Funding Forecast Assumptions for Fiscal Years 2025-2029

13 October 2023

Introduction

This document has been prepared as part of the development of the Internet Corporation for Assigned Names and Numbers' (ICANN) Five-Year Operating and Financial Plan for fiscal years 2025-2029, which runs from 1 July 2024 through 30 June 2029. The primary objective of this document is to outline the various funding-related assumptions and projections included in the FY25-FY-29 Five-Year Operating and Financial Plan. This document also supports ICANN's efforts to achieve the financial goals outlined in the ICANN Strategic Plan for Fiscal Years 2021-2025, specifically Goal 5.2: "to develop reliable and predictable funding projections."[1] Excluded from the forecasts below are funds relating to ICANN's New gTLD Program Next Round application fees and auction proceeds.

This document contains forward-looking information that represents ICANN's attempt to conservatively estimate future levels of funding. The intent is to maximize the chances that such future funding is equal to, if not higher than these projections would suggest, thus allowing ICANN to plan for a level of activity and expenses that minimize the risk that funding would be lower than expenses in the future. The forward-looking information contained in this paper is based upon what ICANN believes are reasonable assumptions derived from the most current information available at the time of publication. However, the use of such forward-looking information involves risks and uncertainties. As a result, actual funding levels could differ materially from those projected in this document in any given year.

The funding assumptions and forecasts outlined in this document have been prepared in light of expectations of uncertain global macroeconomic prospects, and wars in Ukraine and the Middle East. In comparison to last year's economic forecasts, which predicted possible recessions in major economies, calendar year 2023 to-date has had limited growth, but not the severe downturn that was being predicted one year ago. As the International Monetary Fund (IMF) notes, "[t]he global economy continues to recover slowly… Yet growth remains slow and uneven, with growing global divergences. The global economy is limping along, not sprinting."[2]

This document describes ICANN's "base-case" funding scenario, along with 'low' and 'high' funding scenarios, and further outlines the prospective impacts that these scenarios may have on ICANN's funding. The "base-case" scenario can be considered as ICANN's view of the most likely and "conservatively-determined" scenario. ICANN incorporates various assumptions of growth or decline for each of its funding categories

[1] Targeted outcomes as part of this strategic goal include the development of reliable and predictable five-year funding projections based on a sound understanding of the evolution of the domain name marketplace and realistic assumptions, as well as the use of data about directions and trends in the market to effectively guide the organization. ICANN's Strategic Plan for Fiscal Years 2021-2025 is available at: https://www.icann.org/en/system/files/files/strategic-plan-2021-2025-24jun19-en.pdf

[2] *World Economic Outlook October 2023*. International Monetary Fund. October 2023. https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023?cid=ca-com-compd-pubs_rotator-AM2023

to develop multiple plausible views of how ICANN's funding might evolve over the five-year horizon. These are developed for the specific purpose of creating reasonably conservative funding assumptions and are not intended to convey ICANN's views or positions on any specific aspect of the Domain Name System (DNS) ecosystem. Other parties may use the same information for different purposes, which can lead them to draw different conclusions.

Consistent with its approach toward developing funding forecasts, ICANN's funding forecast assumptions and outputs are regularly evaluated and calibrated as additional data becomes available.[3]

This document is divided into three sections:

Section 1 - Industry Context: This section highlights major themes taking place in the global economy and the DNS industry based on a variety of sources, including independent market research on the DNS industry. It provides an overview of key factors that have had or could have a significant effect on the DNS industry, along with corresponding assumptions related to the potential evolution of the DNS marketplace. Many of the key trends summarized in this section represent those identified in the independent market research in order to assist ICANN with developing its funding projections through FY2029. The trends and commentary provided in this section are not intended to convey ICANN's views or positions on any specific aspect of the DNS ecosystem.

Section 2 - Funding Forecast Assumptions: Taking into consideration the key trends identified in Section 1 of this report, ICANN is developing three discrete forecast scenarios, 'low', 'base-case', and 'high', to accommodate a range of eventualities for the ICANN FY25–29 (Five-Year) Operating and Financial Plan.

ICANN's primary sources of funding are generated from domain name registration activities through various fixed, transaction, and variable fees paid by registries and registrars, along with application fees and other sources of funding such as contributions from Regional Internet Registries (RIR) and country code top-level domains (ccTLDs). This section summarizes the assumptions used by ICANN to develop the funding projections for each of these funding categories.

Section 3 - Funding Forecast Summary: This section features detailed forecast data at the 'low', 'base-case', and 'high' scenarios across each of ICANN's funding categories.

[3] A detailed description of ICANN's funding forecasting approach is available as part of the appendix.

1. Industry Context

This section includes key data and factors that have had significant bearing on the evolution of the DNS industry over the past five years. It is important to note that the complexity of the industry means that some of the factors presented here may produce mixed effects. This analysis is complemented by research produced by an independent market analyst to assist ICANN in better understanding emerging trends in the DNS industry and developing its funding projections for FY2024-FY2028.[4] The trends and commentary provided in this section are not intended to convey ICANN's views or positions on any specific aspect of the DNS ecosystem.

A. Risk of economic uncertainty may affect demand for domain names.

The current trajectory of the global economy provides the backdrop from which to begin exploring major developments and themes in the DNS industry. While nearly four years have passed since the COVID-19 pandemic brought the global economy to a standstill, economic prospects are still being influenced by pandemic-era related factors, including widespread business closures, the increasing prevalence of remote work, supply chain disruptions, government stimulus packages, and inflationary pressures. These developments could potentially impact the DNS industry by affecting consumer demand for domain name registrations. Thus, better understanding the trajectory of the global economy helps inform ICANN as it develops its Five-Year Operating and Financial Plan.

ICANN regularly monitors global gross domestic product (GDP) forecasts from sources such as the World Bank, IMF, the Economist Intelligence Unit (EIU), and Bloomberg. The general forecast throughout calendar year 2023 has been the expectation of a global economic slowdown, but for the most part the global economy has performed better than initial forecasts expected. The IMF is forecasting 3.0 percent growth in 2023, and 3.0 percent in 2024, while the World Bank expects growth of around 2.1 percent in 2023 and 2.4 percent in 2024. Previous World Bank, IMF, and EIU GDP growth forecasts for 2023 in January were later adjusted slightly upwards as real-time data showed the global economy performed better than expected and 2023 inflation tempered to an extent compared to 2022. Forecasts for 2024 also show modest growth expectations, as economic uncertainty continues and the specter of inflation continues to be a risk.

The global outlook for modest growth among leading forecasters should be noted as ICANN considers its own forecasts related to the DNS space. DNS industry perspectives[5] appeared to confirm such concerns about the global economy and the potential effect on the marketplace.

[4] ICANN evaluates a range of factors when developing its funding projections, including recent and expected marketplace developments that are likely to have an impact on supply-side and demand-side conditions. To this end, ICANN engaged with the DNS industry analyst, ZookNIC Inc., to support the development of its funding projections for the period between FY2024-FY2028. Many key trends summarized herein, including those on the prospective impacts of current global macroeconomic conditions on the DNS industry, represent those identified by the consultant through interviews conducted with various industry representatives, privately gathered input, a review of historical domain name transaction data, and publicly available industry information (e.g., investor statements, regulatory filings, news profiles, etc.).

[5] Ibid.

One area of concern is the emergence of higher energy prices, which contributes to rising inflation. The general concern about current macroeconomic conditions such as higher-than-historical inflation, is that they could result in a global economic slowdown in CY24. Additional macroeconomic concerns include the potential effect on pricing, exchange rates, and overall impact on firm capital and energy costs.

To be clear, the future of the global economy is far from certain, but given the 2022 experience of high inflation (with slight moderation in 2023) and higher interest rates in 2023, many voices in industry, government, and international organizations, including the IMF, are suggesting the world might be heading into a period of diminished growth. Based on prior experience linking global economic growth with domain counts, economic uncertainty could potentially depress demand for domains and various complementary add-on services.

