



2023

Global Sports Survey

Chapter 2:
Rights Owners
Perspectives

NOVEMBER | 2023



Welcome to Altman Solon's 2023 Global Sports Survey

Setting the Stage

The sports media industry is experiencing unprecedented changes. Decision-makers are confronted with increasingly complex choices while fans' habits continue to evolve rapidly, in line with the industry's shifting and fragmented structure. In this newly introduced format, we aim to encourage genuine dialogue among all market participants – fans, rights owners, media distributors, investors, and partners – affected by those market conditions. At a time when the cultural impact of sport is stronger than ever while being on the brink of disruption, we believe it is crucial for the sector to establish a collective viewpoint and push the boundaries of thinking about its near and distant future.

In this context, we are delighted to present the findings of Altman Solon's 2023 Global Sports Survey.

This report is the 2nd of 5 publications and focuses on:

1	2	3	4	5
Changing media consumption	Key perspectives: Rights owners	Key perspectives: Media co.	Key perspectives: Investors	Key innovations
October 2023	November 2023	December 2023	January 2024	February 2024

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The Firm

Altman Solon is the largest and leading worldwide strategy firm exclusively focused on telecommunications, media, and technology (TMT).

Over 600 consultants across 13 offices worldwide and a trusted advisor to C-level executives from blue-chip companies operating in 100+ countries.

We have completed demanding assignments for a wide range of high-profile sports businesses and their investors, developing a holistic view of the value chain and its key trends, and our focus on TMT can help sports accelerate its transformation.

Learn more at www.altmansolon.com

The Survey

Online survey of 150+ senior sports executives globally, including rights owners, media distributors, and investors, and ~2,500 consumers interested in sports in 8 countries: US, UK, Germany, France, Italy, Spain, Mexico, China; the survey was fielded in Aug-Sept 2023 by our research partners IRIS and GWI.

Key perspectives: Rights owners

Despite the appeal of watching live sports, global rights owners face multiple risks to the value of their media rights

Executive summary

Market indicators

Shifting Market Dynamics

- Over 80% of global sports executives believe that rights owners do not understand and act on the evolving needs of their media partners
- Domestic media right deals for four out of five major European football leagues plateaued in the early 2020s

Capturing Value From Fandom

- Fans of tier 1 sports leagues (European football, US major leagues) are willing to pay ~\$20-25 per month to pay for access to live games
- 58% of surveyed rights owners prefer to improve and innovate core products over optimizing media and commercial models

Stimulating Future Competition

- 65% of global sports executives think rights owners should lengthen media cycles vs shorten them
- 60% of executives think rights owners should embrace variable & performance based upside models vs guaranteed and upfront rights licensing
- Executives are split on whether rights owners should prioritize DTC via internal offerings (47%) or rights licensing/supporting existing partners (53%)
- Executives are also split on whether rights owners should foster development of pure streamers/tech groups (54%) vs empower traditional broadcasters and their transition to streaming (46%)

Our Take

Sports organizations face potential devaluation of media rights, historically a primary income source, as they approach retail value

Simultaneously, shifts in the media landscape (reduced content spending, increased collaboration) are depressing media rights' wholesale value

New commercialization models may be necessary to meet buyer needs

Sports organizations need to enhance their understanding of existing & new media partners in order to stimulate competition

Partnership structures will shift as rights owners evolve content packaging to expand potential buyers and layer in new value-added services aligned to buyer priorities

