

WORLD WRESTLING ENTERTAINMENT INC  
Form 10-Q  
May 09, 2011

Table of Contents

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 March 31, 2011

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)

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-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X 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 o

Accelerated filer x

Non-accelerated filer o (Do not check if a smaller reporting company)

Smaller reporting company o

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At May 5, 2011 the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 27,577,653 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 46,482,591.

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Table of Contents

World Wrestling Entertainment, Inc.  
Table of Contents

	Page #
<u>Part I – FINANCIAL INFORMATION</u>	
<u>Item 1. Consolidated Financial Statements (unaudited)</u>	
<u>Consolidated Income Statements for the three months ended March 31, 2011 and March 31, 2010</u>	3
<u>Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and March 31, 2010</u>	5
<u>Consolidated Statement of Stockholders' Equity and Comprehensive Income for the three months ended March 31, 2011</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	30
<u>Item 4. Controls and Procedures</u>	30
<u>Part II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	30
<u>Item 1A. Risk Factors</u>	30
<u>Item 6. Exhibits</u>	31
<u>Signature</u>	32

Table of Contents

World Wrestling Entertainment, Inc.  
 Consolidated Income Statements  
 (In thousands, except per share data)  
 (unaudited)

	Three Months Ended March 31,	
	2011	2010
Net revenues	\$ 119,907	\$ 138,725
Cost of revenues	73,247	73,685
Selling, general and administrative expenses	29,859	25,879
Depreciation and amortization	3,635	1,839
Operating income	13,166	37,322
Investment income, net	457	483
Interest expense	(50)	(71)
Other income (expense), net	60	(1,042)
Income before income taxes	13,633	36,692
Provision for income taxes	5,030	11,955
Net income	\$ 8,603	\$ 24,737
Earnings per share:		
Basic and diluted	\$ 0.11	\$ 0.33
Weighted average common shares outstanding:		
Basic	75,043	74,231
Diluted	75,727	75,219

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents

World Wrestling Entertainment, Inc.  
Consolidated Balance Sheet  
(in thousands)  
(unaudited)

	As of March 31, 2011	As of December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 68,003	\$ 69,823
Short-term investments	102,909	97,124
Accounts receivable, net	48,878	52,051
Inventory	2,002	2,087
Deferred income tax assets	17,620	17,128
Prepaid expenses and other current assets	17,785	20,856
Total current assets	257,197	259,069
PROPERTY AND EQUIPMENT, NET	79,914	80,995
FEATURE FILM PRODUCTION ASSETS, NET	50,359	56,253
INVESTMENT SECURITIES, NET	15,092	15,037
OTHER ASSETS	5,382	4,375
<b>TOTAL ASSETS</b>	<b>\$ 407,944</b>	<b>\$ 415,729</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 1,191	\$ 1,169
Accounts payable	19,107	18,441
Accrued expenses and other liabilities	32,553	24,478
Deferred income	24,218	28,323
Total current liabilities	77,069	72,411
LONG-TERM DEBT	1,314	1,621
NON-CURRENT INCOME TAX LIABILITIES	14,156	15,068
NON-CURRENT DEFERRED INCOME	9,470	9,881
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Class A common stock	276	275
Class B common stock	465	465
Additional paid-in capital	338,396	336,592
Accumulated other comprehensive income	3,333	3,144
Accumulated deficit	(36,535)	(23,728)
Total stockholders' equity	305,935	316,748
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 407,944</b>	<b>\$ 415,729</b>

See Accompanying Notes to Consolidated Financial Statements.



