WORLD WRESTLING ENTERTAINMENTINC
Form 10-Q
July 31, 2015

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, 2015

or

o 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	04-2693383
(State or other jurisdiction of incorporation or organization)	(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 o

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 o

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

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

At July 29, 2015 the number of shares outstanding of the Registrant's Class A common stock, par value $.01 per share, was 33,592,295 and the number of shares outstanding of the Registrant's Class B common stock, par value $.01 per share, was 42,298,437.

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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, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net revenues	$150,182	$156,310	$326,360	$281,882
Cost of revenues	87,312	121,747	197,013	206,463
Selling, general and administrative expenses	49,742	49,176	95,173	97,204
Depreciation and amortization	5,844	7,909	11,757	12,918
Operating income (loss)	7,284	(22,522)	22,417	(34,703)
Investment income, net	453	196	656	460
Interest expense	(570)	(515)	(1,111)	(990)
Other (expense) income, net	(82)	34	(423)	(39)
Income (loss) before income taxes	7,085	(22,807)	21,539	(35,272)
Provision for (benefit from) income taxes	1,966	(8,310)	6,647	(12,739)
Net income (loss)	$5,119	$(14,497)	$14,892	$(22,533)
Earnings (loss) per share:				
Basic and diluted	$0.07	$(0.19)	$0.20	$(0.30)
Weighted average common shares outstanding:				
Basic	75,539	75,148	75,529	75,146
Diluted	76,160	75,148	76,076	75,146
Dividends declared per common share (Class A and B)	$0.12	$0.12	$0.24	$0.24

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss)	$5,119	$(14,497)	$14,892	$(22,533)
Other comprehensive income:				
Foreign currency translation adjustment	37	45	(85)	54
Change in unrealized holding gains on available-for-sale securities (net of tax (benefit)/expense of ($59) and $28, and $52 and $63, respectively)	(95)	46	86	103
Reclassification adjustment for gains realized in net income - available-for-sale securities (net of tax expense of $1 for the six months ended June 30, 2014)	—	—	—	(2)
Total other comprehensive income	(58)	91	1	155
Comprehensive income (loss)	$5,061	$(14,406)	$14,893	$(22,378)

See accompanying notes to consolidated financial statements.

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

	As of June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$44,271	$47,227
Short-term investments, net	66,233	68,186
Accounts receivable (net of allowances for doubtful accounts and returns of $9,821 and $7,726 respectively)	38,629	40,088
Inventory	5,982	4,735
Deferred income tax assets	20,178	24,120
Prepaid expenses and other current assets	12,840	12,865
Total current assets	188,133	197,221
PROPERTY AND EQUIPMENT, NET	112,978	114,048
FEATURE FILM PRODUCTION ASSETS, NET	29,715	26,471
TELEVISION PRODUCTION ASSETS, NET	10,356	5,832
INVESTMENT SECURITIES	22,020	7,200
NON-CURRENT DEFERRED INCOME TAX ASSETS	23,541	10,915
OTHER ASSETS, NET	21,111	20,867
TOTAL ASSETS	$407,854	$382,554
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$4,392	$4,345
Accounts payable and accrued expenses	57,643	57,578
Deferred income	56,739	38,652
Total current liabilities	118,774	100,575
LONG-TERM DEBT	19,367	21,575
NON-CURRENT INCOME TAX LIABILITIES	1,932	1,668
NON-CURRENT DEFERRED INCOME	56,915	52,875
Total liabilities	196,988	176,693
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock: ($.01 par value; 180,000,000 shares authorized; 33,244,543 and 33,179,499 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively)	332	332
Class B convertible common stock: ($.01 par value; 60,000,000 shares authorized; 42,298,437 and 42,298,437 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively)	423	423
Additional paid-in-capital	361,959	353,706
Accumulated other comprehensive income	3,229	3,228
Accumulated deficit	(155,077)	(151,828)
Total stockholders' equity	210,866	205,861
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$407,854	$382,554

See accompanying notes to consolidated financial statements.

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

	Common Stock				Additional	Accumulated Other		
	Class A Shares	Amount	Class B Shares	Amount	Paid - in Capital	Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2014	33,179	$332	42,298	$423	$353,706	$3,228	$(151,828)	$205,861
Net income	—	—	—	—	—	—	14,892	14,892
Other comprehensive income	—	—	—	—	—	1	—	1
Stock issuances, net	66	—	—	—	449	—	—	449
Tax effect from stock-based payment arrangements	—	—	—	—	5	—	—	5
Cash dividends declared	—	—	—	—	12	—	(18,141)	(18,129)
Stock-based compensation	—	—	—	—	7,787	—	—	7,787
Balance, June 30, 2015	33,245	$332	42,298	$423	$361,959	$3,229	$(155,077)	$210,866

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June 30, 2015	June 30, 2014
OPERATING ACTIVITIES:		
Net income (loss)	$14,892	$(22,533)
Adjustments to reconcile net income (loss) to net cash provided by/(used in) operating activities:		
Amortization and impairments of feature film production assets	1,409	2,069
Amortization of television production assets	10,054	14,314
Depreciation and amortization	13,569	13,614
Services provided in exchange for equity instruments	(100)	(439)
Equity in earnings of affiliate, net of dividends received	(60)	—
Other amortization	1,037	1,053
Stock-based compensation	7,787	4,900
Provision for doubtful accounts	446	4
Benefit from deferred income taxes	(8,684)	(15,868)
Other non-cash adjustments	66	(134)
Cash provided by/(used in) changes in operating assets and liabilities:		
Accounts receivable	928	6,566
Inventory	(1,247)	(1,154)
Prepaid expenses and other assets	(2,364)	2,155
Feature film production asset spend	(4,692)	(10,229)
Television production asset spend	(14,578)	(11,761)
Accounts payable, accrued expenses and other liabilities	1,193	4,285
Deferred income	8,427	8,472
Net cash provided by/(used in) operating activities	28,083	(4,686)
INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(10,993)	(6,266)
Net proceeds from infrastructure improvement incentives	—	2,937
Purchases of short-term investments	(4,621)	(2,511)
Proceeds from sales and maturities of investments	6,090	16,813
Purchase of investment securities	(960)	(2,000)
Net cash (used in)/provided by investing activities	(10,484)	8,973
FINANCING ACTIVITIES:		
Proceeds from the issuance of note payable	—	364
Repayment of long-term debt	(2,161)	(1,943)
Dividends paid	(18,129)	(18,037)
Debt issuance costs	(797)	(758)
Proceeds from issuance of stock	527	453
Excess tax benefits from stock-based payment arrangements	5	87
Net cash used in financing activities	(20,555)	(19,834)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,956)	(15,547)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	47,227	32,911
CASH AND CASH EQUIVALENTS, END OF PERIOD	$44,271	$17,364
NON-CASH INVESTING TRANSACTIONS:		

Non-cash purchase of property and equipment	$410	$1,270
Non-cash purchase of investment securities (See Note 9)	$13,800	$—

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 and its subsidiaries. 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. Included in Corporate and Other are intersegment eliminations recorded in consolidation. All intercompany balances are eliminated in consolidation.

