility and operating expenses. In other words, if global economy materially deteriorated, we would not reinvest -- excuse me -- we would not reinvest as much of the dollars saved in sales and marketing.

Based on the environments we are experiencing today, which on a global basis is much like what we experienced in the first quarter, we believe it appropriate to redeploy much of the dollars saved from the cost restructuring program into specific areas designed to speed up adoption of our new product portfolio, and strengthen our competitive position against targeted competitors as we did in the US in Q1. Our course redeployment program gives us the flexibility to make these investments while retaining tight control on operating expense. It will position us well for the important renewal season ahead.

With this background we calmly anticipate that Q2 bookings will range down 5% and up 1%. Revenue will range between down 8% to down 4%. EPS will range between \$0.04 and \$0.08. I would now like to turn over the call to James for his comments.

James Langrock - *Monster Worldwide Inc - EVP, CFO*

Thank you, Sal, and good morning, everyone.

Slide three is the first quarter Pro Forma Income Statement. All comparisons will exclude (Inaudible) and all periods. Driven by stronger execution in the US, bookings were \$274 million, up 5% on a year-over-year basis. Excluding DWP, bookings declined 4% year-over-year, feeding arrow guidance range. Bookings, excluding [BWP], were negatively impacted by 1% of currency translation on a year-over-year basis. Revenue was \$246 million, a 3% decrease on a year-over-year basis and a 2% sequential decrease. The DWP deal had no impact on revenue.

On a year-over-year basis, currency negatively impacted revenue by 1%. Total operating expense was \$237 million, a 1% year-over-year decrease, and a 3% sequential increase. Currency favorably impacted operating expense by 1% on a year-over-year basis. Operating income was \$9 million, compared to \$12 million last year, and \$20 million last quarter. Currency negatively impacted operating income by less than \$1 million. Interest and other was a negative \$1.5 million. Equity loss was \$200,000. EPS was \$0.04, compared to \$0.05 last year, and \$0.11 last quarter.

Turning to slide four. Net pro forma adjustments resulted in a loss of \$900,000. However, there were a number of largely offsetting adjustments as follows. A \$5 million gain resulting from a restitution award from a former executive. A \$24 million restructuring charge, and an \$18 million nonrecurring income tax benefit.

Slide five shows the trends on pro forma operating expenses. Salary-related of \$121 million decreased 8% on a year-over-year basis as a result of the restructuring, and the resultant lower head count. S&R increased 2% sequentially, primarily the result of the normal first quarter FICA expense. Marketing, at \$58 million, was a 21% year-over-year increase, and an 11% increase on a sequential basis. As anticipated, we increased marketing in North America and a number of our international markets. Office and General was \$58 million, essentially flat with the last quarter and on a year-over-year basis.

Slide six and seven review the first quarter segment and geographic performance, and this quarter we have added bookings to the slide, to slide [six]. Korea's North American bookings increased 6% year-over-year, revenue declined 3% and EBITDA margin was 24%. On a bookings basis, we experienced strong performance from our Government, Staffing and Newspaper verticals, and improving results in enterprise. As Sal noted, eComm continued to be weak. Bookings in the international segment were up 9%, and when excluding DWP, were down 11%.

Revenue in the Careers International segment was flat. EBITDA margin was 9%, and excluding China and developing markets, EBITDA margin was 19%. Within European bookings while all countries experienced a year-over-year decline, Scandinavia and Germany held up fast, while the Netherlands was most negatively impacted by concerns impacting both the Euro area and the Netherlands itself.

In his comments, Sal provided detail on bookings in the APAC region. International segment EBITDA margin declined as a result of the increases in marketing spend. Revenue in IAF was \$19 million, compared to \$21 million last quarter, and \$22 million last year on an adjusted basis. IAF's EBITDA margin was 34%, compared to 32% last quarter.



Slide eight highlights key balance sheet and cash flow items. Pro forma EBITDA was \$35 million, compared to \$44 million last year, and \$47 million in the fourth quarter. GAAP EBITDA was \$22 million. Net cash provided by operations was \$21 million. Capital expenditures during the quarter were \$13 million. Deferred revenue was \$408 million.

During the quarter, we acquired slightly over 4.4 million shares, at an average price of \$7.58, deploying \$33 million of cash. In addition, we extended and increased our bank credit package to \$325 million. As a result, net cash at quarter-end was \$39 million, and our total liquidity was \$370 million.

