

**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 June 30, 2020
- 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 July 27, 2020, the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 46,688,010 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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net revenues	\$ 223,405	\$ 268,809	\$ 514,414	\$ 451,257
Operating expenses	117,395	197,363	292,784	332,813
Marketing and selling expenses	17,497	24,876	40,174	48,020
General and administrative expenses	21,997	23,622	50,747	47,915
Depreciation and amortization	10,768	5,838	21,668	12,258
Operating income	55,748	17,110	109,041	10,251
Interest expense	9,179	4,009	17,330	10,348
Other income (expense), net	8,483	781	(1,937)	2,630
Income before income taxes	55,052	13,882	89,774	2,533
Provision for income taxes	11,263	3,468	19,812	515
Net income	\$ 43,789	\$ 10,414	\$ 69,962	\$ 2,018
Earnings per share: basic	\$ 0.57	\$ 0.13	\$ 0.90	\$ 0.03
Earnings per share: diluted	\$ 0.52	\$ 0.11	\$ 0.83	\$ 0.02
Weighted average common shares outstanding:				
Basic	77,416	78,047	77,376	78,044
Diluted	83,859	91,100	84,514	91,107
Dividends declared per common share (Class A and B)	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.24

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>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income	\$ 43,789	\$ 10,414	\$ 69,962	\$ 2,018
Other comprehensive income (loss):				
Foreign currency translation adjustments	232	(110)	(194)	(77)
Net unrealized holding gains on available-for-sale debt securities (net of tax expense of \$536 and \$128, and \$30 and \$358, respectively)	1,696	407	94	1,134
Total other comprehensive income (loss)	1,928	297	(100)	1,057
Comprehensive income	<u>\$ 45,717</u>	<u>\$ 10,711</u>	<u>\$ 69,862</u>	<u>\$ 3,075</u>

See accompanying notes to consolidated financial statements.

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

	As of	
	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 424,612	\$ 90,447
Short-term investments, net	123,262	160,034
Accounts receivable (net of allowance for doubtful accounts and returns of \$2,311 and \$818, respectively)	120,305	124,771
Inventory, net	7,453	8,252
Prepaid expenses and other current assets	25,748	20,806
Total current assets	<u>701,380</u>	<u>404,310</u>
PROPERTY AND EQUIPMENT, NET	168,999	174,752
FINANCE LEASE RIGHT-OF-USE ASSETS, NET	313,201	289,932
OPERATING LEASE RIGHT-OF-USE ASSETS, NET	15,731	20,811
CONTENT PRODUCTION ASSETS, NET	19,570	20,045
INVESTMENT SECURITIES	24,663	28,106
DEFERRED INCOME TAX ASSETS, NET	4,546	7,217
OTHER ASSETS, NET	47,036	47,060
TOTAL ASSETS	\$ 1,295,126	\$ 992,233
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 201,211	\$ 3,613
Finance lease liabilities	8,228	7,945
Operating lease liabilities	4,117	6,586
Convertible debt	191,641	188,667
Accounts payable and accrued expenses	75,099	80,592
Deferred income	64,048	56,941
Total current liabilities	<u>544,344</u>	<u>344,344</u>
LONG-TERM DEBT	21,899	22,098
FINANCE LEASE LIABILITIES	371,303	335,465
OPERATING LEASE LIABILITIES	11,636	14,571
OTHER NON-CURRENT LIABILITIES	489	429
Total liabilities	<u>949,671</u>	<u>716,907</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock: (\$0.01 par value; 180,000,000 shares authorized; 46,318,317 and 46,181,320 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively)	463	462
Class B convertible common stock: (\$0.01 par value; 60,000,000 shares authorized; 31,099,011 and 31,099,011 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively)	311	311
Additional paid-in capital	424,202	405,353
Accumulated other comprehensive income	2,764	2,864
Accumulated deficit	(82,285)	(133,664)
Total stockholders' equity	<u>345,455</u>	<u>275,326</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,295,126	\$ 992,233

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30, 2020							
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, March 31, 2020	46,311	\$ 463	31,099	\$ 311	\$ 417,257	\$ 836	\$ (116,780)	\$ 302,087
Net income	—	—	—	—	—	—	43,789	43,789
Other comprehensive income	—	—	—	—	—	1,928	—	1,928
Stock issuances, net	7	—	—	—	—	—	—	—
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(48)	—	—	(48)
Cash dividends declared	—	—	—	—	4	—	(9,294)	(9,290)
Stock-based compensation	—	—	—	—	6,989	—	—	6,989
Balance, June 30, 2020	46,318	\$ 463	31,099	\$ 311	\$ 424,202	\$ 2,764	\$ (82,285)	\$ 345,455

	Six Months Ended June 30, 2020							
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	46,181	\$ 462	31,099	\$ 311	\$ 405,353	\$ 2,864	\$ (133,664)	\$ 275,326
Net income	—	—	—	—	—	—	69,962	69,962
Other comprehensive loss	—	—	—	—	—	(100)	—	(100)
Stock issuances, net	137	1	—	—	1,411	—	—	1,412
Taxes paid related to net settlement upon vesting of equity awards	—	—	—	—	(2,620)	—	—	(2,620)
Cash dividends declared	—	—	—	—	4	—	(18,583)	(18,579)
Stock-based compensation	—	—	—	—	20,054	—	—	20,054
Balance, June 30, 2020	46,318	\$ 463	31,099	\$ 311	\$ 424,202	\$ 2,764	\$ (82,285)	\$ 345,455

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30, 2019							
	Common Stock				Additional Paid - in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount				
Balance, March 31, 2019	43,739	\$ 437	34,303	\$ 343	\$ 429,217	\$ 2,262	\$ (119,090)	\$ 313,169
Net income	—	—	—	—	—	—	10,414	10,414
Other comprehensive income	—	—	—	—	—	297	—	297
Repurchase and retirement of common stock	(12)	—	—	—	(122)	—	(799)	(921)
Stock issuances, net	7	—	—	—	220	—	—	220
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	—	—	—	—	(191)	—	—	(191)
Cash dividends declared	—	—	—	—	8	—	(9,374)	(9,366)
Stock-based compensation	—	—	—	—	11,664	—	—	11,664
Balance, June 30, 2019	46,938	\$ 469	31,099	\$ 311	\$ 440,796	\$ 2,559	\$ (118,849)	\$ 325,286

	Six Months Ended June 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	—	—	—	—	—	—	2,018	2,018
Other comprehensive income	—	—	—	—	—	1,057	—	1,057
Repurchase and retirement of common stock	(12)	—	—	—	(122)	—	(799)	(921)
Stock issuances, net	25	—	—	—	1,377	—	—	1,377
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	—	—	—	—	(242)	—	—	(242)
Cash dividends declared	—	—	—	—	10	—	(18,742)	(18,732)
Stock-based compensation	—	—	—	—	24,492	—	—	24,492
Balance, June 30, 2019	46,938	\$ 469	31,099	\$ 311	\$ 440,796	\$ 2,559	\$ (118,849)	\$ 325,286

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June 30,	
	2020	2019
OPERATING ACTIVITIES:		
Net income	\$ 69,962	\$ 2,018
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization and impairments of content production assets	11,970	14,662
Depreciation and amortization	24,319	16,022
Other amortization	8,839	6,956
Loss on equity investments, net	3,773	2,640
Services provided in exchange for equity instruments	(231)	(1,081)
Stock-based compensation	20,054	24,492
Provision for deferred income taxes	2,671	505
Other non-cash adjustments	9,642	1,466
Cash (used in)/provided by changes in operating assets and liabilities:		
Accounts receivable	(6,228)	(53,274)
Inventory	399	142
Prepaid expenses and other assets	6,729	1,781
Content production assets	(14,675)	(15,728)
Accounts payable, accrued expenses and other liabilities	(3,831)	(8,588)
Deferred income	7,310	7,141
Net cash provided by (used in) operating activities	<u>140,703</u>	<u>(846)</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(15,369)	(36,733)
Purchases of short-term investments	(30,987)	(63,647)
Proceeds from sales and maturities of short-term investments	67,685	58,848
Purchase of investment securities	(80)	(1,006)
Net cash provided by (used in) investing activities	<u>21,249</u>	<u>(42,538)</u>
FINANCING ACTIVITIES:		
Repayment of long-term debt	(2,601)	(2,538)
Repayment of finance leases	(5,399)	(4,109)
Dividends paid	(18,579)	(18,732)
Debt issuance costs	—	(672)
Proceeds from borrowings under Revolving Credit Facility	200,000	—
Taxes paid related to net settlement upon vesting of equity awards	(2,620)	(242)
Proceeds from issuance of stock	1,412	1,378
Repurchase and retirement of common stock	—	(921)
Net cash provided by (used in) financing activities	<u>172,213</u>	<u>(25,836)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	334,165	(69,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	90,447	167,457
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 424,612	\$ 98,237
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Purchases of property and equipment recorded in accounts payable		
and accrued expenses (See Note 12)	\$ 3,389	\$ 13,760

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, 2019.

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, broadcast and pay television, digital and social media, as well as filmed entertainment. Across these platforms, revenues principally consist of content rights fees associated with the distribution of our programming content, 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.

Note on the COVID-19 Pandemic

The global spread of the coronavirus pandemic (“COVID-19”) and the various attempts to contain it have resulted in restrictions, postponements and cancellations of various sports and other events and has and likely will continue to require us to cancel, postpone or relocate certain of our live events. We do not currently expect insurance to cover a significant portion, if any, of this lost business. COVID-19 has also continued to create significant volatility, uncertainty and economic disruption, the full extent of which will depend on numerous evolving factors that we can neither predict nor control, including the pandemic’s duration and severity and the governmental, business and individual responses to it. As a result, we have been required to alter certain aspects of our operations beyond our live events. We have taken measures to protect the health and well-being of our employees and our talent and other vendors. Our workforce has spent a significant amount of time working from home. Travel has been severely curtailed. We have greatly increased our cleaning and health check protocols, which increase related expenditures. We also implemented certain cash conserving measures, which were or have been in effect for various time periods, including pausing our stock repurchase program and certain capital expenditures; containing employment costs through salary reductions and furloughs; containing certain third party vendor costs; and drawing under our revolving credit facility. We believe our partners’ operations have also been affected. To the extent the resulting

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

economic disruption is severe, we could see supply constraints and/or a negative impact on our customers' demand, or ability to pay (including an impact on the collectability of our accounts receivable), for our goods and services. We will continue actively to monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations that are required by applicable governmental authorities and/or that we determine to be in the best interests of our employees, talent, customers, partners and stockholders. There can be no assurance that we will be entirely successful in these endeavors, which could result in inadvertent noncompliance with applicable law. The COVID-19 pandemic also could result in heightened litigation risks relating to personal injury or death and/or increased levels of commercial litigation. Any of the foregoing could have a material negative effect on our business and results of operations.

