



Rogers Communications Inc.'s Investment in the Blue Jays Finally Pays Off

Description

The Blue Jays's season didn't end the way fans had hoped, with the team just missing its first real chance at returning to the World Series in 22 years. However, no matter how we look at the team's season, it has to be considered a success, both on and off the field.

That's especially true for team owner **Rogers Communications Inc.'s** ([TSX:RCI.B](#))([NYSE:RCI](#)) recent third-quarter results, which were much stronger than anticipated. It's a result that can almost entirely be credited to the success of the telecom and media giant's baseball team.

Hitting it out of the park

When Rogers reported its third-quarter results last Thursday, the company posted surprisingly strong revenue and earnings. Revenue grew 4% year over year to \$3.38 billion, which beat analysts' estimates by \$60 million. Meanwhile, earnings came in at \$0.92 per share, which was a full \$0.09 per share higher than analysts were expecting to see.

While the company's core wireless and cable segments were solid, neither wowed the crowd. Rogers's cable division delivered meager 1% revenue growth to \$871 million and adjusted profit growth of 2% to \$416 million. Meanwhile, revenue growth within the wireless segment was 5% to \$1.97 billion, while adjusted operating profit slipped by 1% to \$879 million.

Contrast this with the company's media division, which saw revenue rise by 8% to \$473 million with adjusting operating profit soaring 152% to \$58 million. If it wasn't for the strength of the Blue Jays-led media group, Rogers's adjusted profit could have been flat instead of growing by 3% year over year.

Giving credit where credit is due

In commenting on the quarter on the company's conference call, CEO Guy Laurence had this to say about the media division:

...Both revenue and adjusted operating profit were up substantially with improved financials at the Blue Jays and continued strong growth at Sportsnet. Sportsnet continues to be the rated #1 most-watched

televised sports brand in Canada by a widening margin and we've seen some impressive viewership stats coming out of Sportsnet thanks to the great performance of the Jays. It's actually been amazing to see how the city and a country have come together to cheer on Canada's ball team.

As Laurence points out, the Jays's on-field success is translating into bottom-line success for Rogers. Not only had the company's ball park sold out every night since late July, but viewership on the company's Sportnet properties spiked.

The numbers are truly mind-blowing with an aggregate of 11.5 million Canadians tuning in to some part of the recent dramatic game five of the League Championship Series, which equates to about a third of all Canadians. That game alone was the second most-watched sports television show in Canada over the past year, just behind the Super Bowl.

Those numbers suggest that Rogers's fourth-quarter results could be quite strong. CFO Anthony Staffieri noted on the company's conference call that "the Jays continue to set records in terms of audiences, and we're pleased with that, and that's translating into some of the revenue you see in our third quarter results. Keep in mind that that's all pre-playoff revenue. And so there will be additional upside as we look to the fourth-quarter."

Given that the impressive viewership stats at Sportnet as well as the packed Rogers Centre, Rogers's fourth quarter will likely be positively impacted by the Jays's playoff run. Having said that, the club did narrowly miss the World Series. If they'd made it, it would have likely had an even larger impact on the fourth quarter.

Investor takeaway

Blue Jays fans got their first taste of post-season baseball in 22 years, which not only electrified all of Canada, but provided a tangible boost to Rogers's bottom line and also boosted the company's brand in Canada. Clearly, this investment in the team has paid big dividends for the company, which is great news for its investors, most of which are invested in the company for its generous dividend payments.

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