



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

WWE - NYSE	(as of 10/30/17)	\$25.31
Price Target		N/A
52-Week Range		\$16.77 - \$26.25
Shares Outstanding (mm)		77.0
Market Cap. (\$mm)		\$1,949
3-Mo. Average Daily Volume		509,200
Institutional Ownership (exclud. Insiders)		99%
Debt/Total Capital (9/17)		46%
ROE (TTM ended 9/17)		15%
Book Value/Share (9/17)		\$3.27
Price/Book Value		7.7x
Annual Dividend & Yield	\$0.48	1.9%
OIBDA Margin (TTM ended 9/17)		12%

EPS FY 12/31 (GAAP-based)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.18		\$0.01	A	
2Q	\$0.01		\$0.06	A	
3Q	\$0.14		\$0.28	A	
4Q	\$0.10	0.18	\$0.20		
Year	\$0.44	\$0.45	\$0.55	\$0.62	\$0.64
P/E	57.5x		46.0x		39.5x

Note: Quarterly figures may not add to annual figure due to rounding

Revenue (\$mm)

	2016	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$171		\$188	A	
2Q	\$199		\$215	A	
3Q	\$164		\$186	A	
4Q	\$195	\$206	\$207		
Year	\$729	\$785	\$796	\$830	\$835

Company Description: *WWE, Inc. is an integrated media and entertainment company headquartered in Stamford, CT. The company has operated in the sports entertainment business for over 30 years, primarily with its well-known brand of professional wrestling. WWE programming is available in more than 180 countries and reaches over 650 million homes worldwide. In February 2014, the company launched its WWE Network. The company's main web site address is www.wwe.com.*

WWE, Inc.

WWE — NYSE — Neutral-3

Good 3Q Results

Investment Highlights

- **We were impressed by WWE's 3Q results.** Revenues of \$186.4 million were up 13.5% from a year ago, and above our estimate of \$176.0 million. The three main operating segments each grew at a double-digit rate and surpassed our expectation. Revenues rose 13.4% in the largest business segment, Media, due to growth of the WWE Network and contractual escalation of television rights fees.
- **Operating leverage led to higher profit.** A 3% decline in SG&A expenses led to adjusted OIBDA (operating income before depreciation & amortization, excluding nonrecurring items) of \$40.4 million compared to \$24.5 million a year ago. Adjusted OIBDA margin improved over 600 basis points. Diluted EPS of \$0.28 was double the year ago figure of \$0.14. We continue to believe the investment community's focus is on adjusted OIBDA.
- **The WWE Network average paid subscriber base for 3Q was up 4.4% on a year-over-year basis.** This represents moderating growth over the course of 2017. For 4Q, management expects growth similar to 3Q.
- **We have updated our financial outlook.** Reflecting 3Q results and our views on the final quarter of the year, we have raised our 2017 revenue, adjusted OIBDA, and earnings per share estimates. Additionally, we have also updated our 2018 outlook with modest raises.
- **WWE is progressing effectively on its business plan, in our view.** We continue to view the company's strategy and execution favorably. A strong core customer base is solidly supporting the key businesses, and we believe there are domestic and international growth opportunities ahead. Our Neutral rating on WWE is based solely on stock valuation. We will monitor conditions for what we consider a favorable risk/reward level and an attractive entry point.

Note Important Disclosures on Pages 7-8.

Note Analyst Certification on Page 7.

Exhibit 1**Consolidated Statements of Income** (figures in millions except percentages and per share data)