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, 2019. During the first quarter of 2020, the Company adopted new accounting guidance related to improvements to the accounting for film costs. Refer to Note 9, *Content Production Assets, Net*, for a description of the updated accounting policy. Additionally, the Company adopted new accounting guidance related to the measurement of credit losses for certain financial instruments. Refer to Note 10, *Investment Securities and Short-Term Investments*, for details on the adoption. Additional details related to these adoptions are described further below in *Recent Accounting Pronouncements*.

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 the operating costs associated with 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Amortization and impairment of content production assets	\$ 3,059	\$ 5,710	\$ 11,970	\$ 14,662
Depreciation and amortization of WWE Network content delivery and technology assets	1,387	2,182	2,512	3,764
Amortization of right-of-use assets - finance leases of equipment	2,826	1,996	5,385	3,992
Depreciation on equipment used directly to support operations	140	—	276	—
Total depreciation and amortization included in operating expenses	\$ 7,412	\$ 9,888	\$ 20,143	\$ 22,418

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.

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*", in order to align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. The amendments also require that an entity reassess estimates of the use of a film in a film group and account for any changes prospectively. In addition, the amendments require that an entity test films and license agreements for program material for impairment at a film group level when the film or license agreements are predominantly monetized with other films and license agreements. The Company evaluated its portfolio of content assets in order to determine the predominant monetization strategies which now dictates the appropriate impairment model to apply. In general, the Company's content assets related to original programming content airing on the WWE Network are predominantly monetized as a film group through monthly subscription fees collected from WWE Network subscribers, while the Company's other content assets comprised largely of feature films and episodic television series which are licensed or sold to distributors are predominantly monetized individually through the underlying rights fees collected under the distribution arrangements. The Company previously provided separate captions within noncurrent assets on the face of the consolidated balance sheet for episodic television production assets and feature film production assets. With the adoption of the amendments, the Company now presents both episodic television and feature film production assets under one combined caption,

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

Content production assets, net, within the noncurrent assets section of the consolidated balance sheet. To conform to the current period presentation, the Content productions assets, net balance of \$20,045 as of December 31, 2019 is comprised of \$15,873 of feature film production assets and \$4,172 of television production assets. ASU 2019-02 is effective for fiscal years beginning after December 15, 2019. The Company adopted the amendments on January 1, 2020 with no material impact to our consolidated financial statements upon adoption. Refer to Note 9, *Content Production Assets, Net*, for further details.

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 fiscal years beginning after December 15, 2019. The Company adopted the amendment on January 1, 2020 with no impact on our 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 fiscal years beginning after December 15, 2019. The Company adopted the amendments on January 1, 2020 and applied the amendments prospectively to all implementation costs incurred after the date of adoption.

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 fiscal years beginning after December 15, 2019. Upon the effective date, certain provisions are to be applied prospectively, while others are to be applied retrospectively to all periods presented. The amendments eliminated certain disclosure requirements such as the elimination of disclosing the valuation process for Level 3 fair value measurements. Other amendments in the update did not largely impact the Company. The Company adopted the amendments on January 1, 2020 with no impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments are effective for fiscal years beginning after December 15, 2019. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company evaluated its financial instruments and determined that its trade accounts receivables are subject to the new current expected credit loss model and the Company’s available-for-sale debt securities are subject to the new modified credit impairment guidance. Based upon the application of the new current expected credit loss model on our opening balance of accounts receivable as of January 1, 2020, we determined that no material incremental credit loss reserve is needed and accordingly did not record a cumulative effect adjustment. As of the adoption date on January 1, 2020, the Company applied the new credit impairment guidance for available-for-sale debt securities on a prospective basis. Refer to Note 10, *Investment Securities and Short-Term Investments*, for further information on our available-for-sale debt securities.

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.

Unallocated corporate general and administrative expenses largely relate to corporate functions such as finance, legal, human resources, facilities and information technology. These unallocated corporate general and administrative 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

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non-recurring material items. Adjusted OIBDA includes depreciation and amortization expenses directly related to supporting the operations of our segments, including content production asset amortization, depreciation and 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenues:				
Media	\$ 200,166	\$ 196,901	\$ 456,724	\$ 332,348
Live Events	983	48,731	18,512	74,970
Consumer Products	22,256	23,177	39,178	43,939
Total net revenues	<u>\$ 223,405</u>	<u>\$ 268,809</u>	<u>\$ 514,414</u>	<u>\$ 451,257</u>
Adjusted OIBDA:				
Media	\$ 90,454	\$ 37,501	\$ 193,090	\$ 66,001
Live Events	(4,169)	13,336	(6,812)	14,130
Consumer Products	8,073	6,216	11,918	12,236
Corporate	(20,853)	(22,441)	(47,433)	(45,366)
Total Adjusted OIBDA	<u>\$ 73,505</u>	<u>\$ 34,612</u>	<u>\$ 150,763</u>	<u>\$ 47,001</u>

Reconciliation of Total Operating Income to Total Adjusted OIBDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total operating income	\$ 55,748	\$ 17,110	\$ 109,041	\$ 10,251
Depreciation and amortization (1)	10,768	5,838	21,668	12,258
Stock-based compensation	6,989	11,664	20,054	24,492
Other adjustments	—	—	—	—
Total Adjusted OIBDA	<u>\$ 73,505</u>	<u>\$ 34,612</u>	<u>\$ 150,763</u>	<u>\$ 47,001</u>

(1) Depreciation and amortization for the three and six months ended June 30, 2020 includes \$2,266 and \$4,532, respectively, 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.

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.

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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.

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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net revenues:				
<u>Media Segment:</u>				
Network (including pay-per-view)	\$ 49,349	\$ 51,789	\$ 92,884	\$ 98,802
Core content rights fees (1)	132,904	68,988	266,101	137,084
Advertising and sponsorships	13,343	18,932	30,691	29,805
Other (2)	4,570	57,192	67,048	66,657
Total Media Segment net revenues	200,166	196,901	456,724	332,348
<u>Live Events Segment:</u>				
North American ticket sales	—	33,572	15,206	57,732
International ticket sales	—	9,544	210	9,737
Advertising and sponsorships	305	739	371	1,144
Other (3)	678	4,876	2,725	6,357
Total Live Events Segment net revenues	983	48,731	18,512	74,970
<u>Consumer Products Segment:</u>				
Consumer product licensing	9,659	9,379	17,378	18,807
eCommerce	12,593	6,656	18,601	13,233
Venue merchandise	4	7,142	3,199	11,899
Total Consumer Products Segment net revenues	22,256	23,177	39,178	43,939
Total net revenues	<u>\$ 223,405</u>	<u>\$ 268,809</u>	<u>\$ 514,414</u>	<u>\$ 451,257</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.

Payment Terms and Other

Our revenues do not include material amounts of variable consideration, other than the sale or usage-based royalties earned related to our consumer product licensing and certain other content rights contracts. 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 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.

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Remaining Performance Obligations

As of June 30, 2020, for contracts greater than one year, the aggregate amount of the transaction price allocated to remaining performance obligations is \$3,408,499, 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 2020 through 2027. 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 2020 through 2025. For our multi-year sponsorship arrangements, we will recognize sponsorship revenues as the sponsorship obligations are satisfied during the periods 2020 through 2027. The transaction price related to these future obligations do 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.

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 our Consolidated Balance Sheets.

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 June 30, 2020 and December 31, 2019 was \$64,104 and \$57,025, 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 six months ended June 30, 2020 of \$7,079 is primarily driven by 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 \$775 and \$825 at June 30, 2020 and December 31, 2019, 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 six months ended June 30, 2020 and 2019, the amount of amortization was \$25 and \$345, and \$50 and \$691, 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 43,789	\$ 10,414	\$ 69,962	\$ 2,018
Weighted average basic common shares outstanding	77,416	78,047	77,376	78,044
Dilutive effect of restricted and performance stock units	625	1,782	632	1,715
Dilutive effect of convertible debt instruments	5,815	11,268	6,499	11,343
Dilutive effect of employee share purchase plan	3	3	7	5
Weighted average dilutive common shares outstanding	83,859	91,100	84,514	91,107
Earnings per share:				
Basic	\$ 0.57	\$ 0.13	\$ 0.90	\$ 0.03
Diluted	\$ 0.52	\$ 0.11	\$ 0.83	\$ 0.02
Anti-dilutive shares (excluded from per-share calculations):				
Net shares received on purchased call of convertible debt hedge	3,610	6,002	3,910	6,035

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 13, *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.

For reporting periods with net income, 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 also 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 \$0.04 and \$0.02, and \$0.07 and \$0.01 impact on diluted earnings per share for the three and six months ended June 30, 2020 and 2019, respectively. 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 \$6,989 and \$11,664, and \$20,054 and \$24,492, for the three and six months ended June 30, 2020 and 2019, respectively.

During the first quarter of 2020, certain executives of the Company who received PSUs and PSU-TSRs departed the Company, and therefore forfeited their respective shares. The Company estimates forfeitures on our stock-based compensation awards based on historical trends when recognizing compensation expense and adjust the estimate of forfeitures when they are expected to differ or as forfeitures occur. The units associated with these awards are included in the respective tables below.

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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.

During the first quarter of 2020, the Compensation Committee approved the grant of RSUs to eligible employees for an aggregate value of \$7,758. These awards vary from the typical RSU grant in that the awards vested immediately upon grant. The units associated with these awards are included in the table below.

The following table summarizes the RSU activity during the six months ended June 30, 2020:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2020	272,407	\$ 45.41
Granted	303,385	\$ 50.21
Vested	(157,923)	\$ 50.01
Forfeited	(13,212)	\$ 42.52
Dividend equivalents	2,576	\$ 47.18
Unvested at June 30, 2020	<u>407,233</u>	\$ 47.31

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 six months ended June 30, 2020:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2020	721,398	\$ 67.97
Granted	249,564	\$ 43.45
Achievement adjustment	(40,509)	\$ 44.50
Forfeited	(106,962)	\$ 61.22
Dividend equivalents	3,673	\$ 65.25
Unvested at June 30, 2020	<u>827,164</u>	\$ 58.94

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During the year ended December 31, 2019, we granted 155,872 PSUs, which were subject to performance conditions. During the first quarter of 2020, it was determined that the performance conditions related to these PSUs were partially met, which resulted in an achievement adjustment decrease of 40,509 PSUs in 2020 relating to the initial 2019 PSU grant.

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 is being amortized as compensation cost over the requisite service period using the graded vesting method.

The following table summarizes the PSU-TSR activity during the six months ended June 30, 2020:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2020	340,971	\$ 47.42
Granted	—	\$ —
Achievement adjustment	7,672	\$ 47.30
Vested	—	\$ —
Forfeited	(272,777)	\$ 47.96
Dividend equivalents	50	\$ 47.30
Unvested at June 30, 2020	<u>75,916</u>	<u>\$ 47.30</u>

During the first quarter of 2020, it was determined that the percentile ranking of WWE’s total shareholder return performance related to the first performance period were met, which resulted in an achievement adjustment increase of 7,672 PSU-TSRs in 2020 relating to the initial 2018 PSU-TSR grant.

