

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

CITY OF WARREN POLICE AND FIRE  
RETIREMENT SYSTEM, Individually and on  
Behalf of All Others Similarly Situated,  
Individually and On Behalf of All Others  
Similarly Situated,

Plaintiff,

vs.

WORLD WRESTLING ENTERTAINMENT,  
INC., VINCENT K. McMAHON, GEORGE A.  
BARRIOS and MICHELLE D. WILSON,

Defendants.

Civil Action No. 1:20-cv-02031-JSR

JURY TRIAL DEMANDED

**CONSOLIDATED AMENDED CLASS ACTION COMPLAINT**

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Lead Plaintiff Firefighters' Pension System of the City of Kansas City, Missouri Trust, individually and on behalf of all others similarly situated, by their undersigned counsel, hereby brings this Consolidated Amended Class Action Complaint (the "Complaint") against World Wrestling Entertainment, Inc., d/b/a WWE ("WWE"), CEO Vincent K. McMahon ("McMahon") and former Co-Presidents George A. Barrios ("Barrios"), and Michelle D. Wilson ("Wilson," collectively, "Defendants").<sup>1</sup> The allegations herein are based on Lead Plaintiff's personal knowledge as to its own acts, and on information and belief as to all other matters, such information and belief having been informed by the investigation conducted by and under the supervision of Lead Counsel, which includes a review of: U.S. Securities and Exchange Commission ("SEC") filings by WWE; securities analysts' reports and advisories about the Company; press releases and other public statements issued by the Company; media reports about the Company; interviews with former employees of WWE and others with knowledge of the matters alleged herein; and consultation with experts in the areas of loss causation and damages.<sup>2</sup> Lead Counsel's investigation into the matters alleged herein is ongoing and many relevant facts are known only to, or are exclusively within the custody or control of, the Defendants. Lead Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. On behalf of itself and the class it seeks to represent, Lead Plaintiff alleges as follows:

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<sup>1</sup> McMahon, Barrios, and Wilson are collectively referred to as the "Individual Defendants."

<sup>2</sup> Confidential witnesses ("CWs") will be identified herein by number (CW-1, CW-2). All CWs will be described in the masculine to protect their identities.

## I. NATURE OF THE ACTION

1. This is a federal securities class action on behalf of all persons and entities who or which purchased or otherwise acquired the publicly traded securities of WWE during the period from February 7, 2019 through February 5, 2020, inclusive (the “Class Period”), and were damaged thereby. The action is brought against WWE and certain of its current and former officers and directors for violations of the Securities Exchange Act of 1934 (the “Exchange Act”) and SEC Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

2. The WWE is a sports-entertainment company, primarily known for its brand of professional wrestling. In recent years, the Company has transformed itself into more of a media company, generating considerable revenues from the production of original content, which it distributes to television providers around the world and on the Company’s own streaming network.

3. The Company’s growth and transformation into a media company has been fueled by the WWE’s expansion internationally over the past number of years. Part of this international expansion has included holding large-scale wrestling events overseas and increasing the revenues earned on licensing deals the Company enters into with international television providers, who buy the exclusive right to air original WWE content, including WWE’s key television programs, *Raw* and *SmackDown Live*.

4. Relevant here is the WWE’s expansion into a key market—the Middle East and North Africa (“MENA”) region. The Company took a significant step towards boosting the WWE’s popularity in the region in 2014, when it entered into a five-year exclusive media-rights agreement with the Orbit Showcase Network (“OSN”), pursuant to which OSN agreed to pay fees for the right to air WWE’s original content on OSN.

5. A few years later, the Company made further headway in the MENA region when it announced in March 2018 that it had signed a 10-year exclusive partnership with the Saudi General Sports Authority (“SGSA”) to hold large wrestling events in the Kingdom of Saudi Arabia.

6. Although the partnership proved lucrative for the WWE, it brought with it significant controversy. The WWE was criticized heavily by Western press leading up to and after the first event held pursuant to the partnership in April 2018 (known as the *Greatest Royal Rumble*) for agreeing to partner with the Saudi government despite the country’s troubling human rights record, which was on display when it was revealed that the WWE would not have its female talent participate in the event, in accordance with Saudi law.

7. Controversy was further amplified in the month leading up to the second live event pursuant to the partnership, held on November 2, 2018, when world attention was captured by reports in October 2018 that the Saudi government was behind the disappearance and murder of journalist Jamal Khashoggi—a frequent critic of the Saudi government.

8. Despite the controversy and calls to cancel the November 2018 event, the WWE held it anyway. Both events that year proved lucrative for the Company, which reported record revenues for the full-year ended 2018. Although the terms of the 10-year partnership were not disclosed, analysts estimated that the Company generated between \$70 and \$90 million from these two events—a considerable portion of the WWE’s all-time-high \$930.2 million total revenues for 2018.

9. Heading into the Class Period, which begins on February 7, 2019, analysts were heavily focused on the lucrative Saudi partnership. But investor attention also was focused on a number of international media-rights agreements that were nearing expiration and which the



Company had been assuring investors, in months prior, would be renewed on even more favorable terms. More specifically, Defendants told investors in June 2018 that the Company expected revenue from existing and new content agreements to grow from \$235 million in 2018 to \$435 million in 2020.

10. Analysts were therefore focused on the negotiation of these agreements—one of which was the renewal of the agreement with OSN that was set to expire in late 2019 and which was estimated by analysts to generate an average annual value (“AAV”) of between \$15 million and \$20 million for the Company (with an estimated \$25 million to \$30 million revenue contribution in the agreement’s final 12 months). More importantly, however, it signaled more subscribers and a broader reach of WWE in the MENA region, with continued growth in this important market. At the start of the Class Period, Defendants assured investors that they were working on the “renewal” of this agreement and that its renewal (as well as the renewal of other agreements for other regions) was critical for the Company to be able to meet its full-year 2019 Adjusted Operating Income Before Depreciation and Amortization (“OIBDA”) guidance of \$200 million.

11. Unbeknownst to investors, however, Defendants knew (or were deliberately reckless in not knowing) months before the Class Period that the agreement with OSN would not be renewed. In fact, a WWE representative—the self-described principal point of contact with OSN—has since admitted that OSN informed the WWE in November 2018, via a letter from its General Counsel, that OSN intended to exit its sport content business and conclude its sports coverage in early 2019. This individual admits further that, on December 18, 2018, OSN and the WWE entered into a settlement agreement, pursuant to which OSN and WWE agreed to the early

termination of their media-rights agreements, effective March 31, 2019. This admission is corroborated by another WWE representative, who worked at OSN through March 2019.

12. Crucially, Defendants did not inform the market of this significant development for months—instead telling investors that the Company was working on *renewing* the MENA-region media-rights agreement (i.e., the OSN agreement) and that they would not otherwise comment on the status of the “renewal” negotiations.

13. In the meantime, on March 27, 2019, while in possession of this non-public information that the OSN deal would not be renewed, Defendant Vince McMahon sold 3,204,427 shares of WWE stock for proceeds of more than ***\$261 million***, just days before the close of the Company’s disappointing 2019 first quarter (ended March 31, 2019). When the Company finally announced those disappointing results on April 25, 2019, the WWE provided lower-than-expected guidance for the second-quarter 2019, which reflected the still-unknown news that the Company would no longer be receiving revenues associated with the OSN agreement that expired on March 31, 2019. On this news, WWE’s stock price fell \$13.12 per share, or 13.31%, to close at \$85.38 per share on April 25, 2019, on unusually high volume of more than 10 million shares traded. However, Defendants continued to conceal that the OSN agreement had expired and, thus, that there was no agreement to “renew.”

