AMPERE ANALYSIS

The role of sports in the global streaming wars

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Sports content is playing an increasingly prominent part in the streaming wars

1

Against a background of rapid acceleration in spend on content by subscription OTT platforms spurred by the wider ‘streaming wars’, streaming services’ investment in sports rights has lagged – a consequence of infrastructure and business model challenges. Nonetheless, growing consumer demand for streamed sport is increasingly being met: in 2023, subscription OTT services will account for more than a fifth of total spend on sports rights across the most important sports markets worldwide.

2

DAZN led the way in several markets with a bold strategy targeting top-tier rights and offering low-priced, direct-to-consumer access to premium sports. In 2022, DAZN accounted for 54% of all subscription OTT services’ spend on sports rights. DAZN’s strategic focus is now turning away from consumer growth and international expansion to focus on long-term profitability through a strategy of price increases and revenue diversification.

3

Recent years have seen an acceleration in sports rights spend by general entertainment streamers – such as Peacock and Viaplay – as they look to differentiate from peers in an increasingly crowded market. The exclusive NFL deal with Amazon that kicked off in 2022 was arguably the turning point for sports on these platforms, representing the largest single deal signed to-date by any sports streaming service, and since surpassed only by YouTube – also with the NFL.

4

Despite the early challenges of the sports streaming model, spend on sports rights by subscription OTT platforms is destined to grow over the next few years. This is due in part to the opportunities that sports offer to streaming platforms; but also to the challenging economic headwinds and shifting consumer expectations and habits which will limit traditional sports broadcasters’ ability to spend on sports rights going forward, leaving an opening for new entrants

Sport and the streaming wars

The sports industry has – until recently – been a bystander in the streaming wars

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The streaming wars can be defined by a set of competitive moves by rights buyers & owners

A general shift in consumption away from traditional formats and distribution models in favour of IP-delivered models – causing disruption to the economic models that traditionally underpinned the creation and distribution of content

A set of strategic moves (such as launching an OTT service or expanding in new international markets) undertaken by content players to (re)position themselves in the light of new consumption patterns and adapt to the new competitive landscape

A high degree of competitive tension, inducing actors to undertake “winner-takes-most” types of strategy that lead companies to make significant short-term sacrifices in exchange for long-term strategic gains

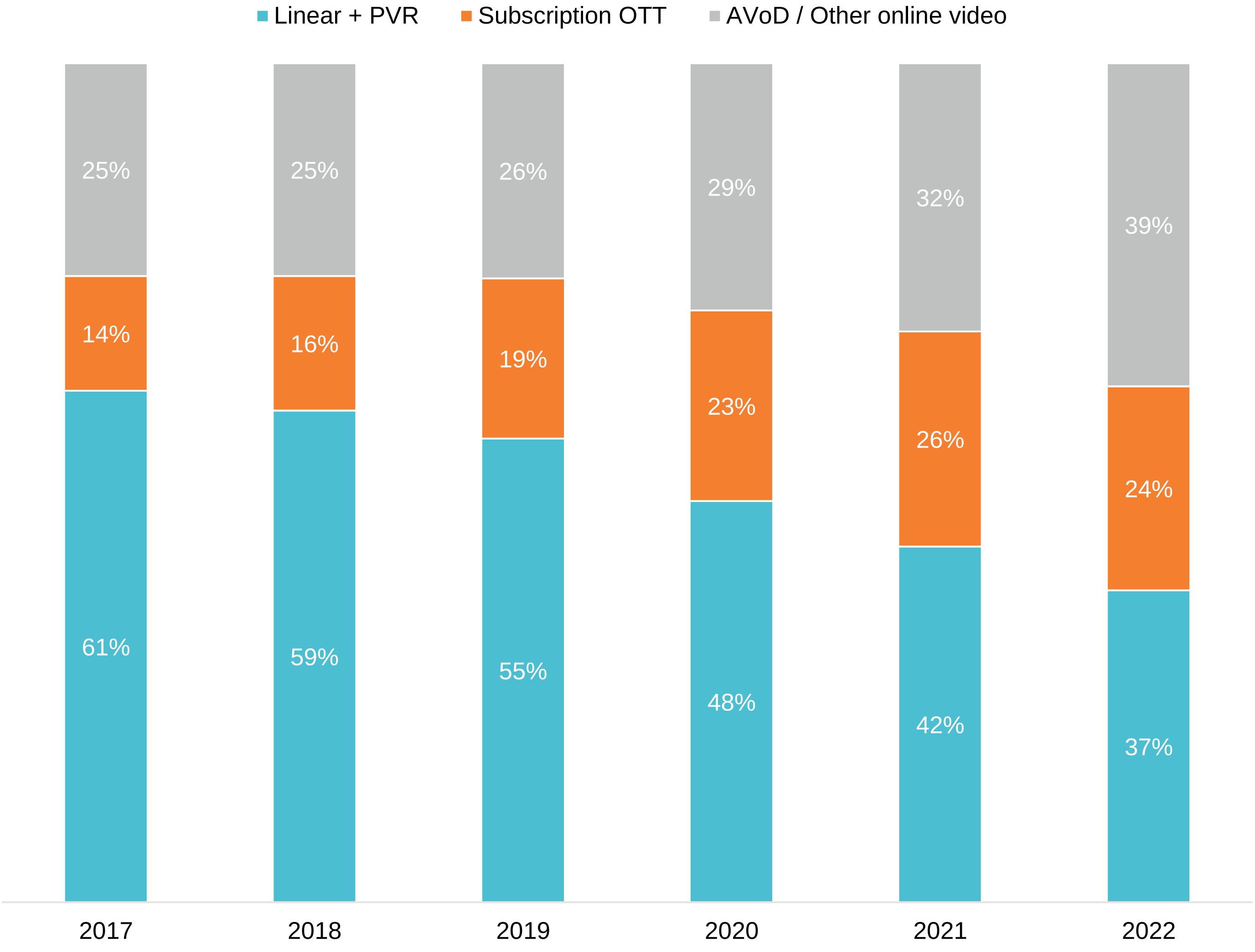
The key trends in recent years have been growing uptake of subscription OTT and declining linear viewing

- Enabled by the rapid diffusion of fast Internet connectivity, the way in which video and TV content is watched has evolved rapidly over the past decade

- Compared to traditional TV distribution methods, subscription OTT has enticed consumers with lower prices, vast content libraries, and convenient, flexible content delivery. This has led to a rapid adoption of subscription OTT, particularly in North America and Western Europe, where subscription OTT penetration surpassed pay-TV penetration for the first time in 2022

- As a result, traditional TV viewing time has declined to make space for on-demand viewing: by 2020, linear channels and DVR viewing accounted for less than 50% of self-reported consumer TV viewing time

USA and Western Europe, self-reported viewing*, by service type (%)

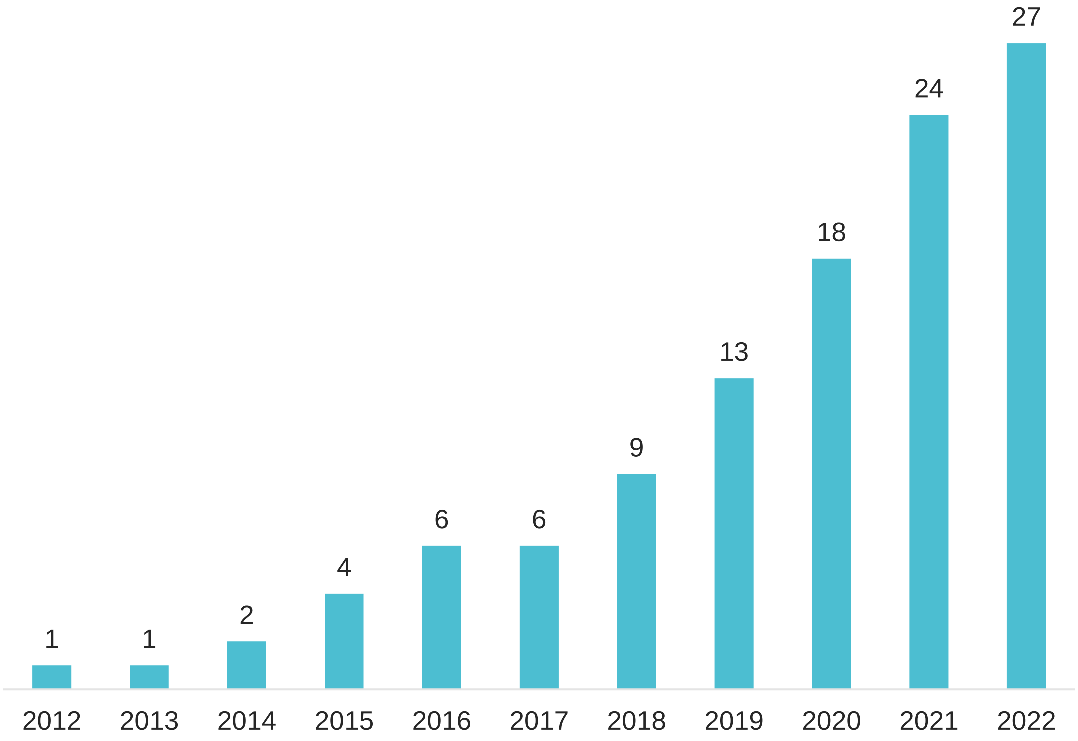


Source: Ampere – Consumer

**Self-reported weekly viewing data collected through a survey of 2,000 nationally representative internet users aged 18-64 per country per wave*
Data refers to: USA, UK, France, Germany, Italy, Spain, Netherlands, Sweden, Denmark

Shifting consumer behaviours led to the ramp up of investment in subscription OTT services

Number of subscription OTT services with a minimum of 10m global subscribers (#)



