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Summary of WP Student Team

The Effect of Competition in the Telecom Market on Football Broadcasting Revenues

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Student Name	Program	Individual Title
Diogo Farias Sanches	Finance	The entry of Private Equity Firms into Football
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Francisco Carvalho Neto	Finance	Piracy: the Biggest Threat to Broadcasting?
Francisco Maria de Souza e Menezes Dias	Finance	New Trends in Broadcasting
José Guilherme Figueira Godinho Franco Bio	Management	International TV Rights
Miguel Correia de Oliveira Ferreira	Management	NFL, NBA and F1: What can Football Learn from these Competitions?

Work project carried out under the supervision of:

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The Effect of Competition in the Telecom Market on Football Broadcasting Revenues

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Abstract

This work project aims to evaluate how competition in the telecommunications industry impacts the value of football broadcasting rights, focusing on the Portuguese context, characterized by the absence of competition during the last decades and the challenges that collective sale will mean. For this purpose, the project utilizes sports management literature to assess the factors driving the market, while benchmarking the evolution that occurred in other top European leagues as well as identifying specific future trends, culminating in a set of recommendations to achieve the strategic goals of the implementation of a collective sale mechanism in the Portuguese football.

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Keywords: Business Strategy; Sports Management; European Football; Broadcasting Rights; Telecommunications Operators; Portuguese League; Centralization

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1. Introduction

This study aims to assess the effect that competition in the telecommunications market has on football broadcasting revenues. This project does not intend to build an economic model to assess the impact it has but rather adopt a holistic approach to factors that should be taken into account when analysing the dynamics of the market and the evolution of broadcasting rights' values. The subjects that will be explored will be the following:

- Evaluate the specificities of the Portuguese market that impacted the evolution and distribution of broadcasting revenues;
- Analyse the context that drove the same evolution within the Top Five European leagues and Eredivisie;
- Assess current trends that are changing the market, while identifying particular threats and opportunities for the different stakeholders, meaning the football teams, leagues and broadcasters.

All these topics will be mainly based on the concrete case of European football. Therefore, this study will include (1) a comprehensive analysis of the particular Portuguese context concerning the different players involved to understand what drove the evolution of TV rights in the country and its distribution. Afterwards, (2) an overview of the Top 5 European leagues and the case of Eredivisie, as it has some similarities to the Portuguese league to identify relevant marks throughout the time, practices that can be imported and the different players in place. Lastly, (3), it is aimed to identify new patterns of consumption and opportunities that can be explored by all the stakeholders under analysis and provide recommendations for the ongoing discussion of collective commercialization of football rights in Portugal.

2. Methodology

The following research pursues a two-sided methodology, combining both primary and secondary data, looking for different sources on the topic, as well as public forums and discussions on the theme and the qualitative analysis of our expert interviews.

The initial section of the research paper, composed of the Literature Review, explores the market structure, characterizing the different stakeholders and how they interact and the relevant commercialization models within the context of the European Union rules.

It is followed by a second part focusing on the Portuguese context and a benchmark of the top European Leagues, analysing the evolution observed in each market, adopting the perspective of the demand (telecom operators, pay-TV channels and streaming services) and supply (TV rights owners, either the clubs or the leagues) sides as well as the final consumer. For this, secondary data such as scientific research was used and, additionally, the qualitative analysis of primary data was generated by four expert interviews.

This analysis was also done relative to the last part of the research, which focused on aspects that should be taken into account in the next negotiation rounds for the Portuguese league, particularly considering that a new model will be put in place.

For the interviews, a semi-structured approach was used, following general guidelines which were adapted throughout the interview. The general interview guide can be found in Appendix 1.

These interviews were conducted with Jorge Pavão de Sousa, Cláudio Couto and José Pedro Pereira da Costa (Appendix 2). The most relevant ideas from each one were transcribed and incorporated into our work. The main findings of these interviews and the conducted literature research were analysed to draw conclusions and recommendations for the aspects impacting the sale of football TV rights and changing trends and preferences that will transform it shortly.

3. Literature Review

Sports Broadcasting Market Structure

For a better understanding of our research topic is crucial to have a better understanding of the dynamics of the market, who are the different stakeholders involved, what are their interests and how they are impacted by its evolution throughout the years. Regarding the structure of the Sports Broadcasting Market, it can be split into three different levels.

Firstly, the ones that we can identify as the supply side of this market structure are those that detain the transmission rights. Those holders of broadcasting rights, depending on the structure of the broadcasting model, can be individual teams or leagues, as we will see next. Also, there is an exception for federations, usually, these types of owners are associated with national teams' games or continent-level competitions.

If on the first level we have the supply side represented either by clubs, leagues, or federations, on the second level of the structure, we have the demand side, constituted by telecom operators and TV channels interested in broadcasting rights.

Considering the demand side, we must distinguish between two categories of TV operators. Firstly, we have free-to-air channels (public channels like *RTP* or private channels such as *SIC* and *TVI*, where occasionally some games are broadcasted for free to the customer side, in the case of Portugal), or subscription channels with services like pay-TV or pay-per-view (*BTV*, *Sport TV* or *Eleven Sports*). Additionally, we can consider individual club's channels, such as *Porto Canal* and *Sporting TV*.

Contrary to public broadcasters, commercial broadcasters look primarily for content that maximizes profits. These are usually mass entertainment programmes, as it is the case of sports. Due to the high importance of premium sports content for these companies, their demand is relatively price-inelastic, leading to a dynamic bidding competition that drives up prices, making demand for sports rights among commercial broadcasters easier to

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understand than among public ones. As a result of these increasing costs, free-to-air channels in Portugal have excluded themselves from the bidding process for the League's rights and *NOS* and *MEO*, two of the leading telecom operators, are the ones that established contracts with the different clubs.

Finally, we have the consumers that are the third level of the market structure. For the codified channels (pay-TV and pay-per-view), the consumers can pay a subscription for pay-TV, monthly for example, to have access to a series of sports events and transmissions, or in the pay-per-view system where the client can pay a specific value to watch a specific event. Following these options is the primary way the codified and subscription-paid channels collect revenue.

The Demand Side

Analysing individually each subset, we first aim to characterize the demand side, explaining how different players compete in the market and what are their main objectives that help to explain the evolution in the value of sports TV rights.

The arrival of satellite television and the transmission of games through the internet brought a new way for sports consumers to watch sports events. When addressing a spectator's involvement, both assistance in the stadiums/pavilions and the consumption of such events through media should be considered (Pritchard and Funk, 2008).

According to Roger Noll, in his research paper *Broadcasting and Team Sports* (2007), the growth in the number of broadcasters combined with the rise of commercial broadcasting were the main drivers of the meteoric evolution of broadcasting rights sales. The author explains that in the initial phase, public networks, as monopolists, paid relatively small fees for these rights. As commercial television grew and competition increased, three phenomena occurred: (1) a transition of sports rights from public to commercial television; (2) an increase in the fees for sports television rights; and (3) an

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increase in sports coverage. Other authors, also defended this vision, stating that in Europe, deregulation (phasing out the former public monopsony) and a technological revolution (cable, satellite and digital televisions adding to terrestrial television) have boosted the demand side of the sports broadcasting market since the 1980s (Andreff and Bourg, 2006). Free-to-air channels lost their status as the primary vehicles for live sports in favour of premium platforms, for which they constituted an essential weapon in the strategy to drive subscription uptake and gain market share (Boyle and Haynes, 2004).

Despite this, sometimes this strategy came at a cost for broadcasters, as we will see further in this research. Aiming to establish and/or challenge a dominant market position, several pay-TV broadcasters overpaid for sports rights and faced the ‘winners curse’ of heavy losses and/or bankruptcy. Thus, at the beginning of the 2000s, Europe’s national pay-TV markets had become ‘winner-takes-all-markets’, largely dependent on the exclusive ownership of key sports rights (Cudd, 2007).

As a result, sports and the media, in particular television, have developed a self-interesting relationship, allowing them to gain benefits from their complementary interests (Bolotny and Bourg, 2006), becoming interdependent, with some arguing that television “built” sport (McChesney 1989).

In Portugal, football has a huge impact on television audiences as it can be observed through the vast quantity of football-related shows. If this is not enough to prove the prevalence of football in Portuguese culture, several studies, for example, numerous ones by Salomé Marivoet addressing Portuguese people’s sports habits, state that football is indeed the undisputable favourite sport of the Portuguese population. Additionally, Barros (2006) found that the biggest share of Portuguese sports consumers choose to see football games on TV rather than attend them at the stadium. These fans that choose not to dislocate to the team’s stadium are usually accused of not supporting them financially.

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Nevertheless, watching the games through media channels boosts the team's broadcast viewership, hence allowing for more bargaining power in future deals for their broadcasting rights, thus indirectly contributing to the financing of the team.

Broadcasting Rights

Broadcasting rights, which are also referred to as media rights, are legal rights that a broadcasting organisation owns and bargains with the goal of commercial exploitation (European Union, 2021).

The sale of media and broadcasting rights came up as an essential revenue source for the sports industry, which has benefitted in numerous ways from the financial resources derived from the sale of these rights. Broadcasting rights also help expand other revenue streams such as corporate sponsorship, naming rights and stadium advertising, all of which gain added value due to the visibility broadcasting brings.

Broadcasting rights may be negotiated as a single bundle for one territory, or they may be divided depending on the types of rights and media involved, for example, television or internet broadcasts. Sublicensing has the potential to divide rights even when just a single package is being negotiated. Lawyer and author Rafael Vasquez (2013) refer to the different fragmentations of broadcasting rights as the following 1) live broadcasting; 2) webcasting; 3) delayed broadcasts; 4) packaging of highlights.

Live broadcasting is the most valuable right as it attracts the highest television audiences with one of the only downsides being the large loss of viewership after an event has been concluded. Webcasting refers to live streaming on the internet, a mean of broadcasting that has been constantly growing over the past few years. Huge well-known events such as Formula 1, the Olympic Games and several tennis tournaments or companies such as Amazon have been highly investing in this format, webcasting their events live in many countries, while delayed broadcasts have been losing importance. Finally, some

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broadcasting rights are sold in bundles of highlights. These are commonly used for informational purposes being a popular source of online content where users can access their preferred highlights on demand.

Negotiation Models for Broadcasting Rights

For this section, we will address the two most common negotiation models regarding broadcasting rights. Depending on who detains the rights, the clubs individually or the league, the way of dealing with and negotiating the transmission rights differ in a lot of ways and bring many different consequences comparing both models.

Firstly, it is important to highlight that in reality games are heterogeneous products, given that each fan will not replace a match from their favourite team for another one. This gives each team some market power, based on the size of its fan base, which typically reflects the size of its home market and the extent to which the team faces competition from other teams within its home market.

- Individual Sale -

The Individual Broadcasting Model, which is currently implemented in Portugal, one of the few European leagues where it remains in place, is characterized by the fact that each club negotiates and sells the broadcasting rights of their home games.

When looking at the different literature on the topic, it is possible to conclude that it can be more beneficial under certain formats. Falconieri, Sákovics and Palomino (2004) conclude that this structure is more appropriate in leagues with a larger number of teams, which are relatively heterogeneous and that is relatively weak (the difference in bargaining power between teams is large and the league's bargaining power is similar to the weak ones) and when the exogenous performance related revenues are large.

Moreover, a decentralized model allows bigger clubs to capitalize on their national exposure, increasing structural inequalities between bigger and smaller clubs. On the

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other hand, some authors believe that the choice for either individual or collective approach has no significant impact on the league's competitive balance (Peeters, 2011) or even that an individual sale system can give weaker clubs incentives for improving their team quality and, therefore, demanding higher TV fees (Noll, 2007).

It is also relevant to note that a relevant driver of domestic competitive imbalance is the rising popularity of international competitions, such as the Champions League, that generate huge financial prizes. Because traditionally strong teams have a higher probability of qualifying for these events, and because the payoff from participation depends on the relative quality of the team when compared to the European peers, an unequal distribution of TV revenues may preserve historical domestic imbalance, but it also increases the likelihood that a league's best teams will be able to compete effectively in supra-national competitions. National leagues do not have incentives to undo this effect, because the league as a whole derives financial benefit from good performances by its members in international events (Falconieri, Palomino and Sákovics 2004).

However, the model has been receiving some criticism from the general public in recent years when looking at the Portuguese market, which had the highest average high-to-median ratio in terms of broadcasting rights, with a value of 9.2x (Appendix 3). It is said that the actual model only creates a higher gap between the three big teams and the remaining (since the 2014/15 season, when the 18-team system was implemented in Portugal the average gap between the 1st and 4th place was 22 points, while the difference from the 1st to the 5th place was 33 points, comparing to an average of 20 and 24 points, respectively, in the remaining leagues under analysis, as it can be seen in Appendix 4). The three clubs can achieve this because their fan base and their followers surpass the values of the medium and smaller clubs on a huge scale and are sponsored by brands that are way stronger compared to the other teams (Lourenço, 2014). Following this, TV

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operators will be more likely to pay more and invest in those clubs because they will give them more views, and consequently, more revenue (Rodrigues, 2017).

By the end of the 2018/19 season, the three major clubs in Portugal had retained 73% of the total revenue generated by the league, a total of 559 million euros (EY, 2021).

- Collective Sale -

On the other hand, there is the Collective Broadcasting Model. Contrary to the previously presented strategy, in this case, the responsibility of negotiation usually relies on the league that sells the transmission rights as a whole in a bundle structure.

The emergence of the so-called MCMMG model, in which professional sports primarily raise funds from Media Corporations and Merchandising Markets on a Global scale (Andreff and Staudohar, 2000) resulted in a strong concentration of financial power in a few clubs with a high media exposure. The assumption that it would hinder competitive balance was one of the reasonings for the introduction of solidarity mechanisms such as the pooling and redistribution of television rights by the league, without which the leagues would not be sustainable in the long run (Andreff and Bourg, 2006). Therefore, the main argument to justify a collective system is that it may encourage solidarity and helps to better maintain the competitive balance within a league.

Although some argue that centralization of rights does not automatically maximize the league's total income (Forrest, Simmons, and Szymanski, 2004), it is said to cause higher rates compared to individual negotiations. Therefore, leaguelike negotiations are considered more effective than individual strategies and have had positive consequences for financing and developing professional sports structures (Andreff and Bourg, 2006).

However, empirical research does not always support the idea that a more competitive balance is what sports consumers (dominantly) want (Budzinski and Pawlowski, 2017).

Additionally, in some cases, the collective negotiation resulted in a decrease in the

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number of matches available, creating a sense of scarcity that led to an increase in the total revenues but ultimately harmed consumers. Concerning this matter, Forrest et al. (2004) provided econometric evidence that collective sale led English clubs to restrict the number of televised matches below the competitive level.

Finally, under the European Union's regulations, this association of clubs could be considered a cartel, which is not permitted by law. However, the argument that a sports league is not a cartel relies upon special features of the relationships among its members, as teams need each other to make the competition possible, contrary to a usual industry. Based on this reasoning, and the recognition that collective selling might be an important tool for achieving solidarity and maintaining competitive balance, yet possibly at the expense of reduced competition (European Commission, 2007), it was allowed under certain conditions: (a) broadcasting rights contracts should be concluded for a period not exceeding three years; (b) sports rights should be traded through open and transparent tender procedures giving all interested parties equal opportunities; (c) individual clubs should be granted the possibility of selling individually the rights that the league was not able to sell jointly; and (d) broadcasting rights should be marketed into different packages to allow several competitors to acquire sports content (European Commission, 2003).

As a result of these decisions, this system is adopted by most top European leagues, including the six that are part of this study. LaLiga was the last among the analysed to put it in practice (in the 2016/17 season), and indeed they increased their revenues by 57% compared to the season before (EY, 2020). Even though that cannot be associated with the model since many other leagues increased it as well, so we cannot bring a correlation between both events.

Finally, Cox (2012) concludes in his research that collective selling, when done in exclusivity, means that only the biggest broadcasters will be able to possess the

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acquisition rights. In line with the findings of this author, in recent years, a No Single Buyer (NSB) clause has been introduced in some European leagues, such as the Premier League and Bundesliga, in which a single broadcaster cannot detain all the available rights. However, this can have a pervasive effect on the consumer since the outcome of the unbundling process was the fragmentation of rights across the different players. Consequently, consumers needed to subscribe to multiple platforms to access the desired premium content (Nicita and Rossi, 2009).

This effect was studied by Butler and Massey (2018) that analysed the impact of this rule in the broadcasting market for Premier League matches in the United Kingdom. *British Sky Broadcasting* had a monopoly before the implementation of the NSB rule. They found that rather than prices falling, which one would expect if the buyers of the broadcasting rights offered substitutable products, overall costs to consumers were higher than under *Sky's* monopoly. The same conclusion was reached in Germany, where this rule prevented some fans from following their favoured teams with just one subscription and thus carried the risk of harming consumers, rather than restoring competition.

Sports Consumers

The last subset is the final consumer. In this section, we first aim to define what is a Sports Consumer and what drives this consumer to watch and be attached to sports.

Sports play a major societal role by enhancing public health, fighting racism, and promoting active citizenship, being a relevant cultural arena through which collective identities are articulated (Blain, Boyle, and O'Donnell, 1993). Sports can bring people together, provide them with a sense of belonging and unite the nation.

Sports consumers represent every individual that watches and interacts with sporting events. The participation of sports consumers in sports events acts as a getaway from everyday chores and restrictions, and as an alternative way for the manifestation of strong

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and spontaneous excitement (Elias and Dunning, 1992), also representing an important contribution to social inclusion by developing shared national rituals and values.

Sports consumers and markets have conventionally been thought to exhibit distinct behaviours from traditional consumer products, particularly concerning perceptions of loyalty (Hunter Fajak, Stephen Frawley, Heath McDonald and Stephen Bush, 2018). This is linked with the perception of loyalty that arises from the term *fan*. Sá and Sá (2008) define a *fan* as an individual that reveals a passion for the world of sports. Although, this passion can be displayed with different degrees of involvement in a certain sport or sports institution. Sports marketing divides *fans* into three different categories, the ones with a more passive involvement, namely *spectator* and *sponsor* and the ones with a more active involvement, namely the *athletes*. Our study will focus mainly on the sports consumer as a *fan* and *spectator* as it represents the majority of this sub-group of consumers.

Importance of Broadcasting Rights for Football Teams

Having seen the different stakeholders in the market, our focus now will be to show the importance of broadcasting revenues in the total revenues of a football team.

Following the UEFA Football Landscape (2022), the breakdown of a club's revenue can be decomposed into seven groups: domestic TV, UEFA competitions, kit manufacturing and merchandising, main sponsor, other sponsorship and commercial, gate receipts and other revenues. More simply, Deloitte in their Annual Review of Football Finance (2021) aggregates a club's revenues into four blocks: matchday, broadcasting, sportsmanship/commercial and other commercial revenues.

From the Annual Review of Football Finance by Deloitte regarding the big-five leagues (England, Germany, Spain, Italy and France), the weight in average for the matchday revenues was 12%, for broadcasting revenues 51%, then for commercial and other commercial a total of 37%. Outside the big-five leagues, the Eredivisie (Netherlands First

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Division League) presents values aligned with the average in the big-five, with 16% for matchday revenues, 30% for broadcasting revenues and 54% for commercial and other commercial revenues (Appendix 5). Looking at those values, it is clear the importance of broadcasting revenues for the clubs, including domestic and international competitions, being the main pillar regarding clubs' revenues (Peeters, 2011).

When we look at the Portuguese case, we can conclude that for the teams ranked between seventh and eighteenth place, broadcasting revenues represented 39% of their total revenue in 2021 (Appendix 6), a percentage that was even superior in the previous years. Melfe (2008) concludes in his research that one of the problems regarding Portuguese smaller clubs is justified by the low assistance, also due to the TV schedules (Appendix 7), annulling the opportunity to generate revenue from ticket sales and membership quotas, leading those clubs to a major dependence on broadcasting revenues.

Although these operational revenues constitute a very important part of the clubs' financial exercises, the negotiations of players between clubs also generate a lot of revenues for the selling side. Having the Portuguese example in mind, our league is seen as an opening door for players to ingress into the big five leagues, a country that can be defined as an exporting country. Clubs often sell their most valuable assets to balance their accounts and be able to stay competitive (Rodrigues, 2017). Nevertheless, this type of revenue is not as constant and reliable as the other described before since it depends on the technical quality of the player (asset) and the team that develops the players, instead of depending on the club-client relationship, depending a lot on the performance and it cannot be considerable as reliable as the others. (Silva and Filho, 2006).

Competitive Equilibrium

As we already addressed, the introduction of the MCMMG model contributed to the increasing disparities between clubs. In fact, during the last decades, we have been

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witnessing an exponential transformation of football from a simple sports show to a millionaire business, with a transition of clubs to companies and supporters to clients.

With this so-called transformation, the already existing economic disparities between the several football clubs rose abruptly which ends up influencing the performance of these clubs (Lourenço, 2014) since there is a correlation between the generated revenues and the competitive equilibrium given the investment in players and training facilities (Carmichael, McHale and Thomas, 2011).

The latter is also developed by Melfe (2008) who states that the probability to win a game and/or having a good performance depends on the quality of the team's players. Therefore, the competitive equilibrium is influenced by the ability to hire quality players, thus with the ability to generate revenues. Consequently, the teams with more funds can hire the best players, creating a risk of total dominance by the richest clubs which are able to build more competitive teams, thus creating a vicious circle (Melfe, 2008).