14. It was not until July 25, 2019, that the Company finally acknowledged that the OSN agreement had ended. But Defendants attempted to blunt the impact of this surprising news by simultaneously disclosing that the Company was then in negotiations with the Saudi government for a media-rights agreement for the MENA region. To assuage concerns that the deal would take time—and might not get done by the end of 2019, which was necessary for the Company to meet its full-year 2019 OIBDA guidance—Defendants told investors that the new

deal with the Saudis would be complete “very soon” and that they already had an “agreement in principle.”

15. But this, too, was not true. At the time these statements were made, the relationship between the WWE and the Saudi government was deteriorating, in part because of payments the Saudis were delayed in making in connection with live events held in 2018, as well as due to controversies associated with those events. Moreover, according to a confidential witness (“CW”), the WWE and the Saudi government were still very far apart in their negotiations on a media rights deal for the MENA region in Fall 2019. Thus, it was misleading to say that an “agreement in principle” had been reached by the parties months earlier in July 2019, and Defendants knew, or were deliberately reckless in disregarding, that any new media rights deal for the MENA region would not get done in 2019.

16. An employee of the Middle East Broadcasting Center (“MBC”)—which is controlled by the Saudi government—confirms that the WWE and MBC could not agree on basic assumptions of a proposed deal. This CW, referred to herein as CW-1,<sup>3</sup> explained that he worked on a feasibility study when he joined MBC in Fall 2019, which had begun at some point before his hiring, on the possibility of a broadcast partnership between WWE and MBC. CW-1 recalled that WWE had wildly unreasonable expectations of the revenue it expected from a potential broadcast partner. It proposed an \$80 million annual licensing fee for its projection of 100

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<sup>3</sup> At CW-1’s request, due to potential safety and retaliatory concerns expressed by CW-1, Lead Plaintiff has removed some identifying details about CW-1’s employment at MBC during the relevant time frame. Lead Plaintiff believes that the details of the responsibilities of CW-1 contained herein are sufficient to satisfy the requirements of the PSLRA. However, Lead Plaintiff can provide additional specificity, including CW-1’s exact title, to the Court through an *in camera* submission.

million-plus “OTT” subscribers, which were based on the large number of OSN subscribers who watched WWE.

17. CW-1 called this audience estimate “optimistic,” and confirmed that, according to his research and analysis, MBC projected only 6.5 million WWE subscribers, at most. According to CW-1, WWE rejected this low subscriber figure, so MBC raised the estimate somewhat—first to 10 million to be cooperative, and then finally to 15 million. But this was only to please WWE, not because MBC felt the projections were realistic. WWE then reduced its licensing fee ask to \$50 million. However, MBC felt it could not go above \$14.5 million. CW-1 was later informed that MBC and WWE concluded their negotiations due to the difference in “numbers.”

18. On October 31, 2019, Defendants announced WWE’s third-quarter 2019 financial results, lowering full-year 2019 Adjust OIBDA guidance to a \$180 million to \$190 million due to a “delay in completing a previously contemplated agreement in the MENA region.” But Defendants continued to falsely assure the market that WWE and the Saudi government were still working on finalizing a media rights deal for the MENA region.

19. Just hours after the October 31, 2019 earnings call, the WWE held a live event in Saudi Arabia—the *Crown Jewel 2019*. Following the event, reports emerged revealing that the relationship between the WWE and Saudi government was on thin ice. Specifically, numerous WWE wrestlers and representatives noted on social media that they were being detained in Saudi Arabia—their flights not allowed to take off from the airport. It was reported that Defendant McMahon cut the live feed to the October 31, 2019 *Crown Jewel* event in response to payments the Saudi government was delayed in making in connection with prior events—and that the

Crown Prince retaliated by refusing to let WWE representatives leave the country, holding them for as much as six hours.

20. A former WWE wrestler, who performed for the Company from 2012 to April 2020 and who participated in the October 31, 2019 *Crown Jewel* event, confirms the substance of the media reports. This individual, referred to herein as CW-2, explained that following the *Crown Jewel* October 31, 2019 event, he along with other WWE personnel were scheduled to leave the King Fahd International Stadium in Riyadh, Saudi Arabia (where the event was held) and head to a private airport to take a charter plane to Buffalo, New York for the WWE *SmackDown* event which was scheduled for the next night.

21. CW-2 recalled that he was initially told the charter flight he was scheduled to leave on was delayed because the plane needed to be pulled around. After they boarded, they were removed from the airplane after 20-30 minutes. CW-2 explained that he spoke with a stewardess on the flight about the delay, who told him that “it seems someone doesn’t want us to leave the country.” CW-2 further explained that the pilot sounded “distressed” when he informed the passengers that the flight was unable to take off. CW-2 recalled that then they were told that it was because of mechanical issues, but he recalled seeing a “ton” of guards wearing black “militia” attire and wearing guns that were blocking their exit and “staring at the wrestlers.”

22. CW-2 became aware that something was wrong and explained that a number of the other personnel were referring to the event as a “hostage” situation. CW-2 explained that he asked the Senior Director of Talent Relations, Mark Carrano, about what was going on and that Carrano told him that Crown Prince Mohammed bin Salman and McMahon had gotten into an argument over late payments in connection with the June 7, 2019 *Super ShowDown* event.

Carrano also informed CW-2 that McMahon had cut the live feed for the *Crown Jewel* event and that this had made the Crown Prince “very mad.”

23. Media reports similarly revealed that the Saudi government had failed to make numerous payments on time, and that Defendant McMahon and the Crown Prince’s dispute was what caused the flight delays—not a mechanical issue, as the Company stated publicly. The WWE’s Chief Accounting Officer has also since admitted that the Saudi government was delayed in making a \$60 million payment in connection with the June 7, 2019 event, and has also been delayed making smaller, but still considerably sized, payments in connection with the 2018 and 2019 events held in the country.

24. In reaction to these disclosures, WWE’s stock price fell \$10.40 per share, or 15.65%, to close at \$56.04 per share on October 31, 2019, on unusually high volume of more than 7.5 million shares traded.

25. Additional details of Defendants’ fraud were revealed on January 30, 2020, when the WWE issued a press release announcing that two of its most senior and longest-serving executives, Defendants Barrios and Wilson, abruptly left the Company. The Company also preannounced that it expected its full-year Adjusted OIBDA to be approximately \$180 million—the lower end of its already lowered guidance range.

26. On this news, WWE’s stock price fell \$13.42 per share, or 21.54%, to close at \$48.88 per share on January 31, 2020, on unusually high volume of more than 19.4 million shares traded.

27. But Defendants did not reveal the full truth until a few days later, on February 6, 2020, when WWE confirmed that the Company had achieved just \$180 million in adjusted OIBDA for 2019 due to the failure to complete the MENA distribution agreement with the

Saudis. The Company also announced that its guidance for 2020 did not include any revenues related to a media-rights deal in MENA—meaning Defendants were acknowledging that a deal with the Saudi government would not even be completed in 2020 – if at all.

28. On this news, WWE’s stock price fell another \$4.50 per share, or 9.18%, to close at \$44.50 per share on February 6, 2020, on unusually high volume of more than 15.5 million shares traded. Indeed, the price of WWE stock plummeted from a Class Period high of more than \$100 per share to as low as \$40.24 per share on February 6, 2020, representing a stunning **60%** share price decline.

