

Annex 6. Summary of revenue information informing our QWR decisions

Overview

1. To inform our QWR decisions, in March 2024 we sent RFIs to 30 companies which we considered could be providing regulated services to a large number of users in the UK and which would hold, or were able to generate or obtain, information which would help inform how we implement the fees regime under the Act.¹
2. This annex provides an aggregated summary of the information received so it is not possible to identify confidential financial information relating to any individual company. For the purposes of our analysis, we have treated each company as if they were the provider of all relevant regulated services that they told us they, or other companies in their group, provided, and therefore refer to them in the rest of this annex as ‘providers’.
3. Since the consultation was published, we have also undertaken additional analysis to assess if publicly available revenue information could help improve our estimate of the number of providers that could potentially be liable to pay fees. This annex also summarises the results of that analysis.

Summary of revenue data from information requests

4. We requested information on worldwide and UK revenues referable to regulated services as well as a breakdown of that revenue (for example between advertising revenue, subscription revenue and one-off payments). The information requested was for financial years ending in 2021, 2022 and 2023 but, for the purposes of this statement, we present summary information in this annex for financial years ending in 2023, as this is the most up to date information available to us.
5. Some providers told us they do not routinely track revenue per service or separately identify revenues associated with their services in the UK, and estimating such revenues could be time consuming. As such, in responding to the RFI, in some cases, providers:
 - i) Estimated revenues associated with regulated services, by apportioning revenue between regulated and unregulated services; and

¹ We sent information requests because published financial statements (where available) do not generally provide granular revenue information on regulated services and not all companies have an obligation to publish financial statements. The respondents selected were expected to comprise the largest fee payers as well as provide a range of different types of service providers. The RFI list was never intended to cover all potential fee payers.

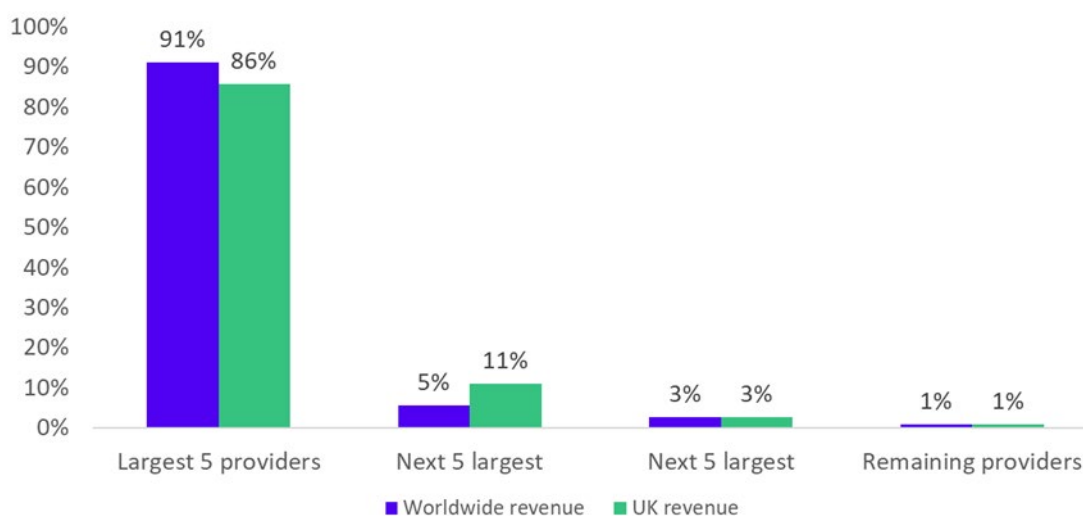
- ii) Estimated UK revenues for regulated services by apportioning relevant revenue between the UK and other geographic regions. Such apportionments relied on assumptions and judgement by those providers.
6. A small number of providers submitted that they were unable to provide revenue information for regulated services.² In such cases, we have generally estimated revenues for their regulated services based on information provided in response to this RFI and from public sources. Where information was missing for the 2023 financial year (for instance, because financial statements were not yet ready), we generally estimated 2023 revenues based on the growth rate in previous years. Following this exercise, we had worldwide and UK revenue estimates for 27 providers of regulated services.
 7. Based on this information, we estimate that total worldwide revenue associated with regulated services from these providers for financial years ending in 2023 was between £350 billion and £400 billion, and total UK revenue was between £20 billion and £30 billion.³
 8. In chapter 3, we set out our decisions for how QWR should be determined, namely using a worldwide revenue approach and using an apportionment methodology where revenues associated with relevant parts of regulated services cannot be separately identified. RFI data and referable revenue calculations predate the finalisation of our QWR approach. As such, we recognise some referable revenue estimates for individual providers may not align with providers' own QWR calculations based on our finalised policy as set out in this statement. Nonetheless, we consider such differences are likely to be immaterial to our macro analysis⁴ and the estimate of total worldwide revenue of £350 billion to £400 billion gives a reasonable indication of the magnitude of total QWR likely to be associated with these providers.
 9. Figure A6.1 illustrates the distribution of revenue by provider in financial years ending in 2023. The distribution of revenue is comparable on both a worldwide and UK revenue basis, and the five largest revenue generating providers represent around 90% of total revenues in both cases.

