

VeriSign: Investing Through the .com Price Window

Internal ID: S&F-STR-570

Topic: Pricing Strategy, Capital Allocation, Platform Strategy

Industry: Internet Services & Infrastructure

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Setting: Reston, Virginia

Information cutoff: February 13, 2025, 11:59 p.m. ET

Management perspective: VeriSign executive leadership at the cutoff

Case convention: The allocation decision is a teaching construct. It is not a reported proposal, board decision, or announced management program. Historical facts are sourced; any budget, target, forecast, or hurdle introduced for analysis is a classroom assumption. [S1]

Executive Summary & Decision

VeriSign operates the .com and .net generic top-level domains (TLDs). Its registry systems maintain the authoritative registration database and support domain-name resolution. Registrars sell registrations and renewals to customers; VeriSign charges registrars registry wholesale fees. Those fees are distinct from the retail prices, promotions, and service bundles registrars set for customers. [S1] (Item 1, Business)

At year-end 2024, the combined .com/.net domain base had declined 2.1% to 169.0 million. New registrations for the two TLDs fell to 37.4 million from 39.4 million, and the final Q3 renewal rate declined to 72.2% from 73.5%. Meanwhile, FY2024 revenue grew 4% to \$1.557 billion and operating cash flow reached \$902.6 million. The contrast raises a strategic question: how durable is revenue growth if the registration base continues to contract? [S1] (Item 7, Business Highlights and Trends; cash-flow statement)

The company also entered a renewed .com registry agreement, effective December 1, 2024. Two separate instruments govern ordinary .com wholesale price increases: the NTIA Cooperative Agreement bars increases until September 1, 2026, while the ICANN Registry Agreement has its own six-year pricing periods and Pricing Years. Under their interaction, the earliest ordinary increase permitted by both falls in the Pricing Year beginning October 26, 2026. The .net agreement has a different schedule. [S1] (Item 7, .com/.net pricing); [S2] (ICANN .com Registry Agreement, §7.3(d)(ii)); [S3] (NTIA, November 29, 2024)

Decision assignment: For this exercise, assume VeriSign's leadership is considering how to allocate discretionary cash over the next two years among (1) registrar-facing demand experiments, (2) incremental security, RDAP, resilience, and compliance capacity, and (3) share repurchases or balance-sheet flexibility. Recommend a policy, explain its assumptions and trade-offs, and specify what evidence would change the decision. This is a hypothetical classroom decision; the public record reviewed for the case does not document this proposal.

1. A registry and its channel

VeriSign operates the authoritative registry for .com and .net, while accredited registrars and their resellers serve registrants. A registrant may buy through a registrar at a retail price that includes the registrar's own pricing and services. The registry wholesale fee is only one component of that transaction. VeriSign says third-party registrars and resellers perform customer-facing sales and marketing, so a registry demand initiative would depend on channel participation and must be designed with registrars. [S1] (Items 1 and 1A)

The installed base may have strategic value. Familiarity with .com, existing links, compatibility, and expectations about where users can find organizations are plausible sources of network benefits. But a registered domain is not necessarily an active website, and the case evidence does not show that a particular marketing or security expenditure would increase registration or renewal. Network-effect and switching-cost models describe mechanisms, not VeriSign-specific returns. [S4]; [S5]

2. Growth and base pressure

Exhibit 1. Selected .com/.net and company measures

Measure	FY2023 / Q3 2023	FY2024 / Q3 2024
Combined .com/.net base at year-end	172.7m	169.0m, down 2.1%
New .com/.net registrations	39.4m	37.4m
Final renewal rate, combined TLDs	73.5%	72.2%
Revenue	\$1,493.1m	\$1,557.4m, up 4%
Operating income	-	\$1,058.2m, up 6%
Operating cash flow	\$854m	\$902.6m

Sources: [S1] (Item 7, lines 718-728, 790-798); renewal rate also [S6]. Base and renewal measures combine .com and .net. The final renewal rate is published after a 45-day maturation period. The case does not identify the separate contribution of each TLD or explain the decline's causes.

