



MOFFETT NATHANSON

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## U.S. Media

# NFL: The Glue Remains as Sticky as Ever!

## Summary

*After a +9% bump in average NFL viewership across broadcast and cable during the 2021-22 season, could NFL media rights holders count on the league to deliver another solid season of viewership growth? As always, there were worries that the constant pressures of cord-cutting and erosion of younger viewers would start to negatively impact viewing trends.*

*The 2022-23 season was the first to feature a streaming-only option, as Thursday Night Football moved from Fox to Amazon exclusively. CBS and NBC games were also flexed more aggressively on Paramount+ and Peacock, respectively.*

*As we look forward to Super Bowl LVII this weekend and reflect on this past season, we see that average viewership for the 2022-23 season declined -4%, as the core packages (NFC and AFC Sundays, Sunday Night Football and Monday Night Football) were up nicely from last season while the biggest decline came, as expected, at Thursday Night Football, which saw viewership plummet -36% to 9.6 million viewers (a record low) after moving from Fox to Amazon. Excluding Thursday Night, ratings were actually up +1% from last season.*

*This continued growth in, or at least sustained levels of, viewership for the NFL reinforces the idea that the league remains an outlier when compared to all other forms of linear content, and America's Sport continues to be the biggest singular driver of network ratings and ultimately advertising dollars during the Fall TV season.*

*As networks move higher-profile entertainment content and tertiary sports rights to their affiliated sister streaming platforms, we remain in an era where NFL ratings really matter. However, the future will likely be different. With Amazon owning long-term exclusive rights to TNF, Paramount and NBCUniversal simulcasting games on their streaming platforms and, more recently, YouTube securing the rights to Sunday Ticket starting next season, more NFL content than ever is being de-bundled from traditional Pay TV. The last stalwarts remain Fox and Disney, who have yet to aggressively flex their NFL packages over the top.*

*With the NFL making up 82 of the top 100 telecasts in 2022, it is clear that sports (and particularly the NFL) remain the glue to the linear bundle. For now, that glue remains as sticky as ever. For now....*

## Investment Implications

We have Outperform ratings on Amazon (AMZN, \$117 PT, Morton), Comcast (CMCSA, \$46 PT, Moffett), Disney (DIS, \$130 PT), Fox (FOXA, \$45 PT) and Alphabet (GOOGL, \$125 PT). We have an Underperform rating on Paramount (PARA, \$15 PT).

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U.S. Media Research

## Analysis

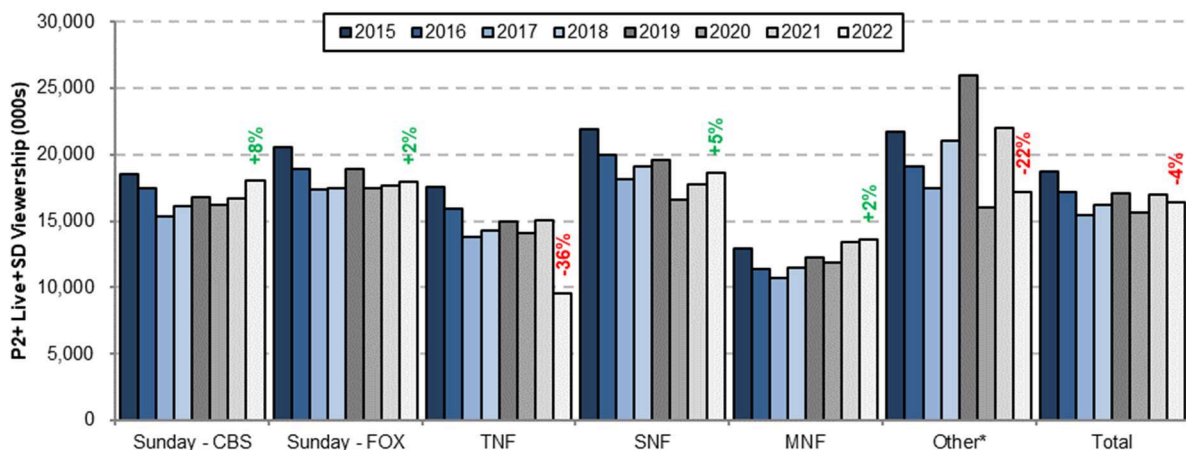
Could NFL media rights holders count on the league to deliver another solid year of viewership growth? After a +9% bump in average NFL viewership across broadcast and cable during the 2021-22 season, as measured by Nielsen, there were questions surrounding how this season would trend.

