

WWE Fourth Quarter Financial Report

Good stuff for the company.

From 411mania.com.

Overview:

- Revenues totaled \$118.4 million as compared to \$115.1 million in the prior year quarter.
- Operating loss was \$12.2 million as compared to income of \$2.6 million in the prior year quarter.
- Net loss was \$7.9 million, or \$0.10 per share, as compared to income of \$0.6 million, or \$0.01 per share, in the prior year quarter.
- OIBDA in the fourth quarter 2013 decreased to a \$5.6 million loss from income of \$8.5 million in the prior year quarter.
- The decline in OIBDA and Operating was due to increased investment in staffing, talent and marketing to support our strategic content initiatives, including the launch of WWE Network.
- Lower sales of new DVD releases and a corresponding shift in product mix to lower priced catalog titles.

House shows:

Live Event revenues increased 9% to \$25.4 million from \$23.3 million in the prior year quarter primarily due to staging three additional events in international markets that in aggregate garnered a higher average ticket price in the current year quarter.

- There were 78 total events, including 52 events in North

America and 26 events in international markets, in the current quarter as compared to 75 events in the prior year quarter, including 52 events in North America and 23 in international markets.

- North American live event revenue of \$13.8 million was essentially unchanged from the prior year quarter, as a 4% increase average attendance to approximately 5,900 fans was offset by a reduction in live event sponsorship sales. The average realized ticket price of \$44.59 also remained essentially unchanged from the prior year quarter.
- International live event revenue increased 23% to \$11.6 million from \$9.4 million in the prior year quarter. The growth reflected the impact of staging three additional events in the quarter. Additionally, changes in venue mix contributed to both an increase in average ticket price and a partially offsetting decline in average attendance. The average ticket price rose 17% to \$81.98 as the current year quarter included three events in Abu Dhabi, an international market that has historically garnered higher ticket prices. Average international attendance declined 7% to 5,200.

Pay Per View:

Pay-Per-View revenues were \$15.7 million as compared to \$13.0 million in the prior year quarter primarily due to the production of four pay-per-view events in the current quarter as compared to three in the prior year quarter. Revenue for the events held in both the current and prior year quarter increased 2% based on a comparable increase in pay-per-view buys. The average revenue per buy for these events was essentially unchanged from the prior year.

- **WWE Battleground (October):** 114,000 buys, No PPV in 2012
- **WWE Hell in a Cell (October):** 228,000 buys, up 29,000 from 2012
- **WWE Survivor Series (November):** 177,000 buys in 2013, down 31,000 from 2012

- **WWE TLC (December):** 181,000 buys, up 6,000 from 2012
- **Buys From Prior Events:** 82,000 buys, up 12,000 from 2012
- **2013 Total:** 782,000 buys, up 130,000 from 2012.
- **Note:** If you take out the extra Battleground PPV for the quarter, the company still did 16,000 more buys as compared to the same quarter last year.

Consumer Products:

- Home Entertainment net revenues were \$5.0 million as compared to \$9.6 million in the prior year quarter. The decrease was driven by a 33% decline in the average price per unit to approximately \$8 due, in part, to a higher proportion of catalog sales than in the prior year quarter. This shift derived from changes at retail, including reduced space for DVD inventory and demand for lower priced product. Shipments of catalog titles increased 51% and accounted for 57% of total unit shipments compared to 35% in the prior year quarter. Based on the sustained increase in catalog shipments, which historically have been characterized by lower sell-through rates, estimated returns increased to 51% from 37% of gross revenue. Also contributing to the decline in net home entertainment revenue, overall shipments fell 8% to 1.1 million with two fewer releases in the quarter (9 in Q4 2013 vs. 11 in Q4 2012).
- Licensing revenues declined 14% to \$7.2 million from \$8.4 million in the prior year quarter primarily due to reduced sales of toy products in the U.S. and international markets. Despite the fourth quarter decline, domestic retail toy sales increased for the full year and WWE maintained its position with the second highest selling action figure property in the U.S. market. In late 2013, the Company launched a new line of construction toys, a segment of the toy category that has demonstrated strong growth over the last several years. Royalties from the sale of video game and

apparel products were essentially flat to the prior year quarter, as modest growth in the U.S. was offset by lower sales in international markets.

