



VERISIGN™



THE DOMAIN NAME INDUSTRY BRIEF

VOLUME 10 - ISSUE 1 - APRIL 2013

THE VERISIGN DOMAIN REPORT

AS THE GLOBAL REGISTRY OPERATOR FOR .COM AND .NET, VERISIGN REVIEWS THE STATE OF THE DOMAIN NAME INDUSTRY THROUGH A VARIETY OF STATISTICAL AND ANALYTICAL RESEARCH. AS THE GLOBAL LEADER IN DOMAIN NAMES, VERISIGN PROVIDES THIS BRIEFING TO HIGHLIGHT IMPORTANT TRENDS IN DOMAIN NAME REGISTRATION, INCLUDING KEY PERFORMANCE INDICATORS AND GROWTH OPPORTUNITIES, TO INDUSTRY ANALYSTS, MEDIA AND BUSINESSES.



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EXECUTIVE SUMMARY

The fourth quarter of 2012 closed with a base of more than 252 million domain name registrations across all Top-Level Domains (TLDs), an increase of 6.1 million domain names, or 2.5 percent over the third quarter of 2012. Registrations have grown by 26.6 million, or 11.8 percent, year over year.^{1,2}

The base of Country Code Top-Level Domains (ccTLDs) was 110.2 million domain names, a 5 percent increase quarter over quarter, and a 21.6 percent increase year over year in the base.^{1,2}

The .com and .net TLDs experienced aggregate growth, reaching a combined total of approximately 121.1 million domain names in the adjusted zone in the fourth quarter of 2012. This represents a 6.4 percent increase year over year. As of Dec. 31, 2012, the base of registered names in .com equaled 106.2 million names, while .net equaled 14.9 million names.

New .com and .net registrations totaled 8.0 million during the fourth quarter of 2012. In the fourth quarter of 2011, new .com and .net registrations totaled 7.9 million.

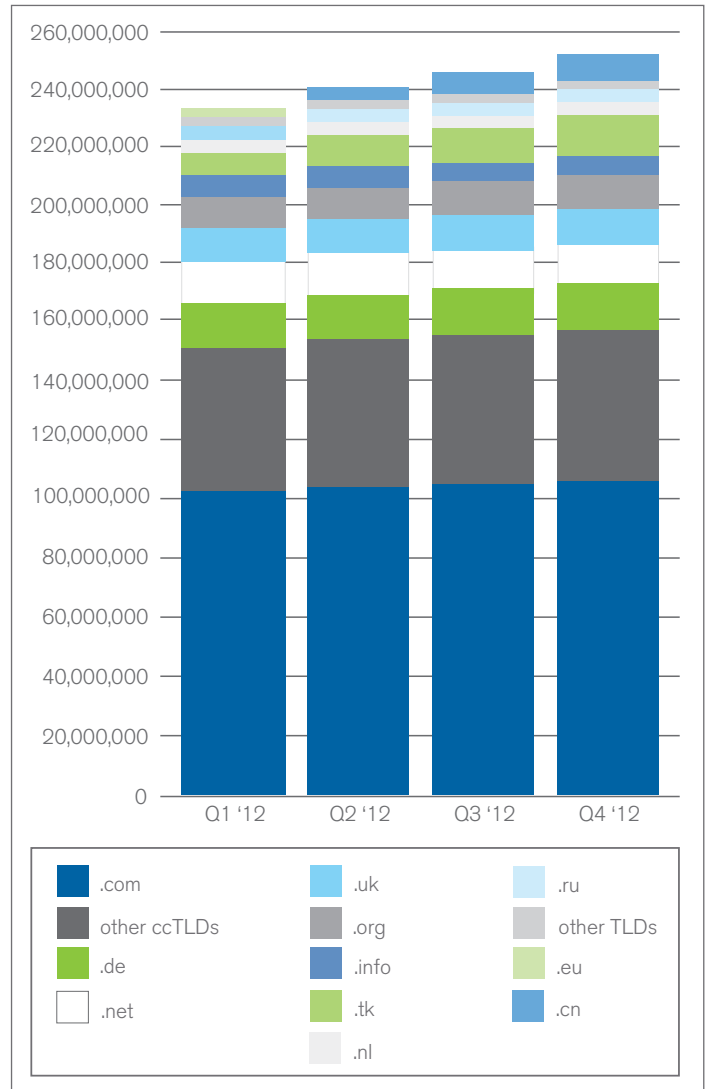
The order of the top TLDs in terms of zone size changed slightly when compared to the third quarter, as .cn (China) moved up a ranking from the eighth largest TLD to the seventh largest TLD, resulting in .info moving down one ranking. All other TLDs in the top 10 maintained their rankings.