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Table of Contents

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

	Three Months Ended March 31,	
	2011	2010
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 8,603	\$ 24,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of feature film production assets	9,212	1,340
Revaluation of warrants	-	(96)
Depreciation and amortization	3,635	1,839
Realized gain on sale of investments	-	(52)
Amortization of investment income	625	366
Stock compensation costs	1,054	2,347
Recovery of accounts receivable write-offs	(577)	(1,488)
Provision for inventory obsolescence	168	974
Benefit from deferred income taxes	(1,653)	(3,694)
Excess tax benefits from stock-based payment arrangements	(32)	(157)
Changes in assets and liabilities:		
Accounts receivable	3,750	(428)
Inventory	(84)	(713)
Prepaid expenses and other assets	(571)	(2,850)
Feature film production assets	(3,118)	(7,597)
Accounts payable	666	2,177
Accrued expenses and other liabilities	11,706	10,744
Deferred income	(4,517)	10,594
Net cash provided by operating activities	28,867	38,043
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment and other assets	(4,116)	(2,807)
Proceeds from infrastructure incentives	-	3,240
Purchase of short-term investments	(20,893)	(34,566)
Proceeds from sales or maturities of short-term investments	15,177	2,479
Net cash used in investing activities	(9,832)	(31,654)
<b>FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(284)	(263)
Dividends paid	(21,062)	(20,707)
Issuance of stock, net	459	434
Net proceeds from exercise of stock options	-	553
Excess tax benefits from stock-based payment arrangements	32	157
Net cash used in financing activities	(20,855)	(19,826)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,820)	(13,437)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	69,823	149,784
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 68,003	\$ 136,347

See Accompanying Notes to Consolidated Financial Statements.





Table of Contents

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

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid - in	Other	Deficit	
			Capital	Comprehensive		
				Income		
Balance, December 31, 2010	73,999	\$ 740	\$ 336,592	\$ 3,144	\$ (23,728)	\$ 316,748
<b>Comprehensive income:</b>						
Net income	-	-	-	-	8,603	8,603
Translation adjustment	-	-	-	151	-	151
Unrealized holding gain, net of tax	-	-	-	38	-	38
<b>Total comprehensive income</b>						<b>8,792</b>
Stock issuances, net	49	1	370	-	-	371
Excess tax benefits from stock based payment arrangements	-	-	32	-	-	32
Dividends paid	-	-	348	-	(21,410)	(21,062)
Stock compensation costs	-	-	1,054	-	-	1,054
Balance, March 31, 2011	74,048	\$ 741	\$ 338,396	\$ 3,333	\$ (36,535)	\$ 305,935

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
(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 and its subsidiaries. We are an integrated media and entertainment company, principally engaged in the development, production and marketing of television and pay-per-view event programming and live events and the licensing and sale of consumer products featuring our brands. Our operations are organized around four principal activities:

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 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 receipts from the distribution of filmed entertainment.

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.

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, 2010.

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
(unaudited)

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard update regarding revenue recognition for multiple deliverable arrangements. This update requires the use of the relative selling price method when allocating revenue in these types of arrangements. This method allows a vendor to use its best estimate of selling price if neither vendor specific objective evidence nor third party evidence of selling price exists when evaluating multiple deliverable arrangements. This standard update is effective January 1, 2011 and may be adopted prospectively for revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all revenue arrangements for all periods presented. The adoption of this standard update did not have a material effect on our consolidated financial statements.

2. Share Based Compensation

Compensation expense relating to grants of performance stock units (PSUs) and restricted stock units (RSUs) are recognized over the period during which the employee rendered service to the Company necessary to earn the award. Stock based compensation cost totaled \$1,015 and \$2,287 for the three months ended March 31, 2011 and 2010, respectively.

During the quarter, we granted 523,500 PSUs under our 2007 Omnibus Incentive Plan ("Plan") at a price per share of \$12.35. This grant is subject to the Company achieving established earnings targets for the financial results of the year ending December 31, 2011. If these targets are met, the shares issued will vest in equal annual installments. Total stock compensation cost of \$6,054 related to these PSUs is based on the estimated value of the units on the issuance date, net of estimated forfeitures. The compensation will be amortized over the service period, which is approximately three and one-half years.