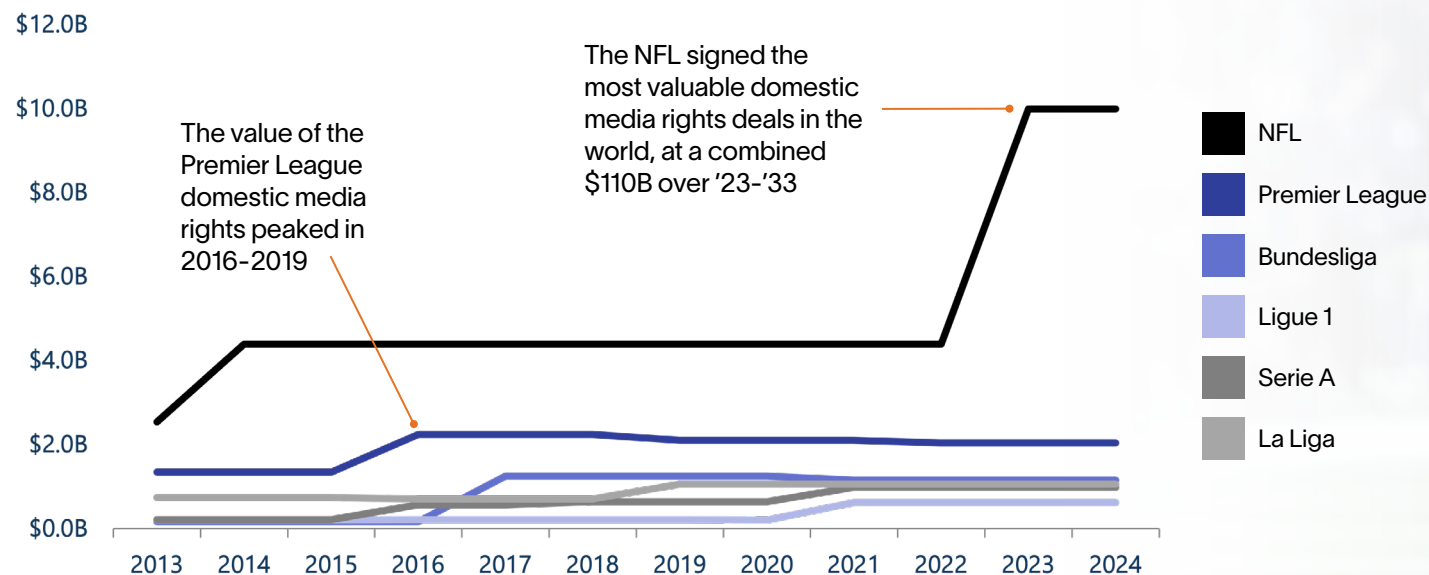


Key perspectives: Rights owners

While rights deals have continued to climb for major US sports, European football deals have plateaued in recent years

Domestic media rights deals over time

In \$Bn; 2013-2024; Annualized to the straight-line average of the deals over the term



The value of the Premier League domestic media rights peaked in 2016-2019

The NFL signed the most valuable domestic media rights deals in the world, at a combined \$110B over '23-'33

Key insights:

- Four out of the five major European football leagues have had relatively flat levels of domestic media rights revenue since 2017
- Meanwhile, US leagues such as the NFL have seen dramatically rising values of their domestic TV rights
- NFL rights owners have generally sought longer-term (8-11 year) domestic deals*
- European football rights owners have focused on shorter-term (3-5 year) domestic deals with mainly traditional broadcast networks
- The values of these deals are plateauing due to cord-cutting, competition from other sports, and domestic market saturation*

Source: Altman Solon



Key perspectives: Rights owners

In parallel, the market value for sports media rights is approaching its retail value, which is typically lower

Key trends in media rights valuation

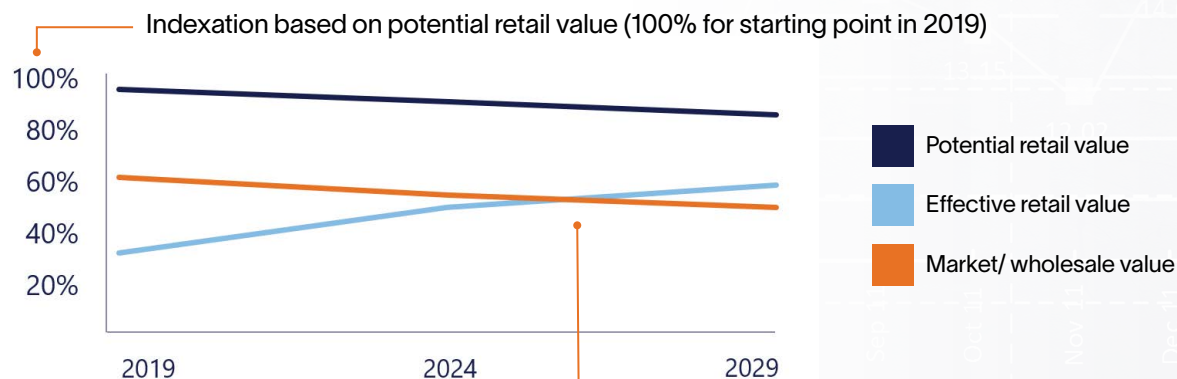
Based on select volume and value drivers, the value of sports media rights can be estimated according to different typologies, including:

Typology of media rights value

- Potential Retail Value** → Consider full penetration among fans and assume all of them are willing to pay at market price (by household)
- Effective Retail Value** → Refinancing value generated by media companies given share users and spend attributable to specific rights
- Market / Wholesale Value** → Market value based on actual transactions and licensing fees paid by all rights-holding broadcasters in given market

