



# **World Wrestling Entertainment, Inc.**

**Second Quarter – 2008**

**Conference Call**

**August 5, 2008**



# Forward Looking Statements

Today's discussion contains forward-looking statements pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995, which are subject to various risks and uncertainties. These risks and uncertainties include the conditions of the markets for live events, broadcast television, cable television, pay-per-view, Internet, feature films, entertainment, professional sports, and licensed merchandise; acceptance of the Company's brands, media and merchandise within those markets; uncertainties relating to litigation; risks associated with producing live events both domestically and internationally; uncertainties associated with international markets; risks relating to maintaining and renewing key agreements, including television distribution agreements; and other risks and factors set forth from time to time in Company filings with the Securities and Exchange Commission. Actual results could differ materially from those currently expected or anticipated.



## **Agenda: Second Quarter 2008**

- **Overview**
- **Operational Highlights**
- **Financial Review**
- **Financial Objectives**
- **Q&A**



# Overview: Summary Income Statement

(\$s in millions, except per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Growth %	2008	2007	Growth %
Revenue	\$129.7	\$137.5	(6%)	\$292.3	\$244.9	19%
Operating Income	\$12.0	\$9.7	24%	\$39.1	\$30.3	29%
Net Income	\$7.0	\$7.0	-	\$26.5	\$22.2	19%
Earnings Per Share (diluted)	\$0.10	\$0.10	-	\$0.36	\$0.31	16%
<u>Memo:</u> EBITDA	\$15.7	\$12.0	31%	\$45.3	\$34.9	30%

- *WrestleMania 23* occurred in April, 2007 and contributed approximately \$31.4 million of revenues and \$9.7 million of profit contribution (\$6.6 million, net of tax) to WWE's results in the *second quarter of 2007*. *WrestleMania XXIV* occurred in March, 2008 and contributed to our *first quarter 2008* results.
- For Q2 2008 and the first six months of 2008, EBITDA and Operating Income include a \$3.5 million charge (\$3 million non-cash) related to a promotional campaign, which was funded by WWE's Chairman. In addition, Q2 2008 other (expense)/ income, net reflects a revaluation of warrants in certain partners. In aggregate, these *non-cash* charges in the quarter resulted in an approximate reduction of \$2.7 million to Net Income and \$0.04 to EPS.
- For Q2 2007 and the first six months of 2007, EBITDA and Operating Income include a \$15.7 million impairment charge related to our feature film, *The Condemned*, and a \$0.9 million benefit from legal settlements. These items combined resulted in a reduction of \$9.3 million to Net Income and of \$0.13 to EPS.



## Operational Highlights:

- Overall, second quarter results were highlighted by positive top-line trends and strong profit growth from our international operations
  - Revenue and profit from international operations increased 30%
  - Total revenue and earnings were adversely impacted by the timing of *WrestleMania* (Q1'08 vs. Q2'07) and the film impairment in Q2'07
    - Excluding the impact of *WrestleMania* and the film impairment, revenue increased 22% and profit contribution grew 24%
    - Net Income was essentially flat to Q2'07
    - WWE commits to more stringent cost control measures
- Strengthened WWE's business model - content, marketing and distribution
  - Managed continued pay-per-view growth: Achieved 6% increase in combined buys for comparable Q2 events
  - Executed "*McMahon's Million Dollar Mania*" marketing promotion, enhancing WWE's TV and consumer audience
  - Extended TV distribution agreement with Ten Sports in India
- Fundamental operating metrics continued to trend favorably
  - Average attendance grew 19% at our N. American events (ex-WM) and rose 52% at our international events
  - Gross DVD unit shipments increased 25% to 1.3M



# Financial Review: Second Quarter Summary

(\$s in millions)

	Three months ended June 30,		B/(W) vs. 2007	
	2008	2007	\$	%
<b>Revenue</b>				
Live Events/ Venue Merch.	\$ 40.5	\$ 35.5	\$ 5.0	14%
Pay-Per-View	17.9	39.8	(21.9)	(55%)
Television	24.7	23.9	0.8	3%
Digital Media	7.9	8.2	(0.3)	(4%)
Licensing	9.0	7.7	1.3	17%
Home Video	18.5	14.8	3.7	25%
WWE Studios (formerly WWE Films)	2.6	-	2.6	n/m
Other	8.6	7.6	1.0	13%
<b>Total Revenue</b>	<b>\$ 129.7</b>	<b>\$ 137.5</b>	<b>\$ (7.8)</b>	<b>(6%)</b>
<b>Profit Contribution</b>				
Live Events/ Venue Merch.	\$ 12.5	\$ 10.7	1.8	17%
Pay-Per-View	10.1	15.5	(5.4)	(35%)
Television	4.7	6.7	(2.0)	(30%)
Digital Media	3.4	3.7	(0.3)	(8%)
Licensing	6.5	5.9	0.6	10%
Home Video	10.8	9.3	1.5	16%
WWE Studios	2.2	(15.9)	18.1	n/m
Other	3.1	1.1	2.0	n/m
<b>Total Profit Contribution</b>	<b>\$ 53.3</b>	<b>\$ 37.0</b>	<b>\$ 16.3</b>	<b>44%</b>
<b>Profit Margin</b>	<b>41%</b>	<b>27%</b>		
S,G & A	37.6	25.0	(12.6)	(50%)
Depreciation	3.7	2.3	(1.4)	(61%)
<b>Operating Income</b>	<b>\$ 12.0</b>	<b>\$ 9.7</b>	<b>\$ 2.3</b>	<b>24%</b>
<b>Margin %</b>	<b>9%</b>	<b>7%</b>		



