

WORLD WRESTLING ENTERTAINMENTINC  
Form 10-Q  
August 07, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

( X ) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

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 0-27639

**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)

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  X  No \_\_\_\_\_

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes \_\_\_\_\_ No \_\_\_\_\_

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

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
 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 20, 2009 the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 25,183,155 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 47,713,563.

---

**World Wrestling Entertainment, Inc.**  
**Table of Contents**

	Page #
<b>Part I <input type="checkbox"/> FINANCIAL INFORMATION</b>	
Item 1. Consolidated Financial Statements (unaudited)	
Consolidated Income Statements for the three and six months ended June 30, 2009 and June 30, 2008	2
Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	3
Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and June 30, 2008	4
Consolidated Statement of Stockholders' Equity and Comprehensive Income for the six months ended June 30, 2009	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures about Market Risk	28
Item 4. Controls and Procedures	28
<b>Part II <input type="checkbox"/> OTHER INFORMATION</b>	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 4. Submission of Matters to a Vote of Security Holders	29
Item 6. Exhibits	30
Signature	31

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2009	2008	2009	2008
Net revenues	\$ 138,794	\$ 129,658	\$ 246,619	\$ 292,290
Cost of revenues	75,750	76,358	132,187	176,376
Selling, general and administrative expenses	31,372	37,596	62,229	70,621
Depreciation and amortization	3,593	3,719	7,376	6,191
Operating income	28,079	11,985	44,827	39,102
Investment income, net	1,175	1,476	1,791	3,221
Interest expense	88	104	179	214
Other income (expense), net	1,457	(1,617)	132	(2,293)
Income before income taxes	30,623	11,740	46,571	39,816
Provision for income taxes	10,749	4,709	16,375	13,260
Net income	\$ 19,874	\$ 7,031	\$ 30,196	\$ 26,556
Earnings per share □ Basic				
Net income	\$ 0.27	\$ 0.10	\$ 0.41	\$ 0.37
Earnings per share □ Diluted				
Net income	\$ 0.27	\$ 0.10	\$ 0.41	\$ 0.36
Weighted average common shares outstanding:				
Basic	73,513	72,659	73,494	72,448
Diluted	74,279	73,659	74,137	73,243

See Notes to Consolidated Financial Statements.

2

**World Wrestling Entertainment, Inc.**  
**Consolidated Balance Sheets**  
(dollars in thousands)  
(unaudited)

	As of	As of
	June 30,	December 31,
	2009	2008
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 162,906	\$ 119,655
Short-term investments	45,375	57,686
Accounts receivable, net	59,108	60,133
Inventory, net	3,193	4,958
Prepaid expenses and other current assets	15,549	37,596
Total current assets	286,131	280,028
<b>PROPERTY AND EQUIPMENT, NET</b>	88,583	92,367

Edgar Filing: WORLD WRESTLING ENTERTAINMENT INC - Form 10-Q

FEATURE FILM PRODUCTION ASSETS		29,707	31,657
INVESTMENT SECURITIES		22,698	22,299
INTANGIBLE ASSETS, NET		505	1,184
OTHER ASSETS		3,129	1,875
TOTAL ASSETS	\$	430,753	\$ 429,410
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	\$	1,042	\$ 1,002
Accounts payable		19,510	18,334
Accrued expenses and other liabilities		34,188	27,121
Deferred income		10,836	11,875
Total current liabilities		65,576	58,332
LONG-TERM DEBT		3,341	3,872
NON-CURRENT TAX LIABILITY		8,356	7,232
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>STOCKHOLDERS' EQUITY:</b>			
Class A common stock		252	252
Class B common stock		477	477
Additional paid-in capital		321,475	317,105
Accumulated other comprehensive income		1,775	1,171
Retained earnings		29,501	40,969
Total stockholders' equity		353,480	359,974
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	430,753	\$ 429,410

See Notes to Consolidated Financial Statements.

3

**World Wrestling Entertainment, Inc.**  
**Consolidated Statements of Cash Flows**  
**(dollars in thousands)**  
**(unaudited)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2009</b>	<b>2008</b>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 30,196	\$ 26,556
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization/write-off of feature film production assets	2,530	9,786
Revaluation of warrants	699	1,470
Depreciation and amortization	7,376	6,191
Realized (gains)/losses on sale of investments	(613)	348
Amortization of investment income	627	173
Stock compensation costs	3,036	5,733
Provision for doubtful accounts	1,847	233
Provision for inventory obsolescence	1,000	1,993
Reimbursement of operating expenses by principal shareholder	-	1,950
Benefit from deferred income taxes	(971)	(813)
Excess tax benefits from stock-based payment arrangements	(1)	(949)
Changes in assets and liabilities:		
Accounts receivable	(823)	(23,151)
Inventory	765	(2,903)

