

# **World Wrestling Entertainment, Inc.**

**Fourth Quarter – 2008**

**Conference Call**

**February 24, 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 December 31,			Twelve Months Ended December 31,		
	2008	2007	Growth %	2008	2007	Growth %
Revenue	\$125.4	\$132.6	(5%)	\$526.5	\$485.7	8%
Operating Income	\$23.3	\$24.7	(6%)	\$70.3	\$68.4	3%
Net Income	\$13.6	\$21.5	(37%)	\$45.4	\$52.1	(13%)
Earnings Per Share (diluted)	\$0.18	\$0.30	(40%)	\$0.62	\$0.72	(14%)
<b>Memo:</b>						
EBITDA	\$26.8	\$27.1	(1%)	\$83.4	\$77.8	7%
EBITDA (Excluding film impairment)	\$26.8	\$27.1	(1%)	\$85.3	\$93.5	(9%)

- For Q4 2008, other (expense)/ income, net reflects a \$0.8 million expense for the revaluation of warrants in certain licensing partners.
- For the full year 2008, EBITDA and Operating Income include a \$3.5 million charge (\$3.0 million non-cash) related to a promotional campaign funded by WWE's Chairman, and a \$1.9 million film impairment. In addition, other (expense) / income, net reflects a \$3.0 million expense for the revaluation of warrants in certain licensing partners.
- For the full year 2007, EBITDA and Operating Income included a \$15.7 million impairment charge related to our feature film, *The Condemned*, and a \$0.9 million benefit from legal settlements. In addition, other (expense) / income, net reflected a \$1.1 million expense for the revaluation of warrants in certain licensing partners.



# Operational Highlights

## Fourth Quarter and Full Year

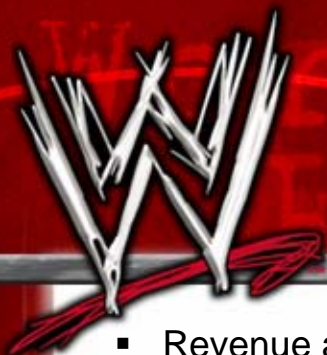
- For the fourth quarter, we maintained our profit contribution, intensified our focus on cost saving and continued to advance key initiatives
  - Q4 Operating Income declined 6% to \$23.3 million based on a 5% decline in Revenue to \$125.4 million
  - Full Year Revenue increased 8% to \$526.5 million and EBITDA increased 7% to \$83.4 million (including impact of film impairments)
- Operations were challenged and key metrics declined in the fourth quarter 2008
  - Average attendance at North American events declined 3% to 6,900
  - RAW's TV ratings declined 6%; Current period PPV buys declined 11%
- For the full year, advanced key initiatives while demonstrating resilience to a challenging environment
  - Committed to and moved ahead with \$20 million reduction to expense base
    - In January 2009, announced and completed organizational restructuring expected to generate annual savings of approximately \$8 million
    - Announced plan to delay spending on upgrade/ expansion of Media Center
  - Strengthened TV distribution: launched new distribution in Mexico, China and Eastern Europe, extended distribution in India and Japan, and developed new partnerships with WGN America and Eurosport
  - Licensed magazines in UK, Germany, Spain, France, Greece, Mexico
  - Launched websites in Portugal, Italy, Spain and China