The theory of Competitive Equilibrium (Quirk and El-Hidori, 1971, 1974) states that to exist a competitive equilibrium, every single team in a league must have the same conditions to win. This is not the case for any of the major football leagues in the world with one of the biggest disparities being recorded in the Portuguese league where the three main teams keep dominating the league year after year, being responsible for 73% of the total revenues generated in Liga Portugal (EY, 2021). Various authors refer that if the competitive equilibrium is reached, there will be more uncertainty in the match results which will increase the interest of the involved supporters that, most likely, will follow their teams more frequently and with more attention, generating economic benefits for these teams (Montes, Sala-Garrido and Usai, 2014).

4. The Portuguese Case

As of today, Liga Portugal, which is the organization responsible for the professional football competitions in Portugal, particularly Liga Portugal Bwin, Liga Portugal 2 Saseg and Taça da Liga/Allianz Cup (respectively the First and Second Portuguese Leagues and the League Cup) strives to achieve its mission to adopt a centralized model for the sale of the broadcasting rights of the games included in its competitions. This objective has now to be mandatorily achieved by the season of 2027/28, by Governmental indication, when all the current contracts will end (Appendix 8).

Until now, contrary to what happens in the major leagues in Europe, as will be seen in the next chapter of this study, the Portuguese League of Football continues to adopt a decentralized model for the negotiation of broadcasting rights of its competitions. This means that there is no institution/company responsible for the negotiation of these rights, nor responsible for guaranteeing fairness and justice in the distribution of revenues resulting from this negotiation. Instead, the League, at the moment, gives the freedom to clubs to negotiate their broadcasting rights with each one being responsible to generate its income in this essential revenue driver.

The Portuguese market is avid in consuming football broadcasts, which can be seen in the trend of these being the most watched TV programmes in the last years, particularly games of the national Portuguese team, some Champions League games, and the Portuguese Cup/Super Cup. In 2020, of the twenty most viewed programmes on Portuguese television, sixteen were football matches, which leaves no doubt regarding how this was and is a relevant market in the country.

To understand the structure of the broadcasting rights in Portugal and the reasons that led both the Government and the institutions responsible for professional Portuguese football to adopt as a mission the collective commercialization of these rights, we will take a

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further look at how this distribution has evolved throughout time. Furthermore, this will help us to understand deeper the effects that TV operators and competition between them can affect the financial health of such a model.

The first match of the Portuguese League to be broadcasted on a TV channel was in 1978 by *RTP* (the Portuguese public channel) and since the creation of *Olivedesportos* in 1984 (owned by Joaquim Oliveira), it was common that the Portuguese teams sold individually their rights to this company, who later would resell them to *RTP*. Benfica was the first club to break this cycle when in 1999 signed a contract with *SIC*, although it did not last long since in 2001 the contract was resolved and Benfica matches started to be broadcasted on *Sport TV*.

Sport TV, which is exactly the most known channel responsible for the transmission of the overwhelming majority of the matches in the Portuguese Leagues, was founded in 1998, also by Joaquim Oliveira. One of the first great moments of the channel was the transmission of the decisive Salgueiros – Sporting, in May 2000, a game that crowned the “lions” champions 18 years later, having paid more than 400 thousand euros for that game. Despite the creation of the first sports premium channel in Portugal, free-to-air channels (*RTP*, *SIC* and *TVI*) would share the transmission of some matches until the season of 2011/12, when the last game of the Portuguese League was transmitted in an open channel. In that season and the previous one, 30 games (ten from each one of the “Big Three”, one per matchday) were broadcasted on *TVI* for an estimated value of 9 million euros per season.

Also in the same year, Joaquim Oliveira created *Sportinveste*, through which he acquired significant stakes in some of the most supported Portuguese teams, such as Benfica, Porto, Sporting, Belenenses, Boavista, Braga and Farense.

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From the season of 2002/03 onwards, *Sport TV* started to transmit at least four games per week of the Portuguese First League, establishing from there on itself as the main responsible for broadcasting matches of this competition. The channel was detained by *RTP* (until 2003), *Portugal Telecom* and *Olivedesportos*, which was the institution that detained the rights of transmission and distribution of the Portuguese League matches until 2013 and exerted these activities through the *Sport TV* channels. At that moment in time, Benfica received around 8 million euros per season, similar to Sporting and Porto, whereas medium dimension teams would receive approximately 3,5 million euros and smaller teams a fee of 1,5 million euros. *Olivedesportos* was paying around 45 million euros in total for the rights of the Portuguese league (Público, 2009).

Sport TV is a subscription-based channel, which means that the fans that wish to watch the matches on this channel must pay a monthly fee to have access to the different resources made available by the channel. In 2012, *Sport TV* was held by *Sportinveste* (50%), *Zon Multimédia* (25%) and *PT* (25%).

Also in the same year, the first threat to *Sport TV*'s monopoly came. Benfica announced that from the following season onwards it would broadcast its home games on its own channel, after having rejected *Olivedesportos*' proposal of 111 million euros for the next five seasons. As a result, *BTV*, which also owned the TV rights for Premier League in Portugal, became available in *NOS* (before that moment, the channel was exclusive of *MEO*) and started to be paid. During the first months, it enjoyed great success, reaching more than 300 thousand subscribers in eight months and beating *Sport TV*'s share in some days. This way, pay-TV penetration was estimated to be around 22% at that moment in Portugal, between *BTV* and *Sport TV* (closer to one million unique subscribers).

BTV also approached some other Portuguese teams and even reached an agreement with the newly promoted team, Farense (second division) for the exclusive rights of the team

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for three years independently of the division in which the team would participate, and for the Premier League until 2016.

Later in the same year, the *Autoridade da Concorrência*, which is the institution responsible for maintaining healthy and fair competition in Portugal emitted a law in which it defined that *OliveDesportos* could not hold the broadcasting rights for the league for more than three years. Interestingly, this measure by the responsible authority nearly coincided with the last season in which there were matches of the professional Portuguese leagues being broadcasted on an open channel. Nevertheless, it is important to refer that at the same time the Portuguese open channel *SIC* was already “out of the race” for any broadcasting rights of the Portuguese League by its own initiative and the public channel *RTP* was suffering significant budgetary cuts because the Government Budget was heavily controlled by austerity at the time, which might have influenced this being the last season open channels broadcasted any match of the competition in Portugal (*RTP* still holds the rights to broadcast one match per week in its international channel, *RTP Internacional*).

Following these events, *Altice* intended to create a new channel to compete with *Sport TV*, having initiated conversations with Benfica, followed by Porto, Sporting, Boavista, Belenenses, Vitória SC and Braga, as well as trying to guarantee the international rights of some relevant European leagues. However, it was followed by a lightning move by *NOS* which ended up acquiring the rights for a total of ten clubs, destroying its competitor’s expectations.

In fact, regarding the individual negotiation of broadcasting rights contracts, the most important ones are those that comprise the rights to transmit the biggest clubs’ games, which in the Portuguese case cover the matches of Benfica, Sporting and Porto, that we will further explore in this analysis.

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To start our study of these contracts it is important to refer that, as it happens nowadays with all the major clubs in European football, each one of these clubs has its TV channel, which is detained by the respective club responsible for its exploration. These are *BTV*, *Sporting TV* and *Porto Canal*. However, as of now, only *BTV* has any broadcasting rights for the transmission of any game included in the teams' calendar, particularly the home games of Benfica in the Portuguese First League. *Sporting TV* and *Porto Canal* hold no broadcasting rights for the transmission of matches of the first football team of the respective clubs, dedicating exclusively to informative/entertainment programmes referent to the everyday life of the club and other sports' matches.

Regarding specifically the contracts celebrated by these three clubs with the Portuguese TV broadcasters, the last negotiations were closed between 2015 and 2016, concerning broadcasting rights for periods of ten to twelve years, which means that, if the contracts' periods are fully executed, are expected to end close or even in the year in which is mandatory for the League to have developed a centralized model for the distribution of broadcasting rights. The first of these contracts was celebrated in 2015 when Benfica sold its broadcasting rights to *NOS Lusomundo Audiovisuais* for a total amount of 400 million euros for the TV transmission of the home games of Benfica's masculine football team in the Portuguese First League and the transmission and distribution rights of *BTV*. The contract was signed with an initial duration of three seasons with the possibility of being extended to ten seasons total, starting on July 1st, 2016.

Benfica was closely followed by the other two major clubs in Portugal. Porto closed its deal with *Portugal Telecom* for 457 million euros, in which it was accorded its TV transmission rights for the matches played at home and the rights for the transmission of the *Porto Canal* for ten seasons beginning on July 1st, 2018. With the closing of this deal, *Portugal Telecom* also obtained the right to be Porto's main sponsor and be featured in

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the front side of the club's masculine senior team's jersey for a period of seven and a half seasons. In what regards Sporting, two different contracts were established. The first one was closed with *NOS*, the same company that closed a contract with Benfica, for an amount of 446 million euros, starting on July 1st, 2018. In this contract were comprised the transmission rights for the matches of the senior masculine football team of Sporting as well as the right of transmission and distribution of Sporting's channel, *Sporting TV*, for a period of ten seasons. Furthermore, much as in Porto's deal, this contract recognized to *NOS* the right to be Sporting's main sponsor and featured in the front of the club's masculine senior team's jersey for the same period of ten seasons. Besides this similar deal to its peers, Sporting communicated a second deal with *Publicidade de Portugal e Televisão SA* (PPTV) for the renegotiation of the values of television rights until 2018.

Apart from the deals with the three major clubs in Portugal, all the other clubs from the First and Second Leagues in Portugal negotiated the sale of their transmission rights at a much lower scale than the ones mentioned above. For example, *MEO* (a subsidiary of *Portugal Telecom*) closed a three-year deal for the broadcasting rights of the Second League's clubs for 1.5 million euros to each club in the same period as the contracts of the three major clubs were negotiated, while in the First League, *NOS* closed deals with eight other clubs and *MEO* with a further set of three clubs that belonged to this division for the rights of transmission of their home matches in the same period. Even though several of these clubs were able to close deals with the main TV operators in Portugal, these were of a much lower value, being estimated that smaller teams receive between 3 to 4.5 million euros per season, while others such as Braga and Vitória SC, values around 8 to 10 million euros. All the deals that were accomplished in Portugal were communicated to the *Comissão de Mercado de Valores Mobiliários* (CMVM), which is a regulator in the country.

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In fact, these significant differences in the scale of broadcasting rights contracts are one of the essential factors that help to explain the substantial budgetary differences between the major and smaller clubs in Portugal that we will explore further (as an example, Benfica's budget for the 2020/21 season was around 100 million euros, whereas Tondela spent just 3 million euros), which will have an effect in the competitive levels both in domestic and international competitions.

A new era in the distribution and transmission of football matches in Portugal was started by these contracts. These were closely followed in 2017 by the agreement between *NOS*, *Altice* (former *Portugal Telecom*) and *Vodafone* for the co-proprietorship and co-distribution of the *Sport TV* channels, exactly in the same conditions for all, meaning that there is no competitive advantage on having such product. This meant that the channel was to be distributed by the three main operators in Portugal, which also began to have shareholder rights in the channel together with the already shareholder *Olivedesportos*, and the channel was, hence, explored by the main holders of broadcasting rights in Portuguese football, having paid each one around 12,25 million euros for the 25% stake, in an operation known as *Operação Quadrado* (Appendix 9).

In fact, currently, the main operators represent about 97% of the market in this sector, with *MEO* and *NOS* being the main operators in the Portuguese market with about 41% and 37%, respectively, of the subscribers in the market and *Vodafone* being an established third force supplying about 19% of the subscribers in the industry, while *NOWO* has the remaining 3% of the market, as of June 2022 (ANACOM). This structures the industry mainly between these three players in the market, which have more in common than a necessity to compete among themselves, as already mentioned in this analysis.

Before this agreement, in 2012, the Portuguese Professional Football League filed a complaint against *Controlinveste Media Group*, including the subsidiaries *PPTV*,

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Olivedesportos and *Sportinveste*, on the ground that it imposed restrictive practices on competition in the commercialization of television rights of football competitions, which was eventually dismissed by the competition authority, following measures such as the limitation of the contracts to a maximum of three years and the end of preference clauses. As of the moment of such agreement between the main players in the industry, the measure undertaken by the Portuguese regulator of competition was clearly neutralized, as operators were jointly holding the full broadcasting rights of the Portuguese Leagues for periods longer than ten years. As expected, when there is a cartelization of the industry, the competition is nearly none, which normally means that the financial gains from the negotiations that are usually undertaken to reach agreements are reduced. And it is relevant to highlight that as a result of the brief competitive situation verified in 2015, the total value of broadcasting rights increased from 84 million euros in that year to 172 million euros in 2018, when all the contracts were already in place, meaning a growth of 105% in this period. This growth was even higher than predicted by Oliver and Ohlbaum in a best-case scenario, taking into account the adoption of a centralized model (2012). This can create a barrier to the centralized model that is proposed by Liga Portugal and required to meet the Government regulation, as it will eliminate the necessity to overbid competitors since they can submit a joint proposal. This barrier is further explored in this study.

In fact, this was recognized by the *Autoridade da Concorrência* more recently, as it criticized both the durations of the contracts established between clubs and operators for being too long and *Sport TV*'s equity structure for not enhancing competition. Furthermore, the regulator previously failed a proposal in 2014 for the conjoint and equal ownership of *Sport TV* by *NOS* and *Portugal Telecom* as it opposed the competition enhancement defended by the institution (*Operação Triângulo*).

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The authority followed by publishing a recommendation in favour of the centralized model in 2019 and the establishment of other measures in order to foment competition between operators, clearly recognizing failures in the current model regarding this matter. From that point onwards and in more recent times, this matter assumed a renewed importance in the authorities' agendas, both those that regulate football (Liga Portugal and *Federação Portuguesa de Futebol*) and governmental ones, being the major example, the mandatory adoption of the centralized model by the 2027/28 season imposed by governmental decree in February 2021, the Decreto-Lei n.º22-B/2021. This decree followed a government statement in January 2020 recommending that at least one game of the top-five clubs of the Portuguese League should be transmitted on an open channel, which constitutes a measure that already predicted that governmental action would be pursued to turn matches accessible to a bigger part of the average consumers in Portugal and enhancing the transmission of matches outside the major channel responsible for this activity.

The Governmental decree in question defines, apart from some bureaucratic matters such as defining the object regulated by the decree and broadcasting rights (accomplished in articles one and two), the model of distribution of such rights applied from the referred season onwards and the institutions responsible for creating the said model of distribution and for applying it. Furthermore, the governmental decree establishes that any contract that has a duration that extends further than the season established for the mandatory adoption of the centralized model is considered void from that point onwards even if the contrary is established in the original deal.

According to the third article of the decree regarding the ownership of the transmission rights, the club or sports society that celebrates a contract relative to the transmission rights must inform the competition's organizer of the contract within ten days. Besides

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this point, another two are mentioned and it is stated that the ownership of the transmission rights belongs to the clubs or the sports societies participating in the respective competitions. The second point refers that the entities just mentioned have the freedom to commercialize the transmission rights they own if it does not jeopardize what is established in articles four and five.

The fourth article focuses solely on the limitation of the contracts that are as of today in place and, therefore, the article explains that the contracts celebrated by the clubs or sports societies participating in the football's masculine championships, i.e., Liga Portugal *Bwin* and Liga Portugal 2 *Sabseg* relative to the rights of transmission do not have any effect after the season 2027/28, therefore to be considered invalid or not written the terms that display the contrary of what is stated in the article.

Finally, the fifth and last article emitted in the Governmental decree's sole emphasis is on the centralized model of commercialization and it covers three topics. The first one essentially tells that from season 2027/28 onwards, excluding 2027/28, the transmission rights will be sold through a centralized model, as was already mentioned before. It further adds that the proposal for the functioning of this method is to be made by the *Federação Portuguesa Futebol* and by the Liga Portugal and approved by *Autoridade da Concorrência* until the end of the 2025/26 season. The second point establishes that the organizers of the national competitions, the clubs or sports societies participating in the Portuguese Leagues and the entities acquiring the broadcasting rights can determine, under the approval of the *Autoridade da Concorrência*, to anticipate the adoption of the centralized model to an earlier season, which is to be discussed later in this analysis. The last point in this article protects the Government against a situation in which the entities responsible for organizing the Portuguese Leagues mentioned above do not establish the regulative terms of the commercialization through the centralized model until the end of

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the 2025/26 season. In this case, the Government predicts these to be defined through a new Governmental decree that would follow recommendations from the regulator of competition in Portugal, which is mentioned above.

The Governmental decree gave increased attention and importance to a matter that was already being mentioned as such for several years in the Portuguese football panorama. Furthermore, it put a mandatory time limit for the centralized model to be adopted, which can be seen as a “double-edged sword” measure.

On one hand, it pressures the responsible sporting institutions to take action until a defined season in a measure that is expected to increase, as mentioned above, the revenues and competitive capacity for all the clubs that take part in the Portuguese Leagues through both higher price competition between TV operators and higher international attention to the championships in question. Furthermore, the existence of this decree gives the institutions organizing the Portuguese Leagues and responsible for the adoption of the centralized model, the *Federação Portuguesa de Futebol* and Liga Portugal, legal basis and council (particularly, by the *Autoridade da Concorrência*) on constructing and adopting the centralized model.

On the other hand, the Governmental decree, by establishing a mandatory timeline for the adoption of the centralized model, constricts the ability of the responsible organizations mentioned above to construct an applicable and effective model without significantly changing its priority in their agendas. This can lead the institutions to disregard matters considered urgent prior to the governmental action.

Moreover, the governmental regulation emitted disregards the matter, already approached in the recommendation by the *Autoridade da Concorrência* and several other studies, on how the competition between operators is essential for the effective adoption of the centralized model and how the current structure between operators is not the most

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indicated for maximizing revenues after the adoption of the centralized model. As seen before, the current structure between Portuguese TV operators, in which the main TV operators currently hold equity in the main channel responsible for the transmission and distribution of the matches in the Portuguese Leagues, does not enhance competition between them, which might in the long-run, particularly with the adoption of the centralized model, be prejudicial for the creation of value in this distribution.

There were already examples of friction between operators due to this structure, particularly in 2018 with the Portuguese operator *NOWO*, which had no equity holding from *Sport TV*. At the time, *NOWO* was establishing itself in the Portuguese market (after a restructure from the previously known operator *Cabovisão*), having a distribution deal in place with *Eleven Sports* (at the time, this channel had the transmission rights of UEFA Champions League and the Spanish, German and French League in Portugal, previously owned by *Sport TV*) and was in an attempt to negotiate with the other Portuguese operators (*MEO*, *NOS* and *Vodafone*) the possibility of these providing this service to their clients, which was only possible after several months of negotiations and after the company already reached a significant number of subscribers through their internet transmissions. At the time, *NOWO* communicated that on the day before the contract between *NOWO* and *Sport TV* terminated, *Sport TV* imposed contractual conditions quite different from the until then accorded. These reviewed contractual conditions costed 15% more to *NOWO* than the one practised until then. Thus, *NOWO* considered that these new conditions proposed by *Sport TV* were disloyal, inappropriate, and maladjusted concerning the market's reality.

At the same time, *Sport TV* issued a statement asserting that the contract between the two parties terminated in July 2018 and, despite negotiations for the contract renewal being already started 6 months before, an agreement was not reached by the termination date

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and the channel confirmed in the same declaration that from that date onwards its services would be interrupted in *NOWO* due to lack of agreement between the two parties.

Nevertheless, *Sport TV* did not want to jeopardize the clients paying for the service in this operator and so, even though an agreement has not yet been met, from August 1st to November 8th the channel allowed its customers to continue subscribing to the service. By the time the contract finished on July 2018, *NOWO* had already a great amount of debt to *Sport TV* that had not been liquidated.

Furthermore, *Sport TV* states that the TV operator charged its clients for the *Sport TV* services even though it has not paid anything to the channel during the period after the contract was seized. Later in the same month, *Sport TV* proceeded with legal action against the operator demanding more than 4 million euros that the operator had not paid. After four years of this conflict between *Sport TV* and *NOWO*, *Vodafone* is ready to proceed with the purchase of *NOWO*. On the 30th of September 2022, *Vodafone* issued a statement in which celebrates together with *Llorca JVCO Limited* an agreement for the purchase of *Cabonitel S.A.*, owner of *NOWO* operator. If successful, this agreement will result in even lower competition in the operators' market since the fourth biggest operator in Portugal will be bought by one of the main operators in the sector. Furthermore, *Vodafone* states that this acquisition is a sign of reinforcement in the operators' market benefiting both the current and future clients as well as the industry itself. It also benefits the own company as it will be now able to develop and provide better and innovating products and services, as well as enjoy more power due to the increased market share it will gain. The deal is not ready yet as it has to wait for regulatory approval, but *Vodafone* expects the acquisition to be made during the first semester of 2023. Mário Vaz, the current CEO of *Vodafone*, believes that the purchase of *NOWO* will allow *Vodafone* to

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increase its customer base as well as its stake in fixed network coverage (see references for the full *Vodafone* statement).

