

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019**

**or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____**

Commission File Number: 001-16131

WORLD WRESTLING ENTERTAINMENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2693383
(I.R.S. Employer Identification No.)

**1241 East Main Street
Stamford, CT 06902
(203) 352-8600**
*(Address, including zip code, and telephone number, including area code,
of Registrant's principal executive offices)*

Securities registered pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Trading Symbol(s)</i>	<i>Name of each exchange on which registered</i>
Class A Common Stock, par value \$0.01 per share	WWE	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 29, 2019, the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 47,457,075 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 31,099,011.

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WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net revenues	\$ 186,383	\$ 188,391	\$ 637,640	\$ 657,654
Operating expenses	133,842	120,797	466,655	439,749
Marketing and selling expenses	16,376	23,507	64,396	73,100
General and administrative expenses	18,481	20,055	66,396	64,655
Depreciation and amortization	11,245	5,905	23,503	19,059
Operating income	6,439	18,127	16,690	61,091
Interest expense	7,834	3,581	18,182	11,828
Other income, net	206	3,446	2,836	3,285
(Loss) income before income taxes	(1,189)	17,992	1,344	52,548
Benefit from income taxes	(6,979)	(15,598)	(6,464)	(5,822)
Net income	<u>\$ 5,790</u>	<u>\$ 33,590</u>	<u>\$ 7,808</u>	<u>\$ 58,370</u>
Earnings per share: basic	<u>\$ 0.07</u>	<u>\$ 0.43</u>	<u>\$ 0.10</u>	<u>\$ 0.75</u>
Earnings per share: diluted	<u>\$ 0.06</u>	<u>\$ 0.37</u>	<u>\$ 0.09</u>	<u>\$ 0.66</u>
Weighted average common shares outstanding:				
Basic	78,461	77,808	78,184	77,371
Diluted	89,855	90,760	90,771	87,944
Dividends declared per common share (Class A and B)	<u>\$ 0.12</u>	<u>\$ 0.12</u>	<u>\$ 0.36</u>	<u>\$ 0.36</u>

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 5,790	\$ 33,590	\$ 7,808	\$ 58,370
Other comprehensive income (loss):				
Foreign currency translation adjustments	(66)	53	(143)	(311)
Unrealized holding gains (losses) on available-for-sale debt securities (net of tax expense (benefit) of \$44 and \$15, and \$402 and \$(186), respectively)	138	48	1,272	(590)
Total other comprehensive income (loss)	<u>72</u>	<u>101</u>	<u>1,129</u>	<u>(901)</u>
Comprehensive income	<u>\$ 5,862</u>	<u>\$ 33,691</u>	<u>\$ 8,937</u>	<u>\$ 57,469</u>

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	As of	
	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,473	\$ 167,457
Short-term investments, net	154,874	191,686
Accounts receivable (net of allowance for doubtful accounts and returns of \$978 and \$1,009, respectively)	142,906	78,925
Inventory, net	8,527	7,753
Prepaid expenses and other current assets	36,738	28,187
Total current assets	419,518	474,008
PROPERTY AND EQUIPMENT, NET	175,581	148,089
FINANCE LEASE RIGHT-OF-USE ASSETS, NET	294,432	—
OPERATING LEASE RIGHT-OF-USE ASSETS, NET	21,686	—
FEATURE FILM PRODUCTION ASSETS, NET	15,458	13,558
TELEVISION PRODUCTION ASSETS, NET	4,697	7,473
INVESTMENT SECURITIES	27,856	30,196
DEFERRED INCOME TAX ASSETS, NET	16,680	17,138
OTHER ASSETS, NET	46,211	9,837
TOTAL ASSETS	\$ 1,022,119	\$ 700,299
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 4,803	\$ 5,118
Finance lease liabilities	8,662	—
Operating lease liabilities	6,513	—
Convertible debt	187,236	183,090
Accounts payable and accrued expenses	82,879	120,158
Deferred income	68,008	49,173
Total current liabilities	358,101	357,539
LONG-TERM DEBT	22,196	25,696
FINANCE LEASE LIABILITIES	332,769	—
OPERATING LEASE LIABILITIES	15,592	—
OTHER NON-CURRENT LIABILITIES	465	827
Total liabilities	729,123	384,062
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock: (\$0.01 par value; 180,000,000 shares authorized; 47,452,224 and 43,721,411 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively)	475	437
Class B convertible common stock: (\$0.01 par value; 60,000,000 shares authorized; 31,099,011 and 34,303,438 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively)	311	343
Additional paid-in capital	419,523	415,281
Accumulated other comprehensive income	2,631	1,502
Accumulated deficit	(129,944)	(101,326)
Total stockholders' equity	292,996	316,237
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,022,119	\$ 700,299

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended September 30, 2019								
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, June 30, 2019	46,938	\$ 469	31,099	\$ 311	\$ 440,796	\$ 2,559	\$ (118,849)	\$ 325,286
Net income	—	—	—	—	—	—	5,790	5,790
Other comprehensive income	—	—	—	—	—	72	—	72
Repurchase and retirement of common stock	(111)	—	—	—	(1,035)	—	(6,496)	(7,531)
Stock issuances, net	625	6	—	—	941	—	—	947
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(29,883)	—	—	(29,883)
Cash dividends declared	—	—	—	—	964	—	(10,389)	(9,425)
Stock-based compensation	—	—	—	—	7,740	—	—	7,740
Balance, September 30, 2019	47,452	\$ 475	31,099	\$ 311	\$ 419,523	\$ 2,631	\$ (129,944)	\$ 292,996

Nine Months Ended September 30, 2019								
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	43,721	\$ 437	34,303	\$ 343	\$ 415,281	\$ 1,502	\$ (101,326)	\$ 316,237
Net income	—	—	—	—	—	—	7,808	7,808
Other comprehensive income	—	—	—	—	—	1,129	—	1,129
Repurchase and retirement of common stock	(123)	—	—	—	(1,157)	—	(7,295)	(8,452)
Stock issuances, net	650	6	—	—	2,318	—	—	2,324
Conversion of Class B common stock by shareholder	3,204	32	(3,204)	(32)	—	—	—	—
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(30,125)	—	—	(30,125)
Cash dividends declared	—	—	—	—	974	—	(29,131)	(28,157)
Stock-based compensation	—	—	—	—	32,232	—	—	32,232
Balance, September 30, 2019	47,452	\$ 475	31,099	\$ 311	\$ 419,523	\$ 2,631	\$ (129,944)	\$ 292,996

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

Three Months Ended September 30, 2018								
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, June 30, 2018	42,550	\$ 426	34,609	\$ 346	\$ 446,771	\$ 1,369	\$ (156,053)	\$ 292,859
Net income	—	—	—	—	—	—	33,590	33,590
Other comprehensive loss	—	—	—	—	—	101	—	101
Stock issuances, net	862	8	—	—	876	—	—	884
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(50,589)	—	—	(50,589)
Cash dividends declared	—	—	—	—	1,352	—	(10,715)	(9,363)
Stock-based compensation	—	—	—	—	11,776	—	—	11,776
Other	—	—	—	—	—	—	—	—
Balance, September 30, 2018	43,412	\$ 434	34,609	\$ 346	\$ 410,186	\$ 1,470	\$ (133,178)	\$ 279,258

Nine Months Ended September 30, 2018								
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	42,498	\$ 425	34,609	\$ 346	\$ 422,208	\$ 2,371	\$ (172,391)	\$ 252,959
Cumulative effect of adopting ASC 606	—	—	—	—	—	—	10,086	10,086
Net income	—	—	—	—	—	—	58,370	58,370
Other comprehensive loss	—	—	—	—	—	(901)	—	(901)
Stock issuances, net	914	9	—	—	1,765	—	—	1,774
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(50,720)	—	—	(50,720)
Cash dividends declared	—	—	—	—	1,363	—	(29,243)	(27,880)
Stock-based compensation	—	—	—	—	34,308	—	—	34,308
Other	—	—	—	—	1,262	—	—	1,262
Balance, September 30, 2018	43,412	\$ 434	34,609	\$ 346	\$ 410,186	\$ 1,470	\$ (133,178)	\$ 279,258

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
OPERATING ACTIVITIES:		
Net income	\$ 7,808	\$ 58,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and impairments of feature film production assets	4,751	5,856
Amortization of television production assets	22,777	20,534
Depreciation and amortization	27,776	24,091
Other amortization	10,355	4,667
Loss on equity investments, net	3,208	819
Services provided in exchange for equity instruments	(1,548)	(2,264)
Stock-based compensation	32,232	34,308
Provision for (benefit from) deferred income taxes	458	(2,750)
Other non-cash adjustments	6,254	1,879
Cash (used in)/provided by changes in operating assets and liabilities:		
Accounts receivable	(64,221)	(8,219)
Inventory	(774)	(578)
Prepaid expenses and other assets	(8,797)	(20,354)
Feature film production assets	(6,573)	(870)
Television production assets	(20,001)	(20,266)
Accounts payable, accrued expenses and other liabilities	(31,583)	9,059
Deferred income	20,153	17,199
Net cash provided by operating activities	<u>2,275</u>	<u>121,481</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(56,290)	(21,445)
Purchases of short-term investments	(74,868)	(82,064)
Proceeds from sales and maturities of short-term investments	113,262	50,833
Purchase of investment securities	(1,006)	(1,038)
Other	794	1,000
Net cash used in investing activities	<u>(18,108)</u>	<u>(52,714)</u>
FINANCING ACTIVITIES:		
Repayment of long-term debt	(3,815)	(3,524)
Repayment of finance leases	(6,218)	—
Dividends paid	(28,157)	(27,880)
Debt issuance costs	(708)	—
Taxes paid related to net settlement upon vesting of equity awards	(30,125)	(50,720)
Proceeds from issuance of stock	2,324	1,774
Repurchase and retirement of common stock	(8,452)	—
Net cash used in financing activities	<u>(75,151)</u>	<u>(80,350)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(90,984)	(11,583)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	167,457	137,700
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 76,473</u>	<u>\$ 126,117</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Purchases of property and equipment recorded in accounts payable		
and accrued expenses (See Note 13)	\$ 7,234	\$ 5,577

See accompanying notes to consolidated financial statements.

WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
(Unaudited)

1. Basis of Presentation and Business Description

The accompanying consolidated financial statements include the accounts of WWE. “WWE” refers to World Wrestling Entertainment, Inc. and its subsidiaries, unless the context otherwise requires. References to “we,” “us,” “our” and the “Company” refer to WWE.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying consolidated financial statements are unaudited. All adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations, and cash flows at the dates and for the periods presented have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year. All intercompany balances are eliminated in consolidation.

Certain information and note disclosures normally included in annual financial statements have been condensed or omitted from these interim financial statements; these financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2018.

We are an integrated media and entertainment company, principally engaged in the production and distribution of wrestling entertainment content through various channels, including our premium over-the-top subscription network (“WWE Network”), content rights agreements, pay-per-view event programming, filmed entertainment, live events, licensing of various WWE themed products, and the sale of consumer products featuring our brands. Our operations are organized around the following principal activities:

Media:

- The Media segment reflects the production and monetization of long-form and short-form video content across various platforms, including WWE Network, pay television, digital and social media, as well as filmed entertainment. Across these platforms, revenues principally consist of content rights fees, subscriptions to WWE Network, and advertising and sponsorships.

Live Events:

- Live events provide ongoing content for our media platforms. Live Event segment revenues consist primarily of ticket sales, including primary and secondary distribution, revenues from events for which we receive a fixed fee, as well as the sale of travel packages associated with the Company’s global live events.

Consumer Products:

- The Consumer Products segment engages in the merchandising of WWE branded products, such as video games, toys and apparel, through licensing arrangements and direct-to-consumer sales. Revenues principally consist of royalties and licensee fees related to WWE branded products, and sales of merchandise distributed at our live events and through eCommerce platforms.

WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
(Unaudited)

2. Significant Accounting Policies

Our significant accounting policies are detailed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements within our Annual Report on Form 10-K for the year ended December 31, 2018. Refer to Note 8, *Leases*, for revisions made to our lease accounting policies resulting from our adoption of the new lease accounting standard starting in 2019.

Operating Expenses

Operating expenses consist of our production costs associated with developing our content, costs associated with operating our WWE Network, venue rental and related costs associated with the staging of our live events, compensation costs for our talent, and material and related costs associated with our consumer product merchandise sales. In addition, operating expenses include certain business operating support function costs, including our talent development, data analytics, data engineering, business strategy and real estate and facilities functions, as these activities directly support the operations of our segments.

Included within Operating expenses are the following:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Amortization and impairment of feature film assets	\$ 2,978	\$ 2,331	\$ 4,751	\$ 5,856
Amortization of television production assets	9,888	7,716	22,777	20,534
Amortization of WWE Network content delivery and technology assets	508	1,572	4,272	5,030
Amortization of right-of-use assets - finance leases of equipment	2,015	—	6,007	—
Total amortization and impairment included in operating expenses	\$ 15,389	\$ 11,619	\$ 37,807	\$ 31,420

Costs to produce our live event programming are expensed when the event is first broadcast, and are not included in the amortization table noted above. The amortization expense associated with the right-of-use assets in the above table pertain predominantly to equipment utilized to produce and distribute our live events and are therefore included in operating expenses.

Recent Accounting Pronouncements

In March 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-02, *“Improvements to Accounting for Costs of Films and License Agreements for Program Materials.”* The amendments in this ASU align the accounting for production costs of an episodic television series with the accounting for production costs of films. In addition, the ASU modifies certain aspects of the capitalization, impairment, presentation and disclosure requirements under the current film and broadcaster entertainment industry guidance. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020, with early adoption permitted. The new guidance will be applied on a prospective basis. The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *“Collaborative Arrangements (Topic 808) – Clarifying the Interaction between Topic 808 and Topic 606.”* The amendments in this ASU clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606, *Revenue from Contracts with Customers*, when the collaborative arrangement participant is a customer in the context of a unit of account and precludes recognizing as revenue consideration received from a collaborative arrangement participant if the participant is not a customer. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020 for the Company, with early adoption permitted. The new guidance should be applied retrospectively to the date of initial application of the new revenue guidance in Topic 606 (January 1, 2018 for the Company). The Company does not expect the adoption of the amendments to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *“Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.”* The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020 for the Company, with early adoption permitted. The new guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
(Unaudited)

The Company expects to adopt the new guidance prospectively and does not expect the adoption to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*”, which modifies the disclosure requirements on fair value measurements. The new guidance is effective for interim and annual reporting periods starting in fiscal year 2020 for the Company. Upon the effective date, certain provisions are to be applied prospectively, while others are to be applied retrospectively to all periods presented. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. We are currently evaluating the impact of the amendments on our consolidated financial statement disclosures. Since the amendments impact only disclosure requirements, we do not expect the amendments to have an impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “*Leases (Topic 842)*,” which supersedes existing guidance for lease accounting. This new standard requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The new standard requires a dual approach for lessee accounting under which a lessee accounts for leases as finance leases or operating leases with the recognition of a right-of-use asset and a corresponding lease liability. For finance leases, the lessee recognizes interest expense and amortization of the right-of-use asset, and for operating leases, the lessee recognizes straight-line lease expense. The new lease accounting standard along with the clarifying amendments subsequently issued by the FASB, collectively became effective for the Company on January 1, 2019. The Company adopted the new lease accounting standard by applying the new lease guidance at the adoption date on January 1, 2019, and as allowed under the standard, elected not to restate comparative periods. There was no cumulative-effect adjustment recorded in connection with our adoption. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard. We did not elect the hindsight practical expedient to determine the lease term for existing leases. As of January 1, 2019, in connection with the adoption of the new lease accounting standard, the Company recorded a right-of-use lease asset totaling \$39,266 with a corresponding lease liability totaling \$40,458. Refer to Note 8, *Leases*, for further details on our adoption of the new standard.

3. Segment Information

The Company currently classifies its operations into three reportable segments: Media, Live Events and Consumer Products. Segment information is prepared on the same basis that our chief operating decision maker manages the segments, evaluates financial results, and makes key operating decisions.

Certain business support functions including sales and marketing, our international offices and talent development are allocated to the three reportable segments based primarily on a percentage of revenue contribution. The remaining unallocated corporate expenses largely relate to corporate functions such as finance, legal, human resources, facilities and information technology. The Company does not allocate these costs to its business segments, as they do not directly relate to revenue generating activities. These unallocated corporate expenses will be shown, as applicable, as a reconciling item in tables where segment and consolidated results are both shown. Revenues from transactions between our operating segments are not material.