- Magazine publishing net revenues were \$1.3 million as compared to \$1.7 million in the prior year quarter, reflecting lower newsstand sales in the current year quarter.

TV Revenue

Television revenues increased 2% to \$41.3 million from \$40.6 million in the prior year quarter primarily due to the production and monetization of Total Divas, a new program, which debuted in July 2013, as well as contractual increases for existing programs licensed in international markets. These increases were partially offset by the timing of one less episode of Raw in the U.S. (due to one less Monday in the fourth quarter of 2013 as compared to the fourth quarter 2012).

WWE Studios

WWE Studios recognized revenue of \$5.0 million as compared to revenue of \$0.6 million in the prior year quarter primarily due to the performance and timing of results from the Company's portfolio of movies. The fourth quarter 2013 reflected revenue from Christmas Bounty, a made-for-TV movie that aired in November 2013, and to a lesser extent, revenue from The Call (starring Halle Berry), which was released theatrically in March 2013. Although four movies were released during 2012, these releases had limited impact on revenue recognized in the fourth quarter of that year. WWE Studios' movie portfolio generated income of \$0.1 million in the quarter compared to a loss of \$1.2 million in the prior year quarter, which included \$0.5 million in film impairment charges. Excluding the impact of film impairment charges, the WWE Studios' movie portfolio contributed to essentially break-even results in the current year as compared to a loss of \$0.7 million in the prior year quarter.

During the current year, WWE Studios recognized revenue of \$10.8 million as compared to \$7.9 million in the prior year, reflecting the timing of results generated by the Company's portfolio of movies. In November 2013, the Company released Christmas Bounty, a made-for-TV film. Additionally, five other

films were released in the current year (12 Rounds 2: Reloaded, No One Lives, Dead Man Down, The Call and The Marine 3: Homefront) versus four in the prior year.

Based on revised ultimate expectations for the Company's movies, film impairment charges increased to \$11.7 million in the current year compared to \$1.2 million in the prior year. Impairments were primarily related to the Company's 2010-2012 film slate, as well as Dead Man Down, which were released earlier in 2013. As a result, WWE Studios generated a loss of \$12.7 million compared to a loss of \$5.5 million in the prior year. Excluding the impact of film impairment charges, the WWE Studios' movie portfolio generated an adjusted loss of \$1.0 million compared to an adjusted loss of \$4.3 million in the prior year.

Digital Media:

Revenues from our Digital Media related businesses were \$11.7 million as compared to \$12.1 million in the prior year quarter.

- WWE.com revenues were \$5.7 million as compared to \$6.2 million in the prior year quarter with lower aggregate sales of digital content. Key digital metrics such as unique visitors to the Company's website and mobile app as well as average monthly page views increased from the prior year quarter.
- WWEShop revenues were \$6.0 million as compared to \$5.9 million in the prior year quarter reflecting a comparable percentage increase in revenue per order to \$47.88. The volume of online merchandise sales remained essentially unchanged at approximately 124,300 orders.

Total revenues for the year ended December 31, 2013 were \$508.0 million as compared to \$484.0 million in the prior year. Operating income for the current year was \$5.9 million versus \$43.2 million in the prior year. Net income was \$2.8 million, or \$0.04 per share, as compared to \$31.4 million, or \$0.42 per share, in the prior year. OIBDA was \$30.4 million for the current year as compared to \$63.2 million in the prior year. Excluding items that impacted comparability on a year-

over-year basis, Adjusted Operating income was \$14.2 million compared to \$44.4 million in the prior year, Adjusted OIBDA was \$38.7 million as compared to \$64.4 million and Adjusted Net income was \$8.2 million, or \$0.11 per share, compared to \$28.1 million, or \$0.38 per share, in the prior year.

In summary, WWE is making a lot of money.