

# Top Level Domain Holdings\*

Media  
TLDH (FTSE AIM ALL SHARE)

## Domain Name Explosion

In early 2012 the Internet domain name regulator ICANN will create conditions for an explosion in the range of generic top level domain names (gTLDs).

### Investment Case

- The creation of numerous, bespoke, gTLDs to supplant *.com*, *.net* and *.org* will enable the Internet to segment, organise and better represent interests. There are currently some 220m names in *.com*, *.net* and *.org*.
- TLDH was formed to acquire selected generic names for distribution and licensing. It has both the technical skills and distribution in place to capitalise on this major development in Internet naming.
- We value TLDH at 19.6p/share.

Initiation

**Buy** Upside  
**165%**

Price 7.4p  
Target Price 19.6p



Source: Proquote

Shares in issue	363.6m
Net Debt/(Cash)	£(4.1)m
Market Cap	£26.8m
Enterp. Value	£22.7m
NAV/Share	1.3p
Next Event	AGM 23 Aug 2011
Last Report Published	09 Aug 11

Net Debt is current year estimated

**\*Daniel Stewart acts as Joint Broker to Top Level Domain Holdings**

#### Forecasts (£m) 10/09A 10/10A 10/11E 10/12E

Turnover	0.3	0.1	0.4	2.9
EBITDA	(1.1)	(0.9)	(0.8)	(3.9)
PBT	(1.0)	(0.9)	(0.8)	(4.5)
Tax (%)	0	0	0	0
EPS (p)	3.1	(0.3)	(0.2)	(1.0)
DPS (p)	0.0	0.0	0.0	0.0

#### Ratios (x) 10/09A 10/10A 10/11E 10/12E

P/E	2.4	n/a	n/a	n/a
EV/EBITDA	n/a	n/a	n/a	n/a
Yield (%)	n/a	n/a	n/a	n/a
Price/NAV	2.7	4.6	5.6	3.0

Data is adjusted

#### Company Description

TLDH has been formed to acquire and license a range of domain names which will be issued in 2012  
[www.tldh.org](http://www.tldh.org)



# Domain Name Explosion

## Opportunity ~ a new generation of domain names

The current range of generic Top Level Domains (gTLDs) is comparatively limited, for example the well-known .com, .net, and .org, resulting in a shortage of appropriate names. In January 2012 the regulatory body that oversees Internet domain names worldwide, ICANN (Internet Corporation for Assigned Names and Numbers) will open applications for ownership and operation of a range of new gTLDs. The result will be an explosion in the range and number of Internet names, effectively matching prefix names with suffix (generic) permutations, and also allowing for meaningful categorisation, for example .law, .London etc.

As ICANN notes, some 4.9bn people are not online; the issuance of new International Domain Names (IDNs), which features non-Latin scripts, via the top level domain name expansion should begin to encompass this segment, principally because of the availability of naming in non-Latin (alphabetic) scripts, e.g., the Cyrillic “pφ” denoting .rf, or “Russian Federation”.

## Strategy ~ own and distribute TLDs

TLDH intends to bid for a selected range of significant gTLDs and sell second-level domains under these gTLDs on a subscription basis via its network of retail domain name providers; as it states: “TLDH intends to make targeted investments in this space, focusing on both infrastructure technologies and specific top level domains”.

Our valuation is based on the assumption that the total number of generic domain names will proliferate towards the scale of existing prefix domain names, and that TLDH will capture by 2013 3.0% of this market, assuring a recurring income based on an annual \$10.0/name fee.

## Valuation

We value TLDH at 19.6p/share:

**Table 1: Valuation**

### DCF Valuation Summary

<b>WACC (%)</b>	<b>11.2</b>
Enterprise Value (£m)	87.0
Equity (£m)	91.2
<b>Per share (p)</b>	<b>19.6</b>
EV/EBITDA (x) FY'14	11.5

Source: Daniel Stewart

## Triggers ~ April 12<sup>th</sup> 2012

The ICANN application process will initiate in January 2012, closing on April 12<sup>th</sup>, with the announcement of all applicants and their proposed gTLDs in late April 2012. Contested gTLDs will go to auction, unless applicants reach agreement. In the build-up to the announcement we expect that significant promotion and advertising of the process should raise awareness of both gTLDs and TLDH's positioning.

For TLDH the key factor will be its ability to secure a portfolio of gTLDHs comprising a selected core targets, a number of specific interest names and a wider range, totalling (DSCE) 30-50 names, as the basis for resale with a target of 100k users per name. On this basis we have valued the portfolio in terms of expected reach and market share against the background of continuing overall domain name growth.

The Internet Corporation for Assigned Names and Numbers (ICANN) regulatory body which oversees Internet domain names worldwide, will in January 2012 permit qualified applicants to apply to own and operate new generic TLDs (TLDs). The result will be an explosion in generic Internet names.

There are some 200m domain names currently, but comparatively few gTLDs; VeriSign has 85% market share via its ownership of .com and .net.

TLDH offers a domain name registration service, but will concentrate on the acquisition and resale of a portfolio of up to 50 gTLDs.

In H1'11 TLDH raised £4.7m, increasing its cash pile to £7.7m. It signed an exclusive agreement with Neustar [NSR.US], owner of .biz, to work on geographical gTLDs.

Also, its subsidiary, Minds + Machines, was appointed by India TL Domain with approval of the city of Mumbai to provide registry and consulting services for its proposed application for the gTLD dot-MUMBAI

For TLDH the key factor will be its ability to secure a portfolio of gTLDHs comprising a selected core targets.

# Roadmap

## generic Top Level Domain Names: gTLDs

The suffix **.com** is the most widely known and used example of a generic Top Level Domain name. Domain names were invented in 1984; the first .com was registered in 1985 (and continues still).

## ICANN: Internet Cooperation for Assigned Names and Numbers

In 1998 the Internet Cooperation for Assigned Names and Numbers (ICANN) was founded to manage and coordinate domain names on the Internet. This involves both complex technical issues and coordination of a variety of organisations and interest groups, with the overriding concern of (increasingly) maintaining the Internet “always on,” a factor which requires that any proposed change to the system is meticulously planned and executed.

## 2012 proposed issue of new TLDs

Between January 12<sup>th</sup> and April 12<sup>th</sup> 2012 ICANN will accept applications from qualified entities wanting to create and operate new TLDs; an example would be the much-prized *.london* in the UK Olympic year (the suffix *.olympic* is withheld). Each application carries a \$185,000 fee.

## Creating a market

This issue process involves both creativity and coordination. TLDH CEO Antony Van Couvering writes:

- “For the TLD space to flourish, we’re going to need some inventors”;
- “The ICANN pricing is fixed; the price for registry services and consulting is variable. That’s why reasonable, clear, predictable pricing for registry services may be the difference between a starting a great new TLD and walking away”.

## Top Level Domain Holdings: TLDH

Top Level Domain Holdings was formed to take advantage of the issue of new gTLDs, to create and own a portfolio of key names and to manage their retail distribution under licence. To achieve this requires technical infrastructure and knowledge of the application procedure and processes.

## Minds + Machines, CoCCA, Espresso

*Minds + Machines* is a 100% TLDH-owned registry platform. In 2009 *Minds + Machines* was granted an exclusive license to extend the widely-used CoCCA (Council of Country Code Administrators) registry platform, and has since developed the code to create a wholly-owned, proprietary registry platform called *Espresso*. *Minds + Machines* offers to manage an application for a TLD, as well as provide all required technical services, for a \$100,000/year fee to interested clients.

## TLDH: bid and own

TLDH will bid for selected gTLDs on its own account, selected according to expected value, competition or contention, to create a portfolio of gTLDs. TLDH will then sell second-level domains under these gTLDs into a retail market for an estimated \$10+/name/year recurring subscription fee. This forms the basis of our TLDH earnings outlook.

Any proposed change to the system of Internet naming and addresses must be meticulously planned and executed; the Internet must be “always on”.