The Company presents Adjusted OIBDA as the primary measure of segment profit (loss). The Company defines Adjusted OIBDA as operating income before depreciation and amortization, excluding stock-based compensation, certain impairment charges and other non-recurring material items. Adjusted OIBDA includes amortization expenses directly related to our revenue generating activities, including feature film and television production asset amortization, amortization of costs related to content delivery and technology assets utilized for our WWE Network, as well as amortization of right-of-use assets related to finance leases of equipment used to produce and broadcast our live events. The Company believes the presentation of Adjusted OIBDA is relevant and useful for investors because it allows investors to view our segment performance in the same manner as the primary method used by management to evaluate segment performance and make decisions about allocating resources. Additionally, we believe that Adjusted OIBDA is a primary measure used by media investors, analysts and peers for comparative purposes.

We do not disclose assets by segment information. We do not provide assets by segment information to our chief operating decision maker, as that information is not typically used in the determination of resource allocation and assessing business performance of each reportable segment.

WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
(Unaudited)

The following tables present summarized financial information for each of the Company's reportable segments:

	Three Months Ended		Nine Months Ended	
	September 30.		September 30.	
	2019	2018	2019	2018
Net revenues:				
Media	\$ 146,168	\$ 142,078	\$ 478,516	\$ 478,086
Live Events	23,261	26,723	98,231	109,808
Consumer Products	16,954	19,590	60,893	69,760
Total net revenues	<u>\$ 186,383</u>	<u>\$ 188,391</u>	<u>\$ 637,640</u>	<u>\$ 657,654</u>
Adjusted OIBDA:				
Media	\$ 41,562	\$ 50,336	\$ 107,563	\$ 138,474
Live Events	(2,956)	120	11,174	18,458
Consumer Products	3,960	4,050	16,196	17,796
Corporate	(17,142)	(18,698)	(62,508)	(60,270)
Total Adjusted OIBDA	<u>\$ 25,424</u>	<u>\$ 35,808</u>	<u>\$ 72,425</u>	<u>\$ 114,458</u>

Reconciliation of Total Operating Income to Total Adjusted OIBDA

	Three Months Ended		Nine Months Ended	
	September 30.		September 30.	
	2019	2018	2019	2018
Total operating income	\$ 6,439	\$ 18,127	\$ 16,690	\$ 61,091
Depreciation and amortization (1)	11,245	5,905	23,503	19,059
Stock-based compensation	7,740	11,776	32,232	34,308
Other adjustments	—	—	—	—
Total Adjusted OIBDA	<u>\$ 25,424</u>	<u>\$ 35,808</u>	<u>\$ 72,425</u>	<u>\$ 114,458</u>

- (1) Depreciation and amortization for the three and nine months ended September 30, 2019 includes \$2,268 of amortization related to the right-of-use asset for the Company's new global headquarters lease, which commenced on July 1, 2019 and is accounted for as a finance lease. Refer to Note 8, *Leases*, for further details.

4. Revenues

Revenues are generally recognized when control of the promised goods or services is transferred to our customers either at a point in time or over time, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Most of our contracts have one performance obligation and all consideration is allocated to that performance obligation. Our revenues do not include material amounts of variable consideration. The variable consideration contained in our contracts relate primarily to sales or usage-based royalties earned on consumer product licensing contracts. The variability related to these sales or usage-based royalties will be resolved in the periods when the licensee generates sales related to the intellectual property license. As it relates to our Consumer Products segment, the Company accounts for shipping and handling activities as fulfillment activities.

We derive our revenues principally from the following sources: (i) content rights fees associated with the distribution of WWE's media content, (ii) subscriptions to WWE Network, (iii) fees for viewing our pay-per-view programming, (iv) feature film distribution, (v) advertising and sponsorship sales, (vi) live event ticket sales, (vii) consumer product licensing royalties from the sale by third-party licensees of WWE branded merchandise, (viii) direct-to-consumer sales of merchandise at our live event venues, and (ix) direct-to-consumer sales of our merchandise through eCommerce platforms.

Payment Terms

Our payment terms vary by the type of products or services offered, and may be subject to contractual payment terms, which may include advance payment requirements. The time between invoicing and when payment is due is not significant, generally within 30 to 60 days. We have elected the practical expedient to not adjust the total consideration within a contract to reflect a financing

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component when the duration of the financing is one year or less. Our contracts do not generally include a significant financing component. Our contracts with customers do not generally result in significant obligations associated with returns, refunds or warranties.

Disaggregated Revenues

The following table presents our revenues disaggregated by primary revenue sources. Sales and usage-based taxes are excluded from revenues.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net revenues:				
<u>Media Segment:</u>				
Network (including pay-per-view)	\$ 44,199	\$ 49,445	\$ 143,001	\$ 152,445
Core content rights fees (1)	72,210	65,912	209,294	197,590
Advertising and sponsorships	15,014	15,038	44,819	46,811
Other (2)	14,745	11,683	81,402	81,240
Total Media Segment net revenues	146,168	142,078	478,516	478,086
<u>Live Events Segment:</u>				
North American ticket sales	18,316	22,426	76,048	85,711
International ticket sales	2,302	2,238	12,039	15,771
Advertising and sponsorships	529	400	1,673	1,520
Other (3)	2,114	1,659	8,471	6,806
Total Live Events Segment net revenues	23,261	26,723	98,231	109,808
<u>Consumer Products Segment:</u>				
Consumer product licensing	7,843	8,559	26,650	28,608
eCommerce	5,624	6,786	18,857	23,304
Venue merchandise	3,487	4,245	15,386	17,848
Total Consumer Products Segment net revenues	16,954	19,590	60,893	69,760
Total net revenues	<u>\$ 186,383</u>	<u>\$ 188,391</u>	<u>\$ 637,640</u>	<u>\$ 657,654</u>

- (1) Core content rights fees consist primarily of licensing revenues earned from the distribution of our flagship programs, *Raw* and *SmackDown*, as well as our *NXT* programming, through global broadcast, pay television and digital platforms.
- (2) Other revenues within our Media segment reflect revenues earned from the distribution of other WWE content, including, but not limited to, certain live in-ring programming in international markets, scripted, reality and other programming, as well as theatrical and direct-to-home video releases.
- (3) Other revenues within our Live Events segment primarily consists of the sale of travel packages associated with the Company's global live events and commissions earned through secondary ticketing, as well as revenues from events for which the Company receives a fixed fee.

Except for our WWE Network subscriptions revenues, which are recorded over time during the subscription term and our consumer product licensing revenues which are recorded over time during the licensing period, our other revenue streams identified in the table above are generally recognized at a point-in-time when the performance obligations are satisfied.

Remaining Performance Obligations

As of September 30, 2019, for contracts greater than one year, the aggregate amount of the transaction price allocated to remaining performance obligations is \$3,285,583, comprised of our multi-year content distribution, consumer product licensing and sponsorship contracts. We will recognize rights fees related to our multi-year content distribution contracts as content is delivered to the distributors during the periods 2019 through 2028. We will recognize the revenues associated with the minimum guarantees on our multi-year consumer product licensing arrangements by the end of the licensing periods, which range from 2019 through 2025. For our multi-year sponsorship arrangements, we will recognize sponsorship revenues as the sponsorship obligations are satisfied during the periods 2019 through 2028. The transaction price related to these future obligations does not include any variable consideration, which generally consists of sales or usage-based royalties earned on consumer product licensing and certain other content rights contracts. The variability related to these sales or usage-based royalties will be resolved in the periods when the licensee generates sales related to the intellectual property license.

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Contract Assets and Contract Liabilities (Deferred Revenues)

A contract asset results when goods or services have been transferred to the customer, but payment is contingent upon a future event, other than the passage of time (i.e. type of unbilled receivable). The Company does not have any material unbilled receivables, therefore, does not have any contract assets, only accounts receivable as disclosed on the face of our consolidated balance sheet.

We record deferred revenues (also referred to as contract liabilities under ASC Topic 606) when cash payments are received or due in advance of our performance. Our deferred revenue balance primarily relates to advance payments received related to our content distribution rights agreements, our consumer product licensing agreements, and our sponsorship and advertising arrangements. The Company's deferred revenue (i.e. contract liabilities) as of September 30, 2019 and December 31, 2018 was \$68,092 and \$49,487, respectively, and are included within Deferred income and Other non-current liabilities on our Consolidated Balance Sheets.

The net increase in the deferred revenue balance for the nine months ended September 30, 2019 of \$18,605 is primarily driven by television rights and licensing advances received, partially offset by revenue recognized during the period as a result of satisfying our performance obligations.

Contract Costs (Costs of Obtaining a Contract)

Except for certain multi-year television content arrangements, we generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within Marketing and selling expenses within our Consolidated Statements of Operations. Capitalized commission fees of \$850 and \$1,886 at September 30, 2019 and December 31, 2018, respectively, relate primarily to incremental costs of obtaining our long-term television content arrangements and these costs are being amortized over the duration of the underlying content agreements on a straight-line basis to marketing and selling expense. During the three and nine months ended September 30, 2019 and 2018, the amount of amortization was \$345 and \$345, and \$1,036 and \$1,011, respectively, and there was no impairment in relation to the costs capitalized.

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5. Earnings Per Share

For purposes of calculating basic and diluted earnings per share, we used the following weighted average common shares outstanding (in thousands):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 5,790	\$ 33,590	\$ 7,808	\$ 58,370
Weighted average basic common shares outstanding	78,461	77,808	78,184	77,371
Dilutive effect of restricted and performance stock units	984	1,620	1,536	2,010
Dilutive effect of convertible debt instruments	10,410	11,332	11,048	8,563
Dilutive effect of employee share purchase plan	—	—	3	—
Weighted average dilutive common shares outstanding	<u>89,855</u>	<u>90,760</u>	<u>90,771</u>	<u>87,944</u>
Earnings per share:				
Basic	\$ 0.07	\$ 0.43	\$ 0.10	\$ 0.75
Diluted	<u>\$ 0.06</u>	<u>\$ 0.37</u>	<u>\$ 0.09</u>	<u>\$ 0.66</u>
Anti-dilutive shares (excluded from per-share calculations):				
Net shares received on purchased call of convertible debt hedge	5,626	6,030	5,906	4,815
Outstanding restricted and performance stock units	—	1	—	320

Effect of Convertible Notes and Related Convertible Note Hedge and Warrants

In connection with the issuance of the Convertible Notes, the Company entered into Convertible Note Hedge and Warrant transactions as described further in Note 14, *Convertible Debt*. The collective impact of the Convertible Note Hedge and Warrants effectively eliminates any economic dilution that may occur from the actual conversion of the Convertible Notes between the conversion price of \$24.91 per share and the strike price of the Warrants of \$31.89 per share.

The denominator of our diluted earnings per share calculation includes the effect of additional shares issued using the treasury stock method since the average price of our common stock exceeded the conversion price of the Convertible Notes of \$24.91 per share. In addition, the denominator of our diluted earnings per share calculation includes the additional shares issued related to the Warrants using the treasury stock method since the average price of our common stock exceeded the strike price of the Warrants of \$31.89 per share. The dilution from the Convertible Notes had a \$0.01 impact on diluted earnings per share for the three and nine months ended September 30, 2019, respectively. The dilution from the Convertible Notes had a \$0.05 and \$0.07 impact on diluted earnings per share for the three and nine months ended September 30, 2018. Prior to actual conversion, the Convertible Note Hedges are not considered for purposes of the calculation of diluted earnings per share, as their effect would be anti-dilutive.

6. Stock-based Compensation

Our 2016 Omnibus Incentive Plan (the “2016 Plan”) provides for the grant of incentive or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance awards to eligible participants as determined by the Compensation Committee of the Board of Directors. Awards may be granted as incentives and rewards to encourage officers, employees, consultants, advisors and independent contractors of the Company and its affiliates and to non-employee directors of the Company to participate in our long-term success.

Stock-based compensation costs, which includes costs related to RSUs, PSUs, PSU-TSRs, the Company's qualified employee stock purchase plan and shares issued to the Company's Board of Directors, totaled \$7,740 and \$11,776, and \$32,232 and \$34,308 for the three and nine months ended September 30, 2019 and 2018, respectively.

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Restricted Stock Units

The Company grants restricted stock units ("RSUs") to officers and employees under the 2016 Plan. Stock-based compensation costs associated with our RSUs are determined using the fair market value of the Company's common stock on the date of the grant. These costs are recognized over the requisite service period using the graded vesting method, net of estimated forfeitures. RSUs have a service requirement typically over a 3.5 years vesting schedule and vest in equal annual installments. We estimate forfeitures based on historical trends when recognizing compensation expense and adjust the estimate of forfeitures when they are expected to differ or as forfeitures occur. Unvested RSUs accrue dividend equivalents at the same rate as are paid on our shares of Class A common stock. The dividend equivalents are subject to the same vesting schedule as the underlying RSUs.

The following table summarizes the RSU activity during the nine months ended September 30, 2019:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2019	409,665	\$ 26.52
Granted	85,340	\$ 83.35
Vested	(198,117)	\$ 23.50
Forfeited	(25,891)	\$ 41.43
Dividend equivalents	2,129	\$ 28.97
Unvested at September 30, 2019	<u>273,126</u>	\$ 45.10

Performance Stock Units

The Company grants performance stock units ("PSUs") to officers and employees under the 2016 Plan. Stock-based compensation costs associated with our PSUs are initially determined using the fair market value of the Company's common stock on the date the awards are approved by our Compensation Committee (service inception date). The vesting of these PSUs are subject to certain performance conditions and a service requirement of typically 3.5 years. Until the performance conditions are met, stock compensation costs associated with these PSUs are re-measured each reporting period based upon the fair market value of the Company's common stock and the estimated performance attainment on the reporting date. The ultimate number of PSUs that are issued to an employee is the result of the actual performance of the Company at the end of the performance period compared to the performance conditions. Stock compensation costs for our PSUs are recognized over the requisite service period using the graded vesting method, net of estimated forfeitures. We estimate forfeitures based on historical trends when recognizing compensation expense and adjust the estimate of forfeitures when they are expected to differ or as forfeitures occur. Unvested PSUs accrue dividend equivalents once the performance conditions are met at the same rate as are paid on our shares of Class A common stock. The dividend equivalents are subject to the same vesting schedule as the underlying PSUs.

The following table summarizes the PSU activity during the nine months ended September 30, 2019:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2019	1,116,085	\$ 39.98
Granted	155,872	\$ 71.15
Achievement adjustment	297,061	\$ 83.51
Vested	(837,597)	\$ 38.83
Dividend equivalents	5,280	\$ 54.36
Unvested at September 30, 2019	<u>736,701</u>	\$ 69.27

During the year ended December 31, 2018, we granted 369,996 PSUs, which were subject to performance conditions. During the first quarter of 2019, it was determined that the performance conditions related to these PSUs were exceeded, which resulted in an achievement adjustment increase of 297,061 PSUs in 2019 relating to the initial 2018 PSU grant.

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Performance Stock Units with a Market Condition Tied to Relative Total Shareholder Return

In March 2018, the Compensation Committee approved certain agreements to grant PSUs with a market condition (“PSU-TSRs”) where vesting is conditioned upon the total shareholder return performance of the Company’s stock relative to the performance of a peer group over five distinct performance periods from 2018 through 2024. Each fixed performance period begins in March 2018, but has an increasing performance period duration. The five distinct performance periods end in March from 2020 to 2024, with the awards for each performance period vesting in July of each year. The payout for each performance period can vest at between 50% and 175% of the target award based on the percentile ranking of WWE’s total shareholder return performance with vesting capped at 100% if WWE’s absolute total shareholder return is negative. The grant date fair value of the award was calculated using a Monte-Carlo simulation model which factors in the number of awards to be earned based on the achievement of the market condition. This model simulates the various stock price movements of the Company and peer group companies using certain assumptions, including the stock price of WWE and those of the peer group, stock price volatility, the risk-free interest rate, correlation coefficients, and expected dividend yield. The grant date fair value of the award totaled \$16,168 and is being amortized as compensation cost over the requisite service period using the graded vesting method from March 2018 through July 2024.