B. The domain name industry's return to "normalcy" in the post-COVID world. When the COVID-19 pandemic appeared in 2020, concerns arose that, like many other parts of the global economy, demand for domain names would decrease. The actual experience, however, proved to be the opposite as demand increased as online activity expanded and the usefulness of an Internet presence became more apparent. But now, current growth trends for legacy generic top-level domains (legacy gTLDs)[6], such as .COM, .NET and .ORG, are lower than compared to the past three years, with growth tracking between 1-3%.

Figure 1 depicts domains under management (DUMs) of new gTLDs[7] following the 2012 round of the New gTLD Program, legacy gTLDs, and ccTLDs[8] from 2013 to mid-2023. This time span captures the marketplace baseline prior to the introduction of new gTLDs stemming from the 2012 round, the changes resulting after their introduction, and the impacts of the COVID-19 pandemic through the present. From this there was a tendency toward 2 to 4 percent annual growth rates pre-pandemic followed by much more varied growth rates from 2020-2022. The growth rate for legacy gTLDs has been relatively flat over the last twelve months as of June 2023, growing by less than 1%. New gTLDs have similarly seen a modest increase in the last twelve months, growing by less than 1%. The growth rate for ccTLDs during the same period was approximately 4%. Preliminary data through September suggest there may be potential growth in both legacy and new gTLDs in the single digits for calendar year 2023, which may be more in line with pre-pandemic rates.

It should be noted that this modest growth pertains to the TLDs in aggregate, with certain legacy and new gTLD growth outweighing declines in others.

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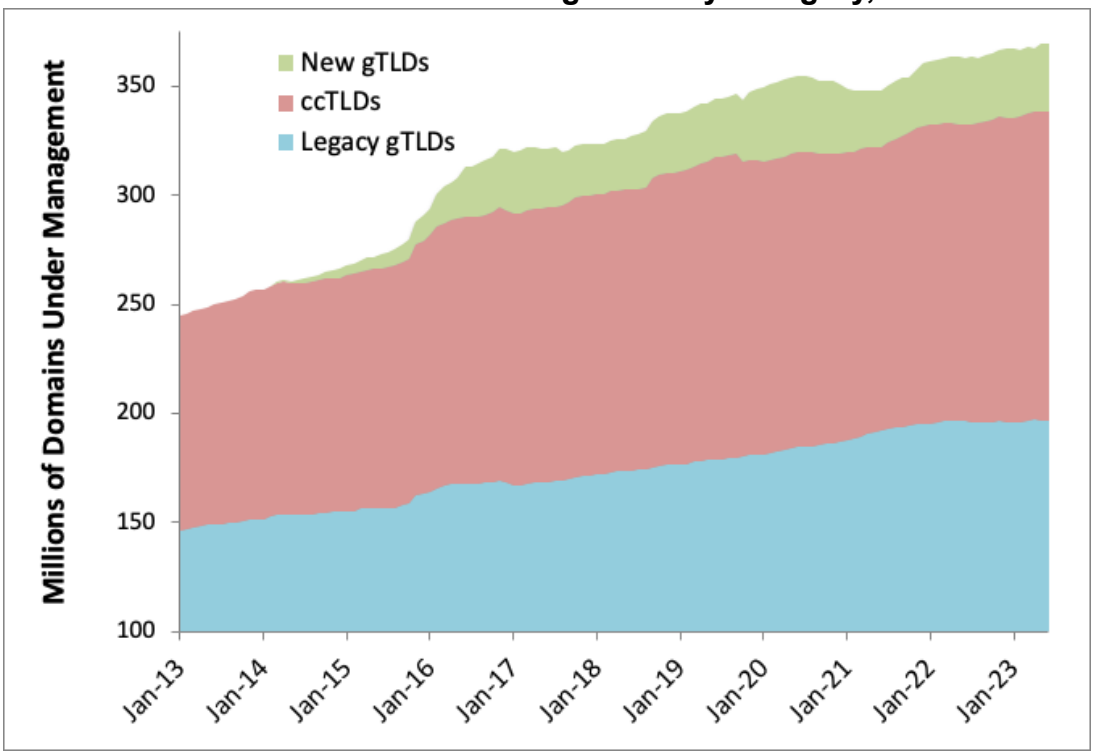
[6] This includes .aero, .asia, .biz, .cat, .com, .coop, .info, .jobs, .mobi, .museum, .name, .net, .org, .post, .pro, .tel, .travel, and .xxx in its definition of legacy gTLDs.

[7] This segment corresponds to those gTLDs launched since October 2013.

[8] ccTLDs largely match ISO two-letter designations for countries and other territories. ccTLDs are derived largely from ISO 3166-1 alpha-2 country codes.

Figure 1. Number of Domains Under Management by Category, 2013-2022.



Source: ZookNIC Domain Counts for Legacy gTLDs, ccTLDs and New gTLDs.

C. Continued differences in regional adoption rates.
Significant regional differences remain in domain name registration levels worldwide. While regions such as North America and Europe have relatively higher domain penetration rates, other regions of the globe have notably lower adoption on a per capita basis.

In terms of future industry growth, the steady historical average growth rates in mature markets is expected to be counterbalanced in those regions where demand for domain names is much less developed. There remains an expectation of higher growth rates in underpenetrated and emerging regions over the upcoming five-year period, as businesses and individuals that currently do not have a digital presence seek to establish one.

Despite the expectation for higher growth in underrepresented regions, there has been uneven growth in domain name registrations across most regions from 2019 to 2023, as seen in Figure 2. This is perhaps due to regional and country-specific economic uncertainty. This more recent growth trend has been different from that established in the prior five years prior to the COVID-19 pandemic. ICANN will continue to monitor trends and evaluate whether tracking since 2020 presents a new expectation moving forward or whether underrepresented regions will again experience higher growth rates.

Figure 2. Domain Registrations per 1,000 People by ICANN Region.

Region	2014-EOY	2019-EOY	2023-Q2	Average Annual Growth Rate, 2014-19	Average Annual Growth Rate, 2019-23
North America	251.6	285.1	307.9	3.2%	3.0%
Europe	134.4	153.4	161.1	3.0%	1.9%
Latin America/Caribbean islands	18.3	20.9	24.3	3.5%	6.4%
Asia/Australia/Pacific	17.9	20.8	16.5	3.9%	-8.7%
Africa	3.0	3.9	4.2	8.0%	3.2%

Source: ZookNIC Domain Counts for Legacy gTLDs, ccTLDs, and New gTLDs. Note: A good portion of the negative growth shown for the Asia/Australia/Pacific region from 2019 to 2023 can be traced to the ccTLDs .CN and .TK, which both shrank during this time. If .CN and .TK were removed, the average annual growth rate for the region would be approximately 1.6 percent.

D. Industry consolidation

The domain name industry continues to mature while consolidation within registrars and registry operators is creating larger operations. Reasons for this consolidation appear to be attributable, at least in part, to efforts to drive down fixed costs. These include expenses such as database management and customer service, as well as contractual obligations ranging from ICANN requirements to regulatory obligations such as General Data Protection Regulation (GDPR) compliance. Given these fixed costs, the marginal costs of registering an additional domain (as a registrar) or operating an additional TLD (as a registry operator) may be relatively low, thus encouraging companies to expand operations. A caveat to this is the current economic climate where higher interest rates are making consolidation more expensive from a debt-financing perspective; and global economic uncertainty, which may alter firm-level market expansion strategies via consolidation.

Efforts by registrars to expand their sales channels and range of offerings have been a market enabler during the past five years, before interest rates began rising in 2022. Motivations for such efforts would include, but are not limited to, the formation of greater economies of scale, improved flexibility to changing market conditions, positioning organizations higher up within the domain name value chain, and leveraging the large number of domain name customers to sell higher-value ancillary services. There have also been recent examples of publicly-traded companies entering the DNS marketplace via acquisition, presumably to offer domain registrations as a way to complement existing company offerings.[9]

With interest rates rising within the more challenging economic climate of the past few years, there has also been some organic attrition of gTLDs, particularly in .brand gTLDs. As this is also a firm-specific consideration, this is noted as part of ICANN's

[9] https://www.bloomberg.com/news/articles/2023-06-15/alphabet-selling-google-domains-assets-to-squarespace#xj4y7vzkg

ongoing market surveillance, rather than as a major trend in the overall marketplace. Despite instances of attrition, some industry experts interviewed voiced optimism in the potential prospects for future .brand gTLDs and the innovations that may come from them.