# Operational Highlights: Live Events

- Live event revenue, including merchandise sales, increased 14% as strong international performance more than offset the timing of *WrestleMania* (Q2'07 vs. Q1'08)
- North American live events attracted average paid attendance in line with the second quarter last year
  - Excluding the prior year impact of *WrestleMania*, average paid attendance increased 19% to 6,900
- Q2 2008 included 31 international events vs. 26 events in Q2 2007
  - Average attendance to international events increased 52% to 9,100 reflecting positive momentum in key markets of Europe and Australia
  - Expect 81 international events for the full year 2008 vs. 75 in 2007

▪ **Key Drivers:**

	Second Quarter			Six Months		
	2008	2007	Growth %	2008	2007	Growth %
<b>North America (Exc. ECW)</b>						
Average Event Attendance	6,900	6,900	- *	7,000	6,900	1%
Number of live events	52	58	(10%)	118	121	(2%)
<b>International</b>						
Average Event Attendance	9,100	6,000	52%	9,100	6,800	34%
Number of live events	31	26	19%	39	34	15%

\* Excluding impact of *WrestleMania* in Q2 2007, average attendance increased 19% to 6,900



# Operational Highlights: Pay-Per-View

- Key Drivers:

	Second Quarter			Six Months		
	2008	2007	Growth %	2008	2007	Growth %
<b>Total Pay-Per-View buys (000s)</b>	1,063	2,104	(49%)	3,097	3,005	3%
Current period buys	919	2,053	(55%)	2,888	3,004	(4%)
Prior period buys	144	51	182%	209	1	n/m
<b>Number of current year events</b>	4	5	(20%)	7	8	(13%)

- Q2 2008 pay-per-view revenue decreased \$22 million reflecting the impact of *WrestleMania 23* (1.2M buys in Q2'07)
  - Excluding the prior year impact of *WrestleMania*, pay-per-view revenue increased 18% over the prior year quarter
  - For the comparable events produced in both periods, aggregate buys increased 6% over the prior year quarter
  - Buys for *Night of Champions* increased 12% vs. the comparable event in Q2 2007
- Year-to-date, pay-per-view revenue has increased 6% as strong current year performance has more than offset the absence of *New Year's Revolution* in the 2008 schedule



## Operational Highlights: Television

- Revenue from television distribution grew nearly 1 million (3%) reflecting increases in WWE's domestic and international agreements
- RAW remains one of the most watched regularly scheduled programs on cable television among households and total viewers
  - RAW is regularly seen by over 4.9 million viewers each week
- In the second quarter, SmackDown was the CW Network's top rated program among all key male demographic categories
  - SmackDown is seen by more than 4.2 million viewers each week
- ECW is the top rated program on the SCI FI Channel (based on the average of all telecasts)

- **Key Drivers:**

TV Ratings (THH):	Second Quarter			Six Months		
	2008	2007	Growth %	2008	2007	Growth %
RAW	3.4	3.8	(11%)	3.5	3.9	(10%)
SmackDown	2.4	2.6	(8%)	2.6	2.8	(7%)
ECW	1.2	1.6	(25%)	1.3	1.6	(19%)



## Operational Highlights: Consumer Products

- Home Video revenue grew 25% from the prior year quarter reflecting strong sales of new releases and catalog titles
  - DVD shipments increased 25% to 1.3 million
  - Q2 2008 had 7 new title releases vs. 6 in prior year quarter
    - *WrestleMania XXIV* shipped 305,000 units in the quarter
    - *The Rock: The Most Electrifying Man in Sports Entertainment* shipped 160,000 units
  - Approximately 310,000 units of catalog titles shipped in the quarter compared to about 173,000 units in the prior year quarter
  
- Licensing revenue rose 17% (\$1.3 million) over the prior year quarter with significant revenue growth from our video game sales
  - *SmackDown vs. RAW 2008* (released in November) sold over 700,000 units in the quarter, representing a 75% increase in unit sales from the prior release in the comparable period last year. Growth was led by sales on the PS3, Wii and Nintendo DS platforms
  - International revenue increased 37% and accounted for approximately two-thirds of the quarter-over-quarter growth



