

WORLD WRESTLING ENTERTAINMENT INC
Form 10-K
February 08, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 2017
or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-16131

WORLD WRESTLING ENTERTAINMENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

04-2693383
(I.R.S. Employer Identification No.)

1241 East Main Street

Stamford, CT 06902

(203) 352-8600

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Class A Common Stock, \$.01 par value per share (Title of each class)	New York Stock Exchange (Name of each exchange on which registered)
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SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Aggregate market value of the common stock held by non-affiliates of the Registrant at June 30, 2017 using our closing price on June 30, 2017 was \$770,348,077.

As of February 6, 2018, the number of shares outstanding of the Registrant's Class A common stock, par value \$0.01 per share, was 42,540,288 and the number of shares outstanding of the Registrant's Class B common stock, par value \$0.01 per share, was 34,609,438 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2018 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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* Incorporated by reference from the Registrant’s Proxy Statement for the 2018 Annual Meeting of Stockholders (the “Proxy Statement”).

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PART I

Item 1. Business

WWE is an integrated media and entertainment company. We have been involved in the sports entertainment business for more than 35 years, and have developed WWE into one of the most popular brands in global entertainment today. We develop unique and creative content centered around our talent and present it via our subscription network (“WWE Network”), television, online and at our live events. At the heart of our success are the athletic and entertainment skills and appeal of our Superstars, and our consistently innovative and multi-faceted storylines. Our WWE Network, live and televised events, digital media, home entertainment, consumer products and feature films provide significant cross-promotion and marketing opportunities that reinforce our brands while effectively reaching our fans.

Based on the strength of the Company’s brands and its ownership and control over its intellectual property, the Company has been able to leverage its content and talent across virtually all media platforms. We continually evaluate additional opportunities to monetize new and existing content, including our WWE Network, which is available in all international markets other than embargoed countries. The launch of WWE Network has been transformative to WWE; for example, WWE Network carries all of our pay-per-view events, and its annual revenues now greatly exceed prior annual revenues of our pay-per-view business.

"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. The initials "WWE" and our stylized and iconic "W" logo are two of our trademarks. This report also contains other WWE trademarks and trade names as well as those of other companies. All trademarks and trade names appearing in this report are the property of their respective holders.

Our operations are organized around the following 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 and transactional on-demand 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 website through our WWEShop internet storefront and on distribution platforms, including Amazon.

WWE Studios:

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

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Media Division

(represents 64%, 63% and 65% of our net revenues in 2017, 2016 and 2015, respectively)

WWE Network

WWE Network launched on February 24, 2014, becoming the first-ever 24/7 live streaming direct-to-consumer network. This subscription-based network is currently available in almost all international markets, including the United Kingdom, Canada, the Middle East, China and Australia, among others. Subscribers can access all of WWE's live pay-per-view events, exclusive original programming and nearly 9,400 hours of our video-on-demand library. The inclusion of our monthly marquis pay-per-view events, including WrestleMania, and the access to original content and live specials are critical components of the programming which drives our viewer engagement and satisfaction. WWE Network content includes exclusive original programming, including, Holy Foley, Bring it to the Table and WWE 24, as well as exclusive live in-ring specials, including our 2017 broadcasts of the U.K. Championship Tournament and Mae Young Classic, and our live NXT Takeover specials, among others. Our strategy of creating compelling original content for broadcast on WWE Network has contributed to the growth and acceptance of WWE Network, which premiered nearly 300 hours of original content during 2017.

WWE Network is available on desktops and laptops via WWE.com. WWE Network is also available through the WWE App on Amazon Fire TV and Kindle Fire devices, Android devices, iOS devices, Apple TV, Roku streaming devices, gaming consoles, connected TVs, Blu-Ray players, Smart TVs, TiVo and Windows 10. As of December 31, 2017, WWE Network had 1,471,400 paid subscribers as compared to 1,403,000 subscribers at December 31, 2016, representing a 5% increase in our subscriber base. Following WrestleMania, WWE Network reached an all-time high of nearly two million subscribers. For domestic subscribers, the current subscription pricing of WWE Network is \$9.99 per month with no minimum commitment, and new subscribers are currently offered a one-month free trial.

Network subscription net revenues were \$183.7 million, \$168.3 million and \$138.8 million, representing 23%, 23% and 21% of total net revenues in 2017, 2016 and 2015, respectively.

Pay-Per-View Programming

Beginning in February 2014 with the launch of WWE Network, WWE's monthly marquis pay-per-view events are included as part of the network subscription. Inclusion of these events as a part of the subscription to WWE Network has resulted in significant declines in our Pay-Per-View revenues, and this decline may continue with the ongoing growth and expansion of WWE Network.

Pay-per-views are live in eight languages, including Spanish, Portuguese, Russian, Japanese, Mandarin, German, Hindi, English and on VOD in French.

Pay-per-view net revenues were \$14.2 million, \$12.6 million and \$20.6 million, representing 2%, 2% and 3% of total net revenues in 2017, 2016 and 2015, respectively.

Television

Leveraging our expertise in live event television production, we produce five hours of original weekly domestic television programming, RAW and SmackDown Live. RAW and SmackDown Live are licensed domestically under a multi-year contract with NBC Universal ("NBCU"). Second runs of RAW and SmackDown Live are also available on

WWE Network 30 days after the original first run airing dates on television. We also produce reality shows and other programming. Our television programming is distributed domestically and internationally. Our domestic television programs currently are: RAW on USA Network with replays on NBC Universo and Uni HD; SmackDown Live on USA Network with replays on NBC Universo; and Total Divas and Total Bellas on E! Network. WWE's TV programs reach over 9 million viewers in the United States during the average week. USA Network, E! Network and NBC Universo are owned by NBCU.

The Company's domestic television agreements covering RAW and SmackDown Live are coterminous and expire in September 2019. The distribution of our Raw and SmackDown Live programs domestically is a key component of the Company's business and operations. Failure to secure distribution of these programs on terms favorable to the Company could have a material adverse impact on the Company's outlook, liquidity, business and operating results. We expect that, during 2018, we will negotiate a renewal of this main agreement with NBCU or will negotiate one or more new video content licenses with other distributors to replace it, although no assurances can be given as to this timeline.

RAW is a three-hour live primetime program which ranks among the most watched regularly scheduled programs on primetime cable television. RAW celebrated its 25th anniversary on January 22, 2018. It is the longest running weekly episodic program in primetime TV history, with more than 1,200 original episodes, and anchors USA Network's programming line-up, consistently helping make it the top-rated cable network.

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Beginning in July 2016, SmackDown Live became a two-hour live show for the first time ever and moved to Tuesdays on USA Network. In connection with this move, Raw and SmackDown Live each feature a distinct cast, unique storylines and a dedicated writing team. With more than 950 original episodes, SmackDown is the second longest running weekly episodic program in primetime TV history, second only to RAW.

Total Divas, a one-hour reality series on E!, was added to WWE's programming line-up in July 2013, and returned for its seventh season in November 2017. The reality based show explores life beyond the ring for several female WWE Superstars. Previous episodes of Seasons 1 through 5 are also replayed on WWE Network.

Total Bellas, a spinoff of the hit series, Total Divas, was added to WWE's programming line-up in October 2016, and launched a second season in September 2017. This reality based series airing on E! gives viewers exclusive access into the lives of The Bella Twins and their significant others, John Cena and Daniel Bryan. Previous episodes of Season 1 are also replayed on WWE Network.

WWE's television programming can be seen in 170 countries and more than 20 languages around the world. Our international broadcast partners include: Sky in the United Kingdom; Ten Sports in India, Rogers Communication in Canada, and PPTV in China, among many others.

Television net revenues were \$270.2 million, \$241.7 million and \$231.1 million, representing 34%, 33% and 35% of total net revenues in 2017, 2016 and 2015, respectively.

Home Entertainment

WWE distributes its home entertainment content in both physical (DVD and Blu-Ray) and digital formats. Content distributed through home entertainment channels has included themed compilations from the Company's vast archives as well as releases of the Company's pay-per-view events. Domestically, Warner Brothers Home Entertainment is the distributor of our home entertainment products. WWE's home entertainment titles are generally sold through retailers, such as Wal-Mart and Best Buy and via digital outlets, such as iTunes, Amazon, and others. Outside the United States, third-party licensees distribute our home entertainment releases.

The gradual shift by consumers to digital formats downloaded or streamed over the Internet has negatively impacted our DVD and Blu-Ray sales. In addition, we believe the continued growth and expansion of WWE Network, which includes access to WWE's video-on-demand library that includes many titles that are also available in DVD, Blu-Ray and digital formats, has contributed to the decline in our Home Entertainment sales. In 2017, we released 24 new home video productions domestically and, in the U.S., shipped 1.3 million DVD and Blu-Ray units, including catalog titles released in prior years. This compares to 1.6 million DVD and Blu-Ray units shipped in the U.S. in 2016, in which year we released 24 new home video productions domestically.

Home entertainment net revenues were \$8.6 million, \$13.1 million and \$13.4 million, representing 1%, 2% and 2% of total net revenues in 2017, 2016 and 2015, respectively.

Digital Media

WWE utilizes the Internet and social media platforms to promote our brands, market and distribute our content and digital products, create a community experience among our fans and sell online advertising. WWE currently streams its video content on select social media platforms, such as YouTube and Facebook. WWE consistently ranks among the top viewed channels on YouTube, with nearly 15 billion views of WWE content in 2017. The Company receives

advertising revenues from YouTube and Facebook based on viewership of our content. In 2017, WWE had 1.2 billion social media fan engagements across social media platforms such as Facebook, Twitter, YouTube, Instagram and Tumblr.

Our primary website, WWE.com, attracted an average of 13 million monthly unique visitors worldwide during 2017. These visitors viewed an average of 257 million pages and 22 million video streams per month. WWE wallpapers, ringtones, voicetones and videos are available through our mobile partnerships.

WWE currently has local language-based websites allowing fans to experience WWE in their native language with a concentration on local events and shows. Currently, the available languages are English, Mandarin, French, German, Polish and Arabic. We have relationships with local sales agencies to sell advertising on WWE.com, which allow a partner to sell advertising across a region of countries.

Total Digital Media net revenues were \$34.5 million, \$26.9 million and \$21.5 million, representing 4%, 4% and 3% of total net revenues in 2017, 2016 and 2015, respectively.

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Live Events

(represents 19%, 20% and 19% of our net revenues in 2017, 2016 and 2015, respectively)

Our broad and talented roster of Superstars allows us to perform in numerous domestic markets and take advantage of the strong international demand for our events. Live events and the associated programming produced at our live events are our principal creative content and production activities. Our creative team develops compelling and complex characters and weaves them into dynamic storylines that combine physical and emotional elements. Storylines are usually played out in the ring and unfold on our weekly television shows, culminating in our monthly marquis events which air on WWE Network and are also available via pay-per-view.

In 2017, we produced 314 live events (excluding our NXT developmental division) throughout North America, entertaining 1.8 million fans at an average ticket price of \$58.68. We hold many of our live events at major arenas across the country. In addition to providing content for our television and other programming, these events provide us with a real-time assessment of the popularity of our storylines and characters.

In 2017, we produced 70 live events (excluding NXT) internationally, reaching 400,000 fans at an average ticket price of \$77.83. These events were spread over several international tours throughout Europe, the Middle East, Asia, Latin America and Australia.

Since launching NXT as a separate live event brand in 2013, it continues to grow into a global touring brand. In 2017, we produced 188 global NXT events, reaching 152,000 fans at an average ticket price of \$39.27. These events include weekly taped broadcasts that are produced at Full Sail University in Orlando, Florida and air on WWE Network, as well as live event specials, such as NXT: Takeover. Additionally, the NXT brand held various live events throughout the U.S., as well as an international tour in the United Kingdom.

Live events net revenues were \$151.7 million, \$144.4 million and \$124.7 million, representing 19%, 20% and 19% of total net revenues in 2017, 2016 and 2015, respectively.

Consumer Products Division

(represents 14%, 15% and 15% of our net revenues in 2017, 2016 and 2015, respectively)

Licensing

We have established a worldwide licensing program using our marks and logos, copyrighted works and characters on a large variety of retail products, including toys, video games, apparel and books. Currently, we have relationships with more than 200 licensees worldwide that provide products for sale at major retailers. To maintain the distinctive style and quality of our intellectual property and brand, we retain creative approval over the design, packaging, advertising and promotional materials associated with these products. Additionally, we continually seek new opportunities to partner with best-in-class organizations to develop new products for our fans and further expand our licensing business.

Video games and toys are the largest components of our licensing program. We have a comprehensive, multi-year licensing agreement with Mattel, Inc. our master toy licensee, covering all global territories and a multi-year licensing agreement with Take-Two Interactive Software, Inc. ("Take-Two") who publishes our branded console video games. In partnership with Mattel, we launched a new girls' product line, WWE Superstars, which featured the first-ever

fashion dolls of our female Superstars. WWE branded video games currently include WWE 2K, available on PlayStation and XBOX platforms and on iOS and Android devices and WWE SuperCard which is available on iOS and Android devices. In 2017, we launched two new mobile games, WWE Champions and TapMania, which are both available on iOS and Android devices. The video game industry continues to migrate the availability of video games as downloadable content through an Internet connected device. Accordingly, our video games can be downloaded via the Internet and also contain subsequent downloadable content that can be purchased to add additional characters and game modes to enhance game play.

Music is an integral part of the WWE entertainment experience. We compose and record most of our music, including Superstar entrance themes, in our recording studio. In addition to our own composed music, we license music performed by popular artists.

Licensing net revenues were \$52.1 million, \$49.1 million and \$48.9 million, representing 7%, 7% and 7% of total net revenues in 2017, 2016 and 2015, respectively.

Venue Merchandise

Our direct-to-consumer venue merchandise business consists of the design, sourcing, marketing and distribution of numerous WWE-branded products such as t-shirts, belts, caps and other novelty items, all of which feature our Superstars and/or logos. These items are offered for sale at our live events.

Venue merchandise net revenues were \$23.8 million, \$24.2 million and \$22.4 million, representing 3%, 3% and 3% of total net revenues in 2017, 2016 and 2015, respectively.

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WWEShop

WWEShop is our direct-to-consumer e-commerce storefront. Additionally, WWE merchandise is distributed on other domestic and international e-commerce platforms, including Amazon. Utilizing these platforms, we processed 818,600 orders during 2017 as compared to 771,500 in 2016.

WWEShop net revenues were \$37.8 million, \$34.6 million and \$27.1 million, representing 5%, 5%, and 4% of total net revenues in 2017, 2016 and 2015, respectively.

WWE Studios

(represents 2%, 1% and 1% of our net revenues in 2017, 2016 and 2015, respectively)

WWE Studios oversees the Company's participation in the production and global distribution of filmed entertainment content, which may include movies for theatrical, home entertainment, and/or television release. The Company believes its movie business expands its brands by reaching new audiences and supports the Company's investment in its Superstar talent.

Our WWE Studios business model focuses on the utilization of strategic partnerships, including production, distribution and acquisition relationships, to increase financial returns and mitigate risk. WWE utilizes its marketing and content platforms, especially its weekly presence on prime-time television, to support its movie projects.

In 2017, WWE Studios released nine films. Among the film projects, WWE Studios partnered with Blumhouse Productions to release *The Resurrection of Gavin Stone*, *Sleight* and *Birth of the Dragon* via theatrical distribution. WWE Studios also partnered with Sony Pictures to release *Surf's Up 2: WaveMania* and *Marine 5: Battleground*, direct to DVD. In partnership with Warner Brothers Animation, WWE Studios released *The Jetsons & WWE: Robo-WrestleMania!* direct to DVD. Additionally, WWE Studios produced *Fighting With My Family*, based on the true personal story of WWE Superstar Paige and her family, which is scheduled to be released in theaters nationwide in September 2018.

WWE Studios net revenues were \$18.6 million, \$10.1 million and \$7.1 million, representing 2%, 1% and 1% of total net revenues in 2017, 2016 and 2015, respectively.

International

Revenues generated outside of North America across all our business segments were \$201.3 million, \$189.3 million and \$169.8 million, representing 25%, 26% and 26% of total net revenues in 2017, 2016 and 2015, respectively. Revenues generated in the United Kingdom, our largest international market, were \$77.5 million, \$78.5 million and \$75.7 million for 2017, 2016 and 2015, respectively. During 2017, approximately 70% of WWE content was consumed outside of the U.S., including localized programming, such as *WWE Saturday Night* in Mexico, *WWE Sunday Dhamaal* in India and *Wal3ooaha* in the Middle East. Global expansion of WWE Network and television distribution continue to be the primary drivers of growth for our international business.

See Note 19 of the consolidated financial statements included in this report for additional information by segment and by geographic area. In addition, see the Risk Factors related to our international business set forth in Item 1A of this Annual Report on Form 10-K.

Creative Development and Production

Headed by our Chairman and Chief Executive Officer, Vincent K. McMahon, our creative team develops compelling and complex characters and weaves them into dynamic storylines that combine physical and emotional elements. Storylines are usually played out in the ring and unfold on our weekly television shows, culminating in our monthly marquis events. We voluntarily designate the suitability of each of our television shows using standard industry ratings, and all of our in-ring television programming carries a PG rating, which is critical to maintaining the Company's reputation for family friendly entertainment.

Our success is due primarily to the continuing popularity of our Superstars. We currently have approximately 200 Superstars under exclusive contracts, ranging from multi-year guaranteed contracts with established Superstars to developmental contracts with our Superstars in training. Our Superstars are highly trained and motivated independent contractors, whose compensation is tied to the revenue that they help generate. We own the rights to substantially all of our characters and exclusively license the rights we do not own through agreements with our Superstars.

Talent Development

We continually seek to identify, recruit and develop additional talent for our business. Our NXT division, which continues to grow in popularity, features developmental talent training to become WWE Superstars. NXT has produced approximately 80% of our current active main roster stars, such as Baron Corbin, Carmella, The Revival, Nia Jax, and Shinsuke Nakamura. NXT has now evolved into our

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third brand after Raw and SmackDown and has transitioned into a global touring brand broadcasting live specials on WWE Network throughout the year. In 2017, we continued our focus on recruiting international talent, resulting in approximately 40% of our developmental talent coming from outside the U.S., including China, India, Japan, Australia, Ireland, Brazil and Germany. Our international tryouts resulted in the signing of the first-ever female talent from India and the Middle East. NXT talent train at our WWE Performance Center in Florida, a state-of-the-art training facility, which was designed to cultivate our next generation of talent and has become the center of our talent development program.

Competition

While we believe that we have a loyal fan base, the entertainment industry is highly competitive and subject to fluctuations in popularity, which are not easy to predict. For our live, television, WWE Network, pay-per-view and movie audiences, we face competition from professional and college sports, other live, filmed, televised and streamed entertainment, and other leisure activities. We compete with entertainment companies, professional and college sports leagues and other makers of branded apparel and merchandise. We will face increased competition from websites and mobile and other internet connected apps delivering paid and free content, as streamed media offerings continue to expand. Many companies with whom we compete have greater financial resources than we do.

Trademarks and Copyrights

Intellectual property is material to all aspects of our operations, and we expend substantial cost and effort in an attempt to maintain and protect our intellectual property and to maintain compliance vis-à-vis other parties' intellectual property. We have a large portfolio of registered and unregistered trademarks and service marks worldwide and maintain a large catalog of copyrighted works, including copyrights in our television and WWE Network programming, music, photographs, books, films and apparel art. We also own a large number of internet website domain names and operate a network of developed, content-based sites, which facilitate and contribute to the exploitation of our intellectual property worldwide.

We vigorously seek to enforce our intellectual property rights worldwide by, among other things, searching the internet to ascertain unauthorized use, seizing counterfeit goods and seeking restraining orders and/or damages in court against individuals or entities infringing our intellectual property rights. Our failure or inability to curtail piracy, infringement or other unauthorized use of our intellectual property rights effectively, or our infringement of others' intellectual property rights, could adversely affect our operating results.

Financial Information about Segments

See Note 19 of the consolidated financial statements, which is included elsewhere in this Form 10-K, for financial information about each of our segments.

Employees

As of February 2018, we had approximately 850 employees. This headcount excludes our Superstars, who are independent contractors. Our in-house production staff is supplemented with contract personnel for our television production. We believe that our relationships with our employees are good. None of our employees are represented by a union.

Regulation

Live Events

In some United States and foreign jurisdictions, athletic commissions and other applicable regulatory agencies require us to obtain licenses for promoters, medical clearances and/or other permits or licenses for performers and/or permits for events in order for us to promote and conduct our live events. If we fail to comply with the regulations of a particular jurisdiction, we may be prohibited from promoting and conducting our live events in that jurisdiction. The inability to present our live events over an extended period of time or in a number of jurisdictions could lead to a decline in the various revenue streams generated from our live events, which could adversely affect our operating results.

Television and WWE Network Programming

The marketplace for audio-visual programming (including cable television and Internet programming) in the United States and internationally is substantially affected by government regulations applicable to, as well as social and political influences on, television stations, television networks and cable and satellite television systems and channels. Certain Federal Communications Commission ("FCC") regulations, such as closed-captioning, are imposed directly on the Company and/or indirectly through our distributors. Other domestic and foreign governmental and private-sector initiatives relating to video programming are announced from time to time. In addition, the delivery of WWE Network in international markets exposes us to multiple regulatory frameworks, the complexity of which

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may result in unintentional noncompliance. Any failure by us to meet these governmental policies and private-sector expectations could restrict our program content and adversely affect our levels of viewership and/or number of WWE Network subscribers and operating results.

Available Information

Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website at <http://corporate.wwe.com> as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission ("SEC"). Our reports are also available free of charge on the SEC's website, <http://www.sec.gov>. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. None of the information on any of our websites is part of this Annual Report on Form 10-K. Our Corporate Governance Guidelines, Code of Business Conduct and charters of our Audit, Compensation and our Governance and Nominating Committees are also available on our website. A copy of any of these documents will be mailed to any stockholder without charge upon request to us at 1241 East Main Street, Stamford, CT 06902, Attn: Investor Relations Department.

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Item 1A. Risk Factors

There are inherent risks and uncertainties associated with our business that could adversely affect our operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that we currently believe to be material, but the risks and uncertainties described below are not the only risks and uncertainties that could affect our business. See the discussion under “Cautionary Statement for Purposes of the ‘Safe Harbor’ Provisions of the Private Securities Litigation Reform Act of 1995” in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in this Annual Report on Form 10-K.

Our failure to maintain or renew key agreements could adversely affect our ability to distribute our video content, WWE Network, our films and/or other of our goods and services, which could adversely affect our operating results. We expect to renegotiate or replace our major domestic television distribution agreement in 2018.

Our video content is distributed by cable, satellite and broadcast television networks and digital platforms around the globe. As detailed below, we depend on third parties for many aspects of the operation and distribution of WWE Network. Our films are generally also distributed by other, more established film companies. Because a large portion of our revenues are generated, directly and indirectly, from this distribution, any failure to maintain (such as due to a breach or alleged breach by either party) or renew arrangements with distributors and platforms, the failure of distributors or platforms to continue to provide services to us or the failure to enter into new distribution opportunities on terms favorable to us could adversely affect our financial outlook, liquidity, business and operating results. We regularly engage in negotiations relating to substantial agreements covering the distribution of our video content by carriers located in the United States and abroad. We have a substantial relationship with NBCU as they distribute the vast majority of our television programming domestically through their cable networks. This relationship constitutes a significant percentage of our revenues and the main agreement governing this relationship is currently set to expire in September 2019. We expect that, during 2018, we will negotiate a renewal of this main agreement with NBCU or will negotiate one or more new video content licenses with other distributors to replace it, although no assurances can be given as to this timeline. The number of subscribers and ratings of cable television networks and advertising revenues in general have been reported as being impacted by viewers moving to alternative video content providers, a process known as “cord cutting” and “cord shaving”. Many well-funded digital companies have been competing with the traditional television business model and, while it has been widely reported that they are paying significant amounts for video content, it is not clear that these digital distributors will replace the importance (in terms of money paid for content, viewer penetration and other factors) of television distribution to video content owners such as WWE. For this or any other number of reasons, including those detailed elsewhere in these Risk Factors, the Company may not be able to renew or replace our principal domestic television distribution agreement on terms favorable to us. Any resulting loss of revenue could be substantial. Moreover, to the extent that the price of the Company’s Class A Common Stock reflects market expectations of an improvement in future operating results due, in whole or in part, to this domestic video content negotiation, any failure to meet that market expectation could have a material adverse effect on our stock price. Many of our other goods and services, such as our toys, video games and home video offerings are manufactured and sold by other parties under licenses of our intellectual property or distribution agreements. Our inability for any of the reasons set forth in these Risk Factors to maintain and/or renew these agreements on terms favorable to us could adversely affect our financial outlook, liquidity, business and/or operating results.

The Company has spent, and plans to continue to spend, substantial amounts to produce content, build infrastructure and market our WWE Network. If, for any number of reasons, we are unable to continue to develop and monetize this distribution platform successfully, these additional costs, and the loss of very significant revenue, could have a material adverse effect on our operating results.

Need to Attract, Retain and Replace Subscribers. We believe that WWE has a passionate fan base. However, the markets for entertainment video are intensely competitive and include many subscription, transactional and ad-supported models and vast amounts of pirated materials, all of which capture segments of the entertainment video market. These markets have and are expected to continue to be subject to rapid changes, and new technologies and evolving business models are developing at a fast pace. The Company expects this competition to continue to grow and the markets to continue to transform. Many players that have entered this space have vastly greater financial and marketing resources than the Company as well as longer operating histories, large customer bases and strong brand recognition. These competitors may secure better terms from suppliers, aggressively price their offerings and devote more technology and marketing resources. Offerings include subscription digital services from Amazon, CBS, ESPN, HBO, Hulu, MLB, Netflix, NFL Network, Nickelodeon, Showtime, YouTube and many others. Certain of these competitors have begun to bundle digital networks. Other competitors for viewers of video content include broadcast, cable and satellite television, many of which have so-called “TV everywhere”, stand-alone streaming and/or “on demand” content, online movie and television content providers (both legal such as iTunes and illegal (pirated)), ad-supported services such as YouTube and DVD rentals and sales. Viewers also commit viewing dollars to theatrical films, live events or other leisure activities. Our ability to attract and retain subscribers to WWE Network will depend in part on our ability to provide consistent high quality content and a high level of service that is perceived as a good value for the consumer’s entertainment dollars. We face intense competition with respect to service levels, content offerings, pricing and related features, which may adversely impact our ability to attract and retain these subscribers. In addition, subscribers are allowed to cancel their subscriptions at any time and could do so for a number of reasons, including a perception that they do not use the service sufficiently, the need to cut household expenses, unsatisfactory content (whether as a result of change in consumer tastes or otherwise), competitive

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entertainment at a lower price and customer service issues. This is commonly referred to as “churn.” Churn may be more pronounced in the periods following larger WWE events shown on WWE Network such as WrestleMania. We will need to add new subscribers continually both to replace subscribers who cancel and to grow our business. If too many of our subscribers cancel our service or if we are unable to attract new subscribers in sufficient numbers, our financial outlook, liquidity, business and operating results would be adversely affected.

Significant Ongoing Costs. WWE Network has and will continue to require significant capital expenditures, content cost (which is sometimes capitalized) and operating costs. Capital expenditures result in increased amortization and depreciation and may require impairment charges if the assets do not provide adequate results. We also intend to continue spending significant amounts on marketing, including promotional offerings to attract, retain and renew subscribers. Any and all such capital and operating costs, if not more than offset by revenues from WWE Network, could have a material adverse effect on our business and operating results.

Emerging Business. We believe that we entered the market for subscription digital streaming at a relatively early stage. We believe acceptance of this type of service is growing among users, that our fans are technologically sophisticated and that the market is not saturated. We could, however, find that we are unable to remain competitive in this emerging industry for any number of reasons. For instance, other new or more established players, many of whom have greater resources than we, could establish dominant positions in the market for this type of service. We could find that the growing number of offerings to consumers could limit subscribers for WWE Network due to market saturation. Alternatively, we could find that consumers choose to move away from subscription services generally. Under any of these scenarios, our ability to attract and retain subscribers will be adversely affected, which could have a material adverse effect on our business and operating results.