The largest TLDs in order by zone size were .com, .de (Germany), .net, .tk (Tokelau), .uk (United Kingdom), .org, .cn (China), .info, .nl (Netherlands) and .ru (Russian Federation).

One driver of name growth in the domain industry during 2012 was .tk. It is worth noting that while the .tk registry offers both free and paid domain names, according to the .tk registry, 97 percent of its active domain name registrations are free domain name registrations. As a result, .tk's growth statistics may not be directly comparable to traditional TLD growth rates and may distort the overall trend lines reported in our findings. With .tk, the year-over-year domain name registration growth rate is 11.8 percent, as stated above. Excluding .tk, the year-over-year domain name registration growth rate is 8.9 percent.

Top TLDs by Zone Size

Source: Zooknic, December 2012; Verisign, December 2012





CCTLD BREAKDOWN OF ZONE SIZE

Total ccTLD registrations were approximately 110.2 million in the fourth quarter of 2012 with the addition of 5.3 million domain names, or a 5 percent increase compared to the third quarter. This is an increase of almost 19.6 million domain names, or 21.6 percent, from a year ago.

Among the 20 largest ccTLDs, four exceeded 4 percent overall quarter-over-quarter growth: China, Tokelau, India and the Russian Federation. This marks three straight quarters where China (31.5 percent) and Tokelau (16.1 percent) have exceeded 4 percent growth.

As of Dec. 31, 2012, there are 280 ccTLD extensions globally that are delegated in the root (including Internationalized Domain Names), with the top 10 ccTLDs comprising 63.1 percent of all ccTLD registrations.³

Top ccTLD Registries by Domain Name Base, Fourth Quarter 2012

Source: Zooknic, December 2012

- | | |
|-------------------------|-----------------------------|
| 1. .de (Germany) | 6. .ru (Russian Federation) |
| 2. .tk (Tokelau) | 7. .eu (European Union) |
| 3. .uk (United Kingdom) | 8. .br (Brazil) |
| 4. .cn (China) | 9. .au (Australia) |
| 5. .nl (Netherlands) | 10. .fr (France) |

.COM/.NET DYNAMICS

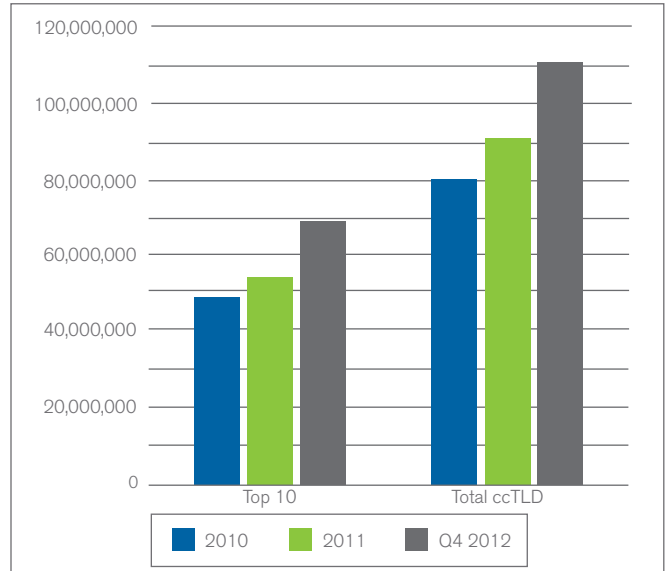
The .com and .net renewal rate for the fourth quarter of 2012 was 72.9 percent, up slightly from 72.5 percent in the third quarter of 2012. Renewal rates vary quarter over quarter based on the composition of the expiring name base and the contribution of specific registrars.