7. Property and Equipment

Property and equipment consisted of the following:

	As of	
	June 30, 2020	December 31, 2019
Land, buildings and improvements	\$ 162,018	\$ 163,202
Equipment	143,890	139,137
Corporate aircraft	32,249	32,249
Vehicles	1,030	1,030
Projects in progress	<u>16,923</u>	<u>16,931</u>
	356,110	352,549
Less: accumulated depreciation and amortization	<u>(187,111)</u>	<u>(177,797)</u>
Total	<u>\$ 168,999</u>	<u>\$ 174,752</u>

Depreciation expense for property and equipment totaled \$9,711 and \$5,596, and \$19,277 and \$11,769 for the three and six months ended June 30, 2020 and 2019, respectively.

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Depreciation expense for the three and six months ended June 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.

8. Leases

Information about the Nature of WWE's Lease Portfolio

As of June 30, 2020, 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 with an 18-month free rent period followed by an initial base term of 15 years with options to renew, our other real estate leases have remaining lease terms of approximately one year to eight years, some of which may also 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 seven years. Generally, no covenants are imposed by our lease agreements.

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.

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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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease costs				
Finance lease costs:				
Amortization of right-of-use assets	\$ 5,092	\$ 1,996	\$ 9,917	\$ 3,992
Interest on lease liabilities	4,574	162	9,002	1,539
Operating lease costs	1,376	2,135	2,964	4,602
Other short-term and variable lease costs	416	767	870	1,303
Sublease income (1)	—	(16)	(16)	(32)
Total lease costs	<u>\$ 11,458</u>	<u>\$ 5,044</u>	<u>\$ 22,737</u>	<u>\$ 11,404</u>

Other information

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

Operating cash flows from finance leases	\$ 334	\$ 162	\$ 575	\$ 347
Operating cash flows from operating leases	\$ 1,168	\$ 2,207	\$ 2,547	\$ 4,415
Finance cash flows from finance leases	\$ 2,788	\$ 2,066	\$ 5,399	\$ 4,109
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 66	\$ —	\$ 33,186	\$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,238	\$ 3,243	\$ 2,586	\$ 3,243

	As of June 30,	
	2020	2019
Weighted-average remaining lease term - finance leases	28.9 years	1.7 years
Weighted-average remaining lease term - operating leases	4.5 years	3.8 years
Weighted-average discount rate - finance leases	4.9%	4.5%
Weighted-average discount rate - operating leases	4.3%	4.6%

(1) Sublease income excludes rental income from owned properties.

Maturity of lease liabilities as of June 30, 2020 were as follows:

	Operating Leases	Finance Leases
2020	\$ 2,311	\$ 5,499
2021	4,868	26,694
2022	3,776	26,404
2023	2,202	26,498
2024	1,735	26,245
Thereafter	2,646	642,771
Total lease payment	17,538	754,111
Less: imputed interest	(1,785)	(374,580)
Total future minimum lease payments	<u>\$ 15,753</u>	<u>\$ 379,531</u>

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9. Content Production Assets, Net*Accounting Policy on Content Production Assets*

The Company is primarily a content producer with content production assets consisting of feature films, non-live event episodic television series, and original programming content for our WWE Network. Feature film titles are predominantly monetized on their own through exploitation and exhibition through individual film distribution arrangements or by sale to a third party. The non-live event episodic television series are predominantly monetized on their own through individual television distribution arrangements. The original WWE Network programming content are predominantly monetized as a film group through the collection of monthly subscription fees from the WWE Network.

Amounts capitalized for content production assets typically include development costs, production costs, production overhead, and employee salaries and are net of any film production incentives associated with our feature films. Content production assets related to our feature films 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. Content production assets related to non-live event episodic television series are expensed upon delivery of the completed programming content to the individual television distributors. Our programming content distributed on our subscription-based WWE Network is expensed based upon viewership consumption patterns.

Unamortized content production costs are evaluated for impairment whenever events or changes in circumstances indicate that the fair value of a film predominantly monetized on its own or a film group may be less than its unamortized costs. As it relates to our unamortized feature film production assets, if estimates for a feature film's ultimate revenues 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 the unamortized cost, the film is written down to fair value. Our estimate of ultimate revenues for feature films includes revenues from all sources for ten years from the date of a film's initial release. We estimate the ultimate revenues based on industry and Company specific trends, the historical performance of similar films, the star power of the lead actors, and the genre of the film. Prior to the release of a feature film and throughout its life, we revise our estimates of revenues based on expected future results, actual results and other known factors affecting the various distribution markets. As it relates to our unamortized non-live event episodic television series content assets, if conditions indicate a potential impairment, and the estimated future cash flows using a discounted cash flow model are not sufficient to recover the unamortized asset, the asset is written down to fair value. As it relates to our unamortized original WWE Network programming content assets, which are predominantly monetized as film group, we review in aggregate at a group level when an event or change in circumstances indicates a change in the expected usefulness of the content or that the fair value may be less than unamortized cost. In addition, if we determine that a program will not likely air, we expense the remaining unamortized asset.

Other Content Production Asset Information

Content production assets consisted of the following:

	Predominantly Monetized Individually				Predominantly Monetized as a Film Group			
	As of		As of		As of		As of	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
In release	\$ 7,058	\$ 8,735	\$ 476	\$ 580				
Completed but not released	2,266	8	263	163				
In production	8,957	9,978	152	378				
In development	398	203	—	—				
Total	\$ 18,679	\$ 18,924	\$ 891	\$ 1,121				

As of June 30, 2020, all of the "completed but not released" content assets that are monetized individually are estimated to be amortized over the next 12 months and approximately 67% of the "in release" content assets monetized individually are estimated to be amortized over the next three years.

As of June 30, 2020, all of the "completed but not released" content assets and "in release" content assets monetized as a film group are estimated to be amortized over the next 12 months.

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Amortization and impairment of content production assets consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Content production amortization expense - assets monetized individually	\$ 1,961	\$ 3,381	\$ 9,425	\$ 10,888
Content production amortization expense - assets monetized as a film group	837	1,992	2,124	3,223
Content production impairment charges (1)	261	246	421	444
Content production development write-offs (2)	—	91	—	107
Total amortization and impairment of content production assets	\$ 3,059	\$ 5,710	\$ 11,970	\$ 14,662

- (1) Unamortized content production assets are evaluated for impairment whenever events or changes in circumstances indicate that the fair value of a film predominantly monetized on its own or a film group may be less than its unamortized costs. 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 content will not likely air, we will expense the remaining unamortized asset.
- (2) Capitalized script development costs are evaluated at each reporting period for impairment and to determine if a project is deemed to be abandoned.

Amortization and impairment expenses related to content production assets are included in the Company's Media segment, and as a component of Operating expenses on the Consolidated Statements of Operations. Costs to produce our live event programming are expensed immediately when the event is first broadcast and are not included in the content asset amortization amounts above.

10. Investment Securities and Short-Term Investments

Investment Securities

Included within Investment Securities are the following:

	As of	
	June 30, 2020	December 31, 2019
Equity method investments	\$ 5,764	\$ 14,342
Nonmarketable equity investments without readily determinable fair values	9,687	13,359
Marketable equity investments with readily determinable fair values	9,212	405
Total investment securities	\$ 24,663	\$ 28,106

Equity Method Investments

Our equity method investments relate primarily to an investment in an apparel and lifestyle brand. To the extent the investees record income or losses, the Company records our share proportionate to our ownership percentage, and any dividends received reduce the carrying value amount of the investments. Net equity method earnings from our equity method investments are included as a component of Other (expense) income, net on the Consolidated Statements of Operations. Net dividends received from our equity method investments are reflected on the Consolidated Statements of Cash Flows within Net cash provided by operating activities.

We evaluate our equity method investments for impairment when events indicate that the fair value of the investments may be below the carrying value. When such a condition is deemed to be other than temporary, the carrying value of the investment is written down to its fair value. During the first quarter of 2020, the Company recorded an impairment charge of \$8,828 on our equity method investments for the excess of the carrying value over its estimated fair value as a result of our impairment evaluation. We determined fair value using a discounted cash flow model using recent forecasts from the investee, which indicated a decline in the value of the investment. The decline in value is due to the significant adverse impact on retail market conditions caused by COVID-19 combined with lower sales forecasts. This impairment charge is included as a component of Other (expense) income, net in the Consolidated Statements of Operations. The Company did not record any impairment charges related to our equity method investments during the three and six months ended June 30, 2019.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net equity method earnings	\$ 243	\$ 185	\$ 426	\$ 417
Net dividends received	22	(257)	(175)	(418)
Equity in earnings of affiliate, net of dividends received	<u>\$ 265</u>	<u>\$ (72)</u>	<u>\$ 251</u>	<u>\$ (1)</u>

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.

During the first quarter of 2020, the Company recorded an impairment charge of \$2,715 on our investment in a themed attraction touring company for the excess of the carrying value over its estimated fair value as a result of our impairment evaluation. This evaluation indicated a decline in the value of the investment due largely to significant adverse changes in the economic and market conditions caused by COVID-19. This impairment charge is included as a component of Other (expense) income, net in the Consolidated Statements of Operations. The Company did not record any impairment charges on these investments during the three and six months ended June 30, 2019. In addition, there were no observable price change events that were completed during the three and six months ended June 30, 2020 and 2019.

Marketable Equity Investments With Readily Determinable Fair Values

During the three months ended June 30, 2020, one of our nonmarketable equity investments, DraftKings Inc, (“DraftKings”), an online fantasy sports and betting platform, completed a business combination and became a publicly traded company with its common stock traded on the NASDAQ under the symbol DKNG starting on April 24, 2020. As a result of the business combination, WWE received common stock of the new publicly traded DraftKings company in exchange for its common shares WWE owned in the investee. The Company is subject to a 180-day lock-up period on the common shares.

As of June 30, 2020, our investment portfolio includes two investments in marketable equity securities of publicly traded companies, both of which trade on the NASDAQ. The Company accounts for these equity investments in the common stock of Phunware Inc. (“Phunware”), a software application developer, and DraftKings, as marketable equity investments with readily determinable fair values based on quoted prices on the NASDAQ. During the three and six months ended June 30, 2020, the Company recorded a net unrealized gain of \$7,945 and \$7,770, respectively, associated with these two investments based on the closing prices of the investee companies as of the last trading day of the period. During the three and six months ended June 30, 2019, the Company recorded an unrealized holding loss of \$3,597 and \$3,791, respectively, associated with Phunware, based on the closing price of the investee company as of the last trading day of the period. Unrealized holding gains and losses are included as a component of Other (expense) income, net in the Consolidated Statements of Operations. As the underlying stock prices of DraftKings and Phunware fluctuate, WWE is exposed to future earnings volatility to the extent WWE continues to hold these investments.

