AMPERE
ANALYSIS

Testing the feasibility of OTT sport

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Topics of Conversation

The growth of Sports OTT and its place in the wider sport media landscape

Who are the D2C players and what are their economics

Power of live sport

Premier League 2018/19 season

3.2bn
cumulative global audience – **up 6%** from 2017/18

ICC Cricket World Cup

1.6bn
cumulative global audience – **up 38%** from 2015

FIFA Women's World Cup

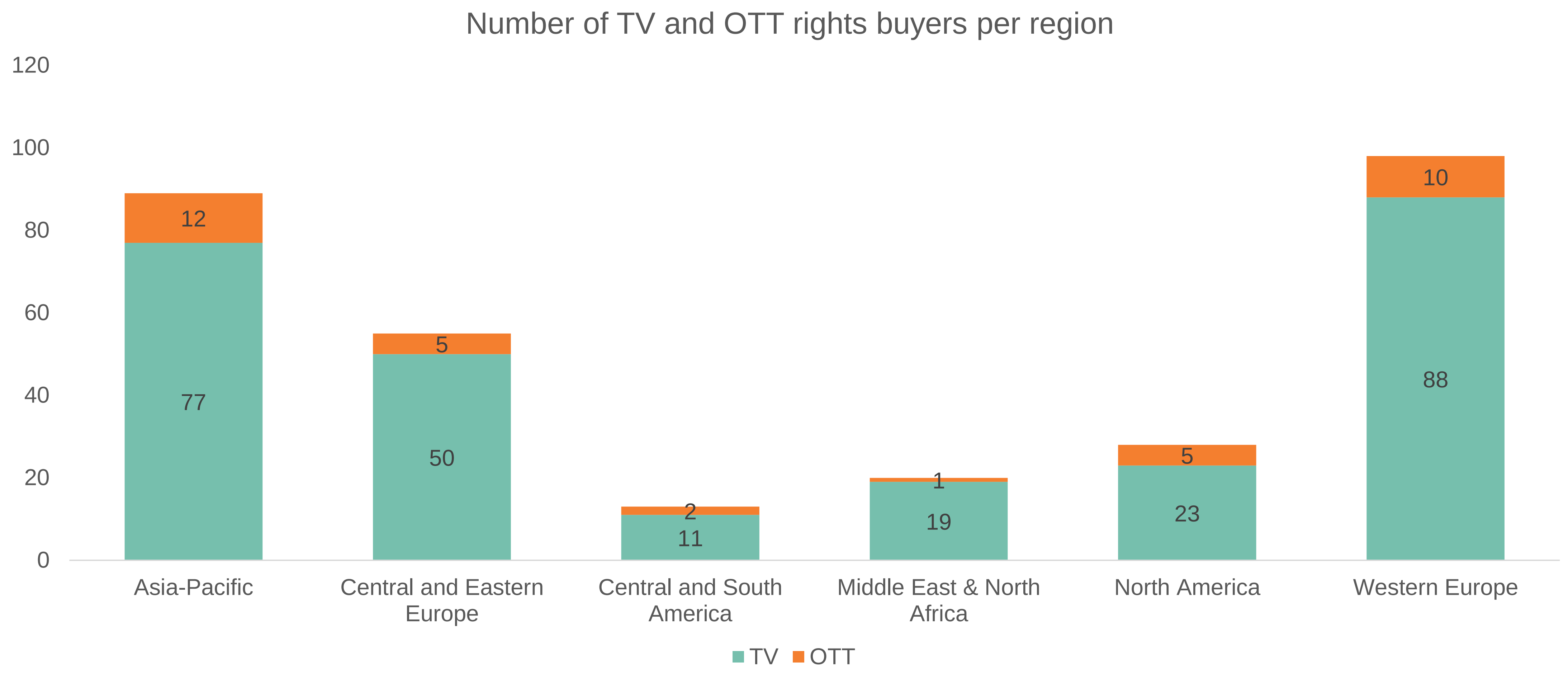
1.1bn
cumulative global audience – **up 30%** from 2015

Rugby World Cup

41.4%
record average domestic audience for Japan v South Africa

Source: Premier League / ICC / FIFA / World Rugby

This has produced an increasingly competitive media landscape



Source: Ampere Markets

* NB includes rights buyers and pure OTT platforms across 92 countries

But what does sport OTT actually mean?

Pure OTT

OTT & TV Channel

OTT via Broadcaster

Free from Provider

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Pure OTT

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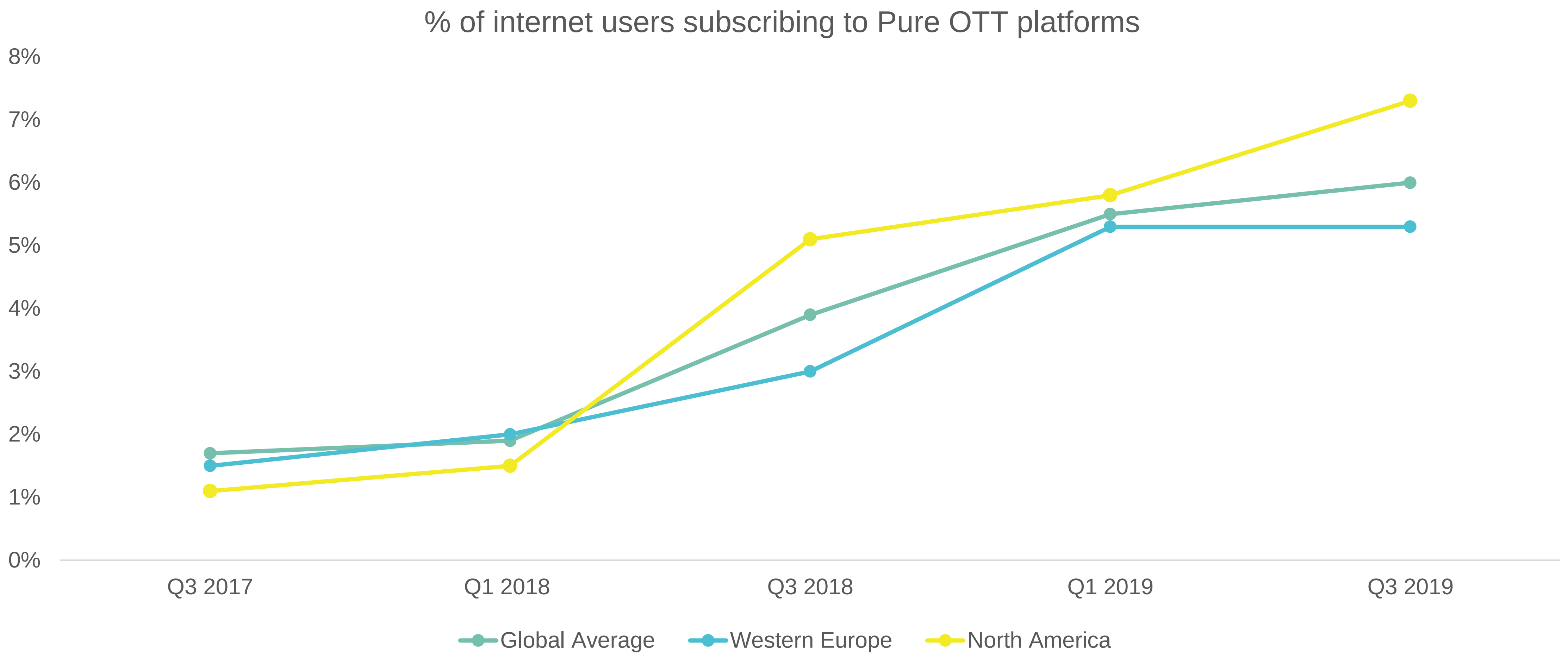
Free from Provider

Globally, the pace of growth of sport OTT is steady

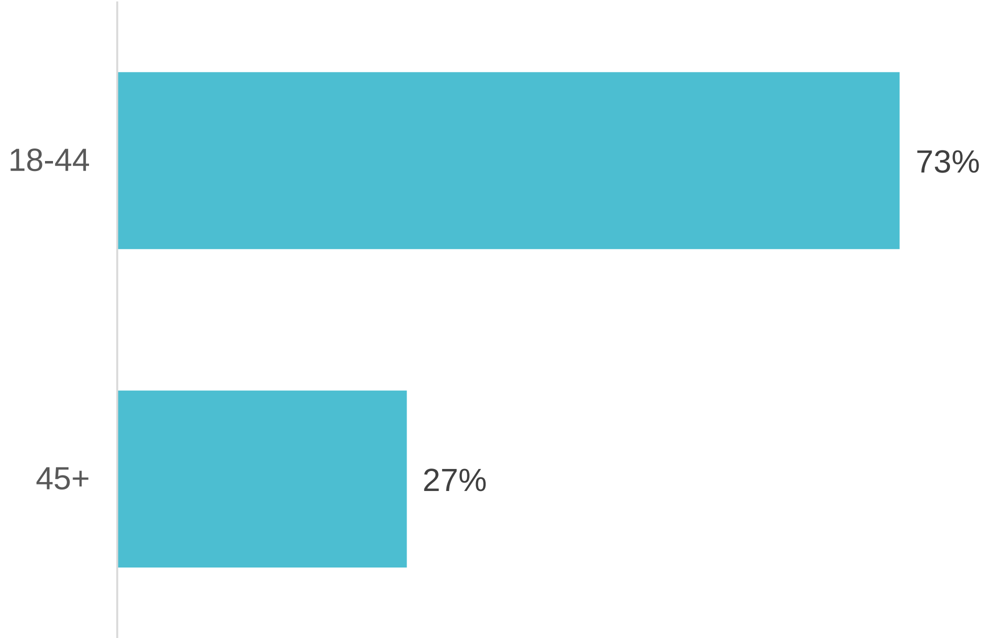


Source: Ampere Consumer Q3 2019

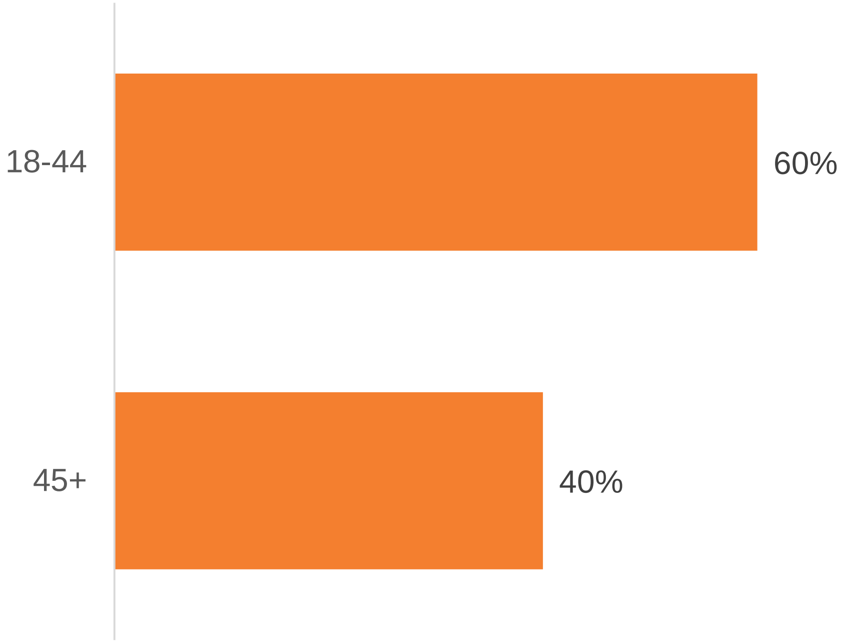
* NB this only includes platforms whose content is primarily sport focused

