THE DOMAIN NAME INDUSTRY BRIEF

VOLUME 11 – ISSUE 3 – DECEMBER 2014

THE VERISIGN DOMAIN REPORT

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

VERISIGN®

EXECUTIVE SUMMARY

The second quarter of 2014 closed with a base of 280 million domain name registrations across all top-level domains (TLDs), an increase of four million domain names, or 1.4 percent over the first quarter of 2014. Registrations have grown by 18.6 million, or 7.2 percent, year over year.[1]

The base of country-code top-level domains (ccTLDs) was 129.3 million domain names, a 1.7 percent increase quarter over quarter, and an 11.5 percent increase year over year.

The .com and .net TLDs experienced aggregate growth, reaching a combined total of approximately 128.9 million domain names in the adjusted zone in the second quarter of 2014. This represents a 3.7 percent increase year over year. As of June 30, 2014, the base of registered names in .com equaled 113.7 million names, while .net equaled 15.2 million names.[2]

New .com and .net registrations totaled 8.5 million during the second quarter of 2014. In the second quarter of 2013, new .com and .net registrations totaled 8.7 million.

The order of the top TLDs in terms of zone size changed slightly when compared to the first quarter, as .cn (China) moved up two rankings from the seventh largest TLD to the fifth largest TLD, resulting in .uk and .org each moving down one ranking to sixth and seventh largest TLDs, respectively. All other TLDs in the top 10 maintained their rankings.

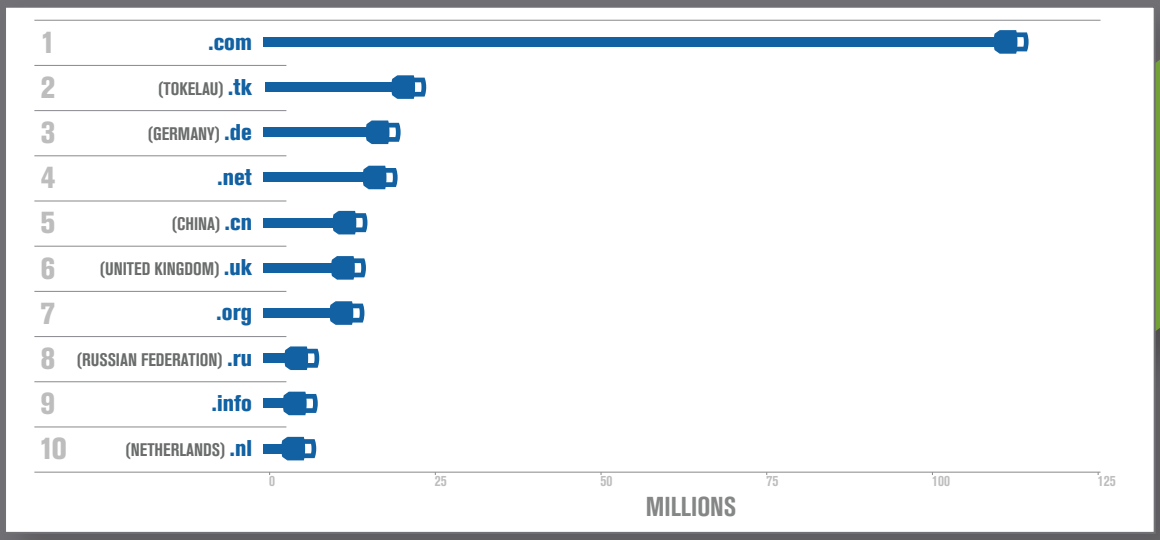
In Q2'14

BROADBAND SUBSCRIBERS EXCEEDED

cable TV subscribers[4]

LARGEST TLDs BY ZONE SIZE

Source: Zooknic, Q2 2014; Verisign, Q2 2014; Centralized Zone Data Service, Q2 2014