Thursday Night Football moved from Fox to Amazon, becoming the first NFL package to be aired exclusively OTT. CBS and NBC games were flexed more aggressively on Paramount+ and Peacock, respectively. And, of course, cord-cutting continued to accelerate.

As we look forward to Super Bowl LVII this weekend and reflect on this past season, we see that average viewership for the 2022-23 season declined -4% (see Exhibit 1). The “Other” bucket of games – which includes a hodge-podge of international games in irregular time slots, late-season Saturday games, NFL Network exclusive games, etc. – was down -22%, as the Thanksgiving slate was up nicely year-over-year (+14%) while some other scheduling shifts likely skew the comparison versus last season. However, the biggest decline came for Thursday Night Football, which saw ratings plummet -36% year-over-year after moving to Amazon. The TNF package has always pulled fewer eyeballs than the Sunday slate of NFL games, but it hit a record low this year of 9.6 million average viewers, down from 15.1 million last season. Excluding TNF, the NFL actually grew viewership by +1% this past season. This was led by CBS and FOX’s Sunday games growth of +8% and +2%, respectively, and Sunday Night Football ratings increased +5% from last season. These continue to be the highest rated windows, with SNF at the top with 18.6 million average viewers this season. Over at ESPN (and including any simulcasts across Disney’s other networks, namely ABC), MNF ratings increased +2%, reaching a new peak of 13.6 million average viewers across the season.

### Exhibit 1

#### NFL Regular Season P2+ Live+SD Viewership (2015 – 2022)



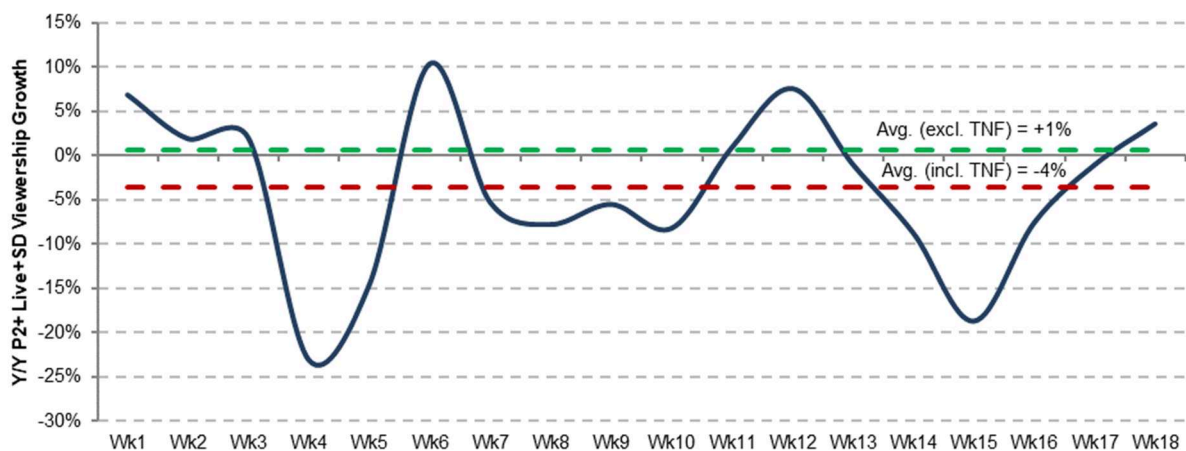
\* Other includes Season Opener, Early Sunday (International), Thanksgiving, Saturday Late-Season Games, Special Windows (COVID rescheduling), etc.

Source: Nielsen, SVB MoffettNathanson analysis

By week, we can see that ratings growth was a bit choppy throughout the season. After 3 consecutive weeks of growth to start the season, it was up and down from there, with the full year shaking out down -4% (see Exhibit 2). However, if we again strip out Thursday Night Football given the unique dynamics with the package, we can see that average viewership was actually up slightly (+1%) from last season.