Whether a domain name resolves to a website is a key factor in determining the renewal rate since domain names that resolve to websites are more likely to be renewed. Verisign estimates that 85 percent of .com and .net domain names in the active zone resolve to a website, meaning that an end user visiting that domain name would find a website. These websites can be further described as those having multiple pages or as one-page websites. One-page websites include under-construction, brochure-ware and parked pages in addition to online advertising revenue generating parked pages.

ccTLD Breakdown

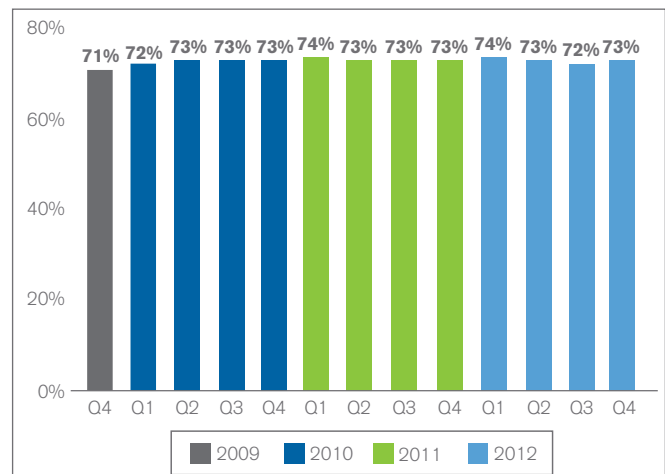
Source: Zooknic, December 2012

For further information on the Domain Name Industry Brief methodology, please refer to the last page of the report.



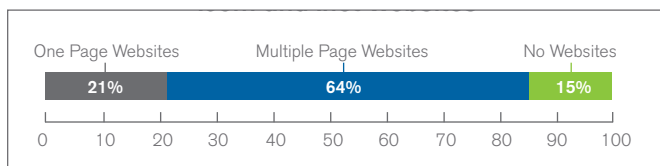
.com and .net Registry Renewal Rates⁴

Source: Verisign, December 2012



.com and .net Websites

Source: Verisign, December 2012



³ The number of ccTLD extensions cited in this report is published by IANA.

⁴ Chart presents the final .com and .net renewal rates rounded to the nearest whole number.



During the fourth quarter of 2012, Verisign's average daily Domain Name System (DNS) query load was 77 billion, across all TLDs operated by Verisign, with a peak of 123 billion. Compared to the previous quarter, the daily average increased 16 percent and the peak increased 20.4 percent. Year over year, the daily average increased 21.5 percent and the peak increased 5.3 percent.

“BIG DATA” CAN POSE BIG CHALLENGES, AND OPPORTUNITIES, FOR ORGANIZATIONS

Of all the societal transformations wrought by the Internet revolution, perhaps the most significant has been the rapid but permanent shift from an environment defined by information scarcity, to one defined by information overload. The era of “Big Data” is here, and an element of success will be an organization's ability to navigate and make use of its data. According to recent research, the global Big Data market was worth USD \$6.3 billion in 2012 and is expected to reach USD \$48.3 billion by 2018, at a compound annual growth rate of 40.5 percent from 2012 to 2018.⁵

Big Data's exact definition depends a great deal on who is defining it. At its core, the term “Big Data” refers to a phenomenon that should be instantly familiar to organizations of all sizes: The ability to collect and store highly relevant, mission-critical data is far outpacing the ability to effectively process, analyze and leverage it to make informed business decisions.