In summary, we are pleased with our performance in the first quarter. North American bookings improved and increased on a year-over-year basis. Despite the sequential decrease in overall revenue, EBITDA was \$35 million. We are executing our restructuring and expense redeployment program.

The significant expense reductions achieved to date are allowing us to make investments in sales and marketing, while controlling operating expense and protecting the company's profitability and cash flow. We returned over \$33 million to the shareholders in the first quarter.

As shown on slide nine, in Q2 we currently anticipate that bookings will range between down 5% to up 1%. Revenue will range between down 8% to down 4%. EPS is expected to be in the range of \$0.04 to \$0.08. I would now like to turn the call back to Sal for his concluding remarks.

Sal Iannuzi - *Monster Worldwide Inc - Chairman, President, CEO*

Thanks, James. We are aggressively pursuing our business strategy on a global basis. While we certainly hope for an improvement in the business environment, our new products are gaining traction. We have improved our execution in the US, and we are very optimistic that we will win an increasing share of the available business. We continue to feel that the stock is significantly undervalued, and as you know, we embarked on a complete review of our strategic alternatives.

It is still early in this process, and together with our board and advisers, we are aggressively pursuing all alternatives. At this stage, it is not appropriate to provide additional commentary, and please keep this in mind during the Q&A session. We will now open the call for all of your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have William Bird from Lazard with the first question.

William Bird - *Lazard Capital Markets - Analyst*

Good morning, Sal, I was wondering if you could talk about how you think about buybacks while you are going through the strategic alternative process. And then second, could you elaborate a little more on the short-term strategies you're employing for trying to drive higher booking (Inaudible). Thank you.

Sal Iannuzi - *Monster Worldwide Inc - Chairman, President, CEO*

First of all, our plan is to continue the stock buyback as aggressively as opportunity provides. Obviously, if we get to points where counsel instructs us that it was more prudent not to do that, we will stop, but the intention is in -- for the foreseeable future, certainly, to continue the program as aggressively as opportunity presents. With regard to bookings, I think that the greatest threat that we have in increasing bookings and increasing market share is by virtue of our products, the new products that we've developed and rolled out in the past -- past year or two.

I think that the Q1 is a result of whatever execution issues we had here in the United States are behind us. We said we would address those, we have addressed them. And I think the momentum from the actions we've taken will increase positively as the year goes on, irrespective of the economy. I think that the new products continue to provide a lot of platform, if you will, for discussions with our customers.

I think it's responsible for a significant increase in our business, for example with staffing companies. As we said in my comments, I think it's responsible for our continued strength in the government business. [Three large] transactions with government have 6Sense SeeMore embedded in them, and I think that trend will continue and help us with our career side, if you will, our career business as we go through and develop our pipeline, that as I said, is more than doubled in the last quarter. I think that the trend is good, with regard to in an environment which is at best uncertain and sluggish, for us to produce a better returns and better booking than the economy would normally give us.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator, next question, please.

Operator

Your next question is from the line of Tobey Sommer.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

If you could comment on the bookings in the quarter. Is it from a wider range of customers, are you seeing new customers buying, or is it slightly larger orders from existing customers? Thanks.

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

I think it's a little bit of -- Tobey, I think it's a little bit of each. First of all, I don't want to -- while we're pretty happy about certainly the situation here in the United States and the improvement, we will celebrate for about two minutes. We don't believe -- we think that good numbers, particularly given the environment but we can and will do better. We need to get back to that. I don't want to be too exuberant on what happens in one.

I think that the -- what is happening is that we had more win backs, more new customers, if you will, I think that the value proposition by virtue of some the actions that we took is improved, but I think that -- a substantial amount of the credit goes to the new products, and the fact that those new products are really beginning to get more traction, and so -- which, as you might expect and as we were hoping, those new products are causing more stickiness with our customers across a broad swath. Staffing is an area to note. We have seen increasing improvement there. I think the staffing companies understand that we have more to offer and we see significant improvement there. That is certainly a bright spot.

Tobey Sommer - *Suntrust Robinson Humphrey - Analyst*

Thank you very much.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator next question, please.

Operator

Your next question is from the line of Jim Janesky.



Jim Janesky - Avondale Partners LLC - Analyst

Good morning. Can you talk about what areas that you're seeing the strength in, or what your customers are telling you, what changes that you made in order to make the product more productive ?

