



U.S. OUTLOOK CONFERENCE

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**Sports Media:
The Reach/Revenue Conundrum**

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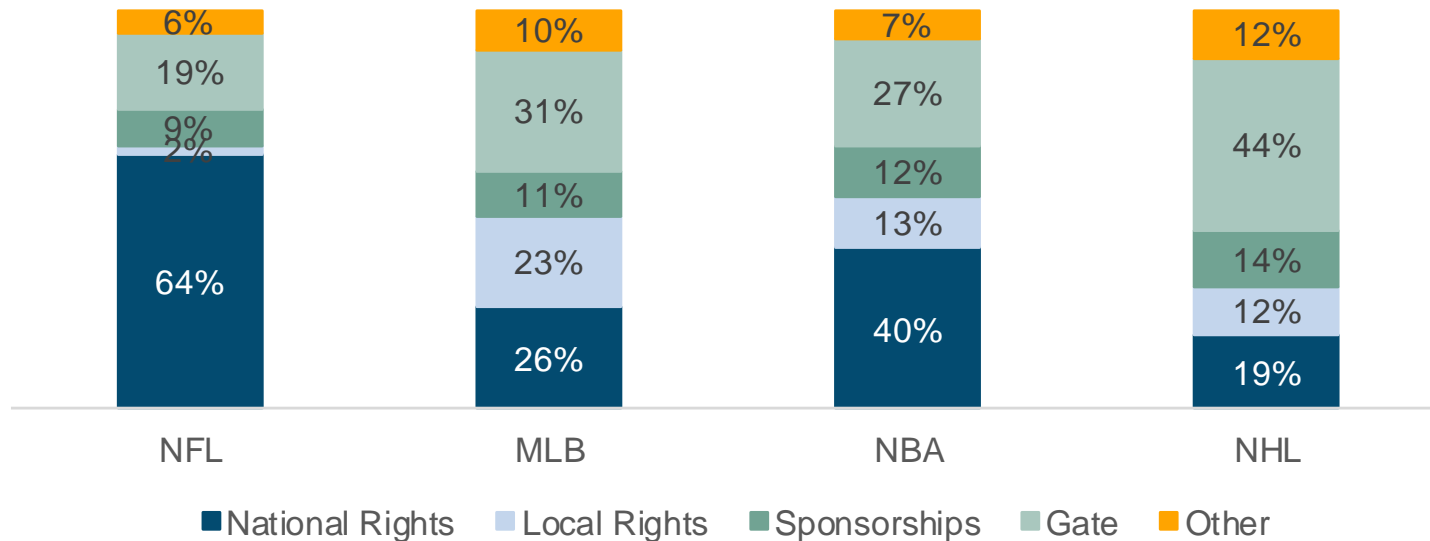
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Sports Rights Overview

- Sports industry exceeded \$83 billion in 2023, per PwC figures
- Economics consist of 1) **rights fees**, 2) gate revenues, 3) sponsorships, and 4) licensed merchandise
- **Rights fees** are the majority of revenue, growing at a 5% CAGR and **the focus of this panel**
- NFL is the richest league at ~\$19 billion of revenue, two-thirds of which is derived from rights fees
- MLB and NBA each generate ~\$10 billion in revenue, with roughly half from rights fees

Revenue Breakdown of U.S. Sports Leagues



Estimated Revenue

NFL:	~\$19 billion
MLB:	~\$10 billion
NBA:	~\$10 billion
NHL:	~\$6 billion
SEC:	~\$2 billion
Big Ten:	~\$2 billion