We note that VeriSign [VRSN.US; mkt. cap. \$5.6bn; NR] has become the subject of bid talk.

TLDH writes: “For the TLD space to flourish, we’re going to need some inventors”.

# generic Top Level Domains

## gTLD programme, ICANN

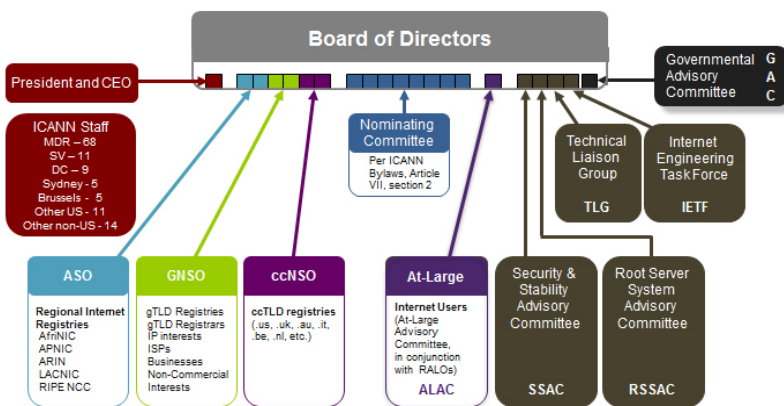
The Internet Cooperation for Assigned Names and Numbers (ICANN) was founded in 1998; its multi-stakeholder structure is described in Figure 2. As it states:

- “ICANN doesn’t control content on the Internet. It cannot stop spam and it doesn’t deal with access to the Internet. But through its coordination role of the Internet’s naming system, it does have an important impact on the expansion and evolution of the Internet.”

ICANN notes that the process of creating new generic TLDs is “is a complex and involved process that requires the coordination and consensus of many groups and factions”. Consequently the programme of issuance of gTLDs in 2012 is the culmination of a process of technical development and coordination amongst a variety of groups and authorities, initiated in 2007.

Figure 2: ICANN Structure: Multi-Stakeholder

### ICANN Multi-Stakeholder Model



Source: ICANN

## The gTLD development process early 2012

For years TLDs were limited to Latin characters because of technical limitations. This has been resolved allowing other scripts. Consequently Saudi Arabia, UAE, Russia, Egypt have entered the DNS Root Zone. ICANN notes that: “The decision to introduce new gTLDs followed a detailed and lengthy consultation process with all constituencies of the global Internet community”. Key stages are:

- Policy defined by the Generic Names Supporting Organisation (GNSO) in 2007; adopted by ICANN Board in June 2008;
- Registration of interest in gTLDs via a web-based application system open to any established entity from 12<sup>th</sup> January 2012, to close on 12<sup>th</sup> April;
- Applications are open for Internationalised Domain Names (IDNs) in alphabetic Latin languages, Arabic or Chinese etc.;

ICANN will charge an “evaluation fee” of US\$185,000 per requested application (IDN) slot.

Figure 1: ICANN



Source: ICANN

## Evolution of gTLDs:

- Pre-ICANN, 1985: .com; .edu; .gov; .mil; .net; .org; .arpa;
- 2000, issued by ICANN: .aero; .biz; .coop; .info; .museum; .name; .pro;
- 2004: .asia; .cat; .jobs; .mobi; .post; .tel; .xxx; .travel;
- Some, such as .olympics and .redcross are set aside.

# TLDH, Minds + Machines, CoCCA

## Holding company with all the “tools”

Top Level Domain Holdings has assembled a number of entities which enable it to create a portfolio of gTLDs for sale of names on an ongoing subscription basis to generate both a stream of recurring revenues and a platform for ancillary services. Its major platform, Minds + Machines also generates revenues from TLD advisory and technical services.

## Minds + Machines

TLDH's 100%-owned registry service subsidiary, *Minds + Machines*, provides a complete consultancy and registry solution for new TLD applicants; Minds + Machines was founded in 2008 by TLDH CEO Antony Van Couvering. In March 2009 M+M was granted exclusive license to extend the CoCCA (Council of Country Code Administrators) registry platform, currently deployed in 35 countries (over 10% of all ccTLDs), to new generic TLDs.

## Espresso

Under the arrangement with CoCCA Minds + Machines enhanced the core code and features for new top-level domains. This is branded as *Espresso* and is available in both hosted (SaaS) and locally-installed versions. Its registry platform is fully-ICANN-compliant, is written in Java and adheres to accepted standards (RFCs for registration, resolution and *whois* information, IDN-, Ipv6 and DNSSEC-compatibility, Anycast for DNS resolution and security standards). It can be configured for any language or currency.

## Espresso will manage applications for TLD

Customers pay a flat fee of \$100,000 per year, on a 2-year contract basis, regardless of the number of domain names registered; \$25,000 on signing and \$75,000 on April 12<sup>th</sup> 2012 (the last day of the gTLD application window). For each year thereafter the fee is \$100,000. Some names are excluded, i.e. high-volume, “super-generic” TLDs such as *.web*, or to geographical TLDs, e.g. *.berlin*. Minds + Machines estimates that the total cost to a customer to set up a TLD at some \$400,000 (pre-auction), comprising the ICANN application \$185,000 fee, Minds + Machines' \$100,000 fee, possible additional panel evaluation (\$50,000+), potential adjudication to resolve objections (e.g. from trademarks) (\$15,000+), and costs of furnishing the bid (staff, travel, legal etc.).

## Other operations

TLDH current operations include:

- DotNYC [[www.dotnyc.net](http://www.dotnyc.net)], 65%-owned. This group has advised a number of other top level domain companies and created the model for public-private partnerships for geographic web addresses. dotNYC LLC has applied to the City of New York to operate New York City gTLD, *.nyc*;
- DotEco [[www.supportdoteco.com](http://www.supportdoteco.com)], 25%-owned. DotEco, based in California, intends to build an environmentally-focused gTLD and has agreements with “several major environmental organisations”. It expects to apply for the *.eco* gTLD;
- AppCraver, an iPhone application review website.

Figure 3: TLDH



Source: Company Data

Figure 4: Logo



Source: Company Data

Specialist operations formed to apply for specific gTLDs:

- *.dot.nyc*;
- *.eco*.

# Market Outlook

## 220m domain names, 22 major TLDs

As of August 2010 there were some 220m domain names worldwide (source: Nominet), +6%YoY (Table 2) divided amongst 22 major TLDs, notably .com, .net, .org and some 240 country code names (.uk etc.).

### gTLD growth

Nominet reports 2010 worldwide gTLD growth of 9%YoY “predominantly driven by strong growth in .com and .info”. Table 2 and Chart outline our assumptions for the evolution of domain names, currently numbering 220m, rising (DSCE) to 372m by 2017 (10.0% CAGR). This is a conservative estimate; ICANN has stated that one of the reasons to add new TLDs is to enable accelerated domain name take-up amongst an estimated 4.2bn currently non-enfranchised users.

There are currently 22 gTLDs including:

- .com; .edu; .gov; .net; .uk and .org;

Plus 250 country and territory TLDs:

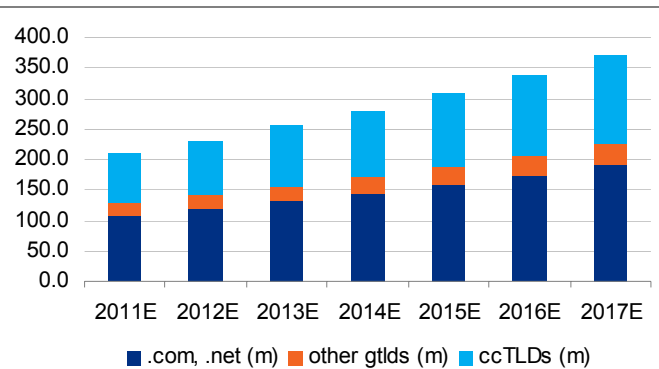
- .uk; .de; .fr; .us; .cn (China); .br, etc.

