



## Rogers Communications Inc. Pays a High Price to Follow Warren Buffett's Advice

### Description

As **Rogers Communications Inc.'s** ([TSX:RCI.B](#))([NYSE:RCI](#)) recent second-quarter report demonstrated, the company is clearly seeing the value of paying a high price to acquire premium content. The company, which signed a landmark 12-year \$5.2 billion broadcast and multimedia deal for exclusive coverage of the NHL in Canada, saw that investment pay off big time during the second quarter as it was the sole driver of the company's growth in profits. It's a deal that is teaching the company that having great sports content is a key in an increasingly digital world.

Now the company is taking that approach to the baseball diamond as it's paying a high price to acquire premium baseball talent to take the Toronto Blue Jays to the next level and bolster the team's chances to reach the playoffs. In doing so, Rogers and its baseball staff are taking a page out of Warren Buffett's book as they change their approach on and off the field.

### Baseball, Buffett, and the Blue Jays

It has been 22 years since the Blue Jays last made it to the post season, the longest active streak in Major League Baseball. Those two decades of mediocrity have really drained the fan base of a lot of its zeal, which in turn has weakened attendance at the ballpark and TV viewership. However, over the past year the club has started to turn a corner, and that's largely due to a change in the guiding principles of the team's general manager Alex Anthopoulos, who is starting to see the value of espousing Warren Buffett's values when he buys companies.

This past off-season Anthopoulos actually quoted Warren Buffett when he paid big dollars to acquire marquee free agent catcher Russel Martin, who also happens to be a Canadian, as well as swinging a big trade for star third baseman Josh Donaldson. He said that “it’s better to buy a wonderful company at a fair price than a fair company at a wonderful price,” or in this case, it’s better to acquire a great player for a fair price than a fair player at a great price. Anthopoulos, who until recently had been known to be one that loved deals that could be made at a wonderful price, has seen first-hand that fair companies, or in this case, fair baseball players, don’t often yield winning results. Meanwhile, his two Buffettesque off-season acquisitions have delivered as both were named to the All-Star team and are behind the team’s resurgence that, at the moment, has them in the position for a playoff spot.

To further bolster that position, last week Anthopoulos, now fully embracing his inner Warren Buffett, made his biggest deals yet. In so doing, he paid fair, if not steep, prices to acquire star shortstop Troy Tulowitzki and former Cy Young award-winning starting pitcher David Price. While he gave up many of the club’s best up-and-coming prospects in those deals, both bring star power that really boost the club’s chances to make the post season. Further, these are the types of players that fans pay to go see play.

### **Early returns are already compelling**

For Rogers, these deals are already paying off. Fans lined up to buy tickets to see these new star players in a Jays’s uniform. In fact, since announcing the trades the club had its three busiest days in franchise history, selling 15,000 additional tickets last Wednesday and another 32,000 on Thursday, according to the *Toronto Sun*.

Meanwhile, as a result of the rejuvenated fan base, the Rogers Centre’s atmosphere has been electric, creating an almost playoff-like feel that’s leading to a buzz across the city and the entire country. This has fans not only digging into their wallets to come out to the ball park, but many are digging even further to buy the merchandise related to these star players. These deals will be good for Rogers’s bottom line.

### **Investor takeaway**

Rogers Communications is learning that following Warren Buffett’s advice to buy quality over quantity is the best way to build a winner. However, it’s a lesson that goes far beyond the baseball diamond as it’s one that investors need to learn as well. Buying a stock just because it seems cheap might seem like a smart move, but real winning portfolios are built by paying the price to invest in great companies for the long term.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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