² For example, sometimes revenue estimates provided included revenues for both regulated and non-regulated services.

³ We converted revenue information provided in currencies other than sterling to GBP using average exchange rates for the relevant financial years.

⁴ Either by being small or applying to a limited subset of providers.

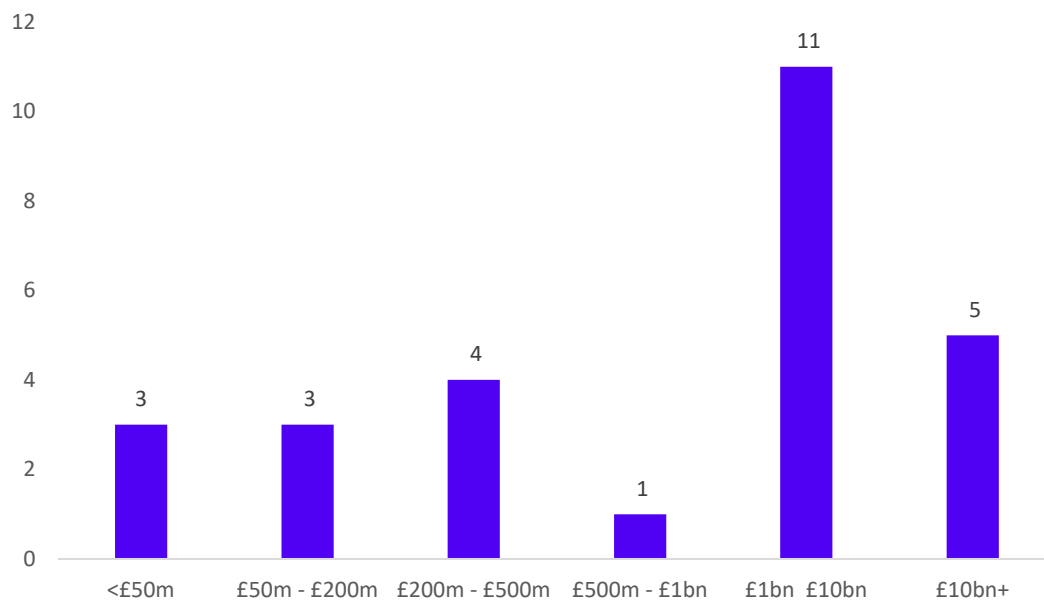
Figure A6.1: Distribution of estimated regulated service revenue by provider



Source: Ofcom analysis of responses to information requests. Figures based on revenues in financial years ending 2023 and may not sum due to rounding.