E. Universal Acceptance

Universal Acceptance (UA) is the concept that all domain names and email addresses – regardless of language, script, or character length (e.g., .рф, .PHOTOGRAPHY) – are accepted by all Internet-enabled applications, devices, and systems.

Achieving UA remains a key challenge for the DNS industry. Difficulties remain in meeting this goal for Internationalized Domain Names (IDNs), domain names registered in newer gTLDs, as well as longer TLDs, as some applications and systems erroneously assume that such domain names are invalid. Creating awareness of the importance of UA has been identified as a multi-year goal in the blog title "ICANN Interim President and CEO Shares Goals for Fiscal Year 2024" as CEO Goal 11, published in September 2023.[10]

Unfortunately, many of the problems associated with UA are widely distributed, including standards, operating systems, programming languages, and applications/websites. This is compounded by how systems are configured and deployed by an array of actors (including independent developers, Internet Service Providers, public and private organizations, educational institutions, among others).

Problems associated with UA hinder the opportunity to expand the adoption of IDNs, including in new markets (e.g., those that use local languages and scripts). Incremental progress is being made and expected to continue toward resolving many of the challenges hindering UA. Such efforts are expected to reveal opportunities that exist within existing and new markets, triggering further industry growth in the years ahead.

F. Expectations for New gTLDs

Despite the modest growth in domain names in new gTLDs over the past year, domain name registration in most new gTLDs in the top ten list by domain counts are increasing by double-digits, so there are areas of growth and rising consumer appetite for some new gTLDs. The uncertain global economic climate post-COVID might support an expectation of tepid consumer demand in aggregate and is a focus of ongoing DNS market surveillance. Yet the need for establishing an online presence and spikes in demand has been affirmed during times of economic distress such as the 2008-2009 Great Recession and the height of the COVID pandemic in 2020.

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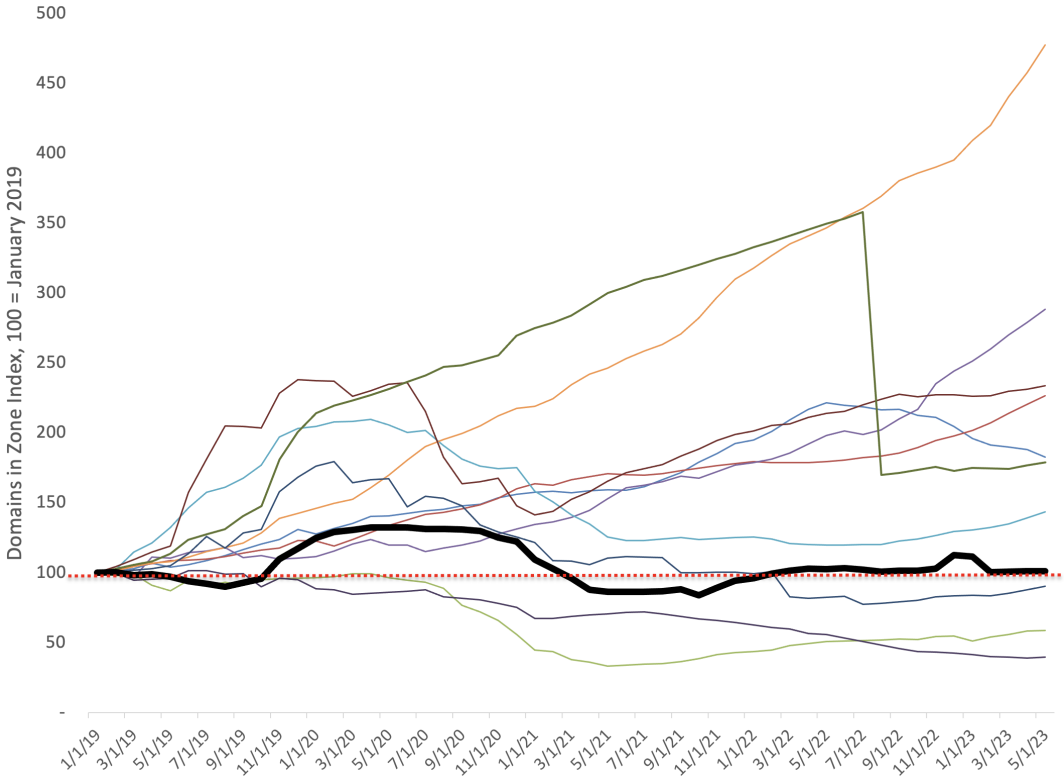
10 https://www.icann.org/en/blogs/details/icann-interim-president-and-ceo-shares-goals-for-fiscal-year-2024-27-09-2023-en

Figure 3: Top Ten New gTLDs and Remainder, Domains in Zone Index, 100 = January 2019, 2019-2023.



The top ten new gTLDs (as of May 2023) in alphabetical order are (in alphabetical order) app, club, live, online, shop, site, store, top, vip, xyz. They are unlabeled in Figure 3. The thick black line represents the aggregate trends for the remaining 1000+ New gTLDs.

Firm-level efforts to tap into this pent-up demand to make the use of domain name registrations easier continue to help drive the number of new gTLD domain name registrations. These market actors can be roughly divided between resellers (focusing on sales) and turnkey service providers (focusing on web and e-commerce implementation).

An example of experimentation is the idea of 'link in bio' services, or ways to easily connect people's social media space to a larger online identity. This is based around a number of drivers, including social media platforms that only allow a single link in an account bio (e.g., on Instagram, TikTok, and X, formerly known as Twitter); the premium placed on brevity in social media, and the emphasis placed on visual/audio content versus text, among others. The recent declines in popularity of Facebook and X, and the rise of TikTok, suggest a life cycle of popularity of such platforms, and consumer preferences for consumption of media and messaging fluctuate in new platforms. Such consumer shifts could provide an opportunity for developing a platform-agnostic online presence via the DNS.

Another example of market dynamism is the domain market segment that is focused on investing and speculating. There are a number of practices associated with this, ranging from using domains for search engine optimization to seeking to profit in aftermarket sales. A review of Domain Name Journal's (www.dnjournal.com) annual sales reports found an increasing number of second level domain registrations in new gTLDs on the list of top-100 reported domain name registrations being resold in the past two years.

G. Alternative name spaces

Alternative name spaces—including those based on DNS protocol but using an alternative root and those not based on DNS protocol—have seen expanding registrations within their respective systems. It should be noted, however, that these systems are not currently compatible with the Internet's DNS, the main naming system of the single interoperable domain name system on the Internet that ICANN helps coordinate.

Exploring the objectives or aspirations for alternative name spaces, their underlying technology and use, is not in the purview of the Funding Forecast Assumptions. But the number of registrations by alternative name space companies, and perhaps thereby fewer on the DNS may be noteworthy moving forward.

ICANN published a blog[11] in November of 2021 and a Research Report[12] in April of 2022 on this topic, aimed at informing readers about the distinction between the DNS naming system and the system of unique identifiers that ICANN helps coordinate, and the completely separate efforts and distinctly different technologies of alternative name spaces and their respective domains. Of particular concern, the blog notes: "the potential for confusion among unsuspecting [alternative name space] customers seems high."

H. Risks of Regulatory Divergence

Whether a result of geopolitical developments or a desire to regulate certain segments of the Internet economy, government or international organizations may seek to establish rules that could impact companies operating in the DNS ecosystem.