Sport OTT provides an opportunity to re-engage younger audiences

Sport OTT



Pay TV



Source: Ampere Consumer Q3 2019

And crucially families

Sport OTT

30% more likely
to have children in the household

Pay TV

11% more likely
to have children in the household

Source: Ampere Consumer Q3 2019

They have more disposable income

Sport OTT

More than twice as likely
to have premium channels

Pay TV

33% more likely
to have premium channels

© Ampere Analysis 2019

Source: Ampere Consumer Q3 2019

Sport OTT audiences are more receptive to an advertising model

Sport OTT

Pay TV

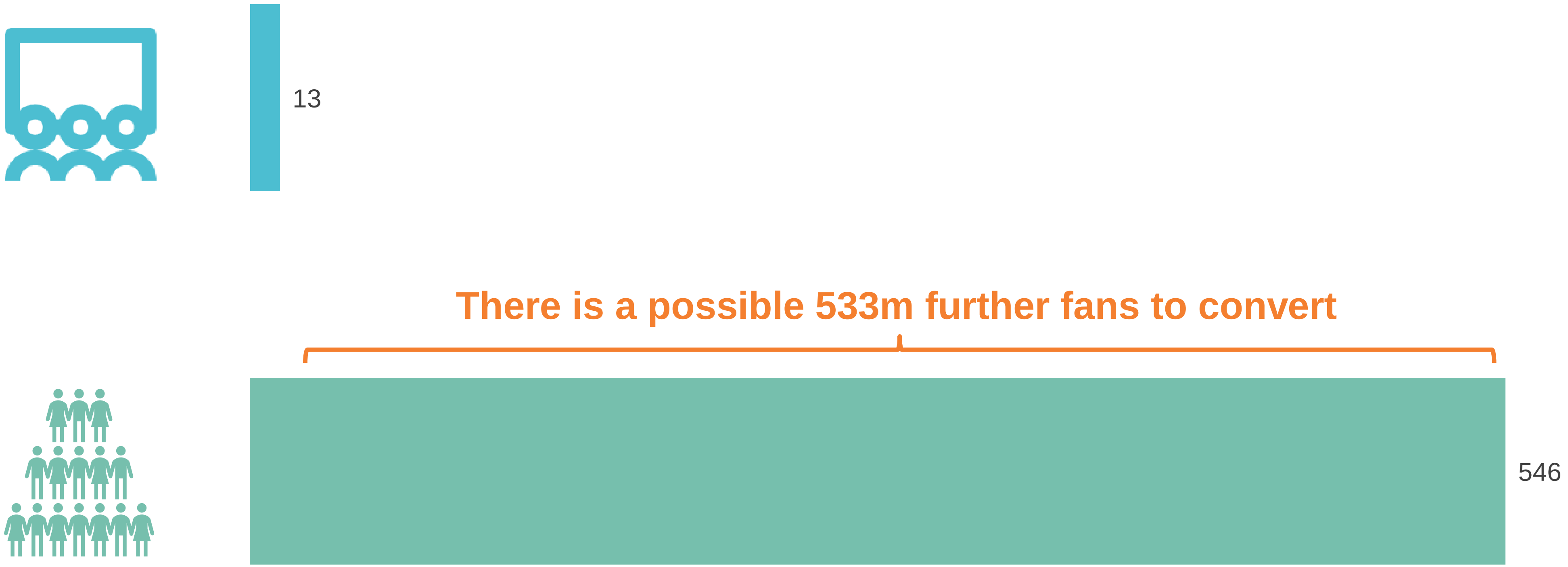
42%
don’t mind seeing advertising when watching TV

32%
don’t mind seeing advertising when watching TV

Source: Ampere Consumer Q3 2019

There is a huge addressable market to capture

Current sport OTT audience vs. the addressable audience (m)



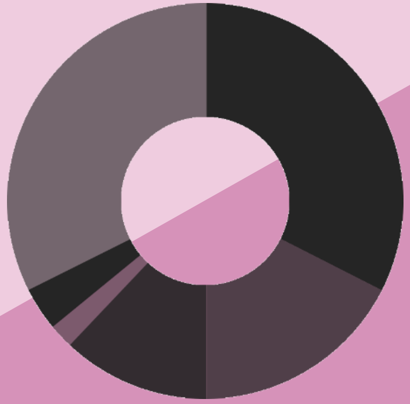
Source: Ampere Consumer Q3 2019 / Ampere Markets

What does this mean for rights holders?

In the short term, sport OTT platforms will not be replacing traditional TV operators as the main broadcaster, but they have a significant part to play

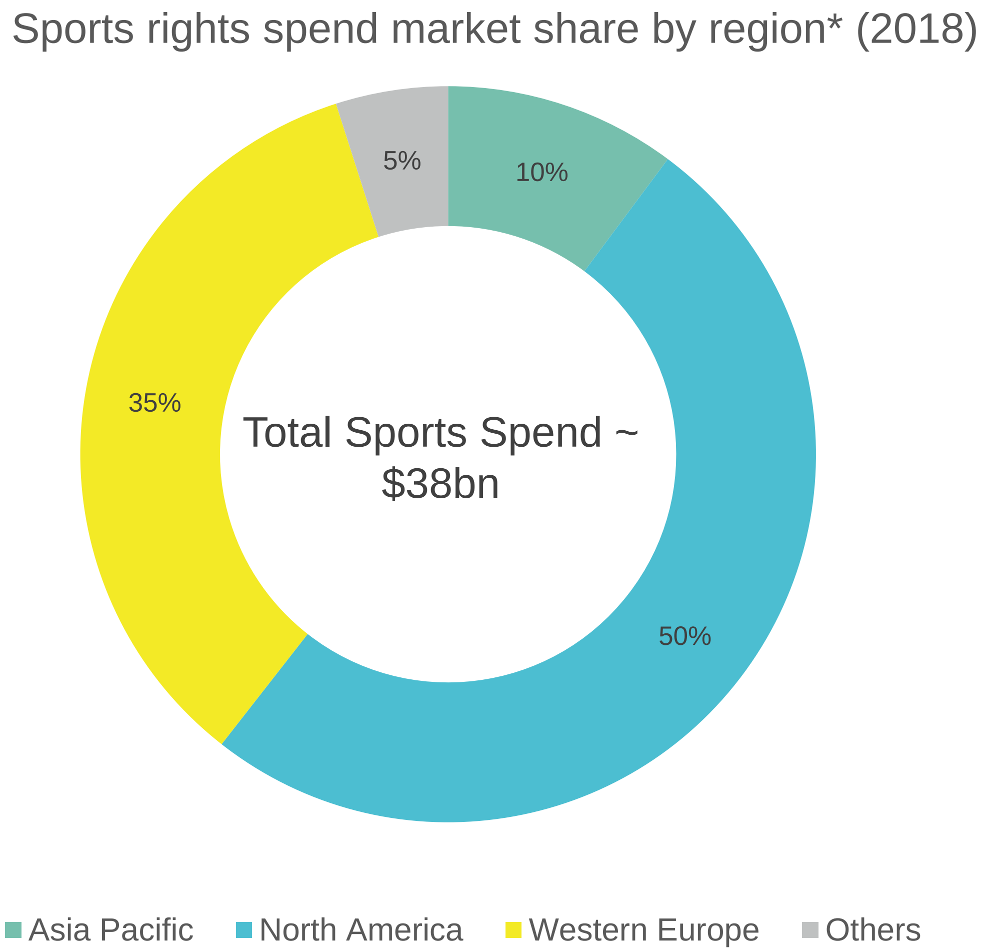
Sport OTT platforms can be used to grow younger fanbases through access to children in the household

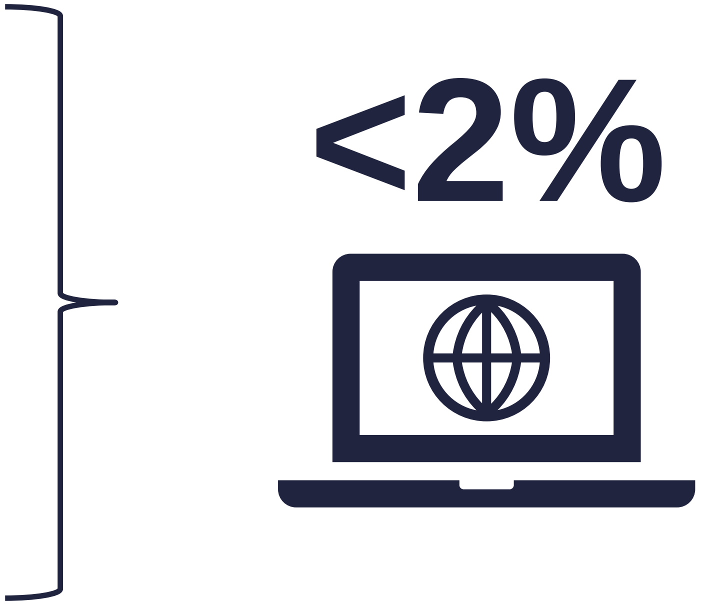
The creation of mobile only rights packages, particularly for markets such as India and China.



Do the economics of sport OTT stack up?

Big money is being spent on acquiring sport, but pure OTT players are not the ones spending it





Source: Ampere Content Markets Q3 2019 – represents spend by broadcasting and OTT groups on acquisition of sports rights in markets representing ~80%+ of global TV revenue

However, we expect this to grow

5%

in 2021

DAZN is often called the Netflix of sport… But is this true?