Within the Consolidated Statements of Cash Flows from operating activities, certain prior year amounts were reclassified to conform to the current period presentation.

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, 2014.

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

Media Division:

Network

- Revenues consist principally of subscriptions to WWE Network, fees for viewing our pay-per-view programming, and advertising fees.

Television

- Revenues consist principally of television rights fees and advertising.

Home Entertainment

- Revenues consist principally of sales of WWE produced content via home entertainment platforms, including DVD, Blu-Ray, and subscription outlets.

Digital Media

- Revenues consist principally of advertising sales on our websites and third party websites, including YouTube, and sales of various broadband and mobile content.

Live Events

- Revenues consist principally of ticket sales and travel packages for live events.

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WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
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1. Basis of Presentation and Business Description (continued)
Consumer Products Division:
Licensing
• Revenues consist principally of royalties or license fees related to various WWE themed products such as video games, toys, and apparel.
Venue Merchandise
• Revenues consist of sales of merchandise at our live events.
WWEShop
• Revenues consist of sales of merchandise on our websites, including through our WWEShop Internet storefront.

WWE Studios
• Revenues consist of amounts earned from investing in, producing, and/or distributing filmed entertainment.

2. Significant Accounting Policies
Cost of Revenues
Included within Costs of revenues are the following:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Amortization and impairment of feature film assets	$699	$632	$1,409	$2,069
Amortization of television production assets	3,211	11,483	10,054	14,314
Amortization of Network content delivery and technology assets	833	529	1,812	696
Total amortization and impairment included in costs of revenues	$4,743	$12,644	$13,275	$17,079

Equity Method Investments
Under applicable authoritative guidance, a variable interest entity ("VIE") is a business entity in which there is a disproportionate relationship between the voting interest in the entity and the exposure to the economic risks and potential rewards of that entity. A company must consolidate a VIE if it is determined to be the primary beneficiary of the VIE and possesses both of the following attributes: (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb the losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE.
In March 2015, WWE and Authentic Brands Group ("ABG") formed a joint venture, Tapout LLC ("Tapout") to re-launch an apparel and lifestyle brand (the "Brand"). Under the terms of the agreement, WWE will provide certain promotional services, and ABG will provide intellectual property and services associated with the Brand. In exchange, both parties will hold a 50% interest, entitling it to 50% of the profits and losses and a 50% voting interest. Additionally, the agreement dictates that all significant activities must be approved by its board of managers, which the parties participate in equally, but do not control. Therefore, WWE does not have the unilateral ability to direct the activities of Tapout.
Based on our analysis, we have classified Tapout as a VIE. However, because we do not satisfy the criteria to be considered the primary beneficiary of Tapout, we do not consolidate the entity. Instead, the investment in Tapout is accounted for under the equity method of accounting. See Note 9, Investment Securities and Short-Term Investments -

Equity Method Investment, for further details regarding our investment.

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(In thousands, except share data)
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2. Significant Accounting Policies (continued)
Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This standard will supersede the revenue recognition requirements in ASC 605, "Revenue Recognition," and most industry-specific guidance. The standard requires an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to receive in exchange for goods or services. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years, making it effective for our fiscal year beginning January 1, 2018. Early adoption is permitted to the original effective date of December 15, 2016. The standard allows an entity to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. We are currently evaluating the impact of adoption of this new standard on our consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, "Interest - Imputation of Interest." This standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This standard is effective for financial statements issued for fiscal years beginning after December 31, 2015, and interim periods within those fiscal years, making it effective for our fiscal year beginning January 1, 2016. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, "Consolidation - Amendments to the Consolidation Analysis." This standard modified the evaluation of whether certain limited partnerships and legal entities are variable interest entities, eliminated the presumption that the general partner should consolidate a limited partnership, affected the consolidation analysis of reporting entities that are involved with variable interest entities, and provided a scope exception from consolidation for entities with interests in legal entities that are similar to money market funds. This standard is effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. This guidance is effective for our fiscal year beginning January 1, 2017 and for interim periods beginning January 1, 2018. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU requires that management evaluate and, if required, disclose conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. The guidance is effective for the first annual period ending after December 15, 2016, and interim periods thereafter. The standard update is effective for our fiscal year beginning January 1, 2016. We are currently evaluating the impact of the adoption of this new standard and do not expect it to have a material impact on our consolidated financial statements.

3. Segment Information
The Company currently classifies its operations into ten reportable segments. The ten reportable segments of the Company include the following: Network (which includes our pay-per-view business), Television, Home Entertainment and Digital Media, which are individual segments that comprise the Media Division; Live Events; Licensing, Venue Merchandise, WWEShop, which are individual segments that comprise the Consumer Products

Division; WWE Studios, and Corporate and Other (as defined below).

The Company presents OIBDA as the primary measure of segment profit (loss). The Company defines OIBDA as operating income before depreciation and amortization, excluding feature film and television production asset amortization and impairments, as well as the amortization of costs related to content delivery and technology assets utilized for our WWE Network. The Company believes the presentation of 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.

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3. Segment Information (continued)

We do not allocate certain costs included in OIBDA of our Corporate and Other segment to the other reportable segments. Corporate and Other expense primarily includes corporate overhead and certain expenses related to sales and marketing, including our international offices, and talent development functions, including costs associated with our WWE Performance Center. These costs benefit the Company as a whole and are therefore not allocated to individual businesses. Included in Corporate and Other are intersegment eliminations recorded in consolidation.

We do not disclose assets by segment information. In general, assets of the Company are leveraged across its reportable segments and 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		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net revenues:				
Network	$40,176	$43,235	$77,735	$61,667
Television	52,097	43,787	110,285	84,079
Home Entertainment	3,096	5,400	7,819	15,863
Digital Media	3,734	5,191	8,079	11,878
Live Events	26,449	40,334	65,736	62,000
Licensing	11,305	5,443	27,768	19,523
Venue Merchandise	4,640	6,521	13,071	11,500
WWEShop	5,859	4,019	11,129	8,195
WWE Studios	2,119	1,745	3,583	6,081
Corporate & Other	707	635	1,155	1,096
Total net revenues	$150,182	$156,310	$326,360	$281,882
OIBDA:				
Network	$17,256	$(7,347)	$15,732	$(10,936)
Television	21,205	11,710	47,139	22,289
Home Entertainment	539	2,855	2,658	9,146
Digital Media	(841)	(843)	(970)	(1,193)
Live Events	6,665	15,487	24,251	19,299
Licensing	6,400	1,468	17,243	10,622
Venue Merchandise	2,052	2,604	5,256	4,693
WWEShop	1,434	1,017	2,538	1,671
WWE Studios	(32)	(230)	(399)	1,361
Corporate & Other	(41,550)	(41,334)	(79,274)	(78,737)
Total OIBDA	$13,128	$(14,613)	$34,174	$(21,785)

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WORLD WRESTLING ENTERTAINMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share data)
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3. Segment Information (continued)

Reconciliation of Total Operating Income (Loss) to Total OIBDA

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Total operating income (loss)	$7,284	$(22,522)	$22,417	$(34,703)
Depreciation and amortization	5,844	7,909	11,757	12,918
Total OIBDA	$13,128	$(14,613)	$34,174	$(21,785)

Geographic Information

Net revenues by major geographic region are based upon the geographic location of where our content is distributed. The information below summarizes net revenues to unaffiliated customers by geographic area:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
North America	$107,428	$123,258	$247,750	$224,976
Europe/Middle East/Africa	30,798	23,345	52,414	36,194
Asia Pacific	10,495	8,297	22,487	17,287
Latin America	1,461	1,410	3,709	3,425
Total net revenues	$150,182	$156,310	$326,360	$281,882

Revenues generated from the United Kingdom, our largest international market, totaled $21,100 and $12,463, and $33,312 and $19,535 for the three and six months ended June 30, 2015 and 2014, respectively. The Company’s property and equipment was almost entirely located in the United States at June 30, 2015 and 2014.