29. Moreover, unbeknownst to investors, during the Class Period, Defendants McMahon, Barrios, and Wilson had been heavily selling WWE stock in unusual and suspicious amounts totaling more than \$280 million (Defendant McMahon’s stock sales amounted to ***an increase of more than 1000% during the Class Period***—from \$22.9 million during the Control Period to \$261 million during the Class Period) while in possession of material non-public information regarding, among other things, the early termination of the Company’s media rights agreement in its MENA region (which was known in November 2018), delays in finding and finalizing an agreement with a new media rights partner in the MENA region, and growing tensions among WWE and the Saudis over late payments for live events.

30. Outside investors were not so fortunate, suffering hundreds of millions of dollars in losses and economic damages as the price of WWE stock collapsed when the truth finally began to be revealed over time.

## **II. JURISDICTION AND VENUE**

31. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

32. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

33. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. §1391(b). Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information, occurred in substantial part in this District, and WWE securities trade on the New York Stock Exchange (“NYSE”), which is located in this District.

34. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the NYSE.

### **III. PARTIES**

35. Court-appointed Lead Plaintiff Firefighters’ Pension System of the City of Kansas City Missouri Trust (“Kansas City FPS”) provides retirement, disability and survivor benefits to its members – retirees and active employees. It is a sophisticated institutional investor that had approximately \$515 million in total pension assets under management as of April 20, 2020. As set forth in the Certification previously submitted to the Court (ECF No. 23-1), Lead Plaintiff purchased or otherwise acquired WWE common stock at artificially inflated prices during the Class Period and suffered damages thereby.

36. Defendant WWE is headquartered in Stamford, Connecticut. WWE Class A common stock trades on the NYSE under the ticker symbol “WWE.”

37. Defendant Vincent K. McMahon (“McMahon”) has served at all relevant times as the CEO of WWE and Chairman of WWE’s Board of Directors. During the Class Period, McMahon participated in the Company’s quarterly earnings conference calls described herein and was a direct and substantial participant in the fraud.



38. Defendant George A. Barrios (“Barrios”) was a Co-President of WWE, its principal financial officer, and a member of its Board of Directors during the Class Period. On January 30, 2020, WWE announced that Barrios had abruptly left the Company “effective immediately.” Barrios participated in the Company’s quarterly earnings conference calls described herein and was a direct and substantial participant in the fraud.

39. Defendant Michelle D. Wilson (“Wilson”) was a Co-President of WWE and a member of its Board of Directors during the Class Period. On January 30, 2020, WWE announced that Wilson also had abruptly left the Company “effective immediately.” Wilson participated in the Company’s quarterly earnings conference calls described herein and was a direct and substantial participant in the fraud.

40. The Individual Defendants made, or caused to be made, false statements that artificially inflated the price of WWE securities during the Class Period. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of WWE’s quarterly reports, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, i.e., the market. They were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance, and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with the Company and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to—and were being concealed from—the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false and misleading statements pleaded herein.

#### IV. SUBSTANTIVE ALLEGATIONS

##### A. Company Background

41. WWE engages in the sports entertainment business in North America, Europe, the Middle East, Africa, the Asia Pacific, and Latin America.

42. While the WWE is most well-known for its professional wrestling promotions, the Company also derives revenues from: (1) ancillary product lines associated with its wrestling promotions, such as television distribution, live events, merchandise sales, and licensing deals; and (2) from other media forms, including reality television and feature film productions, and other original content that the Company produces and distributes, including on its own streaming network—the WWE Network—which it launched in 2014.

43. In recent years, the Company has transformed into more of a media company, generating a majority of its revenues from its media segment, rather than live event ticket sales and other products. This transformation into a media company, which is still ongoing, has been widely covered by the mainstream financial press. One outlet characterized WWE in early 2018 as not “just scripted wrestling matches,” but rather “a media powerhouse.”<sup>4</sup> Moreover, Defendant Berrios has described WWE as “predominantly a media company with over 70% of its revenue in 2018 [] from media, as opposed to from tickets or products.”

44. In fact, WWE divides its business into three segments: (1) Media, (2) Live Events, and (3) Consumer Products.

45. The **Media** segment includes the production of media content across the Company’s various platforms, including the WWE Network, pay television, digital and social media, and filmed entertainment. Revenues derived as part of the Media segment mostly consist

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<sup>4</sup> Nathaniel Meyerssohn, *Why WWE is a media juggernaut*, MONEY (Feb. 7, 2018), <https://money.cnn.com/2018/02/07/news/companies/wwe-vince-mcmahon-wrestling/index.html>

of content fees, subscriptions to the WWE Network, and advertising associated with this content. The Media segment is the Company's largest in terms of revenue, reflecting 67%, 73%, and 77% of total net revenues in 2017, 2018, and 2019, respectively. As the WWE continues its transformation into a media company, it has become critical that it continue to grow revenues in the Media segment, including by increasing the revenues earned on licensing the Company's "core content"—i.e., its weekly television programs and large-scale live events. For this reason, investors and analysts have paid close attention in recent years, including during the Class Period, to the WWE's ability to negotiate lucrative media-rights agreements with television providers throughout the world, especially in the Company's largest markets, like the Middle East.

46. The **Live Events** segment includes the promotion of live wrestling events around the world and production of other content for the Company's media platforms. Revenues derived from the Live Events segment mostly consist of ticket sales and other revenues obtained in connection with these events. The Live Events segment is the Company's second largest in terms of revenue, reflecting 19%, 16%, and 13% of total net revenues in 2017, 2018, and 2019, respectively. While representing less than 20% of total revenue, the WWE's live events are crucial to the Company's ability to boost revenue in other segments of its business, because the WWE leverages these events to draw in viewership for its content, sell and license merchandise, and more generally, grow the sport and the profile of its wrestling talent.

47. The **Consumer Products** segment consists of the merchandising of WWE-branded products, through licensing and direct-to-consumer sales, with revenues principally consisting of royalties and licensee fees, as well as revenues derived from direct sales (such as at live events or on the Company's website). The Consumer Products segment is the Company's

smallest in terms of revenue, reflecting 14%, 11%, and 10% of total net revenues in 2017, 2018, and 2019, respectively.

48. Despite the increasing percentage of revenues derived from its media-entertainment business, the Company's core product is professional wrestling.

49. It is no secret that WWE's wrestling promotions are not authentic or genuine sports "contests," but are instead entertainment-based productions, featuring storyline-driven, scripted, and choreographed wrestling matches. This has been an open secret since at least the late 1980s. In fact, in 1989, in an attempt to free the Company's wrestling promotions from regulations that apply to boxing and other sports that cause serious injury, representatives of the WWE (then known as the WWF) testified before the New Jersey Senate that professional wrestling is just "entertainment" and that participants are trained to avoid serious injuries—an effort that proved successful in avoiding the reach of such regulations in New Jersey and elsewhere.

50. Thus, the jig has been up for a while. While the matches are choreographed and storylines scripted, the wrestlers rarely break character and the fans suspend their disbelief—a practice known in the industry as "kayfabe," which refers to the portrayal of events in the wrestling industry as real and not staged (or "worked"), and wrestling fans knowingly buy in to the charade.

**B. The Relevant History of the WWE**

51. The origins of WWE date back to the early 1950s, when Jess McMahon—the grandfather of Defendant McMahon—founded the Capitol Wrestling Corporation ("CWC").

52. After early success and a dispute with a related promotion company, the CWC broke off from its early affiliations and formed the World Wide Wrestling Federation

(“WWWF”) in early 1963—which at that point was run by Vincent J. McMahon (Defendant McMahon’s father).

