



BCE Inc. Shareholders: Baseball in Montreal Could Make You Richer

Description

One of the major headlines in the sports world last week was the announcement that Montreal is fully prepared for Major League Baseball (MLB) to come back.

Representatives from Montreal reportedly met with MLB Commissioner Rob Manfred and were told they met all the conditions needed to bring a team to the city. These included a list of committed investors, support from two levels of government, and several locations picked out for a potential new stadium.

While this is good news, baseball fans in Canada's second-largest city shouldn't get too excited yet. There are a few existing teams that could potentially move to Montreal, but there's nothing imminent. If MLB expands, it will want to add two teams to keep the schedule even. Additionally, Mitch Garber, one of the main members of the proposed ownership group, distanced himself from the report, saying many of the details simply weren't true.

Still, there are plenty of reasons for baseball fans to get excited. Here's why **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) shareholders should do the same.

A new team will be expensive

According to the annual team values published by *Forbes*, the average MLB team is worth about 7% more than in 2015. The New York Yankees are baseball's most valuable team with a value of US\$3.4 billion. The Tampa Bay Rays brought up the rear with a value of US\$650 million. The average team is worth approximately US\$1.3 billion.

Even though a potential Montreal team has plenty of financial clout behind it, the organization will likely seek ownership with some deeper pockets. Billionaires like the idea of owning a sports franchise, but they often spread the risk around.

It's obvious BCE would be interested in owning a piece of the new Montreal Expos. It already owns a part of the Montreal Canadiens, Toronto Maple Leafs, Toronto Raptors, and Toronto FC.

Remember, **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) owns the Toronto Blue Jays. Rogers has already demonstrated the pluses of such a strategy, including using the team as content on its sports channels. Anyone who has ever attended a game at the Rogers Centre also can attest just how much Rogers marketing is emblazoned everywhere.

And, of course, it's been a great investment. Rogers paid \$165 million for 80% of the Blue Jays in 2000 before buying the team outright in 2005. It also paid \$25 million for the Rogers Centre back in 2004. These days, *Forbes* values the Blue Jays at US\$900 million.

That is a succulent return.

How much will it impact BCE shares?

Let's be clear. BCE is such a big company that an investment in a new Montreal baseball team will not have a significant impact on the bottom line.

Forbes says the Blue Jays generated US\$241 million in revenue in 2015 and posted a small profit. Of course, that doesn't measure the impact on Rogers's media assets. All 162 Blue Jays games are on Sportsnet.

BCE has a market cap of \$53.9 billion. It earned \$21.7 billion of revenue in 2016 with 2017's top line expected to be a little higher thanks to the acquisition of Manitoba Telecom. Earnings were \$2.9 billion. BCE is also one of Canada's top dividend stocks; it currently pays a 4.8% yield.

But that still doesn't mean investors will ignore this seemingly small impact. TSN, which is BCE's sports network, somewhat struggles to find content during the summer. Showing Montreal baseball games will help, especially if the team is in contention.

The bottom line

Montreal is likely a long way from getting Major League Baseball again. The recent news stories are promising, but nothing more.

Still, it's something BCE investors should keep an eye on. Investments in sports franchises have traditionally been very lucrative, and the content will help TSN better compete with Sportsnet during the summer months. There are numerous pluses here, even if it doesn't seem like it'll really make a huge impact.

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