



**RIPE NCC**  
RIPE NETWORK COORDINATION CENTRE

# Financial Update

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Chief Financial Officer

# Our Financial Strategy



- Not-for-profit funding model
- Our funding strategy aims to generate sufficient income
- We can fulfil our obligations in a stable and predictable manner
- We maintain a low risk profile



# Key Messages

# Key Messages



- 2023
  - Income and cost under budget
  - Forecasted surplus of 110 kEUR
- 2024
  - Three main concerns: 1) membership fees at risk, 2) falling income, 3) inflation
- 2025-2027
  - Something will need to change to ensure our long-term financial stability



# Financial Update

# Financial Performance



- Compared to 2023 budget

(2023 October YTD budget = 100%)



# The Financial Story So Far (2023 October YTD)



- Income: EUR 31.9M (4% under budget)
  - Net decrease of 700 LIRs and net increase of 24 members
- Expenditure: EUR 30.1M (8% under budget)
  - 183.3 FTEs employed as of October with an average of 180.2 YTD
- Surplus: EUR 1.8M (budget is 436 kEUR)
- Three concerns:
  - Membership fees at risk - UHRC and sanctions
  - Reducing income
  - Inflation remains unstable

# Balance Sheet (in kEUR)



<b>Assets</b>	<b>Oct 2023</b>	<b>2022</b>	<b>Oct 2022</b>
Tangible Fixed Assets	1.858	2.033	1.394
Financial Fixed Assets	6.576	7.631	7.817
Total Current Receivables	5.135	3.761	2.961
Cash at bank and in hand	34.392	26.545	32.793
<b>Total Assets</b>	<b>47.961</b>	<b>39.970</b>	<b>44.965</b>
<b>Capital and Liabilities</b>			
Capital	33.909	32.132	34.624
Current Liabilities	14.052	7.838	10.341
<b>Total Capital and Liabilities</b>	<b>47.961</b>	<b>39.970</b>	<b>44.965</b>

# Balance Sheet (in kEUR)



<b>Capital and Liabilities</b>	<b>Oct 2023</b>	<b>2022</b>	<b>Oct 2022</b>	<b>2021</b>
Clearing House	32.132	32.474	32.472	32.472
Surplus / Deficit	1.777	(342)	2.152	2
<b>Capital</b>	<b>33.909</b>	<b>32.132</b>	<b>34.624</b>	<b>32.474</b>
Fees to be Redistributed	332	496	425	13.516
Other Current Liabilities	13.720	7.342	9.916	5.332
<b>Current Liabilities</b>	<b>14.052</b>	<b>7.838</b>	<b>10.341</b>	<b>18.848</b>
<b>Total</b>	<b>47.961</b>	<b>39.970</b>	<b>44.965</b>	<b>51.322</b>