During 2010, we granted 422,250 PSUs under our Plan at a price per share of \$17.01. Based on the financial results for the year ended December 31, 2010, approximately 279,000 PSUs were ultimately issued in 2011 related to this grant at an average price per share of \$12.13.

At March 31, 2011, an aggregate of 1,383,440 PSUs were unvested for all PSU grants with a weighted average fair value of \$13.43 per share.

During the quarter, we granted 27,500 RSUs under the Plan at a weighted average grant date fair value of \$13.91 per share. Total compensation cost related to these grants, net of estimated forfeitures, is \$352. The compensation will be amortized over the service period, which is approximately three years.

At March 31, 2011, 105,981 RSUs were unvested with a weighted average fair value of \$14.33 per share.

3. Stockholders' Equity

Dividends

Beginning in February 2008, the Board of Directors authorized an increase in the quarterly cash dividend to \$0.36 per share on all Class A common shares. The quarterly dividend on all Class A and Class B shares held by members of the McMahon family and their respective trusts remained at \$0.24 per for a period of three years due to a waiver received from the McMahon family. This waiver expired after the declaration of the March 2011 dividend. We paid cash dividends of \$21,062 and \$20,707 for the three months ended March 31, 2011 and March 31, 2010, respectively.

On April 28, 2011, the Company declared a quarterly dividend payable June 27, 2011, of \$0.12 per share of common stock. All Class A and Class B shares will receive dividends in the amount of \$0.12 per share including those shares held by members of the McMahon family and their respective trusts.

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Comprehensive Income

The following table presents comprehensive income for the current and prior year quarters:

	As of	
	March 31, 2011	March 31, 2010
Net income	\$ 8,603	\$ 24,737
Translation adjustment	151	8
Unrealized holding gain (loss), net of tax	38	(87)
Reclassification adjustment for gains realized in net income, net of tax	-	(32)
Total comprehensive income	\$ 8,792	\$ 24,626

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
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## 4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March	
	31, 2011	2010
<b>Numerator:</b>		
Net Income	\$ 8,603	\$ 24,737
<b>Denominator:</b>		
Weighted Average Shares Outstanding		
Basic		
Class A	28,560	26,517
Class B	46,483	47,714
Total	75,043	74,231
Diluted		
Class A	29,244	27,505
Class B	46,483	47,714
Total	75,727	75,219
<b>Earnings Per Share:</b>		
Basic		
Class A	-	\$ 0.42
Class B	-	\$ 0.29
Total	\$ 0.11	\$ 0.33
Diluted		
Class A	-	\$ 0.41
Class B	-	\$ 0.29
Total	\$ 0.11	\$ 0.33

Net income per share for the three months ended March 31, 2010 was computed using the two- class method of earnings allocation. As such, any undistributed earnings for this period is allocated to each class of common stock based on the proportionate share of cash dividends that each class is entitled to receive.

As there were no undistributed earnings for the three months ended March 31, 2011, Class A and Class B earnings per share were not calculated separately.

## 5. Segment Information

We do not allocate corporate overhead to each of the segments, and as a result, corporate overhead is a reconciling item in the table below. Revenues derived from sales outside of North America were \$30,106 and \$31,779 for the three months ended March 31, 2011 and March 31, 2010, respectively. Revenues generated in the United Kingdom, our largest international market, were \$6,680 and \$7,958 for the three months ended March 31, 2011 and March 31, 2010, respectively. Unallocated assets consist primarily of cash, short-term investments, real property and other investments.



Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(in thousands, except per share amounts)  
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	Three months ended March 31,	
	2011	2010
<b>Net revenues:</b>		
Live and Televised Entertainment	\$ 70,335	\$ 98,223
Consumer Products	34,837	30,746
Digital Media	6,129	6,396
WWE Studios	8,606	3,360
Total net revenues	\$ 119,907	\$ 138,725

	Three months ended March 31,	
	2011	2010
<b>Depreciation and amortization:</b>		
Live and Televised Entertainment	\$ 1,852	\$ 298
Consumer Products	121	62
Digital Media	315	287
WWE Studios	2	-
Corporate	1,345	1,192
Total depreciation and amortization	\$ 3,635	\$ 1,839

	Three months ended March 31,	
	2011	2010
<b>Operating income:</b>		
Live and Televised Entertainment	\$ 22,922	\$ 39,207
Consumer Products	20,388	17,336
Digital Media	722	986
WWE Studios	(4,111)	1,426
Corporate	(26,755)	(21,633)
Total operating income	\$ 13,166	\$ 37,322

	As of	
	March 31, 2011	December 31, 2010
<b>Assets:</b>		
Live and Televised Entertainment	\$ 126,035	\$ 129,970
Consumer Products	19,901	17,095
Digital Media	5,494	5,849
WWE Studios	78,283	77,977
Unallocated	178,231	184,838
Total assets	\$ 407,944	\$ 415,729





Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
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## 6. Property and Equipment

Property and equipment consisted of the following:

	As of March 31, 2011	December 31, 2010
Land, buildings and improvements	\$ 76,072	\$ 75,762
Equipment	72,830	70,694
Corporate aircraft	20,858	20,858
Vehicles	1,545	1,543
	171,305	168,857
Less accumulated depreciation and amortization	(91,391)	(87,862)
Total	\$ 79,914	\$ 80,995

In the prior year quarter we received tax incentives relating to our infrastructure improvements in conjunction with our transition to high definition broadcasting. These incentives were realized at \$4,202 and were recorded as a reduction of the related assets. In the current quarter we did not receive any similar incentives.

Depreciation and amortization expense for property and equipment totaled \$3,514 and \$1,777 for the three months ended March 31, 2011 and 2010, respectively. Depreciation expense in the prior year quarter reflected a one-time benefit of \$1,674 from the recognition of an infrastructure tax credit. The credit was used to reduce the carrying value of the assets as of their in service date and consequently the adjustment to depreciation expense reflected the revised amount incurred to date.

## 7. Feature Film Production Assets

Feature film production assets are summarized as follows:

	As of March 31, 2011	December 31, 2010
Feature film productions:		
In release	\$ 24,289	\$ 27,368
Completed but not released	22,099	27,612
In production	2,714	-
In development	1,257	1,273
Total	\$ 50,359	\$ 56,253

In the current quarter we released one theatrical film, The Chaperone, which comprises \$3,668 of our "In release" feature film asset. The Chaperone was the third film released under our revised distribution strategy in which we control the distribution and marketing of our productions. The distribution and marketing of our films under our previous model was controlled by our distribution partners and we participated in proceeds after our distribution partners recouped their expenses and distribution fees. Under our new distribution model, we

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record revenues and expenses on a gross basis in our financial statements. Additionally, under our new model the Company records distribution expenses, including advertising and other exploitation costs, in our financial statements as incurred. During the current quarter, we recorded \$3,191 of revenues and \$4,659 in distribution expenses for The Chaperone.

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
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Feature film production assets are recorded net of the associated benefit of production incentives. During the three months ended March 31, 2011 and 2010 we realized \$3,127 and \$0, respectively, of production incentives from feature film production activities.

Unamortized feature film production assets are evaluated for impairment each reporting period. If the estimated revenue is not sufficient to recover the unamortized asset, the asset will be written down to fair value. During the three months ended March 31, 2011, we recorded an impairment charge of \$2,800 as a result of updated performance expectations of our licensed feature film, 12 Rounds. As of March 31, 2011, we do not believe any capitalized assets included in Feature Film Production Assets are impaired.

Approximately 63% of "In release" film production assets are estimated to be amortized over the next 12 months and approximately 93% of "In release" film production assets are estimated to be amortized over the next three years.