The following table summarizes the PSU-TSR activity during the nine months ended September 30, 2019:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2019	340,971	\$ 47.42
Granted	—	\$ —
Vested	—	\$ —
Unvested at September 30, 2019	<u>340,971</u>	<u>\$ 47.42</u>

7. Property and Equipment

Property and equipment consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
Land, buildings and improvements	\$ 165,491	\$ 141,070
Equipment and projects in progress	152,429	129,367
Corporate aircraft	32,249	32,249
Vehicles	1,030	942
	<u>351,199</u>	<u>303,628</u>
Less: accumulated depreciation and amortization	(175,618)	(155,539)
Total	<u>\$ 175,581</u>	<u>\$ 148,089</u>

Depreciation expense for property and equipment totaled \$9,287 and \$5,682, and \$21,056 and \$18,406 for the three and nine months ended September 30, 2019 and 2018, respectively.

During the three months ended September 30, 2019, we also recorded non-cash abandonment charges of \$427 to write off the carrying value of certain assets included within the construction-in-progress account that we deemed will no longer be used by the Company and had no further alternative use. This charge is included as a component of Operating expenses on the Consolidated Statements of Operations.

Depreciation expense for the nine months ended September 30, 2019 reflects a benefit of \$644 from the recognition of tax credits relating to our infrastructure improvements in conjunction with capital projects to support our increased content production efforts. The credit was used to reduce the carrying value of the assets as of their in-service date and consequently the adjustment to depreciation expense reflects the revised amount incurred to date. The credit was recognized in the current year period but related to assets placed in service in prior years.

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During the nine months ended September 30, 2018, we recorded a non-cash abandonment charge of \$1,693 to write off the carrying value of internal use software that we deemed will no longer be used by the Company and had no further alternative use. This charge is included as a component of Operating expenses on the Consolidated Statements of Operations and included within our Media segment results.

8. Leases

Lease Adoption on January 1, 2019

The Company adopted the new lease standard and applied the new rules starting on January 1, 2019 and elected not to restate prior periods as provided by the transition rules of the standard. Upon the adoption of the new lease standard on January 1, 2019, we recorded a right-of-use asset of \$39,266 and a lease liability of \$40,458. Included as a component of the adoption entry is the immaterial out-of-period correction of previously omitted capital leases embedded in our service agreements that were identified during our lease portfolio review. These leases were comprised of a right-of-use asset of \$16,620 and a lease liability of \$17,812, with the resulting difference of \$1,192 recorded as expense in the period. Based on quantitative and qualitative considerations, we do not believe the omitted capital leases were material to our historical consolidated financial statements.

Information about the Nature of WWE's Lease Portfolio

As of September 30, 2019, the Company's lease portfolio consists of operating and finance real estate leases for its sales offices, performance centers, warehouses and corporate related facilities. In addition, we have various live event production service arrangements that contain operating and finance equipment leases. With the exception of our new global headquarters lease that commenced on July 1, 2019 (see additional details below), our other real estate leases have remaining lease terms of approximately one year to nine years, some of which may include options to extend the leases. Our equipment leases, which are included as part of various operating service arrangements, generally have remaining lease terms of approximately one year to five years. Generally, no covenants are imposed by our lease agreements.

As previously announced on March 18, 2019, the Company entered into a lease with Stamford Washington Office LLC (the "Landlord") under which the Company will lease approximately 415,266 rentable square feet in an office complex located in Stamford, Connecticut. The new location will allow the Company to bring together its operations, including its production studios and corporate offices, at its new site.

The lease commenced on July 1, 2019 at which time the Company gained control of the leased premises. The lease provides the Company with an 18 month free rent period from the lease commencement date, followed by an initial base term of 15 years with base rental payments of \$19,101 per year for the first five years, and increasing to \$20,927 per year over the second five year term, and \$22,754 per year over the third five year term. The lease includes five, five year renewal options, with the first three renewal options renewing at the lower of the then-escalated rent per the lease agreement or the fair market value rent, and the last two renewal options renewing at the fair market value rent.

The lease is accounted for as a finance lease pursuant to the new lease accounting standard, and the Company recorded a lease obligation of \$325,453 and right-of-use asset of \$285,762, net of tenant improvement allowances of \$39,838 which are expected to be received from the landlord. The tenant improvement allowance is recorded within Other assets on our Consolidated Balance Sheets. The Company expects to complete its move into the new space in early 2021.

Practical Expedient Elections

The Company applied the "package" of transition practical expedients which allows for the Company as of the adoption date on January 1, 2019 to (i) not reassess whether any expired or existing contracts are or contain leases, (ii) to not reassess lease classification for any expired or existing leases, and (iii) to not reassess treatment of initial direct costs, if any, for any expired or existing leases. The Company did not elect the "hindsight" practical expedient which would have allowed the Company to use hindsight when determining the remaining lease term as of the adoption date on January 1, 2019.

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Key Estimates and Judgments

Key estimates and judgments made in applying the lease accounting rules include how the Company determines (i) the discount rate it uses to discount the unpaid lease payments to present value, (ii) lease term and (iii) lease payments. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot readily determine the interest rate implicit in the lease and therefore uses the incremental borrowing rate for its leases. The incremental borrowing rate reflects the rate of interest that the Company would pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The incremental borrowing rates were generally determined by estimating the appropriate collateralized borrowing rates to be used for our leases and considered certain factors including, the lease term, economic environment and the assumed credit rating profile of the Company. The lease term for all of the Company's lease arrangements include the noncancelable period of the lease plus, if applicable, any additional periods covered by an option to extend the lease that is reasonably certain to be exercised by the Company.

Lease Accounting Policy

The Company determines if a contract contains a lease at the inception of the arrangement. The Company has elected the short-term lease exemption, whereby leases with initial terms of one year or less are not capitalized and instead expensed generally on a straight-line basis over the lease term. The depreciable life of the underlying leased assets are generally limited to the expected lease term inclusive of any optional lease terms where we conclude at the inception of the lease that we are reasonably certain of exercising those renewal options. The Company is primarily a lessee with a lease portfolio comprised mainly of real estate and equipment leases. Operating and finance lease assets are included on our consolidated balance sheets in non-current assets as an operating or finance right-of-use asset. Operating and finance lease liabilities are included on our consolidated balance sheets in non-current liabilities for the portion that is due on a long-term basis and in current liabilities for portion that is due within 12 months of the financial statement date.

The right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term using an appropriate discount rate. Since the implicit rate is not readily available for our leases, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The right-of-use asset also may include any initial direct costs paid and is reduced by any lease incentives provided by the lessor. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term for our operating leases and for our finance leases, we record interest expense on the lease liability and straight-line amortization of the right-of-use asset over the lease term.

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Quantitative Disclosures Related to Leases

The following table provides quantitative disclosure about the Company's operating and financing leases for the periods presented:

	<u>Three Months Ended</u> <u>September 30,</u> <u>2019</u>	<u>Nine Months Ended</u> <u>September 30,</u> <u>2019</u>
Lease costs		
Finance lease costs:		
Amortization of right-of-use assets	\$ 4,283	\$ 8,275
Interest on lease liabilities	4,227	5,766
Operating lease costs	2,114	6,716
Other short-term and variable lease costs	154	1,457
Sublease income (1)	(22)	(54)
Total lease costs	<u>\$ 10,756</u>	<u>\$ 22,160</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$ 142	\$ 489
Operating cash flows from operating leases	\$ 1,678	\$ 6,093
Finance cash flows from finance leases	\$ 2,109	\$ 6,218
Right-of-use assets obtained in exchange for new finance lease liabilities (2)	\$ 286,086	\$ 286,086
Right-of-use assets obtained in exchange for new operating lease liabilities (2)	\$ 2,365	\$ 5,608

	<u>As of</u> <u>September 30,</u> <u>2019</u>
Weighted-average remaining lease term - finance leases	29.4 years
Weighted-average remaining lease term - operating leases	4.5 years
Weighted-average discount rate - finance leases	4.8%
Weighted-average discount rate - operating leases	4.6%

- (1) Sublease income excludes rental income from owned properties.
(2) Includes right-of-use assets for leases that commenced after January 1, 2019.

Maturity of lease liabilities as of September 30, 2019 were as follows:

	<u>Operating</u> <u>Leases</u>	<u>Finance</u> <u>Leases</u>
2019	\$ 1,938	\$ 2,278
2020	7,157	8,288
2021	6,079	20,878
2022	3,324	19,341
2023	1,894	19,255
Thereafter	4,178	655,518
Total lease payment	24,570	725,558
Less: imputed interest	(2,465)	(384,127)
Total future minimum lease payments	<u>\$ 22,105</u>	<u>\$ 341,431</u>

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9. Feature Film Production Assets, Net

Feature film production assets consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
In release	\$ 8,958	\$ 12,430
In production (1)	6,339	707
In development	161	421
Total	<u>\$ 15,458</u>	<u>\$ 13,558</u>

- (1) Balance as of September 30, 2019 includes \$2,989 of certain film projects that the Company is producing on behalf of third-party content distributors in exchange for a production fee. Upon completion and delivery of the films to the distributors, we will recognize the net fee as revenue.

Approximately 30% of “In release” film production assets are estimated to be amortized over the next 12 months, and approximately 66% of “In release” film production assets are estimated to be amortized over the next three years. We anticipate amortizing approximately 80% of our “In release” film production assets within five years as we receive revenues associated with television distribution of our licensed films. During the three and nine months ended September 30, 2019 and 2018, we amortized \$2,126 and \$884, and \$3,348 and \$2,192, respectively, of feature film production assets.

We currently have three films “In production.” We also have capitalized certain script development costs and pre-production costs for various other film projects designated as “In development.” Capitalized script development costs are evaluated at each reporting period for impairment and to determine if a project is deemed to be abandoned. During the three and nine months ended September 30, 2019 and 2018, we expensed \$93 and \$122, and \$200 and \$851, respectively, related to previously capitalized development costs related to abandoned projects.

Unamortized feature film production assets are evaluated for impairment each reporting period. We review and revise estimates of ultimate revenue and participation costs at each reporting period to reflect the most current information available. If estimates for a film’s ultimate revenue and/or costs are revised and indicate a significant decline in a film’s profitability or if events or circumstances change that indicate we should assess whether the fair value of a film is less than its unamortized film costs, we calculate the film’s estimated fair value using a discounted cash flows model. If fair value is less than unamortized cost, the film asset is written down to fair value.

We recorded impairment charges of \$759 and \$1,325, and \$1,203 and \$2,813, related to our feature films during the three and nine months ended September 30, 2019 and 2018, respectively. These impairment charges represent the excess of the recorded net carrying value over the estimated fair value.

10. Television Production Assets, Net

Television production assets consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
In release	\$ 1,877	\$ 1,308
Completed but not released	123	—
In production	2,697	6,165
Total	<u>\$ 4,697</u>	<u>\$ 7,473</u>

Television production assets consist primarily of non-live event episodic television series we have produced for distribution through a variety of platforms including on our WWE Network. Amounts capitalized include development costs, production costs, production overhead and employee salaries. Costs to produce episodic programming for television or distribution on WWE Network

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are amortized in the proportion that revenues bear to management's estimates of the ultimate revenue expected to be recognized from exploitation, exhibition or sale.

Amortization of television production assets consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
WWE Network programming	\$ 766	\$ 630	\$ 3,989	\$ 5,688
Television programming	9,122	7,086	18,788	14,846
Total	\$ 9,888	\$ 7,716	\$ 22,777	\$ 20,534

Costs to produce our live event programming are expensed when the event is first broadcast, and are not included in the capitalized costs or amortization tables noted above.

Unamortized television production assets are evaluated for impairment each reporting period. If conditions indicate a potential impairment, and the estimated future cash flows are not sufficient to recover the unamortized asset, the asset is written down to fair value. In addition, if we determine that a program will not likely air, we will expense the remaining unamortized asset. During the three and nine months ended September 30, 2019 and 2018, we did not record any impairments related to our television production assets.

11. Investment Securities and Short-Term Investments

Investment Securities

Included within Investment Securities are the following:

	As of	
	September 30, 2019	December 31, 2018
Equity method investments	\$ 14,368	\$ 14,508
Nonmarketable equity investments without readily determinable fair values	12,999	10,840
Marketable equity investments with readily determinable fair values	489	4,848
Total investment securities	\$ 27,856	\$ 30,196

Equity Method Investments

Our equity method investments relate primarily to our investment in Tapout. In March 2015, WWE and Authentic Brands Group (“ABG”) formed a joint venture to re-launch an apparel and lifestyle brand, Tapout. ABG agreed to contribute certain intangible assets for the Tapout brand, licensing contracts, systems, and other administrative functions to Tapout. The Company agreed to contribute promotional and marketing services related to the venture for a period of at least five years in exchange for a 50% interest in the profits and losses and voting interest in Tapout. The Company valued its initial investment of \$13,800 based on the fair value of the existing licensing contracts contributed by ABG. To the extent that Tapout records income or losses, we record our share proportionate to our ownership percentage, and any dividends received reduce the carrying amount of the investment. Net equity method earnings from Tapout are included as a component of Other income, net on the Consolidated Statements of Operations. Net dividends received from Tapout are reflected on the Consolidated Statements of Cash Flows within Net cash provided by operating activities. The Company did not record any impairment charges related to our investment in Tapout during the three and nine months ended September 30, 2019 and 2018.

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The following table presents the net equity method earnings from Tapout and net dividends received from Tapout for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net equity method earnings from Tapout	\$ 213	\$ 158	\$ 630	\$ 859
Net dividends received from Tapout	(352)	(68)	(770)	(852)
Equity in earnings of affiliate, net of dividends received	<u>\$ (139)</u>	<u>\$ 90</u>	<u>\$ (140)</u>	<u>\$ 7</u>

As promotional services are provided to Tapout, we record revenue and reduce the existing service obligation. During the three and nine months ended September 30, 2019 and 2018, we recorded revenues of \$467 and \$608, and \$1,548 and \$2,264, respectively, related to our fulfillment of our promotional services obligation to Tapout. The remaining service obligation as of September 30, 2019 was \$1,442, and was included in Deferred Income.

Our known maximum exposure to loss approximates the remaining service obligation to Tapout, which was \$1,442 as of September 30, 2019. Creditors of Tapout do not have recourse against the general credit of the Company.

Nonmarketable Equity Investments Without Readily Determinable Fair Values

We evaluate our nonmarketable equity investments without readily determinable fair values for impairment if factors indicate that a significant decrease in value has occurred. The Company has elected to use the measurement alternative to fair value that will allow these investments to be recorded at cost, less impairment, and adjusted for subsequent observable price changes.

The following table summarizes the impairments and observable price change event adjustments recorded on our equity investments without readily determinable fair values for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Impairments (1)	\$ —	\$ —	\$ —	\$ (3,000)
Observable price change adjustments (2)	—	2,181	1,151	2,181
Total income (loss) from adjustments to equity investments	<u>\$ —</u>	<u>\$ 2,181</u>	<u>\$ 1,151</u>	<u>\$ (819)</u>

- (1) During the second quarter of 2018, the Company recorded an impairment charge on our investment in a mobile video publishing business for the excess of the carrying value over its estimated fair value resulting from going concern issues of the underlying investee company. This charge is reflected in Other income, net in our Consolidated Statements of Operations.
- (2) During the third quarter of 2018, the Company recorded an upward adjustment to the carrying value related to one of the Company's equity investments. The adjustment was the result of an observable price change event in connection with a financing round completed by the investee where the underlying value of the preferred shares issued were greater than the value per share of WWE's substantially similar preferred shares in the investee. During the second quarter of 2019, the Company recorded upward adjustments to the carrying values related to two of the Company's equity investments. The adjustments were the result of observable price change events in connection with financing rounds completed by the investees where the underlying value of the preferred shares issued were greater than the value per share of WWE's substantially similar preferred shares in the investees. These adjustments are reflected in Other income, net in our Consolidated Statements of Operations.

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Marketable Equity Investments With Readily Determinable Fair Values

As of September 30, 2019, our investment portfolio includes one investment in a marketable equity security of a publicly traded company. The Company accounts for the equity investment in the common stock of Phunware Inc. (“Phunware”), a software application developer, as a marketable equity investment with readily determinable fair values based on quoted prices on the NASDAQ. During the three and nine months ended September 30, 2019, the Company recorded an unrealized holding loss of \$568 and \$4,359, respectively, based on the closing price of the investee company as of the last trading day of the period, which is included as a component of Other income, net in the Consolidated Statements of Operations. As the underlying stock price of Phunware fluctuates, WWE is exposed to future earnings volatility to the extent WWE continues to hold this investment.