53. At the time and in the years that followed, the WWWF was one of the many regional players in the world of professional wrestling, mostly focused in the American Northeast. It had success, though, promoting popular wrestling figures, such as André the Giant, and holding some of its larger events at well-known arenas and stadiums in the New York area, including Shea Stadium and Madison Square Garden.

54. But it was under the leadership of Defendant McMahon, who bought out his father and took over operations of the Company in 1982, when things really took off.

55. Defendant McMahon had big plans for the Company, which was renamed the WWF in 1979, and set his sights on upending wrestling’s regional promotion model, with the goal of turning the WWF into a true national promotion. At the time, wrestling promotions were regional operations, and each promotion respected the rights and “fiefdoms” of the others. But Defendant McMahon had greater ambitions for the company he took over from his father, using the power of television to launch an all-out attack on the regional model.

56. As McMahon explained to Sports Illustrated in 1991:

In the old days, there were wrestling fiefdoms all over the country, each with its own little lord in charge. Each little lord respected the rights of his neighboring little lord. No takeovers or raids were allowed. There were maybe 30 of these tiny kingdoms in the U.S. and if I hadn’t bought out my dad, there would still be 30 of them, fragmented and struggling. I, of course, had no allegiance to those little lords.

My major step was television. . . . We already had our network in the Northeast and we started selling these shows to stations in other fiefdoms. In Chicago, in Los Angeles, the WWF brand of wrestling was something new. We had better athletes—more upscale and more charisma. The local guys were lazy. They weren’t listening to the marketplace. We were so consumer-

oriented. We never lifted our ears from the ground. We gave the public what it wanted. We broke the mold.<sup>5</sup>

57. And broke the mold they did. Much in the vein of the tech start-ups of today, McMahon and the WWF were true disrupters, using technology and grand ambition to forever change the landscape of a staid industry.

58. McMahon and the WWF transformed the world of professional wrestling, launching a massively successful national operation in the 1980s and 90s. Fueled by recognizable stars like Hulk Hogan and Mr. T, and major events like WrestleMania (dubbed the Super Bowl of wrestling), the WWF became a cultural phenomenon and is now all but synonymous with professional wrestling itself.

59. By the early 1990s, viewed by many to be the height of professional wrestling's popularity, TitanSports Inc. (the then-parent company of the WWF, which McMahon owned) had 300 television affiliates across North America, amounting to the largest syndicated television network in the world at the time. Its weekly syndicated shows were some of the most viewed television programs in the country. WWF also drew massive viewership for its quarterly promotions (such as WrestleMania, Royal Rumble, and SummerSlam), which it sold to millions of American households via pay-per-view programming. McMahon (and his wife, Linda McMahon, who ran the Company with him and became the CEO in 1997) had succeeded in building a sports-entertainment media juggernaut.

60. The McMahons cashed in on the success of the empire they built, taking the Company public on August 3, 1999.<sup>6</sup>

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<sup>5</sup> *Vince McMahon Has Transformed Pro Wrestling From a Sleazy Pseudosport to Booming Family Fun*, SPORTS ILLUSTRATED (Mar. 25, 1991), <https://vault.si.com/vault/1991/03/25/wrestling-with-success-vince-mcmahon-has-transformed-pro-wrestling-from-a-sleazy-pseudosport-to-booming-family-fun>

**C. The WWE's International Expansion**

61. By the early 2000s, the McMahons and the WWE set their sights on international expansion. Although the brand continued to have success in the domestic market, it experienced bouts of ratings dips and lowered attendance at its live events, and so the Company recognized the need to expand its global presence and further diversify its fan base.

62. WWE's brand of professional wrestling—a hybrid of entertainment and sport—made for an ideal export. WWE's Executive VP of Marketing, Kurt Schneider, provided a number of reasons why in an October 2005 interview, explaining that, unlike major sports leagues, there are no game “rules” to understand—it's simply a straightforward depiction of good (the “faces”) versus evil (the “heels”); fans do not need to understand any one language to consume it; most countries have had wrestling in some form as part of their culture; and WWE wrestling is seen as a uniquely American export.

63. Although the WWE already had an international presence by the early 2000s, it was mostly via television deals in international markets—and this was just one of the Company's many wrestling-related revenue streams. The next step was to take the WWE's live events overseas, which the Company leverages to more effectively grow and monetize its content—a business model the WWE uses to this day. As Defendant McMahon explained in 2004:

From an international standpoint, I don't think we've done a very good job, quite frankly, of exploiting the international market like we really should. We're on television in many, many markets and do extremely well television ratings-wise, but that's only one aspect of what we do. We do licensing; we do merchandising, and live events, and publications, and DVD's and everything else

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<sup>6</sup> In 2002, the Company was forced to change its name to WWE, after losing a trademark dispute with the World Wildlife Fund.

imaginable. And we haven't integrated all of that in our international platforms, and [doing that] is one of our goals.<sup>7</sup>

64. This strategy was more formally outlined in the Company's 2005 Form 10K:

*Continue to expand internationally.* International expansion represents an important part of our business strategy. The broad appeal of our content has yielded high international demand for our television programs and live events. To further nurture this demand, we plan to continue to expand our international television distribution. Increasing our television penetration around the world will likely increase the demand for live events abroad, which, in turn, should increase sales of our branded merchandise. Our dual brands enable us to execute this strategy by freeing up schedules for talent to perform at more events in more countries. Fiscal 2005 included 49 international events, including six productions of our flagship television shows from the international stage, which is up from 32 international events, with no televised events, in fiscal 2004.

65. True to this model, WWE began to increase the number of tours and live events it held internationally, growing its presence in Europe and Asia, and expanding into other regions, including the Middle East, Latin America, Australia, and New Zealand.

66. At the same time, the Company continued to expand its television distribution internationally, which it used to support its live events and merchandise sales, and to more generally grow the popularity of the sport in new markets. In addition, selling the rights to air WWE content in international markets proved to be a significant revenue generator of its own—and helped fuel both the Company's international growth and ongoing transformation into a media heavyweight.

67. The international expansion proved successful. WWE's international revenues increased from \$87.6 million in 2005 to \$135.3 million in 2010. After a bit of decline over the

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<sup>7</sup> Joshua A. Shuart, Ph.D. & Peter A. Maresco, *World Wrestling Entertainment: Achieving Continued Growth and Market Penetration through International Expansion*, THE SPORT JOURNAL (Sept. 6, 2006), <http://thesportjournal.org/article/world-wrestling-entertainment-achieving-continued-growth-and-market-penetration-through-international-expansion/>



next few years, the Company's international revenues increased to \$169.8 million in 2015, \$189 million in 2016, and \$201 million in 2017—the increase during these more recent years driven, in part, by the 2014 launch of the WWE Network—a subscription streaming network available in more than 170 countries.

68. Importantly, WWE's growing international revenue was representing an increasingly large percentage of WWE's total revenue. For example, in 2017, the Company's international segment represented 25%, with North America representing 75% of revenues. In 2018, the international segment increased to **34%** of total revenues (with North America revenues falling to 66%). While the international segment slightly decreased to **32%** of total revenues in 2019 (with North America revenues at 68%), the Company stated "***WWE is well positioned to take advantage of significant growth opportunities, including the rising value of live sports content, the growth of media and entertainment in international markets, and the evolution of other businesses, specifically WWE Network.***"<sup>8</sup>

69. Defendant McMahon assured shareholders that the Company's goal was to double down on this success—and continue to increase its presence in large international markets. For example, in May 2017, Defendant McMahon told investors: "The recent production of WrestleMania set records for network viewership as well as digital and social engagement. As we leverage continuing innovation to extend our reach in India, China and around the world, we are confident that the enduring and increasing global power of our brands will provide a solid foundation for long-term growth."<sup>9</sup>

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<sup>8</sup> Emphasis added throughout unless otherwise noted.