Source: Ampere Markets - Operators

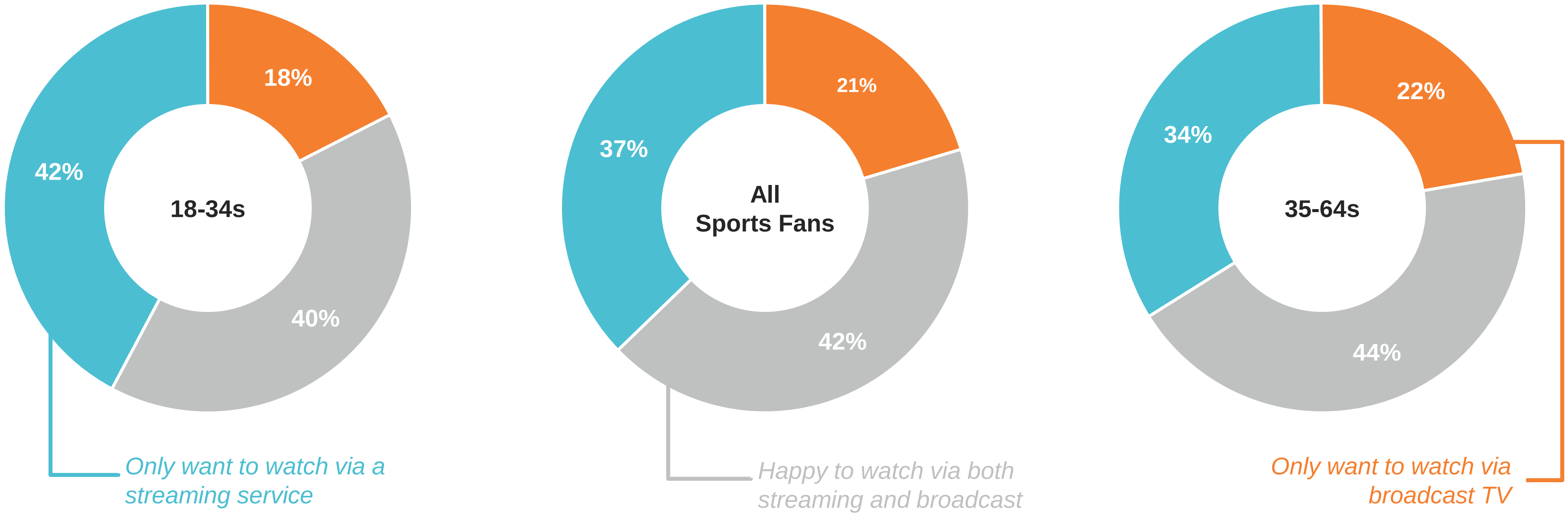
- The past few years have seen a proliferation of subscription OTT services around the world. At the end of 2022, Ampere estimates that 27 services around the world had at least 10m subscribers, up from just one – Netflix – in 2012
- As new subscription OTT services launched to take advantage of rapidly evolving consumption patterns, the investment by this category of services on content has grown rapidly
- Since 2017, global spend on original and acquired TV and movie content from subscription OTT services has more than trebled (+229%), while spend by "traditional" content providers remained relatively flat (+2%)
- Tentpole Scripted Originals in particular are increasingly relied upon by streaming platforms to drive subscription growth
- Little TV content however, shares the same ability to attract high-ARPU, highly-engaged subscribers as live sports. This has been the case since the early days of pay TV – when Sky's Rupert Murdoch famously described live sport as a 'battering ram' for his nascent TV operations – and it has remained true in the streaming era

Streaming growth has driven a consumer desire for sports to be available via OTT products

Sports fans* by live sports viewing preference, Q4 2022 (%)

Nearly twice as many sports fans (37%) would now rather watch live sports via a streaming service than on a broadcast TV channel (21%)

The flexibility offered by streaming is likely a key factor: 72% of sports fans surveyed in Q4 2022 reported watching sports on their mobile phone, tablet or laptop at least weekly



Source: Ampere Sports – Consumer

*Data collected through a survey of 15,000 sports fans with Internet access aged 18-64, Q4 2022
Data refers to: USA, UK, France, Germany, Italy, Spain, Australia, China, India, Indonesia, Brazil, and South Africa

Specialised, single-sport services led the way in bringing live sports to streaming

Early trailblazers

Type of service

- *Disaggregated subscription OTT sports service*
- *Sports league D2C service*
- *Premium sports channels simulcast / overflow*
- *vMVPD / OTT sports service aggregator*

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

MLB.TV (2002)
- **Owned by**: MLB
- **Status**: Operational
- **Footprint**: Global

Willow.TV (2003)
- **Owned by**: Times Internet
- **Status**: Operational
- **Footprint**: UCAN

Flosports (2006)
- **Owned by**: Independent
- **Status**: Operational
- **Footprint**: USA

NFL Game Pass* (2006)
- **Owned by**: NFL
- **Status**: Operational
- **Footprint**: Global

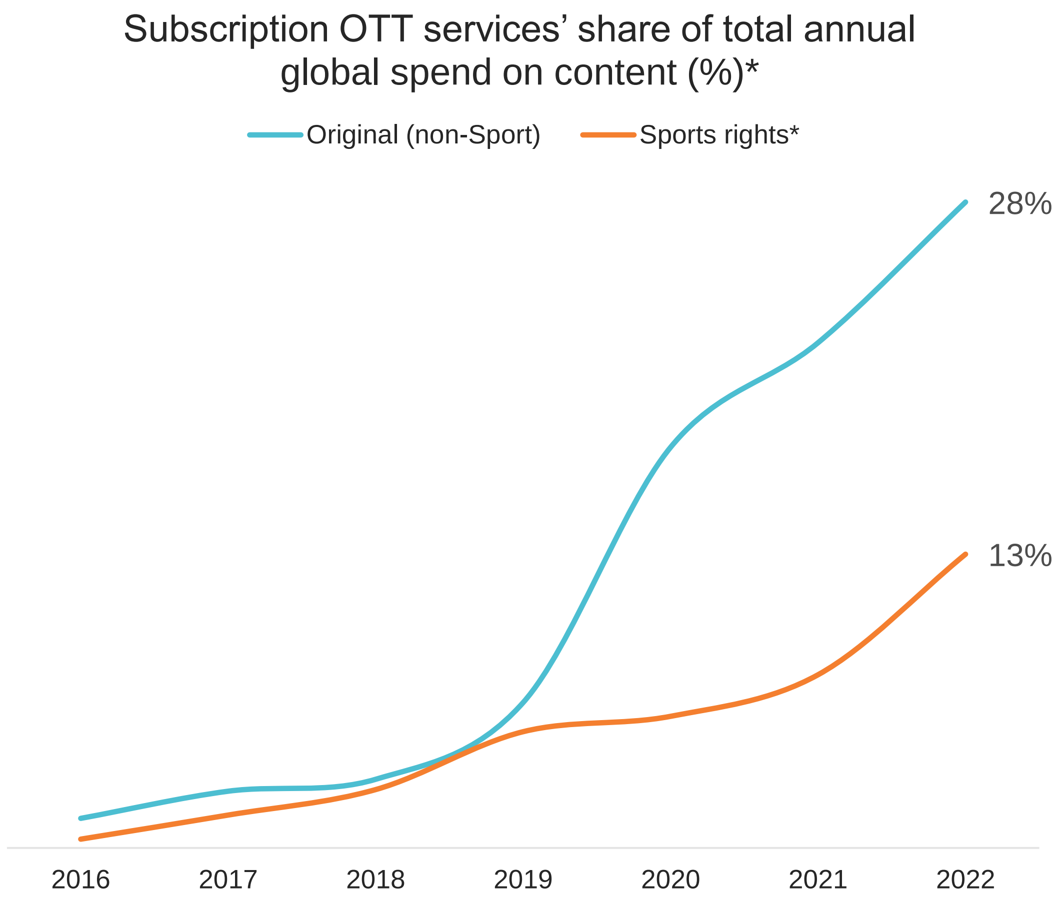
Eurosport Player (2008)
- **Owned by**: Warner Bros. Discovery
- **Status**: Superseded
- **Footprint**: Global

NBA League Pass (2008)
- **Owned by**: NBA
- **Status**: Operational
- **Footprint**: Global

NHL GameCenter* (2009)
- **Owned by**: NHL
- **Status**: Operational
- **Footprint**: Global

*Subsequently rebranded

However, investment by subscription OTT services in sports rights has lagged behind



Source: Ampere Markets – Content; Ampere Sports – Media Rights

- Despite the significant demand for sports on streaming services, investment on sports rights from subscription OTT services has lagged, particularly if compared to original content
- Historically, sports rights have been used as a loss leader by pay TV platforms. The cost of acquiring the rights to premium sporting events was typically higher than the revenues generated directly from the sale of subscriptions to the sports channels that carried them
- Pay TV platform providers are typically able to make their money back by bundling sports channels with less expensive basic Entertainment channels, and by upselling sports channel subscribers to other more expensive features and products
- With the advent of subscription OTT services, the appeal of unbundled access to entertainment services, including sports, has increased. However, the typical subscription OTT business model – while simple – is also a more challenging one to scale up to profitability. Furthermore, it's more susceptible to churn, and it often lacks the multiple revenue streams which pay TV operators have traditionally relied on

*Excludes spend on non-sport acquired content. Data on subscription OTT services' spend on sports rights refers to the following 17 countries only: USA, UK, Germany, Italy, France, Spain, Australia, Brazil, Netherlands, Poland, Denmark, Sweden, Norway, Finland, Japan, India, South Africa

Technical limitations have also slowed down the uptake of streaming in sports

- It wasn't before consumer uptake of fast, reliable broadband reached near-ubiquity that streaming could become a viable alternative distribution method for live sports
- But by their very nature, live sports require a high quality feed, with as little latency as possible – which represented a technical challenge for streaming, which historically relied on supporting delivery by caching completed assets on servers close to consumer homes, a technique more generally suited to non-live delivery
- Furthermore, due to the popularity of the genre, solutions also needed to be scalable – meaning that millions must be able to watch at the same time without the quality of the stream being affected
- This has required significant investment in delivery technology to make the live sports broadcast experience replicable on streaming platforms – technology which has only begun to mature in the last few years
- Even today, sports fans show very little tolerance for poor viewing experiences – with 53% of fans claiming they would rather not watch at all than watch bad sports coverage

53%

of sports fans*
would rather not watch at all than watch bad coverage of their favourite sport

Source: Ampere Sports – Consumer

**Data collected through a survey of 15,000 sports fans with Internet access aged 18-64, Q4 2022*
Data refers to: USA, UK, France, Germany, Italy, Spain, Australia, China, India, Indonesia, Brazil, and South Africa

But as technology and infrastructure improved, new D2C services aimed to meet demand

Consolidators

Type of service

- *Disaggregated subscription OTT sports service*
- *Sports league D2C service*
- *Premium sports channels simulcast / overflow*
- *vMVPD / OTT sports service aggregator*

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

Willow.TV
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Flosports
- **Owned by**: Independent
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- **Footprint**: USA

NFL Game Pass*
- **Owned by**: NFL
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- **Footprint**: Global

Eurosport Player
- **Owned by**: Warner Bros Discovery
- **Status**: Superseded
- **Footprint**: Global

NBA League Pass
- **Owned by**: NBA
- **Status**: Operational
- **Footprint**: Global

NHL GameCenter*
- **Owned by**: NHL
- **Status**: Operational
- **Footprint**: Global

Now TV (Sports Pass)
- **Owned by**: Sky (Comcast)
- **Status**: Operational
- **Footprint**: UK, Italy & Germany

beIN Sports Connect
- **Owned by**: beIN
- **Status**: Operational
- **Footprint**: Global

MLS Live
- **Owned by**: MLS
- **Status**: Superseded
- **Footprint**: UCAN

Eleven Sports
- **Owned by**: DAZN (Access Industries)
- **Status**: Operational
- **Footprint**: Global

FuboTV
- **Owned by**: Independent
- **Status**: Operational
- **Footprint**: UCAN

NBC Sports Gold
- **Owned by**: NBC Universal (Comcast)
- **Status**: Superseded
- **Footprint**: USA

DAZN
- **Owned by**: Access Industries
- **Status**: Operational
- **Footprint**: Global