We currently have four theatrical films designated as "Completed but not released" and one theatrical film designated as "In-production". We also have capitalized certain script development costs for various other film projects. Capitalized script development costs are evaluated at each reporting period for impairment and are expensed when a project is deemed to be abandoned. During the three months ended March 31, 2011 and 2010, we expensed \$34 and \$0, respectively of previously capitalized development costs related to abandoned projects.

## 8. Investment Securities and Short-Term Investments

Investment securities and short-term investments consisted of the following:

	March 31, 2011		
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
Auction rate securities	\$ 16,000	\$ (908)	\$ 15,092
Municipal bonds	89,068	294	89,362
Corporate bonds	13,491	56	13,547
Total	\$ 118,559	\$ (558)	\$ 118,001

	December 31, 2010		
	Amortized Cost	Unrealized Holding Gain (Loss)	Fair Value
Auction rate securities	\$ 16,000	\$ (963)	\$ 15,037
Municipal bonds	74,766	339	75,105
Corporate bonds	22,015	4	22,019
Total	\$ 112,781	\$ (620)	\$ 112,161



Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
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We classify all of our investments as available-for-sale securities. Such investments consist primarily of municipal bonds, including pre-refunded municipal bonds, corporate bonds and auction rate securities (“ARS”). All of these investments are stated at fair value, with unrealized gains and losses on such securities reflected, net of tax, as other comprehensive income (loss) in stockholders’ equity. 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 March 31, 2011 contractual maturities of these investments are as follows:

	Maturities
Auction rate securities	25-30 years
Municipal bonds	3 months-6 years
Corporate bonds	1-5 years

During the three months ended March 31, 2011 and March 31, 2010, available-for-sale securities were sold for total proceeds of \$0 and \$2,478, respectively. The gross realized gains on these sales totaled \$0 and \$52 in the current and prior year quarters, respectively. There were no gross realized losses on these sales in the current or prior year quarters. Net unrealized holding losses on available-for-sale securities in the amount of \$558 and \$1,739 for the three months ended March 31, 2011 and March 31, 2010, respectively, have been included in accumulated other comprehensive income.

In February, 2008, we started to experience difficulty in selling our investments in auction rate securities due to multiple failures of the auction mechanism that provided liquidity to these investments. All of our ARS are collateralized by student loan portfolios (substantially all of which are guaranteed by the United States Government). The securities for which the auctions have failed will continue to accrue interest and pay interest when due; to-date, none of the ARS in which we are invested has failed to make an interest payment when due. Our ARS will continue to be auctioned at each respective reset date until the auction succeeds, the issuer redeems the securities or they mature (the stated maturities of the securities are greater than 20 years). As we maintain a strong liquidity position, we have no intent to sell the securities. We believe that it is not more likely than not that we will be required to sell the securities before recovery of their anticipated amortized cost basis.

As of March 31, 2011, we recorded a cumulative adjustment to reduce the fair value of our investment in ARS of \$908, which is reflected as part of accumulated other comprehensive income in our Consolidated Statement of Stockholders’ Equity and Comprehensive Income. We do not feel that the fair value adjustment is other-than-temporary at this time due to the high underlying creditworthiness of the issuer (including the backing of the loans comprising the collateral package by the United States Government), our intent not to sell the securities and our belief that it is not more likely than not that we will be required to sell the securities before recovery of their anticipated amortized cost basis.

