



# **World Wrestling Entertainment, Inc.**

**First Quarter – 2009**

**Conference Call**

**May 7, 2009**



# Forward Looking Statements

Today's discussion contains forward-looking statements pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995, which are subject to various risks and uncertainties. These risks and uncertainties include the conditions of the markets for live events, broadcast television, cable television, pay-per-view, Internet, feature films, entertainment, professional sports, and licensed merchandise; acceptance of the Company's brands, media and merchandise within those markets; uncertainties relating to litigation; risks associated with producing live events both domestically and internationally; uncertainties associated with international markets; risks relating to maintaining and renewing key agreements, including television distribution agreements; and other risks and factors set forth from time to time in Company filings with the Securities and Exchange Commission. Actual results could differ materially from those currently expected or anticipated. In addition to these risks and uncertainties, our dividend is based on a number of factors, including our liquidity and historical and projected cash flow, strategic plan, our financial results and condition, contractual and legal restrictions on the payment of dividends and such other factors as our board of directors may consider relevant.



# Agenda

- **Overview**
- **Operational Highlights**
- **Financial Review**
- **Financial Objectives**
- **Q&A**



# Overview

## Summary Income Statement

(\$s in millions, except per share amounts)

	Three Months Ended March 31,				
	2009	2008	Growth %	Pro Forma 2008 <sup>1</sup>	Growth %
Revenue	\$107.8	\$162.6	(34%)	\$131.3	(18%)
Operating Income	\$16.7	\$27.1	(38%)	\$20.0	(17%)
Net Income	\$10.3	\$19.5	(47%)	\$14.9	(31%)
Earnings Per Share (diluted)	\$0.14	\$0.27	(48%)	\$0.21	(33%)
<b>Memo:</b> EBITDA	\$20.5	\$29.6	(31%)	\$22.5	(9%)

Note:

<sup>1</sup> Excluding *WrestleMania XXIV*

- *WrestleMania XXIV* occurred on March 31, 2008 and is included in our first quarter 2008 results. Specifically, *WrestleMania XXIV* contributed approximately \$31.3 million of revenues and \$7.1 million of profit contribution (\$4.6 million, net of tax), to our results for the first quarter of 2008. *WrestleMania XXV* occurred on April 5, 2009 and therefore will be included in our second quarter results in 2009.
- For Q1 2009, EBITDA and Operating Income include approximately \$2.2 million of restructuring related expenses associated with our headcount reduction that occurred in January 2009.



# Operational Highlights

## First Quarter

- Our first quarter results reflect the relative resilience of our core businesses and our intensified focus on improving operating efficiency. Highlights include:
  - Revenue decline of approximately 10% after adjusting for the timing of *WrestleMania*, our feature film releases and the impact of F/X
  - Operating margin improved to 18% from 15% on a pro forma basis (excluding \$2.2 million restructuring charge in Q1 2009)
- Q1 key metrics declined on a pro forma basis (excluding *WrestleMania*)
  - Average attendance at North American events declined 3% to 6,100
  - Video game unit sales declined 21%; PPV buys decreased 16%
- Executed on commitment to reduce full year 2009 operating expenses by \$20 million
  - In January 2009, completed organizational restructuring expected to generate annual savings of approximately \$8 million
  - Realized 6% decline (\$2.1 million) in reported Q1 S,G&A expenses to \$30.9 million
- Strengthened our business model through key initiatives
  - Advanced Digital Media
    - Managed 8% increase in internet traffic (page views) from Q4 2008
    - Garnered new sponsors: Army National Guard
  - Developed international opportunities
    - Licensing revenue in France increased by 100%
    - TV distribution in China expanded to 5 provinces (vs. 4 in December 2008)