Reliance on Partners to Offer WWE Network. We offer subscribers the ability to receive streaming content through their PCs, Macs and other Internet-connected devices, including game consoles and mobile devices, such as tablets and mobile phones as well as smart televisions and Blu-Ray players. We intend to continue to offer WWE Network through available platforms and partners. We rely on BAMTech Media (“BAMTech”), an outside contractor, to develop and supply technology and infrastructure necessary to deliver our content and interact with the user. If we are not successful in maintaining or replacing our relationship with BAMTech or if we are not successful in entering into and maintaining relationships with platform providers, if the costs of maintaining these relationships increase materially, if we or our partners encounter technological, licensing or other impediments to streaming our content, or if viewers either upgrade existing platforms or migrate to new platforms in such a way that we or our partners do not or cannot deliver through the new or upgraded platform, our ability to compete successfully could be adversely impacted. Agreements with our platform providers are typically relatively short term in duration and our business could be adversely affected if, upon expiration, a partner does not continue to provide access to our service or is unwilling to do so on acceptable terms. Certain platforms, such as Amazon and Apple, offer their owned or licensed content as well as WWE Network and, therefore, may be disincentivized to promote and deliver WWE Network at the same level as provided for their content.

Possible Disruption of Systems Utilized in Our Operations. Our reputation and ability to attract, retain and serve our subscribers will depend on the reliable performance of our computer systems and those of third-parties that we utilize in our operations. Interruptions in these systems, or with the Internet in general whether due to fault by any party or due to weather, natural disasters, terrorist attacks, power loss or other force majeure type events, could make our service unavailable or degraded or could otherwise hinder our ability to deliver content or cause WWE Network to fail completely. We do not maintain entirely redundant systems. These service disruptions or failures could be prolonged. Delivery of video programming over the Internet is done through a series of carriers with switch-overs between carriers, and any point of failure in this distribution chain would cause a disruption or degradation of our signal.

Service disruption or degradation for any of the foregoing reasons could diminish the overall attractiveness of our subscription service to subscribers, causing us to lose subscribers and/or credit subscribers affected by such disruption. We do not carry insurance that would fully cover us in the event of most types of business interruptions that could occur at WWE Network.

Our servers and those of third parties used in the distribution of WWE Network may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions and could experience directed attacks intended to lead to interruptions and delays in our service and operations as well as loss, misuse, theft or release of proprietary, confidential, sensitive or otherwise valuable Company or subscriber data or information. Such a virus, break-in, disruption or attack could remain undetected for an extended period, could harm our business, be expensive to remedy, expose us to litigation and/or damage our reputation. Our insurance may not cover expenses related to such disruptions or unauthorized access fully or at all.

Technology Enhancements. Enhancements and modifications to WWE Network technology from time to time become commercially necessary, and these consume considerable resources in capital and operating expenditures. If we are unable to acquire, maintain and enhance the technology to manage the streaming of content to our subscribers in a timely, efficient and user-friendly manner either through an outside party or ourselves, our ability to retain existing subscribers and to add new subscribers may be impaired. In addition, if our technology or that of third parties we utilize in our operations fails or otherwise operates improperly, our ability to attract and/or retain subscribers or add new subscribers may be impaired. Also, any harm to our subscribers' personal computers or other devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition. We employ merchandising and search technology in WWE Network in an effort to maintain and increase member engagement

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with our service. We may experience difficulties in implementing refinements or interfaces that our subscribers enjoy or require, which could cause member dissatisfaction and negatively impact our business.

Impact of Government Regulations. The adoption or modification of laws and regulations relating to the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we conduct our business. The growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur significant additional expense or alter our business model. In addition, the delivery of WWE Network in international markets exposes us to multiple regulatory frameworks and societal norms, the complexity of which may result in unintentional noncompliances which could adversely affect our business and operating results.

The adoption of any laws or regulations that adversely affect the growth, popularity or use of the Internet to access our programming, including laws and/or court decisions that have the effect of limiting Internet neutrality, could limit the demand for our subscription service and increase our cost of doing business. The FCC had adopted an “Open Internet” Report and Order and accompanying rules, which addressed various practices of broadband Internet access providers. Those rules, in substantial part, were recently reversed by the FCC “Restoring Internet Freedom” Declaration Ruling, Report and Order, replaced by what the FCC refers to as a “light-touch regulatory framework,” including modified customer transparency requirements. Numerous parties have indicated they will seek judicial review of the FCC’s rulings, and a number of states have already filed a petition for a review with the United States Court of Appeals for the District of Columbia. No assurances can be given as to the outcome of such challenges. To the extent that network operators engage in discriminatory practices, our business could be adversely impacted. As we expand internationally, government regulation concerning the Internet, and in particular, net neutrality, may be nascent or non-existent. Within such a regulatory environment, due to the political and economic power of local network operators, who may have interests that do not align with ours, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

Risks Relating to the Internet. We rely on the ability of WWE subscribers to access our service through the Internet. Any point of failure within the Internet infrastructure, whether caused by network hackers, force majeure type events or otherwise, could have a significant adverse effect on WWE Network. In addition, devices for accessing our content are manufactured and sold by entities other than the Company, and any transmission issues through these devices may result in consumer dissatisfaction with WWE Network and adversely affect our business. Technology changes may require that platforms and/or subscribers update their devices and any failure to do so, or the failure of us or our distribution partners to perform adequately through these updated devices could negatively affect our subscribers’ enjoyment of WWE Network which would negatively affect our business. To the extent that network operators implement usage based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers (such as through tiered access or pricing), due to the heavy bandwidth use of audio/visual content, we could incur greater operating expenses and our subscriber acquisition costs, and subscriber numbers could be negatively impacted. Most network operators that provide consumers access to the Internet also provide consumers audiovisual programming. As a result, these companies have an incentive to use their network infrastructure in a manner adverse to our success. With the reversal of the FCC’s Open Internet Report and Order discussed above, to the extent network operators are able to provide preferential treatment to their traffic or otherwise implement discriminatory network management practices, WWE Network could be negatively impacted and it could have a material adverse effect on our business and operating results. In international markets, these same incentives apply and consumer demand, regulatory oversight and competition may not be as strong of a check on these practices as they are in domestic markets.

We Are Subject to Intellectual Property Risks. From time to time, third parties allege that we have violated their intellectual property rights. In connection with WWE Network, if we and/or our service providers are unable to obtain sufficient rights, successfully defend the use, or otherwise alter business practices in a timely manner in response to claims for infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business could be adversely affected. Many companies devote significant resources on patents relating to various aspects of streaming services. For example, there are numerous patents that broadly claim means and methods of conducting business on the Internet and we and/or our service providers have from time to time been named in lawsuits and other claims alleging violations of patents in connection with various aspects of our business. We have not searched patents relative to our technology. While we believe we have managed this process successfully to date, defending against intellectual property claims, whether they are with or without merit, can result in costly litigation and diversion of personnel. These types of claims could result in our inability to use technology as currently configured for WWE Network or as we configure it in the future and could significantly impact our operation and monetization of the service. As a result of this type of dispute, we and/or our service providers could also be required to develop non-infringing technology, make royalty or damage payments, enter licensing agreements, adjust merchandising or marketing activities or take other actions to resolve the claims, any of which could be costly or unavailable on acceptable terms.

International Offerings. We have made our U.S. based WWE Network available in international markets other than embargoed countries. We are not currently offering different content in different countries internationally and we may find that our United States product does not resonate with consumers in other nations. International expansion also entails greater infrastructure and differing legal and regulatory environments. Other risks relating to foreign operations could include difficulties and costs associated with staffing and managing foreign operations, management distraction, new and different sources of competition, compliance with U.S. and international

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laws relating, among other things, to bribery, less favorable foreign intellectual property laws, laws relating to repatriation of funds, lower levels of Internet availability, complexity of VAT and other local tax laws, and data protection (including the new European Union General Data Protection Regulation (“GDPR”), which becomes effective May 25, 2018), consumer protection, censorship, licensing and other regulatory matters. If we are not able to manage the growing complexity of our international operations, our business could be adversely affected.

Marketing Efforts May Not Be Successful. We intend to continue to spend significant amounts on marketing, including promotional offerings and data analytics, to attract, retain and renew subscribers domestically and internationally. We generally provide a promotion of one month free access to WWE Network for new subscribers. If companies we use to promote WWE Network believe that we could negatively impact their business, decide that they want to enter similar businesses or wish to support our competitors, we may not be given access to suitable marketing channels. We may decide not to use certain marketing sources or activities if they are, or are perceived by us to be, ineffective. If adequate marketing channels are not available or are too costly, for any reason, our ability to attract new subscribers, and/or our operating costs, may be adversely affected.

We May Be Liable for Fraudulent Payment Transactions. Even when the associated financial institution approves the payment of fees for WWE Network subscribers, from time to time, fraudulent payment methods are used to obtain the service. We do not carry insurance for these fraudulent transactions.

If We Are Not Able to Manage Change and Growth, Our Business Could Be Adversely Affected. We are expanding our operations internationally and scaling our streaming service to enable anticipated growth in both subscribers and features related to our service. Internationally, we are also subject to divergent and complex consumer customs and practices. This growth adds complexity to virtually every aspect of our business, including WWE Network, and if we are not able to manage this growing complexity, including improving, refining or revising our systems and operational practices, business may be adversely affected.

Our failure to continue to build and maintain our brand of entertainment could adversely affect our operating results.

We must continue to build and maintain our strong brand identity to attract and retain fans who have a number of entertainment choices. The creation, marketing and distribution of live events, programming, (including our television, WWE Network and other programming) and films, that our fans value and enjoy is at the core of our business. The production of compelling live, televised, streamed and film content is critical to our ability to generate revenues across our media platforms and product outlets. Also important are effective consumer communications, such as marketing, customer service and public relations. The role of social media by fans and by us is an increasingly important factor in our brand perception. If our efforts to create compelling services and goods and/or otherwise promote and maintain our brand, services and merchandise are not successful, our ability to attract and retain fans may be adversely affected. Such a result would likely lead to a decline in our television ratings, attendance at our live events, the number of WWE Network subscribers, our film viewership and/or otherwise impact our sales of goods and services, which would adversely affect our operating results.

Our failure to retain or continue to recruit key performers could lead to a decline in the appeal of our storylines and the popularity of our brand of entertainment, which could adversely affect our operating results.

Our success depends, in large part, upon our ability to recruit, train and retain athletic performers who have the physical presence, acting ability and charisma to portray characters in our live events, video programming (including our television, WWE Network and other programming) and films. We cannot guarantee that we will be able to continue to identify and train these performers. Additionally, throughout our history, performers from time to time

have stopped working for us for any number of reasons, and we cannot guarantee that we will be able to retain our current performers either during the terms of their contracts or when their contracts expire. Our failure to attract and retain key performers, an increase in the costs required to attract and retain such performers, or a serious or untimely injury to, or the death of, or unexpected or premature loss or retirement for any reason of, any of our key performers could lead to a decline in the appeal of our storylines and the popularity of our brand of entertainment. Scheduling conflicts for talent services may also affect certain productions. Any of the foregoing issues could adversely affect our operating results.

A decline in the popularity of our brand of sports entertainment, including as a result of changes in the social and political climate, could adversely affect our business.

Our operations are affected by consumer tastes and entertainment trends, which are unpredictable and subject to change and may be affected by changes in the social and political climate. Our programming is created to evoke a passionate response from our fans. Changes in our fans' tastes or a material change in the perceptions of our business partners, including our distributors, sponsors and licensees, whether as a result of the social and political climate or otherwise, could adversely affect our operating results.

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The unexpected loss of the services of Vincent K. McMahon could adversely affect our ability to create popular characters and creative storylines or could otherwise adversely affect our operating results.

In addition to serving as Chairman of our Board of Directors and Chief Executive Officer, Mr. McMahon leads the creative team that develops the storylines and the characters for our programming (including our television, WWE Network and other programming) and live events. From time to time, Mr. McMahon has also been an important member of our cast of performers. The loss of Mr. McMahon due to unexpected retirement, disability, death or other unexpected termination for any reason could have a material adverse effect on our ability to create popular characters and creative storylines or could otherwise adversely affect our operating results. Mr. McMahon has recently announced that he established Alpha Entertainment LLC, to explore investment opportunities across the sports entertainment landscapes, and Alpha Entertainment LLC has announced plans to launch a professional football league. While he has provided the Company assurances that his focus on WWE will not be diverted by these efforts, any such diversion or perception of such diversion could adversely affect our operating results and could have a material adverse effect on our stock price.

Changes in the regulatory atmosphere and related private sector initiatives could adversely affect our businesses.

Production of video programming by independent producers is generally not directly regulated by the federal or state governments in the United States. However, under FCC regulations in many instances we are responsible for closed captioning our television and internet programming and any failure to remain in compliance with these regulations could expose us to substantial costs and adverse publicity. The markets for programming (including television and WWE Network programming) in the United States and internationally may be substantially affected by government regulations applicable to, as well as social and political influences on, television stations and networks. We voluntarily designate the suitability of each of our television and WWE Network programs using standard industry ratings. Domestic and foreign governmental and private-sector initiatives relating to video programming are announced from time to time. Any failure by us to meet these governmental policies and/or private-sector expectations could restrict our program content and adversely affect our levels of viewership and/or the number of WWE Network subscribers, result in adverse publicity and/or impact our operating results.

The markets in which we operate are intensely competitive, rapidly changing and increasingly fragmented, and we may not be able to compete effectively, especially against competitors with greater financial resources or marketplace presence, which could adversely affect our operating results.

We face competition for our audiences from professional and college sports, as well as other forms of live and televised, streamed and filmed entertainment and other leisure activities in a rapidly changing and increasingly fragmented marketplace. The manner in which audio/video content is distributed and viewed is constantly changing. Changes in technology require Company resources including personnel, capital and operating expenses. Conversely, technology changes have also decreased the cost of video production and distribution for certain programmers (such as through social media), which lowers the barriers to entry and increases the competition for viewership and revenues. While we attempt to distribute our programming across all platforms, our failure to continue to do so effectively (including, for example only, our emphasizing a distribution platform that in time lessens in importance or becomes obsolete or our loss of, or other inability to procure, carriage on an important platform) could adversely affect our operating results. If other providers of video programming address the changes in consumer viewing habits in a manner that is better able to meet content distributor and consumer needs and expectations, our business could be adversely affected. For the sale of our consumer products, we compete with entertainment companies, professional and college sports leagues and other makers of branded apparel and merchandise. Many of the companies with whom we compete have substantially greater financial resources than we do. Our failure to compete effectively could result

in a significant loss of viewers, subscribers, venues, distribution channels or performers and fewer entertainment and advertising dollars spent on our form of sports entertainment, any of which could adversely affect our operating results.

We face uncertainties associated with international markets, which could adversely affect our operating results and impair our business strategy.

We are consistently negotiating and entering into new agreements and renewals and extensions of existing agreements for our products and services in international markets. In late 2014, we began making available our U.S. based WWE Network in international markets. Cultural norms and regulatory frameworks vary in the markets in which we operate and our products' nonconformance to local norms or applicable law, regulations or licensing requirements could interrupt our operations or affect our sales, viewership and success in the markets. Our production of live events overseas subjects us to numerous risks involved in foreign travel and operations and also subjects us to local norms and complex regulations (including visa obligations). In addition, these live events and the licensing and/or sale of our goods and services in international markets expose us to some degree of currency risk. International operations may be subject to political instability inherent in varying degrees in those markets. Other risks relating to foreign operations include difficulties and costs associated with staffing and managing foreign operations, management distraction, new and different sources of competition, compliance with U.S. and international laws relating to, among other things, bribery, less favorable foreign intellectual property laws, laws relating to repatriation of funds, lower levels of Internet availability, complexity of VAT and other local tax laws, and data protection, consumer protection, censorship, licensing and other regulatory matters. The GDPR, which becomes effective May 25, 2018 will apply to certain of our operations. The GDPR's provisions are far reaching and noncompliance could result in significant fines,

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operational issues and/or harm to reputation. While we have committed significant financial and personnel resources toward the planning and initial implementation phases, no assurances can be provided that our efforts will be entirely successful. These risks could adversely affect our operating results and impair our ability to pursue our business strategy as it relates to international markets, which could adversely affect our business.

We may be prohibited from promoting and conducting our live events if we do not comply with applicable regulations, which could lead to a decline in the various revenue streams generated from our live events, which could adversely affect our operating results.

In some United States and foreign jurisdictions, athletic commissions and other applicable regulatory agencies require us to obtain licenses for promoters, medical clearances and/or other permits or licenses for performers and/or permits for events in order for us to promote and conduct our live events. Foreign jurisdictions require visas for personnel and talent at international live events. In international markets, third party promoters generally oversee permitting and regulatory matters. In the event that we fail to comply with the regulations of a particular jurisdiction, whether through our acts or omissions or those of our third party promoters, we may be prohibited from promoting and conducting our live events in that jurisdiction. The inability to present our live events in jurisdiction(s), in addition to the lost revenues and expenses of the missed event(s), could lead to a decline in various revenue streams in such jurisdiction(s), which could adversely affect our operating results.

Because we depend upon our intellectual property rights, our inability to protect those rights, or our infringement of others' intellectual property rights, could adversely affect our business.

Intellectual property is material to all aspects of our business. We have a large portfolio of registered and unregistered trademarks, service marks, copyrighted material and characters, trade names and other intellectual property rights worldwide. We also own a large number of Internet website domain names and operate a network of developed, content-based sites, which facilitate and contribute to the exploitation of our intellectual property worldwide. We expend substantial cost and effort in an attempt to maintain and protect this intellectual property and to maintain compliance with other parties' intellectual property. Our failure to curtail piracy, infringement or other unauthorized use of our intellectual property rights effectively, or our infringement of others' intellectual property rights, could result in litigation, damage our brand or adversely affect our relationships with the companies that distribute our goods and services, any or which could adversely affect our business, financial condition and operating results.

While we generally own the intellectual property in our content, we generally do not own any intellectual property relating to the distribution of this content including through WWE Network. From time to time, third parties allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use, develop non-infringing technology or otherwise alter our business practices in a timely manner in response to claims against us for infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business and competitive position may be adversely affected. Many companies devote significant resources on patents relating to many aspects of our business including WWE Network. For example, there are numerous patents that broadly claim means and methods of conducting business on the Internet, and from time to time we have been named in lawsuits and other claims alleging that we violated patents in connection with various aspects of our business. We have not searched patents relative to our technology. While we believe we have managed this process effectively to date, defending ourselves against intellectual property claims, whether they are with or without merit can result in costly litigation and diversion of personnel. These type of claims could result in our inability to use our technology as currently configured or as we configure it in the future and could significantly impact our ability to market our services or merchandise our products. As a result of this type of dispute, we could also be required to develop non-infringing technology, make royalty or damage payments, enter into licensing agreements, adjust our

merchandising or marketing activities or take other actions to resolve the claims, any of which could be costly or unavailable on acceptable terms.

Our distribution mechanisms for our goods and services are increasingly complex across various distribution platforms, various geographical areas and timing windows.

Our inadvertent grant of inconsistent rights to our intellectual property, goods and/or services or allegations of such inconsistent grants could result in claims of breach of our distribution agreements or licenses and/or result in litigation which could adversely impact our operations.

We could incur substantial liability in the event of accidents or injuries occurring during our physically demanding events.

We hold numerous live events each year. This schedule exposes our performers and our employees who are involved in the production of those events to the risk of travel and performance-related accidents, the consequences of which are not fully covered by insurance. The physical nature of our events exposes our performers to the risk of serious injury or death. Although our performers, as independent contractors, are responsible for maintaining their own health, disability and life insurance, we self-insure medical costs for our performers for injuries that they incur while performing. We also self-insure a substantial portion of any other liability that we could incur relating to such injuries. Liability to us resulting from any death or serious injury sustained by one of our performers while performing, to the extent not covered by our insurance, could adversely affect our business, financial condition and operating results.

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As noted below, we are the defendant in litigation claiming that professional wrestling as currently and historically performed by us has resulted in significant injuries to our performers including, but not limited to, chronic traumatic encephalopathy or "CTE".

Our live events entail other risks inherent in public live events, which could lead to disruptions of our business as well as liability to other parties, any of which could adversely affect our financial condition or results of operations.

We hold numerous large live events each year, both domestically and internationally. Certain risks are inherent in events of the type we perform as well as the travel to and from them, and we are required to expend substantial resources on safety matters such as security. Risks of travel and large live events include air and land travel interruption or accidents, the spread of illness, injuries resulting from building problems, pyrotechnics or other equipment malfunction, terrorism or other violence, local labor strikes and other force majeure type events. These issues could result in personal injuries or deaths, canceled events and other disruptions to our business for which our business interruption insurance may be insufficient. Any of these occurrences also could result in liability to other parties for which we may not have insurance. Any of these risks could adversely affect our business, financial condition and/or results of operations.

We continue to face certain risks relating to our feature film business, which could result in higher production costs and asset impairment charges, which could adversely affect our financial condition or our results of operations.

We have substantial capitalized film costs. The accounting for our film business in accordance with generally accepted accounting principles entails significant judgment used to develop estimates of expected future revenues from films. If expected revenue from one or more of our films does not materialize because audience demand does not meet expectations, our estimated revenues may not be sufficient to recoup our investment in the film. If actual revenues are lower than our estimated revenues or if costs are higher than expected, we may be required to record an impairment charge and write down the capitalized costs of the film. No assurance can be given that we will not record additional impairment charges in future periods. In addition, capitalized film costs are reflected net of certain production tax incentives granted by various governmental authorities. Our ability to realize these credits may be limited by changes in the laws and regulations relating to the incentives and/or the economic environment. The inability to realize these credits would have the effect of increasing our overall production costs.

In addition to the risks noted above relating to WWE Network, we could face a variety of risks if we expand into other new and complementary businesses and/or make certain investments or acquisitions.

We have entered into new or complementary businesses and made equity and debt investments in other companies in the past and plan to continue to do so in the future. We may also enter into business combination transactions, make acquisitions or enter into strategic partnerships, joint ventures or alliances. Risks of this expansion and/or these investments and transactions may include, among other risks: potential diversion of management's attention and other resources, including available cash, from our existing businesses; unanticipated liabilities or contingencies; reduced earnings due to increased amortization; loss on investments due to poor performance by the business invested in; inability to successfully integrate a new business; revaluations of debt and equity investments as well as market, credit and interest-rate risks (any of which could result in impairment charges and other costs); competition from other companies with more experience in such businesses; and possible additional regulatory requirements and compliance costs which could affect our business, financial condition and operating results.

We face various risks relating to our computer systems and online operations, which could have a negative impact on our financial condition or our results of operations.

The Company faces the risk of a security breach or disruption, whether through external cyber intrusion or from persons with access to systems inside our organization. The Company commits significant personnel and financial resources to maintain the security of its computer systems, including implementing various measures to monitor and manage the risk of a security breach or disruption, and to plan for the mitigation of losses if such breach or disruption were to occur. There can be no assurance that these security efforts will be effective or that attempted security breaches or disruptions would not be successful or damaging or that the Company would be promptly aware of them or able to mitigate damages from them, if any such breach or disruption were to occur. The Company also utilizes third party service providers in several aspects of its operations (including WWE Network), and these third parties are also subject to risks of security breach or disruption. The Company is not able to assure the effectiveness of security among our service providers. The Company and certain of its third party service providers receive personal information through web services including WWE Network. In many instances this information is subject to the Company's privacy policies. Personal information received by our service providers includes credit card information in certain instances, most notably WWE Network, our live event merchandise sales and WWEShop, the Company's internet retail operations. The Company expends significant effort to ensure compliance with its privacy policy and to ensure that our service providers safeguard credit card information including contractually requiring those providers to remain compliant with applicable PCI Data Security Standards. However, a significant security breach or other disruption involving the computer systems of the Company or one or more of its service providers could disrupt the proper functioning of these systems and therefore the Company's operations (for which we likely will not carry sufficient insurance); result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information; require significant management attention and resources to remedy the damages that could result (if, in fact, they can be remedied), and subject

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the Company to litigation or damage to its reputation. Implementation of the GDPR may enhance this risk. Any or all of these could have a negative impact on our financial condition or results of operations.

Our businesses entail certain risks relating to privacy norms and regulations.

We and our partners collect certain data supplied by our fans including WWE Network subscribers. We utilize this data in certain ways including our marketing efforts. We face complex legal obligations domestically and internationally regarding the manner in which we treat and use such information, including, without limitation, the GDPR, which will become effective May 25, 2018. Certain of these legal obligations, including the GDPR, carry substantial monetary penalties if breached. Unintentional noncompliance by us or our partners of these regulations could have an adverse effect on our business. If we were to disclose or use data about our fans in a manner that is objectionable to them or is contrary to applicable law, our business reputation could be adversely affected. We could also face potential legal claims that could impact our operating results.

A decline in general economic conditions or disruption of financial markets may, among other things, reduce the discretionary income of consumers or erode advertising markets, which could adversely affect our business.

Our operations are affected by general economic conditions, including consumers' disposable income, which has a direct material impact on the demand for entertainment and leisure activities. Declines in general economic conditions could reduce the level of discretionary income that our fans and potential fans have to spend on our live events, programming (including WWE Network), films and consumer products, which could adversely affect our revenues. Volatility and disruption of financial markets could limit the ability of our sponsors, licensees and distributors to obtain adequate financing to maintain operations and result in a decrease in sales volume that could have a negative impact on our business, financial condition and results of operations. Our television partners derive revenues from the sale of advertising. We also sell advertising directly on our website, on WWE Network and, depending upon the distribution methods used to monetize additional content, we may have additional advertising to sell. We sell sponsorship packages to our live events and certain other of our services. Softness in the advertising markets due to a weak economic environment or otherwise, could adversely affect our revenues or the financial viability of our distributors.

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of distributors and licensees, increasing our exposure to bad debts which could potentially have a material adverse effect on our results of operations.

Substantial portions of our accounts receivable are from distributors for WWE Network, pay-per-view, television and home video programming and from licensees who produce consumer products containing our intellectual property. The concentration of our accounts receivable across a limited number of distributors and licensees subjects us to individual credit risk with respect to these parties who could become insolvent or declare bankruptcy, rendering collection impossible. Certain of the parties are located overseas which can make collections more difficult and, at times, economically unfeasible. Additionally, adverse changes in general economic conditions and/or contraction in global credit markets could precipitate liquidity problems among our debtors, including our key distributors and/or licensees. This could increase our exposure to losses from bad debts and have a material adverse effect on our business, financial condition and results of operations.

Servicing our debt will require a significant amount of cash, and we could have insufficient cash flow from operations or lack of access to sources of financing to meet these obligations and/or our other liquidity needs.

Our total consolidated debt, including the \$200.0 million aggregate principal amount of 3.375% convertible senior notes due 2023 that the Company issued in a private offering in December 2016 (the "Convertible Notes"), is significant. In January 2017, pursuant to the exercise of an over-allotment option, an additional \$15.0 million aggregate principal amount of the Convertible Notes was issued. We also have availability under our \$100.0 million revolving credit facility (the "Revolving Credit Facility"). Through certain of our subsidiaries, the Company also has in place a term loan secured by the Company's jet and a real estate mortgage in the principal amount of \$23.0 million secured by the related real estate (the "Asset-Backed Facilities").

We believe we have sufficient liquidity for at least the next twelve months for our needs (including the payment of our dividend). However, our ability to make scheduled principal and interest payments on the Convertible Notes and under the Revolving Credit Facility, the Asset-Backed Facilities and any other indebtedness that may be outstanding at the time will depend on our future performance, which is subject to economic, financial, competitive and other factors beyond our control, including the items described elsewhere in these Risk Factors. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and provide for all our other uses of cash including capital and operating expenditures and paying our dividend. If we are unable to generate sufficient cash flow, we could be required to adopt one or more alternatives which, assuming they are, in fact, available, could be onerous, dilutive or otherwise affect our operations and/or the market price of our Common Stock. Such alternatives could include, for example, substantially reducing our cost structure, selling assets, reducing or eliminating our dividend, obtaining additional equity capital and/or refinancing/replacing the indebtedness. We may not be able to engage in any of these activities on desirable terms or at all due to our then existing financial condition, market conditions, regulatory matters or contractual obligations (including, for example, any restrictions under our Revolving Credit Facility or other credit agreement or debt instruments that may exist at that time).

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Any failure to make a required payment under our indebtedness may constitute a default under that indebtedness and under other indebtedness due to cross-default provisions and could trigger acceleration clauses causing the obligations to become immediately due and payable. The occurrence of one or more of these risks could materially and adversely affect our financial condition and operating results.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Notes, could have a material effect on our reported financial results.

Under ASC 470-20, Debt with Conversion and Other Options, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our Consolidated Balance Sheets, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Convertible Notes to their face amount over the term of the Convertible Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Convertible Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Convertible Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Convertible Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Convertible Notes, then our diluted earnings per share would be adversely affected. Conversion of our Convertible Notes and the exercise of related Warrants may cause economic dilution to our stockholders and dilution to our earnings per share.

We could incur substantial liabilities if litigation is resolved unfavorably.