9. Fair Value Measurement

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

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
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Additionally, the 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 levels of the fair value hierarchy are summarized as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3 - unobservable inputs, such as discounted cash flow models or valuations

The following assets are required to be measured at fair value on a recurring basis and the classification within the hierarchy as of March 31, 2011 and December 31, 2010, respectively, was as follows:

	Fair Value at March 31, 2011			
	Total	Level 1	Level 2	Level 3
Municipal bonds	\$ 89,362	\$ -	\$ 89,362	\$ -
Auction rate securities	15,092	-	-	15,092
Corporate bonds	13,547	-	13,547	-
Other	-	-	-	-
Total	\$ 118,001	\$ -	\$ 102,909	\$ 15,092

	Fair Value at December 31, 2010			
	Total	Level 1	Level 2	Level 3
Municipal bonds	\$ 75,105	\$ -	\$ 75,105	\$ -
Auction rate securities	15,037	-	-	15,037
Corporate bonds	22,019	-	22,019	-
Other	687	-	687	-
Total	\$ 112,848	\$ -	\$ 97,811	\$ 15,037

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, 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 municipal bonds, corporate bonds and warrants 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 corporate and municipal bonds are valued based on model-driven valuations whereby market prices from a variety of industry standard data providers, security master files from large financial institutions and other third-party sources are used as inputs to an algorithm. The estimated fair value of our warrants held at December 31, 2010 was determined using the Black-Scholes model.

Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
(unaudited)

We have classified our investment in ARS within Level 3 as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market due to the lack of trading in the securities. WWE utilizes a pricing service to assist management in obtaining fair value pricing of this investment portfolio. The fair value of the ARS, as consistent with prior periods, was estimated through discounted cash flow models, which consider, among other things, the timing of expected future successful auctions, collateralization of underlying security investments and the risk of default by the issuer. We will continue to assess the carrying value of our ARS on each reporting date, based on the facts and circumstances surrounding our liquidity needs and developments in the ARS markets.

The table below includes a roll forward of our Level 3 assets (ARS) from January 1, 2011 to March 31, 2011 and January 1, 2010 to March 31, 2010, respectively.

	Significant Unobservable Inputs (Level 3)		Significant Unobservable Inputs (Level 3)
Fair value January 1, 2011	\$ 15,037	Fair value January 1, 2010	\$ 22,370
Purchases	-	Purchases	-
Redemptions/Proceeds	-	Redemptions/Proceeds	-
Transfers in	-	Transfers in	-
Realized gain	-	Realized gain	-
Unrealized gain	55	Unrealized loss	(90)
Fair value March 31, 2011	\$ 15,092	Fair value March 31, 2010	\$ 22,280

## 10. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

	March 31, 2011	December 31, 2010
Accrued pay-per-view event costs	\$ 4,261	\$ 3,580
Accrued payroll and bonus related costs	5,431	6,635
Accrued television costs	1,793	3,500
Accrued home video production and distribution	3,266	2,659
Accrued income taxes (1)	8,903	-
Accrued other	8,899	8,104
Total	\$ 32,553	\$ 24,478

- (1) At December 31, 2010, income taxes had a refundable balance of \$3,510 and were included in Prepaid expenses and other current assets on our Consolidated Balance Sheet.

Accrued other includes accruals for our publishing, legal and professional, and licensing business activities, none of which exceeds 5% of current liabilities.





Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
(unaudited)

11. 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 represent a significant portion of our current assets and relate principally to a limited number of distributors, including our television, pay-per-view and home video distributors. The Company closely monitors the status of receivables with our customers and maintains allowances for anticipated losses as deemed appropriate. Our total allowance for doubtful accounts balance was \$11,720 as of March 31, 2011 and \$12,316 as of December 31, 2010. Recovery from bad debts was \$577 for the quarter ended March 31, 2011, as compared to \$1,488 for the quarter ended March 31, 2010; these recoveries were the result of payments received from customers with balances anticipated as uncollectable at year-end.

12. Film and Television Production Incentives

The Company has access to various governmental programs that are designed to promote film and television production within the United States and certain international jurisdictions. Incentives earned with respect to expenditures on qualifying film, television and other production activities, including qualifying capital projects, are included as an offset to the related asset or as an offset to production expenses when we have reasonable assurance regarding the realizable amount of the incentives. During the three months ended March 31, 2011 we received \$3,127 of incentives relating to feature film productions which reduced the related assets. During the three months ended March 31, 2010 we received \$4,202 relating to qualifying capital projects, which reduced the related assets.