## Exhibit 2

### NFL Regular Season Viewership Growth (2022)



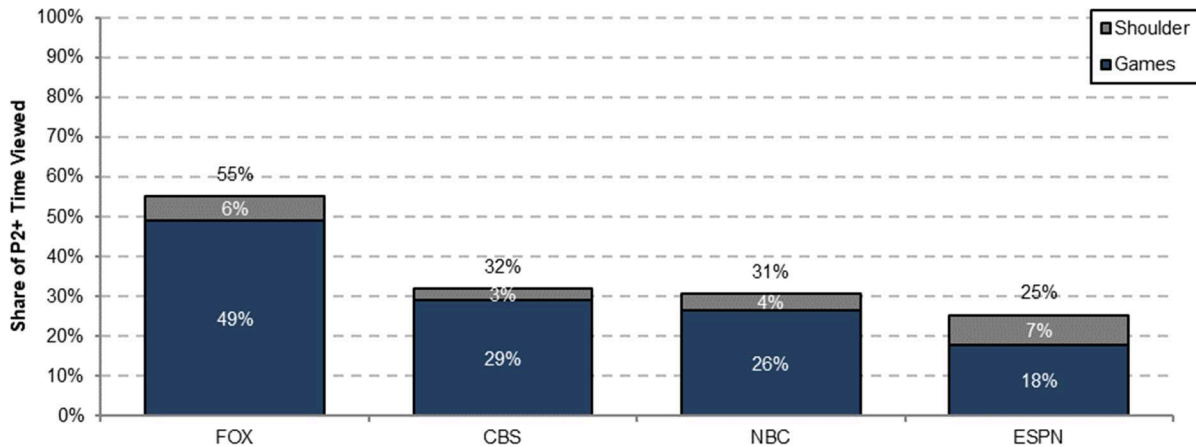
Source: Nielsen, SVB MoffettNathanson analysis

This continued growth in, or at least sustained levels of, viewership for the NFL reinforces the idea that the league remains an outlier when compared to all other forms of linear content. Looking backwards, there were steady declines in NFL ratings across all dayparts from 2015 through 2017, which created the reasonable impression that the NFL was not immune to the structural headwinds in linear media consumption. That tide turned in 2018 with a return to growth followed by another year of growth in 2019, with viewership increasing across all dayparts and packages. Unfortunately, COVID-19 struck, and NFL ratings took a negative turn in 2020; however, we have now seen back-to-back seasons of linear viewership growth for the NFL (i.e., excluding TNF).

Aside from our personal rooting interests, why do we care so much about the NFL? As we've shown many times before, the NFL is the biggest singular driver of network ratings and ultimately advertising dollars during the Fall TV season. During the 2022 season, NFL games and shoulder programming (excluding the Super Bowl) combined to make up over half (55%) of FOX's aggregate Live+SD P2+ total time viewed (see Exhibit 3). This is down -1,100 bps from last season, but that reflects Thursday Night Football moving from the network to Amazon a year before the new long-term rights deals kick-in, as FOX decided to exit the loss-making contract a year early. Meanwhile, the NFL represented a significant yet relatively consistent share of CBS (32%), NBC (31%) and ESPN (28%) aggregate time viewed during the 2022 football season. Thus, we remain in an era where NFL ratings really matter, especially as networks move higher profile entertainment content and tertiary sports rights to their affiliated sister streaming platforms.

## Exhibit 3

### NFL (excl. Super Bowl) Share of P2+ Live+SD Time Viewed (during 2022 Season)



**Note:** Data spans 09/08/22 – 01/29/23

Source: Nielsen, SVB MoffettNathanson analysis

However, the future will likely be different. Amazon has already joined the ranks of NFL rights holders and secured the long-term exclusive rights to TNF through 2033, making it the first NFL window aired exclusively on streaming. (Note that Amazon fell short of their initial estimate conveyed to advertisers for telecasts to average 12.6 million viewers, instead averaging 9.6 million, or ~25% lower).

With Amazon now in the mix, NFL fans can stream their favorite content on Amazon Prime Video (\$14.99 for regular Prime membership including shipping/\$8.99 video only), Peacock Premium for Sunday Night Football (\$4.99 per month) and Paramount+ for the CBS slate (also \$4.99 per month). As such, for less than \$20 per month using retail rate although likely even cheaper after promotions are factored in, NFL viewers can access 3/5ths of the NFL schedule – a steep discount from the \$64.99 price that YouTube TV is currently charging or \$69.99 for Hulu Live TV. Of course, missing from that list is Fox’s Sunday NFL content and ESPN’s Monday Night Football, which remain fenced within the linear bundle.