The deal further enhances competition problems with the current structure, since it will empower one of the biggest players in the market, as aforementioned, and additionally will mean that a player that was not included in the equity of the main channel responsible for the transmission and distribution of the Portuguese Leagues' matches, *Sport TV*, will now be absorbed by one of the TV operators that are included in such cartelization of the market, once again decreasing the probability of a "bid war" for the centralized transmission rights. Furthermore, the litigation between *NOWO* and the channel might be seen as a consequence of both the structure of the sector in Portugal and of this cartelization of the channel included in the conflict.

The lack of competition between operators and the relative collusion practised among them confer these with the power to practically control the broadcasting market without being necessary to engage in any kind of competitive moves. Hence, Portuguese TV operators might be reluctant to dismiss this power in favour of a centralized model and additionally let go of the "comfort" of the already agreed upon contracts, which might, as aforementioned, harm the value of broadcasting rights after the adoption of such model and significantly constrain the construction of a model that compensates these losses.

Finally, the decree put forward by the Portuguese Government places the bigger clubs in Portugal under the pressure of the smaller ones, particularly considering that concerning the clubs' decision, each team has the same number of votes, being the latter fifteen against three and being the first the ones that can be the biggest losers of a move into a centralized model, while the latter can be the ones to benefit the most from the redistribution of revenue coming from a centralized commercialization of the broadcasting rights. As mentioned above, the budgets of the bigger clubs in Portugal can

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be around thirty times larger than the ones of the smaller clubs and an essential factor contributing to this difference is the revenue coming from the sale of broadcasting rights of each club's matches. The value of broadcasting rights comes as a consequence of the distribution of supporters by the Portuguese clubs with studies showing that around 95% of the Portuguese population supports one of the three major clubs (Intercampus, 2019). This can also be stated through the audience numbers – Benfica, Sporting and Porto all have an average audience superior to 200 thousand spectators, whereas the fourth team, Braga, has only around 85 thousand (Appendix 10).

The centralized model to be adopted by the Portuguese Leagues will include a redistribution of the revenue coming from the sale and distribution of broadcasting rights, which creates a different scenario for the different sets of clubs in the country. The bigger ones tend to be afraid of a reduction in their broadcasting revenues coming from such redistribution after the adoption of the centralized model, while the smaller clubs tend to look eagerly forward to this distribution since there are high chances their revenues from this channel will be significantly increased. Due to this fact, the smaller clubs are currently pressing the bigger ones to anticipate the deadline given in the governmental decree and to adopt the centralized model earlier, while the bigger ones tend to disregard such urgency since the contracts negotiated in 2018 are still prevailing and constitute a secure way to guarantee the same levels of revenue until the season proposed in the decree.

As years move forward the pressure by smaller clubs to anticipate the adoption of the centralized model that has been being felt in the previous starts to dissipate as bigger clubs acknowledge the irreversibility to mandatorily construct a model until the 2025/26 season due to the governmental decree. As we move closer and closer to this deadline the clubs are joining their efforts to create the most beneficial version of this model for all clubs in

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the Portuguese Leagues, this is one that maximizes revenues for all (including smaller clubs) without resulting in losses of revenues for the bigger clubs in the country.

Currently, some guidelines of this model were already defined by the responsible institutions and the clubs participating in the Portuguese Leagues. It was created an institution responsible for the creation of the future model of centralization of broadcasting rights in the Portuguese Leagues and its commercialization and distribution to be applied in Portugal with the name of *Liga Centralização*. This entity is composed of members of Liga Portugal, members of six clubs participating in the First Portuguese League and members of two clubs participating in the Second Portuguese League and has already been having reunions to settle the main points of action and how to start addressing the construction of such model with an anticipation of the deadline proposed by the Government being already considered. These are still the initial steps to a process that is not expected to be closed in the short-run. Most information about what is being discussed in these meetings is not disclosed to the general public.

Apart from the factors already addressed concerning operators and clubs, one essential matter to be considered by the entity responsible for the creation of such future model for the centralization of broadcasting rights in the Portuguese Leagues is to maintain the interest of the average consumer, those that are the main part in the sale of broadcasting rights, in the purchase of the right to assist to the matches of these competitions.

In order to do so, an evaluation of the current prices to watch the Portuguese Leagues must be conducted. Currently, the average football fan in Portugal has to be subscribed to two channels, *BTV* and *Sport TV*, to be able to watch all matches of the Portuguese Leagues. Having into account the most basic packages of both these channels, the average supporter of a Portuguese club has to pay subscriptions of 9.99 euros for *BTV* and 19.99 euros for *Sport TV* per month to be able to watch the team's matches in the Portuguese

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Leagues, which elevates the total to around 30 euros. There are already bundles in place by the main operators for the subscription of both channels together, but these are around the same price of 30 euros. Furthermore, if the consumer is a supporter of a Portuguese club present in the Champions League, it sees himself obliged to pay a subscription of 11.99 euros for *Eleven Sports* per month to be able to watch every game of its team's season, which elevates the total amount to around 40 euros per month. If we estimate the average season to be ten months long (from August to May), the total amount an average consumer in Portugal has to pay in order to be able to watch all matches in its team's season is around 300-400 million euros. Given that in 2021, the regular average gross salary in Portugal was 1.212 euros (Appendix 11), this value could represent between 2.8% and 3.8% of the monthly average salary in Portugal, which is a much higher value than the ones practised in other major European Leagues.

When constructing the future model to be adopted when the centralization of broadcasting rights is applied, *Liga Centralização* has to consider the marginal propensity to consume of the average Portuguese consumer, which is estimated to be almost exhausted. A further increase in the value to be paid to be able to watch the club's matches in the Portuguese Leagues might be prejudicial to the total value if the number of subscriptions lost compensates for the additional revenue generated.

According to Jorge de Sousa, current Managing Director of *Eleven Sports* in Portugal, in an interview given to our group, and secondary research, we estimate the penetration of premium sports subscribers to be around 450 to 500 thousand unique subscribers (11% of the Portuguese Households). In the same way, we can state that currently, *Eleven Sports* accounts for 200 thousand regular subscribers, the same as *BTV*, while *Sport TV* accounts for about double the number of regular subscribers, in total. An increase in prices for the broadcasting rights would probably require to raise the subscription prices of their

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channels, resulting in further decrease in the number of subscribers. This is certainly a concern for the operators as well since their revenues also depend on the number of their users that subscribe to these channels, and this is further enhanced by the fact that the operators are equity holders of the main channel responsible for these transmissions. *Eleven Sports* might still benefit from the centralization since it will be able to finally submit competitive bids for the broadcasting rights of the Portuguese League, much like they have been doing with LaLiga and Premier League. However, once again, the lack of competition and collusion of main operators in the *Sport TV* channel might jeopardize the capacity of this bid process to create value and even further enhance the risks for the centralized model to maintain the same levels of revenues as the current model is obtaining or even increase it.

Another important factor affecting the construction of the future model of centralization of broadcasting rights in Portugal and its ability to create value is its ability to attract consumers in the international market, as this is one of the most important revenue value drivers for all its peers' centralized models. Currently, the internationalization of the Portuguese Leagues' matches generates revenues mainly from countries associated with a Portuguese history (Community of Portuguese Language Countries) without having a huge attractiveness in other important European and global markets. This results in a low portion of broadcasting revenues coming from international sources, particularly about 8 million euros per year, which represents about 5% of the total broadcasting rights' revenue in the Portuguese Leagues. Currently, the commercialization of international broadcasting rights of Portuguese clubs is following the same model as the national one with each club being responsible for its rights and without a collective strategy for commercialization and revenue distribution of such rights. Furthermore, there is a strategical gap regarding international rights, this is there is a lack of a defined strategy

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on how to increase the value of such rights and on how to address the international markets that can be interested in such rights.

From the data obtained when studying these rights, currently, there are some agreements between the national holder of the Portuguese Leagues' broadcasting rights and other operators on the commercialization in specific locations. When it comes to the CPLP, there is an agreement between *Sport TV* and *RTP* (the Portuguese public channel) in order to allow the public channel to be responsible for the transmission of matches in the African countries belonging to such community, while in Brazil there was an agreement with *ESPN Brasil* celebrated in 2017 for the same rights (deal was valid until 2020). In Europe, however, the deals were made with different operators, particularly with pay-TV broadcasters and digital sporting platforms. For example, in Germany the Portuguese Leagues are broadcasted by the pay-TV broadcaster *Sportdigital* and by the digital platform *DAZN*, which is also responsible for the transmissions in Japan, in September 2022, the OTT platform One Football acquired the rights to air select pay-per-view (PPV) matches from the competition and in Poland the rights are commercialized by the also present in Portuguese territory *Eleven Sports*.

The institution responsible for the building of the centralized model to be adopted in Portugal must consider this relevant opportunity to increase the value of the Portuguese Leagues' broadcasting rights, and consequently, the revenues coming from this source to the clubs, and the redistribution of the revenues per club. The strategy to be implemented to increase the share of revenues coming from international broadcasting rights must be able not only to attract new markets to the League but also being able to incite operators to bid for such rights.

In fact, Jorge Pavão de Sousa, in the interview conducted by our group refers to countries such as the USA and Canada or areas such as Asia as relevant opportunities to be

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explored, given that these are areas where there is a significant number of Portuguese communities and where football is a growing trend, respectively. The interviewee also explored that the anticipation of the adoption of a centralized model could be beneficial as the subsidiary would be able to be the holder of the international rights earlier, being able to explore the negotiations for these rights with less time pressure, something that could be essential economically, as it would be the main penetration increasing driver.

Currently, the negotiation is held exclusively by *Sport TV*, but opening these opportunities to single operators, not only Portuguese but also international, as it has been reported some interest, might boost the revenues from this source, similarly to the models applied in other major European Leagues.

To sum up, the governmental decree of 2021 put a sense of urgency to resolve the problems present in the current model adopted by the Portuguese Leagues for the commercialization of broadcasting rights as it created a deadline for the adoption of a healthy centralized model, where everybody involved is interested in benefit the most possible.

In fact, the current structure presents several weaknesses, particularly when we think about the application of the centralized model shortly. These weaknesses are highly related to the Portuguese TV operators and how the market has evolved in its structure between them and how this structure can affect the creation of value through the adoption of the new model. The collusion between operators in the main channel responsible for the transmission of League matches, *Sport TV*, has a significant negative effect on the existence of competitive actions and on the existence of a competitive dispute for the broadcasting rights of the matches. This poses a noteworthy obstacle to the creation of extra value through the centralized negotiation of the rights of every club and will even threaten the ability to maintain the same level of revenue earned so far. Given the already

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announced distribution model of 50% equally shared, 25% based on performance and 25% according to social impact (emphasizing that neither the way to distribute performance-based rewards nor metrics to measure social impact are known), some studies show that to prevent any club of being harmed in terms of revenues coming from broadcasting rights the general revenues of the whole League have to increase to about 350 million euros (Brinca, 2022), an increase in the order of 72% when compared to the current 203 million euros (EY, 2022).

Given the fact that 1) the current deals resulted from a competition war between the two leading operators, *MEO* and *NOS*, leading to an overvaluation of the value of the rights; 2) the current market structure has changed since then and the fact that *Sport TV* has presented mixed results in the last years, particularly positive results in 2017, 2018 and 2021, respectively of 4.9, 3 and 1.1 million euros but significant losses in 2019 and 2020, of 3.6 and 5.7 million euros (*NOS*, 2017-2022) and that *Sport TV*'s revenue was 237 million euros in 2021 (*NOS*, 2022); 3) considering also that *McKinsey* estimated the impact of collective sale could result in an increase of broadcasting rights to between 275 and 325 million euros and that, for that to happen, premium sports penetration would need to almost double, for an average monthly price of 25 euros (Brinca, 2022), as it can be seen in Appendix 12.

Then, unless some international company enters a bidding process for such rights, this increase seems significantly unlikely.

Hence, there is an increased importance given to the actions of the authority responsible for regulating competition in the Portuguese markets and to the ability of this regulator to influence the construction of the centralized model to be practised from the season of 2027/28 onwards. The ability to “separate” the TV operators and create a competitive market for these rights might be essential for the financial health of the model and can

incite other players, such as streaming platforms or public channels (returning), to enter the market and further increase the competition in the sector. For example, the recent investment by *Qatar Sports Investment* (QSi) of a 21,67% share in Braga, SAD represents an international player that can be incited to enter the Portuguese broadcasting market. QSi, besides being the main investor in the French club Paris Saint-Germain, is the owner of the *beIN Media Group*, which in turn owns *beIN Sports* that is the owner of broadcasting rights in the Ligue 1, the French National League and can be interested in entering the Portuguese market after its most recent investment.

On the other hand, the application of a centralized model faces other struggles that may be decreased by the resolution of the structural market problems between operators, but need independent reflection by *Liga Centralização*, the organization responsible for the construction of the centralized model to be adopted. Matters such as the international strategy to be adopted, this is regarding the commercialization of international broadcasting rights, the price to be paid by the average consumer in Portugal and the redistribution of revenues are essential for the creation of a beneficial and practicable model. The analysis made of international cases will allow a comparative analysis and the construction of pillars that can be used in the construction of the centralized model of broadcasting rights' commercialization.

5. International Benchmark

In order to assess the evolution of broadcasting football rights, either in value or in what terms they were sold, a comparative analysis across the Top Five European Leagues was done (Appendix 13). Additionally, the Eredivisie was also selected to be part of this international benchmark due to the characteristics of the Netherlands that are relatively close to the Portuguese case: a population of 17.5 million people and a championship dominated by three main teams.

Following this analysis, some tendencies across the different countries will be identified and compared to the Portuguese reality, so that some conclusions can be taken.

Premier League

The Premier League (PL) is the main competition in England and also the most powerful sports league in the world, being broadcasted to 800 million homes across 188 countries with 90 broadcasters and over 400 channels transmitting games.

It is dated back to 1992, when the top clubs split from the Football League, ending with 104 years of tradition. The competition is played by 20 teams, with the top six teams being awarded access to the European competitions at the end of the season, while the bottom three teams are relegated to the Championship.

Moreover, the Premier League is the only top European league that has a television blackout. In fact, before the establishment of the Premier League, matches between 2h45 pm and 5h15 pm were forbidden to be televised in the United Kingdom (UK), with broadcasters being able to only display early and late matches on television. This rule, which also applies to games from other leagues broadcasted in the UK was set in place in the 1960s when the Football League implemented it in an attempt to protect small local clubs, based on the argument that people would not attend their matches if more important ones were broadcasted on television.

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Furthermore, it is precisely in England where one can find the birth of televised football, with the first-ever broadcasted game by the *BBC* in 1937 - a specially arranged game between Arsenal and Arsenal Reserves. The British TV station remained to transmit several football games in the following decade, paying a facility fee for the right to place their cameras at the sporting event, but due to the fear of big impacts on gate earnings and due to the costly technology used these transmissions were limited to a low amount of games. The same happened in the 50s with still a limited quantity of matches being broadcasted. However, this decade would bring an important change to the televised football paradigm – the launch of *ITV* in 1955 – that would start transmitting football right away.

As television evolved, competition for access rights grew in the UK as each broadcaster wanted "exclusivity" to report on events. To evade the monopolization of sporting events, the regulators introduced a set of "listed events" of significant sporting occurrences that were considered to be of national relevance. As a result, from 1960 until the end of the 1980s, *BBC* and *ITV* had shared coverage rights and built a duopoly over the broadcasting of these events (this included the rights to First Division or the World Cup, for example). Throughout these years, highlight programmes of First Division games would gain relevance both on *BBC* and *ITV* (given the initial resistance by the clubs to allow live coverage). It is also in these decades that the first serious attempt at live league football was made (1960/61 season) with *ITV* agreeing to a deal worth 150 thousand pounds with the Football League to broadcast 26 matches. This effort would fail - *ITV* backed off from the deal after some clubs refused them authorization to film at their matches - only to be tried again in 1983 with success. From there onwards live league football was on more and more often both in *BBC* and *ITV*, with the two broadcasters adopting a position that was considered collusive according to some authors (Szymanski and Kuypers 1999, pp

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58-9). Finally, in 1988, the duopoly comes to an end with ITV acquiring the live broadcasting rights of the First Division football games in a four-year agreement with the Football League worth 44 million pounds.

The end of the BBC/ITV duopoly

Understanding how the broadcasting rights were rising in terms of price, the First Division clubs decided to abandon the Football League and set up the Premier League in 1992 to collectively negotiate those rights. Although football clubs own their rights, they grant the Premier League the authority to centrally license those rights to potential buyers. The Premier League's constitution governs rights ownership and licensing, and any changes require the consent of two-thirds of the clubs. In the new format, revenue from TV rights would be distributed in a “fair” way (when compared to other leagues) with all clubs receiving a similar value from those revenues. The distribution formula chosen for the UK rights, which is still used today, was 50% split equally, 25% based on audiences and 25% based on performance (Appendix 14). The international rights were split equally among the 20 clubs. This would represent the beginning of the modern Premier League, with increasing professionalism and attention to football as a business, resulting in bigger and bigger contracts throughout the years.

After the set-up of the new format, the clubs opted to agree to a deal with *British Sky Broadcasting (BSkyB)*, which was launched two years before in 1990 after the merger between *Sky Television* and *British Satellite Broadcasting*, putting an end to the *ITV/BBC* dominance over broadcasting rights. Therefore, *BSkyB* got the rights for 60 live matches for 5 years in a dedicated channel (*Sky Sports*), for a huge total of 304 million pounds, that in the end decreased to 190 million pounds, after the channel failed to meet certain foreign sales targets. This would be the start of a serious investment of *Sky* in live football rights that remains to this day and that has shown to be rightful (the popularity of live

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football rapidly changed *Sky* from having a 47 million pounds loss in 1992 to making 67 million pounds profits in the next year). This was an investment that *BBC* could never make as *BSkyB* started to dedicate a significant share of its income (over 50 per cent) to sport, something that would be considered unbalanced for a public service provider.

In 1997, *BSkyB* was able to maintain the right to broadcast the Premier League (two other big British groups that included *Daily Mirror* and *ITV* made bids), agreeing to a four-year deal (1997-2001) for 670 million pounds that gave them the right to 60 games per year (the cost per game increased from 600 thousand pounds in '92 to 2.8 million pounds). It is also relevant to mention that before the negotiation of this contract, in 1996, the Office of Fair Trading (OFT) made the case that Premier League was stopping the clubs from exploiting their own TV rights and that clubs were acting as a cartel, being a barrier to fair market competition. OFT brought the case to the Restrictive Practices Court, but, in the end, the court ruled in favour of PL highlighting that the product being sold was the competition as a whole and not the individual matches (the balanced revenues distribution system played an important part in this ruling).

In the 2001-07 period, *Sky Sports* remained the place where to watch live football in the UK after celebrating two three-year contracts in that time. The first one, until 2004, was worth 1.2 billion pounds and included the broadcasting of 110 live games per season (the cost per game increased again to 3.6 million pounds). Initially, *NTL*, a leading telecom operator in the UK, bought a package of 40 pay-per-view games a year, but the rights were resolved back to *Sky* after the company realised it could not meet its financial commitments. *BSkyB* broadcasted those 40 matches per season on its brand-new pay-per-view service *Prem Plus* while the rest would be on *Sky Sports* channels. The second deal, until 2007, was worth 1.024 billion pounds and included the broadcasting of 138 live games per season (the cost per game decreased for the first time to 2.5 million pounds).

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The distribution of these games would follow a similar path as in previous seasons with 88 games per season in *Sky Sports* channels and the remaining 50 games on its pay-per-view service, *Prem Plus*. This period sees *Sky*'s historical rivals *BBC* and *ITV* fight over the highlight rights of PL games and sees *ITV Digital* collapsing on its debts, which particularly affected football league clubs below the Premier League, with some of them even needing to enter in administration. This lack of serious competition could be the reason for a small decrease in PL TV rights.

New Competition Rules

After 15 years of *Sky* dominance, the European Union opposed to what it saw as a monopoly on football TV rights and required the 2007 deal to be separated into packages of 23 games. Moreover, the league was forced by the European Commission to assure that no firm would acquire all the packs, putting an end to the *BSkyB* monopoly. With these new regulations, Irish broadcaster *Setanta Sports* entered the UK market, buying two of the packages (46 live games) for 392 million pounds. *Sky* ended up buying the rights to the four remaining packages (98 live games) for 1.308 billion pounds. The total three years agreement (2007-10) was the biggest contract ever signed for Premier League TV rights with a combined value of 1.706 billion pounds (the cost per game increased again to 4.1 million pounds). This was a highly competitive bidding with *NTL*, *ESPN*, *BBC*, *ITV*, *Channel 4* and *Five* all submitting offers for at least one of the six packages.

Despite the global economic downturn, the 2010-13 contract for the PL broadcasting rights saw a small increase in its price to a total of 1.782 billion pounds (the cost per game increased again to 4.3 million pounds). This time, *Sky* was able to buy five 23 games packages (115 live games) for 1.623 billion pounds while *Setanta* kept its commitment to English football buying the remaining pack for 159 million pounds. However, after

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Setanta failed to make it to the first game of the deal, *ESPN* ended up buying most of the company's UK assets, being the replacement for the PL coverage.