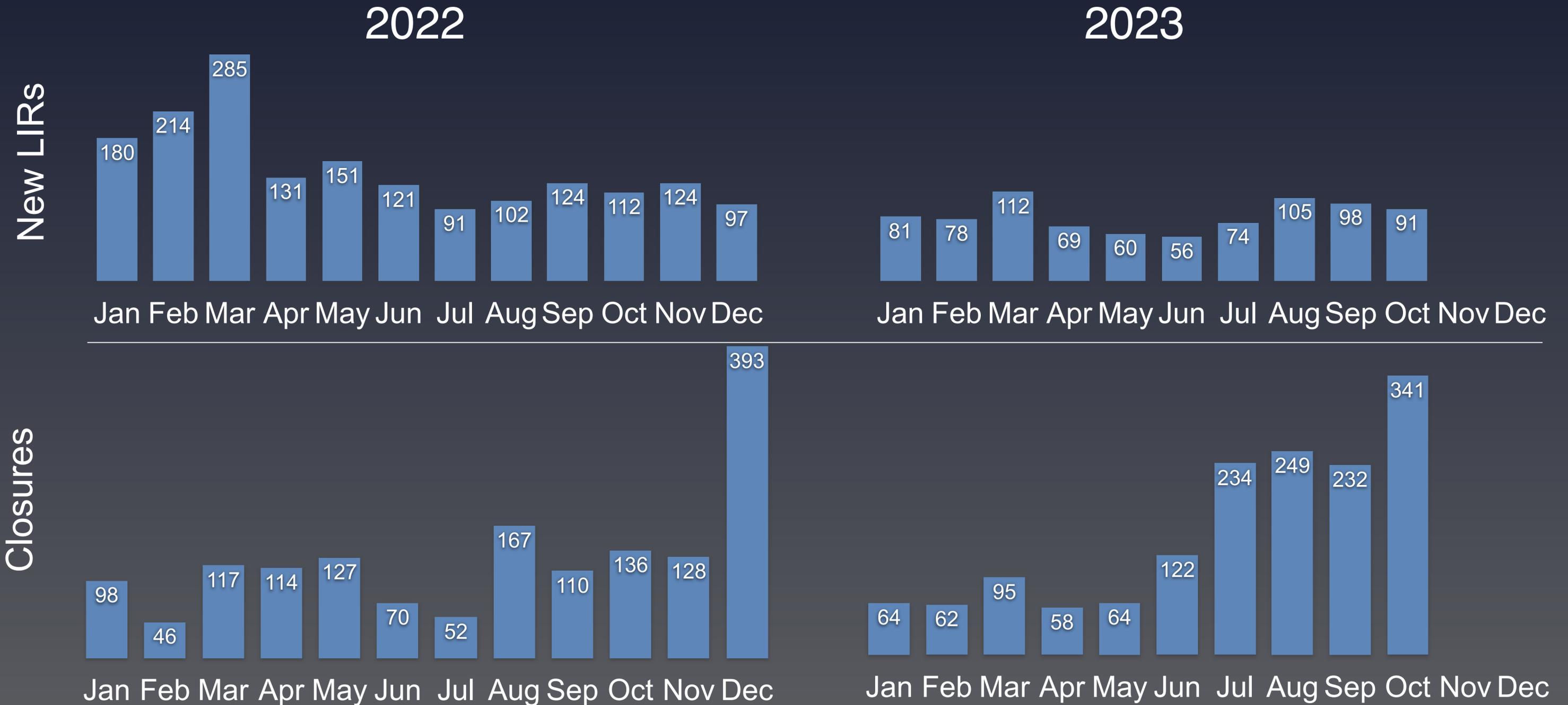
**Income**

# Income Details (2023 October YTD)

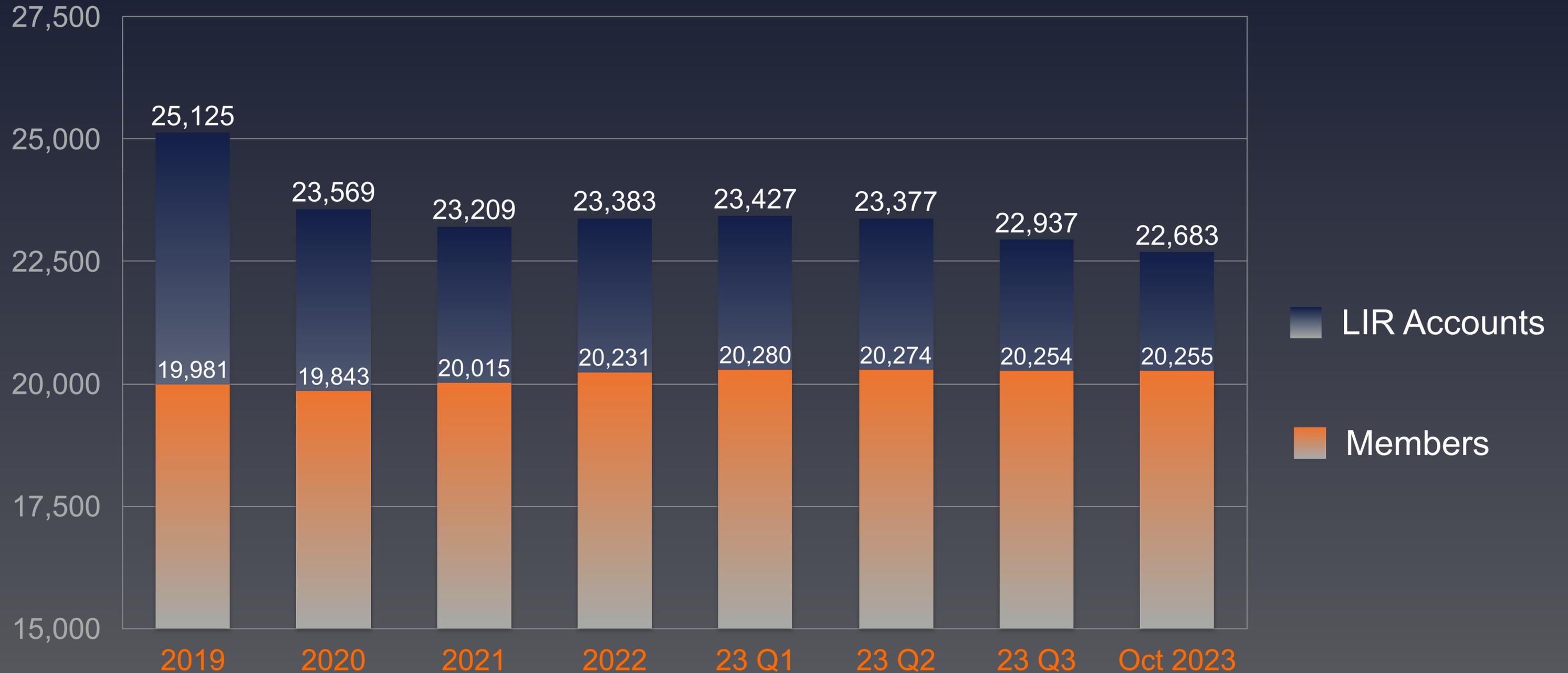


- Income: EUR 31.9M - 4% under budget
- Annual fees: EUR 30.7M - 2% under (29.2M in 2022)
- Sign-up fees: EUR 0.7M - 47% under (1.4M in 2022)
- RIPE Meeting income: 141 kEUR - 6% under
- Other income: 319 kEUR - 27% under
  - This consists mainly of sponsorships

# New LIR Accounts and Closures



# Members and LIRs



# Payment Behaviour



	Entire Membership			
	2020	2021	2022	2023
Payment on time (within 30 day period)	<b>56%</b>	<b>64%</b>	<b>58%</b>	<b>58%</b>
Payment after 30 day period	43%	35%	41.1%	40.7%
<b>LIR account closure due to non-payment</b>	<b>0.8%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.7%</b>
Outstanding as of 31 Oct 2023			0.3%	0.6%

# Payment Behaviour



2023	Ukraine	Russia	Türkiye
Payment on time (<30d payment term)	25%	62%	60%
Payment after reminders before final closure	43.2%	37.4%	39%
<b>LIR account closure due to non-payment</b>	N/A	0.6%	1%
Outstanding as of 31 Oct 2023	31.8%	0%	0%

# Membership Fees at Risk (Recap)



- Ultra High Risk Countries (as defined by three major Dutch banks)
  - Cuba, Iran, North Korea and Syria
  - Invoices not issued
  - Payment obligation remains (but has been postponed)
- Ukraine
  - Invoices issued
  - Due date extended to 31 December 2023
  - Expect to provide additional extension to May 2024 to align with 2024 invoicing