# Financial Review

## First Quarter Summary (\$ millions)

Revenue	Three Months Ended			B/(W) vs. 2008		B/(W) vs. Pro Forma 2008 <sup>1</sup>	
	March 31,			\$	%	\$	%
	2009	2008	Pro Forma 2008 <sup>1</sup>				
Live Events/ Venue Merch.	\$ 22.6	\$ 30.2	\$ 22.9	\$ (7.6)	(25%)	\$ (0.3)	(1%)
Pay-Per-View	13.6	41.2	17.4	(27.6)	(67%)	(3.8)	(22%)
Television	24.9	24.0	24.0	0.9	4%	0.9	4%
Digital Media	6.9	8.1	8.1	(1.2)	(15%)	(1.2)	(15%)
Licensing	19.8	26.2	26.2	(6.4)	(24%)	(6.4)	(24%)
Home Video	9.2	14.0	14.0	(4.8)	(34%)	(4.8)	(34%)
WWE Studios	3.7	11.3	11.3	(7.6)	n/m	(7.6)	(67%)
Other	7.1	7.6	7.4	(0.5)	(7%)	(0.3)	(4%)
<b>Total Revenue</b>	<b>\$ 107.8</b>	<b>\$ 162.6</b>	<b>\$ 131.3</b>	<b>\$ (54.8)</b>	<b>(34%)</b>	<b>\$ (23.5)</b>	<b>(18%)</b>
<b>Profit Contribution</b>							
Live Events/ Venue Merch.	\$ 7.6	\$ 11.2	\$ 6.7	(3.6)	(32%)	0.9	13%
Pay-Per-View	8.6	13.3	10.5	(4.7)	(35%)	(1.9)	(18%)
Television	8.3	4.5	4.5	3.8	84%	3.8	84%
Digital Media	2.6	3.4	3.4	(0.8)	(24%)	(0.8)	(24%)
Licensing	14.7	19.7	19.7	(5.0)	(25%)	(5.0)	(25%)
Home Video	5.3	7.6	7.6	(2.3)	(30%)	(2.3)	(30%)
WWE Studios	2.2	1.9	1.9	0.3	16%	0.3	16%
Other	2.1	1.0	1.2	1.1	110%	0.9	75%
<b>Total Profit Contribution</b>	<b>\$ 51.4</b>	<b>\$ 62.6</b>	<b>\$ 55.5</b>	<b>\$ (11.2)</b>	<b>(18%)</b>	<b>\$ (4.1)</b>	<b>(7%)</b>
<b>Profit Margin</b>	<b>48%</b>	<b>38%</b>	<b>42%</b>				
S,G & A (includes restructuring)	30.9	33.0	33.0	2.1	6%	2.1	6%
Depreciation	3.8	2.5	2.5	(1.3)	(52%)	(1.3)	(52%)
<b>Operating Income</b>	<b>\$ 16.7</b>	<b>\$ 27.1</b>	<b>\$ 20.0</b>	<b>\$ (10.4)</b>	<b>(38%)</b>	<b>\$ (3.3)</b>	<b>(17%)</b>
<b>Margin %</b>	<b>15%</b>	<b>17%</b>	<b>15%</b>				
<b>Add back: Restructuring charge</b>	<b>2.2</b>	<b>-</b>	<b>-</b>	<b>2.2</b>	<b>n/m</b>	<b>2.2</b>	<b>n/m</b>
<b>Adjusted Operating Income</b>	<b>\$ 18.9</b>	<b>\$ 27.1</b>	<b>20.0</b>	<b>\$ (8.2)</b>	<b>(30%)</b>	<b>\$ (1.1)</b>	<b>(6%)</b>
<b>Margin %</b>	<b>18%</b>	<b>17%</b>	<b>15%</b>				

Note:

<sup>1</sup> Excluding *WrestleMania XXIV*



# Operational Highlights

## Live Events

- Revenue and profit from North American live events decreased primarily due to the timing of *WrestleMania*. Excluding *WrestleMania*:
  - Average paid attendance decreased 3% to 6,100 on year-over-year basis
  - Average ticket prices decreased approximately 12% to \$33.54
  - Number of live events increased 28% to 83
- Revenue and profit from international live events declined due to 4 fewer events (4 in Q1 2009 vs. 8 in Q1 2008)
  - All 4 international events in the quarter were structured as buy-out deals with fixed, guaranteed terms
  - Average attendance at international live events increased 3% to 9,300
- **Key Drivers:**

	First Quarter				
	2009	2008	Growth %	Pro Forma 2008 <sup>1</sup>	Growth %
<b><u>North America</u></b>					
Average Event Attendance	6,100	7,200	(15%)	6,300	(3%)
Number of live events	83	66	26%	65	28%
<b><u>International</u></b>					
Average Event Attendance	9,300	9,000	3%	9,000	3%
Number of live events	4	8	(50%)	8	(50%)

