



The Domain Name Industry Brief

Volume 6 - Issue 2 - June 2009

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, including key performance indicators, and growth opportunities.



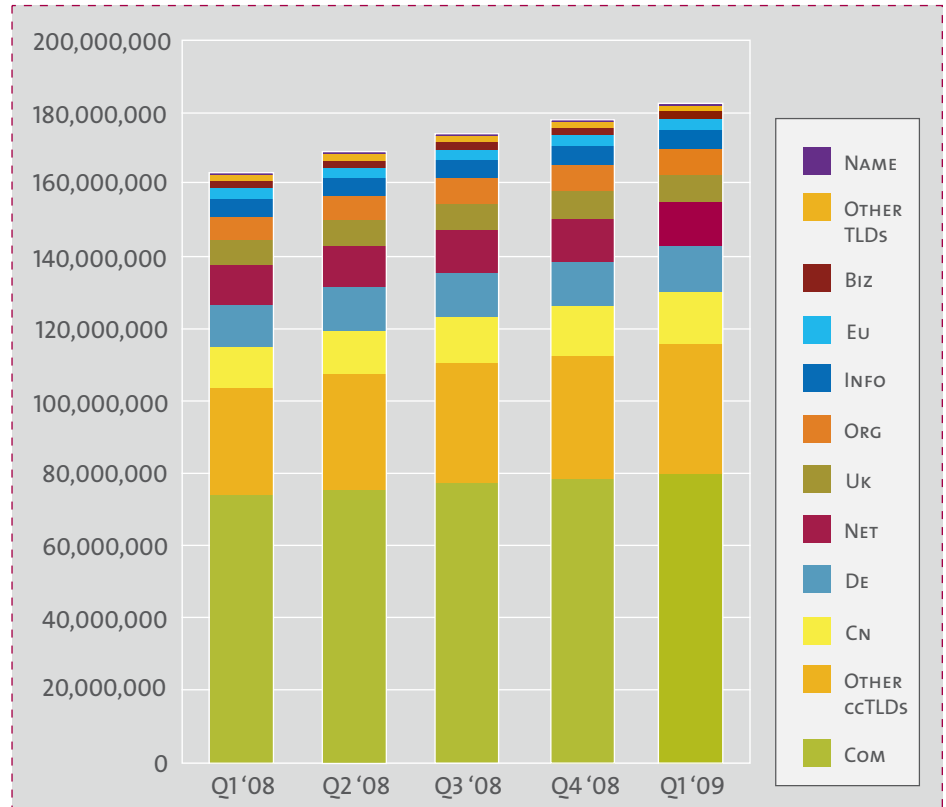
+ Executive Summary

The first quarter of 2009 ended with a total base of nearly 183 million domain name registrations across all of the Top Level Domain Names (TLDs). This represents a three percent growth over the fourth quarter of 2008 and a 12 percent growth over the same quarter of last year. The base of Country Code Top Level Domain Names (ccTLDs) rose to 74.1 million domain names, an 18 percent increase year over year and a four percent increase quarter over quarter. In terms of total registrations, .com continues to have the highest base followed by .cn (China), .de (Germany) and .net.¹

Total Domain Name Registrations

Source: Zooknic, April 2009;
VeriSign, April 2009

Total Domain Name Registrations



+ Industry Growth and Composition

Nearly 11.8 million new domain names were registered across all of the TLDs in the first quarter of 2009. This reflects a 17 percent growth in new registrations over fourth quarter 2008, but a 17 percent decline from the same quarter in the previous year.

The composition of the domain name industry and rank order in terms of base size remained consistent with that of fourth quarter 2008. The largest TLDs in terms of base size were .com, .cn, .de, .net, .org, .uk, .info, .nl (Netherlands), .eu (European Union), and .biz.

ccTLD Breakdown

The first quarter of 2009 ended with 74.1 million ccTLD registrations, representing an 18 percent increase over the same quarter of 2008 and a four percent increase from the previous quarter. Nearly three million ccTLDs were added in the first quarter of 2009, representing a 38 percent growth over the previous quarter, but a 39 percent decline from the same quarter of 2008. There are more than 240 ccTLD extensions globally, but the top 10 ccTLDs contribute to 64 percent of the total number of registrations.