Abema Sports
- **Owned by**: CyberAgent (55%)
- **Status**: Operational
- **Footprint**: Japan

Optus Sport
- **Owned by**: Optus
- **Status**: Operational
- **Footprint**: Australia

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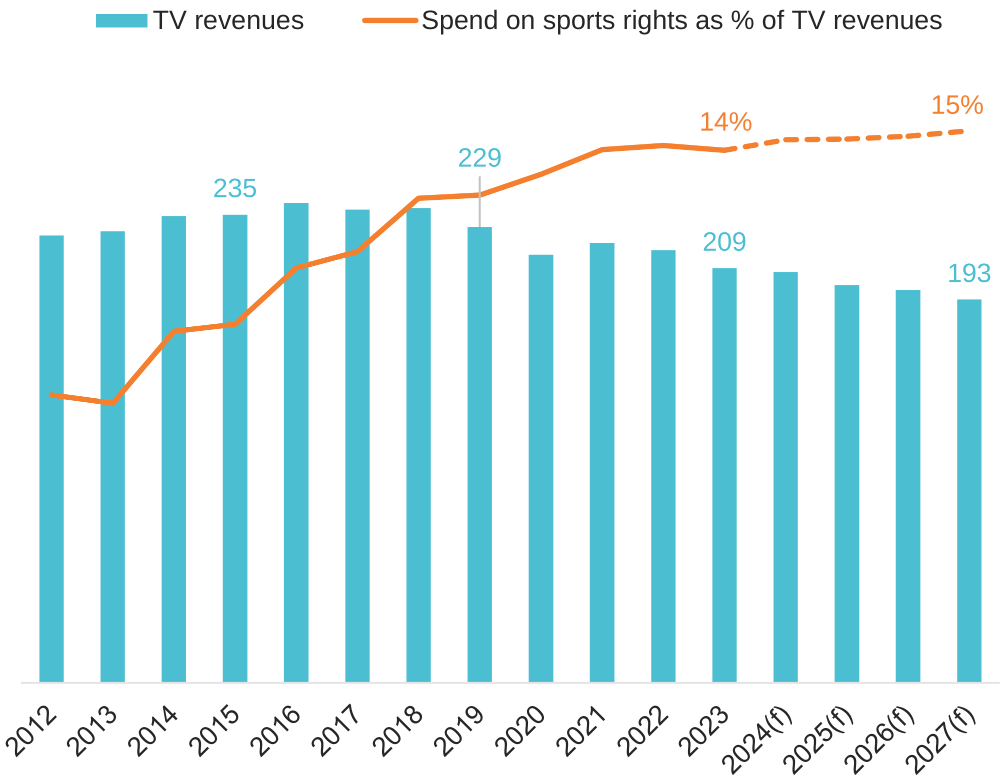
Meanwhile, rights owners are looking to streamers to revive competition for sports rights

Traditional TV revenues* vs spend on sports rights by traditional sports broadcasters** (NAM, WE)



Source: Ampere Markets – Operators; Ampere Sports – Media Rights

- There is little doubt that sports will continue to make their transition towards streaming. A key reason is the challenging economic outlook for "traditional" sports broadcasters – pay TV channels, commercial broadcasters and public service broadcasters, particularly in Western Europe and North America
- Due to shifts in consumer behaviours, "traditional" TV revenues have entered a phase of steady structural decline
- As revenue pressures for this category of broadcasters have intensified, the proportion of their revenues spent on sports rights has stopped growing – partially also as a result of the competitive landscape moving towards premium original content
- Assuming the proportion of revenues spent on sports rights by traditional broadcasters grew at the same rate as the past four years over the next four, total spend on sports rights by these groups in Western Europe and North America would decline by 4.2%, or $1.2bn per year by 2027
- Rights owners will therefore need to be able to attract further investment by streaming platforms, in order to fill the gap left by traditional sports broadcasters – and increasingly they are turning to general entertainment streamers

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**Traditional TV revenues refer to: TV advertising, pay TV, and public TV revenues. **Traditional sports broadcasters refer to: public broadcasters; commercial (free-to-air) broadcasters; premium channels; pay-TV platforms. Data refers to the following 11 countries only: USA, UK, Germany, Italy, France, Spain, Netherlands, Denmark, Sweden, Norway, Finland*

There is now a huge variety of sports streaming apps, serving many different strategic needs

Mainstream

Type of service

- *Disaggregated subscription OTT sports service*
- *Premium sports channels simulcast / overflow*
- *Sports league D2C service*
- *vMVPD / OTT sports service aggregator*

Willow.TV
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- **Status**: Operational
- **Footprint**: UCAN

Flosports
- **Owned by**: Independent
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- **Footprint**: USA

Eurosport Player
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NHL GameCenter*
- **Owned by**: NHL
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- **Owned by**: beIN
- **Status**: Operational
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FuboTV
- **Owned by**: Independent
- **Status**: Operational
- **Footprint**: UCAN

DAZN
- **Owned by**: Access Industries
- **Status**: Operational
- **Footprint**: Glpbal

Abema Sports
- **Owned by**: CyberAgent (55%)
- **Status**: Operational
- **Footprint**: Japan

Kayo Sports
- **Owned by**: Foxtel (News Corp (65%))
- **Status**: Operational
- **Footprint**: Australia

F1 TV Pro
- **Owned by**: Formula 1 (Liberty Media)
- **Status**: Operational
- **Footprint**: Global

GCN+
- **Owned by**: Warner Bros Discovery
- **Status**: Operational
- **Footprint**: Global

2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022

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- **Footprint**: USA

Optus Sport
- **Owned by**: Optus
- **Status**: Operational
- **Footprint**: Australia

B/R Live
- **Owned by**: Warner Bros Discovery
- **Status**: Operational
- **Footprint**: UCAN

LaLiga Pass / Plus
- **Owned by**: LaLiga
- **Status**: Operational
- **Footprint**: Thailand

ESPN+
- **Owned by**: ESPN (Disney)
- **Status**: Operational
- **Footprint**: USA

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Recent NFL deals in the US have contributed to rapid growth in streaming spend on sports

- The NFL is an interesting case study of a major sports property which has been looking beyond TV broadcasters to generate media rights revenue growth domestically
- The NFL is the single largest sports property by value of media rights. In 2021, it announced a series of rights deals with its domestic US broadcast partners, which for the first time included a streaming platform, Prime Video, having exclusive rights to NFL games, starting from 2022. Then, in December of 2022, YouTube TV was announced as the new holder of the exclusive rights to the NFL Sunday Ticket, a package of regular-season out-of markets games
- Overall, the new rights cycle will bring in just shy of $12bn per year in domestic TV revenue for the NFL, a 64% increase compared to the previous cycle. Of that, 25.4% will be generated from subscription OTT platforms
- The two NFL domestic deals account for much of the growth in spend on sports rights by subscription OTT services globally. By 2023, we expect streaming platforms to account for 21% of global spend on sports rights, up from 13% in 2022

Source: Ampere Sports – Media Rights

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*Data on subscription OTT services' spend on sports rights refers to the following 17 countries only: USA, UK, Germany, Italy, France, Spain, Australia, Brazil, Netherlands, Poland, Denmark, Sweden, Norway, Finland, Japan, India, South Africa

DAZN as a market maker

The emergence of dedicated sports streaming services
– and the importance of DAZN

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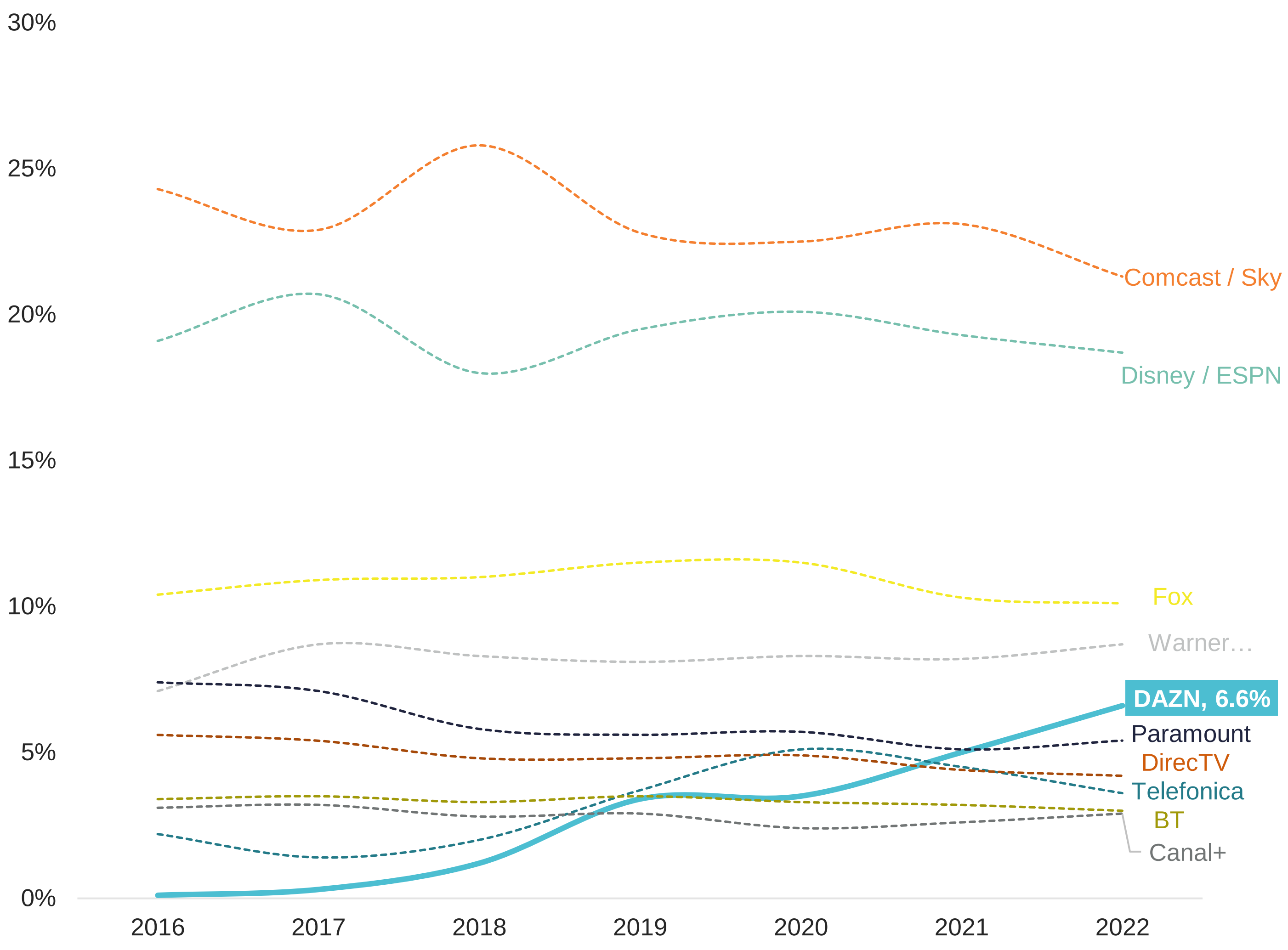
DAZN has been the major disruptive force in the sports rights markets since it launched

