



World Wrestling Entertainment Stock: Is it a Good Investment Today?

Description

Ever since Vince McMahon, the founder and long-time CEO of **World Wrestling Entertainment** ([NYSE:WWE](#)), announced he was returning to the job last month, the stock has been one of the most interesting securities you can follow.

McMahon's return comes as WWE has considered finding a buyer to acquire it and take it private. This has intrigued the market because often buying a stock that could be a takeover target is appealing. Indeed, buyers typically offer a premium to investors, which could result in attractive capital gains.

However, because the market is expecting a takeover and consequently, WWE stock has become more attractive, it's possible that the acquisition has already been priced in. Notably, the stock has rallied by more than 20% since McMahon announced his return and over 25% year to date.

In addition to McMahon's return, the company announced that it was beginning a strategic review and brought on outside advisors to support it.

So with WWE looking to make a big splash and find a company to acquire it, should you buy the stock today or wait for a more attractive entry point?

Amidst a changing media landscape, WWE just reported record results

Many media and entertainment stocks, such as the WWE, have been operating in a rapidly shifting environment for years now. More consumers are cutting cable subscriptions as streaming services increase in popularity. Needless to say, these media companies have had their hands full ensuring the longevity of their brands.

WWE, which has been around for decades now, has continued to show that it's capable of staying relevant. In fact, earlier this month, it reported record results for 2022. On stronger financial footing, it should be a more attractive takeover target.

The stock reported sales just shy of \$1.3 billion, an increase of roughly 18% from 2021. That was the 13th straight year that the stock increased its sales year over year.

Furthermore, in addition to its impressive revenue growth, WWE stock reported adjusted operating income before depreciation and amortization (OIBDA) of \$384.6 million, an increase of 19% year over year.

That growth is, of course, impressive. However, it's even more impressive to see OIBDA growth of 19% when revenue was up just 18%, especially considering the surge in costs due to [inflation](#) throughout 2022.

In the earnings report, WWE management also announced it expects adjusted OIBDA in 2023 to be between \$395 to \$410 million. Further, operating expenses should be relatively flat.

All of this is welcome news for investors and should help to make WWE an attractive takeover target for large media companies that are looking to expand their portfolios.

WWE's stock performance has been impressive, after gaining more than 20% since Vince McMahon's return. Even so, WWE stock could be hindering its own ability to be acquired.

Is WWE stock an attractive takeover target?

Many investors look to [buy stocks](#) that they believe can be takeover targets due to the potential for attractive gains in a short period of time.

However, buying a stock strictly due to its potential to be taken over is speculative investing. And any time you speculate, you increase the risk of your investment.

For example, if you buy WWE stock today and it does get taken over in the next few months, you could make a handsome return on your investment. However, if it doesn't get acquired, not only will the stock likely sell off in the short term, but you could be stuck owning the stock at a sky-high valuation.

Besides a brief spike in 2018, WWE stock has never been priced higher than it is today. And while the company did just report record earnings in 2022, its valuation is certainly higher than its historical averages.

Right now, WWE has a forward [price-to-earnings ratio](#) of 32.7 times, above its three-year average of 28.2 times. Furthermore, its enterprise value to earnings before interest, taxes, depreciation and amortization ratio (EV/EBITDA) is roughly 16.5 times, also above its three-year average of 13.7 times.

Therefore, although its operations have been improving in recent years and the stock is currently pursuing a sale, you may want to wait for a pullback to initiate a position in the stock. By doing so, you can minimize some of the risk of buying WWE today.

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Date

2025/06/27

Date Created

2023/02/15

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