Will Toronto Blue Jay Success Lift Rogers Communications Inc. Shares?

Description

For the first time in 22 years, the Toronto Blue Jays are playoff-bound.

Canadians everywhere are jumping on the bandwagon. Each game at the Rogers Centre has been a sell-out, a trend that will undoubtedly continue through the playoffs. Sales of hats, jerseys, and other forms of memorabilia are through the roof. Television ratings are as high as they've ever been.

Perhaps it's just the fan in me talking, but I very much think the Blue Jays have a legitimate chance of taking the World Series, which would be a huge financial boon to the team. Not only would it reap the benefits of extra home games (remember, players don't get paid in the playoffs), but there would be potential to sell all sorts of collectibles to fans, with a portion of sales going back to the team.

For fans, this is all very exciting. Should it be as exciting for shareholders of **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), the owner of the team?

The advantages to owning a team

When Rogers bought the Blue Jays back in 2004, the strategy was simple. The company's Sportsnet television stations were fighting hard with **BCE's** flagship sports station TSN for content. By buying the Blue Jays, Rogers ensured it would have enough content to fill the summer months. Rogers also aggressively went after the rights for other baseball games.

There was only one issue with doubling down on baseball. If the Blue Jays struggled, so would ratings. Canadian fans quickly lost interest each year when the Blue Jays would fall behind other powerhouse teams like the Red Sox and Yankees.

Rogers also purchased the Skydome, Toronto's home stadium, renaming it the Rogers Centre. Not only did Rogers get a good deal for the stadium, but it also turned the home of the Blue Jays into place where it could advertise Rogers's products. This helped to boost sales of cable and wireless packages.

The potential boost

Because Rogers is so vertically integrated, it's hard to figure out just what effect a playoff run will have on the company's bottom line.

Everything is likely to get a boost, from advertising on the company's sports channels, Blue Jays-branded magazine sales, and even beer and popcorn sales at the ballpark. But remember, the players are paid in U.S. dollars, which has somewhat hurt profitability.

In the company's most recent quarterly earnings, the media division brought in $582 million in revenue compared to $3.4 billion for the whole company. But even though media brings in more than 15% of the company's revenue, it accounted for just 3% of operating profit in 2014.

The reason is simple. The media division really just exists to drive subscriber growth for cable. Plus, a very expensive NHL deal has also hurt the bottom line. And thanks to Canada's tepid economy, advertising on some of Rogers's other channels has struggled. Rogers also owns a selection of radio stations, a medium that is also struggling to attract ad spending.

It's likely that an extended Blue Jays playoff run will help the bottom line. It's just not going to be very much. Even if the Jays managed to help the company boost earnings from the media division by 100%, that would only represent a 3% boost to total earnings.

Over the last 12 months, Rogers has earned $2.41 per share. An extra 3% growth would put earnings at $2.48 per share. That does help, but it's really unlikely to move the stock much.

Besides, Rogers shares have already moved smartly. In June, the company hit a 52-week low of under $42 per share. Since then, shares have recovered some 10% to more than $46. It appears the market has already priced in any potential boost to the bottom line.

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