Short-Term Investments

Short-term investments consist of available-for-sale debt securities which are measured at fair value and consisted of the following:

	As of September 30, 2019				As of December 31, 2018			
	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value
		Gain	(Loss)			Gain	(Loss)	
U.S. Treasury securities	\$ 46,223	\$ 32	\$ (51)	\$ 46,204	\$ 62,847	\$ 4	\$ (439)	\$ 62,412
Corporate bonds	92,068	112	(89)	92,091	100,543	—	(1,037)	99,506
Municipal bonds	4,192	—	(2)	4,190	7,900	—	(41)	7,859
Government agency bonds	12,387	4	(2)	12,389	22,066	—	(157)	21,909
Total	\$ 154,870	\$ 148	\$ (144)	\$ 154,874	\$ 193,356	\$ 4	\$ (1,674)	\$ 191,686

We classify the investments listed in the above table as available-for-sale debt securities. Such investments consist of U.S. Treasury securities, corporate bonds, municipal bonds, including pre-refunded municipal bonds, and government agency bonds. These investments are stated at fair value as required by the applicable accounting guidance. Unrealized gains and losses on such securities are reflected, net of tax, as other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income.

Our U.S. Treasury securities, corporate bonds, municipal bonds and government agency bonds are included in Short-term investments, net on our Consolidated Balance Sheets. Realized gains and losses on investments are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

As of September 30, 2019, contractual remaining maturities of these securities are as follows:

	Maturities
U.S. Treasury securities	1 month - 1 year
Corporate bonds	1 month - 3 years
Municipal bonds	2 months - 3 months
Government agency bonds	6 months - 1 year

During the three and nine months ended September 30, 2019 and 2018, we recognized \$1,012 and \$1,137, and \$3,805 and \$3,244, respectively, of interest income on our short-term investments. Interest income is reflected as a component of Other income, net within our Consolidated Statements of Operations.

The following table summarizes the short-term investment activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Proceeds from sales and maturities of short-term investments	\$ 54,414	\$ 14,660	\$ 113,262	\$ 50,833
Purchases of short-term investments	\$ 11,221	\$ 17,520	\$ 74,868	\$ 82,064

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12. Fair Value Measurement

Fair value is determined based on the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement based on assumptions that market participants would use to price the asset or liability. Accordingly, the framework considers markets or observable inputs as the preferred source of value followed by assumptions based on hypothetical transactions, in the absence of market inputs. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of assets and liabilities should include consideration of non-performance risk, including the Company's own credit risk.

Additionally, the accounting guidance establishes a three-level hierarchy that ranks the quality and reliability of information used in developing fair value estimates. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In cases where two or more levels of inputs are used to determine fair value, a financial instrument's level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety. The three input levels of the fair value hierarchy are summarized as follows:

- Level 1- Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2- Inputs other than quoted prices in active markets for similar assets and liabilities that are directly or indirectly observable; or
- Level 3- Unobservable inputs, such as discounted cash flow models or valuations, in which little or no market data exists.

Certain financial instruments are carried at cost on the Consolidated Balance Sheets, which approximates fair value due to their short-term, highly liquid nature. The carrying amounts of cash and cash equivalents, money market accounts, accounts receivable, and accounts payable approximate fair value because of the short-term nature of such instruments.

We have classified our investment in U.S. Treasury securities, corporate bonds, municipal bonds and government agency bonds, which collectively are investments in available-for-sale debt securities, within Level 2, as their valuation requires quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and/or model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data. The U.S. Treasury securities, corporate bonds, municipal bonds and government agency bonds are valued based on model-driven valuations. A third-party service provider assists the Company with compiling market prices from a variety of industry standard data sources, security master files from large financial institutions and other third-party sources that are used to value our corporate bond, U.S. Treasury securities, municipal bond and government agency bond investments. The Company did not have any transfers between Level 1, Level 2, and Level 3 fair value investments during the periods presented.

The fair value measurements of our equity investments without readily determinable fair value are classified within Level 3 as significant unobservable inputs are used as part of the determination of fair value. Significant unobservable inputs include variables such as near-term prospects of the investees, recent financing activities of the investees, and the investees' capital structure, as well as other economic variables, which reflect assumptions market participants would use in pricing these assets. The Company has elected to use the measurement alternative to fair value that will allow these investments to be recorded at cost, less impairment, and adjusted for subsequent observable price changes. Refer to Note 11, *Investment Securities and Short-Term Investments*, for details on impairments and observable pricing event adjustments related to our nonmarketable equity investments without readily determinable fair values.

The Company's long-lived property and equipment, feature film and television production assets are required to be measured at fair value on a non-recurring basis if it is determined that indicators of impairment exist. These assets are recorded at fair value only when an impairment is recognized. During the three and nine months ended September 30, 2019, we recorded non-cash abandonment charges of \$427 to write off the carrying value of certain assets included within property and equipment that we deemed will no longer be used by the Company and had no further alternative use. During the nine months ended September 30, 2018, we recorded a non-cash abandonment charge of \$1,693 to write off the carrying value of internal use software that we deemed will no longer be used by the Company and had no further alternative use. These charges are included as a component of Operating expenses in our Consolidated Statements of Operations. Apart from these charges, the Company did not record any other impairment charges on long lived property and equipment and television production assets during the three and nine months ended September 30, 2019 and 2018. The Company classifies these assets as Level 3 within the fair value hierarchy due to significant unobservable inputs.

During the nine months ended September 30, 2019 and 2018, the Company recorded impairment charges of \$1,203 and \$2,813 on feature film production assets based upon fair value measurements of \$943 and \$2,475, respectively. See Note 9, *Feature Film*

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Production Assets, Net, for further discussion. The Company classifies these assets as Level 3 within the fair value hierarchy due to significant unobservable inputs. The Company utilizes a discounted cash flows model to determine the fair value of these impaired films where indicators of impairment exist. The significant unobservable inputs to this model are the Company's expected cash flows for the film, including projected home video sales, pay and free TV sales and international sales, and a discount rate of 13% that we estimate market participants would seek for bearing the risk associated with such assets. The Company utilizes an independent third-party valuation specialist who assists us in gathering the necessary inputs used in our model.

The fair value of the Company's long-term debt, consisting of a mortgage loan assumed in connection with a building purchase and a promissory note secured by the Company's Corporate Jet, is estimated based upon quoted price estimates for similar debt arrangements. At September 30, 2019, the face amount of the mortgage loan and promissory note approximates their fair value.

The convertible debt is not marked to fair value at the end of each reporting period, but instead is reported at amortized cost. As of September 30, 2019 and December 31, 2018, the calculation of the fair value of the debt component of the Company's convertible debt required the use of Level 3 inputs, and was determined by calculating the fair value of similar debt without the associated conversion feature based on market conditions at that time:

	September 30, 2019		December 31, 2018	
	Fair Value	Carrying Value (1)	Fair Value	Carrying Value (1)
Convertible senior notes	\$ 205,911	\$ 191,009	\$ 189,323	\$ 187,371

(1) The carrying value of the convertible debt instrument presented in the table above represents the face value of the convertible note less unamortized debt discount.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
Trade related	\$ 9,768	\$ 12,198
Staff related	8,076	10,255
Management incentive compensation	11,732	37,103
Talent related	7,209	8,799
Accrued WWE Network related expenses	5,293	2,054
Accrued event and television production	10,868	13,881
Accrued legal and professional	5,593	4,906
Accrued purchases of property and equipment	7,234	13,464
Accrued film liability	6,145	2,774
Accrued other	10,961	14,724
Total	\$ 82,879	\$ 120,158

Accrued other includes accruals for our international and licensing business activities, as well as other miscellaneous accruals, none of which categories individually exceeds 5% of current liabilities.

14. Convertible Debt

In December 2016 and January 2017, we issued \$215,000 aggregate principal amount of 3.375% convertible senior notes due 2023 (the "Convertible Notes"). The Convertible Notes are due December 15, 2023, unless earlier repurchased by us or converted. Interest is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2017.

The Convertible Notes are governed by an Indenture between us, as issuer, and U.S. Bank, National Association, as trustee. The Convertible Notes will be our general unsecured obligations and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to any of our unsecured indebtedness

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that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the Convertible Notes only after all indebtedness under such secured debt has been repaid in full from such assets.

Upon conversion of the Convertible Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of Class A common stock, at our election, at a conversion rate of approximately 40.1405 shares of common stock per \$1 principal amount of the Convertible Notes, which corresponds to an initial conversion price of approximately \$24.91 per share of our Class A common stock. At any time, prior to the close on the business day immediately preceding June 15, 2023, the Convertible Notes will be convertible under the following circumstances:

- a) During any calendar quarter beginning after the calendar quarter ending on December 31, 2016 (and only during such calendar quarter), if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- b) During the 5 business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price per \$1 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate on each such trading day;
- c) Upon the occurrence of specified corporate events; or
- d) On or after June 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Convertible Notes, in multiples of \$1 principal amount, at the option of the holder regardless of the foregoing circumstances.

Pursuance to item (a) noted above, the Convertible Notes have been convertible since April 1, 2018, and holders of the Convertible Notes have the right to convert their notes at any time through at least December 31, 2019. As of September 30, 2019, since the Convertible Notes are convertible at the option of the holders, the Convertible Notes are reflected in current liabilities on our Consolidated Balance Sheet. As of September 30, 2019, no actual conversions have occurred to date. See Note 5, *Earnings Per Share*, for a description of the dilutive nature of the Convertible Notes.

The Convertible Notes consisted of the following components:

	As of	
	September 30, 2019	December 31, 2018
Debt component:		
Principal	\$ 215,000	\$ 215,000
Less: Unamortized debt discount	(23,991)	(27,629)
Less: Unamortized debt issuance costs	(3,773)	(4,281)
Net carrying amount	\$ 187,236	\$ 183,090
Equity component (1)	\$ 35,547	\$ 35,547

- (1) Recorded in the Consolidated Balance Sheets within additional paid-in capital.

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The following table sets forth total interest expense recognized related to the Convertible Notes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
3.375% contractual coupon	\$ 1,814	\$ 1,814	\$ 5,442	\$ 5,442
Amortization of debt discount	1,232	1,156	3,638	3,413
Amortization of debt issuance costs	174	156	508	457
Additional interest on Convertible Notes (1)	—	—	1,370	—
Interest expense	<u>\$ 3,220</u>	<u>\$ 3,126</u>	<u>\$ 10,958</u>	<u>\$ 9,312</u>

- (1) During the nine months ended September 30, 2019, additional nonrecurring interest expense was incurred pursuant to the notes' indenture related to the removal of the restrictive legend and assignment of the unrestricted CUSIP on the Convertible Notes.

Convertible Note Hedge

In connection with the pricing of the Convertible Notes in December 2016 and January 2017, we entered into convertible note hedge transactions with respect to our Class A common stock (the "Note Hedge"). The Note Hedge transactions cover approximately 8.63 million shares of our Class A common stock and are exercisable upon conversion of the Convertible Notes. The Note Hedge will expire on December 15, 2023, unless earlier terminated. The Note Hedge transactions have been accounted for as part of additional paid-in capital.

Warrant Transactions

In connection with entering into the Note Hedge transactions described above, we also concurrently entered into separate warrant transactions (the "Warrants"), to sell warrants to acquire approximately 8.63 million shares of our Class A common stock in connection with the Note Hedge transactions at an initial strike price of approximately \$31.89 per share, which represents a premium of approximately 60.0% over the last reported sale price of our Class A common stock of \$19.93 on December 12, 2016 (initial issuance date of the Convertible Notes). The Warrants transactions have been accounted for as part of additional paid-in capital.

15. Long-Term Debt and Credit Facility

Long-Term Debt

Included within Long-Term Debt are the following:

	As of	
	September 30, 2019	December 31, 2018
Current portion of long-term debt:		
Aircraft financing	\$ 4,413	\$ 4,740
Mortgage	390	378
Total current portion of long-term debt	<u>\$ 4,803</u>	<u>\$ 5,118</u>
Long-term debt:		
Aircraft financing	\$ —	\$ 3,218
Mortgage	22,196	22,478
Total long-term debt	<u>\$ 22,196</u>	<u>\$ 25,696</u>
Total	<u><u>\$ 26,999</u></u>	<u><u>\$ 30,814</u></u>

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Mortgage

In September 2016, the Company acquired real property and assumed future obligations under a loan agreement, dated June 8, 2015, in the principal amount of \$23,000, which loan is secured by a mortgage on the property. The loan bears interest at the rate of 4.50% per annum and requires monthly interest only payments of \$86 until June 2018 and interest and principal payments of \$117 per month thereafter, with a balloon payment upon maturity on July 5, 2025. There is a significant yield maintenance premium for prepayments. Pursuant to the loan agreement, since the assets of WWE Real Estate, a subsidiary of the Company, represent collateral for the underlying mortgage, these assets will not be available to satisfy debts and obligations due to any other creditors of the Company.

Aircraft Financing

In August 2013, the Company entered into a \$31,568 promissory note (the "Aircraft Note") with Citizens Asset Finance, Inc., for the purchase of a 2007 Bombardier Global 5000 aircraft and refurbishments. In August 2017, the Aircraft Note was assigned to Fifth Third Equipment Finance Company. The Aircraft Note bears interest at a rate of 2.18% per annum, is payable in monthly installments of \$406, inclusive of interest, and has a final maturity of August 7, 2020. The Aircraft Note is secured by a first priority perfected security interest in the purchased aircraft.

Credit Facility

Revolving Credit Facility

On May 24, 2019, the Company entered into an amended and restated \$200,000 senior unsecured revolving credit facility with a syndicated group of banks, with JPMorgan Chase Bank, N.A. acting as Administrative Agent (the "Amended and Restated Revolving Credit Facility"). The Amended and Restated Revolving Credit Facility replaces the previous \$100,000 revolving credit facility and, among other things, extends the maturity date from July 29, 2021 to May 24, 2024. Applicable interest rates for the borrowings under the Amended and Restated Revolving Credit Facility are based on the Company's current consolidated leverage ratio. As of September 30, 2019, the LIBOR-based rate plus margin was 3.34%. The Company is required to pay a commitment fee calculated at a rate per annum of 0.175% on the average daily unused portion of the Amended and Restated Revolving Credit Facility. Under the terms of the Amended and Restated Revolving Credit Facility, the Company is subject to certain financial covenants and restrictions, including restrictions on our ability to pay dividends and limitations with respect to our indebtedness, liens, mergers and acquisitions, dispositions of assets, investments, capital expenditures and transactions with affiliates.

As of September 30, 2019, the Company was in compliance with the Amended and Restated Revolving Credit Facility and had available debt capacity under the terms of the Amended and Restated Revolving Credit Facility of \$200,000. As of September 30, 2019 and December 31, 2018, there were no amounts outstanding under the Amended and Restated Revolving Credit Facility.

16. Concentration of Credit Risk

We continually monitor our position with, and the credit quality of, the financial institutions that are counterparties to our financial instruments. Our accounts receivable relate principally to a limited number of distributors, including our WWE Network, television, pay-per-view and home video distributors, and licensees. We closely monitor the status of receivables with these customers and maintain allowances for anticipated losses as deemed appropriate. We believe credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers. At September 30, 2019, our two largest receivable balances from customers were 46% and 12% of our gross accounts receivable. At December 31, 2018, our largest receivable balance from customers was 30% of our gross accounts receivable. No other customers individually exceeded 10% of our gross accounts receivable balance.

17. Income Taxes

As of September 30, 2019 and December 31, 2018, we had \$16,680 and \$17,138, respectively, of deferred tax assets, net, included in our Consolidated Balance Sheets.

During the three and nine months ended September 30, 2019 and 2018, we recognized \$8,051 and \$20,688, and \$8,176 and \$20,734, respectively, of excess tax benefits related to the Company's share-based compensation awards at vesting. Income tax effects of vested awards are included within the provision for income taxes on the Consolidated Statements of Operations. The tax benefit recorded is driven by the increase in the Company's stock price between the original grant date of the awards and their subsequent

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vesting date. The corresponding offset of these tax benefits is included as a component of Prepaid expenses and other current assets within our Consolidated Balance Sheets.

Discrete tax items, including the aforementioned excess tax benefits, resulted in a net tax benefit of \$6,660 and \$20,438, and \$6,794 and \$20,566 during the three and nine months ended September 30, 2019 and 2018, respectively. Excluding these items, our effective tax rate was 27% and 28%, and 25% and 28% for the three and nine months ended September 30, 2019 and 2018, respectively.

The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is required to reduce the net deferred tax assets to the amount that is more likely than not to be realized in future periods. The Company believes that based on past performance, expected future taxable income and prudent and feasible tax planning strategies, it is more likely than not that the net deferred tax assets will be realized. Changes in these factors may cause us to increase our valuation allowance on deferred tax assets, which would impact our income tax expense in the period we determine that these factors have changed.