North America Sports: \$80+ billion

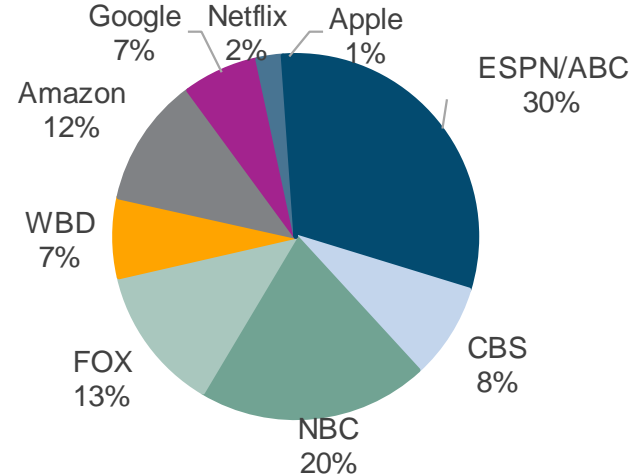
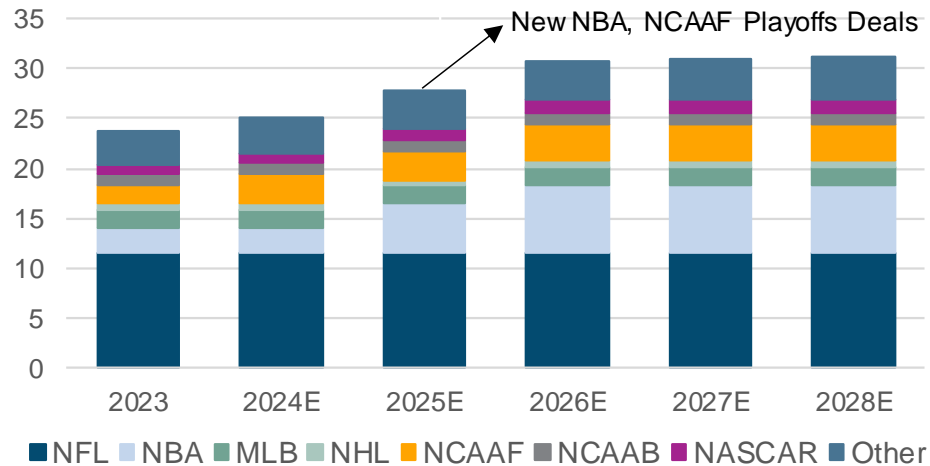
Source: Various media reports, Sportico and CreditSights.

Sports Rights Costs Pass \$30 billion per Annum

Recent Deals have increased by more than 2x on average (average annual value)

- **NBA:** \$2.6 billion ESPN/WBD → \$6.9 billion ESPN/NBC/Amazon
- **NASCAR:** \$0.8 million FOX/NBC → \$1.2 billion FOX/NBC/WBD/Amazon/CW
- **NCAAF:** \$0.6 million ESPN → \$1.3 billion ESPN (sublicense to WBD)
- **French Open:** \$24 million NBC/TC → \$65 million WBD
- **Next Up:** Formula One, ESPN opt-out of MLB?

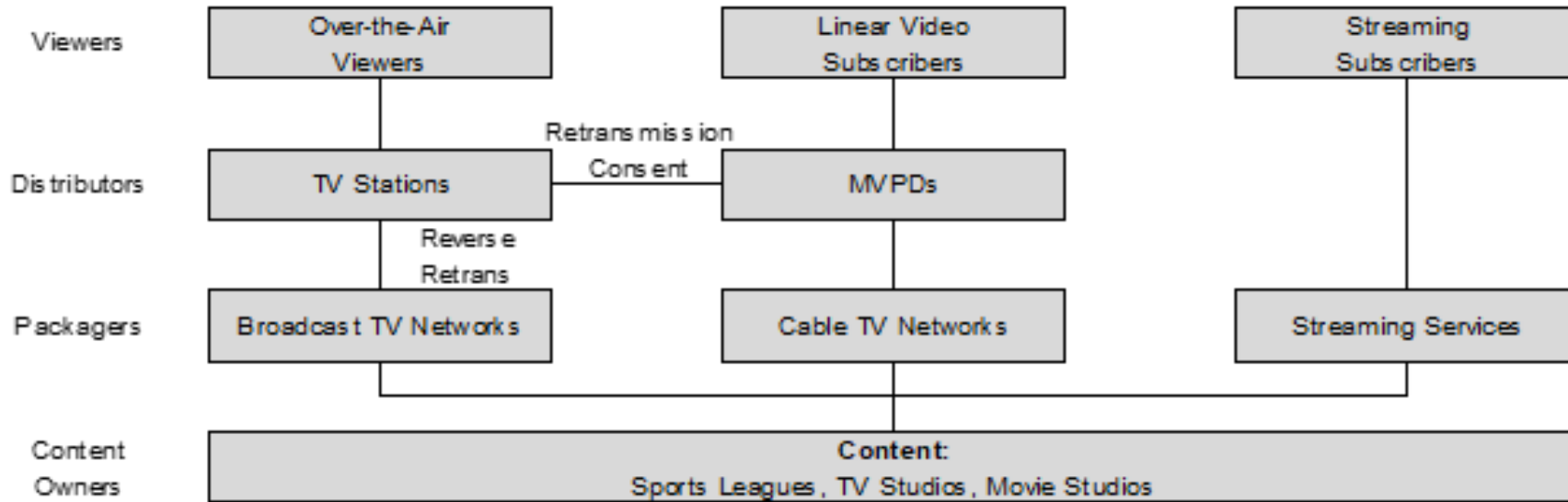
Sports Rights Inflation (\$ billions)



Source: Various media reports and CreditSights.