Sal Iannuzi - Monster Worldwide Inc - Chairman, President, CEO

I think that one, as I said, is the new products. As we are gaining traction with them, I said many times before, these are longer term sells, and I think that some of them are starting to gain traction through the natural course of conversations have been going on and we're starting to see some of them come to fruition. I think that, you know, fortunately for us, I guess, is the things that happens we said, we made some mistakes in Q4. Thankfully, they were tactical and not strategic, and in a sense -- and please take this in the how (Inaudible) -- they were, you know, they were not easy to fix, or we wouldn't have made the mistake in the first place, but we knew what we needed to do.

So we competed strongly with our competitors, we also improved our performance in terms of candidates to the site, our metrics have gone up significantly in Q1, and as the quarter has progressed, most important -- and we have said it before -- it's not traffic, it's the number of applied to jobs. Our applies are up significantly, and we believe that that trend will continue. So I think overall, the normal part of the business, we've taken care of the issues we needed to take care of, and we are very focused to make sure they stay on the track, or the trajectory that they're on, while at the same time the new products are kicking in and I think that that gives us -- in a lackluster, for lack of a better term, environment -- I think it gives us reason for optimism going forward.

Lori Chaitman - Monster Worldwide Inc - VP-IR

Operator, next question, please.

Operator

Your next question is from the line of Tim McHugh.

Matt Hill - William Blair & Company, LLC - Analyst

Good morning. This is Matt Hill in for Tim McHugh. My question had to do with pricing trends you're currently seeing. I think at the Innovation Day, you mentioned that you were seeing more aggressive pricing from your competitors in the US. I was wondering if you have any update on that?

Sal Iannuzi - Monster Worldwide Inc - Chairman, President, CEO

I think that it continues from a price standpoint, it continues the same trend we were seeing in Q4 continues. We are much more vigilant and -- from the standpoint that we are not going to lose and if we're going to lose, it means because the pricing just simply makes no sense. But we intend to be extremely aggressive.

With regard to -- but it's -- as I said, it's not just an issue of price, it's an issue of the solution and the strength the solution you're offering. If we present that correctly, which I believe now we are, that should overcome at least some of that pricing pressure. But I think that the overall climate really hasn't changed very much. It's probably about the same, nothing unusual appears to be going on. The issue and the war, if you will, there's a war, it's on just providing the best results and the best value for the customer.



Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator, next question, please.

Operator

Your next question is from the line of Doug Arthur.

Doug Arthur - *Evercore Partners - Analyst*

Yes, Sal, a question on Germany. As bad as the European outlook seems to be, Germany has shown a few signs of strength across the board. What did you see in the quarter, and what are you likely to see near term in Germany, thanks ?

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

Arthur, your point is, of course, correct. Germany is the strongest economy, as we all know, in Europe. Our results in Europe and what we're seeing continues to bear that out. Having said that, Germany has also slowed down very significantly. Our growth in Germany --

James Langrock - *Monster Worldwide Inc - EVP, CFO*

(Multiple Speakers) the currency, Doug, it was 7%, it was down year-over-year.

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

So we are seeing, obviously, sluggishness there, too, but better than the rest. But across Europe, at this moment you're seeing very significant -- and I wouldn't call it a disaster situation, or certainly it's not reminiscent of what happened in 2009, 2008/2009 -- but every country in Europe has slowed down. For example, the Netherlands is down 29%. The -- Belgium 17%, the UK is down 13%. So Germany is faring the best, but every country in Europe has slowed down, and slowed down significantly.

By the way this is consistent -- we have been obviously watching very carefully what our competitors have been doing, and it's very consistent, not only with competitors, but actually with the staffing industry and what they have been experiencing. Everyone is seeing pretty much -- everyone articulates a little bit differently, but by and large everyone is seeing, you know the same general trend. I think that from our standpoint, the economy is going to be the one that is going to be. Our job is to compete and compete strongly.

Our product, as I said previously, give it an edge and to exploit that edge as much as possible. What we don't have in Europe, the competition is strong but this is not a competitive issue. It's not the same type of thing as what happened here in the US in Q4. It is the economy competition is strong, competition has been strong, and nothing has really changed. So it's really a macroeconomic issue more than anything else.

Doug Arthur - *Evercore Partners - Analyst*

Thanks.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator, next question, please.

Operator

Your next question is from the line of Craig Huber.

