



Just Released: The 5 Best Stocks to Buy in October 2022 [PREMIUM PICKS]

Description

It's not often that a company becomes a more compelling investment after its founder, Chairman, CEO, and controlling shareholder resigns in the wake of a scandal. Nevertheless, that's the situation we find ourselves in today with **World Wrestling Entertainment** ([NYSE:WWE](#)).

On July 22, Vince McMahon “retired” as chairman and CEO of WWE (though he remains controlling shareholder). After announcing an internal investigation in June, the WWE board of directors uncovered \$19.6 million in payments that were not appropriately recorded as expenses in the period from 2006 to 2022, including \$14.6 million paid by Mr. McMahon to women to settle sexual misconduct allegations. Mr. McMahon has agreed to personally pay all reasonable expenses arising from the investigation as well as the payments that are the subject of the investigation. This scandal is a stain on Vince McMahon’s reputation and harmful to WWE’s public image, but, ultimately, the payments are not of a material amount for a business that today generates over \$1 billion in annual revenue.

Vince McMahon had been instrumental to WWE’s storytelling for decades, but there are signs that his departure may have been a case of addition by subtraction. With McMahon in retirement, Paul Levesque (better known as TripleH) has been promoted to Chief Content Officer, taking creative control of the brand. Since then, interest and ratings have soared.

In August, *Monday Night Raw* ratings hit a two-year high, while *Wrestlemania 39* broke ticket sales records, selling 90,000 tickets within 24 hours — a 42% increase year over year. According to reports, network partners have been “thrilled” with the results since TripleH became head of creative. In short, the value of WWE’s intellectual property arguably has grown in the last few months.

Meanwhile, we remain confident in management’s ability to capture that value. Newly promoted co-CEO Nick Khan continues to negotiate new rights deals with media partners. In September, WWE extended its Caribbean broadcast partnership with C&W Communications and signed a deal with Foxtel to make it the exclusive home for WWE in Australia. In addition, WWE’s second-day rights deal with Hulu has expired, positioning the company to include those rights as part of the bidding for its next extension of *Raw* and *Smackdown* coming up next year.

On the consumer products side, WWE relaunched WWE Shop in partnership with Fanatics, positioning the company to offer more products while bearing less of the overhead expenses. In addition,

partnerships with Panini in trading cards and Fox’s Blockchain Creative Labs in NFTs continue to expand the ways WWE can monetize its content.

WWE reported record second-quarter revenue and adjusted OIBDA in August, reflecting the strength of the business. With the brand continuing to gain momentum post-Vince McMahon’s departure, we think the company is poised to become even stronger. And, with the largest shareholder now “retired,” the chances that WWE gets acquired are likely higher today than they were a few months ago. Against all odds, the founder resigning in scandal arguably has made our thesis even stronger. Consider adding to or starting a new position in WWE today.

Nick Sciple owns shares of World Wrestling Entertainment. The Motley Fool recommends WWE.

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