The Blue Jays Could Be Worth Billions to Rogers Communications

Description

In 1928, **Walt Disney** created an iconic character that has been entertaining the masses for decades. However, when Mickey Mouse burst on the scene in *Steamboat Willie* he became much more than just entertainment. He was the building block upon which Walt Disney made a fortune. Today, the company that was all started by an animated mouse is now a more than $120 billion business.

The drama unfolds

As Walt Disney has demonstrated for years, content that can be leveraged is a powerful tool. As long as the content that is being created is delighting millions, it has the potential to be monetized at an ever increasing rate.

While we tend not to think of pro sports teams as simply content that can be consumed, the truth is that is exactly what they are. Even though our favorite sports teams are personal to us, the product on the field is as much a production as a TV show or blockbuster film. Unfortunately for Toronto Blue Jays' fans, the product on the field last year didn't live up to the hype.

Some, myself included, watched nearly every episode to the bitter end. Each time we likely thought the plot would shift and the early excitement would return. Turns out the thrilling sports drama we all thought we were watching was nothing more than a bizarre horror show that did end with a twist as loathed former manager John Farrell was the one hoisting up the Commissioner's Trophy, but for the division rival Boston Red Sox.

The business of baseball

Last year's version of the Jays was another in a string of relatively uncompetitive teams management/ownership have put together in recent years. The difference is that last year's club was the first real attempt by the team's current owner, **Rogers Communications** (NYSE: RCI) (TSX: RCI) to invest in reviving the struggling franchise. This was made evident by the fact that the media giant made the decision to bet big on the Blue Jays last offseason.

However, the plan never was to produce one season and give up. It was part of a three season $200 million infusion to revive the brand and turn the content of baseball into a booming business that can be leveraged. This was done not only with the hopes of luring fans back into the Rogers Center, but to create content that could be leveraged across its Sportsnet brand as it attempts to overtake **BCE's** (TSX: BCE) (NYSE: BCE) TSN as Canada's top sports media brand – the Canadian version of Disney's ESPN.

What's the play?

What sets Rogers apart from Disney's ESPN or BCE's TSN is that Rogers owns the very content that it puts on the field that it's then piping out to Sportsnet subscribers. While Disney once did own the Los Angles Angels, it couldn't leverage that brand the same way Rogers can with the Blue Jays. That's because in Canada, the Jays are the only game in town. That makes it more beneficial to manipulate that content, to a point of course, which is something few of its rivals can match. If successful, Rogers has the direct power to turn the Blue Jays into a very profitable brand for the company.

Its power that very few other media companies can wield. In fact, in a lot of cases, major league clubs own the regional sports network that broadcasts games. Clubs get revenue from that arrangement which is then invested to boost the product.

Rogers, on the other hand, owns a vast media empire that's always striving to provide premium content to keep subscribers happy. An entertaining ball club keeps fans engaged. They'll watch spin off content like sports talk shows or buy a magazine that features the Jays. A winning club can be leveraged across most of its platforms and drive revenue and earnings for Rogers.

That could boost the value of the Blue Jays' business, which according to *Bloomberg* is worth about $950 million. That places the club at about major league average. The potential is there for more value as it's about a third of the value of more storied franchises like the New York Yankees and half the value of clubs like the LA Dodgers or Boston Red Sox.

Putting a winning product on the field could add significant long-term value to the Rogers brand. The company actually got a taste of that this year. In Roger's third-quarter earnings release it notes that operating revenue at its Media division, which houses the Jays, was higher this quarter and year to date. Specifically, it points to revenue growth at Sportsnet and higher attendance at Toronto Blue Jays' games. A sustainable winner would continue that trend.

Final thoughts

With the Canadian market all to itself, Rogers has a massive opportunity to profit from its exclusive delivery of entertaining sports content to the country. It has a competitive advantage in that it actually controls this content, which it has exclusive rights to now that its deal with BCE to supply Jays content has ended. Building a team that's fun to watch and wins has the potential to really drive viewership at Sportsnet, with some estimates suggesting that a team winning late into the season could draw a million viewers per night. Having that many fans glued to their screens brings in the advertising dollars. Bottom line, the Blue Jays could be worth billions to Rogers…if they could just win!

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Fool contributor Matt Dilallo owns shares of Rogers and Disney. David Gardner owns shares of Disney. The Motley Fool owns shares in Disney.

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mdilallo