- No sports-dedicated OTT service has had as much of an impact on the global sports broadcasting market as DAZN
- Launched in 2016, it first settled in a few selected markets before launching worldwide in 2020, offering a limited but growing portfolio of global rights and original content outside its core territories
- DAZN is the largest sports-dedicated subscription OTT service in the world by spend, accounting for over half of all streaming spend on sports rights
- In 2022, it surpassed Paramount to become the fifth largest investor in sports media rights globally

Top 10 media companies by spend on sports rights, 2016-22
(% of overall global spend on sports rights*)



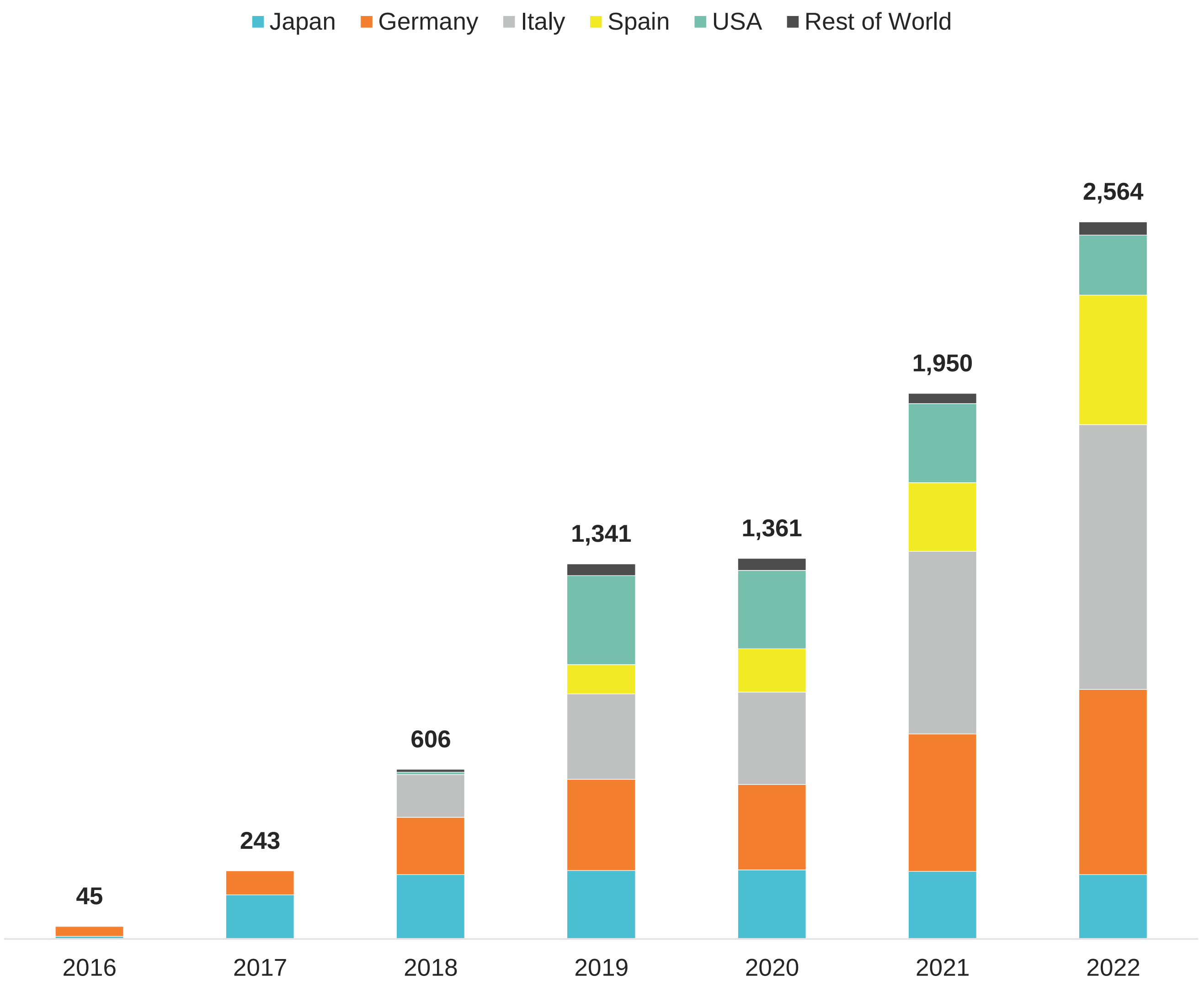
Source: Ampere Sports – Media Rights

*Data refers to the following 17 countries only: USA, UK, Germany, Italy, France, Spain, Australia, Brazil, Netherlands, Poland, Denmark, Sweden, Norway, Finland, Japan, India, South Africa

Unlike its predecessors, DAZN bought top-tier sports rights in its core markets to grow its market share rapidly

- In its core markets, DAZN holds the rights to some of the most valuable rights properties
- As a result, the vast majority of DAZN's spend on sports rights is for single-country deals
- In Italy DAZN acquired the exclusive rights to the majority of the Serie A games in the country in 2021, and co-exclusive rights of the rest of the games. The Serie A deal is the current largest rights deal held by DAZN, at $883m per season
- In 2022, DAZN was the largest investor in sports rights in Italy (where it accounted for 47% of total rights spend in the country) and Japan (35%)

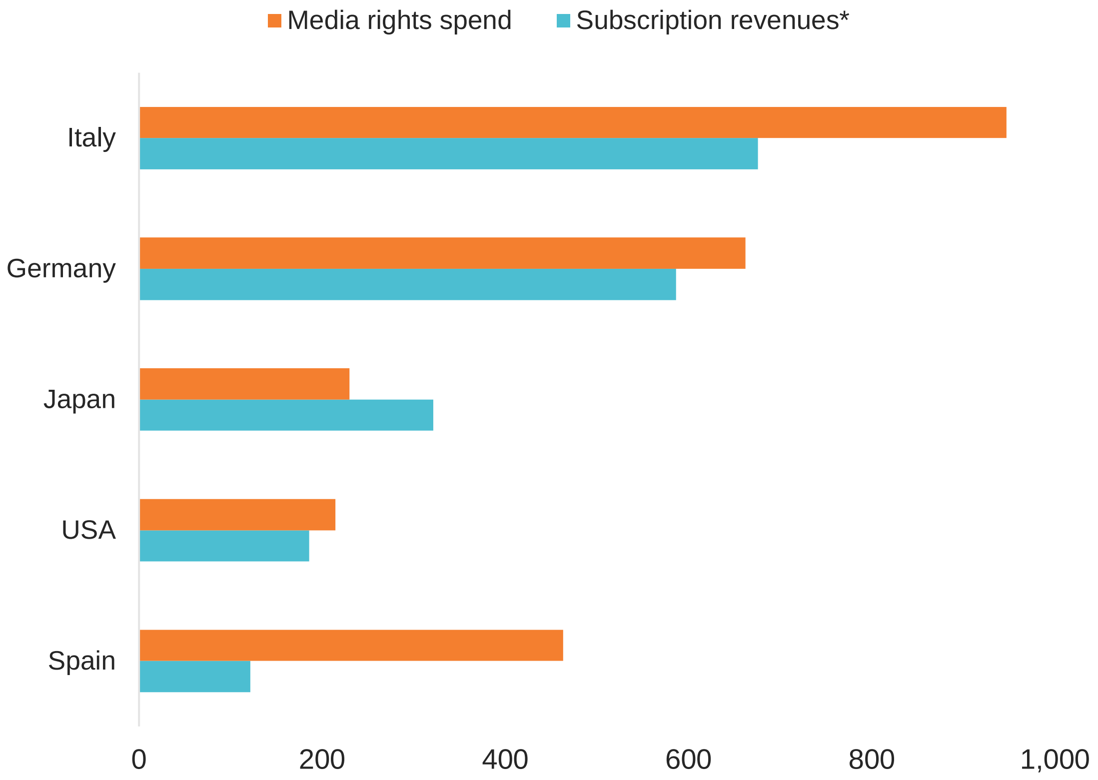
DAZN spend on sports rights by year, by country ($m)



Source: Ampere Sports – Media Rights

But business challenges remain, as DAZN is yet to be profitable in most of its major markets

DAZN subscription revenues vs spend on media rights*, core markets, 2022 ($m)



- In its core markets – with the exception of Japan – DAZN is spending more money on sports rights than it is generating from subscriptions
- Sports rights are the single largest cost category for DAZN, representing around two thirds of its total cost base. The second major cost category for DAZN is marketing and other content costs, such as the cost of Originals, production costs for the live broadcasts, and highlights and magazine-style shows
- DAZN has indicated that it does not expect its rights cost base to change substantially over the next few years, as it strives to become profitable by 2024
- Revenues will therefore need to increase over the next few years for DAZN to reach profitability
- Currently, most of its income is derived from subscriptions. To boost revenues, DAZN has undertaken a number of strategic initiatives to support subscriber value and diversify revenue streams

