



NFL: Business Breakdowns Research

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Company History & Key People

- The National Football League (NFL) was founded in 1920 as the American Professional Football Association
 - Only 2 founding teams are still in the league; Decatur Stanleys (now Chicago Bears) and Chicago Cardinals (now Arizona Cardinals)
 - The Green Bay Acme Packers (now Green Bay Packers) is the oldest franchise with continuous operations in the same location
- Annual draft of the players began in 1936
- 1933: NFL banned black players (there was only limited integration before this). They only fully reintegrated in 1946 [Source](#)
- Only 2 real formidable challengers to NFL throughout history:
 - American Football Conference (AFC), 1944-1950
 - After its folding, three of its teams were admitted to the NFL: the San Francisco 49ers, the Cleveland Browns and the original Baltimore Colts
 - American Football League (AFL) which ended up completely merging with the NFL to create NFL as we know it today in 1966 [Source](#)
 - As part of the merger, all AFL teams would be absorbed into the NFL and all teams would be split between two conferences (AFC, NFC)
 - Super Bowl I was played in LA in 1967: NFL champion Green Bay Packers overwhelmed the AFL champion Kansas City Chiefs, 35-10
 - In 1958, the National Football League championship game between the Baltimore Colts and New York Giants drew 45 million viewers on NBC and established pro football as an entertainment commodity to rival baseball.
 - The Super Bowl, played between the AFC and NFC champions at the end of every NFL season, is among the most watched televised sporting events in the world with an average of 90-100 million viewers. Super Bowl 2020 reached 102.1m viewers on Fox alone (~148.5m total viewers across all news outlets).
- 1956: National Football League Players Association (NFLPA) was founded as formal representation to negotiate compensation on behalf of players via terms of a collective bargaining agreement (CBA). The most recent CBA was negotiated in 2020.
 - The NFL didn't acknowledge the NFLPA as the official bargaining agent until 1968 when a CBA was signed.
 - There were a handful of strikes throughout its history, the most recent being the 2011 lockout that lasted 4 months. The CBA that was agreed upon in 2011 expired in 2020. [Source](#)
- 1961: Sports Broadcasting Act passed [Source](#)

- The act exempted the NFL (and other professional sports leagues) from the anti-trust legislation, recognizing the cooperative, interdependent nature of the different franchises.
- The **1960s rise of television** in American households contributed to the rapid rise of NFL's popularity across the nation.
 - From the book, [Americana](#): Pro football's growth would have seemed improbable in 1950. Dating back decades, the professional version had always been a nonfactor compared with the collegiate variety. College football's appeal didn't translate to the pro game. Unless subsidized by the traditions of a college or university, it was a poor business. This was partly due to the structure of the sport, where the required preparation and on-field violence limited each team's output to one game per week. With half of any team's games played on the road, this effectively meant half a dozen games where it could collect ticket revenues. In contrast, professional baseball gave each team 77 home games in the era's 154-game season. The economics of attendance alone were not enough to make pro football a profitable business. But football's schedule of weekly games fit the episodic cadence of the television week perfectly. And its limited number of games heightened the importance of each one.
- Throughout NFL's history, there have been a few dominant teams [Source](#)
 - 2001-2019: New England Patriots
 - 1991-1996: Dallas Cowboys
 - 1981-1994: SF 49ers
 - 1972-1979: Pittsburgh Steelers
 - 1960-1967: Green Bay Packers

Key People:

- NFL Commissioner: CEO of the NFL who oversees 18 executives [Source](#)
 - Current commissioner is Roger Goodell (served since 2006). He's been in the press for the exorbitant amount of pay he gets per year (salary + bonus). His latest contract could be worth up to \$200m from 2017-2023. He's been paid \$63m per year for the last 2 years. [Source](#), [Source](#)
 - He's been widely criticized for a number of scandals throughout his tenure
 - His 4 game suspension in 2015 of Tom Brady during the Deflategate scandal
 - His downplaying of player's protests over the killing of George Floyd in 2020
 - Most recently, his announcement to not release investigation documents over workplace harrasment and scandal in the Washington Football Team [Source](#)
- NFL Owners, the 32 owners of each team hold an annual meeting to vote on/discuss any changes in competition or league structure
 - The Competition Committee reviews all competitive aspects of the game, including (but not limited to) playing rules, roster regulations, technology, game-day operations and player protection. They bring their findings to the annual meeting of the owners who then votes on them
 - The NFL commissioner selects the members of the Competition Committee, which currently consists of two owners, two club presidents, two general managers and three head coaches
 - The NFL owners elect the commissioner

