Did Rogers Fail Investors by Betting Big on the Blue Jays?

Description

This wasn't the season Toronto Blue Jays fans had expected. After team owner **Rogers** (TSX: RCI.B) (NYSE: RCI) sanctioned a massive increase to the team's payroll, fans were anticipating October baseball returning to Toronto for the first time in nearly two decades. It turns out that a more than $40 million boost to the payroll wasn't enough as the team won just a single game more than it had the year before and finished with the ninth worst record in baseball.

The question both fans and Rogers' investors need to ask is if the company squandered that money on a team that just might not have been ready for the next level. Overall Rogers forked out $127.8 million in Blue Jays player salaries last year. That put the club in the top five payrolls of all of baseball and about $21 million more than the league average. Apparently throwing money at the problem still doesn't buy a winning baseball team.

That being said, it does buy something of value to both the Jays and to Rogers' investors. The money the company injected into the team's payroll was the shot in the arm that its fans needed. The club had the second best increase in attendance in baseball and its attendance was the sixth best in its league. That's quite the turnaround as just two years ago the team's games were among the least attended in the game. Overall the team drew more than 2.5 million fans, with a key consideration being that those fan attended games at the *Rogers Centre*.

Not only that, but fans tuned into Rogers' Sportsnet at near record numbers. In fact, more than half a million fans tuned into each game, which while down slightly over the previous year did help boost the Sportsnet brand overall as its viewership was up 21% over the previous year. Part of that is because fans' interest in the team helped to feed a lot of ancillary programing, which helped boost viewership. It's this vertical integration so to speak where the company owns the content and the channels with which it's distributed that can yield positive returns as evidenced by the fact that Rogers' media division saw 7% year-over-year revenue growth.

In Rogers' battle with rivals like **BCE** (TSX: BCE) (NYSE: BCE) owning the content is important. The saying that "content is king" really is true. This is especially true for sporting content which tends to be viewed live, meaning that advertising isn't skipped. Further, while BCE has excellent media properties, it does not have the untapped potential of the Jays to fill stadium seats or living rooms. The undivided attention of fans, which Rogers can control with a top notch on the field product, is something that its rivals cannot match as it's really a hidden growth vehicle for Rogers.

Looking ahead to next year, it's pretty clear that Rogers will need to boost the payroll even further if it wants to compete. Some suggest another $20 million or so will do. However, for a company that handed its investors nearly half a
billion dollars in dividends and buybacks last quarter alone, it can easily afford that number. Further, given the increased viewership at Sporstnet, it's clear that the demand will be there if the team can really turn the corner.

While Rogers' media division isn't its profit center, it is the place where it touches prospective customers of its wireless and cable offerings in a non-threatening way. Bringing winning baseball back to Canada could really win more than fans for Rogers. That's why as an investor, and a lifelong Jays' fan, I firmly support Rogers' decision to invest in the team and hope that trend continues despite last year's poor returns. Over the long term the move to improve the Jays could really could pay off for investors.

Fool contributor Matt Dilallo owns shares of Rogers. The Motley Fool does not own any companies mentioned.

CATEGORY

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4. TSX:RCI.B (Rogers Communications Inc.)

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