¹ The gTLD and ccTLD data cited in this report are estimates as of the time of this report and subject to change as more complete data is received.

New Registration Growth

Source: Zooknic, April 2009; VeriSign, April 2009; ICANN Monthly Reports

TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, FIRST QUARTER 2009

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

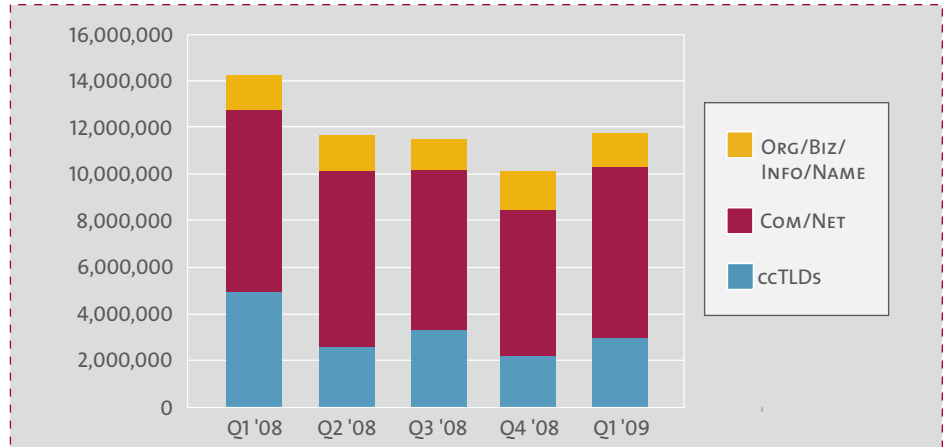
Source: Zooknic, April 2009.

ccTLD Breakdown

Source: Zooknic, April 2009

2 The .cn Registry (CNNIC) had been running a price promotion with a 1 RMB Yuan (US\$0.14) fee for a one-year .cn domain name registration. The fees changed on March 1, 2009.