Note:

<sup>1</sup> Excluding *WrestleMania XXIV*



# Operational Highlights

## Pay-Per-View

### Key Drivers:

	First Quarter				
	2009	2008	Growth %	Pro Forma 2008 <sup>1</sup>	Growth %
<b>Total Pay-Per-View buys (000s)</b>	818	2,033	(60%)	975	(16%)
Current period buys	722	1,920	(62%)	862	(16%)
Prior period buys	96	113	(15%)	113	(15%)
<b>Number of events</b>	2	3	(33%)	2	n/m

Note:

<sup>1</sup> Excluding *WrestleMania XXIV*

- Pay-Per-View revenue decreased 22% to \$13.6 million on a pro forma basis reflecting a 16% decline in buys for the two pay-per-view events of the quarter, *Royal Rumble* and *No Way Out*
  - International buys for *Royal Rumble* and *No Way Out* were essentially flat on a year-over-year basis and accounted for 36% of current period buys vs. 30% in the prior year quarter
- *WrestleMania XXV* revenue will be reported in the second quarter of 2009
  - Preliminary estimates reflect approximately 1 million buys demonstrating the enduring power of our brand in a challenging economic environment



# Operational Highlights

## Television

- Revenue from television distribution grew 4%, nearly \$1 million, reflecting the new agreement with MyNetworkTV and other contractual increases
- RAW remains one of the most watched regularly scheduled programs on cable television
  - RAW is regularly seen by 5.7 million viewers each week
- In the first quarter, SmackDown was MyNetworkTV's top rated program for all demographic categories and was the top rated program on Friday nights among various male and teen demographic categories
  - SmackDown is seen by 3.8 million viewers each week
- ECW was the top rated program on the SCI FI Channel among various male demographics, and ranks among the top Tuesday night cable programs among Men 18+ and Men 25-54
  - ECW is seen by 1.9 million viewers each week
- Key Drivers:

TV Ratings (THH):	First Quarter		
	2009	2008	Growth %
RAW	3.8	3.7	3%
SmackDown	2.2	2.8	(21%)
ECW	1.4	1.3	8%



# Operational Highlights

## Consumer Products

- Licensing revenue decreased 24% (\$6.4 million) over the prior year quarter primarily reflecting lower sales of our video game, and to a lesser extent, lower sales of our toy products
  - *SmackDown vs. RAW 2009* (released in November) has sold 4.1 million units, representing a 21% decrease in unit sales from the comparable period last year
- Home Video revenue decreased 34% to \$9.2 million primarily due to the release of two fewer titles and a reduction in catalog sales
  - DVD shipments declined 23% to approximately 912,000 units
    - Q1 2009 had 6 new title releases vs. 8 in Q1 2008
    - *The Best of Saturday Night's Main Event* and *Starrcade: The Essential Collection* each shipped more than 100,000 units
    - Shipments of new releases declined approximately 30% to 470,000 units and catalog titles decreased approximately 13% to 442,000 units
- Magazine Publishing revenues increased approximately 21% primarily due to the launch of our WWE Kids Magazine
  - In the first quarter 2009, the WWE Kids Magazine generated \$0.5 million in net revenues led by newsstand and subscription sales
  - WWE Kids Magazine's first issue was distributed in the second quarter of 2008



# Operational Highlights

## Digital Media

- Digital Media, our Internet based operations including online advertising sales, mobile content and e-commerce, generated \$6.9 million in revenue, representing a 15% decrease from the prior year quarter
- WWE.com revenue fell 13% to \$3.9 million in the quarter principally from a 17% (\$0.5 million) decline in online advertising revenue
  - WWE.com averaged 14.3 million unique users per month and 29 million video streams in the current quarter
  - Internet traffic, as measured by page views, trended favorably during the quarter. Page views increased 8% to an average 424 million per month for the quarter compared to Q4 2008
- WWEShop's revenue declined 17% to \$3.0 million reflecting a 12% decrease in the number of online merchandise orders to approximately 60,000 and a 3% decline in average sales per order to \$49.63