Upfront licensing / production investments

Multi-market, localised content and interface

Low consumer pricing

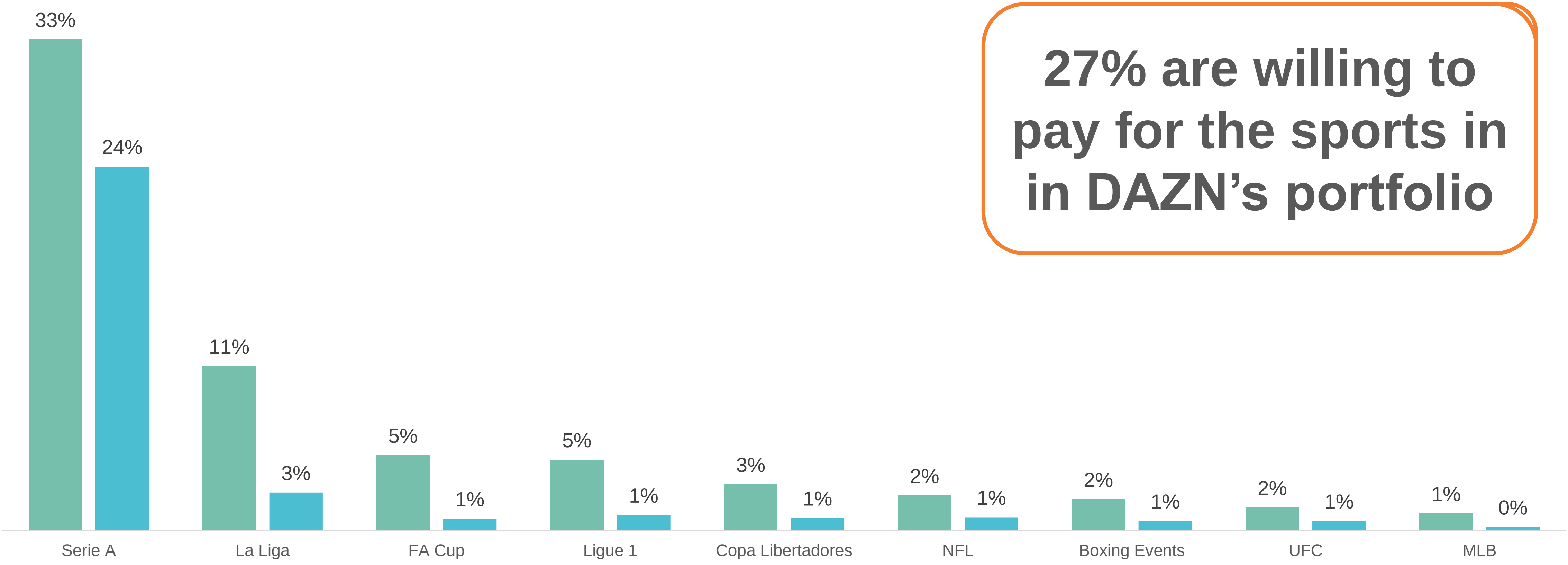
Live broadcasting

Original rights ownership

Geographic licensing of content

DAZN has a large addressable audience in Italy

Top sport competition interest and willingness to pay in DAZN's portfolio among internet users in Italy (Q3 2019)



27% are willing to pay for the sports in in DAZN's portfolio

Source: Ampere Consumer Q3 2019

How does that translate to actual potential subscriber numbers?

25.8m
Italy households

17.4m
Internet households *(67.3%)*

6.9m
are willing to pay

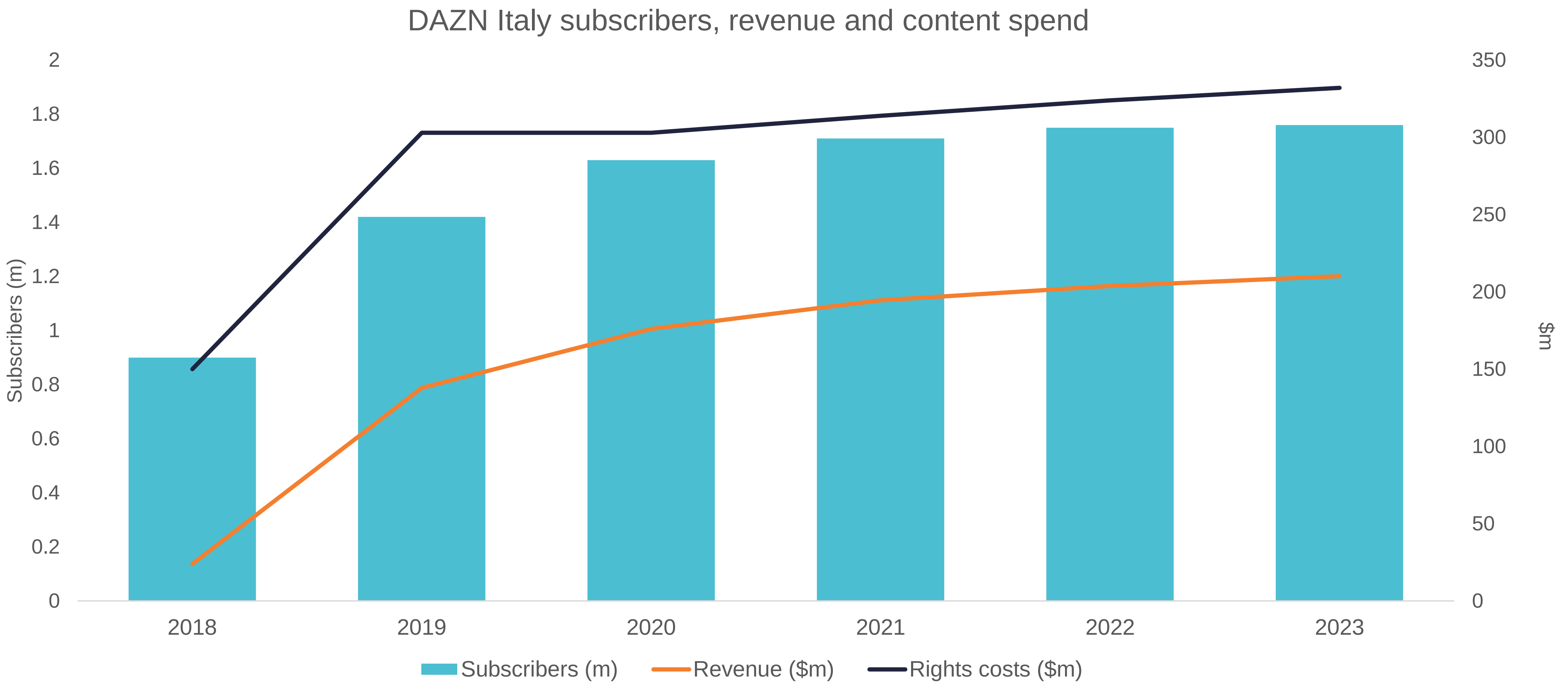
65%
currently have a SVoD service

This equates to 4.5m potential customers

2.2m
Number of DAZN subscribers if 50% of the willing to pay group is converted

Source: Ampere Markets / Ampere Consumer Q3 2019

DAZN Sky's Italia deal will be key to driving profitability



Source: Ampere Markets / Ampere Content Spend

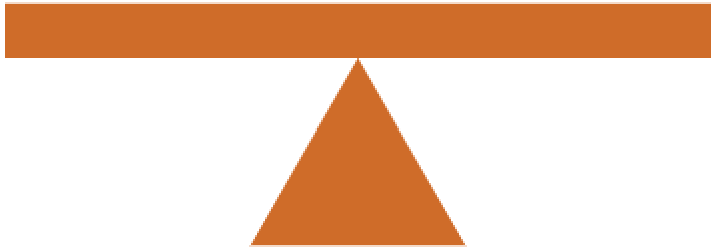
The picture is the same across DAZN's core markets

2018	2019
3.1m Subscribers	**4.3m** Subscribers
$268m Revenue	**$484m** Revenue
$395m Rights Cost*	**$610m** Rights Cost*

Source: Ampere Markets / Ampere Content Spend

* Ampere Estimates

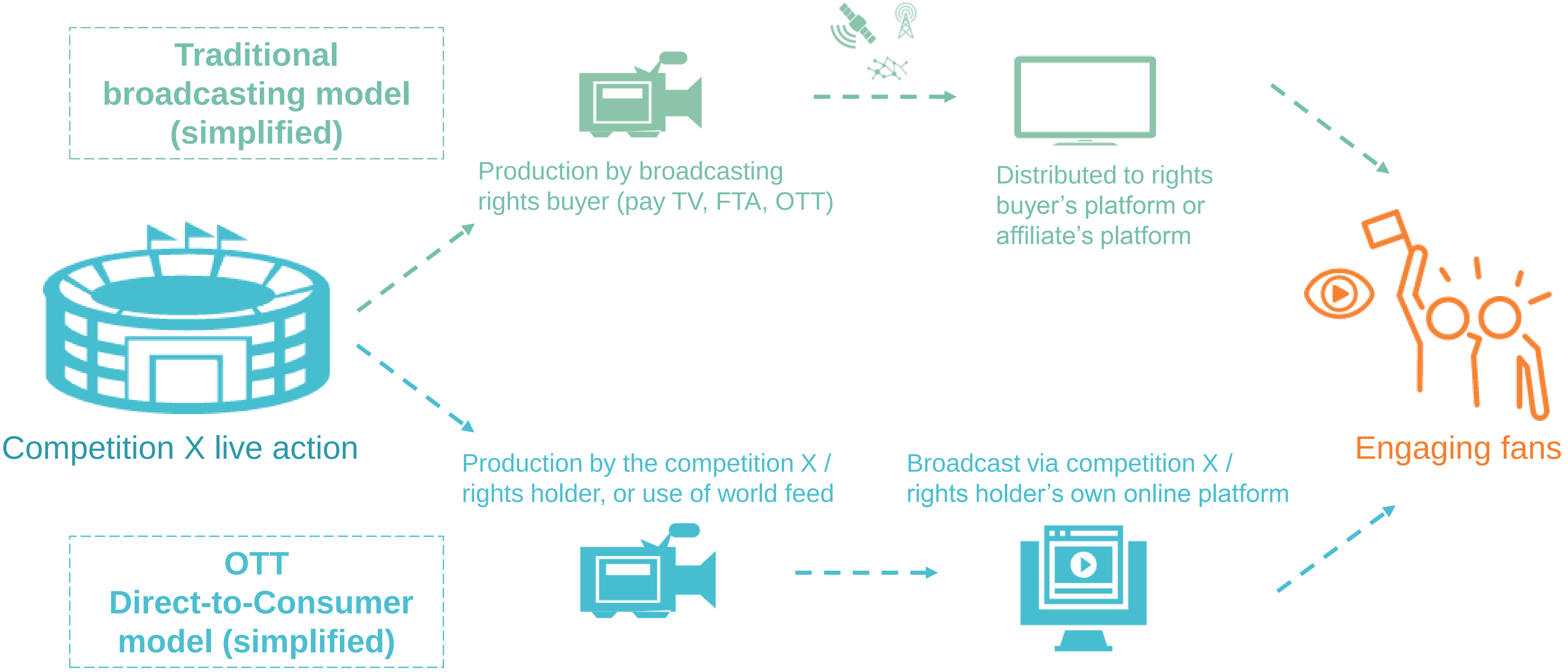
How many subscribers would DAZN need to break even in these three markets?