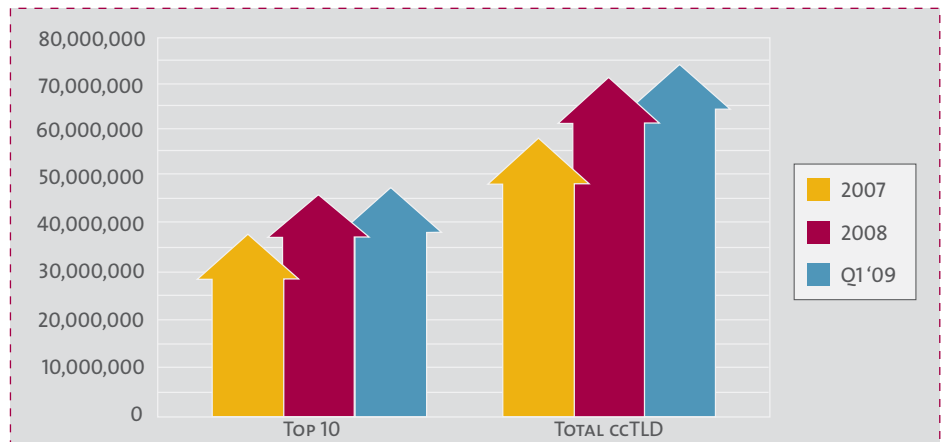
New Registration Growth



Among the top 25 largest ccTLDs, there was notable growth quarter over quarter among several ccTLDs. Registrations for .us domain names grew the fastest with a 12 percent growth quarter over quarter, which was driven in part by special price promotions in the first quarter. Russian Federation (.ru) domain name registrations grew by eight percent, a slightly slower trend than previous quarters but still the second fastest growing among the largest ccTLDs. Domain name registrations in .ru for the purpose of online advertising slowed in the first quarter but the ccTLD did see growth in registrations from individuals and small businesses. The continued adoption of the broadband Internet access in Russia also contributed to the pattern of strong growth. The Chinese ccTLD, .cn, which has been experiencing notable growth, slowed its growth to four percent quarter over quarter. This is the slowest growth for .cn over the past 12 quarters. The .cn registry announced a fee increase from their promotional fees 1 RMB Yuan (US\$0.14) per year to 18 RMB Yuan (US\$2.64) per year starting in March 2009.² Overall, 40 percent of the top 25 largest ccTLDs experienced growth rates in the first quarter of 2009 that were higher than the growth rates in the fourth quarter of 2008.

In terms of the total base of domain name registrations, .cn, .de and .uk were the largest ccTLDs. Year over year, .cn's growth rate topped the list at 27 percent, likely driven by aggressive pricing and registrar promotions. Rounding out the top three ccTLDs were .de and .uk, at six percent and 12 percent growth year over year, respectively. Together, the bases of domain name registrations for these three ccTLDs represented 46 percent of all ccTLD domain name registrations.

ccTLD Breakdown



+ .Com/.Net Dynamics

VeriSign's DNS infrastructure has continued to see growth in average daily queries with 29 percent compound annual growth since 2006. VeriSign's average daily Domain Name System (DNS) query load was 38 billion during the first quarter of 2009, resulting in hundreds of millions of Internet users accessing Web sites or sending email. This is an increase from the 35 billion queries in fourth quarter 2008. Query rates can reach over 750,000 queries per second. Managing the increasing traffic on the Internet reflects VeriSign's continued investment in the DNS. VeriSign's continued commitment to its infrastructure has enabled them to maintain a record of 100 percent uptime over the past 11 years, earning VeriSign the reputation of being one of the most reliable and trusted networks in the world.

The .Com and .Net Base and New Registrations

At the end of 2008, .com and .net experienced a seasonally slower quarter for overall registrations as is historically the case. We also started seeing signs of slower growth trajectories in some areas of new traditional name registrations due to the current macro-economic environment.

During the first quarter of 2009, the overall base of .com and .net domain names grew to 92.4 million domain names. This represents a two percent increase over the fourth quarter of 2008, a nine percent increase over the same quarter of the previous year, and a 34 percent increase over the first quarter of 2007.³

New .com and .net registrations were added at an average of approximately 2.4 million per month in the first quarter of 2009 for a total of 7.3 million new registrations in the quarter. This 17 percent increase from the previous quarter also marked the first positive growth rate in new registrations since the first quarter of 2008.

During the first quarter of 2009, the growth in the number of domain names registered was primarily driven by seasonality, as the first quarter is typically the strongest quarter for domain name registrations. In addition to seasonality, growth was driven by continued Internet growth and adoption (including international markets) and new unit promotion programs.

Renewals

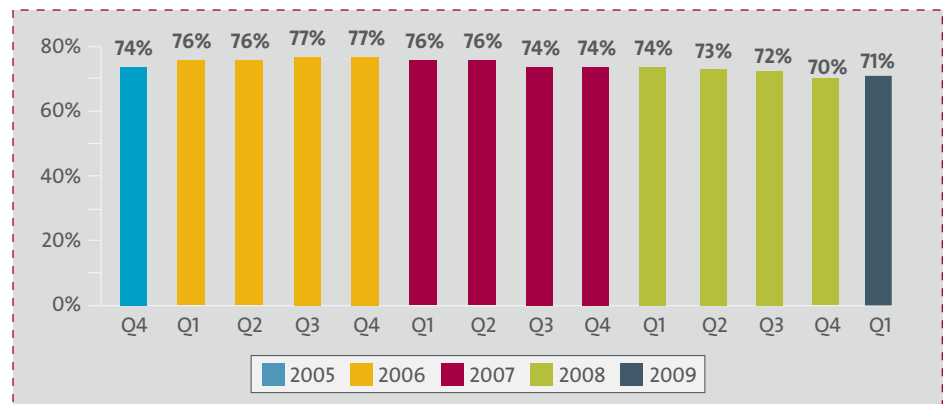
The renewal rate for the first quarter of 2009 was 71 percent which was a slight increase from the renewal rate in the fourth quarter of 2008 which was 70 percent. Quarterly renewal rates may deviate a few percentage points in either direction each quarter based upon the composition of the expiring base and the contribution of specific registrars.