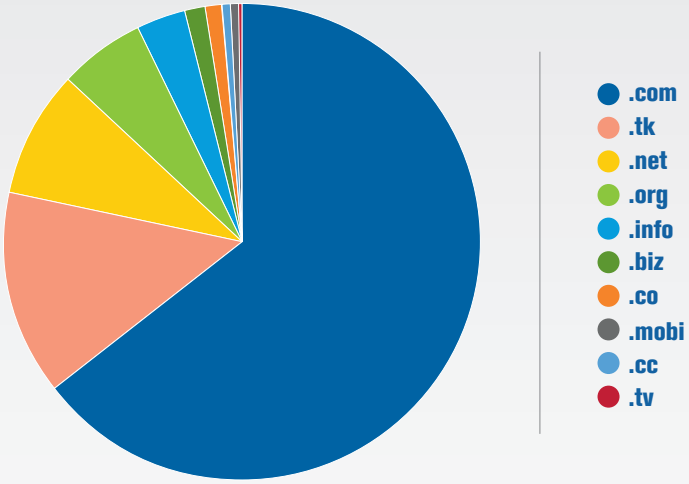
The largest TLDs in order by zone size were .com, .tk (Tokelau), .de (Germany), .net, .cn (China), .uk (United Kingdom), .org, .ru (Russian Federation), .info and .nl (Netherlands).[3]

1 The gTLD and ccTLD data cited in this report are estimates as of the time this report was developed, and is subject to change as more complete data is received. Total includes ccTLD Internationalized Domain Names.
2 Any difference between the sum of these numbers and the total figure for the domain name base is due to rounding.
3 .tk is a free ccTLD that provides free domain names to individuals and businesses. Revenue is generated by monetizing the expired domain names. Domain names no longer in use by the registrant or are expired are taken back by the registry and the residual traffic is sold to advertisement networks. http://www.businesswire.com/news/home/20131216006048/en/Freenom-Closes-3M-Series-Funding#.UxeUGNJDv9s
4. The number of broadband subscribers versus the number of cable TV subscribers is provided by the Leichtman Research Group. http://www.leichtmanresearch.com/press/081514release.html

gTLD BREAKDOWN BY ZONE SIZE[5]

Largest gTLDs and ccTLDs Marketed As gTLDs by Zone Size

Source: Centralized Zone Data Service, Q2 2014; Zooknic, Q2 2014



Mobile app usage makes up

52

PERCENT

of total U.S. digital media engagement.[6]

Some ccTLDs, including .tk, .co, .me and .tv are globally marketed, used by registrants and treated by search engines as gTLDs.[7] This chart ranks the zone size of both gTLDs and ccTLDs marketed as gTLDs, as of June 30, 2014, with that classification taken into account. The 10 largest gTLDs and ccTLDs marketed as gTLDs by zone size were .com, .tk, .net, .org, .info, .biz, .co, .mobi, .me and .tv, as of June 30, 2014, which account for176.2 million domain name registrations, or 63 percent of the total global domain name registrations.

There will be more

MOBILE-CONNECTED

DEVICES

than the number of people on Earth by the end of 2014.[8]

In Q2'14 there was a

291

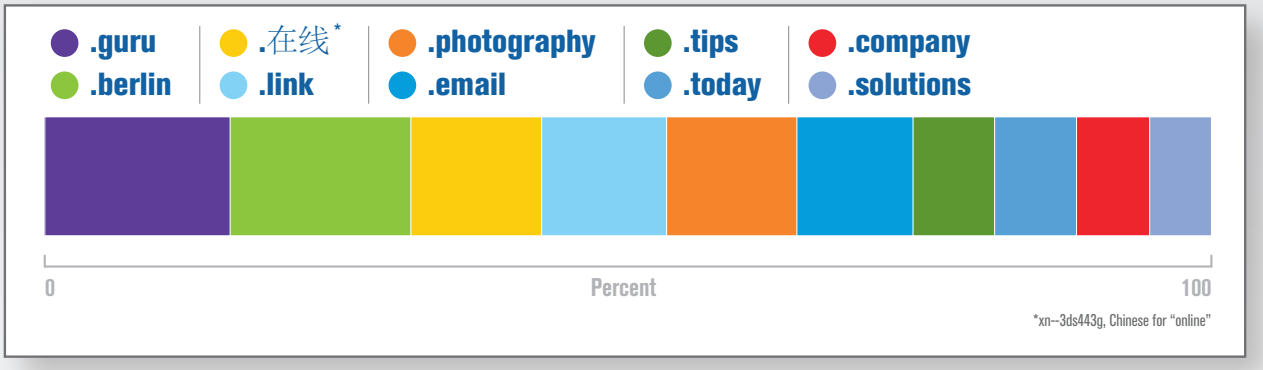
PERCENT

increase in average peak DDoS attack size over the previous year.[9]

5 The total number of gTLDs and their registrations is published through the Centralized Zone Data Service. https://czds.icann.org/en
6 App usage percent in the U.S. is provided by ComScore. http://www.comscore.com/Insights/Presentations-and-Whitepapers/2014/The-US-Mobile-App-Report
7 Google geotargetable domains. https://support.google.com/webmasters/answer/1347922?hl=en
8 The number of connected devices per person by 2014 is provided by Cisco. http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html
9 Source: Verisign. http://blogs.verisigninc.com/blog/entry/verisign_mitigates_300_gbps_ddos

Largest New gTLDs by Zone Size on Day 60 of Their General Availability Period

Source: Centralized Zone Data Service, Q2 2014



At the end of the second quarter of 2014, 322 new gTLDs were delegated into the root; 124 of which were delegated during the second quarter of 2014.[10] New gTLD registrations totaled 1.5 million, or 0.5% of global TLD registrations.