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

4. 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		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Net income (loss)	$5,119	$(14,497)	$14,892	$(22,533)
Weighted-average basic common shares outstanding	75,539	75,148	75,529	75,146
Dilutive effect of restricted and performance stock units (a)	611	—	531	—
Dilutive effect of employee share purchase plan (a)	10	—	16	—
Weighted-average dilutive common shares outstanding	76,160	75,148	76,076	75,146
Earnings (loss) earnings per share:				
Basic and diluted	$0.07	$(0.19)	$0.20	$(0.30)
Anti-dilutive outstanding restricted and performance stock units (excluded from per-share calculations)	—	356	—	355

(a) Due to a loss for the period, zero incremental shares are included for the three and six months ended June 30, 2014 because the effect would be antidilutive.

5. Stock-Based Compensation

Restricted Stock Units

The Company grants restricted stock units ("RSUs") to officers and employees under the 2007 Amended and Restated Omnibus Incentive Plan (the "2007 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 three and one half year vesting schedule and vest in equal annual installments. We estimate forfeitures based on historical trends when recognizing compensation expense and adjust the estimate of forfeitures when they are expected to differ or as forfeitures occur. Unvested RSUs accrue dividend equivalents at the same rate as are paid on our shares of Class A common stock. The dividend equivalents are subject to the same vesting schedule as the underlying RSUs.

The following table summarizes the RSU activity during the six months ended June 30, 2015:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015	119,220	$ 20.39
Granted	217,471	$ 14.41
Vested	(16,274)	$ 12.11
Forfeited	(10,146)	$ 13.94
Dividend equivalents	4,843	$ 16.56
Unvested at June 30, 2015	315,114	$ 16.84

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

5. Stock-Based Compensation (continued)

Performance Stock Units

Stock-based compensation costs associated with our performance stock units ("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) and are granted under the 2007 Plan. The vesting of these PSUs are subject to certain performance conditions and a service requirement of three and one half years. Until such time as 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 probability of 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. 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.

During the first quarter of 2015, the Compensation Committee approved agreements to grant PSUs to three executive management members for an aggregate value of $15,000. These awards vary from the typical PSU grant in that the awards vest in three annual tranches of 20%, 30%, and 50%, compared to the typical 33%, 33%, 33% vesting schedule. These agreements provide for two $7,500 awards, the first with performance conditions tied to 2015 results, and the second with performance conditions tied to 2016 results.

The Company began expensing the second award of $7,500 concurrent with the first award beginning in February 2015. There are no units associated with this award in the table below as of June 30, 2015 since the targeted number of shares will be determined when the 2016 performance targets are determined (the targeted number of shares will be based on the $7,500 communicated value). We recorded $527 and $800 of stock compensation expense related to the second award during the three and six months ended June 30, 2015, respectively.

The following table summarizes the PSU activity during the six months ended June 30, 2015:

	Units	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015	733,768	$ 14.89
Granted	1,000,146	$ 16.50
Achievement adjustment	7,056	$ 14.36
Forfeited	(25,030)	$ 16.93
Dividend equivalents	10,276	$ 15.52
Unvested at June 30, 2015	1,726,216	$ 16.09

During the three months ended March 31, 2015, we granted 1,000,146 PSUs which are subject to certain performance conditions.

During the year ended December 31, 2014, we granted 278,281 PSUs which were subject to performance conditions. During the three months ended March 31, 2015, the performance conditions related to these PSUs were exceeded, which resulted in an increase of 7,056 PSUs in 2015 relating to the initial 2014 PSU grant.

Stock-based compensation costs totaled $5,308 and $1,770, and $7,787 and $4,900 for the three and six months ended June 30, 2015 and 2014, respectively.

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6. Property and Equipment
Property and equipment consisted of the following:

	As of June 30, 2015	December 31, 2014
Land, buildings and improvements	$106,707	$106,058
Equipment	116,938	107,753
Corporate aircraft	31,277	31,277
Vehicles	244	244
	255,166	245,332
Less accumulated depreciation	(142,188)	(131,284)
Total	$112,978	$114,048

Depreciation expense for property and equipment totaled $5,412 and $7,499, and $10,905 and $12,106 for the three and six months ended June 30, 2015 and 2014, respectively. Depreciation expense for the six months ended June 30, 2014 includes an adjustment of $1,600 to reduce the carrying value of the Company's former Corporate Aircraft to its estimated fair value prior to its sale.
7. Feature Film Production Assets, Net
Feature film production assets consisted of the following:

	As of June 30, 2015	December 31, 2014
In release	$13,746	$12,063
Completed but not released	4,221	3,865
In production	11,177	10,036
In development	571	507
Total	$29,715	$26,471

Approximately 37% of “In release” film production assets are estimated to be amortized over the next 12 months, and approximately 70% of “In release” film production assets are estimated to be amortized over the next three years. We anticipate amortizing approximately 80% of our "In release" film production asset within four years as we receive revenues associated with television distribution of our licensed films. During the three and six months ended June 30, 2015 and 2014, we amortized $699 and $632, and $1,409 and $2,069, respectively, of feature film production assets. During the six months ended June 30, 2015, we released one feature film direct via theatrical distribution, Vendetta, and two films direct to DVD, The Flintstones & WWE: Stone Age SmackDown and The Marine 4: Moving Target, which comprises approximately $3,100 of our "In release" feature film assets as of June 30, 2015. Third-party distributors control the distribution and marketing of co-distributed films, and as a result, we recognize revenue on a net basis after the third-party distributor recoups distribution fees and expenses and results are reported to us. Results are typically reported to us in periods subsequent to the initial release of the film.

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7. Feature Film Production Assets, Net (continued)

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

We did not record any impairment charges during the three and six months ended June 30, 2015 and 2014 related to our feature films.

We currently have two theatrical films designated as "Completed but not released" and have nine films "In production." We also have capitalized certain script development costs for various other film projects designated as "In development." Capitalized script development costs are evaluated at each reporting period for impairment and to determine if a project is deemed to be abandoned. During the three and six months ended June 30, 2014, we expensed $204 and $339, respectively, related to previously capitalized development costs related to abandoned projects. We did not incur any comparable expense in the current year periods.