The Company has been named as a defendant in lawsuits alleging, among other things, that performers received traumatic brain injuries while performing for the Company and may have CTE. One such suit also alleges that the Company misclassified its talent as independent contractors rather than employees. The Company strongly disputes the merit of this type of case and moved to dismiss the lawsuits, which were consolidated for most purposes. Several of the claims have been dismissed, and the Company has moved to dismiss or for summary judgment on all remaining claims. If our current dispositive motions are not granted, or if any dismissals are reversed on appeal (once an appeal can be taken), the Company plans to continue to defend itself vigorously (including, if necessary, opposing class certification in the two cases filed as putative class actions). In the ordinary course of business we become subject to various other complaints and litigation matters.

By its nature, the outcome of litigation is difficult to assess and quantify, and its continuing defense is costly. Any adverse judgment or settlement could have a material adverse impact on our financial condition or results of

operations.

The final impacts of the Tax Cuts and Jobs Act could be materially different from our current assessment.

The Tax Cuts and Jobs Act (“Tax Act”), which was signed into law on December 22, 2017, makes significant changes to the taxation of U.S. business entities. These changes include a permanent reduction to the federal corporate income tax rate. The Tax Act required a remeasurement of our deferred tax asset and a recognition of \$11.3 million of expense in the fourth quarter of 2017. The Tax Act is expected to have a favorable impact on our effective tax rate and net income as reported under generally accepted accounting principles both in the first fiscal quarter of 2018 and subsequent reporting periods. However, we are still assessing the impact of the Tax Act and there can be no assurances that it will have a favorable impact. In addition, any future federal or state law tax changes, whether arising from actual or perceived loss of tax revenue to the taxing authority due to the Tax Act or otherwise, could materially and adversely impact our results from operations.

Failure to meet market expectations for our financial performance could adversely affect the market price and volatility of our stock.

We believe that the price of our stock generally reflects certain market expectations for our future operating results, including expectations for a substantial improvement in operating results due, in whole or in part, to the upcoming domestic television negotiation. Any failure to meet or delay in meeting these expectations, including as a result of the domestic television negotiation, the failure of

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WWE Network to achieve expected subscriber numbers or as a result of any other events, conditions and/or circumstances set forth in these Risk Factors could cause the market price of our stock to decline significantly.

Through his beneficial ownership of a majority of our Class B common stock, Mr. McMahon can exercise control over our affairs, and his interests may conflict with the holders of our Class A common stock.

We have Class A common stock and Class B common stock. The holders of Class A common stock generally have rights identical to holders of Class B common stock, except that holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to ten votes per share. Holders of both classes of common stock generally will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by applicable Delaware law.

A substantial majority of the issued and outstanding shares of Class B common stock is owned beneficially by Vincent K. McMahon and, as a result, he controls a majority of the voting power of our common stock and can effectively exercise control over our affairs. His interest could conflict with the holders of our Class A common stock. McMahon's voting control could discourage or preclude others from initiating potential mergers, takeovers or other change of control transactions. As a result, the market price of our Class A common stock could decline.

Our dividend is significant and is affected by a number of factors.

Our Board of Directors regularly evaluates the Company's Common Stock dividend policy and determines the dividend rate each quarter. The level of dividends, if any, will continue to be influenced by many factors, including, among other things, our liquidity and historical and projected cash flow, our strategic plan (including alternative uses of capital), our financial results and condition, contractual and legal restrictions on the payment of dividends (including under our revolving credit facility), general economic and competitive conditions and such other factors as our Board of Directors may consider relevant from time to time. All of these factors are subject to the various contingencies listed in the other Risk Factors included in this Form 10-K. We cannot assure our stockholders that dividends will be paid in the future, or that, if paid, dividends will be at the same amount or with the same frequency as in the past. Any reduction in our dividend payments could have a negative effect on our stock price.

The Company's dividend distributions have in recent years represented a return of capital for tax purposes, and shareholders as a result will recognize an increased capital gain upon a subsequent sale of the Company's Common Stock.

The Company's aggregate dividend distributions paid in 2014 and 2013 were in excess of its current and accumulated earnings and profits calculated under applicable Internal Revenue Code ("IRC") provisions. This may be the case for 2018, as well, due to the recently enacted federal tax law changes. Under the IRC, distributions in excess of both the Company's current earnings and profits and the Company's accumulated earnings and profits constitute a return of capital and reduce the stockholder's adjusted tax basis in its Common Stock. If a stockholder's adjusted basis in its Common Stock is reduced to zero, these excess distributions thereafter constitute a capital gain to the stockholder.

A substantial number of shares are eligible for sale by Mr. McMahon and members of his family or trusts established for their benefit, and the sale of those shares could lower our stock price.

All of the issued and outstanding shares of Class B common stock are held by Vincent McMahon and other members of his family including certain trusts set up for family members. Sales of substantial amounts of these shares, or the perception that such sales could occur, may lower the prevailing market price of our Class A common stock. If any

sales or transfers of Class B common stock are made to persons outside of the McMahon family, the shares automatically convert into Class A common stock.

Our Class A common stock is volatile and has a relatively small public "float."

The price at which our common stock has traded has fluctuated significantly, especially in the past two years. The price may continue to be volatile due to a number of factors beyond our direct control, including our number of WWE Network subscribers, operating results (especially where different from the expectations of securities analysts, investors and the financial community), market volatility in general and short interest in our stock. Given the dynamic nature of our business and all other factors that limit the predictability of the future, any of our forecasts, outlook or other forward-looking statements could differ materially from actual results which could cause a decline in the trading price of our common stock.

Historically, as a result of our relatively small public float, our Class A common stock has been less liquid than the common stock of companies with broader public ownership, and the trading prices for our Class A common stock have been more volatile than generally may be the case for more widely-held common stock. Among other things, trading of a relatively small volume of our Class A common stock may have a greater impact on the trading price of our Class A common stock than would be the case if our public float were larger.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have executive offices, television and music recording studios, post-production operations and warehouses at locations in or near Stamford, Connecticut. We also have sales offices in New York, Orlando, Atlanta and Chicago and have international offices in London, Tokyo, Shanghai, Mumbai, Munich, Mexico, Singapore, and Dubai. We own three buildings in which our executive and administrative offices, our television and music recording studios and our production operations are located. We lease space for our sales offices, WWE Studios office and other facilities.

Our principal properties consist of the following:

Facility	Location	Square Feet	Owned/ Leased	Expiration Date of Lease
Corporate offices	Stamford, CT	94,200	Owned	—
Warehouse space	Norwalk, CT	121,500	Leased	January 2020
Production facilities, office and warehouse space	Stamford, CT	203,200	(1) Owned	—
Corporate offices	Stamford, CT	33,100	Leased	Various through May 2020
WWE Performance Center and warehouse space	Orlando, FL	47,800	Leased	Various through November 2020
Sales offices	Various Los Angeles,	28,200	Leased	Various through December 2026
WWE Studios office	CA	13,200	Leased	April 2020
Warehouse space	Stamford, CT	5,600	Leased	December 2026

(1) Includes 96,200 square feet of space leased to other tenants within the office building.

All of the facilities listed above are utilized in our Media Division, in Live Events, in our Consumer Products Division and in our Corporate and Other segment, with the exception of the WWE Studios office in Los Angeles, which primarily focuses on our WWE Studios segment.

Item 3. 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 alleged that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE's performers and seeks class action status. 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. On September 21, 2015, the plaintiffs amended this complaint and, on November 16, 2015, the Company moved to dismiss the amended complaint. 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 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

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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, which motions were granted by the respective courts. On November 23, 2015, amended complaints were filed in Frazier and Osborne, which the Company moved to dismiss on December 16, 2015 and December 21, 2015, respectively. On November 10, 2016, the Court granted the Company's motions to dismiss the Frazier and Osborne lawsuits in their entirety. 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. On September 21, 2015, the defendants filed a motion to dismiss this complaint, which the Company opposed. The Court previously ordered a stay of discovery in all cases pending decisions on the motions to dismiss. On January 15, 2016, the Court partially lifted the stay and permitted discovery only on three issues in the case involving Singleton and LoGrasso. Such discovery was completed by June 1, 2016. On March 21, 2016, the Court issued a memorandum of decision granting in part and denying in part the Company's motions to dismiss the Haynes, Singleton/LoGrasso, and McCullough lawsuits. The Court granted the Company's motions to dismiss the Haynes and McCullough lawsuits in their entirety and granted the Company's motion to dismiss all claims in the Singleton/LoGrasso lawsuit except for the claim of fraud by omission. On March 22, 2016, the Court issued an order dismissing the Windham lawsuit based on the Court's memorandum of decision on the motions to dismiss. On April 4, 2016, the Company filed a motion for reconsideration with respect to the Court's decision not to dismiss the fraud by omission claim in the Singleton/LoGrasso lawsuit and, on April 5, 2016, the Company filed a motion for reconsideration with respect to the Court dismissal of the Windham lawsuit. On July 21, 2016, the Court denied the Company's motion in the Singleton/LoGrasso lawsuit and granted in part the Company's motion in the Windham lawsuit. On April 20, 2016, the plaintiffs filed notices of appeal of the Haynes and McCullough lawsuits. On April 27, 2016, the Company moved to dismiss the appeals for lack of appellate jurisdiction, which motions were granted and the appeals were dismissed with leave to appeal upon the resolution of all of the consolidated cases. The Company has filed a motion for summary judgment on the sole remaining claim in the Singleton/LoGrasso lawsuit. The Company also filed a motion for judgment on the pleadings against the Windham defendants. Lastly, on July 18, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut, entitled Joseph M. Laurinaitis, et al. vs. World Wrestling Entertainment, Inc. and Vincent K. McMahon, individually and as the trustee of certain trusts. This lawsuit contains many of the same allegations as the other lawsuits alleging traumatic brain injuries and further alleges, among other things, that the plaintiffs were misclassified as independent contractors rather than employees denying them, among other things, rights and benefits under the Occupational Safety and Health Act (OSHA), the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA), federal tax law, and various state Worker's Compensation laws. This lawsuit also alleges that the booking contracts and other agreements between the plaintiffs and the Company are unconscionable and should be declared void, entitling the plaintiffs to certain damages relating to the Company's use of their intellectual property. The lawsuit alleges claims for violation of RICO, unjust enrichment, and an accounting against Mr. McMahon. The Company and Mr. McMahon moved to dismiss this complaint on October 19, 2016. On November 9, 2016, the Laurinaitis plaintiffs filed an amended complaint. On December 23, 2016, the Company and Mr. McMahon moved to dismiss the amended complaint. On September 29, 2017, the Court issued an order on the motion to dismiss pending in the Laurinaitis case and on the motion for judgment on the pleadings pending in the Windham case. The Court reserved judgment on the pending motions and ordered that within thirty-five (35) days of the date of the order the Laurinaitis plaintiffs and the Windham defendants file amended pleadings that comply with the Federal Rules of Civil Procedure. The Court further ordered that each of the Laurinaitis plaintiffs and the Windham defendants submit to the Court for in camera review affidavits signed and sworn under penalty of perjury setting forth facts within each plaintiff's or declaratory judgment-defendant's personal knowledge that form the factual basis of their claim or defense. On November 3, 2017, the Laurinaitis plaintiffs filed a second amended complaint. The Company and Mr. McMahon believe that the second amended

complaint fails to comply with the Court's September 29, 2017 order and otherwise remains legally defective for all of the reasons set forth in their motion to dismiss the amended complaint. Also on November 3, 2017, the Windham defendants filed a second answer. The Company does not know if the Laurinaitis Plaintiffs and Windham Defendants submitted the affidavits required under the Court's September 29, 2017 order. On November 17, 2017, the Company and Mr. McMahon filed a response that, among other things, urged the Court to grant the motion for judgment on the pleadings against the Windham defendants and dismiss the Laurinaitis plaintiffs' complaint with prejudice and award sanctions against the Laurinaitis plaintiffs' counsel because the amended pleadings fail to comply with the Court's September 29, 2017 order and the Federal Rules of Civil Procedure. 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 August 9, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut entitled Marcus Bagwell, individually and on behalf of all others similarly situated v. World Wrestling Entertainment, Inc. The lawsuit alleges claims for breach of contract, breach of fiduciary duty, unjust enrichment and violations of the Connecticut Unfair Trade Practices Act, C.G.S. §42-110a, et seq., principally arising from WWE's alleged failure to pay royalties for streaming video on WWE Network. On September 7, 2016, a motion for leave to amend was filed along with a proposed amended complaint that, among other things, sought to add Scott Levy as an individual plaintiff and WCW, Inc. as a defendant. On November 4, 2016, the Court granted plaintiffs' motion for leave to amend and plaintiffs filed their amended complaint on November 7, 2016. On December 2, 2016, the Company moved to dismiss the amended complaint. On May 5, 2017, the Court granted in part and denied in part the Company's motion to dismiss. The Court dismissed plaintiff's declaratory judgment, unjust enrichment and successor liability claims, as well as all claims asserted against WCW, Inc. The Court also granted plaintiffs leave to file a second amended complaint, which plaintiffs filed on May 19, 2017. Plaintiffs then sought

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leave to file a third amended complaint to correct certain errors by plaintiffs' counsel, which the Court granted and plaintiffs filed their third amended complaint on June 15, 2017. The third amended complaint continues to assert claims for breach of contract, breach of fiduciary duty, and violations of the Connecticut Unfair Trade Practices Act, C.G.S. §42-110a, et seq. against WWE. Following the depositions of Plaintiffs Bagwell and Levy, Plaintiffs' counsel advised that they intended to voluntarily dismiss Plaintiffs' remaining claims against the Company. On December 7, 2017, the parties filed a Stipulation of Dismissal pursuant to which all of Bagwell's and Levy's claims were dismissed with prejudice. No money was paid by WWE in consideration for the dismissal with prejudice. On December 8, 2017, the Court granted the parties' Stipulation of Dismissal and closed the case.

In addition to the foregoing, from time to time we become a party to other lawsuits and claims. 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.

Item 4. Mine Safety Disclosures

Not Applicable

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock trades on the New York Stock Exchange, under the symbol "WWE". Our Class B common stock is not listed on any exchange.

The following table sets forth the high and the low sale prices per share of our Class A common stock as reported by the New York Stock Exchange and the dividends declared per share of Class A and Class B common stock for the periods indicated:

Fiscal Year 2017

	Quarter Ended				
	March 31	June 30	September 30	December 31	Full Year
Class A common stock price per share:					
High	\$ 23.14	\$ 22.57	\$ 23.57	\$ 33.28	\$ 33.28
Low	\$ 18.00	\$ 19.12	\$ 20.09	\$ 21.22	\$ 18.00
Class A dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48
Class B dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48

Fiscal Year 2016

	Quarter Ended				
	March 31	June 30	September 30	December 31	Full Year
Class A common stock price per share:					
High	\$ 18.93	\$ 19.72	\$ 21.55	\$ 21.30	\$ 21.55
Low	\$ 14.20	\$ 15.55	\$ 17.80	\$ 16.77	\$ 14.20
Class A dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48
Class B dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48

There were 7,461 holders of record of Class A common stock and three holders of record of Class B common stock on February 6, 2018. Vincent K. McMahon, Chairman of the Board of Directors and Chief Executive Officer, controls a substantial majority of the voting power of the issued and outstanding shares of our common stock, and as a result, can effectively exercise control over our affairs.

Our Class B common stock is fully convertible into Class A common stock, on a one for one basis, at any time at the option of the holder. The two classes are entitled to equal per share dividends and distributions and vote together as a class with each share of Class B entitled to ten votes and each share of Class A entitled to one vote, except when separate class voting is required by applicable law. If, at any time, any shares of Class B common stock are beneficially owned by any person other than Vincent McMahon, Linda McMahon, any descendant of either of them, any entity which is wholly owned and is controlled by any combination of such persons or any trust, all the beneficiaries of which are any combination of such persons, each of those shares will automatically convert into shares of Class A common stock.

Our Board of Directors regularly evaluates the Company's Common Stock dividend policy and determines the dividend rate each quarter. The level of dividends will continue to be influenced by many factors, including, among other things, our liquidity and historical and projected cash flow, our strategic plan (including alternative uses of capital), our financial results and condition, contractual and legal restrictions on the payment of dividends (including under our Revolving Credit Facility), general economic and competitive conditions and such other factors as our Board of Directors may consider relevant from time to time. We cannot assure our stockholders that dividends will be paid in the future, or that, if paid, dividends will be at the same amount or with the same frequency as in the past. Any reduction in our dividend payments could have a negative effect on our stock price.

The Company has an amended and restated \$100.0 million senior unsecured revolving credit facility ("the Revolving Credit Facility"). The Revolving Credit Facility restricts our ability to pay dividends if a default or event of default has occurred and is continuing thereunder. As of December 31, 2017, we were in compliance with the provisions of the Revolving Credit Facility and, as a result, we are not restricted from paying dividends to our stockholders. Whether or not our Revolving Credit Facility is available, we believe we have sufficient liquidity for our operating needs and payment of our dividend for at least the next twelve months.

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Cumulative Total Return Chart

Set forth below is a line graph comparing, for the period commencing December 31, 2012 and ended December 31, 2017, the cumulative total return on our Class A common stock compared to the cumulative total return of the Russell 2000 Index and S&P Movies and Entertainment Index, a published industry index. The graph assumes the investment of \$100 at the close of trading as of December 31, 2012 in our Class A common stock, the Russell 2000 Index and the S&P Movies and Entertainment Index and the reinvestment of all dividends.

Index	Period Ending					
	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
World Wrestling Entertainment, Inc.	100.00	220.13	169.34	251.93	266.69	452.54
Russell 2000	100.00	138.82	145.62	139.19	168.85	193.58
S&P Movies & Entertainment	100.00	155.57	183.29	166.34	183.60	192.81

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Item 6. Selected Financial Data

The following selected consolidated financial data has been derived from our consolidated financial statements. You should read the selected financial data in conjunction with our consolidated financial statements and related notes and the information set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained elsewhere in this report.

Financial Highlights: (in millions, except per share data)

	For the year ended December 31,				
	2017 (1)	2016 (2)	2015 (3)	2014 (4)	2013 (5)
Net revenues	\$ 801.0	\$ 729.2	\$ 658.8	\$ 542.6	\$ 508.0
Operating income (loss)	\$ 75.6	\$ 55.6	\$ 38.8	\$ (42.2)	\$ 5.9
Net income (loss)	\$ 32.6	\$ 33.8	\$ 24.1	\$ (30.1)	\$ 2.8
Earnings (Loss) per share, basic	\$ 0.43	\$ 0.44	\$ 0.32	\$ (0.40)	\$ 0.04
Earnings (Loss) per share, diluted	\$ 0.42	\$ 0.44	\$ 0.32	\$ (0.40)	\$ 0.04
Dividends declared per Class A share	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48
Dividends declared per Class B share	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48

	As of December 31,				
	2017	2016	2015	2014	2013
Cash, cash equivalents and short-term investments	\$ 297.4	\$ 267.1	\$ 102.4	\$ 115.4	\$ 109.4
Total assets	\$ 614.5	\$ 600.9	\$ 409.1	\$ 382.6	\$ 378.5
Total debt (6)	\$ 213.5	\$ 202.7	\$ 21.6	\$ 25.9	\$ 29.6
Total stockholders’ equity	\$ 253.0	\$ 239.7	\$ 209.3	\$ 205.9	\$ 265.9

- (1) Operating income includes \$5.6 million of expenses related to non-recurring legal matters and other contractual obligations and impairment charges on our feature films of \$5.5 million (See Note 7 to the consolidated financial statements).
- (2) Operating income includes impairment charges on our feature films of \$0.8 million (See Note 7 to the consolidated financial statements).
- (3) Operating income includes impairment charges on our feature films of \$0.5 million (See Note 7 to the consolidated financial statements). Operating income also includes a \$7.1 million non-cash abandonment charge to write-off costs relating to a media center expansion project (See Note 6 to the consolidated financial statements).
- (4) Operating income includes impairment charges on our feature films of \$1.5 million and \$4.2 million in restructuring charges of which \$2.4 million relates to severance and other costs and \$1.8 million relates to the impairment of gamification assets and is included in depreciation and amortization expense. Operating income also includes a \$1.6 million adjustment to reduce the carrying value of the former corporate aircraft to its estimated fair value and is included in depreciation expense. Net income includes a \$4.0 million impairment of an

equity investment and is included in other expense.

- (5) Operating income includes impairment charges on our feature films of \$11.7 million and \$10.7 million of costs associated with our emerging content and distribution efforts, including WWE Network, partially offset by the positive impact of \$3.4 million resulting from the transition of our video game business to a new licensee.
- (6) Total debt includes \$177.9 million and \$161.0 million of convertible senior notes outstanding as of December 31, 2017 and December 31, 2016, respectively. We completed a private offering and sale of \$200.0 million and \$15.0 million aggregate principal amount of 3.375% convertible senior notes due in 2023 in December 2016 and January 2017, respectively. The balance represents the liability component, net of unamortized debt discount and debt issuance costs (See Note 11 to the consolidated financial statements).

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with the audited consolidated financial statements and related notes included elsewhere in this report.

Our operations are organized around the 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 and transactional on-demand 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 and on distribution platforms, including Amazon.

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 are presented in two categories comprised of Corporate Support and Business Support. Corporate Support expenses primarily include our corporate general and

administrative functions. Business Support expenses include our sales and marketing functions, our international offices, and talent development function, including the costs associated with our WWE Performance Center, as well as business strategy and data analytics support. Additionally, Corporate and Other includes all intersegment eliminations recorded in consolidation.

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Results of Operations

The Company presents OIBDA as the primary measure of segment profit (loss). As a means to summarize the OIBDA measure, we also present total consolidated OIBDA, divisional OIBDA for certain groupings of our segments (discussed further below) and OIBDA as a percentage of revenues. 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. Additionally, we believe that OIBDA provides a meaningful representation of operating cash flows within our segments.

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 19, Segment Information, in the accompanying consolidated financial statements for a reconciliation of OIBDA to operating income for the periods presented.

We record certain costs within our Corporate and Other segment since the costs benefit the Company as a whole and are not directly attributable to our other reportable segments. These costs are presented in two categories, Corporate Support and Business Support. Corporate Support expenses primarily include our corporate general and administrative functions. Business Support expenses include our sales and marketing functions, our international offices, talent development costs, including costs associated with our WWE Performance Center, and our business strategy and data analytics functions. Revenues from transactions between our operating segments are not material. Included in Corporate and Other are intersegment eliminations recorded in consolidation.

While the reporting of our financial results is done at a segment level, we provide divisional sub-totals for revenues and OIBDA for our Media and Consumer Products Divisions. The Media Division is comprised of our Network, Television, Home Entertainment and Digital Media segments and represents the monetization of WWE content assets across various distribution channels. The Consumer Products Division is comprised of our Licensing, Venue Merchandise and WWEShop segments, which derive their revenues from the monetization of our intellectual property through royalties, license fees and the sale of WWE branded merchandise. We believe the divisional construct is relevant as we continually evaluate the best manner to exploit our content and intellectual property through various channels in a rapidly changing media landscape.

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Year Ended December 31, 2017 compared to Year Ended December 31, 2016

(dollars in millions)

Summary

The following tables present our consolidated results followed by our OIBDA results:

	2017	2016	Increase (decrease)	
Net revenues				
Media Division:				
Network	\$ 197.9	\$ 180.9	9	%
Television	270.2	241.7	12	%
Home Entertainment	8.6	13.1	(34)	%
Digital Media	34.5	26.9	28	%
Total Media Division	511.2	462.6	11	%
Live Events	151.7	144.4	5	%
Consumer Products Division:				
Licensing	52.1	49.1	6	%
Venue Merchandise	23.8	24.2	(2)	%
WWEShop	37.8	34.6	9	%
Total Consumer Products Division	113.7	107.9	5	%
WWE Studios	18.6	10.1	84	%
Corporate & Other	5.8	4.2	38	%
Total net revenues (1)	801.0	729.2	10	%
Cost of revenues				
Media Division:				
Network	119.4	123.3	(3)	%
Television	129.5	120.1	8	%
Home Entertainment	5.4	6.5	(17)	%
Digital Media	10.4	9.4	11	%
Total Media Division	264.7	259.3	2	%
Live Events	106.2	99.2	7	%
Consumer Products Division:				
Licensing	12.7	13.5	(6)	%
Venue Merchandise	13.0	12.8	2	%
WWEShop	27.0	24.8	9	%
Total Consumer Products Division	52.7	51.1	3	%

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WWE Studios	17.6	5.8	203	%
Corporate & Other	17.8	14.6	22	%
Total cost of revenues (2)	459.0	430.0	7	%
Selling, general and administrative expenses				
Corporate & Other (3)	189.0	168.3	12	%
All other segments	51.4	50.8	1	%
Total selling, general and administrative expenses	240.4	219.1	10	%
Depreciation and amortization	26.0	24.4	7	%
Operating income	75.6	55.7	36	%
Interest expense (4)	14.7	3.0	390	%
Investment and other income, net	3.1	0.5	520	%
Income before income taxes	64.0	53.2	20	%
Provision for income taxes (5)	31.4	19.4	62	%
Net income	\$ 32.6	\$ 33.8	(4)	%

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- (1) Our consolidated net revenues increased by \$71.8 million, or 10%, in 2017 as compared to 2016. This increase was primarily driven by \$26.2 million in incremental revenues associated with the contractual escalation of our television distribution agreements and the timing impact of our licensed reality based television series, and \$15.4 million of increased subscription revenues related to the growth of our WWE Network. Our WWE Studios segment recognized \$8.5 million in incremental revenue in 2017, driven by the timing and performance of our film portfolio. In addition, the impact of 34 additional domestic events contributed \$8.4 million to our live events revenues, while digital media advertising revenues increased by \$7.6 million. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (2) Our consolidated cost of revenues increased by \$29.0 million, or 7%, in 2017 as compared to 2016. The \$11.8 million increase in our WWE Studios segment was primarily due to higher film amortization, including \$5.5 million of film impairment charges resulting from revised ultimate profit expectations for several of our feature films. In the current year, we incurred \$9.4 million of additional costs in our Television segment, primarily associated with the use of additional production elements on our weekly live episodic shows. The \$7.0 million increase in cost of revenues in the Live Events segment was driven by an increased number of events, including international events. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (3) Refer to the Corporate & Other section within Management's Discussion and Analysis for a detailed analysis of the changes.
- (4) Interest expense increased by \$11.7 million in 2017 as compared to 2016, as the convertible notes and the assumed mortgage were entered into during the second half of 2016. Refer to Note 10, Long-Term Debt and Credit Facilities, and Note 11, Convertible Debt, in the Notes to Consolidated Financial Statements for further discussion.
- (5) Our provision for income taxes increased by \$12.0 million, or 62%, in 2017 as compared to 2016, primarily driven by the impact of remeasurement of our deferred tax asset as a result of the Tax Cuts and Jobs Act (the "Tax Act"). Refer to Note 12, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.

	2017	2016	Increase (decrease)	
OIBDA				
Media Division:				
Network	\$ 64.2	\$ 43.0	49	%
Television	139.4	119.8	16	%
Home Entertainment	1.6	5.3	(70)	%
Digital Media	10.2	4.6	122	%
Total Media Division	215.4	172.7	25	%
Live Events	42.3	41.8	1	%
Consumer Products Division:				
Licensing	31.1	27.4	14	%
Venue Merchandise	9.1	9.8	(7)	%
WWEShop	8.3	7.3	14	%
Total Consumer Products Division	48.5	44.5	9	%
WWE Studios	(3.6)	(0.2)	(1,700)	%

Corporate & Other	(201.0)	(178.7)	12	%
Total OIBDA	\$ 101.6	\$ 80.1	27	%

	2017	% of	2016	% of
		Rev		Rev
Reconciliation of Operating Income to OIBDA				
Media Division:				
Operating income	\$ 203.6	40 %	\$ 161.3	35 %
Depreciation and amortization	11.8	2 %	11.4	2 %
Media Division OIBDA	\$ 215.4	42 %	\$ 172.7	37 %
Consumer Products Division:				
Operating income	\$ 48.5	43 %	\$ 44.5	41 %
Depreciation and amortization	—	—%	—	—%
Consumer Products Division OIBDA	\$ 48.5	43 %	\$ 44.5	41 %
Consolidated:				
Operating income	\$ 75.6	9 %	\$ 55.7	8 %
Depreciation and amortization	26.0	3 %	24.4	3 %
Total OIBDA	\$ 101.6	13 %	\$ 80.1	11 %

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Media Division

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

	2017	2016	Increase (decrease)	
Revenues - Media Division				
Network	\$ 197.9	\$ 180.9	9	%
Subscriptions	\$ 183.7	\$ 168.3	9	%
Pay-per-view	\$ 14.2	\$ 12.6	13	%
Number of paid subscribers at period end	1,471,400	1,403,000	5	%
Domestic	1,065,200	1,032,600	3	%
International (a)	406,200	370,400	10	%
Number of average paid subscribers	1,532,700	1,417,900	8	%
Domestic	1,127,700	1,062,600	6	%
International (a)	405,000	355,300	14	%
Television	\$ 270.2	\$ 241.7	12	%
Home Entertainment	\$ 8.6	\$ 13.1	(34)	%
Gross units shipped	1,342,500	1,594,400	(16)	%
Digital Media	\$ 34.5	\$ 26.9	28	%
Total	\$ 511.2	\$ 462.6	11	%

(a) Metrics reflect subscribers who are direct customers of WWE Network and estimated subscribers under licensed partner agreements, which have different economic terms for WWE Network.