**Table 2: Domain names (m)**

	2011	2012E	2013E	2014E	2015E	2016E	2017E
.com, .net (m)	108.0	118.8	130.7	143.7	158.1	173.9	191.3
other gtlds (m)	20.3	22.3	24.6	27.0	29.7	32.7	36.0
ccTLDs (m)	81.7	89.9	98.9	108.7	119.6	131.6	144.7
Total (m)	230.0	253.0	278.3	306.1	336.7	370.4	407.5
Market (%)	9.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Nominet, Daniel Stewart

**Chart 1: Domain names (m)**

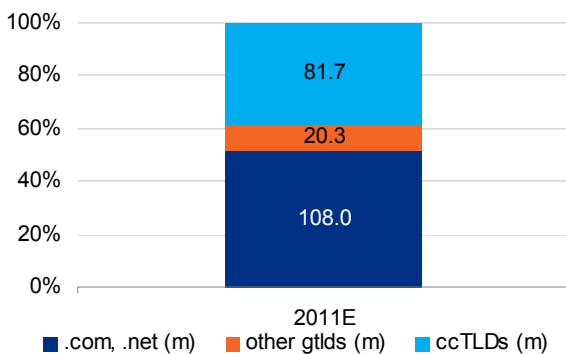


Source: Nominet, Daniel Stewart

## Distribution of registered names

Of the 200m names recorded as of August 2010 (Nominet), some 51% are .com and 39% ccTLDs (Country Code TLDs)

**Chart 2: Distribution of gTLDs (2011E)**



Source: Nominet, Daniel Stewart

**Table 3: gTLD Owners**

gTLD	Owner	Notes
.com	Verisign	VRSN.US
.net	Verisign	
.org	PIR	
.edu	Educause	
.mob	mTLD	
.biz	Neustar	NSR .US
.info	Afilias	

Source: Nominet, Daniel Stewart

# TLDH Earnings Outlook

## Acquisition of up to 50 gTLDs

TLDH intends to apply for ownership of up to 50 gTLDs to be financed directly and in jvs in which TLDH would retain a proportional ownership in return for full service management. At 1H'11 it noted target gTLDs:

- “significant interests in prospective applicants including .eco, .nyc, .berlin, .bayern, .mumbai, .radio and .gay.”

The target portfolio is segmented according to expectations of success and contention in the bid process:

- 20 “uncontested” gTLDs, expecting near-certainty of ownership;
- 20 names facing “limited contention”, where one or two parties are expected to have applied, in which TLDH aims to reach an agreement. It will either withdraw the bid, take \$130,000 of the \$185,000 in exchange for partial ownership in the surviving entity, or the other party will withdraw in exchange for a participation in the TLD (side letter) or in shares of TLDH itself;
- 10 “heavily contented” names (e.g. .web). TLDH expects these to take at least a year to resolve, even (probably) escalating to an auction process.

## Market share

TLDH will bid for specific names (e.g. 30-50). This means that success in a particular field should result in, in our view, an almost guaranteed resale franchise (of some 100,000 licenses). It is difficult, therefore to project success in terms of market share; for example a successful outcome to the bid process could result in an *immediate* implied market share of some 10%. Our approach is therefore conservative, initially implying only 1% market share, rising to 7% by 2017.

TLDH intends to apply for ownership of up to 50 gTLDs to be financed directly and in jvs in which TLDH would retain a proportional ownership in return for full service management. The target portfolio is segmented according to expectations of success and contention in the bid process.

**Table 4: TLDH Addressable Market**

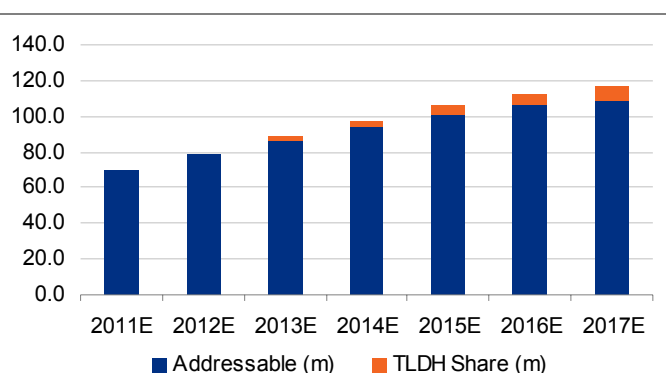
	2011	2012E	2013E	2014E	2015E	2016E	2017E
Market growth (%)	9.0	10.0	10.0	10.0	10.0	10.0	10.0
TLDH addressable (%)	30.0	30.8	31.1	30.8	30.0	28.6	26.8
TLDH Share of Addressable (%)	0.0	1.0	2.0	3.0	5.0	6.0	7.0
Addressable (m)	69.0	78.0	86.5	94.3	100.9	106.0	109.2
TLDH Share (m)	0.0	0.8	1.7	2.8	5.0	6.4	7.6

Source: Daniel Stewart

## Ownership

TLDH will treat the domain names owned as an asset with outlay treated as cap-ex.

**Chart 3: TLDH Addressable Market**



Source: Daniel Stewart

# H1'11: Fundx Raised

## H1'11 results ~ placing raised £4.7m towards gTLD bids

At H1'11 TLDH reported “substantial cash resources and ... significant interests in prospective applicants including .eco, .nyc, .berlin, .bayern, .mumbai, .radio and .gay”. The company reported revenue of £26,000 and an operating loss of £483,000 (adj.) with Admin costs of £509,000. Cash position was £7.735m having raised £4.682m (net) through an equity placing. TLDH signed an exclusive agreement with Neustar [NSR.US], owner of .biz, to work on geographical gTLDs.

In H1 Minds + Machines was appointed by India TL Domain with approval of the city of Mumbai to provide registry and consulting services for its proposed application for the gTLD .MUMBAI

Table 5 summarises H1 performance

**Table 5: 1H'11 Earnings Summary (£m)**

Income Statement	H1'11	Balance Sheet	H1'11	Cashflow	H1'11
<b>Revenue</b>	<b>0.026</b>	<b>Cash &amp; Equivalents</b>	<b>7.735</b>	Op DS&C	(0.483)
EBITDA (DSC)	(0.477)	Inventory	0.000	D&A	(0.006)
Depreciation	(0.006)	Accounts Receivable	0.078	Working capital	(0.640)
Amortisation	0.000	Financial Instruments	0.000	Provisions Other	0.000
Op ex	(0.509)	<b>Total Current Assets</b>	<b>7.813</b>	<b>Op CF</b>	<b>(1.117)</b>
<b>EBIT (DSC)</b>	<b>(0.483)</b>	Intangibles Gross	0.000	Net interest	0.002
Acquired Amort	0.000	Amortisation	0.000	Taxation	0.000
EBITDA (rptd)	(0.477)	Intangibles Net	1.605	<b>Net OpCF</b>	<b>(1.115)</b>
EBIT (rptd)	(0.483)	Fixed Assets gross	0.000	Purch. Fixed Invest.	0.000
Exceptionals	(0.092)	Depreciation	0.000	Capital Expenditure	(0.006)
Net finance (expense)/income	0.002	Net Fixed assets	0.031	<b>Net OpFCF</b>	<b>(1.121)</b>
PBT (rptd)	(0.573)	Deferred tax, other	0.387	Exceptional Items	0.600
<b>PBT (DS&amp;C)</b>	<b>(0.481)</b>	<b>Fixed assets</b>	<b>2.023</b>	Share Based Payment	0.000
Tax	0.000	<b>Total Assets</b>	<b>9.836</b>	Disposal Fixed Assets (net)	0.000
Tax rate	0.0	Accounts Payable	1.111	Cash before dividends, financing	(0.521)
PAT (rptd)	(0.573)	Short-term debt	0.000	Dividends Paid	0.000
PAT (DS&C)	(0.481)	Accruals and Deferred Income	0.000	Issue of Shares (net)	4.682
Basic Wtd Av Shs (m)	348.2	Tax	0.000	Loans, Net	0.000
EPS (rptd) p	(0.16)	<b>Total Current Liabilities</b>	<b>1.111</b>	Increase/Decrease in Borrowings	0.000
EPS (DSC) p	(0.14)	LTD	0.000	Receipts/Payment - Investment	0.000
		Accruals, Other	0.000	Lease Capital	0.000
Estd dilutive shares (m)	0.000	Long-term Liabilities	0.000	Purchase of Own Shares	0.000
Basic Wtd Av Dil Shs (m)	348.2	Share Capital	0.000	<b>Eq FCF</b>	<b>4.161</b>
EPS reported p	(0.16)	Share Premium	12.340	Forex, other	0.000
<b>EPS (DS&amp;C)</b>	<b>(0.14)</b>	Adjustments, other	0.721	Net Change in Cash	4.161
		Retained Earnings	(4.336)	Net Cash - Beginning Balance	3.600
		<b>Total Equity</b>	<b>8.725</b>	<b>Net Cash - Ending Balance</b>	<b>7.761</b>

Source: Daniel Stewart

During H1 TLDH granted a total of 7.0 share options (at 9.0p) bringing the total to 32.853m at 30<sup>th</sup> April.