Twenty years ago success in business, as often as not, was determined by who could gather the best and most relevant data (about competitors, customers, emerging markets, etc.) in the timeliest fashion. Because analyzing that data was comparatively simple, and a relatively homogenous process from one organization to another, competitive differentiation came from who could find the best data first.

The Internet changed that paradigm in three critical ways: First, it globally democratized access to data, enabling many more players to gather similar relevant data; second, it exponentially increased the amount of relevant data that is generated, and could be collected and stored; third, there are now tools and technologies that make it easier

to analyze large amounts of unstructured data. We believe success is now determined less by who can find the best data, but who can make the best sense of the massive amounts of data available.

In many ways, the term “Big Data” may be the biggest understatement in the history of business. The amount of information described by that term is staggering. IBM estimates that human beings now generate more than 2.5 quintillion bytes of data every day, and that 90 percent of the world's total data has been generated in the past two years.⁶ The archive of the Library of Congress currently consists of 285 terabytes of data, and is growing at a rate of five terabytes per month (or about 60 terabytes a year).⁷

Obviously the percentage of this massive, rapidly expanding global data store that is relevant to any individual business at any given time may be comparatively tiny. But that is precisely the point: We believe developing the capacity to quickly identify and act on relevant information is the most pressing need for companies in the Big Data Age.

Fortunately, the business challenges posed by Big Data have spurred the creation of an impressive range of technological solutions. Some of the world's most innovative companies have turned their efforts toward creating open source tools that allow organizations to analyze and process the data that is critical to their markets and their customers. Sorting through these options can be a data challenge in itself, but information professionals now have access to the tools they need to navigate the Big Data landscape.

BIG DATA IN THE DOMAIN NAME SPACE

Big Data is nothing new for anyone involved in the domain name industry. With more than 252 million registered domain names generating billions of Web pages, the DNS itself presents its own unique Big Data challenge, but also offers distinctive opportunities.

Today, companies can insert intelligence into their DNS servers in order to analyze the abundance of data that may flow into their systems. By analyzing DNS transactions, companies can glean greater insight into precisely how

⁵ Transparency Market Research, “Big Data Market - Global Scenario, Trends, Industry Analysis, Size, Share and Forecast, 2012 - 2018 (January 21, 2013) <http://www.transparencymarketresearch.com/big-data-market.html>

⁶ IBM Study: Digital Era Transforming CMO's Agenda, Revealing Gap in Readiness (October 11, 2011) <http://www-03.ibm.com/press/us/en/pressrelease/35633.wss>

⁷ The Library of Congress Web Archiving FAQs http://www.loc.gov/webarchiving/faq.html#faqs_05



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domain names are being used, including their functionality, connectivity and reach, or what information users leverage the most. Such intelligence can help companies make more informed decisions regarding their future business strategy or offer better services that meet their customers' needs. And given that nearly every Internet transaction goes through DNS servers, that data source can become a true business differentiator, when analyzed correctly.

In addition, DNS data can become an important tool in securing the network. Being able to analyze network activity and traffic through DNS queries can help network administrators determine where malicious traffic comes from and prevent access to these sources where Distributed Denial of Service (DDoS) attacks and spam originate.

Today, companies must focus not on their capacity to store massive amounts of data, but rather on their ability to turn that data into meaningful and insightful information. Significant advances are happening in the way we understand and analyze the DNS environment, and important steps are being taken toward managing the addressing system's own unique Big Data challenges. As the challenges continue to evolve, so too will the tools, as technologists work to keep decision-makers one step ahead of the Big Data deluge, turning it into a major business opportunity.

LEARN MORE

To subscribe or access the archives for the Domain Name Industry Brief, please go to VerisignInc.com/DNIB. Email your comments or questions to domainbrief@verisign.com.