<sup>9</sup> Darren Heitner, *The WWE Is Exploring Overseas Opportunities For Further Revenue Growth*, FORBES (July 17, 2017), <https://www.forbes.com/sites/darrenheitner/2017/07/17/the-wwe-is-exploring-overseas-opportunities-for-further-revenue-growth/#145d47b522bd>

**D. The WWE Expands Into Its Most Untapped Non-U.S. Region – the Middle East, Entering Into A 10-Year Partnership With the Saudi Government**

70. An important part of the Company’s international expansion involved extending WWE’s reach into countries within the Middle East and North Africa (“MENA”) region.

71. The WWE is popular in the Middle East, and the Company has had a presence in the region for many years, initially via distribution of its programming to regional television networks. The Company also has been holding live events in the Middle East for nearly a decade, first in 2011 in Doha, Qatar, and continuing the following year with events in Abu Dhabi and Cairo, Egypt in 2012.

72. More recently, in 2014, the WWE capitalized on its growing popularity in the region by entering into a five-year exclusive media-rights agreement with the Orbit Showcase Network (“OSN”), a direct broadcast satellite provider serving the MENA region. As detailed more thoroughly in Section IV. G., the WWE sold OSN the exclusive right to air WWE’s core content in the MENA region.

73. Four years later, in March 2018, the WWE announced that it had separately signed a 10-year multi-platform partnership with the Saudi government (specifically, the SGSA) to hold large, pay-per-view wrestling events in the Kingdom of Saudi Arabia, starting first with a planned April 27, 2018 event called the *Greatest Royal Rumble*.

74. A press release issued by WWE and the SGSA described the deal as follows:

The Saudi General Sports Authority in partnership with WWE will present the *Greatest Royal Rumble* event at the King Abdullah Sports City in Jeddah, Saudi Arabia on Friday, April 27. For the first time ever, the *Royal Rumble* match will feature 50 WWE Superstars. As part of this historic event, fans will see WWE Superstars John Cena™, Triple H™, Roman Reigns™, AJ Styles™, Braun Strowman™, The New Day™, Randy Orton™, Bray Wyatt™ and Shinsuke Nakamura™, among others.

\* \* \*

Ticket and broadcast information will be available in the coming weeks. This event is part of a 10-year strategic multiplatform partnership in support of Vision 2030, Saudi Arabia's social and economic reform program.

*"The Greatest Royal Rumble* will be a spectacle of historic proportions," said Vince McMahon, WWE Chairman & CEO. "Our partnership with the Saudi General Sports Authority reflects a long-term commitment to present WWE's world-class entertainment to a global audience on a grander scale than ever before."

75. Although the terms of the partnership were confidential, analysts estimated the 10-year partnership to be worth approximately \$500 million to WWE.

76. As the press release mentions, the WWE's expansion into Saudi Arabia must be understood in the context of Vision 2030—a strategic initiative launched in 2016 by the current Crown Prince of Saudi Arabia (at the time, the Deputy Crown Prince), Mohammed bin Salman, to institute social reforms in Saudi Arabia and diversify its economy.

77. Vision 2030 is principally an economic initiative aimed at reducing the country's dependence on oil, but it also includes a progressive reform program that seeks to modernize certain elements of the country's deeply religious society. Part of this initiative has included significant investment in Saudi Arabia's entertainment sector, including bringing international sporting events to the country.

78. Indeed, sports have become a central feature of the Vision 2030 program, so much so that the Saudis retained an American lobbying firm (Churchill Ripley) to arrange meetings with representatives from the National Basketball Association, Major League Soccer, World Surf League and Formula One auto racing to discuss bringing international sports to the kingdom. The chairman of the SGSA, Prince Abdulaziz bin Turki Al-Faisal, has explained that making Saudi Arabia a hub of global sports could boost the country's economic growth and create thousands of jobs: "A big part of the change within the kingdom is the sector of sport and

growing the sector of sport.”<sup>10</sup> While the sports expansion is central to the Crown Prince’s effort to attract foreign investment and convince the world that the country is making important changes to its society, it has been viewed by critics as an attempt to distract attention from the country’s continued human rights abuses—deemed “sportswashing” by some.<sup>11</sup>

79. The financial support behind the efforts to bring Western sports to Saudi Arabia is the country’s Sports Development Fund, which provides capital to build new sports facilities and attract and promote international sports events. Events have included Saudi Arabia’s first international motorsport event, the two-day Race of Champions, held in Riyadh in February 2018, as well as an international boxing event held in Jeddah in May later that year.

80. The 10-year partnership agreement between the WWE and the SGSA was part of this same effort, as it too was designed to bring large-scale international sporting events to Saudi Arabia, in this case, professional wrestling.

81. Not only did the partnership serve the Saudi government’s needs, but it also benefited the WWE. The WWE’s brand of professional wrestling is extremely popular in Saudi Arabia, and the Company viewed this partnership as an opportunity to deepen its relationship with the Saudi government and leverage it to further grow its brand in the MENA region.

82. When asked about the partnership during an April 9, 2018 “WWE Post-WrestleMania Call,” Defendant Barrios explained that the WWE’s content is popular in Saudi Arabia on the Company’s social media channels (specifically, YouTube), which popularity the

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<sup>10</sup> Alan Rappeport, *Saudi Arabia Embraces Western Sports to Rehabilitate Global Image*, N.Y. TIMES (Dec. 2, 2019), <https://www.nytimes.com/2019/12/02/business/economy/saudi-arabia-image-sports.html>

<sup>11</sup> *Id.*

Company believed it could more effectively monetize by signing the 10-year partnership. Barrios explained:

As you probably know, Saudi Arabia is over-indexed significantly for YouTube video consumption. So at least, we're very aware of that. So it's one of the reasons we've been so focused now for 7 or 8 years on building the engagement across these multiple platforms. And we said all along, if you look over the last 100 years, economics tend to follow engagement in time. May not in the future, who knows, but it's happened for 100 years, and we, at least, continue to believe that it will happen into the future. So I would say that Saudi Arabia deal is an example of our strategy, the seeds we've planted over the last 7 or 8 years beginning to blossom.

83. The partnership agreement also was announced at a time when the WWE was working to boost its profile in the Middle East, by, among other things, signing and promoting talent from within the region. These signings included the WWE's first Kuwaiti and Egyptian wrestlers, signed in December 2017 and January 2018, respectively, as well as the WWE's first female wrestler from the Arab world—the Jordanian Shadia Bseiso—signed in October 2017.

84. The WWE also hosted recruitment events throughout the MENA region, including Saudi Arabia, in an effort to not only grow and diversify the talent pool, but also to localize the content around the world.

85. These efforts to build its brand in the MENA region proved successful, considering that by February 2019, the Middle East grew to become the Company's second largest market by monetization.

**E. The *Greatest Royal Rumble* Proves Lucrative, But Controversial**

86. The WWE's 10-year partnership with the Saudi government to host live events in the country brought with it a host of unique challenges.

87. Most notably at first were issues associated with Saudi Arabia's laws restricting the rights of women—which took center stage when the WWE hosted its first live event pursuant

to the new partnership agreement: The *Greatest Royal Rumble*, held on April 27, 2018 at the King Abdullah International Stadium in Jeddah.

