The Domain Name Industry Brief

Volume 5 - Issue 1 - March 2008

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 a leading provider of digital infrastructure for the Internet, VeriSign provides this briefing to highlight to industry analysts, media, and businesses important trends in domain name registration; key performance indicators, and growth opportunities.

+ Executive Summary

The Domain Name Industry closed 2007 with more than 153 million domain name registrations worldwide across all of the Top Level Domain Names (TLDs), an increase of nearly 33 million domain name registrations since the close of 2006. In the last quarter of 2007, the base of domain name registrations grew 27 percent over the fourth quarter of 2006 and five percent over the third quarter of 2007. This growth rate is slightly lower than the rest of the quarters in 2007 but is in line with the traditional seasonal slowing due to the fourth quarter holidays including Christmas and the New Year. The total base of Country Code Top Level Domain Names (ccTLDs) was 58 million, a 33 percent increase year over year and a six percent increase quarter over quarter. Across all of the gTLDs and ccTLDs, .com has the highest base followed by .de (Germany), .net and .cn (China). The fifth spot is shared by .uk (United Kingdom) and .org. with approximately the same size base of domain name registrations.[1]

Total Domain Name Registrations
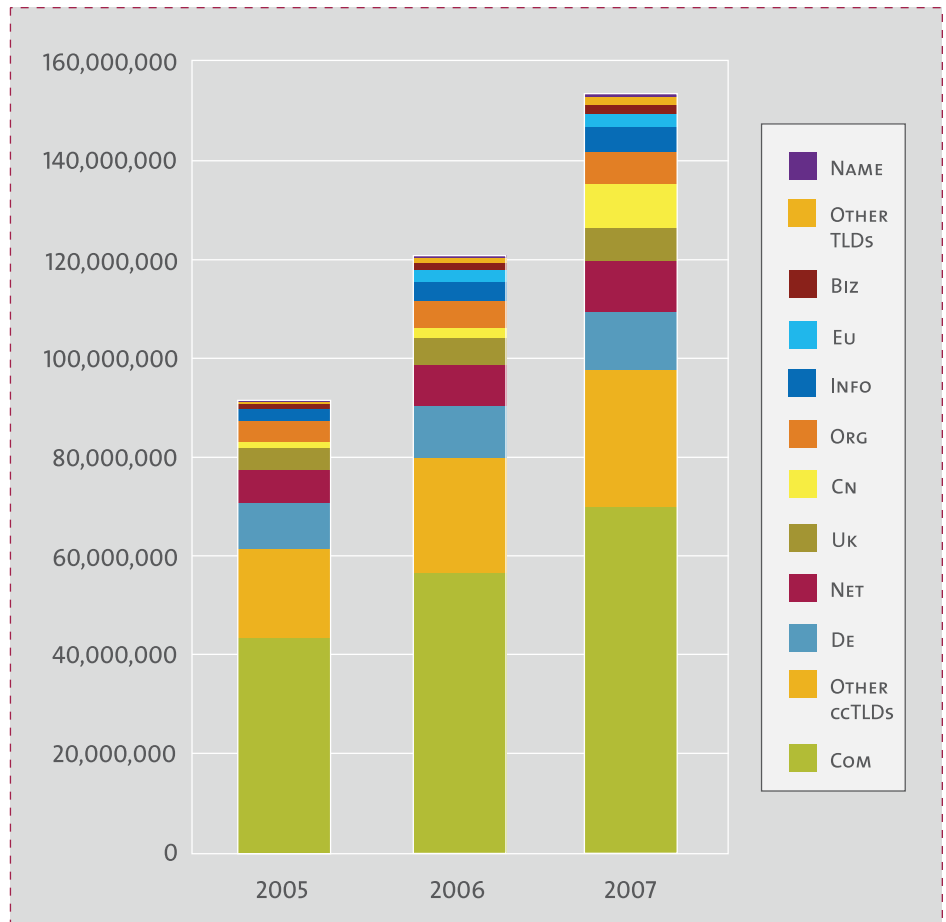
Total Domain Name Registrations