Going forward, with all the new digital rights secured as part of the latest negotiations, essentially all of the NFL’s packages will now have an OTT option outside the traditional Pay TV ecosystem (see Exhibit 4). Fox obtained the digital rights for its NFC Day package, including some new NFL content for Tubi, and retains the optionality to use these rights on other streaming services in the future. Disney also has the rights to air Monday Night Football on ESPN+. Yet, we did not see either of these companies go all in on streaming the NFL like their peers (PARA, NBCU). We don’t expect a major change of strategy there in the near term, yet we are keen to see how the strategy shifts at ESPN with Bob Iger back at the helm of the company.

In more recent news, after dwelling in uncertainty since the core NFL packages were renewed back in 2021, it was announced that Sunday Ticket will be moving to YouTube starting next season. Sunday Ticket, which has all out-market Sunday regular-season NFL games, was

previously distributed within DirecTV's footprint since 1994. At a premium price point – roughly \$300-400 depending on the tier – the product has historically been tailored to only the most die-hard of fans and has reportedly peaked at only 2 million subscribers. Going forward, while Alphabet's pricing strategy is still unclear, it will be offered as an add-on package for YouTubeTV (similar to the DTV distribution strategy), but also as a standalone a-la-carte offering for the first time via YouTube Primetime Channels. Despite the unknowns, we laid out our initial estimates for and thoughts on (read: doubts) Alphabet's Sunday Ticket deal in [Alphabet: Sunday Ticket – What Are We Missing?](#) (January 6).

**Exhibit 4**

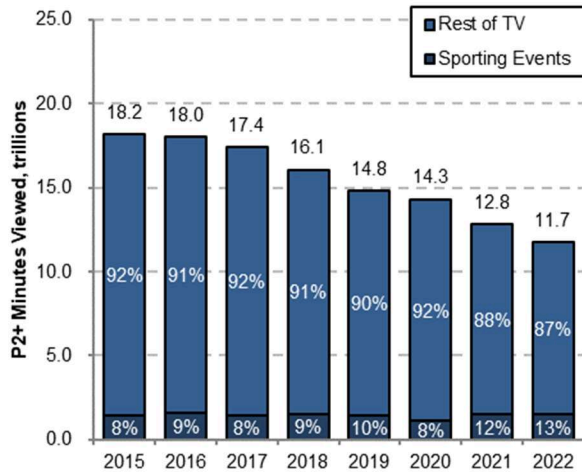
**NFL Packages Availability in Pay TV & OTT**



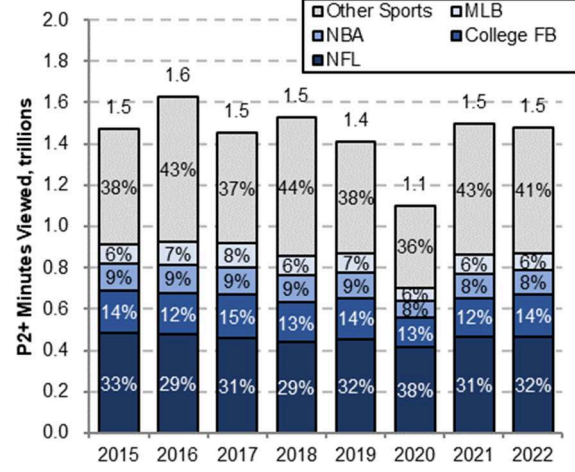
Source: Company reports, SVB MoffettNathanson analysis

Sports remain the glue of the linear bundle. Even as overall linear ratings have fallen off a cliff (dropping from 18 trillion minutes viewed in 2015 to 12 trillion in 2022), sporting event viewership has remained steady (flat over the same period at 1.5 trillion) (see Exhibits 5 and 6). Of that steady sports viewership, about a third is of NFL games (including Super Bowl).