	2017	% of	2016	% of	Increase (decrease)	
OIBDA - Media Division		Rev		Rev		
Network	\$ 64.2	32 %	\$ 43.0	24 %	49	%
Television	\$ 139.4	52 %	\$ 119.8	50 %	16	%
Home Entertainment	\$ 1.6	19 %	\$ 5.3	40 %	(70)	%
Digital Media	\$ 10.2	30 %	\$ 4.6	17 %	122	%

Network revenues, which include revenues generated by WWE Network and pay-per-view, increased by \$17.0 million, or 9%, in 2017 as compared to 2016. WWE Network revenues increased by \$15.4 million, or 9%, in 2017 as compared to 2016, driven primarily by the increase in paid subscribers. During the year ended December 31, 2017, WWE Network had an average of 1,532,700 paid subscribers, compared to an average of 1,417,900 subscribers in 2016. During the year ended December 31, 2017, there were 1,803,700 gross additions to WWE Network's subscriber base, partially offset by churn of 1,735,300 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 December 31, 2017 is \$9.99 per month with no minimum commitment. Pay-per-view revenues increased by \$1.6 million, or 13%, primarily driven by an 11% increase in pay-per-view buys. The increase in Network OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven primarily by the increase in revenues, coupled with lower programming related costs of \$5.0 million driven by our focus on in-ring programming which has higher margins than our original content.

Television revenues, which include revenues generated from television rights fees and advertising, increased by \$28.5 million, or 12%, in 2017 as compared to 2016. This increase was driven primarily by \$26.2 million due to the contractual increases associated with distribution agreements and the timing impact of our licensed reality based television series. The increase in Television OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven primarily by the increase in revenues, partially offset by additional costs incurred associated with the use of additional production elements on our weekly live episodic shows, Raw and Smackdown Live.

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 \$4.5 million, or 34%, in 2017 as compared to 2016. The decrease was driven by the impact of a 16% decline in units shipped, coupled with a 5% decline in the average price per unit sold. The decrease in Home Entertainment OIBDA as a percentage of revenues in 2017 as compared to 2016 was primarily driven by the decrease in revenues, including the impact of declines in our higher margin international business.

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Digital Media revenues increased by \$7.6 million, or 28%, in 2017 as compared to 2016, primarily due to increased advertising revenues. The increase in Digital Media OIBDA as a percentage of revenues in 2017 as compared to 2016 was primarily driven by increased revenues.

Live Events

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

	2017	2016	Increase (decrease)	
Revenues - Live Events				
Live events	\$ 148.1	\$ 141.1	5	%
North America	\$ 115.1	\$ 104.8	10	%
International	\$ 33.0	\$ 36.3	(9)	%
Total live event attendance (1)	2,170,200	2,101,800	3	%
Number of North American events (1)	314	280	12	%
Average North American attendance (1)	5,600	5,800	(3)	%
Average North American ticket price (dollars) (1)	\$ 58.68	\$ 58.19	1	%
Number of international events (1)	70	64	9	%
Average international attendance (1)	5,700	7,500	(24)	%
Average international ticket price (dollars) (1)	\$ 77.83	\$ 65.85	18	%
Travel packages	\$ 3.6	\$ 3.3	9	%
Total	\$ 151.7	\$ 144.4	5	%

(1) Metrics above exclude the events for our NXT brand. This is our developmental brand that typically conducts their events in smaller venues with lower ticket prices. We conducted 188 NXT events with paid attendance of 152,300 and average ticket prices of \$39.27 in 2017 as compared to 189 events with paid attendance of 187,800 and average ticket prices of \$37.32 in 2016.

	2017	2016	Increase (decrease)	
OIBDA - Live Events				
Live events	\$ 40.4	\$ 40.1	1	%
Travel packages	1.9	1.7	12	%

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Total	\$ 42.3	\$ 41.8	1	%
OIBDA as a percentage of revenues	28 %	29 %		

Live events revenues, which include revenues from ticket sales and travel packages, increased by \$7.3 million, or 5%, in 2017 as compared to 2016. Revenues from our North America live events business increased by \$10.6 million, or 10%, primarily due to increases of \$8.4 million resulting from 34 additional events. Also contributing to this increase was \$1.1 million of revenues associated with secondary ticket sales. Revenues from our international live events business decreased by \$3.3 million, or 9%, primarily due to five fewer NXT events, coupled with changes in the mix of territories in which we performed. The decrease in Live Events OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven by lower average attendance and higher promotional costs.

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Consumer Products Division

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

	2017	2016	Increase (decrease)	
Revenues - Consumer Products Division				
Licensing	\$ 52.1	\$ 49.1	6	%
Venue merchandise	23.8	24.2	(2)	%
Domestic per capita spending (dollars)	\$ 10.16	\$ 10.89	(7)	%
WWEShop	37.8	34.6	9	%
Average WWEShop revenues per order (dollars)	\$ 45.81	\$ 44.61	3	%
Online merchandise orders	818,600	771,500	6	%
Total	\$ 113.7	\$ 107.9	5	%

	2017		2016		Increase (decrease)	
		% of Rev		% of Rev		
OIBDA - Consumer Products Division						
Licensing	\$ 31.1	60 %	\$ 27.4	56 %	14	%
Venue merchandise	\$ 9.1	38 %	\$ 9.8	40 %	(7)	%
WWEShop	\$ 8.3	22 %	\$ 7.3	21 %	14	%

Licensing revenues increased by \$3.0 million, or 6%, in 2017 as compared to 2016, primarily driven by higher sales of \$2.1 million from the Company's licensed toys. The increase in Licensing OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven by the mix of products sold within our licensed portfolio.

Venue merchandise revenues decreased by \$0.4 million, or 2%, in 2017 as compared to 2016, primarily due to a 7% decline in per capita merchandise spend. The decrease in Venue Merchandise OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven by product mix and increased venue costs.

WWEShop revenues increased by \$3.2 million, or 9%, in 2017 as compared to 2016, primarily due to a 6% increase in the volume of online merchandise orders, coupled with a 3% increase in the average revenue per order. Orders increased primarily due to the impact of additional distribution channels, including in international territories,

continued marketing efforts and a broader assortment of products offered. The increase in WWEShop OIBDA as a percentage of revenues in 2017 as compared to 2016 was driven by operating leverage as a result of the revenue growth.

WWE Studios

WWE Studios revenues increased by \$8.5 million, or 84%, in 2017 as compared to 2016. The change in film revenue is reflective of both the timing of our film releases and the performance of released films. In addition to delivering *Fighting With My Family* to our distribution partner, we released nine films, *Surf's Up 2: WaveMania*, *The Resurrection of Gavin Stone*, *The Jetsons & WWE: Robo-WrestleMania!*, *The Marine 5: Battleground*, *Sleight*, *Pure Country: Pure Heart*, *Armed Response*, *Birth of the Dragon* and *Killing Hasselhoff*, in 2017 as compared to five feature films in 2016. As we typically participate in a film's results subsequent to our distributor's recoupment of costs, there is a lag between a film's release and its impact on revenue. WWE Studios OIBDA decreased by \$3.4 million in 2017 as compared to 2016, primarily driven by the expected performance of our film portfolio, including additional impairment charges recorded during 2017.

At December 31, 2017, the Company had \$22.3 million (net of accumulated amortization and impairment charges) of Feature Film Production Assets capitalized on its Consolidated Balance Sheet, of which \$15.9 million is for films in-release, \$3.1 million is for films in production and the remaining \$3.3 million is for films that are completed, pending release, 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 and/or costs 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. We recorded impairment charges of \$5.5 million and \$0.8 million in 2017 and 2016, respectively.

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Corporate & Other

We record certain costs within our Corporate and Other segment since the costs benefit the Company as a whole and are not directly attributable to our other reportable segments. These costs are presented in two categories, Corporate Support and Business Support. Corporate Support expenses primarily include our corporate general and administrative functions. Business Support expenses include our sales and marketing functions, our international offices, talent development costs, including costs associated with our WWE Performance Center, and our business strategy and data analytics functions. The presentation of Corporate & Other expenses in these two categories provides further details on the primary composition of our Selling, general and administrative expenses as presented in our Consolidated Statements of Operations as the majority of Selling, general and administrative expenses are comprised of expenses from our Corporate & Other segment.

The following table presents the financial results for our Corporate and Other segment (dollars in millions):

	For the year ended December 31, 2017			2016			Increase (Decrease)
	Corporate Support	Business Support	Total Corporate & Other	Corporate Support	Business Support	Total Corporate & Other	
Corporate & Other revenue	\$ —	\$ 5.8	\$ 5.8	\$ —	\$ 4.2	\$ 4.2	38 %
Corporate & Other expenses:							
Staff related	\$ 26.9	\$ 40.4	\$ 67.3	\$ 23.3	\$ 36.5	\$ 59.8	13 %
Management incentive compensation	11.8	17.0	28.8	10.9	13.6	24.5	18 %
Legal, accounting and other professional	25.2	10.2	35.4	17.3	12.0	29.3	21 %
Travel and entertainment expenses	0.3	5.8	6.1	0.2	5.9	6.1	— %
Advertising, marketing and promotion	0.5	8.9	9.4	0.5	9.4	9.9	(5) %
Corporate insurance	3.0	1.7	4.7	2.6	1.3	3.9	21 %
Talent related expenses (1)	—	25.1	25.1	—	20.1	20.1	25 %
Other expenses	19.0	11.0	30.0	18.0	11.3	29.3	2 %
Corporate & Other expenses	\$ 86.7	\$ 120.1	\$ 206.8	\$ 72.8	\$ 110.1	\$ 182.9	13 %

Corporate & Other as a percentage of net revenues	11	%	15	%	26	%	10	%	15	%	25	%
OIBDA - Corporate & Other	\$ (86.7)		\$ (114.3)		\$ (201.0)		\$ (72.8)		\$ (105.9)		\$ (178.7)	12 %

(1) Talent related expenses within Business Support include costs associated with our WWE Performance Center, talent appearances and certain talent support costs. Talent costs associated with specific revenue streams are excluded from the above amounts and included within applicable business segments.

Corporate and Other expenses increased by \$23.9 million, or 13%, in 2017 as compared to 2016. This increase is primarily due to higher staff related costs of \$7.5 million due to increased headcount, \$5.6 million of expenses related to non-recurring legal matters and other contractual obligations and talent related costs of \$5.0 million in support of talent development initiatives. During 2017, we also incurred \$4.3 million of additional management incentive compensation costs, primarily driven by \$3.8 million of stock compensation expenses due to an increase in the Company's stock price.

Depreciation and Amortization

(dollars in millions)

	2017	2016	Increase (decrease)
Depreciation and amortization	\$ 26.0	\$ 24.4	7 %

Depreciation and amortization expense increased \$1.6 million, or 7%, in 2017 as compared to 2016, primarily driven by prior year capital expenditures.

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Interest Expense

(dollars in millions)

	2017	2016	Increase (decrease)	
Interest expense	\$ 14.7	\$ 3.0	391	%

Interest expense, which relates primarily to interest and amortization associated with our convertible notes, our debt facilities, assumed mortgage and aircraft financing, increased by \$11.7 million in 2017 as compared to 2016, as the convertible notes and assumed mortgage were entered into during the latter part of 2016.

Investment Income and Other Expense, Net

(dollars in millions)

	2017	2016	Increase (decrease)	
Investment income, net	\$ 3.4	\$ 2.3	48	%
Other expense, net	\$ (0.3)	\$ (1.8)	83	%

Investment income, net increased by \$1.1 million, or 48%, in 2017 as compared to 2016, primarily driven by an increase of \$1.5 million in income from our short-term investment instruments, partially offset by \$0.5 million of lower returns from an equity method investment. Other expense, net is primarily comprised of state excise taxes and realized foreign currency translation losses, partially offset by rental income.

Income Taxes

(dollars in millions)

	2017	2016	Increase (decrease)
Provision for (benefit from) income taxes	\$ 31.4	\$ 19.4	62 %
Effective tax rate	49 %	36 %	

The effective tax rate was 49% in 2017 as compared to 36% in 2016. The increase in the effective tax rate in the current year period was primarily driven by the impact of remeasurement of our deferred tax asset as a result of the Tax Act, which resulted in the recognition of \$11.3 million of expense. The Tax Act reduced the corporate rate from 35% to 21% effective January 1, 2018.

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Year Ended December 31, 2016 compared to Year Ended December 31, 2015

(dollars in millions)

Summary

The following tables present our consolidated results followed by our OIBDA results:

	2016	2015	Increase (decrease)	
Net revenues				
Media Division:				
Network	\$ 180.9	\$ 159.4	13	%
Television	241.7	231.1	5	%
Home Entertainment	13.1	13.4	(2)	%
Digital Media	26.9	21.5	25	%
Total Media Division	462.6	425.4	9	%
Live Events	144.4	124.7	16	%
Consumer Products Division:				
Licensing	49.1	48.9	0	%
Venue Merchandise	24.2	22.4	8	%
WWEShop	34.6	27.1	28	%
Total Consumer Products Division	107.9	98.4	10	%
WWE Studios	10.1	7.1	42	%
Corporate & Other	4.2	3.2	31	%
Total net revenues (1)	729.2	658.8	11	%
Cost of revenues				
Media Division:				
Network	123.3	107.0	15	%
Television	120.1	129.0	(7)	%
Home Entertainment	6.5	7.7	(16)	%
Digital Media	9.4	8.5	11	%
Total Media Division	259.3	252.2	3	%
Live Events	99.2	84.3	18	%
Consumer Products Division:				
Licensing	13.5	12.2	11	%
Venue Merchandise	12.8	12.2	5	%
WWEShop	24.8	19.8	25	%
Total Consumer Products Division	51.1	44.2	16	%
WWE Studios	5.8	4.1	41	%
Corporate & Other	14.6	12.5	17	%

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Total cost of revenues (2)	430.0	397.3	8	%
Selling, general and administrative expenses				
Corporate & Other (3)	168.3	155.7	8	%
All other segments	50.8	37.1	37	%
Total selling, general and administrative expenses	219.1	192.8	14	%
Loss on abandonment (4)	—	7.1	(100)	%
Depreciation and amortization	24.4	22.8	7	%
Operating income	55.7	38.8	44	%
Interest expense	3.0	2.4	25	%
Investment and other income (expense), net	0.5	(0.2)	350	%
Income before income taxes	53.2	36.2	47	%
Provision for income taxes	19.4	12.1	60	%
Net income	\$ 33.8	\$ 24.1	40	%

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- (1) Our consolidated net revenues increased by \$70.4 million, or 11%, in 2016 as compared to 2015. This increase was primarily driven by \$29.5 million of increased subscription revenues related to the growth of our WWE Network in new and existing territories and \$14.6 million in incremental revenues associated with the escalation of our television rights fees. Higher average ticket prices and increased attendance contributed \$11.8 million to our live events revenues, while the growth of our NXT brand resulted in increased live event revenues of \$4.1 million. An increase in merchandise sales also contributed \$9.3 million of incremental revenues. These increases were partially offset by a \$8.0 million decline in our pay-per-view revenues due to the continued growth and expansion of WWE Network. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (2) Our consolidated cost of revenues increased by \$32.7 million, or 8%, in 2016 as compared to 2015. In 2016, we incurred \$13.1 million of additional programming related costs in our Network segment in support of our focus on adding original programming to WWE Network and additional pay-per-view events. The \$14.9 million increase in cost of revenues in the Live Events segment was driven by an increased number of events, including international events, coupled with higher WrestleMania costs. For further analysis, refer to Management's Discussion and Analysis of our business segments.
- (3) Refer to the Corporate & Other section within Management's Discussion and Analysis for a detailed analysis of the changes.
- (4) Loss on abandonment in 2015 includes a \$7.1 million non-cash abandonment charge to write-off the value of costs related to a media center expansion project that were incurred several years ago but the expansion was delayed due to the economic uncertainty at the time. The Company made the determination that these plans would not be viable and as such abandoned and wrote-off the asset balance associated with the project.

	2016	2015	Increase (decrease)	
OIBDA				
Media Division:				
Network	\$ 43.0	\$ 48.4	(11)	%
Television	119.8	97.0	24	%
Home Entertainment	5.3	4.6	15	%
Digital Media	4.6	4.4	5	%
Total Media Division	172.7	154.4	12	%
Live Events	41.8	38.0	10	%
Consumer Products Division:				
Licensing	27.4	28.8	(5)	%
Venue Merchandise	9.8	8.9	10	%
WWEShop	7.3	5.1	43	%
Total Consumer Products Division	44.5	42.8	4	%
WWE Studios	(0.2)	(1.5)	87	%
Corporate & Other	(178.7)	(172.1)	4	%
Total OIBDA	\$ 80.1	\$ 61.6	30	%

	2016		2015	
		% of		% of
Reconciliation of Operating Income to OIBDA		Rev		Rev
Media Division:				
Operating income	\$ 161.3	35 %	\$ 144.2	34 %
Depreciation and amortization	11.4	2 %	10.2	2 %
Media Division OIBDA	\$ 172.7	37 %	\$ 154.4	36 %
Consumer Products Division:				
Operating income	\$ 44.5	41 %	\$ 42.8	43 %
Depreciation and amortization	—	—%	—	—%
Consumer Products Division OIBDA	\$ 44.5	41 %	\$ 42.8	43 %
Consolidated:				
Operating income (loss)	\$ 55.7	8 %	\$ 38.8	6 %
Depreciation and amortization	24.4	3 %	22.8	3 %
Total OIBDA	\$ 80.1	11 %	\$ 61.6	9 %

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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):

	2016	2015	Increase (decrease)	
Revenues - Media Division				
Network	\$ 180.9	\$ 159.4	13	%
Subscriptions	\$ 168.3	\$ 138.8	21	%
Pay-per-view	\$ 12.6	\$ 20.6	(39)	%
Number of paid subscribers at period end	1,403,000	1,217,100	15	%
Domestic	1,032,600	939,900	10	%
International (a)	370,400	277,200	34	%
Number of average paid subscribers	1,417,900	1,139,400	24	%
Domestic	1,062,600	939,100	13	%
International (a)	355,300	200,300	77	%
Television	\$ 241.7	\$ 231.1	5	%
Home Entertainment	\$ 13.1	\$ 13.4	(2)	%
Gross units shipped	1,594,400	2,081,400	(23)	%
Digital Media	\$ 26.9	\$ 21.5	25	%
Total	\$ 462.6	\$ 425.4	9	%

(a) Metrics reflect subscribers who are direct customers of WWE Network and estimated subscribers under licensed partner agreements, which have different economic terms for WWE Network.

	2016	% of Rev	2015	% of Rev	Increase (decrease)	
OIBDA - Media Division						
Network (1)	\$ 43.0	24 %	\$ 48.4	30 %	(11)	%
Television (1)	\$ 119.8	50 %	\$ 97.0	42 %	24	%
Home Entertainment	\$ 5.3	40 %	\$ 4.6	34 %	15	%

Digital Media \$ 4.6 17 % \$ 4.4 20 % 5 %

(1) See Note 19, Segment Information, in the Notes to Consolidated Financial Statements for a discussion of our cost allocation methodology between the Network and Television segments, which was implemented during the first quarter of 2016. During the current year, \$15.4 million of costs were allocated from Television to Network. A comparable allocation did not occur in the prior year.

Network revenues, which include revenues generated by WWE Network and pay-per-view, increased by \$21.5 million, or 13%, in 2016 as compared to 2015. WWE Network revenues increased by \$29.5 million, or 21%, in 2016 as compared to 2015, driven primarily by the increase in paid subscribers. During the year ended December 31, 2016, WWE Network had an average of 1,417,900 paid subscribers, compared to an average of 1,139,400 subscribers in 2015. During the year ended December 31, 2016, there were 1,858,700 gross additions to WWE Network's subscriber base, offset by churn of 1,672,800 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 December 31, 2016 is \$9.99 per month with no minimum commitment. The increased revenues generated by WWE Network in 2016 were partially offset by the decline in pay-per-view revenues of \$8.0 million, or 39%. This decline was primarily attributable to the continued growth and expansion of WWE Network; as WWE Network grows, pay-per-view revenues are expected to decline since our pay-per-view events are available on WWE Network. The decrease in Network OIBDA as a percentage of revenues in 2016 as compared to 2015 was due to higher programming related costs of \$13.1 million and the impact of shared costs that we now allocate to the Network segment from our Television segment. On January 1, 2016, we began allocating certain shared costs and expenses between our Network and Television segments, as these allocations are intended to more accurately reflect the operating performance of these segments. The impact of the allocation during 2016 was a decline in Network OIBDA of \$15.4 million. A comparable allocation did not occur in 2015.

Television revenues, which include revenues generated from television rights fees and advertising, increased by \$10.6 million, or 5%, in 2016 as compared to 2015. This increase was the result of contractual increases of \$14.6 million associated with television distribution agreements and \$3.9 million of revenues associated with our new licensed reality based series, Total Bellas. This increase was partially offset by the impact of our other licensed reality based series, Total Divas and Tough Enough. There were 20 new episodes of these licensed reality series in 2016 as compared to 33 episodes in 2015, which resulted in a decrease in revenues of \$6.7 million.

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The increase in Television OIBDA as a percentage of revenues in 2016 as compared to 2015 was primarily driven by a change in product mix, as the licensed reality based series mentioned above typically have a lower margin than our other television programming. Additionally, Television OIBDA was favorably impacted by a \$15.4 million allocation methodology change, as described above.

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 \$0.3 million, or 2%, in 2016 as compared to 2015. The decrease was due to a 23% decline in units shipped, mostly offset by lower DVD and Blu-Ray returns of \$2.7 million and the impact of a 6% increase in the average price per unit sold. The increase in Home Entertainment OIBDA as a percentage of revenues in 2016 as compared to 2015 was primarily driven by lower production costs of \$1.3 million related to the decline in units shipped of our DVD and Blu-Ray discs.

Digital Media revenues increased by \$5.4 million, or 25%, in 2016 as compared to 2015, primarily due to increased advertising revenues, including an increase of \$4.9 million associated with our content viewed on YouTube. The decrease in Digital Media OIBDA as a percentage of revenues in 2016 as compared to 2015 was primarily driven by increased staff related and professional services costs of \$3.2 million to support various technology initiatives.

Live Events

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

	2016	2015	Increase (decrease)	
Revenues - Live Events				
Live events	\$ 141.1	\$ 122.4	15	%
North America	\$ 104.8	\$ 93.0	13	%
International	\$ 36.3	\$ 29.4	23	%
Total live event attendance (1)	2,101,800	2,055,000	2	%
Number of North American events (1)	280	273	3	%
Average North American attendance (1)	5,800	6,000	(3)	%
Average North American ticket price (dollars) (1)	\$ 58.19	\$ 53.22	9	%
Number of international events (1)	64	56	14	%
Average international attendance (1)	7,500	7,300	3	%
Average international ticket price (dollars) (1)	\$ 65.85	\$ 65.10	1	%
Travel packages	\$ 3.3	\$ 2.3	43	%
Total	\$ 144.4	\$ 124.7	16	%

(1) Metrics above exclude the events for our NXT brand. This is an emerging brand that typically conducts their events in smaller venues with lower ticket prices. We conducted 189 NXT events with paid attendance of 187,800 and average ticket prices of \$37.32 in 2016 as compared to 120 events with paid attendance of 92,500 and average ticket prices of \$36.71 in 2015.

	2016	2015	Increase (decrease)	
OIBDA - Live Events				
Live events	\$ 40.1	\$ 36.9	9	%
Travel packages	1.7	1.1	55	%
Total	\$ 41.8	\$ 38.0	10	%
OIBDA as a percentage of revenues	29 %	30 %		

Live events revenues, which include revenues from ticket sales and travel packages, increased by \$19.7 million, or 16%, in 2016 as compared to 2015. Revenues from our North America live events business increased by \$11.8 million, or 13%, primarily due to higher average ticket prices, including WrestleMania, which increased revenues by \$8.1 million, partially offset by a \$1.2 million reduction in revenues due to lower attendance at these events. Revenues from our international live events business increased by \$6.9 million, or 23%, primarily due to \$4.6 million of increased revenues due to higher average attendance and eight additional events. Also contributing to the overall increase in revenues was a \$4.1 million positive impact associated with an expanded touring schedule for the Company's emerging NXT brand. Live events OIBDA as a percentage of revenues decreased slightly in 2016 as compared to 2015, primarily due to the mix of venues in which the events were held.

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Consumer Products Division

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

	2016	2015	Increase (decrease)	
Revenues - Consumer Products Division				
Licensing	\$ 49.1	\$ 48.9	0	%
Venue merchandise	24.2	22.4	8	%
Domestic per capita spending (dollars)	\$ 10.89	\$ 10.54	3	%
WWEShop	34.6	27.1	28	%
Average WWEShop revenues per order (dollars)	\$ 44.61	\$ 45.87	(3)	%
Online merchandise orders	771,500	590,000	31	%
Total	\$ 107.9	\$ 98.4	10	%

	2016		2015		Increase (decrease)	
		% of Rev		% of Rev		
OIBDA - Consumer Products Division						
Licensing	\$ 27.4	56 %	\$ 28.8	59 %	(5)	%
Venue merchandise	\$ 9.8	40 %	\$ 8.9	40 %	10	%
WWEShop	\$ 7.3	21 %	\$ 5.1	19 %	43	%

Licensing revenues increased slightly in 2016 as compared to 2015. The decrease in Licensing OIBDA as a percentage of revenues in 2016 as compared to 2015 was primarily due to increased talent participation expenses driven by product mix.

Venue merchandise revenues increased by \$1.8 million, or 8%, in 2016 as compared to 2015, primarily due to a 3% increase in per capita merchandise spend. Venue merchandise OIBDA as a percentage of revenues was essentially unchanged in 2016 as compared to 2015.

WWEShop revenues increased by \$7.5 million, or 28%, in 2016 compared to 2015, due to a 31% increase in the volume of online merchandise orders to 771,500 orders. Orders increased primarily due to the impact of additional distribution channels, including in international territories, continued marketing efforts and a broader assortment of products offered. This increase was partially offset by a 3% decline in the average revenue per order to \$44.61 in 2016. The increase in WWEShop OIBDA as a percentage of revenues in 2016 as compared to 2015 was due to leveraging our fixed costs and improved fulfillment processes.

WWE Studios

WWE Studios revenues increased by \$3.0 million, or 42%, in 2016 as compared to 2015. We released five films, Countdown, Scooby Doo! & WWE: Curse of the Speed Demon, Interrogation, Incarnate and Eliminators, in 2016, as compared to six films in 2015. As we typically participate in a film's results subsequent to our distributor's recoupment of costs, there is a lag between a film's release and its impact on revenue. WWE Studios revenues of \$10.1 million in 2016 include \$3.0 million from film releases in 2015, with prior releases contributing the remainder of film revenues. WWE Studios revenue of \$7.1 million in 2015 includes \$2.5 million from film releases in 2014, with prior releases contributing the remainder of film revenues. WWE Studios OIBDA increased \$1.3 million in 2016 as compared to 2015, due, in part, to the increase in revenues, and changes to the terms of the distribution of a previously released film, which resulted in lower expenses of \$1.1 million.

At December 31, 2016, the Company had \$27.1 million (net of accumulated amortization and impairment charges) of Feature Film Production Assets capitalized on its Consolidated Balance Sheet, of which \$13.9 million is for films in-release, \$3.4 million is for films in production and the remaining \$9.8 million is for films that are completed, pending release, 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 and/or costs 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. We recorded impairment charges of \$0.8 million and \$0.5 million in 2016 and 2015, respectively.

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Corporate & Other

We record certain costs within our Corporate and Other segment since the costs benefit the Company as a whole and are not directly attributable to our other reportable segments. These costs are presented in two categories, Corporate Support and Business Support. Corporate Support expenses primarily include our corporate general and administrative functions. Business Support expenses include our sales and marketing functions, our international offices, talent development costs, including costs associated with our WWE Performance Center, and our business strategy and data analytics functions. The presentation of Corporate & Other expenses in these two categories provides further details on the primary composition of our Selling, general and administrative expenses as presented in our Consolidated Statements of Operations as the majority of Selling, general and administrative expenses are comprised of expenses from our Corporate & Other segment.