	Third Quarter Ended			Nine Months Ended		
	9/30/17	9/30/16	% chg.	9/30/17	9/30/16	% chg.
Net Revenues	\$186.4	\$164.2	13.5%	\$589.4	\$534.3	10.3%
Cost of Revenues	95.3	87.6	8.8%	340.8	313.0	8.9%
Gross Profit	91.1	76.6	18.9%	248.6	221.3	12.3%
Selling, Gen., & Admin. Exp.	50.7	52.1	(2.7%)	180.3	161.7	11.5%
Operating Income Before						
Deprec. & Amort. (OIBDA)	40.4	24.5	64.9%	68.3	59.6	14.6%
Deprec. & Amortization	6.5	6.2	4.8%	19.7	17.8	10.7%
Operating Income	33.9	18.3	85.2%	48.6	41.8	16.3%
Investment Income, net	0.8	0.7	14.3%	2.5	1.9	31.6%
Interest Income (Expense)	(3.5)	(0.6)		(10.7)	(1.8)	
Other Income (Expense), net	(0.1)	(0.3)		(0.1)	(1.5)	
Income Before Taxes	31.1	18.1	71.8%	40.3	40.4	(0.2%)
Provision for Taxes	9.3	7.0	32.9%	12.5	14.6	(14.4%)
Net Income	\$21.8	\$11.1	96.4%	\$27.8	\$25.8	7.8%
GAAP-based Diluted EPS*	\$0.28	\$0.14	94.1%	\$0.36	\$0.33	8.0%
Diluted Shares Outst.	78.5	77.6	1.2%	78.4	77.4	1.3%
As a % of Net Revenues:			bp chg.			bp chg.
Gross Profit	48.87%	46.65%	222	42.18%	41.42%	76
Selling, Gen., & Admin. Exp.	27.20%	31.73%	(453)	30.59%	30.26%	33
OIBDA	21.67%	14.92%	675	11.59%	11.15%	43
Net Income	11.70%	6.76%	494	4.72%	4.83%	(11)
Tax Rate	29.90%	38.67%	(877)	31.02%	36.14%	(512)

Source: WWE, Inc.

3Q 2017 RESULTS

WWE's business is classified into four segments: **Media** (WWE Network, pay-per-view events, television rights fees & advertising, home entertainment, digital media, and broadband/mobile content); **Live Events** (primarily ticket sales); **Consumer Products** (royalties/license fees related to videogames, toys, apparel, music, etc., and merchandise sales at live events and online at wweshop.com); and **WWE Studios** (production and distribution of filmed entertainment).

3Q revenues from the **Media** segment were up 13.4% from the year ago period. The increase was due to contractual escalation of television rights fees and growth of the WWE Network. Adjusted OIBDA for the segment increased 24.6% and margins rose considerably due to network growth and lower programming expenses.

Revenues from **Live Events** increased 10.5% as the company produced an incremental 14 events during the quarter. Segment OIBDA rose 18.0% and margins improved 146 basis points.

Consumer Products revenues rose 11.1% due to higher licensing revenue, which related to the success of mobile videogames. Segment OIBDA jumped 31.6% and margins surged.

Results at the small **WWE Studios** segment included a modest dollar gain in revenues but slightly negative OIBDA. As in past quarters, results from this segment were not very material to overall results.

Total company adjusted OIBDA (excluding any nonrecurring items) for 3Q was \$40.4 million, up considerably from \$24.5 million a year ago. Original 3Q guidance from the company was \$31-35 million. Adjusted OIBDA margin surged 675 basis points. GAAP-based EPS for 3Q of \$0.28 doubled the year ago figure of \$0.14. We believe the vast majority of investor attention is on adjusted OIBDA.

Exhibit 2**Segment Mix** (figures in millions)

Revenues	Third Quarter Ended			Nine Months Ended		
	9/30/17	9/30/16	% chg.	9/30/17	9/30/16	% chg.
Media	\$125.2	\$110.4	13.4%	\$376.0	\$337.6	11.4%
Live Events	31.6	28.6	10.5%	116.5	105.8	10.1%
Consumer Products	24.0	21.6	11.1%	83.7	80.1	4.5%
WWE Studios	4.2	2.5	68.0%	9.0	7.7	16.9%
Corporate & Other	1.4	1.1	27.3%	4.2	3.1	35.5%
Total Revenues	\$186.4	\$164.2	13.5%	\$589.4	\$534.3	10.3%
OIBDA						
Media	\$66.4	\$53.3	24.6%	\$149.0	\$121.5	22.6%
Live Events	7.2	6.1	18.0%	36.9	35.6	3.7%
Consumer Products	10.4	7.9	31.6%	37.4	34.8	7.5%
WWE Studios	(0.3)	0.9	N/A	(3.9)	0.9	N/A
Corporate & Other	(43.3)	(43.7)	(0.9%)	(151.1)	(133.2)	13.4%
Total OIBDA	\$40.4	\$24.5	64.9%	\$68.3	\$59.6	14.6%
OIBDA Margin Analysis			bp chg.			bp chg.
Media	53.04%	48.28%	476	39.63%	35.99%	364
Live Events	22.78%	21.33%	146	31.67%	33.65%	(197)
Consumer Products	43.33%	36.57%	676	44.68%	43.45%	124
WWE Studios	N/A	36.00%	N/A	N/A	11.69%	N/A
Corporate & Other	N/A	N/A	N/A	N/A	N/A	N/A
Total OIBDA	21.67%	14.92%	675	11.59%	11.15%	N/A

OIBDA = Operating Income Before Depreciation & Amortization

Source: WWE, Inc.