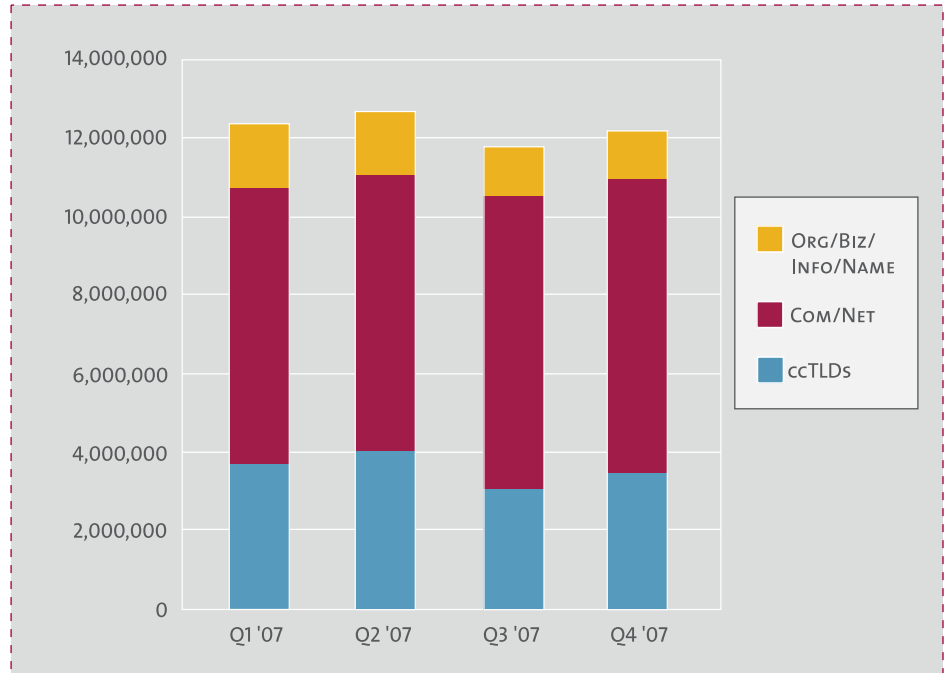Zooknic, January 2008; VeriSign, January 2008

+ Industry Growth and Composition

New registrations in the fourth quarter of 2007 came in at just over four million domain name registrations per month to total approximately 12.2 million new domain names. New registrations grew by four percent quarter over quarter and by five percent year over year.

The composition of the domain name industry and rank order in terms of base size remained relatively constant. The largest TLDs in terms of base size were .com, .de, .net, .cn, .uk, .org, .info, .eu (European Union), .biz and .mobi.

New Registration Growth

New Registration Growth

Zooknic, January 2008;
VeriSign, January 2008;
ICANN Monthly Reports

ccTLD Breakdown

2007 ended with a total base of just over 58 million ccTLD domain name registrations. The ccTLDs as a whole experienced six percent growth quarter over quarter and 33 percent growth year over year. The largest ccTLDs saw moderate growth or slowing in the fourth quarter. For example, only eight of the top 20 largest ccTLDs increased the size of their base at a rate faster than then they did in the third quarter. Of those, the growth rate of only two grew at rates greater than one percentage point; .cn's growth rate grew at just over six percentage points and .fr grew at just over one percentage point over the previous quarter.

There were pockets of impressive growth among the ccTLDs. For example, .cn, .ru (Russian Federation), .es (Spain) and .tv experienced double digit growth in the fourth quarter compared to the previous quarter. When viewed on an annual basis, four of the largest ccTLDs surpassed the 50 percent mark for year over year growth including .cn (399 percent), .ru (61 percent), .es (52 percent) and .tv (51 percent). Growth for these domain names was driven by a variety of factors. The .cn Registry continued its price promotion while .ru benefited from continued growth of its Internet industry and .es continued its growth triggered by liberalization of its registration requirements a few years ago. VeriSign, who manages the .tv domain name registry, conducted media outreach and promotions designed to establish .tv as the domain name for rich media content and capture the explosive growth of online video.

TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, FOURTH QUARTER 2007

1.	.de	(Germany)
2.	.cn	(China)
3.	.uk	(United Kingdom)
4.	.eu	(European Union)
5.	.nl	(Netherlands)
6.	.ar	(Argentina)
7.	.it	(Italy)
8.	.us	(United States)
9.	.br	(Brazil)
10.	.ch	(Switzerland)

Source: Zooknic (www.zooknic.
com/), January 2008.

ccTLD Breakdown

Source: Zooknic, January 2008

2 For .com and .net domain name registrations, VeriSign reports an adjusted base of active domain name registrations, which reflects deletions that occur within the five-day Add Grace Period beyond the quarter end. This figure may differ from other non-authoritative publicly available sources which do not adjust the base.