**Table 6: Share Options**

Expiry Date	Share Options in Issue (m)	Exercise Price
13th Nov 2012	19.000	4.00
1 Jan 2013	1.600	4.00
26 May 2014	5.253	4.00
22nd Dec 2013	7.000	9.00
<b>Sum</b>	<b>32.853</b>	

Source: Company Data as of 30/04/2011

**Table 7: Warrants**

Expiry Date	Share Options in Issue (m)	Exercise Price
13th Nov 2012	1.623	4.00
31st July 2012	48.946	4.00
7th August 2012	21.250	4.20
<b>Sum</b>	<b>71.819</b>	

Source: Company Data as of 30/04/2011

On 7<sup>th</sup> June TLDH issued 2.2m shares on exercise of 0.20m options (4p) and subscription for 2.0m shares (at 8p); also 1.0m warrants were issued at 12p.

# TLDH Earnings Model

## Winning bids

TLDH must first win bids for its selected portfolio of gTLDs, based primarily on demonstrating its ability to flawlessly manage the registration of names and their dissemination, based on its technical skillset, infrastructure in place and knowledge of the range of intersecting regulatory processes and interest groups involved.

## Recurring revenue from TLD ownership

TLDH outlines the process of developing a gTLD towards "steady state" recurring revenue stream to its clients (via Minds + Machines) in three phases:

- *Sunrise*: a higher initial charge to accommodate intellectual property interests;
- *Landrush*: opening launch and allocation to clients;
- *Steady state*: an estimated long-run industry average retention rate of 75%.

Our estimates are based on:

- Domain name proliferation average worldwide growth: 10%;
- Market addressable by TLDH 10% in 2011 rising to 60% by 2014;
- TLDH share of addressable base: 1.0%;
- Long-run (year 3 onwards) renewal / retention rate of 75% (i.e. 25% churn). UK market registrar Nominet reports a UK renewal rate average of 69% in both 2009 and 2010, noting that the average will also reflect the strength of new applications (i.e. dilutive).
- Annual renewable registration fee: \$10.

TLDH outlines the process of developing a towards "steady state" recurring revenue stream to its clients (via Minds + Machines) as passing through three phases. See Appendix I.

## Operating costs

TLDH envisages operating its inventory of names with a staff of 20 and an infrastructure base costing less than £1.0m

**Table 8: Domain Name Evolution and TLDH Summary Earnings Outlook (£m)**

	Oct 2011E	Oct 2012E	Oct 2013E	Oct 2014E	Oct 2015E	Oct 2016E	Oct 2017E
<b>Domain Names</b>							
.com, .net (m)	108.0	118.8	130.7	143.7	158.1	173.9	191.3
other gTLDs (m)	20.3	22.3	24.6	27.0	29.7	32.7	36.0
ccTLDs (m)	81.7	89.9	98.9	108.7	119.6	131.6	144.7
<b>Total (m)</b>	<b>230.0</b>	<b>253.0</b>	<b>278.3</b>	<b>306.1</b>	<b>336.7</b>	<b>370.4</b>	<b>407.5</b>
<i>Market growth (%)</i>	<i>9.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>
<i>TLDH addressable (%)</i>	<i>30.0</i>	<i>30.8</i>	<i>31.1</i>	<i>30.8</i>	<i>30.0</i>	<i>28.6</i>	<i>26.8</i>
<i>TLDH Share of Addressable (%)</i>	<i>0.0</i>	<i>1.0</i>	<i>2.0</i>	<i>3.0</i>	<i>5.0</i>	<i>6.0</i>	<i>7.0</i>
<b>Retained base (%)</b>	<b>0.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>
Addressable (m)	69.000	77.970	86.547	94.336	100.939	105.986	109.166
TLDH Share (m)	0.000	0.780	1.731	2.830	5.047	6.359	7.642
Retained (m)	0.000	0.390	0.865	1.415	2.523	3.180	3.821
<b>Per name/year</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>Revenue (£m)</b>	<b>0.403</b>	<b>2.895</b>	<b>5.693</b>	<b>9.004</b>	<b>14.388</b>	<b>20.052</b>	<b>24.236</b>
Op Mrg (%)	0.0	-154.7	70.4	77.5	83.1	85.5	85.6
<b>Op (£m)</b>	<b>(0.768)</b>	<b>(4.478)</b>	<b>4.006</b>	<b>6.980</b>	<b>11.960</b>	<b>17.137</b>	<b>20.738</b>

Source: Daniel Stewart

# Cashflow, Valuation

## Valuation: 19.6p/share

Our 5-year DCF-based valuation is summarised in Table 10.

Our key assumptions are:

- WACC: 11.2%;
- EV: £87.0m;
- Oct 14 EV/EBITDA: 11.5x.

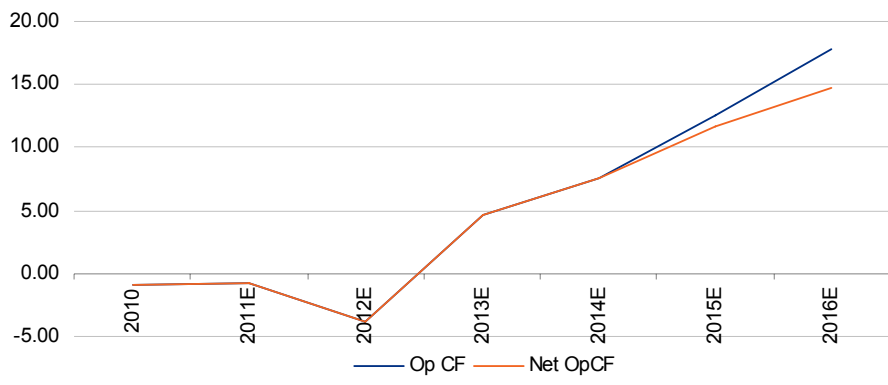
**Table 9: Valuation**

		DCF yr to:	Oct 12E	Oct 13E	Oct 14E	Oct 15E	Oct 16E
	£m	Op DS&C	(5.14)	2.44	5.39	8.57	11.51
Risk Free Rate	4.50%	D&A	(0.61)	(0.61)	(0.61)	(0.61)	(0.61)
Equity RP	4.50%	Working capital	0.00	0.00	0.00	0.00	0.00
Beta unlevered	1.50	Provisions Other	0.00	0.00	0.00	0.00	0.00
Debt/Equity target	20%	Op CF	(3.87)	4.61	7.59	12.57	17.75
Debt/EV	16.7%	Net interest	0.00	0.00	0.00	0.00	0.00
		Taxation	0.00	0.00	0.00	(0.87)	(2.99)
Debt Premium	2.0%	Net OpCF	(3.87)	4.61	7.59	11.70	14.76
Pre-tax Debt	6.5%	Purch. Fixed Invest.	0.00	0.00	0.00	0.00	0.00
Tax rate	25.0%	Capital Expenditure	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)
Beta - Levered	1.69	Net OpFCF	(3.90)	4.61	7.58	11.68	14.74
Levered Equity	12.1%	Net of interest	(3.90)	4.61	7.58	11.68	14.74
<b>WACC</b>	<b>11.2%</b>		0.00	0.00	0.00	0.00	0.00
PV CF	18.6	<b>Cashflows</b>	<b>(3.16)</b>	<b>3.36</b>	<b>4.96</b>	<b>6.88</b>	<b>6.70</b>
Terminal growth	1.0%	Days	365	365	365	365	313
Perpetuity	68.4						
<b>EV sum</b>	<b>87.0</b>						
Net debt (cash)	(4.1)	EV/Sales	30.1	15.3	9.7	6.0	4.3
Equity	91.2	<b>EV/EBITDA (adj)</b>	<b>-22.5</b>	<b>18.9</b>	<b>11.5</b>	<b>6.9</b>	<b>4.9</b>
Shares	466.2	EV/EBIT (adj)	-19.4	21.7	12.5	7.3	5.1
<b>Per share (p)</b>	<b>19.6</b>						