## Operational Highlights: Digital Media

- Digital Media, our Internet based operations including online ad sales, mobile content and e-commerce, generated \$7.9M in revenue, representing a 4% decline from the prior year quarter
- WWE.com revenue declined 13% to \$4.0M primarily due to the timing of *WrestleMania* (Q2'07 vs. Q1'08), which benefited our premium services (such as pay-per-view webcasts) and our online ad sales in the prior year quarter
  - WWE.com averaged 15.8 million unique users per month and 25 million video streams in the current quarter
  - Internet traffic as measured by page views trended favorably during the quarter. Page views increased 9% to an average of 411 million per month for the quarter compared to Q1'08
- WWEShop.com's revenue increased 8% to \$3.9M, reflecting a 4% increase in the average order size, and a 4% increase in merchandise sales to approximately 71,000 online orders (vs. 68,000 in the second quarter last year)



## Operational Highlights: WWE Studios (formerly WWE Films)

- WWE released two feature films (*See No Evil* and *The Marine*) in 2006 with performance in-line with management expectations
- *The Condemned* was released in April, 2007
  - During the second quarter of 2007, an impairment charge of \$15.7 million was recorded related to the performance of *The Condemned*
- In the second of quarter 2008, we recognized \$2.6 million in revenue predominantly from continued DVD sales of our film portfolio
- WWE Studios completed production of one direct-to-video and one theatrical project (expected to be released and distributed by Fox in 2009)
  - “*Behind Enemy Lines 3*” direct-to-video completed production on budget of \$5 million
  - “*12 Rounds*,” action/ adventure feature film featuring John Cena, completed production on budget of \$20 million
  - “*The Marine 2*” direct-to-video scheduled to start production in October



# Financial Overview: Profit Contribution and S,G&A (\$s in millions)

**Profit Contribution, as reported, increased 44% to \$53.3 million. Excluding the impact of *WrestleMania* and the film impairment in 2007, “adjusted” profits increased 24% predominantly from strong performance of our live events and home video operations**

- Profit contribution margins (adjusted basis) were 41% in line with the prior year quarter. Improved margins from our domestic and international live events were offset by increases in our pay-per-view and television production costs. These costs stemmed primarily from the implementation of high definition programming. Segment profit margins are as follows:

	Three months ended June 30,		
	2008	2007	Growth %
Live & Televised Entertainment	34%	32%	2% pts.
Consumer Products	57%	60%	(3%) pts.
Digital Media	43%	45%	(2%) pts.
WWE Studios	85%	n/a	n/a

**Selling, General and Admin. expense increased to \$37.6 vs. \$25 in Q2 2007 primarily due to increases in marketing, staff related and legal costs (See page 14 for more information)**

- Q2 '08 includes a \$3M non-cash charge related to a marketing promotion, which was funded by our Chairman

**Operating Income increased 24% to \$12.0 vs. \$9.7 in Q2 2007**

**Net Income of \$7 in both Q2 2008 and Q2 2007**

- Net income reflects the impact of the “*McMahon Million Dollar Mania*” campaign, and a revaluation of certain investments. In aggregate, non-cash charges reduced EPS by about \$0.04

**Free cash flow deficit of \$17.9 in Q2 2008 vs. positive free cash flow of \$22.9 in Q2 2007**

- Q2 deficit reflects increased investment in feature films as well as changes in working capital
- Capital expenditures increased \$4.7M primarily due to the Company’s investment in high definition broadcasting equipment



# Financial Review: Second Quarter Revenue

(\$s in millions)

<b>Q2 2008 Revenue</b>	<b>\$129.7</b>
vs. Q2 2007 \$	- \$7.8
%	(6%)

### Impact of *WrestleMania* Timing

Live Events/ Venue Merchandise	- \$6.8
Pay-Per-View	- \$24.6
<i>Subtotal</i>	- \$31.4

<b>Q2 2008 Revenue</b>	<b>\$129.7</b>
<b>vs. Q2 2007 (Excluding <i>WrestleMania</i>)</b>	<b>+\$23.6</b>
<b>%</b>	<b>22%</b>

### Underlying Trends (Excluding *WrestleMania*)

Live Events/ Venue Merchandise:

N. America (19% increase in avg. attendance to 6,900)	+\$1.4
International (52% increase in average attendance to 9,100 and 5 additional events in Q2'08)	+\$9.2
Venue Merchandise (sales per event attendee)	+\$1.2
<i>Subtotal</i>	<b>+\$11.8</b>

Home Video (25% increase in DVD shipments to 1.3M units, including incremental catalog sales) **+\$3.7**