# Membership Fees at Risk (Quantified)



In kEUR	2021	2022	2023	#LIR2023	Total kEUR
<b>'Ultra High Risk'</b>	133	931	1,342	761	2,406
<b>Russia</b>	0	0	0	0	0
<b>Ukraine</b>	0	81	264	143	345
<b>Sanctioned</b>	0	22	99	62	121
<b>Total</b>	<b>133</b>	<b>1,034</b>	<b>1,705</b>	<b>966</b>	<b>2,872</b>

# Ultra High Risk Countries



- No solution yet
- Significant improvement in relationship with Dutch banks
- All researched solutions would put the RIPE NCC at risk (in relation to our banks)

Continuing to monitor developments

Continuing to search for solutions within our risk appetite

# Membership Fees at Risk (2024 Invoices)



- Invoices will be issued for all members in 2024
  - Except for members in 'Ultra High Risk Countries' (will not invoice until safe to receive funds)
- Payment extensions based on war/conflicts will be reviewed in 2024
- Closure of LIRs is not the intended outcome

# Inflation in Relation to Income



- A major concern for everybody
- RIPE NCC's only tool to cover for inflation is the Charging Scheme
- No option to correct fees for inflation
- We do not have the option to index our fees based on inflation
- The high inflow of new LIR accounts is a thing of the past