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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 June 30, 2020				As of December 31, 2019			
	Amortized Cost	Gross Unrealized		Fair Value	Amortized Cost	Gross Unrealized		Fair Value
		Gain	(Loss)			Gain	(Loss)	
U.S. Treasury securities	\$ 21,070	\$ 65	\$ —	\$ 21,135	\$ 32,124	\$ 27	\$ (13)	\$ 32,138
Corporate bonds	81,330	69	(58)	81,341	120,012	89	(74)	120,027
Municipal bonds	—	—	—	—	2,165	—	—	2,165
Government agency bonds	20,700	86	—	20,786	5,693	11	—	5,704
Total	\$ 123,100	\$ 220	\$ (58)	\$ 123,262	\$ 159,994	\$ 127	\$ (87)	\$ 160,034

The Company adopted ASU No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” on January 1, 2020 and applied the new modified credit impairment guidance related to available-for-sale debt securities prospectively. Under the new guidance, at each reporting date, entities must evaluate their individual available-for-sale debt securities that are in an unrealized loss position and determine whether the decline in fair value below the amortized cost basis results from a credit loss or other factors. The amount of the decline related to credit losses are recorded as a credit loss expense in earnings with a corresponding allowance for credit losses and the amount of the decline not related to credit losses are recorded through other comprehensive income, net of tax. As of June 30, 2020, the aggregate total amount of unrealized losses (that is, the amount by which amortized cost basis exceeds fair value) was \$58, or less than 1% of the total amortized costs basis of the entire available-for-sale debt portfolio. We did not record an allowance for credit losses on these securities. Accordingly, during the three and six months ended June 30, 2020, the entire amount of the decline in fair value below the amortized cost basis was recorded as an unrealized loss, net of tax, in other comprehensive loss in the Consolidated Statements of Comprehensive Income. Unrealized gains are also 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 June 30, 2020, contractual remaining maturities of these securities are as follows:

	Maturities
U.S. Treasury securities	1 month - 1 year
Corporate bonds	3 months - 3 years
Municipal bonds	N/A
Government agency bonds	1 month - 1 year

During the three and six months ended June 30, 2020 and 2019, we recognized \$493 and \$1,343, and \$1,414 and \$2,793, 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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Proceeds from sales and maturities of short-term investments	\$ 34,150	\$ 38,370	\$ 67,685	\$ 58,848
Purchases of short-term investments	\$ 22,302	\$ 50,249	\$ 30,987	\$ 63,647

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11. 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.

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 values and our equity method investments are classified within Level 3 as significant unobservable inputs are used as part of the determination of fair value. Significant unobservable inputs may 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. For our equity investments without readily determinable fair values, 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. During the first quarter of 2020, the Company recorded impairment charges of \$8,828 and \$2,715 on our equity method investments and nonmarketable equity investments, respectively, as a result of our impairment evaluations. Refer to Note 10, *Investment Securities and Short-Term Investments*, for further discussion.

The Company's long-lived property and equipment and content 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. The Company did not record any impairment charges on long lived property and equipment during the three and six months ended June 30, 2020 and 2019. The Company classifies these assets as Level 3 within the fair value hierarchy due to significant unobservable inputs.

During the six months ended June 30, 2020 and 2019, the Company recorded impairment charges of \$421 and \$444 on content production assets based upon fair value measurements of \$512 and \$515, respectively. Refer to Note 9, *Content 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 content production assets where indicators of impairment exist.

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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 June 30, 2020, the carrying amount of the mortgage loan, promissory note and the revolving credit facility borrowing 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 June 30, 2020 and December 31, 2019, 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:

	June 30, 2020		December 31, 2019	
	Fair Value	Carrying Value (1)	Fair Value	Carrying Value (1)
Convertible senior notes	\$ 201,751	\$ 194,827	\$ 207,338	\$ 192,262

(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.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	As of	
	June 30, 2020	December 31, 2019
Trade related	\$ 8,922	\$ 9,282
Staff related	13,130	8,651
Management incentive compensation	8,767	6,481
Talent related	6,902	8,184
Accrued WWE Network related expenses	5,853	5,510
Accrued event and television production	8,198	16,627
Accrued legal and professional	4,107	5,716
Accrued purchases of property and equipment	3,389	4,997
Accrued film liability	6,460	5,986
Accrued other	9,371	9,158
Total	<u>\$ 75,099</u>	<u>\$ 80,592</u>

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.

13. 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 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.

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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.

Pursuant 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 September 30, 2020. As of June 30, 2020, 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 June 30, 2020, no actual conversions have occurred to date. See Note 5, *Earnings (Loss) Per Share*, for a description of the dilutive nature of the Convertible Notes.

As a result of our cash conversion option, we separately accounted for the value of the embedded conversion option as a debt discount at its issuance date estimated fair value. The debt discount is amortized as additional non-cash interest expense over the term of the Convertible Notes using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the transaction costs related to the Note issuances, we allocated the total amount of offering costs incurred to the debt and equity components based on their relative values. Offering costs attributable to the debt component are amortized as non-cash interest expense over the term of the Convertible Notes. Offering costs attributable to the equity component were netted with the equity component in stockholders' equity.

The Convertible Notes consisted of the following components:

	As of	
	June 30, 2020	December 31, 2019
Debt component:		
Principal	\$ 215,000	\$ 215,000
Less: Unamortized debt discount	(20,173)	(22,738)
Less: Unamortized debt issuance costs	(3,186)	(3,595)
Net carrying amount	<u>\$ 191,641</u>	<u>\$ 188,667</u>
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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
3.375% contractual coupon	\$ 1,814	\$ 1,814	\$ 3,628	\$ 3,628
Amortization of debt discount	1,293	1,213	2,565	2,406
Amortization of debt issuance costs	190	169	409	334
Additional interest on Convertible Notes (1)	—	—	—	1,370
Interest expense	<u>\$ 3,297</u>	<u>\$ 3,196</u>	<u>\$ 6,602</u>	<u>\$ 7,738</u>

- (1) During the six months ended June 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.

14. Long-Term Debt and Credit Facility

Included within Long-Term Debt are the following:

	As of	
	June 30, 2020	December 31, 2019
Current portion of long-term debt:		
Revolving Credit Facility	\$ 200,000	\$ —
Aircraft financing	808	3,218
Mortgage	403	395
Total current portion of long-term debt	<u>\$ 201,211</u>	<u>\$ 3,613</u>
Long-term debt:		
Mortgage	\$ 21,899	\$ 22,098
Total long-term debt	<u>\$ 21,899</u>	<u>\$ 22,098</u>
Total	<u><u>\$ 223,110</u></u>	<u><u>\$ 25,711</u></u>

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 "Revolving Credit Facility"). The Revolving Credit Facility has a maturity date of May 24, 2024. Applicable interest rates for the borrowings under the Revolving Credit Facility are based on the Company's current consolidated leverage ratio. As of June 30, 2020, our weighted-average LIBOR-based rate plus margin was 1.675%. 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 Revolving Credit Facility. Under the terms of the Revolving Credit Facility, the Company is subject to certain

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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.

On April 16, 2020, as a precautionary measure to further strengthen liquidity due to the impact of COVID-19, the Company borrowed \$200,000 under its Revolving Credit Facility. As of June 30, 2020, the Company was in compliance with the terms of the Revolving Credit Facility and had no available debt capacity under the Revolving Credit Facility. As of June 30, 2020 and December 31, 2019, there was \$200,000 and \$0 outstanding under the Revolving Credit Facility, respectively. As of June 30, 2020, the Company has the intent and ability to repay the amounts outstanding on the Revolving Credit Facility within one year, and as such, the outstanding balance has been classified as a current portion of long-term debt within our Consolidated Balance Sheets.

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.

15. 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 relates principally to a limited number of distributors, including our WWE Network, television, pay-per-view 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 June 30, 2020, our largest receivable balance from customers was 51% of our gross accounts receivable. At December 31, 2019, our largest receivable balance from customers was 49% of our gross accounts receivable. No other customers individually exceeded 10% of our gross accounts receivable balance.

16. Income Taxes

As of June 30, 2020 and December 31, 2019, we had \$4,546 and \$7,217, respectively, of deferred tax assets, net, included in our Consolidated Balance Sheets.

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.

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17. Content Production Incentives

The Company has access to various governmental programs that are designed to promote content 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 six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Television production incentives	\$ —	\$ 669	\$ —	\$ 669
Feature film production incentives	—	(82)	—	197
Infrastructure improvement incentives on qualifying capital projects (1)	—	1,438	—	1,438
Total	<u>\$ —</u>	<u>\$ 2,025</u>	<u>\$ —</u>	<u>\$ 2,304</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.

18. Commitments and Contingencies

Our future commitments related to our operating and finance leases are separately disclosed in Note 8, *Leases*.

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 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

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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 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 Second Circuit held oral argument on June 5, 2020. 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.

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On March 6, 2020, the Company along with its Chairman and CEO, Vince McMahon, and former-WWE officers and directors, Michelle Wilson and George Barrios (collectively, the “Individual Defendants”), were sued in the U.S. District Court for the Southern District of New York in a case captioned City of Warren Police and Fire Retirement System, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon, George A. Barrios, and Michelle D. Wilson, No. 1:20-cv-02031-JSR. The complaint alleges that the Company and the Individual Defendants made materially false and misleading statements in violation of the Securities Exchange Act of 1934 regarding WWE’s strategic relationship with the Kingdom of Saudi Arabia. Specifically, the complaint alleges that various public statements made by the Company and the Individual Defendants were false and misleading because they failed to disclose certain adverse facts regarding WWE’s strategic relationship with Saudi Arabia that supposedly was known by them and, as a result, the plaintiff class allegedly purchased WWE stock at artificially inflated prices. On March 12, 2020 a nearly-identical lawsuit was filed in the U.S. District Court for the Southern District of New York captioned Paul Szaniawski, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon, George A. Barrios, and Michelle D. Wilson, No. 1:20-cv-02223-JSR. This lawsuit was filed as related to the City of Warren case and has been assigned to the same judge handling the City of Warren case. By Order dated May 12, 2020, the City of Warren and Szaniawski lawsuits were consolidated for all purposes. After multiple parties filed motions to be appointed lead plaintiff for the putative class in the consolidated action, on May 22, 2020, the Court issued a memorandum order selecting the Firefighters’ Pension System of the City of Kansas City, Missouri to be lead plaintiff and their attorneys, Labaton Sucharow LLP, to be lead counsel for the putative class. On May 26, 2020, the Company served Rule 11 motion for sanctions on the attorneys for the City of Warren Police and Fire Retirement System, the attorneys for Paul Szaniawski, and Labaton Sucharow LLP. The Rule 11 motion identified false allegations in the originally filed complaints and was supported by six declarations from Company executives and third-parties with direct first-hand knowledge of the matters at issue. Following service of the Rule 11 motion, the attorneys for the City of Warren Police and Fire Retirement System and the attorneys for Paul Szaniawski voluntarily dismissed their complaints before the expiration of the Rule 11 safe-harbor period. On June 8, 2020, the Firefighters’ Pension System of the City of Kansas City, Missouri filed a consolidated amended class action complaint. On June 26, 2020, the Company moved to dismiss the consolidated amended complaint in its entirety. The Court has scheduled oral argument on the Company’s motion to dismiss for July 30, 2020.