Several explanations could fit the volume pattern. Fewer new businesses or online projects could reduce demand for names. Registrants may be cleaning up unused or defensive portfolios. Users and organizations may shift toward other TLDs, apps, social platforms, or different navigation habits. Pricing could also affect registrar promotions or renewal decisions. Finally, timing and cohort mix can move an aggregate renewal rate. The 2024 base and registration figures are consistent with these possibilities but distinguish none of them. The 10-K identifies changing user practices and registrant motivations among demand risks. [S1] (Item 1A; Item 7)

The wholesale prices changed during this period. The .com fee rose from \$9.59 to \$10.26 per annual registration or renewal on September 1, 2024. The .net fee rose from \$9.92 to \$10.91 on February 1, 2024. These are registry wholesale prices, not retail prices to domain holders. Volume decline occurring alongside those changes does not establish price elasticity or show that price caused the decline. [S1] (Item 7, pricing discussion; Note 1)

3. Contract calendars and operating duties

The renewed .com agreement with ICANN took effect December 1, 2024 and runs through November 30, 2030. It does not reset the ICANN price calendar to a new two-year freeze. Section 7.3(d)(ii) sets a maximum-price formula for each six-year pricing period; the first period began October 26, 2018, with Pricing Years running October 26 through October 25. Separately, the NTIA Cooperative Agreement bars .com wholesale price increases until September 1, 2026. Taken together, the earliest ordinary increase under both instruments is in the Pricing Year beginning October 26, 2026. [S1] (Item 7, pricing discussion); [S2] (§§1.1, 4.1, 7.3(d)(ii)); [S3]

These terms concern the registry wholesale fee. They do not fix a registrar's retail price or prevent a registrar from choosing its own retail offers. The .net agreement also remains distinct: the 10-K describes annual increases of up to 10% through June 2029. Do not apply .com pricing limits to .net or treat either wholesale amount as the customer's retail price. [S1] (Item 7, .com/.net pricing)

The renewed .com agreement also makes operational requirements explicit. RDAP services and service levels are set out in Appendix 5B, with WHOIS continuing in parallel. Appendix 11 contains DNS Abuse commitments and a notice requirement within 72 hours after discovery of a qualifying cyber incident, physical intrusion, or infrastructure damage that significantly jeopardizes-or is reasonably likely to significantly jeopardize-the registry system's integrity, confidentiality, or availability. Article 3.1(h) addresses business-continuity discussions with ICANN. These are specific contractual duties. They do not reveal how much incremental staffing or spending is optimal, how much risk an additional dollar removes, or whether such investment changes demand. [S2] (Article 3.1(h); Appendix 5B; Appendix 11(c)-(d))

Management stated that .com and .net resolution availability exceeded 27 uninterrupted years. This is a company-reported historical measure, not proof that future disruption risk is zero. [S6] (Business Highlights)

4. Cash returns and flexibility

In FY2024, VeriSign repurchased 6.6 million shares for \$1.21 billion. At December 31, \$1.02 billion remained under an authorization with no expiration date. Operating cash flow was \$902.6 million, and cash, cash equivalents, and marketable securities totaled \$600 million. Repurchases exceeding one year's operating cash flow do not alone establish financial strain: students should also consider timing, debt, deferred revenue, other obligations, and the desired liquidity reserve. An authorization is permission, not a commitment to spend. [S1] (Item 7; Note 12; balance sheet and cash-flow statement)

The capital-allocation question is therefore not simply whether to spend or return cash. It is whether the next discretionary dollar can be tied to a measurable strategic outcome, whether required security and service obligations are adequately resourced, and what liquidity should be preserved while the .com wholesale price calendar constrains ordinary increases.

5. Strategic alternatives

A. Preserve the recent return posture

Continue repurchases under the existing authorization and meet security, RDAP, resilience, and compliance requirements through baseline operations. Defer discretionary demand programs until better evidence is available. This option favors near-term per-share returns and avoids uncertain program execution. Its risk is that the company may wait through continued base erosion without learning whether registrar-facing interventions can improve additions or renewals.