**.Com/.Net Registry
Renewal Rates**

Source: VeriSign, May 2009

³ 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.

.Com/.Net Registry Renewal Rates

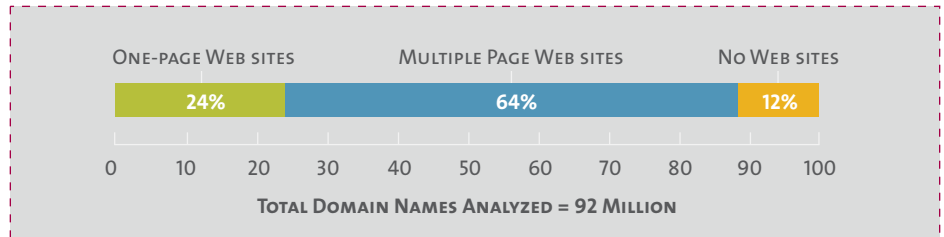


Whether a domain name resolves to a Web site is a key factor in the renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that nearly 89 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site. These Web sites can be further described as those having multiple pages or as one-page Web sites. One-page Web sites include under-construction, brochure-ware and parked pages in addition to online advertising revenue generating parked pages.

.Com/.Net Web Sites

Source: VeriSign, April 2009

.Com/.Net Web Sites



+ DNS Traffic: Behind the Numbers

Operating a domain name registry involves more than just provisioning domain names. Effectively operating a domain name registry also means ensuring that end users can actually use the domain names that Web site owners have registered to reach the desired Web sites. This activity translates into DNS traffic—the lookups or queries to the DNS initiated by end users’ devices which must be answered in order for the end user to navigate to the desired Web site. As the authoritative registry for .com and .net domain names, VeriSign has a unique view into the global heartbeat of the Internet. VeriSign tracks DNS usage as well as product developments that could represent significant increases in DNS traffic volumes. VeriSign’s average daily DNS query load was 38 billion during the first quarter of 2009 and has grown at a 29 percent compound annual growth rate since 2006.

Web site popularity is well monitored and documented today by several parties who use panels and other tracking techniques to compare the volume of end users who visit different Web sites.⁴ Google.com and Yahoo.com consistently receive the most unique end users out of any Web site on the Internet, but what is not talked about as much is which domain names are requested or queried most frequently.

VeriSign analyzes traffic and routing information about the domain names that the global .com servers are responsible for resolving. Through research, VeriSign has determined that the most queried .com domain names are not necessarily the domain names that end users are knowingly visiting with their browsers on a daily basis, but rather domain names that actually support the Web sites that end users visit most. These infrastructure oriented domain names support DNS servers, hosting farms or even advertising platforms and the number of DNS queries the infrastructure domain names receive can be in the same range as the many popular end user-oriented domain names with more familiar and recognized domain names.

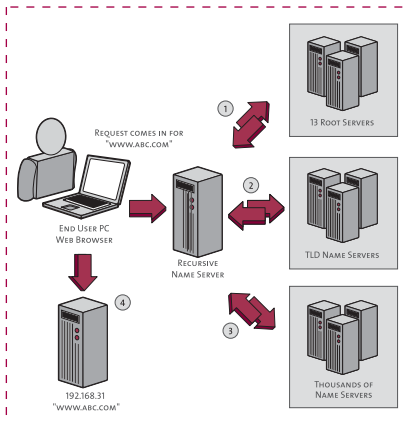
For example, the domain names that hosting companies use to host their DNS servers see some of the highest query volumes of any registered domain name in the .com base. Any time an end user wants to reach a Web site for which one these DNS servers is responsible, the end user’s recursive name server must first resolve the name of that DNS server. DNS servers which are responsible for large number of domain names get queried very frequently.

