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Fitch: Media Contracts Limit Impact of Postponed Games on Sports Ratings

Fitch Ratings-Chicago/New York-22 December 2021: National media contracts will limit the near-term ratings impact on sports leagues of the recent postponement of North American professional sports games following the sharp uptick in Covid-19 infections caused by the delta and omicron variants among players, says Fitch Ratings. The credit profiles of sports facilities with a high proportion of attendance-driven revenues could be more impacted by the postponement of games in the near term, compared with facilities with a high mix of contractual revenue such as that associated with premium seating and sponsorships, whose credit profiles are expected to be more stable.

The NBA, NHL and NFL have all observed a sudden increase in positive coronavirus tests afflicting players since mid-December. This has led, in some cases, to roster shortages and teams' inability to compete. Earlier this week, the NHL and NHL Players' Association announced that five additional games will be postponed this week, bringing the total number of games postponed this season to 50. Meanwhile, the NBA postponed five games this week, resulting in a total of seven games postponed this season so far, and the NFL announced its first three schedule changes for the season last week.

League-level debt is secured by national media contracts, with payment in full linked to a league's ability to deliver a full schedule of games under the terms of the contracts. US sports leagues were able to reschedule a significant number of regular season games in 2020 and still hold playoffs, enabling most of them to realize the full value of their national media contracts.

Leagues are taking extraordinary measures to continue operations amid the recent outbreak of cases and retain the flexibility to reschedule games, including potentially extending the season beyond the normal timeframe. The return to a bubble format is viewed as unlikely at this stage, given the high costs associated with operating under such conditions. An entire suspension of the season is also viewed as unlikely, unless there is a continued surge in infections among players.

A material disruption to the flow of national media contract revenue that could negatively affect league ratings is viewed as unlikely at this time. However, if leagues are unable to complete the season in order to deliver the full value of these contracts to their media partners, broadcasters may look to receive credits for lost content in current or future years.

Future contractual broadcast revenues could also be reduced or spread across future years as a form of credit for lost value. In 2020, amid greater uncertainty around the successful completion of their seasons, the leagues' full delivery on national media contracts illustrated the ability of leagues to navigate through a challenging environment and mitigate the impact to credit profiles.

For facilities, rescheduled games, particularly to nonprime hours or "off-days," could have a negative impact on attendance and per-cap spending trends during the season. Government mandated capacity restrictions or the inability of marquee players to play due to league health and safety protocols could also adversely impact attendance and the cash flows that service facilities' debt.

Fitch is closely monitoring developments related to the coronavirus pandemic and its impact on professional sports. There are a wide range of potential outcomes on the length of the disruption, depending on the severity of this Covid-19 wave. Player salaries, the largest expense item for leagues, may have flexibility through existing collective bargaining agreements or future negotiations with player unions to adjust for changing revenues if leagues and franchises face further financial pressures

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