Business Model & Secret Sauce

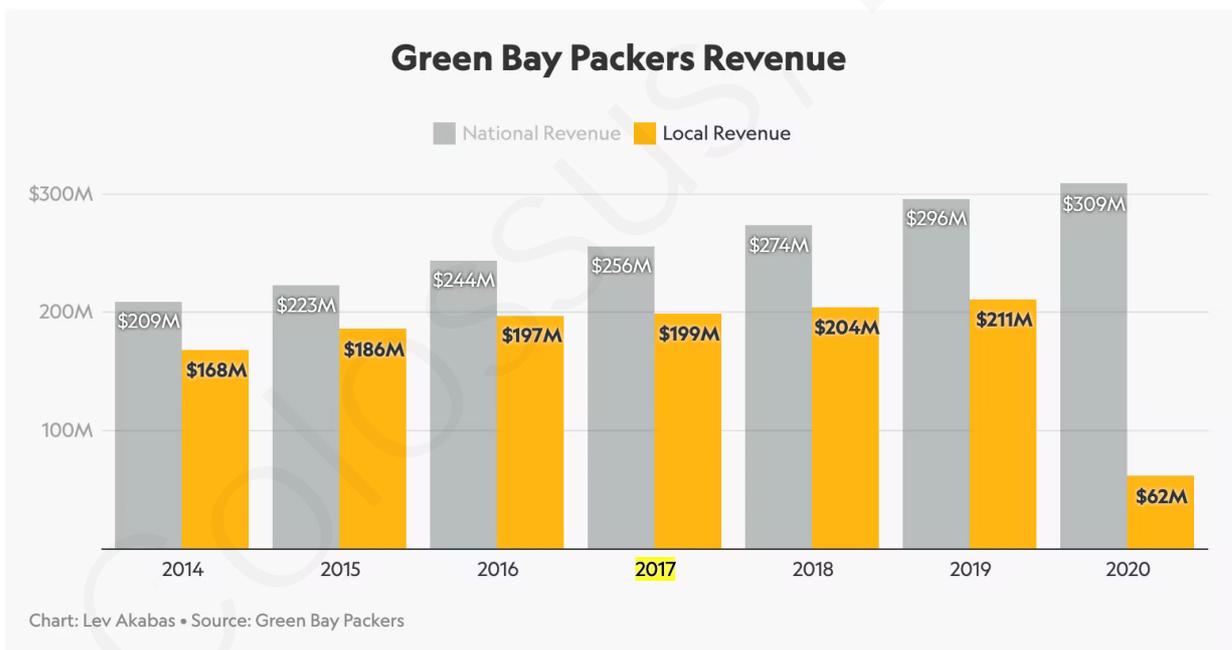
- The NFL is the official organization for football. It is the central authority for the two conferences and handles all organizational rulings and/or disputes among players. It serves the entire nation and is trying to expand internationally (the owners agreed to 4 international games this season). There are 32 teams across the nation.

Distribution

- The main form of distribution for the NFL is TV streaming rights. The NFL plays on most major news outlets (more below).
 - Each NFL team has its own radio network and employs its announcers. The NFL also has a contract with Sirius Satellite Radio, which provides news, analysis, commentary and game coverage for all games, as well as comprehensive coverage of the draft and off-season on its own channel, Sirius NFL Radio. [Source](#)
 - There's been an increase in streaming and eSports which are new channels of distribution for the NFL.
 - Other channels to increase brand and licensing agreements include collectibles (trading cards) and digital media (NFTs).