The following table presents the financial results for our Corporate and Other segment (dollars in millions):

	For the year ended December 31, 2016			2015			Increase (Decrease)	
	Corporate Support	Business Support	Total Corporate & Other	Corporate Support	Business Support	Total Corporate & Other		
Corporate & Other revenue	\$ —	\$ 4.2	\$ 4.2	\$ —	\$ 3.2	\$ 3.2	31	%
Corporate & Other expenses:								
Staff related	\$ 23.3	\$ 36.5	\$ 59.8	\$ 23.9	\$ 32.2	\$ 56.1	7	%
Management incentive compensation	10.9	13.6	24.5	10.9	13.7	24.6	(0)	%
Legal, accounting and other professional	17.3	12.0	29.3	16.8	7.3	24.1	22	%
Travel and entertainment expenses	0.2	5.9	6.1	0.2	5.7	5.9	3	%
Advertising, marketing and promotion	0.5	9.4	9.9	0.5	7.7	8.2	21	%
Corporate insurance	2.6	1.3	3.9	2.7	1.6	4.3	(9)	%
Talent related expenses (1)	—	20.1	20.1	—	17.8	17.8	13	%
Other expenses	18.0	11.3	29.3	17.4	9.8	27.2	8	%

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Corporate & Other expenses	\$ 72.8	\$ 110.1	\$ 182.9	\$ 72.4	\$ 95.8	\$ 168.2	9	%				
Corporate & Other as a percentage of net revenues	10	%	15	%	25	%	11	%	15	%	26	%
Loss on abandonment	—	—	—	7.1	—	7	(100)	%				
OIBDA - Corporate & Other	\$ (72.8)	\$ (105.9)	\$ (178.7)	\$ (79.5)	\$ (92.6)	\$ (172.1)	4	%				

(1) Talent related expenses within Business Support include costs associated with our WWE Performance Center, talent appearances and certain talent support costs. Talent costs associated with specific revenue streams are excluded from the above amounts and included within applicable business segments.

Corporate and Other expenses increased by \$14.7 million, or 9%, in 2016 as compared to 2015. This increase is primarily due to increases in professional fees of \$4.7 million in support of company-wide strategic initiatives, staff related costs of \$3.7 million due to increased headcount, talent related costs of \$2.6 million in support of talent development and investments of \$1.6 million in global branding.

Corporate and Other OIBDA for 2015 included a non-cash abandonment charge of \$7.1 million to write-off the value of costs related to a media center expansion project that were incurred several years ago but the expansion was delayed due to the economic uncertainty at the time. The Company made the determination that these plans would not be viable and abandoned and wrote-off the asset balance associated with the project as Loss on abandonment on our Consolidated Statements of Operations, which is reflected in our Corporate and Other segment results.

Depreciation and Amortization

(dollars in millions)

	2016	2015	Increase (decrease)
Depreciation and amortization	\$ 24.4	\$ 22.8	7 %

Depreciation and amortization expense increased \$1.6 million, or 7%, in 2016 as compared to 2015, primarily driven by a higher asset base.

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Interest Expense

(dollars in millions)

	2016	2015	Increase (decrease)	
Interest expense	\$ 3.0	\$ 2.4	25	%

Interest expense, which relates primarily to interest and amortization associated with the Convertible Notes, our debt facilities, assumed mortgage and aircraft financing, increased by \$0.6 million in 2016 as compared to 2015, primarily driven by the interest associated with the Convertible Notes and mortgage assumed during 2016.

Investment Income, Interest and Other Expense, Net

(dollars in millions)

	2016	2015	Increase (decrease)	
Investment income, net	\$ 2.3	\$ 1.8	28	%
Other expense, net	\$ (1.8)	\$ (2.0)	10	%

Investment income, net during the years ended December 31, 2016 and 2015 includes \$1.6 million and \$1.0 million, respectively, of equity method earnings, representing our pro-rata portion from an equity method investment entered into during the first quarter of 2015. Investment income, net also includes income of \$0.7 million and \$0.8 million from our short term investment instruments during 2016 and 2015, respectively. Other expense, net is primarily comprised of foreign currency translation net losses of \$1.4 million and certain excise taxes of \$0.7 million, partially offset by \$0.7 million of rental income.

Income Taxes

(dollars in millions)

	2016	2015	Increase (decrease)
(Benefit from) provision for income taxes	\$ 19.4	\$ 12.1	60 %
Effective tax rate	36 %	33 %	

The effective tax rate was 36% in 2016 as compared to 33% in 2015. The higher rate in 2016 is primarily attributable to a reduction in the domestic production activity benefit.

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Liquidity and Capital Resources

We had cash and cash equivalents and short-term investments of \$297.4 million and \$267.1 million as of December 31, 2017 and 2016, respectively. Our short-term investments consist primarily of U.S. Treasury securities, corporate bonds, municipal bonds, including pre-refunded municipal bonds, and government agency bonds. Our debt balance totaled \$213.5 million and \$202.7 million as of December 31, 2017 and 2016, respectively, and includes the carrying value of \$177.9 and \$161.0 million related to our convertible senior notes due 2023 as of December 31, 2017 and December 31, 2016, respectively.

We believe that our existing cash and cash equivalents and investment balances and cash generated from operations will be sufficient to meet our operating requirements for at least the next twelve months, inclusive of dividend payments, debt service, film and television production activities and capital expenditures.

Borrowing Capacity

In December 2016, the Company entered into an amended and restated \$100.0 million senior unsecured revolving credit facility with a syndicated group of banks, with JPMorgan Chase Bank, N.A. acting as Administrative Agent (the "Revolving Credit Facility"). The Revolving Credit Facility has a maturity date to July 29, 2021. As of December 31, 2017, the Company was in compliance with the provisions of our Revolving Credit Facility, there were no amounts outstanding, and the Company had available capacity under the terms of the facility of \$100.0 million.

In May 2015, two of the Company's subsidiaries entered into a \$35.0 million secured asset based revolving credit facility, as amended (the "Film Credit Facility"). On December 21, 2017, we repaid in full all outstanding debt and terminated our Film Credit Facility. In connection with the termination, we expensed \$0.4 million of unamortized debt issuance costs.

Debt Summary

In December 2016, the Company issued \$200.0 million aggregate principal amount of 3.375% convertible senior notes (the "Convertible Notes") due December 15, 2023, and in January 2017, we issued an additional \$15.0 million in aggregate principal amount of Convertible Notes after partial exercise of an over-allotment option. The sale of the Convertible Notes in December and January resulted in \$193.9 million and \$14.5 million, respectively, in net proceeds to WWE after deducting the initial purchasers' discount and estimated offering expenses. Proceeds from the Convertible Notes were used, in part, to pay for the cost of a convertible note hedge of \$34.1 million related to the December issuance and \$2.6 million related to the January issuance, which were partially offset by proceeds received from the sale of warrants of \$19.5 million and \$1.5 million, related to the December and January issuances, respectively. See Note 11, Convertible Debt, in the Notes to Consolidated Financial Statements for further information. We intend to use the proceeds to support the execution of our long-term growth strategy and for general corporate purposes.

In September 2016, the Company acquired land and a building located in Stamford, Connecticut adjacent to our production facility. In connection with the acquisition, we assumed future obligations under a loan agreement, in the principal amount of \$23.0 million, which loan is secured by a mortgage on the property. Pursuant to the loan agreement, since the assets of WWE Real Estate, a subsidiary of the Company, represent collateral for the underlying mortgage, these assets will not be available to satisfy debts and obligations due to any other creditors of the Company.

In 2013, the Company entered into a \$31.6 million promissory note (the "Aircraft Note") with Citizens Asset Finance, Inc., for the purchase of a 2007 Bombardier Global 5000 aircraft and refurbishments. In August 2017, the Aircraft Note was assigned to Fifth Third Equipment Finance Company. The Aircraft Note is secured by a first priority perfected security interest in the purchased aircraft. As of December 31, 2017 and 2016, the amounts outstanding under the Aircraft Note were \$12.6 million and \$17.1 million, respectively.

Cash Flows from Operating Activities

Cash generated from operating activities was \$96.6 million for the year ended December 31, 2017, compared to \$62.1 million for the year ended December 31, 2016. The \$34.5 million increase in cash provided by operating activities is driven by improved operating performance, changes in working capital and increased non-cash items, such as stock compensation and amortization.

During 2017, the Company spent \$12.5 million on feature film production activities, compared to \$6.6 million in 2016. In 2017, we received \$1.8 million in incentives related to feature film productions, as compared to \$1.0 million in 2016. We anticipate spending between \$5 million and \$20 million on feature film production during the year ending December 31, 2018.

We received \$13.4 million in non-film related incentives associated with television production activities in 2017, as compared to \$17.7 million in 2016. During the year ending December 31, 2018, we anticipate receiving approximately \$10 million to \$15 million on non-film related incentives.

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During 2017, the Company spent \$15.9 million to produce non-live event programming for television, including Total Divas Season 7 and Total Bellas Season 2, and various programs for WWE Network, as compared to \$28.0 million spent in 2016, which included programming for television, including Total Divas Season 5 and 6, and Total Bellas Season 1, and WWE Network programming, including Camp WWE, Swerved Season 2 and Holy Foley. We anticipate spending approximately \$10 million to \$30 million to produce additional non-live event content during the year ending December 31, 2018.

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of distributors and licensees that produce consumer products containing our intellectual property. At December 31, 2017, our largest receivable balance from customers was 16% of our gross accounts receivable. Changes in the financial condition or operations of our distributors, customers or licensees may result in increased delayed payments or non-payments which would adversely impact our cash flows from operating activities and/or our results of operations.

Cash Flows from Investing Activities

Cash used in investing activities was \$133.7 million for the year ended December 31, 2017, as compared to \$24.1 million for the year ended December 31, 2016. During the current year, we invested a portion of the proceeds from our convertible debt offering and purchased \$142.4 million of short-term investments and received proceeds from the maturities of our investments of \$35.7 million. Capital expenditures in 2017 decreased \$5.2 million as compared to 2016. The prior year included \$4.9 million paid towards the purchase of a building and underlying real property located in Stamford, Connecticut. Capital expenditures for the year ending December 31, 2018 are estimated to range between \$50 million and \$70 million.

Cash Flow from Financing Activities

Cash used in financing activities was \$37.1 million for the year ended December 31, 2017, as compared to cash generated from financing activities of \$135.9 million for the year ended December 31, 2016. During the current year, we received \$13.4 million in net proceeds related to the sale of the Convertible Notes, less associated bond hedge and warrant transactions, as compared to cash received of \$179.3 million in the prior year. The Company made dividend payments of \$36.9 million and \$36.6 million during the years ended December 31, 2017 and 2016, respectively. Additionally, the Company paid \$9.2 million and \$5.5 million during 2017 and 2016, respectively, as a result of directly withholding shares for tax-withholding purposes associated with the vesting of employee equity awards.

Non-Cash Investing Transactions

In 2016, WWE Real Estate assumed future obligations under a Loan Agreement, in the principal amount of \$23.0 million, which loan is secured by a mortgage on the Purchased Property. The Company's assumption of this mortgage is a non-cash transaction for purposes of the Consolidated Statements of Cash Flows.

During 2015, the Company received an equity interest in Tapout valued at \$13.8 million in exchange for promotional service obligations to be provided in the future. The Company's contribution is a non-cash transaction for purposes of the Consolidated Statements of Cash Flows.

Contractual Obligations

We have entered into various contracts under which we are required to make guaranteed payments, including:

- Scheduled principal and fixed interest payments under our secured loan in connection with our corporate aircraft financing.
- Scheduled principal and fixed interest payments under our assumed mortgage in connection with an owned building in Stamford, Connecticut.
- Convertible notes with fixed semi-annual interest payments.
- Various operating leases for facilities and sales offices with terms generally ranging from one to ten years.
- Service contracts with certain vendors and independent contractors, including our talent with terms ranging from one to twenty years.
- Service agreement obligations related to WWE Network (excluding future performance based payments which are variable in nature).

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Our aggregate minimum payment obligations under these contracts as of December 31, 2017 are as follows (dollars in millions):

	2018	2019	2020	2021	2022	After 2022	Total
Long-term debt	\$ 6.1	\$ 6.3	\$ 4.6	\$ 1.4	\$ 1.4	\$ 23.6	\$ 43.4
Convertible debt (1)	7.3	7.3	7.2	7.3	7.2	222.0	258.3
Operating leases	5.0	4.5	2.5	1.6	1.6	6.4	21.6
Service agreement obligation	6.4	—	—	—	—	—	6.4
Service contracts and talent commitments	27.6	20.0	14.3	7.1	5.9	0.7	75.6
Total commitments	\$ 52.4	\$ 38.1	\$ 28.6	\$ 17.4	\$ 16.1	\$ 252.7	\$ 405.3

- (1) Convertible debt obligations assume that no notes are converted prior to the December 15, 2023 maturity date. See Note 11, Convertible Debt, in the Notes to the Consolidated Financial Statements for additional information.

Our Consolidated Balance Sheet at December 31, 2017 includes \$0.4 million in liabilities associated with uncertain tax positions (including interest and penalties of \$0.1 million), which is not included in the table above. The Company does not expect to pay any significant settlements related to these uncertain tax positions in 2018. Additionally, included at December 31, 2017 is \$0.4 million in liabilities associated with the deemed repatriation transition tax as a result of the Act. The Act permits the Company to pay the net tax liability interest free over a period of up to eight years.

Seasonality

Our operating results are not materially affected by seasonal factors; however, our premier event, WrestleMania, occurs late in our first quarter or early in our second quarter and historically has resulted in increased revenues and expenses in these periods. As a result of the subscription-based model of WWE Network, revenues may not increase in a corresponding manner but costs from WrestleMania are expected to remain significantly higher than our typical pay-per-view event costs potentially resulting in decreased OIBDA in the period. Churn among WWE Network subscribers may be more pronounced in the periods following large WWE events shown on WWE Network such as WrestleMania. Revenues from our licensing and direct sale of consumer products, including our internet sites, varies from period to period depending on the volume and extent of licensing agreements and marketing and promotion programs entered into during any particular period of time, as well as the commercial success of the media exposure of our characters and brand. The timing of revenues related to our WWE Studios segment fluctuates based upon the timing of our feature film releases. The timing of these events, as well as the continued introduction of new product offerings and revenue generating outlets can and will cause fluctuations in quarterly revenues and earnings.

Inflation

During 2017, 2016 and 2015, inflation did not have a material effect on our business.

Off-Balance Sheet Arrangements

As of December 31, 2017, we did not have any material off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. We base our estimates on our historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities. The accuracy of these estimates and the likelihood of future changes depend on a range of possible outcomes and a number of underlying variables, many of which are beyond our control. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following judgments and estimates are critical in the preparation of our consolidated financial statements.

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Feature Film Production Assets, Net

Feature film production assets are recorded at the cost of production, including production overhead and net of production incentives. The costs for an individual film 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. 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 flow model. If fair value is less than unamortized cost, the film asset is written down to fair value. Impairment charges are recorded as an increase in amortization expense included in cost of revenues in the consolidated financial statements.

Our estimate of ultimate revenues for feature films includes revenues from all sources for ten years from the date of a film's initial release. We estimate the ultimate revenues based on industry and Company specific trends, the historical performance of similar films, the star power of the lead actors, and the genre of the film. Prior to the release of a feature film and throughout its life, we revise our estimates of revenues based on expected future results, actual results and other known factors affecting the various distribution markets.

During the years ended December 31, 2017, 2016 and 2015, we recorded aggregate impairment charges of \$5.5 million, \$0.8 million, and \$0.5 million, respectively, related to several of our feature films.

As of December 31, 2017, we had \$22.3 million (net of accumulated amortization and impairment charges) in capitalized film production costs, which includes 37 released films, one film completed but not yet released, two films in production, and one film in development. No assurance can be given that additional unfavorable changes to revenue and cost estimates will not occur, which, in turn, may result in additional impairment charges that might materially affect our results of operations and financial condition.

Television Production Assets, Net

Television production assets consist primarily of non-live event episodic television 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. 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. Costs to produce our live event programming are expensed when the event is first broadcast and are not included in the capitalized costs or in the related amortization. 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 expense the remaining unamortized asset. During the years ended December 31, 2017, 2016 and 2015, we expensed \$21.1 million, \$26.9 million and \$30.6 million, respectively, related to the amortization of television production assets.

As of December 31, 2017 and 2016, we had \$7.3 million and \$12.5 million, respectively, in capitalized television production costs. We did not record any impairments related to our television production assets during the years ended December 31, 2017, 2016 and 2015.

Allowance for Doubtful Accounts

Our accounts receivable represent a significant portion of our current assets and relate principally to a limited number of distributors and licensees that produce consumer products containing our intellectual property. Adverse changes in general economic conditions and/or contraction in global credit markets could precipitate liquidity problems among our key distributors, increasing our exposure to bad debts which could negatively impact our results of operations and financial condition. We estimate the collectibility of our receivables and establish allowances for the amount of account receivable that we estimate to be uncollectible. We base these allowances on our historical collection experience, the length of time our account receivable are outstanding and the financial condition of individual customers. Changes in the financial condition of a single major customer, either adverse or positive, could impact the amount and timing of any additional allowances or reductions that may be required. At December 31, 2017, our largest receivable balance from customers was 16% of our gross accounts receivable. At December 31, 2016, our two largest receivable balances from customers were 17% and 15% of our gross accounts receivable. As of December 31, 2017 and 2016, our allowance for doubtful accounts was \$1.3 million and \$5.9 million, respectively.

Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax liabilities and assets are determined based on the differences between the book and tax bases of particular assets and liabilities, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more-likely-than-not that some

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or all of the deferred tax assets will not be realized. In evaluating our ability to recover deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax assets valuation allowance, which would reduce the provision for income taxes.

During the fourth quarter of 2017, the Company recorded a charge of \$10.9 million associated with the remeasurement of its net deferred tax assets in connection with the Act. The remeasurement is due to the reduction in the corporate tax rate from 35% to 21%, which reduced the future benefit the company will realize associated with these assets. Additionally, the Company recorded a charge of \$0.4 million in the fourth quarter of 2017 associated with the one-time transition tax based on the total post-1986 earnings and profits that were previously deferred from U.S. income taxes. We are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

As of December 31, 2017 and 2016, our net deferred tax assets were \$22.4 million and \$37.7 million, respectively. As of December 31, 2017 and 2016, our deferred tax liabilities were \$3.4 million and \$5.2 million, respectively. The decrease in our deferred tax asset balance in 2017 was primarily driven by the remeasurement of our deferred tax assets and liabilities as a result of a reduction in the corporate tax rate from 35% to 21%, coupled with the activity in prepaid royalties relating to our television contracts. We believe that it is more likely than not that we will have sufficient taxable income in the future to realize these deferred tax assets and as such have not recorded a valuation allowance to reduce the net carrying value. If we determine it is more likely than not that we will not have sufficient taxable income to realize these assets, we may need to record a valuation allowance in the future.

We use a two-step approach in recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more likely than not sustainable, based solely on their technical merits, upon examination, and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position, as the largest amount that we believe is more likely than not realizable. Differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial statements represent our unrecognized income tax benefits, which we record as a liability. Our policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense. At December 31, 2017, our unrecognized tax benefits including interest and penalties totaled \$0.4 million.

Recent Accounting Pronouncements

The information set forth under Note 2 to the Consolidated Financial Statements under the caption “Summary of Significant Accounting Policies – Recent Accounting Pronouncements, is incorporated herein by reference.

Cautionary Statement for Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for certain statements that are forward-looking and are not based on historical facts. When used in this Form 10-K and our other SEC filings, our press releases and comments made in earnings calls, investor presentations or otherwise to the public, the words “may,” “will,” “could,” “anticipate,” “plan,” “continue,” “project,” “intend,” “estimate,” “believe,” “expect” and similar expressions identify forward-looking statements, although not all forward-looking statements contain such words. These statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or the performance by us to be materially different from future results or performance expressed or implied by such forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Form 10-K and our other SEC filings, in press releases, earnings calls and other statements made by our authorized officers: (i) risks relating to entering, maintaining and renewing major distribution agreements, including our principal domestic television license which currently expires in September 2019; (ii) risks relating to WWE Network, including the risk that we are unable to attract, retain and renew subscribers; (iii) our need to continue to develop creative and entertaining programs and events; (iv) our need to retain or continue to recruit key performers; (v) the risk of a decline in the popularity of our brand of sports entertainment, including as a result of changes in the social and political climate; (vi) the possible unexpected loss of the services of Vincent K. McMahon; (vii) possible adverse changes in the regulatory atmosphere and related private sector initiatives; (viii) the highly competitive, rapidly changing and increasingly fragmented nature of the markets in which we operate and/or our inability to compete effectively, especially against competitors with greater financial resources or marketplace presence; (ix) uncertainties associated with international markets; (x) our difficulty or inability to promote and conduct our live events and/or other businesses if we do not comply with applicable regulations; (xi) our dependence on our intellectual property rights, our need to protect those rights, and the risks of our infringement of others’ intellectual property rights; (xii) risks relating to the complexity of our rights agreements across distribution mechanisms and geographical areas; (xiii) the risk of substantial liability in the event of accidents or injuries occurring during our physically demanding events including, without limitation, claims relating to CTE; (xiv) exposure to risks relating to large public events as well as travel to and from such events; (xv) risks inherent in our feature film business; (xvi) a variety of risks as we expand into new or complementary businesses and/or make strategic investments and/or acquisitions; (xvii) risks related to our computer

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systems and online operations; (xviii) risks relating to privacy norms and regulations; (xix) risks relating to a possible decline in general economic conditions and disruption in financial markets; (xx) risks relating to our accounts receivable; (xxi) risks relating to our indebtedness; (xxii) potential substantial liabilities if litigation is resolved unfavorably; (xxiii) our potential failure to meet market expectations for our financial performance; (xxiv) through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder, Vincent K. McMahon, exercises control over our affairs, and his interests may conflict with the holders of our Class A common stock; (xxv) a substantial number of shares are eligible for sale by Mr. McMahon and members of his family or trusts established for their benefit, and the sale, or the perception of possible sales, of those shares could lower our stock price; and (xxvi) risks related to the relatively small public “float” of our Class A common stock. In addition, our dividend is dependent on a number of factors, including, among other things, our liquidity and historical and projected cash flow, strategic plan (including alternative uses of capital), our financial results and condition, contractual and legal restrictions on the payment of dividends (including under our revolving credit facility), general economic and competitive conditions and such other factors as our Board of Directors may consider relevant. Forward-looking statements made by the Company speak only as of the date made, are subject to change without any obligation on the part of the Company to update or revise them, and undue reliance should not be placed on these statements. For more information about risks and uncertainties associated with the Company's business, please refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections of this Form 10-K and our other SEC filings.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to foreign currency exchange rate, interest rate and equity price risks that could impact our results of operations. Our foreign currency exchange rate risk is minimized by maintaining minimal net assets and liabilities in currencies other than our functional currency.

Short-Term Investments

Our investment portfolio consists primarily of U.S. Treasury securities, corporate and municipal bonds, including pre-refunded municipal bonds, and government agency bonds. We are exposed to market risk related to our investment portfolio primarily as a result of credit quality risk and interest rate risk. Credit quality risk is defined as the risk of a credit downgrade to an individual fixed or floating rate security and the potential loss attributable to that downgrade. Credit quality risk is managed through our investment policy, which establishes credit quality limitations on the overall portfolio as well as diversification and percentage limits on securities of individual issuers. The result is a diversified portfolio of fixed or floating rate securities, with a weighted average credit rating of approximately “AA”.

Interest rate risk is defined as the potential for economic losses on fixed or floating rate securities due to a change in market interest rates. Our investments in corporate and municipal bonds have exposure to changes in the level of market interest rates. Interest rate risk is mitigated by managing our investment portfolio's dollar weighted duration. Additionally, we have the capability of holding any security to maturity, which would allow us to realize full par value. We have evaluated the impact of an immediate 100 basis point change in interest rates on our investment portfolio. A 100 basis point increase in interest rates would result in an approximate \$2.0 million decrease in fair value, whereas a 100 basis point decrease in interest rates would result in an approximate \$2.0 million increase in fair value.

Convertible Senior Notes

In December 2016, we issued \$200.0 million principal amount of 3.375% convertible senior notes due December 15, 2023, and in January 2017, pursuant to the exercise of an over-allotment option, we issued an additional \$15.0 million principal amount of these notes. We carry this instrument at face value less unamortized discount and unamortized debt issuance costs on our Consolidated Balance Sheet. Since this instrument bears interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these instruments fluctuates when interest rates change, and when the market price of our stock fluctuates. The fair value of the convertible senior notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the convertible senior notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. The interest and market value changes affect the fair value of our convertible senior notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Conversion of our Convertible Notes and the exercise of related Warrants may cause economic dilution to our stockholders and dilution to our earnings per share.

Item 8. Financial Statements and Supplementary Data

The information required by this item is set forth in the consolidated financial statements filed with this report and are herein incorporated by reference.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and our Chief Strategy and Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined under the Securities Exchange Act of 1934. Based on that evaluation, our Chairman and Chief Executive Officer, and our Chief Strategy and Financial Officer concluded that as of the end of the period covered by this Form 10-K, our disclosure controls and procedures were effective and designed to ensure that all material information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting identified in connection with management's evaluation that occurred during the fourth quarter of our fiscal year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and our Chief Strategy and Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the guidelines established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017. We review the results of management's assessment with our Audit Committee.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K. Such report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of World Wrestling Entertainment, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of World Wrestling Entertainment, Inc. and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 8, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have

a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Stamford, Connecticut

February 8, 2018

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Item 9B. Other Information

None.

PART III

The information required by Part III (Items 10-14) is incorporated herein by reference to our definitive proxy statement for our 2018 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Consolidated financial statements and Schedule: See index to consolidated financial statements on page F-1 of this report.

2. Exhibits:

Exhibit

No.	Description of Exhibit
3.1	<u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1 (No. 333-84327)).</u>
3.1A	<u>Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 4.1(a) to our Registration Statement on Form S-8, filed July 15, 2002).</u>
3.1B	<u>Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Annex B to the Proxy Statement filed on March 11, 2016).</u>
3.2	<u>Amended and Restated By-laws (incorporated by reference to Exhibit 3.4 to our Registration Statement on Form S-1 (No. 333-84327)).</u>
3.2A	<u>Amendment to Amended and Restated By-Laws (incorporated by reference to Exhibit 4.2(a) to our Registration Statement on Form S-8, filed July 15, 2002).</u>
4.1	<u>Indenture between World Wrestling Entertainment, Inc. and U.S. Bank National Association, as trustee, dated December 16, 2016 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed December 12, 2016).</u>
4.2	<u>Form of 3.375% Convertible Senior Note due 2023 (included in Exhibit 4.1).</u>
10.1*	<u>World Wrestling Entertainment, Inc. 2007 Omnibus Incentive Plan, effective July 20, 2007 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed July 26, 2007).</u>

- 10.1A* World Wrestling Entertainment, Inc. Amended and Restated 2007 Omnibus Incentive Plan (incorporated by reference to Appendix A to the Proxy Statement filed on March 14, 2014).
- 10.2* Form of Agreement for Performance Stock Units to the Company's employees and officers under the Company's 2007 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed July 26, 2007).
- 10.3* Form of Agreement for Restricted Stock Units to the Company's employees and officers under the Company's 2007 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed July 26, 2007).
- 10.4* Amended and Restated Employment Agreement with Vincent K. McMahon, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed November 15, 2010).
- 10.5* World Wrestling Entertainment 2012 Employee Stock Purchase Plan (incorporated by reference to Appendix A to our Proxy Statement dated March 16, 2012).
- 10.6* Amended and Restated Booking Agreement with Paul Levesque, effective as of January 1, 2012 (incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
- 10.6A* First Amendment to Amended and Restated Booking Agreement with Paul Levesque, dated May 9, 2016 (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).
- 10.7* Form of offer letters between the Company and executive officers (incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
- 10.8* Booking Agreement, dated October 7, 2013, between the Company and Stephanie McMahon Levesque (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
- 10.8A* First Amendment to Booking Contract with Stephanie McMahon-Levesque, dated October 7, 2016 (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016).
- 10.9* Employment Agreement between the Company and Michael Luisi dated July 19, 2013 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).
- 10.9A* Amendment, dated October 8, 2014, to Employment Agreement between the Company and Michael J. Luisi dated July 19, 2013 (incorporated by reference to Exhibit 10.9A to the Current Report on Form 8-K, filed October 8, 2014).