88. For years, Saudi Arabia has faced criticism on the global stage for its human rights record, including the country's treatment of women. According to Human Rights Watch—a New York based non-governmental organization that researches and advocates on human rights issues—Saudi Arabia imposes a male guardianship system on its citizens, described as follows: “[A] man controls a Saudi woman’s life from her birth until her death. Every Saudi woman must have a male guardian, normally a father or husband, but in some cases a brother or even a son, who has the power to make a range of critical decisions on her behalf. The Saudi state essentially treats women as permanent legal minors. Saudi Arabia has done very little to end the system, which remains the most significant impediment to women’s rights in the country.”<sup>12</sup>

89. The restrictions placed on women’s rights in Saudi Arabia are hard to fathom when viewed through the lens of the American legal system and Western norms. For example, until recently (i.e., July 2019), women were required to obtain their male guardian’s approval to apply for a passport or travel outside the country, oppressively impeding their ability to escape the very draconian laws that keep them there. Women also cannot marry (or obtain a divorce) freely, and must obtain approval from their male guardian to do so—and there are no restrictions on the age at which a women can be forced to get married, with rare reports that women as young as eight have been married off. Worse yet, women in the country are subject to domestic violence and physical abuse, the horror of which is of course compounded by the reality that the

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<sup>12</sup> *Saudi Arabia: 10 Reasons Why Women Flee*, HWR.ORG (Jan. 30, 2019), <https://www.hrw.org/news/2019/01/30/saudi-arabia-10-reasons-why-women-flee>

legal system overtly restricts a woman's right to do anything about it. And the abuses extend to the relatively more mundane but no less restrictive, including employment and healthcare discrimination.

90. Even before the WWE held the *Greatest Royal Rumble* in April 2018, the WWE had previously accommodated the country's harsh laws when it held small live events there years earlier. In April 2014, when the WWE held its first ever live event in the capital city of Riyadh, no women were allowed to attend—nor was female WWE talent allowed to participate. The same was true of the live events that followed, including shows in October 2015 in the city of Jeddah, and a return to Riyadh in November 2016, which also did not include women in the audience or in the ring.

91. Although in recent years (as part of the country's Vision 2030 initiative) Saudi Arabia has taken steps to modernize its legal system and improve its treatment of women—such as finally granting women the right to drive in June 2018 and more recently easing the country's male-guardianship system, including lifting restrictions on a women's ability to travel freely—the oppressive treatment of women in the country remains a source of international criticism.

92. This became apparent when the WWE finally held the *Greatest Royal Rumble* on April 27, 2018 in Jeddah. In accordance with Saudi law, the WWE was prohibited from having female wrestling talent participate in the event—and while this time women were allowed to attend in the audience, they could only do so if accompanied by their male guardian. This was also the first WWE event that was televised live in the country. This too came with consequences: during the show, the WWE aired a commercial that included female wrestlers in their ordinary regalia, which prompted the Saudi General Sports Commission to condemn the

advertisement and issue an apology to Saudi citizens for what it characterized as “indecent scenes.”

93. This did not go unnoticed by Western media and WWE fans, who criticized the Company for holding an event without female talent, despite the WWE’s then-recent public campaign to increase the visibility of its female stars.

94. As ABC News explained in an April 28, 2018 article:

World Wrestling Entertainment (WWE), the powerhouse in professional wrestling, brought its brand of scripted combat to Saudi Arabia on Friday – but despite the glitzy production it wasn’t without controversy . . . Unlike 2014, women were allowed to attend the “Greatest Royal Rumble” event – but WWE’s women wrestlers were left at home. The move generated anger from WWE fans, especially since the company has repeatedly pushed its self-titled “women’s revolution.”<sup>13</sup>

95. The “women’s revolution” refers to the WWE’s concerted effort in recent years to promote its female talent in the same way that it has always promoted its male talent—recruiting big-name stars, like former Ultimate Fighting Champion, Rhonda Rousey, and devoting a greater number of events to its female fighters. Critics therefore questioned the WWE’s commitment to the “women’s revolution” when the Company was willing to hold the *Greatest Royal Rumble* without the very female stars that the WWE had made great strides promoting elsewhere.

96. Indeed, an article in the sports-focused website Bleacher Report recapping the event noted: “The absence of any female performers was the elephant in the room, of course. For a company that pats itself on the back for being at the forefront of the women’s revolution,

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<sup>13</sup> Mark Osborne, *WWE can’t avoid controversy in foray into Saudi Arabia*, ABC NEWS (Apr. 28, 2018), <https://abcnews.go.com/Entertainment/wwe-avoid-controversy-foray-saudi-arabia/story?id=54797775>



WWE's willingness to keep its roster of female wrestlers on the sideline in keeping with strict Saudi customs was mind-blowing."<sup>14</sup>

97. Further highlighting the tone of the criticism was an article in Forbes, titled *Greatest Royal Rumble 2018 In Saudi Arabia Highlights WWE Hypocrisy*, which explained: "WWE's [women's] initiatives aside, that the promotion accepted money from Saudi Arabia as part of the country's Vision 2030 demonstrates WWE will accept oppressive practices in exchange for financial gain."<sup>15</sup>

98. WWE representatives sought to downplay the controversy, confirming the Company's commitment to diversity and signaling hope that female fighters would participate in future events held in Saudi Arabia. For example, Paul Michael Levesque (known by his stage name, "Triple H"), WWE's Executive Vice President of Talent, Live Events and Creative, explained as follows when asked to address the issue: "I understand that people are questioning it, but you have to understand that every culture is different and just because you don't agree with a certain aspect of it, it doesn't mean it's not a relevant culture. You can't dictate to a country or a religion about how they handle things, but having said that, WWE is at the forefront of a women's evolution in the world, and what you can't do is effect change anywhere by staying

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<sup>14</sup> Jeremy Botter, *WWE's Greatest Royal Rumble Delivers an Over-the-Top, Troublesome Spectacle*, BLEACHER REPORT (Apr. 27, 2018), <https://bleacherreport.com/articles/2773027-wwes-greatest-royal-rumble-delivers-an-over-the-top-troublesome-spectacle>

<sup>15</sup> Alfred Konuwa, *Greatest Royal Rumble 2018 In Saudi Arabia Highlights WWE Hypocrisy*, FORBES (Apr. 25, 2018), <https://www.forbes.com/sites/alfredkonuwa/2018/04/25/wwes-greatest-royal-rumble-comes-with-a-multimillion-dollar-price-tag-for-oppression-in-saudi-arabia/#35c236319a03>

away from it. . . . While, right now, women are not competing in the event, we have had discussions about that and we believe and hope that, in the next few years, they will be.”<sup>16</sup>

99. Likewise, when asked just days after the event (during the Company’s first-quarter 2018 earnings call, on May 3, 2018) about future live events in Saudi Arabia despite the women’s rights concerns, Defendant Wilson again reiterated the WWE’s commitment to its women’s revolution: “So I think everyone is familiar with the fact that we obviously have been very vocal about our female performers and obviously rebranding them to WWE Superstars, we feel really good about our continued commitment to that front. As you know and we know there are many countries around the world where we perform, where again we’re respectful of the cultures that are there, but we certainly hope to be part of the change moving forward. . . . For us, we believe that, over the long term, that we will be part of the change that will happen in some of these places.”<sup>17</sup>

100. In addition, following the *Greatest Royal Rumble*, domestic Saudi media criticized the WWE for highlighting the tensions between Saudi Arabia and Iran for the purposes of entertainment. WWE wrestlers Ariya Daivari and Shawn Daivari, both Americans of Iranian heritage, took part in a segment during the event in which they tauntingly waved an Iranian flag and criticized Saudi Arabia from the ring. Saudi media commented that the gimmick was distasteful.

