Beer, Chips, and Profit: Get Rich by Watching Sports

Description

If you're anything like me, you spend a lot of time watching sports. It doesn't matter what team, what league, or even what sport, I've watched them all, more than I'd care to admit. I think I have a problem.

If you pay attention to Canadian sports, surely you've heard of a potential work stoppage that could affect the Canadian Football League. Currently, the league and its players are in the midst of negotiating a new collective bargaining agreement. There's one main issue separating the two sides — money. The players want a new salary cap that's approximately 20% higher than the old one, plus certain pension provisions for former players. The league, meanwhile, has countered with a salary cap that's only marginally higher than last year's.

What struck me as the most interesting part of the negotiations was just how lucrative the CFL's television contract is. Starting this season, the CFL and its official broadcaster, TSN, have signed a new five-year contract that gives the network exclusive rights to broadcast every game, including the playoffs and the Grey Cup. The network's parent company, **BCE** (TSX: BCE)(NYSE: BCE), is paying the league $42 million per year for the privilege.

Just a few years ago, the CFL was a league struggling with low attendance and an uninterested fan base. Now, things are going so well that both sides are fighting over a much bigger pie. This isn't such a bad problem to have.

It's also good news for investors looking to combine their love of sports and investing into one. Not many of us have the cash to plunk down on buying a sports team, so we have to do the next best thing. Here are three companies that will profit along with sports.

Shaw Communications

A major concern for investors in **Shaw Communications** (TSX: SJR.B)(NYSE: SJR), western Canada's largest television provider, is the trend of customers cutting cable in favor of watching television online.

For many people, including myself, there's one main stumbling block preventing us from cutting the cord: There's no alternative for watching live sports. A few networks stream games online, but most don't, because they know that the big game is something most fans just have to watch. Live sporting events are some of the highest-ranked on TV.

This is all good news for Shaw, which knows that sports fans have little choice but to keep their expensive cable packages if they want to watch games. Shaw also has extensive infrastructure in place, giving it protection against upstart competitors, very predictable profits, and a generous 4.1% dividend yield, paid monthly.

BCE

As mentioned earlier, BCE is the parent company of TSN, Canada's leading sports broadcaster. Not satisfied with two TSN stations, the company recently announced plans for three more, with plans to launch this fall. TSN buys the rights to broadcast so many sporting events that two channels just weren't enough to show everything. The network constantly runs into scheduling conflicts.

Unfortunately for investors looking for pure sports exposure, BCE's media division is just a tiny part of a telecommunications behemoth. Owning many of Canada's top TV stations does give the company cheap programming for its cable and satellite services, which does help profits.

Still, BCE is a terrific company for any investor's portfolio. It's a leader in wireless, home phone, internet, and television services across Canada. These competitive advantages aren't about to go away. It also gives investors a 5% yield.

Rogers Communications

Perhaps the most aggressive company in the sports world is **Rogers Communications** (TSX: RCI.B)(NYSE: RCI).

The company, along with BCE, owns a majority stake in the Toronto Maple Leafs and Toronto Raptors. It also owns the Toronto Blue Jays. The company made headlines back in November when it signed a $5.3 billion deal with the NHL to be the league's official Canadian broadcaster, beating out TSN, the previous holder of the rights.

Rogers has an interesting strategy for its NHL rights, intending to show many games on traditional networks, like City TV. Rogers has seen its media division struggle lately, and hopes that viewers will embrace hockey on stations that have struggled.

As with Shaw and BCE, investing in Rogers is only an indirect play on professional sports. But as the nature of television continues to evolve, sports are likely to make up an ever-increasing share of the bottom line. Traditionally, investors in Canada's largest telecommunications companies have done very well. Home phone, internet, and wireless services are businesses that tend to grow faster than inflation. These are solid companies for any investor's portfolio.

CATEGORY

1. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
6. TSX:SJR.B (Shaw Communications)

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