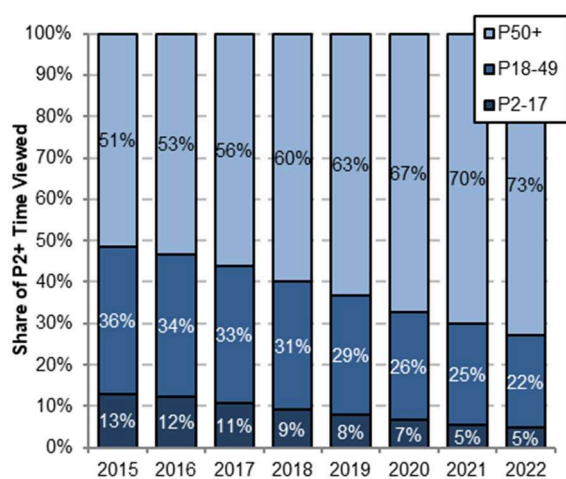
**Exhibit 5**
**Sporting Events Share of C3 P2+ Total Linear Time Viewed**


Source: Nielsen, SVB MoffettNathanson analysis

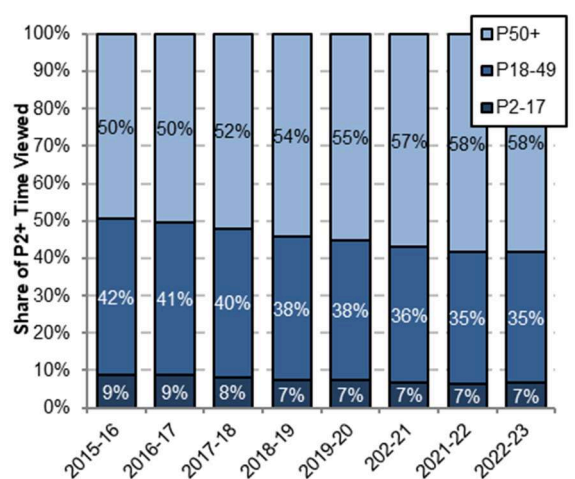
**Exhibit 6**
**NFL Share of C3 P2+ Sports Linear Time Viewed**


Source: Nielsen, SVB MoffettNathanson analysis

While the collapse in linear ratings has been particularly pronounced in younger audiences – persons aged 50 or older’s share of total linear time viewed excluding the NFL grew from 51% in 2015 to 73% in 2022 – the NFL has largely managed to retain these viewers (Exhibit 7). The coveted P18-49 demographic’s share of NFL time viewed has dropped -700 bps from 42% in 2015 to 35% in 2022, while the same demographic’s share of linear time viewed excluding the NFL has declined -1,400 bps (2x the NFL) across the same timeframe (see Exhibit 8).

**Exhibit 7**
**Linear TV excl. NFL Share of C3 Time Viewed, by Demographic**


Source: Nielsen, SVB MoffettNathanson analysis

**Exhibit 8**
**NFL Share of C3 Time Viewed, by Demographic (excl. Super Bowl)**


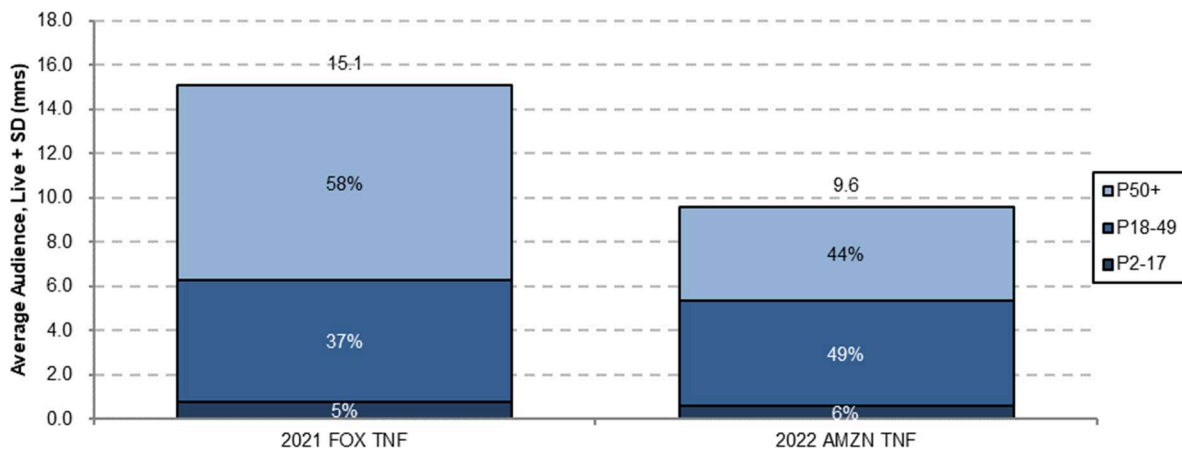
Source: Nielsen, SVB MoffettNathanson analysis

The NFL took a large gamble this season giving Thursday Night Football to Amazon after many years on Fox. Big questions hovered at the outset as to whether the games would retain their

viewership through the transition. Now, at the end of the season, we have the answer: about two thirds of the audience made the jump – a significant step down though perhaps not as great as some had feared (see Exhibit 9). Of the viewers lost, 82% were aged 50 or older. The crucial P18-49 advertising demographic dropped only -14%, though Amazon has [spoken to](#) an +11% increase in viewers aged 18-34. Ultimately, roughly half of Amazon's lower NFL viewership base was aged 18 to 49 (49%), skewing much younger than TNF last season on Fox.