Craig Huber - Access 342 - Analyst

Yes, good morning, a couple -- three questions, if I could. First, can you give us a sense of marketing and promotion, what we should expect for the year. It looks like the quarter it finishes up 1%, versus the revenue is down. How much flexibility do you think you have (Inaudible), where you can bring that down for the rest of the year at a meaningful clip?

Sal Iannuzzi - Monster Worldwide Inc - Chairman, President, CEO

We have the capability, if you will, to bring it down, and bring it down significantly. As we said before, shifting our expense logs from more -- let me say this way and I don't mean this in a technical accounting term, -- from a more fixed, if you will, or harder core to more flexible [cores], meaning predominantly marketing, we've done that. The restructuring was successful. We have largely gotten that behind us. We actually were able to do it more efficiently than we expected. There were some other opportunities that we're investigating, we're not sure yet whether we will take advantage of them or not. We want to make sure we get a proper return, so we're doing a little studying. But predominantly it is done.

I think, as we said, we feel that it is appropriate, given the investment we've made in products and in technology, to -- in order to harvest the benefits of that, we feel it necessary and appropriate to put more dollars in certain countries, in certain places in order to reap the benefits. Now having said that -- and I think it would be foolish not to do that -- we will have spent a lot of time and a lot of investment to create these products and then, particularly in environments such as this, not to be able to take advantage of them just isn't right. The other issue is that we could take down the number, it's a very easy number to either up or reduce, it could be done literally in a matter of days.

The issue with it is that we would be selling short the future. We have -- Q4 will be upon us sooner than we think, and we want to make sure that we go into that period as strongly as possible. So if it is a choice between improving profitability by a penny or two a share, or putting us in a stronger position for the future -- and I'm talking about quarters later this year and into next year -- we are going to put that spend into ensuring the best result, irrespective of the macroeconomic picture, that we can get. Having said that, if the situation deteriorates, and deteriorates significantly from where we are today, we are prepared and can take action to bring down that expense to obviously protect the earnings of the company as much as possible. But for a penny or two in a particular quarter, we would be short-changing the future, and we're just simply not going to do that.

Craig Huber - Access 342 - Analyst

Okay. This is my second question, please. How would you characterize your business, the macro environment now versus what your thoughts were as you started 2012. Is it -- does it feel better for you out there, or worst from the business standpoint? For Europe and the US, please.

Sal Iannuzzi - Monster Worldwide Inc - Chairman, President, CEO

If you detect a little bit of -- you know, this is one of those situations that I really regret being right, okay. We said in Q -- when we reported Q1 that we saw a very cloudy picture here in United States, North America for that matter, and the situation in Europe was deteriorating. Okay. Unfortunately, that is exactly what has happened. Europe is -- the situation in Europe has deepened, okay. I believe in quarters to come, it will begin to improve. I think the leadership in Europe understands what they need to do. I think they will, of course, debate the issues and what the solutions are, but ultimately my personal belief is they will arrive in the right place, and make the right decisions, and things will start to improve and give confidence to the business community in Europe.

Here in the United States, the situation remains much, I believe, as we have seen it in Q4, in Q1, and we don't see a clear direction to significant improvement. Having said all of that, our job is to -- and I think we have reason to be somewhat optimistic on this -- is that even in that kind of

environment because of the strength that we have with our products and as our customers realize more and more the lack of competition that we have with regard to our new products, that we will, we will do well within the context of the macroeconomic picture. But for the time being, we don't see a significant change in Q1 versus Q2. You know, and that is up or down. We are not expecting things to deteriorate sharply, but at the same time, we're not expecting a sharp improvement, either.

Craig Huber - Access 342 - Analyst

Lastly, if I could. You gave very good country detail how Europe did in the quarter. Can you tell us some of the highlights of Asia that offset that ?

Sal Iannuzzi - Monster Worldwide Inc - Chairman, President, CEO

Asia remains -- if you take Asia as a whole, it was relatively flat, but probably up a percentage point or so year-on-year. I think that what has happened there, Korea came down about 2%, 3%, year-on-year, but that is off extremely robust numbers, and they're so strong in the market as the -- there was [clarity to the market], they'll -- their numbers will continue to improve again. It is doing well by any measure.

China is sluggish again. I think the concerns out of Europe, and concerns in the US, as we have always said bleed into China, and so China's relatively flattish. Again not catastrophic situations or anything like that, not issues that are anywhere near what we saw in 2008 and 2009, but just plodding along if you will.