Regulatory hurdles are not a new phenomenon for global companies, such as those operating in the DNS. But given the rise of major Internet platforms in areas such as search, video streaming, or social media, there are various legislative and regulatory proposals at the national or regional levels. These proposals can range from additional privacy protection requirements to content moderation policies. While these policies and proposals mostly extend to tech actors from outside of the domain industry,

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[11] Internet Corporation for Assigned Names and Numbers. 2021. Buyer Beware: Not All Names Are Created Equal. Los Angeles, CA. November. Further details are available via: https://www.icann.org/en/blogs/details/buyer-beware-not-all-names-are-created-equal-24-11-2021-en

[12] Internet Corporation for Assigned Names and Numbers. 2022. Challenges with Alternative Name Systems. Los Angeles, CA. April. Further details are available via: https://www.icann.org/en/system/files/files/octo-034-27apr22-en.pdf

enforcement could fall on companies within the DNS ecosystem. This enforcement could lead to added compliance costs, particularly how additional and conflicting jurisdictional requirements for maintaining data privacy and consumer protection, and how increased compliance costs might impact technology companies that have DNS business lines.

If companies in the domain name industry face higher compliance costs due to new proposed rules and requirements, these costs could be passed on to consumers and ultimately impact domain name registration demand. There is no one particular proposal at issue, but merely the divergence that may arise as different jurisdictions consider different rules and enforcement.

2. Funding Forecast Assumptions

Any forecasting exercise must rely on assumptions about the future development of a marketplace. Because such assumptions are, by definition, hypothetical and the number of potential outcomes are virtually infinite, a well-accepted way to consider marketplace uncertainty in forecasting is to select a number of projection scenarios depicting a range of plausible but divergent outcomes.[13] Creating several forecast scenarios, each with varying assumptions and thresholds representing views of the future, allows ICANN to quantify the impacts of such assumptions on ICANN's funding.

ICANN is developing three discrete forecast scenarios to accommodate a range of outcomes for the ICANN FY25–29 (Five-Year) Operating and Financial Plan. ICANN's highest-confidence estimate or 'base-case' funding scenario historically has been utilized as the basis for the annual budget. As a principle, ICANN takes a conservative approach toward developing its funding forecasts, which is considered when developing its 'base-case' funding projections. In addition, ICANN's 'low' and 'high' funding scenarios consider alternate values for assumptions that have a financial impact on the organization's funding, thereby providing lower and upper bound values in its projections. While the organization does not rely on these latter values to plan its operations, such 'low' and 'high' funding scenarios are helpful to develop contingency plans considering the possibility that such scenarios become reality.

All three scenarios assume a retention of the current fee values remitted by ICANN's contracted parties and registrar accreditation applicants (summarized in Appendix C), and do not currently factor in any further gTLDs arising from the New gTLD Program: Next Round. While there is ongoing work to launch the next round of the program, its potential impact(s) on funding are indeterminate. Given this, ICANN has deemed it prudent not to assume any prospective impacts from a future round of the New gTLD Program across its 'low', 'base-case', and 'high' funding scenarios described above.

This section provides a qualitative (see Figure 4) and quantitative (see Figure 5) assessment of the potential impacts of the various industry trends presented in Section 1 on ICANN's funding categories between FY2025 and FY2029 across its 'low', 'base-case', and 'high' funding forecast scenarios.

[13] This approach is consistent with the one previously taken by the World Bank to forecast the impacts of the COVID-19 global recession on global economic growth. Similar scenario analysis is also presented by the same institution to assess the prospective impacts of current downside risks on the global economy. Further details are available via the World Bank's 'Global Economic Prospects' publication: https://www.worldbank.org/en/publication/global-economic-prospects

Figure 4. Industry Trends and Qualitative Assessment of Expected Impacts on ICANN Funding Scenarios.

Industry Trends and Commentary (as per Section 1)		Potential Impact on ICANN Funding Scenarios
A. Economic uncertainty and its potential effect on demand for domain names	Continued concerns about a slowing global economy exist. Based on prior experience linking domain counts and global economic growth, this uncertainty could depress demand for domains, as well as for various complementary add-on services.	**High impact**: The close connection between economic growth and demand for domain names means that slower global growth could have a negative impact on the demand for domains. At the 'base-case' and 'high' funding scenarios, this forecast assumes that domain name transaction volumes will continue to grow over the five-year horizon, albeit at varying levels. The forecast also assumes that irrespective of any short-term weakness that mirrors global macroeconomic conditions, domain name transactions will not experience any long-lasting dislocations.
B. Return to "normalcy" in a post-COVID world	The COVID-19 pandemic demonstrated domain names remain a dominant tool for Internet presence. Perspectives diverge as to whether the acceleration in domain name registrations coinciding with the COVID-19 pandemic was temporary, or if the total addressable market for domain names has ultimately expanded.	To account for the potential of an accelerated pace of DNS industry maturation, as well as the negative impacts of a slowing global macroeconomic environment, the 'low' scenario factors progressive decline in transaction volumes over the entire five-year forecast period. The 'low' funding scenario also features fewer total accredited registrars and gTLDs, while the 'base-case' and 'high' funding scenarios depict a flat-to-moderate increase in the base of ICANN registrars and relatively lower rates of attrition among gTLDs.

C. Continuing disparity in regional domain adoption rates	Significant differences remain in domain name adoption rates across regions of the globe. While specific experiences vary by country, relatively higher growth rates have been observed in regions with lower per capita domain registration rates.	**Moderate impact**: This forecast assumes that regions with relatively lower per capita domain name registration rates will experience higher growth rates through the upcoming forecast period, as individuals and businesses that currently do not have a digital presence seek to establish one. At the 'base-case' and 'high' funding scenarios, this forecast assumes that domain name transaction volumes will see growth, albeit at varying levels. The forecast also assumes that irrespective of any short-term weakness that mirrors global macroeconomic conditions, domain transactions will not witness any long-lasting dislocations. To account for the probability of disproportionate impacts of the current macroeconomic conditions on the uptake of domain names from within developing countries, the 'low' scenario factors a progressive decline in domain transaction volumes.
D. Consolidation among ICANN's contracted parties	Market consolidation within the industry will continue. Industry mergers allow service providers to diversify beyond a focus on domain names and improve their economies of scale. Organic attrition among select market actors is also a noteworthy trend.	**High impact**: Domain name market actors will continue to improve their economies of scale via merger and acquisition activity. Organic attrition among a subset of ICANN's contracted parties also is expected to continue. Over the upcoming five-year period, the 'low' funding scenario forecasts far fewer total ICANN-accredited registrars and substantial attrition in the total number of gTLDs, assuming further industry consolidation. The 'base-case' funding scenario depicts flat-to-moderate growth in the base of ICANN-accredited registrars, along with relatively lower rates of attrition among gTLDs. The 'high' funding scenario depicts strong growth in the

		base of ICANN-accredited registrars, along with minimal attrition among gTLDs.
E. Incomplete Universal Acceptance (UA)	UA continues to be a confounding issue for the domain name industry. This challenge represents a key opportunity to make names more accessible and usable, which would stimulate further demand.	**Moderate impact**: This forecast also assumes stepwise progress will continue toward resolving many of the challenges hindering UA. At the 'base-case' and 'high' funding scenarios, this forecast assumes that domain name transaction volumes will continue to see growth, albeit at varying levels. To account for the probability of muted progress in UA of domain names, the 'low' scenario factors a progressive decline in domain transaction volumes.
F.Expectations for new gTLDs	Domain names will retain their value and role in building digital presence. The variety of use cases for domains will continue to keep demand steady.	**Moderate impact**: Domain names will remain a key enabler for Internet presence and online identity over the forecast period. In the 'base-case' and 'high' funding scenarios, this forecast assumes continued demand for domain names, albeit at varying levels. The forecast also assumes that irrespective of any short-term weakness that mirrors global macroeconomic conditions, domain name transactions will not experience any long-lasting dislocations. The 'low' scenario factors progressive decline in transaction volumes owing in part to a potential increase in the rates of migration to alternative platforms that negate the need for domain names. The roughly two percent subset of ICANN's annual funding currently derived from the voluntary contributions of various
G. Alternative name spaces	Alternative namespaces for digital identity and content hosting are viewed as being potentially confusing to consumers. However, the prospective impacts of this on the gTLD space, if any, remain uncertain.	

		ccTLDs and Regional Internet Registries (RIRs) is expected to remain constant relative to these organizations' prior contributions.
H. Globally dispersed regulation aimed at targeting digital security risks	A dispersion of oversight resulting in a patchwork of regulation that varies across countries and regions has the potential to negatively impact the DNS industry. However, the impacts of such regulatory differences on the demand for domain names is yet to be established.	**Low Impact:** Governmental interest in general issues related to the DNS industry will continue. To date, regulatory measures have neither fundamentally altered the service provider ecosystem nor the underlying demand for domain names. This forecast assumes that confidence and trust in the industry and its overall impact on demand for domain names will remain largely constant and have a largely neutral impact on the size of the contracted party base as well as the demand for domain names over the forecast period.