Additionally, three purported shareholder derivative suits have been filed against the members of the Company’s Board of Directors patterned after the securities class action complaints filed in the U.S. District Court for the Southern District of New York. Merholz et al. v. Vincent K. McMahon et al, No. 3:20-cv-00557-VAB, was filed in the U.S. District Court for the District of Connecticut and assigned to the Honorable Victor A. Bolden. On May 29, 2020, the Company served Merholz’s counsel with a Rule 11 motion that identified the false allegations in the complaint. On May 19, 2020, Merholz filed an amended complaint prior to the expiration of the Rule 11 safe-harbor period, which is substantially similar to the consolidated amended class action complaint filed in the securities class action. Because Merholz’s amended complaint continued to assert allegations that were proven to be false by the Company’s Rule 11 motion regarding the original complaint, the Company served Merholz’s counsel with a Rule 11 motion regarding the amended complaint on July 2, 2020. Kooi et al. v. Vincent K. McMahon et al, No. 3:20-cv-00743-VAB, was originally filed in Connecticut Superior Court and was removed by the Company to the U.S. District Court for the District of Connecticut on June 1, 2020. The Kooi lawsuit was deemed to be related to the Merholz lawsuit and transferred to Judge Bolden. On June 8, 2020, Kooi filed a motion to remand the lawsuit to state court. The Company filed its opposition to the motion to remand on June 29, 2020. Following Kooi’s affirmation of the allegations of the complaint in federal court by filing the motion to remand, on June 12, 2020, the Company served Kooi’s counsel with a Rule 11 motion similar to that served on counsel in the Merholz lawsuit. On July 3, 2020, Kooi filed an amended complaint that withdrew the false allegations identified in WWE’s Rule 11 motion. Nordstrom et al. v. Vincent K. McMahon et al, No. 3:20-cv-00904-VAB, was originally filed in Connecticut Superior Court, and also removed by the Company to the U.S. District Court for the District of Connecticut on July 1, 2020. The Nordstrom lawsuit was deemed to be related to the Merholz and Kooi lawsuits and was also transferred to Judge Bolden. On July 2, 2020, the Company moved to consolidate the Merholz, Kooi, and Nordstrom lawsuits for all purposes. The Company is currently scheduled to file its motions to dismiss the complaints in the Merholz, Kooi, and Nordstrom lawsuits on August 7, 2020.

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.

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19. 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.

The Company did not repurchase any shares of common stock in the open market during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2019, the Company repurchased 12,402 shares of common stock in the open market at an average price of \$74.28 for an aggregate amount of \$921. All share repurchases have been retired. As of June 30, 2020, \$416,559 of common stock may be repurchased under the stock repurchase program announced on February 7, 2019.

20. Related Party Transactions

As previously disclosed, in April 2018, the Company entered into a support services agreement with Alpha Entertainment, LLC ("Alpha"), an entity controlled by Vincent K. McMahon, for certain administrative support services with such services billed to Alpha on a cost-plus margin basis. During the three and six months ended June 30, 2020 and 2019, the Company billed Alpha \$130 and \$837, and \$948 and \$2,154, respectively, for services rendered under the support services agreement. On April 13, 2020, Alpha filed for Chapter 11 bankruptcy. As of June 30, 2020 and December 31, 2019, the Company had \$541 and \$236, respectively, 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 associated with the distribution of our programming content, 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 depreciation and amortization expenses directly related to supporting the operations of our segments, including content production asset amortization, depreciation and 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 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.

Unallocated corporate general and administrative expenses largely relate to corporate functions such as finance, legal, human resources, facilities and information technology. These unallocated corporate general and administrative expenses will be shown, as applicable, as a reconciling item in tables where segment and consolidated results are both shown.

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Summary

In December 2019, an outbreak of a new strain of coronavirus (“COVID-19”) began in Wuhan, Hubei Province, China. In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. COVID-19 has resulted in restrictions, postponements and cancellations of various events, such as the relocation of *WrestleMania 36* and the cancellation of ticketed events due to public health concerns. The impact of COVID-19 to our 2020 results had a greater impact on our live events and consumer products segments, which are highly dependent on ticket sales and purchases of merchandise by consumers at our live events. Our Media segment was impacted to a lesser extent since a large portion of these revenues are derived from contractual rights fees from our domestic and international distribution arrangements. We continue to deliver the weekly wrestling content associated with these arrangements (e.g. *RAW*, *SmackDown* and *NXT*) without ticketed audiences. We will monitor the developments of COVID-19 and actively manage our business to respond to the potential impacts. Additionally, please refer to Part II, Item 1A, *Risk Factors*, which provides a discussion of risk factors related to COVID-19.

Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019 (dollars in millions)

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

	Three Months Ended June 30,		Increase (decrease)
	2020	2019	
Net revenues			
Media	\$ 200.1	\$ 197.0	2 %
Live Events	1.0	48.8	(98)%
Consumer Products	22.3	23.1	(3)%
Total net revenues (1)	223.4	268.9	(17)%
Operating expenses			
Media	99.2	149.0	(33)%
Live Events	4.6	32.1	(86)%
Consumer Products	13.6	16.3	(17)%
Total operating expenses (2)	117.4	197.4	(41)%
Marketing and selling expenses			
Media	15.6	18.9	(17)%
Live Events	0.9	4.3	(79)%
Consumer Products	1.0	1.7	(41)%
Total marketing and selling expenses (3)	17.5	24.9	(30)%
General and administrative expenses	22.0	23.6	(7)%
Depreciation and amortization	10.8	5.9	83 %
Operating income	55.7	17.1	226 %
Interest expense	9.1	4.0	128 %
Other income, net	8.5	0.8	963 %
Income before income taxes	55.1	13.9	296 %
Provision for income taxes	11.3	3.5	223 %
Net income	\$ 43.8	\$ 10.4	321 %

- (1) Our consolidated net revenues decreased by \$45.5 million, or 17%, in the current year quarter as compared to the prior year quarter. This decrease was driven by \$50.2 million of lower ticket and merchandise sales from our live events due to the cancellation of ticketed events due to public health concerns as a result of COVID-19, coupled with the timing of our large-scale international event, *Super ShowDown*. These declines were partially offset by \$63.9 million in incremental revenues primarily associated with the October 2019 renewal of our key domestic 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 decreased by \$80.0 million, or 41%, in the current year quarter as compared to the prior year quarter. This decrease was primarily driven by \$34.9 million of lower content creation and event related costs due to the cancellation of ticketed events resulting from COVID-19 and the production of content from our training facility at a lower cost, coupled with the timing of our large-scale international event, *Super ShowDown*. The current year quarter also includes \$6.7 million of lower management incentive and stock compensation costs, as well as the impact of various short-term cost reductions that were implemented as a result of COVID-19. For further analysis, refer to Management’s Discussion and Analysis of our business segments.
- (3) Our consolidated marketing and selling expenses decreased by \$7.4 million, or 30%, in the current year quarter as compared to the prior year quarter. This decrease was primarily driven by \$3.9 million of lower advertising and promotional costs due to the cancellation of ticketed events resulting from COVID-19, coupled with a decline of \$1.5 million of management incentive and stock compensation costs. For further analysis, refer to Management’s Discussion and Analysis of our business segments.

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	Three Months Ended			
	June 30,			
	2020		2019	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 55.7	25 %	\$ 17.1	6 %
Depreciation and amortization	10.8	5 %	5.9	2 %
Stock-based compensation	7.0	3 %	11.6	4 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 73.5</u>	<u>33 %</u>	<u>\$ 34.6</u>	<u>13 %</u>

	Three Months Ended			Increase (decrease)
	June 30,			
	2020	2019		
Adjusted OIBDA				
Media	\$ 90.5	\$ 37.5		141%
Live Events	(4.2)	13.3		(132)%
Consumer Products	8.1	6.2		31 %
Corporate	(20.9)	(22.4)		7 %
Total Adjusted OIBDA	<u>\$ 73.5</u>	<u>\$ 34.6</u>		<u>112%</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)
	June 30,			
	2020	2019		
Net Revenues				
Network (including pay-per-view)	\$ 49.4	\$ 51.8		(5)%
Core content rights fees (1)	132.9	69.0		93 %
Advertising and sponsorship	13.3	18.9		(30) %
Other (2)	4.5	57.3		(92) %
Total net revenues	<u>\$ 200.1</u>	<u>\$ 197.0</u>		<u>2 %</u>

Operating Metrics

Number of paid WWE Network subscribers at period end	1,690,000	1,597,000	6%
Domestic	1,229,500	1,167,100	5%
International (3)	460,500	429,900	7%
Number of average paid WWE Network subscribers	1,661,400	1,687,600	(2)%
Domestic	1,207,300	1,236,600	(2)%
International (3)	454,100	451,000	1%

- (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			
	June 30,			
	2020		2019	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 81.6	41 %	\$ 26.9	14 %
Depreciation and amortization	3.8	2 %	2.1	1 %
Stock-based compensation	5.1	3 %	8.5	4 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 90.5</u>	<u>45 %</u>	<u>\$ 37.5</u>	<u>19 %</u>

Media net revenues increased by \$3.1 million, or 2%, in the current year quarter as compared to the prior year quarter. Our core content rights fees increased by \$63.9 million, or 93%, driven primarily by the October 2019 renewal of our key domestic distribution agreements of our flagship programs, *RAW* and *SmackDown*. These increases were partially offset by a decline in Other revenues of \$52.8 million, or 92%, and lower sales of advertising and sponsorships of \$5.6 million, or 30%, primarily driven by the timing of our large-scale international event, *Super ShowDown*, which occurred in June 2019 with no comparable event during the current year quarter. Network revenues, which includes revenues generated by WWE Network subscriptions and pay-per-view, declined by \$2.4 million, or 5%, primarily due to \$1.8 million of lower revenues driven by a decline in pay-per-view buys and, to a lesser extent, a decline in average paid subscribers. The domestic subscription pricing of WWE Network at June 30, 2020 is \$9.99 per month with no minimum commitment.

Media Adjusted OIBDA as a percentage of revenues increased in the current year quarter as compared to the prior year quarter. This increase was driven by increased revenues of \$63.9 million due to the renewals of our key domestic distribution agreements, as discussed above, coupled with a \$11.5 million reduction in content creation and production related costs due to the cancellation of ticketed events resulting from COVID-19 and the production of content from our training facility at a lower cost. The current year quarter also includes the impact of various short-term cost reductions that were implemented as a result of COVID-19. These increases were partially offset by the timing of our large-scale international event, *Super ShowDown*.