18. Film and Television Production Incentives

The Company has access to various governmental programs that are designed to promote film and television production within the United States of America and certain international jurisdictions. Incentives earned with respect to expenditures on qualifying film production activities and capital projects are recorded as an offset to the related asset balances. Incentives earned with respect to television and other production activities are recorded as an offset to production expenses. The Company recognizes these benefits when we have reasonable assurance regarding the realizable amount of the incentives.

We recorded the following incentives during the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Television production incentives	\$ 12,498	\$ 11,702	\$ 13,167	\$ 11,702
Feature film production incentives	66	7	263	22
Infrastructure improvement incentives on qualifying capital projects (1)	—	—	1,438	—
Total	<u>\$ 12,564</u>	<u>\$ 11,709</u>	<u>\$ 14,868</u>	<u>\$ 11,724</u>

- (1) Of this amount, \$794 was recorded as a reduction in property and equipment, with the remainder recorded as a reduction to depreciation expense. Refer to Note 7, *Property and Equipment*, for further information.

19. Commitments and Contingencies

Refer to Note 8, *Leases*, for a description of the Company's new global headquarters lease, which commenced on July 1, 2019.

Legal Proceedings

On October 23, 2014, a lawsuit was filed in the U. S. District Court for the District of Oregon, entitled William Albert Haynes III, on behalf of himself and others similarly situated, v. World Wrestling Entertainment, Inc. This complaint was amended on January 30, 2015 and alleged that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE's performers and seeks class action status. On March 31, 2015, the Company filed a motion to dismiss the first amended class action complaint in its entirety or, if not dismissed, to transfer the lawsuit to the U.S. District Court for the District of Connecticut. Without addressing the merits of the Company's motion to dismiss, the Court transferred the case to Connecticut on June 25, 2015. The plaintiffs filed an objection to such transfer, which was denied on July 27, 2015. On January 16, 2015, a second lawsuit was filed in the U.S. District Court for the Eastern District of Pennsylvania, entitled Evan Singleton and Vito LoGrasso, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., alleging many of the same allegations as Haynes. On February 27, 2015, the Company moved to transfer venue to the U.S. District Court for the District of Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs and that motion was granted on March 23, 2015. The plaintiffs filed an amended complaint on May 22, 2015 and, following a scheduling conference in which the court ordered the plaintiffs to cure various pleading deficiencies, the plaintiffs filed a second amended complaint on June 15, 2015. On June 29, 2015, WWE moved to dismiss the second amended complaint in its entirety. On April 9, 2015, a third lawsuit was filed in the

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U. S. District Court for the Central District of California, entitled Russ McCullough, a/k/a “Big Russ McCullough,” Ryan Sakoda, and Matthew R. Wiese a/k/a “Luther Reigns,” individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., asserting similar allegations to Haynes. The Company again moved to transfer the lawsuit to Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs, which the California court granted on July 10, 2015. On September 21, 2015, the plaintiffs amended this complaint, and, on November 16, 2015, the Company moved to dismiss the amended complaint. Each of these suits sought unspecified actual, compensatory and punitive damages and injunctive relief, including ordering medical monitoring. The Haynes and McCullough cases purport to be class actions. On February 18, 2015, a lawsuit was filed in Tennessee state court and subsequently removed to the U.S. District Court for the Western District of Tennessee, entitled Cassandra Frazier, individually and as next of kin to her deceased husband, Nelson Lee Frazier, Jr., and as personal representative of the Estate of Nelson Lee Frazier, Jr. Deceased, v. World Wrestling Entertainment, Inc. A similar suit was filed in the U. S. District Court for the Northern District of Texas entitled Michelle James, as mother and next friend of Matthew Osborne, minor child, and Teagan Osborne, a minor child v. World Wrestling Entertainment, Inc. These lawsuits contain many of the same allegations as the other lawsuits alleging traumatic brain injuries and further allege that the injuries contributed to these former talents’ deaths. WWE moved to transfer the Frazier and Osborne lawsuits to the U.S. District Court for the District of Connecticut based on forum-selection clauses in the decedents’ contracts with WWE, which motions were granted by the respective courts. On November 23, 2015, amended complaints were filed in Frazier and Osborne, which the Company moved to dismiss on December 16, 2015 and December 21, 2015, respectively. On November 10, 2016, the Court granted the Company’s motions to dismiss the Frazier and Osborne lawsuits in their entirety. On June 29, 2015, the Company filed a declaratory judgment action in the U. S. District Court for the District of Connecticut entitled World Wrestling Entertainment, Inc. v. Robert Windham, Thomas Billington, James Ware, Oreal Perras and various John and Jane Does seeking a declaration against these former performers that their threatened claims related to alleged traumatic brain injuries and/or other tort claims are time-barred. On September 21, 2015, the defendants filed a motion to dismiss this complaint, which the Company opposed. The Court previously ordered a stay of discovery in all cases pending decisions on the motions to dismiss. On January 15, 2016, the Court partially lifted the stay and permitted discovery only on three issues in the case involving Singleton and LoGrasso. Such discovery was completed by June 1, 2016. On March 21, 2016, the Court issued a memorandum of decision granting in part and denying in part the Company’s motions to dismiss the Haynes, Singleton/LoGrasso, and McCullough lawsuits. The Court granted the Company’s motions to dismiss the Haynes and McCullough lawsuits in their entirety and granted the Company’s motion to dismiss all claims in the Singleton/LoGrasso lawsuit except for the claim of fraud by omission. On March 22, 2016, the Court issued an order dismissing the Windham lawsuit based on the Court’s memorandum of decision on the motions to dismiss. On April 4, 2016, the Company filed a motion for reconsideration with respect to the Court’s decision not to dismiss the fraud by omission claim in the Singleton/LoGrasso lawsuit and, on April 5, 2016, the Company filed a motion for reconsideration with respect to the Court dismissal of the Windham lawsuit. On July 21, 2016, the Court denied the Company’s motion in the Singleton/LoGrasso lawsuit and granted in part the Company’s motion in the Windham lawsuit. On April 20, 2016, the plaintiffs filed notices of appeal of the Haynes and McCullough lawsuits. On April 27, 2016, the Company moved to dismiss the appeals for lack of appellate jurisdiction, which motions were granted, and the appeals were dismissed with leave to appeal upon the resolution of all of the consolidated cases. The Company filed a motion for summary judgment on the sole remaining claim in the Singleton/LoGrasso lawsuit, which was granted on March 28, 2018. The Company also filed a motion for judgment on the pleadings against the Windham defendants. Lastly, on July 18, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut, entitled Joseph M. Laurinaitis, et al. vs. World Wrestling Entertainment, Inc. and Vincent K. McMahon, individually and as the trustee of certain trusts. This lawsuit contains many of the same allegations as the other lawsuits alleging traumatic brain injuries and further alleges, among other things, that the plaintiffs were misclassified as independent contractors rather than employees denying them, among other things, rights and benefits under the Occupational Safety and Health Act (OSHA), the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA), federal tax law, and various state Worker’s Compensation laws. This lawsuit also alleges that the booking contracts and other agreements between the plaintiffs and the Company are unconscionable and should be declared void, entitling the plaintiffs to certain damages relating to the Company’s use of their intellectual property. The lawsuit alleges claims for violation of RICO, unjust enrichment, and an accounting against Mr. McMahon. The Company and Mr. McMahon moved to dismiss this complaint on October 19, 2016. On November 9, 2016, the Laurinaitis plaintiffs filed an amended complaint. On December 23, 2016, the Company and Mr. McMahon moved to dismiss the amended complaint. On September 29, 2017, the Court issued an order on the motion to dismiss pending in the Laurinaitis case and on the motion for judgment on the pleadings pending in the Windham case. The Court reserved judgment on the pending motions and ordered that within thirty-five (35) days of the date of the order the Laurinaitis plaintiffs and the Windham defendants file amended pleadings that comply with the Federal Rules of Civil Procedure. The Court further ordered that each of the Laurinaitis plaintiffs and the Windham defendants submit to the Court for in camera review affidavits signed and sworn under penalty of perjury setting forth facts within each plaintiff’s or declaratory judgment-defendant’s personal knowledge that form the factual basis of their claim or defense. On November 3, 2017, the Laurinaitis plaintiffs filed a second amended complaint. The Company and Mr. McMahon believe that the second amended complaint failed to comply with the Court’s September 29, 2017 order and otherwise remained legally defective for all of the reasons set forth in their motion to dismiss the amended complaint. Also on November 3, 2017, the Windham defendants filed a second answer. On November 17, 2017, the Company and Mr. McMahon filed a response that, among other things, urged the Court to grant the motion for judgment on the pleadings against the Windham defendants

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and dismiss the Laurinaitis plaintiffs' complaint with prejudice and award sanctions against the Laurinaitis plaintiffs' counsel because the amended pleadings failed to comply with the Court's September 29, 2017 order and the Federal Rules of Civil Procedure. On September 17, 2018, the Court granted the motion to dismiss filed by the Company and Mr. McMahon in the Laurinaitis case in its entirety, awarded sanctions against the Laurinaitis plaintiffs' counsel, and granted the Company's motion for judgment on the pleadings against the Windham defendants. The plaintiffs have attempted to appeal these decisions. On November 16, 2018, the Company moved to dismiss all of the appeals, except for the appeal of the dismissal of the Laurinaitis case, for being filed untimely. On April 4, 2019, the Second Circuit issued an order referring the Company's motions to dismiss to the panel that will determine the merits of the appeals. The plaintiffs-appellants' opening brief was filed on July 8, 2019. The Company and Mr. McMahon filed their appellees' brief on October 7, 2019. The plaintiffs-appellants filed a reply brief on October 28, 2019. The Company believes all claims and threatened claims against the Company in these various lawsuits were prompted by the same plaintiffs' lawyer and that all are without merit. The Company intends to continue to defend itself against the attempt to appeal these decisions vigorously.

In addition to the foregoing, from time to time we become a party to other lawsuits and claims. By its nature, the outcome of litigation is not known, but the Company does not currently expect this ordinary course litigation to have a material adverse effect on our financial condition, results of operations or liquidity.

20. Stockholders' Equity

On February 7, 2019, the Company's Board of Directors authorized a stock repurchase program of up to \$500,000 of our common stock. Repurchases may be made from time to time at management's discretion subject to certain pre-approved parameters and in accordance with all applicable securities and other laws and regulations. The stock repurchase program does not obligate the Company to repurchase any minimum dollar amount or number of shares and may be modified, suspended or discontinued at any time.

During the three months ended September 30, 2019, the Company repurchased 110,228 shares of common stock in the open market at an average price of \$68.33 for an aggregate amount of \$7,532. During the nine months ended September 30, 2019, the Company repurchased 122,630 shares of common stock in the open market at an average price of \$68.94 for an aggregate amount of \$8,454. All share repurchases have been retired. As of September 30, 2019, \$491,546 of common stock may be repurchased under the stock repurchase program announced on February 7, 2019.

Stock repurchases are accounted for under the retirement method as all shares repurchased have been retired. There were no unsettled share repurchases as of September 30, 2019. When the Company retires its own common stock, the excess of the repurchase price over par value is allocated between additional paid-in capital and retained earnings, with certain limitations. The portion allocated to additional paid-in capital is determined by applying a percentage, determined by dividing the number of shares to be retired by the number of shares issued and outstanding as of the retirement date, to the balance of additional paid-in capital as of the retirement date. Direct costs incurred to repurchase the common stock were not material and were expensed in the period incurred. For the three and nine months ended September 30, 2019, \$6,496 and \$1,035, and \$7,295 and \$1,157 was deducted from retained earnings and additional paid-in capital, respectively, related to the common stock shares retired.

21. Related Party Transactions

As previously disclosed, in April 2018, the Company entered into a support services agreement to provide Alpha Entertainment, LLC ("Alpha"), an entity controlled by Vincent K. McMahon, with certain administrative support services with such services billed to Alpha on a cost-plus margin basis. During the three and nine months ended September 30, 2019, the Company billed Alpha \$590 and \$2,744, respectively, for services rendered under the support services agreement. Amounts billed to Alpha for the three and nine months ended September 30, 2018 were not significant. As of September 30, 2019, the Company had \$1,191 of current receivables for amounts billed to Alpha.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Our operations are organized around the following principal activities:

Media:

- The Media segment reflects the production and monetization of long-form and short-form video content across various platforms, including WWE Network, pay television, digital and social media, as well as filmed entertainment. Across these platforms, revenues principally consist of content rights fees, subscriptions to WWE Network, and advertising and sponsorships.

Live Events:

- Live events provide ongoing content for our media platforms. Live Event segment revenues consist primarily of ticket sales, including primary and secondary distribution, revenues from events for which we receive a fixed fee, as well as the sale of travel packages associated with the Company's global live events.

Consumer Products:

- The Consumer Products segment engages in the merchandising of WWE branded products, such as video games, toys and apparel, through licensing arrangements and direct-to-consumer sales. Revenues principally consist of royalties and licensee fees related to WWE branded products, and sales of merchandise distributed at our live events and through eCommerce platforms.

Results of Operation

The Company presents Adjusted OIBDA as the primary measure of segment profit (loss). The Company defines Adjusted OIBDA as operating income before depreciation and amortization, excluding stock-based compensation, certain impairment charges and other non-recurring material items. Adjusted OIBDA includes amortization expenses directly related to our revenue generating activities, including feature film and television production asset amortization, amortization of costs related to content delivery and technology assets utilized for our WWE Network, as well as amortization of right-of-use assets related to finance leases of equipment used to produce and broadcast our live events. The Company believes the presentation of Adjusted OIBDA is relevant and useful for investors because it allows investors to view our segment performance in the same manner as the primary method used by management to evaluate segment performance and make decisions about allocating resources. Additionally, we believe that Adjusted OIBDA is a primary measure used by media investors, analysts and peers for comparative purposes.

Adjusted OIBDA is a non-GAAP financial measure and may be different than similarly titled non-GAAP financial measures used by other companies. A limitation of Adjusted OIBDA is that it excludes depreciation and amortization, which represents the periodic charge for certain fixed assets and intangible assets used in generating revenues for our business. Additionally, Adjusted OIBDA excludes stock-based compensation, a non-cash expense that may vary between periods with limited correlation to underlying operating performance, as well as other non-recurring material items. Adjusted OIBDA should not be regarded as an alternative to operating income or net income as an indicator of operating performance, or to the statement of cash flows as a measure of liquidity, nor should it be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA. See Note 3, *Segment Information*, in the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to operating income for the periods presented.

Certain business support functions including sales and marketing, our international offices and talent development are allocated to the three reportable segments based primarily on a percentage of revenue contribution. The remaining unallocated corporate expenses largely relate to corporate functions such as finance, legal, human resources, facilities and information technology. The Company does not allocate these costs to its business segments, as they do not directly relate to revenue generating activities. These unallocated corporate expenses will be shown, as applicable, as a reconciling item in tables where segment and consolidated results are both shown.

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Three Months Ended September 30, 2019 compared to Three Months Ended September 30, 2018
(dollars in millions)

Summary

The following tables present our consolidated results followed by our Adjusted OIBDA results:

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Net revenues			
Media	\$ 146.1	\$ 142.1	3 %
Live Events	23.2	26.7	(13)%
Consumer Products	17.0	19.6	(13)%
Total net revenues (1)	<u>186.3</u>	<u>188.4</u>	(1)%
Operating expenses			
Media	97.5	83.0	17 %
Live Events	23.8	23.3	2 %
Consumer Products	12.5	14.5	(14)%
Total operating expenses (2)	<u>133.8</u>	<u>120.8</u>	11 %
Marketing and selling expenses			
Media	12.4	16.7	(26)%
Live Events	3.0	4.5	(33)%
Consumer Products	1.0	2.3	(57)%
Total marketing and selling expenses (3)	<u>16.4</u>	<u>23.5</u>	(30)%
General and administrative expenses	18.5	20.1	(8)%
Depreciation and amortization	11.2	5.9	90 %
Operating income	6.4	18.1	(65)%
Interest expense	7.9	3.6	119 %
Other income, net	0.2	3.5	(94)%
(Loss) income before income taxes	(1.3)	18.0	(107)%
Benefit from income taxes	(7.1)	(15.6)	54 %
Net income	<u>\$ 5.8</u>	<u>\$ 33.6</u>	(83)%

- (1) Our consolidated net revenues decreased by \$2.1 million, or 1%, in the current year quarter as compared to the prior year quarter. This decrease was driven by a decline of \$4.6 million in network revenues resulting from a 9% decline in average paid subscribers on WWE Network, coupled with lower North American ticket sales revenues of \$4.1 million due to the staging of 19 fewer events and lower average attendance. Additionally, a \$2.6 million reduction of revenues in our Consumer Products segment was due, in part, to lower sales of merchandise at our eCommerce platforms and live event venues. These declines were partially offset by increased revenues of \$6.3 million associated with the contractual increases associated with the distribution agreements of our flagship programs, *Raw* and *SmackDown*, coupled with \$2.6 million of incremental revenues from our WWE Studios portfolio. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (2) Our consolidated operating expenses increased by \$13.0 million, or 11%, in the current year quarter as compared to the prior year quarter. This increase was primarily driven by \$11.5 million of higher costs associated with business support functions, coupled with strategic investments to support our content creation. These increases were partially offset by lower management incentive and stock compensation expenses. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (3) Our consolidated marketing and selling expenses decreased by \$7.1 million, or 30%, in the current year quarter as compared to the prior year quarter. This decrease was primarily driven by lower management incentive and stock compensation expenses. For further analysis, refer to Management's Discussion and Analysis of our business segments.