Trends & development over time

Example of media rights values development for a major sports league in its domestic market: Europe; exemplary data



Effective retail value increased mainly due to price hikes – it is however expected to decrease in following years

Key insights:

- Historically, market value of sports media rights has typically been higher than effective retail value
- This is due to media companies willing to pay more for the rights than they can refinance directly ('strategic premium')
- Looking ahead, we can expect market value to generally approach effective retail value, driven by media companies' reduced ability to cross-subsidize content through 'forced bundling', and lowering competitive intensity in given markets

Source: Altman Solon



Key perspectives: Rights owners

A misalignment between rights owners and media partners has the potential to limit the growth of future rights deals

Media partners' needs

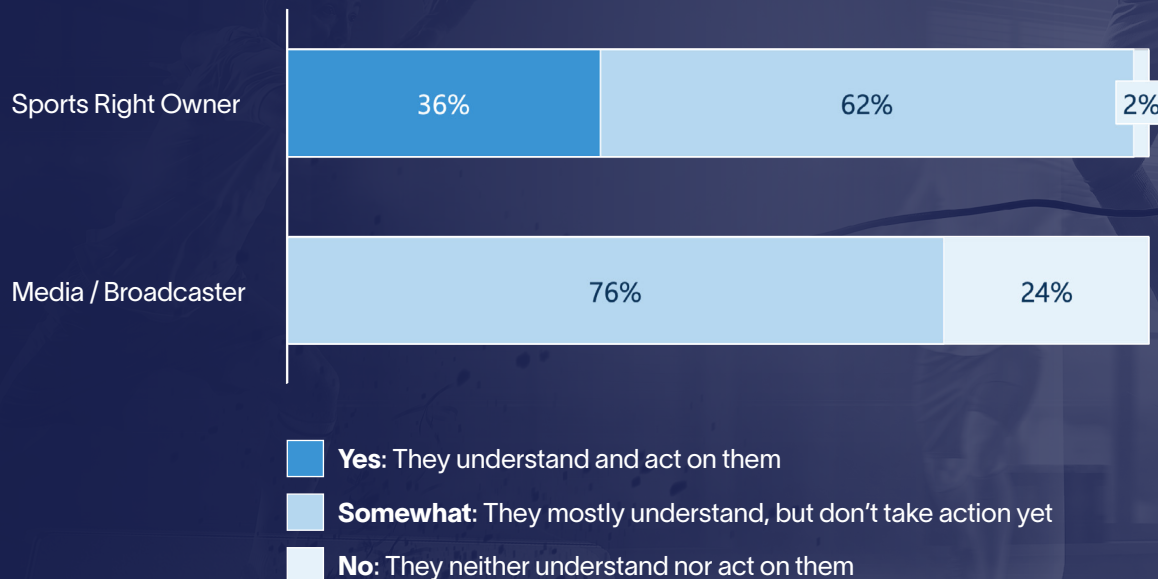
Key insights:

Most industry leaders recognize that rights owners today are not acting on the evolving needs of their media partners

Interestingly, in recent years the industry has placed a strong emphasis on gaining a better understanding of fans and building direct relationships with them, by experimenting with new service verticals such as OTT, gaming, NFTs, etc.

Yet sports organizations' direct revenues remain predominantly B2B, underlining the need to better listen to the buyer market, as the space is more heterogeneous than ever (i.e., technology groups, digital publishers, betting operators)

In general, do you think rights owners understand and act on the needs of their media partners?



“Rights owners need to work ever-harder with media partners to invest in growth in both core markets and emerging markets. The opportunities can only be exploited by working closer together.”

Alan Gilpin,
CEO, World Rugby

“Rights owners need to continue to evolve the live product and entertainment value not directly related to the sport itself.”

Owen Leed,
Commercial Director, Badminton World Federation

Source: CAWI Executive Survey N=150



Key perspectives: Rights owners

Amidst shifting market dynamics, the retail value base for top sports leagues remains high among sports fans

Fan interest, by property

% of respondents somewhat or very interested in the following leagues and competitions, among those interested in watching sports

