Thursday, July 31. 2008

### TM-Collection - The latest "Trademark Directory" scam outfit

This one came in via postal mail from Hungary, a pretty straightforward looking "invoice" for our trademark in something called the "TM-Collection - International Register of Trademarks".

I'm sure if one were to confront these companies they would tell you they are "offering a service" not trying to chump you with a fake looking invoice, but I contend that the latter is indeed the end-game behind all these. Why? Because when somebody is trying to sell you a service that you don't already own, use, subscribe to, etc, the order form is invariably accompanied by a sales letter. No sales letter = no sales pitch. If it just shows up looking like an invoice, its a scam.

Powered By: eSurveys.com

Posted by Mark Jeftovic in The Sleazemeter at 11:06

### Ten Years of easyDNS

10 years ago on this day, we removed the password block on easyDNS.com and sent out a couple of innocuous email announcements to the PHP and Mysql mailing lists announcing that we had developed a DNS management system using php and mysql and it was now open for business. We had three nameservers, 1 in our office (where the "other server", that ran everything was), one downtown in somebody else's cage at 151 Front street, and some friends of ours in Buffalo who were running an email company called chek.com let us run a third nameserver on one of their servers. That was the initial setup of easyDNS... Continue reading "Ten Years of easyDNS"

Posted by easyDNS: of Interest in via easyDNS blog at 10:25

Wednesday, July 23. 2008

### DNS cache poisoning exploit released

Hi There,

There is a new DNS Cache poisoning disclosure that has been inadvertently leaked before it was scheduled to be released by Dan Kaminsky (IOActive). This is a very serious flaw in the DNS protocol that impacts caching resolvers, like the resolvers hosted at your service provider that help your workstation resolve IP addresses to domain names.

This bug does not directly impact authoritative name servers like the ones used to host your domain names at EasyDNS. Our name servers do not request answers from external sources, and rely entirely on internal cache files to offer answers. So for example, nobody will be able to change your IP information on our end. That part of the bug is unfortunately located at the caching end.

That being said; this is still a serious flaw, and we are taking this opportunity to upgrade the DNS software on our authoritative name servers to ensure that we are 100% compatible across the board with the newly upgraded caching name servers located at your Internet Service Provider. These upgrades should not impact name resolution if you are using more than one of our name servers to serve answers for your domain name (actually, please ensure that you are).

To make sure your Internet Service Provider is up to speed, you can use Dan Kaminsky's test script at DoxPora Research. If your Internet Service Provider is not yet up to speed, you may want to give them a nudge and/or change your DNS resolver configuration to a more trusted service.Update It is now making news that an exploit to this attack has been released., please see our post about our newly launched DNSresolvers.com if you are looking for safe resolvers.

Posted by easyDNS: Domain Industry Watch in via easyDNS blog at 20:52

Thursday, July 17. 2008

### .ME Top Level Domain launch indicative of new TLD rollouts

We've gotten a few invitations to apply to be a .ME top-level domain registrar, to which we assigned no urgency after we took a straw poll internally and found that pretty well zero of our customers were asking for it. Today, Techcrunch reports that the .ME landrush, at least through one large operator, had degraded into a fracas. We have an unwritten policy here: new Top Level Domain roll outs are to be avoided until they i) get past sunrise without erupting into a malestrom of lawsuits and ii) get past "go-live" without imploding.

It runs contrary to industry standards where registrars whip their customer base into a frenzy over an exaggerated need to protect one's trademarks and claim one's stake in the latest "must have" TLD. The fact is, all you really need to care about are .COM, .NET and .ORG plus the ccTLD of the country you live in or do a lot of business in. (I will probably catch flack for saying .BIZ and .INFO are not crucial must-haves to your domain portfolio - we grabbed ours, at considerable expense in the case of .INFO and it was our experience in the roll out of these two that largely formed our policy.)

That most of these new TLDs roll out with initial 2-year registration period minimums are just an outright cash grab from the registry that most participating registrars are happy to join in on. They know that the sunrise and landrush frenzies they hope to whip up are the single greatest revenue events these TLDs ever experience. After the hoopla dies off and organizations realize how unimportant owning say ".ZX" is in their overall domain strategy and the domainers who piled in find out the aftermarket for the TLD is lackluster at best, the renewal rates predictably fall off a cliff.