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- 10.11 Loan and Aircraft Security Agreement, dated August 7, 2013 and related exhibits and schedules (incorporated by reference to Exhibit 10.15 to the Current Report on Form 8-K, filed August 12, 2013).
- 10.12 Promissory Note, dated August 7, 2013 (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K, filed August 12, 2013).
- 10.13* Form of Indemnification Agreement entered into between the Company and its independent Directors (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
- 10.14* Form of Performance Stock, Retention, and Non-Competition Agreement for Michelle D. Wilson, George A. Barrios and Kevin Dunn (incorporated by reference to Exhibit 10.9A to the Current Report on Form 8-K, filed March 13, 2015).
- 10.16* World Wrestling Entertainment, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Annex A to the Proxy Statement filed March 11, 2016).
- 10.16A* Form of Performance Stock Units to the Company's executive officers under the Company's 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.16A to the Current Report on Form 8-K, filed April 21, 2016).
- 10.16B* Form of Restricted Stock Units to the Company's executive officers under the Company's 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.16A to the Current Report on Form 8-K, filed April 21, 2016).
- 10.18 Amended and Restated Revolving Credit Facility dated July 29, 2016 and related exhibits and schedules (incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K, filed July 29, 2016).
- 10.18A First Amendment, dated as of December 12, 2016, to Amended and Restated Revolving Credit Facility dated July 29, 2016, and related exhibits and schedules (incorporated by reference to Exhibit 10.18A to the Current Report on Form 8-K, filed December 12, 2016).
- 10.19 Note and Mortgage Assumption Agreement, dated as of September 13, 2016, by and among WWE Real Estate Holdings, LLC, 88 Hamilton Avenue Associates, LLC and Wilmington Trust, National Association, as trustee for the registered holders of Wells Fargo Commercial Mortgage Trust 2015-NXS2, Commercial Mortgage Pass-Through Certificates, Series 2015-NXS2 (incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K, filed September 15, 2016).
- 10.20 Loan Agreement, dated June 8, 2015, between 88 Hamilton Avenue Associates, LLC and Natixis Real Estate Capital LLC (incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K, filed September 15, 2016).
- 10.22 Purchase Agreement between World Wrestling Entertainment, Inc. and J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, as representatives of the initial purchasers named therein, dated December 12, 2016 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed December 12, 2016).
- 10.23 Convertible Note Hedge Confirmation between World Wrestling Entertainment, Inc. and JPMorgan Chase Bank, National Association, London Branch, dated December 12, 2016 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed December 12, 2016).
- 10.24 Warrant Confirmation between World Wrestling Entertainment, Inc. and JPMorgan Chase Bank, National Association, London Branch, dated December 12, 2016 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, filed December 12, 2016).
- 10.25 Convertible Note Hedge Confirmation between World Wrestling Entertainment, Inc. and Morgan Stanley & Co. International plc, dated December 12, 2016 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, filed December 12, 2016).
- 10.26 Warrant Confirmation between World Wrestling Entertainment, Inc. and Morgan Stanley & Co. International plc, dated December 12, 2016 (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K, filed December 12, 2016).

- 10.27 Convertible Note Hedge Confirmation between World Wrestling Entertainment, Inc. and Citibank, N.A., dated December 12, 2016 (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K, filed December 12, 2016).
- 10.28 Warrant Confirmation between World Wrestling Entertainment, Inc. and Citibank, N.A., dated December 12, 2016 (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K, filed December 12, 2016).
- 21.1 List of Subsidiaries (filed herewith).
- 23.1 Consent of Deloitte & Touche LLP (filed herewith).
- 31.1 Certification by Vincent K. McMahon pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification by George A. Barrios pursuant to Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification by Vincent K. McMahon and George A. Barrios pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan or arrangement.

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Item 16. Form 10-K Summary

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

World Wrestling Entertainment, Inc.
(Registrant)
Dated: February 8, 2018 By: /s/ VINCENT K. MCMAHON
Vincent K. McMahon
Chairman of the Board of Directors and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title or Capacity	Date
	Chairman of the Board of Directors and	
/s/ VINCENT K. MCMAHON Vincent K. McMahon	Chief Executive Officer (principal executive officer)	February 8, 2018
/s/ STEPHANIE MCMAHON Stephanie McMahon	Director and Chief Brand Officer	February 8, 2018
/s/ PAUL LEVESQUE Paul Levesque	Director and Executive Vice President, Talent, Live Events & Creative	February 8, 2018
/s/ STUART U. GOLDFARB Stuart U. Goldfarb	Director	February 8, 2018
/s/ PATRICIA A. GOTTESMAN Patricia A. Gottesman	Director	February 8, 2018
/s/ LAUREEN ONG Laureen Ong	Director	February 8, 2018
/s/ ROBYN W. PETERSON Robyn W. Peterson	Director	February 8, 2018
/s/ FRANK A. RIDDICK III	Director	February 8, 2018

Frank A. Riddick III

/s/ JEFFREY R. SPEED
Jeffrey R. Speed

Director

February 8, 2018

/s/ GEORGE A. BARRIOS
George A. Barrios

Chief Strategy and Financial Officer
(principal financial officer)

February 8, 2018

/s/ MARK KOWAL
Mark Kowal

Chief Accounting Officer
(principal accounting officer)

February 8, 2018

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WORLD WRESTLING ENTERTAINMENT, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of World Wrestling Entertainment, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of World Wrestling Entertainment, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 8, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Stamford, Connecticut

February 8, 2018

We have served as the Company's auditor since 1999.

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WORLD WRESTLING ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	For the years ended December 31,		
	2017	2016	2015
Net revenues	\$ 800,959	\$ 729,216	\$ 658,768
Cost of revenues	458,981	430,032	397,316
Selling, general and administrative expenses	240,350	219,132	192,773
Depreciation and amortization	26,050	24,411	22,760
Loss on abandonment	—	—	7,125
Operating income	75,578	55,641	38,794
Interest expense	14,736	3,020	2,367
Investment income, net	3,409	2,392	1,792
Other expense, net	(191)	(1,800)	(1,993)
Income before income taxes	64,060	53,213	36,226
Provision for income taxes	31,420	19,372	12,082
Net income	\$ 32,640	\$ 33,841	\$ 24,144
Earnings per share: basic	\$ 0.43	\$ 0.44	\$ 0.32
Earnings per share: diluted	\$ 0.42	\$ 0.44	\$ 0.32
Weighted average common shares outstanding:			
Basic	76,743	76,149	75,696
Diluted	78,471	77,539	76,333
Dividends declared per common share (Class A and B)	\$ 0.48	\$ 0.48	\$ 0.48

See accompanying notes to consolidated financial statements.

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WORLD WRESTLING ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the years ended December		
	31,		
	2017	2016	2015
Net income	\$ 32,640	\$ 33,841	\$ 24,144
Other comprehensive income (loss):			
Foreign currency translation adjustments	120	(209)	(168)
Unrealized holding gains (losses) on available-for-sale securities (net of tax expense (benefit) of \$(334), \$57 and \$(30), respectively)	(644)	93	(49)
Total other comprehensive loss	(524)	(116)	(217)
Comprehensive income	\$ 32,116	\$ 33,725	\$ 23,927

See accompanying notes to consolidated financial statements.

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WORLD WRESTLING ENTERTAINMENT, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	As of December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 137,700	\$ 211,976
Short-term investments, net	159,744	55,164
Accounts receivable (net of allowance for doubtful accounts and returns		
of \$3,035 and \$8,259, respectively)	65,245	53,155
Inventory	8,332	6,531
Prepaid expenses and other current assets	19,961	22,480
Total current assets	390,982	349,306
PROPERTY AND EQUIPMENT, NET	131,325	132,631
FEATURE FILM PRODUCTION ASSETS, NET	22,300	27,137
TELEVISION PRODUCTION ASSETS, NET	7,292	12,508
INVESTMENT SECURITIES	27,367	24,957
NON-CURRENT DEFERRED INCOME TAX ASSETS	18,984	32,556
OTHER ASSETS, NET	16,257	21,808
TOTAL ASSETS	\$ 614,507	\$ 600,903
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 4,638	\$ 6,121
Accounts payable and accrued expenses	77,738	70,360
Deferred income	55,818	56,653
Total current liabilities	138,194	133,134
LONG-TERM DEBT	30,958	35,596
CONVERTIBLE DEBT	177,900	161,008
NON-CURRENT INCOME TAX LIABILITIES	519	725
NON-CURRENT DEFERRED INCOME	13,977	30,697
Total liabilities	361,548	361,160
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock: (\$.01 par value; 180,000,000 shares authorized;	425	385

42,498,452 and 38,455,266 shares issued and outstanding as of

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December 31, 2017 and 2016, respectively)
Class B convertible common stock: (\$.01 par value; 60,000,000 shares authorized;

34,609,438 and 37,949,438 shares issued and outstanding as of

December 31, 2017 and 2016, respectively)	346	379
Additional paid-in capital	422,208	403,387
Accumulated other comprehensive income	2,371	2,895
Accumulated deficit	(172,391)	(167,303)
Total stockholders' equity	252,959	239,743
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 614,507	\$ 600,903

See accompanying notes to consolidated financial statements.

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WORLD WRESTLING ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except per share data)

	Common Stock		Class B		Additional Paid - in Capital	Accumulated	Accumulated	Total
	Class A Shares	Amount	Shares	Amount		Other Comprehensive Income		
Balance, December 31, 2014	33,179	\$ 332	42,298	\$ 423	\$ 353,706	\$ 3,228	\$ (151,828)	\$ 205,861
Net income	—	—	—	—	—	—	24,144	24,144
Other comprehensive loss	—	—	—	—	—	(217)	—	(217)
Stock issuances, net	427	4	—	—	(1,793)	—	—	(1,789)
Conversion of Class B common stock by shareholder (See Note 16)	609	6	(609)	(6)	—	—	—	—
Tax effect from stock-based payment arrangements	—	—	—	—	431	—	—	431
Cash dividends declared	—	—	—	—	67	—	(36,412)	(36,345)
Stock-based compensation	—	—	—	—	17,232	—	—	17,232
Balance, December 31, 2015	34,215	\$ 342	41,689	\$ 417	\$ 369,643	\$ 3,011	\$ (164,096)	\$ 209,317
Net income	—	—	—	—	—	—	33,841	33,841
Other comprehensive loss	—	—	—	—	—	(116)	—	(116)
Stock issuances, net	500	5	—	—	(4,152)	—	—	(4,147)
Conversion of Class B common stock by shareholder (See Note 16)	3,740	38	(3,740)	(38)	—	—	—	—
Debt discount on convertible debt, net (See Note 11)	—	—	—	—	33,060	—	—	33,060
Purchase of convertible note hedge (See Note 11)	—	—	—	—	(34,100)	—	—	(34,100)

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Proceeds from issuance of warrants (See Note 11)	—	—	—	—	19,460	—	—	19,460
Tax effect from stock-based payment arrangements	—	—	—	—	893	—	—	893
Cash dividends declared Stock-based compensation	—	—	—	—	484	—	(37,048)	(36,564)
Balance, December 31, 2016	38,455	\$ 385	37,949	\$ 379	\$ 403,387	\$ 2,895	\$ (167,303)	\$ 239,743
Net income	—	—	—	—	—	—	32,640	32,640
Other comprehensive loss	—	—	—	—	—	(524)	—	(524)
Stock issuances, net Conversion of Class B common stock by shareholder (See Note 16)	703	7	—	—	(7,593)	—	—	(7,586)
Debt discount on convertible debt, net (See Note 11)	—	—	—	—	2,487	—	—	2,487
Purchase of convertible note hedge (See Note 11)	—	—	—	—	(2,558)	—	—	(2,558)
Proceeds from issuance of warrants (See Note 11)	—	—	—	—	1,460	—	—	1,460
Cash dividends declared Stock-based compensation	—	—	—	—	874	—	(37,728)	(36,854)
Balance, December 31, 2017	42,498	\$ 425	34,609	\$ 346	\$ 422,208	\$ 2,371	\$ (172,391)	\$ 252,959

See accompanying notes to consolidated financial statements.

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WORLD WRESTLING ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the years ended December 31,		
	2017	2016	2015
OPERATING ACTIVITIES:			
Net income	\$ 32,640	\$ 33,841	\$ 24,144
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and impairments of feature film production assets	17,377	6,662	3,891
Amortization of television production assets	21,137	26,933	30,591
Depreciation and amortization	32,030	29,396	26,630
Loss on abandonment	—	—	7,125
Services provided in exchange for equity instruments	(2,720)	(2,893)	(2,430)
Other amortization	6,759	2,403	2,135
Stock-based compensation	24,151	18,099	17,232
Provision for (benefit from) deferred income taxes	13,572	12,153	(9,674)
Other non-cash adjustments	1,003	(1,463)	(116)
Cash (used in) provided by changes in operating assets and liabilities:			
Accounts receivable	(12,507)	5,459	(19,147)
Inventory	(1,801)	(364)	(1,432)
Prepaid expenses and other assets	131	(15,474)	(3,480)
Feature film production assets	(12,540)	(6,629)	(3,812)
Television production assets	(15,921)	(28,025)	(36,175)
Accounts payable, accrued expenses and other liabilities	8,112	(1,041)	12,689
Deferred income	(14,835)	(16,892)	4,238
Net cash provided by operating activities	96,588	62,165	52,409
INVESTING ACTIVITIES:			
Purchases of property and equipment and other assets	(24,710)	(29,904)	(20,010)
Purchases of short-term investments	(142,373)	—	(21,624)
Proceeds from sales and maturities of investments	35,660	8,065	24,125
Purchase of equity investments	(2,316)	(2,250)	(1,210)
Net cash used in investing activities	(133,739)	(24,089)	(18,719)
FINANCING ACTIVITIES:			
Repayment of debt	(7,504)	(14,441)	(4,345)
Dividends paid	(36,854)	(36,564)	(36,345)
Debt issuance costs	—	(702)	(850)
Proceeds from borrowings under the credit facilities	1,383	11,583	—

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Proceeds from borrowings on convertible notes, net of issuance costs	14,534	193,899	—
Proceeds from issuance of warrants	1,460	19,460	—
Purchase of convertible note hedge	(2,558)	(34,100)	—
Taxes paid related to net settlement upon vesting of equity awards	(9,164)	(5,544)	(2,855)
Proceeds from issuance of stock	1,578	1,397	1,066
Excess tax benefits from stock-based payment arrangements	—	893	431
Net cash (used in) provided by financing activities	(37,125)	135,881	(42,898)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(74,276)	173,957	(9,208)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	211,976	38,019	47,227
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 137,700	\$ 211,976	\$ 38,019
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income taxes, net of refunds	\$ 14,590	\$ 12,475	\$ 21,698
Cash paid for interest	\$ 9,312	\$ 1,580	\$ 1,395
NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Purchases of property and equipment recorded in accounts payable and accrued expenses (See Note 9)	\$ 2,334	\$ 2,940	\$ 1,096
Mortgage assumption (See Note 10)	\$ —	\$ 23,000	\$ —
Purchase of investment securities (See Note 4)	\$ —	\$ —	\$ 13,800

See accompanying notes to consolidated financial statements.

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WORLD WRESTLING ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

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.

Certain reclassifications have been made to the Consolidated Statements of Cash Flows in the prior year periods presented to conform to the current year presentation pursuant to our adoption of a new accounting standard as of January 1, 2017 related to share-based payment award accounting simplifications. See Note 2, Significant Accounting Policies – Recent Accounting Pronouncements, for further details.

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 and transactional on-demand 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 and on distribution platforms, including Amazon.

WWE Studios:

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

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WORLD WRESTLING ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

2. Summary of Significant Accounting Policies

Use of Estimates — 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of Consolidation — The consolidated financial statements include the accounts of WWE and all of its domestic and foreign subsidiaries. Included in Corporate and Other are intersegment eliminations recorded in consolidation. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents — Cash and cash equivalents include cash on deposit in overnight deposit accounts, investments in Treasury bills and investments in money market accounts with original maturities of three months or less at the time of purchase.

Short-term Investments, Net — We classify all of our short-term investments as available-for-sale securities. Such investments consist of U.S. Treasury securities, corporate and municipal bonds, including pre-refunded municipal bonds, and government agency bonds. These investments are stated at fair value, with unrealized gains and losses on such securities reflected, net of tax, as other comprehensive income (loss) in stockholders' equity. Realized gains and losses on investments are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Accounts Receivable, Net — Accounts receivable relate principally to amounts due to us from distributors of our WWE Network, pay-per-view providers and television networks for pay-per-view presentations and television programming, respectively, and balances due from the sale of home videos, as well as from licensees that produce consumer products containing our intellectual property and/or trademarks. We estimate the collectability of our receivables and establish allowances for the amount of accounts receivable that we estimate to be uncollectible. We base these allowances on our historical collection experience, the length of time our accounts receivable are outstanding and the financial condition of individual customers. An individual balance is charged to the allowance when all collection efforts have been exhausted and it is deemed likely to be uncollectible, taking into consideration the financial condition of the customer and other factors.

Inventory — Inventory consists of merchandise sold on our websites and on distribution platforms, including Amazon, merchandise sold at live events and DVDs/Blu-Rays, which are sold via a distributor to retailers. Substantially all of our inventory is comprised of finished goods. Inventory is stated at the lower of cost and net realizable value. The valuation of our inventories requires management to make market estimates assessing the quantities and the prices at which we believe the inventory can be sold.

Property and Equipment, Net — Property and equipment are stated at historical cost net of benefits associated with tax incentives less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter. Vehicles and equipment are depreciated based on estimated useful lives varying from three to five years. Buildings and related improvements are depreciated based on estimated useful lives varying from five to thirty-nine years. Our corporate aircraft is depreciated over ten years on a straight-line basis less an estimated residual value.

Feature Film Production Assets, Net — Feature film production assets are recorded at the cost of production, including production overhead and net of production incentives. The costs for an individual film 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. 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 revenues 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 the unamortized cost, the film is written down to fair value. Impairment charges are recorded as an increase in amortization expense included in cost of revenues in the Consolidated Statements of Operations.

Our estimate of ultimate revenues for feature films includes revenues from all sources for ten years from the date of a film's initial release. We estimate the ultimate revenues based on industry and Company specific trends, the historical performance of similar films, the star power of the lead actors, and the genre of the film. Prior to the release of a feature film and throughout its life, we revise our estimates of revenues based on expected future results, actual results and other known factors affecting the various distribution markets.

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WORLD WRESTLING ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

Television Production Assets, Net — Television production assets consist primarily of non-live event episodic television 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. 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. Costs to produce our live event programming are expensed when the event is first broadcast and are not included in the capitalized costs or in the related amortization.

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 expense the remaining unamortized asset.

Valuation of Long-Lived Assets — We periodically evaluate the carrying amount of long-lived assets for impairment when events and circumstances warrant such a review.

Investment Securities — We maintain investments accounted for under the cost method of accounting and under the equity method of accounting. Our cost method investments are carried at cost and adjusted for other-than-temporary declines in fair value. Our equity method investment relates to a joint venture with Authentic Brands Group (“ABG”) in an apparel and lifestyle brand, Tapout LLC (“Tapout”). Under the equity method of accounting, to the extent that Tapout records income or losses, we record our share proportionate to our ownership percentage of 50%, and any dividends received reduce the carrying amount of the investment. Our share of the income or losses in Tapout is included as a component of Investment income, net, in the Consolidated Statements of Operations, and is also included, net of cash dividends received in Equity in earnings of affiliate, net of dividends received, in the Consolidated Statements of Cash Flows.

We evaluate our investments for impairment annually, and when factors indicate that a significant decrease in value has occurred. Variables considered in making such assessments may include near-term prospects of the investees, subsequent rounds of financing activities of the investees, and the investees’ capital structure as well as other economic variables, which reflect assumptions market participants may use in pricing these assets. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment. We record these other-than-temporary impairment charges in Loss on equity investments in the Consolidated Statements of Operations.

Beginning in 2018, we will adopt new accounting rules that will change the way we account for our equity investments without readily determinable fair values (i.e. our existing cost method investments). Under the amended rules, the cost method of accounting is eliminated. Companies have the option to either measure equity investments without readily determinable fair values at fair value or at cost adjusted for changes in observable prices minus impairment. We have elected to measure equity investments without readily determinable fair value at cost adjusted for changes in observable prices minus impairment, which will be recognized in net income. These equity investments will be periodically assessed qualitatively for impairment. When a qualitative assessment indicates that impairment exists, we will measure the investment at fair value. Refer to the discussion in Recent Accounting Pronouncements below for further details.

Income Taxes — Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Amounts are determined based on the differences between the book and tax bases of particular assets and liabilities and operating loss carry forwards, using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more-likely-than-not that some or all of the deferred tax assets will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes, conversely, if we determine we might not be able to realize our deferred tax assets we would record a valuation allowance which would result in a charge to the provision for income taxes.

We use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate tax positions taken or expected to be taken in a tax return by assessing whether they are more likely than not sustainable, based solely on their technical merits, upon examination, and including resolution of any related appeals or litigation process. The second step is to measure the associated tax benefit of each position, as the largest amount that we believe is more likely than not realizable. Differences between the amount of tax benefits taken or expected to be taken in our income tax returns and the amount of tax benefits recognized in our financial

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statements represent our unrecognized income tax benefits, which we record as a liability. Our policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense.

Revenue Recognition — Revenues are generally recognized when products are shipped or as services are performed. However, due to the nature of several of our business lines, there are additional steps in the revenue recognition process, as described below. We plan on adopting the new revenue recognition rules starting in fiscal year 2018. Refer to the Recent Accounting Pronouncements section below for a further discussion.

· WWE Network Subscriptions:

Revenues are recognized ratably over each paid monthly membership period. Deferred revenue consists of subscription fees billed to members that have not been recognized and gift memberships that have not been redeemed.

· Pay-per-view programming:

Revenues from our pay-per-view programming are recorded when the event is aired and are based upon our initial estimate of the number of buys achieved. This initial estimate is based on preliminary buy information received from our pay-per-view distributors. Final reconciliation of the pay-per-view buys generally occurs within one year and any subsequent adjustments to the buys are recognized in the period new information is received.

· Sponsorships:

Through our sponsorship packages, we offer advertisers a full range of our promotional vehicles, including online and print advertising, on-air announcements and special appearances by our Superstars. We allocate revenue to all deliverables contained within a sponsorship arrangement based upon their relative selling price. In most instances, we determine relative selling price used for allocating revenue to a specific deliverable using vendor specific objective evidence ("VSOE"). VSOE is the selling price that a vendor charges when it sells similar products or services on a stand-alone basis. After allocating revenue to each deliverable, we recognize revenue from our sponsorship arrangements when each element is delivered.

· Licensing:

Revenues from our licensed products are recognized upon receipt of reports from the individual licensees that detail the royalties generated by related product sales. If we receive licensing advances, such payments are recorded as deferred revenue and are recognized as income when earned.

· Home entertainment:

Revenues from the sales of home video titles are recorded net of an allowance for estimated returns, at the later of delivery by our distributor to retailers, or the date that these products are made widely available for sale by retailers. The allowance for estimated returns is based on historical information, current industry trends and demand for our titles.

· TV rights:

Rights fees received from distributors of our television programming, both domestically and internationally, are recorded when the program has been delivered to the distributor and is available for exhibition. Our typical distribution agreement is between one and five years in length and frequently provides for contractual increases over its term. Expenses incurred in the production of our weekly television programming are expensed when the programming is first available for exhibition.

As of December 31, 2017 and 2016, we have \$21,475 and \$34,375, respectively, related to an advance payment associated with our domestic television rights deal, which is included as a component of deferred income and non-current deferred income within our Consolidated Balance Sheets.

· Films:

Revenue recognition for our feature films varies depending on the method of distribution and the extent of control the Company exercises over the distribution and related expenses. We exercise significant control over our self-distributed films and as a result, we record distribution revenue and related expenses on a gross basis in our financial statements. Third-party distribution partners control the distribution and marketing of our 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. This typically occurs in periods subsequent to the initial release of the film. In certain arrangements, where worldwide film rights and interests are sold to third-party distribution partners, we recognize revenue upon delivery of the completed film to the third-party. Revenues generated from our films through the various

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distribution channels, including home video, video-on-demand and television are recognized consistent with the policies described above.

Cost of Revenues — Included within cost of revenues is the amortization and impairment of feature film and television production assets. Television production assets consist primarily of non-live event episodic television series we have produced for distribution through a variety of platforms, including on our WWE Network. We amortize feature film production assets based on the estimated future cash flows. 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. Unamortized feature film and television production assets are evaluated for impairment each reporting period. Cost of revenues also includes the amortization of costs related to content delivery and technology assets utilized for our WWE Network. These costs are amortized on a straight-line basis over the shorter of the expected useful life or the term of the respective service agreement. Program amortization for WWE Network is included in cost of revenues as a component of amortization of television production assets. For episodic programming debuting and currently expected to air exclusively on WWE Network, the cost of the programming is expensed upon initial release, as our expectation is that the vast majority of viewership will occur in close proximity to the initial release.

Included within Cost of revenues are the following:

	Year Ended December 31,		
	2017	2016	2015
Amortization and impairment of feature film assets	\$ 17,377	\$ 6,662	\$ 3,891
Amortization of television production assets	21,137	26,933	30,591
Amortization of WWE Network content delivery and technology assets	5,970	4,832	3,870
Total amortization and impairment included in cost of revenues	\$ 44,484	\$ 38,427	\$ 38,352

Costs to produce our live event programming are expensed when the event is first broadcast, and are not included in the amortization table noted above.

Film and Television Production Incentives — The Company has access to various governmental programs that are designed to promote film and television production within the United States and certain international jurisdictions. Tax credits 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 tax credits.

Advertising Expense — Advertising costs are expensed as incurred, except for costs related to the development of a major commercial or media campaign, which are expensed in the period in which the commercial or campaign is first presented. For the years ended December 31, 2017, 2016 and 2015, we recorded advertising expenses of \$23,629, \$22,122 and \$25,260, respectively.

Foreign Currency Translation — For the translation of the financial statements of our foreign subsidiaries whose functional currencies are not U.S. Dollars, assets and liabilities are translated at the year-end exchange rate, and income statement accounts are translated at monthly average exchange rates for the year. The resulting translation adjustments are recorded in accumulated other comprehensive income, a component of stockholders' equity and also in comprehensive income. Foreign currency transactions are recorded at the exchange rate prevailing at the transaction date, with any gains/losses recorded in other income/expense.

Stock-Based Compensation — Equity awards are granted to directors, officers and employees of the Company. Stock-based compensation costs associated with our restricted stock units ("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. 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.

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). The vesting of these PSUs are subject to certain performance conditions and a service requirement of typically 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 estimated performance 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

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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.

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.

Beginning in 2017, we adopted new accounting rules related to simplifying the accounting for our share-based compensation awards. The new rules require entities to record all excess tax benefits or deficiencies as income tax benefit or expense in the income statement, rather than as a component of additional paid-in capital, and requires entities to classify excess tax benefits as an operating activity in the statement of cash flows. In addition, the amounts paid to satisfy the statutory income tax withholding obligation, which prior to adoption was classified in operating activities on the cash flow statement, are now classified as a financing activity in the Consolidated Statements of Cash Flows. Refer to the discussion in Recent Accounting Pronouncements below for further details.

Earnings Per Share (EPS) — Basic EPS is calculated by dividing net income by the weighted average common shares outstanding during the period. Diluted EPS is calculated by dividing net income by the weighted average common shares outstanding during the period, plus dilutive potential common shares which is calculated using the treasury-stock method. Under the treasury-stock method, potential common shares are excluded from the computation of EPS in periods in which they have an anti-dilutive effect.

Net income per share of Class A and Class B common stock is computed in accordance with a two-class method of earnings allocation. As such, any undistributed earnings for each period are allocated to each class of common stock based on the proportionate share of cash dividends that each class is entitled to receive. The Company did not compute earnings per share using the two-class method for the years ended December 31, 2017, 2016 and 2015, as there were no undistributed earnings during the periods. Also, during 2017, 2016 and 2015, the dividends declared and paid per share of Class A and Class B common stock were the same.

Recent Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-09, “Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting,” which provides guidance on the various types of changes which would trigger modification accounting for share-based payment awards. In summary, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, which for the Company will be effective for the fiscal year beginning January 1, 2018. The amendments are to be applied prospectively to an award modified on or after the adoption date, consequently the impact will be dependent on whether the Company modifies any of its share-based payment awards and the nature of such modifications.

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-01, “Business Combinations (Topic 805) Clarifying the Definition of a Business”. The amendments in this ASU clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, which for the Company will be effective for the fiscal year beginning January 1, 2018.