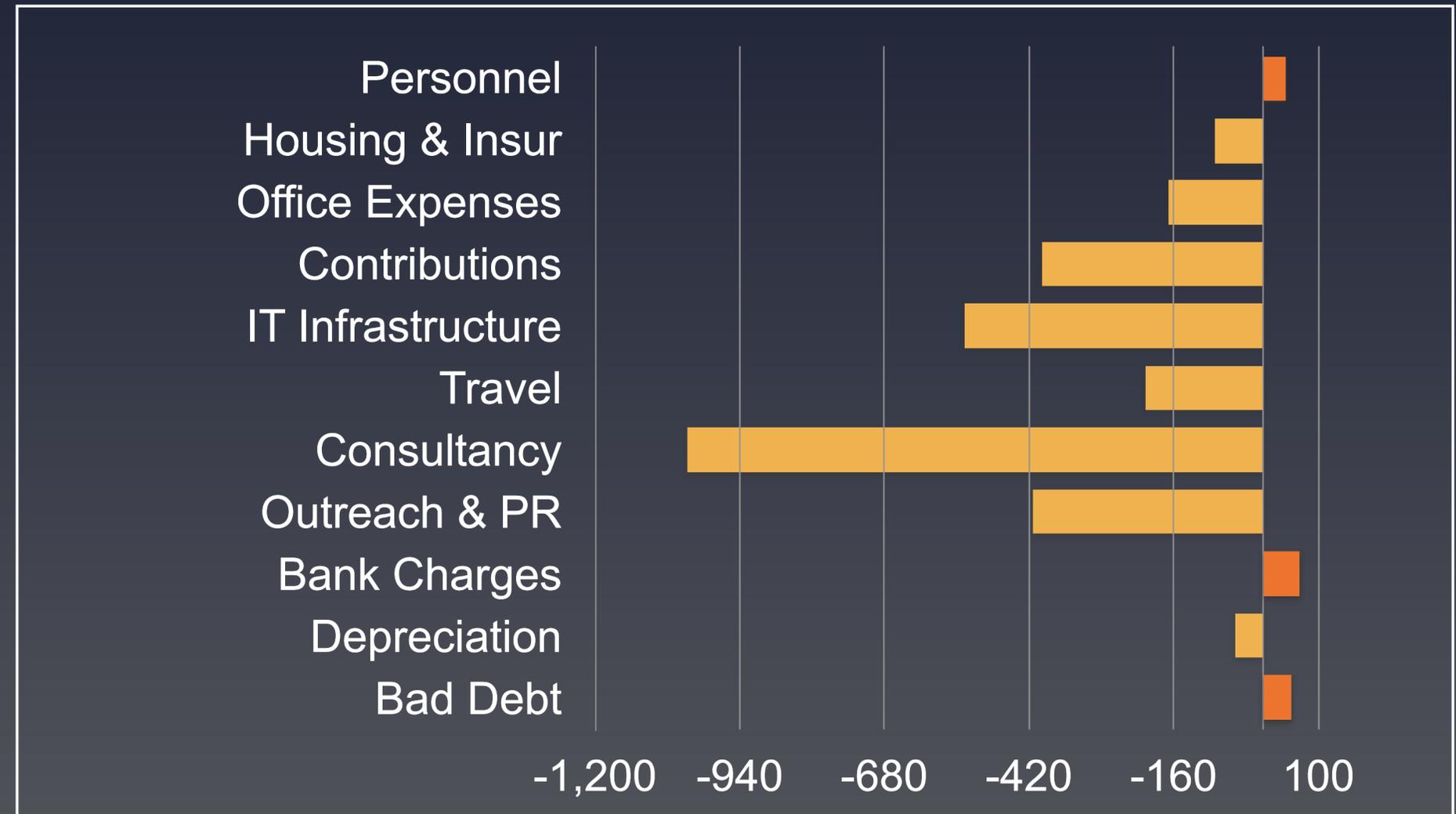
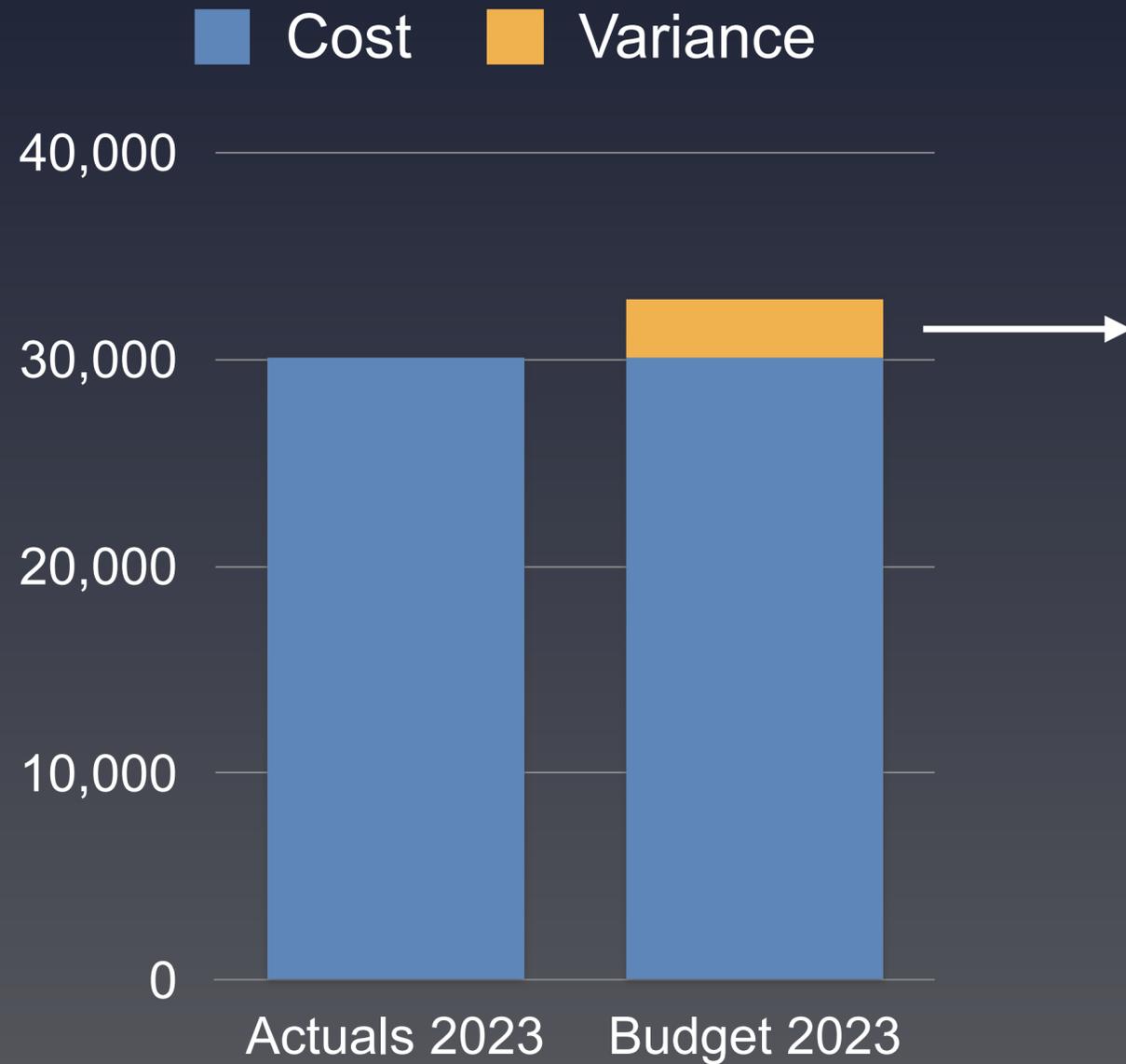
# Expenditures