The above chart captures the initial 60-day registration volume rank for those new gTLDs reaching 60 days of General Availability during the quarter. In the second quarter of 2014, 93 new gTLDs reached 60 days of General Availability and of those, the 10 largest new gTLDs, as measured by zone size on Day 60 of their respective General Availability period, were .guru, .berlin, .在线 (xn–3ds443g, Chinese for "online"), .link, .photography, .email, .tips, .today, .company and .solutions.[11]

ccTLD BREAKDOWN BY ZONE SIZE

Largest ccTLDs by Zone Size

Source: Zooknic, Q2 2014
For further information on the Domain Name Industry Brief methodology, please refer to the last page of the report.

Total ccTLD registrations were approximately 129.3 million in the second quarter of 2014, with the addition of 2.2 million domain names, or a 1.7 percent increase compared to the first quarter of 2014. This is an increase of approximately 13.3 million domain names, or 11.5 percent, from a year ago.

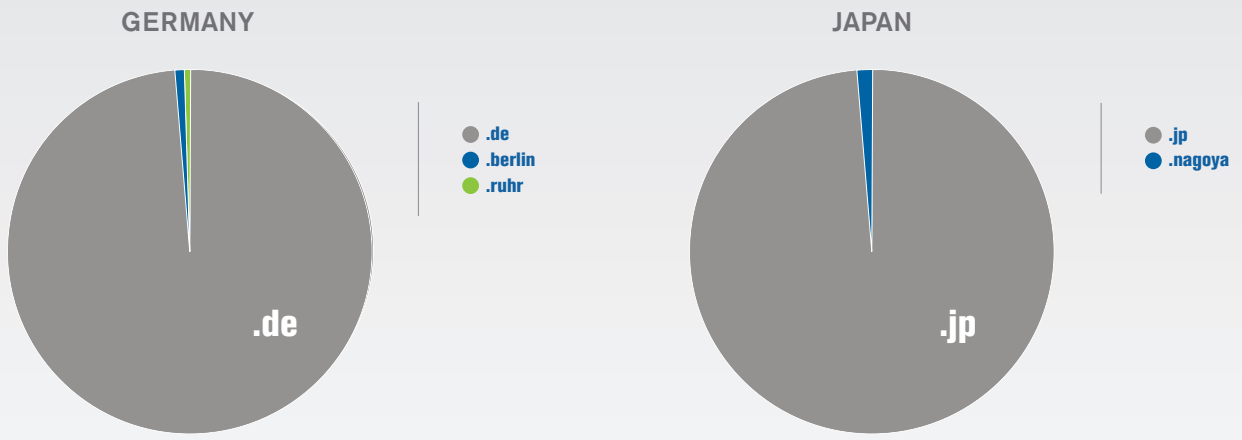
Among the 10 largest ccTLDs, two exceeded 4 percent overall quarter-over-quarter growth: Tokelau (7.3 percent) and China (7.3 percent). This marks five straight quarters where Tokelau has exceeded 4 percent growth.

As of June 30, 2014, there were 283 global ccTLD extensions delegated in the root (including Internationalized Domain Names), with the top 10 ccTLDs comprising 66.3 percent of all ccTLD registrations.

10 The number of delegated new gTLDs is published by ICANN. http://newgtlds.icann.org//en/program-status/delegated-strings
11 The new gTLDs that reached 60 days of General Availability during the second quarter was determined using: http://ntldstats.com/launch?orderby=start&orderdir=asc&filterby=start&start=2014-02-01&end=2014-05-01&tld=&filter%5B%5D=4