In general terms, each of the three funding scenarios further detailed in Figure 5 below can be described as follows:

- **Base-case scenario:** Representing the funding outcome deemed most likely to occur, this scenario is a conservative appraisal of the growth of the ICANN-accredited registrar base and domain name transaction volume, along with retention of the current fee values. Irrespective of any short-term weakness that mirrors global macroeconomic conditions, the scenario assumes that domain name transactions do not experience any long-lasting dislocations. On the whole, this scenario leverages historical growth values and is aligned closely with global GDP growth trends, thereby implying an overall maturing industry.

- **Low funding scenario:** Some uncertainty around the future outlook of the industry remains in light of a maturing marketplace, service provider consolidation, and the potential spillover effects arising from challenging global macroeconomic conditions. Accordingly, the 'low' scenario illustrates a plausible depressed forecast outcome should these impact the DNS industry more severely than assumed per the base-case scenario. Beyond the retention of the current fee values, this scenario factors in a decrease in all drivers to ICANN's funding – from the total number of contracted parties to the volume of domain name transactions. The decrease for each driver, individually, is plausible though considered unlikely. The decrease in all of the combined drivers within this scenario reflects a contraction of the entire DNS marketplace.

- **High funding scenario:** This scenario combines increases across all the drivers to ICANN's funding, except for a marginal decline in the number of total delegated gTLDs and retention of the current fee values. The growth rates in this scenario therefore depict an optimistic view of resurgent growth in the overall DNS marketplace, total size of the accredited registrar base, and domain name transactions. This scenario also reflects expectations of a positive effect on domain name transaction volume due to increased online activity and the digital transformation of many practices; continued expansion of the accredited registrar base and range of domain name offerings; increased uptake of domain names from forthcoming general availability launches, campaigns, and from within underpenetrated economies; and continued progress toward the resolution of UA and DNS security-related issues.

Figure 5: Market Trends and Assessment of Expected Impacts on ICANN FY2025-FY2029 Funding Scenarios.

Category	Funding Type	'Low' Scenario	'Base-case' Scenario	'High' Scenario
Legacy gTLDs	Transaction-based fees	Anticipates a -2.4 percent compound annual growth rate (CAGR) from FY2025-FY2029, reflecting an assumption of marketplace contraction. Projected decrease in transaction fees equivalent to five percentage points[14] below forecasted global gross domestic product (GDP) growth rate trend for FY2025-FY2029[15].	Anticipates a 3.0 percent a CAGR from FY2025-FY2029, which is equal to the average transaction-based fee growth rates for legacy gTLDs since the launch of the New gTLD Program.[14] As growth momentum in this category has historically tended to mirror global GDP growth momentum, the overall trendline remains in-line with the forecasted global GDP growth rate trend for FY2025-FY2029.[15]	Anticipates a 7.6 percent CAGR from FY2025-FY2029, reflecting resurgent growth in the marketplace. Projected increase in transaction volume equivalent to five percentage points[14] above the forecasted global GDP growth rate trend for FY2025-FY2029.[15]
New gTLDs	Fixed Fees	Anticipates 978 gTLDs delegated by the end of FY2029, a decline of 140 (or -13	Anticipates 1017 gTLDs delegated by the end of FY2029, a decline of 101 (or -9 percent) from the start of FY2025[16].	Anticipates 1057 TLDs delegated by the end of FY2029, a decline of 61 (or -6 percent) from the start of FY2025.[16]

[14] In formulating quantitative forecast scenarios, ICANN is mindful not to create contradictory expectations or unduly influence the viewpoints of shareholders of publicly traded entities operating within the DNS industry. Accordingly, whenever available and relevant, the assumptions presented are derived from historical trends or otherwise based on conservative estimations. For instance, the growth rate described in the 'base-case' scenario represents the average legacy gTLD transaction volume growth rate since the launch of the 2012 round of the New gTLD Program. For its lower and upper bound scenarios, ICANN has conservatively selected a threshold of five percentage points below and above projected global GDP rates for FY2025-FY2029, respectively.

[15] For an assessment of global GDP growth rates over the forecast period, ICANN consulted The Economist Intelligence Unit's (EIU) summary forecast (July 2023 update). Data tables are provided as an appendix to this document. ICANN assumes that global GDP growth rates subsequent to the second half of its FY 2028, which covers the period from 1 January to 30 June 2028, do not diverge significantly from trends and values denoted by the EIU for calendar year 2027.

		percent) from the start of FY2025.[16]		
	Transaction-based Fees	Anticipates -8 percent CAGR from FY2025-FY2029, reflecting declining transaction volumes and accounting for occurrences such as relatively lower renewal rates from a subset of new gTLDs that heavily discount domain names for greenfield purchases, rapid maturation of the marketplace, and spillover effects arising from challenging global macroeconomic conditions.[17]	Anticipates 5 percent CAGR from FY2025-FY2029 reflecting assumed annual growth rates in low-to-mid single digits. The overall growth trendline remains in-line with the forecast global GDP growth rate trend for FY2025-FY2029.[17]	Anticipates 8 percent CAGR from FY2025-FY2029, reflecting resurgent annual growth in high single digits based on the assumed improvement in market awareness; increased online activity and continued digital transformation of many practices; continued expansion of registrar sales channels and range of domain offerings; increased uptake of domains from forthcoming launches, campaigns, and from within underpenetrated economies; and continued progress towards the resolution of Universal Acceptance

[16] These scenarios do not assume any further gTLD delegations arising from the resumption of the New gTLD Program. While there is ongoing work and an intent to launch a subsequent round, its potential impact(s) on funding remain indeterminate.

[17] Given their relatively lower domain transaction volumes and more fragmented provider composition, new gTLDs have thus far demonstrated higher levels of transaction volume volatility in comparison to legacy gTLDs. Accordingly, to account for this likelihood of fluctuations, a broader range of variance is being projected for new gTLD transaction volumes over the forecast period in comparison transaction volumes for legacy gTLDs.

				and DNS security-related issues.[17]
Registrar Accreditation	Application Fees	Reflects 0 total new registrar accreditation applications from FY2025-FY2029.	Reflects 160 total new registrar accreditation applications from FY2025-FY2029.	Reflects 300 total new registrar accreditation applications from FY2025-FY2029.
	Accreditation Fees	Registrar base sees further consolidation, declining by 387 accreditations which equates to a decrease of -15 percent over the forecast period. Overall base ranges from 2575 at the start of FY2025 to 2188 at the end of FY2029.	The pace of new accreditations and attrition largely cancel each other, resulting in an increase in the registrar base by 2 percent or 52 accreditations over the forecast period. Overall base ranges from 2575 at the start of FY2025 to 2627 at the end of FY2029.	Registrar base increases by 12 percent or 300 accreditations over the forecast period. Overall base ranges from 2575 at the start of FY2025 to 2875 at the end of FY2029.
	Per-registrar Variable Fees	$3.4 million annually, consistent with prior years.	$3.4 million annually, consistent with prior years.	$3.4 million annually, consistent with prior years.

