

WORLD WRESTLING ENTERTAINMENT INC

Form 10-Q

August 08, 2008

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

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

For the quarterly period ended June 30, 2008

or

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

For the transition period from _____ to _____

Commission file number 0-27639

**WORLD WRESTLING ENTERTAINMENT, INC.
(Exact name of Registrant as specified in its charter)**

Delaware

(State or other jurisdiction of incorporation or organization)

04-2693383

(I.R.S. Employer Identification No.)

**1241 East Main Street
Stamford, CT 06902
(203) 352-8600**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

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

Yes No X

At July 20, 2008 the number of shares outstanding of the Registrant's Class A common stock, par value \$.01 per share, was 24,570,753 and the number of shares outstanding of the Registrant's Class B common stock, par value \$.01 per share, was 47,713,563.

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

Three Months Ended		Six Months Ended	
June 30,	June 30,	June 30,	June 30,
2008	2007	2008	2007

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Net revenues	\$ 129,658	\$ 137,511	\$ 292,290	\$ 244,902
Cost of revenues	76,358	100,524	176,376	158,621
Selling, general and administrative expenses	37,596	25,008	70,621	51,369
Depreciation and amortization	3,719	2,252	6,191	4,604
Operating income	11,985	9,727	39,102	30,308
Investment income, net	1,476	1,681	3,221	3,979
Interest expense	104	126	214	234
Other (expense)/income, net	(1,617)	(60)	(2,293)	346
Income before income taxes	11,740	11,222	39,816	34,399
Provision for income taxes	4,709	4,176	13,260	12,215
Net income	\$ 7,031	\$ 7,046	\$ 26,556	\$ 22,184
Earnings per share □ Basic				
Net income	\$ 0.10	\$ 0.10	\$ 0.37	\$ 0.31
Earnings per share □ Diluted				
Net income	\$ 0.10	\$ 0.10	\$ 0.36	\$ 0.31
Weighted average common shares outstanding:				
Basic	72,659	71,307	72,448	71,176
Diluted	73,659	72,145	73,243	71,949

See Notes to Consolidated Financial Statements.

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

	As of June 30, 2008	As of December 31, 2007
CURRENT ASSETS:		
Cash and equivalents	\$ 138,149	\$ 135,805
Short-term investments	46,242	130,548
Accounts receivable, net	79,515	56,597
Inventory, net	5,627	4,717
Prepaid expenses and other current assets	26,773	20,053
Total current assets	296,306	347,720
PROPERTY AND EQUIPMENT, NET	87,722	77,771
FEATURE FILM PRODUCTION ASSETS	33,043	21,890

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INVESTMENT SECURITIES	33,140	-
INTANGIBLE ASSETS, NET	1,803	2,302
OTHER ASSETS	17,595	20,373
TOTAL ASSETS	\$ 469,609	\$ 470,056
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 965	\$ 927
Accounts payable	22,622	21,951
Accrued expenses and other liabilities	33,051	30,684
Deferred income	19,935	18,012
Total current liabilities	76,573	71,574
LONG-TERM DEBT	4,383	4,875
NON-CURRENT TAX LIABILITY	6,449	10,227
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock	246	241
Class B common stock	477	477
Additional paid-in capital	315,493	301,329
Accumulated other comprehensive income	2,423	2,894
Retained earnings	63,565	78,439
Total stockholders' equity	382,204	383,380
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 469,609	\$ 470,056

See Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 30, 2008	June 30, 2007
OPERATING ACTIVITIES:		
Net income	\$ 26,556	\$ 22,184
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization/write-off of feature film production assets	9,786	15,919
Revaluation of warrants	1,470	(117)
Depreciation and amortization	6,191	4,604
Realized loss on sale of investments	348	730
Amortization of investments or investment assets	173	(247)
Stock compensation costs	5,733	4,218
Provision for doubtful accounts	233	(573)
Provision for inventory obsolescence	1,993	1,090

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Reimbursement of operating expenses by principal shareholder	1,950	-
Benefit from deferred income taxes	(813)	(1,636)
Excess tax benefits from stock-based payment arrangements	(949)	(795)
Changes in assets and liabilities:		
Accounts receivable	(23,151)	(1,923)
Inventory	(2,903)	(1,350)
Prepaid expenses and other assets	(2,672)	3,508
Feature film production assets	(22,968)	(1,631)
Accounts payable	671	(18)
Accrued expenses and other liabilities	(739)	6,070
Deferred income	2,169	(1,259)
Net cash provided by operating activities	3,078	48,774
INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,461)	(2,578)
Purchase of film library assets	(182)	(166)
Purchase of short-term investments	(93,899)	(79,695)
Proceeds from sales or maturities of short-term investments	143,634	57,275
Net cash provided by (used in) investing activities	34,092	(25,164)
FINANCING ACTIVITIES:		
Repayments of long-term debt	(455)	(422)
Dividends paid	(40,494)	(34,214)
Issuance of stock, net	457	438
Proceeds from exercise of stock options	4,717	5,893
Excess tax benefits from stock-based payment arrangements	949	795
Net cash used in financing activities	(34,826)	(27,510)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	2,344	(3,900)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	135,805	86,267
CASH AND EQUIVALENTS, END OF PERIOD	\$ 138,149	\$ 82,367

See Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid - in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, December 31, 2007	71,788	\$ 718	\$ 301,329	\$ 2,894	\$ 78,439	\$ 383,339
Comprehensive income:						
Net income					26,556	26,556
Translation adjustment				(65)		(65)

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Unrealized holding loss, net of tax					(622)		(622)
Reclassification adjustment for losses realized in net income, net of tax					216		216
Total comprehensive income							26,080
Stock issuances, net	91	1	(117)				(117)
Exercise of stock options	398	4	4,713				4,713
Excess tax benefits from stock based payment arrangements			949				949
Dividends paid			936		(41,430)		(40,494)
Stock compensation costs			5,733				5,733
Capital contribution from principal shareholder			1,950				1,950
Balance, June 30, 2008	72,277	\$ 723	\$ 315,493	\$ 2,423	\$ 63,565	\$ 382,200	

See Notes to Consolidated Financial Statements.

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

1. Basis of Presentation and Business Description

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

Live and Televised Entertainment

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

Consumer Products

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

Digital Media

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

WWE Studios (formerly WWE Films)

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

All intercompany balances have been eliminated in consolidation. The accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted from these interim financial statements. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2007.

Recent Accounting Pronouncements

Effective January 1, 2008, we adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements, or SFAS 157, which establishes a framework for measuring fair value and for fiscal years beginning after November 15, 2007. Management is evaluating the impact of SFAS 157, effective for the Company on January 1, 2008, but does not currently expect the adoption of SFAS 157 to have a material impact on its consolidated statement of financial position and results of operations.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" Including an Amendment of FASB Statement No. 115 ("SFAS 159"). SFAS 159 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. SFAS 159 is effective for years beginning after November 15, 2007. Management is evaluating the impact of SFAS 159, effective for the Company on January 1, 2008, but does not currently expect the adoption of SFAS 159 to have a material impact on its consolidated statement of financial position and results of operations.

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PART 1 FINANCIAL INFORMATION

Item 3 A(T) Controls and Procedures

Planet Technologies, Inc. and Subsidiary

Evaluation of Disclosure Controls and Procedures -

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2007. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures at the end of the period covered by this report, the Company's chief executive officer and chief financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarterly period ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION
Planet Technologies, Inc. and Subsidiary

Item 1 Legal Proceedings:

None

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds:

See Item 3.02 on Form 8-K previously filed on November 13, 2007.

Item 3 Defaults upon Senior Securities:

None

Item 4 Submission of Matters to a Vote of Security Holders:

On October 24, 2007, at the Company's annual shareholders' meeting, the following items were voted on and approved (Total common stock outstanding as of the Record Date: 3,986,368 total shares voted: 3,062,304, or 76.82% of the common stock authorized to vote):

(1) The election of the following persons to serve on the Board of Directors of the Company until their successors are elected and qualified:

	For	Withheld	Percent of Outstanding Voted	Result of Shares Voted
a. Scott L. Glenn	2,458,319	2	76.82%	80.28%
b. Eric B. Freedus	2,459,369	2	76.82%	80.31%
c. H.M. Busby	2,459,119	2	76.82%	80.30%
d. Michael Trinkle	2,459,319	2	76.82%	80.31%
e. Ellen Preston	2,459,369	2	76.82%	80.31%
f. Michael Walsh	2,459,369	2	76.82%	80.31%
g. Edward Steube	2,443,541	2	76.82%	79.79%

Mr. Freedus, Mr. Busby, Mr. Trinkle, Ms. Preston, and Mr. Walsh resigned as directors effective November 8, 2007. See Item 5.02 on Form 8-K previously filed on November 13, 2007.

(2) Approval of the reincorporation of the Company from California to Delaware and changing the name to Planet Biopharmaceuticals, Inc.:

For	Against	Abstain	Percent of Outstanding Voted	Percent of Voting in Favor
2,376,676	600,201	15,782	75.07%	79.42%

The Company has elected not to immediately proceed with the reincorporation into Delaware and name change.

(3) Ratification of the selection of J.H. Cohn as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.

For	Against	Abstain	Percent of Outstanding Voted	Percent of Voting in Favor
3,060,730	350	1,224	76.82%	99.5%
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PART II OTHER INFORMATION
Planet Technologies, Inc. and Subsidiary

Item 5 Other Information

None

Item 6 Exhibits:

(a) Exhibits

Exhibit 10.30 Consulting Agreement between Ellen Preston and the Company.

Exhibit 31.1 Certification of Principal Executive and Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

Exhibit 32.1 Certification of Principal Executive and Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

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Planet Technologies, Inc.

SIGNATURES

In accordance with the requirements of Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2007

Planet Technologies, Inc.

/s/ Edward J. Steube

Edward J. Steube

Chief Executive Officer

/s/ Francesca DiNota

Francesca DiNota

Chief Financial Officer and

Chief Accounting Officer