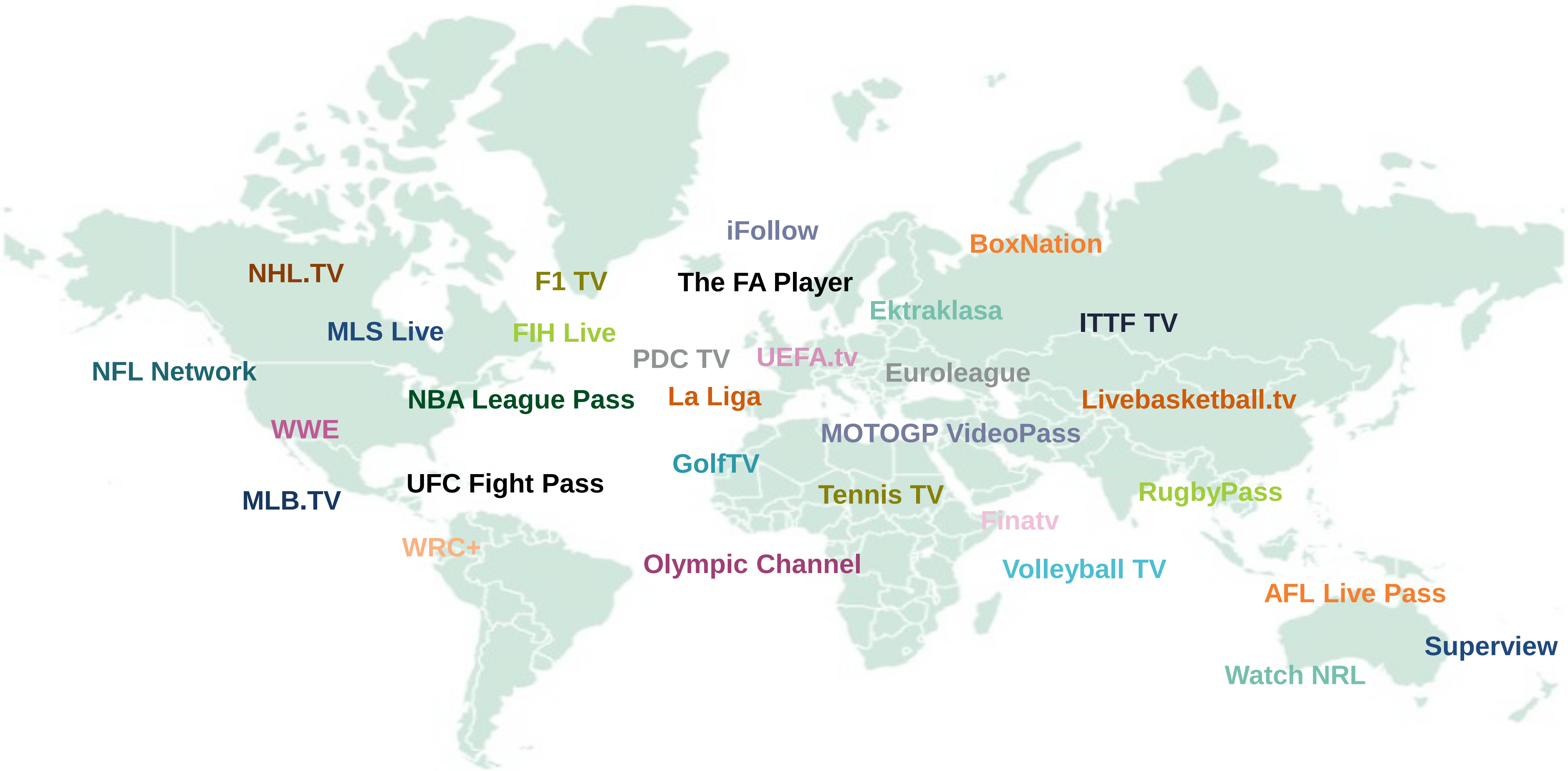
5.6m
Subscribers

What are Direct-to-Consumer sports services

So what is the Direct-to-Consumer OTT model?



Many major and 2nd tier competitions are launching D2C



Non-exhaustive list of D2C examples

D2C dominated by ‘out of market’ and ‘ancillary’

So what about tier 1 sports?

Can they go D2C domestically?

What's at stake? Over a billion a year per country for annual domestic TV rights

The main packages of tier 1 domestic rights go to pay TV operators like Sky

Main pack	Smaller
Sky	BT, Amazon

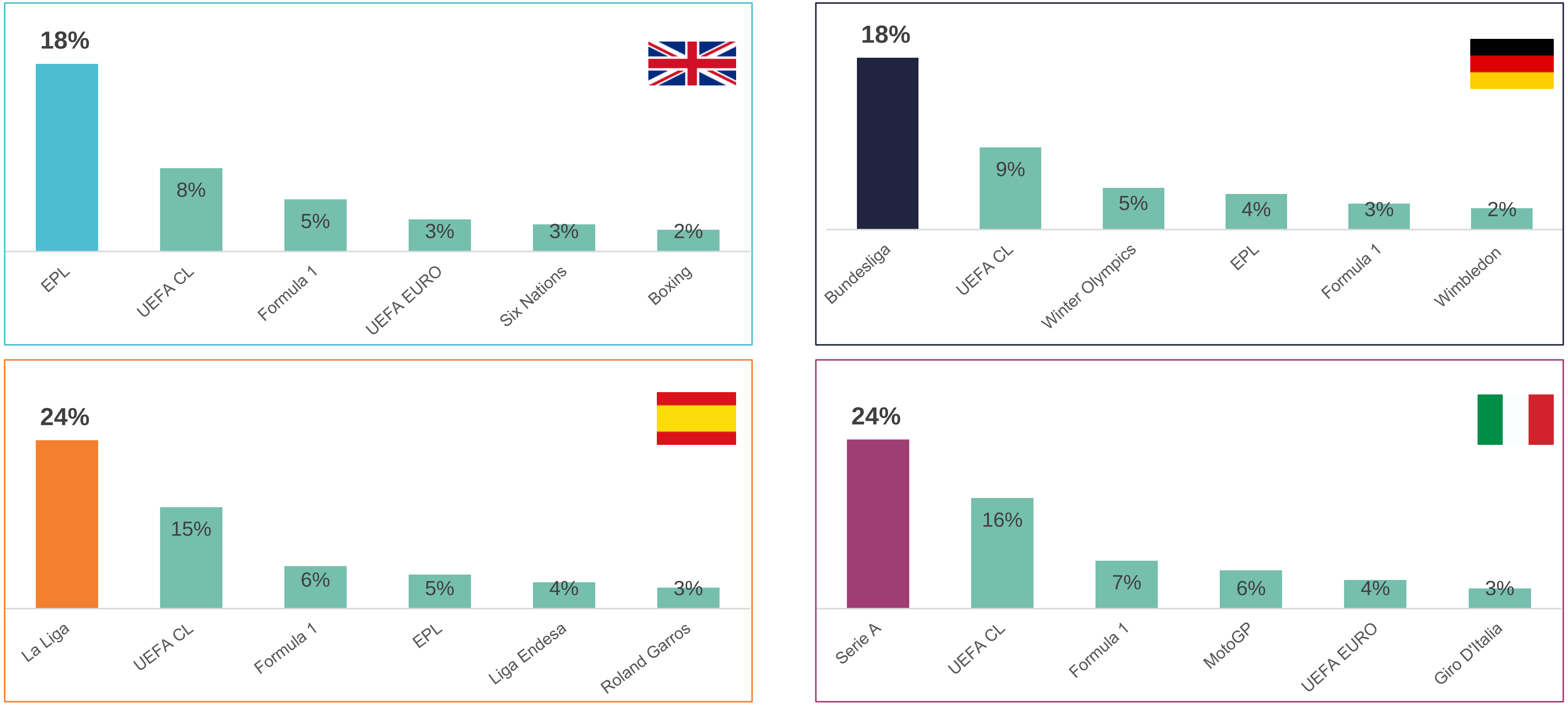
Main pack	Smaller
Sky	DAZN, ZDF

Main pack	Smaller
Telefonica	Mediapro, Orange, Jazztel, Mitele Plus

Main pack	Smaller
Sky	DAZN

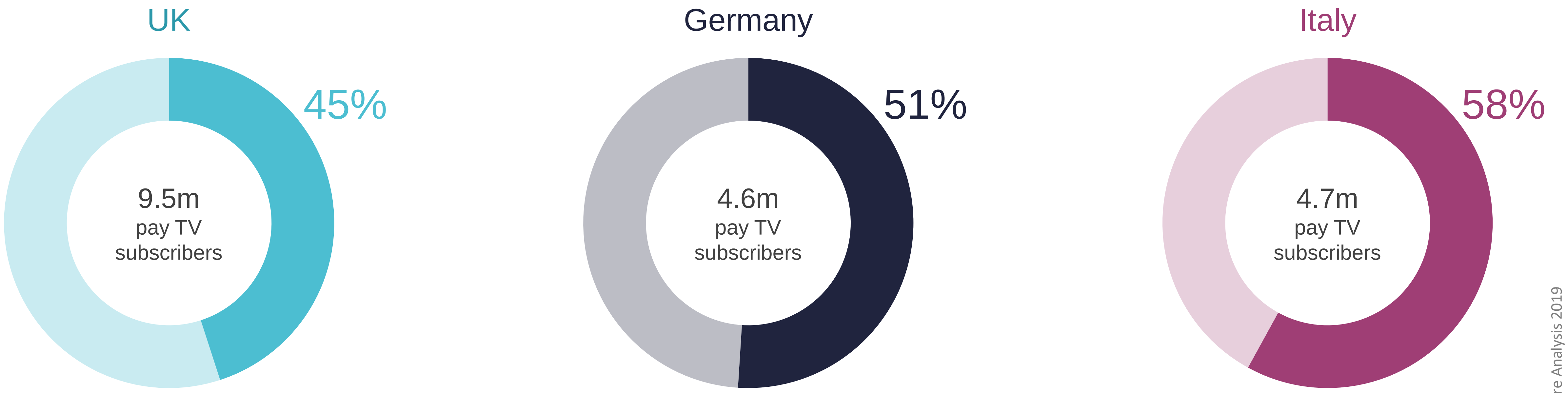
Operators are buying a large addressable audience…

Percentage of internet respondents willing to pay to watch the competition



…which typically makes up ½ of subs

Sky’s pay TV subscribers and % who take sports packages (Ampere consumer Q3 2019)



Too much of a risk for major leagues to go exclusively D2C in their domestic markets

Subscribers required for hypothetical D2C services from EU's top football leagues

League	Price	Subscribers required
EPL - £1.5bn	£10	15.5m
	£25	6.2m
Bundesliga - €1.2bn	€10	11.5m
	€25	4.6m
La Liga - €1.1bn	€10	11.5m
	€25	4.6m
Serie A - €1.0bn	€10	9.9m
	€25	4.0m

VAT: UK: 20%, DEU: 19%, ESP: 21%, ITA: 22%

Current OTT pricing model is simply not feasible

Subscribers required for hypothetical D2C services from EU's top football leagues

EPL - £1.5bn

Bundesliga - €1.2bn

La Liga - €1.1bn

Serie A - €1.0bn

£10 15.5m

= Total UK pay TV subscriber base

> 3 ✖ # Sky Sports subscribers

> 2 ✖ Total # households willing to pay for EPL

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Equally, high prices look difficult to sustain