ABOUT VERISIGN

As the global leader in domain names, Verisign powers the invisible navigation that takes people to where they want to go on the Internet. For more than 15 years, Verisign has operated the infrastructure for a portfolio of top-level domains that today include .com, .net, .tv, .edu, .gov, .jobs,

.name and .cc, as well as two of the world's 13 Internet root servers. Verisign's product suite also includes Distributed Denial of Service (DDoS) Protection Services, iDefense Security Intelligence Services and Managed DNS. To learn more about what it means to be Powered by Verisign, please visit VerisignInc.com.

METHODOLOGY

The data presented in this report for ccTLDs, including quarter-over-quarter and year-over-year metrics, reflects the information available to Verisign at the time of this report and may incorporate changes and adjustments to previously reported periods based on additional information received since the date of such prior reports, so as to more accurately reflect the growth rate of the ccTLDs. In addition, the data available for this report may not include data for the 280 ccTLD extensions that are delegated to the root, and includes only the data available at the time of the preparation of this report.

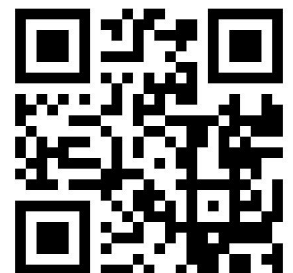
For gTLD and ccTLD data cited with Zooknic as a source, the Zooknic analysis uses a comparison of domain name root zone file changes supplemented with Whois data on a statistical sample of domain names which lists the registrar responsible for a particular domain name and the location of the registrant. The data has a margin of error based on the sample size and market size. The ccTLD data is based on analysis of root zone files. For more information, see ZookNIC.com. Information on or accessible through this website is not part of this report.

The Internet Corporation for Assigned Names and Numbers' IDN ccTLD Fast Track Process enables countries and territories that use languages based on scripts other than Latin to offer users domain names in non-Latin characters. The first quarter of 2012 was the first quarter that Verisign reported on these TLDs that have been delegated into the root zone, including Russian Federation, Thailand, Jordan, Palestinian Territories, Saudi Arabia, Serbia and Sri Lanka.



Recognizing that this growth did not all occur in the first quarter of 2012, the changes in domain name registrations for each new TLD were phased in beginning with the quarter that the IDN. IDN variants were initially launched, in order to more closely model the changes in the worldwide domain name growth. Following the initial launch, the quarterly growth rate for previous TLD launches was applied to determine the domain base. These adjustments resulted in a growth curve for each TLD that is typical of historic TLD introduction lifecycles.

Statements in this announcement other than historical data and information constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. These statements involve risks and uncertainties that could cause VeriSign's actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, the uncertainty of whether the U.S. Department of Commerce will approve any exercise by the Company of its right to increase the price per .com domain name, under certain circumstances, the uncertainty of whether the Company will be able to demonstrate to the U.S. Department of Commerce that market conditions warrant removal of the pricing restrictions on .com domain names and the uncertainty of whether we will experience other negative changes to our pricing terms; the failure to renew key agreements on similar terms, or at all; the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to such factors as restrictions on increasing prices under the .com Registry Agreement, increasing competition, pricing pressure from competing services offered at prices below our prices and changes in marketing and advertising practices, including those of third-party registrars; changes in search engine algorithms and advertising payment practices; challenging global economic conditions; challenges to ongoing privatization of Internet administration; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants, or litigation generally; new or existing governmental laws and regulations; changes in customer behavior, Internet platforms and web-browsing patterns; the uncertainty of whether VeriSign will successfully develop and market new services; the uncertainty of whether our new services will achieve market acceptance or result in any revenues; system interruptions; security breaches; attacks on the Internet by hackers, viruses, or intentional acts of vandalism; whether VeriSign will be able to continue to expand its infrastructure to meet demand; the uncertainty of the expense and timing of requests for indemnification, if any, relating to completed divestitures; and the impact of the introduction of new gTLDs, any delays in their introduction and whether our gTLD applications or the applicants' gTLD applications for which we have contracted to provide back-end registry services will be successful. More information about potential factors that could affect the Company's business and financial results is included in VeriSign's filings with the Securities and Exchange Commission, including in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2012, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this announcement.



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