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	Three Months Ended			
	September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 6.4	3 %	\$ 18.1	10 %
Depreciation and amortization	11.2	6 %	5.9	3 %
Stock-based compensation	7.8	4 %	11.8	6 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 25.4</u>	<u>14 %</u>	<u>\$ 35.8</u>	<u>19 %</u>

	Three Months Ended			Increase (decrease)
	September 30,			
	2019	2018		
Adjusted OIBDA				
Media	\$ 41.5	\$ 50.4	(18)%	
Live Events	(2.9)	0.2	(1,550)%	
Consumer Products	4.0	4.0	— %	
Corporate	(17.2)	(18.8)	9 %	
Total Adjusted OIBDA	<u>\$ 25.4</u>	<u>\$ 35.8</u>	<u>(29)%</u>	

Media

The following tables present the performance results and key drivers for our Media segment (dollars in millions, except where noted):

	Three Months Ended			Increase (decrease)
	September 30,			
	2019	2018		
Net Revenues				
Network (including pay-per-view)	\$ 44.2	\$ 49.5	(11)%	
Core content rights fees (1)	72.2	65.9	10 %	
Advertising and sponsorship	15.0	15.0	— %	
Other (2)	14.7	11.7	26 %	
Total net revenues	<u>\$ 146.1</u>	<u>\$ 142.1</u>	<u>3 %</u>	

Operating Metrics

Number of paid WWE Network subscribers at period end	1,465,400	1,614,900	(9)%
Domestic	1,062,100	1,186,400	(10)%
International (3)	403,300	428,500	(6)%
Number of average paid WWE Network subscribers	1,511,300	1,663,700	(9)%
Domestic	1,098,700	1,213,300	(9)%
International (3)	412,600	450,400	(8)%

- (1) Core content rights fees consist primarily of licensing revenues earned from the distribution of our flagship programs, *Raw* and *SmackDown*, as well as our *NXT* programming, through global broadcast, pay television and digital platforms.
- (2) Other revenues within our Media segment reflect revenues earned from the distribution of other WWE content, including, but not limited to, certain live in-ring programming content in international markets, scripted, reality and other programming, as well as theatrical and direct-to-home video releases.
- (3) Metrics reflect subscribers who are direct customers of WWE Network and estimated subscribers under licensed partner agreements, which have different economic terms for WWE Network.

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	Three Months Ended			
	September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 33.0	23 %	\$ 39.3	28 %
Depreciation and amortization	3.2	2 %	3.1	2 %
Stock-based compensation	5.3	4 %	8.0	6 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 41.5</u>	<u>28 %</u>	<u>\$ 50.4</u>	<u>35 %</u>

Media net revenues increased by \$4.0 million, or 3%, in the current quarter as compared to the prior year quarter. Our core content rights fees increased by \$6.3 million, or 10%, driven primarily by the contractual increases associated with the distribution agreements of our flagship programs, *Raw* and *SmackDown*. Other revenues increased by \$3.0 million, or 26%, primarily driven by the timing and performance of our WWE Studios portfolio. These increases were partially offset by a decline of \$5.3 million, or 11%, in our Network revenues, which include revenues generated by WWE Network subscriptions and pay-per-view. This decline was primarily driven by a reduction in average paid subscribers resulting from the impact of lower subscriber additions earlier in the year. The subscription pricing of WWE Network at September 30, 2019 is \$9.99 per month with no minimum commitment.

Media Adjusted OIBDA as a percentage of revenues decreased in the current year quarter as compared to the prior year quarter. This decrease was driven by increased costs of \$8.9 million associated with business support functions, coupled with strategic investments to support our content creation. These increases were partially offset by lower management incentive and stock compensation expenses.

Live Events

The following tables present the performance results and key drivers for our Live Events segment (dollars in millions, except where noted):

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Net Revenues			
North American ticket sales	\$ 18.3	\$ 22.4	(18)%
International ticket sales	2.3	2.3	— %
Advertising and sponsorship	0.5	0.4	25 %
Other (1)	2.1	1.6	31 %
Total net revenues	<u>\$ 23.2</u>	<u>\$ 26.7</u>	<u>(13)%</u>

Operating Metrics (2)

Total live event attendance	328,400	408,400	(20)%
Number of North American events	67	86	(22)%
Average North American attendance	4,400	4,500	(2)%
Average North American ticket price (dollars)	\$ 56.64	\$ 53.68	6 %
Number of international events	7	4	75 %
Average international attendance	4,500	5,600	(20)%
Average international ticket price (dollars)	\$ 65.18	\$ 93.18	(30)%

- (1) Other revenues within our Live Events segment primarily consists of the sale of travel packages associated with the Company's global live events and commission earned through secondary ticketing, as well as revenues from events for which the Company receives a fixed fee.
- (2) Metrics exclude the events for our NXT brand. This is our developmental brand that typically conducts their events in smaller venues with lower ticket prices. We conducted 42 NXT events with paid attendance of 29,100 and average ticket prices of \$38.20 in the current year quarter as compared to 46 events with paid attendance of 37,600 and average ticket prices of \$39.50 in the prior year quarter.

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	Three Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating (Loss) Income to Adjusted OIBDA				
Operating loss	\$ (3.5)	(15)%	\$ (1.1)	(4)%
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	0.6	3 %	1.3	5 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (2.9)</u>	<u>(13)%</u>	<u>\$ 0.2</u>	<u>1 %</u>

Live Events net revenues, which include revenues from ticket sales and travel packages, decreased by \$3.5 million, or 13%, in the current year quarter as compared to the prior year quarter. Revenues from our North American ticket sales decreased by \$4.1 million, or 18%, as lower attendance and the impact of 19 fewer events, which decreased revenues by \$4.8 million, was partially offset by a 6% increase in average ticket prices. Revenues from our international ticket sales remained flat, as the impact of three additional events was offset by a 30% decline in average ticket prices coupled with a 20% reduction in average attendance. The changes in average ticket prices and average attendance were driven primarily by changes in the mix of venues and territories where the events were held. The reduction in the number of global live events resulted from the Company's ongoing efforts to optimize the profitability of our touring schedule.

Live Events Adjusted OIBDA as a percentage of revenues decreased in the current year quarter as compared to the prior year quarter. This decrease was primarily driven by the reduction in ticket sales for our North American events, as discussed above.

Consumer Products

The following tables present the performance results and key drivers for our Consumer Products segment (dollars in millions, except where noted):

	Three Months Ended September 30,		Increase (decrease)
	2019	2018	
	Net Revenues		
Consumer product licensing	\$ 7.8	\$ 8.5	(8)%
eCommerce	5.7	6.8	(16)%
Venue merchandise	3.5	4.3	(19)%
Total net revenues	<u>\$ 17.0</u>	<u>\$ 19.6</u>	(13)%

Operating Metrics

Average eCommerce revenue per order (dollars)	\$ 46.09	\$ 41.87	10 %
Number of eCommerce orders	115,500	157,900	(27)%
Venue merchandise domestic per capita spending (dollars)	\$ 9.38	\$ 9.26	1 %

	Three Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 3.4	20 %	\$ 2.8	14 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	0.6	4 %	1.2	6 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 4.0</u>	<u>24 %</u>	<u>\$ 4.0</u>	<u>20 %</u>

Consumer Products net revenues decreased by \$2.6 million, or 13%, in the current year quarter as compared to the prior year quarter. eCommerce revenues decreased by \$1.1 million, or 16%, primarily due to a 27% decline in the volume of online merchandise orders. Venue merchandise revenues decreased by \$0.8 million, or 19%, primarily driven by a reduction in the number of events. Consumer product licensing revenues decreased by \$0.7 million, or 8%, primarily due to lower sales from the Company's licensed video games.

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Consumer Products Adjusted OIBDA as a percentage of revenues increased in the current year quarter as compared to the prior year quarter, primarily driven by a decline in management incentive compensation.

Corporate

The remaining unallocated corporate expenses largely relate to corporate administrative functions, including finance, investor relations, community relations, corporate communications, information technology, legal, human resources and our Board of Directors. The Company does not allocate these costs to its business segments, as they do not directly relate to revenue generating activities.

	Three Months Ended			
	September 30,			
	2019	% of Rev	2018	% of Rev
Reconciliation of Operating Loss to Adjusted OIBDA				
Operating loss	\$ (26.5)	(14)%	\$ (22.9)	(12)%
Depreciation and amortization	8.0	4 %	2.8	1 %
Stock-based compensation	1.3	1 %	1.3	1 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (17.2)</u>	<u>(9)%</u>	<u>\$ (18.8)</u>	<u>(10)%</u>

Corporate Adjusted OIBDA as a percentage of revenues was essentially flat in the current year quarter as compared to the prior year quarter.

Depreciation and Amortization

(dollars in millions)

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Depreciation and amortization	\$ 11.2	\$ 5.9	90 %

Depreciation and amortization expense increased by \$5.3 million, or 90%, in the current year quarter as compared to the prior year quarter, primarily driven by additional expenses of \$2.9 million associated with Company's workspace strategy plan.

Interest Expense

(dollars in millions)

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Interest expense	\$ 7.9	\$ 3.6	119%

Interest expense increased by \$4.3 million in the current year quarter as compared to the prior year quarter, primarily driven by expense of \$4.1 million associated with the Company's new global headquarters lease, which commenced on July 1, 2019 and is accounted for as a finance lease. The remaining portion of interest expense relates primarily to interest and amortization associated with our convertible notes, our debt facilities, finance leases, assumed mortgage and aircraft financing.

Other Income, Net

(dollars in millions)

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Other income, net	\$ 0.2	\$ 3.5	(94)%

Other income, net is comprised of interest income, gains and losses recorded on our equity investments, realized translation gains and losses, and rental income. The decrease of \$3.3 million in the current year quarter is primarily driven by the recognition of an upward adjustment of \$2.2 million to the carrying value of an equity investments as a result of an observable price change event in the prior year, coupled with the recognition of a loss of \$0.6 million in the current year quarter resulting from a valuation adjustment in our marketable equity investment in Phunware.

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Income Taxes

(dollars in millions)

	Three Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Benefit from income taxes	\$ (7.1)	\$ (15.6)	54%
Effective tax rate	587 %	(87) %	

The benefit from income taxes was primarily driven by the recognition of \$8.0 million of excess tax benefits in the current year quarter related to the Company's share-based compensation awards at vesting, as compared to \$20.7 million during the prior year quarter. The tax benefit is driven by the change in the Company's stock price between when the Company granted the awards and their subsequent vesting date during the third quarter.

Discrete tax items, including the aforementioned excess tax benefits, resulted in a net tax benefit of \$6.7 million in the current year quarter as compared to \$20.4 million in the prior year quarter. Excluding these items, our effective tax rate was 27% in the current year quarter as compared to 28% in the prior year quarter.

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*Nine Months Ended September 30, 2019 compared to Nine Months Ended September 30, 2018
(dollars in millions)*

Summary

The following tables present our consolidated results followed by our Adjusted OIBDA results:

	Nine Months Ended		Increase (decrease)
	September 30,		
	2019	2018	
Net revenues			
Media	\$ 478.5	\$ 478.1	0 %
Live Events	98.2	109.8	(11)%
Consumer Products	60.9	69.8	(13)%
Total net revenues (1)	<u>637.6</u>	<u>657.7</u>	(3)%
Operating expenses			
Media	345.0	308.8	12 %
Live Events	78.5	81.0	(3)%
Consumer Products	43.1	49.9	(14)%
Total operating expenses (2)	<u>466.6</u>	<u>439.7</u>	6 %
Marketing and selling expenses			
Media	49.1	53.0	(7)%
Live Events	11.1	13.6	(18)%
Consumer Products	4.2	6.5	(35)%
Total marketing and selling expenses (3)	<u>64.4</u>	<u>73.1</u>	(12)%
General and administrative expenses	66.4	64.7	3 %
Depreciation and amortization	23.5	19.1	23 %
Operating income	<u>16.7</u>	<u>61.1</u>	(73)%
Interest expense	18.2	11.8	54 %
Other income, net	2.8	3.3	(15)%
Income before income taxes	<u>1.3</u>	<u>52.6</u>	(98)%
Benefit from income taxes	(6.5)	(5.8)	12 %
Net income	<u>\$ 7.8</u>	<u>\$ 58.4</u>	(87)%

- (1) Our consolidated net revenues decreased by \$20.1 million, or 3%, in the current year period as compared to the prior year period. This decrease was driven by a decline of \$11.6 million in Live Events revenues due to the staging of 39 fewer events and lower average attendance, coupled with a \$8.9 million reduction in Consumer Products revenues due to fewer orders on our eCommerce platforms and lower merchandise sales resulting from fewer events. Additionally, there was a decline of \$7.4 million in Media revenues resulting from a 5% decline in average paid subscribers on WWE Network. These decreases were partially offset by an increase of \$11.7 million associated with the contractual increases associated with the distribution agreements of our flagship programs, *Raw* and *SmackDown*. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (2) Our consolidated operating expenses increased by \$26.9 million, or 6%, in the current year period as compared to the prior year period. This increase was primarily driven by \$29.3 million of higher costs associated with business support functions, coupled with strategic investments to support our content creation, partially offset by lower management incentive and stock compensation expenses. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (3) Our consolidated marketing and selling expenses decreased by \$8.7 million, or 12%, in the current year period as compared to the prior year period. This decrease was primarily driven by lower management incentive and stock compensation expenses. For further analysis, refer to Management's Discussion and Analysis of our business segments.

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	Nine Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 16.7	3 %	\$ 61.1	13 %
Depreciation and amortization	23.5	5 %	19.1	4 %
Stock-based compensation	32.2	7 %	34.3	7 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 72.4</u>	<u>15 %</u>	<u>\$ 114.5</u>	<u>24 %</u>

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
	Adjusted OIBDA		
Media	\$ 107.5	\$ 138.5	(22)%
Live Events	11.2	18.5	(39)%
Consumer Products	16.2	17.8	(9)%
Corporate	(62.5)	(60.3)	(4)%
Total Adjusted OIBDA	<u>\$ 72.4</u>	<u>\$ 114.5</u>	<u>(37)%</u>

Media

The following tables present the performance results and key drivers for our Media segment (dollars in millions, except where noted):

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
	Net Revenues		
Network (including pay-per-view)	\$ 143.0	\$ 152.5	(6)%
Core content rights fees (1)	209.3	197.6	6 %
Advertising and sponsorship	44.8	46.8	(4)%
Other (2)	81.4	81.2	0 %
Total net revenues	<u>\$ 478.5</u>	<u>\$ 478.1</u>	<u>0 %</u>

Operating Metrics

Number of paid WWE Network subscribers at period end	1,465,400	1,614,900	(9)%
Domestic	1,062,100	1,186,400	(10)%
International (3)	403,300	428,500	(6)%
Number of average paid WWE Network subscribers	1,594,100	1,674,200	(5)%
Domestic	1,163,900	1,222,000	(5)%
International (3)	430,200	452,200	(5)%

- (1) Core content rights fees consist primarily of licensing revenues earned from the distribution of our flagship programs, *Raw* and *SmackDown*, as well as our *NXT* programming, through global broadcast, pay television and digital platforms.
- (2) Other revenues within our Media segment reflect revenues earned from the distribution of other WWE content, including, but not limited to, certain live in-ring programming content in international markets, scripted, reality and other programming, as well as theatrical and direct-to-home video releases.
- (3) Metrics reflect subscribers who are direct customers of WWE Network and estimated subscribers under licensed partner agreements, which have different economic terms for WWE Network.