US	Mexico	UK	Germany	France	Italy	Spain	China
National Football League/NFL: 85%	Liga MX: 86%	FIFA Men's World Cup: 88%	Bundesliga: 91%	FIFA Men's World Cup: 84%	Serie A: 92%	La Liga: 91%	Summer Olympics: 88%
Major League Baseball/MLB: 72%	FIFA Men's World Cup: 86%	English Premier League: 87%	FIFA Men's World Cup: 87%	Summer Olympics: 84%	UEFA Champions League: 83%	UEFA Champions League: 85%	FIFA Men's World Cup: 82%
Summer Olympics: 66%	UEFA Champions League: 80%	UEFA Champions League: 74%	UEFA Champions League: 78%	UEFA Champions League: 77%	FIFA Men's World Cup: 80%	FIFA Men's World Cup: 84%	National Basketball Association/NBA: 80%
Winter Olympics: 63%	Summer Olympics: 78%	Summer Olympics: 71%	UEFA Europa League: 70%	Ligue 1: 75%	Summer Olympics: 77%	UEFA Europa League: 75%	Winter Olympics: 78%
National Basketball Association/NBA: 50%	UEFA Europa League: 74%	UEFA Europa League: 62%	Summer Olympics: 68%	Rugby World Cup: 74%	UEFA Europa League: 76%	Summer Olympics: 72%	English Premier League: 77%
National Hockey League/NHL: 50%	Formula 1: 71%	FIFA Women's World Cup: 60%	Winter Olympics: 68%	Winter Olympics: 70%	Formula 1: 69%	Formula 1: 68%	UEFA Champions League: 72%

Football / Soccer Basketball American Football Baseball Hockey Racing Rugby Olympics

Key insights:

- Top sports leagues have wide reach and appeal with fans interested in their teams and athletes, creating large and engaged communities of fans domestically and globally
- Excitement and authenticity of sports attracts audiences to live events and creates market demand and a retail base for sports media rights
- Rights owners and media partners need to continue capturing fan interest by putting fan preferences at the center of an evolving distribution and financial model

Source: CAWI Consumer Survey N=2500, Powered by IRIS



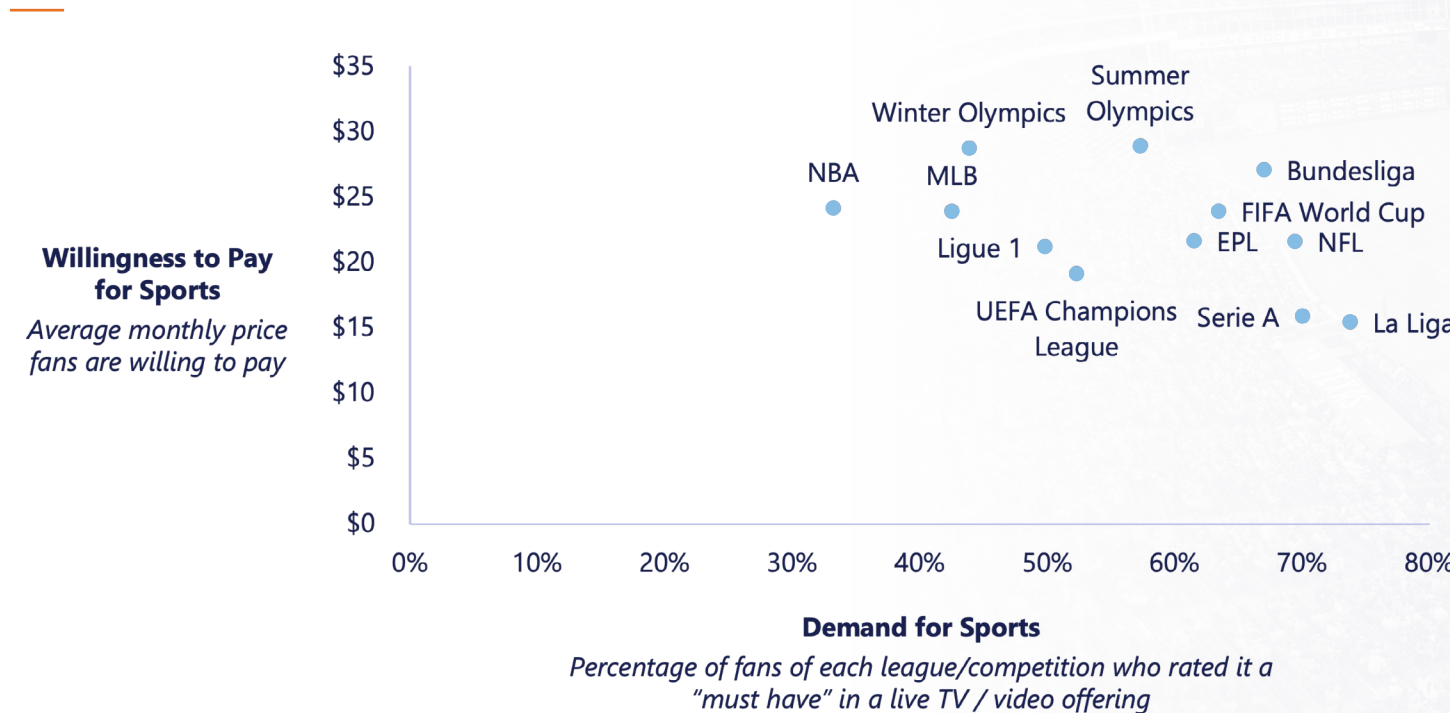
Key perspectives: Rights owners

Fans of tier 1 sports exhibit high willingness to pay for content outside of TV bundles, indicating sports continuing value