EPL - £1.5bn

£25 → 6.2m

70%

23%

Sky Sports subscribers

Total # households willing to pay for EPL

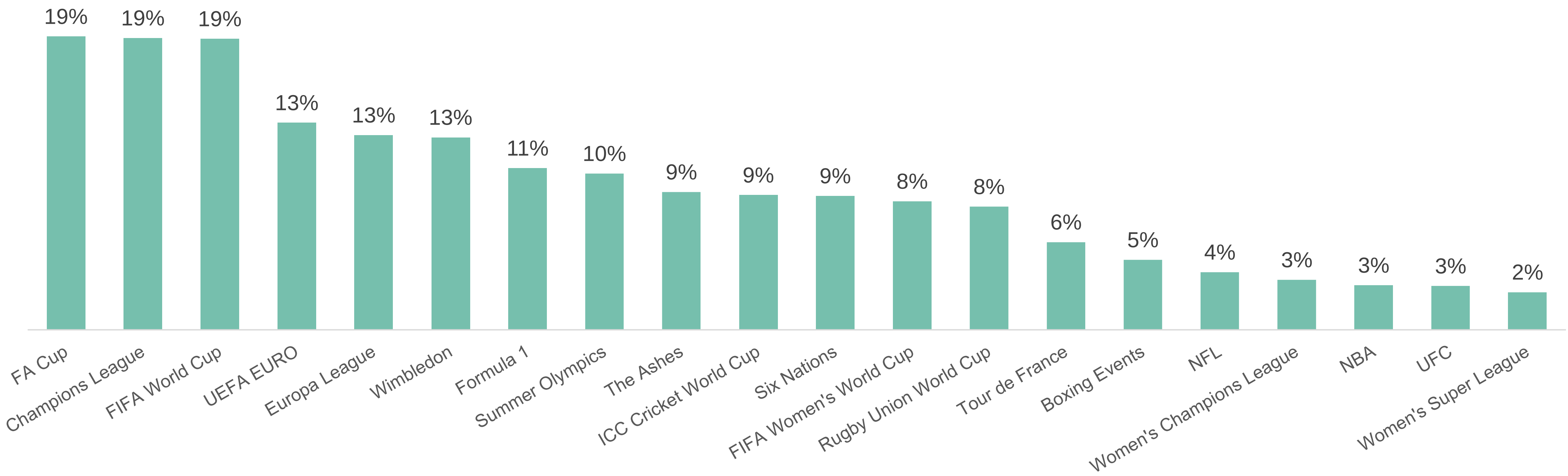
Fixed line broadband market

VAT: UK: 20%, DEU: 19%, ESP: 21%, ITA: 22%

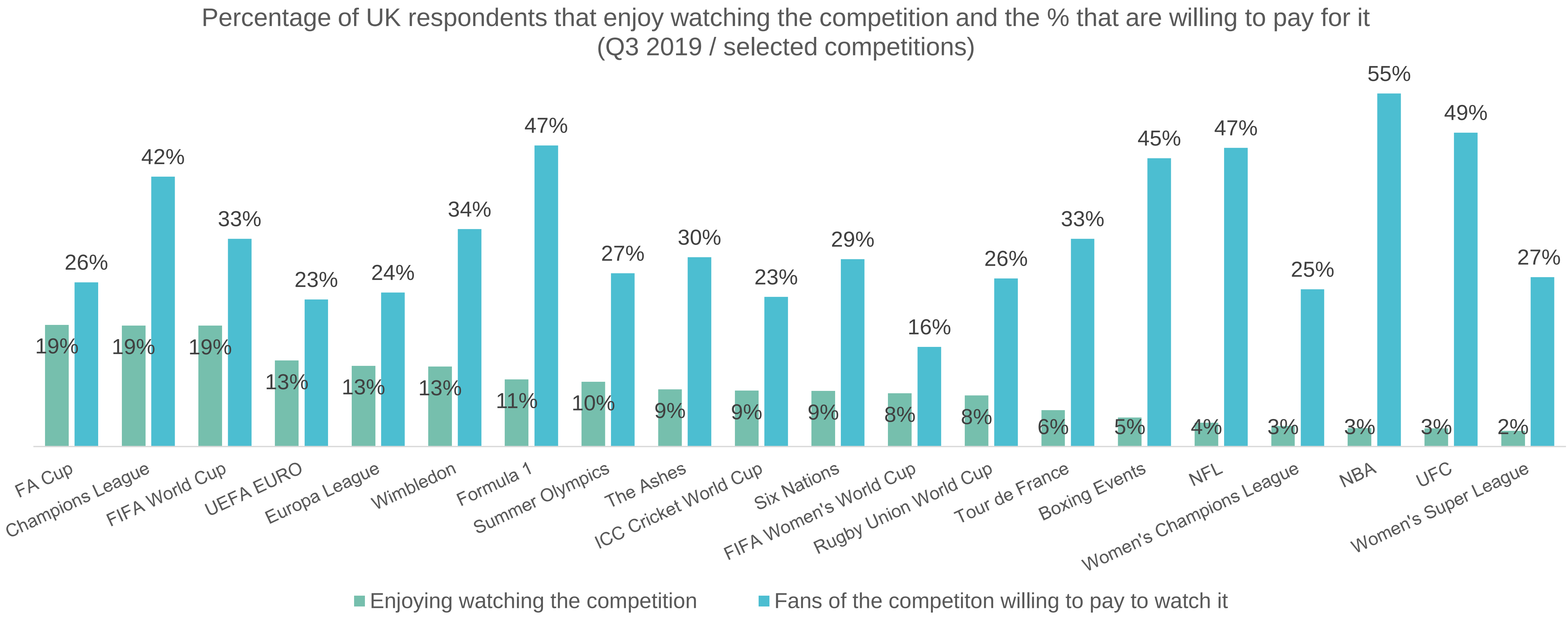
So where is the opportunity?

Popularity will indicate the overall interest in a competition and potential viewership

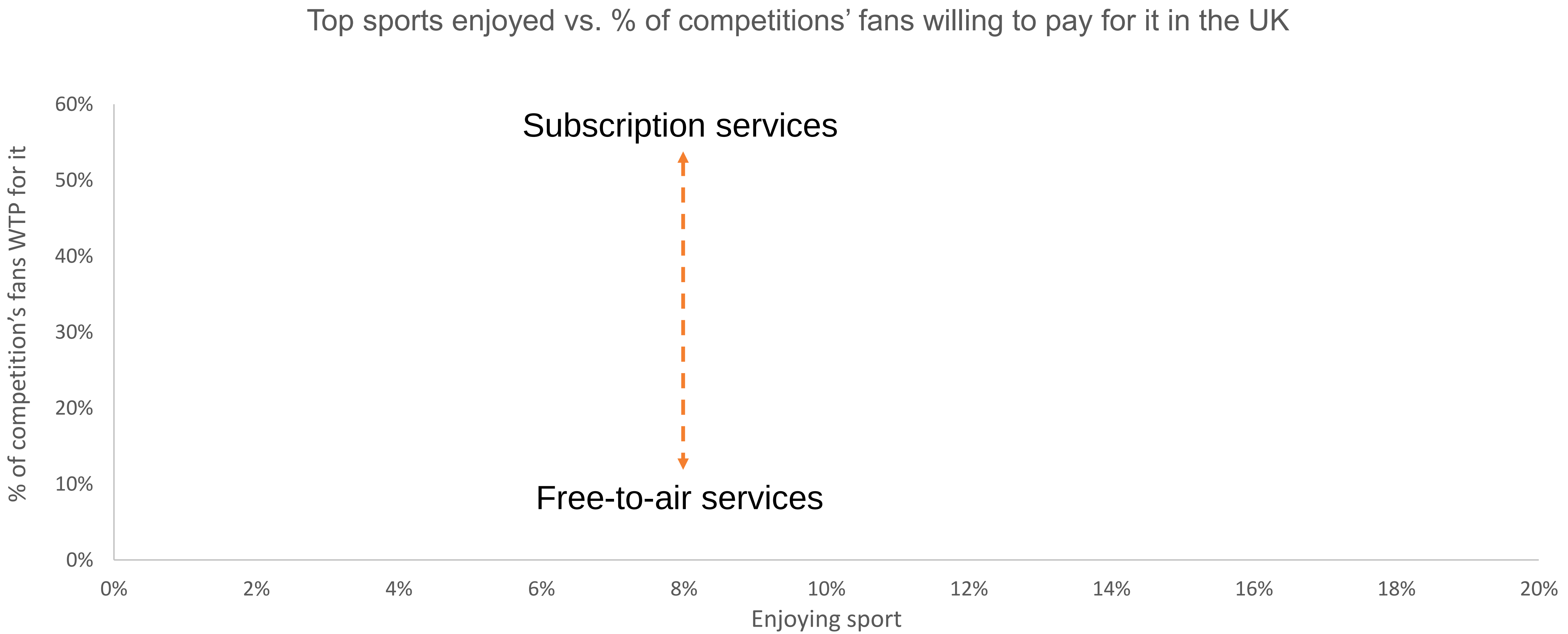
Percentage of UK respondents that enjoy watching the competition (Q3 2019 / selected competitions)



Fans' willingness to pay gives an idea of the suitable business model…

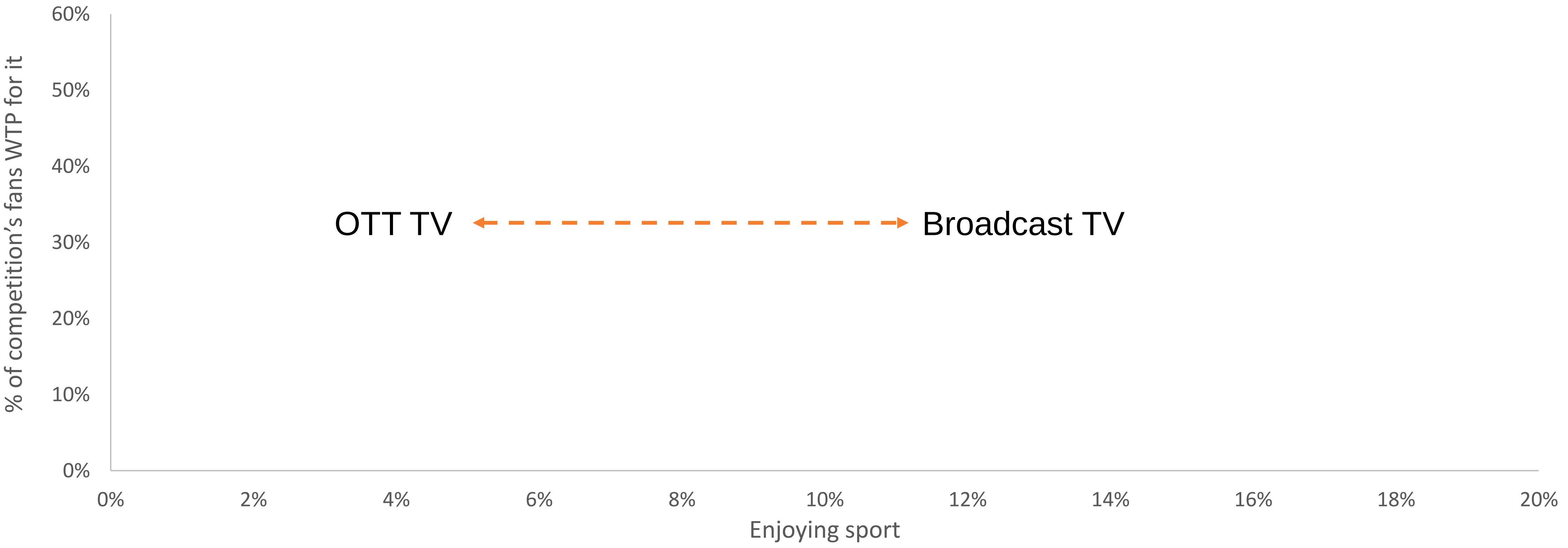


…as a higher % of willingness to pay makes the competition fitting for a subscription service