New Regional gTLDs compared to Existing ccTLD

Source: Centralized Zone Data Service, Q2 2014



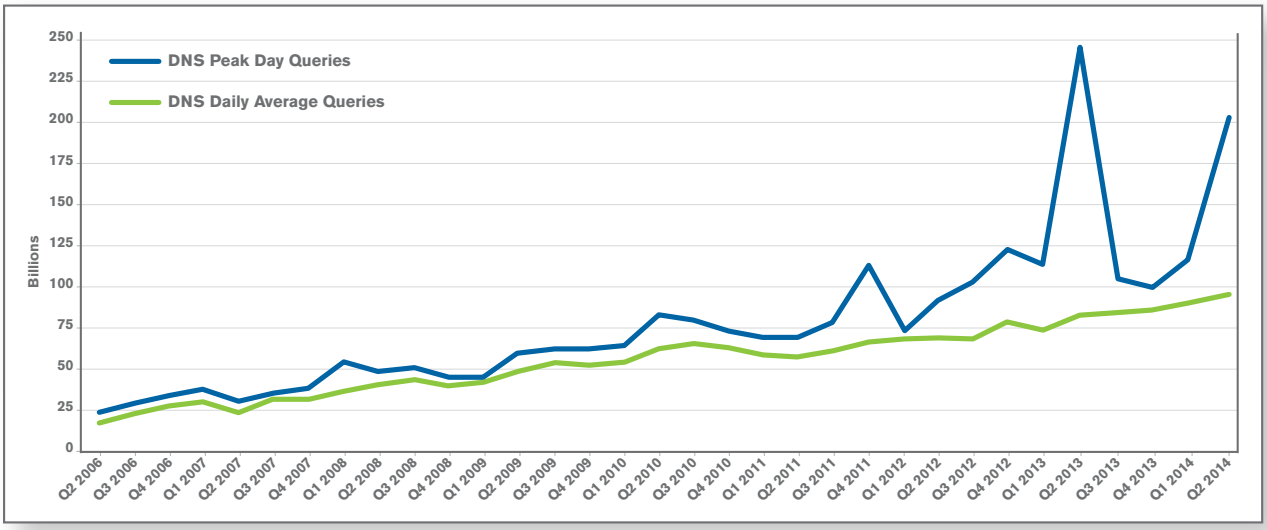
Among the regionally based new gTLDs that have been delegated, three have had more than 1,000 registrations since entering general availability at the end of the second quarter of 2014. These include: .berlin with 136,000 registrations, .ruhr (Germany) with 7,800 registrations and .nagoya (Japan) with 1,800 registrations. As of June 30, 2014, .berlin and .ruhr accounted for 0.9 percent and 0.05 percent, respectively, of .de's total registrations and .nagoya accounted for 0.15 percent of .jp's registrations.

DNS QUERY LOAD

During the second quarter of 2014, Verisign's average daily Domain Name System (DNS) query load was 95 billion across all TLDs operated by Verisign, with a peak of 204 billion. Compared to the previous quarter, the daily average increased 11.7 percent and the peak increased 70.4 percent. Year over year, the daily average increased 18.8 percent and the peak decreased 16.6 percent.

DNS Query Load by Quarter

Q2 2006 – Q2 2014



FEATURED ARTICLE

GET READY DNS: HERE COMES THE INTERNET OF THINGS

Internet usage has nearly quadrupled over the last decade.[12] As more people and "things" are going online, the world will become even more connected through the Internet, sharing information and data that has the potential to transform the way we live and work. Dubbed the "Internet of Things," this trend is expected to impact everything around us from healthcare, manufacturing, energy and transportation to social interaction, commerce and of course, our personal lives.

Machine-to-machine communication has been around for some time, and the Internet of Things is where it all comes together. Gartner estimates that the Internet of Things will include 26 billion connected units by 2020.[13] With this increase in devices, how convenient would it be to have visibility into a variety of sensors that help make intelligent decisions and take appropriate action? For instance, your furnace could alert both you and the service company when its filter needs to be changed. The power company would also have insight into these alerts and could anticipate demand based on the status of different furnaces. In addition, the furnace could communicate with your car, so when you are five miles from home your house starts to warm up. Of course, security measures would need to be put in place to ensure the proper authorization and authentication of the devices accessing this data. Some companies have already started to employ this technology for residential and commercial applications, so imagine how much more could be accomplished as the Internet of Things expands.

When an application accesses a device's data stream, it often queries the DNS. The DNS serves as a global directory enabling secure, stable, deterministic navigation on the Internet, a system upon which applications can look up known devices, or perhaps discover and even authenticate new devices for secured access. This is why it is important to develop a robust and secure DNS infrastructure that is able to handle an ever-expanding system load and can provide a foundation for new applications and services that are poised for growth as the Internet of Things becomes more prevalent.