Another class of infrastructure domain names is used to support services that many other domain names employ. For example, there are companies that provide analytics services that

⁴ A panel is a measurement methodology often used to understand the behavior of Internet users. A panel typically consists of a group of Internet users who agree to have their Internet usage patterns tracked.

HOW DOES DNS RESOLUTION WORK?

The Domain Name System (DNS) is used to point browsers to the machines which are responsible for Web sites that end users are trying to reach. Ignoring the effect of caching, which occurs at multiple points in the DNS, when a browser wants to get the content for a domain name that an end user is requesting, it must first ask a recursive name server (which generally resides at the end user's Internet Service Provider) how to reach that domain name. The query to this recursive name server and subsequent queries that it will issue utilize the DNS protocol. The recursive name server will query any number of servers necessary to answer the original question and will return the Internet address to the Web browser in order to retrieve the content which gets displayed to the end user. The VeriSign global infrastructure is at the receiving end for queries about .com and .net domain names, and while these queries originate from end users, the actual queries that reach VeriSign come from the recursive name servers and not directly from the end user browser.⁵ And all of this seamlessly happens within what appears to be an instant to the end user.



Source: VeriSign

⁵ VeriSign also provides resolution for .tv, .cc, .name, .jobs, .edu as well as for the A and J Root.

Web site owners can embed in their Web site content to help the Web site owners better understand their own Web site traffic. These analytics services host the code that is used for tracking on a domain name specific to their service. Whenever someone visits a Web site that utilizes one of these analytics services, the end user's browser needs to resolve the analytic service's domain name causing a DNS query for that domain name.

Similarly, in the online advertising world, the servers run by advertising platforms receive a very large number of queries. When Web sites display advertisements that are distributed by advertising platforms, a request for the domain name that Web site is using must be issued before the actual advertisement content can be displayed to the end user. Behind any Web page that a browser displays to an end user, there may be many DNS queries that are necessary to build all of the content displayed on the target destination page chosen by the end user. The infrastructure responsible for handling these queries needs to perform flawlessly or the end user experience could be affected.

New products can also impact the level of queries to the DNS. For example, DNS Prefetching is a feature included in some browsers like Google's Chrome beta and Firefox 3.1. In addition, there is increased usage of URL shortening services (like tinyurl and bit.ly) which also trigger DNS queries as the end users use these services to create shorter URLs to visit Web sites.

DNS resolution truly makes up the backbone of what makes the Internet operate across the globe. The number of DNS queries will only continue to grow as DNS is required to display Web sites, track online advertising effectiveness and enable new products. DNS becomes even more critical to the overall infrastructure of the Internet as Internet usage grows but also as products and services related to the DNS proliferate.

+ 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) is the trusted provider of Internet infrastructure services for the networked world. Billions of times each day, VeriSign helps companies and consumers all over the world engage in communications and commerce with confidence. Additional news and information about the company is available at www.verisign.com.

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.

©2009 VeriSign, Inc. All rights reserved. VeriSign, the VeriSign logo, and other trademarks, service marks, and designs are registered or unregistered trademarks of VeriSign and its subsidiaries in the United States and in foreign countries. 06/09.

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 and potential fluctuations in quarterly operating results due to such factors as increasing competition and pricing pressure from competing services offered at prices below our prices and market acceptance of our existing services, the inability of VeriSign to successfully develop and market new services, and the uncertainty of whether new services as provided by VeriSign will achieve market acceptance or result in any revenues. 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, 2008, 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 presentation.