

The Score of Success: Unpacking the Boom in Sports Rights Deal Values

In the last few years, the arena of sports broadcasting has seen a remarkable transformation, marked by the escalating costs involved in the acquisition of sports rights. Following the recent announcement of Malaysia's Budget 2024, the Malaysian government has committed substantial funds to the nation's sports and esports industries, garnering significant interest from sports enthusiasts, athletes, and key industry players. It is an opportune time to examine the factors contributing to the surging cost of sports rights and to explore various scenarios across diverse sports.

Sports Rights and Their Escalating Costs Across Different Sports

Sports rights, which are lucrative intangible assets, encompass the legal entitlements linked to the commercial exploitation of live sporting events and their associated content. These rights extend to, but are not limited to, broadcasting rights across television, radio, online, and streaming services; sponsorship rights linked to branding and marketing; rights to merchandise; licensing rights for logos, trademarks, or team names; digital rights for content distribution on digital platforms; image rights involving a sportsperson's likeness; and venue rights including stadium or arena naming and usage.

Among these, broadcasting and sponsorship rights stand out as the most lucrative. For broadcasting rights, this is exemplified in one of the most significant sports event broadcasting deals in the United States. The National Football League (NFL), America's most popular professional league, nearly doubled its anticipated revenue by securing its latest media rights deals in 2021, with a staggering total value of \$113 billion representing an 80% increase over the preceding 11-year period.

Significant growth in broadcasting rights values is also evident in major European football leagues such as the English Premier League (EPL) and Spanish La Liga, which have seen a substantial increase in the value of their broadcasting rights. The EPL's broadcasting rights for the 2019-2022 cycle, for example, were sold for a record-breaking £5.14 billion. The EPL has also recently finalized agreements with Sky Sports and TNT Sports for UK live packages and with BBC Sport for free-to-air highlights. These contracts, covering the period starting in 2025/26 until 2027/2028, represent the largest sports media rights deals in UK history, totaling £6.7 billion over a four-year period. This represents a 4% increase in price from the previous cycle, solely for live events, according to the EPL.

If you have any related questions/queries please do not hesitate to contact us:

E: general@shinassociates.com.my | T: +603 2201 5584

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This surge in value can be attributed to the expansive global fanbase, intense competition, and the draw of sports content for media entities and platforms such as Amazon and DAZN. Amazon Prime Video recently secured a four-year deal as Australia's exclusive broadcast rights holder for all International Cricket Council (ICC) events from 2024 through 2027, covering major tournaments such as the Cricket World Cups and the World Test Championship Final.

The massive increase in the popularity and official recognition of esports may also be reshaping traditional broadcasting dynamics, impacting the traditional broadcaster in its attempt to tap into live streaming of these fast-emerging sports events. Esports tournament organiser ESL is bringing a Dota 2 tournament to Malaysia in December 2023, offering a whopping \$1 million prize pool. The previous ESL One Malaysia in 2022 attracted a significant audience, with 362,705 viewers at its peak and an impressive 9.68 million watch hours, as reported by Esports Charts. A recent lucrative esports broadcasting rights deal is the five-year, \$310 million agreement signed by livestreaming platform Huya with China's League of Legends operator TJ Sports.

In terms of sponsorship rights, major brands are increasingly using sports events as platforms to enhance their image and gain market recognition. These brands typically become sponsors by providing financial support or merchandise in exchange for opportunity to market and promote their brands and products. Increased viewership of sports events will lead to more visibility of these brands and thus, advertisers are willing to pay a premium to tap into these vast audiences. A recent instance is Manchester United's new record-breaking shirt sponsorship deal with Snapdragon, starting from the 2024/2025 season, estimated to be around £65 million per season.

The value of naming rights is also on the rise. For example, FC Barcelona recently penned a £236 million deal with Spotify to rename their iconic stadium, which will be known as the Spotify Nou Camp. This is considered the most lucrative naming rights deal in Europe thus far.

A report by Rethink Research states that from 2014 to 2023, media rights revenues have more than doubled to reach \$45 billion. The report forecasts a 54.79% increase in the global media rights value of the top 16 sports leagues, reaching \$68.8 billion by 2028 and an estimated \$90.6 billion by 2033.

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Why Are Sports Rights Costs Escalating?

The primary driver of the escalating cost of sports rights is intensified competition among broadcasters and streaming platforms. As more and more media entities strive to secure exclusive rights to broadcast popular sporting events, bidding wars among these players have become increasingly common. Broadcasters are willing to pay top dollar to attract viewers, advertisers, and subscribers. Major sports leagues and organizations are well aware of this demand and have leveraged it to their advantage.

The rise of streaming platforms has significantly reshaped the sports rights landscape. Platforms such as Amazon Prime Video, Netflix, and Disney+ have ventured into sports broadcasting, further increasing competition as they invest heavily to secure exclusive broadcasting rights and capture a share of the sports-watching market.

This demand is further propelled by pay TV platforms seeking to retain customers who may otherwise switch to streaming services. For example, Astro, which holds a significant stake in sports broadcast rights in Malaysia, recently announced that it had secured exclusive broadcast rights for the Malaysian Football League (MFL).

Technological advancements have enabled sports leagues to consider streaming their sports events directly to consumers through their own subscription-based digital streaming platforms, such as the NBA League Pass and UFC Fight Pass which provide, among others, live and on-demand NBA games and UFC fights respectively.

This transitional trend may have a significant impact on the bargaining power of traditional broadcasters if the direct supply of live streams to end consumers becomes more economical or lucrative for sports leagues. Online platforms and fragmented viewership may force sponsors and broadcasters to pivot and rethink their strategy to diversify and integrate themselves into the various platforms which are gaining increased accessibility.

Government policies and technological breakthroughs may also influence cost for different stakeholders. For instance, the Indian government has conveyed an intention to pioneer technology that brings live TV broadcasts to smartphones without an internet connection. If realised, this piece of technology would bring a revolutionary shift in the broadcasting rights' landscape.

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Conclusion

The escalating cost of sports rights is a reflection of the immense value sports hold in the world of media and entertainment. As competition among broadcasters, streaming platforms, and rights companies intensifies, the price tag for securing exclusive sports rights is expected to continue rising. Fans can expect to see more innovative distribution methods and partnership deals as media entities strive to monetize their investments.

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