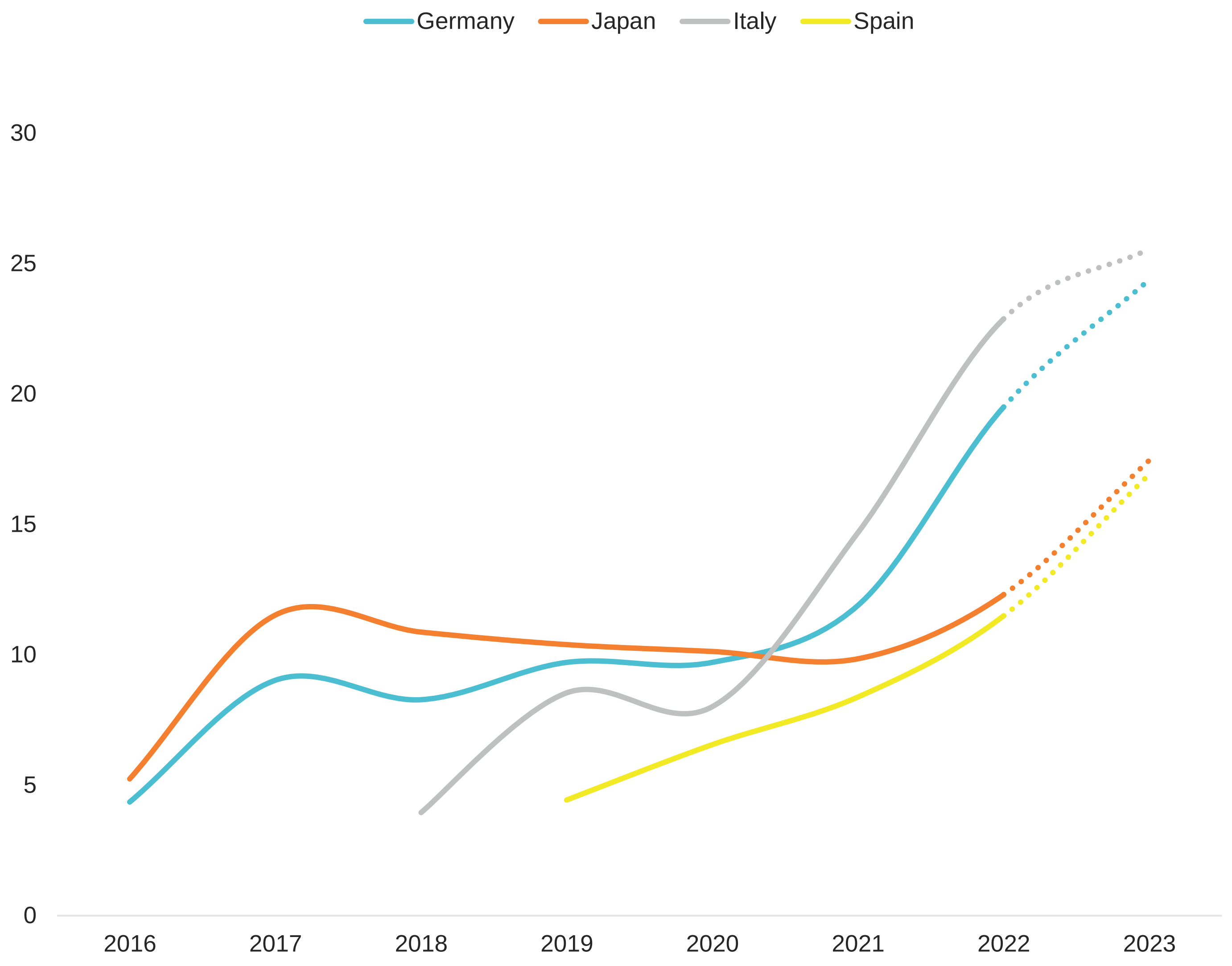
Source: Ampere Sports – Media Rights, Markets - Operators

**Excludes licensing / distribution revenues from third-party platforms*

DAZN has focused on pricing changes in order to boost subscription revenue

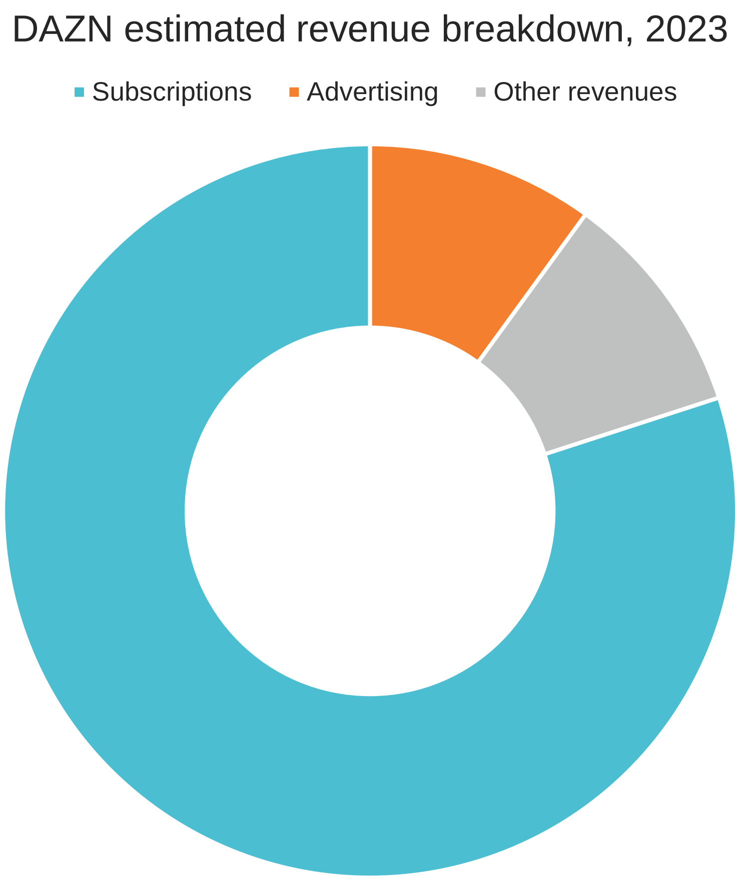
- As its investment on sports rights has increased over time, DAZN has been introducing new pricing structures in its various markets, to better reflect the value of its rights portfolio, manage seasonality and churn, and better serve different segments of its customer base
- Despite raising its prices in recent years, DAZN's subscription base has remained broadly stable, contributing to revenue and operating margin growth
- Furthermore, DAZN now offers monthly and annual subscriptions, different tiers with access to different events, and has even launched a FAST channel in Germany to promote its sports coverage

DAZN monthly ARPU, selected territories ($)



Source: Ampere Markets - Operators

And it has recently begun to expand ancillary revenue streams to support the bottom line

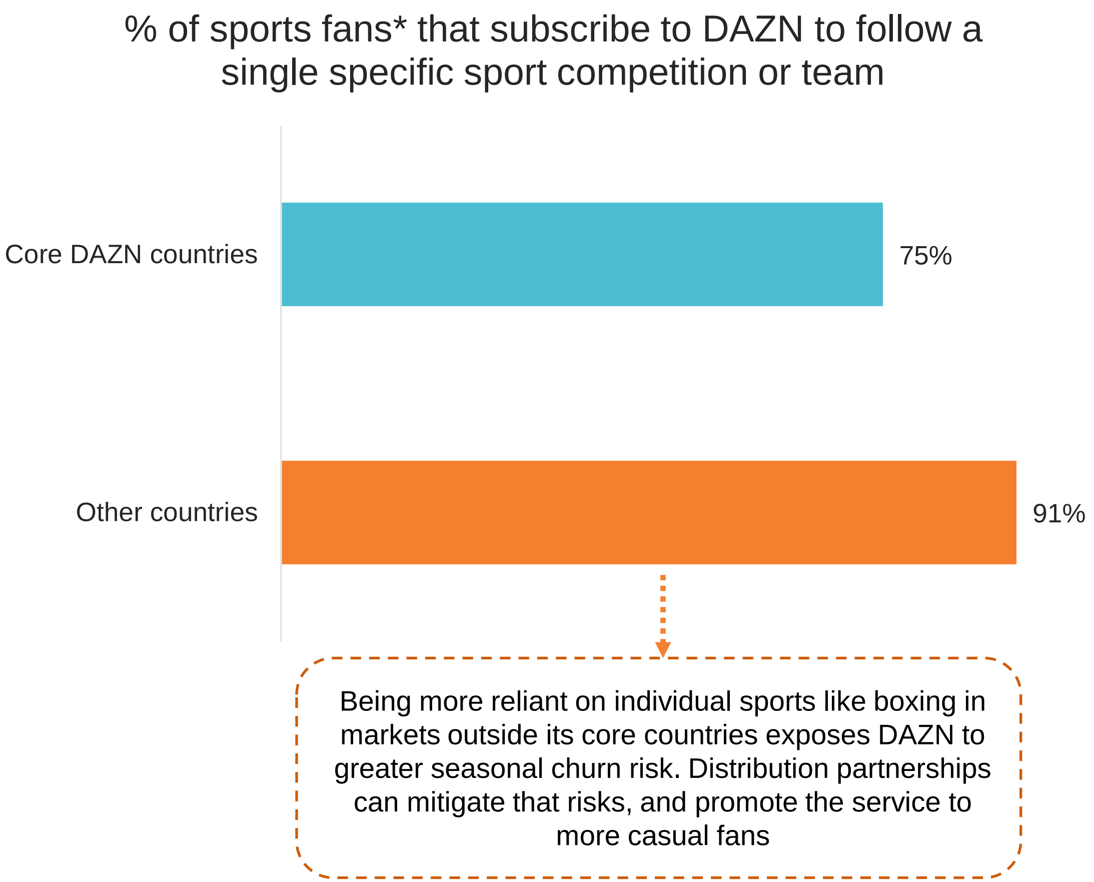


Source: Ampere Estimates

- DAZN is expected to generate an estimated 10% of its 2023 revenues from advertising, mostly from inventory placed around its higher-profile properties
- To-date, the bulk of DAZN's advertising revenue was generated through direct sale, predominantly around its biggest properties, typically by external sales houses (such as Publitalia and Dentsu)
- The streamer plans to increase the volume of programmatic advertising inventory available on its platform, which would also enable advertisers to target specific categories of viewers
- Meanwhile, further (off-platform) advertising growth will come from DAZN's acquisition of Team Whistle, a digital media brand which makes sports-focused content for online video platforms
- Finally, DAZN's expansion into FAST (free advertising-supported streaming television) channels, first in Germany and soon in other markets, creates another avenue for advertising revenue growth – as well as functioning as a marketing channel for the core DAZN service

Partnering with third-party distributors increases DAZN's reach and reduces churn risk

- DAZN has broken into the sports space by offering unbundled, direct-to-consumer access to premium sports for competitive prices
- This has enabled it to grow subscriptions rapidly; however, it has also exposed it to seasonal churn. This business strategy also came with very high execution risk
- In the past few years, DAZN has entered into a growing number of distribution partnerships, which help to address these two risk factors
- The most notable example is the distribution deal with Spanish operator Movistar Plus+, which makes DAZN available to its pay TV subscribers, and provides DAZN with stable distribution income for five years
- It's not just pay TV platforms that can ensure greater reach. At the beginning of 2023, DAZN reached a deal to be included in Amazon Channels, Amazon's OTT aggregator – which offers customers greater content integration across all of its subscription services, as well as single billing



Source: Ampere Sports – Consumer (Q4 2022), n = 1,313

**Data collected through a survey of 15,000 sports fans with internet access aged 18-64, Q4 2022*
Data refers to: USA, UK, France, Germany†, Italy†, Spain†, Australia, India, Indonesia, Brazil, and South Africa (DAZN core countries denoted by †)

DAZN wants to be the one-stop-shop for all fans' sports-related activities, beyond live sports coverage

- DAZN's ambition is to become a destination for sports fans for a wide range of activities beyond just watching live sports
- In 2021, DAZN introduced "DAZN Moments", a sports-specific marketplace for NFTs related to DAZN's sports coverage in Japan. It later launched an Boxing.IO, a boxing-related NFT marketplace
- In 2022, DAZN launched its own betting app in a few select markets, separate from its OTT video app. Although in-game betting will likely gradually be integrated into the live feeds, DAZN has indicated that it is targeting casual gamblers predominantly
- Other areas where DAZN intends to expand are merchandise, retailing and ticketing