101. Despite the criticism and controversy, the *Greatest Royal Rumble* event was a massive financial success for the WWE, which it hailed as the largest event “outside the U.S. in

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<sup>16</sup> Matty Paddock, *WWE Greatest Royal Rumble: Triple H defends hosting event in Saudi Arabia without women wrestlers*, INDEPENDENT (Apr. 26, 2018), <https://www.independent.co.uk/sport/general/wwe-mma-wrestling/wwe-greatest-royal-rumble-saudi-arabia-triple-h-interview-defends-no-women-wrestlers-a8319446.html>

<sup>17</sup> May 3, 2018, World Wrestling Entertainment, Inc. FQ1 2018 Earnings Call.

the past 16 years.” Speaking during the Company’s May 3, 2018 first-quarter 2018 earnings call with investors (held just days after the event), Defendant Wilson stated: “[a]s added proof of the compelling nature of our content, last Friday, we held one of our largest events ever outside the United States, with a sold-out crowd at the *Greatest Royal Rumble* event in Jeddah, Saudi Arabia.” She continued, stating that “[t]he April 27th event marked the successful beginning of a 10-year partnership with the Kingdom of Saudi Arabia.”

102. The event (which took place in the Company’s second quarter of 2018) was such a success that the Company pointed to it and the Saudi partnership as one of the reasons it was able to announce on May 3, 2018 that it anticipated a “meaningful increase in revenue [for second-quarter 2018] based on the distribution of new content in some international markets.” When asked about this second-quarter 2018 guidance on the May 3, 2018 earnings call, Defendant Barrios explained that “[a] significant portion has to do with the recently signed deal in Saudi Arabia, the 10-year partnership.”

103. And when the WWE finally announced its second-quarter 2018 financial results, on July 26, 2018—i.e., the quarter in which the *Greatest Royal Rumble* was held—the Company revealed that its revenue totaled \$281.6 million for the quarter, which was the highest quarterly revenue in WWE history. Defendant McMahon attributed this success in part to “the development of a 10-year strategic partnership with the Saudi General Sports Authority,” and noted on the related earnings call that the event as the WWE’s “largest international event ever in terms of gross.”

104. Although WWE did not report how much revenue the event generated, analysts at Guggenheim estimated in a July 26, 2018 report that it was *approximately \$48 million*: “Other revenue grew over 400% to \$60.6mm driven by the new partnership agreement with Saudi

Arabia, which included the *Greatest Royal Rumble* in Jeddah. We estimate the Saudi partnership contributed ~\$48mm of revenue during the quarter.”

105. Thus, the first event held pursuant to the Saudi partnership proved to have a significant positive impact on the Company’s financial results, contributing to record-breaking quarterly revenues, which explains why the WWE touted the deal’s importance. Analysts and investors therefore recognized the revenue-generating potential of live events held in Saudi Arabia and understood that it was crucial the Company be able to continue successfully executing on the Saudi partnership.

**F. The Murder of Jamal Khashoggi Strains the WWE’s Partnership With the Saudi Government**

106. The WWE sought to capitalize on the success of the *Greatest Royal Rumble* when it announced, on September 18, 2018, that it would return to Saudi Arabia to host the next major live event pursuant to the partnership. The event—billed as the *Crown Jewel*—was scheduled to take place on November 2, 2018 in the Saudi capital city of Riyadh.

107. The WWE press release stated, in part: “General Sports Authority of Saudi Arabia Chairman His Excellency Turki Al Sheikh, WWE Chairman & CEO Vince McMahon, and the Kingdom of Saudi Arabia invite the world to celebrate this signature event. . . . Following WWE’s sold-out *Greatest Royal Rumble* in Jeddah in April, this is the second event as part of a long-term partnership between WWE and the Kingdom of Saudi Arabia.”

108. As with the first event, the WWE again faced criticism for holding an event in Saudi Arabia and agreeing to keep its female talent on the sidelines. At least one news report following the announcement of the *Crown Jewel* event explained that “[c]urrent women on the

roster sent out tweets indicating that they wished they were on the card, and former women wrestlers, such as Lita, condemned the decision.”<sup>18</sup>

109. The announcement was especially striking considering that the *Crown Jewel* was set to take place just days after the WWE was scheduled to host its first ever all-women’s pay-per-view event, on October 28, 2018, in New York. Critics noted the mixed signals the Company was sending by holding a ground-breaking women’s-only event on one day, and then days later holding another event in a country that forbids women from wrestling.

110. Things became more challenging for the WWE beginning on October 2, 2018, when news reports surfaced that *Washington Post* journalist Jamal Khashoggi—a Saudi dissident and frequent critic of the Crown Prince, Mohammad bin Salman—was missing. The story made international headlines after it was reported in the days that followed that Khashoggi entered the Saudi Arabian consulate in Istanbul, Turkey on October 2, 2018 to obtain documents needed to get married—but never came out.<sup>19</sup> Suspicion mounted that the Saudi government was behind Khashoggi’s disappearance, and it was eventually reported that Khashoggi had told a friend the day before that he feared he could be kidnapped and returned to Saudi Arabia if he entered the consulate.<sup>20</sup>

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<sup>18</sup> Aaron Oster, *WWE announces ‘Crown Jewel,’ another event in Saudi Arabia*, BALTIMORE SUN (Sept. 18, 2018), <https://www.baltimoresun.com/sports/bs-sp-wwe-saudi-arabia-crown-jewel-20180918-story.html>

<sup>19</sup> Carlotta Gall, *What Happened to Jamal Khashoggi? Conflicting Reports Deepen a Mystery*, N.Y. TIMES (Oct. 3, 2018), <https://www.nytimes.com/2018/10/03/world/middleeast/khashoggi-saudi-journalist-istanbul.html>

<sup>20</sup> *Id.*

111. The Saudi government denied any involvement,<sup>21</sup> but by mid-October 2018, reports emerged that U.S. intelligence agencies had determined that the Saudi Crown Prince, Mohammad bin Salman had ordered an operation to lure Khashoggi to the consulate and detain him.<sup>22</sup> Turkish officials then announced that they uncovered evidence that Khashoggi was brutally murdered in the consulate—and on November 16, 2018, the U.S. Central Intelligence Agency concluded that the Saudi crown prince, Mohammed bin Salman, ordered the killing of Jamal Khashoggi, confirming suspicions.