Source: Daniel Stewart

## Cashflow evolution

**Chart 4: Cashflow Outlook (£m)**



Source: Daniel Stewart

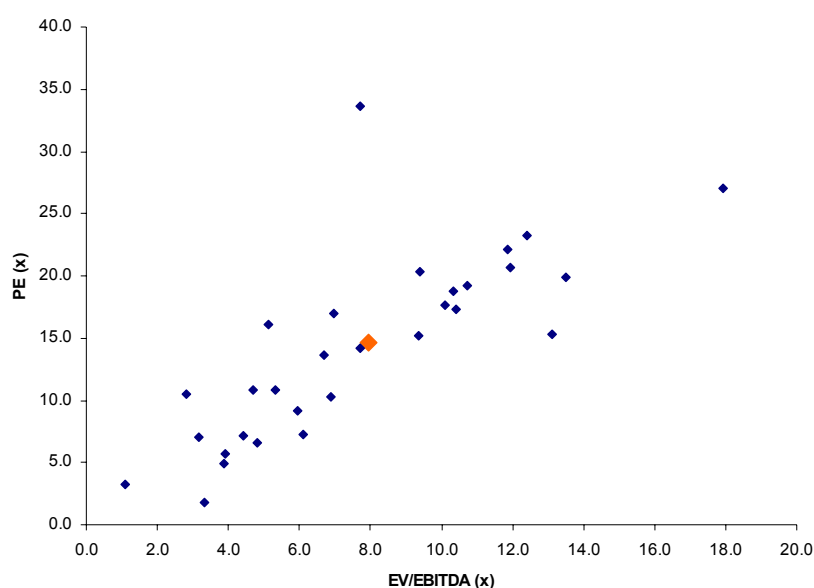
Cashflow evolution reflects the 2011-12 investment phase and TLDH bid process, followed by licencing of names.

# Valuation: Comparative

## Location

Chart 5 compares our prospective FY'13 TLDH EV/EBITDA / PE location relative to some 30 AIM software peers (based on Bloomberg +1 year data). The chart indicates a current mid-range valuation.

**Chart 5: Software Peers (AIM) Prospective EV/EBITDA, PE**



Source: Bloomberg, Daniel Stewart

We note that pure-play internet-driven plays trade on EV/EBITDA multiples that reflect (i) growth potential and (ii) delivery. For example:

- ASOS [ASC: NR], online fashion retailer, mkt. cap. £1,408m
  - March 2012 consensus EV/EBITDA: 28.0x;
  - March 2013 consensus EV/EBITDA: 19.6x.
- Abcam [ABC: NR], internet-based antibody exchange, mkt. cap. £650m:
  - June 2011 consensus EV/EBITDA: 18.4x;
  - June 2012 consensus EV/EBITDA: 16.1x.
- blinkx [BLNX: NR], online video search internet-based antibody exchange, mkt. cap. £650m:
  - March 2012 consensus EV/EBITDA: 27.3x;
  - March 2013 consensus EV/EBITDA: 16.0x.

We note that pure play high growth internet stocks trade on particularly high EV/EBITDA multiples, ranging from +1year 16-19x.

Our view is that stocks in this particular niche reflect the potential of accelerating medium-term structural change but have also demonstrated sufficient evidence of earnings generation to move from “concept” to realisation of that potential.

# Earnings Summary

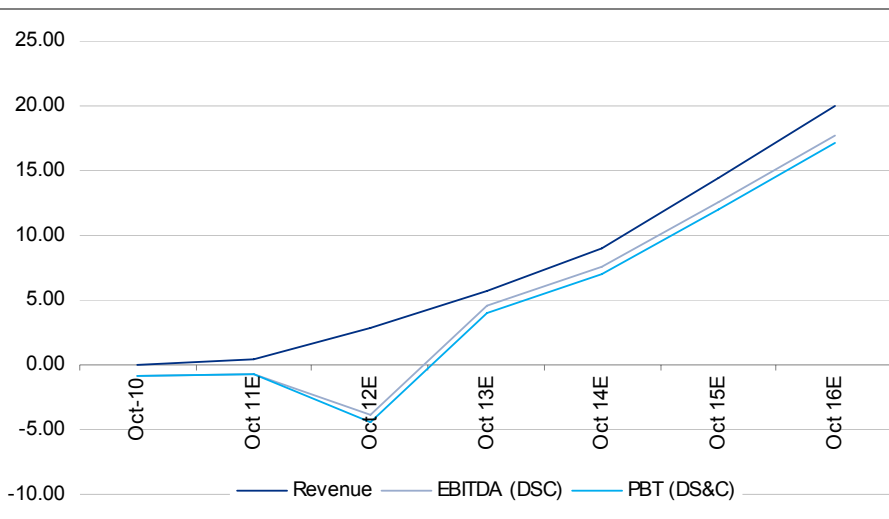
## Income Statement

Table 10: Income Statement Outlook to FY'16 (E)

	Oct-10	Oct 11E	Oct 12E	Oct 13E	Oct 14E	Oct 15E	Oct 16E
<b>Revenue</b>	<b>0.062</b>	<b>0.403</b>	<b>2.9</b>	<b>5.7</b>	<b>9.0</b>	<b>14.4</b>	<b>20.1</b>
<b>EBITDA (DSC)</b>	<b>(0.907)</b>	<b>(0.756)</b>	<b>(3.9)</b>	<b>4.6</b>	<b>7.6</b>	<b>12.6</b>	<b>17.7</b>
<i>Mrg</i>	-	-	-	81.1	84.3	87.4	88.5
Depreciation	(0.007)	(0.012)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Amortisation	0.000	0.000	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
<b>EBIT (DSC)</b>	<b>(0.914)</b>	<b>(0.768)</b>	<b>(4.5)</b>	<b>4.0</b>	<b>7.0</b>	<b>12.0</b>	<b>17.1</b>
<i>Mrg</i>	-	-	(154.7)	70.4	77.5	83.1	85.5
Acquired Amort	0.000	0.000	0.0	0.0	0.0	0.0	0.0
EBITDA (rptd)	(0.907)	(0.756)	(3.9)	4.6	7.6	12.6	17.7
<i>Mrg</i>	0.0	0.0	(133.6)	81.1	84.3	87.4	88.5
EBIT (rptd)	(0.914)	(0.768)	(4.5)	4.0	7.0	12.0	17.1
<i>Mrg</i>	-	-	(154.7)	70.4	77.5	83.1	85.5
Exceptionals	(0.033)	0.000	0.0	0.0	0.0	0.0	0.0
Net finance (expense)/income	0.006	0.004	0.0	0.0	0.0	0.0	0.0
PBT (rptd)	(0.941)	(0.764)	-4.5	4.0	7.0	12.0	17.1
<b>PBT (DS&amp;C)</b>	<b>(0.908)</b>	<b>(0.764)</b>	<b>(4.5)</b>	<b>4.0</b>	<b>7.0</b>	<b>12.0</b>	<b>17.1</b>
Tax	0.000	0.000	0.0	0.0	(0.9)	(3.0)	(4.3)
<i>Tax rate</i>	0.0	0.0	0.0	0.0	12.5	25.0	25.0
PAT (rptd)	(0.941)	(0.764)	(4.5)	4.0	6.1	9.0	12.9
PAT (DS&C)	(0.908)	(0.764)	-4.5	4.0	6.1	9.0	12.9
Basic Wtd Av Shs (m)	283.6	363.6	363.6	363.6	363.6	363.6	363.6
EPS (rptd) p	(0.33)	(0.21)	(1.23)	1.10	1.68	2.47	3.54
EPS (DSC) p	(0.32)	(0.21)	(1.23)	1.10	1.68	2.47	3.54
Estd dilutive shares (m)	0.0	102.6	102.6	102.6	102.6	102.6	102.6
Basic Wtd Av Dil Shs (m)	283.6	466.2	466.2	466.2	466.2	466.2	466.2
EPS reported p	(0.33)	(0.16)	(0.96)	0.86	1.31	1.92	2.76
<b>EPS (DS&amp;C)</b>	<b>(0.32)</b>	<b>(0.16)</b>	<b>(0.96)</b>	<b>0.86</b>	<b>1.31</b>	<b>1.92</b>	<b>2.76</b>