## Exhibit 9

### Thursday Night Football Average Viewership, by Demographic

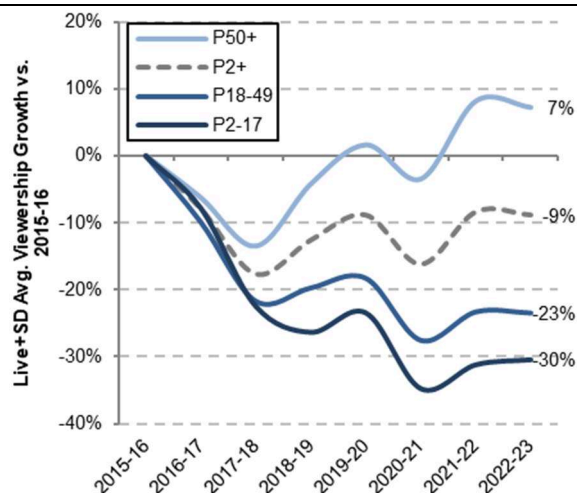


Source: Nielsen, SVB MoffettNathanson analysis

Zooming out to encompass all NFL viewership, we can see the NFL has fared far better than the rest of the content in the linear ecosystem. Since the 2015-16 season, average viewership for NFL games is down only -9%, with viewership among those 50+ up +7% and declines among those aged 18 to 49 and 2 to 17 at -23% and -30%, respectively (see Exhibit 10).

## Exhibit 10

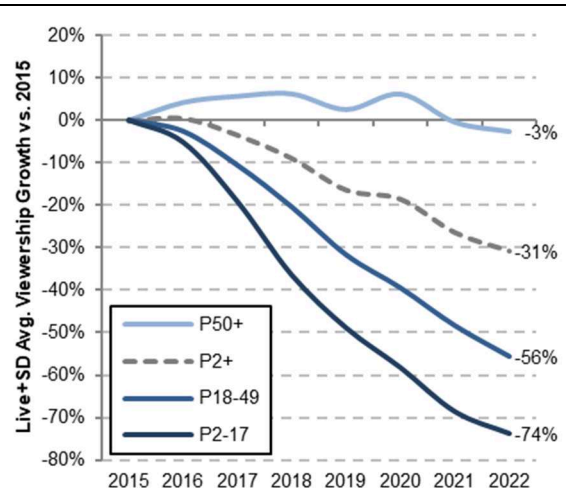
### NFL Average Viewership Growth, by Demographic (excl. Super Bowl)



Source: Nielsen, SVB MoffettNathanson analysis

## Exhibit 11

### Linear TV excl. NFL Average Viewership Growth, by Demographic



Source: Nielsen, SVB MoffettNathanson analysis

On the other hand, average viewership for television outside of the NFL has fallen -31% (!) since 2015, with viewership among the oldest demographic hanging in (-3%), the P18-49 audience falling by -56% and the youngest demographic falling by -74% (see Exhibit 11).

The lion's share of the most widely viewed games of the 2022-23 season took place, unsurprisingly, either in post-season or on Thanksgiving, with the number one slot going to CBS's AFC Championship showdown between the Chiefs and the Bengals (see Exhibit 12). Fox's NFC Championship game, which aired earlier that same day, came in second.