13. Income Taxes

At March 31, 2011, we have \$10,131 of unrecognized tax benefits, which if recognized, would affect our effective tax rate. Of this amount, \$5,282 is classified in accrued expenses and other liabilities and the remaining \$4,849 is classified in non-current income tax liabilities. At March 31, 2010, we had \$9,172 of unrecognized tax benefits.

We recognize potential accrued interest and penalties related to uncertain tax positions in income tax expense. We have \$2,523 of accrued interest and penalties related to uncertain tax positions as of March 31, 2011. Of this amount, \$1,312 is classified in accrued expenses and other liabilities and the remaining \$1,211 is classified in non-current income tax liabilities. At March 31, 2010, we had \$1,827 of accrued interest and penalties related to uncertain tax positions.

We file income tax returns in the United States, various states and various foreign jurisdictions. With few exceptions, we are subject to income tax examinations by tax authorities for years on or after April 30, 2006.

Based upon the expiration of statutes of limitations and possible settlements in several jurisdictions, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by \$7,989 within 12 months of March 31, 2011.

14. Commitments and Contingencies

Legal Proceedings

World Wide Fund for Nature

There has been no significant development in this legal proceeding subsequent to the disclosure in Note 12 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010.



Table of Contents

World Wrestling Entertainment, Inc.  
Notes to Consolidated Financial Statements  
(dollars in thousands, except per share amounts)  
(unaudited)

IPO Class Action

There has been no significant development in this legal proceeding subsequent to the disclosure in Note 12 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010.

Other Matters

We are not currently a party to any other material legal proceedings. However, we are involved in several other suits and claims in the ordinary course of business, the outcome of which is not expected to have a material adverse effect on our financial condition, results of operations or liquidity. We may from time to time become a party to other legal proceedings.

Table of Contents

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

Background

The following analysis outlines all material activities contained within each of our business 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 advertising and sponsorships, and fees for viewing our pay-per-view and video on demand programming.

Consumer Products

- Revenues consist principally of 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 receipts from the distribution of filmed entertainment.

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## Table of Contents

### Results of Operations

Three Months Ended March 31, 2011 compared to Three Months Ended March 31, 2010  
(Dollars in millions, except as noted)

#### Summary

	March 31, 2011	March 31, 2010	better (worse)
<b>Net Revenues:</b>			
Live and Televised Entertainment	\$ 70.4	\$ 98.2	(28%)
Consumer Products	34.8	30.7	13%
Digital Media	6.1	6.4	(5%)
WWE Studios	8.6	3.4	153%
<b>Total</b>	<b>\$ 119.9</b>	<b>\$ 138.7</b>	<b>(14%)</b>

	March 31, 2011	March 31, 2010	better (worse)
<b>Cost of Revenues:</b>			
Live and Televised Entertainment	\$ 43.2	\$ 56.8	24%
Consumer Products	13.2	12.0	(10%)
Digital Media	4.6	3.6	(28%)
WWE Studios	12.2	1.3	(838%)
<b>Total</b>	<b>\$ 73.2</b>	<b>\$ 73.7</b>	<b>1%</b>
Profit contribution margin	39%	47%	

	March 31, 2011	March 31, 2010	better (worse)
<b>Operating Income:</b>			
Live and Televised Entertainment	\$ 22.9	\$ 39.2	(42%)
Consumer Products	20.4	17.3	18%
Digital Media	0.7	1.0	(30%)
WWE Studios	(4.1)	1.4	(393%)
Corporate	(26.7)	(21.6)	(24%)
<b>Total operating income</b>	<b>\$ 13.2</b>	<b>\$ 37.3</b>	<b>(65%)</b>
<b>Net income</b>	<b>\$ 8.6</b>	<b>\$ 24.7</b>	<b>(65%)</b>

Our comparative results were significantly impacted by the timing of our annual WrestleMania event. In 2011, WrestleMania XXVII occurred on April 3rd and consequently will be included in our second quarter financial results. In 2010, WrestleMania XXVI occurred on March 28th, and was included in our first quarter financial results. WrestleMania XXVI contributed \$28.8 million of revenues and \$13.1 million of profit (\$8.8 million, net of tax) to our results in the prior year quarter. In addition, the current year quarter results reflect \$1.4 million in marketing expenses to promote WrestleMania XXVII.