8. Television Production Assets, Net

Television production assets consisted of the following:

	As of June 30, 2015	December 31, 2014
In release	$3,284	$1,035
Completed but not released	—	1,259
In production	7,072	3,538
Total	$10,356	$5,832

Television production assets consist primarily of episodic television content series we have produced for distribution through a variety of platforms including on our WWE Network. Amounts capitalized include development costs, production costs, production overhead and employee salaries. We have $10,356 and $5,832 capitalized as of June 30, 2015 and December 31, 2014, respectively, related to this type of programming. Costs to produce episodic programming for television or distribution on WWE Network are amortized in the proportion that revenues bear to management's estimates of the ultimate revenue expected to be recognized from exploitation, exhibition or sale.

Amortization of television production assets consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Network programming	$1,875	$7,064	$2,909	$8,147
Television programming	1,336	4,419	7,145	6,167
Total	$3,211	$11,483	$10,054	$14,314

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

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8. Television Production Assets, Net (continued)

Unamortized television production assets are evaluated for impairment each reporting period. If conditions indicate a potential impairment, and the estimated future cash flows are not sufficient to recover the unamortized asset, the asset is written down to fair value. In addition, if we determine that a program will not likely air, we will write-off the remaining unamortized asset. During the three and six months ended June 30, 2015 and 2014, we did not record any impairments related to our television production assets.

9. Investment Securities and Short-Term Investments

Included in Investment Securities in our Consolidated Balance Sheets as of June 30, 2015 are $7,850 of cost method investments and $14,170 related to an equity method investment. As of December 31, 2014, Investment Securities included $7,200 in cost method investments.

Cost Method Investments:

WWE maintains several cost method investments. On March 14, 2014, the Company invested $2,000 in Series E Preferred Stock of a software application developer. On May 30, 2013, the Company made an investment of $2,200 in a live event touring business. For the quarter ended March 31, 2015, we made additional investments of $135 and $515 in the software application developer and live event touring business, respectively. We evaluate our cost method investments for impairment if factors indicate that a significant decrease in value has occurred. The Company did not record any impairment charges on our cost method investments during the three and six months ended June 30, 2015 and 2014.

Equity Method Investment:

In March 2015, WWE entered into an agreement with ABG to form a joint venture, Tapout. ABG has agreed to contribute certain intangible assets for the Brand, licensing contracts, systems, and other administrative functions to Tapout. The Company has agreed to contribute promotional and marketing services related to the venture for a period of at least five years in exchange for a 50% interest in the profits and losses and voting interest in Tapout. The Company valued its initial investment based on the fair value of the existing licensing contracts contributed by ABG. Our interest on the inception date of the agreement was determined to be $13,800. As discussed in Note 2, Significant Accounting Policies, although this investment is characterized as a variable interest entity, we do not meet the requirements of a having a controlling financial interest, and therefore, we do not consolidate our investment. Instead, we account for our interest in Tapout using the equity method of accounting. To the extent that Tapout records income or losses, we will record our share proportionate to our ownership percentage, and any dividends received would reduce the carrying amount of the investment. No indicators of impairment were noted during the three and six months ended June 30, 2015.

Classified within Investment Securities as of June 30, 2015 was $14,170 of assets related to our investment in Tapout. We also recorded a liability for the service obligation to Tapout, which is measured net of the services provided to date. As promotional services are provided to Tapout, we will record revenue and reduce the existing service obligation. The remaining service obligation as of June 30, 2015 was $13,700, and was included in Deferred Income and Non-Current Deferred Income for $2,660 and $11,040, respectively.

Our known maximum exposure to loss approximates the remaining service obligation to Tapout, which was $13,700 as of June 30, 2015. Future investment earnings could also increase our investment balance and the related exposure to loss. Creditors of Tapout do not have recourse against the general credit of the Company.

(In thousands, except share data)

9. Investment Securities and Short-Term Investments (continued)

Short-Term Investments:

Short-term investments measured at fair value consisted of the following:

	June 30, 2015				December 31, 2014			
		Gross Unrealized				Gross Unrealized		
	Amortized Cost	Gain	(Loss)	Fair Value	Amortized Cost	Gain	(Loss)	Fair Value
Municipal bonds	$18,184	$22	$(15)	$18,191	$19,962	$39	$(9)	$19,992
Corporate bonds	40,576	31	(62)	40,545	43,388	20	(199)	43,209
Government agency bonds	7,500	—	(3)	7,497	5,000	—	(15)	4,985
Total	$66,260	$53	$(80)	$66,233	$68,350	$59	$(223)	$68,186

We classify the investments listed in the above table as available-for-sale securities. Such investments consist primarily of corporate and municipal bonds, including pre-refunded municipal bonds. These investments are stated at fair value as required by the applicable accounting guidance. Unrealized gains and losses on such securities are reflected, net of tax, as other comprehensive (loss) income in the Consolidated Statements of Comprehensive Income. Our municipal, corporate 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, 2015, contractual maturities of these bonds are as follows:

	Maturities
Municipal bonds	1 month - 3 years
Corporate bonds	1 month - 3 years
Government agency bonds	2 years - 3 years

The following table summarizes the short-term investment activity:

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Proceeds from sale of short-term investments	$—	$—	$—	$7,778
Proceeds from maturities and calls of short-term investments	—	4,005	$6,090	$9,035
Purchases of short-term investments	—	—	$4,621	$2,511
Gross realized gains on sale of short-term investments	—	—	$—	$3

10. 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.

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

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

The following assets are required to be measured at fair value on a recurring basis and the classification within the hierarchy was as follows:

	Fair Value at June 30, 2015				Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Municipal bonds	$18,191	$—	$18,191	$—	$19,992	$—	$19,992	$—
Corporate bonds	40,545	—	40,545	—	43,209	—	43,209	—
Government agency bonds	7,497	—	7,497	—	4,985	—	4,985	—
Total	$66,233	$—	$66,233	$—	$68,186	$—	$68,186	$—

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 municipal, corporate, and government agency bonds 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 municipal, corporate, 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 municipal, and corporate, 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 cost method investments are classified within Level 3, as significant unobservable inputs are used to measure the fair value of these assets due to the absence of quoted market prices and inherent lack of liquidity. Significant unobservable inputs include variables such as near-term prospects of the investees, recent financing activities of the investees, and the investees' capital structure, as well as other economic variables, which reflect assumptions market participants would use in pricing these assets. Our investments are recorded at fair value only if an impairment charge is recognized. The Company did not record an impairment charge on these assets during the three and six months ended June 30, 2015 and 2014.
The Company's long lived property and equipment, feature film and television production assets are required to be measured at fair value on a non-recurring basis if it is determined that indicators of impairment exist. These assets are

recorded at fair value only when an impairment is recognized. During the three and six months ended June 30, 2015, the Company did not record an impairment charge on these assets. During the three and six months ended June 30, 2014, the Company recorded an adjustment of $1,600 to reduce the carrying value of our former Corporate Aircraft to its estimated fair value of $3,400. The Company classifies these assets as Level 3 within the fair value hierarchy due to significant unobservable inputs.
The fair value of the Company’s long-term debt, consisting of a promissory note secured by the Company's Corporate Jet, is estimated based upon quoted price estimates for similar debt arrangements. At June 30, 2015, the face amount of the note approximates its fair value.