The following contract, from the 2013/14 to 2015/16 seasons, saw a further increase in the Premier League TV rights value. In that year, *Sky* continued as the number one broadcaster, buying five of the now seven-game packages (116 annual live games) for a total of 760 million pounds per year. The other two packs (38 annual live games) went to first-timer and telecom giant *British Telecom (BT)* for an annual value of 246 million pounds, in what would be the start of a committed investment in British football (also acquired UCL rights in the UK). The combined value of the contract would amount to 3.018 billion pounds with the cost per game increasing to 6.5 million pounds.

The reason for this entry was that by 2012, *Sky* had successfully moved almost 40% of its ten million pay-TV subscribers to "triple play" contracts and was on track to expand this percentage, mostly at the expense of *BT*, which was expected to lose up to 700 million pounds in yearly revenue (Hewlett, 2013). To stabilize its position in the UK broadband market in the face of this circumstance, *BT* turned to premium sports rights. In the aftermath, over 2 million subscribers, largely from current *BT* customers, were said to have joined *BT Sport* by the end of 2013, and more than 90% (156,000) of the United Kingdom's net new broadband users had also joined.

For 2016-19, both *Sky* and *BT* maintained their investment in the Premier League with a record-setting contract. *Sky* retained the same five-game packages from the previous contract for a total value of 4.2 billion pounds, having now the right to broadcast 126 live games. *BT* also kept two-game packages that amount to 42 live games per year. The combined value of the deal was 5.1 billion pounds (10.2 million pounds per game) making Premier League the most valuable football league ever.

The rise of streaming services

The 2019-22 TV right offering saw the number of games increase from 168 to 200 (out of 380) per season with Premier League now presenting its consumers with seven game packages: five traditional packages with 32 games each and two innovative 20 games packages that entitled their owners to two full rounds of mid-week football. The traditional packages were sold right away, with *Sky* and *BT* retaining their dominance over the PL broadcasting rights for a combined value of 4.46 billion pounds (the cost per game decreased to 7.2 million pounds). *Sky* bought four packages for 3.579 billion pounds, being entitled to live broadcast 128 games per season, while *BT* got the lasting package of 32 games. Although the deal was down from the previous agreement, it still put the Premier League as the top European league in terms of TV revenue. As for the 20-game packs, the initial bids were insufficient to convince PL to sell them, ultimately leading to a sale six months after, which was way below the traditional packages' price. *BT* ended up buying one of the packs for 90 million pounds while the other was purchased by streaming giant *Amazon* (undisclosed value). The US company would this way enter the live football market by buying a package that included the iconic "Boxing Day" (PL round on the 26th of December) streaming the games via its *Amazon Prime Video* service (which costed 7.99 pounds per month for consumers).

Finally, in 2021, the Premier League signed its last contract to date, being valid for the seasons from 2022/23 until 2024/25. This negotiation was different from all others done in the Premier League history, mainly because the deal was accomplished by renewing the previous contract and not by an auction as usual. Given the Covid-19 situation, the Premier League requested permission from the UK government (could block direct deals) to extend its 2019–2022 set of rights until the conclusion of the 2024/25 season. An amount of 4.8 billion pounds, was paid for the rights, which stayed with *Sky*, *BT*, and

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Amazon in the same terms as in 2019 (*Sky* had the right to 128 live games per season, *BT* had the right to 52 and *Amazon* had the right to 20, for a total of 200 games out of 380 PL games). This took place because of the risk that an auction might have led the value of the next deal to drop by hundreds of millions of dollars.

Amazon's entry into the market seemed to produce positive results as of May 2021, a YouGov survey showed that 38% of Premier League fans have viewed *Amazon Prime* in the previous 30 days, making this service the most popular choice despite it having the least total games, followed by *Sky Sports* (30%) and *BT Sport* (27%).

On the other hand, this fragmentation led to an increased cost to the consumer. To watch some Premier League games a fan must pay 18 pounds per month to have access to *Sky Sports* or 8.99 pounds per month for *Amazon Prime*, which also provides other benefits, namely in retail. Only by subscribing to the *BT Big Sport* package for 42 pounds per month, it is possible to have access to all the available Premier League matches.

Characterization of the Telecom Market

The TV subscription market in the UK is clearly dominated by *Sky*, which has a market share of 51%, followed by *Virgin Media* (23%) and *British Telecom* (12%), with the remaining being fragmented across smaller operators (Statista, 2022).

Fan Base

While nowadays most of the trophies in England are disputed by Liverpool, Manchester City, Tottenham, Manchester United, Arsenal and Chelsea, these teams represent only around 55% of the population with 21% of them supporting a team outside the Premier League's sphere. (European Football Benchmark, 2021).

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LaLiga

LaLiga *Santander* is the main competition in Spain, the country of origin of two of the most powerful clubs in the world: Real Madrid Club de Fútbol and Fútbol Club Barcelona.

It is played by 20 teams, the first seven teams qualifying for the European competitions, while the bottom three are relegated to LaLiga *Smartbank*, the second division.

The first matches broadcasted on Spanish TV happened during the 1950s when occasionally some European games in which Real Madrid was involved were shown to the audience or important matches such as *el Derbi madrileño* or the final of Copa del Rey in 1958.

However, only in 1962, an official agreement was reached between the *Real Federación Española de Fútbol* (RFEF) and *Televisión Española* (TVE), the public Spanish broadcaster. Starting in the following season, one match would be live broadcasted every Sunday. In this model, there was only one supplier (RFEF) but also only one potential buyer (TVE).

A few years later in 1979, some problems appeared. Many teams were experiencing financial difficulties, were worried about the decrease in attendance to the stadium and were expecting an increase in the value offered by TVE. As a result, some of the most relevant teams did not authorize the transmissions, decreasing the total number of games broadcasted.

The end of TVE's monopoly

Even though these troubled moments, this model lasted until 1983/84, when the public regional television channels started operating and saw football as an opportunity to promote themselves and gain relevance. In the 1987/88 season, TVE and the autonomic

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televisions shared for the first time the broadcasting rights, in a total of 36 matches per season.

In 1989, these regional channels organized themselves under the acronym FORTA (*Federación de Organismos de Radio y Televisión Autonómicos*) and merged with the first private television channel by subscription (*Canal Satélite Digital*, which was controlled by *Sogecable*) paying around 324 million euros for the TV rights of eight Spanish league seasons (from 1990/91 until 1997/98). Later in 1993, *TVE* reached an agreement with FORTA to share the broadcasting rights. This situation was contested by *Telecinco* and *Antena 3*, which considered they were impeded from participating in the process, and culminated in the *Ley del Fútbol*, in 1997, to avoid possible new monopolistic situations that could affect the consumers and other companies.

Individual Sale Model

Although this contract was valid until the end of the 1997/98 season, a new era in Spanish football would start in the 1995/96 season as a result of the dispute between TV operators. Firstly, *Antena 3* (through its society *Gestora de Medios Audiovisuales*) agreed with some First and Second Division clubs' decisions, such as Real Madrid and Barcelona, to broadcast their friendly matches, including a preferential clause over the rights for First Division matches, for the period 1998-2003. Later in the same year, *Canal Satélite Digital* (owned by *Sogecable*) approached some other teams with a proposal for seven seasons. After the harsh competition and outbidding between these two operators, in what became known as the first "football war", in 1997, it finally culminated in the creation of *Audiovisual Sport*, owned by *Sogecable*, *Antena 3* and *Televisió de Catalunya*, which negotiated individually the broadcasting rights for the period between 1998 and 2003. After the acquisition of 25% of *Antena 3* by *Telefonica*, the company has also converted into a shareholder of *Audiovisual Sport*. Despite this, *Telefonica* and *Sogecable* continued

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the dispute through their own channels, *Vía Digital* and *Canal Satélite Digital* for some months.

Moreover, in the same year, the Government defined that one match per week should be broadcasted on free-to-air television, available in all regions.

In 2003, eight First Division teams and 22 from Second Division organized themselves in the so-called G-30, in an attempt to re-establish the collective sale of TV rights. Despite these efforts, which included threats to the beginning of the season, Real Madrid and Barcelona signed deals with *Canal +* and *Vía Digital* for more than 50 million euros per season for the 2003-2008 period.

After some years of provisional peace, the second football war came in 2006, when *Mediapro* joined *Audiovisual Sport* and then, unilaterally, acquired broadcasting rights of 39 out of the 42 professional teams distributed by the First and Second Divisions, which led to several judicial disputes between the two companies until a final agreement was reached in 2009.

As a consequence of all the turbulence and having in mind reducing the amount of debt most of the clubs have accumulated, in April 2010, the Spanish government approved the *Ley General de la Comunicación Audiovisual*. It established for the first time how should the market be regulated and a maximum period of four years to introduce a mechanism of collective sale.

This puts an end to the individual sale from which big clubs particularly benefitted: for the 2014/15 season Real Madrid pocketed an estimated 162 million euros from TV rights while the promoted team Eibar received just 15 million euros – a factor of 10.8 to 1.

Collective Sale Model

The Royal Decree-Law 5/2015 established the central marketing of LaLiga's media rights starting with the sale for seasons 2016/17 to 2018/19, which did not contain an NSB rule.

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The final value would be distributed equally (50%) and according to sporting merit considering the previous five seasons (25%) and social implementation (25%), which considered aspects such as the number of members and tickets sold (Appendix 14).

For this period, *Mediapro* obtained the rights to eight LaLiga matches each round with one of them involving either Barcelona or Real Madrid, having paid around 1.9 billion euros, while *Movistar*, owned by *Telefonica*, got the one game that was left in an agreement valued in 750 million euros.

This was part of a strategy for its position after, in 2014, *Telefonica* agreed on a 750 million euro deal with the Spanish media group, *PRISA*, and then a 350 million euros deal with the Italian media company, *Mediaset*, for 56% and 22% stakes respectively in *Digital+*, taking its full control and making it to become Spain's leading pay-TV operator, with close to three million subscribers, rebranding it as *Movistar+*.

Vodafone and *Orange*, the two main telecom players after *Telefonica*, also reached both agreements with *Mediapro* and *Movistar* to include football matches among their offers, after getting the rights for bars and restaurants for a total of 330 million euros, for the next three years.

After this, inequality significantly decreased. For the 2015/16 season, Barcelona pocketed a total of 140 million euros in television rights, while Las Palmas, who had received the lowest value, amounted to 27.65 million euros, in a 5 to 1 ratio. Overall, all teams increased the value received, from Real Madrid and Barcelona which saw their values increase around 5% to the least mediatic teams such as Sporting Gijon, Las Palmas and Eibar, which enjoyed a tremendous increase of almost 180% (EY, 2021).

For 2019-2022, *Telefonica* and *Mediapro* shared again the broadcasting rights. The first paid around 2.94 billion euros to secure the exclusive rights to the matches, while *Mediapro* kept with the highlights for 480 million euros.

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Just as in the previous period, *Orange* acquired retransmission rights, however *Vodafone*, in a bold move, decided not to acquire them. The company considered that paying between 250 to 300 million euros per season to *Telefonica* was not a rentable business and moreover, football was not the most-demanded product by their clients, but rather alternatives such as *HBO Max* or *Netflix*. This move resulted in a decrease of 9% in the number of clients, however, it can also be said that the decrease in total revenue was only around 380 million euros, not enough to consider it a bad decision.

The rise of streaming services

In a period where most major European leagues registered a decrease in the value of audio-visual revenue, LaLiga reached a “historical” agreement for the 2022-2027 cycle. Over the following five-season period, *Movistar* will broadcast five games per round plus three full matchdays, while the giant streaming operator *DAZN* will broadcast five matches per match day.

The fact that the new cycle was extended to include five seasons was one of the reasons behind this increase, however, the speculative interest of new competitors like *Amazon*, which was considered a potential bidder in the sequence of original series such as *Six Dreams* or *Otra Forma de Viver la Vida*, or *Relevant*, and of having already the international rights for North and Central America also contributed to that.

Regarding telecom operators, this also meant the end of *Telefonica*'s exclusivity over the rights. However, the company reached an agreement with *DAZN* for around 280 million euros per season so that it could continue to offer all matches for its customers. *Orange* also reached a deal with both *Telefonica* and *DAZN* to re-sale the rights for an undisclosed value, while *Vodafone* kept with the policy of not offering LaLiga matches, although it will include the second division among its packages.

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Nevertheless, it all came with a cost for the consumer. The LaLiga package in *Movistar*, with all the matches available, has a monthly price of 30 euros, whereas the best option in *Orange* costs 85 euros, even though it includes television, internet and telephone.

Regarding *DAZN*, the monthly price for LaLiga is 18.99 euros but it only includes five matches per round, in a total of 35 rounds (out of the 38). Moreover, the price for other packages also increased – the basic offer registered a 30% increase in price from 9.99 euros to 12.99 euros per month.

Characterization of the Telecom Market

Movistar+ (*Telefonica*) was the market leader of pay-TV operators in Spain in 2022, with around 40% of the market. *Vodafone* ranked second with approximately 19% market share, followed by *Orange* with 17%. The remaining consumers are dispersed through several small operators, most of them with a regional cover, such as *Euskaltel* from the Basque Country (Statista, 2022).

Fan Base

In Spain, football is almost polarized in the number of titles between Real Madrid and Barcelona, which have won 17 out of the 20 last editions. Other competitive teams are the examples of Athletic Bilbao, Atletico Madrid, Valencia and Sevilla, which have all won more than ten major trophies.

Despite this reality, when it comes to the number of fans, the situation is more balanced. Real Madrid and Barcelona fans represent around 55% of LaLiga's fans in Spain, followed by Atletico Madrid with 8% of the supporters (Football Benchmark, 2021).

Bundesliga

Bundesliga is the main league in Germany being disputed by 18 teams. The top six teams are qualified for the European competitions at the end of the season, while the last two are automatically relegated to the second division. In a similar format to the Portuguese league, the team that finishes the season in the 16th place plays a play-off with the 3rd place of the second division, and in case of a win, guarantees its place in the top division. Regular football transmissions in Germany started in 1953 with the live transmissions of *Oberliga* (the former Bundesliga's name) matches on Sundays. Just as in other countries, the clubs protested about a decrease in the number of fans in the stadiums, attributing the responsibility to television, until an agreement was reached to only permit the transmission of one club game and overall, two matches per month.

During the next decades, football rights were sold by the Football Association to *Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten Deutschlands* (ARD), the main German broadcaster group, until the mid-1980s when a significant growth in the number of players on the demand side occurred in the aftermath of the emergence of private television, which resulted in an exponential increase in the value of Bundesliga's broadcasting rights.

The advent of pay-TV

In 1991, the first network built on subscription fees was created: *Premiere*, which was part of *Kirch's* media group and looked into football as a desirable product and a way to attract subscribers.

Between 1992 and 1997 the *Deutscher Fußball-Bund* (DFB, the Deutsch Football Association) tripled its income from the sale of TV rights. From the 1997/98 season and beyond, the rights for free TV and pay-TV were bought by *ISPR* and *Kirch Media*. The latter tried to establish exclusive rights for live broadcasts of the Bundesliga. However,

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in an attempt to maximize its revenues, the company tried to influence the scheduling of matches and programmes and faced public and government contestation.

Kirch Media's Collapse

This eventually contributed to the failure to increase the base of subscribers and a serious threat to several clubs in both the Bundesliga and the second division came at the end of the 2001/02 season when *Kirch Media* went bankrupt. This particularly affected smaller clubs, whose television money represented the majority of revenue, but in general, all football teams had to sharply lower their expenditure.

In the aftermath of this incident, in 2003, after an agreement with the European Commission, for the first-time broadcasting rights were unbundled and sold in two packages. One of them contained Saturday's first-division games and Sunday's second-division matches (the main match day package), while the other was made of Sunday's first-division matches and Friday's second-division games (the secondary package).

Before this, the German courts were expected to suspend the Bundesliga rights collective agreement, after the rejection, in 1999, by the national court *Bundesgerichtshof* of the European Championship German clubs' home games collective sale, based on the thinking that the clubs had acted as a cartel.

In the next period, 2004 to 2006 broadcasting rights were acquired by *Premiere*, which paid 175 million euros for the 2004/05 season and 180 million euros for the 2005/06 season.

In 2005, a new competitor bid for the league entered the German market which led the value to increase – *Arena* (owned by *Unity Media*, a consortium made of three cable TV operators). Despite reports that *Premiere* offered around 300 million euros per season, it attempted to move the public's channel highlights to a later schedule and *Arena* ended up winning the deal, paying 220 million euros per season for the 2006-2009 period. At the

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same moment, the public television channel ARD paid 85 million euros to acquire six games' highlights broadcasting rights and two games live for one year.

However, *Arena* did not achieve the expected results. The company needed 2.5 million subscribers to cover the expenses associated with this gamble on football but after one year they only had 1.1 million customers (in comparison, before losing broadcasting rights *Premiere* had around 3.4 million subscribers and lost only 4% of them after this), which led to huge losses. One of the possible reasons for this failure was that *Arena* did not reach an agreement with *Deutsche Telekom* (DT), the biggest German operator so the channel was not available for most of the cable TV clients.

Under these circumstances, broadcasting rights were then sublicensed to *Premiere* in mid-2007. *Arena* received 200 million euros (100 million euros for each season) and an equity stake of 17% in *Premiere AG* valued at 300 million euros, in a deal that faced opposition from the German Federal Cartel Office.

In 2008, the *Sirius Group*, connected to Leo Kirch again, had offered around 3 billion euros for a six-year deal to the *Bundesliga*, starting in 2009. Under this deal, the league would turn over marketing rights to *Sirius*, which would then negotiate with broadcasters. However, the anti-trust authorities contested its terms, and the League cancelled it.

In the end, and despite the reported interest of *ESPN*, the rights were once again awarded to *Premiere* for an average of 394 million euros per season, increasing again the total value to be distributed among the clubs (1.574 billion euros for the four seasons).

Bundesliga succeeded in a stunning increase in the value of TV rights for the 2013-17 period, getting 620 million euros per season (2.477 billion euros in total), paid by *Sky Deutschland* that has assumed the rights package held by *Premiere*, which had acquired and re-branded. This spectacular increase of more than 50% is explained by the competition with *Deutsche Telekom*, which was also in the run for the rights, although it

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reportedly offered 20% less than the final offer. Worried with the possibility of losing a significant proportion of its pay-TV subscribers to *Sky*, *DT* agreed to a distribution deal for *Sky*'s Bundesliga package.

In March 2016, the DFL and the DFB, respectively the League and Football Association, submitted a list of commitments to the Federal Cartel Office regarding criteria for the commercialization of broadcasting rights from the 2017/18 season onwards. This list included in particular the NSB rule, meaning that no single bidder would be able to acquire the broadcasting rights to all Bundesliga matches. Therefore, the next auction allowed some matches to be shown by multiple broadcasters in case one firm obtains all live packages.

This way, after a tender process, *Sky* and *Eurosport* won the auction to share TV rights from 2017/18 to 2020/21. *Sky* was awarded full live coverage of Bundesliga matches on Saturday and Sunday afternoons, while *Eurosport* emerged as the victor for Friday night games. As a consequence, Bundesliga signed an amazing TV rights deal, getting 4.64 billion euros for the sale of domestic TV rights. Later, *Eurosport* agreed with *DAZN* to sub-license the rights for the 2019/20 season, a move that became permanent after *Eurosport* unsuccessfully tried to suspend the instalments to the DFL. *Amazon* also became a broadcaster after acquiring some specific matches throughout the season.

The rise of streaming services

The domestic media rights for seasons 2021/22 to 2024/25 were bundled in 14 rights packages. The German topflight has secured a new agreement with *Sky* and *DAZN* for its domestic rights valued at 4.316 billion euros over four years, which represented a decrease of 300 million euros from the previous deal. Under this agreement, *Sky* would broadcast all Saturday matches played in a total of 200 games per season, whereas *DAZN* secured the rights to the remaining 106 games.

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The effect was also felt by the consumer: *DAZN* increased its subscription price from 14.99 euros to 29.99 euros per month, the same as *Sky Deutschland*, while also aiming to increase the current subscription base of 1.1 million people (*DAZN*, 2022).

On a final note, it is important to highlight that Bundesliga was one of the first leagues to negotiate a new domestic broadcasting deal after the covid-19 pandemic, ending up with a value that was 5% lower than that of the previous cycle. Despite this, with broadcasters facing their own difficulties such as a decrease in the number of subscribers and advertising revenue, a small fall in the value of the Bundesliga's rights could be considered a victory for the League.

Regarding the fee distribution, a two-stage plan was generated. In 2021/22 and 2022/23, 53% of the annual fee would be split equally among the clubs (dropping to 50% in the two subsequent seasons). Performance in the last five seasons (42%-43%), youth players' usage (3%-4%) and club interest (2%-3%) are the remaining criteria (Appendix 14).

Characterization of the Telecom Market

Vodafone is the pay-TV market leader in Germany representing 25% of the market, followed by *Telekom Magenta TV (Deutsche Telekom)* with 19% and *Sky Deutschland* with a share of 6% (Statista, 2022).

Fan Base

Bayern Munich is a winner both on and off the pitch. The *Baviera's* team is not only the most successful German club with 82 major trophies in its museum but also the most supported one – 22% of German supporters choose Bayern Munich as their favourite team, followed by Borussia Dortmund with 13%, with the remaining supporters being fragmented across the other teams and even teams outside the Bundesliga's world. In fact, 23% say that they support a team from an inferior division (Statista, 2021).