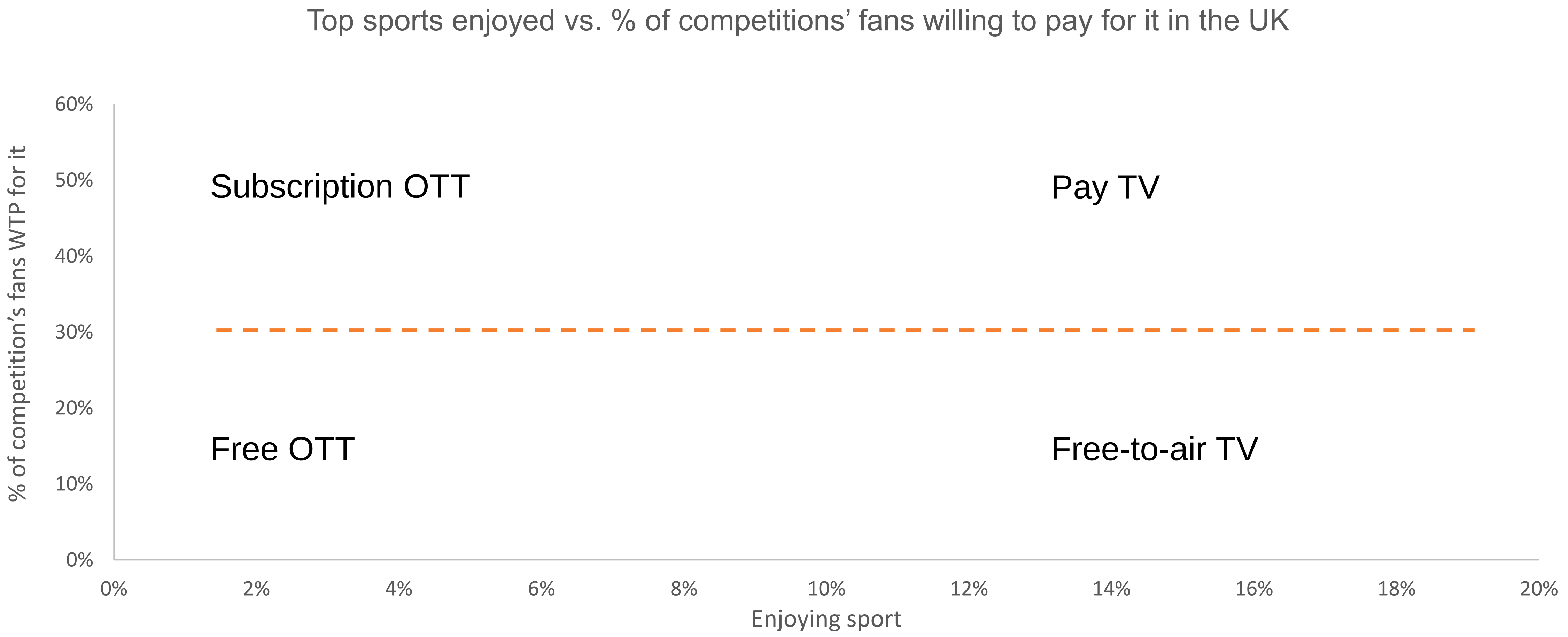


Highly popular competitions suited for mass broadcast

Top sports enjoyed vs. % of competitions’ fans willing to pay for it in the UK



With current market economics, online services are more suited for niche sports



Mainstream - Tier 1 sports negotiate high value broadcasting rights

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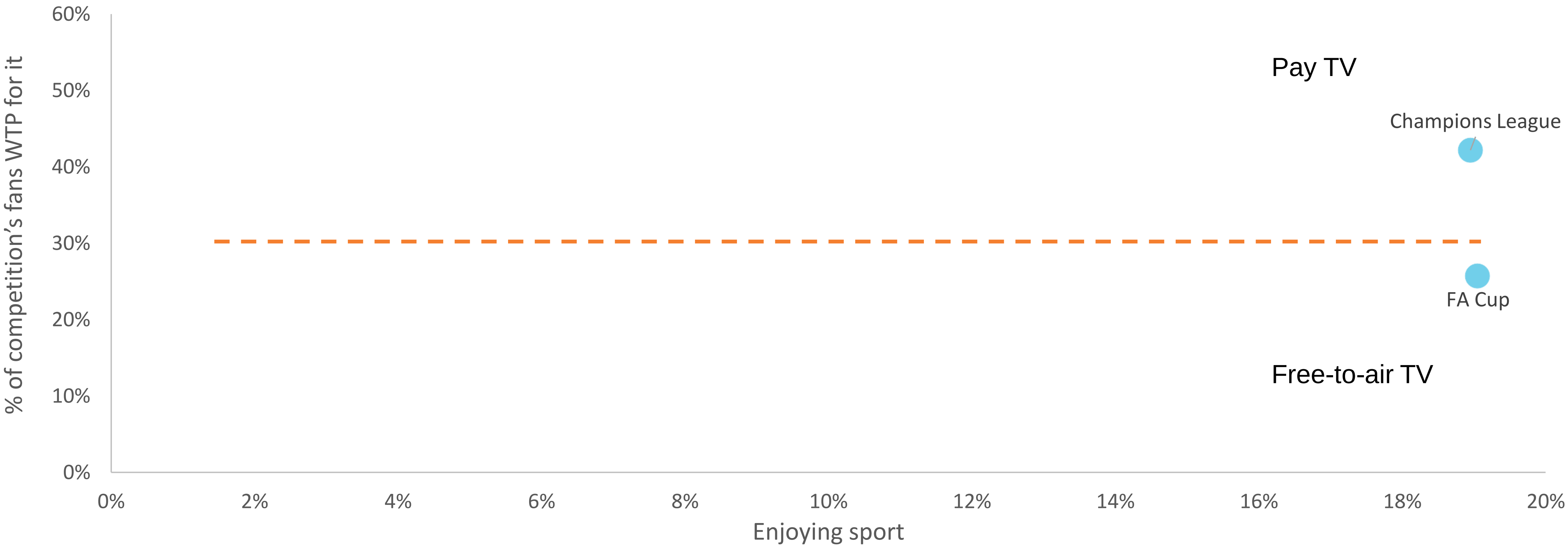
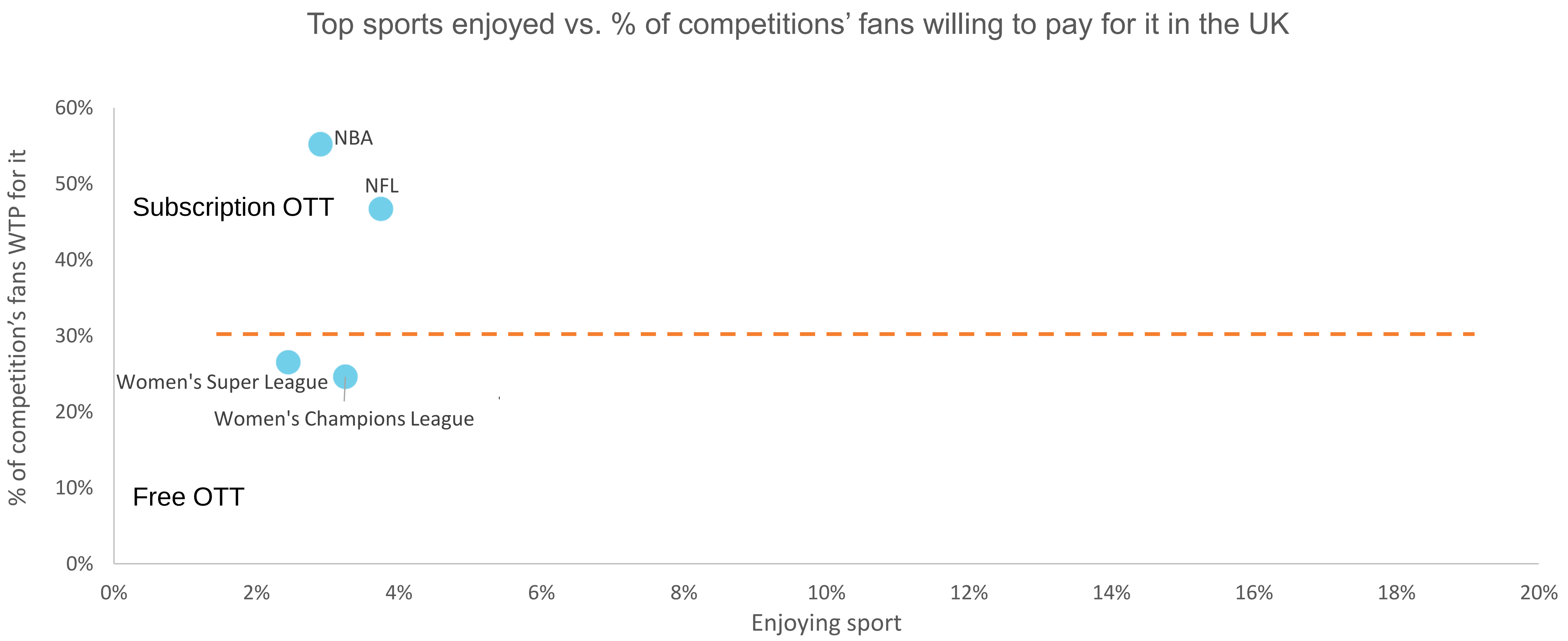
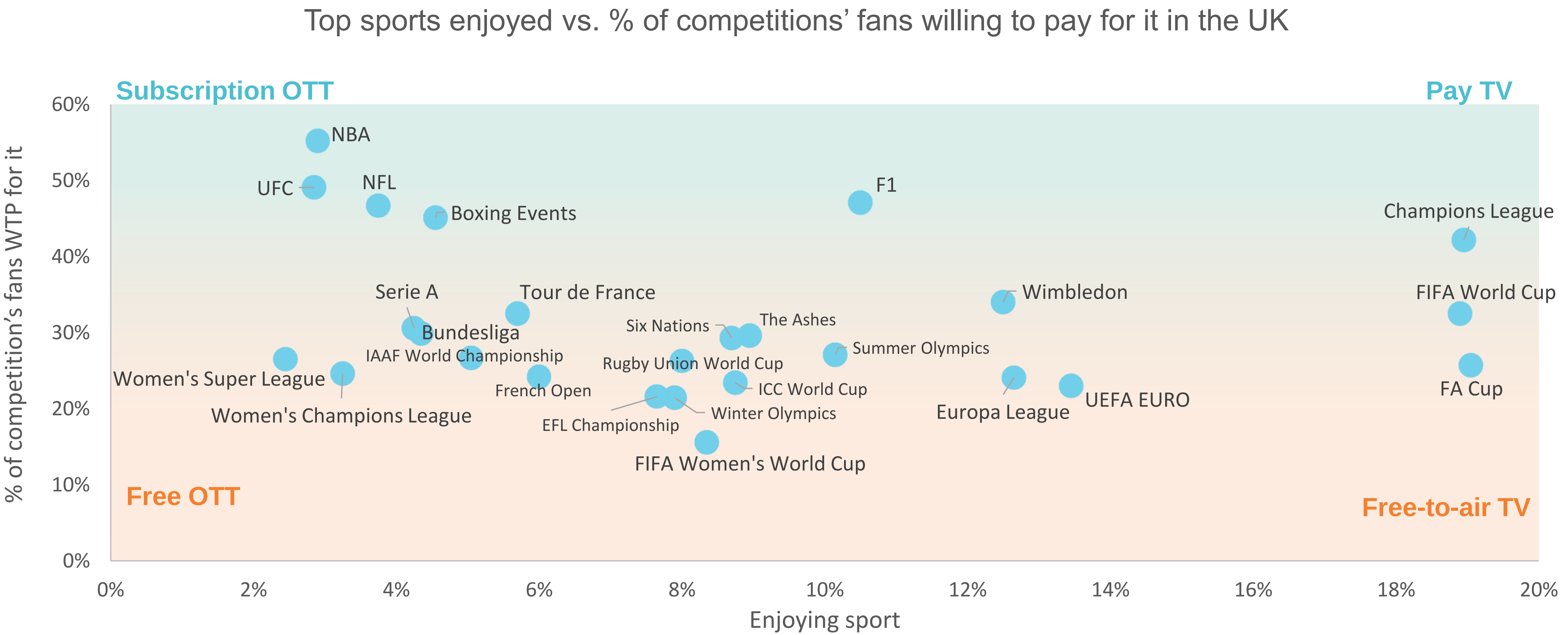