To achieve this, a number of security, performance and interoperability issues must be addressed. Today, there are competing protocols all trying to do the same thing: describe and convey data about the physical world from the billions of online devices to which they are connected.

As more devices and applications connect to the Internet, there is the critical need to protect them from security threats. When it comes to the Internet of Things, security controls must be inherent, adaptive and present at every layer in order to be able to respond to the current and future threat landscape. This includes security at the device level, access control and authentication at the network and application layers, Distributed Denial of Service (DDoS) protection mechanisms, firewalls, network security and more.

As the Internet of Things continues to evolve, it is important to remember that its power resides not in what it is, but what it promises to enable. It has the potential to transform society, by interconnecting everything and making us better informed. There needs to be a secure, stable and reliable infrastructure that supports rapid innovation at the edges, which is critical in underpinning the creation of an online ecosystem that the Internet of Things requires.

12 Number of Internet users: http://www.internetworldstats.com/emarketing.htm
13 The number of connected units by 2020 is reported by Gartner: http://www.gartner.com/newsroom/id/2636073

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 a global leader in domain names and Internet security, 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.

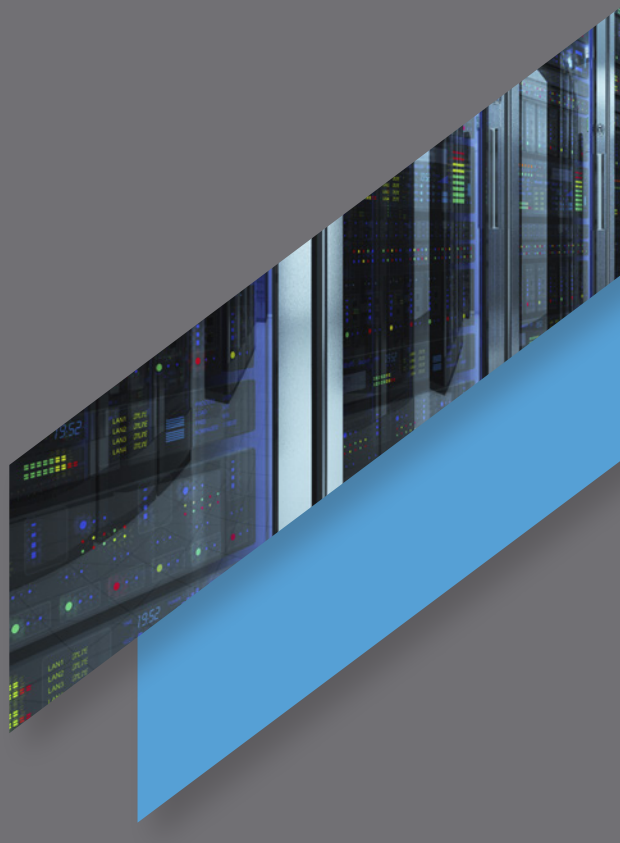
METHODOLOGY

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 283 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 the IDN ccTLDs which were delegated in the root zone at that time.

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.



INDUSTRY EVENT

Upcoming industry events through Dec. 31, 2014

- Domain Forum: Dec. 5, 2014, Sofia, Bulgaria

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 our 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 us of our right to increase the price per .com domain name, under certain circumstances, the uncertainty of whether we 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, changes in marketing and advertising practices, including those of third-party registrars, increasing competition, and pricing pressure from competing services offered at prices below our prices; changes in search engine algorithms and advertising payment practices; the uncertainty of whether we will successfully develop and market new products and services, the uncertainty of whether our new products and services, if any, will achieve market acceptance or result in any revenues; challenging global economic conditions; challenges of ongoing changes to Internet governance and administration; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants, or litigation generally; the uncertainty regarding what the ultimate outcome or amount of benefit we receive, if any, from the worthless stock deduction will be; new or existing governmental laws and regulations; changes in customer behavior, Internet platforms and web-browsing patterns; system interruptions; security breaches; attacks on the Internet by hackers, viruses, or intentional acts of vandalism; whether we will be able to continue to expand our 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, the impact of ICANN's Registry Agreement for new gTLDs, and whether our new gTLD applications or the applicants' new gTLD applications for which we have contracted to provide back-end registry services will be successful; and the uncertainty regarding the impact, if any, of the delegation into the root zone of up to 1,400 new gTLDs. More information about potential factors that could affect our business and financial results is included in our filings with the SEC, including in our Annual Report on Form 10-K for the year ended Dec. 31, 2013, 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.