Edgar Filing: WORLD WRESTLING ENTERTAINMENT INC - Form 10-Q

Prepaid expenses and other assets	9,043	(2,672)
Feature film production assets	(1,311)	(22,968)
Accounts payable	1,177	671
Accrued expenses and other liabilities	21,244	(739)
Deferred income	(792)	2,169
Net cash provided by operating activities	75,029	3,078
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(2,875)	(15,461)
Purchase of film library assets	(37)	(182)
Purchase of investment securities	(18,806)	(93,899)
Proceeds from sales or maturities of investment securities	30,630	143,634
Net cash provided by investing activities	8,912	34,092
<b>FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(492)	(455)
Dividends paid	(40,959)	(40,494)
Issuance of stock, net	508	457
Proceeds from exercise of stock options	252	4,717
Excess tax benefits from stock-based payment arrangements	1	949
Net cash used in financing activities	(40,690)	(34,826)
NET INCREASE IN CASH AND EQUIVALENTS	43,251	2,344
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	119,655	135,805
CASH AND EQUIVALENTS, END OF PERIOD	\$ 162,906	\$ 138,149

See Notes to Consolidated Financial Statements.

4

**World Wrestling Entertainment, Inc.**  
**Consolidated Statement of Stockholders' Equity and Comprehensive Income**  
**(dollars and shares in thousands)**  
**(unaudited)**

	Common Stock Shares	Common Stock Amount	Additional Paid - in Capital	Accumulated Other Comprehensive Income	Retained Earnings
Balance, December 31, 2008	72,853	\$ 729	\$ 317,105	\$ 1,171	\$ 40,969
<b>Comprehensive income:</b>					
Net income					30,196
Translation adjustment				479	
Unrealized holding loss, net of tax				535	
Reclassification adjustment for (gains) losses realized in net income, net of tax				(410)	
Total comprehensive income					
Stock issuances, net	24		409		
Exercise of stock options	20		252		
Excess tax benefits from stock based payment arrangements			1		
Dividends paid					(41,664)
Stock compensation costs			3,003		
Balance, June 30, 2009	72,897	\$ 729	\$ 321,475	\$ 1,775	\$ 29,501

See Notes to Consolidated Financial Statements.

5

---

**World Wrestling Entertainment, Inc.**  
**Notes to Consolidated Financial Statements**  
**(dollars in thousands)**  
**(unaudited)**

## **1. Basis of Presentation and Business Description**

The accompanying consolidated financial statements include the accounts of World Wrestling Entertainment, Inc., and our subsidiaries. We are an integrated media and entertainment company, with operations organized around four principal segments:

### **Live and Televised Entertainment**

- Revenues consist principally of ticket sales to live events, sales of merchandise at these live events, television rights fees, sales of television advertising and sponsorships, and fees for viewing our pay-per-view and video on demand programming.

### **Consumer Products**

- Revenues consist principally of the direct sales of WWE produced home videos and magazine publishing and royalties or license fees related to various WWE themed products such as video games, toys and books.

### **Digital Media**

- Revenues consist principally of advertising sales on our websites, sale of merchandise on our website through our WWEShop internet storefront and sales of various broadband and mobile content.

### **WWE Studios**

- Revenues consist of our share of receipts from the distribution of filmed entertainment featuring our Superstars. We participate in revenues generated under the distribution of the films through all media after the print and advertising and distribution costs incurred by our distributors have been recouped and the results have been reported to us.

All intercompany balances are eliminated in consolidation. The accompanying consolidated financial statements are unaudited. In the opinion of management, 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. Effective April 1, 2009, as a result of reconsidering contract elements of certain international live event contracts, the accounting treatment for these transactions was changed prospectively to reflect these transactions on a gross basis pursuant to the guidance of EITF 99-19 *Reporting Revenue Gross as a Principal versus Net as an Agent* (EITF 99-19). Previously, these contracts were incorrectly reported on a net basis pursuant to EITF 99-19. The impact of the accounting of these contracts prior to April 1, 2009 was not material to any of the periods presented, and therefore, have not been adjusted.

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. 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, 2008.

---

**World Wrestling Entertainment, Inc.**  
**Notes to Consolidated Financial Statements**  
**(dollars in thousands)**  
**(unaudited)**

***Recent Accounting Pronouncements***

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (□FSP 157-4□). This FSP provides guidance on how to determine the fair value of assets and liabilities in an environment where the volume and level of activity for the asset or liability have significantly decreased and re-emphasizes that the objective of a fair value measurement remains an exit price. The adoption of FSP 157-4 did not have a material impact on our Consolidated Financial Statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (□FSP FAS 107-1□). FSP FAS 107-1 requires the disclosure of the fair value of financial instruments within the scope of Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures about Fair Value of Financial Instruments*, in interim financial statements, a