

Research paper



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Financial Analysis Project: NFL

Student Name

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NFL: Team overview

The National Football League, also known as the NFL, is America's most popular sports league, with 32 clubs competing annually for the Super Bowl, the world's most prestigious yearly athletic event. The NFL, which was founded in 1920, pioneered the contemporary sports league model, which includes national and international distribution, considerable revenue sharing, competitive excellence, and strong teams across the board. The NFL is the industry leader (NFL Company, 2020). The NFL is based in New York City, although it maintains offices across the country and the world, including the NFL Media office in Culver City, California. NFL satellite offices may be found in Chicago, DC, and Atlanta. Our global offices are in the United Kingdom, China, Mexico, and Canada (NFL Company, 2020). The NFL is the most successful American sports league in history.

In response to escalating criticism over its rapidly growing earnings, the NFL handed up its tax-exempt status, which it had enjoyed since 1947. Thirty-one of these clubs are privately owned, while the Green Bay Packers remain a non-profit organization. The majority of the National Football league's money comes from television deals (Eckstein, 2021). According to the Chicago Tribune, television deals account for more than half of the league's \$15 billion in yearly income. Other revenue streams include ticket sales, merchandising and corporate sponsorships, and licensing rights.

Budget analysis

The NFL's income dropped 20% during the pandemic-affected 2020 season, averaging \$381 million per club. Operating income dropped from \$109 million the previous season to an average of \$7.1 million per team (Ozanian, 2021). The NFL signed \$111.8 billion in media rights deals in March, \$112.6 billion, which includes ESPN's payment made for extending Monday Night Football every year through 2022, as well as money garnered from broadcasters for extra regular-season and postseason games, an increase of 82% over the present arrangements (Ozanian, 2021). Consequently, each of the league's 32 clubs will get a \$377 million national broadcast rights payment in 2032, up from \$220 million this season

One of the reasons the NFL's investments succeed is because the league's brand and content enable it to achieve advantageous investment arrangements, similar to how Amazon does with its vendors. In April, when Genius Sports agreed to become the NFL's official betting data provider, it decided to issue up to 22.5 million warrants in addition to the cash it paid the league, allowing the NFL to purchase one ordinary share of Genius for \$0.01 per share. (Ozanian, 2021). The warrants will vest throughout the license agreement's six-year duration, with the first 11.25 million warrants vesting immediately upon issuance.

Revenue development strategies

The division of NFL's money is done in two categories; local and national revenue. The league's federal revenue is made up of TV deals and merchandise and licensing agreements, all of which are handled at the national level. The money is then equitably distributed among the 32 teams, regardless of individual achievement. In 2020, the NFL generated over \$9.5 billion in national income, which equates to around \$296 million per franchise (Eckstein, 2021). The teams do the generating of local money through ticket sales, concessions, and corporate sponsorships. The Packers generated \$211 million in local revenue in 2020, accounting for 41% of their overall income of \$507 million (Eckstein, 2021).

NFL games are streamed live three days a week; Mondays, Thursdays, and Sundays in the US. Because these games are often the highest-rated television shows, media firms have paid a lot of money to broadcast them. CBS, NBC, Fox, and ESPN are among the NFL's current television partners. CBS, NBC, and Fox agreed to pay the NFL a total of \$39.6 billion in contracts signed in 2011 for the seasons between 2014 and 2022 (Eckstein, 2021). The rights to "Sunday Night Football" and the Super Bowl, which rotates every year, are shared among the three broadcasters. These networks' fees are expected to climb by around 7% per year, bringing their total yearly payments to the NFL to \$3.1 billion by 2022.

Ticket sales are a significant source of money for individual NFL clubs, but they pale compared to the rapidly increasing cash from television partnerships. NFL stadiums hold roughly 70,000 people on average, and most games are sold out. This doesn't leave much room for expansion. Since the turn of the century, the average ticket price has risen by around 7% every year (Eckstein, 2021). The average price of an NFL ticket climbed from about \$30 in 2000 to over \$151 in 2020; however, the additional revenue from these increases pales compared to revenue growth from television.

Future revenue development strategy plans

Growth of television

According to popular belief, television is not dying, at least not when it comes to football. The value of the NFL's television contracts has soared in recent decades, and all indications are that it will continue to do so (Ozanian, 2021). As a result, the NFL's top priority in achieving its goal of \$25 billion in income by 2025 is to continue to acquire larger and larger television deals.

Streaming

Although television remains the most popular way to watch football, streaming is becoming more

popular. In 2017, NFL agreed with Verizon to a new \$2.5 billion five-year streaming rights deal. This is a deal worth twice as much as Verizon's previous agreement with the NFL. Amazon agreed to a comparably minor contract of around \$130 million for two years of streaming rights in April of 2018 (Eckstein, 2021). If the expansion of television deals during the previous several decades is any indicator, these arrangements will continue to increase at a high pace in the following decades.

Gambling

Despite the NFL's long opposition to sports betting, this is likely to alter in the near future. The Supreme Court ruled in May 2018 to leave it up to the states to decide whether or not to authorize sports betting. Twenty states have already officially authorized the practice as of December 2020, and seven more have passed laws to do so (Eckstein, 2021). The NFL may take advantage of this by establishing betting parlors at stadiums, partnering with established casinos, and establishing online sports gambling portals, among other things. The possibilities are endless, and the NFL, which is obsessed with development, will undoubtedly pursue as many as it can.

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