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)
	June 30,		
	2020	2019	
Net Revenues			
North American ticket sales	\$ —	\$ 33.6	(100)%
International ticket sales	—	9.5	(100) %
Advertising and sponsorship	0.3	0.8	(63)%
Other (1)	0.7	4.9	(86) %
Total net revenues	<u>\$ 1.0</u>	<u>\$ 48.8</u>	<u>(98)%</u>

Operating Metrics (2)

Total live event attendance	—	421,400	(100)%
Number of North American events	—	53	(100)%
Average North American attendance	—	5,820	(100) %
Average North American ticket price (dollars)	\$ —	\$ 94.56	(100) %
Number of international events	—	23	100 %
Average international attendance	—	4,910	— %
Average international ticket price (dollars)	\$ —	\$ 83.34	— %

- (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 domestic and United Kingdom NXT brands. These are our developmental brands that typically conduct their events in smaller venues with lower ticket prices. We did not conduct any ticketed NXT events in the current year quarter as a result of COVID-19. We conducted 51 events with paid attendance of 43,200 and average ticket prices of \$54.50 in the prior year quarter.

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	Three Months Ended			
	June 30,			
	2020		2019	
		% of Rev		% of Rev
Reconciliation of Operating (Loss) Income to Adjusted OIBDA				
Operating (loss) income	\$ (4.5)	(450)%	\$ 12.4	25%
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	0.3	30 %	0.9	2 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (4.2)</u>	<u>(420)%</u>	<u>\$ 13.3</u>	<u>27 %</u>

Live Events net revenues, which include revenues from ticket sales and travel packages, decreased by \$47.8 million, or 98%, in the current year quarter as compared to the prior year quarter. Revenues from our North American ticket sales decreased by \$33.6 million, or 100%, due to the impact of 53 fewer events during the current year quarter, primarily due to the cancellation of ticketed events as a result of public health concerns related to COVID-19. Revenues from our international ticket sales decreased by \$9.5 million, or 100%, due to the impact of 23 fewer events during the current year quarter, primarily due to the cancellation of ticketed events as a result of COVID-19.

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 \$43.1 million reduction in ticket sales for our global events as discussed above, partially offset by a \$26.1 million reduction in event related costs due to the impact of fewer events.

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		Increase (decrease)
	June 30,		
	2020	2019	
Net Revenues			
Consumer product licensing	\$ 9.7	\$ 9.4	3 %
eCommerce	12.6	6.6	91 %
Venue merchandise	—	7.1	(100)%
Total net revenues	<u>\$ 22.3</u>	<u>\$ 23.1</u>	<u>(3)%</u>

Operating Metrics

Average eCommerce revenue per order (dollars)	\$ 58.36	\$ 47.64	23 %
Number of eCommerce orders	215,500	138,100	56 %
Venue merchandise domestic per capita spending (dollars)	\$ -	\$ 12.62	(100)%

	Three Months Ended			
	June 30,			
	2020		2019	
		% of Rev		% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 7.6	34 %	\$ 5.2	23 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	0.5	2 %	1.0	4 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 8.1</u>	<u>36 %</u>	<u>\$ 6.2</u>	<u>27 %</u>

Consumer Products net revenues decreased by \$0.8 million, or 3%, in the current year quarter as compared to the prior year quarter. Venue merchandise revenues decreased by \$7.1 million, or 100%, driven by the cancellation of ticketed events in the current year quarter due to public health concerns as a result of COVID-19. This decline was partially offset by increased eCommerce revenues of \$6.0 million, or 91%, primarily due to a 56% increase in the volume of online merchandise orders, coupled with a 23% increase in average revenue per order, which was driven, in part, by the introduction and redesign of new title belts.

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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. This increase was primarily driven by the \$1.1 million decline in event related costs due to the cancellation of ticketed events as a result of COVID-19.

Corporate

Unallocated corporate general and administrative 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 general and administrative expenses to its business segments.

	Three Months Ended			
	June 30,			
	2020		2019	
		% of Rev		% of Rev
Reconciliation of Operating Loss to Adjusted OIBDA				
Operating loss	\$ (29.0)	(13)%	\$ (27.4)	(10)%
Depreciation and amortization	7.0	3 %	3.8	1 %
Stock-based compensation	1.1	0 %	1.2	0 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	\$ (20.9)	(9)%	\$ (22.4)	(8)%

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

Depreciation and Amortization

(dollars in millions)

	Three Months Ended		
	June 30,		
	2020	2019	Increase (decrease)
Depreciation and amortization	\$ 10.8	\$ 5.9	83 %

Depreciation and amortization expense increased by \$4.9 million, or 83%, in the current year quarter as compared to the prior year quarter, primarily driven by additional expenses of \$2.8 million associated with the Company's workspace strategy plan, which includes the amortization related to the right-of-use asset for the Company's new global headquarters lease, which commenced on July 1, 2019, and the impact of other prior year capital expenditures.

Interest Expense

(dollars in millions)

	Three Months Ended		
	June 30,		
	2020	2019	Increase (decrease)
Interest expense	\$ 9.1	\$ 4.0	128%

Interest expense increased by \$5.1 million in the current year quarter as compared to the prior year quarter, primarily driven by expense of \$4.2 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, the revolving credit facility, other finance leases, mortgage and aircraft financing.

Other Income, Net

(dollars in millions)

	Three Months Ended		
	June 30,		
	2020	2019	Increase (decrease)
Other income, net	\$ 8.5	\$ 0.8	963%

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 increase of \$7.7 million in the current year quarter is driven by the recognition of an unrealized holding gain of \$7.9 million resulting from valuation adjustments in our marketable equity investments, primarily DraftKings.

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As the underlying stock prices of our marketable equity investments fluctuate, the Company is exposed to future earnings volatility to the extent we continue to hold these investments.

Income Taxes

(dollars in millions)

	Three Months Ended		Increase (decrease)
	2020	2019	
Provision for income taxes	\$ 11.3	\$ 3.5	223 %
Effective tax rate	20 %	25 %	

The decrease in the effective tax rate in the current year quarter as compared to the prior year quarter was primarily driven by increased deductions associated with foreign derived intangible income (FDII).

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Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019
(dollars in millions)

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

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Net revenues			
Media	\$ 456.7	\$ 332.4	37%
Live Events	18.5	75.0	(75)%
Consumer Products	39.2	43.9	(11)%
Total net revenues (1)	<u>514.4</u>	<u>451.3</u>	14%
Operating expenses			
Media	243.6	247.5	(2)%
Live Events	22.6	54.7	(59)%
Consumer Products	26.6	30.6	(13)%
Total operating expenses (2)	<u>292.8</u>	<u>332.8</u>	(12)%
Marketing and selling expenses			
Media	34.5	36.7	(6)%
Live Events	3.7	8.1	(54)%
Consumer Products	2.0	3.2	(38)%
Total marketing and selling expenses (3)	<u>40.2</u>	<u>48.0</u>	(16)%
General and administrative expenses	50.7	47.9	6%
Depreciation and amortization	21.7	12.3	76%
Operating income	<u>109.0</u>	<u>10.3</u>	958 %
Interest expense	17.3	10.3	68%
Other income, net	(1.9)	2.6	(173)%
Income before income taxes	<u>89.8</u>	<u>2.6</u>	3,354 %
Provision for income taxes	19.8	0.6	3,200 %
Net income	<u>\$ 70.0</u>	<u>\$ 2.0</u>	3,400 %

- (1) Our consolidated net revenues increased by \$63.1 million, or 14%, in the current year period as compared to the prior year period. This increase was primarily driven by \$129.0 million in incremental revenues primarily associated with the October 2019 renewal of our key domestic distribution agreements of our flagship programs, *RAW* and *SmackDown*. This increase was partially offset by a decline of \$60.7 million of lower ticket and merchandise sales due to the staging of 124 fewer events, including the cancellation of ticketed events due to public health concerns as a result of COVID-19. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (2) Our consolidated operating expenses decreased by \$40.0 million, or 12%, in the current year period as compared to the prior year period. This decrease was primarily driven by \$24.5 million of lower content creation and event related costs due to the cancellation of ticketed events resulting from COVID-19 and the production of content from our training facility at a lower cost. The current year period also includes \$6.2 million of lower management incentive and stock compensation costs, as well as the impact of various short-term cost reductions that were implemented as a result of COVID-19. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (3) Our consolidated marketing and selling expenses decreased by \$7.8 million, or 16%, in the current year period as compared to the prior year period. This decrease was primarily driven by \$3.7 million of lower advertising and promotional costs due the cancellation of ticketed events resulting from COVID-19, coupled with a decline of \$2.9 million of management incentive and stock compensation costs. For further analysis, refer to Management's Discussion and Analysis of our business segments.

	Six Months Ended June 30,			
	2020	% of Rev	2019	% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 109.0	21 %	\$ 10.3	2 %
Depreciation and amortization	21.7	4 %	12.3	3 %
Stock-based compensation	20.1	4 %	24.4	5 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 150.8</u>	29 %	<u>\$ 47.0</u>	10 %

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	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Adjusted OIBDA			
Media	\$ 193.1	\$ 66.0	193 %
Live Events	(6.8)	14.1	(148)%
Consumer Products	11.9	12.2	(2)%
Corporate	(47.4)	(45.3)	(5)%
Total Adjusted OIBDA	<u>\$ 150.8</u>	<u>\$ 47.0</u>	221 %

Media

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

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Net Revenues			
Network (including pay-per-view)	\$ 92.9	\$ 98.8	(6)%
Core content rights fees (1)	266.1	137.1	94 %
Advertising and sponsorship	30.7	29.8	3 %
Other (2)	67.0	66.7	0 %
Total net revenues	<u>\$ 456.7</u>	<u>\$ 332.4</u>	37 %

Operating Metrics

Number of paid WWE Network subscribers at period end	1,690,000	1,597,000	6 %
Domestic	1,229,500	1,167,100	5 %
International (3)	460,500	429,900	7 %
Number of average paid WWE Network subscribers	1,561,300	1,636,200	(5)%
Domestic	1,130,400	1,197,000	(6)%
International (3)	430,900	439,200	(2)%

- (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.

	Six Months Ended June 30,			
	2020		2019	
	\$	% of Rev	\$	% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 170.9	37 %	\$ 43.2	13 %
Depreciation and amortization	7.7	2 %	4.9	1 %
Stock-based compensation	14.5	3 %	17.9	5 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 193.1</u>	42 %	<u>\$ 66.0</u>	20 %

Media net revenues increased by \$124.3 million, or 37%, in the current year period as compared to the prior year period. Our core content rights fees increased by \$129.0 million, or 94%, driven primarily by the October 2019 renewal of our key domestic distribution agreements of our flagship programs, *RAW* and *SmackDown*. This increase was partially offset by a decline in Network revenues, which includes revenues generated by WWE Network subscriptions and pay-per-view, of \$5.9 million, or 6%, primarily due to a decline in average paid subscribers. The domestic subscription pricing of WWE Network at June 30, 2020 is \$9.99 per month with no minimum commitment.

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Media Adjusted OIBDA as a percentage of revenues increased in the current year period as compared to the prior year period. This increase was driven by increased revenues of \$129.0 million due to the renewals of our key domestic distribution agreements, as discussed above.