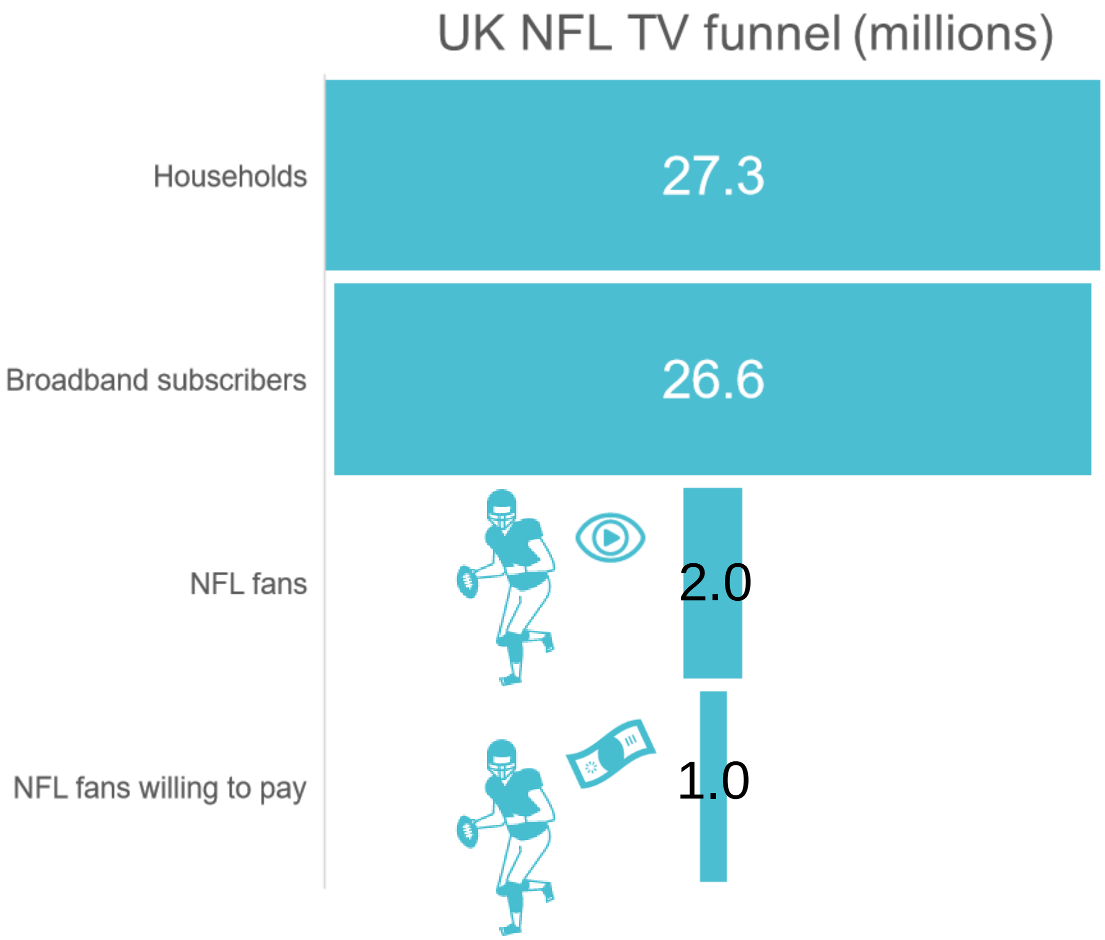
Niche sports are most likely to explore other outlets - OTT services



Extremes indicate clear opportunity - sports in the middle are dependent on market dynamics



What are the potential revenues if NFL was only available through a D2C service?



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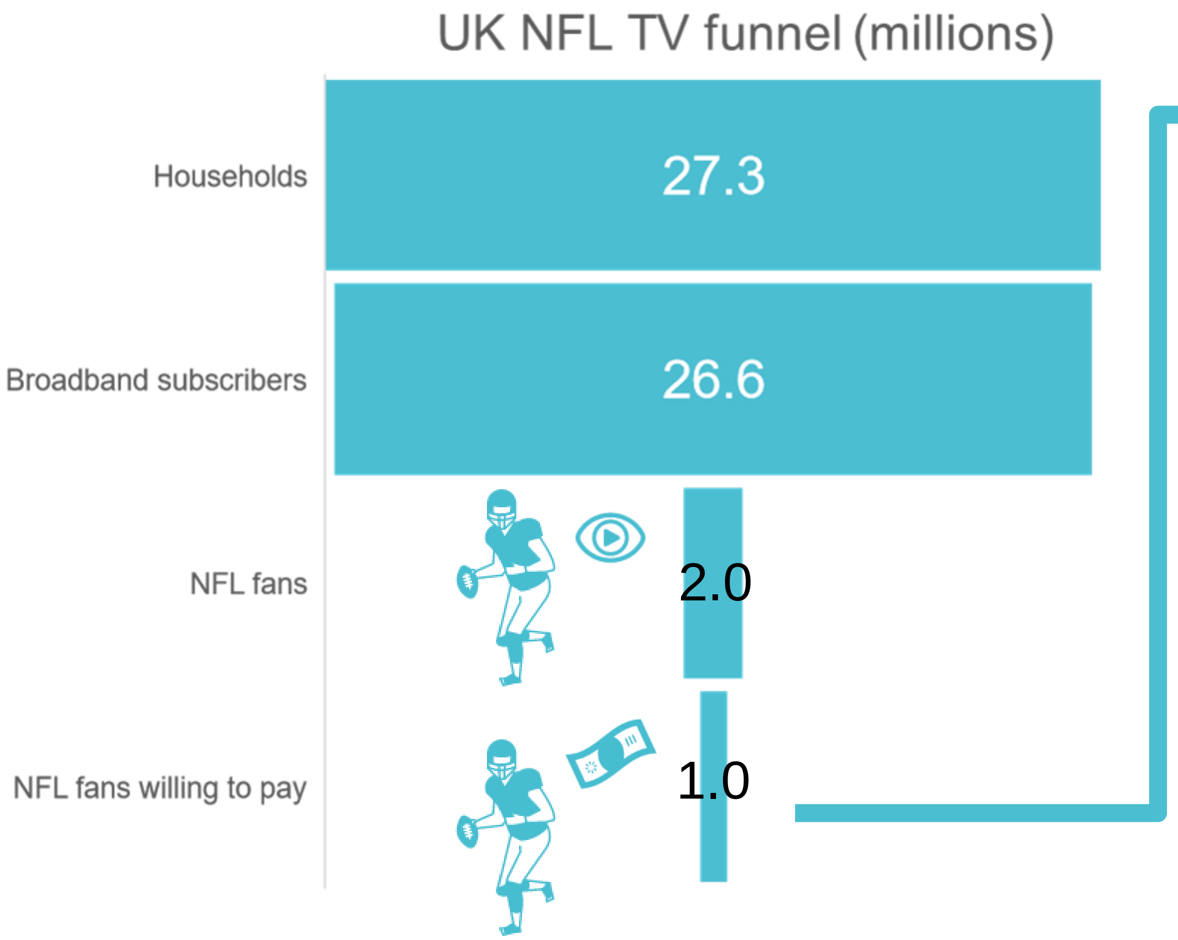