3. Funding Forecast Summary

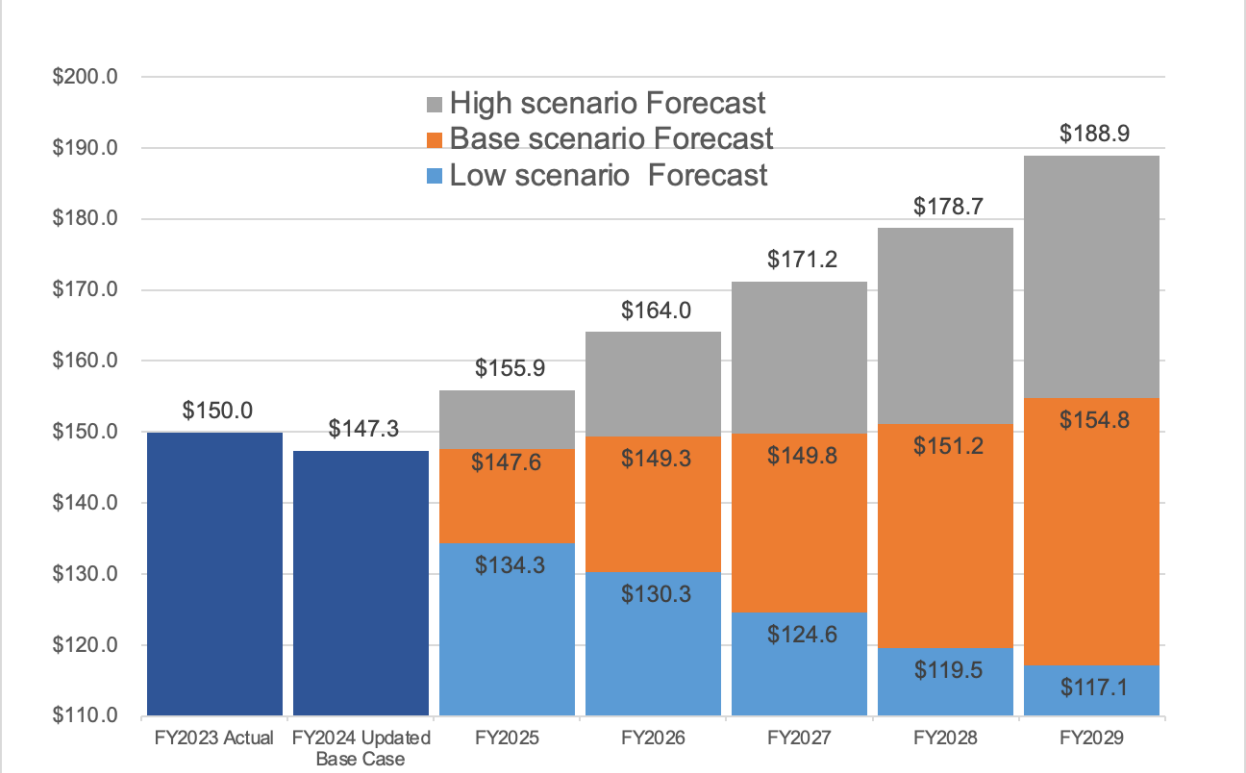
This section provides a summary of forecast outcomes at the 'low', 'base-case', and 'high' scenarios across each of ICANN's funding categories.

As outlined in Figure 6 below, from actual funding of $150.0 million in FY2023 and an updated 'base-case' estimate of $147.3 million in FY2024[18] ICANN's total funding in FY2025 is projected to range between $134.3 million (at the 'low' funding scenario) and $155.9 million (at the 'high' funding scenario), with a 'base-case' funding forecast of $147.6 million.

By the end of FY2029, total funding is projected to range from $117.1 million (at the 'low' funding scenario) and $188.9 million (at the 'high' funding scenario), with a 'base-case' funding projection of $154.8 million.

Considering all three scenarios over the forecast period, FY2025-FY2029 CAGR for ICANN's funding is projected to range from -3.4 percent (at the 'low' funding scenario) to 4.9 percent (at the 'high' funding scenario), with a 'base-case' CAGR of 1.2 percent.

Figure 6. ICANN Forecast Funding Sensitivity Analysis.



[18] The FY2024 total funding value of $147.3 million presented herein represents an updated 'base-case' funding estimate utilizing FY2023 Q4 actual values, which varies slightly from the adopted FY2024 budget of $145.3 million. A detailed comparison between the updated FY2024 'base-case' estimate and the adopted FY2024 budget is outlined in Appendix B.

Figure 7. ICANN FY2023-FY2028 Forecast Funding at the 'Base-case' Scenario.

(Values in USD millions unless otherwise denoted)	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Transactions						
Registry Transaction Fees - Legacy	$54.6	$54.7	$55.8	$57.3	$59.3	$61.5
Registry Transaction Fees - New gTLD	$5.0	$5.3	$5.4	$5.7	$6.0	$6.3
Registrar Transaction Fees - Legacy	$34.2	$34.3	$35.0	$36.0	$37.3	$38.6
Registrar Transaction Fees - New gTLD	$4.5	$4.7	$4.9	$5.1	$5.4	$5.7
Subtotal	$98.2	$98.9	$101.2	$104.2	$108.0	$112.1
Volume: Legacy Transactions (in millions)	189.9	190.5	194.7	200.0	207.0	214.5
Volume: New gTLD Transactions (in millions)	24.8	26.0	27.2	28.5	30.0	31.5
New gTLD Average Billable Rate (%)	80%	81%	80%	80%	80%	80%
Registry Fixed Fees	$28.1	$27.6	$26.9	$26.4	$25.9	$25.4
Count of Total Delegated gTLDs at the end of Year	1,118	1,096	1,074	1,054	1,035	1,017
Registrars Accreditation						
Application Fees	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1
Accreditation Fees - Annual	$10.1	$10.4	$10.5	$10.5	$10.5	$10.5
Per Registrar Variable Fees	$3.4	$3.4	$3.4	$3.4	$3.4	$3.4
Subtotal	$13.7	$14.0	$14.0	$14.0	$14.0	$14.0
Count of Total Registrars at the end of Year	2,575	2,615	2,618	2,621	2,624	2,627
Other Funding						
Meeting Sponsorships, Contributions, and Other	$7.3	$7.1	$7.3	$5.3	$3.3	$3.3
ICANN Total Funding	$147.3	$147.6	$149.3	$149.8	$151.2	$154.8

Note: Totals may not add up due to decimal rounding.

Figure 8: ICANN FY2023-FY2028 Forecast Funding at the 'Low' Scenario.

(Values in USD millions unless otherwise denoted)	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Transactions						
Registry Transaction Fees - Legacy	$54.6	$48.1	$46.8	$45.5	$44.5	$43.7
Registry Transaction Fees - New gTLD	$5.0	$4.4	$4.0	$3.6	$3.3	$3.1
Registrar Transaction Fees - Legacy	$34.2	$30.2	$29.3	$28.5	$27.9	$27.4
Registrar Transaction Fees - New gTLD	$4.5	$4.0	$3.6	$3.3	$3.1	$2.8
Subtotal	$98.2	$86.7	$83.7	$81.0	$78.9	$77.1
Volume: Legacy Transactions (in millions)	189.8	167.6	162.9	158.6	155.2	152.4
Volume: New gTLD Transactions (in millions)	24.8	22.0	20.1	18.4	17.0	15.8
New gTLD Average Billable Rate (%)	80%	80%	79%	79%	79%	78%
Registry Fixed Fees	$28.1	$27.3	$26.5	$25.8	$25.2	$24.5
Count of Total Delegated gTLDs at the end of Year	1,118	1,087	1,058	1,030	1,003	978
Registrars Accreditation						
Application Fees	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0
Accreditation Fees - Annual	$10.1	$9.8	$9.3	$9.0	$8.8	$8.8
Per Registrar Variable Fees	$3.4	$3.4	$3.4	$3.4	$3.4	$3.4
Subtotal	$13.7	$13.3	$12.8	$12.4	$12.3	$12.2
Count of Total Registrars at the end of Year	2,575	2,420	2,304	2,234	2,199	2,188
Other Funding						
Meeting Sponsorships, Contributions, and Other	$7.3	$7.1	$7.3	$5.3	$3.3	$3.3
ICANN Total Funding	$147.3	$134.3	$130.3	$124.6	$119.5	$117.1

Note: Totals may not add up due to decimal rounding.