Serie A

Serie A is the leading competition in Italy, in which twenty clubs take part to try to win the title. At the end of the season, six teams conquer a place in the European competitions, while the bottom three are relegated to Serie B.

For many years, selling TV rights was not a common practice in Italy. Despite *Radiotelevisione Italiana (RAI)*, the public channel, broadcasting some matches, the main source of revenue for the teams was gate receipts. For that reason, the game broadcasting was not available in the region it was being played.

Only in 1980, this model was formal and legally instituted creating an official relationship between *Lega Calcio* and *RAI*. After the public channel being the only buyer for several years, for the 1993-1996 period TV rights were for the first time shared with *Telepiù*, a pay-TV broadcaster, which would broadcast one game per week, apart from the last six weeks of the championship.

The end of *RAI*'s Monopoly

The end of *RAI*'s monopoly originated a huge increase in the value of broadcast revenue, which increased more than five times for this period. Furthermore, this period illustrates well the importance of owning football rights in order to establish a new brand in the market: *Telepiù*, whose number of subscribers grew from around 55 thousand to more than 220 thousand between 1993 and 1996.

Therefore, in the next period, an even bigger bet was observed: *Telepiù* negotiated almost the exclusive rights for the 1996-1999 seasons, offering to the subscribers the possibility of buying all the games, following just one team or paying per game.

Individual Sale Model

Until the 1998/99 season, *Lega Calcio* controlled the collective commercialization of broadcasting rights, dividing the available matches into different windows, and selling the different slots without exclusivity in order to maximize its total value.

This system was considered anti-competitive by some regulatory authorities and was also challenged by big clubs which were hoping to find a way to increase TV revenues so that they could remain competitive in the context of an inflationary European market.

Moreover, the Parliament approved a new anti-trust law. To reach a sustainable development of the pay-TV market, no company would be allowed to hold more than 60% of the league's broadcasting rights and regulatory agencies considered that the model constituted a cartel that restricted competition in the sports televised market.

As a result, in March 1999, the League amended its internal regulations and put an end to the collective sale system.

With the introduction of an individual sale mechanism, some companies shared their potential interest such as Rupert Murdoch's *News Corp Europe*, the French broadcaster *TF1* and *Società Prisma*.

One by one, the clubs sold their rights either to *Telepiù* or *Stream*, which was equally owned by *Telecom Italia (TIM)* and *News Corp Europe*.

This outbidding strategy conducted by the channels to contract with top clubs benefitted the club's revenues, increasing the volume of football broadcasts, but yielded a low (or no) profitability to the channels. In fact, in the 2001/02 season, Juventus received around 54 million euros, the most lucrative deal, almost ten times more than Piacenza, which has just received around 5.6 million euros. On the other hand, *Telepiù* and *Stream* lost, respectively, 285 and 190 million euros each from these agreements in the 2001/02 season, although it granted an increase in the number of subscribers: *Stream* grew from

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around 157 thousand subscribers at the end of June 1999 to 820 thousand by the end of the contracts in 2002. However, it never reached the two million subscribers estimated to reach breakeven.

Nevertheless, the more modest teams were not satisfied with the model and, in the 2002/03 season, the championship had to be delayed for ten days due to a consortium led by smaller clubs, which did not have any TV agreement. The consortium ended up getting a contract but not without six of the biggest clubs having to contribute more than 6 million euros to the consortium.

In 2003 *Sky Italia* was born after a merger between *Telepiù* and *Stream TV*. The return to a monopoly situation led to smaller contracts and six smaller teams organized themselves to launch their pay-TV platform, *Gioco Calcio TV*, together with other six Serie B teams, which sooner collapsed due to *Sky*'s strength.

Two years later a new situation was created since in 2003 *Sky* had the monopoly of satellite rights, however, the company was forced to accept the re-sale of terrestrial digital television rights to other broadcasters, in the case, *Mediaset Premium* and *LA7 Cartapiù*, owned by *TIM*, which gave place to *Dahlia TV* in 2009.

Collective Sale Model

In 2007, regulatory authorities recommended that a collective sale system should be introduced again, which became effective in the 2010/11 season. The law also foresaw an NSB rule, which was implemented through an independent intermediary that acquired the obligation to market the media rights in main and optional packages to broadcasters.

Furthermore, the distribution criteria used were the following: 40% should be equally divided, 25% distributed according to the number of supporters, 15% through the average position in the previous five seasons, 10% was based on the all-time classification since 1946/47 and finally 5% from the city's population and 5% from last season classification.

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This distribution was updated in 2018, with an increase in the equal share to 50%, 30% based on classification, with the final 20% to be distributed according to social criteria (Appendix 14).

Just as in the previous seasons, *Sky* owned the exclusive rights, while *Mediaset Premium* broadcasted the games from 12 teams, and *Dahlia TV* the remaining eight, until the company closed its doors in February 2011.

For the 2012-2015 cycle, broadcasting rights were sold for a total value of 2.532 billion euros, with *Sky Italia* acquiring the rights to 380 matches per season, of which 56 were exclusive, while *Mediaset*, shared with the previous one the rights of 12 selected teams.

As a result of this collective system, in the 2012/13 season, Juventus received a total of 95 million euros from TV rights, while Pescara, on the other hand, received around 21 million, making it a 4.4 to 1 difference from the biggest to the lowest amount, in a significant decrease in inequality.

The following cycle saw an increase in the global value of TV rights to 2.895 billion euros, again shared between *Sky Italia* and *Premium Sport*. The first had the rights to all the matches of the Serie A season, with 132 being exclusive, while the company owned by *Mediaset* would broadcast the games of eight selected teams.

The rise of streaming services

A new incumbent appeared in the 2018-2021 cycle, the streaming giant *DAZN*, which with *Sky Italia* was the winner of the TV rights for a total amount of 2.919 billion euros. In this agreement, *Sky Italia* was awarded seven out of the ten games per week (a total of 266), while *DAZN* had the rights for the remaining three (114 in total).

However, this was only after *Mediapro* has been excluded. The company, which is active as a broadcaster in other countries like France and Spain, had acquired the rights as an independent intermediary with a bid just above the asking price. Following other

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broadcasters' concerns that *Mediapro* would not act as an independent intermediary and breach the NSB rule, the court of Milan decided that *Mediapro* was not a suitable intermediary as it would abuse its dominant position in the downstream media market in its supposedly independent role.

Moreover, in 2019, *TIM* concluded negotiations with both *DAZN* and *Sky Italia* to include the full Serie A in its offer. It is estimated that Sky registered around 3.3 million subscribers, while *DAZN* had around 1.3 million subscribers by the end of the 2018/19 season (Statista, 2019).

The next period 2021-2024, saw a decline in the total revenue for the first time. The market reached a point of stagnation, which together with the impact of the Covid-19 pandemic made the deal to be sealed on the 2.783 billion euros. *DAZN* and *Sky Italia* were once again the winners of the contest, changing their positions – *DAZN* won the rights for seven out of the ten weekly matches (exclusively), for 840 million euros per season, while *Sky Italia* owned the remaining three (co-exclusively), for a fee reported to be 85 million euros in the first season, 87.5 in the second and 90 in the third.

As a result, in June 2021, the monthly price for a *DAZN* subscription in Italy increased from 9.99 euros per month to 29.99 euros from 1 July onward, with an intermediate value of 19.99 euros for current subscribers for one year. Regarding *Sky Italia*, the Calcio package has a price of 19.90 euros per month, including also the rights for Serie B and other top European leagues.

Moreover, *DAZN* counted on the support of *TIM* in this bid. Aiming to promote its broadband and pay-TV services, the Italian telecom giant sealed at the beginning of 2021 a partnership with *DAZN*, having been reported that *TIM* would cover more than 40% of the annual payments due by *DAZN* to Serie A (Reuters).

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However, one year later the agreement was renegotiated after *TIM* said that it had failed to fuel the lift in ARPU and subscriber numbers that it had expected, with technical problems related to concurrency and rampant piracy contributing. This opened the door to sharing the content with *Sky* and *Vodafone*.

Finally, in 2021, Italian pay-TV and OTT operators agreed with Serie A the obligation to release the number of subscribers so, in October 2021, around 4.4 million Italians have signed up for pay-TV platforms to watch top-flight football. Of the total, *Sky Italia* has 2.48 million subscriptions for its Football and Sports packages, while *DAZN* has 1.95 million. While the numbers from *Sky Italia* have been relatively stable, it is estimated that *DAZN* increased by 10%-20% of its subscribers.

Characterization of the Pay-TV Market

The strong association with football helped *TIM* to establish a leading position in the telecom market, having collected more revenue in 2020, than its competitors (*Vodafone* and *Wind Tre*) together. In what concerns pay-TV, *Sky Italia* is also the leader, representing around 50% of total subscriptions (Statista, 2022).

Fan Base

Juventus, by far the most successful team in Italy, with 70 major trophies, is also the most supported club, with more than 8.7 million Italians supporting them. They are followed by the two Milan rivals, Inter and AC Milan, both close to 4 million fans and with more than 40 major trophies.

Other relevant teams include Napoli, Roma, Fiorentina, Lazio and Torino. On the other hand, teams such as Sassuolo, although the relative success enjoyed in the last seasons has less than 100 thousand supporters. Overall, the three big teams represent more than 65% of total fans (Statista, 2020).

Ligue 1

Ligue 1 *Uber Eats* is the main league in France, with 20 club participants, where five get access to European competitions and four are relegated at the end of the season.

In France, professional football was established in 1932, with the inception by the *Fédération Française de Football* (FFF) of the professional football league, the *Ligue de Football Professionnel* (that would later be known as Ligue 1). However, the first broadcasted live match would only appear much later in 1952 with the French Cup final (Nice vs Bordeaux) broadcasted by the sole TV operator at the time *Radiodiffusion-Télévision Française* (RTF). Over the next three years RTF, which was state-controlled, would also transmit live for the first time a national team game (1952) and a French Championship game (1955) bringing to France the beginning of live TV football.

Nonetheless, the initial relation between football and television in France was tense. The FFF saw television as a threat to the clubs' revenues and entered into a conflict with RTF. Due to that, only in 1964, an agreement is reached between FFF and ORTF (the still monopolistic operator that substituted RTF), opening the stadiums to cameras for the live championship and cup matches. In the following four seasons and following the deal, ORTF broadcasted around four championship games per season plus several cup matches, being obliged to pay 50 thousand francs in compensation per match to the home club. In the 1969/70 season, another deal is signed between the two organizations with an increase in the value to be paid per game (minimum of 120 thousand francs per league match). Nevertheless, on 8 November 1969, the live televised game that opposed Lyon and Rennes took place in front of a mild 894 people audience, leading to the conclusion of the contract and the end of onscreen live league games in France for the next 15 years.

The return of live football

In the 70s-decade, live football was very scarce without French league games. The biggest event of the time ended up being the termination of *ORTF*, which fractured into three, still public, TV channels: *TF1*, *Antenne 2* and *FR3*. At the end of the decade, the three channels started competing for the highlight rights of the French league (returning great audiences) which hinted at a possible return of live football in the years to come.

And so, it was. In 1984 the TV scene in France would change again with the apparition of a private pay-TV channel: *Canal+* (the first in the European scene, paving the way for other countries). The newcomer quickly made a move for football and as soon as 1984/85, completed an exclusive deal to broadcast live French football matches. The contract authorized the channel to broadcast live one league match per day, for 250 thousand francs per match. The amount was indexed to the number of subscribers: the more *Canal+* subscribers, the more the match would cost. As *Canal+* was private, encrypted and paid, many sentenced the new channel to failure, however, the subscriptions kept on going enabling *Plus* to build a monopoly over the French Championship TV rights from 1985 until 2001. From this period, it is relevant to highlight the investment of the channel in the Parisian club Paris Saint Germain (became a shareholder in 1991) in an attempt to contest the dominance of Olympic de Marseille over French football and to create more interest around the league (optimize TV audiences).

With the turn of the century came a growth in the popularity of football and, consequently, a growth in the value of TV rights contracts. In 2001, *Canal+* continued its push for dominance over the broadcasting rights of the Ligue 1 (new name), but, this time, had to deal with the competition from the recently created subscription channel *TPS*. Both channels presented great offers and the *Ligue de Football Professionnel* (LFP), which negotiated the TV rights collectively for the clubs, ended up dividing the rights between

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the two. This division was made based on three game packs. For the season 2001/02 until 2003/04, *Canal+* paid 289 million euros per season to transmit nine matches per round (two packs) while *TPS* paid around 40 million euros per season for the remaining game (one pack). The next season saw the previous contract be renewed on the same terms with an increase in the value to be paid by the rights (*Canal+* paid 305 million euros and *TPS* around 70 million euros), after a block by the Competition Council of the initially proposed contract, in which *Canal+* would get a monopoly based on an anti-competitive offer.

For the next negotiation cycle, 2005-2008, competition kept driving the price further up. This time, *Canal+* would get exclusive live broadcasting rights by making an offer that did not go against the competition laws. They made the highest offer for each of the three-game packs every year, paying 550, 600 and 650 million euros for the 2005/06, 2006/07 and 2007/08 seasons, respectively.

A new contract was signed in 2008 and even the tough economic times were unable to stop the momentum of football in France. The deal made for the four seasons between 2008 and 2012 was closed at a record price of 668 million euros per season. The rights were bought by *Canal+* again, which got two game packages (nine games per round) for 460 million euros, and by the telecom operator *Orange*, which got one game package (one game per round) for 203 million euros. This game was broadcasted on the newly created *Orange Sport*.

Qatari investment

Qatar used sports as an element of its geopolitics strategies, and in 2011 PSG was bought by the investment fund *Qatar Sports Investments* (QSi). Later in the same year, the Middle East country further increased its investment in French football with *beIN Sports*, the sports channel of the Qatari group, making a push for the Ligue 1 TV rights.

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Accordingly, *beIN Sports* ended up buying several game packs, having the rights to broadcast live 8 games per round. For the first time since 1984, *Canal+* was not transmitting the majority of the games, having the right to broadcast only two games per round (the two best matches of the round). This contract was valid for the seasons 2012/13 to 2015/16 and had a value of around 607 million euros per season (a small decline versus the previous contract). Moreover, *beIN Sports* also made a considerable investment in the international TV rights (that were then resold), buying them for around 31 million euros per season over the same years.

The next period to be negotiated was 2016-20 and LFP selected the same broadcasters as in 2011, but this time the number of broadcasting rights rose sharply and reached 738 million euros per season. *Canal+* paid a total of 540 million euros per season, having the right to show live the three best fixtures of the round, while *beIN Sports* paid 186.5 million euros and got the right to the remaining seven matches of each round. It should be noted that in this period, for the first time in modern Ligue 1, there were two games co-broadcasted live on a free channel (*C8*, a channel belonging to the *Canal+* Group).

The latest TV rights cycle to be negotiated to date was the 2020-24, being a very contorted period for French broadcasting rights. In 2019, *Mediapro*, a Spanish media rights agency, made a bold move and bought the rights to eight matches per round for 780 million euros per season. The other two matches would go to *beIN Sports*, for a value of 330 million euros per season, totalling 1.1 billion euros per season for the ten matches and leaving *Canal+* with no live games for the first time since 1984. However, by February 2021, *Canal+* would have acquired the exclusive broadcast of all *Ligue 1* matches. First, in December 2019, *Canal+* reached an agreement with *beIN Sports* to sub-license the rights of its two matches for around 360 million euros. Then, *Mediapro's* channel, *Téléfoot*, which cost viewers 30 euros per month with no football action besides French

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championships failed to reach the expected audience (*Téléfoot*, only reached 15% of the required audience to breakeven with an estimated subscription base of 600 thousand).

In face of this situation, *Mediapro* failed to pay the nearly 334 million euros payment that became due in October and December, resulting in the termination of the deal with the remaining games of the 2020/21 season being resold to *Canal+*. All this led to a 472 million euros loss from what was initially supposed to be received.

After the end of that season, the three remaining years of the previous contract were renegotiated. A new player, *Amazon*, recovered the packs from *Mediapro* for 250 million euros per season and started broadcasting live Ligue 1 games on its streaming platform *Prime Video*. Moreover, *beIN Sports* rebought the same pack of games and maintained its sub-licensed agreement with *Canal+*. The new valuation of Ligue 1 amounted in total to 624 million euros, a drop of more than 45% compared to what was initially planned for this period.

As a result of the last contract (until 2023/24), consumers have now to pay for both *Prime Video* and *Canal+* to have access to all Ligue 1 games in a season. The streaming platform has a cost of 5.99 euros per month plus 12.99 euros for the *Prime Video* Ligue 1 Pass while the pay-tv channel costs 22 euros, bringing the total cost of French football to almost 40 euros.

Revenue Distribution

Due to the league's poor management, French football was known for its loose financial management and club budget restrictions. As a result, a club's likelihood of entering the "red zone" financially increased the more television revenue it could generate (poor governance). However, it was argued that French football could be saved from the overall financial and business crisis in European professional football by better regulation, more specifically the development of three key factors: solidarity (income distribution), education and financial discipline.

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From 2001 onwards French League TV rights started being negotiated collectively and it was important to choose the right distribution model for the league. In the beginning, the LFP chose to distribute 73% equally among all first-league clubs and 27% according to sporting merit and relegation indemnity. The objective was to prioritize a balanced league and financially stable clubs, translating into a revenue difference ratio of 1,6/1 in 2001. However, in 2005, LFP changed the system, distributing now according to the 50-30-20 rule: 50% equal share (30% fixed, 20% according to club licences); 30% league performance (25% based on current season classification, 5% according to the five previous seasons); 20% media profile. This rule is still used today, and it came as a result of the rapidly increasing revenues (Appendix 14).

Characterization of the Pay-TV Market

The pay-TV market in France is quite fragmented across five big companies being them *Free (Iliad Group)* with 24%, *Orange* with 22%, *Bouygues Telecom* and *SFR* with 17% each and *Canal+* with 13% (Statista, 2022).

Fan Base

In France, titles are well spread across the several top clubs of the country with 10 clubs having four or more championships (the maximum is 10). More recently, Paris Saint-Germain has built a dominance over French football winning 8 of the last 10 championships.

As for the number of supporters, the fans are very diversified in their favourite teams with the most popular clubs being PSG (25%), Olympique Marseille (20%) and Olympique Lyonnais (14%) (Full Sports, 2022).

Eredivisie

Although the Dutch football league is not as big and not as profitable as other European leagues previously analysed, the Dutch case has specific importance to the global study that all the other leagues do not have. Both the country and its football league have particular characteristics that resemble the Portuguese case, making it highly relevant for the analysis.

The Netherlands is a small country with only 17 million people (a number moderately close to Portugal's 11 million) where football is the clear favourite sport. This translates into a pretty small yet very enthusiastic domestic demand to watch football, which results in limited revenue opportunities inside borders. Regarding football, Eredivisie (Dutch football league) has 18 teams disputing for the title with big differences in economic power between the clubs. Just like in Portugal, the Netherlands also have "The Big Three", Ajax, PSV and Feyenoord, which are the three most successful clubs in the country (59 of a possible 67 championships since the introduction of professional football in 1954). Besides, these are also the clubs that historically reunited the highest number of fans, accounting for almost half of the country's population (they have around 4.5 million, 1 million and 2 million fans, respectively). Other relevant clubs in terms of big fan bases include Twente and AZ Alkmaar. Dutch clubs can have decent performances in the European competitions, especially the big three, and have won them in the past (six Champions Leagues and four Europa Leagues) but the clubs lack the financial power to attract the greatest players to the league, being difficult to compete with the top European leagues when selling its international TV rights, just as Portugal.

First Broadcasting Rights Contracts

The first ever live football game in the Netherlands dates back to 1950, just four years before the already mentioned creation of the Dutch football league. From these early

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times until 1997 there is not much information concerning Eredivisie's TV rights and how they were commercialized, being difficult to conclude the companies that may have bought them, and the values received by the clubs.

Initially, in September 1996, *Sport 7*, a Dutch pay-TV channel, agreed to a seven-year contract for a fee of nearly 500 million euros for almost all the football matches in the country. However, several months later, in December 1996, the channel collapsed, after sustaining huge losses. Therefore, the next year, Dutch clubs created an enterprise named *Eredivisie CV* (ECV) with the intent to collectively sell the league's TV rights.

Later in the same year, the newly formed *ECV* would agree to an exclusive 5-year deal with *Canal+* for the transmission of 68 Eredivisie games and with the public service broadcaster *NOS* for the highlights for a total value of 36 million euros per season. Still in 2001, the contract with *Canal+* is renewed for three more years until the 2004/05 season and the pay-channel operator retained its monopoly over *Eredivisie*'s TV rights.

However, in 2002, the Dutch Competition Authority declared that from the 2003/04 season onwards collective sale was forbidden. The basis for this decision was that *Canal+* was enjoying a monopolist situation and creating an artificial scarcity in the number of games broadcasted (only 44 of the 306 played), by not giving up exclusive rights, thus affecting the consumer. They considered that there were other mechanisms besides collective sale to ensure a fair redistribution of revenues and that an individual sale scheme would result in a higher competition. Some clubs, including bigger teams such as PSV and Ajax, soon reach new individual agreements with *Canal+*.