Since the new standard is applied prospectively and no disclosures are required at transition, the adoption of this new standard will not have an impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments,” which addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for interim and annual periods beginning after December 15, 2017, which for the Company will be effective for the fiscal year beginning January 1, 2018. The amendments in the ASU should be applied using a retrospective transition method to each period presented. The Company does not expect that the adoption of this new standard will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation-Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting.” This update simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The update contains various amendments, each requiring a specific method of adoption, and designates whether each amendment should be adopted using a retrospective, modified retrospective, or prospective transition method. The new guidance was adopted on January 1, 2017. The impact of adoption of the update is summarized below:

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- All excess tax benefits and deficiencies that result from the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes related to our share-based payment awards will be recognized as income tax benefit or expense in the income statement instead of as an adjustment to additional paid-in capital. In addition, excess tax benefits are no longer included in the calculation of diluted shares outstanding for purposes computing diluted earnings per share under the treasury stock method. The transition guidance related to these changes has been adopted by the Company on a prospective basis. During 2017, we recorded \$1,604 of excess tax benefits related to the vesting of our share-based awards. Prior to adoption, this amount was recorded in additional paid-in capital. This change reduced the Company's effective tax rate from 52% to 49% for 2017.
- An entity is now required to recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Under the required modified retrospective transition, the Company had no cumulative-effect adjustment to retained earnings at January 1, 2017, as the Company had no previously unrecognized excess tax benefits.
- Excess tax benefits will be classified along with other income tax cash flows as an operating activity on the statement of cash flows. Prior to the update, excess tax benefits were separated from other income tax cash flows and classified as a financing activity. In fiscal year 2016 and 2015, excess tax benefits of \$893 and \$431, respectively, were recorded as part of financing cash inflows. The Company adopted these changes on a prospective basis.
- Cash paid by an employer when directly withholding shares for tax-withholding purposes upon vesting of a share-based payment award are now classified as a financing activity on the statement of cash flows rather than as operating cash outflows. This amendment has been adopted by the Company on a retrospective basis. As a result of the retrospective adoption of this amendment, cash outflows of \$5,544 and \$2,855 were reclassified in the accompanying Consolidated Statements of Cash Flows from "Changes in accounts payable, accrued expenses and other liabilities" to "Taxes paid related to net settlement upon vesting of equity awards" for 2016 and 2015, respectively.
- The threshold to qualify for equity classification of a share-based payment award would now permit withholding up to a maximum individual statutory tax rate in the applicable jurisdictions. The Company had no share-based payment awards receiving liability treatment under the prior rules. Therefore, the change from minimum up to a maximum statutory rate on tax withholdings had no impact on our consolidated financial statements and no cumulative effect adjustment was required.
- The Company has elected to continue its current policy of estimating forfeitures rather than recognizing forfeitures when they occur.

In March 2016, the FASB issued ASU No. 2016-07, "Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting". The amendments eliminate the requirement to retroactively adopt the equity method of accounting when a change in ownership occurs. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investment and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. This new guidance was adopted on January 1, 2017 with no impact on our consolidated

financial statements.

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842),” which will supersede the existing guidance for lease accounting. This new standard will require lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The new standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, which for the Company will be effective for the fiscal year beginning January 1, 2019. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. While we are evaluating the impact that the new guidance will have on our consolidated financial statements, we currently expect a gross-up of our consolidated balance sheet as a result of recognizing right of use assets and lease liabilities. The extent of such gross-up remains to be determined once we complete a review of our existing lease contracts (we are primarily a lessee) and service contracts, which may contain embedded leases.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,” which requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income (other than those accounted for under equity method of accounting). Under

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the new guidance, entities will no longer be able to recognize unrealized holding gains and losses on equity securities classified today as available-for-sale in other comprehensive income, and they will no longer be able to use the cost method of accounting for equity securities that do not have readily determinable fair values. However, entities will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. The guidance for classifying and measuring investments in debt securities and loans is not impacted. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which for the Company is effective for the fiscal year beginning January 1, 2018. The new guidance must be applied on a modified retrospective basis, with the exception of the amendments related to equity investments without readily determinable fair values, which must be applied on a prospective basis. The Company does not expect that the adoption of this new standard will have a material impact on our consolidated financial statements. The Company's current available-for-sale securities are invested primarily in debt securities which are not subject to the new guidance, therefore, we will continue to record any unrealized gains or losses on these available-for-sale debt securities through accumulated other comprehensive income. The new guidance will be applied prospectively starting on January 1, 2018 for the Company's equity investments that do not have readily determinable fair values (i.e. our current cost method investments), therefore, we do not expect any impact upon adoption related to these equity investments. The Company intends to elect to record these equity investments without readily determinable fair values at cost, less impairment, if any, plus or minus subsequent adjustments for observable price changes.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory," which requires all inventory to be measured at the lower of cost and net realizable value, except for inventory that is accounted for using the LIFO or the retail inventory method, which will be measured under existing accounting standards. The new guidance must be applied on a prospective basis and was adopted on January 1, 2017 with no impact on our consolidated financial statements.

In May 2014, the FASB issued 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. During 2016, the FASB issued additional interpretive guidance relating to the standard which covered the topics of principal versus agent considerations and identifying performance obligations and licensing. The standard along with the subsequent clarifications issued are effective 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. 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 have completed our evaluation of the impact of the new standard and concluded the most significant impact will be an acceleration in the timing of revenue recognition in our licensing and WWE Studios businesses. These businesses collectively do not represent a significant percentage of total annual revenue for the Company. We currently record revenues from our licensed products and WWE Studios film distribution revenues after receiving statements from the licensee and/or film distributor. Under the new revenue

recognition rules, revenues will be recorded based on best estimates available in the period of sales or usage. We do not expect the impact of this change to be material on a full-year basis, but will likely impact the revenues recorded in a specific quarter as compared to previously reported periods. We intend to adopt the standard and the related modifications on January 1, 2018, using the modified retrospective approach. Under this approach, the cumulative effect of initially applying the guidance will be reflected as an adjustment to beginning retained earnings. We are refining our final cumulative effect adjustment to retained earnings but expect that the adjustment will range between \$10,000 and \$14,000 on a net, tax effected, basis with the majority of the adjustment related to our licensing business.

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3. Earnings Per Share

For purposes of calculating basic and diluted earnings per share, we used the following weighted average common shares outstanding (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Net income	\$ 32,640	\$ 33,841	\$ 24,144
Weighted average basic common shares outstanding	76,743	76,149	75,696
Dilutive effect of restricted and performance stock units	1,721	1,385	634
Dilutive effect of employee share purchase plan	7	5	3
Weighted average dilutive common shares outstanding	78,471	77,539	76,333
Earnings per share:			
Basic	\$ 0.43	\$ 0.44	\$ 0.32
Diluted	\$ 0.42	\$ 0.44	\$ 0.32
Anti-dilutive outstanding restricted and performance stock units (excluded from per-share calculations)	—	—	—
Effect of Convertible Notes and Related Convertible Note Hedge and Warrants			

In connection with the issuance of the Convertible Notes, the Company entered into Convertible Note Hedge and Warrant transactions as described further in Note 11, Convertible Debt. The collective impact of the Convertible Note Hedge and Warrants effectively eliminates any economic dilution that may occur from the actual conversion of the Convertible Notes between the conversion price of \$24.91 per share and the strike price of the Warrants of \$31.89 per share.

For purposes of calculating diluted earnings per share, prior to conversion, we will include in the denominator of our diluted earnings per share calculation, the effect of any additional shares that may be issued if our common stock price exceeds \$24.91 per share using the treasury stock method. In addition, if the average price of our common stock exceeds the strike price of the Warrants of \$31.89 per share, we will also include the effect of the additional potential shares that may be issued related to the Warrants using the treasury stock method. Prior to actual conversion, the

Convertible Note Hedges are not considered for purposes of the calculation of diluted earnings per share, as their effect would be anti-dilutive. The convertible notes due 2023 had no impact on diluted earnings per share for the years ending December 31, 2017 and 2016 since the average price of our common stock did not exceed the conversion price of \$24.91 per share during those periods.

4. Investment Securities and Short-Term Investments

Investment Securities

Included within Investment Securities are the following:

	As of December 31,	
	2017	2016
Equity method investment	\$ 14,664	\$ 14,592
Cost method investments	12,703	10,365
Total investment securities	\$ 27,367	\$ 24,957
Equity Method Investment		

In March 2015, WWE and ABG formed a joint venture to re-launch an apparel and lifestyle brand, Tapout (the "Brand"). ABG agreed to contribute certain intangible assets for the Brand, licensing contracts, systems, and other administrative functions to Tapout. The Company 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 of \$13,800

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based on the fair value of the existing licensing contracts contributed by ABG. To the extent that Tapout records income or losses, we record our share proportionate to our ownership percentage, and any dividends received reduce the carrying amount of the investment. Net equity method earnings from Tapout are included as a component of Investment income, net on the Consolidated Statements of Operations. Net dividends received from Tapout are reflected on the Consolidated Statements of Cash Flows within Net cash provided by operating activities. The Company did not record any impairment charges related to our investment in Tapout during the years ended December 31, 2017 and 2016.

The following table presents the net equity method earnings from Tapout and net dividends received from Tapout for the periods presented:

	Year Ended December 31,		
	2017	2016	2015
Net equity method earnings from Tapout	\$ 1,141	\$ 1,619	\$ 994
Net dividends received from Tapout	(1,084)	(1,190)	(941)
Equity in earnings of affiliate, net of dividends received	\$ 57	\$ 429	\$ 53

As promotional services are provided to Tapout, we record revenue and reduce the existing service obligation. During the years ended December 31, 2017, 2016 and 2015, we recorded revenues of \$2,720, \$2,893 and \$2,430, respectively, related to our fulfillment of our promotional services obligation to Tapout. The remaining service obligation as of December 31, 2017 was \$5,757, and was included in Deferred Income and Non-Current Deferred Income for \$2,760 and \$2,997, respectively.

Our known maximum exposure to loss approximates the remaining service obligation to Tapout, which was \$5,757 as of December 31, 2017. Creditors of Tapout do not have recourse against the general credit of the Company.

Cost Method Investments

During the year ended December 31, 2017, we invested \$2,000 in a competitive e-sports company and \$100 in a drone racing sports company. In 2017, we also made an additional investment of \$200 in a virtual reality platform operator.

During the year ended December 31, 2016, we invested \$1,000 in a fantasy sports content provider, \$1,000 in a subscription-based sports media company and \$250 in a virtual reality platform operator.

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 years ended December 31, 2017, 2016 and 2015.

Short-Term Investments

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

	December 31, 2017				December 31, 2016			
	Gross Unrealized			Fair Value	Gross Unrealized			Fair Value
	Amortized Cost	Gain	(Loss)		Amortized Cost	Gain	(Loss)	
U.S. Treasury securities	\$ 73,169	\$ —	\$ (479)	\$ 72,690	\$ —	\$ —	\$ —	\$ —
Corporate bonds	58,003	—	(329)	57,674	40,183	9	(58)	40,134
Municipal bonds	17,538	7	(99)	17,446	15,075	—	(45)	15,030
Government agency bonds	12,007	—	(73)	11,934	—	—	—	—
Total	\$ 160,717	\$ 7	\$ (980)	\$ 159,744	\$ 55,258	\$ 9	\$ (103)	\$ 55,164

We classify the investments listed in the above table as available-for-sale securities. Such investments consist of U.S. Treasury securities, corporate bonds, municipal bonds, including pre-refunded municipal bonds, and government agency 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 income (loss) in the Consolidated Statements of Comprehensive Income.

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Our U.S. Treasury securities, corporate bonds, municipal bonds 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 December 31, 2017, contractual maturities of these securities are as follows:

	Maturities
U.S. Treasury securities	1 month - 3 years
Corporate bonds	1 month - 5 years
Municipal bonds	1 month - 2 years
Government agency bonds	2 months - 4 years

The following table summarizes the short-term investment activity:

	Year Ended December 31,		
	2017	2016	2015
Proceeds from maturities and calls of short-term investments	\$ 35,660	\$ 8,065	\$ 24,125
Purchases of short-term investments	\$ 142,373	\$ —	\$ 21,624

5. 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.

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 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 December 31, 2017				Fair Value at December 31, 2016			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	\$ 72,690	\$ —	\$ 72,690	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate bonds	57,674	—	57,674	—	40,134	—	40,134	—
Municipal bonds	17,446	—	17,446	—	15,030	—	15,030	—
Government agency bonds	11,934	—	11,934	—	—	—	—	—
Total	\$ 159,744	\$ —	\$ 159,744	\$ —	\$ 55,164	\$ —	\$ 55,164	\$ —

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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 investments in U.S. Treasury securities, corporate bonds, municipal bonds 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 U.S. Treasury securities, corporate bonds, municipal bonds 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 U.S. Treasury securities, corporate bonds, municipal bonds 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 fair value 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, subsequent 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 any impairment charge on these assets during the years ended December 31, 2017, 2016 and 2015.

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 year ended December 31, 2015, the Company recorded a non-cash abandonment charge of \$7,125 to write-off the carrying value of costs related to a media center expansion project. See Note 6, Property and Equipment, for further discussion. The Company classifies these assets as Level 3 within the fair value hierarchy due to significant unobservable inputs.

During the years ended December 31, 2017, 2016 and 2015, the Company recorded impairment charges of \$5,472, \$823 and \$490 on feature film production assets based upon fair value measurements of \$4,347, \$1,354, and \$1,430, respectively. See Note 7, Feature Film Production Assets, for further discussion. The Company classifies these fair values as Level 3 within the fair value hierarchy due to significant unobservable inputs. The Company utilizes a discounted cash flows model to determine the fair value of these impaired films where indicators of impairment exist. The significant unobservable inputs to this model are the Company's expected cash flows for the film, including

projected home video sales, pay and free TV sales and international sales, and a discount rate of 13% that we estimate market participants would seek for bearing the risk associated with such assets. The Company utilizes an independent third party valuation specialist who assists us in gathering the necessary inputs used in our model.

The fair value of the Company's long-term debt, consisting of a mortgage loan assumed in connection with a building purchase and a promissory note secured by the Company's Corporate Jet, is estimated based upon quoted price estimates for similar debt arrangements. At December 31, 2017, the face amount of the mortgage loan and promissory note approximates their fair value.

The convertible debt is not marked to fair value at the end of each reporting period, but instead is reported at amortized cost. As of December 31, 2017, the calculation of the fair value of the debt component of the Company's convertible debt required the use of Level 3 inputs, and was determined by calculating the fair value of similar debt without the associated conversion feature based on market conditions at that time:

	December 31, 2017		December 31, 2016	
	Fair Value	Carrying Value (1)	Fair Value	Carrying Value
Convertible senior notes	\$ 182,661	\$ 182,783	\$ 166,702	\$ 166,050

(1) The carrying value of the debt instrument presented in the table above represents the face value of the convertible note less unamortized debt discount.

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6. Property and Equipment

Property and equipment consisted of the following:

	As of December 31,	
	2017	2016
Land, buildings and improvements	\$ 134,052	\$ 130,330
Equipment	98,245	136,114
Corporate aircraft	31,277	31,277
Vehicles	905	244
	264,479	297,965
Less accumulated depreciation and amortization	(133,154)	(165,334)
Total	\$ 131,325	\$ 132,631

Depreciation expense for property and equipment totaled \$24,680, \$23,195 and \$21,107 for the years ended December 31, 2017, 2016 and 2015, respectively.

During the year ended December 31, 2017, the Company retired assets, primarily television production equipment, that were no longer in use and reduced property and equipment cost by \$57,255, with a corresponding reduction to accumulated depreciation of \$56,896.

In September 2016, the Company acquired, through WWE Real Estate Holdings, LLC a wholly-owned special purpose subsidiary (“WWE Real Estate”), a building and underlying real property located in Stamford, Connecticut (the “Purchased Property”) from one of the debtors in the Chapter 11 bankruptcy proceedings of Newbury Common Associates, LLC and certain of its affiliates. In connection with the acquisition, WWE Real Estate assumed the seller’s interests as landlord under several existing leases of the Purchased Property, including the landlord’s interest in leases under which the Company is a tenant. Since the assets of WWE Real Estate represent collateral for the underlying mortgage, these assets are not available to satisfy debts and obligations to any other creditors of the Company. As of

December 31, 2017 and 2016, costs of \$23,832 and \$24,074, respectively, are reflected in Land, buildings and improvements, which is a component of Property and equipment, net on the Consolidated Balance Sheet. Depreciation on the Purchased Property is computed on a straight-line basis over the estimated useful lives of the Purchased Property in accordance with the Company's existing accounting policy for property and equipment.

During the year ended December 31, 2015, the Company reevaluated its plans to develop an improved and expanded media center at the location of our existing production facility. The Company made the determination that these plans would not be viable and deemed them abandoned; accordingly, we recorded a non-cash abandonment charge of \$7,125 to write-off the carrying value of these costs, which is disclosed as Loss on abandonment on the Consolidated Statements of Operations and is included in our Corporate and Other segment results.

7. Feature Film Production Assets, Net

Feature film production assets consisted of the following:

	As of December 31,	
	2017	2016
In release	\$ 15,869	\$ 13,892
Completed but not released	2,211	8,881
In production	3,107	3,387
In development	1,113	977
Total	\$ 22,300	\$ 27,137

Approximately 34% of "In release" film production assets are estimated to be amortized over the next 12 months and approximately 69% of "In release" film production assets are estimated to be amortized over the next three years. We anticipate amortizing 80% of our "In release" film production assets within four years as we receive revenues associated with television distribution

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of our licensed films. During the years ended December 31, 2017, 2016 and 2015, we amortized \$11,748, \$5,720 and \$3,401, respectively, of feature film production assets. During these periods, our films were released under a co-distribution model. Under the co-distribution model, third-party distribution partners control the distribution and marketing of co-distributed films, and as a result, we recognize revenue on a net basis after the third-party distribution partners recoup 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. In certain arrangements, where worldwide film rights and interests are sold to third-party distribution partners, we recognize revenue upon delivery of the completed film to the third-party.

During the year ended December 31, 2017, we released four feature films via theatrical distribution, The Resurrection of Gavin Stone, Sleight, Armed Response and Birth of the Dragon, and five films direct to DVD, Surf's Up 2: WaveMania, The Jetsons & WWE: Robo-WrestleMania!, The Marine 5: Battleground, Pure Country: Pure Heart and Killing Hasselhoff. These nine films comprised \$7,458 of our "In release" feature film assets as of December 31, 2017.

During the year ended December 31, 2016, we released four feature films direct to DVD, Countdown, Scooby Doo! & WWE: Curse of the Speed Demon, Interrogation and Eliminators, and one film via theatrical distribution, Incarnate. These five films comprised \$4,130 of our "In release" feature film assets as of December 31, 2016.

We currently have one theatrical film designated as "Completed but not released" and have two 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 years ended December 31, 2017 and 2016, we expensed \$157 and \$119, respectively, related to previously capitalized development costs related to abandoned projects. We did not incur any comparable expenses for the year ended December 31, 2015.

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 recorded impairment charges \$5,472, \$823 and \$490 related to our feature films during the years ended December 31, 2017, 2016 and 2015, respectively. These impairment charges represent the excess of the recorded net carrying value over the estimated fair value.

8. Television Production Assets, Net

Television production assets consisted of the following:

	As of December 31,	
	2017	2016
In release	\$ 3,765	\$ 12,198
In production	3,527	310
Total	\$ 7,292	\$ 12,508

Television production assets consist primarily of non-live event episodic television 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. 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.

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Amortization of television production assets consisted of the following:

	For the year ended December 31,		
	2017	2016	2015
Television programming	\$ 17,399	\$ 15,860	\$ 21,984
WWE Network programming	3,738	11,073	8,607
Total	\$ 21,137	\$ 26,933	\$ 30,591

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.

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 expense the remaining unamortized asset. During the years ended December 31, 2017, 2016 and 2015, we did not record any impairments related to our television production assets.

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	As of December 31,	
	2017	2016
Trade related	\$ 12,727	\$ 10,118
Staff related	7,980	7,494
Management incentive compensation	21,556	21,542
Talent related	5,356	6,969
Accrued WWE Network related expenses	2,633	2,120
Accrued event and television production	7,929	7,031
Accrued legal and professional	5,182	1,952
Accrued purchases of property and equipment	2,334	2,940
Accrued film liability	1,993	366
Accrued other	10,048	9,828
Total	\$ 77,738	\$ 70,360

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 driven by an increase in accrued legal and professional fees primarily related to non-recurring legal matters and other contractual obligations.

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10. Long-Term Debt and Credit Facilities

Long-Term Debt

Included within Long-Term Debt are the following:

	As of	
	December 31, 2017	December 31, 2016
Current portion of long-term debt:		
Film Credit Facility	\$ —	\$ 1,583
Aircraft financing	4,638	4,538
Total current portion of long-term debt	4,638	6,121
Long-term debt:		
Aircraft financing	\$ 7,958	\$ 12,596
Mortgage	23,000	23,000
Total long-term debt	30,958	35,596
Total	\$ 35,596	\$ 41,717
Mortgage		

In September 2016, the Company acquired real property and assumed future obligations under a loan agreement, dated June 8, 2015, in the principal amount of \$23,000, which loan is secured by a mortgage on the property. The loan bears interest at the rate of 4.50% per annum and requires monthly interest only payments of \$86 until June 2018 and interest and principal payments of \$117 per month thereafter, with a balloon payment on maturity in July 2025. There is a significant yield maintenance premium for prepayments. Pursuant to the loan agreement, since the assets of WWE Real Estate, a subsidiary of the Company, represent collateral for the underlying mortgage, these assets will not be available to satisfy debts and obligations due to any other creditors of the Company.

Aircraft Financing

In August 2013, the Company entered into a \$31,568 promissory note (the "Aircraft Note") with Citizens Asset Finance, Inc., for the purchase of a 2007 Bombardier Global 5000 aircraft and refurbishments. In August 2017, the Aircraft Note was assigned to Fifth Third Equipment Finance Company. The Aircraft Note bears interest at a rate of 2.18% per annum, is payable in monthly installments of \$406, inclusive of interest, and has a final maturity of August 7, 2020. The Aircraft Note is secured by a first priority perfected security interest in the purchased aircraft.

As of December 31, 2017, the scheduled principal repayments under our Aircraft Note obligation for the subsequent three years are as follows:

December 31, 2018	\$ 4,638
December 31, 2019	4,740
December 31, 2020	3,218
	\$ 12,596

The table above assumes that the Aircraft Note will not be prepaid prior to its maturity on August 7, 2020.

Credit Facilities

Revolving Credit Facility

In December 2016, in connection with the issuance of the Convertible Notes, as defined below, the Company entered into an amended and restated \$100,000 senior unsecured revolving credit facility with a syndicated group of banks, with JPMorgan Chase Bank, N.A. acting as Administrative Agent (the "Revolving Credit Facility"). The Revolving Credit Facility has a maturity date of July 29, 2021. Applicable interest rates for the borrowings under the Revolving Credit Facility are based on the Company's current consolidated

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leverage ratio. As of December 31, 2017, the LIBOR-based rate plus margin was 3.19%. The Company is required to pay a commitment fee calculated at a rate per annum of 0.30% on the average daily unused portion of the Revolving 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.

As of December 31, 2017, the Company was in compliance with the Revolving Credit Facility, and had available debt capacity under the terms of the Revolving Credit Facility of \$100,000. As of December 31, 2017 and 2016, there were no amounts outstanding under the Revolving Credit Facility.

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, as amended, with Bank of America, N.A., as Administrative Agent and lender (the “Film Credit Facility”). On December 21, 2017, we repaid in full all outstanding debt and terminated our Film Credit Facility. In connection with the termination, we expensed \$397 of unamortized debt issuance costs.

11. Convertible Debt

In December 2016, we issued \$200,000 aggregate principal amount of 3.375% convertible senior notes due 2023 and subsequently in January 2017, we issued an additional \$15,000 in aggregate principal amount of such convertible notes through the partial exercise of an over-allotment option (collectively, the “Convertible Notes”). The Convertible Notes are due December 15, 2023, unless earlier repurchased by us or converted. Interest is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2017. The sale of the Convertible Notes in December 2016 and January 2017 resulted in \$193,899 and \$14,534 in net proceeds, respectively, to WWE after deducting the initial purchasers’ discount and the estimated offering expenses. We used \$36,658 of the net proceeds from the sale of the Convertible Notes to pay the cost of the convertible bond hedges, as described below, after such cost was partially offset by the proceeds to us from the sale of warrants in the warrant transactions, as described below. The remaining proceeds will be used to support the execution of our long-term growth strategy and for general corporate purposes.

The Convertible Notes are governed by an Indenture between us, as issuer, and U.S. Bank, National Association, as trustee. The Convertible Notes will be our general unsecured obligations and will rank senior in right of payment to

any of our indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to any of our unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure secured debt will be available to pay obligations on the Convertible Notes only after all indebtedness under such secured debt has been repaid in full from such assets.

Upon conversion of the Convertible Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of Class A common stock, at our election, at a conversion rate of approximately 40.1405 shares of common stock per \$1 principal amount of the Convertible Notes, which corresponds to an initial conversion price of approximately \$24.91 per share of Class A common stock. At any time, prior to the close on the business day immediately preceding June 15, 2023, the Convertible Notes will be convertible under the following circumstances:

- a) During any calendar quarter beginning after the calendar quarter ending on December 31, 2016 (and only during such calendar quarter), if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- b) During the 5 business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price per \$1 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate on each such trading day;
- c) Upon the occurrence of specified corporate events; or

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d) On or after June 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Convertible Notes, in multiples of \$1 principal amount, at the option of the holder regardless of the foregoing circumstances.

As of December 31, 2017, the Convertible Notes are not yet convertible.

As a result of our cash conversion option, we separately accounted for the value of the embedded conversion option as a debt discount. The value of the embedded conversion option was determined based on the estimated fair value of the debt without the conversion feature, which was determined using an expected present value technique (income approach) to estimate the fair value of similar nonconvertible debt; the debt discount is being amortized as additional non-cash interest expense over the term of the Convertible Notes using the effective interest method with an effective interest rate of 6.40% per annum. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the transaction costs related to the Note issuances, we allocated the total amount of offering costs incurred to the debt and equity components based on their relative values. Offering costs attributable to the debt component, totaling \$5,454, are being amortized as non-cash interest expense over the term of the Convertible Notes, and offering costs attributable to the equity component, totaling \$1,110, were netted with the equity component in stockholders' equity.

The Convertible Notes consisted of the following components:

	As of December 31,	
	2017	2016
Debt component:		
Principal	\$ 215,000	\$ 200,000
Less: Unamortized debt discount	(32,217)	(33,950)
Less: Unamortized debt issuance costs	(4,883)	(5,042)
Net carrying amount	\$ 177,900	\$ 161,008

Equity component (1)	\$ 35,547	\$ 33,060
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(1) Recorded in the Consolidated Balance Sheets within additional paid-in capital, net of the \$1,110 issuance costs in equity.

The following table sets forth total interest expense recognized related to the Convertible Notes:

	For the year ended December 31,	
	2017	2016
3.375% contractual coupon	\$ 7,232	\$ 262
Amortization of debt discount	4,290	151
Amortization of debt issuance costs	553	19
Interest expense	\$ 12,075	\$ 432

Convertible Note Hedge

In connection with the pricing of the Convertible Notes in December 2016 and January 2017, we entered into convertible note hedge transactions with respect to our Class A common stock (the “Note Hedge”) with three separate counterparties. The Note Hedge transactions in December 2016 and January 2017 resulted in an aggregate payment to the Note Hedge counterparties of \$34,100 and \$2,558, respectively. The Note Hedge transactions cover approximately 8.03 million shares of our Class A common stock related to the December 2016 issuance and 602,107 shares of our Class A common stock related to the January 2017 issuance, and are exercisable upon conversion of the Convertible Notes. The Note Hedge will expire on December 15, 2023, unless earlier terminated. The Note Hedge transactions have been accounted for as part of additional paid-in capital.

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Warrant Transactions

In connection with entering into the Note Hedge transactions described above, we also concurrently entered into separate warrant transactions (the “Warrants”), to sell warrants to acquire approximately 8.03 million shares of our Class A common stock in connection with the Note Hedge transaction in December 2016 and 602,107 shares of our Class A common stock in connection with the Note Hedge transaction in January 2017, both at an initial strike price of approximately \$31.89 per share, which represents a premium of approximately 60.0% over the last reported sale price of our Class A common stock of \$19.93 on December 12, 2016 (initial issuance date of the Convertible Notes). The Warrant transactions in December 2016 and January 2017 resulted in aggregate proceeds of \$19,460 and \$1,460, respectively, from the sale of the Warrants to the counterparties. The Warrants transactions have been accounted for as part of additional paid-in capital.