10. We estimate that UK revenues typically represented less than 10% of worldwide revenues in financial years ending in 2023 (averaging around 7%), though for a small number of providers, UK revenues represented a higher proportion of worldwide revenues.
11. Figure A6.2 below illustrates the distribution of worldwide revenue by revenue bracket in financial years ending in 2023. It illustrates that around 10% of providers responding to our information requests had estimated regulated worldwide revenues below £50m, around 30% up to £1 billion and around 60% over £1 billion. Note that the chart only illustrates the distribution of estimated revenue associated with the providers responding to our information requests, which tended to be larger providers. Further, as noted above, the figures in this chart aggregate revenues in a way which may not fully align with our approach to determining QWR, and in some cases may overestimate the QWR attributable to individual providers. As noted elsewhere in this statement, thousands of providers are likely to be in scope of the Act and we expect the worldwide revenue for many of these providers is likely to be below £50m. Therefore, the distribution of worldwide revenue for all providers in scope of the Act is likely to be skewed such that most providers would have worldwide revenues below £50m, with significantly fewer providers with worldwide revenues above £1 billion.
12. We estimate that 20 of the providers who responded to our information requests could be liable to pay fees given our recommended QWR threshold of £250 million set out in chapter 4.

Figure A6.2: Distribution of estimated worldwide regulated service revenue by revenue bracket



Source: Ofcom analysis of responses to information requests. Figures based on revenues in financial years ending 2023 and may not sum due to rounding.

13. Within the types of revenue generated by providers of regulated services, most revenue in financial years ending in 2023 related to advertising, subscription fees, and one-off payments. Other sources of revenue included commissions (for example on marketplace sales), donations, and payment processing fees, which, while relatively small sources of revenue overall, were more important for some providers.

Additional analysis

14. We have undertaken additional analysis to assess if public and commercially available revenue information could inform further our estimate of the number of providers that could potentially be liable to pay fees, i.e. providers whose QWR could potentially be higher
- Yup

Methodology and results

15. We identified about 450 online services that have relatively large UK audiences. Of these, we estimated that around 200 could constitute a regulated service under the Act based on our work and discussions with stakeholders to date.
16. We estimated that these services are provided by approximately 130 companies, and we were able to estimate worldwide revenue for around 120 of these companies.⁵

⁵ Sources included publicly available financial statements published by the US Securities and Exchange Commission, UK Companies House and equivalent institutions in other countries, estimations based on sectoral market reports, specialised press and further desk research. In a small number of cases research was inconclusive as some entities are private companies that do not publicly disclose their financial results.

17. This exercise also included worldwide revenue from additional companies that we thought could provide regulated services based on responses received to our consultation (for example in the gaming sector) and our evolving understanding of services that could be in scope (for example generative artificial intelligence).
18. Following this exercise, we had worldwide revenue estimates for around 120 companies which could be providing regulated services. We excluded companies that responded to our information requests. The companies included in our expanded list provide services in a variety of sectors such as gaming, marketplaces, generative AI and third-party listing services in sectors including travel, transport and food.
19. The revenue distribution for these companies is illustrated below in figure A6.3.

Figure A6.3: Revenue distribution of companies that could be providing regulated services



Note: revenues reported in currencies other than GBP have been converted using average exchange rates for the period ending in 2023.

20. These revenue estimates do not equate to provider QWR. Provider QWR could be significantly smaller than these company revenue estimates as:
- i) QWR must relate to relevant parts of regulated services, and these parts could represent just a small proportion of the named service or activities of the provider; and
 - ii) the relevant provider of the regulated service may not be the group company and/or the company could include multiple providers of regulated services.
21. We do not have information available to accurately estimate provider QWR, but the chart indicates that many of these companies have significant revenues such that their QWR could be above the recommended QWR threshold even if it represented a relatively small proportion of total company revenue. For example, with our recommended QWR threshold of £250 million, the 19 companies with revenue above £10 billion could be in scope for fees if

their QWR represented just 2.5% of company revenue. However, calculating QWR will be a highly bespoke process. Some providers will have most of their revenue, if not all, classified as QWR, whilst others will have a much smaller proportion.

22. Overall, we assess this additional analysis indicates that the number of fee payers could plausibly be higher than the 20-40 range we referred to in our consultation and that up to 60 providers could be in scope for fees. However, the exact number of fee payers is uncertain and will only become clear once providers notify their QWR to us.