Live Events

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

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Net Revenues			
North American ticket sales	\$ 15.2	\$ 57.7	(74)%
International ticket sales	0.2	9.7	(98)%
Advertising and sponsorship	0.4	1.2	(67)%
Other (1)	2.7	6.4	(58)%
Total net revenues	<u>\$ 18.5</u>	<u>\$ 75.0</u>	(75)%

Operating Metrics (2)

Total live event attendance	259,000	850,000	(70)%
Number of North American events	41	143	(71)%
Average North American attendance	6,320	5,150	23 %
Average North American ticket price (dollars)	\$ 53.46	\$ 70.03	(24)%
Number of international events	1	23	(96)%
Average international attendance	—	4,910	(100)%
Average international ticket price (dollars)	\$ —	\$ 83.39	(100)%

- 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.
- Metrics exclude the events for our domestic and United Kingdom NXT brands. These are our developmental brands that typically conduct their events in smaller venues with lower ticket prices. We conducted 44 ticketed NXT events with paid attendance of 40,900 and average ticket prices of \$37.36 in the current year period as compared to 106 events with paid attendance of 84,600 and average ticket prices of \$45.09 in the prior year period.

	Six Months Ended June 30,			
	2020	% of Rev	2019	% of Rev
Reconciliation of Operating (Loss) Income to Adjusted OIBDA				
Operating (loss) income	\$ (7.7)	(42)%	\$ 12.2	16 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	0.9	5 %	1.9	3 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (6.8)</u>	<u>(37)%</u>	<u>\$ 14.1</u>	<u>19 %</u>

Live Events net revenues, which include revenues from ticket sales and travel packages, decreased by \$56.5 million, or 75%, in the current year period as compared to the prior year period. Revenues from our North American ticket sales decreased by \$42.5 million, or 74%, due to the impact of 102 fewer events in the current year period, largely driven by the cancellation of ticketed events as a result of COVID-19. Revenues from our international ticket sales decreased by \$9.5 million, or 98%, due to the impact of 22 fewer events in the current year period, largely driven by the cancellation of ticketed events as a result of COVID-19. The remaining 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 period as compared to the prior year period. This decrease was primarily driven by the \$52.0 million reduction in ticket sales for our global events, as discussed above, partially offset by a \$29.6 million reduction in event related costs due to the cancellation of ticketed events resulting from COVID-19.

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Consumer Products

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

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Net Revenues			
Consumer product licensing	\$ 17.4	\$ 18.8	(7)%
eCommerce	18.6	13.2	41 %
Venue merchandise	3.2	11.9	(73)%
Total net revenues	<u>\$ 39.2</u>	<u>\$ 43.9</u>	(11)%

Operating Metrics

Average eCommerce revenue per order (dollars)	\$ 55.18	\$ 47.07	17 %
Number of eCommerce orders	335,600	279,300	20 %
Venue merchandise domestic per capita spending (dollars)	\$ 10.41	\$ 10.82	(4)%

	Six Months Ended June 30,			
	2020	% of Rev	2019	% of Rev
Reconciliation of Operating Income to Adjusted OIBDA				
Operating income	\$ 10.5	27 %	\$ 10.2	23 %
Depreciation and amortization	—	— %	—	— %
Stock-based compensation	1.4	4 %	2.0	5 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ 11.9</u>	30 %	<u>\$ 12.2</u>	28 %

Consumer Products net revenues decreased by \$4.7 million, or 11%, in the current year period as compared to the prior year period. Venue merchandise revenues decreased by \$8.7 million, or 73%, primarily driven by the cancellation of ticketed events in the current year period due to public health concerns as a result of COVID-19. This decline was partially offset by increased eCommerce revenues of \$5.4 million, or 41%, primarily due to a 20% increase in the volume of online merchandise orders, coupled with a 17% increase in average revenue per order.

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

Corporate

Unallocated corporate general and administrative 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 general and administrative expenses to its business segments.

	Six Months Ended June 30,			
	2020	% of Rev	2019	% of Rev
Reconciliation of Operating Loss to Adjusted OIBDA				
Operating loss	\$ (64.7)	(13)%	\$ (55.3)	(12)%
Depreciation and amortization	14.0	3 %	7.4	2 %
Stock-based compensation	3.3	1 %	2.6	1 %
Other adjustments	—	— %	—	— %
Adjusted OIBDA	<u>\$ (47.4)</u>	(9)%	<u>\$ (45.3)</u>	(10)%

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

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Depreciation and Amortization

(dollars in millions)

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Depreciation and amortization	\$ 21.7	\$ 12.3	76%

Depreciation and amortization expense increased by \$9.4 million, or 76%, in the current year period as compared to the prior year period, primarily driven by additional expenses of \$5.8 million associated with Company's workspace strategy plan, which includes the amortization related to the right-of-use asset for the Company's new global headquarters lease, which commenced on July 1, 2019, and the impact of other prior year capital expenditures.

Interest Expense

(dollars in millions)

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Interest expense	\$ 17.3	\$ 10.3	68%

Interest expense increased by \$7.0 million in the current year period as compared to the prior year period, primarily driven by expense of \$8.4 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 prior year period included additional nonrecurring interest expense of \$1.4 million related to our convertible notes. The remaining portion of interest expense relates primarily to interest and amortization associated with our convertible notes, the revolving credit facility, other finance leases, mortgage and aircraft financing.

Other (Expense) Income, Net

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Other (expense) income, net	\$ (1.9)	\$ 2.6	(173)%

Other (expense) income, net is comprised of interest income, gains and losses recorded on our equity investments, realized translation gains and losses, and rental income. The decline of \$4.5 million in the current year period as compared to the prior year period is primarily driven by impairment charges of \$11.5 million on our investments in an apparel and lifestyle brand and a themed attraction touring company resulting from significant adverse changes in the economic and market conditions caused by COVID-19 combined with lower sales forecasts, partially offset by the recognition of a net unrealized holding gain of \$7.7 million resulting from a valuation adjustment in our marketable equity investments, primarily DraftKings.

As the underlying stock prices of our marketable equity investments fluctuate, the Company is exposed to future earnings volatility to the extent we continue to hold these investments.

Income Taxes

(dollars in millions)

	Six Months Ended June 30,		Increase (decrease)
	2020	2019	
Provision for income taxes	\$ 19.8	\$ 0.6	3,200 %
Effective tax rate	22 %	20 %	

The effective tax rate in the current year period of 22% approximates the Company's currently projected annual effective tax rate for the year ended December 31, 2020, excluding the impact of any discrete, non-recurring tax items.

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Liquidity and Capital Resources

We had cash and cash equivalents and short-term investments of \$547.9 million and \$250.5 million as of June 30, 2020 and December 31, 2019, 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 \$414.8 million and \$214.4 million as of June 30, 2020 and December 31, 2019, respectively, and includes the carrying value of \$191.6 million and \$188.7 million related to our convertible senior notes due 2023 as of June 30, 2020 and December 31, 2019, respectively.

The COVID-19 pandemic has negatively impacted the global economy, disrupted business operations and created significant volatility and disruption to financial markets. Significant uncertainty remains as to the potential impact of the COVID-19 pandemic on our operations, and on the global economy as a whole. The extent and duration of the pandemic could continue to disrupt global markets and may affect our ability to generate cash from operations. Additionally, please refer to Part II, Item 1A, *Risk Factors*, which provides a discussion of risk factors related to COVID-19.

In order to preserve sufficient liquidity during these uncertain times, the Company has delayed construction on its new headquarters office space. The Company did not make any repurchases of common stock under our approved \$500.0 million share repurchase program, which was temporarily suspended in April 2020. We may resume repurchases under this program, with any such repurchases being executed opportunistically, i.e. when the purchase price is below the Company's intrinsic value as conservatively estimated by management, subject to the Company's business outlook and liquidity at such time as well as whether share repurchases compare favorably to other capital allocation alternatives. To further strengthen the Company's liquidity, as a precautionary measure, on April 16, 2020, the Company borrowed \$200.0 million under its Revolving Credit Facility. We believe that this added liquidity combined with our existing cash and cash equivalents and short-term investment balances, along with cash generated from operations, will be sufficient to meet our ongoing operating requirements for at least the next twelve months, inclusive of dividend payments, debt service, content production activities, and planned capital expenditures.

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, 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 13, *Convertible Debt*, and Note 5, *Earnings Per Share*, in the Notes to Consolidated Financial Statements for further information on the Convertible Notes, including the dilutive nature of the Convertible Notes.

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 "Revolving Credit Facility"). The Revolving Credit Facility has a maturity date of May 24, 2024. On April 16, 2020, as a precautionary measure to further strengthen liquidity due to the impact of COVID-19, the Company borrowed \$200.0 million under its Revolving Credit Facility. As of June 30, 2020, the Company was in compliance with the provisions of our Revolving Credit Facility and there was \$200.0 million outstanding.

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, the assets of WWE Real Estate, a subsidiary of the Company, represent collateral for the underlying mortgage, therefore these assets will not be available to satisfy debts and obligations due to any other creditors of the Company. As of June 30, 2020 and December 31, 2019, the amounts outstanding of the mortgage were \$22.3 million and \$22.5 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 June 30, 2020 and December 31, 2019, the amounts outstanding under the Aircraft Note were \$0.8 million and \$3.2 million, respectively.

Cash Flows from Operating Activities

Cash generated from operating activities was \$140.7 million in the six months ended June 30, 2020, as compared to cash used in operating activities of \$0.9 million for the corresponding period in the prior year. The \$141.6 million increase in the current year period was primarily driven by improved operating performance, including the renewal of our key domestic distribution agreements of our flagship programs, *RAW* and *SmackDown*, coupled with changes in our working capital associated with the timing of collections of accounts receivable.

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In the current year period, we spent \$14.7 million on content production activities, including *Total Bellas Seasons 5 and 6*, *Miz & Mrs. Season 2*, *Rumble*, and various programs for WWE Network, as compared to \$15.7 million in the prior year period. We anticipate spending approximately \$15 million to \$25 million on content production activities during the remainder of the current year. We received content production incentives of \$0.4 million in the current year period, as compared to \$0.7 million received in the prior year period. We anticipate receiving approximately \$15 million to \$20 million of content production related incentives during the remainder of the year.

Our accounts receivable represents a significant portion of our current assets and relate principally to a limited number of distributors and licensees. At June 30, 2020, our largest receivable balance from customers was 51% 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.

Cash Flows from Investing Activities

Cash provided by investing activities was \$21.2 million in the six months ended June 30, 2020, as compared to cash used of \$42.5 million in the prior year period. During the current year period, we received proceeds from the maturities of our short-term investments of \$67.7 million and purchased \$31.0 million of new investments, as compared to proceeds of \$58.8 million and purchases of \$63.6 million in the prior year period. Capital expenditures decreased by \$21.3 million in the current year period. The prior year period included additional spending to support the Company's workplace and technology related strategic initiatives. Due to the uncertainty created from the COVID-19 pandemic, we have temporarily delayed construction activity on the Company's new global headquarters space in Stamford, Connecticut. Capital expenditures for the remainder of the current year are estimated to range between \$25 million and \$35 million.