Financial condition. The balance sheet remained solid, in our view. Cash and short-term investments at September 30, 2017 totaled \$263.0 million. The current ratio at the end of the quarter was 2.7-to-1. Total debt at period end was \$216.1 million, or 46% of total capitalization. Stockholders' equity was \$251.6 million. The company has approximately \$100 million available under an unused revolving credit facility.

WWE Network update. The WWE Network launched in the U.S. in February 2014. This is basically a 24/7 network with live programming delivered directly to consumers via digital distribution to online devices such as desktop and laptop computers, tablets, smart devices, gaming consoles, and streaming media players. Traditional cable, satellite, and telecom operators were not part of the initial distribution strategy, but cable distribution was later used in Canada. Subscription rates are commonly \$9.99 per month with no time commitment. The network was made available in international markets beginning in August 2014, with international subscribers receiving the same U.S. language feed as U.S. subscribers. The country count was recently over 180, and there are several countries receiving the service in their native language.

A major aspect of the service is that subscribers have access to all of WWE's live pay-per-view events (typically 12 in a given year) at no additional cost. This includes the highly popular *WrestleMania* event held in late March/early April each year. Thus, a major risk to the network is cannibalization; that is, lost pay-per-view revenues as consumers opt for a lower cost network subscription instead. Also, a challenge is retaining as many subscribers as possible by keeping them from cancelling in the months following a major live event. WWE management expects rising subscriber counts, net of churn, to more than offset lost pay-per-view revenues.

The average number of paid subscribers in 3Q 2017 was 1.522 million, up 4.4% from one year earlier. This compares to guidance of 1.540 million, plus or minus 2%. The realized figure was within the guided range, though below the median figure. Year-over-year growth of 4.4% in 3Q compares to comparable growth figures of 15.6% for 1Q and 7.7% for 2Q of this year. We attribute the moderating growth figures to the rising size of the subscriber base and some maturation since the 2014 debut. Guidance for 4Q 2017 calls for a figure of 1.470 million, plus or minus 2%. The midpoint would represent growth of 4.5% from one year earlier. The goal is continued year-over-year growth in any given quarter and we expect this to occur throughout 2018 as well.

Dividends. In late October 2017, the company declared a regular quarterly dividend of \$0.12 per share, payable December 26. This will mark the 27th consecutive quarterly dividend at that rate. We expect this rate to continue throughout 2017 and 2018. The stock's current yield of 1.9% is below that of the overall stock market and the Consumer Discretionary sector. WWE's current dividend equates to annual payments of about \$36 million. We believe the company's cash flow, balance sheet cash, and existing credit facility adequately support maintenance capital expenditures and the dividend policy.

Outlook. We remain generally pleased with the state of the company's businesses, including the WWE Network and the company's high profile *SmackDown* and *Raw* television series. We have updated our financial model based on recent results and management's commentary on the outlook for its business segments. We project 2017 revenue growth of 9% to \$796 million, up \$11 million from our previous estimate. Our adjusted OIBDA estimate is \$110 million, \$10 million above our previous figure. Management noted it expects full year adjusted OIBDA in the range of \$108-112 million. Our GAAP-based EPS estimate is raised by \$0.10 to \$0.55.

We have also updated our 2018 outlook. In general, we believe the year should be favorable. Our outlook includes projected revenue growth of about 5% to \$835 million, with growth in all three major segments (Media, Live Events, and Consumer Products). We expect year-over-year growth in the WWE Network's paid subscriber base in each quarter, but at moderating rates (continuing the trend from 2017). We estimate total adjusted OIBDA growth at 7% to \$118 million. We assume an approximate 30 basis point improvement in adjusted OIBDA margin.

Valuation. WWE shares are currently trading at about 40x our 2018 EPS estimate. However, we believe an OIBDA-based valuation is more appropriate and more common. This is due to the investment spending mode of the company and the considerable depreciation & amortization expenses involved. In addition, many media companies are commonly valued on cash flow measures such as OIBDA. The company defines OIBDA as operating income (loss) before depreciation & amortization, excluding feature film amortization and film impairments.

