



Rogers Communication Inc.'s Big Bet on Baseball Is Paying Off

Description

Rogers Communications Inc. ([TSX:RCI.B](#))([NYSE:RCI](#)) made a big bet on baseball in Canada when it bought control of the Toronto Blue Jays in 2000. The media giant paid just \$160 million for the club at the time in hopes of reviving the once proud franchise that was the best in baseball in the early 1990's. While Rogers' investments in the product on the field have yet to pay off in a winning club, it has been able to substantially grow the value of the franchise over the years. In fact, Forbes now values the club at \$870 million, which is 43% higher than last year's value.

The business of baseball

Forbes' recent valuation of the franchise comes at a time when the business of baseball is booming. Record television revenue has been pouring into the game over the past few years, as advertisers are highly valuing the captive audiences viewing live sports entertainment. This is leading teams to sign very lucrative contracts with regional sports networks, giving them a cash infusion to reinvest in the product on the field. That rising tide has lifted all boats, as the average value of a Major League Baseball (MLB) team skyrocketed 48% over the past year to \$1.2 billion.

Most of that value increase stems from the fact that MLB teams are taking direct equity stakes in those booming regional sports networks. As those equity stakes increase, so does the value of the team. That's why the New York Yankees, which co-own the YES Network, are valued at \$3.2 billion, and tied with the Dallas Cowboys for the most valuable sports franchise in North America.

The business of the Blue Jays

The Blue Jays are a bit different in that they're owned by Rogers, which also owns sports broadcaster Sportsnet. Because of that, Sportsnet holds the exclusive broadcasting rights to the Jays, but doesn't have to ante up to pay for those rights in the same way other regional broadcasters do. Further, because the Jays don't own an equity stake in Sportsnet, the franchise's value of \$870 million is ranked in the bottom third of the league.

That being said, Rogers does set the payroll for the Jays so it can, to some degree, control the product on the field by pumping more money into the team. In recent years it has boosted the Jays' payroll,

enabling the club to go out and get marketable talent. This not only has helped the team draw more fans to games at the Rogers Center, which is owned by Rogers, but more fans are also tuning into games on Sportsnet or on the radio at Rogers-owned station Fan 590. The club also provides content to the company's magazine, as well as non-game content on Sportsnet and other Rogers-owned media networks. In a sense, Rogers has built a whole ecosystem around the Jays to feed exclusive content to its owned properties without having to pay dearly for this content.

Investor takeaway

While Rogers' investments in the Jays have yet to end the team's two decade post-season drought, it has paid off for the company's bottom line. Rogers has enjoyed the steady rise in the value of the franchise, thanks to the growing value of live content, as well as the rejuvenation of the franchise due to a more marketable product on the field. More value could be created in the years ahead for Rogers' investors, as a return to the glory days of winning would not only juice the value of the team, but would bring even more consumers to Rogers-owned properties to consume Blue Jays-related content.

CATEGORY

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