Is Rogers Communications (TSX:RCI.B) Planning to Sell the Toronto Blue Jays?

Description

Evidence continues to mount — at least in this Fool's opinion — that **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) may be preparing for a sale of Canada's only major league baseball team, the Toronto Blue Jays.

What does it mean for Rogers's shareholders, fans, and the team's other key stakeholders?

Rogers, under the leadership of president and CEO Ted Rogers, first acquired an 80% stake in the Blue Jays in 2000 for $165 million from Belgian brewer Interbrew S.A.

That investment has proven to be a very successful one for Rogers and its investors.

A report from *Forbes* recently suggested that today the rights to the Blue Jays franchise could be worth as much as US$1.35 billion or $1.8 billion based on current exchange rates.

That works out to a compounded annual return of nearly 12.6% for Rogers's investment in one of major league baseball's 30 franchises and compares very favourably to annual returns of approximately 4% for the TSX Index and 10.1% for Rogers common stock traded on NYSE over that same stretch.

So, if its investment in the major league baseball franchise is, in fact, adding to the bottom line, and if the values of professional sports franchises across the board are at or near all-time highs, why would Rogers be looking to divest itself from its stake in the Jays?

Well, for one, there's the old adage, "buy low, sell high."

But there may be more to it than that.

One of the issues with owning a professional sports team like the Blue Jays is that those investments are not, for the most part, great contributors to a parent company's cash flows and earnings.

Earlier this year, Rogers CFO Anthony Staffieri stressed the company's goal of trying "unlock" the value of the Blue Jays franchise in a manner that would be reflected in the company's share price.

The issue at hand is that while the value of the Blue Jays in a sale to the right suitor may be closer to $2 billion, until Rogers is able to close a deal, any cash it would expect to get from a sale is unavailable to fund other strategic business initiatives, such as investments in improved network infrastructure to accommodate the country's growing mobile usage or returning cash to shareholders through share buybacks or dividends.

Meanwhile, what makes this issue of a "cash crunch" more problematic is that the Blue Jays's home stadium, the Rogers Centre, has become one of the oldest ballparks in the league, and any significant renovations to bolster its image, or even an investment in a brand-new baseball stadium, could come with a very hefty price tag.

In today's day and age, a new major league baseball stadium typically costs upwards of $750 million, and while oftentimes local governments will chip in to help foot the bill, the capital investment required of Rogers to build a new ballpark would constrain its ability to dedicate more funds to the strategic initiatives — particularly the company's ambitious plans for a new 5G network or acquiring the rights to other original sports programming.

Bottom line

Not only would a sale of the Blue Jays free up cash that it could re-deploy in other more lucrative ventures, but it would also avoid the burden of having to pay for a new stadium.

Following back-to-back appearances in the league championships in 2015 and 2016, the team has fallen on hard times in 2018 both off and on the field.

Rogers may be motivated to secure a fresh start for the franchise in the hands of a private investor who can give the team the special attention it deserves.

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