# Operational Highlights

## WWE Studios

- WWE Studios recognized \$3.7 million in revenue from its portfolio of released films compared to \$11.3 million in the prior year quarter
  - Our fourth theatrical film, *12 Rounds*, was released March 27, 2009 and has generated approximately \$11.8 million in domestic box office receipts to date
  - The current quarter also saw the release of a Direct-to-DVD film, *Behind Enemy Lines: Colombia* on January 6, 2009
  - As of March 31, 2009, WWE had approximately \$30.1 million in capitalized production costs on our balance sheet, primarily associated with our theatrical release *12 Rounds* as well as our Direct-to-DVD projects, *Behind Enemy Lines: Colombia* and *The Marine 2*



# Financial Overview

## Profit Contribution and S,G&A

- Profit contribution was \$51.4 million. Excluding the impact of *WrestleMania*, “adjusted” profits declined 7% driven by lower video game sales, DVD shipments and pay-per-view buys
  - On an adjusted basis, profit contribution margins increased to 48% from 42% in the prior year reflecting improved profitability in our Live and Televised Entertainment and WWE Studios segments. These improvements were led by reduced operating expenses associated with our television production, live event operations and PPV marketing

Three months ended March 31,

	2009	2008	Growth (pts)	Pro Forma 2008 <sup>1</sup>	Growth (pts)
Live & Televised Entertainment	40%	30%	10%	33%	7%
Consumer Products	63%	64%	(1%)	64%	(1%)
Digital Media	38%	42%	(4%)	42%	(4%)
WWE Studios	59%	17%	42%	17%	42%

- Selling, general and administrative expenses decreased to \$30.9 million from \$33.0 million in the prior year quarter and reflects our focus on improving operating efficiency
  - The \$2.1 million or 6% decline is primarily due to decreases in advertising and travel expense, offset in part by approximately \$2.2 million of restructuring related expenses associated with our headcount reduction (Jan 2009)
- Operating Income was \$16.7 million compared to \$27.1 million in prior year quarter
  - Excluding restructuring, Q1 2009 Operating Income was \$18.9 million and adjusting for F/X impact, was essentially on-par with \$20.0 million in Q1 2008 on a pro forma basis
- Net Income was \$10.3 million vs. \$19.5 million (\$14.9 million pro forma) in first quarter of 2008
  - The effective tax rate of 35% compares to 30% in the same quarter last year
- Free cash flow of \$45.8 million compares to \$5.3 million in prior year quarter
  - The increase can be attributed to the timing of our feature film investments and changes in working capital, including the receipt of a tax refund. Capital expenditures were \$1.5 million as compared to \$9.7 million in the prior year period

<sup>1</sup> Excluding *WrestleMania XXIV*



# Financial Overview

## First Quarter Revenue (\$ millions)

<b>Q1 2009 Revenue</b>	<b>\$107.8</b>
<b>vs. Q1 2008 \$</b>	<b>-\$54.8</b>
<b>%</b>	<b>-34%</b>

### Impact of *WrestleMania* timing

Live Events/ Venue Merchandise	-\$7.5
Pay-per-view	-\$23.8
<i>Subtotal</i>	<u>-\$31.3</u>

<b>Q1 2009 Revenue</b>	<b>\$107.8</b>
<b>vs. Pro Forma Q1 2008 \$</b>	<b>-\$23.5</b>
<b>%</b>	<b>-18%</b>

WWE Studios (primarily reflects DVD sales for <i>The Marine</i> in Q1 2008)	-\$7.6
Licensing (driven by 21% decline in unit sales of <i>SmackDown vs. RAW 2009</i> video game)	-\$6.4
Home Video (23% decrease in DVD shipments; 6 new title releases vs. 8 in Q1 2008)	-\$4.8
Pay-per-view (primarily due to 16% decline in buys for <i>Royal Rumble</i> and <i>No Way Out</i> )	-\$3.8
Digital Media revenue (lower sales of online advertising and e-commerce orders)	-\$1.2
Television (led by contractual increases and new agreement with MyNetworkTV)	+\$0.9
All other	-\$0.6
<b>Total</b>	<b>-\$23.5</b>