In 2005, the collective system was restored with *ECV* this time creating different new live broadcasting rights packages. The big winner was *Versatel/Tele2* which bought all the packs concerning the live transmission of league games (pay to watch). *ECV* also agreed to two deals with *Talpa* for the highlight pack and with *RTL* for the live free-to-air game

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pack (in 2007 *Talpa* was taken over by *RTL*, with the latter also acquiring the highlights rights of the Eredivisie). The total value of the rights sold by *ECV* was 70 million euros for each of the three years, substantially higher than previous deals.

Unique TV rights contract

A new contract was to be set for the 2008/09 season however clubs were unsatisfied with the first rounds of bidding for the live TV rights. After being rumoured that top clubs AZ Alkmaar and Ajax were pondering the sale of their live rights separately, *ECV* sought out alternatives to increase its collective TV revenues, taking the bold move of exploiting the rights themselves. Accordingly, *ECV* developed its own branded channel, *Eredivisie Live*, rather than selling its rights exclusively to the operator who offered the greatest price. The *ECV* believed it could commercialize the Eredivisie's appeal at a significantly higher price than the low bids they had been receiving from the existing pay-TV broadcasters. To properly manage the channel, a joint venture - *Eredivisie Media and Marketing* (EMM) - was established, being owned by *ECV* (80%) and *Endemol Sports* (20%). In this new distribution format of Dutch football, *Eredivisie Live* station was to be spread as widely as possible, not being fully tied to an individual broadcaster as before. In order to market the *Eredivisie Live* product, *ECV* reached out to all platforms (comprising satellite, terrestrial platforms and cable) to set distribution agreements, allowing the discretion of the platform over the price charged. These agreements, which have not been made public, are thought to have involved revenue-sharing programs to encourage subscriber growth. In addition to the revenues generated by *Eredivisie Live* deals, *ECV* also sold to *NOS* the highlights rights for 21 million euros per year. This system remained until the end of the 2012/13 season.

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The biggest Eredivisie Contract Ever

As part of its international expansion strategy, in 2012, *FOX International Channels (FIC)* acquired a controlling stake in *Eredivisie Media and Marketing*, buying 51% of the owner of *Eredivisie's* TV rights from *ECV* and *Endemol*. Starting from the 2013/14 season, the deal would be worth around 85 million euros per season for the next 12 years (until 2025), translating into a total value of 1.02 billion euros for the whole contract. The Eredivisie was now being broadcasted exclusively on the several *Fox Sports* channels available across the various television providers (the American station also acquired numerous other sports TV rights in the country that were also available on these channels). Later, in 2021, *Fox Sports* was renamed *ESPN* (after the acquisition of 21st Century Fox by *Disney*), being the place to watch Dutch football nowadays.

Cost to Consumer

As a result, nowadays, consumers only have to acquire *ESPN's* pay-tv channels to watch all Eredivisie games. The price is 17.95 euros per month and the channels are available across all major TV operators.

Characterization of the Pay-TV Market

There are two clear leaders in what regards the TV subscription market in the Netherlands in 2022. These are *Ziggo* (40% market share) and *KPN* (30%), followed by *T-Mobile* with just 8% (Statista, 2022).

6. Individual Cases

6.1 International TV Rights

In this section it will be explored the commercialization of international broadcasting and how can the centralization of broadcasting rights influence such deals. It will be addressed the current international broadcasting deals in the Top 5 European football leagues and Eredivisie and describe the current state of overseas media rights commercialization in the Portuguese League. Moreover, we will explore some pros and cons of a collective model on broadcasting deals for foreign markets concluding with some prospects for the future of the Portuguese Football League in this context. Impact of collective sale on the commercialization of International Rights

When considering the sale of international broadcasting rights, one should consider that overseas viewers' preferences are much less focused on individual teams than on specific matches. Domestically, many consumers simply live in the same city as a club and may be expected to have strong preferences for that club. This is not necessarily the case for overseas media rights. Instead, one would anticipate that spectators would be more interested in games from a foreign league top teams and less interested in the less well-known clubs in the same league. This might also suggest more substitutability across matches, which would suggest a decreased readiness to pay for international media rights. Although on the surface this could imply that the advantages of a centralized sale of broadcasting rights might be lower for foreign media rights, there is not sufficient information to conclude so. To refute such a possibility, C.P Heller, S. Sudaric and A. Winkler explore different points that could indicate synergies between a centralized broadcasting model and the sale of international rights in the paper "The Centralised Sale of Football Media Rights in Europe" (2021). Firstly, the authors believe that is likely that an individual club would have more difficulty than the league in marketing rights for their home games to overseas broadcasters, who would probably

require a larger portfolio of games in a league to make an offer attractive to consumers. Second, the greater substitutability of games would not only apply to matches of top clubs across different leagues, but also matches of less well-known clubs of all foreign leagues. It is stated that the consumer in an overseas media market sees two matches between two different top clubs of the Premier League as substitutable, such a consumer might also see a top match from the Premier League and LaLiga as similarly substitutable. In similarity, fans would rate matches with internationally less popular clubs as similarly substitutable, be it clubs from the Premier League or any other top football league. Overall, this paper defends that it continues to be good reasons to see the rights for individual matches as complementary, while the significant substitutability between rights would also imply a much larger relevant market, covering the international broadcasting rights of similar top clubs of all non-domestic leagues. The paper concludes this rationale by asserting that it is likely that the benefits from a centralized sale of international broadcasting rights outweigh those of a decentralized model, adding that any anticompetitive effects would most likely be mitigated by competition between the various national leagues.

Portugal's Current Situation As of 2022, Liga Portugal has failed to implement an effective strategy that promotes Portuguese football outside its borders. The absence of a collective strategy between the different clubs and the exhaustion of current sources of revenues depict the major reasons for this failure. Internationalization of the Portuguese league broadcasting rights is looked upon as a strategy to promote the competitiveness of Portuguese football (EY, 2021). Nevertheless, international rights for the Portuguese League are not sufficiently explored given the several factors that may benefit such a move: countries with a strong incidence of Portuguese emigrants; countries with Portuguese players and managers; and countries with players signed to Portuguese clubs or that historically have imported/exported

players from/to the Portuguese league. Although, this potential is not harnessed since, as previously mentioned, Liga Portugal caress from a solid strategy that values such internationalization. As of 2021, the weight of international broadcasting revenues in total broadcasting revenues for the Portuguese League is 5%, accounting for 8 million euros, a very minimal value when compared with the values from the Big Five European Leagues (English, Spanish, Italian, German, and French Leagues), and even less than the comparable Eredivisie (14 million euros), something that will be later addressed. Even though Liga Portugal lacks a well-developed and established international strategy, small steps have been taken in 2022. Liga Portugal reached an agreement with For Media Sports, an experienced company in the distribution of broadcasting rights, to commercialize and distribute the rights for the Allianz Cup (Portuguese League Cup) games for the 2022/2023 and 2023/2024 seasons. (Liga Portugal, 2022). Liga Portugal aims to invest in the internationalization of this competition, outlined as one of the objectives for the future of the Allianz Cup by its management. For Media Sports has established partnerships in several of the major international markets and a variety of sports modalities, something that Liga Portugal can use as leverage to reach its goal for the League Cup. Emanuele Vialri, For Media Sport's CFO, also sees the agreement as a benefit to both parties, describing Allianz Cup as an attractive competition in a commercial landscape, given its appellative format where the winner is decided by a final four disputed in a single city. Tiago Madureira, the CEO of Liga Portugal, believes that with the know-how from For Media Sport, the Portuguese League will be able to fortify an international project that can boost a possible strategy for an international approach for Liga Portugal's broadcasting rights (Liga Portugal, 2022). If the Allianz Cup case becomes a success, we can expect it to be a solid starting point for a total engage by Liga Portugal in an international strategy. Centralization of broadcasting rights impact on

international rights revenues for the Portuguese League. From a centralization point of view, the impact that such a move would have on Liga Portugal broadcasting revenues is said to have two different possible paths. An EY paper defends that in a scenario of total centralization of the Portuguese league broadcasting rights, the value of the international rights could be “substantially higher” as it happened when the other Big 5 Leagues chose to pursue such a strategy. This is said to allow for a “solid strategy” for penetrating the international markets by having better control over the product. Nevertheless, such a prediction lacks sufficient evidence to guarantee that such action would have the same impact in Portugal as it did in the other European Leagues. In contrast, in a paper by “Servir o Benfica” it is stated that revenues generated by the negotiation of international rights are residual in the Portuguese landscape when compared with the ones from the Big 5. It is added that expecting a similar result to what happened to the Big 5 regarding the centralization of broadcasting rights in international revenues is not realistic since these leagues benefit from teams that are serious candidates for international titles and are composed of top players. These factors guarantee greater visibility for these leagues when compared to teams from the Portuguese League. Also, the games from the Big 5 that are transmitted internationally highly saturate the calendars, giving little space for the broadcasting of games from other leagues, especially in prime broadcasting time. Even though Portugal can benefit from the existence of a strong emigration presence in different European countries, the major diaspora is linked to Portuguese ex-colonies, the PALOP (African Countries with Portuguese as the official language) and Brazil. In the case of the PALOP, these are countries that have low purchasing power, a scenario that is expected to remain in the following years. As such, these markets have high penetration barriers and can be seen as non-attractive. In the case of Brazil, we can witness a self-centred industry with a strong tradition attached, therefore a strong commercial

penetration in its markets is not expected. Summing up, “Servir o Benfica” defends that an increase in international broadcasting revenues would always be residual in the whole sum of total broadcasting revenues generated. Also, the paper highlights the disparities between the national and international markets, stating that such differences do not justify a similar approach in the negotiations of the league’s broadcasting rights.

International Benchmark To have a better understanding of how Liga Portugal can monetize from the centralization of broadcasting rights when negotiating its rights overseas it is important to have an idea of the revenues being generated by the sale of international rights in the Top 5 football leagues, as well as the Eredivisie. Premier League is one of the biggest leagues in football with many describing it as the number one league in the world. Indeed, as of 2022, the English League occupies the number one spot in the UEFA country coefficients. The presence of a lot of star players in English teams and the success of these teams in international competitions linked with a solid domestic competition, which has seen five different winners in the past ten years, has proven to be a key success for the league, making it the most attractive one overseas. For the first time, the Premier League international broadcasting rights will top domestic ones over the next three seasons (The Athletic, 2022). Between 2022 and 2025, the value of international rights will reach 5.05 billion pounds, while the value of domestic broadcasting rights will be 5 billion pounds. Overseas rights are now 30% higher than they were in the last deal, which generated 3.89 billion pounds between 2019 and 2022. This value is explained by the strong growth of the North American market, whose value increased from 800 million pounds, in a six-year deal in 2016, to more than 2 billion pounds in the most recent deal (again for six seasons), but also some European markets, such as the Nordic one (almost 120% increase, from 180 million to 390 million euros per season). Only the Chinese market registered an inferior value when compared to 2019, following the collapse of the

PPTV deal (affected by Suning's crisis). This highlights Premier League's global value and how the English football division has become a worldwide brand. It is improbable that television rights for any other sport worldwide would favour overseas revenue like Premier League's most recent deal (Appendix 15). Apart from Premier League, LaLiga is the only European league that was able to increase the value of its broadcasting rights relative to the prior year. Growth in the Spanish clubs' broadcasting revenues has been underpinned by the international broadcast deals LaLiga has been able to deliver in recent years. (Deloitte, 2022) The league has been able to capitalize on its international appeal that gain special attention overseas from the years of 2009 to 2019 when it served as the stage for the clash between the two so-called best football players ever, Cristiano Ronaldo for Real Madrid and Lionel Messi for Barcelona. Currently, broadcaster Mediapro markets LaLiga's media rights, for which it pays 900 million euros annually between 2019/20 to 2023/24. (Heller, Sudaric and Winkler, 2021). Similar to the Premier League, international rights for LaLiga have a substantially large weight in total broadcasting rights being, as of 2022, 43% of total broadcasting revenues (EY, 2021). Bundesliga ranks 3rd in the yearly average (in euros) of revenues generated from selling its broadcasting rights, both nationally and internationally. Nonetheless, only 14% of these revenues arise from the negotiation of its rights overseas (UEFA, 2021). The German Football League adopts a centralized model for the sale of its domestic broadcasting rights but internationally it opts to sell media rights at cycles independent from the domestic ones, endorsing several different deals for each country or region. Amid the COVID-19 pandemic, Bundesliga saw the value of its international broadcasting rights for the 2020/2021 campaign plumb by about 20% in comparison with what was generated in the previous season. (Sportsmediapro, 2020) This shortfall occurred despite the increase in the number of individual deals for overseas broadcasting rights. Following the

termination of the 80-territory, five-year contract with Fox, Bundesliga International has already signed around 50 international rights deals, up from 20 in the previous cycle. (Sportsmediapro, 2020) This showcases that after the negative shock felt on the value of its international rights due to the pandemic, German Football League is actively pursuing to reverse the situation by penetrating various markets overseas. The Bundesliga is home to some of the top clubs in Europe, including 31-time champions FC Bayern München and the current UEFA Europa League holders Eintracht Frankfurt. As such, it has been actively exploiting the clubs' international rights taking advantage of the massive interest from emerging countries – newly developed giants, such as China and India, as well as from developed large economies like the US. (Koutroumanides, Alexopoulos, Laios and Douvis, 2019). From the latter we can conclude that the relatively small weight international rights have in total broadcasting rights for the German Football League is derived from the high value of its domestic broadcasting rights, and not from a lack of investment in the sale of these rights overseas. Moreover, the current Bundesliga international TV rights and marketing strategy has proven to be successful given the presence of various emigrant communities throughout the world. In an effort to catch up financially to other European soccer leagues, Italy's Serie A hopes to treble its earnings from overseas broadcasting rights by 2030. (Sportsmediapro, 2022) Even though, the start of the 2020/21 season saw the value of Serie A's international rights decrease markedly following a failure to secure a broadcast agreement in the MENA region (where previous partner beIN Sports, opted not to bid for rights, in part due to ongoing concerns of piracy in the region (Deloitte, 2022)). This is particularly relevant since beIN Sports was worth around 50% of the total package. Therefore, in the last cycle of international bidding, the Italian league suffered a decrease in the value received per season of almost 150 million euros (from 370 million euros to 223 million euros). Nevertheless, Serie A aims to turn

the situation around and achieve a total of 1.1 billion euros for the 2024-2027 cycle and 1.9 billion euros for the following one (Reuters). Within the top 5 leagues, the French League is the one that least depends on international broadcasting rights. Under the terms of the current deal, which was first negotiated in 2011 and later extended until 2024 in 2014, Qatar-based BeIN pays just 80 million euros to the Ligue 1 teams for the sale of broadcasting rights overseas. (Heller, Sudaric and Winkler, 2021) These values weigh merely 12% of the total pot of broadcasting revenues for the French League. In more recent years, LFP, the French Professional Football League, has conducted several studies concluding that the current valuation of international broadcasting rights is sharply undervalued under the current deal, especially in markets such as the Middle East, North Africa and the US. (Carp, 2018) With the move from superstar Lionel Messi to Paris Saint-Germain in 2021, who joined forces with two other top players, Kylian Mbappé and Neymar Jr. the viewership for Ligue 1 increased significantly which caused clubs in the league to show discontent with the value of the league's international rights, according to a report in 20 Minutes. According to the French daily newspaper, officials of several Ligue 1 teams are pressuring the French Professional Football League (LFP) and BeIN Sports, to renegotiate the current agreement. The current situation faced in France showcases the downsides of engaging in long-term deals for international broadcasting rights since market and viewership trends can fluctuate dramatically in just a few years. Similarly to these last examples, in the Eredivisie, international rights account for just 12% of total broadcasting revenues, showing that even in a case where Portuguese revenue would double (the comparison is the 14 million euros of the Dutch league), its value would still be residual when compared to total revenue. Finally, it is important to state that these leagues differ in their distribution systems for this pot of revenue. In Spain, Italy and France, the distribution of international broadcasting rights is combined with

the revenues generated by domestic rights and distributed on the same basis. For the English Premier League and the German Bundesliga, the distribution system differs from each of the two revenue streams, with different metrics applied, being equally distributed among all clubs in the first case.

Final Remarks The centralization of the broadcasting rights model has been embraced by the biggest and most important football leagues in the past decades. The effect of such play on the generated revenues by the sale of media rights to foreign markets is still very volatile with different leagues obtaining different results. As we saw, some leagues run a centralized model but choose to engage in deals of different character when negotiating international rights, as is the case for Bundesliga. At the moment, even with different papers suggesting different possible outcomes for the practice of a centralized model on overseas revenues, most of the leagues address the foreign market with a tailored plan that most fits their needs. For Liga Portugal, the future is uncertain. The centralized model is not expected to take place in the next 4 to 5 years, but that does not mean that Portugal should not pursue an international strategy to complement the possible benefits that can later arise from such a move. Liga Portugal should have a broader view and focus on other markets with strong Portuguese emigrant communities apart from the PALOP, such as North America. Moreover, this market, as well as Asia, have shown increasing interest in European Football and China's case is one to highlight given its size and potential. For reference, a simple game between Osasuna and Espanyol in 2019 had 40 million views (more than the El Classico that same year) just from Chinese viewers, as a reflex of player Wu Lei, of Chinese citizenship, starting for Espanyol (Millar, 2019). Moreover, the Brazilian market should also be one to look up to despite the previously mentioned barriers. Year after year Brazilian prospects come to play in the Portuguese League, benefiting from the similar cultures and language while playing in a league with high exposure to Europe's top clubs. Many Brazilian

enthusiastically follow their local talents closely which can bring big viewership for the Portuguese League. Concluding, the Portuguese national league has a long array of opportunities to better penetrate the international markets and should continue to follow strategies for its valuation as it started in the 2022/2023 seasons. The impact of a centralized model on this move may bring benefits for the league's overseas objective but is important to understand the main takeaways from the other studied European league's deals while tailoring its strategy to be the most adequate for the Portuguese League features.

7. Discussion

Firstly, across the different European leagues that we used as a benchmark in this project, it is possible to conclude that the Portuguese league is the only one where clubs still sell their rights individually. In fact, Portugal is together with Cyprus, Greece, Serbia and Ukraine, one of the five remaining European leagues not selling broadcasting rights in a collective way (UEFA, 2021). Therefore, after a careful and detailed analysis of both the Portuguese League and the other main European leagues in the football spectrum, there are some considerations to be taken regarding the future of Portuguese football and particularly regarding the mandatory adoption of a centralized model for the commercialization of broadcasting rights.

Throughout this study, we saw the way these rights were marketed evolved over time. After some resistance from the side of clubs and leagues, which argued that television would harm attendance numbers, most of the leagues started to adopt regular transmissions during the 1980s. At that time, these were done through public channels in a free-to-air model.

In Portugal, similarly to the other European Leagues analysed, football broadcasting started in public channels (in this case, in 1978) by *RTP* and until 2012 the free-to-air channels available in Portugal (*RTP*, *SIC* and *TVI*) kept broadcasting some football matches from the Portuguese League. From 1998 onwards, pay-TV was introduced and the main channel to broadcast the Portuguese Leagues from then until now, *Sport TV*, entered the market, being currently the channel responsible for the transmission of all matches of the Portuguese Leagues besides Benfica's home matches, which are still broadcasted by the club-owned channel, *BTV*. More recently in 2018, we have had the introduction of *Eleven Sports*, another pay-TV channel, which has the broadcasting rights for the UEFA Champions League in Portugal, increasing to three the number of

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subscriptions the average consumer in Portugal must have to watch the complete season of their club (since the fanbase in Portugal is highly focused in the three main clubs, which regularly play in this competition).

Currently, the Portuguese clubs still negotiate their broadcasting rights individually with multimillionaire contracts established between the main clubs and the main Portuguese TV operators (*NOS* and *MEO*).

This importance of football to telecom operators can also be seen across different countries where it was used as a strategic asset to increase market power and share in both the pay-TV and wider communications market. For brands, premium football played an essential role in “triple play” strategies conducted to build a competitive position in the increasingly converged pay-TV and broadband industry.

It is possible to observe that these strategies were influenced by the particular characteristics of each country and the existing competition between operators. For *BT* and *Telefonica*, in the UK and Spain, the acquisition of these rights was a way of defending an existing position in the broadband market and/or translating that dominating position to pay-TV. In opposition, in Germany and France, new and/or existing pay-TV broadcasters have moved to prevent telecommunications operators from pursuing similar strategies. Faced with that situation, *Deutsche Telecom* and *Orange* assumed the role of distributors, rather than risk overpaying for sports rights. This was exactly the case of some companies that did not reach the expected number of subscribers in the early 2000s, having collapsed, in a kind of “winner’s curse” situation, as was the case of *ITV Digital* in the UK and *Kirch Media*, in Germany, which led to serious consequences.

Regarding Portugal, these contracts were established in 2015 and 2016, in a commercial war between these two operators that led to overvalued deals, making the Portuguese League the one where the highest increase in TV revenue was verified at the time. This

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is one of the main essential factors for the big financial gaps between the Portuguese clubs as the bigger ones have significantly higher bargaining power than the smaller clubs in the country. These contracts ultimately extend to the season of 2027/28, the season which the Portuguese Government gave has a deadline for the adoption of the centralized model by decree.

Throughout our analysis of the current situation in the commercialization of broadcasting rights in Portugal, we took a deeper look into the existing structure in the telecom market in Portugal, where we identified a significantly reduced level of competition, with the three main operators representing between them 97% of this industry in the country.