# 2023 Expenditure Overview (October YTD)



- Total expenditure: EUR 30.1M
  - 8% under budget
- Payroll and personnel expenses: EUR 18M
  - Slightly over budget (41 kEUR)
  - 180.2 FTEs (183.3 Oct) against budget of 190.6 FTEs
- Other Operating Expenses (OPEX): EUR 11.2M
  - 20% under budget
- Depreciations and bad debts: 886 kEUR
  - 3% under budget

# Budget Variance (2023 October YTD)



Total Variance: EUR 2.8M

# Related Parties (2023 October YTD)



Financial Report 2022	
CZ.NIC z.s.p.o	12 kEUR
Akamai Tech	8 kEUR
Peering DB	2 kEUR
Total	22 kEUR

2023 October Ytd	
CZ.NIC z.s.p.o	10 kEUR
Akamai Tech	21 kEUR
Peering DB	3 kEUR
Internet Society	41 kEUR
Total	75 kEUR

Intent of related parties disclosure is to transparently report on any possible conflict of interest.

# Inflation in relation to Expenditures



- A concern
- Effect for RIPE NCC 2023 is significant
  - Inflation in the Netherlands (2022): 10.2%
  - Majority of contracts have been indexed, ranging from 6% to 10%
- No matter what is done with future budgets and charging schemes we will see increased costs due to inflation



**Treasury**

# Treasury



- Overall financial result YTD: **-8** kEUR (0.17%)

## Investment portfolio: EUR 6.6M

- Unrealised result: **-88** kEUR (1.34%)
  - Interest income: 67 kEUR
  - Unrealised revaluation: **-105** kEUR
  - Unrealised exchange revaluation: **-50** kEUR

## Cash with banks: EUR 34.4M

- Unrealised result: 80 kEUR 0.23%
  - Interest income: 109 kEUR
  - Realised exchange difference on transactions **-10** kEUR
  - Unrealised exchange revaluation: **-19** kEUR

# Treasury



- Treasury Project Update
  - Last steps onboarding with UBS Luxembourg
  - Our investment partner will manage the portfolio via UBS Luxembourg
  - Onboarding has been slow
  - RIPE NCC is marked as a complex customer due to:
    - Service region
    - High volume of small transactions
- Fully onboarded with Investment partner
  - In cooperation with EB, decision made to start investing EUR 10M
  - Goal is 12 Month Euribor 4% +0.5%, = 450 kEUR annually



