NOMINET

HALF YEAR FINANCIAL UPDATE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

INTRODUCTION

Dear members,

I'm pleased to share the half year financial update for the six months ending 30 September 2024.

Domains under management were 10.4m across the .UK portfolio, a decrease of 4.6% versus prior year (10.9m). Whilst registrations are lower than prior year, the average .UK renewal rate in Q1 FY25 was 76.3%, up 1.5% compared to Q1 FY24 (74.8%).

Revenues overall are slightly ahead as at the same period last year, with DNS revenues ahead offset by lower registry revenues. The combination of planned investment in technology and inflationary pressures continue, but through enhanced governance and financial controls we are mitigating some of this impact and delivering savings vs. budget.

Capital expenditure on the delivery of infrastructure programmes, most notably important work renewing the enterprise platforms that underpin our registry, was £3.9m over the period.

Over the period, we distributed £5.2m to social impact activities, of which £0.1m was drawn from the funds previously allocated to Charities Aid Foundation (CAF) account. The net impact on the P&L therefore was £5.1m.

As mentioned during the AGM, and outlined in the annual report, following the loss of the UK PDNS contract and given the reduction in revenues, including reduced projections for domain name renewals and registrations, we carried out a restructure and put in place a revised operating model to ensure long-term financial stability, responding to market developments and ensure ongoing operating effectiveness.

We are working on a newly clarified strategy to deliver for all our members and customers what Nominet needs for success into the future. This will feed the longer-term business plan. In addition, we are looking at our investment portfolio to ensure we have the right principles for responsible investments.

We continue to invest heavily in our planned technological advancement with £6m approved investment in registry standardisation. This will enable delivery on the proposals we consulted on in the spring.

Our outlook operating surplus (pre-investment income) is expected to be broadly in line with last year this Financial Year 25. Currently we are still benefiting from favourable investment income, but clearly the markets are unpredictable and can swing.

With our role as registry for .UK domains front of mind, Nominet remains committed to a managed approach of investing in the delivery of high-quality services and having a positive impact on the world around us.



CAROLYN BEDFORD
NOMINET CFO

KEY FIGURES

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024
showing variance against same period prior year

10.4m
-0.5m
DOMAINS UNDER MANAGEMENT .UK FAMILY[1]

£27.5m
+£0.4m
REVENUE

£5.2m*
-£2.5m
ON SOCIAL IMPACT

[1] .UK FAMILY as outlined on Page 6. *Includes funding via CAF (£0.1m FY24/£2.9m FY23)

ASSETS & CASH FLOW

ASSETS AT 30 SEPTEMBER 2024, CASHFLOW FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024
showing variance against same period prior year

£98.0m
+£3.5m
NET ASSETS

The net assets increase reflects Nominet's operating surplus and the rise in investment portfolio valuation, offset by social impact spend

£88.5m
-£1.6m
INVESTMENT PORTFOLIO VALUE

Movement against 30 September 2023 reflects £13.5m of transfers out to fund social impact commitments and capital expenditure, substantially offset by an increase in the investment portfolio valuation

£3.9m
-£0.1m
CAPITAL EXPENDITURE & PROJECT RESOURCE COSTS

Expenditure on delivery of technology registry programmes. Includes £1.6m related to Enterprise Platform Renewal (EPR)

£2.4m
-£1.2m
NET CASH INFLOW

Inflows include £5m from investment portfolio transfers and £6.4m from operating activities. Outflows include £5.0m for social impact and £3.9m for capex

£m	September 6 months	
	Actual	*Variance to Prior yr*
Registry (.UK & RSP)	20.3	(0.4)
DNS	7.2	0.8
Revenue	**27.5**	**0.4**
Costs	(20.7)	2.7
Surplus (before depreciation)	**6.8**	**3.1**
Surplus % (before depreciation)	**24.7%**	**11.1%**
Surplus by Business Area		
Registry (.UK & RSP)	5.2	(0.3)
DNS	1.6	3.4
Surplus (before depreciation)	**6.8**	**3.1**
Depreciation	(3.2)	(0.4)
Public Benefit	(5.1)	(0.3)
Restructuring costs	(1.1)	(1.1)
Deficit	**(2.6)**	**1.3**
Deficit %	**(9.5%)**	**5.0%**
Investment Income	2.5	1.1
Tax	0.3	(1.1)
Net Surplus/(deficit)	**0.2**	**1.3**

Notes
For the variance columns against prior year:
Positive variance value = higher revenue or lower cost
Negative variance value = lower revenue or higher cost

FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

REGISTRY

- Small reduction in revenue reflecting decline in new registrations

OTHER

- Increase in depreciation due to accelerated amortisation of PDNS-related intangible assets
- Restructuring costs are attributable to the staff related expenses of the restructure