12. Income Taxes

For the years ended December 31, 2017, 2016 and 2015, the effective tax rate on income from continuing operations was 49.0%, 36.4% and 33.4%, respectively.

The components of our tax provision are as follows:

	Year Ended December 31,		
	2017	2016	2015
Current taxes:			
Federal	\$ 7,785	\$ (1,931)	\$ 12,107
State and local	1,313	1,210	2,537
Foreign	8,750	7,940	7,112
Deferred taxes:			
Federal	13,177	11,582	(9,736)
State and local	396	560	78
Foreign	(1)	11	(16)
Total income tax expense	\$ 31,420	\$ 19,372	\$ 12,082

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Within the current foreign tax provision for the years ended December 31, 2017, 2016 and 2015 is \$8,453, \$7,460 and \$6,860, respectively, of foreign withholding taxes paid on income included within the US pre-tax book income below. The federal deferred tax provision for the year ended December 31, 2017 includes a charge of \$10,878 associated with the remeasurement of our deferred tax assets due to the revised corporate tax rate as a result of the Tax Act, as defined below.

Components of income before income taxes are as follows:

	Year Ended December 31,		
	2017	2016	2015
United States	\$ 62,280	\$ 51,160	\$ 35,306
Foreign	1,780	2,053	920
Total income before income taxes	\$ 64,060	\$ 53,213	\$ 36,226

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The following sets forth the difference between the provision/(benefit) for income taxes computed at the U.S. federal statutory income tax rate of 35% and that reported for financial statement purposes:

	Year Ended December 31,		
	2017	2016	2015
Statutory U.S. federal tax at 35%	\$ 22,421	\$ 18,625	\$ 12,679
State and local taxes, net of federal tax benefit	1,472	1,496	1,848
Foreign rate differential	(298)	(327)	(97)
Tax exempt interest income	(86)	(55)	(52)
Qualified production activity deduction	(1,750)	(942)	(2,077)
Unrecognized tax benefits	(146)	(248)	(447)
Meals and entertainment	317	308	284
Deferred tax asset remeasurement	10,878	—	—
Deemed repatriation transition tax	406	—	—
Excess tax benefits related to the vesting of share-based compensation	(1,604)	—	—
Other	(190)	515	(56)
Provision for income taxes	\$ 31,420	\$ 19,372	\$ 12,082

The tax effects of temporary differences and net operating losses that give rise to significant portions of the deferred tax assets and deferred tax liabilities consisted of the following:

	As of December 31,	
	2017	2016
Deferred tax assets:		
Accounts receivable	\$ 310	\$ 2,206
Inventory	1,696	3,273

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Deferred income	8,670	18,715
Stock compensation	7,173	8,937
Net operating loss carryforward	1,195	1,160
Foreign tax credits	—	302
Investments	238	44
Intangible assets	1,673	2,650
Capitalized feature film production costs	1,316	717
Accrued liabilities and reserves	1,191	722
Federal benefit related to uncertain tax positions	103	163
Deferred tax assets, gross	23,565	38,889
Valuation allowance	(1,195)	(1,160)
Deferred tax assets, net	22,370	37,729
Deferred tax liabilities:		
Property and equipment depreciation	(2,380)	(4,326)
Investments	(1,006)	(847)
Deferred tax liabilities	(3,386)	(5,173)
Total deferred tax assets, net	\$ 18,984	\$ 32,556

The temporary differences described above represent differences between the tax basis of assets or liabilities and amounts reported in the consolidated financial statements that will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The Company received tax deductions from the vesting of restricted stock units and performance stock units of \$21,457, \$13,301 and \$7,694 in 2017, 2016 and 2015, respectively.

As of December 31, 2017, we had \$18,984 of deferred tax assets, net, included in Non-current income tax assets in our Consolidated Balance Sheet. As of December 31, 2016, we had \$32,556 of deferred tax assets, net, included in Non-current income tax

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assets in our Consolidated Balance Sheet. The decrease in our deferred tax asset balance was driven by the remeasurement of our deferred tax assets and liabilities due to tax reform and activity in prepaid royalties relating to television contracts.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously deferred and included a variety of other changes. During the fourth quarter of 2017, the Company recorded a charge of \$10,878 associated with the remeasurement of its net deferred tax assets due to the tax rate decreasing from 35% to 21%, which reduced the future benefit the Company will realize associated with these assets. Additionally, the Company recorded a charge of \$406 in the fourth quarter of 2017 related to the one-time transition tax on mandatory repatriation of undistributed foreign earnings and profits per the Tax Act.

The adjustments to net deferred tax assets and the charge related to the one-time transition tax are provisional amounts estimated based on information available as of December 31, 2017 and a preliminary review of the Tax Act. These amounts are subject to revision as we obtain information necessary to complete the calculations. We will recognize any changes to the provisional amounts as we refine our estimates of our cumulative temporary differences, finalize the calculation of the total post-1986 earnings and profits of our foreign subsidiaries and complete our interpretations of the application of the Tax Act.

As of December 31, 2017 and 2016, we had valuation allowances of \$1,195 and \$1,160 respectively, to reduce our deferred tax assets to an amount more likely than not to be recovered. This valuation allowance relates to foreign income taxes and the resulting net operating losses in foreign jurisdictions where we have ceased operations.

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 assets 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.

We are subject to periodic audits of our various tax returns by government agencies which could result in possible tax liabilities. Although the outcome of these matters cannot currently be determined, we believe the outcome of these audits will not have a material effect on our financial statements.

Unrecognized Tax Benefits

For the year ended December 31, 2017, we recognized \$189 of previously unrecognized tax benefits. This primarily relates to the statute of limitations expiring in certain state and local jurisdictions. Included in the amount recognized was \$70 of potential interest and penalties related to uncertain tax positions. For the year ended December 31, 2016, we recognized \$284 of previously unrecognized tax benefits relating to the statute of limitations expiring in certain state and local jurisdictions. Included in the amount recognized was \$28 of potential interest and penalties related to uncertain tax positions. The recognition of these amounts contributed to our effective tax rate of 49.0% for the year ended December 31, 2017 as compared to 36.4% for the year ended December 31, 2016.

At December 31, 2017, we had \$389 of unrecognized tax benefits, which if recognized, would affect our effective tax rate, which is classified in Non-current income tax liabilities. At December 31, 2016, we had \$487 of unrecognized tax benefits, which is classified in Non-current income tax liabilities.

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Unrecognized tax benefit activity is as follows:

	Year Ended	
	December 31,	
	2017	2016
Beginning Balance- January 1	\$ 487	\$ 818
Increase to unrecognized tax benefits recorded for positions taken during the current year	56	77
Decrease to unrecognized tax benefits recorded for positions taken during a prior period	—	(51)
Decrease to unrecognized tax benefits resulting from a lapse of the applicable statute of limitations	(154)	(357)
Ending Balance- December 31	\$ 389	\$ 487

We recognize potential accrued interest and penalties related to uncertain tax positions in income tax expense. We have \$84 of accrued interest and \$45 of accrued penalties related to uncertain tax positions as of December 31, 2017 classified in Non-current income tax liabilities. At December 31, 2016, we had \$192 of accrued interest and \$45 of accrued penalties related to uncertain tax positions classified in Non-current income tax liabilities.

Based upon the expiration of statutes of limitations and possible settlements in several jurisdictions, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by \$127 within 12 months after December 31, 2017.

We file income tax returns in the United States and various state, local, and foreign jurisdictions. During 2017 and 2016, the Company settled audits with various state and local jurisdictions. We are generally subject to examination by the IRS for years ending on or after December 31, 2014. We are also subject to examination by various state and local jurisdictions for years ending on or after December 31, 2014.

13. Film and Television Production Incentives

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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 production activities and qualifying capital projects are recorded as an offset to the related asset balances. Incentives earned with respect to television and other production activities are recorded as an offset to production expenses. The Company recognizes these benefits when we have reasonable assurance regarding the realizable amount of the incentives.

We recorded the following incentives during the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
Television production incentives	\$ 11,260	\$ 12,982	\$ 11,100
Feature film production incentives	\$ 3,683	\$ 1,347	\$ 1,639

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14. Commitments and Contingencies

We have certain commitments, including various non-cancelable operating leases for facilities and sales offices, service contracts with certain vendors and various talent, and a service agreement obligation related to WWE Network.

Future minimum payments as of December 31, 2017 under the agreements described above were as follows:

	Operating Lease Commitments	Service Contracts and Talent Commitments	Service Agreement Commitments	Total
2018	\$ 5,026	\$ 27,582	\$ 6,417	\$ 39,025
2019	4,540	19,956	—	24,496
2020	2,490	14,327	—	16,817
2021	1,590	7,164	—	8,754
2022	1,563	5,902	—	7,465
Thereafter	6,392	702	—	7,094
Total	\$ 21,601	\$ 75,633	\$ 6,417	\$ 103,651

Rent expense under operating lease commitments totaled \$6,240, \$6,367 and \$6,414 for the years ended December 31, 2017, 2016 and 2015, respectively.

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 alleged that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE's performers and seeks class action status. 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. On September 21, 2015, the plaintiffs amended this complaint and, on November 16, 2015, the Company moved to dismiss the amended complaint. 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 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, which motions were granted by the respective courts. On November 23, 2015, amended complaints were filed in Frazier and Osborne, which the Company moved to dismiss on December 16, 2015 and December 21, 2015, respectively. On November 10, 2016, the Court granted the Company's motions to dismiss the Frazier and Osborne lawsuits in their entirety. 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

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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. On September 21, 2015, the defendants filed a motion to dismiss this complaint, which the Company opposed. The Court previously ordered a stay of discovery in all cases pending decisions on the motions to dismiss. On January 15, 2016, the Court partially lifted the stay and permitted discovery only on three issues in the case involving Singleton and LoGrasso. Such discovery was completed by June 1, 2016. On March 21, 2016, the Court issued a memorandum of decision granting in part and denying in part the Company's motions to dismiss the Haynes, Singleton/LoGrasso, and McCullough lawsuits. The Court granted the Company's motions to dismiss the Haynes and McCullough lawsuits in their entirety and granted the Company's motion to dismiss all claims in the Singleton/LoGrasso lawsuit except for the claim of fraud by omission. On March 22, 2016, the Court issued an order dismissing the Windham lawsuit based on the Court's memorandum of decision on the motions to dismiss. On April 4, 2016, the Company filed a motion for reconsideration with respect to the Court's decision not to dismiss the fraud by omission claim in the Singleton/LoGrasso lawsuit and, on April 5, 2016, the Company filed a motion for reconsideration with respect to the Court dismissal of the Windham lawsuit. On July 21, 2016, the Court denied the Company's motion in the Singleton/LoGrasso lawsuit and granted in part the Company's motion in the Windham lawsuit. On April 20, 2016, the plaintiffs filed notices of appeal of the Haynes and McCullough lawsuits. On April 27, 2016, the Company moved to dismiss the appeals for lack of appellate jurisdiction, which motions were granted and the appeals were dismissed with leave to appeal upon the resolution of all of the consolidated cases. The Company has filed a motion for summary judgment on the sole remaining claim in the Singleton/LoGrasso lawsuit. The Company also filed a motion for judgment on the pleadings against the Windham defendants. Lastly, on July 18, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut, entitled Joseph M. Laurinaitis, et al. vs. World Wrestling Entertainment, Inc. and Vincent K. McMahon, individually and as the trustee of certain trusts. This lawsuit contains many of the same allegations as the other lawsuits alleging traumatic brain injuries and further alleges, among other things, that the plaintiffs were misclassified as independent contractors rather than employees denying them, among other things, rights and benefits under the Occupational Safety and Health Act (OSHA), the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA), federal tax law, and various state Worker's Compensation laws. This lawsuit also alleges that the booking contracts and other agreements between the plaintiffs and the Company are unconscionable and should be declared void, entitling the plaintiffs to certain damages relating to the Company's use of their intellectual property. The lawsuit alleges claims for violation of RICO, unjust enrichment, and an accounting against Mr. McMahon. The Company and Mr. McMahon moved to dismiss this complaint on October 19, 2016. On November 9, 2016, the Laurinaitis plaintiffs filed an amended complaint. On December 23, 2016, the Company and Mr. McMahon moved to dismiss the amended complaint. On September 29, 2017, the Court issued an order on the motion to dismiss pending in the Laurinaitis case and on the motion for judgment on the pleadings pending in the Windham case. The Court reserved judgment on the pending motions and ordered that within thirty-five (35) days of the date of the order the Laurinaitis plaintiffs and the Windham defendants file amended pleadings that comply with the Federal Rules of Civil Procedure. The Court further ordered that each of the Laurinaitis plaintiffs and the Windham defendants submit to the Court for in camera review affidavits signed and sworn under penalty of perjury setting forth facts within each plaintiff's or declaratory judgment-defendant's personal knowledge that form the factual basis of their claim or defense. On November 3, 2017, the Laurinaitis

plaintiffs filed a second amended complaint. The Company and Mr. McMahon believe that the second amended complaint fails to comply with the Court's September 29, 2017 order and otherwise remains legally defective for all of the reasons set forth in their motion to dismiss the amended complaint. Also on November 3, 2017, the Windham defendants filed a second answer. The Company does not know if the Laurinaitis Plaintiffs and Windham Defendants submitted the affidavits required under the Court's September 29, 2017 order. On November 17, 2017, the Company and Mr. McMahon filed a response that, among other things, urged the Court to grant the motion for judgment on the pleadings against the Windham defendants and dismiss the Laurinaitis plaintiffs' complaint with prejudice and award sanctions against the Laurinaitis plaintiffs' counsel because the amended pleadings fail to comply with the Court's September 29, 2017 order and the Federal Rules of Civil Procedure. 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 August 9, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut entitled Marcus Bagwell, individually and on behalf of all others similarly situated v. World Wrestling Entertainment, Inc. The lawsuit alleges claims for breach of contract, breach of fiduciary duty, unjust enrichment and violations of the Connecticut Unfair Trade Practices Act, C.G.S. §42-110a, et seq., principally arising from WWE's alleged failure to pay royalties for streaming video on WWE Network. On September 7, 2016, a motion for leave to amend was filed along with a proposed amended complaint that, among other things, sought to add Scott Levy as an individual plaintiff and WCW, Inc. as a defendant. On November 4, 2016, the Court granted plaintiffs' motion for leave to amend and plaintiffs filed their amended complaint on November 7, 2016. On December 2, 2016, the Company moved to dismiss the amended complaint. On May 5, 2017, the Court granted in part and denied in part the Company's motion to dismiss. The Court dismissed plaintiff's declaratory judgment, unjust enrichment and successor liability claims, as well as all claims asserted against WCW, Inc. The Court also granted plaintiffs leave to file a second amended complaint, which plaintiffs filed on May 19, 2017. Plaintiffs then sought leave to file a third amended complaint to correct certain errors by plaintiffs' counsel, which the Court granted and plaintiffs filed their third amended complaint on June 15, 2017. The third amended complaint continues to assert claims for breach of contract, breach of

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fiduciary duty, and violations of the Connecticut Unfair Trade Practices Act, C.G.S. §42-110a, et seq. against WWE. Following the depositions of Plaintiffs Bagwell and Levy, Plaintiffs' counsel advised that they intended to voluntarily dismiss Plaintiffs' remaining claims against the Company. On December 7, 2017, the parties filed a Stipulation of Dismissal pursuant to which all of Bagwell's and Levy's claims were dismissed with prejudice. No money was paid by WWE in consideration for the dismissal with prejudice. On December 8, 2017, the Court granted the parties' Stipulation of Dismissal and closed the case.

In addition to the foregoing, from time to time we become a party to other lawsuits and claims. 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.

15. Related Party Transactions

Vincent K. McMahon, Chairman of the Board of Directors and Chief Executive Officer, controls a substantial majority of the voting power of the issued and outstanding shares of our common stock. Through the beneficial ownership of a substantial majority of our Class B common stock, Mr. McMahon can effectively exercise control over our affairs.

16. Stockholders' Equity

Class B Convertible Common Stock

Our Class B common stock is fully convertible into Class A common stock, on a one for one basis, at any time at the option of the holder. The two classes are entitled to equal per share dividends and distributions and vote together as a class with each share of Class B entitled to ten votes and each share of Class A entitled to one vote, except when separate class voting is required by applicable law. If, at any time, any shares of Class B common stock are beneficially owned by any person other than Vincent McMahon, Linda McMahon, any descendant of either of them, any entity which is wholly owned and is controlled by any combination of such persons or any trust, all the beneficiaries of which are any combination of such persons, each of those shares will automatically convert into shares of Class A common stock. During the years ended December 31, 2017, 2016 and 2015, Class B shares were sold, resulting in their conversion to Class A shares. Through his beneficial ownership of a substantial majority of our Class B common stock, our controlling stockholder, Vincent McMahon, can effectively exercise control over our affairs, and his interests could conflict with the holders of our Class A common stock.

Dividends

We declared and paid quarterly dividends of \$0.12 per share, totaling \$36,854, \$36,564, and \$36,345 on all Class A and Class B shares for the years ended December 31, 2017, 2016 and 2015, respectively.

17. Stock-based Compensation

Our 2016 Omnibus Incentive Plan (the “2016 Plan”) provides for the grant of incentive or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance awards to eligible participants as determined by the Compensation Committee of the Board of Directors. Awards may be granted under the 2016 Plan to officers, employees, consultants, advisors and independent contractors of the Company and its affiliates and to non-employee directors of the Company.

As of December 31, 2017, there were approximately 3.6 million shares available for future grants under the 2016 Plan. It is our policy to issue new shares to satisfy option exercises and the vesting of RSUs and PSUs.

Restricted Stock Units

The Company grants RSUs to officers and employees under the 2016 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.

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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 tables summarize the activity of RSUs for the year ended December 31, 2017:

	Units	Weighted- Average Grant-Date Fair Value
Unvested at January 1, 2017	356,761	\$ 16.68
Granted	308,888	\$ 19.60
Vested	(145,098)	\$ 17.16
Forfeited	(54,448)	\$ 17.75
Dividend equivalents	11,689	\$ 18.12
Unvested at December 31, 2017	477,792	\$ 18.33

	Year Ended December 31,		
	2017	2016	2015
Stock-based compensation expense	\$ 3,519	\$ 2,407	\$ 1,706
Tax benefits realized	2,920	1,775	666
Weighted-average grant-date fair value of RSUs granted	6,054	3,825	3,288
Fair value of RSUs vested	2,490	1,580	849

As of December 31, 2017, total unrecognized stock-based compensation expense related to unvested RSUs net of estimated forfeitures, was \$4,607 before income taxes, and is expected to be recognized over a weighted-average period of approximately 1.6 years.

Performance Stock Units

The Company grants PSUs to officers and employees under the 2016 Plan. Stock-based compensation costs associated with our 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). The vesting of these PSUs are subject to certain performance conditions and a service requirement of typically 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 estimated performance 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. 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 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.

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The following tables summarize the activity of PSUs for the year ended December 31, 2017:

		Weighted-	
		Average	
		Grant-Date	
	Units	Fair Value	
Unvested at January 1, 2017	2,161,311	\$ 16.39	
Granted	550,460	\$ 30.58	
Achievement adjustment	282,662	\$ 20.96	
Vested	(897,338)	\$ 17.05	
Forfeited	(84,942)	\$ 24.62	
Dividend equivalents	41,778	\$ 18.03	
Unvested at December 31, 2017	2,053,931	\$ 21.37	

	Year Ended December 31,		
	2017	2016	2015
Stock-based compensation expense	\$ 20,356	\$ 15,361	\$ 15,088
Tax benefits realized	18,538	11,525	7,028
Weighted-average grant-date fair value of PSUs granted	16,833	17,604	17,843
Fair value of PSUs vested	15,301	9,763	6,078

During the year ended December 31, 2017, we granted 550,460 PSUs which are subject to certain performance conditions.

During the year ended December 31, 2016 we granted 956,730 PSUs, which were subject to performance conditions. During the first quarter of 2017, it was determined that the performance conditions related to these PSUs were exceeded, which resulted in an increase of 282,662 PSUs in 2017 relating to the initial 2016 PSU grant.

As of December 31, 2017, total unrecognized stock-based compensation expense related to unvested PSUs, net of estimated forfeitures, was \$20,077 before income taxes, and is expected to be recognized over a weighted-average period of approximately 1.5 years.

Employee Stock Purchase Plan

We provide a stock purchase plan for our employees. Under the plan, all eligible regular full-time employees may contribute up to 10% of their base compensation (subject to certain income limits) to the semi-annual purchase of shares of our common stock. The purchase price is 85% of the fair market value at certain plan-defined dates. As this plan is defined as compensatory, a charge is recorded to Selling, general and administrative expense for the difference between the fair market value and the discounted price. During 2017, 2016 and 2015, employees purchased 72,882, 71,636 and 86,922 shares of our common stock which resulted in an expense of \$276, \$331, and \$438, respectively. As of December 31, 2017, 1.6 million shares of the Company's common stock are reserved for issuance under the 2012 Employee Stock Purchase Plan.

18. Employee Benefit Plans

We sponsor a 401(k) defined contribution plan covering substantially all employees. Under this plan, participants are allowed to make contributions based on a percentage of their salary, subject to a statutorily prescribed annual limit. We make matching contributions of 50% of each participant's contributions, up to 6% of eligible compensation. We may also make additional discretionary contributions to the 401(k) plan. Our expense for matching contributions to the 401(k) plan was \$2,341, \$2,028 and \$1,947 for the years ended December 31, 2017, 2016 and 2015, respectively. The Company did not make any discretionary contributions for the years ended December 31, 2017, 2016 or 2015.

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19. Segment Information

As discussed in Note 1, Basis of Presentation and Business Description, 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 and 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. Additionally, we believe that OIBDA provides a meaningful representation of operating cash flows within our segments.

We record certain costs within our Corporate and Other segment since the costs benefit the Company as a whole and are not directly attributable to our other reportable segments. These costs are presented in two categories, Corporate Support and Business Support. Corporate support expenses primarily include our corporate general and administrative functions. Business Support expenses include our sales and marketing functions, our international offices, talent development costs, including costs associated with our WWE Performance Center, and our business strategy and data analytics functions. 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.

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The following tables present summarized financial information for each of the Company's reportable segments:

	Year Ended December 31,		
	2017	2016	2015
Net revenues:			
Network	\$ 197,876	\$ 180,895	\$ 159,407
Television	270,217	241,730	231,115
Home Entertainment	8,635	13,110	13,434
Digital Media	34,479	26,937	21,448
Live Events	151,705	144,358	124,667
Licensing	52,126	49,126	48,913
Venue Merchandise	23,742	24,198	22,428
WWEShop	37,815	34,607	27,074
WWE Studios	18,618	10,094	7,082
Corporate & Other	5,746	4,161	3,200
Total net revenues	\$ 800,959	\$ 729,216	\$ 658,768
Depreciation and amortization:			
Network	\$ 6,897	\$ 6,045	\$ —
Television	4,756	5,026	8,955
Home Entertainment	56	20	—
Digital Media	175	342	1,254
Live Events	—	2	22
WWE Studios	—	—	8
Corporate & Other	14,166	12,976	12,521
Total depreciation and amortization	\$ 26,050	\$ 24,411	\$ 22,760
OIBDA:			
Network (1)	\$ 64,176	\$ 43,020	\$ 48,364
Television (1)	139,446	119,814	96,967
Home Entertainment	1,624	5,249	4,624
Digital Media	10,252	4,576	4,384
Live Events	42,254	41,807	37,986

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Licensing	31,119	27,430	28,795
Venue Merchandise	9,116	9,764	8,870
WWEShop	8,289	7,338	5,148
WWE Studios	(3,642)	(258)	(1,487)
Corporate & Other (2)	(201,006)	(178,688)	(172,097)
Total OIBDA	\$ 101,628	\$ 80,052	\$ 61,554

Reconciliation of Total Operating Income to Total OIBDA

	Year Ended December 31,		
	2017	2016	2015
Total operating income	\$ 75,578	\$ 55,641	\$ 38,794
Depreciation and amortization	26,050	24,411	22,760
Total OIBDA (2)	\$ 101,628	\$ 80,052	\$ 61,554

(1) Beginning on January 1, 2016, the Company started allocating certain shared costs and expenses between our Network and Television segments. We believe this allocation more accurately reflects the operations of each of these reportable segments. The impact of this allocation methodology during the year ended December 31, 2016 was a decline to Network segment OIBDA of \$15,427, with a corresponding increase of \$15,427 to Television segment OIBDA. The allocation methodology had no impact on our consolidated financial statements. Prior year

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Network and Television segment results were not revised for this prospective change in the allocation method. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

(2) The year ended December 31, 2015 includes a \$7,125 charge to write-off assets related to a media center expansion project. This non-cash, non-recurring item relates to assets capitalized in previous years and is recorded as Loss on abandonment in our Consolidated Statements of Operations. See Note 6, Property and Equipment, for further discussion.

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:

	Year Ended December 31,		
	2017	2016	2015
North America	\$ 599,697	\$ 539,917	\$ 488,957
Europe/Middle East/Africa	125,639	122,728	112,326
Asia Pacific	61,568	54,699	49,348
Latin America	14,055	11,872	8,137
Total net revenues	\$ 800,959	\$ 729,216	\$ 658,768

Revenues generated from the United Kingdom, our largest international market, totaled \$77,485, \$78,543 and \$75,653 for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's property and equipment was almost entirely located in the United States at December 31, 2017 and 2016.

20. 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 WWE 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 December 31, 2017 our largest receivable balance from customers was 16% of our gross accounts receivable. At December 31, 2016, our two largest receivable balances from customers were 17% and 15% of our gross accounts receivable. No other customers individually exceeded 10% of our gross accounts receivable balance.

21. Selected Quarterly Financial Information (unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(1) (2)	(1)	(1) (2)	(1) (2) (3)
2017				
Net revenues	\$ 188,444	\$ 214,586	\$ 186,325	\$ 211,604
Cost of revenues	\$ 109,153	\$ 136,387	\$ 95,233	\$ 118,208
Net income	\$ 888	\$ 5,085	\$ 21,854	\$ 4,813
Net income per common share: basic	\$ 0.01	\$ 0.07	\$ 0.28	\$ 0.06
2016				
Net revenues	\$ 171,100	\$ 198,994	\$ 164,162	\$ 194,960
Cost of revenues	\$ 93,334	\$ 132,020	\$ 87,637	\$ 117,041
Net income	\$ 13,885	\$ 862	\$ 11,075	\$ 8,019
Net income per common share: basic	\$ 0.18	\$ 0.01	\$ 0.15	\$ 0.10

- (1) Cost of revenues for the first, second, third and fourth quarters of 2017 includes impairment charges of \$2,078, \$1,084, \$759 and \$1,551, respectively, related to certain of our feature films. Cost of revenues for the fourth quarter of 2016 includes an impairment charge of \$823 related to certain of our feature films. See Note 7, Feature Film Production Assets, for further discussion.
- (2) Net income for the third and fourth quarters of 2017 includes a benefit of \$10,645 and \$615, respectively, related to television production incentives. Net income for the first, third and fourth quarters of 2016 includes a benefit of \$2,530, \$9,638 and \$814, respectively, related to television production incentives.
- (3) Net income for the fourth quarter of 2017 includes one-time charges of \$10,878 associated with the remeasurement of our net deferred tax assets and \$406 related to the transition tax on mandatory repatriation of undistributed foreign earnings arising from the enactment of the Tax Act. See Note 12, Income Taxes, for further discussion.

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WORLD WRESTLING ENTERTAINMENT, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Description	Balance at Beginning of Year	Charges to Expense/ Against Revenues	Deductions/ Adjustments *	Balance at End of Year
For the Year Ended December 31, 2017				
Allowance for doubtful accounts	\$ 5,945	\$ 537	\$ (5,140)	\$ 1,342
Home video allowance for returns	2,273	6,890	(7,501)	1,662
Allowance for WWE Network refunds and chargebacks	40	353	(363)	30
For the Year Ended December 31, 2016				
Allowance for doubtful accounts	\$ 7,789	\$ (386)	\$ (1,458)	\$ 5,945
Home video allowance for returns	2,442	7,294	(7,463)	2,273
Allowance for WWE Network refunds and chargebacks	80	402	(442)	40
For the Year Ended December 31, 2015				
Allowance for doubtful accounts	\$ 4,814	\$ 630	\$ 2,345	\$ 7,789
Magazine publishing allowance for newsstand returns	299	28	(327)	—
Home video allowance for returns	2,588	10,158	(10,304)	2,442
Allowance for WWE Network refunds and chargebacks	25	855	(800)	80

* Includes deductions which are comprised primarily of write-offs of specific bad debts and returns of products, as well as certain adjustments to the allowance account, including reserves for amounts due from customers that have not been recognized as revenue.