B. Test demand with registrars

Fund limited, co-designed registrar experiments, such as renewal communications, onboarding support, or measured offers for selected customer groups. The .com agreement requires VeriSign to charge the same registry-services price to all ICANN-accredited registrars; volume discounts, marketing support, or incentives are permissible only if every registrar has the same opportunity to qualify. Any experiment involving those benefits must respect that guardrail. Use holdout groups or phased rollouts where feasible, and measure incremental retained or newly registered names rather than gross campaign activity. This could produce evidence about addressable demand and the channel. It could also subsidize registrations that would have occurred anyway; attribution may be difficult, and the benefits may accrue primarily to registrars or registrants. No public source establishes a positive return for such an initiative. [S2] (\$7.3(e))

C. Add security and resilience capacity

Commit incremental resources to RDAP readiness, DNS Abuse processes, testing, continuity planning, or response capacity beyond the baseline needed to satisfy existing duties. This may improve readiness and reduce tail exposure. Its marginal benefit is difficult to observe before a disruption, and public disclosures do not provide an incremental risk-reduction estimate. Define what new capability is being purchased and how readiness will be measured.

D. Stage a portfolio of choices

Set a floor for required operations, preserve a chosen liquidity buffer, and release limited discretionary funds to demand or resilience initiatives only when defined evidence gates are met. This reduces the size of an early commitment and creates learning opportunities. It may also spread funding too thinly, delay action, or establish noisy measures that do not identify causal effects.

6. Decision assignment

Prepare a two-year capital-allocation recommendation for VeriSign's executive leadership. Choose an alternative or create a combination. Specify:

1. The order of priority for discretionary demand experiments, incremental security/RDAP/resilience capacity, repurchases, and liquidity.
2. The assumptions needed to compare the alternatives. Label every unreported budget, target, forecast, retention effect, program cost, margin, tax rate, and hurdle as a classroom assumption.
3. The measures and decision gates that would cause the company to scale, revise, or stop a program.

4. The strongest argument against your recommendation and the evidence that would change your view.

Potential measures include .com and .net gross registrations, eligible renewals and final renewal rates by cohort, net additions/deletions, participating registrars, cost per incremental retained or new name, RDAP service-level performance, DNS Abuse process performance, continuity-test results, and liquidity. Some measures may be available internally but are not disclosed in the public data in this case. Do not claim the combined published renewal rate isolates either TLD or any intervention's effect.

Sources and conventions

S1. VeriSign, Inc., **2024 Form 10-K**, filed February 13, 2025. Relevant locators: Item 1, Business; Item 1A, Risk Factors; Item 7, Business Highlights and Trends, .com/.net pricing, liquidity and capital returns; Item 8, consolidated financial statements, cash flows, and Note 12. SEC filing accession 0001014473-25-000006.

S2. ICANN and VeriSign, **executed .COM Registry Agreement**, effective December 1, 2024. Relevant locators: §§1.1, 4.1, 7.3(d)(ii), 7.3(e); Article 3.1(h); Appendix 5B; Appendix 11(c)-(d).

S3. U.S. Department of Commerce, NTIA, **"The .com Cooperative Agreement: Ensuring Internet Stability and Security"**, November 29, 2024. The NTIA agreement is separate from the ICANN Registry Agreement.

S4. Michael L. Katz and Carl Shapiro, **"Network Externalities, Competition, and Compatibility,"** *American Economic Review* 75(3), 1985, pp. 424-440. Theoretical mechanisms; no VeriSign-specific estimate.

S5. Joseph Farrell and Paul Klemperer, **"Coordination and Lock-In: Competition with Switching Costs and Network Effects,"** *Handbook of Industrial Organization*, Vol. 3, 2007. General synthesis; no VeriSign-specific estimate.

S6. VeriSign, **"Reports Fourth Quarter and Full Year 2024 Results"**, February 6, 2025. Business Highlights and financial results.