Fan willingness to pay, by property

Average maximum monthly price (\$), among those who consider each league essential

Assume your favorite league was available exclusively through a dedicated online streaming service that broadcasts only that competition or sport; what would be the maximum amount you would be willing to pay in dollars for each per month (for the length of the season/event)?



Key insights:

- Fans value availability and access to sports and are willing to pay hundreds of dollars each year to have access to watch their favorite leagues and events
- Top domestic leagues – the NFL and five major European football leagues – appeal to fans in their domestic markets highlighting the value of their content
- Rights owners and media partners need to continue capturing fan interest by putting fan preferences at the center of an evolving distribution and financial model

Source: CAWI Consumer Survey N=2500, Powered by IRIS



“Make their product attractive in domestic and international markets. Adapt the format of the game towards new consumption habits and re-establish competition. Innovators like the Kings League show how thinking differently finds resonance.”

**SVP of Strategy,
Global Sports Streaming Platform**

“We need to continue to innovate our products to attract a new, younger generation of fans while keeping the existing fan base satisfied.”

**President,
International Sports Federation**

Key insights:

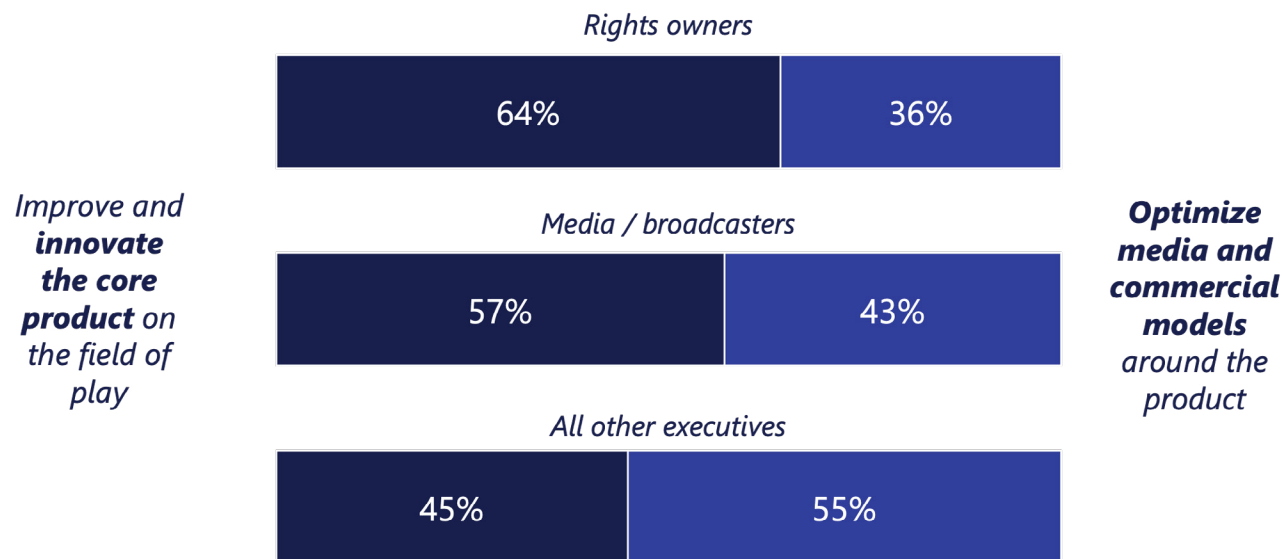
- Executives are divided on the strategic priority to be given to innovating the core product or improving the business model around it – suggesting the importance of both
- Product-wise, initiatives such as *The Hundred*, *TGL Golf League*, or the *Laver Cup* seem to signal a shift away from traditionalism, ushering a new era of innovation in sports, similar to that of the 90s
- Sports with relatively lower fan interest and media usage may be best positioned to take aggressive innovation steps to win audience share, having a higher risk tolerance

Key perspectives: Rights owners

Rights owners, focused on product innovation, must also work to meet partner needs by optimizing commercial models

Strategic trade-offs

Facing the following hypothetical trade-offs, generally, what do you think rights owners should prioritize in the next 5-7 years?