Furthermore, contrary to the 2015 situation, when *MEO* and *NOS* competed with each other for the TV rights, nowadays the three main operators hold equal equity stakes in *Sport TV*, and by acquisition moves such as the one that is currently being closed by *Vodafone* of the smaller peer *NOWO*, there are no incentives for a new commercial war.

Similar situations were verified in Spain, where the main operators ended up in an agreement, sharing their positions in a new society called *Audiovisual Sport* (although it did not bring the expected peace) and in Italy, the two channels *Telepiù* and *Stream TV* merged and *Sky Italy* was born. In fact, there is a general tendency of communications industries to evolve towards an oligopolistic market structure leading to a decrease in competition levels and so a consolidation of the market and the overall values for which sports rights are traded.

Nonetheless, this virtually zero competitiveness in the Portuguese market is a worrying factor to be considered in the adoption of the collective commercialization of broadcasting rights in the country. OECD itself already discussed the competition issues potentially arising from vertical integration movements between operators and TV channels, which include refusals to supply essential inputs to rival downstream firms,

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margin squeezes, raising rivals' costs and exclusivity deals or monopsony in content acquisition (OECD, 2013).

In fact, there were already recommendations being done by the Portuguese competition regulator, *Autoridade de Concorrência*, regarding the lack of competitiveness in this industry, regarding the position of shareholders in *Sport TV* across the main players in the market and to decrease the extension of future contracts. Statements made by this authority were one of the conducting factors to the governmental decree imposing the centralized model in Portuguese football, whose structure has to be approved by this institution before its adoption.

In an interview conducted with our group, Jorge Pavão de Sousa, Managing Director at *Eleven Sports Portugal*, stated that the current structure of the operator market in Portugal constitutes a significant barrier to the entry of new players in the market and technological innovation, something usual in markets with low competition. Jorge de Sousa carried on stating that the shareholder position by the three main operators reduces the possibility of bundles with all channels responsible for broadcasting matches of the Portuguese clubs and reduces the differentiation between TV operators in accessing football broadcasting rights (all of them provide the same content). *Eleven Sports Portugal's* Managing Director finally states that the centralization of broadcasting rights is the most transparent way to commercialize this type of rights and that, ideally, its adoption would be anticipated to 2026 in order to be able to hold the international broadcasting rights and digital broadcasting rights.

Regarding this topic, Cláudio Couto, financial vice-president of SC Braga, in an interview conducted with our group states that although he considers himself an optimist and that in the last years he has been optimistic about the anticipation of the centralized model, he does not believe anymore that the anticipation is possible, something also mentioned by

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Jorge de Sousa. However, he does not see this as something explicitly bad since this discussion and application period until the full implementation can bring new technologies that might revolutionize football and clubs' situations.

When it comes to the analysis of the situation in Portuguese football, it has been characterized by a significant gap between the three main clubs and the remaining throughout the years. These multimillionaire contracts highly contribute to this situation, being one of the bases for the low competitiveness in Portuguese football, which in turn decreases the attractiveness of Portuguese competitions internationally.

In fact, these significant budgetary differences have created a sense of urgency regarding a new model for commercialization and redistribution of broadcasting revenues between the smaller clubs, which are struggling to survive and even resulted in dramatic situations such as the one of Vitória Futebol Clube, a historical team that was relegated to inferior divisions due to financial problems or others that opened up their capital to external investors, which resulted in disputes between the Clubs and their sports societies, such as the examples of Belenenses and Desportivo das Aves. This opinion was also shared by Cláudio Couto who considered centralization not a problem for the big clubs but rather an attempt at salvation for the small clubs.

Another aspect to be considered is the economic viability of the application of the centralized model, this is if the adoption of this model will be able to increase the cake for the whole of Portuguese football or if the cake will be the same and the fears of the bigger clubs will, in fact, happen, losing revenues to redistribution.

According to some estimates broadcasting revenues may decrease between 25% to 60% for these bigger teams (Brinca, 2022), which could harm their international competitiveness and further decrease their income from this driver. In the 2021/22 season, revenue from UEFA's competitions represented an average of 36% of total revenue

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(excluding players' transactions) for these three teams, which shows their dependence on this revenue source.

Pedro Proença, Liga Portugal's President guaranteed that no club would be worse off when centralization takes place, meaning that the benefit small clubs will have will not come from directly worsening the big clubs' position. This means, however, that the whole cake will have to increase to around 350 million euros (Brinca, 2022) so that no club is harmed. This seems challenging given that Portugal already has the highest ratio between the value of domestic TV rights and the country's GDP (together with Spain) and the third highest cost per match and cost in terms of the telco market, just behind the UK and Spain, which shows that there is little margin to further increase the pie (Appendix 11). Moreover, to finance that increase premium sports penetration would need to double from the current 11% to around 22% for the implementation of a centralized model to break even in economic terms (considering an average price of 25 euros per month to reach 275 million euros). Otherwise, only companies with interests besides football could bid for these values.

When looking at the latest European tender processes we have already seen that there is a certain correction taking place. In the UK domestic football rights have decreased their value, as well for Germany, France and Italy. Spain was the only top league that was able to further increase the value but also benefitted from an increase in the duration of the contract. Despite this, current values are, in most cases, above the ones practised in 2015, when the last TV contracts were agreed upon in Portugal, giving some room to increase the current value.

We also need to consider that an increase in the value of broadcasting rights will inevitably be reflected in the price paid by the consumer. In the last decade, regulatory attempts, such as the NSB clause, to promote competition in the market have been only

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of limited success. Most of the analysed markets evolved to a duopoly structure: *Sky Sports* and *British Telecom* in the UK (NSB clause introduced in 2006), *Telefonica* and *Mediapro* in Spain (although there is no NSB clause), *Sky Deutschland* in Germany (only introduced the NSB rule in 2018), *Sky Italia* and *Mediaset* in Italy (NSB introduced in 2008) and *Canal +* and *beIN Sports* in France (although there is no NSB clause). But this fragmentation contributed to the continuous increase in broadcasting fees, which has benefitted rights owners at the expense of consumers.

This topic was also addressed by Martijn Bakx, media rights manager at *Mediapro*, in a recent forum where he said that believes the market has reached the pain level of what consumers are willing to pay for sports. The situation is similar in Portugal, which is the country where the population pays the highest price to watch football in percentage of minimum and net salary (Appendix 11).

At the moment, the hopes for Portuguese football lie in the entry of an international player into the market, and some trends have been observed in this regard:

The first revolution occurred in 2011 when *Qatar Sports Investment* bought PSG and an associated company (*beIN Sports*) ended up buying several game packs, either related to domestic or international rights. The Qatari influence in the French league had both positive effects on the revenues generated by the TV rights and also on the attention it generated around the league (PSG becoming a European giant and investment in international TV rights).

The same company acquired 21,67% of Sporting de Braga's shares in October 2022. Being the fourth most successful team in the country in recent years, this deal can both imply the emergence of a new powerful force in Portuguese football, challenging the *status quo* of the Big Three and increasing competition but also a sign that an international

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player can bid for Liga *Bwin*'s TV rights, which would certainly contribute to an increase in its total value.

In parallel, we have seen increasing interest by streaming companies in these rights. In countries such as Spain, Italy and Germany, *DAZN* has become the main player in the last deals, either alone or in association with telecom operators, as it was the example of *TIM*, which would reportedly take over the payment of 40% of the annual fee due by *DAZN* to Serie A. It is also relevant to refer that the average churn rate of SVOD services is around 37% (data for the USA, 2020, Deloitte), whereas pay-TV is substantially lower (around 10%-15%).

This is particularly relevant because *DAZN* is since September 2022 the owner of *Eleven Sports*, currently, the main candidate to challenge (and put an end to) *Sport TV*'s monopoly in Portugal, having already around half of *Sport TV*'s subscribers even without most desired content: the rights for the domestic league. Therefore, this acquisition will undoubtedly give more strength and capacity to *Eleven Sports*, in the bid for the Portuguese league rights.

Moreover, *Amazon Prime*, which owns part of the Premier League and Ligue 1 rights is already the second most popular streaming service in Portugal, representing 23% of the market in the first quarter of the year (JustWatch, 2022), being already available for most of the *Vodafone* clients in their TV packages. The service has recently launched a series, *The Factory of Dreams*, focusing on the talents produced by Benfica, giving expression to the Portuguese league association of a natural talent exporter and possibly being a sign of interest for Portuguese football by the American giant.

Simultaneously, interesting developments occurred in Spain where in 2018, *Vodafone* took the decision of giving up bidding for this content, as the company considered it was not a rentable business anymore and moreover, football was not the most-demanded

product by their clients, but rather alternatives such as *HBO Max* or *Netflix*. In the end, *Vodafone* lost some of its clients but not enough to consider it a bad decision, as it saved also the 300 million euros that they would cost.

On a final note, despite all the attempts of having own channels in the past have failed, such as the examples from Italy and the Netherlands referred on this research (perhaps, *BTV* is probably the most successful case of a club or group of clubs having their dedicated channel) it has been rumoured that Premier League is planning to create its own streaming service with full access to all English Football in the following years.

Concluding, on the one hand, the last decade saw Italy and Spain transition from an individual sale model to a collective sale model after the intervention of regulatory authorities and the government, in order to increase internal competition, which ultimately led to an increase in total revenue as well. Despite this, that was not achieved without some controversy as big clubs such as Real Madrid, Barcelona and Juventus expressed some opposition to this model throughout the years, accepting it under the promise that they would not lose money. This makes all the above-mentioned leagues distribute at least 45% of the total domestic TV rights equally among all the participating teams and although ones had benefitted more than the others, in European high-to-median ratio is at 2.1x, much smaller than the Portuguese one of 9.2x (UEFA, 2021).

Undoubtedly, the Portuguese situation has to change, but on the other hand, the closest case to the Portuguese League, the Eredivisie did not outperform our country. It is also clear that Eredivisie's clubs were not satisfied with the valuations they were receiving for the rights, having tried several different ways for the distribution of such rights. And when comparing the different long-term contracts signed in both countries, it is possible to conclude that the Portuguese revenues are significantly higher than the Dutch ones (172 million euros and 105 million euros, respectively, per season). Both leagues show an

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incapability of retaining and signing the biggest football stars which then translates into difficulty to compete with the top five European Leagues and even the champions' distribution is similar across the last ten seasons: five league titles for Porto (six for Ajax), five for Benfica (three for PSV) and one for Sporting (one as well for Feyenoord).

In our opinion, centralized commercialization of broadcasting rights in Portugal will be something positive. Nonetheless, the organization responsible for the construction of such a future model, *Liga Centralização*, has to consider essential aspects to be worked on, such as the ones mentioned regarding competitiveness among operators and among clubs and regarding the creation of an international strategy for the commercialization of broadcasting rights of the Portuguese Leagues, which at the moment represents only about 5% of the total broadcasting rights' revenue. The valorisation of such rights is an important lever for the increase in value of the centralized model and for the possibility to generate significant revenues to be distributed by the clubs. Jorge de Sousa mentioned in his interview with our group that the international component of broadcasting rights is the most explored source of revenue in the international centralized models already implemented.

Finally, it is interesting to observe that the positions of all men interviewed, considered specialists on this topic and despite being in different spectrums of the industry, are aligned, meaning they all consider that centralization itself will not be the miracle that will save everything but instead, by imposing a centralized model, all parties will come closer, translating in an easier way of joining efforts for big causes such as the fight against the use of pirated content.

8. Recommendations

This study proposed to evaluate the effects of competition in the telecom market on football broadcasting revenues considering the recent resurgence of collective sale models across the major European leagues particularly the strive of the Portuguese League to adopt such a model. Throughout the study, an international benchmark was carried out alongside an analysis of the current national situation and a set of interviews with essential players in the broadcasting agreements in the country.

From these analyses, several conclusions were drawn, and a set of recommendations was constructed considering not only the main focus of study – competition in the telecom market – but also the recent strive to construct a future centralized model of commercialization of broadcasting rights in Portugal.

One of the major concerns in the application of a centralized model of commercialization of broadcasting rights in Portugal is the financial health of the model, particularly the capacity to not reduce the revenues for any club in the national sphere. This matter is given significant importance by the national “Big Three”, which are naturally the ones that have more to lose from a failure of the model in this aspect. In Spain and Italy, a transitory model of revenue distribution was created as a way to prevent the bigger clubs from being harmed by the change in the commercialization model, while smaller clubs would still see their gap in broadcasting revenues to the bigger ones be reduced. The Portuguese League could replicate such practices as an effort to prevent the bigger clubs from being harmed by diminished financial returns in the early years after the application of the model, in case these happen. As revenues from the centralized model achieve the necessary amount to attain the preferred redistribution model without harm for any of the clubs participating in the competitions, a smooth transition should be ensured from the transitory to the desired one.

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On the other hand, with the expected increase in the revenues from broadcasting rights, a problem of revenue management might arise in smaller clubs. The budgetary increase for smaller clubs might enact an immediate reaction from these in signing better players to improve their short-term performance, which would, however, mean that in the long-run smaller clubs might see themselves back to the current delicate financial position, due to the misapplication of the extra budget in short-term oriented goals

In fact, Cláudio Couto addresses such a problem, stating that the increase in the sale of transmission rights by the small clubs must be followed by a Governance Model. This model means that rather than aiming for an immediate improvement in performance attained by signing better and more expensive players, clubs should be advised to partially allocate for signings, but allocate part of this increased budget to other things such as the development of youth teams and improvement of clubs' infrastructures, this way ensuring sustainable growth for the club. In order to ensure good management of the extra revenues, the Portuguese League would also be responsible for developing a sanction system for clubs which strive for the short-term answer, this way ensuring the national football development in the long-term and the likely consequence economic valorisation that would result from it, implementing a system to control costs as the one LaLiga put in place in recent years with great success.

This aspect could also be taken into consideration when defining the distribution model of this revenue. Pedro Proença already announced that it will follow the Spanish model with 50% equally divided, 25% depending on performance, and 25% on social impact. In our opinion would be important that among the "social impact" metric, topics such as investment in infrastructure and youth teams would be included in order to incentivize sustainable development as well as metrics such as average attendance to the stadium, to sell a better product on TV.

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The financial health of the centralized model to be applied in Portugal can also benefit from following the example of Spanish football, where rights were negotiated for a bigger timespan than its peers. That was the key for LaLiga to be the only one that has increased the value of its domestic broadcasting rights after the pandemic, as the longer period brought more confidence to bidders. Increasing the timespan of such an agreement might have cons since it means the broadcasting rights of the league will be handed to the same organization for a larger number of years, which means that a potential downturn in the operator might be significantly harmful to Liga Portugal. Therefore, following this might be something Liga Portugal can ponder in the case the financial health of the centralization is not the one expected, however, the cons must be carefully weighed in.

In fact, to achieve the desired financial health from the centralized model, the Portuguese League's penetration must increase, particularly, in international markets, which currently represent a significantly small percentage of the total revenues coming from broadcasting rights. Furthermore, international broadcasting rights have been a major lever in increasing the value of broadcasting rights in the major European leagues and in ensuring the success of centralized models in these countries. The Portuguese League should strive to increase the relative value of its international rights and it could take advantage of the substantial number of Portuguese communities in countries such as the USA, Canada, or Brazil or of the increasing interest of Asian countries in European football. With the right strategy, it is believed that international rights could grow in value between three to four times. This way the Portuguese League would increase its penetration ensuring the financial health of its centralized commercialization of broadcasting rights while showing openness to other international opportunities that may arise. For this, it is important to establish itself as the league where the stars of tomorrow are being produced, creating a certain expectation over the talents developed by the

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Portuguese teams, who are later transferred to bigger international teams, as it has been the tradition in the last years.

Furthermore, the international distribution and transmission of matches of the Portuguese League could be handed to new platforms for achieving these successfully, such as streaming services and other international TV operators. Following the same model, its practices in broadcasting to Germany (where broadcasting rights are handed to *Sportdigital* and *DAZN*) and Brazil (where broadcasting rights are handed to *ESPN Brasil*), the Portuguese League should strive to achieve similar deals in other countries.

In fact, the increase in international broadcasting of the Portuguese League could incite other players to create a significantly higher interest in the country's football. Furthermore, the entrance of players such as *Qatar Sports Investments*, which has recently invested in SC Braga, can also increase interest and awareness in Portuguese football. This interest can be translated into a will to invest in Portuguese football and, as seen previously, the entrance of PE funds in the broadcasting market of football matches is already not new in the major European leagues. This type of investment can create an initial layer of comfort in the adoption of a centralized model for the commercialization of broadcasting rights, ensuring that the Portuguese League can keep its President's promise of no loss for no clubs in the competition while the transition and valorisation of a centralized model are achieved.

Actually, the Portuguese League could strive to achieve such a deal before the adoption of the centralized model to increase the quality and competitiveness of Portuguese football while also creating such a layer of financial comfort. Furthermore, this way the subsidiary company that would be responsible for the commercialization of the broadcasting rights of the Portuguese League would also have no necessity to jump into rushed and likely undervalued deals (particularly international ones) due to the initial

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investment already achieved with this fund. This should be considered by the Portuguese League for the time of adoption or as in other European leagues ahead in time when the centralized model is already consolidated, as a way to strive for higher efficiency and profitability from its deals.

Finally, Liga Portugal must consider threats and opportunities, such as piracy and the new technologies in what concerns operators and the changing preferences of new generations. This requires collective efforts, not just from the League, but also from the rights holders and the teams. To combat the use of piracy, one of the solutions must be a more aggressive bundling strategy, either by combining offers or developing models such as “follow my team” or weekly subscriptions, which could increase penetration, despite meaning lower margins for operators. New generations are more available to pay for the product, but they need to feel that the requested price represents a fair value. A new strategy also is needed in what concerns social media. Platforms such as *TikTok* and *Twitch* need to be more explored since Liga Portugal is much behind on this when compared to its peers.

Overall, it is needed to approximate the new consumers, open the doors of the clubs, give voice to the players, and promote a healthier environment within Portuguese football. There is some hope that by having the product on its hands Liga Portugal will be capable of better promoting it, and we believe so.

9. Research Limitations

When it comes to the limitations inherent to this study, the biggest difficulty while carrying out this project was to get information about the different deals, particularly in the case of the Portuguese clubs, as part of them do not publicly release financial data. Also, it is important to understand that each country presents specificities in terms of market structure when it comes to the telecom market with different stages of maturity and the impact of football as a sport is not the same in each one.

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Appendix 1: Interview Guide

***Eleven Sports* Interview – 14th November 2022**

1. *Eleven Sports* entered Portugal in 2018 with a strong bet on the Portuguese market acquiring broadcasting rights for the Champions, LaLiga, Bundesliga and Ligue 1 in the country. It started with a price of 9.99€, being initially distributed by *NOWO*. What was the rationale for entering Portugal, a market historically monopolized by *Sport TV*, with a very attractive price and quality content considering the Portuguese reality?
2. Back to *NOWO*. *Eleven Sports* was initially only available on that platform. Was this decision somehow related to *Sport TV*'s capital structure in which all the major Portuguese

Group Part

operators, *Nos*, *Altice* and *Vodafone*, are part of? Do you feel that this relationship between the operators and *Sport TV* made it difficult for *Eleven Sports* to negotiate with these same operators?

3. In less than a year, *Eleven Sports* announced that has reached 100 thousand subscribers in Portugal proving that there was a margin to compete with *Sport TV*. We estimate that the current market in Portugal is around 500 thousand unique subscribers between *Sport TV*, *Eleven Sports* and *BTV*, based on public interviews and information from the holding company that owns *Eleven Sports* (on 30th June 2021, *Eleven Sports* had 140 thousand subscribers in Portugal).

3.1 Could you give us light on the real values of the current market namely the number of *Eleven Sports*' subscribers and an estimation for the remaining players?

3.2 We would also like to know if there was any "Premier League effect" in the number of subscribers, following the acquisition of these rights?

4. Still within this theme, it is estimated that at the peak of subscribers *Sport TV* had around 700 thousand subscribers in 2012. What is the vision of *Eleven Sports* for the total number of subscribers that can be obtained in the Portuguese market?

5. We know that in Portugal to acquire the maximum number of subscribers it is indispensable to have the Liga Bwin rights. Is it part of *Eleven Sports*' strategy in the Portuguese market to dispute the rights with other bigger operators? The acquisition of *Eleven Sports* by *DAZN* will give strength to this possible bet?

6. What is *Eleven's* vision about the centralization of rights? In your vision, is it possible for a single company to buy the entire rights?

7. A *McKinsey's* 2018 study estimated that the value of television rights in Portugal would grow to between 275 and 325 million euros with the centralization of rights. In a context

Group Part

of economic uncertainty and with signs of a slowdown in the marketing of rights for other European leagues, do you think these values are still attainable?

8. Do you think this increase would be sustainable taking into account the fact that in Portugal consumers already pay the most expensive football in Europe both in absolute terms and relative to the average salary? We know that companies will not want to lose money in a hypothetical increase in the value of the rights and it seems unlikely that this increase will not also be reflected in an increase in the price for the consumer...

9. *Eleven Sports* was a very disruptive company when it appeared in Portugal, bringing new ways to watch sports, but also new practices in connecting with consumers. What are the trends that you foresee that will gain relevance in the next years and what role do you think streaming will have in the short term?