Sports Media Players

Video Industry Snapshot



- Sports leagues negotiate directly with media/tech companies
- Media companies package sports with entertainment and sell to linear MVPDs
- Sports networks are sold at a wholesale price
- Streaming services are sold at a retail price direct to consumer

Network O&O TV Stations	ABC	CBS	NBC	FOX	Univision	Telemundo	ION
Independent TV Stations	Nexstar	Gray TV	Sinclair	TEGNA	EW Scripps	Cox Media	Allen Media
Broadcast TV Networks	ABC	CBS	NBC	FOX	Univision	CW	MyNwk TV
Cable TV Networks	Fox News	CNN	TNT	ESPN	Discovery	USA Nwk	AMC Nwks
Linear MVPDs	Comcast	Charter	DirecTV	DISH	Cox Cable	Altice USA	Verizon Fios
Virtual MVPDs	YouTube TV	Hulu Live	DTV Stream	Sling TV	fubo		
Streaming Services	Netflix	Amazon	HBO Max	Disney/Hulu	Peacock	Paramount+	Apple TV
Sports Leagues	NFL	NBA	NHL	MLB	MLS	NCAA	PGA
Studios	Disney	Paramount	Universal	Warner Bros	Sony	Lions Gate	

Source: Congressional Research Service and CreditSights.

Tech: Deep Pockets, New Features, Customer Data, Global Distribution



Metrics:

Market Cap: \$2.2 tn

Cash & Inv (MRQ): \$88 bn

CFO-Capex (LTM): \$48 bn

Contracts:

NFL (TNF): \$1.0 bn per year

NBA: \$1.8 bn per year

NASCAR: N/A

Features: Key Plays, Next Gen Stats, Defensive Alerts

Distribution: Prime members surpassed 200 million by April 2021



Metrics:

Market Cap: \$2.1 tn

Cash & Inv (MRQ): \$93 bn

CFO-Capex (LTM): \$56 bn

Contracts:

NFL (Sunday Ticket): \$2.0 bn per year

Features: Multiview, Key Plays

Distribution: YouTube TV >8 mn subs at year-end 2023; YouTube >2.5 bn MAUs (estimates)



Metrics:

Market Cap: \$3.6 tn

Cash & Inv (MRQ): \$157 bn

CFO-Capex (LTM): \$109 bn

Contracts:

MLS: \$250 mn per year

MLB: \$85 mn per year

Features: Multiview, Key Plays

Distribution: Apple TV+ has >25 mn subs (estimated); Apple surpassed 2.2 bn active devices in early 2024

Metrics:

Market Cap: \$0.4 tn

Cash & Inv (MRQ): \$9 bn

CFO-Capex (LTM): \$7 bn

Contracts:

NFL X-Mas: \$150 mn

WWE: \$500 mn per year

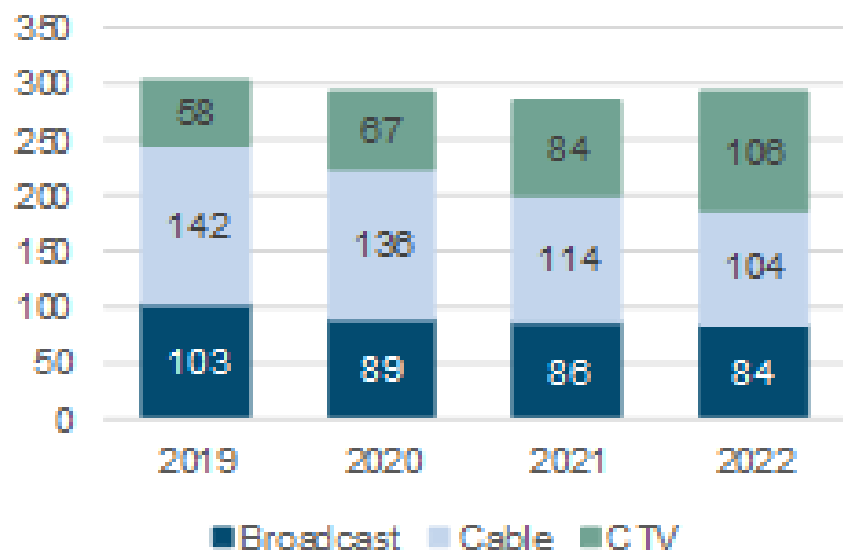
Features: N/A

Distribution: Netflix had 283 mn subs at 3Q24, including 85 mn in the US and Canada.