Source: Daniel Stewart

Chart 6: Earnings Outlook to FY16(E) (£m)



Source: Daniel Stewart

# Balance Sheet, Cashflow

**Table 11: Balance Sheet, Cashflow Outlook to FY'16 (E)**

Balance Sheet £m	Oct-10	Oct 11E	Oct 12E	Oct 13E	Oct 14E	Oct 15E	Oct 16E
<b>Cash &amp; Equivalents</b>	<b>3.600</b>	<b>4.120</b>	<b>4.1</b>	<b>8.7</b>	<b>16.3</b>	<b>28.0</b>	<b>42.7</b>
Inventory	0.000	0.000	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	0.094	0.099	0.7	1.4	2.2	3.5	4.9
Financial Instruments	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>3.694</b>	<b>4.219</b>	<b>4.8</b>	<b>10.1</b>	<b>18.5</b>	<b>31.5</b>	<b>47.7</b>
Intangibles Gross	1.605	1.605	7.6	7.6	7.6	7.6	7.6
Amortisation	0.000	0.000	0.6	1.2	1.8	2.4	3.0
Intangibles Net	1.605	1.605	7.0	6.4	5.8	5.2	4.6
Fixed Assets gross	0.038	0.068	0.1	0.1	0.1	0.1	0.1
Depreciation	0.007	0.019	0.0	0.0	0.1	0.1	0.1
<b>Net Fixed assets</b>	<b>0.031</b>	<b>0.049</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Fixed assets</b>	<b>2.021</b>	<b>2.039</b>	<b>7.4</b>	<b>6.8</b>	<b>6.2</b>	<b>5.6</b>	<b>5.0</b>
Total Assets	5.715	6.258	12.3	17.0	24.8	37.2	52.7
Accounts Payable	1.192	0.099	0.7	1.4	2.2	3.5	4.9
Tax	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>1.192</b>	<b>0.099</b>	<b>0.7</b>	<b>1.4</b>	<b>2.2</b>	<b>3.5</b>	<b>4.9</b>
Accruals, Other	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Long-term Liabilities</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Share Capital	0.000	0.000	0.0	0.0	0.0	0.0	0.0
Share Premium	7.653	7.653	7.7	7.7	7.7	7.7	7.7
Adjustments, other	0.633	3.033	12.9	12.9	13.8	15.9	17.2
Retained Earnings	(3.763)	(4.527)	(9.0)	(5.0)	1.1	10.1	22.9
<b>Total Equity</b>	<b>4.523</b>	<b>6.159</b>	<b>11.6</b>	<b>15.6</b>	<b>22.5</b>	<b>33.6</b>	<b>47.8</b>
<b>Sum</b>	<b>5.715</b>	<b>6.258</b>	<b>12.3</b>	<b>17.0</b>	<b>24.8</b>	<b>37.2</b>	<b>52.7</b>

Cashflow (£m)	2010	2011E	2012E	2013E	2014E	2015E	2016E
Op DS&C	(0.914)	(0.768)	(4.5)	4.0	7.0	12.0	17.1
D&A	(0.007)	(0.012)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Working capital	0.014	(0.070)	0.0	0.0	0.0	0.0	0.0
Provisions Other	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Op CF</b>	<b>(0.893)</b>	<b>(0.826)</b>	<b>(3.9)</b>	<b>4.6</b>	<b>7.6</b>	<b>12.6</b>	<b>17.7</b>
Net interest	0.006	0.004	0.0	0.0	0.0	0.0	0.0
Taxation	0.000	0.000	0.0	0.0	0.0	(0.9)	(3.0)
<b>Net OpCF</b>	<b>(0.887)</b>	<b>(0.822)</b>	<b>(3.9)</b>	<b>4.6</b>	<b>7.6</b>	<b>11.7</b>	<b>14.8</b>
Purch. Fixed Invest.	0.000	0.000	0.0	0.0	0.0	0.0	0.0
Capital Expenditure	(0.027)	(0.030)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Net OpFCF</b>	<b>(0.914)</b>	<b>(0.852)</b>	<b>(3.9)</b>	<b>4.6</b>	<b>7.6</b>	<b>11.7</b>	<b>14.7</b>
Exceptional Items	0.048	0.600	0.0	0.0	0.0	0.0	0.0
Disposal Fixed Assets (net)	0.150	0.000	0.0	0.0	0.0	0.0	0.0
Cash before dividends, financing	(0.716)	(0.252)	(3.9)	4.6	7.6	11.7	14.7
Issue of Shares (net)	0.000	4.682	0.0	0.0	0.0	0.0	0.0
<b>Eq FCF</b>	<b>(0.716)</b>	<b>4.430</b>	<b>(3.9)</b>	<b>4.6</b>	<b>7.6</b>	<b>11.7</b>	<b>14.7</b>
Forex, other	0.051	0.000	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	(0.665)	4.430	(3.9)	4.6	7.6	11.7	14.7
Net Cash - Beginning Balance	4.265	3.600	8.0	4.1	8.7	16.3	28.0
<b>Net Cash - Ending Balance</b>	<b>3.600</b>	<b>8.030</b>	<b>4.1</b>	<b>8.7</b>	<b>16.3</b>	<b>28.0</b>	<b>42.7</b>

Source: Daniel Stewart

# Appendix I: Management & Board

## **Peter Dengate Thrush ~ Executive Chairman**

Mr Dengate Thrush was until recently the Chairman of the Board of Directors of the Internet Corporation for Assigned Names and Numbers ("ICANN"), where in June 2011 he led the ICANN Board to approve the programme to create new gTLDs. Past Chairman of InternetNZ; past Chairman of the Asia Pacific Top Level Domain Association. Barrister and registered patent attorney specialising in intellectual property matters; Vice Chairman of the New Zealand Electricity Rulings Panel and a member of the New Zealand Copyright Tribunal.

## **Antony Van Couvering ~ Chief Executive Officer, Director**

Founded NetNames USA, sold in 1999 to Group NBT (AIM: NBT). 2000: founded NameEngine, sold to VeriSign (NASDAQ: VRSN) in 2001. 2000: founded RegisterFREE, sold to Melbourne IT [ASX: MIT] in 2001. Operated Names@Work, a consulting company specialising in domain names and Internet-related financial services and publishing. 2009: Founded Minds + Machines to provide a low-cost, full-service alternative to existing registry options. Mr. Van Couvering has a A. B. from Columbia in Comparative Literature.