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11. Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses consisted of the following:

	As of June 30, 2015	December 31, 2014
Trade related	$8,906	$6,721
Staff related	7,157	6,558
Management incentive compensation	10,771	13,279
Talent related	4,819	6,446
Accrued WWE Network related expenses	3,386	5,155
Accrued event and television production	5,412	5,612
Accrued home entertainment expenses	538	953
Accrued legal and professional	2,190	1,483
Accrued purchases of property and equipment and other assets	410	1,452
Accrued film liability	2,514	2,521
Accrued income taxes (a)	3,167	—
Accrued other	8,373	7,398
Total	$57,643	$57,578

(a) At December 31, 2014, income taxes had a refundable balance of $1,141 and was included in prepaid expenses and other current assets on our Consolidated Balance Sheets.

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. The increase in accrued expenses is primarily due to the change in the Company's tax position, partially offset by the payout of our fiscal 2014 bonus.

12. Debt
Film Credit Facility

In May 2015, two domestic subsidiaries of the Company, WWE Studios Finance Corp. and WWE Studios Finance Holding Corp. (collectively, the “Loan Parties”) entered into a $35,000 secured asset based revolving credit agreement with Bank of America, N.A., as Administrative Agent and lender (the “Film Credit Facility”). Funds under the Film Credit Facility can be used for, among other things, development of films and television projects. Under the Film Credit Facility, the WWE Studios Finance Corp. is allowed to borrow amounts of up to an aggregate of $35,000 based on a borrowing base formula. As of June 30, 2015, there have been no borrowings under the Film Credit Facility. The Film Credit Facility has a five-year term, and it is secured by substantially all the assets of the Loan Parties. The applicable interest rate for borrowings under the Film Credit Facility is a LIBOR-based rate plus 2.50% on LIBOR-based borrowings or an alternate base rate plus 1.50% for alternate base rate borrowings, in all cases subject to adjustment downward based on the status of film projects. As of June 30, 2015, the LIBOR-based rate plus margin was 2.78%. The Loan Parties are required to pay certain fees, including a commitment fee, calculated at a rate per annum of 0.50% on the average daily unutilized portion of the Film Credit Facility. Under the terms of the Film Credit Facility, the Loan Parties are subject to certain financial covenants and restrictions, including limitations with respect to indebtedness, liens, mergers and acquisitions, dispositions of assets, investments, capital expenditures, and transactions with affiliates. As of June 30, 2015, the Company was in compliance with the Film Credit Facility, and had available debt capacity under the terms of the Film Credit Facility of approximately $9,000.

12. Debt (continued)
Revolving Credit Facility

In September 2011, the Company entered into a $200,000 senior unsecured revolving credit facility with a syndicated group of banks, with JPMorgan Chase acting as administrative agent (the "Revolving Credit Facility"). 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, 2015, the LIBOR-based rate plus margin was 2.53%. The Company is required to pay a commitment fee calculated at a rate per annum of 0.375% on the average daily unused portion of the credit facility. Under the terms of the Revolving Credit Facility, the Company is subject to certain financial covenants and restrictions, including restrictions on our ability to pay dividends and limitations with respect to our indebtedness, liens, mergers and acquisitions, dispositions of assets, investments, capital expenditures and transactions with affiliates.

During 2013 and 2014 the Company entered into amendments to the Revolving Credit Facility whereby (i) the maturity date was extended to September 9, 2016, (ii) changes were made to the applicable margin for borrowings under the facility, and (iii) restrictions on certain financial covenants were amended to provide for greater financial flexibility. The amendments also included certain additional allowances for the Company to make investments in special film entities.

As of June 30, 2015, the Company was in compliance with the Revolving Credit Facility, as amended, and had available debt capacity under the terms of the Revolving Credit Facility of approximately $151,000. As of June 30, 2015 and December 31, 2014, there were no amounts outstanding under the Revolving Credit Facility.

Aircraft Financing

On August 7, 2013, the Company entered into a $31,568 promissory note (the “Note”) with Citizens Asset Finance, Inc., for the purchase of a 2007 Bombardier Global 5000 aircraft and refurbishments ("Corporate Jet"). The Note bears interest at a rate of 2.18% per annum, is payable in monthly installments of $406, inclusive of interest, beginning in September 2013, and has a final maturity of August 7, 2020. The Note is secured by a first priority perfected security interest in the purchased aircraft. As of June 30, 2015 and December 31, 2014, the amounts outstanding related to the Note were $23,759 and $25,920, respectively.

13. Concentration of Credit Risk
We continually monitor our position with, and the credit quality of, the financial institutions that are counterparties to our financial instruments. Our accounts receivable relate principally to a limited number of distributors, including our Network, television, pay-per-view, and home video distributors, and licensees that produce consumer products containing our intellectual property. We closely monitor the status of receivables with these customers and maintain allowances for anticipated losses as deemed appropriate. At June 30, 2015, our two largest receivable balances from customers were 18% and 14%, respectively, of our gross accounts receivable. At December 31, 2014, we had one customer that made up 14% of our gross accounts receivable. No other customers individually exceeded 10% of our gross accounts receivable balance.

14. Income Taxes

As of June 30, 2015, we had $20,178 of deferred tax assets, net, included in current assets and $23,541 included in non-current income tax assets in our Consolidated Balance Sheets. As of December 31, 2014, we had $24,120 of deferred tax assets, net, included in current assets and $10,915 included in non-current income tax assets in our Consolidated Balance Sheets. The increase in our deferred tax asset balance was driven by the recognition of taxable income associated with deferred income receipts.

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14. Income Taxes (continued)
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 asset 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.

15. Film and Television Production Incentives
The Company has access to various governmental programs that are designed to promote film and television production within the United States of America and certain international jurisdictions. Incentives earned with respect to expenditures on qualifying film, 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. For the three and six months ended June 30, 2015, we received $517 and $1,214, respectively, of incentives related to television production activities that were recorded as an offset to production expense. For the three and six months ended June 30, 2015 we received $58 of incentives relating to film production activities, which reduced the related assets. We did not receive any incentives during the three and six months ended June 30, 2015 relating to infrastructure improvements incentives on qualifying capital projects.
During the six months ended June 30, 2014, we received $3,080 for infrastructure improvement incentives relating to qualifying capital projects. Of this amount, $2,937 was recorded as a reduction in property and equipment. During the three and six months ended June 30, 2014, we received $456 of incentives relating to film production activities, which reduced the related assets. During the three and six months ended June 30, 2014, we did not receive any incentives relating to television production activities.
16. Commitments and Contingencies
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 alleges that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE’s performers. 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. Each of these suits seeks 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

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16. Commitments and Contingencies (continued)

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. Lastly, 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. The Company believes all claims and threatened claims against the Company in these various lawsuits are being prompted by the same plaintiffs' lawyer and are without merit. The Company intends to continue to defend itself against these lawsuits vigorously.