Figure 9: ICANN FY2023-FY2028 Forecast Funding at the 'High' Scenario.

(Values in USD millions unless otherwise denoted)	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Transactions						
Registry Transaction Fees - Legacy	$54.6	$59.0	$63.3	$68.3	$73.4	$79.0
Registry Transaction Fees - New gTLD	$5.0	$5.9	$6.4	$7.1	$7.7	$8.4
Registrar Transaction Fees - Legacy	$34.2	$36.9	$39.6	$42.8	$46.0	$49.5
Registrar Transaction Fees - New gTLD	$4.5	$5.2	$5.7	$6.1	$6.6	$7.1
Subtotal	$98.2	$106.9	$115.0	$124.2	$133.8	$144.0
Volume: Legacy Transactions (in millions)	189.8	204.9	220.2	237.6	255.7	275.2
Volume: New gTLD Transactions (in millions)	24.8	29.1	31.5	34.1	36.8	39.5
New gTLD Average Billable Rate (%)	80%	81%	82%	83%	84%	85%
Registry Fixed Fees	$28.1	$27.6	$27.3	$27.0	$26.7	$26.5
Count of Total Delegated gTLDs at the end of Year	1,118	1,104	1,092	1,080	1,068	1,057
Registrars Accreditation						
Application Fees	$0.1	$0.2	$0.2	$0.2	$0.2	$0.2
Accreditation Fees - Annual	$10.1	$10.5	$10.8	$11.0	$11.3	$11.5
Per Registrar Variable Fees	$3.4	$3.4	$3.4	$3.4	$3.4	$3.4
Subtotal	$13.7	$14.2	$14.4	$14.7	$14.9	$15.1
Count of Total Registrars at the end of Year	2,575	2,635	2,695	2,755	2,815	2,875
Other Funding						
Meeting Sponsorships, Contributions, and Other	$7.3	$7.1	$7.3	$5.3	$3.3	$3.3
ICANN Total Funding	$147.3	$155.9	$164.0	$171.2	$178.7	$188.9

Note: Totals may not add up due to decimal rounding.

Appendix A: Economist Intelligence Unit, Global Economic Outlook, 2018-2027

GDP Average Growth Rates (Percent Change)				
	Actual	**Estimate**	**Forecast**	
	2018-2022	**2023**	**2024**	**2025-2027**
Real GDP growth (market exchange rates)				
World	2.2	2.2	2.4	2.7

Source: The Economist Intelligence Unit, World Summary, July 2023 update. Retrieved from https://country.eiu.com/article.aspx?articleid=1603404943&Country=United+States&topic=Economy&sub_1

Appendix B: Adopted FY2024 Budget and Updated FY2024 Forecast Estimate based on FY2023 Q4 Actuals

(Values in USD millions unless otherwise denoted)	**Adopted FY2024 Budget (as of FY2023 Q1 Actuals)**	**Updated 'Base-case' FY2024 Forecast Estimate (as of FY2023 Q4 actuals)**
Transactions		
Registry Transaction Fees – Legacy	$53.7	$54.6
Registry Transaction Fees – New gTLD	$4.8	$5.0
Registrar Transaction Fees – Legacy	$33.4	$34.2
Registrar Transaction Fees – New gTLD	$4.3	$4.5
Subtotal	$96.3	$98.2
Volume: Legacy Transactions (in millions)	185.8	189.8
Volume: New gTLD Transactions (in millions)	24.2	24.8
New gTLD Average Billable Rate (%)	80%	80%
Registry Fixed Fees	$28.4	$28.1
Count of Total Delegated gTLDs at the end of Year	1,127	1,118
Registrars Accreditation		
Application Fees	$0.1	$0.1
Accreditation Fees – Annual	$9.8	$10.1
Per Registrar Variable Fees	$3.4	$3.4
Subtotal	$13.3	$13.7
Count of Total Registrars at end of Year	2,452	2,575
Other Funding		
Meeting Sponsorships, Contributions, and Other	$7.3	$7.3
ICANN Total Funding	$145.3	$147.3

Note: Totals may not add up due to decimal rounding.

Appendix C: ICANN's Approach to Funding Forecasting

A. What are ICANN's aims in forecasting future funding levels?

Funding forecasting efforts serve the purpose of ensuring that ICANN is able to sustainably carry out its mission in the public interest amidst shifts in the macroeconomic environment and continued DNS industry evolution. The intent is to allow ICANN to plan for a level of activity and expenses that minimize the risk that funding would be lower than expenses in the future.

Efforts to generate and regularly iterate funding projections as part of its budget development process reflect ICANN's commitment to utilize market data in estimating future funding levels in adherence to principles of strict financial responsibility and conservatism. While it may be challenging to predict long-term economic impacts arising from near-term developments, as a steward of public funds ICANN is committed to ensuring ICANN's activities are planned with fiscal responsibility. Reliable and predictable funding projections based on a sound understanding of the evolution of the domain name marketplace represents a key component of that commitment.

Given the risk of new or changing market conditions, actual funding could differ materially from the projections in this document in any given year. ICANN therefore regularly updates and reviews its funding projections to accommodate operational changes or unforeseen events.

B. What funding sources are covered by ICANN's forecast?

ICANN's primary funding sources are generated from domain name registration activities and DNS services. Funding sources covered as part of forecasting efforts are described in the table below:

Funding Source	Fee Category	Description
Registrar-level Fees	Application fees	A total of 273 applicants sought to receive ICANN registrar accreditation during FY2023. A one-time application fee of $3,500 is paid at the time of application by applicants seeking to become an ICANN-accredited registrar.
	Annual accreditation fees	A total of 2,651 registrars were accredited by ICANN at the end of FY2023. Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation. The fee is $4,000 per year. Registrars have the option of paying the annual accreditation fee in quarterly installments of $1,000.
	Per registrar variable fees	A fixed amount of $950,000 quarterly or $3.8 million annually is equally divided among all ICANN-accredited registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into

		consideration the forgiveness factor.[19] A discount of 10 percent is granted to all registrars operating under the 2013 Registrar Accreditation Agreement (RAA).
	Transaction-based fees	Transaction-based fees are assessed on each annual increment of an add, renew, or a transfer transaction that has survived a related add or auto-renew grace period. This fee is billed at $0.18 per transaction for registrars operating under the 2013 RAA (resulting from a $0.20 base fee, discounted by 10 percent to $0.18).
Registry-level Fees	Fixed fees and transaction-based fees	There were 1,156 gTLDs delegated at the end of FY2023. Registry-level fees for each of these TLDs are described in the respective registry agreements. Based on those agreements, registries pay to ICANN a fixed fee, transaction-based fees, or both. These fees are due quarterly and are billed 30 days following the end of each calendar quarter. To learn more about registry-level fees, please refer to Article 6 of the gTLD Base Registry Agreement.[20] Registry operators not contracted on the gTLD Base Registry Agreement may have slightly different language and references.
Other Funding	Meeting sponsorships	ICANN receives sponsorships from parties in return for providing exhibition space and advertisements at ICANN Public Meetings.
	Country code top-level domain (ccTLD) contributions	ccTLD operators contribute on a voluntary basis to ICANN. The Country Code Names Supporting Organization (ccNSO) maintains guidelines offered to ccTLD operators that decide to contribute financially to ICANN. These guidelines suggest amounts of voluntary contributions based on the number of domains under management.[21]
	Address registry contributions	ICANN coordinates with the Regional Internet Registries (RIRs), which are responsible for the assignment and administration of Internet addresses. RIRs contribute annually to ICANN.
	Security, stability and resiliency (SSR) Initiative contributions	ICANN receives contributions in support for activities that preserve and enhance the security, stability and resiliency of the Domain Name System.