## **Fred Krueger ~ Chief Strategy Officer, Deputy Chairman**

1986-1992: was a proprietary fixed income trader at Salomon Brothers and Greenwich Capital. 1992: founded a graphic design software company, Fauve Software, acquired by Macromedia (Nasdaq: ADBE) in 1995. 1997: founded Random Noise, a Java tools provider, sold to Vignette (Nasdaq: VIGN). 1999: founded iwin.com, merged with Uproar Inc. and sold to Vivendi Universal. Founded Traffic Marketplace, sold to Vivendi Universal. Founded TagWorld, a social network, acquired by Viacom, and Adconion, an Internet advertisement network based in Munich, Germany that serves over 6bn ad impressions a month. Fred serves on the board of Adconion. Mr. Krueger received a BA in Mathematics from Cornell University and a PhD in Operations Research from Stanford University.

## **David de Jongh Weill, Chief Financial Officer, Director**

1993-1998: Salomon Brothers derivative products sales and trading. 1989: international proprietary trading at Greenwich Capital Markets. 1992: own fund management activity with funds under management growing to over US\$1.2bn. 1998 onwards: focus on private equity investment, predominantly in media and technology companies. Mr. Weill holds a Bachelor of Business Administration, magna cum laude in International Business from the University of Georgia, a Masters of Business Administration from the London Business School, a Masters of Science in Law and Accounting from the London School of Economics and is currently reading for a Masters of Science in Decision Sciences at the London School of Economics. Mr. Weill was called to the Bar of England and Wales by the Honourable Society of Lincoln's Inn.

# Appendix I: Management & Board Cont'd

## **Guy Elliott ~ Chief Investment Officer, Director**

Patrimoine Pte Ltd. Executive Director. A private financial advisory firm, which specialises in natural resources field. Founder of F3 Capital Management, LLC, an independent alternative asset management and advisory firm. Senior non-executive director of Polo Resources (AIM); director of Copper Development Corporation (AIM). Co-founder of Croesus Capital Management, a specialist emerging markets hedge fund manager 1993-2001. President of Rothschild Emerging Markets and managed a variety of funds for them. Previous, Manager of Proprietary Trading at HSBC New York (1992 to 1993) and a Portfolio Manager at EBF & Associates (1990 to 1992). He worked for Merrill Lynch Capital Markets (1986 to 1990) and Cargill Inc (1980 to 1986). Graduate of the London School of Economics B.Sc. (Econ), 1980.

## **Michael Mendelson ~ non-Executive Director**

Managing Director with the investment bank of Wunderlich Securities where he leads a team focused on cross-border public financings, private placements, and M&A transactions. Prior, served in the same capacity with both Anderson Strudwick, Inc. and Ferris, Baker Watts, Inc., involved in over 30 public and private financings which raised over \$4.0bn. Founder of Align360, a general management and information technology consultancy which serves property and casualty insurers, banks and credit card issuers in North and South America, Europe and the Caribbean, sold in 1997, and repurchased in 2001, subsequently sold in mid-2003. 2002: Ernst & Young Entrepreneur of the Year 2002. Mr. Mendelson holds a BSc in Business Administration degree from the University of Richmond and an MBA from the Wharton School. He has served on the executive committee of the University of Richmond's Board of Associates.

## **Clark Landry~ non-Executive Director**

Mr. Landry is an experienced entrepreneur, having been involved in the establishment of seven companies with a focus on the online advertising and consumer internet sectors. Mr. Landry began his career at Barrington Associates as an investment banking analyst. He subsequently joined online games company iwin.com as the director of marketing. Mr. Landry was then an initial founder and investor of Traffic Marketplace, and co-wrote the business plan for this online advertising network. Mr. Landry also managed marketing and publisher relations for Traffic Marketplace. Traffic Marketplace was acquired by Uproar, which was subsequently sold to Vivendi Universal. Mr. Landry co-founded and managed marketing efforts for TagWorld, a social networking website, prior to its sale to Viacom. Mr. Landry is a co-founding investor of Adconion (formerly Euroclick), a leading international advertising network. Mr. Landry is currently a non-executive director of CityMommy, a leading social networking site for mothers with a presence in 35 cities. Mr. Landry is a co-founder, director, and shareholder of DotEco LLC, applicant for the ".eco" top level domain, and Minds + Machines, a registry services and consulting company. Mr. Landry graduated from Yale University with a BA in Economics.

# Appendix II: TLD Revenue

## TLD revenue “events”

TLDH describes ownership of a TLD in terms of events and phases, progressing towards an eventual “steady-state” income stream.

### Sunrise

This involves allocation of trademarked names to trademark owners for a higher initial charge. For example, .ASIA registered 30,000 names during its “Sunrise” phase.

### Landrush

Landrush refers to opening launch during which, registrars submit names from their clients, followed by allocation. Duplicate requests go to a “collision-auction” often resulting in higher revenue. Market rates are indicated by VeriSign which charges registrars \$7.34 per.com name. TLDH notes: “the Landrush will be the first good test of your TLD’s popularity. You will have (if you’re smart) spent some time and money marketing your TLD, and here’s where you’ll see if it paid off”.

### Auction examples

Two TLDs to have made extensive use of auctions are .asia and .mobi.

- .asia used the “collision auction” option; the process appears clean but there may be complications such as alleged auction tampering, disqualifications, non-payment etc.
- .mobi uses “premium auctions”, reserving some 5,000 high-value names to be auctioned in groups of 100, in both live and web-based format. Problems include legal costs arising from potential miscommunication online.

### Steady state

TLDH recommends a long-run renewal rate (retention rate) at about 75%, which is about industry average, and closer to 90% for Sunrise registrations.

## Appendix III: Recent Debate

### The creation of a new generation of gTLDs has attracted significant publicity, notably in a recent (Aug 22<sup>nd</sup>) Times article entitled “Worldwide worries at costly move from .com to .anything”

The Times noted:

- “A multibillion-pound plan to expand the internet is mired in conflicts of interest, raising concerns from the world’s governments and largest businesses;
- “The Interactive Advertising Bureau, which represents the media interests of companies including PricewaterhouseCoopers, Nestlé and BBC Worldwide, has called on Icann to reverse its “ill-considered decision” to expand the internet, calling it ‘disastrous’;
- In June, Icann board members met in Singapore to decide whether there should be an expansion of domain names. Peter Dengate Thrush, the chairman, voted in favour of the expansion with 12 of the 16 board members. *The New York Times* described the vote to expand “global top level domains” (gtlds) as “a personal triumph for Mr Dengate Thrush, given that the meeting in Singapore is set to be his last as chairman”;
- Stephen D. Crocker, the current chairman of Icann, said it had robust procedures in place to deal with potential conflicts of interest among board members and staff, and has provided guidance. “Icann currently has no information indicating that Peter had any conflict at the time of his vote on new gtlds or any other matter,” he said;
- Though it is not suggested that Icann will profit from the \$185,000 application — it is a not-for-profit group — it is argued that that the initial fee represents a small amount of the real cost for applicants, who may pay millions in consultancy and legal fees.”

The commercial interests of ICANN board members; and

(ii) The expected potential costs to business of securing, registering and protecting new gTLDs.