# Financial Review

## Fourth Quarter Summary (\$ millions)

	Three Months Ended		B/(W) vs. 2007	
	December 31,		\$	%
	2008	2007		
<b>Revenue</b>				
Live Events/ Venue Merch.	\$ 29.0	\$ 35.5	\$ (6.5)	(18%)
Pay-Per-View	15.9	19.9	(4.0)	(20%)
Television	27.6	23.8	3.8	16%
Digital Media	10.9	11.9	(1.0)	(8%)
Licensing	14.7	9.4	5.3	56%
Home Video	15.0	19.8	(4.8)	(24%)
Magazine Publishing	3.5	6.0	(2.5)	(42%)
WWE Studios	5.0	3.2	1.8	56%
Other	3.8	3.1	0.7	23%
<b>Total Revenue</b>	<b>\$ 125.4</b>	<b>\$ 132.6</b>	<b>\$ (7.2)</b>	<b>(5%)</b>
<b>Profit Contribution</b>				
Live Events/ Venue Merch.	\$ 8.8	\$ 11.2	(2.4)	(21%)
Pay-Per-View	9.9	12.9	(3.0)	(23%)
Television	9.4	6.7	2.7	40%
Digital Media	2.8	4.3	(1.5)	(35%)
Licensing	12.7	7.0	5.7	81%
Home Video	8.7	11.3	(2.6)	(23%)
Magazine Publishing	(0.3)	2.7	(3.0)	n/m
WWE Studios	2.6	-	2.6	n/m
Other	1.7	(0.2)	1.9	n/m
<b>Total Profit Contribution</b>	<b>\$ 56.3</b>	<b>\$ 55.9</b>	<b>\$ 0.4</b>	<b>1%</b>
<b>Profit Margin</b>	<b>45%</b>	<b>42%</b>		
S,G & A	29.4	28.8	(0.6)	(2%)
Depreciation	3.6	2.4	(1.2)	(50%)
<b>Operating Income</b>	<b>\$ 23.3</b>	<b>\$ 24.7</b>	<b>\$ (1.4)</b>	<b>(6%)</b>
<b>Margin %</b>	<b>19%</b>	<b>19%</b>		



# Operational Highlights

## Live Events

- Revenue and profit from North American live events decreased due to lower average attendance and fewer events in the quarter
  - Average paid attendance decreased 3% year-over-year to 6,900 in Q4 2008 resulting in a 3% year-over-year decrease for the full year
  - Average ticket prices decreased approximately 6% for the quarter to \$38.18, but were essentially flat for the full year
  
- Revenue and profit from International live events declined with an increase in the proportion of buy-out deals and the impact of foreign exchange rates (F/X)
  - There were 5 buy-out deals with fixed guaranteed revenue in the current quarter compared to 1 buy-out deal in the prior year quarter
  - Average ticket revenue decreased 16% to \$70.09, in part due to changes in F/X
  - Average attendance at international live events increased 5% to 8,300
  - European tour in Q4 '08 had highest paid attendance in WWE history with over 171,000 fans

### ▪ Key Drivers:

	Fourth Quarter			Twelve Months		
	2008	2007	Growth %	2008	2007	Growth %
<b><u>North America (Exc. ECW)</u></b>						
Average Event Attendance	6,900	7,100	(3%)	6,400	6,600	(3%)
Number of live events	47	49	(4%)	242	233	4%
<b><u>International</u></b>						
Average Event Attendance	8,300	7,900	5%	8,500	7,700	10%
Number of live events	26	26	-	77	75	3%



# Operational Highlights

## Pay-Per-View

### ▪ Key Drivers:

	Fourth Quarter			Twelve Months		
	2008	2007	Growth %	2008	2007	Growth %
<b>Total Pay-Per-View buys (000s)</b>	1,012	1,150	(12%)	5,034	5,218	(4%)
Current period buys	926	1,043	(11%)	4,799	5,201	(8%)
Prior period buys	86	107	(20%)	235	17	n/m
<b>Number of events</b>	4	4	-	14	15	(7%)

- Revenue reflected an overall 11% decline in buys for the 4 pay-per-view events produced in the fourth quarter of the current and prior years
  - The Q4 decline of 11% followed a Q3 decline of 9% and a 4% increase through the first half of 2008 (based on comparable events in both current and prior year periods)
  - International revenue accounts for approximately one-third of the year-over-year decline in revenue due in part to the impact of changes in currency exchange rates
- For the full year, pay-per-view buys declined 4% for the comparable events produced in both the current and prior year-periods.
  - Excluding WrestleMania, buys for comparable events in both the current and prior year increased 1%



# Operational Highlights

## Television

- Revenue from television distribution grew \$3.8 million (16%) reflecting an expansion of programming time for specials, 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 more than 4.9 million viewers each week
- In the fourth 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 more than 3.6 million viewers each week
- ECW is the top rated program on the SCI FI Channel among male demographics, and ranks among the top Tuesday night cable programs among various male demographic categories
- Key Drivers:

TV Ratings (THH):	Fourth Quarter			Twelve Months		
	2008	2007	Growth %	2008	2007	Growth %
RAW	3.3	3.5	(6%)	3.4	3.7	(8%)
SmackDown	2.1	2.8	(25%)	2.4	2.7	(11%)
ECW	1.3	1.3	-	1.3	1.5	(13%)