[19] To be eligible for forgiveness, the registrar must have less than 350,000 gTLD names under its management and made no more than 200 attempted adds per successful net add in any TLD. Forgiveness will be granted each quarter to all registrars that qualify.

[20] The gTLD Base Registry Agreement is available via: https://www.icann.org/en/registry-agreements

[21] The guidelines for voluntary contributions of ccTLDs to ICANN is available via: https://ccnso.icann.org/sites/default/files/filefield_42805/guidelines-cctld-contributions-27nov13-en.pdf

C. What funding sources are excluded from ICANN's forecast?

Excluded from the forecasting effort are funds relating to ICANN's New gTLD Program application fees and auction proceeds. These are non-recurring sources of funding associated with the launch of the 2012 round as well as the next round of the New gTLD Program.

D. How does ICANN develop its funding forecasts?

ICANN's funding forecasts are developed through the following activities:

1. Marketplace scan: ICANN updates its funding model by considering the wider context of key industry drivers and inhibitors. A marketplace scan exercise serves as the foundational activity through which trends expected to impact the domain name industry over the forecast horizon are uncovered.

   As part of this activity, ICANN engages with an independent market analyst to obtain various DNS industry experts' insights into the future. A sample of industry experts are selected for participation considering a requirement for representation by geographic region, nature of business, and size of entity, and are subsequently invited to participate in an in-depth qualitative interview.

   ICANN supplements this independent third-party market review with ongoing information-gathering through its contracted parties pertaining to key industry developments. Insights gathered through this effort are further supplemented by a review of historical ccTLD and gTLD registration data, as well as various publicly available information such as investor statements, regulatory filings, and news profiles of DNS industry participants.

2. Formulation of assumptions: ICANN conducts a periodic review of its existing forecast assumptions and updates its projections, as required, based on the latest domain name industry developments, domain name transaction volume data, and the size of its contracted party base.

   ICANN conducts time-series analysis to forecast future domain transaction volumes (defined as the sum of domain name additions, renewals, and transfers). A wide range of datasets are considered when conducting such projections, which include but are not limited to, the total volume of domain name transactions (i.e., additions, renewals, transfers), and domain names under management. ICANN evaluates such datasets for Legacy gTLDs and new gTLDs, separately.

   New gTLDs are further segmented for analysis based on their total domain name portfolio size. Mid-to-long-term forecasts for domain name transaction growth rates also take into account wider macro-economic projections, specifically global GDP growth rates, as published by reputable third-party sources.

   ICANN applies a judgmental forecasting approach when evaluating and projecting changes to the size of its contracted party base. Given their visibility on the status of

applicants and existing contracted parties, individuals within ICANN's Global Domains and Strategy (GDS) division provide information on what changes the team members think are most likely to occur over the forecast period in terms of new registrar accreditations and terminations, as well as incremental gTLD delegations and terminations. Values utilized in ICANN's forecasts may also reflect historical averages for specific funding categories.

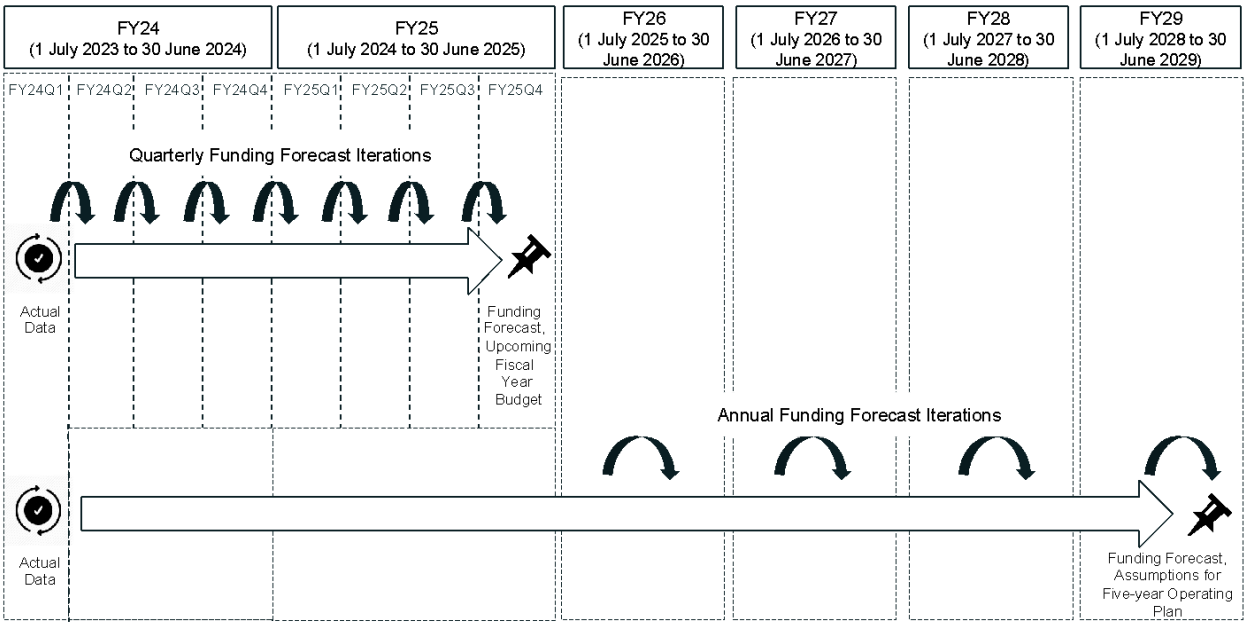
3. Forecast generation: Any forecasting exercise requires the development of assumptions concerning the future evolution of a marketplace. Creating several forecast scenarios, each with varying assumptions that represent diverging viewpoints of the future, offers a measure of sensitivity on the impacts of such assumptions on the resulting forecast values. They also provide a quantitative measure of the prospective impacts of various marketplace events that may be deemed to be plausible but improbable.

   As a principle, ICANN takes a conservative approach towards developing its funding forecasts, which is considered when developing its 'base-case' funding projections. In addition, ICANN also develops 'high' and 'low' scenario estimates to consider alternate forecast values, thereby providing upper and lower bound values in its projections. While ICANN does not rely on these extreme-end values to plan its operations, such 'high' and 'low' scenarios are helpful to develop contingency plans should such scenarios become reality.

E. How often does ICANN iterate its funding forecasts?

ICANN produces its funding forecasts as an input to two separate internal budget planning activities – namely the generation of the annual budget for its upcoming fiscal year and the development of funding assumptions for its rolling five-year operating and financial plan. The development of the funding projections that inform ICANN's annual budget for its upcoming fiscal year covers a forecast horizon of approximately seven quarters (or roughly 21 months). Such forecasts are reviewed and updated on a quarterly basis until the conclusion of the said fiscal year.

In parallel, ICANN also develops longer-term projections that extends ICANN's annual fiscal year budget forecast by a further four years, resulting in a forecast horizon of roughly 69 months. This forecast, utilized in the rolling five-year operating and financial plan, is updated on an annual basis. The following illustration depicts the expected funding forecast refresh cycles for the two aforementioned budget planning activities over the course of ICANN's FY2024 fiscal period.



F. Historically, how have ICANN's adopted budgets tracked in comparison to its actual funding levels?

The accuracy of ICANN's adopted budgets versus actual funding levels over the past seven fiscal years are presented in the table below:

Fiscal Year (FY)	**Adopted Budget** *(in USD millions)*	**Actual Funding** *(in USD millions)*	**Variance, Actual Funding vs. Adopted Budget (%)**
FY2017	$ 132.4	$ 135.9	+2.6%
FY2018	$ 142.8	$ 134.7	-5.7%
FY2019	$ 137.6	$ 136.4	-0.9%
FY2020	$ 140.1	$ 140.7	+0.4%
FY2021	$ 129.3	$ 141.5	+9.4%
FY2022	$ 144.4	$ 149.5	+3.5%
FY2023	$ 152.0	$ 150.0	-1.4%