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	Nine Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 76.2	16 %	\$ 107.2	22 %
Depreciation and amortization	8.1	2 %	9.1	2 %
Stock-based compensation	23.2	5 %	22.2	5 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 107.5</u>	<u>22 %</u>	<u>\$ 138.5</u>	<u>29 %</u>

Media net revenues remained flat in the current year period as compared to the prior year period. Our core content rights fees increased by \$11.7 million, or 6%, driven primarily by the contractual increases associated with the distribution agreements of our flagship programs, *Raw* and *SmackDown*. This increase was mostly offset by a decline in Network revenues, which include revenues generated by WWE Network subscriptions and pay-per-view, of \$9.5 million, or 6%, primarily due to a decrease in average paid subscribers coupled with a 20% decline in pay-per-view buys. The decline in average paid subscribers was primarily driven the impact of lower subscriber additions earlier in the year. The subscription pricing of WWE Network at September 30, 2019 is \$9.99 per month with no minimum commitment. Additionally, advertising and sponsorship revenues declined by \$2.0 million, or 4%, across our Media segment platforms, primarily driven by lower sales of YouTube advertising.

Media Adjusted OIBDA as a percentage of revenues decreased in the current year period as compared to the prior year period. This decrease was driven by increased costs of \$27.3 million associated with business support functions, coupled with strategic investments to support our content creation. These increases were partially offset by lower management incentive and stock compensation expenses.

Live Events

The following tables present the performance results and key drivers for our Live Events segment (dollars in millions, except where noted):

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
	Net Revenues		
North American ticket sales	\$ 76.0	\$ 85.7	(11)%
International ticket sales	12.0	15.8	(24)%
Advertising and sponsorship	1.7	1.5	13 %
Other (1)	8.5	6.8	25 %
Total net revenues	<u>\$ 98.2</u>	<u>\$ 109.8</u>	<u>(11)%</u>

Operating Metrics (2)

Total live event attendance	1,178,400	1,470,600	(20)%
Number of North American events	210	246	(15)%
Average North American attendance	4,900	5,200	(6)%
Average North American ticket price (dollars)	\$ 66.19	\$ 61.22	8 %
Number of international events	30	33	(9)%
Average international attendance	4,800	5,700	(16)%
Average international ticket price (dollars)	\$ 79.43	\$ 80.03	(1)%

(1) Other revenues within our Live Events segment primarily consists of the sale of travel packages associated with the Company's global live events and commission earned through secondary ticketing, as well as revenues from events for which the Company receives a fixed fee.

(2) Metrics exclude the events for our NXT brand. This is our developmental brand that typically conducts their events in smaller venues with lower ticket prices. We conducted 139 NXT events with paid attendance of 105,900 and average ticket prices of \$43.43 in the current year period as compared to 147 events with paid attendance of 119,600 and average ticket prices of \$44.32 in the prior year period.

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	Nine Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 8.7	9 %	\$ 15.2	14 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	2.5	3 %	3.3	3 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 11.2</u>	<u>11 %</u>	<u>\$ 18.5</u>	<u>17 %</u>

Live Events net revenues, which include revenues from ticket sales and travel packages, decreased by \$11.6 million, or 11%, in the current year period as compared to the prior year period. Revenues from our North American ticket sales decreased by \$9.7 million, or 11%, as the impact of 36 fewer events and a 6% decline in average attendance reduced revenues by \$15.2 million. This decrease was partially offset by the impact of an 8% increase in average ticket prices driven by changes in the mix of venues, which contributed \$5.1 million in incremental revenues during the current year period. Revenues from our International ticket sales decreased by \$3.8 million, or 24%, which was primarily driven by the impact of three fewer events and a 16% decline in average attendance. The reduction in the number of global live events resulted from the Company's ongoing efforts to optimize the profitability of our touring schedule. These decreases in ticket sales are partially offset by an increase in other revenues of \$1.7 million, primarily driven by additional revenues from travel packages for our live events.

Live Events Adjusted OIBDA as a percentage of revenues decreased in the current year period as compared to the prior year period. This decrease was primarily driven by the impact of reduced revenues, coupled with an increase in fixed costs primarily driven by the mix of venues and territories where the events were held.

Consumer Products

The following tables present the performance results and key drivers for our Consumer Products segment (dollars in millions, except where noted):

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
Net Revenues			
Consumer product licensing	\$ 26.6	\$ 28.6	(7)%
eCommerce	18.9	23.3	(19)%
Venue merchandise	15.4	17.9	(14)%
Total net revenues	<u>\$ 60.9</u>	<u>\$ 69.8</u>	(13)%

Operating Metrics

Average eCommerce revenue per order (dollars)	\$ 46.78	\$ 43.35	8 %
Number of eCommerce orders	394,800	531,500	(26)%
Venue merchandise domestic per capita spending (dollars)	\$ 10.43	\$ 10.07	4 %

	Nine Months Ended September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 13.6	22 %	\$ 13.4	19 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	2.6	4 %	4.4	6 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 16.2</u>	<u>27 %</u>	<u>\$ 17.8</u>	<u>26 %</u>

Consumer Products net revenues decreased by \$8.9 million, or 13%, in the current year period as compared to the prior year period. eCommerce revenues decreased by \$4.4 million, or 19%, primarily due to a 26% decline in the volume of online merchandise orders. Venue merchandise revenues decreased by \$2.5 million, or 14%, primarily driven by the decline in number of events in the

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current year. Consumer product licensing revenues decreased \$2.0 million, or 7%, primarily due to lower sales from the Company's licensed toy products.

Consumer Products Adjusted OIBDA as a percentage of revenues was essentially flat in the current year period as compared to the prior year period.

Corporate

The remaining unallocated corporate expenses largely relate to corporate administrative functions, including finance, investor relations, community relations, corporate communications, information technology, legal, human resources and our Board of Directors. The Company does not allocate these costs to its business segments, as they do not directly relate to revenue generating activities.

	Nine Months Ended			
	September 30,			
	2019		2018	
		% of Rev		% of Rev
Reconciliation of Operating Loss to Adjusted OIBDA				
Operating loss	\$ (81.8)	(13)%	\$ (74.7)	(11)%
Depreciation and amortization	15.4	2 %	10.0	2 %
Stock-based compensation	3.9	1 %	4.4	1 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (62.5)</u>	<u>(10)%</u>	<u>\$ (60.3)</u>	<u>(9)%</u>

Corporate Adjusted OIBDA as a percentage of revenues was essentially flat in the current year period as compared to the prior year period.

Depreciation and Amortization

(dollars in millions)

	Nine Months Ended			Increase (decrease)
	September 30,			
	2019	2018		
Depreciation and amortization	\$ 23.5	\$ 19.1	23%	

Depreciation and amortization expense increased by \$4.4 million, or 23%, in the current year period as compared to the prior year period, primarily driven by additional expenses of \$3.0 million associated with the Company's workspace strategy plan.

The current year period also includes a benefit of \$0.6 million from the recognition of an infrastructure tax credit. This credit was used to reduce the carrying value of the assets as of their in-service date and consequently the adjustment to depreciation expense reflects the revised amount incurred to date. This credit was recognized in the current year period but related to assets placed in service in prior years.

Interest Expense

(dollars in millions)

	Nine Months Ended			Increase (decrease)
	September 30,			
	2019	2018		
Interest expense	\$ 18.2	\$ 11.8	54%	

Interest expense increased by \$6.4 million in the current year period as compared to the prior year period, primarily driven by expense of \$4.1 million associated with the Company's new global headquarters lease, which commenced on July 1, 2019 and is accounted for as a finance lease. The remaining portion of interest expense relates primarily to interest and amortization associated with our convertible notes, our debt facilities, finance leases, assumed mortgage and aircraft financing.

During the first quarter of 2019, the Company incurred additional nonrecurring interest expense of \$1.4 million under the notes' indenture related to the removal of the restrictive legend and assignment of the unrestricted CUSIP on the Convertible Notes. Additionally, during the first quarter of 2019, the Company recorded a one-time expense of \$1.2 million associated with immaterial finance leases identified as part of our lease accounting adoption on January 1, 2019. The prior year period included additional interest due relating to non-income tax filings.

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Other Income, Net

(dollars in millions)

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
Other income, net	\$ 2.8	\$ 3.3	(15) %

Other income, net is comprised of interest income, gains and losses recorded on our equity investments, realized translation gains and losses, and rental income. Other income, net in the current year period includes \$3.8 million of interest income on our short-term investments and \$1.6 million of rental income. We also recognized upward adjustments of \$1.2 million in the current year period to the carrying values related to two of the Company's equity investments as a result of observable price change events. These increases were partially offset by the recognition of losses of \$4.4 million in the current year period resulting from periodic valuation adjustments in our marketable equity investment in Phunware. The prior year period includes interest income on our short-term investments of \$3.2 million and rental income of \$1.7 million. The prior year period also includes an upward adjustment of \$2.2 million related to an equity investment as a result of an observable price change event, offset by an impairment charge of \$3.0 million associated with an equity investment.

Income Taxes

(dollars in millions)

	Nine Months Ended September 30,		Increase (decrease)
	2019	2018	
Benefit from income taxes	\$ (6.5)	\$ (5.8)	12%
Effective tax rate	(481) %	(11) %	

The benefit from income taxes was primarily driven by the recognition of \$8.2 million of excess tax benefits in the current year period related to the Company's share-based compensation awards at vesting, as compared to \$20.7 million in the prior year period. The tax benefit is driven by the change in the Company's stock price between when the Company granted the awards and the subsequent vesting date during the third quarter.

Discrete tax items, including the aforementioned excess tax benefits, resulted in a net tax benefit of \$6.8 million in the current year period as compared to \$20.6 million during the prior year period. Excluding these items, our effective tax rate declined to 25% in the current year period as compared to 28% in the prior year period, primarily driven by the increased deduction for foreign-derived intangible income (FDII).

Liquidity and Capital Resources

We had cash and cash equivalents and short-term investments of \$231.3 million and \$359.1 million as of September 30, 2019 and December 31, 2018, respectively. Our short-term investments consist primarily of U.S. Treasury securities, corporate bonds, municipal bonds, including pre-refunded municipal bonds, and government agency bonds. Our debt balance totaled \$214.2 million and \$213.9 million as of September 30, 2019 and December 31, 2018, respectively, and includes the carrying value of \$187.2 million and \$183.1 million related to our convertible senior notes due 2023 as of September 30, 2019 and December 31, 2018, respectively.

We believe that our existing cash and cash equivalents and investment balances and cash generated from operations will be sufficient to meet our operating requirements for at least the next twelve months, inclusive of dividend payments, debt service, film and television production activities, capital expenditures and for any discretionary repurchase of shares of our common stock under a share repurchase program that was authorized by our Board of Directors in February 2019 (see below for further details). In addition, we have several multi-year agreements, including our previously announced five-year agreements with USA Network and Fox Network effective October 1, 2019 for the domestic distribution of our flagship programs, *Raw* and *Smackdown*, which are expected to provide future ongoing liquidity to the Company through the generation of enhanced content rights fees.

On February 7, 2019, the Company's Board of Directors authorized a stock repurchase program of up to \$500.0 million of our common stock. Repurchases may be made from time to time at management's discretion subject to certain pre-approved parameters and in accordance with all applicable securities and other laws and regulations. The extent to which WWE repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including liquidity, capital needs of the business, market conditions, regulatory requirements and other corporate considerations. Repurchases under this program may be funded from one or a combination of existing cash balances and free cash flow. The stock repurchase program does not obligate the Company to repurchase any minimum dollar amount or number of shares and may be modified, suspended or discontinued at any time. We repurchased 110,228 and 122,630

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shares of our common stock in the open market for an aggregate cost of \$7.5 million and \$8.5 million, respectively, during the three and nine months ended September 30, 2019.

As it relates to our Convertible Notes, which pursuant to the terms are currently convertible, we believe that if note holders elected to convert their notes within the next twelve months, the Company has sufficient means to settle the Convertible Notes using any combination of existing cash and cash equivalents and investment balances, borrowings under our Amended and Restated Revolving Credit Facility, cash generated from operations or through the issuance of shares.

Debt Summary and Borrowing Capacity

The Company has \$215.0 million aggregate principal amount of 3.375% convertible senior notes (the "Convertible Notes") due December 15, 2023. See Note 14, *Convertible Debt*, in the Notes to Consolidated Financial Statements for further information.

On May 24, 2019, the Company entered into an amended and restated \$200.0 million senior unsecured revolving credit facility with a syndicated group of banks, with JPMorgan Chase Bank, N.A. acting as Administrative Agent (the "Amended and Restated Revolving Credit Facility"). The Amended and Restated Revolving Credit Facility replaces the previous \$100.0 million revolving credit facility and, among other things, extends the maturity date from July 29, 2021 to May 24, 2024. As of September 30, 2019, the Company was in compliance with the provisions of our Amended and Restated Revolving Credit Facility, there were no amounts outstanding, and the Company had available capacity under the terms of the facility of \$200.0 million.

In September 2016, the Company acquired land and a building located in Stamford, Connecticut adjacent to our production facility. In connection with the acquisition, we assumed future obligations under a loan agreement, in the principal amount of \$23.0 million, which loan is secured by a mortgage on the property. Pursuant to the loan agreement, since the assets of WWE Real Estate, a subsidiary of the Company, represent collateral for the underlying mortgage, these assets will not be available to satisfy debts and obligations due to any other creditors of the Company. As of September 30, 2019 and December 31, 2018, the amounts outstanding of the mortgage were \$22.6 million and \$22.9 million, respectively.

In 2013, the Company entered into a \$31.6 million promissory note (the "Aircraft Note") with Citizens Asset Finance, Inc., for the purchase of a 2007 Bombardier Global 5000 aircraft and refurbishments. In August 2017, the Aircraft Note was assigned to Fifth Third Equipment Finance Company. The Aircraft Note is secured by a first priority perfected security interest in the purchased aircraft. As of September 30, 2019 and December 31, 2018, the amounts outstanding under the Aircraft Note were \$4.4 million and \$8.0 million, respectively.

Cash Flows from Operating Activities

Cash generated from operating activities was \$2.3 million in the nine months ended September 30, 2019, as compared to \$121.5 million for the corresponding period in the prior year. The \$119.2 million decrease in the current year period was primarily driven by the timing of collections associated with our *Super ShowDown* event which was held in the second quarter of 2019, combined with lower operating performance and the increased payout of management incentive compensation in the current year.

In the current year period, we spent \$6.6 million on feature film production activities, as compared to \$0.9 million in the prior year period. We received incentives of \$0.7 million related to feature film production in the current year period, as compared to \$1.2 million received in the prior year period. We anticipate spending less than \$5 million on feature film production activities during the remainder of the current year.

In the current year period, we did not receive any non-film related incentives associated with television production activities, as compared to \$0.8 million received in the prior year period. We anticipate receiving approximately \$10 million to \$15 million of non-film related incentives during the remainder of the year.

In the current year period, we spent \$20.0 million to produce non-live event programming for television, including *Total Divas Season 9* and *Miz & Mrs.*, and various programs for WWE Network, as compared to \$20.3 million in the prior year period. We anticipate spending approximately \$10 million to \$15 million to produce additional non-live event content during the remainder of the current year.

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of distributors and licensees. At September 30, 2019, our two largest receivable balances from customers were 46% and 12% of our gross accounts receivable. Changes in the financial condition or operations of our distributors, customers or licensees may result in increased delayed payments or non-payments which would adversely impact our cash flows from operating activities and/or our results of operations. We believe credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers.

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Cash Flows from Investing Activities

Cash used in investing activities was \$18.1 million in the nine months ended September 30, 2019, as compared to \$52.7 million in the prior year period. During the current year period, we purchased \$74.9 million of short-term investments and received proceeds from the maturities of our investments of \$113.3 million, as compared to purchases of \$82.1 million and proceeds of \$50.8 million in the prior year period. Capital expenditures increased \$34.8 million in the current year period to support the Company's workplace and technology related strategic initiatives. Capital expenditures for the remainder of the current year are estimated to range between \$10 million and \$15 million.

Cash Flows from Financing Activities

Cash used in financing activities was \$75.1 million for the nine months ended September 30, 2019, as compared to \$80.4 million for the prior year period. The Company paid \$30.1 million and \$50.7 million during the nine months ended September 30, 2019 and 2018, respectively, as a result of directly withholding shares for tax-withholding purposes associated with the vesting of employee equity awards. The Company made dividend payments of \$28.2 million and \$27.9 million during the nine months ended September 30, 2019 and 2018, respectively. Additionally, the Company also paid \$8.5 million for stock repurchases under its approved stock repurchase program and made repayments of \$6.2 million against our finance lease obligations during the current year period.