Economics

- Green Bay Packers is the only NFL team not privately owned by a wealthy billionaire/family. They are not-for-profit and publicly-owned by fans — 360,760 shareholders owning a total of 5,011,558 shares. The shares cannot be exchanged (sold or bought on an exchange), do not pay dividends, and should not be bought as an investment. Fans can only buy shares from official stock offerings. The NFL commissioner [approved a stock sale recently](#). The last sale was in 2011.
 - The packers reported an operating loss of \$40m in 2020 (compared to a profit of \$70m in 2019). However, they reported net income of \$60m primarily due to unrealized investment gains. [Source](#)
 - The Packers were grandfathered into the NFL as the sole publicly owned team. In 1960, the NFL implemented a rule prohibiting teams from being publicly owned. [Source](#)



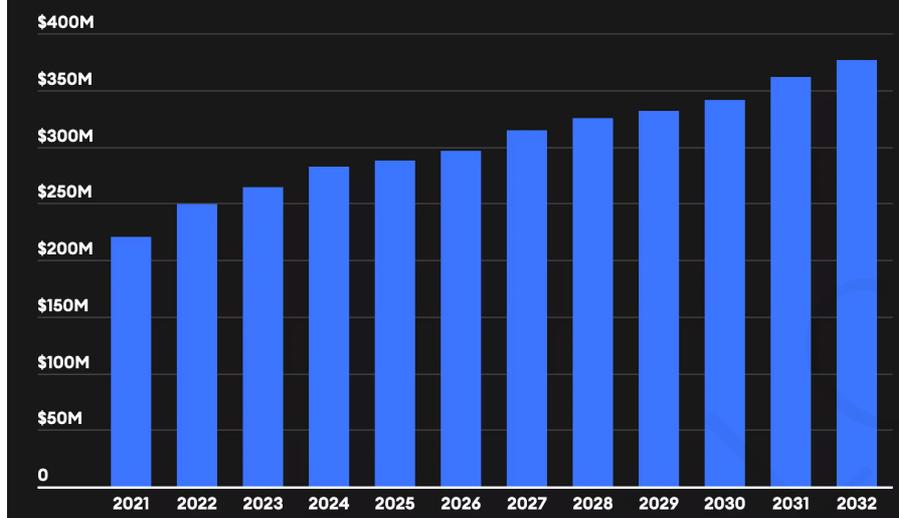
[Source](#)

Revenue

- Each NFL team earns two sources of revenue: league revenue and local revenue
 - league revenue: primarily through multi billion dollar media contracts and licensing deals (the new one signed in March was a \$111.8bn media contract deal, which represents an +82% average annual increase).
 - payout per team will go from \$220m this season to \$377 million in 2032.
 - 2019 league revenue was \$9.5b; 2020 league revenue reached almost \$10b.

The NFL's Growing Media Pie

The NFL's new national media rights deals are worth \$111.8 billion. Below is the payout (in millions) to each of the league's 32 teams for each season through 2032. The league's Sunday Ticket deal with DirecTV is not included.



- local revenue: ticket sales, merchandise, concessions, local sponsorships and other game-related revenue streams (not shared across each team equally) [Source](#)
 - In 2018, the Dallas Cowboys had the most local revenue out of every team
- Revenue: NFL lost \$4bn in total revenue in 2020 compared to 2019
 - 2020: \$12bn (-25%). Projected revenues were \$16bn
 - of this \$12bn, \$10bn was league revenue and the rest could consist of either local revenue and/or kept by the NFL as an organization
 - the decline was mainly in local revenue due to the loss of ticket sales and stadium merchandise from COVID. League revenue (which mainly consists of media deals inked by the NFL) did not suffer that big of a loss in 2020. The NFL still held a full 16-game season in 2020 with the playoffs.
 - 2019: \$16bn
- NFL's venture arm, 32 Equity
 - all profits are reinvested and many of the deals are sourced from business discussions the league holds around licensing, media and game-day experience. 32 Equity does not have a time frame for exit or have any requirements around having its capital fully invested. It has a broad mandate and is made purely for strategic investments. [Source](#)
 - Each NFL team contributed \$1m to launch 32 Equity in 2013 and has since put in another ~\$2-3m, bringing the total capital to ~\$100m
 - The portfolio has generated average annual returns in excess of 30% and is now worth well over \$100 million per team, according to an anonymous source from the team
 - investments: Fanatics (sports merchandise), Skillz (mobile gaming), Genius Sports (sports data and technology), Clear (biometric identity verification), Hyperice (athlete recovery devices), Sportradar (sports data and technology), On Location (luxury event hospitality) and Mythical Games (gaming technology studio)
 - The NFL's brand and content allow it to secure favorable investment deals
 - For example, they announced in Sep a partnership with Dapper Labs to distribute NFL NFTs [Source](#)
 - The Super Bowl is the highest revenue game for the NFL. Ad dollars from 2020 Super Bowl was a record high of \$450m. [Source](#)

- On average, the Super Bowl has 70 TV commercials accounting for about 45 minutes of commercial time.
- In 2020, a 30-second ad costs \$5.5 million, a drop from last year's \$5.6 million.
 - In 2020's Super Bowl, the biggest product categories were automotive and alcoholic beverages accounting for 28% of ad dollars.
- Play USA estimates that about \$500 million in legal bets will be made on Super Bowl LV in the U.S., up from \$200 million wagered last year.