On July 26, 2014, the Company received notice of a lawsuit filed in the United States District Court for the District of Connecticut, entitled Warren Ganues and Dominic Varriale, on behalf of themselves and all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon and George A. Barrios, alleging violations of federal securities laws based on certain statements relating to the negotiation of WWE's domestic television license. The complaint seeks certain unspecified damages. A nearly identical lawsuit was filed one month later entitled Curtis Swanson, on behalf of himself and all others similarly situated, v. World Wrestling Entertainment, Inc., Vincent K. McMahon and George A. Barrios. Both lawsuits are purported securities class actions subject to the Private Securities Litigation Reform Act of 1995 ("PSLRA"). On September 23-24, five putative plaintiffs filed motions to be appointed lead plaintiff and to consolidate the two cases pursuant to the PSLRA. Following a hearing on October 29, 2014, the Court issued an order dated November 5, 2014 appointing Mohsin Ansari as lead plaintiff and consolidating the two actions. On January 5, 2015, the lead plaintiff filed an amended complaint. Among other things, the amended complaint adds Stephanie McMahon Levesque and Michelle D. Wilson as named defendants. The Company has filed a motion to dismiss the amended complaint in its entirety. The Company believes the claims are without merit and intends to defend itself against these lawsuits vigorously.

In addition to the foregoing, we are involved in several other lawsuits and claims that we consider to be in the ordinary course of our business. 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. We may from time to time become a party to other legal proceedings.

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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 reportable segments.

Media Division:

Network

- Revenues consist principally of subscriptions to WWE Network, fees for viewing our pay-per-view programming, and advertising fees.

Television

- Revenues consist principally of television rights fees and advertising.

Home Entertainment

- Revenues consist principally of sales of WWE produced content via home entertainment platforms, including DVD, Blu-Ray, and subscription outlets.

Digital Media

- Revenues consist principally of advertising sales on our websites and third party websites, including YouTube, and sales of various broadband and mobile content.

Live Events

- Revenues consist principally of ticket sales and travel packages for live events.

Consumer Products Division:

Licensing

- Revenues consist principally of royalties or license fees related to various WWE themed products such as video games, toys and apparel.

Venue Merchandise

- Revenues consist of sales of merchandise at our live events.

WWEShop

- Revenues consist of sales of merchandise on our websites, including through our WWEShop Internet storefront.

WWE Studios

- Revenues consist of amounts earned from investing in, producing and/or distributing filmed entertainment.

Corporate & Other

- Revenues consist of amounts earned from talent appearances. Expenses include corporate overhead and certain expenses related to sales and marketing, including our international offices, and talent development functions. Additionally, Corporate and Other includes all intersegment eliminations recorded in consolidation.

Results of Operations

The Company presents OIBDA as the primary measure of segment profit (loss). The Company defines OIBDA as operating income before depreciation and amortization, excluding feature film and television production asset amortization and impairments, as well as the amortization of costs related to content delivery and technology assets utilized for our WWE Network. The Company believes the presentation of 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.

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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 OIBDA is that it excludes depreciation and amortization, which represents the periodic charge for certain fixed assets and intangible assets used in generating revenues for our business. 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 OIBDA. See Note 3, Segment Information in the accompanying Consolidated Financial Statements for a reconciliation of OIBDA to operating income for the periods presented.

We do not allocate certain costs included in OIBDA of our Corporate and Other segment to the other reportable segments. Corporate and Other expense primarily includes corporate overhead and certain expenses related to sales and marketing, including our international offices, and talent development functions, including costs associated with our WWE Performance Center. These costs benefit the Company as a whole and are therefore not allocated to individual businesses. Included in Corporate and Other are intersegment eliminations recorded in consolidation.

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Results of Operations
Three Months Ended June 30, 2015 compared to Three Months Ended June 30, 2014
(dollars in millions)
Summary

	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Net Revenues			
Media Division	$99.1	$97.7	1 %
Live Events	26.4	40.3	(34)%
Consumer Products Division	21.8	16.0	36 %
WWE Studios	2.1	1.7	24 %
Corporate & Other	0.8	0.6	33 %
Total	150.2	156.3	(4)%
OIBDA			
Media Division	38.2	6.4	497 %
Live Events	6.7	15.5	(57)%
Consumer Products Division	9.9	5.1	94 %
WWE Studios	—	(0.2)	100 %
Corporate & Other	(41.6)	(41.4)	— %
Total	13.2	(14.6)	190 %
OIBDA as a percentage of revenues	9 %	(9)%	
Depreciation and amortization expense	5.9	7.9	(25)%
Operating income (loss)	7.3	(22.5)	132 %
Investment and other expense, net	(0.3)	(0.3)	— %
Income (loss) before income taxes	7.0	(22.8)	131 %
Provision for (benefit from) income taxes	1.9	(8.3)	123 %
Net income (loss)	$5.1	$(14.5)	135 %

Our comparative results were significantly impacted by the timing of our annual WrestleMania event, which occurred on March 29, 2015, and consequently is included in our first quarter financial results. In the prior year, WrestleMania occurred on April 6, 2014, and was included in our second quarter financial results.

Our Media division revenues increased slightly compared to the prior year quarter, primarily due to increased subscription revenue related to the growth of WWE Network in new and existing territories, and the escalation of television rights fees, partially offset by the timing of WrestleMania. Our Live Events segment experienced a 34% decrease in revenues primarily driven by the timing of WrestleMania. Our Consumer Products division experienced a 36% increase in revenues, primarily driven by higher licensing revenues from our video games, partially offset by decreased venue merchandise sales as a result of the timing of WrestleMania. Our WWE Studios segment reflected a 24% increase in revenues driven by the timing of our film releases and the performance of our movie portfolio.

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Media Division

The following tables present the performance results for our segments within our Media division (dollars in millions except where noted):

Revenues-Media Division	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Network	$40.1	$43.3	(7)%
Subscriptions	$36.6	$19.4	89 %
Pay-per-view	$3.5	$23.9	(85)%
Monthly subscription price (dollars) (a)	$9.99	$9.99	— %
Number of paid subscribers at period end	1,156,100	699,750	65 %
Domestic	939,300	699,750	34 %
International	216,800	—	100 %
Number of average paid subscribers	1,215,700	665,000	83 %
Number of pay-per-view events	3	4	(25)%
Number of buys from pay-per-view events	263,600	1,058,600	(75)%
Average revenue per pay-per-view buy (dollars)	$13.90	$22.51	(38)%
Pay-per-view domestic retail price, excluding WrestleMania (dollars)	$44.95	$44.95	— %
Pay-per-view domestic retail price WrestleMania (dollars)	N/A	$59.95	N/A
Television	$52.1	$43.8	19 %
Home entertainment	$3.1	$5.4	(43)%
Gross units shipped	523,000	578,000	(10)%
Digital media	$3.8	$5.2	(27)%
Total	$99.1	$97.7	1 %
Television Ratings			
Average weekly household ratings for RAW	3.2	3.5	(9)%
Average weekly household ratings for SmackDown	2.2	2.2	— %

(a) This is our pricing for our domestic subscribers. In certain international territories, subscribers can access the network by other means and/or subscription pricing may vary.