SC Braga SAD Interview – 23rd November 2022

1. In 2015, Braga sold the TV rights to *NOS* for about €100M for 10 years, according to the press. Checking the Annual Report for 2020/21 of SC Braga SAD we can see that Braga received €9,3M in broadcasting rights which represent almost 40% (36%) of the operating income of the season. We would like you to comment on these values and also on the weight that TV rights have in the revenues of the Portuguese clubs.

2. Recently, Braga proposed a new competitive model of the League that would completely change the current competitive framework. I'm talking about the proposal to divide the championship into three phases: the first one, with the 18 teams, with everyone against everyone - but only in one round; the second one with the eight first teams and the third one with two groups within these eight. What would be the benefits of this model for Portuguese soccer? Do you think this model would better potentiate the revenue from TV rights? Do you have any estimates?

3. Additionally, Braga is one of the teams that is part of the administration of the *Liga Centralização*. We would like to ask how the process is progressing, if all clubs are aligned in this matter and if you think it is possible to anticipate the start of the collective negotiation of television rights, currently scheduled for 2028?
5. Some studies point out that the so-called Big 3 and SC Braga, besides Vitória SC, could be the biggest losers of centralization. If there isn't a big increase in revenues, the television revenues of these clubs may actually decrease. Now, a *McKinsey* study from 2018 estimated that the value of television rights in Portugal would increase to between 275 to 325 million euros with the centralization of rights. In a context of economic uncertainty and with signs of a slowdown in the sale of rights for other European leagues, do you think these values are still attainable? Do you understand the voices that are being raised against centralization?
6. Regarding revenue distribution, the distribution model that is being talked about is 50% equally divided, 25% by performance and 25% by social impact. How do you think this social impact can be measured and what other factors should be taken into account for a fairer distribution of revenue and to improve the product?
7. One of the Achilles' heels of the Liga is the sale of international rights that make up a small percentage (8%) of the total rights. Does Braga have any suggestions to potentiate this aspect?
8. Recently *Qatar Sports Investments* acquired 21.67% of Braga's SAD. Considering that this company is linked to *beIN Media Group* which owns part of the TV rights of Ligue 1, may we see *beIN* emerging as a potential competitor for the domestic rights of the Portuguese championship?
9. What are the trends that you foresee that will gain relevance in the next years in the context of broadcasting rights?

NOS Interview – 30th November 2022

1. In 2015, according to news reports at the time, *MEO* put into practice a plan to put a competing channel to *Sport TV* on the market, having therefore initiated talks with the main Portuguese clubs to acquire their television rights. In a quick counterattack, *NOS* ended up acquiring the rights of Benfica, Sporting, and other Portuguese clubs, while *MEO* acquired those of FC Porto. This competitive situation led to a brutal increase in the Big Three's revenues (about 4x higher), ending up being even the biggest increase in television rights on a European level. Do you believe that this situation led to an overvaluation of their value?

2. At the time *Olivedesportos* and *NOS* were the only shareholders of *Sport TV*, what would be the impact that the appearance of a new premium sports content channel could have on the operator?

3. On July 26, 2016, a Reciprocal Rights Provision Agreement was concluded between companies belonging to the *NOS*, *Altice*, *Vodafone*, and *NOWO* groups, whereby the operators reciprocally started providing First and Second League sports content. In the following months, *Vodafone* and *MEO* entered *Sport TV*'s capital stock, with the four shareholders holding 25% each. Could this interest of the three main Portuguese operators, which together represent the overwhelming majority of the market, not have created a barrier to the entry of new channels in the market, damaging the principles of competition?

4. Even more so considering the long period of the contracts (8 to 10 years), the different objects (some included different types of advertising), and the different terminations, weakening any possible interested party (they would only keep the rights of "one" club at a time...).

Group Part

5. According to public statements, NOS considers perfectly normal this path of Liga Portugal, towards centralization, as it happens in other top European leagues. In these leagues, we have also seen a gradual withdrawal of television operators from the acquisition of television rights, with streaming companies gaining prominence (Vodafone excluded itself in Spain, for example, and at least is not worse than before). Will this also be the natural evolution in Portugal?

6. Until the end of the 2025/26 season, a centralization model will have to be presented, starting foreseen for 2028. Knowing the desire of some clubs to anticipate this start, what is *NOS*' position regarding this aspect? Do you think it is possible? If so, in what way? (Especially considering that many clubs have already anticipated large tranches of revenue from these contracts ...)

7. A *McKinsey* study from 2018 estimated that the value of TV rights in Portugal would grow to between 275 and 325 million euros with the centralization of rights. In a context of economic uncertainty and with signs of a slowdown in the marketing of the rights of other European leagues do you think these values are still achievable?

8. For this increase to occur, it would most likely have to be reflected in the consumer price. How could this be possible considering the fact that in Portugal consumers already pay the most expensive soccer in Europe both in absolute terms and relative to the average wage?

9. Despite the high losses registered in recent years and the alleged loss of subscribers, is *Sport TV* still today a strategic asset for *NOS*?

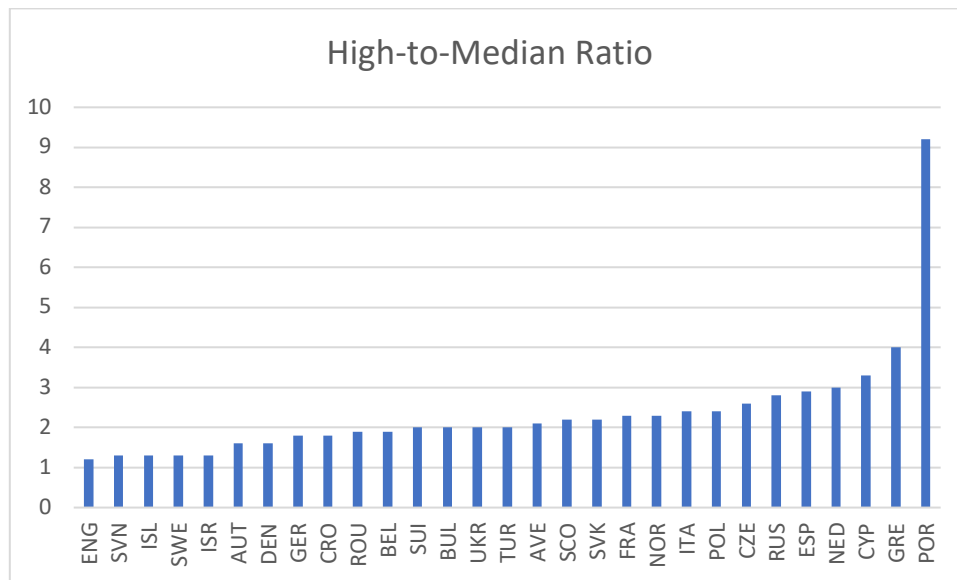
10. Finally, what do you believe to be the main opportunities and threats that will dictate the evolution of the TV rights market in the coming years, in particular, the changes in consumption of the new generations, piracy and streaming/OTT services, and 5G technology?

Group Part

Appendix 2: Interview Partner Overview

	Stakeholder Type	Name	Company	Position	Previous and Additional Roles
1	TV Channel	Jorge Pavão de Sousa	Eleven Sports Portugal	Managing Director	Head of Product Management PT Portugal; Head of TV Vodafone UK
2	Football Club	Cláudio Couto	SC Braga SAD	CEO	Board Member <i>Liga Centralização</i>
3	Operator	José Pedro Pereira da Costa	NOS	CFO	Non-Executive Board Member Sport TV

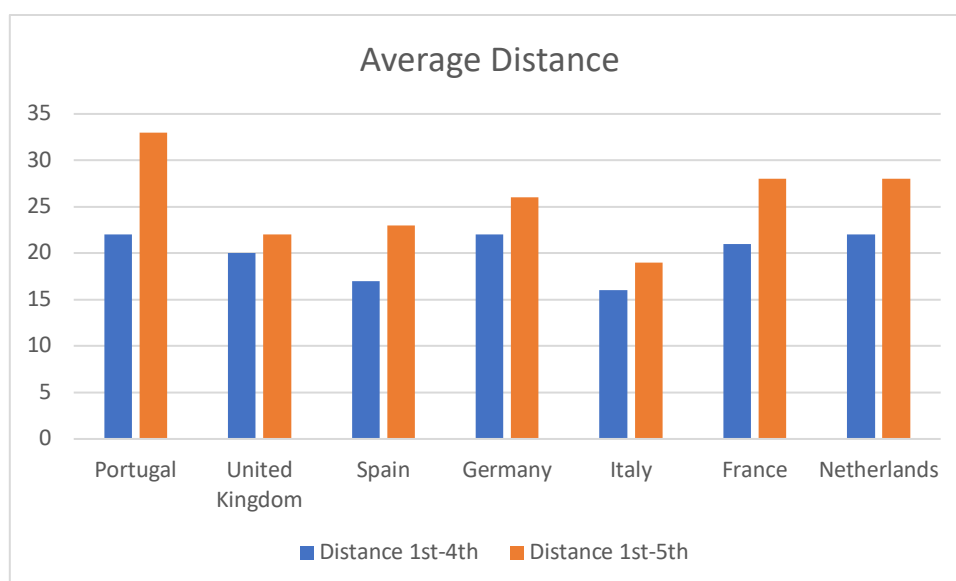
Appendix 3: High-to-Median Ratio Broadcasting Revenue



Source: The European Footballing Club Landscape UEFA 2022

Appendix 4: Average Distance between 1st and 4th/5th Classified between 2014-2022

Group Part



Source: Own Elaboration

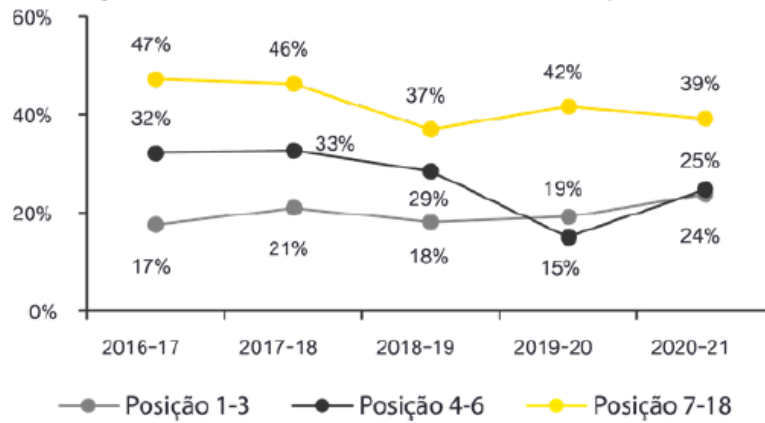
Appendix 5: English, German, Spanish, Italian, French, Dutch, and Portuguese club's revenues 2019/20 (in million Euros)

	Million €	ENGLAND	GERMANY	SPAIN	ITALY	FRANCE	NETHERLANDS	PORTUGAL	
Matchday		683,00 €	364,00 €	409,00 €	234,00 €	170,00 €	85,00 €	59,00 €	
Broadcasting		2 669,00 €	1 489,00 €	1 711,00 €	1 190,00 €	690,00 €	158,00 €	320,00 €	
Commercial		1 782,00 €	889,00 €	997,00 €	628,00 €	473,00 €	186,00 €	103,00 €	
Other commercial		- €	466,00 €	- €	- €	265,00 €	101,00 €	43,00 €	
TOTAL		5 134,00 €	3 208,00 €	3 117,00 €	2 052,00 €	1 598,00 €	530,00 €	525,00 €	
	In percentage	ENGLAND	GERMANY	SPAIN	ITALY	FRANCE	NETHERLANDS	PORTUGAL	AVERAGE (excluding Portugal)
Matchday		13%	11%	13%	11%	11%	16%	11%	13%
Broadcasting		52%	46%	55%	58%	43%	30%	61%	47%
Commercial		35%	28%	32%	31%	30%	35%	20%	32%
Other commercial		0%	15%	0%	0%	17%	19%	8%	8%

Source: Annual Review of Football Finance 2021, p.14-23

Appendix 6: Broadcasting Revenue as a percentage of Total Revenue

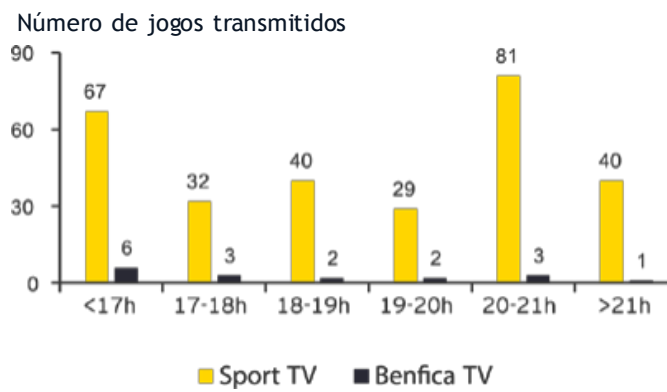
Group Part



Source: Anuário do Futebol Profissional Português 2020-21, EY, p.43

Appendix 7: Number of matches broadcasted per schedule

Horário dos jogos com transmissão



Fonte: Liga Portugal

Source: Anuário do Futebol Profissional Português 2020-21, EY, p.38

Appendix 8: Timeline of current broadcasting contracts in Portuguese Football

Group Part



* Estão ausentes da figura CD Cova da Piedade e FC Penafiel

Source: Estudo Internacional sobre Direitos Audiovisuais Desportivos, EY, p.35

Appendix 9: Sport TV's Equity Distribution

SHAREHOLDER	TOTAL OF DETAINED SHARES	TOTAL VALUE OF DETAINED SHARES (€)	PERCENTUAL POSITION	VOTING RIGHTS
NOS, SGPS, S.A.	125.000	625.000,00	25,00	25,00
OLIVEDESORTOS, SGPS, S.A.	125.000	625.000,00	25,00	25,00
VODAFONE PORTUGAL, COMUNICAÇÕES PESSOAIS, S.A.	125.000	625.000,00	25,00	25,00
MEO SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.	125.000	625.000,00	25,00	25,00

Appendix 10: Audience per Team

Group Part

Sociedade Desportiva	Audiência média ⁽²⁾	Share televisivo médio ⁽²⁾
SL Benfica	233 572	4,9%
Sporting CP	216 789	4,2%
FC Porto	206 489	4,1%
SC Braga	85 752	1,7%
Boavista FC	87 777	1,4%
Vitória SC	66 927	1,4%
Rio Ave FC	60 266	1,3%
FC Famalicão	59 701	1,3%
SC Farense	59 292	1,3%
Belenenses SAD	58 277	1,4%
FC P.Ferreira	58 093	1,3%
Marítimo M.	56 454	1,3%
Moreirense FC	56 409	1,3%
Gil Vicente FC	56 267	1,3%
Santa Clara	55 208	1,3%
Portimonense	51 420	1,2%
CD Tondela	51 345	1,2%
CD Nacional	51 099	1,2%
Liga Portugal bwin	86 174	1,9%

Source: Anuário do Futebol Profissional Português 2020-21, EY, p.36

Appendix 11: Cost to Consumer and Other Metrics

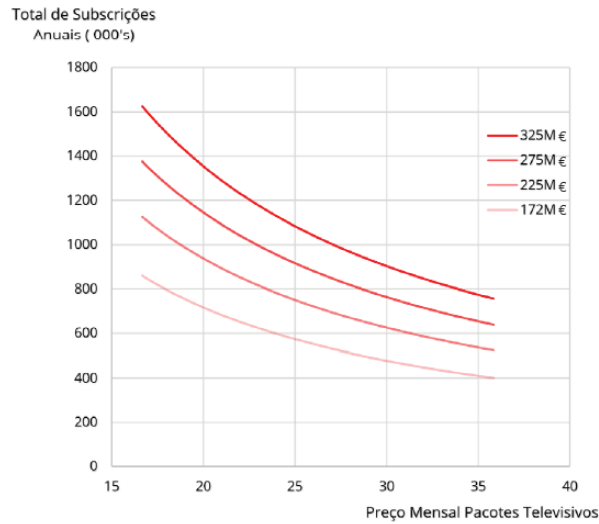
	UK	Spain	Italy	Germany	France	Portugal	Netherlands
Minimum Cost to Watch all 1st Division Matches	48,81	30	49,89	60,49	38,98	35,89	17,95
# of Broadcasters (Domestic Competitions)	2	2	2	2	2	2	1
Minimum Wage 2022 ¹	1676,00	1108,33	N/A	1638,00	1603,12	822,50	1725,00
%	2,91%	2,71%		3,69%	2,43%	4,36%	1,04%
Net Average Salary	2786	1868	1740	2609	2473	1212	2847
%	1,75%	1,61%	2,87%	2,32%	1,58%	2,96%	0,63%
Domestic TV Rights (2021/22 Season) ²	1844	1152	928	1079	580	190	105
# of Matches Broadcasted	200	380	380	306	380	306	306
M€/Match	9,2	3,0	2,4	3,5	1,5	0,6	0,3
GDP (2021) ³	3186860	1425277	2099880	4223116	2937473	249886	1018007
%	0,06%	0,08%	0,04%	0,03%	0,02%	0,08%	0,01%
Telco Market (2021) ⁴	54000	20600	28600	48300	43600	5400	10700
%	3,41%	5,59%	3,24%	2,23%	1,33%	3,52%	0,98%
Population (2020) ⁵	67,86	46,75	60,46	83,78	65,27	10,20	17,13
Cost per Inhabitant	27	25	15	13	9	19	6
Free to Air Matches	No	Yes	No	No	No	No	No

1. Eurostat
2. UEFA
3. World Bank
4. Global Data
5. Worldometers

Source: Own Elaboration

Appendix 12: Number of Subscribers Needed/Price to Reach Expected Revenue

Group Part



Source: Estudo Sobre o Impacto da Negociação Centralizada dos Direitos Televisivos em Portugal, Movimento Servir o Benfica, p. 16







Appendix 13: Domestic Broadcasting Revenue Evolution per Season

National TV Rights (b€)	England	Spain	Italy	Germany	France	Portugal	Netherlands
2012/13	0,736	0,685	0,844	0,394	0,607	0,063	0,040
2013/14	1,349	0,693	0,844	0,619	0,607	0,065	0,105
2014/15	1,349	0,713	0,844	0,619	0,607	0,077	0,105
2015/16	1,349	0,628	0,965	0,619	0,607	0,084	0,105
2016/17	2,414	0,998	0,965	0,619	0,738	0,119	0,105
2017/18	2,414	0,998	0,965	1,160	0,738	0,126	0,105
2018/19	2,414	1,118	0,973	1,160	0,738	0,172	0,105
2019/20	1,844	1,152	0,973	1,160	0,738	0,190	0,105
2020/21	1,844	1,152	0,973	1,160	0,572	0,190	0,105
2021/22	1,844	1,152	0,928	1,079	0,580	0,190	0,105
2022/23	1,844	0,990	0,928	1,079	0,580	0,190	0,105

Source: The European Footballing Club Landscape 2022, p.91

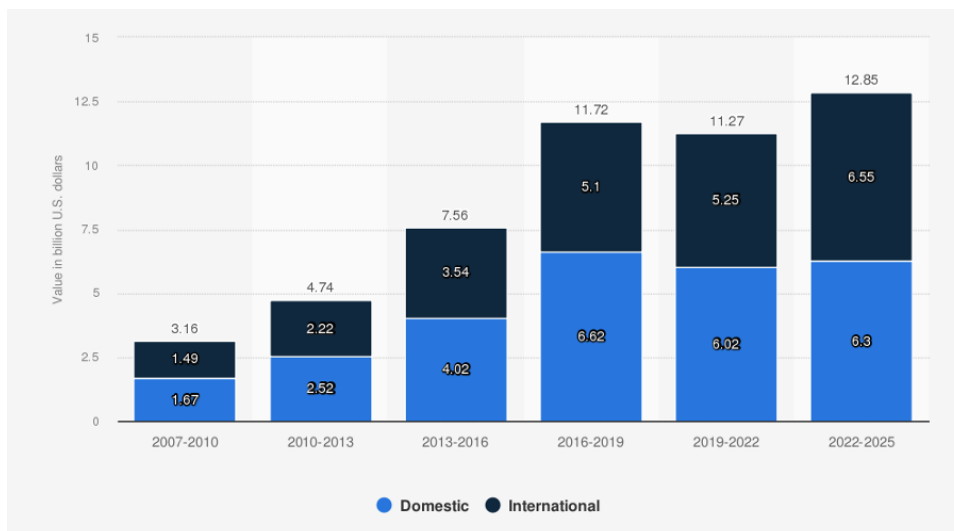
Appendix 14: Distribution Criteria

Group Part

	Equal Share		Performance				Academy	Viewership
	Fixed	Current Season	Last Season	Last 5 Seasons	Last 10 Seasons	Historical	Playing Time	Stadium/TV
 Premier League	50%	25%						25%
 LaLiga	50%		25%					25%
 Bundesliga	53%			42%			3%	2%
 Serie A	50%		15%		10%	5%		20%
 Ligue 1	50%	25%			5%			20%
 Eredivisie					100%			

Source: Own Elaboration

Appendix 15: Value of English Premier League media rights deals worldwide from 2007 to 2025, by region (in billion U.S. dollars)



Source: Nielsen