And the same is true for India. India saw a slow down, it's been a slow down. There were spurts of activity, but even the amount of investment in technology, which was a big engine of growth in India in the past number of years, even that -- the investment of American companies and European companies in technology has slowed somewhat. So it is -- I think that is also reflective of the economic picture. Asia is sort of waiting. It's relatively flat, and we don't see that changing dramatically in Q2.

Lori Chaitman - Monster Worldwide Inc - VP-IR

Operator next question, please.

Craig Huber - Access 342 - Analyst

Thank you.

Operator

Your next question is from the line of Jeff Silber.

Jeff Silber - BMO Capital Markets - Analyst

Thank you so much. In the last few weeks we have seen a pick in M&A activity in your sector, especially globally. Now, irrespective of what's going on with your strategic alternatives review, are there any holes in your product line that you think you might need to add through M&A?

Sal Iannuzzi - Monster Worldwide Inc - Chairman, President, CEO

Is the question that you are asking, are we looking at any acquisitions in order to, as you said, fill in any holes or anything ? We do not see anything on the horizon at this point which, most importantly, that we need to do. I think that we are in a unique position. We have more than anyone else,

so it's really very little that we need to do from that standpoint, and as of certainly this morning, we see nothing that is attractive that would make any difference. So from that standpoint, the answer is

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator, next question?

Operator

Your next question is from the line of Mark Mahaney.

Mark Mahaney - *Citigroup - Analyst*

Thanks. I want to ask a question about, or some context around this DWP contract. First, thank you for all the disclosure around it. It's helpful to be able to look at the growth rate, with and without it. I don't think you had any revenue in the quarter, you will start getting that, I think, in the June quarter. How long does the contract last for, and is there any particular reason that we should single it out or ['X'] it out? Is there something unusual about this contract versus other contracts in that sector that you have had in the past?

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

No, just the -- I'm sorry, did you have something else?

Mark Mahaney - *Citigroup - Analyst*

No.

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

I'm sorry, we got some feedback here. I think that the only thing that was unusual about that transaction, and why we felt it appropriate to single it out was its size, okay. It is a transaction of size. It is also unique from the standpoint that it is the first transaction with a government in Europe, and that it also illustrates as a strategy to invest in the government business as an area for future growth outside the US that is important. I think from --so those were the only reasons why it was singled out. There was nothing unique about it, other than that. It is similar to transactions we've done, certainly here in the United States, and it will progress, the (Inaudible) recognition, et cetera, will proceed the same as with many other transactions here in the US. I'm sure James has a couple of additional points to add to that, so I will turn it over to him.

James Langrock - *Monster Worldwide Inc - EVP, CFO*

From a revenue recognition standpoint, we will start recognizing revenue when the site is up and running, and that we've scheduled probably late Q3, early Q4 from a revenue recognition standpoint. The contract term is for four years, so we will recognize the revenue over a four year period, but that is from the revenue we will start recognizing the revenue on the transaction.

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

The beauty of that business, and the beauty of the government business as a whole, is that it's sticky, it's long-term, it's not a sale that has to be replenished, if you will, each year. It, in a sense, it builds somewhat of an annuity stream, and it gives us, without having to increase costs -- particularly



in our salespeople, et cetera, it gives us the opportunity to focus on broadening the business, rather than just replacing the business. So it's -- if you are detecting that we're fairly happy about the business in general, we absolutely are. We think it holds a lot of hope for the future.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator, next question, please.

Operator

The next question is from the line of Mark Marcon.

Mark Marcon - *Robert W. Baird & Co., Inc. - Analyst*

Good morning, and thank you for all the disclosure. Two types of questions. First has to do with some of the areas you have been investing. As investors are trying to evaluate the underlying profitability, I was wondering if you could give a little bit more color in terms of your expectations for the investments behind China, Brazil, Turkey, et cetera, Sal, that you are -- you're not holding back on some of these longer term investments. Can you talk a little bit about how much that is going to cost over the course of this year? And then I have a follow-up with regards to the eComm space, thanks.

Sal Iannuzi - *Monster Worldwide Inc - Chairman, President, CEO*

Sure. I said -- I think I said it on my comments on Innovation Day and actually at the [Baird] conference, I think that our investment between the three markets, as mentioned, a little bit in Turkey, more in Latin America, Brazil being the largest within Latin America, the investments and China. The cost and these numbers are rounded and a little bit rough, but the investments or said another way, the loss embedded in this year's numbers, we expect it to be somewhat around \$25 million to \$30 million. We think that those investments are warranted, and we think that there's substantial upside to be had in the future.