Pay-per-view (primarily 6% increase in buys for PPV events produced in both Q2 '08 and Q2 '07) **+\$2.7**

WWE Studios (primarily reflects continued DVD sales) **+\$2.6**

Licensing (75% increase in *SmackDown vs. Raw2008* video game unit sales) **+\$1.3**

All other **+\$1.5**

<b>Total</b>	<b>+\$23.6</b>
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# Financial Review: Second Quarter Operating Income

(\$s in millions)

Q2 2008 Operating Income	\$12.0
vs. Q2 2007 \$	+\$2.3
%	24%

### Items impacting comparability

<i>WrestleMania</i> timing (impact on profit contribution)	- \$9.7
"McMahon's Million Dollar Mania" - promotion (including \$3 million non-cash charge)	- \$3.5
Legal settlements received in Q2 '07	- \$0.9
Film impairment in Q2'07 - <i>The Condemned</i>	<u>+\$15.7</u>
<b>Subtotal - Items impacting comparability</b>	<b>+\$1.6</b>

vs. Q2 2007 \$ (excluding items above)	+\$0.7
vs. Q2 2006 % (excluding items above)	5%

Live Events/Venue Merchandise	+\$5.9
WWE Studios	+\$2.4
Home Video	+\$1.5
Licensing	+\$0.6
TV Production (reflects impact of HD production and acquisition of new <i>RAW</i> and <i>SmackDown</i> set)	- \$2.0
SG&A	
Staff related costs, including stock compensation and travel	- \$3.3
Legal fees	- \$1.8
Other (includes investment in WWE's talent development programs)	- \$3.1
Subtotal	- \$8.2
All other	+\$0.5
<b>Total</b>	<b>+\$0.7</b>



# Financial Overview: Consolidated Balance Sheets

(\$s in millions)

	As of June 30, 2008	As of December 31, 2007
<u>Assets</u>		
Cash & short-term investments	\$ 184.4	\$ 266.4
Accounts receivable	79.5	56.6
Other current assets	32.4	24.7
Total current assets	<u>296.3</u>	<u>347.7</u>
Net fixed assets	87.7	77.8
Feature film production assets	33.0	21.9
Investment Securities	33.1	-
Other assets	19.5	22.7
<b>Total assets</b>	<b><u>\$ 469.6</u></b>	<b><u>\$ 470.1</u></b>
<u>Liabilities &amp; Stockholders' Equity</u>		
Current liabilities	\$ 76.6	\$ 71.6
Long-term debt	4.4	4.9
Other long-term liabilities	6.4	10.2
Total liabilities	<u>87.4</u>	<u>86.7</u>
Total stockholders' equity	382.2	383.4
<b>Total equity &amp; liabilities</b>	<b><u>\$ 469.6</u></b>	<b><u>\$ 470.1</u></b>



## Long-Term Financial Objectives

- The Company has completed a comprehensive review of our businesses, and evaluated the significant growth opportunities for WWE
- Over the 2006-2011 period, we are targeting average annual growth as follows:
  - 10% Revenue Growth (CAGR %)
  - 12% Earnings Growth (CAGR %)
- Expect growth to be led by:
  - International expansion
  - Exploitation of Digital Media opportunities
  - Strengthening of WWE's core businesses, especially pay-per-view



# APPENDIX



# Appendix

(\$s in millions)

## Reconciliation of Net Income to Normalized EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income reported on GAAP basis	\$ 7.0	\$ 7.0	\$ 26.5	\$ 22.2
Addback:				
Provision for income taxes	4.7	4.2	13.3	12.2
Interest income and other, net	0.3	(1.5)	(0.7)	(4.1)
Depreciation and amortization	3.7	2.3	6.2	4.6
EBITDA	\$ 15.7	\$ 12.0	\$ 45.3	\$ 34.9
Film Impairment	-	15.7	-	15.7
Legal Settlements	-	(0.9)	-	(0.9)
McMahon Promotion (\$3M non-cash)	3.5	-	3.5	
Normalized EBITDA	<u>\$19.2</u>	<u>\$26.8</u>	<u>\$48.8</u>	<u>\$49.7</u>



# Appendix

(\$s in millions)

## Reconciliation of cash provided by operating activities to free cash flow

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2007	2007
Net cash (used in) provided by operating activities	\$ (12.0)	\$ 24.1	\$ 3.1	\$ 48.8
Less cash used for capital expenditures:				
Purchase of property and equipment	(5.8)	(1.1)	(15.5)	(2.6)
Purchase of other assets	(0.1)	(0.1)	(0.2)	(0.2)
Total capital expenditures	(5.9)	(1.2)	(15.7)	(2.8)
Free Cash Flow	<u>\$ (17.9)</u>	<u>\$ 22.9</u>	<u>\$ (12.6)</u>	<u>\$ 46.0</u>