60% of sports fans who subscribe to an OTT service understands what an NFT is

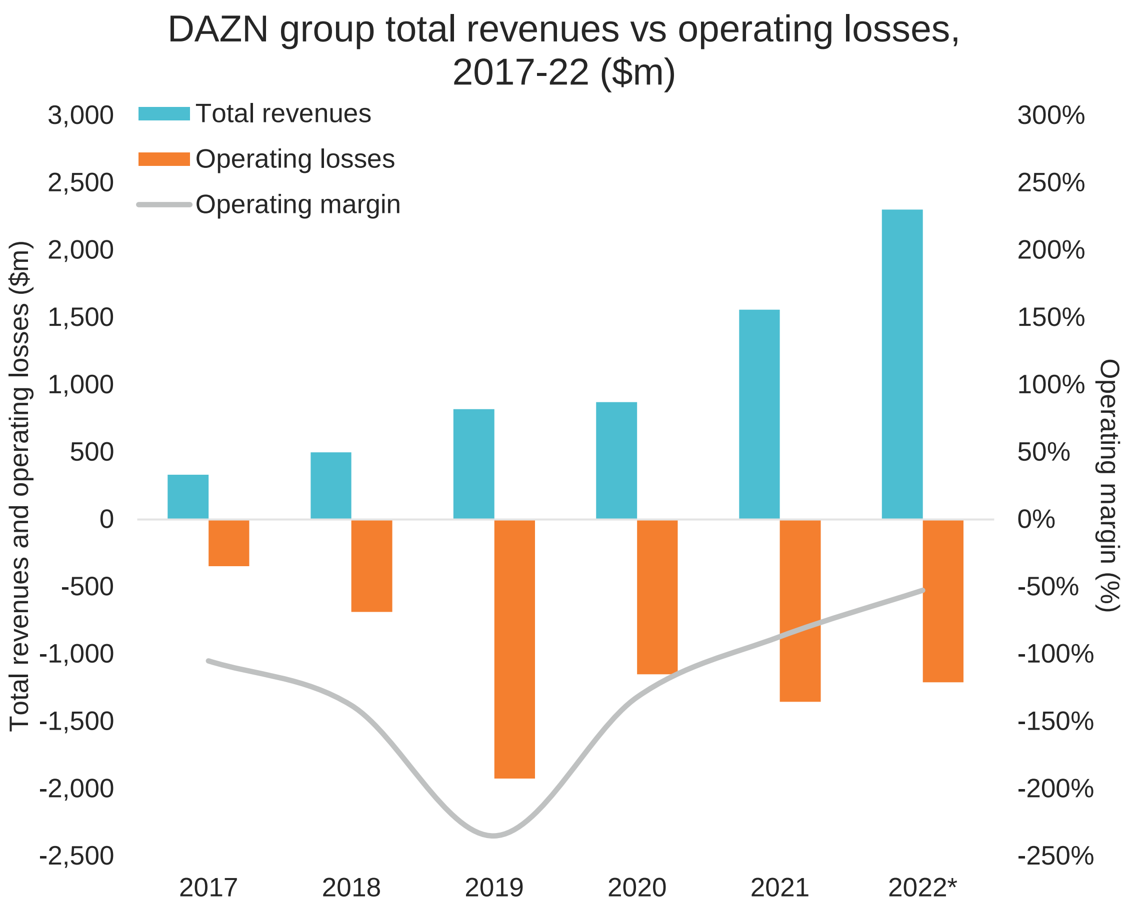
75% of sports fans who subscribe to an OTT service bet on sports

54% of sports fans who subscribe to an OTT service like buying the latest team / competition merchandise

Source: Ampere Sports – Consumer (Q4 2022), n = 15,000*

**Data collected through a survey of 15,000 sports fans with Internet access aged 18-64, Q4 2022*
Data refers to: USA, UK, France, Germany, Italy, Spain, Australia, China, India, Indonesia, Brazil, and South Africa

The sustained evolution of DAZN's business places it on the cusp of break-even



Source: DAZN Financial Accounts; *Denotes Ampere Estimate

- The new revenue diversification strategy, paired with a degree of rights cost control in core markets, is likely to lead to DAZN breaking even within the next few years
- In 2022, we estimate that, mostly as a result of price increases, DAZN has been able to improve its operating margin for the third consecutive year, albeit still negative (-53%)
- In order to break even by 2023 with the revenue combination discussed above, we estimate that it would need to grow subscriptions revenue by 34% (a lower annual growth rate than what DAZN achieved every year but one – 2020 – since it launched), while also generating $730m in advertising revenues and other activities
- Assuming advertising accounted for half of this additional revenue, DAZN would be generating about a third of the advertising revenue generated by Sky from a broadly similar-sized subscriber base
- DAZN's heavy reliance on licensed sports rights exposes it to subscriber churn risk in the event that other bidders win key rights in the next cycle
- The next section explores the emergence of a new sports streaming model, which instead integrates sports rights into a wider, diversified content offering

Sports as a weapon in the streaming wars

General entertainment OTT services are growing their investment in sports rights

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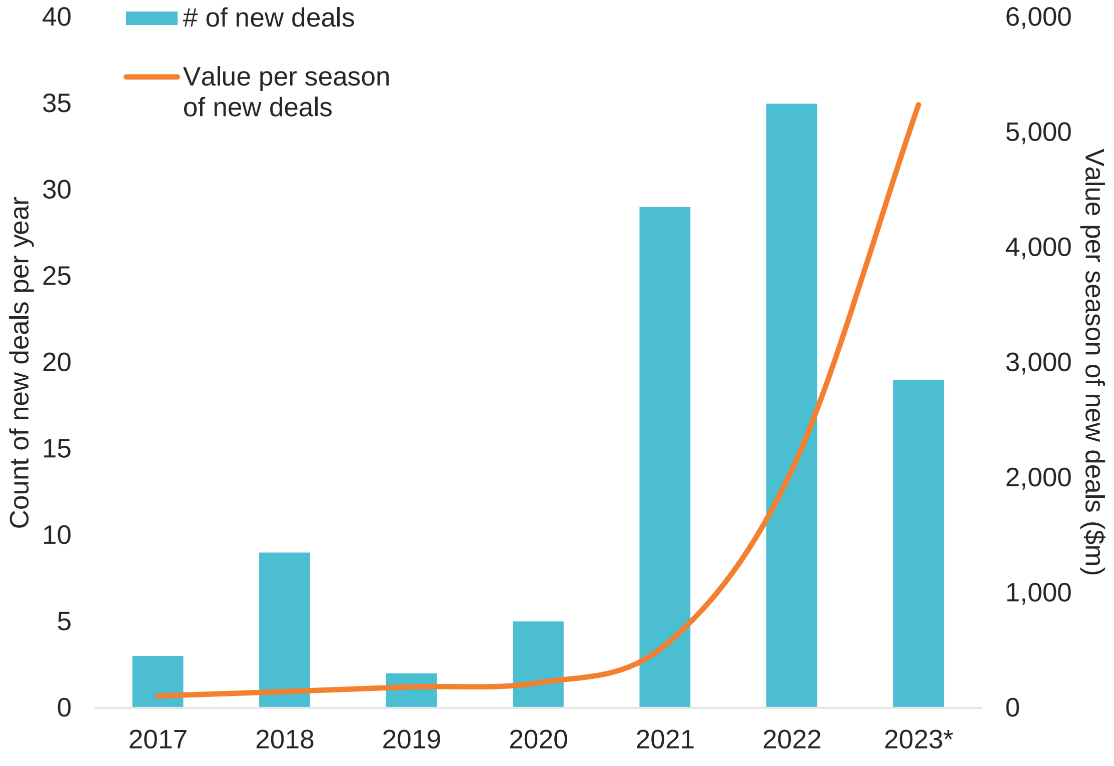
While DAZN remains a dominant force in sports streaming, rivals are now buying rights too

- As of 2019, DAZN accounted for 73% of spend on sports rights by all subscription OTT platforms worldwide. As spend on sports rights by other subscription OTT platforms has grown in recent years, DAZN's share has declined – but it still represented more than half of the category's spend in 2022
- Most of the new incremental subscription OTT spend on sports rights has come from "general Entertainment" platforms, namely platforms that offer a variety of content genres in their library, as opposed to focusing only on sports
- This category of services includes companies such as Amazon Prime Video, Viaplay, Peacock and HBO Max. For most of these, sports rights constitute a minority of their overall investment in content, but can represent a point of differentiation in an increasingly crowded streaming market
- This trend has greatly accelerated in 2021, and by 2022, there were 35 new sports rights deals activated across general entertainment subscription OTT services
- Thus far, 2023 has seen fewer such deals, but by value, general entertainment services will account for the majority (62%) of global subscription OTT spend on sports rights in 2023

New sports rights deals with general entertainment subscription OTT services by year* (total count vs value per season, $m)



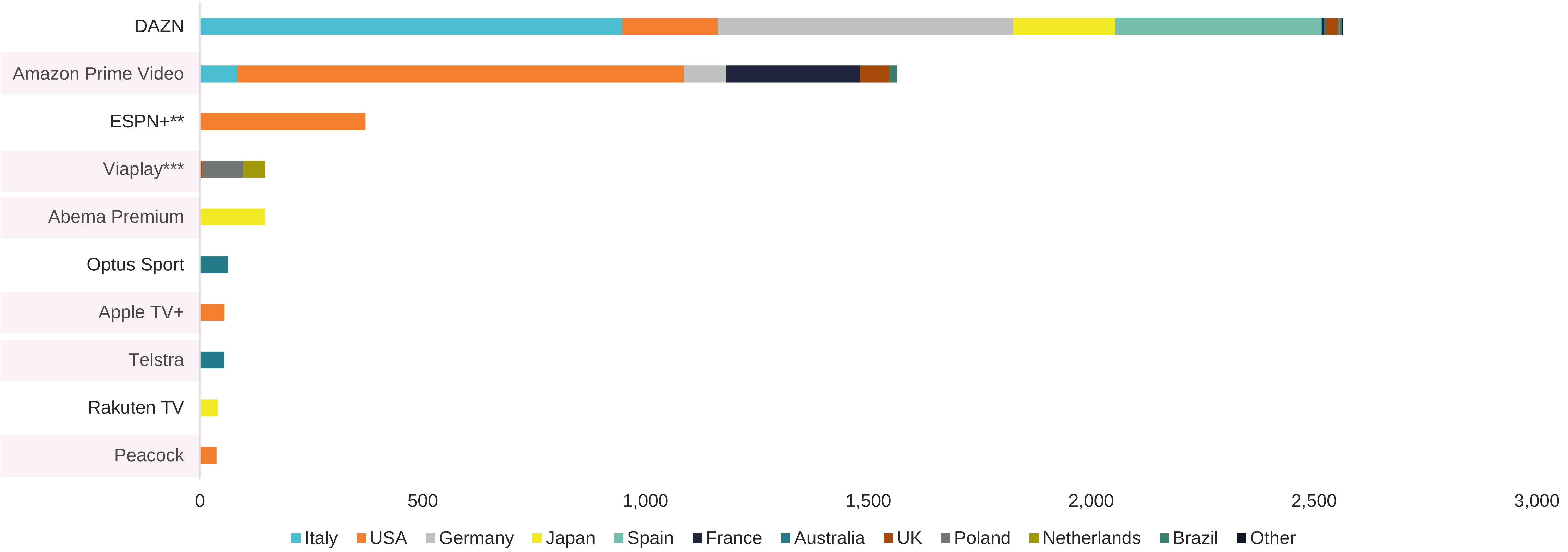
Source: Ampere Sports – Media Rights

**Refers to the start of the season/event – as opposed to the date of signing, which could have occurred in prior years. Data refers to deals already announced; more deals are likely to be announced throughout the year*