Contractual Obligations

Other than the changes related to the adoption of the new lease accounting standard as described in Note 8 and the contractual obligations associated with our new global headquarters lease agreement as described in Note 19 to the Consolidated Financial Statements, there have been no other significant changes to our contractual obligations that were previously disclosed in our Report on Form 10-K for the fiscal year ended December 31, 2018.

Application of Critical Accounting Policies

Refer to Note 8 to the Consolidated Financial Statements for updates to our lease accounting policies. Other than the adoption of the new lease accounting guidance, there have been no significant changes to our critical accounting policies that were previously disclosed in our Report on Form 10-K for our fiscal year ended December 31, 2018 or in the methodology used in formulating these significant judgments and estimates that affect the application of these policies.

Recent Accounting Pronouncements

The information set forth under Note 2 to the Consolidated Financial Statements under the caption "*Recent Accounting Pronouncements*" is incorporated herein by reference.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain statements that are forward-looking and are not based on historical facts. When used in this Form 10-K and our other SEC filings, our press releases and comments made in earnings calls, investor presentations or otherwise to the public, the words "may," "will," "could," "anticipate," "plan," "continue," "project," "intend," "estimate," "believe," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or the performance by us to be materially different from future results or performance expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Form 10-K and our other SEC filings, in press releases, earnings calls and other statements made by our authorized officers: (i) risks relating to entering, maintaining and renewing major distribution and event agreements; (ii) risks relating to WWE Network, including the risk that we are unable to attract, retain and renew subscribers; (iii) our need to continue to develop creative and entertaining programs and events; (iv) our need to retain or continue to recruit key performers; (v) the risk of a decline in the popularity of our brand of sports entertainment, including as a result of changes in the social and political climate; (vi) the possible unexpected loss of the services of Vincent K. McMahon; (vii) possible adverse changes in the regulatory atmosphere and related private sector initiatives; (viii) the highly competitive, rapidly changing and increasingly fragmented nature of the markets in which we operate and/or our inability to compete effectively, especially against competitors with greater financial resources or marketplace presence; (ix) uncertainties associated with international markets including possible disruptions and reputational risks; (x) our difficulty or inability to promote and conduct our live events and/or other businesses if we do not comply with applicable regulations; (xi) our dependence on our intellectual property rights, our need to protect those rights, and the risks of our infringement of others' intellectual property rights; (xii) risks relating to the complexity of our rights agreements across distribution mechanisms and geographical areas; (xiii) the risk of substantial liability in the event of accidents or injuries occurring during our

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physically demanding events including, without limitation, claims alleging traumatic brain injury; (xiv) exposure to risks relating to large public events as well as travel to and from such events; (xv) risks inherent in our feature film business; (xvi) a variety of risks as we expand into new or complementary businesses and/or make strategic investments and/or acquisitions; (xvii) risks related to our computer systems and online operations; (xviii) risks relating to privacy norms and regulations; (xix) risks relating to a possible decline in general economic conditions and disruption in financial markets; (xx) risks relating to our accounts receivable; (xxi) risks relating to our indebtedness including our convertible notes; (xxii) potential substantial liabilities if litigation is resolved unfavorably; (xxiii) our potential failure to meet market expectations for our financial performance; (xxiv) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder, Vincent K. McMahon, exercises control over our affairs, and his interests may conflict with the holders of our Class A common stock; (xxv) a substantial number of shares are eligible for sale by Mr. McMahon and members of his family or trusts established for their benefit, and the sale, or the perception of possible sales, of those shares could lower our stock price; and (xxvi) risks related to the volatility of our Class A common stock. In addition, our dividend is dependent on a number of factors, including, among other things, our liquidity and historical and projected cash flow, strategic plan (including alternative uses of capital), our financial results and condition, contractual and legal restrictions on the payment of dividends (including under our revolving credit facility), general economic and competitive conditions and such other factors as our Board of Directors may consider relevant. Forward-looking statements made by the Company speak only as of the date made, are subject to change without any obligation on the part of the Company to update or revise them, and undue reliance should not be placed on these statements. For more information about risks and uncertainties associated with the Company's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of this Form 10-Q and our other SEC filings, including, but not limited to, our annual report on Form 10-K.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

There have been no significant changes to our market risk factors that were previously disclosed in our Report on Form 10-K for our fiscal year ended December 31, 2018.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer, evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our Chairman of the Board and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019.

Our management, including our Chairman of the Board and Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system's objectives will be met. Further, because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

Beginning January 1, 2019, we implemented the new lease accounting standard pursuant to Financial Accounting Standards Board, Accounting Standards Codification Topic 842, *Leases*. Although the new lease standard is expected to have an immaterial impact on our ongoing net income, we did implement changes to our processes related to lease accounting and the control activities within them. These included the development of new policies, training, ongoing contract review requirements, and gathering of information provided for the disclosures required in our SEC interim and annual filings. There were no other changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

On October 23, 2014, a lawsuit was filed in the U. S. District Court for the District of Oregon, entitled William Albert Haynes III, on behalf of himself and others similarly situated, v. World Wrestling Entertainment, Inc. This complaint was amended on January 30, 2015 and alleged that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE's performers and seeks class action status. On March 31, 2015, the Company filed a motion to dismiss the first amended class action complaint in its entirety or, if not dismissed, to transfer the lawsuit to the U.S. District Court for the District of Connecticut. Without addressing the merits of the Company's motion to dismiss, the Court transferred the case to Connecticut on June 25, 2015. The plaintiffs filed an objection to such transfer, which was denied on July 27, 2015. On January 16, 2015, a second

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lawsuit was filed in the U.S. District Court for the Eastern District of Pennsylvania, entitled Evan Singleton and Vito LoGrasso, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., alleging many of the same allegations as Haynes. On February 27, 2015, the Company moved to transfer venue to the U.S. District Court for the District of Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs and that motion was granted on March 23, 2015. The plaintiffs filed an amended complaint on May 22, 2015 and, following a scheduling conference in which the court ordered the plaintiffs to cure various pleading deficiencies, the plaintiffs filed a second amended complaint on June 15, 2015. On June 29, 2015, WWE moved to dismiss the second amended complaint in its entirety. On April 9, 2015, a third lawsuit was filed in the U. S. District Court for the Central District of California, entitled Russ McCullough, a/k/a "Big Russ McCullough," Ryan Sakoda, and Matthew R. Wiese a/k/a "Luther Reigns," individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., asserting similar allegations to Haynes. The Company again moved to transfer the lawsuit to Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs, which the California court granted on July 10, 2015. On September 21, 2015, the plaintiffs amended this complaint, and, on November 16, 2015, the Company moved to dismiss the amended complaint. Each of these suits sought unspecified actual, compensatory and punitive damages and injunctive relief, including ordering medical monitoring. The Haynes and McCullough cases purport to be class actions. On February 18, 2015, a lawsuit was filed in Tennessee state court and subsequently removed to the U.S. District Court for the Western District of Tennessee, entitled Cassandra Frazier, individually and as next of kin to her deceased husband, Nelson Lee Frazier, Jr., and as personal representative of the Estate of Nelson Lee Frazier, Jr. Deceased, v. World Wrestling Entertainment, Inc. A similar suit was filed in the U. S. District Court for the Northern District of Texas entitled Michelle James, as mother and next friend of Matthew Osborne, minor child, and Teagan Osborne, a minor child v. World Wrestling Entertainment, Inc. These lawsuits contain many of the same allegations as the other lawsuits alleging traumatic brain injuries and further allege that the injuries contributed to these former talents' deaths. WWE moved to transfer the Frazier and Osborne lawsuits to the U.S. District Court for the District of Connecticut based on forum-selection clauses in the decedents' contracts with WWE, which motions were granted by the respective courts. On November 23, 2015, amended complaints were filed in Frazier and Osborne, which the Company moved to dismiss on December 16, 2015 and December 21, 2015, respectively. On November 10, 2016, the Court granted the Company's motions to dismiss the Frazier and Osborne lawsuits in their entirety. On June 29, 2015, the Company filed a declaratory judgment action in the U. S. District Court for the District of Connecticut entitled World Wrestling Entertainment, Inc. v. Robert Windham, Thomas Billington, James Ware, Oreal Perras and various John and Jane Does seeking a declaration against these former performers that their threatened claims related to alleged traumatic brain injuries and/or other tort claims are time-barred. On September 21, 2015, the defendants filed a motion to dismiss this complaint, which the Company opposed. The Court previously ordered a stay of discovery in all cases pending decisions on the motions to dismiss. On January 15, 2016, the Court partially lifted the stay and permitted discovery only on three issues in the case involving Singleton and LoGrasso. Such discovery was completed by June 1, 2016. On March 21, 2016, the Court issued a memorandum of decision granting in part and denying in part the Company's motions to dismiss the Haynes, Singleton/LoGrasso, and McCullough lawsuits. The Court granted the Company's motions to dismiss the Haynes and McCullough lawsuits in their entirety and granted the Company's motion to dismiss all claims in the Singleton/LoGrasso lawsuit except for the claim of fraud by omission. On March 22, 2016, the Court issued an order dismissing the Windham lawsuit based on the Court's memorandum of decision on the motions to dismiss. On April 4, 2016, the Company filed a motion for reconsideration with respect to the Court's decision not to dismiss the fraud by omission claim in the Singleton/LoGrasso lawsuit and, on April 5, 2016, the Company filed a motion for reconsideration with respect to the Court dismissal of the Windham lawsuit. On July 21, 2016, the Court denied the Company's motion in the Singleton/LoGrasso lawsuit and granted in part the Company's motion in the Windham lawsuit. On April 20, 2016, the plaintiffs filed notices of appeal of the Haynes and McCullough lawsuits. On April 27, 2016, the Company moved to dismiss the appeals for lack of appellate jurisdiction, which motions were granted, and the appeals were dismissed with leave to appeal upon the resolution of all of the consolidated cases. The Company filed a motion for summary judgment on the sole remaining claim in the Singleton/LoGrasso lawsuit, which was granted on March 28, 2018. The Company also filed a motion for judgment on the pleadings against the Windham defendants. Lastly, on July 18, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut, entitled Joseph M. Laurinaitis, et al. vs. World Wrestling Entertainment, Inc. and Vincent K. McMahon, individually and as the trustee of certain trusts. This lawsuit contains many of the same allegations as the other lawsuits alleging traumatic brain injuries and further alleges, among other things, that the plaintiffs were misclassified as independent contractors rather than employees denying them, among other things, rights and benefits under the Occupational Safety and Health Act (OSHA), the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA), federal tax law, and various state Worker's Compensation laws. This lawsuit also alleges that the booking contracts and other agreements between the plaintiffs and the Company are unconscionable and should be declared void, entitling the plaintiffs to certain damages relating to the Company's use of their intellectual property. The lawsuit alleges claims for violation of RICO, unjust enrichment, and an accounting against Mr. McMahon. The Company and Mr. McMahon moved to dismiss this complaint on October 19, 2016. On November 9, 2016, the Laurinaitis plaintiffs filed an amended complaint. On December 23, 2016, the Company and Mr. McMahon moved to dismiss the amended complaint. On September 29, 2017, the Court issued an order on the motion to dismiss pending in the Laurinaitis case and on the motion for judgment on the pleadings pending in the Windham case. The Court reserved judgment on the pending motions and ordered that within thirty-five (35) days of the date of the order the Laurinaitis plaintiffs and the Windham defendants file amended pleadings that comply with the Federal Rules of Civil Procedure. The Court further ordered that each of the Laurinaitis plaintiffs and the Windham defendants submit to the Court for in camera review affidavits signed and sworn under penalty of perjury setting forth facts within each plaintiff's or declaratory judgment-defendant's personal knowledge that form the factual basis of their claim or defense. On November 3, 2017, the Laurinaitis plaintiffs filed a second amended complaint. The Company and Mr. McMahon believe that the second amended complaint failed to comply with the Court's September 29, 2017 order and otherwise remained legally defective for all of the reasons set forth in their motion to dismiss the amended complaint. Also

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on November 3, 2017, the Windham defendants filed a second answer. On November 17, 2017, the Company and Mr. McMahon filed a response that, among other things, urged the Court to grant the motion for judgment on the pleadings against the Windham defendants and dismiss the Laurinaitis plaintiffs' complaint with prejudice and award sanctions against the Laurinaitis plaintiffs' counsel because the amended pleadings failed to comply with the Court's September 29, 2017 order and the Federal Rules of Civil Procedure. On September 17, 2018, the Court granted the motion to dismiss filed by the Company and Mr. McMahon in the Laurinaitis case in its entirety, awarded sanctions against the Laurinaitis plaintiffs' counsel, and granted the Company's motion for judgment on the pleadings against the Windham defendants. The plaintiffs have attempted to appeal these decisions. On November 16, 2018, the Company moved to dismiss all of the appeals, except for the appeal of the dismissal of the Laurinaitis case, for being filed untimely. On April 4, 2019, the Second Circuit issued an order referring the Company's motions to dismiss to the panel that will determine the merits of the appeals. The plaintiffs-appellants' opening brief was filed on July 8, 2019. The Company and Mr. McMahon filed their appellees' brief on October 7, 2019. The plaintiffs-appellants filed a reply brief on October 28, 2019. The Company believes all claims and threatened claims against the Company in these various lawsuits were prompted by the same plaintiffs' lawyer and that all are without merit. The Company intends to continue to defend itself against the attempt to appeal these decisions vigorously.

In addition to the foregoing, from time to time we become a party to other lawsuits and claims. By its nature, the outcome of litigation is not known, but the Company does not currently expect this ordinary course litigation to have a material adverse effect on our financial condition, results of operations or liquidity.

Item 1A. Risk Factors

We do not believe there have been any material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to purchases of common stock of the Company made during the three months ended September 30, 2019 pursuant to the Company's authorized share repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value that May Yet Be Purchased Under the Program ⁽¹⁾
July 1, 2019 to July 31, 2019	8,100	\$ 73.06	8,100	498,487,033
August 1, 2019 to August 31, 2019	102,128	\$ 67.96	102,128	491,546,493
September 1, 2019 to September 30, 2019	—	\$ —	—	491,546,493
Total	<u>110,228</u>	<u>\$ 68.33</u>	<u>110,228</u>	<u>\$ 491,546,493</u>

- (1) On February 7, 2019, the Company's Board of Directors authorized a stock repurchase program of up to \$500.0 million of our common stock. Repurchases may be made from time to time at management's discretion subject to certain pre-approved parameters and in accordance with all applicable securities and other laws and regulations. The stock repurchase program does not obligate the Company to repurchase any minimum dollar amount or number of shares and may be modified, suspended or discontinued at any time. The repurchased shares were subsequently retired.

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Item 6. Exhibits

(a) Exhibits:

Exhibit	
No.	Description of Exhibit
31.1	Certification by Vincent K. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification by George A. Barrios pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification by Vincent K. McMahon and George A. Barrios pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

World Wrestling Entertainment, Inc.
(Registrant)

Dated: October 31, 2019

By: /s/ GEORGE A. BARRIOS

George A. Barrios

Co-President

(principal financial officer and authorized signatory)

By: /s/ MARK KOWAL

Mark Kowal

Chief Accounting Officer and

Senior Vice President, Controller

(principal accounting officer and authorized signatory)

Certification required by Securities and Exchange Act of 1934 Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Vincent K. McMahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of World Wrestling Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2019

By: /s/ VINCENT K. MCMAHON

Vincent K. McMahon
*Chairman of the Board and
Chief Executive Officer*

Certification required by Securities and Exchange Act of 1934 Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, George A. Barrios, certify that:

1. I have reviewed this quarterly report on Form 10-Q of World Wrestling Entertainment, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 31, 2019

By: /s/ GEORGE A. BARRIOS

George A. Barrios
Co-President

Certification of Chairman and CEO and CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of World Wrestling Entertainment, Inc. (the "Company") for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Vincent K. McMahon as Chairman of the Board and Chief Executive Officer of the Company and George A. Barrios as Co-President of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
- (2) The information contained in the report fairly presents, in all material aspects, the financial condition and results of operations of the Company.

Dated: October 31, 2019

By: /s/ VINCENT K. MCMAHON

Vincent K. McMahon
*Chairman of the Board and
Chief Executive Officer*

By: /s/ GEORGE A. BARRIOS

George A. Barrios
Co-President