Cash Flows from Financing Activities

Cash provided by financing activities was \$172.2 million for the six months ended June 30, 2020, as compared to cash used of \$25.8 million for the prior year period. The Company received proceeds of \$200.0 million from borrowings under the Revolving Credit Facility during the current year period. The Company made dividend payments of \$18.6 million and \$18.7 million during the six months ended June 30, 2020 and 2019, respectively. Additionally, the Company made employee payroll withholding tax payments of \$2.6 million in the current year period related to the net settlement upon vesting of employee equity awards.

Contractual Obligations

Other than for obligations in the ordinary course of business, there have been no significant changes to our contractual obligations that were previously disclosed in our Report on Form 10-K for the fiscal year ended December 31, 2019.

Application of Critical Accounting Policies

Other than the revisions to our content production asset accounting policy, as disclosed in Note 9, *Content Production Assets, Net*, in the Notes to Consolidated Financial Statements, 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, 2019 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.

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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 the impact of the COVID-19 outbreak on our business, results of operations and financial condition; (ii) risks relating to entering, maintaining and renewing major distribution and event agreements; (iii) risks relating to a rapidly evolving media landscape; (iv) risks relating to WWE Network, including the risk that we are unable to attract, retain and renew subscribers; (v) our need to continue to develop creative and entertaining programs and events; (vi) our need to retain or continue to recruit key performers; (vii) 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; (viii) the possible unexpected loss of the services of Vincent K. McMahon; (ix) possible adverse changes in the regulatory atmosphere and related private sector initiatives; (x) 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; (xi) uncertainties associated with international markets including possible disruptions and reputational risks; (xii) our difficulty or inability to promote and conduct our live events and/or other businesses if we do not comply with applicable regulations; (xiii) our dependence on our intellectual property rights, our need to protect those rights, and the risks of our infringement of others’ intellectual property rights; (xiv) risks relating to the complexity of our rights agreements across distribution mechanisms and geographical areas; (xv) the risk of substantial liability in the event of accidents or injuries occurring during our physically demanding events including, without limitation, claims alleging traumatic brain injury; (xvi) exposure to risks relating to large public events as well as travel to and from such events; (xvii) risks inherent in our feature film business; (xviii) a variety of risks as we expand into new or complementary businesses and/or make strategic investments and/or acquisitions; (xix) risks related to our computer systems and online operations; (xx) risks relating to privacy norms and regulations; (xxi) risks relating to a possible decline in general economic conditions and disruption in financial markets; (xxii) risks relating to our accounts receivable; (xxiii) risks relating to our indebtedness including our convertible notes; (xxiv) potential substantial liabilities if litigation is resolved unfavorably; (xxv) our potential failure to meet market expectations for our financial performance; (xxvi) 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; (xxvii) 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 (xxviii) 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, 2019.

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 Interim 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 Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Our management, including our Chairman of the Board and Chief Executive Officer and Interim 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

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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

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2020, 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 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

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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 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 Second Circuit held oral argument on June 5, 2020. 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.

On March 6, 2020, the Company along with its Chairman and CEO, Vince McMahon, and former-WWE officers and directors, Michelle Wilson and George Barrios (collectively, the "Individual Defendants"), were sued in the U.S. District Court for the Southern District of New York in a case captioned City of Warren Police and Fire Retirement System, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon, George A. Barrios, and Michelle D. Wilson, No. 1:20-cv-02031-JSR. The complaint alleges that the Company and the Individual Defendants made materially false and misleading statements in violation of the Securities Exchange Act of 1934 regarding WWE's strategic relationship with the Kingdom of Saudi Arabia. Specifically, the complaint alleges that various public statements made by the Company and the Individual Defendants were false and misleading because they failed to disclose certain adverse facts regarding WWE's strategic relationship with Saudi Arabia that supposedly was known by them and, as a result, the plaintiff class allegedly purchased WWE stock at artificially inflated prices. On March 12, 2020 a nearly-identical lawsuit was filed in the U.S. District Court for the Southern District of New York captioned Paul Szaniawski, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon, George A. Barrios, and Michelle D. Wilson, No. 1:20-cv-02223-JSR. This lawsuit was filed as related to the City of Warren case and has been assigned to the same judge handling the City of Warren case. By Order dated May 12, 2020, the City of Warren and Szaniawski lawsuits were consolidated for all purposes. After multiple parties filed motions to be appointed lead plaintiff for the putative class in the consolidated action, on May 22, 2020, the Court issued a memorandum order selecting the Firefighters' Pension System of the City of Kansas City, Missouri to be lead plaintiff and their attorneys, Labaton Sucharow LLP, to be lead counsel for the putative class. On May 26, 2020, the Company served Rule 11 motion for sanctions on the attorneys for the City of Warren Police and Fire Retirement System, the attorneys for Paul Szaniawski, and Labaton Sucharow LLP. The Rule 11 motion identified false allegations in the originally filed complaints and was supported by six declarations from Company executives and third-parties with direct first-hand knowledge of the matters at issue. Following service of the Rule 11 motion, the attorneys for the City of Warren Police and Fire Retirement System and the attorneys for Paul Szaniawski voluntarily dismissed their complaints before the expiration of the Rule 11 safe-harbor period. On June 8, 2020, the Firefighters' Pension System of the City of Kansas City, Missouri filed a consolidated amended class action complaint. On June 26, 2020, the Company moved to dismiss the consolidated amended complaint in its entirety. The Court has scheduled oral argument on the Company's motion to dismiss for July 30, 2020.

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Additionally, three purported shareholder derivative suits have been filed against the members of the Company's Board of Directors patterned after the securities class action complaints filed in the U.S. District Court for the Southern District of New York. Merholz et al. v. Vincent K. McMahon et al., No. 3:20-cv-00557-VAB, was filed in the U.S. District Court for the District of Connecticut and assigned to the Honorable Victor A. Bolden. On May 29, 2020, the Company served Merholz's counsel with a Rule 11 motion that identified the false allegations in the complaint. On May 19, 2020, Merholz filed an amended complaint prior to the expiration of the Rule 11 safe-harbor period, which is substantially similar to the consolidated amended class action complaint filed in the securities class action. Because Merholz's amended complaint continued to assert allegations that were proven to be false by the Company's Rule 11 motion regarding the original complaint, the Company served Merholz's counsel with a Rule 11 motion regarding the amended complaint on July 2, 2020. Kooi et al. v. Vincent K. McMahon et al., No. 3:20-cv-00743-VAB, was originally filed in Connecticut Superior Court and was removed by the Company to the U.S. District Court for the District of Connecticut on June 1, 2020. The Kooi lawsuit was deemed to be related to the Merholz lawsuit and transferred to Judge Bolden. On June 8, 2020, Kooi filed a motion to remand the lawsuit to state court. The Company filed its opposition to the motion to remand on June 29, 2020. Following Kooi's affirmation of the allegations of the complaint in federal court by filing the motion to remand, on June 12, 2020, the Company served Kooi's counsel with a Rule 11 motion similar to that served on counsel in the Merholz lawsuit. On July 3, 2020, Kooi filed an amended complaint that withdrew the false allegations identified in WWE's Rule 11 motion. Nordstrom et al. v. Vincent K. McMahon et al., No. 3:20-cv-00904-VAB, was originally filed in Connecticut Superior Court, and also removed by the Company to the U.S. District Court for the District of Connecticut on July 1, 2020. The Nordstrom lawsuit was deemed to be related to the Merholz and Kooi lawsuits and was also transferred to Judge Bolden. On July 2, 2020, the Company moved to consolidate the Merholz, Kooi, and Nordstrom lawsuits for all purposes. The Company is currently scheduled to file its motions to dismiss the complaints in the Merholz, Kooi, and Nordstrom lawsuits on August 7, 2020.

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 previously updated the risk factors disclosed under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 in our Current Report on Form 8-K filed with the SEC on March 17, 2020, with respect to certain risks arising out of COVID-19. Given the continuing nature of the pandemic, we are further updating the risk factors in our Annual Report with the following risk factor:

The ongoing coronavirus (COVID-19) pandemic may continue to negatively affect world economies as well as our industry, business and results of operations.

As previously reported, the global spread of the coronavirus (COVID-19) and the various attempts to contain it have resulted in restrictions, postponements and cancellations of various sports and other events and has and likely will continue to require us to cancel, postpone or relocate certain of our live events. We do not currently expect insurance to cover a significant portion, if any, of this lost business. The pandemic has also continued to create significant volatility, uncertainty and economic disruption, the full extent of which will depend on numerous evolving factors that we can neither predict nor control including the pandemic's duration and severity and the governmental, business and individual responses to it. As a result, we have been required to alter certain aspects of our operations beyond our live events. We have taken measures to protect the health and well-being of our employees and our talent and other vendors. Our workforce has spent a significant amount of time working from home. Travel has been severely curtailed. We have greatly increased our cleaning and health check protocols, which increase related expenditures. We also implemented certain cash conserving measures, which were or have been in effect for various time periods, including pausing our stock repurchase program and certain capital expenditures; containing employment costs through salary reductions and furloughs; containing certain third party vendor costs; and drawing under our revolving credit facility. We believe our partners' operations have also been affected. To the extent the resulting economic disruption is severe, we could see supply constraints and/or a negative impact on our customers' demand, or ability to pay (including an impact on the collectability of our accounts receivable), for our goods and services. We will continue actively to monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations that are required by applicable governmental authorities and/or that we determine to be in the best interests of our employees, talent, customers, partners and stockholders. There can be no assurance that we will be entirely successful in these endeavors, which could result in inadvertent noncompliance with applicable law. The COVID-19 pandemic also could result in heightened litigation risks relating to personal injury or death and/or increased levels of commercial litigation. Any of the foregoing could have a material negative effect on our business and results of operations.

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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 June 30, 2020 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⁾
April 1, 2020 to April 30, 2020	—	\$ —	—	416,559,270
May 1, 2020 to May 31, 2020	—	\$ —	—	416,559,270
June 1, 2020 to June 30, 2020	—	\$ —	—	416,559,270
Total	—	\$ —	—	\$ 416,559,270

- (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 under the program in previous periods were subsequently retired.

Item 6. *Exhibits*

(a) Exhibits:

Exhibit	
No.	Description of Exhibit
10.33*	Offer Letter, dated June 22, 2020, between World Wrestling Entertainment, Inc. and Kristina Salen (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed July 7, 2020).
31.1	Certification by Vincent K. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification by Frank A. Riddick III pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification by Vincent K. McMahon and Frank A. Riddick III 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: July 30, 2020

By: /s/ FRANK A. RIDDICK III

Frank A. Riddick III
Interim Chief Financial Officer
(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: July 30, 2020

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, Frank A. Riddick III, 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: July 30, 2020

By: /s/ FRANK A RIDDICK III
Frank A. Riddick III
Interim Chief Financial Officer

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 June 30, 2020 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 Frank A. Riddick III as Interim Chief Financial Officer 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: July 30, 2020

By: /s/ VINCENT K. MCMAHON

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

By: /s/ FRANK A. RIDDICK III

Frank A. Riddick III
Interim Chief Financial Officer