Costs

- Main costs for each NFL teams are player salaries .
 - The salary cap for each team is ~\$180m—it can go up or down depending on whether you keep existing players
- Others include stadium upkeep, marketing, and team and administrative costs
 - A stadium usually seats around ~70,000 people per game and games usually sell out so there's not much room to increase in the number of ticket sales. The average ticket price has increased by about 7% annually since 2000. The average price for an NFL ticket cost about \$30 in 2000 and increased to about \$151 in 2020, but the added revenue from these increases are negligible when compared to revenue growth from TV.
 - Teams can elect to have their stadiums renovated to add more seats and concessions. Since 2010, the Packers spent more than \$370 million gradually updating its stadium, Lambeau Field, including adding more seats. Since then, their yearly ticket revenue jumped from \$48 million to \$71 million.
 - An NFL team earned about \$7 million, on average, in ticket sales from a single stadium event in 2016. About 55% of that revenue is used to pay athletes or musicians. 10% goes to general stadium administration, 5% goes to the team's coaching staff, 5% is paid in taxes, and the remaining 8% is profit.
 - Concessions only contribute about \$3-5m in revenue. They have the highest margins at 90% (beer and soda sales).

Profitability

- From this [source](#), 19/32 teams report negative operating income. Although they remain unprofitable, they are all privately owned. And, due to the NFL's sustained popularity within American culture, the value of each team is continually increasing. The actual financial numbers for each team are unconfirmed
- The Dallas Cowboys are the NFL's most valuable team at \$6.5bn, having generated \$980m in revenue and operating income of \$425m in 2020 (43% operating margin) [Source](#). By contrast, the smallest NFL team, the Cincinnati Bengals, earned \$397m in revenue and \$60m in operating profits (15% operating margin) in 2020.

Competitive Advantage

- The main advantage the NFL has is its brand. Its brand is so entrenched in American popularity that every fan takes the NFL as the official organization for the highest level of football.
 - High barriers to entry: To get a new team into the NFL is already an onerous process, let alone creating a new league to support all the teams.
 - The current process to increase the number of teams requires an affirmative vote of 3/4 of the 32 owners.
 - This is required for relocation (moving a team to a new city) or expansion (adding another team to the NFL)
 - Expansion is highly unlikely since there are 32 teams, 2 conferences, 4 divisions each and 4 teams in each division.
 - There were discussions in 2015 around moving a team to London by 2022, however they seem to have halted since [Source](#)

- Instead, the NFL seems to be increasing their international footprint by adding more international games to the regular season. The owners recently approved 4 international games per season with the new 17-game season [Source](#)
- Popularity: In season, NFL games are broadcast live in the USA on Mondays, Thursdays, and Sundays. These games are consistently the highest-rated shows on TV, so media companies have shelled out big bucks for the rights to broadcast them.
- Teams have pricing power on ticket sales, concessions, and merchandise.