Source: CAWI Executive Survey N=150

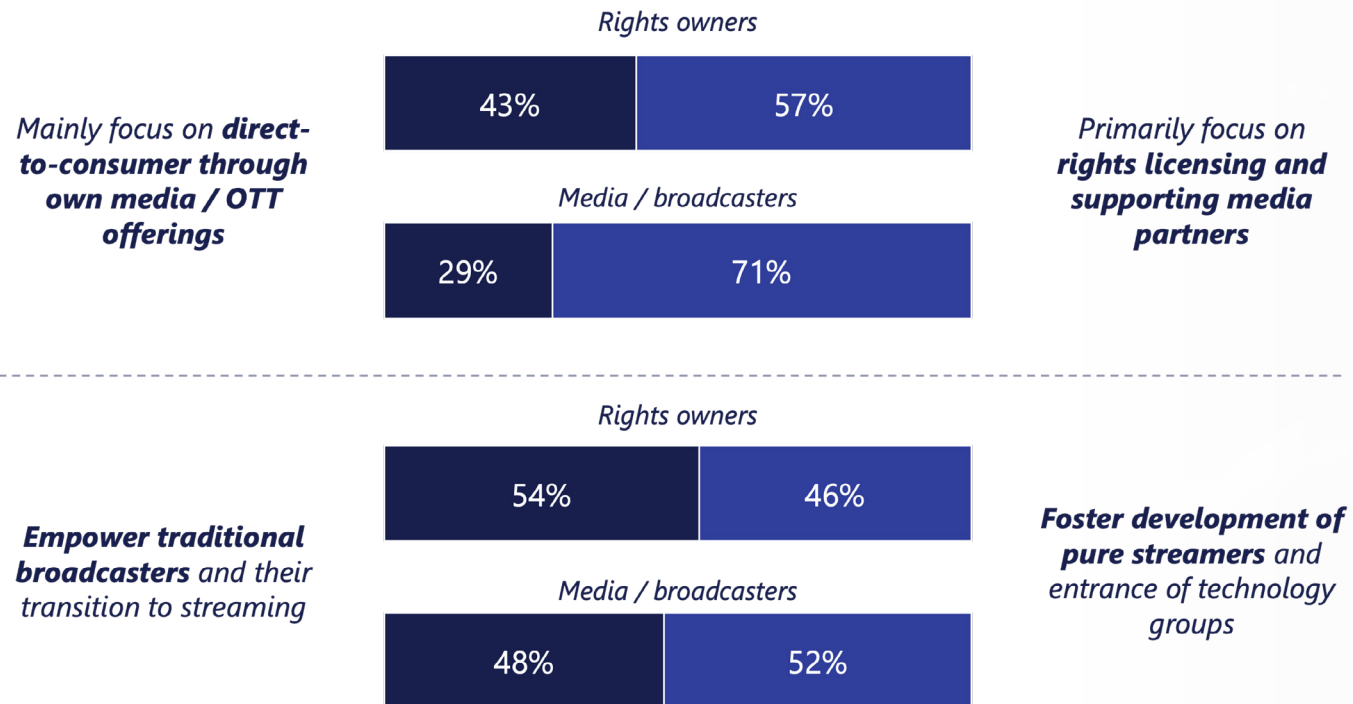


Key perspectives: Rights owners

As streaming and DTC models proliferate, rights owners are split on the future of their media partner landscape

Strategic trade-offs

Facing the following hypothetical trade-offs, generally, what do you think rights owners should prioritize in the next 5-7 years?



“Rights owners need to get smarter, bring smart money in, and develop your own pathways to the fans. Don’t rely on third parties to do it all for you. Leverage existing ecosystems (agencies, broadcasters, etc.) as long as you can but prepare to go alone.”

Managing Partner,
Sports Investment Fund

Key insights:

- Industry leaders are not taking a clear stance on the DTC vs B2B debate, indicating rights owners today may need to feed both channels
- To do so, executives’ mixed views seem to suggest that rights owners should address new entrants while also safeguarding incumbent partners, for whom the value of sports may be higher to that of technology groups seeking portfolio acquisition
- What is more, keeping a diversified set of buyers seems to maintain competitive intensity while preventing a *Spotify* scenario, where one or few platforms exert such a control over demand that they can commoditize supply

