Responding to a changing marketplace

Russell Haworth
Chief Executive Officer
Key discussion points for today

• Nominet’s impetus for change
• A new strategy for a new era
• Bringing value to the industry
Impetus for change
UK domain market growth rate is slowing

• Just below 18.5m domains registered
• Net growth rate consistently below 1%, and has slightly reduced in last quarters to 0.4%
• Trend of low growth in domains likely to continue

Definition of UK market
For non-Nominet TLDs – all domain registrations to registrants based in the UK; for Nominet – all registrations regardless of registrant origin
.UK continues to hold market share

- Not yet seeing impact from new gTLD’s but competitive pressure with .com remains
- DUM has reached highest level – 10.6 million domains
Renewal rates are increasing but expected to stabilise

<table>
<thead>
<tr>
<th>Month</th>
<th>.uk TLD Renewal %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-14</td>
<td>67%</td>
</tr>
<tr>
<td>Aug-14</td>
<td>68%</td>
</tr>
<tr>
<td>Oct-14</td>
<td>69%</td>
</tr>
<tr>
<td>Dec-14</td>
<td>70%</td>
</tr>
<tr>
<td>Feb-15</td>
<td>71%</td>
</tr>
<tr>
<td>Apr-15</td>
<td>72%</td>
</tr>
<tr>
<td>Jun-14</td>
<td>73%</td>
</tr>
<tr>
<td>Aug-14</td>
<td>74%</td>
</tr>
</tbody>
</table>

- .uk renewal rate at 82% - driven by high proportion of Right-of-Refusal registrations
- Expect following months to settle around 75%
- This compares to 56% for .co.uk first renewals and an average of 72.5% for all .co.uk domains
Expanding beyond domains is a priority

- Domain growth likely to continue to slow in the future
- Over 95% of Nominet’s revenue from Domains
- Other industries show that disruption is a potential risk
- Expanding services to our channel, and diversifying our product portfolio necessary for long-term
Our strategic focus
Our strategy is focus on three areas

**New Products & Services**
- Network Analytics and Security
- Turing Enterprise, and Turing Cloud

**Registry Services**
- More commercial promotion
- Increased partnerships
- Enhanced collaboration with channel

**Applied Innovation**
- IoT – Security and Interoperability i.e. Smart Cities
- DNS Security & Analytics
- Dynamic Spectrum Management (TV White Space)

**Commercial focus**
- Executing well
- Delivering public benefit
Our strategy is reflected in our new brand

- Nominet brand out-dated
- Not contemporary or ‘tech’ focused in line with our vision
- Brand goes beyond a veneer, and represents a culture shift as we execute on our strategy
- Improved corporate web site and user functionality – navigation, WHOIS search etc.
- Also refreshed Online Services for registrants
Priority: New marketing approach
Nominet’s registry will focus on insight and activity

- Our focus is on providing **Insight** and simulating **Activity** to increase awareness and adoption of .UK domains
- We’re doing this through:
  - A clear value proposition
  - Segmenting the market in the UK
  - Researching these segments for trends
  - Developing marketing collateral for the channel
  - Forging partnerships i.e. GoOnUK
  - Collaborating with channel on promotions
Some SME sectors are underpenetrated

Seven segments have low digital adoption in the UK

Source: Lloyds Banking Group Business Digital Index 2014
The size of the opportunity is potentially significant

The addressable volume in the four priority verticals comprise 25% of the 5.2m businesses in SMB sector (1.28m)

<table>
<thead>
<tr>
<th>SMB vertical</th>
<th>Total size '000</th>
<th>Addressable size % (based on digital profile)</th>
<th>Addressable size '000</th>
<th>Target digital profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>950</td>
<td>75%</td>
<td>713</td>
<td>Basic adopters</td>
</tr>
<tr>
<td>Information &amp; communication</td>
<td>320</td>
<td>80%</td>
<td>256</td>
<td>Starters</td>
</tr>
<tr>
<td>Health &amp; social care</td>
<td>336</td>
<td>65%</td>
<td>218</td>
<td>Starters</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>179</td>
<td>50%</td>
<td>90</td>
<td>Basic adopters</td>
</tr>
<tr>
<td>Wholesale, retail &amp; repair</td>
<td>539</td>
<td>60%</td>
<td>323</td>
<td>Starters &amp; disconnected</td>
</tr>
<tr>
<td>Real estate</td>
<td>100</td>
<td>85%</td>
<td>85</td>
<td>Starters &amp; disconnected</td>
</tr>
<tr>
<td>Financial &amp; insurance</td>
<td>84</td>
<td>30%</td>
<td>25</td>
<td>Passive users</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,508</strong></td>
<td><strong>68%</strong></td>
<td><strong>1,710</strong></td>
<td></td>
</tr>
</tbody>
</table>
Some Consumer sectors are underpenetrated

The addressable volume in the three target consumer segments comprise 32% of the population (25.9 m people)

<table>
<thead>
<tr>
<th>Target group</th>
<th>Total size ‘000</th>
<th>Addressable size % (based on digital profile)</th>
<th>Addressable size ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24 age group</td>
<td>6,000</td>
<td>50%</td>
<td>3,000</td>
</tr>
<tr>
<td>65+ age group</td>
<td>11,000</td>
<td>25%</td>
<td>2,750</td>
</tr>
<tr>
<td>Young families</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Families</td>
<td>8,000</td>
<td>25%</td>
<td>2,000</td>
</tr>
<tr>
<td>• Births</td>
<td>0.700</td>
<td>50%</td>
<td>0,350</td>
</tr>
<tr>
<td>• Marriages</td>
<td>0.262</td>
<td>50%</td>
<td>0,131</td>
</tr>
<tr>
<td></td>
<td>25,962</td>
<td>32%</td>
<td>8,231</td>
</tr>
</tbody>
</table>
Partnerships with 3rd parties are key to growth

- Priority partnership types and target organisations have been identified
- We are committed to engaging with the channel to maximise these opportunities

Target partners are based in our core target markets with a focus on small businesses
Activity – three promotions will have been run by end of year

£1 promotion
• Doubled .uk sales (102%) with 58k registrations in the period
• Uplift was more significant for ROR sales (123% uplift) vs. new .uk registrations (95% uplift)
• Very little impact on .co.uk sales with a 10% lift across all .UK domains

Buy One Get One Free
• More complex for registrars to participate
• So far seeing a 9% uplift across the .UK domain family
• Average proportion of bundles is 20% across the register, but varies between participating registrars from 12-55%

Rights of Refusal promotion (Nov-Jan)
• Aim is to push active usage of .uk domain
• Registrar positive opt in required, based on meeting certain criteria
Activity – providing the channel with collateral to effectively promote .UK

Campaign banners
- Digital assets
- Generic and targeted banners

PR & content
- 30 stories of the UK Domain space
- .uk case study films
- ‘Domain Family’ consumer films
- E-book content

Toolkits
- Generic .UK domain family
- Promotion specific
Emerging technology
turing is a new opportunity for Nominet

- Output from the innovation pipeline
- Created new team to enhance product development and create ‘v2’ for Cloud
- Current ‘Enterprise’ version circa $100 - $200k/year
- Potential market size of £15m
- Exploring partnerships with key distributors for increased scale
Innovation strategy – in a nutshell

Privacy for the Internet of Things

Internet of Things toolkit including registry, analytics and security tools

Support for new versions of Turing

Dynamic Spectrum Management

Environmental monitoring system for the insurance sector

Partners to help Nominet to deploy and scale
Bringing value to the industry