So when the next "must have" TLD comes along and participating registrars start lovebombing their customers with reasons why they absolutely must"protect their name" in the new TLD, we often commit the egregious sin among investment bankers, VC's and pundits - that of "leaving money on the table" and we just don't rush in and push the new TLD. If it prevents us from leading our members off a ciff in to a major debacle, we consider ourselves as having done our job. (This was a similar rationale to why we never entered the IDN space, as long as you need a browser plug-in to make internationalized domain names even borderline usable they are, in our opinion, of marginal utility - we stayed out of it)

This is in line with our lifelong strategy of cultivating members who actually use their domains rather than pushing the "get your name before its gone" angle for every TLD under the sun on anybody who can fog a mirror. When we launched back in '98, we couldn't even register domains at all, so our member base was exclusively people who were actively using their domains and wanted outsourced DNS and/or forwarding. That set the tone for our positioning and culture ever since, and while now we do have a lot of customers using us "as registrar", our core is always the active domain users.

We have almost zero "domainers" with large portfolios of parked domains and speculative registrations because our model simply doesn't work for those types of users. It's not a judgement against domainers, it's just not where we came from.

All that said, you would probably think we are opposed to the new "free-for-all" TLD expansion policy hinted to in the recent ICANN meeting in Paris. We are not. We would welcome this new tlds policy (if it ever actually happens) because it removes the artifical scarcity and counteracts that "cashgrab" mentality we sniff at the root of many a new TLD. If new TLDs are coming out all over the place, two things happen:

1) Organizations realize that it is no longer practical to attempt to "protect their name" in every TLD space, so they stop trying. This removes a lot of the "easy money" underwriting new TLDs, some of which would otherwise launch for the thinly disguised reason of trying to milk the Sunrise for all its worth.

2) The above impetus gone, new TLDs will have to compete in a much more open market. Registries, while having de facto localized monopolies within their own TLDs will have to provide actual value to compete with other TLDs.

That appeals to our sense of market freedom: less artificial barriers compelling a drive toward providing more value and benefits. The winners in the end should be the domain registrants, who are, let's not forget, our customers.

Posted by easyDNS: Domain Industry Watch in via easyDNS blog at 20:52

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Posted by easyDNS: Domain Industry Watch in via easyDNS blog at 07:52

Friday, July 11. 2008

### Life as a lemming

Apparently today is iPhone-day in Canada, and this is one of the smaller line-ups for them, out near my place on the way into work. Bear in mind it has been raining fairly hard all morning and from what I've heard, the data pricing on the Rogers iPhone isn't the greatest.

Readers of this blog know I've been using a an unlocked iPhone on fido for quite some time now - I have a very old contract with Fido, unlimited data transfers that's been grandfathered in ever since. You can't buy these anymore, which is why I faithfully renew this contract with Fido and just use whatever phone I want on their network by only buying GSM unlocked phones, or in the case of the iPhone, finding out how to unlock them.

My former CIRA-Board colleague Michael Geist has pointed out that if Bill C-61 passes, GSM unlocking your (repeat YOUR) own phone will become unlawful. (I was unaware of this, which is why I recommend everyone subscribe to Michael's blog feed, he keeps on top of this stuff).

Suffice it to say, this is retarded but life is sometimes a tale told by idiots, especially when we implicitly feel like we couldn't get through our daily lives without installing a few of them to govern us.

This morning's post basically comes down to three themes for me:

People are lemmings. The ones that really wanted an Iphone waited, and waited, and waited until somebody told them "now is the time but you have to use Carrier X" and they will wait, in the rain, for hours to get it on terms dictated to them by somebody else. A cursory cost/benefit analysis by any of these people would have led them to the conclusion that they would have been further ahead buying one off of Ebay, or even right here in Toronto at a place like Bongo Wireless, already unlocked and able to use under one's own existing cellphone contract.

Apple is making the same mistake again. They originally lost the desktop market to windows because they wouldn't open up the licensing, yes, they've bounced back in recent years but not too long ago, they were on a deathwatch. All it takes is somebody (*cough* google *cough*), it doesn't matter who, to come up with the next "sexy must have wireless device" and release it unlocked and unrestricted and Apple will take it up the nads again. The sheer volume of the "grey market" for iphones should have telegraphed to Apple that there was far more upside to selling the damn phone unlocked to anyone who wanted it with any carrier.

For good or ill, for the right reasons or the wrong reasons, Artificial barriers create opportunities. If Bill C-61 passes, I will not sign some NDP petition, I will not picket in the streets, I will not go egg Jim Prentice's car. I will go into business. I have already been researching GSM unlocked, Wifi-enabled, dual-mode SIP/VOiP smartphones: there are a bunch being manufactured in China, there are a few Linux based ones - I'm going to start selling these things and running my own sip proxy to route the VOIP traffic. I am betting that over the long term, people will choose open access and mobility over lock-in - we built easyDNS on this concept - the telecom landscape is ripe for it.