The comparability of our results was also impacted by our WWE Studios' business change to a self-distribution model starting in the third quarter of 2010. Under this model, we recognize revenues and expenses for our films on a gross basis upon release. During the current quarter we released one film under this self-distribution model, The Chaperone. We previously released six films that were distributed by third-party distribution partners whereby we participated in revenues after their recoupment of distribution expenses and fees and the results have been reported to us. As a result, the revenue and related expenses were recorded on a net basis after the distributor's recoupment, which typically occurred in periods subsequent to the film's initial release. In the current quarter, we recorded \$4.0 million in revenue and \$5.7 million in cost of revenue related to our self-distributed films. Included in the cost of revenue is \$2.7 million of amortization of production costs and \$3.0 million of distribution-related expenses.



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### Table of Contents

In addition, the comparability of our results was also impacted by a \$2.8 million impairment charge relating to one of our licensed feature films, 12 Rounds, in the current quarter.

Our Live and Televised Entertainment segment revenues decreased primarily due to a \$28.5 million timing difference for our annual WrestleMania event discussed previously. Our Consumer Products segment experienced a 20% increase in licensing revenue, reflecting an increase in sales of both toys and video games as compared to the prior year quarter. Our WWE Studios segment reflected a \$5.2 million increase in revenue due to the adoption of our self-distribution model in the third quarter of 2010 and a change in the mix of films.

The following chart provides performance results and key drivers for our Live and Televised Entertainment segment:

Revenues- Live and Televised Entertainment (dollars in millions except where noted)	March 31, 2011	March 31, 2010	better (worse)
<b>Live events</b>	\$ 19.6	\$ 26.0	(25%)
North America	\$ 17.4	\$ 23.5	(26%)
International	\$ 2.2	\$ 2.5	(12%)
Total live event attendance	499,100	620,400	(20%)
Number of North American events	73	71	3%
Average North American attendance	6,400	8,100	(21%)
Average North American ticket price (dollars)	\$ 36.40	\$ 38.64	(6%)
Number of international events	4	4	-
Average international attendance	8,400	11,300	(26%)
Average international ticket price (dollars)	\$ 48.88	\$ 51.37	(5%)
<b>Venue merchandise</b>	\$ 4.5	\$ 6.5	(31%)
Domestic per capita spending (dollars)	\$ 9.64	\$ 10.33	(7%)
<b>Pay-per-view</b>	\$ 13.5	\$ 32.4	(58%)
Number of pay-per-view events	2	3	(33%)
Number of buys from pay-per-view events	689,900	1,592,200	(57%)
Average revenue per buy (dollars)	\$ 18.18	\$ 19.61	(7%)
Domestic retail price WrestleMania (dollars)	\$ N/A	\$ 54.95	N/A
Domestic retail price excluding WrestleMania (dollars)	\$ 44.95	\$ 44.95	-
<b>Television rights fees</b>	\$ 31.6	\$ 29.4	7%
Domestic	\$ 19.6	\$ 18.4	7%
International	\$ 12.0	\$ 11.0	9%
<b>Television advertising</b>	\$ 0.1	\$ 1.4	(93%)
<b>WWE Classics on Demand</b>	\$ 1.1	\$ 1.3	(15%)
<b>Other</b>	\$ -	\$ 1.2	(100%)
<b>Total live and televised entertainment</b>	\$ 70.4	\$ 98.2	(28%)

### Ratings