OIBDA-Media Division	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Network	$17.2	$(7.3)	336 %
Television	21.2	11.7	81 %
Home entertainment	0.6	2.8	(79)%
Digital media	(0.8)	(0.8)	— %
Total	$38.2	$6.4	497 %
OIBDA as a percentage of revenues	39 %	7 %	

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Network revenues, which include revenues generated by the WWE Network and pay-per-view, decreased by $3.2 million in the current year quarter as compared to the prior year quarter. This decrease is primarily due to a decline in pay-per-view revenues of $20.4 million, or 85%, resulting from the launch of WWE Network and the timing of WrestleMania. The decline in pay-per-view revenues was partially offset by an increase in WWE Network revenues of $17.2 million, or 89%, in the current year quarter as compared to the prior year quarter. During the quarter ended June 30, 2015, WWE Network had an average of 1,215,700 paid subscribers, compared to an average of 665,000 subscribers in the prior year quarter. WWE Network, which launched on February 24, 2014, is a 24/7 streaming network that provides access to live and scheduled programming, including all 12 of WWE’s live pay-per-view events, as well as access to its comprehensive video-on-demand library. During the quarter there were approximately 337,300 gross additions to WWE Network’s subscriber base, offset by churn of 508,400 subscribers. Gross additions include unique new subscribers and win-backs (subscribers that previously churned out and subsequently renewed their subscription). The subscription pricing of WWE Network at June 30, 2015 is $9.99 per month with a one month commitment period. Network OIBDA increased to a profit of $17.2 million in the current year quarter as compared to a loss of $7.3 million in the prior year quarter. Included in the prior year quarter were higher programming costs, including production costs associated with WrestleMania, which took place in the first quarter of this year, and customer service costs associated with the Network's launch, partially offset by higher variable costs in the current year related to increased subscriber levels.

Television revenues, which include revenues generated from television rights fees and advertising, increased by $8.3 million in the current year quarter as compared to the prior year quarter. Television rights fees in the current quarter include approximately $11.0 million in net incremental revenue associated with the renewal and extension of certain key television distribution agreements, many of which became effective in the latter half of 2014 or the first quarter of 2015. This revenue was partially offset by the timing of Total Divas, which did not air in the current quarter compared to the second season airing during the prior year quarter. Television OIBDA as a percentage of revenues increased to 41% in the current year quarter as compared to 27% in the prior year quarter driven by the increased revenue and relatively fixed nature of our cost structure and product mix.

Home entertainment revenues, which include revenues generated from the sale of WWE produced content via home entertainment platforms such as DVD and Blu-Ray discs and digital downloads, decreased by $2.3 million in the current year quarter compared to the prior year quarter. The decrease from the prior year quarter was due to a 10% decline in units shipped to 523,000 units, and a 21% decrease in the average price per unit sold. The decline in DVD and Blue-Ray units shipped reflected reduced shipments of WWE's new releases and catalog titles attributable, in part, to the decline in the home entertainment industry. Home entertainment OIBDA as a percentage of revenues decreased to 19% in the current year quarter as compared to 52% in the prior year quarter, primarily driven by lower sell-through and effective pricing.

Digital media revenues decreased by $1.4 million, primarily due to the discontinuation of our publishing business in the second half of 2014. Digital media OIBDA as a percentage of revenues decreased to a loss of 21% in the current year quarter as compared to a loss of 15% in the prior year quarter, driven by lower revenues and a relatively fixed cost structure.

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Live Events

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

Revenues-Live Events	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Live events	$26.4	$38.3	(31)%
North America	$16.9	$27.5	(39)%
International	$9.5	$10.8	(12)%
Total live event attendance	496,100	519,300	(4)%
Number of North American events	65	54	20 %
Average North American attendance	5,400	7,000	(23)%
Average North American ticket price (dollars)	$46.45	$65.28	(29)%
Number of international events	21	23	(9)%
Average international attendance	6,900	6,100	13 %
Average international ticket price (dollars)	$65.09	$75.38	(14)%
Travel packages	$—	$2.0	(100)%
Total	$26.4	$40.3	(34)%

OIBDA-Live Events (dollars in millions)	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Live events	$6.6	$14.8	(55)%
Travel packages	0.1	0.7	(86)%
Total	$6.7	$15.5	(57)%
OIBDA as a percentage of revenues	25 %	38 %	

Live events revenues, which include revenues from ticket sales and travel packages, decreased 34% to $26.4 million in the current year quarter as compared to the prior year quarter. The decrease in live events revenue is primarily due to the timing of WrestleMania, which occurred in the first quarter of 2015 as compared to the second quarter of 2014. The prior year quarter includes revenue of $14.6 million related to WrestleMania. Excluding the impact of WrestleMania in the prior year quarter, revenue from the Company's North American live events increased $2.0 million during the current year quarter, primarily due to 12 additional events and marginally higher average ticket prices, partially offset by lower average attendance. Our international live events revenue decreased 12% in the current year quarter compared to the prior year quarter, driven by adverse changes in exchange rates that resulted in lower average ticket prices and two fewer events held in the current year quarter. Live events OIBDA as a percentage of revenue decreased to 25% in the current year quarter compared to 38% in the prior year quarter, reflecting the impact of WrestleMania.

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Consumer Products Division

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

Revenues-Consumer Products Division	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Licensing	$11.3	$5.5	105 %
Venue merchandise	4.7	6.5	(28)%
Domestic per capita spending (dollars)	$10.42	$10.07	3 %
WWEShop	5.8	4.0	45 %
Average WWEShop revenues per order (dollars)	$45.88	$47.98	(4)%
Total	$21.8	$16.0	36 %

OIBDA-Consumer Products Division	Three Months Ended June 30, 2015	June 30, 2014	increase (decrease)
Licensing	$6.4	$1.5	327 %
Venue merchandise	2.1	2.6	(19)%
WWEShop	1.4	1.0	40 %
Total	$9.9	$5.1	94 %
OIBDA as a percentage of revenues	45 %	32 %	

Licensing revenues increased by $5.8 million in the current year quarter as compared to the prior year quarter, driven largely by improved performance of our video games of $6.2 million. The increased performance of our video games in the current year quarter is derived from both higher unit sales of our newest franchise game, WWE2K15, and a WWE branded game, WWE SuperCard. Licensing OIBDA as a percentage of revenues increased to 57% in the current year quarter from 27% in the prior year quarter. The prior year quarter included approximately $0.5 million of costs associated with Slam City webisodes produced to support a line of toys with Mattel®. There were no similar costs in the current year quarter.

Venue merchandise revenues decreased by $1.8 million in the current year quarter as compared to the prior year quarter primarily due to decreased sales of merchandise as a result of the timing of WrestleMania, partially offset by an increase in domestic revenue from 11 additional events being held in the current year quarter. Venue merchandise OIBDA as a percentage of revenues increased to 45% in the current year quarter from 40% in the prior year quarter, primarily due to the mix of products sold at venues.

WWEShop revenues increased by $1.8 million in the current year quarter compared to the prior year quarter, based on a 52% increase in the volume of online merchandise sales to approximately 127,500 orders. Orders increased primarily due to the impact of increased marketing and improved product assortment, as well as increased revenue from our international E-commerce business. This increase was partially offset by a 4% decline in the average revenue per order to $45.88 in the current year quarter. WWEShop OIBDA as a percentage of revenues was essentially flat at approximately 25% in the periods presented.