After DAZN, Amazon and Viaplay are the next largest multi-market sports streaming players

Denotes general entertainment subscription OTT services

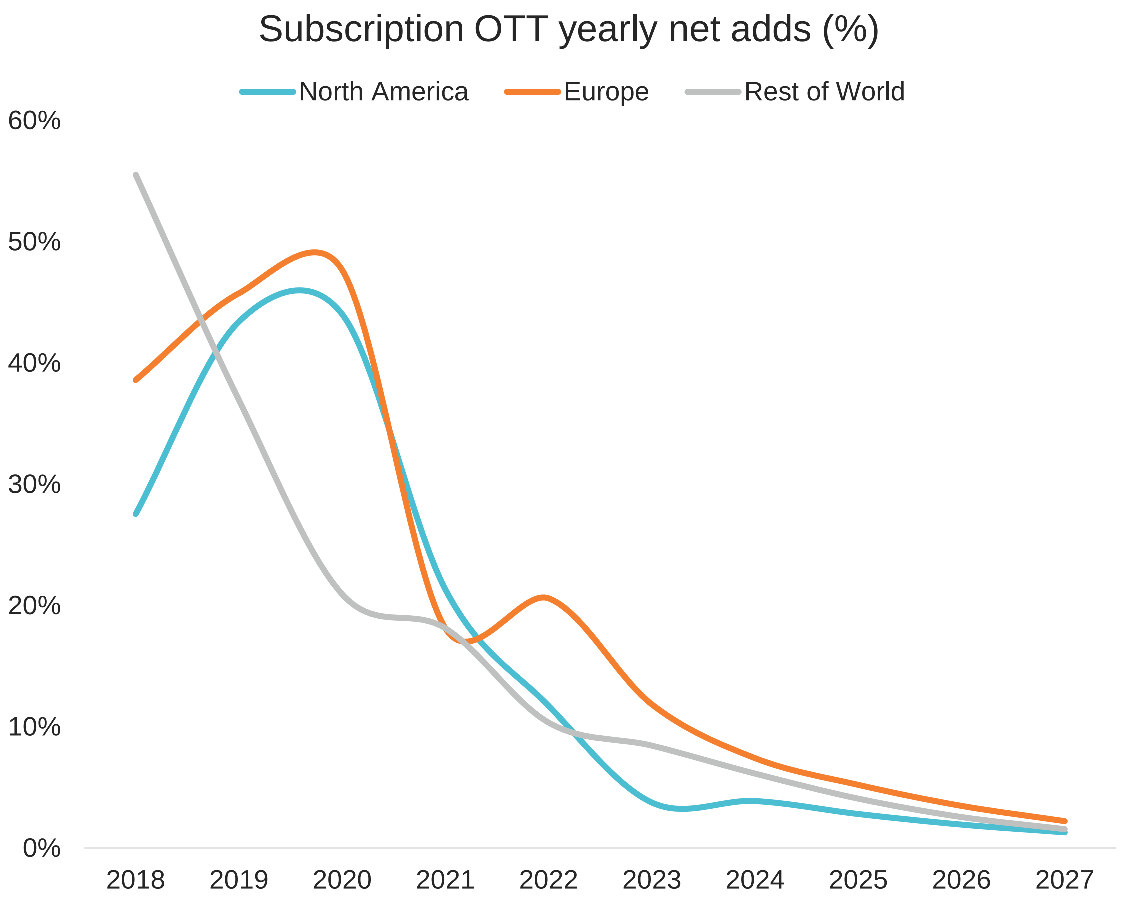
Top 10 subscription OTT services by global spend on sports rights*, 2022 ($m)



Source: Ampere Sports – Media Rights

*Data on subscription OTT services' spend on sports rights refers to the following 17 countries only: USA, UK, Germany, Italy, France, Spain, Australia, Brazil, Netherlands, Poland, Denmark, Sweden, Norway, Finland, Japan, India, South Africa. **Excludes rights deals primarily monetized through linear ESPN channels ***Excludes rights deals in the Nordic region which are monetised across Viaplay's multiple distribution channels – i.e. not exclusively on Viaplay's streaming platform*

As streaming growth slows, services are looking for new avenues to revitalise net additions



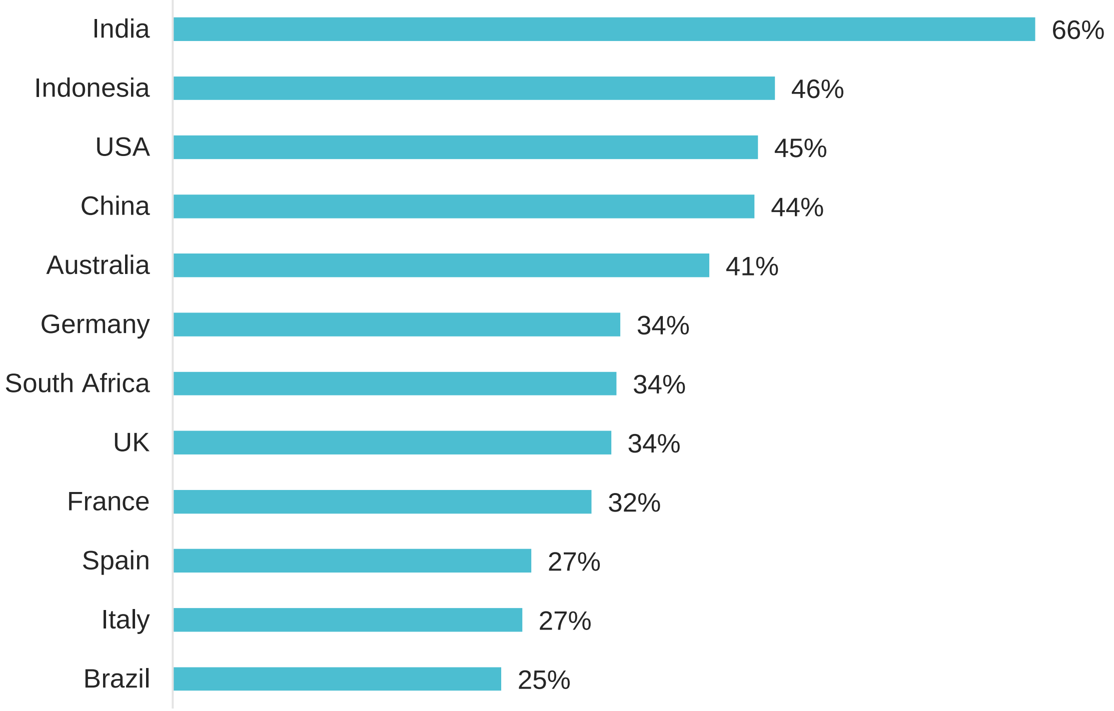
Source: Ampere Markets - Operators

- The explosive growth in subscriptions to OTT services that peaked in 2020 is coming to an end, as developed markets approach saturation and macroeconomic challenges hinder growth
- In North America in particular, the most developed and competitive subscription OTT market, yearly growth rates will decline to single digits for the first time from 2023
- As the market begins to slow, it is becoming harder to attract new subscribers. Furthermore, leading subscription OTT services have fiercely competed with each other mostly on two grounds: pricing, and original and exclusive premium (scripted) content
- While there is still huge value in this type of content, premium originals entail a high level of risk. There is no guarantee that an original show or film will succeed; some of the casualties of the streaming wars have been high-profile, big-budget shows which underachieved in terms of viewing and subscriber acquisition. Furthermore, on a per-hour basis, some of these titles are very costly, so flops can have major economic implications
- Comparatively, as an investment, sports rights offer a number of advantages, as explored in the next slide

Sports can help streaming platforms reach unique audiences

- There are several reasons why general entertainment subscription OTT services have started investing in sports content
- Typically, popularity is proven, as the most valuable properties have established fanbases. This reduces the risk of a flop (although there are risks associated to a streaming platform's reach and ability to attract casual fans, particularly compared to broadcast TV)
- Furthermore, although premium rights can command eye-watering fees, on a per-hour basis these fees can be more reasonable – especially when considering the pre- and post-event coverage and any ancillary content that comes with the live rights (such as highlights shows, interviews, or documentaries)
- Live sports also offer additional monetisation routes, such as advertising – typically sold at a premium around live sports – as well as the revenue streams that DAZN is exploring (and groups like Sky have historically used) such as sponsorship, licensing and betting
- Finally, sports content is able to attract unique audiences, as demonstrated by the large proportion of sports fans who indicate that they are solely interested in sports on TV and nothing else – audiences that would otherwise have been entirely missed by streaming services that offered no sports on their platforms

% of sports fans*, by country, who agree with the statement "*I only care about sports – I do not watch many TV series or films*"



Source: Ampere Sports – Consumer (Q4 2022),n = 15,000*

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**Data collected through a survey of 15,000 sports fans with Internet access aged 18-64, Q4 2022*
Data refers to: USA, UK, France, Germany, Italy, Spain, Australia, China, India, Indonesia, Brazil, and South Africa