## Exhibit 12

### Top 25 NFL Games by P2+ Viewership (2022-23 Season)

| Week       | Daypart      | Network | Avg. P2+ Live+SD Viewership (000s) |
|------------|--------------|---------|------------------------------------|
| Conference | Late Sunday  | CBS     | 53,125                             |
| Conference | Early Sunday | FOX     | 47,502                             |
| Divisional | Late Sunday  | FOX     | 45,655                             |
| Week 12    | Thanksgiving | FOX     | 42,059                             |
| Divisional | Early Sunday | CBS     | 39,324                             |
| Wildcard   | Late Sunday  | FOX     | 33,211                             |
| Divisional | Saturday     | NBC     | 32,313                             |
| Week 12    | Thanksgiving | CBS     | 31,783                             |
| Wildcard   | Early Sunday | CBS     | 30,871                             |
| Week 10    | Late Sunday  | FOX     | 29,173                             |
| Divisional | Saturday     | FOX     | 28,639                             |
| Week 16    | Saturday     | FOX     | 27,833                             |
| Week 11    | Late Sunday  | CBS     | 27,546                             |
| Wildcard   | Saturday     | FOX     | 27,461                             |
| Week 2     | Late Sunday  | CBS     | 27,390                             |
| Wildcard   | SNF          | NBC     | 26,871                             |
| Week 3     | Late Sunday  | FOX     | 26,400                             |
| Week 16    | Early Sunday | FOX     | 25,918                             |
| Week 6     | Late Sunday  | CBS     | 25,408                             |
| Week 8     | Late Sunday  | FOX     | 24,930                             |
| Week 12    | Thanksgiving | NBC     | 24,777                             |
| Week 4     | Late Sunday  | CBS     | 24,648                             |
| Week 17    | Late Sunday  | CBS     | 24,619                             |
| Week 5     | Late Sunday  | FOX     | 24,251                             |
| Week 14    | Late Sunday  | FOX     | 24,029                             |

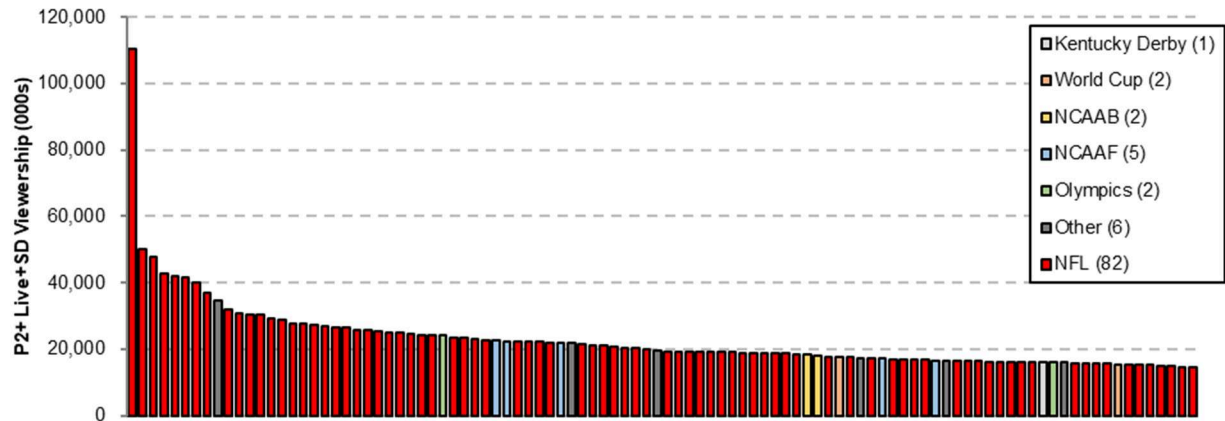
Source: Nielsen, SVB MoffettNathanson analysis

In calendar year 2022, NFL games comprised 82 of the top 100 most-viewed telecasts on an absolute basis, making it the far and away leader (see Exhibit 13). Tightening the scope to the top 30 telecasts, only President Biden's State of the Union in March (34.6 million viewers) and night 11 of the Beijing Olympics (24.0 million viewers) – the latter of which aired after the Super Bowl – are not NFL games. For last season's Super Bowl LVI, over 110 million viewers tuned in to watch the Los Angeles Rams take down the Cincinnati Bengals.