Posted by Mark Jeftovic in Life, the Universe and Everything at 10:31

Tuesday, July  8. 2008

### I once was lost, but now I'm found

For some reason, PrivateWorld.com, the domain name I recently moved my personal blog to, a domain I've owned since 1997 and used to house the company website from a previous partnership (Private World Communications) was delisted from the Google index. I'm not sure when it happened as I was receiving traffic from google via this domain almost immediately over the cutover.

To avoid a possible penalty for duplicate content I began using a 301 redirect from my previous Mark.Jeftovic.net blog hostname. No good deed goes unpunished, they say. Once PrivateWorld got dropped from the index I was gone completely since the 301 redirect had basically transferred all my pagerank and indexed pages to the  now dropped name.

I think way to handle a situation like this is to ask around on the Google webmaster groups and ask about your particular domain, because Google staffers tend to read these and can sometimes address your site's particular circumstances.

Then watch this video and follow the steps therein. If you haven't already used the Google webmaster tools , there really is a wealth of information and diagnostics there about the Search Engine visibility of your website. I added my sitemap there so I could see what Google saw, I've requested reconsideration - which is supposed to take weeks, but after a few days I seem to be tricking back into the google index.

One of things I did notice under the webmaster tools is the keywords associated with my site content looked pretty "spammy" and I think those were old and dated back to a brief time when I just had the domain parked with a commercial domain parking service. If this is what got my  domain dropped from the index, it is mildly startling to say the least. I'm used to seeing parked domains not appear in the google index, but I have also routinely "unparked" domains by developing them and found them appearing in the index within reasonable intervals (less than a few weeks) without seeming to be penalized for their past "parked" status.

So it's a mystery, but an unsettling one when it's unknown why it happened. When my personal blog gets dropped from the index, it's not  the end of the world. But had it happened to a domain more central to my business interests, like say, easydns.com, it would be a non-trivial event that would really impact my business - and that scares me. So even though I seem to be re-appearing in the index, I'm hoping my reconsideration request produces an explanation on what caused this.

Posted by Mark Jeftovic in Living off the net at 20:11

Monday, July  7. 2008

### Tucows may be overlooked as a value stock (no, really)

Some time ago Tucows (AMEX:TCX, TSX:TC) issued a press release reminding the world that they hold a sizable portfolio of premium domain names, the subtext to which was ostensibly "look at us, we're undervalued". Jay Westerdal over at DomainTools commented in his blog in essence that the premium domain portfolio of Tucows was not priced into the stock and in his estimation he could see the stock doubling within 2 years. Jay's assessment was an estimate. After looking at this in detail, I personally think Tucows has an intrinsic value between 0.94 and 1.58 per share (currently trading at .60) - Note that everything that follows is based on the CDN listing price.
Before I took a week off to attend the Center for Advanced Value Investing Excellence at Western's  Ivey School last month, I did a rather clumsey spreadsheet analysis of Tucows where I basically stripped out all the goodwill, all the intangibles, massively devalued some Tucows business units (such as the email division) and basically did a very crude "break-up" value of the company.

Keeping in mind I'm not a financial analyst, nor do I play one on TV, my analysis is probably prone to error and very inexact, but at the end of it, depending on various fudge factors I came up with a break-up value of roughly 0.55/share, excluding the premium domain portfolio. So margins of error and possible methodology flaws aside, what this basically means is Tucows, according to this model, is trading slightly above "book value".

After my seminar I had a lot clearer insight on methodology so I was able to do the model over again with a lot more "mathiness", but the constant between the two models was the value of the premium domain portfolio.

Taking the numbers directly from the Tucows press release I came up with the following table for valuing the portfolio (recall, I was the bombthrower who publicly stated that  the domain aftermarket was overheated and overpriced in early '07, so I lowballed all my numbers):

Domain TypeNumber of DomainsAverage ValueTotal
Gems1000$10,000 $10,000,000
Surnames39000 $1,000 $39,000,000
Brandable22000$1,000$22,000,000
Direct Nav88000$270$23,760,000
Total $94,700,000

The immediate thing one notices from this, given that Tucows total market cap is around 45M, is that this portfolio is worth more than double the current market cap. We immediately have to question the assumptions above, and I have done so, speaking with numerous domainers in the industry who agree with me that my numbers are probably safely to the conservative side. In fact I had originally priced the 88,000 "direct navaigation" names at $100/per until Tucows CEO Elliot Noss revealed in their last conference call that they had sold about 3700 names from this inventory in the prior quarter  at just over $1 million, which put the average at $270 each, so that's what I used.