DNS

- Revenue increased by 11% due to an increase in the contractual revenue profile of the PDNS services for the Australian government
- Increase in surplus before depreciation driven by reduced headcount following restructure and increased revenue

PUBLIC BENEFIT

- Public Benefit spend in-line with programme commitments
- The beneficiaries of our grants over £250k for the six months ended 30 September 2024 are shown on page 5

SOCIAL IMPACT

GRANTS OVER £250k

RECIPIENT	AMOUNT £k
Institute of Coding	2,511
UK Safer Internet Centre	824
Good Things Foundation	750
The Lucy Faithfull Foundation	300
Internet Watch Foundation	250

FUNDING OVERALL

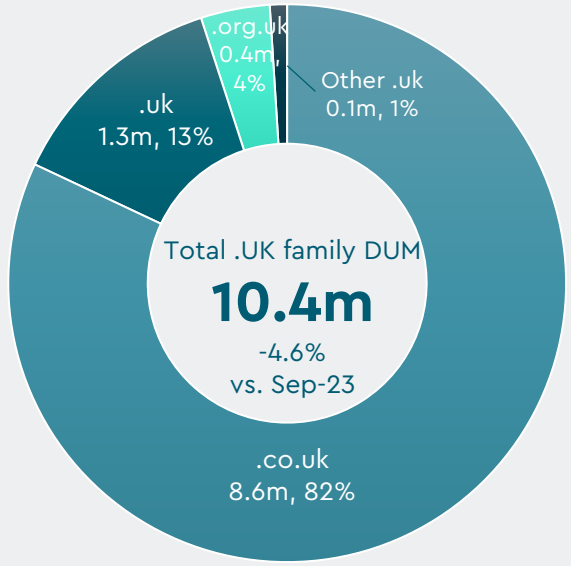
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

£5.2m
SPENT OVERALL

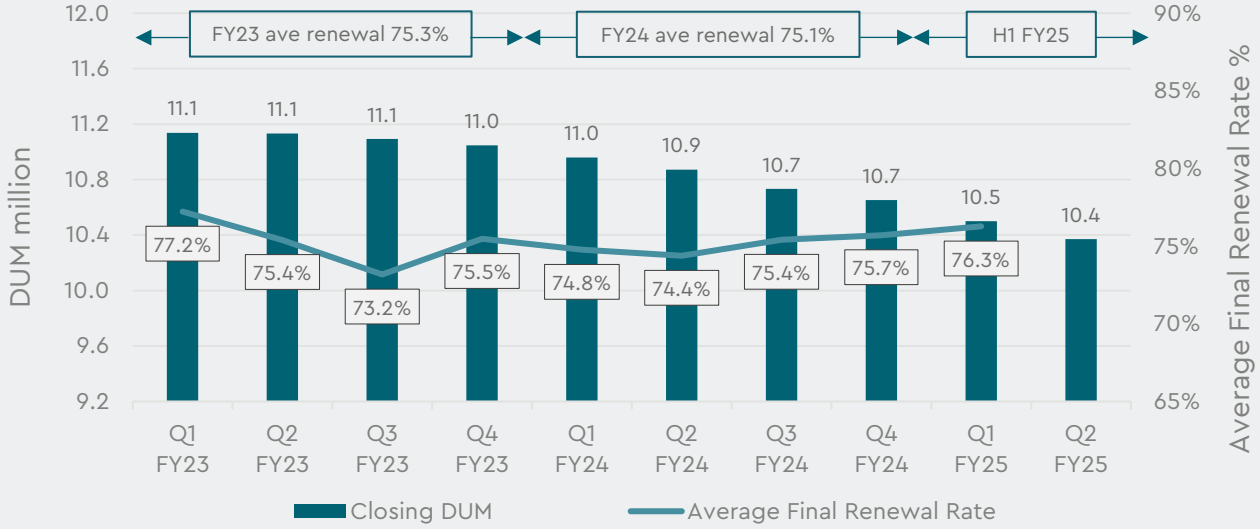
£5.1m
ON SOCIAL IMPACT FROM FY25

£0.1m
FROM EXISTING CAF ACCOUNT

CAF balance as at 30 September 2024 is £215k



.UK FAMILY DATA FY23 - FY25 QUARTERLY



*The final renewal rate for Q2 FY25 will be available in Q3 FY25

.UK FAMILY

- DUM of 10.4m at 30 September 2024, a decrease of 4.6% versus prior year (10.9m)
- FY25 registrations were 0.8m in six months to 30 September 2024, 16% down on H1 FY24 (0.9m)
- The average .UK final renewal rate in Q1 FY25 was 76.3%, up 1.5% compared to Q1 FY24 (74.8%)

We are reviewing our registry strategy to ensure .UK retains its position