### Note:

1 Excluding the timing of *WrestleMania*, feature film releases, the impact of foreign exchange and restructuring, revenue declined 10% from Q1 2008



# Financial Overview

## First Quarter Operating Income (\$ millions)

<b>Q1 2009 Operating Income</b>	<b>\$16.7</b>
vs. Q1 2008 \$	- \$10.4
%	<b>(38%)</b>

### Items impacting comparability

<i>WrestleMania</i> timing (impact on profit contribution)	- \$7.1
Restructuring charge	- \$2.2
<i>Subtotal</i>	<u>- \$9.3</u>

<b>Q1 2009 Adjusted Operating Income</b>	<b>\$18.9</b>
vs. Pro Forma Q1 2008 \$	- \$1.1
%	<b>(6%)</b>

Licensing (21% decline in units shipped of <i>SmackDown</i> vs. <i>RAW 2009</i> video game)	- \$5.0
Home Video (23% decrease in DVD shipments; 6 new title releases vs. 8 in Q1 2008)	- \$2.3
Pay-Per-View (16% decline in buys for <i>Royal Rumble</i> and <i>No Way Out</i> )	- \$1.9
Digital Media (lower sales of online advertising and e-commerce orders)	- \$0.8
TV Rights Production (primarily increased license fees and broadcast/production cost savings)	+\$3.8
Live Events/Venue Merchandise	+\$0.9
(18 additional events in North America as well as reduced travel and production costs)	
SG&A (primarily decreased advertising and travel expenses)	+\$4.3
Other (includes depreciation of \$3.8 million in Q1 2009 vs. \$2.9 million in Q1 2008)	- \$0.1

Total	- \$1.1
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# Financial Overview

## Consolidated Balance Sheets (\$ millions)

	<u>As of</u> <u>March 31, 2009</u>	<u>As of</u> <u>December 31, 2008</u>
<b><u>Assets</u></b>		
Cash & short-term investments	\$ 203.2	\$ 177.3
Accounts receivable	53.3	60.1
Other current assets	24.3	42.6
Total current assets	<u>280.8</u>	<u>280.0</u>
Net fixed assets	90.4	92.4
Feature film production assets	30.1	31.7
Investment Securities	22.3	22.3
Other assets	3.5	3.0
Total assets	<u>\$ 427.1</u>	<u>\$ 429.4</u>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Current liabilities	\$ 64.2	\$ 58.3
Long-term debt	3.6	3.9
Other long-term liabilities	7.7	7.2
Total liabilities	<u>75.5</u>	<u>69.4</u>
Total stockholders' equity	351.6	360.0
Total equity & liabilities	<u>\$ 427.1</u>	<u>\$ 429.4</u>



# APPENDIX



# Appendix

(\$ millions)

## Reconciliation of Net Income to EBITDA

	Three Months Ended March 31,	
	2009	2008
Net income reported on GAAP basis	\$ 10.3	\$ 19.5
Addback:		
Provision for income taxes	5.6	8.6
Investment and other income, net	0.8	(1.0)
Depreciation and amortization	3.8	2.5
EBITDA	<u>\$ 20.5</u>	<u>\$ 29.6</u>



# Appendix

(\$ millions)

## Reconciliation of Operating Income to Adjusted Operating Income and Adjusted EBITDA

	Three Months Ended March 31,	
	2009	2008
Operating Income reported on GAAP basis	\$ 16.7	\$ 27.1
Addback:		
Restructuring Charge	2.2	-
WrestleMania XXIV Operating Income	-	(7.1)
Adjusted Operating Income	<u>\$ 18.9</u>	<u>\$ 20.0</u>
Depreciation and Amortization	3.8	2.5
Adjusted EBITDA	<u>\$ 22.7</u>	<u>\$ 22.5</u>



# Appendix

(\$ millions)

## Reconciliation of cash provided by operating activities to free cash flow

	Three Months Ended March 31,	
	2009	2008
Net cash provided by operating activities	\$ 47.3	\$ 15.0
Less cash used for capital expenditures:		
Purchase of property and equipment	(1.5)	(9.7)
Free Cash Flow	<u>\$ 45.8</u>	<u>\$ 5.3</u>