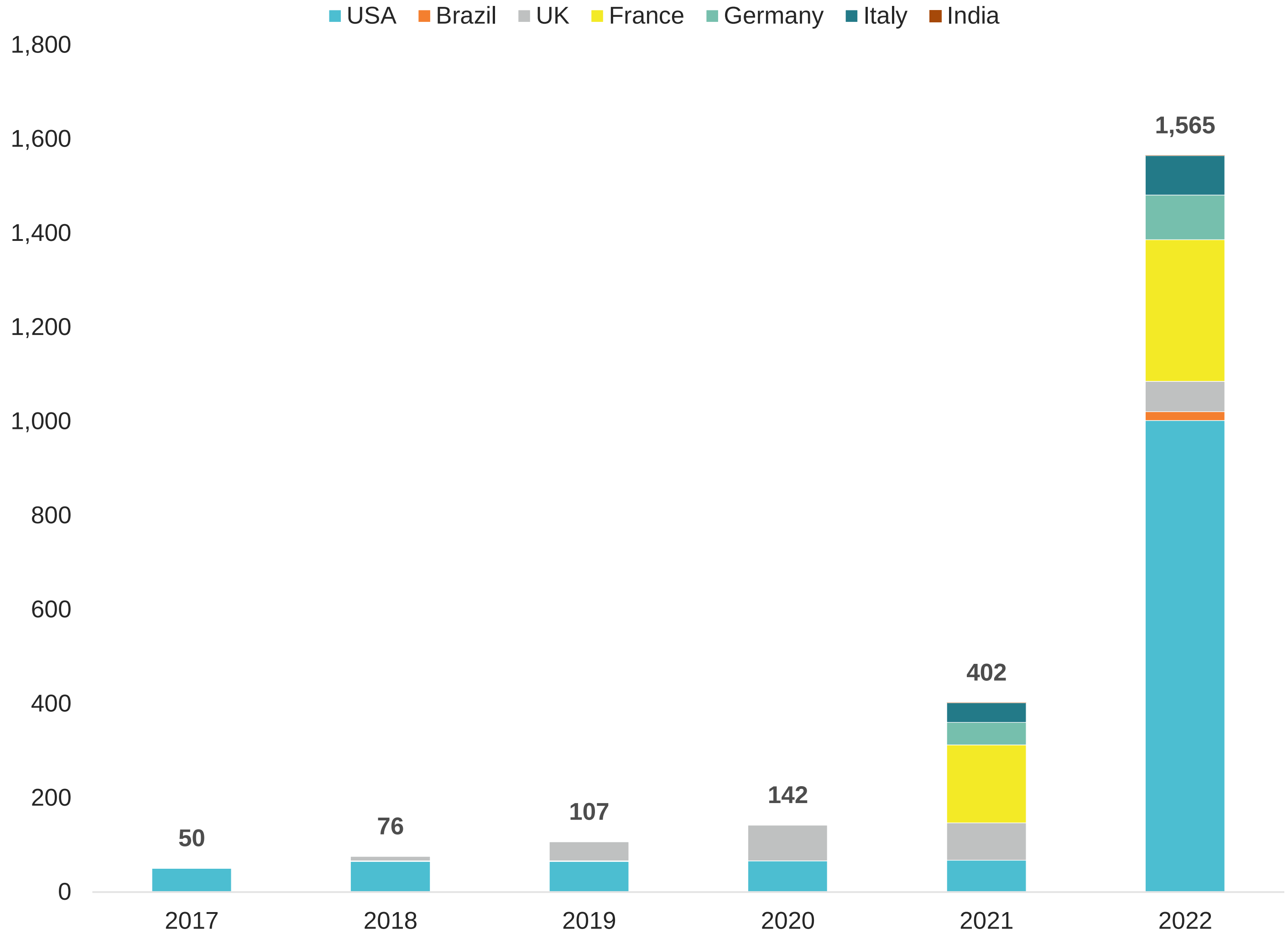
The 2022 NFL deal with Amazon signalled a turning point for sports on general entertainment OTT platforms

- Amazon's investment in sports rights grew gently between 2017 and 2020, as it concentrated on minority packages of top-tier properties, sometimes on a co-exclusive basis

- In 2022, however, Prime Video acquired the exclusive rights to NFL Thursday Night Football for a reported $1bn per season, after sharing those rights with Fox since 2017

- This represented the first time a major US sports property signed an exclusive domestic rights deal with a streaming platform and was the single biggest sports rights deal with a subscription OTT service at the time.

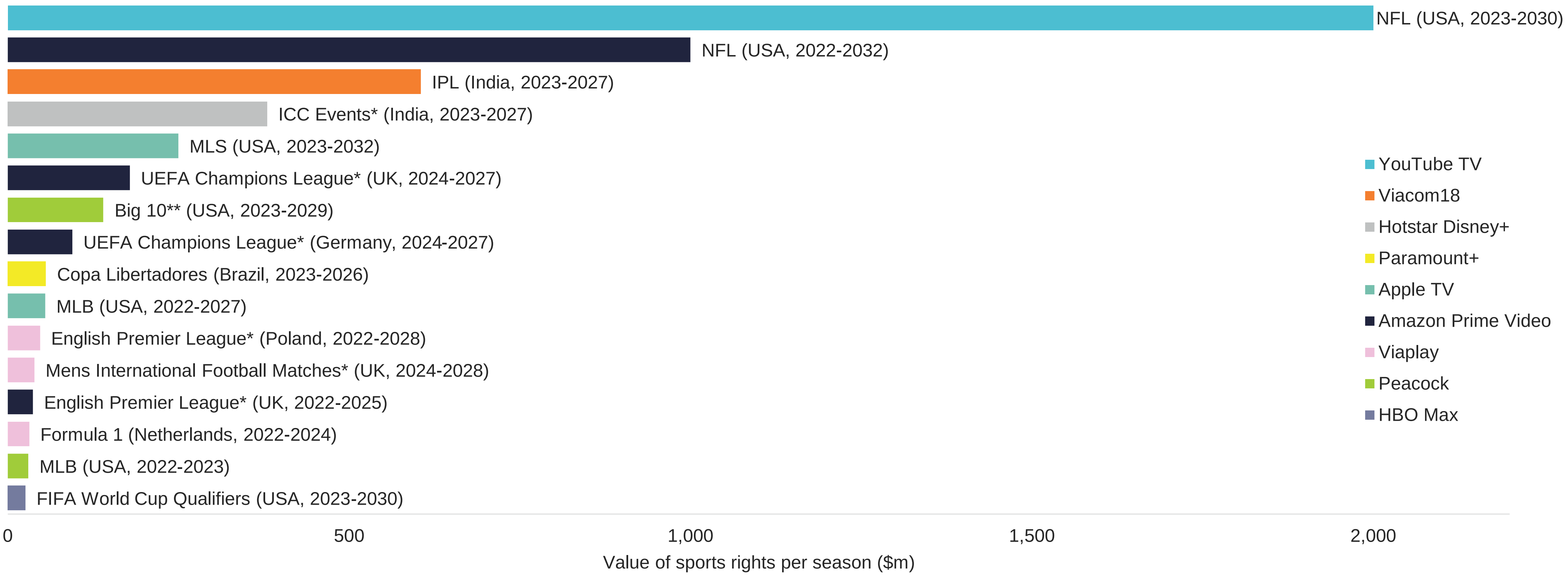
Amazon Prime Video spend on sports rights, by country, 2017-2022 ($m)



Source: Ampere Sports – Media Rights

Amazon led the way for more rights deals signed by general entertainment streaming services

Sports rights deals with general entertainment subscription OTT services signed since 2022, by value ($m)



Source: Ampere Sports – Media Rights

**Competitions with fall-to-spring seasons*

***The Peacock figure refers to an Ampere Analysis estimate of the value of the events shown exclusively on Peacock*

General entertainment streamers have some competitive advantages over pure-play rivals

Churn risk mitigation

Compared to pure-play platforms, general entertainment platforms are less susceptible to subscriber migration resulting from losing the rights to a given sports property (or the event coming to an end for the season). The availability of a wider content offering provides an incentive for fans to stay on the platform even off-season. General entertainment platforms are also more likely to appeal to more people in the household, which can help justify the monthly cost

Widespread brand recognition and reach

The largest general entertainment subscription OTT services are household names and already have relatively high penetration in many markets. This reduces the execution risk associated with licensing rights to emerging pure-play platforms. It also likely reduces the impact on viewership – a key concern for sports rights owners who have sponsors to please. In some cases, it can even increase exposure, especially in countries with lower pay TV take-up

Cost efficiencies

While sports often carry high rights costs, there are efficiencies of scale that can be more easily achieved by general entertainment subscription OTT platforms. Due to their scale, many have already invested in the tech stacks required for live delivery; furthermore, due to their high reach, they're able to spread those costs across a larger cost base. Other efficiencies can be achieved in marketing, sales, production

Experimentation opportunities

A differentiated content library offers increased opportunities to explore alternative pricing and distribution approaches. Sports can be offered on premium tiers, or on separate packages, which may or may not be bundled with the general entertainment content offering. More generally, this category of streamers enjoys greater flexibility in the way it can exploit and package sports rights – mimicking the packaging strategies used historically by pay TV operators to drive revenue per subscriber

Conclusions

The streaming sports model is still evolving, as consumer habits consolidate

Growing competition from OTT services is likely to sustain the value of the sports rights market

Spend on sports rights by streaming platforms has finally accelerated in recent years, as OTT services turn to sports to reinforce their content proposition in an increasingly competitive streaming market

For their part, rights owners will continue to try to attract investment from streaming platforms, at a time when traditional sports broadcasters' business models are under growing pressure

The pure-play sports OTT model will evolve, and lean more on third-party distribution

Pure-play sports OTT services commanded much of the growth in streaming platforms' spend on sports rights in the past few years. However, many services have struggled to find a proven model for long-term financial sustainability

In search for profitability, the pure-play sports OTT platform model will start to resemble the premium sports channels models, using ancillary revenue channels and third-party distribution to reach mass scale and drive towards break-even

Major OTT services' global footprint will increase the occurrence of regional and global deals

Sports rights markets have long been highly-localised, with fans in different countries typically follow different sports or leagues. Broadcasting markets, meanwhile, lacked truly global players for whom global licensing would make sense

Streaming platforms can more easily exploit efficiencies from multi-national or global rights partnerships. Global deals are consequently likely to increase in prevalence as streamers continue to drive investment in sport

In 2023, the sports streaming wars have just begun

Bundling economics continue to make D2C strategies unattractive for top-tier properties in their domestic markets

The top 2-3 competitions in any given country commonly account for more than half the sports rights market. Rights to these events are fiercely defended, and existing buyers may be willing to treat them as loss leaders in order to monetise users of them through ancillary services

No single-competition D2C service could attain comparable economies of scope. Therefore, it is extremely unlikely that rights owners will give up the broadcast revenues they currently enjoy to pursue a D2C strategy domestically

But OTT will offer opportunities to experiment with both the content and the distribution

The OTT model provides for greater flexibility in the packaging and tiering of content offerings that can better suit the interest of sports properties. It also makes it possible to provide content tailored to the audiences, to keep them engaged

The deal between the MLS and Apple TV+ is an example of an innovative rights partnership, with Apple acting as exclusive distributor of the MLS Season Pass

The transition to streaming from linear will take longer for sports than it has for other genres

Two key factors will be responsible for the slower OTT transition of the sports TV market, compared to other genres. One is the nature of sports rights deals, typically spanning multiple years, and growing in length as buyers are keen to secure their market position

The other is the sheer value of sports rights and the sensitivities that characterise distribution and consumption, which will continue to favour more conservative, risk-averse behaviours among broadcasters and rights owners alike

Methodological Note

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Media rights and sports fandom data contained in this report was sourced from Ampere Sports

Sports – Media Rights

Ampere Sports – Media Rights covers more than 4,500 individual TV rights deals across 17 markets around the world, detailing information on the event, duration of the contract, buyer, buyer type, and value of the deal. Value data, where not reported, is modelled using a proprietary methodology based on markets data and consumer data on sports fans' willingness to pay to watch individual sports competitions

Sports – Consumer

Ampere Sports – Consumer is an annual wave of consumer surveys across 12 markets interviewing 15,000 sports fans a year. Attitudinal and behavioural research areas include key topics such as sport and competition fandom, willingness to pay, importance of a competition within a bundle, engagement with linear and OTT platforms for sport and wider activities like sports betting, participation and content viewing

Sports – Financials

Ampere Sports – Financials tracks key financial indicators for 50+ major football (soccer) clubs from the top five European football leagues and a further 26 sports governing bodies spanning across 10 sports

Any questions?

Please get in touch

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