Using a basic cash flow valuation approach, current enterprise value (market capitalization plus net debt) represents 16.4x our 2018 adjusted OIBDA estimate. The multiple on our preliminary 2019 estimate is 14.9x. We believe a potential peer group comparison would have shortcomings due to the uniqueness of WWE's business model, the fact it owns all of its content, and the early stages of the WWE Network's life cycle. However, creating a history of WWE's historical Enterprise Value/OIBDA ratios gives a range of 8-18x, excluding much higher levels in recent years following the costly launch of the WWE Network in 2014.

Opinion. We have a generally favorable view of the company, its business strategy, and management team. However, we feel the stock is fairly valued at this time. We will closely monitor the company's television programming endeavors, the quality and popularity of its live events, and the level of paid subscriptions to the WWE Network. We believe the company is on the right track strategically, and that key financial metrics are likely to follow a positive path. Consequently, we could upgrade our opinion at a lower valuation, assuming no change in company fundamentals, or with a positive development in any of WWE's main business segments.

Risks. Risk factors associated with investments in WWE, Inc. include negotiation of programming agreements with broadcast, cable network, and pay-per-view providers, the ability to create appealing content and retain key performers, the overall popularity of professional wrestling, and the competitive impact from other wrestling/fighting organizations. The WWE Network is a key factor as well, particularly associated costs, the subscriber base, and churn levels, in our view. Relations with business partners, including toy and videogame licensors, are other considerations.

Although the company has created multiple revenue streams, the vast majority of operations are centered on its core wrestling product. Other risk factors include general economic conditions and potential liabilities in excess of insurance coverage related to accidents or injuries during the company's events.

Suitability. Our Suitability rating is 3 (see Suitability rating definitions on page 7). This reflects our view of recent financial results and company fundamentals, as well as consideration for the overall risk profile. Investors should be mindful of past volatility in the stock associated with erratic earnings as well as uncertainty with and greater dependence on WWE Network subscriptions.

Other considerations. There are two classes of common stock. Class A shares are held by the public and are entitled to 1 vote each, and Class B shares are held by the family of Chairman Vince McMahon and are entitled to ten votes each. Thus, the McMahon family's approximate two-thirds ownership stake represents roughly 90% of the voting power. We consider the employment of Vince McMahon vital to the company's future success. Mr. McMahon is under an employment contract that features annual renewals. Additionally, with its dominant voting power, the McMahon family can exercise control over the company's affairs.