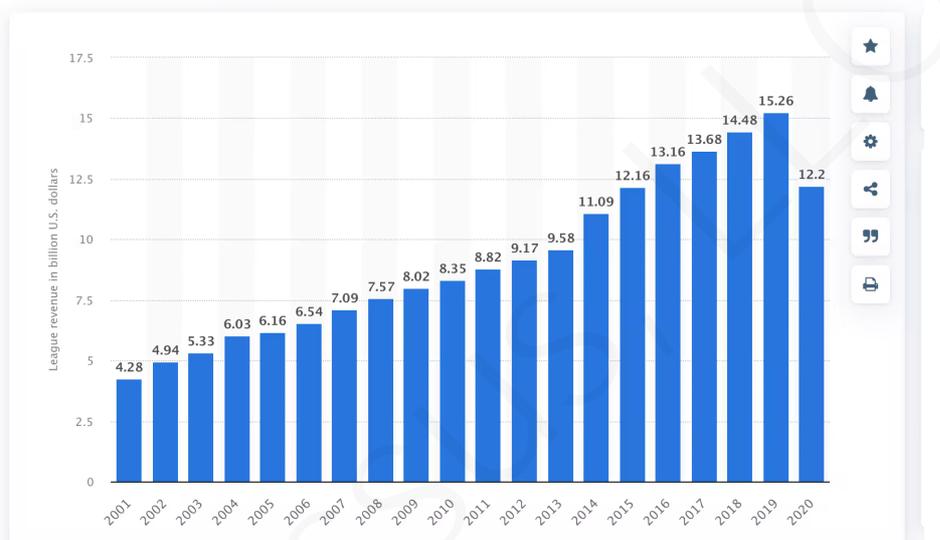
Competitive Position

- The NFL has grown consistently since 2001 (except for 2020 due to Covid).

[sports & recreation](#) > [Professional sports](#)

Total revenue of all National Football League teams from 2001

(in billion U.S. dollars)



Industry growth:

- Aided by digital media growth in NFTs and sports gambling
 - Sports gambling is now legal in 18 states + DC
 - Sports betting in the U.S. generated record revenue of \$1.5 billion in 2020, up 69 percent from last year, according to the American Gaming Association. In the first quarter of this year, sports betting revenues increased 270 percent from last year, another record. [Source](#)
 - DraftKings' revenue soared to \$644 million in 2020, up 49 percent from the 2019 total of \$432 million.
- Rise in eSports [Source](#)
 - eSports viewership is expected to surpass every sports organization's viewership by this year, except for the NFL

Position within the industry

- NFL TV viewership up 17% so far this season, which is an extremely positive rebound to how last season ended with Covid [ESPN](#)
 - Additionally, NFL popularity among younger viewers and athletes is decreasing, partially due to the harmful effects football has on the body, specifically in regards to traumatic brain injury [Source](#)
- The biggest risk(s) to the NFL is the rise of another sport's popularity, specifically the NBA. The NBA's rise is attributed to a few factors:

- o game is shorter, more action-packed than football (easier to digest for viewers)
- o mega-stars have an international following (that was pioneered by Michael Jordan in the 1990s). basketball is a more popular sport globally than football, which is mainly only popular in the US
- o social media, the NBA has prioritized social media presence, with more social followers across all apps than the NFL (IG, Twitter, YouTube)

INSTAGRAM FOLLOWERS	TWITTER FOLLOWERS	YOUTUBE SUBS
1. NBA: 57.1 million	1. NBA: 37.7 million	1. NBA 16.8 million
2. Premier League: 46.7 million	2. Premier League: 27 million	2. NFL: 7.68 million
3. NFL: 20.8 million	3. NFL: 26.7 million	3. MLB: 3.14 million
4. MLB: 7.8 million	4. MLB: 9 million	4. Premier League: 1.77 million

Sources

Title	Type	What You Will Learn (140 Characters)	URL (Must be https://)
The Rise of the NFL	Article	Read primary source documents about the NFL and TV broadcasting in the 1960s that led to the rapid rise of the NFL within American culture. Also includes a digital copy of Super Bowl I ticket in 1967.	https://americancentury.omeka.wlu.edu/collections/show/2
Valuations of each NFL team	Article	A ranking from highest to lowest of NFL teams' valuations.	https://www.forbes.com/nfl-valuations/list/#tab:overall
New rules of the 2020 CBA	Article	All of the nuances that were negotiated in the 2020 CBA by the NFLPA.	https://www.espn.com/nfl/story/_/id/28901832/nfl-cba-approved-players-get-new-deal-how-expanded-playoffs-schedule-work
NFL Salary Cap per team	Article	List of all NFL team's salary cap.	https://www.spotrac.com/nfl/cap/
NFL INKS 11-YEAR, \$105 BILLION MEDIA RIGHTS RENEWALS WITH PARTNERS	Article	Details on each of the media contracts NFL inked with the major news outlets.	https://www.sportico.com/business/media/2021/nfl-renews-tv-rights-fox-espn-nbc-cbs-1234623948/
Agent's Take: Comparing contracts in NFL vs. NBA by breaking down Patrick Mahomes vs. Giannis Antetokounmpo	Article	An agent's view on NFL vs. NBA player contracts.	https://www.cbssports.com/nfl/news/agents-take-comparing-contracts-in-nfl-vs-nba-by-breaking-down-patrick-mahomes-vs-giannis-antetokounmpo/

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