The German ccTLD (.de) remains the largest ccTLD in terms of the total base of domain name registrations, with .cn and .uk as the next largest ccTLDs. Quarter over quarter, they grew three percent (.de and .uk) and 26 percent (.cn). Year over year, .de grew 12 percent, .uk grew 17 percent and .cn grew 399 percent. Together, the base of domain name registrations from these three ccTLDs account for 46 percent of all the ccTLD domain name registrations.

ccTLD Breakdown
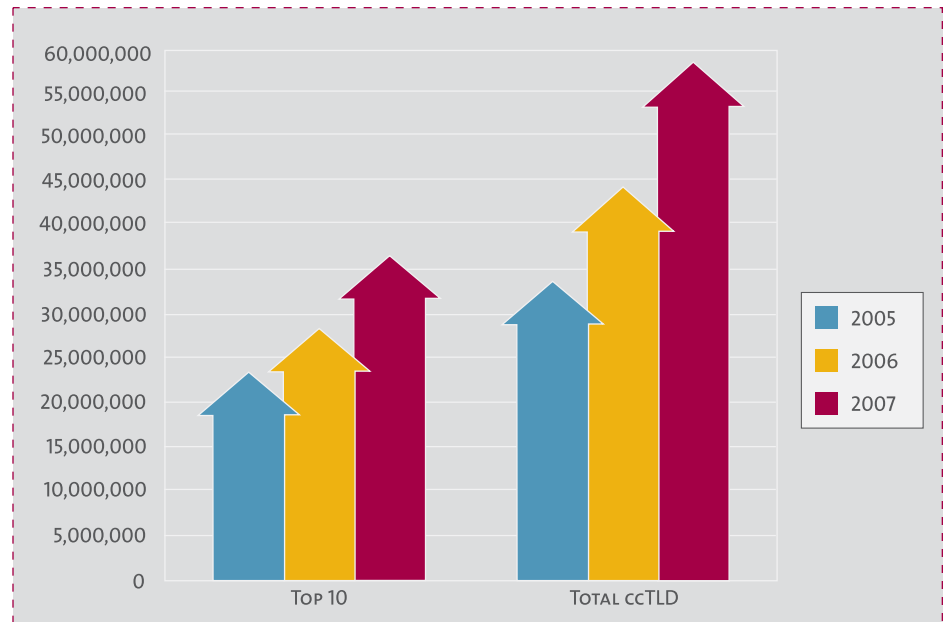
+ .Com/.Net Dynamics

VeriSign processed peak loads of more than 33 billion Domain Name System (DNS) queries per day in the fourth quarter of 2007. The VeriSign DNS continued to maintain operational accuracy and stability for 100 percent of the time during the fourth quarter of 2007, as it has for the past decade. VeriSign's unique capability to operate global networks of this nature at this scale and reliability remains unparalleled.
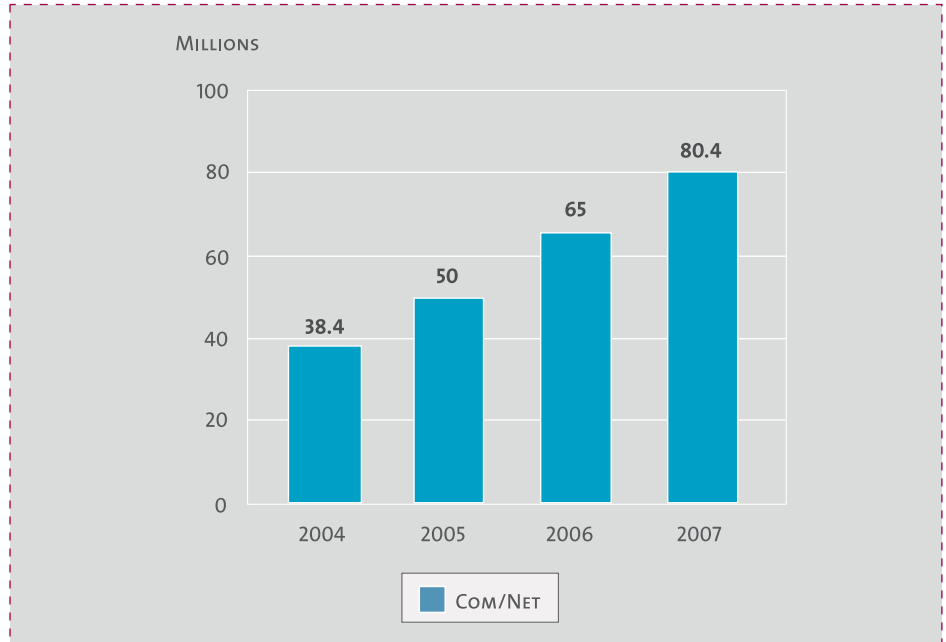
The .Com and .Net Base and New Registrations