	GAAP-based Consolidated Statements of Income (figures in millions except per share data and percentages)												
	2014	2015	1Q	2Q	3Q	4Q	2016	1Q	2Q	3Q	4Q	2017E	2018E
Media	\$339.9	\$425.4	\$109.7	\$117.5	\$110.4	\$125.0	\$462.6	\$118.6	\$132.2	\$125.2	\$134.0	\$510.0	\$542.0
Live Events	110.7	124.7	25.3	51.9	28.6	38.6	144.4	32.1	52.8	31.6	39.4	155.9	159.0
Consumer Products	78.1	98.4	33.3	25.2	21.6	27.8	107.9	35.1	24.6	24.0	29.5	113.2	122.0
WWE Studios	10.9	7.1	2.0	3.2	2.5	2.4	10.1	1.3	3.5	4.2	2.5	11.5	7.0
Corporate & Other	3.0	3.2	0.8	1.2	1.1	1.1	4.2	1.3	1.5	1.4	1.2	5.4	5.0
Total Revenues	542.6	658.8	171.1	199.0	164.2	194.9	729.2	188.4	214.6	186.4	206.6	796.0	835.0
Media	75.4	154.4	45.5	22.7	53.3	51.2	172.7	45.4	37.2	66.4	61.5	210.5	217.0
Live Events	27.8	38.0	6.1	23.4	6.1	6.2	41.8	8.1	21.6	7.2	6.6	43.5	45.0
Consumer Products	32.2	42.8	17.7	9.2	7.9	9.7	44.5	17.9	9.1	10.4	10.3	47.7	51.0
WWE Studios	0.5	(1.5)	(0.4)	0.4	0.9	(1.1)	(0.2)	(2.9)	(0.7)	(0.3)	(0.7)	(4.6)	(5.0)
Corporate & Other	(151.4)	(172.1)	(41.3)	(48.2)	(43.7)	(45.5)	(178.7)	(57.6)	(50.2)	(43.3)	(44.7)	(195.8)	(190.0)
Total OIBDA	(15.5)	61.6	27.6	7.5	24.5	20.5	80.1	10.9	17.0	40.4	33.0	101.3	118.0
Deprec. & Amort.	26.7	22.8	5.6	6.0	6.2	6.6	24.4	6.9	6.3	6.5	6.9	26.6	28.5
Operating Income	(42.2)	38.8	22.0	1.5	18.3	13.9	55.7	4.0	10.7	33.9	26.1	74.7	89.5
Interest Inc. & Other (Exp.), net	(7.1)	(2.6)	(0.6)	(0.6)	(0.2)	(1.1)	(2.5)	(2.6)	(2.9)	(2.8)	(2.0)	(10.3)	(11.0)
Income Before Taxes	(49.3)	36.2	21.4	0.9	18.1	12.8	53.2	1.4	7.8	31.1	24.1	64.4	78.5
Provision for Taxes	(19.2)	12.1	7.5	0.1	7.0	4.8	19.4	0.5	2.7	9.3	8.7	21.2	28.3
Net Income	(\$30.1)	\$24.1	\$13.9	\$0.8	\$11.1	\$8.0	\$33.8	\$0.9	\$5.1	\$21.8	\$15.4	\$43.2	\$50.2
Diluted EPS, As Reported	(\$0.40)	\$0.32	\$0.18	\$0.01	\$0.14	\$0.10	\$0.44	\$0.01	\$0.06	\$0.28	\$0.20	\$0.55	\$0.64
Wtd. Diluted Shares Outst.	75.3	76.3	77.1	77.4	77.6	77.8	77.5	78.2	78.6	78.5	78.6	78.5	78.7
Adjusted OIBDA	(\$11.6)	\$68.7	\$27.6	\$7.5	\$24.5	\$20.5	\$80.1	\$18.6	\$18.1	\$40.4	\$33.0	\$110.1	\$118.0
(excludes nonrecurr. items)													
Segment OIBDA Margins:													
Media	22.2%	36.3%	41.5%	19.3%	48.3%	41.0%	37.3%	38.3%	28.1%	53.0%	45.9%	41.3%	40.0%
Live Events	25.1%	30.5%	24.1%	45.1%	21.3%	16.1%	28.9%	25.2%	40.9%	22.8%	16.8%	27.9%	28.3%
Consumer Products	41.2%	43.5%	53.2%	36.5%	36.6%	34.9%	41.2%	51.0%	37.0%	43.3%	34.9%	42.1%	41.8%
WWE Studios	4.6%	NMF	NMF	12.5%	36.0%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
As a % of Total Revenues:													
Adjusted OIBDA	NMF	10.4%	16.1%	3.8%	14.9%	10.5%	11.0%	9.9%	8.4%	21.7%	16.0%	13.8%	14.1%
Operating Income	NMF	5.9%	12.9%	0.8%	11.1%	7.1%	7.6%	2.1%	5.0%	18.2%	12.6%	9.4%	10.7%
Net Income	NMF	3.7%	8.1%	0.4%	6.8%	4.1%	4.6%	0.5%	2.4%	11.7%	7.5%	5.4%	6.0%
Tax Rate	38.9%	33.4%	35.0%	11.1%	38.7%	37.5%	36.5%	35.7%	34.6%	29.9%	36.0%	32.9%	36.0%
Yr-Over-Yr Growth Rates:													
Total Revenues	6.8%	21.4%	(2.9%)	32.5%	(1.2%)	17.3%	10.7%	10.1%	7.8%	13.5%	6.0%	9.2%	4.9%
Adjusted OIBDA	NMF	NMF	31.4%	(43.2%)	4.7%	84.7%	16.6%	(32.6%)	141.3%	64.9%	61.0%	37.5%	7.2%
Operating Income	NMF	NMF	45.7%	(79.5%)	2.2%	NMF	43.6%	(81.8%)	613.3%	85.2%	87.8%	34.1%	19.8%
Net Income	NMF	NMF	41.8%	(84.3%)	6.7%	NMF	40.2%	(93.5%)	537.5%	96.4%	92.8%	27.9%	16.2%

Source: WWE, Inc. and Hilliard Lyons estimates

Additional information is available upon request.

Analyst Certification

I, Jeffrey S. Thomison, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings reflect a two to three year time period.

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