Source: CAWI Executive Survey N=150

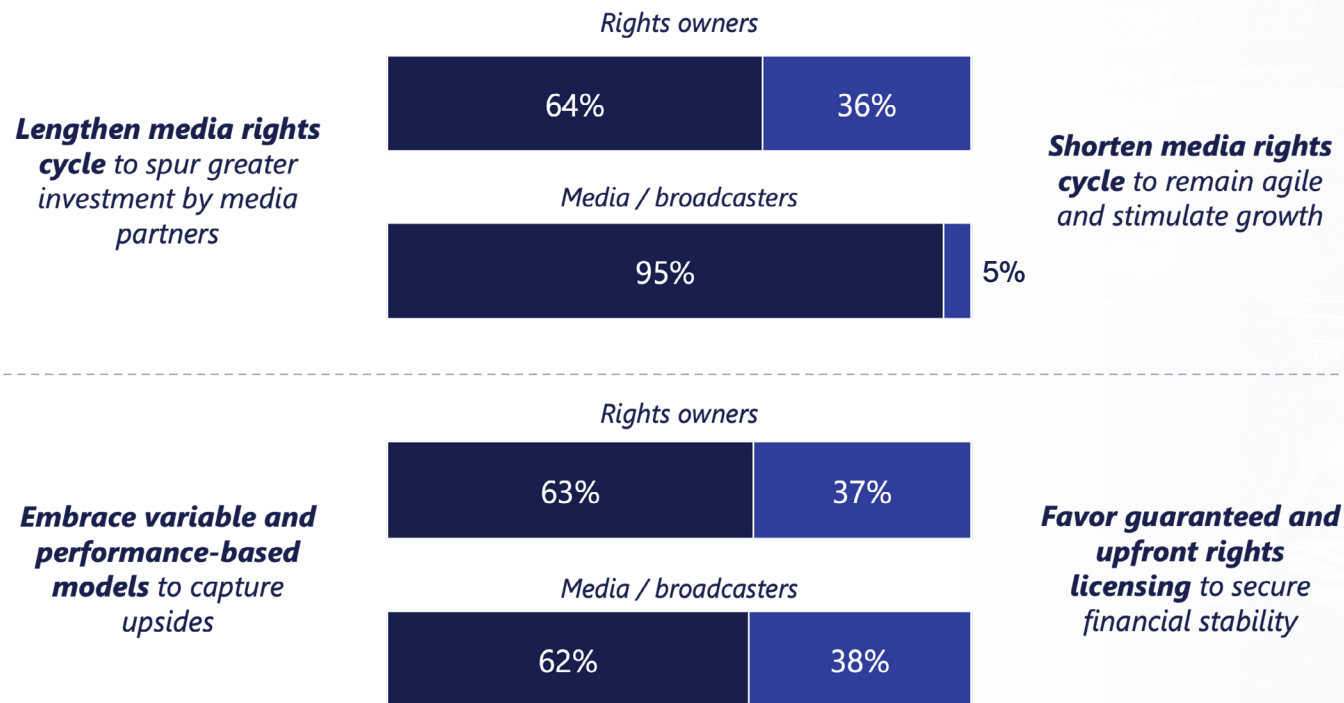


Key perspectives: Rights owners

Executives foresee commercial models shifting towards longer-term strategic partnerships, risk-sharing models, and global markets

Strategic trade-offs

Facing the following hypothetical trade-offs, generally, what do you think rights owners should prioritize in the next 5-7 years?



“Longer term commitments from rights owners to media partners will enable investments and allow for media partners to participate in upsides which they don’t today.”

Managing Director,
European Broadcaster

Key insights:

- Executives believe rights owners want to create the most upside for their media rights by shifting towards a newer deal model
- Rights owners such as those from the MLS are signing longer, international, and more performance-based deals

The MLS signed a deal for \$2.5B over 10 years in 2022 with Apple TV, along with upside potential if a certain # of subscriptions is surpassed