# Operational Highlights

## Consumer Products

- Licensing revenue rose 56% (\$5.3 million) over prior year primarily reflecting the recognition of an advance from a multi-year contract with a book publisher
  - Excluding revenue from the book publishing advance, licensing revenue declined 11% or \$1.0 million, primarily from lower licensed sales of toys and apparel
  - Revenue related to our video games was essentially flat on a year-over-year basis
- Home Video revenue decreased by \$4.8 million (24%) primarily due to the timing of our release schedule in the prior year quarter
  - DVD shipments declined 35% to approximately 885,000 units due to timing of new releases
    - Q4 2008 had 7 new title releases vs. 12 in Q4 2007.
    - The average number of units shipped per new release declined 8%, while the number of units shipped of other current current year releases and catalog titles declined 14%
- Magazine Publishing revenue declined to \$3.5 million from \$6.0 million with lower newsstand, advertising and subscriptions served per issue



# Operational Highlights

## Digital Media

- Digital Media, our Internet based operations including online advertising sales, mobile content and e-commerce, generated \$10.9M in revenue, representing an 8% decrease from the prior year quarter
- WWE.com revenue fell 10% to \$3.8M in the quarter principally from a 17% (\$0.5 million) decline in online advertising revenue
  - WWE.com averaged 13.2 million unique users per month and 21 million video streams in the quarter
  - During the quarter, we expanded the reach of our digital content, launching websites in Portugal, Italy, Spain and China
- WWEShop's revenue declined 7% to \$7.1 million reflecting a 7% decline in average revenue per order to \$57.78. The number of online merchandise orders remained essentially flat at 120,000



## Operational Highlights: WWE Studios

- WWE Studios recognized \$5.0 million in revenue from its portfolio of released films compared to \$3.2 million in the prior year quarter
  - The performance reflected higher than anticipated revenue from our films *The Marine* and *The Condemned*
  - The stronger performance predominantly relates to ongoing DVD sales in international markets
  - As of December 31, 2008, WWE had approximately \$31.7 million in capitalized production costs on our balance sheet, primarily associated with our upcoming theatrical release *12 Rounds* as well as our direct-to-video projects, *Behind Enemy Lines: Colombia* and *The Marine 2*



## Financial Overview: Profit Contribution and S,G&A (\$ millions)

- Profit Contribution increased 1% to \$56.3 million led by the profit from a book publishing advance and the incremental contribution from our filmed entertainment business
  - Profit contribution reflected an approximate \$2 million adverse impact from changes in foreign currency exchange rates. Despite this impact, profit margins rose to 45% from 42% in the prior year reflecting improved margins in our Live and Televised and Consumer Products segments

	Three months ended December 31,		
	2008	2007	Growth %
Live & Televised Entertainment	39%	37%	2%
Consumer Products	63%	59%	4%
Digital Media	26%	36%	(10%)

- Selling, General and Admin. expense increased to \$29.4 vs. \$28.8 in Q4 2007 reflecting increases in legal and professional fees
- Operating Income was \$23.3 vs. \$24.7 in Q4 2007
- Net Income decreased 37% to \$13.6 vs. \$21.5 in Q4 2007
  - The effective tax rate was 38% vs. 23% in Q4 2007
- Free cash flow of \$9.7 for the full year 2008 vs. \$79.6 for the full year 2007
  - For the full year, the decline in free cash flow was driven by the timing of our feature film investments and by changes in working capital, including the timing of tax payments, as well as by increased operating costs
  - Capital expenditures increased primarily due to spending related to our Media Center



# Financial Overview

## Fourth Quarter Revenue (\$ millions)

<b>Q4 2008 Revenue</b>	<b>\$125.4</b>
<b>vs. Q4 2007 \$</b>	<b>(\$7.2)</b>
<b>%</b>	<b>(5%)</b>
Licensing (primarily book publishing advance partially offset by lower sales of toys and apparel)	<b>5.3</b>
Television (led by additional TV specials, MyNetworkTV license fee and contractual increases)	<b>3.8</b>
WWE Studios (Incremental revenue from film releases, primarily international DVD sales)	<b>1.8</b>
Live Events/ Venue Merchandise:	
N. America (3% decline in average attendance to 6,900 and 47 vs. 49 events in Q4 '07)	(1.6)
International (16% decline in avg. ticket revenue, in part from F/X and 5 vs. 1 buy-out deal in Q4 '07)	(3.8)
Venue Merchandise (sales per event attendee)	(1.1)
<i>Subtotal</i>	<b>(\$6.5)</b>
Home Video (35% decline in DVD shipments; 7 new title releases vs. 12 in Q4 '07)	<b>(4.8)</b>
Pay-per-view (11% decline in PPV buys for the 4 events produced in Q4 '08 vs Q4 '07)	<b>(4.0)</b>
Magazine Publishing (lower newsstand sales, advertising and subscription sales per issue)	<b>(2.5)</b>
Digital Media revenue (lower sales of online advertising and e-commerce orders)	<b>(1.0)</b>
All other	<b>0.7</b>
<b>Total</b> (Note: Includes approximate \$4 million adverse impact of F/X)	<b>(\$7.2)</b>