From this, I begin to suspect that Tucows is a possible "value stock" candidate, in that it has assets which are largely off balance-sheet and not yet priced into the stock. I believe this is the most accurate way to view Tucows.

In my week away at the CAVIE seminar, under the tutelage of Dr. Athanassakos, we learned the Earning Power Multiple methodology of equities valuation. Briefly, we look at any company by figuring out its Weighted Average Cost of Capital (WACC), its Return On Invested Capital (ROIC), its Net Asset Value (NAV) from a replacement cost perspective, and its Earning Power Value (EPV) which is basically Free Cash Flow with the growth stripped out. From looking at the relationship between those four factors we can infer a picture of the company, it's Intrinsic Value and calculate what entry price would give us a reasonable Margin of Safety.

With Tucows I came up with:

WACC: 8.17%
ROIC: 8.25%
NAV: 1.58
EPV: 0.31

Since EPV is less than NAV we then do

IV = EPV + (NAV - EPV) x %p

Where %p is our probability of a catalyst event. I have used numbers here between 50% and 75% and lean toward the high end because if I'm right about the value of the domain portfolio, it's not going to sit there inert forever. With a few different %p's we get

%p = 50%:

IV = EPV + (NAV - EPV) x %p
IV = 0.31 + (1.58 - 0.31) x .5
IV = 0.94

%p = 70%:

IV = EPV + (NAV - EPV) x %p
IV = 0.31 + (1.58 - 0.31) x .7
IV = 1.20

and if you happen to have inside knowledge of a "sure thing" catalyst event (I don't) then:

%p = 100%:

IV = EPV + (NAV - EPV) x %p
IV = 0.31 + (1.58 - 0.31) x 1
IV = 1.58

All of these numbers are lower than the "value" I came up with in my original model which put the value at $1.70/share, so I tend to think the second model is more realistic.

Value Investors use their own cushion for a decent margin of safety, but 30% is often used, so we calculate our entry prices from there:

Optimal Entry Prices for various IV

IV / Entry

0.90 / 0.66
1.20 / 0.84
1.58 / 1.10

Given that Tucows has moments ago closed at 0.60 on no volume (zero shares traded today), we seem to be well within our margin of safety under all three scenarios above.

At the end of the day I honestly feel Tucows is a value stock candidate and is profoundly misunderstood by the wider market and even ostensibly professional market watchers. For example, Pat McKeough of "Stock Pickers Digest" has picked Tucows and has talked it up in his newsletter as a growth stock more than once. But if my model is anywhere close to correct, with WACC and ROIC so close to each other to be nearly equal, growing Tucows for growth's sake will not add any value. Return On Invested Capital must be meaningfully higher than WACC for growth to add anything (and if it's lower, watch out! Growth will destroy your value!)

It all comes down to the value of the premium domain portfolio. Is there really tangible value there? Again, we have to use margin's of safety in our calculations. The premium domains only partially show up on the balance sheet under intangible assets in connection with the names they acquired from buying out ItsYourDomain. The rest of the portfolio has largely been built via the domain expiration cycle and thus they do not appear on the balance sheet at fair market value, if they appear anywhere they show up at registration value. But there is a caveat with placing a value on the the premiums, Frank Schilling said it best last year:

The disconnect I have built to is that large groups of names are actually worth less together than their individual break-up value apart (and by a considerable margin).  In a perverse way, it would almost be better for a company like Marchex to unwind the foresight of that name-portfolioâ€™s founder [Yun Ye], by selling their names onesey twosey. I previously estimated a conservative breakup value of Marchexâ€™ domain names alone at north of a billion. Problem is, even the best name-sellers can only liquidate about 2% of a large portfolio like Marchexâ€™s in any given year (and thatâ€™s pushing it), so in exchange for "cash now", a name-seller has to give up the upside.

With this in mind, we can hope that Tucows turning up the aftermarket channels, such as their recent partnership with Afternic will enable them to turn this portfolio into a good stream of free cash flow.

They also recently announced a $10 million share buyback which will only help matters if they carry it through as it should reduce the float by about 10%.

I don't make stock recommendations, but I will make disclosures, and I have invested in Tucows at an average cost of 0.62/share.

Posted by Mark Jeftovic in This is not investment advice at 09:15