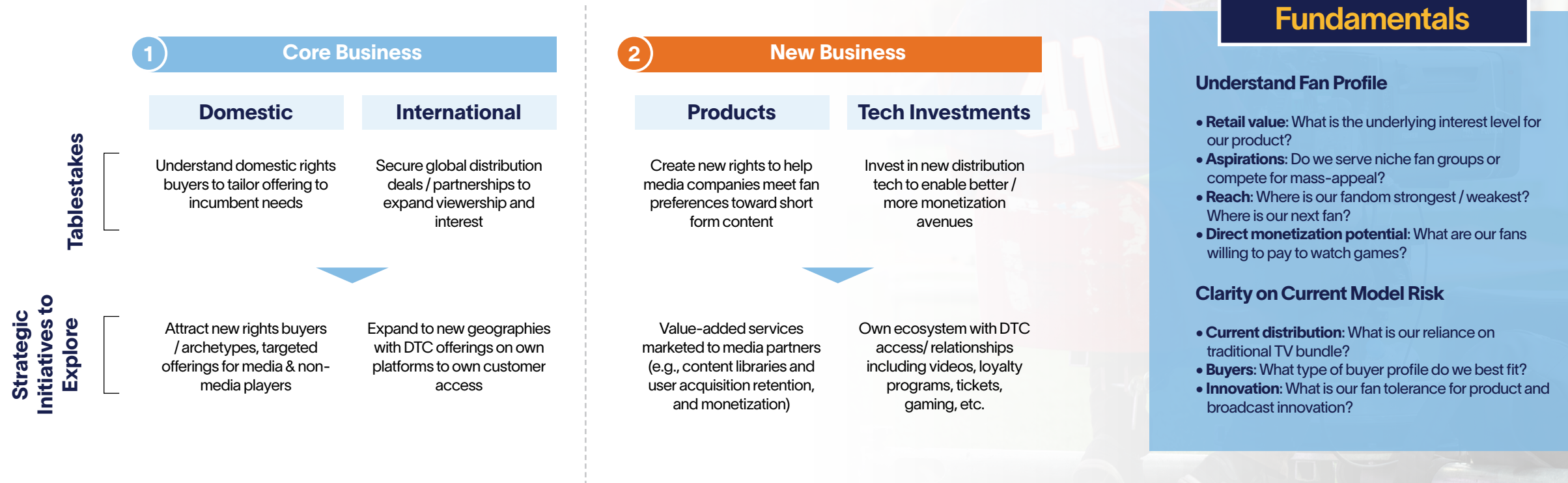
Source: CAWI Executive Survey N=150



Key perspectives: Rights owners

To encourage competition, rights owners should take an “all-of-the-above” approach to potential opportunities

Opportunities framework



Source: Altman Solon

Key perspectives: Rights owners

What will the future hold? We believe rights owners can mitigate market risks by expanding addressable market and increasing buyers' refinancing ability

Our take

Sports organizations may be threatened as media rights – for most their major source of income – face potential devaluation, getting closer to their retail value.

Media companies' economic challenges are lowering content spend and increasing collaboration (e.g., sublicensing and rights sharing agreements), leading to decreased competition in the content marketplace. This has a significant effect on media rights' auctions, particularly in Europe, which is characterized by its oligopolistic media landscape.

In today's changing landscape, it is key that sports organizations upgrade their understanding of media partners (only 18% of sports executives believe that rights owners act on their needs), and take firm initiatives to mitigate key market risks.

This includes stimulating competition between incumbent partners and new entrants (1), and strengthening their ability to refinance rights (2):

1. **Expand addressable market** by packaging and allocating content in a way that appeals to a wider set of buyers, considering both market signals and internal factors such as exclusivity terms and cycle length; model different scenarios and steer towards the one that would capture maximum value from the underlying market structure

2. **Closely align supply with demand**, offering a modular catalogue of value-added services capable of meeting needs of traditional media companies (e.g., user retention and monetization), streamers (e.g., user acquisition) as well as those of technology groups and aggregators (e.g., plug-and-play, ready-to-use content)

“Rights owners must listen to their audience and adapt their product and the packaging of it. If the product is correct people will spend time on it.”

Gustavo Arellano,
Head of Commercial, FIBA

“Single-mindedly focus on fans, obsessively build strong products/propositions and seamlessly collaborate with stakeholders including licensees for maximisation of value (commercial and non-commercial).”

Sanjog Gupta,
Head of Sport, Disney Star

“Rights owners need to think and act like entertainment franchise owners. Creating more assets and inventory with relevant products and services to attract, entertain and retain new, adjacent and younger audiences.”

CEO,
Sports Media Company

Source: Altman Solon

Altman Solon is the largest and leading worldwide strategy firm fully focused on telecommunications, media, and technology

Our services in the sports industry:

- Strategy
- Target operating model
- Organizational design
- Go-to-market
- Financial planning
- Transaction support
- Feasibility assessments

Specific strategy services in sports media:

- Rights packaging and auctioning
- Media rights servicing
- DTC, OTT, and Web3
- Content features and pricing
- Fan behavior research
- Remote / virtual production



At Altman Solon,
we have built an
impressive team of
strategy professionals
working at the
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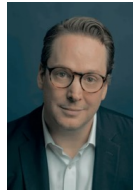
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The consumer research included in this publication was collected by our partners IRIS and GWI as part of an online survey fielded between August and September 2023



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