The .com and .net adjusted base surpassed 80.4 million domain name registrations at the end of 2007.[2] This represents a 24 percent increase year over year and a four percent increase quarter over quarter. The adjusted base grew by 3.5 million domain names in the fourth quarter and 15.4 million over the entire year. New .com and .net domain name registrations were added at an average of 2.5 million per month in fourth quarter 2007 for a total of 7.5 million new registrations.

.Com and .Net Domain Name Registrations

MILLIONS

Bar chart showing Com/Net registrations in millions:
- 2004: 38.4
- 2005: 50
- 2006: 65
- 2007: 80.4

Legend: ■ COM/NET

.Com and .Net Domain
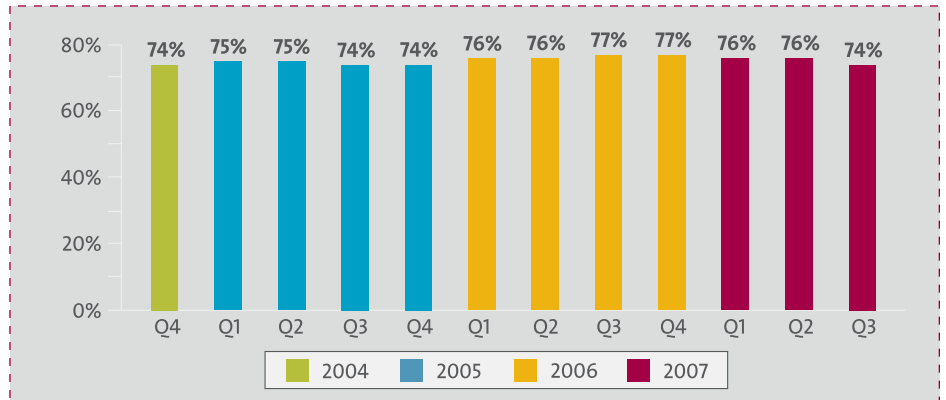_Name Registrations_

Source: VeriSign, January 2008

Renewals

In the third quarter of 2007, the registry renewal rate for .com and .net was 74 percent.[3] Renewal rates have historically been in the mid-70 percent range over the last few years. Quarterly renewal rates may deviate one to two percent in either direction each quarter based upon the composition of the expiring base and the contribution of specific registrars.

.Com/.Net Registry Renewal Rates

Bar chart showing .Com/.Net Registry Renewal Rates by quarter:
- Q4 (2004): 74%
- Q1 (2005): 75%
- Q2 (2005): 75%
- Q3 (2005): 74%
- Q4 (2005): 74%
- Q1 (2006): 76%
- Q2 (2006): 76%
- Q3 (2006): 77%
- Q4 (2006): 77%
- Q1 (2007): 76%
- Q2 (2007): 76%
- Q3 (2007): 74%

Legend: ■ 2004 ■ 2005 ■ 2006 ■ 2007

.Com/.Net Registry
Renewal Rates

Source: VeriSign, November 2007

3 The registry renewal rate includes ASCII .com and .net domain names. The registry renewal rate for the fourth quarter of 2007 will be announced when VeriSign reports its earnings for the first quarter of 2008.
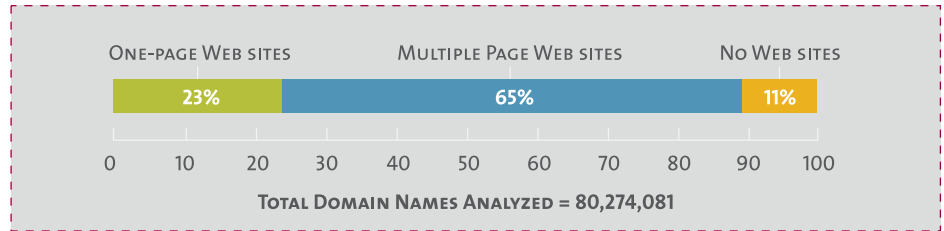
Whether a domain name resolves to a Web site is a key factor in the high renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that 89 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site. These Web sites can be further described as those having a multiple page Web site or a one-page Web site, which would include under-construction and parked pages.