1 **Let’s assume NFL can sign 1/3 of these people up**

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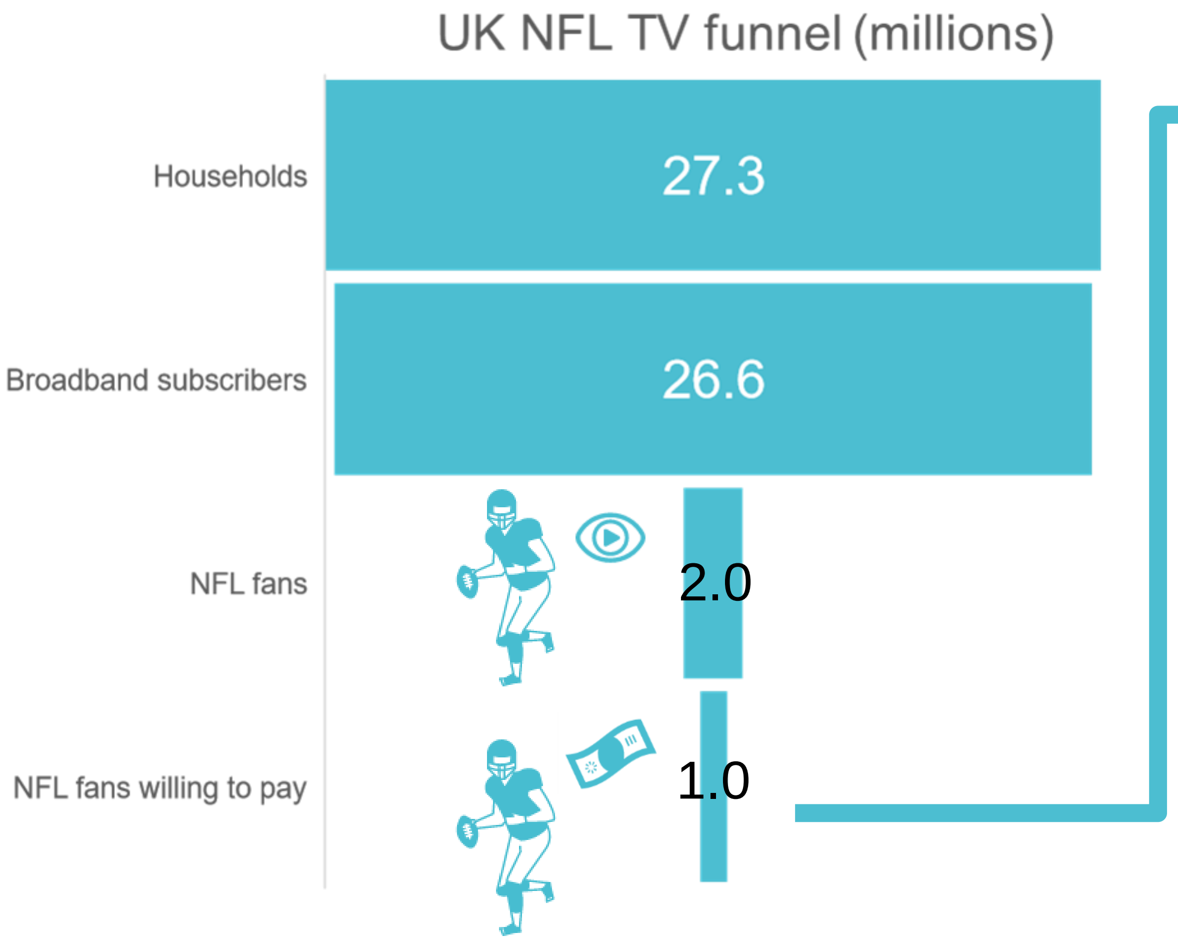

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2 **Let's also assume they take lower-cost annual pack at £69.99/y**

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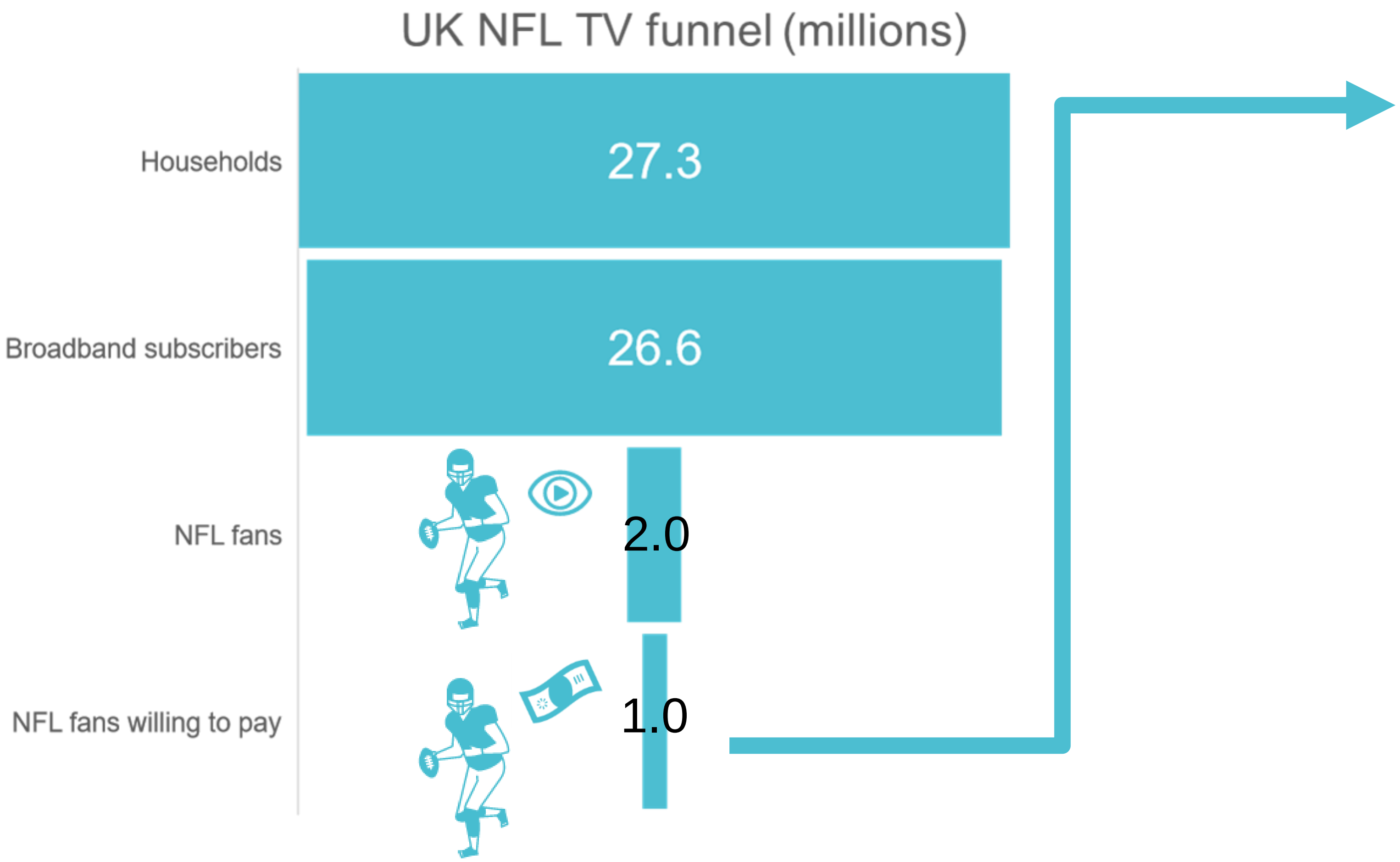

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3 **This leaves the service generating about £19m per year**

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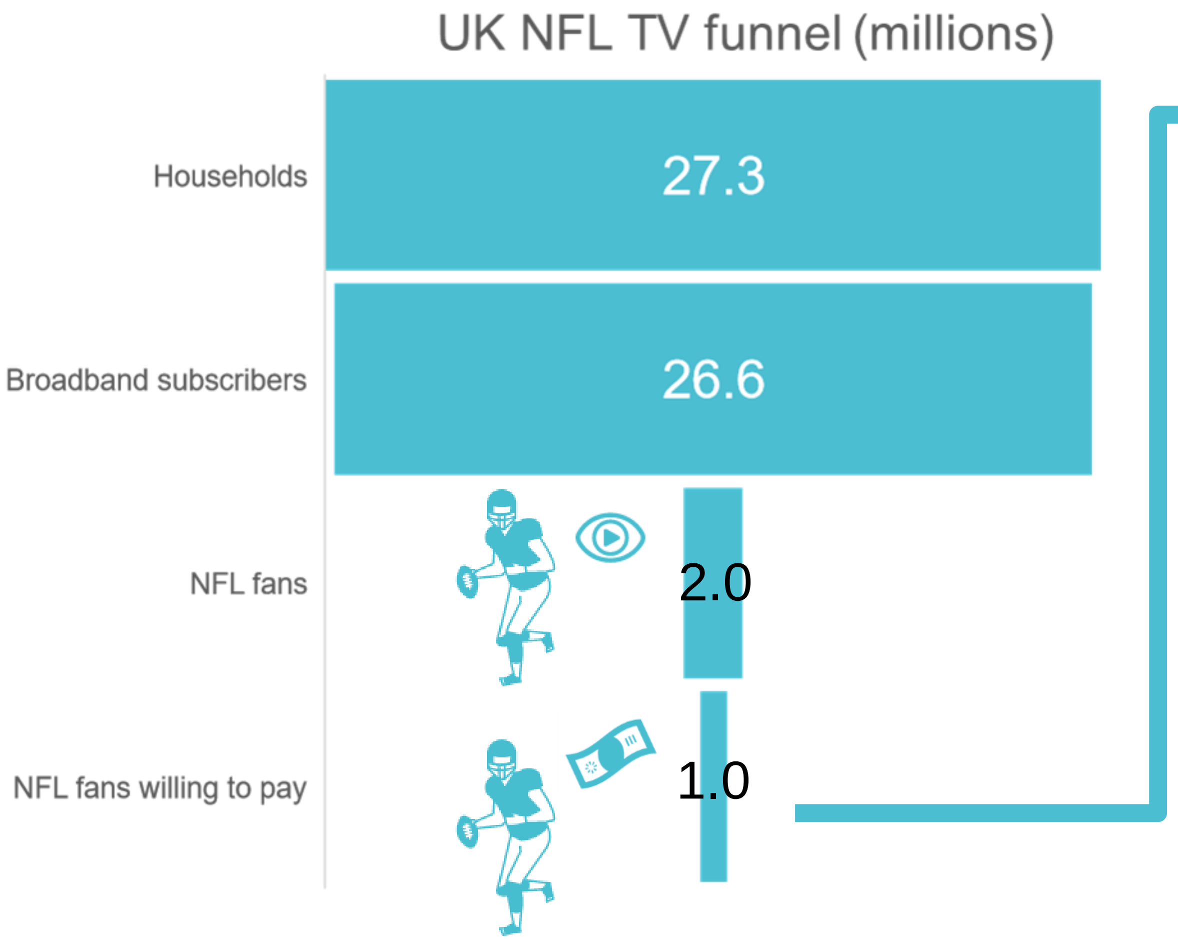
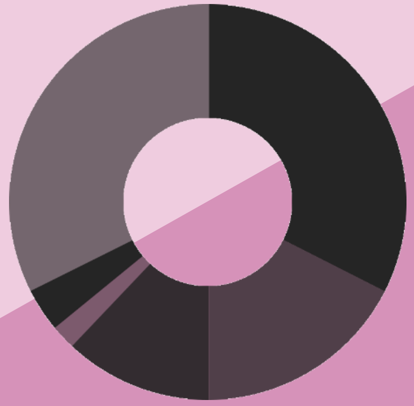


1 Let's assume NFL can sign 1/3 of these people up

2 Let's also assume they take lower-cost annual pack at £69.99/y

3 This leaves the service generating about £19m per year

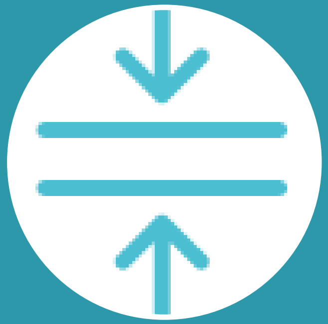
That is similar to (or even more than) what other more popular competitions like the La Liga and Serie A are earning from TV rights



Conclusions

Conclusions

Although the sport OTT audience is a small one, it is young, has disposable income and could be instrumental in the growth of future fanbases.



Currently, the economics of pure OTT players have a large discrepancy between revenue generated and costs – this becomes even larger once operating costs are factored in meaning auxiliary funding models will be key.

For Tier 1 sports, it is too big of a risk in their domestic markets at present. With current market dynamics, D2C services are suited for out of market rights and 2nd Tier sports.

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