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WWE Studios

The following table presents the detailed information for our WWE Studios segment (dollars in millions):

Title	Release Date	Production Costs (a)	Feature Film Production Assets-net as of June 30, 2015	Inception to-date Revenue	Inception to-date OIBDA	For the Three Months Ended June 30, Revenue 2015	For the Three Months Ended June 30, Revenue 2014	For the Three Months Ended June 30, OIBDA 2015	For the Three Months Ended June 30, OIBDA 2014
2015									
Vendetta	June 2015	$1.0	$1.0	$—	$—	$—	$ N/A	$—	$ N/A
The Marine 4: Moving Target	April 2015	1.2	1.2	—	—	—	N/A	—	N/A
The Flintstones & WWE: Stone Age Smackdown	Mar. 2015	0.9	0.9	—	—	—	N/A	—	N/A
		3.1	3.1	—	—	—	—	—	—
2014									
Jingle All the Way 2	Dec. 2014	1.6	1.6	—	—	—	N/A	—	N/A
Queens of the Ring	Nov. 2014	—	—	—	—	—	N/A	—	N/A
See No Evil 2	Oct. 2014	1.1	0.7	0.4	0.1	0.3	N/A	0.1	N/A
Leprechaun: Origins	Aug. 2014	1.0	0.6	0.5	0.2	0.2	N/A	0.1	N/A
Road to Paloma	July 2014	—	—	0.2	0.1	0.1	N/A	0.1	N/A
Oculus	Apr. 2014	3.0	1.7	—	(1.3)	—	—	—	—
Scooby Doo! WrestleMania Mystery	Mar. 2014	1.2	0.4	2.5	1.6	0.3	—	0.2	—
		7.9	5.0	3.6	0.7	0.9	—	0.5	—
Prior Releases		131.9	5.7	118.0	(29.5)	1.2	1.7	0.7	1.3
Completed but not released		4.2	4.2	—	—	—	—	—	—
In production		11.2	11.2	—	—	—	—	—	—
In development		0.5	0.5	—	(4.4)	—	—	—	(0.2)
Sub-total		$158.8	$29.7	$121.6	$(33.2)	$2.1	$1.7	1.2	1.1
Selling, General & Administrative Expenses								(1.2)	(1.3)
Total								$—	$(0.2)

(a) Production costs are presented net of the associated benefit of production incentives.

During the current year quarter, we released one feature film, The Marine 4: Moving Target, direct to DVD, and one feature film, Vendetta, via limited theatrical distribution. Third-party distributors control the distribution and marketing of these films and, as a result, we recognize revenue on a net basis after the third-party distributor recoups distribution fees and expenses and results are reported to us. Results are typically reported to us in quarters subsequent to the initial release of these films.

WWE Studios revenues increased 24% to $2.1 million in the current year quarter as compared to the prior year quarter. The increase in revenue is driven by the timing of our film releases and when participation statements are received. The prior year quarter included revenues of $1.0 million related to our 2013 film releases. WWE Studios OIBDA increased $0.2 million in the current year quarter as compared to the prior year quarter, primarily due to the increase in revenue.

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At June 30, 2015, the Company had $29.7 million (net of accumulated amortization and impairment charges) of feature film production assets capitalized on its Consolidated Balance Sheet, of which $13.8 million is for films in-release, and the remaining $15.9 million is for films that are completed, pending release, in production or developmental projects. We review and revise estimates of ultimate revenue and participation costs at the end of each reporting quarter to reflect the most current information available. If estimates for a film's ultimate revenue are revised and indicate a significant decline in a film's profitability or if events or circumstances change that would indicate we should assess whether the fair value of a film is less than its unamortized film costs, we calculate the film's estimated fair value using a discounted cash flows model. If fair value is less than unamortized cost, the film asset is written down to fair value. There were no impairment charges recorded in the periods presented.

	Three Months Ended		
Revenues- Corporate & Other (dollars in millions)	June 30, 2015	June 30, 2014	increase (decrease)
Other (a)	$0.8	$0.6	33 %

Other revenues include revenues associated with talent appearances and intersegment eliminations.

	Three Months Ended		
OIBDA- Corporate & Other (dollars in millions)	June 30, 2015	June 30, 2014	increase (decrease)
Corporate & Other	$(41.6)	$(41.4)	— %

Corporate & Other Expenses

The following table presents the amounts and percent change of certain significant Corporate and Other expenses (dollars in millions):

	Three Months Ended		
	June 30, 2015	June 30, 2014	increase (decrease)
Staff related	$13.6	$13.9	(2)%
Management incentive compensation	7.5	2.8	168 %
Legal, accounting and other professional	5.1	6.4	(20)%
Travel and entertainment expense	1.4	2.0	(30)%
Advertising, marketing and promotion	1.8	3.4	(47)%
Corporate insurance	0.9	0.9	— %
Bad debt expense	0.2	0.1	100 %
All other (a)	11.9	12.5	(5)%
Total	$42.4	$42.0	1 %
Corporate & Other as a percentage of net revenues	28 %	27 %	

(a) Includes intersegment eliminations recorded in consolidation.

Corporate and Other expenses primarily include corporate overhead and certain expenses related to our sales and marketing, including our international offices, and talent development functions, including costs associated with our WWE Performance Center. These costs benefit the Company as a whole and are therefore not allocated to individual businesses. Corporate and Other expenses as a percentage of revenues remained relatively consistent in the periods presented. In the current year, an increase of $4.7 million in management incentive compensation expenses due to the Company's performance was partially offset by a reduction of $1.6 million in advertising, marketing and promotion costs and $1.3 million in professional fees due to the timing of spending on corporate initiatives.

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Depreciation and Amortization
(dollars in millions)

	Three Months Ended		
	June 30, 2015	June 30, 2014	increase (decrease)
Depreciation and amortization	$5.9	$7.9	(25)%

Depreciation expense in the current year quarter decreased $2.0 million, or 25%, as compared to the prior year quarter. Depreciation expense in the prior year quarter reflected an adjustment of $1.6 million to reduce the carrying value of the Company's former Corporate Aircraft to its estimated fair value prior to its sale.

Investment Income, Interest and Other Expense, Net
(dollars in millions)

	Three Months Ended		
	June 30, 2015	June 30, 2014	increase (decrease)
Investment income, interest and other expense, net	$(0.3)	$(0.3)	— %

Investment income, interest and other expense, net remained flat at $0.3 million in the periods presented.

Income Taxes
(dollars in millions)

	Three Months Ended		
	June 30, 2015	June 30, 2014	increase (decrease)
Provision for (benefit from) income taxes	$1.9	$(8.3)	123 %
Effective tax rate	28 %	36 %	

The effective tax rate was 28% in the current year quarter as compared to 36% in the prior year quarter. The lower rate in the current year quarter reflects increased domestic production activity tax benefits.

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Results of Operations
Six Months Ended June 30, 2015 compared to Six Months Ended June 30, 2014
(dollars in millions)
Summary

	Six Months Ended		
	June 30, 2015	June 30, 2014	increase (decrease)
Net Revenues			
Media Division	$203.9	$173.5	18 %
Live Events	65.7	62.0	6 %
Consumer Products Division	52.0	39.2	33 %
WWE Studios	3.6	6.1	(41)%
Corporate & Other	1.2	1.1	9 %
Total	$326.4	$281.9	16 %

OIBDA