# Financial Overview

## Fourth Quarter Operating Income (\$ millions)

<b>Q4 2008 Operating Income</b>	<b>\$23.3</b>
vs. Q4 2007 \$	<b>(\$1.4)</b>
%	<b>(6%)</b>
Licensing (primarily \$6.3 million book publishing advance)	<b>5.7</b>
TV Rights/ Production (primarily increased license fees)	<b>2.7</b>
WWE Studios (primarily international DVD sales)	<b>2.6</b>
Pay-per-view (11% decline in PPV buys for the 4 events produced in Q4 '08 vs Q4 '07)	<b>(3.0)</b>
Magazine Publishing (primarily lower revenue as well as increased printing costs)	<b>(3.0)</b>
Home Video (35% decline in DVD shipments; 7 new title releases vs. 12 in Q4 '07)	<b>(\$2.6)</b>
Live Events/Venue Merchandise (lower revenue from International as well as North Am. events)	<b>(2.4)</b>
SG&A	
Increased staff related costs, legal and professional fees	<b>(0.6)</b>
All Other	<b>(0.8)</b>
<b>Total</b>	<b>(\$1.4)</b>



# Financial Overview

## Consolidated Balance Sheets (\$ millions)

	As of <u>December 31, 2008</u>	As of <u>December 31, 2007</u>
<u>Assets</u>		
Cash & short-term investments	\$ 177.3	\$ 266.4
Accounts receivable	60.1	56.6
Other current assets	42.6	24.7
Total current assets	<u>280.0</u>	<u>347.7</u>
Net fixed assets	92.4	77.8
Feature film production assets	31.7	21.9
Investment securities	22.3	-
Other assets	3.0	22.7
Total assets	<u>\$ 429.4</u>	<u>\$ 470.1</u>
<u>Liabilities &amp; Stockholders' Equity</u>		
Current liabilities	\$ 58.3	\$ 71.6
Long-term debt	3.9	4.9
Other long-term liabilities	7.2	10.2
Total liabilities	<u>69.4</u>	<u>86.7</u>
Total stockholders' equity	360.0	383.4
Total equity & liabilities	<u>\$ 429.4</u>	<u>\$ 470.1</u>



# APPENDIX



# Appendix

(\$ millions)

## Reconciliation of Net Income to Normalized EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Net income reported on GAAP basis	\$ 13.6	\$ 21.5	\$ 45.4	\$ 52.1
Addback:				
Provision for income taxes	8.2	6.3	23.9	24.3
Investment income and other, net	1.5	(3.1)	1.0	(8.0)
Depreciation and amortization	3.5	2.4	13.1	9.4
EBITDA	<u>\$ 26.8</u>	<u>\$ 27.1</u>	<u>\$ 83.4</u>	<u>\$ 77.8</u>
Film Impairment	-	-	1.9	15.7
Legal Settlements	-	-	-	(0.9)
McMahon Promotion (\$3M non-cash)	-	-	3.5	-
Normalized EBITDA	<u>\$26.8</u>	<u>\$27.1</u>	<u>\$88.8</u>	<u>\$92.6</u>



# Appendix

(\$ millions)

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Net cash provided by operating activities	\$ 18.5	\$ 25.1	\$ 36.2	\$ 98.2
Less cash used for capital expenditures:				
Purchase of property and equipment	(6.7)	(10.2)	(26.3)	(18.2)
Purchase of other film library assets	(0.1)	-	(0.2)	(0.4)
Total capital expenditures	(6.8)	(10.2)	(26.5)	(18.6)
Free Cash Flow	<u>\$ 11.8</u>	<u>\$ 14.9</u>	<u>\$ 9.7</u>	<u>\$ 79.6</u>