.Com/.Net Web Sites

.Com/.Net Web Sites

One-page Web sites	Multiple Page Web sites	No Web sites
23%	65%	11%

0 10 20 30 40 50 60 70 80 90 100

Total Domain Names Analyzed = 80,274,081

.Com/.Net Web Sites

Source: VeriSign, January 2008

LEARN MORE
To subscribe or to access the archives for the Domain Name Industry Briefs, please go to www.verisign.com/domainbrief. Email your comments or questions to domainbrief@verisign.com.

ABOUT VERISIGN
VeriSign, Inc. (Nasdaq: VRSN), operates Internet infrastructure services that enable and protect billions of interactions every day across the world's voice and data networks.

Zooknic Methodology
For gTLD data cited with Zooknic as a source, the 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 www.zooknic.com.

4 http://en.wikipedia.org/wiki/Ipv6, January 2008.
5 http://www.ipv6forum.com/, February 2008.
6 http://www.whitehouse.gov/omb/egov/b-1-information.html.
7 There are 13 root name servers worldwide that enable Internet traffic. DNS translates an Internet user's text-based domain name request into its corresponding numerical-based IP address. Root servers are critical DNS components that redirect requests to the appropriate top-level domain (TLD) name server.
8 http://www.icann.org/announcements/announcement-04feb08.htm.

+ Internet Protocol Version 6 (IPv6) and Domain Names

IPv6 is a network layer protocol designed as the successor for IPv4, the current version of the Internet Protocol used on the Internet today. IPv6 corrects some of the shortcomings of IPv4 and adds several new features which facilitate innovation and scaling of the Internet. One of the main changes that IPv6 enables is a larger address space that provides for greater flexibility in assigning addresses. Thus the adoption of IPv6 supports growth of the Internet in developing markets and the introduction of new Internet services. As a point of reference, IPv4 can support 4 billion addresses while IPv6 can support 3.4×10^{38} unique addresses which are approximately 5×10^{28} addresses for each of the roughly 6.5 billion people alive today.[4]

As the number of Internet users grows, these users are adopting new devices such as wireless mobile devices and gaming consoles that embed an Internet Protocol. These IP-addressable devices are proliferating, thus creating a greater need for the larger address space created by IPv6. This proliferation also has the potential for growth opportunities for domain names to manage these devices. Some estimate that the new allocations of IPv4 addresses will run out in less than five years.[5] The scarcity of IPv4 address space restricts the introduction of applications, as well as, innovative new services that can be rolled out across both business and home networks.

Adoption of IPv6 has been relatively slow with the United States, especially in comparison to Asia and Europe. Government and business mandates to adopt IPv6 have increased the penetration of IPv6 enabled hardware and software and continue to be a driver. For example, the United States government has mandated a move to IPv6 for all federal government agencies by summer 2008.[6]

Adoption by Registry Operators
More than 100 domain name registries support IPv6 for name servers and DNS queries including VeriSign who has supported IPv6 for .com and .net since 2002. The root name servers[7] were enabled for IPv6 in February 2008 with the inclusion of IPv6 addresses for six of the thirteen root servers, including the A and J root servers operated by VeriSign.[8] The launch of IPv6 on the root servers, the core infrastructure of the Internet, is a step toward enabling the future growth and innovation of the Internet. It will enhance the end-to-end connectivity for IPv6 networks and facilitate richer use of the DNS.

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 and Section 21E of the Securities Exchange Act of 1934. 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 future revenue and profitability; potential fluctuations in quarterly operating results due to such factors as the risk that VeriSign's announcements may not result in additional products, services, customers, profits or revenues; and increased competition and pricing pressures. 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 December 31, 2006 and quarterly reports on Form 10-Q. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this press release.