So, but as I said, it's an investment of \$25 million to \$30 million, or somewhere between \$0.15 and \$0.20 -- or about \$0.15 a share for the year. And as of today, and given what we are seeing and how markets are, we intend to continue making those investments. We think it's prudent and constructive for the future. If situations, as I said before with regard to the marketing, if situations were deteriorate and deteriorate heavily, of course we would reexamine that.

And -- I'm going to break my own rule -- we look at these things constantly in terms of other alternatives with regard how we make that investment, whether that -- an alliance or a number of other things, but we don't want to simply walk away from those markets, because, again we would be selling the franchise short for the future.

Mark Marcon - *Robert W. Baird & Co., Inc. - Analyst*

And Sal, it doesn't sound like -- so that is not an area that you would pull back on necessarily if the economic conditions in Europe get a little bit worse. That is not one of the areas that you would come back to?

Sal Iannuzi - *Monster Worldwide Inc - Chairman, President, CEO*

Mark, the key to your question is a little bit, no. If Europe stayed plus or minus several percentage points -- and how it's behaving today which we are not happy about -- but stays in this range, I think we can handle it within reasonable perimeters, and float with it, and continue making investments. If Europe were to deteriorate sharply, then -- and -- which would probably mean that the US is also deteriorating, then all options are



open and we would reconsider not just Brazil or China or [whatever], but reconsider all of our alternatives in terms of running the business. So I think -- it's a question of degree. Based on what we see today, and by the best that we can look into our crystal ball as to what the next quarter or two will bring, our attitude is to stay the course.

Mark Marcon - *Robert W. Baird & Co., Inc. - Analyst*

Great. Can you talk a little bit about what you are seeing on the eComm channel, and compare and contrast that to the progress that you are making on the staffing site, the key drivers there, that certainly is quite encouraging, since they are the most progressive recruiters and most aware of what the good tools are. What is driving that improvement?

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

I think that the staffing company is -- we've taken action and put into place as long ago as a year now, particularly with regard to that sector and I think that just the way we have been dealing with staffing company and that sector is different, and I think we're reaping some of the benefits of that. I think a good measure of it is due to our new products. I think we got a very good reception to our products, not only at Innovation Day, but in communication we had at the staffing conference a month or so ago now -- maybe a month and a half ago -- out in Nevada in Las Vegas, with regard to the new products and the interest level was high. I think it's a bunch of things that are causing that to improve and improve well.

I think that with regard to eComm, I first of all want to emphasize, eComm, in small business as defined by many companies, is different. eComm for us, for the most part, is really small companies, small businesses. Businesses that employ from literally a handful of people to maybe 20, 30, you know, it is truly small business, some would say the mom and pop. That business, that activity, it's not big numbers for us overall, but it does affect our revenue somewhat, because it turns. Someone buys a job posting and it's used virtually immediately, so it turns to revenue immediately. That business has been slow, and continues to be slow.

As best as we can tell, you know, it's really not surprising, it's following the traditional pattern that, in times of lack of clarity and concern as to what the future will bring, there is -- there is a hesitancy by businesses of that size, as you can imagine, that are extremely sensitive to any kind of cost increase. They tend to slow down and that is what we're seeing right now. If you take the economy as cloudy as the picture is, and you take gas prices, and all of those things into consideration, it's behaving as we would expect. So that part of it is slow.

The rest of the business, bigger companies, our (Inaudible) business I feel there with the, you know, more improvement, there is concern there, certainly about the economy and direction, if you will, but there we're enjoying a little bit more of an upswing because of, I think, largely from what we get the attractiveness of the new products, et cetera. So we're gaining more traction there.

Mark Marcon - *Robert W. Baird & Co., Inc. - Analyst*

Great, I appreciate the color.

Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Operator?

Operator

This concludes the Q&A portion for the call. Thank you for joining us. Miss Chaitman, any closing remarks?



Lori Chaitman - *Monster Worldwide Inc - VP-IR*

Once again, thank you for joining us this morning for our first quarter conference call. You can access the call at the IR section of the Monster website.

Sal Iannuzzi - *Monster Worldwide Inc - Chairman, President, CEO*

Thank you very much.

Operator

Ladies and gentlemen, have a good day.

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