**Surplus**

# 2023 Forecast



	<b>2023</b>	<b>2023</b> FORECAST AP&B	<b>B2023</b>	<b>2023</b> October	<b>2022</b>
Income (in million EUR)	<b>38.3</b>	38.1	<b>40.0</b>	31.9	36.4
Expenditures (in million EUR)	<b>38.3</b>	38.6	<b>40.0</b>	30.1	34.6
Redistribution (in million EUR)	<b>-</b>	-	<b>-</b>	-	-
Financial Result (in million EUR)	<b>0.06</b>	0.2	<b>0.1</b>	(0.01)	1.8
Surplus (in million EUR)	<b>0.1</b>	(0.3)	<b>0.1</b>	1.8	(0.3)
Average Redistribution per LIR (EUR)	<b>5</b>	-	<b>-</b>	79	-
Number of LIRs	<b>22,500</b>	22,500	<b>22,500</b>	22,683	23,383
Average Cost per LIR (EUR)	<b>1,701</b>	1,718	<b>1,778</b>	1.327	1.480

# Capital and Liquidity



- Balanced and healthy
- Clearing House buffer of EUR 32.1M to respond to uncertainties
- We are solvent and in a robust financial position
- Ready for the future
- Three concerns: inflation, revenue at risk and reduction in income





**Redistribution of  
RIPE NCC Surplus  
2023**

# Our Advice to the RIPE NCC Executive Board



- Resolution: “The General Meeting approves the redistribution of the excess contribution/deficit paid in 2023 by redistributing the RIPE NCC 2023 surplus/deficit to the membership in 2024”
- **We advise the GM to vote “No”** and add the surplus or deficit to Clearing House reserve:
  - Result is forecasted to be very low
  - Between 150k positive and 150k negative

# Result of vote on 2024 LIR Invoice



- **Resolution 1 “Yes”**

- Positive result 50k
- Positive result 150k

LIR Fee	Redistribution to Member	2024 Invoice
1,550	+ 2	1,548
1,550	+ 7	1,543

- **Resolution 1 “Yes”**

- **Negative** result 50k
- **Negative** result 150k

LIR Fee	Redistribution to Member	2024 Invoice
1,550	- 2	1,552
1,550	- 7	1,557



# **Forecast 2025 - 2027**

## **Income and Costs**

# 2025 - 2027 Forecast Assumptions



- Charging Scheme remains unchanged (2024)
- Decrease in income/LIR accounts
  - Consolidation of multiple LIRs continues
  - Number of LIR accounts equals number of members by 2027
- Activities continue as per Activity Plan and Budget 2024
  - Staff levels remain stable
  - Continued inflation (slowly returning to European Central Bank targets of 2%)

# 2025 - 2027 Profit and Loss Forecast



	B2024	B2025	B2026	B2027
Income (in million EUR)	38.0	35.5	34.9	34.4
Expenditures (in million EUR)	38.0	39.5	40.9	42.2
<b>Deficit (in million EUR)</b>	-	<b>(4.0)</b>	<b>(6.0)</b>	<b>(7.8)</b>
Number of LIRs	21,500	21,000	20,750	20,700
Average Cost per LIR (EUR)	1,767	1,882	1,973	2,040
% Increase	-	6.5%	4.8%	3.4%

# 2025 - 2027 What Will We Be Doing?



- Income

- Continue discussions with Executive Board
- Engage with membership
- In preparation for next GM/Charging Scheme 2025 vote

- Costs

- Continue discussions with Executive Board
- Engage with membership
- In preparation for Activity Plan and Budget process 2025

# Recap



- 2023
  - Income under budget
  - Costs under budget, we have taken action
  - 110 kEUR positive surplus forecasted
- 2024 three main concerns:
  - Membership fees at risk, UHRC & Sanctions
  - Reducing income
  - Inflation remains unstable/unpredictable
- 2025 - 2027
  - Something will need to change to ensure our long-term financial stability
  - We will need to find consensus with the membership on what this is
  - Generally speaking we have two options:
    - Increase income
    - Decrease costs



# Questions



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