Distribution Conundrum

- Distribution revenue makes up 80% of sports economics
- Media companies are at a crossroads – focus on revenue or reach?
- Three choices in today’s fast-moving environment: **1) streaming only, 2) linear only, or 3) side-by-side hybrid**
- Diversified media companies have multi-platform distribution across broadcast, cable, and streaming

Average Daily TV Viewing (minutes/day)



	Broadcast	Basic	Premium	SVOD	AVOD
Disney	ABC	ESPN	-	ESPN+	ESPN+
Paramount	CBS	MTV, Nick	Showtime	Paramount+	Paramount+
Warner	-	TBS, TNT	HBO	Max	Max
Fox	FOX	FS1	-	-	Tubi
Comcast	NBC	USA	-	Peacock	Peacock
Apple	-	-	-	Apple TV+	-
Amazon	-	-	-	Prime	Prime
YouTube	-	-	-	Sunday Tkt	YouTube

Source: Nielsen, company reports and CreditSights.

Path No. 1: Streaming Only

- **Churn is High:** Subscribers to streaming tend to be much higher churn than linear
- **ARPU is High:** The price point for streaming must be high to counteract the elevated churn and large costs
- **Reach is Low:** Streaming households still make a minority of overall TV households
- **Bundle is Low:** Consumers face friction in switching between services and finding games
- **Who is taking this path?** So far, only Big Tech is doing streaming-only

Weighing the Future of Sports Distribution

	Impact		Churn	ARPU	Reach	Bundle	Commentary
Streaming/ Direct-to-Consumer	Positive	→	Low	High	High	High	<i>Streaming faces high churn and reaches smaller audiences</i>
	Neutral	→	Medium	Medium	Medium	Medium	
	Negative	→	High	Low	Low	Low	

Source: CreditSights.

Path No. 2: Linear Only

- **Churn is Low:** Satellite TV churn is below 2% versus high-single-digits for streaming
- **ARPU is Medium:** Media companies charge a wholesale rate in bundle, but fees are spread across larger base
- **Reach is Medium:** Linear TV economics used to work because it had wide reach; now only 60% of TVHH
- **Bundle is High:** The convenience factor for sports fans is very good for linear

Weighing the Future of Sports Distribution

	Impact		Churn	ARPU	Reach	Bundle	Commentary
Pay TV (Cable/Satellite)	Positive	→	Low	High	High	High	<i>Pay-TV faces sub losses due to high cost; cable nets get wholesale rates</i>
	Neutral	→	Medium	Medium	Medium	Medium	
	Negative	→	High	Low	Low	Low	
Broadcast TV	Positive	→	Low	High	High	High	<i>Broadcast reaches the widest audience but gets less revenue</i>
	Neutral	→	Medium	Medium	Medium	Medium	
	Negative	→	High	Low	Low	Low	

Source: CreditSights.

Path No. 3: Hybrid Streaming/Linear Side-By-Side

- **What is side-by-side hybrid?** We think the best approach is simultaneously strengthening the linear bundle (by including DTC services) while expanding distribution to new, younger audiences with DTC streaming
- **Disney** went the other direction, asking for more linear fees but moving premium content to streaming
- **Others** simulcast sports on streaming and linear (e.g., NFL on Peacock and NBC)
- **Churn is low** as streaming services can be bundled with linear and could slow cord cutting
- **Revenue opportunity is high** given media companies can expand addressable market to younger demos
- **Reach is high** as sports reach pay-TV (60%), broadcast (80% incl. Pay-TV and OTA), and OTT (20%)

Weighing the Future of Sports Distribution

	Impact		Churn	ARPU	Reach	Bundle	Commentary
Hybrid (Streaming/Linear)	Positive	→	Low	High	High	High	<i>We think the best approach is to offer streaming/linear together</i>
	Neutral	→	Medium	Medium	Medium	Medium	
	Negative	→	High	Low	Low	Low	

Source: CreditSights.

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