### The Times article pursued two principal themes

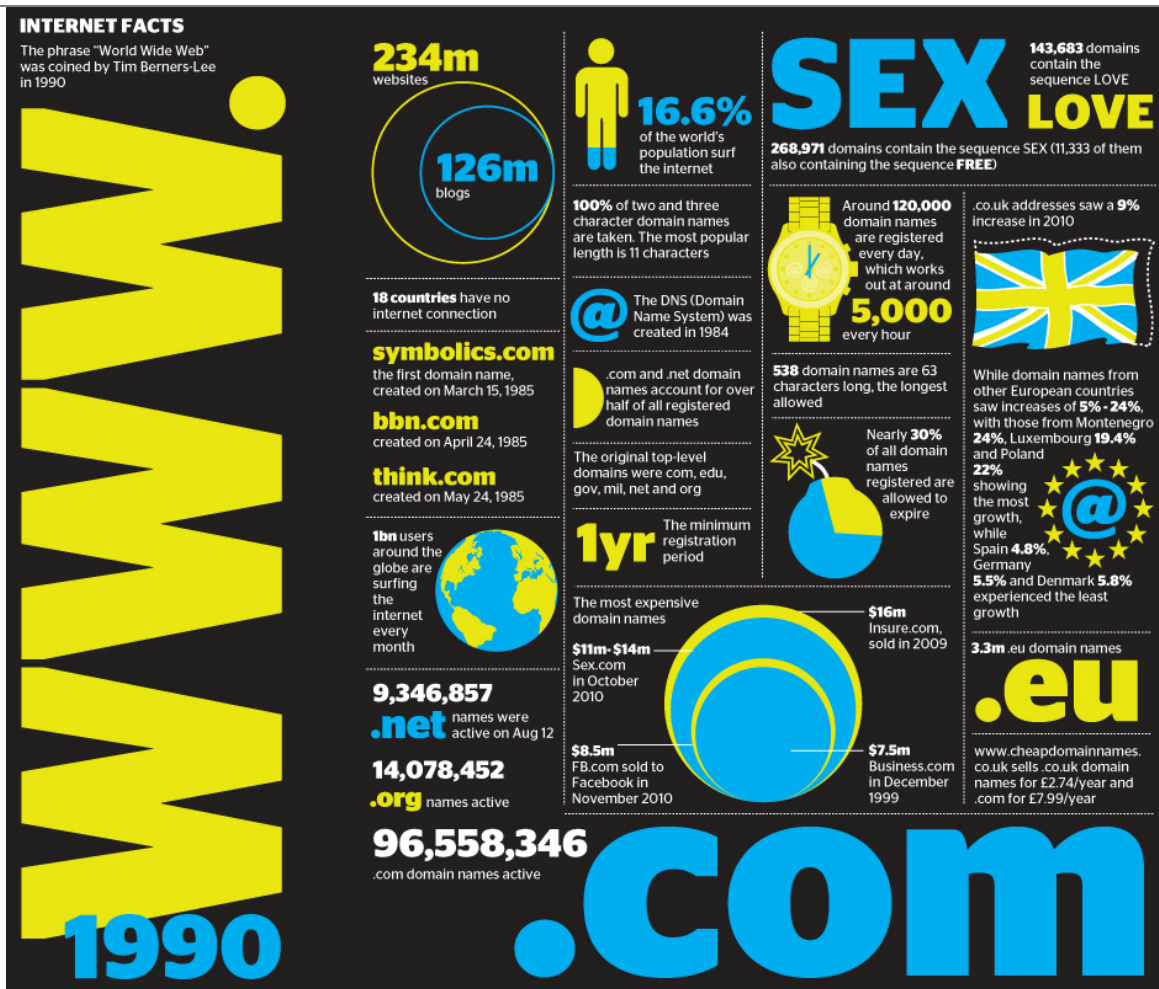
- (i) The commercial interests of ICANN board members; and
- (ii) The expected potential costs to business of securing, registering and protecting gTLDs.

It also mentioned the scale of the task of issuing new domain names in an orderly fashion, although this argument itself underpins the logic of involving commercial entities such as TLDH.

# Appendix III: Internet Facts

## The Times guide to Internet facts

Figure 5: Internet Facts



Source: The Times

## Disclosure Checklist

Company	Code	Disclosure
Top Level Domain Holdings	TLDH	2, 3, 6, 10, 11

Source: Daniel Stewart

1. Within the past twelve months Daniel Stewart & Co plc and/or its affiliates has managed or co-managed a public offering for this Company, for which it received fees or the promise of fees
2. Daniel Stewart & Co plc and/or its affiliates act as corporate broker or nominated advisor to this Company
3. Daniel Stewart & Co plc and/or its affiliates regularly hold/may hold in future trading positions (which may include options) in this Company
4. Daniel Stewart & Co plc and/or its affiliates holds more than 5% of the securities of this Company
5. The Company holds more than 5% of the securities of Daniel Stewart & Co plc and/or its affiliates
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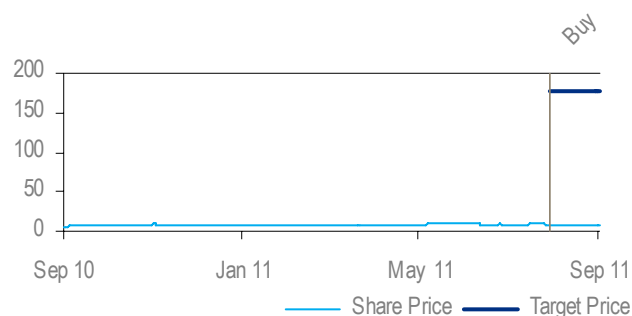
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### Recommendation History



Source: Daniel Stewart

## Key Assumptions

- TLDH is successful in acquiring its targeted generic TLDs
- Takeup and sale of domains in TLDH's portfolio ensues

Income (£m)	10/09A	10/10A	10/11E	10/12E
Turnover	0.3	0.1	0.4	2.9
Gross Profit	0.0	0.0	0.0	0.0
EBITDA	(1.1)	(0.9)	(0.8)	(3.9)
EBIT	(1.1)	(0.9)	(0.8)	(4.5)
PBT	(1.0)	(0.9)	(0.8)	(4.5)
EPS (Adj.) (p)	3.1	(0.3)	(0.2)	(1.0)
EPS (p)	(0.7)	(0.3)	(0.2)	(1.0)
DPS (p)	0.0	0.0	0.0	0.0

Ratios (x)	10/09A	10/10A	10/11E	10/12E
P/E	2.4	n/a	n/a	n/a
EV/EBITDA	n/a	n/a	n/a	n/a
Div. Yield (%)	n/a	n/a	n/a	n/a
P/NAV	2.7	4.6	5.6	3.0
EV/Gross profit	n/a	n/a	n/a	n/a
EV/EBIT	n/a	n/a	n/a	n/a
P/FCF	n/a	n/a	n/a	n/a
FCF Yield (%)	(9.8)	(4.4)	(2.5)	(11.3)
NAV (p)	2.8	1.6	1.3	2.5

Cash Flows (£m)	10/09A	10/10A	10/11E	10/12E
Op.CF	(1.0)	(0.9)	(0.8)	(3.9)
FCF	(1.4)	(0.9)	(0.9)	(3.9)
FCFPS (p)	(0.7)	(0.3)	(0.2)	(0.8)

Balance Sheet (£m)	10/09A	10/10A	10/11E	10/12E
Fixed Assets	2.2	2.0	2.0	7.4
Current Assets	4.4	3.7	4.2	4.8
Current Liabilities	1.2	1.2	0.1	0.7
Capital Employed	5.3	4.5	6.2	11.6
Long-term Liabilities	0.0	0.0	0.0	0.0
Net Assets	5.3	4.5	6.2	11.6
Net Debt/(Cash)	(4.3)	(3.6)	(4.1)	(4.1)

Data is adjusted  
DSC EPS is fully diluted

## Recent News / Events

8 Aug 2011 ~ Appoints joint brokers  
18 Jul 2011 ~ Appoints Exec Chairman  
24 Jun2011 ~ 1H Results

## Management Team

Executive Chairman ~ Peter Dengate Thrush  
CFO ~ David de Jongh Weill  
Chief Financial Officer, Director ~ Guy Elliott  
CSO ~ Frederick Krueger

Major Shareholders	% Held
Kreuger FR Esq.	22.51
Elliott G Esq.	7.15
HSBC Global (Nominees)	6.43
Libra Fund LP	5.80
BNP Secs (Nominees)	3.63
<b>Sum</b>	<b>45.52</b>

Source: Company Data

## Consensus and DSC Estimates

	10/11E
PBT(£m)	
<b>DSCe</b>	<b>(0.8)</b>
EPS (p)	
<b>DSCe</b>	<b>(0.2)</b>
DPS (p)	
<b>DSCe</b>	<b>0.0</b>

Source: Fidessa