## Exhibit 13

### Top 100 U.S. Telecasts (2022)

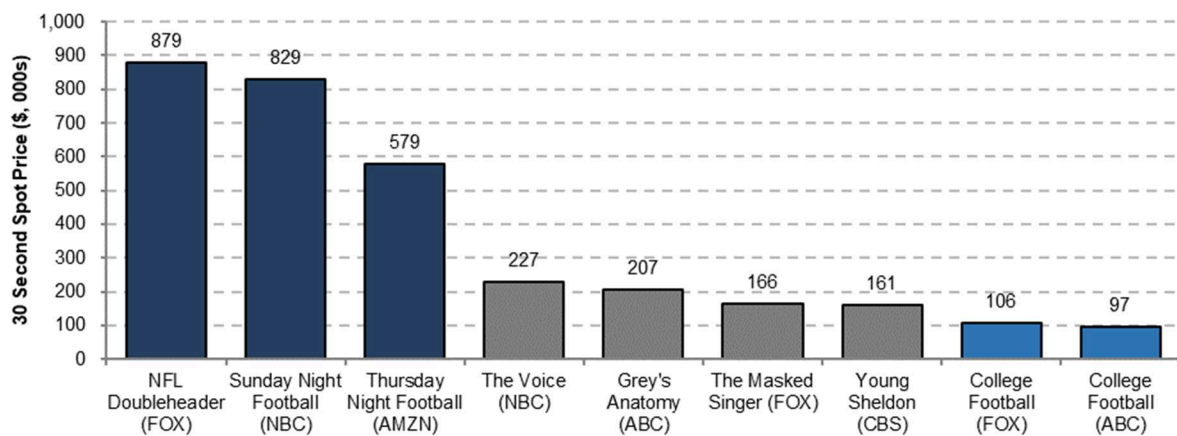


Source: Nielsen, SBJ, SVB MoffettNathanson analysis

For advertisers, the NFL remains the best source of reach on television (and anywhere, for that matter). According to Ad Age, FOX's NFL Doubleheader on Sundays – which includes a 4:30 PM “primetime” game – garnered the highest price per ad spot at \$879k, followed by NBC's Sunday Night Football (\$829k) and Amazon's Thursday Night Football (\$579k) (see Exhibit 14). With the top 3 slots occupied by the NFL, the next-closest spot price was for NBC's *The Voice* at a much lower level of \$227k, or roughly a quarter of the rate achieved by FOX's doubleheader. Among the broadcast sports properties, College Football on FOX and ABC fetched spot rates around \$100k, less than an eighth that of the NFL.

## Exhibit 14

### 30 Second Ad Spot Rates (2022-23 Broadcast Season)



\* TNF aired on Fox during the 2021 season

Source: AdAge, SVB MoffettNathanson analysis

The sheer number of eyeballs watching the Super Bowl make inventory for the NFL's big game the most coveted by advertisers each and every year. We are unlikely to see a repeat of the overwhelming number of crypto-related ads that crowded into last year's Super Bowl, but other verticals will likely take its place. FOX announced in early September of last year, before the season even began, that 95% of the inventory for Super Bowl LVII had already been sold, with some 30-second spots fetching as high as \$7 million according to [AdAge](#). That's up from the previous high-water mark of \$6.5 million last year. The big game is now officially sold out with prices surpassing \$7 million per spot.

This Sunday, the Philadelphia Eagles take on the Kansas City Chiefs in Super Bowl LVII at State Farm Stadium in Glendale, Arizona. The game will air on FOX starting at 6:30 PM ET, with the Eagles (-1.5) currently favored to win.

Aside from the importance to FOX, according to the American Gaming Association, over 50 million American are expected to bet \$16 billion on the Super Bowl this year (including legal, illegal and casual bets with friends) – a massive increase of 110% from last year. DraftKings (DKNG, MP), FanDuel (private) and the other legal online sports betting platforms will all be looking to get their growing share of this pie as more casual bettors test the waters in states with new legalized options.

The NFL remains the dominant media rights in the broader media universe as well as the driving force for newer growing industries.

## Disclosures Appendix

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I, Robert Fishman, CFA, certify that the views expressed in this report accurately reflect my views and that no part of my compensation was, is, or will be directly related to the specific recommendation or views contained in this report.

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|---|-------|---------|-----------------------|---------|
| Rating  | Count | Percent | IB Serv./Past 12 Mos. |         |
|   |       |         | Count                 | Percent |
| BUY [OP]  | 229   | 64.1    | 51                    | 22.3    |
| HOLD [MP]   | 113   | 31.7    | 8                     | 7.1     |
| SELL [UP]   | 15    | 4.2     | 1                     | 6.7     |

## Explanation of Ratings

**Outperform (Buy):** We expect this stock to outperform its benchmark over the next 12 months.

**Market Perform (Hold/Neutral):** We expect this stock to perform in line with its benchmark over the next 12 months.

**Underperform (Sell):** We expect this stock to underperform its benchmark over the next 12 months.

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