112. While this story was dominating global headlines during October 2018, the WWE faced mounting pressure to cancel the *Crown Jewel* event, scheduled for November 2, 2018, in light of increasingly clear evidence that the head of the Saudi government had order the brutal assassination of a journalist.<sup>23</sup> U.S. Senators even voiced their concerns, including Senators Lindsey Graham, of South Carolina, and Robert (“Bob”) Mendez, of New Jersey.<sup>24</sup> Senator Mendez even went so far as to suggest that the U.S. government step in to encourage the WWE to cancel the event, considering former WWE CEO Linda McMahon’s (Defendant McMahon’s wife’s) role in President Donald Trump’s cabinet:

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<sup>21</sup> Zachary Cohen & Elise Labott, *Jamal Khashoggi: Trump ‘concerned’ about missing journalist; Saudis deny involvement*, CNN (Oct. 9, 2018), <https://www.cnn.com/2018/10/08/politics/trump-saudi-ambassador-to-us-jamal-khashoggi/index.html>

<sup>22</sup> Shane Harris, *Jamal Khashoggi: Saudi crown prince ordered operation to lure and detain journalist, US intercepts say*, INDEPENDENT (Oct. 11, 2018), <https://www.independent.co.uk/news/world/middle-east/jamal-khashoggi-saudi-arabia-crown-prince-mbs-mohammad-bin-salman-us-intelligence-missing-a8578491.html>

<sup>23</sup> Julian Barnes, *C.I.A. Concludes That Saudi Crown Prince Ordered Khashoggi Killed*, N.Y. TIMES (Nov. 16, 2018), <https://www.nytimes.com/2018/11/16/us/politics/cia-saudi-crown-prince-khashoggi.html>

<sup>24</sup> Alfred Konuwa, *WWE Crown Jewel Under Fire As Senators Target WWE’s Controversial Relationship With Saudi Arabia*, FORBES (Oct. 13, 2018), <https://www.forbes.com/sites/alfredkonuwa/2018/10/13/wwe-crown-jewel-under-fire-as-senators-zero-in-on-wwes-problematic-relationship-with-saudi-arabia/#fda7ba5bc98e>

Private enterprise is private enterprise, different than a governmental entity. But because [Linda McMahon] is part of the president's cabinet, it falls into the grey area where the administration really should give it some thought and maybe even prevail upon them not doing it.<sup>25</sup>

113. Reports also questioned whether Khashoggi's murder would put the entire 10-year partnership with Saudi Arabia in jeopardy. An October 12, 2018 CNBC article explained:

World Wrestling Entertainment (WWE) is on the verge of being drawn into the rising political and diplomatic tensions with Saudi Arabia, putting its multimillion-dollar deal for live events in jeopardy.

The Arab state is currently embroiled in an international crisis over the disappearance of Saudi national and United States resident Jamal Khashoggi. . . .

WWE is due to return to Saudi Arabia on November 2 for its "Crown Jewel" night of wrestling, but now it is unclear if the event at the King Saud University Stadium in Riyadh will go ahead.

A representative for WWE released a statement to the media saying, "We are currently monitoring the situation."<sup>26</sup>

114. At one point, there were indications that the event might not go forward. A pro-wrestling and mixed-martial arts blog associated with Vox Media reported on October 20, 2018 that "[i]n addition to the lack of a statement confirming the show will go at King Saud University Stadium and conspicuously removing references to Saudi Arabia from their promotion of the event, Pro Wrestling Sheet noted that tickets did not go on sale as originally planned yesterday (Oct. 19). The event page on WWE.com only references the show's date, with no reference to

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<sup>25</sup> *Id.*

<sup>26</sup> Adam Reed, *Multimillion-dollar WWE pay-per-view deal in jeopardy due to Saudi Arabia tensions*, CNBC (Oct. 12, 2018), <https://www.cnbc.com/2018/10/12/multi-million-dollar-wwe-pay-per-view-deal-in-jeopardy-due-to-saudi-arabia-tensions.html>

location or any information about ticket availability.”<sup>27</sup> Other media outlets noted that the Company removed any references to “Saudi Arabia” in its promotional materials for the *Crown Jewel* event.<sup>28</sup>

115. Yet despite the public pressure and indications otherwise, the WWE publicly confirmed on October 25, 2018 (in connection with the announcement of its third-quarter 2018 results) that the event would proceed as planned. The Company openly acknowledged the heinousness of the Khashoggi murder, but confirmed the Company’s “contractual obligations” to hold the event:

WWE has operated in the Middle East for nearly 20 years and has developed a sizable and dedicated fan base. Considering the heinous crime committed at the Saudi consulate in Istanbul, the Company faced a very difficult decision as it relates to its event scheduled for November 2 in Riyadh. Similar to other U.S.-based companies who plan to continue operations in Saudi Arabia, the Company has decided to uphold its contractual obligations to the General Sports Authority and stage the event. Full year 2018 guidance is predicated on the staging of the Riyadh event as scheduled.

116. Company executives, including WWE’s Chief Brand Officer Stephanie McMahon, parroted the Company line and described it as an “incredibly tough decision, given that heinous act.” Yet when pressed by analysts on the associated earnings call that day for more information about the WWE’s decision, Defendants remained tight-lipped, refusing to answer questions about the risk the relationship posed.

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<sup>27</sup> Sean Reuter, *Crown Jewel ticket on sale date comes & goes as Saudis confirm Khashoggi’s death*, CAGESIDE SEATS (Oct. 20, 2018), <https://www.cagesideseats.com/wwe/2018/10/20/18003172/crown-jewel-ticket-on-sale-date-comes-goes-as-saudis-confirm-khashoggis-death>

<sup>28</sup> Jim Parsons, *WWE Does Not Mention Saudi Arabia In Crown Jewel Promotions On Raw*, THE SPORTSTER (Oct. 15, 2018), <https://www.thesportster.com/news/wwe-does-not-mention-saudi-arabia-on-raw/>



117. The WWE's decision to move forward with the event, which it ultimately held on November 2, 2018, sparked further controversy, and several prominent wrestlers refused to participate, including John Cena and Daniel Bryan.

118. Despite the controversy, the event was a financial success for the WWE—estimated to have generated tens of millions of dollars.<sup>29</sup> Although the precise amount of revenue the WWE generated from the *Crown Jewel* event was not disclosed, it did serve as a significant contributor to the Company's better-than-expected revenue for the fourth-quarter 2018 (the quarter in which the event was held). Indeed, analysts at Wolfe Research, covering the results for the quarter, explained as follows: "Total rev. nicely ahead at \$273MM vs. our & Consensus' \$255MM. The beat was driven by Media (\$205MM vs. our \$179MM), as the event in Saudi Arabia was a larger rev. generator than expected." The *Crown Jewel* therefore enabled the Company to beat consensus estimates for Media segment revenues in this one quarter by more than \$25 million.

119. The WWE's full-year 2018 results also benefited significantly from the two events held pursuant to the Saudi partnership. Market participants estimated that the *Greatest Royal Rumble* (held in April 2018) and the *Crown Jewel* (held in November 2018) together generated revenues for the Company in the range of \$70 to \$80 million.<sup>30</sup> These results are especially significant considering that the Company announced that its revenues for 2018 were "***the highest in the Company's history***," increasing 16% from the prior year to \$930.2 million. The Company also announced that "international revenue increased 58% to \$317.8 million from

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<sup>29</sup> Ray Giri, *How Much WWE May Have Made With Saudi Arabia Deal In 2018*, WRESTLINGINC.COM (Feb. 7, 2019), <https://www.wrestlinginc.com/news/2019/02/how-much-wwe-may-have-made-with-saudi-arabia-deal-in-2019-650684/>

<sup>30</sup> *Id.*

\$201.3 million in the prior year, the highest in the Company’s history and the first-time international revenue has exceeded \$300 million.”

120. More specifically, the February 7, 2019 press release revealed that revenues in the Media segment for 2018 “increased by \$147.8 million, or 28%, to \$683.4 million in 2018 over the prior year, *primarily driven by the \$95.8 million increase of Other media revenues, due to the addition of certain live, in-ring programming content in international markets.*”<sup>31</sup> The Company therefore generated an additional \$95.8 million in the Media segment (as compared to the prior year) from “certain live, in-ring programming content in international markets,” the vast majority of which was estimated to be from the two events in Saudi Arabia.<sup>32</sup>

121. The WWE’s record results for 2018 were heavily dependent on the revenues generated from the Saudi partnership—which masked weakening engagement for the Company’s core content and other related issues, including declining attendance at its live events in North America and internationally, as well as sagging television ratings for its key content.

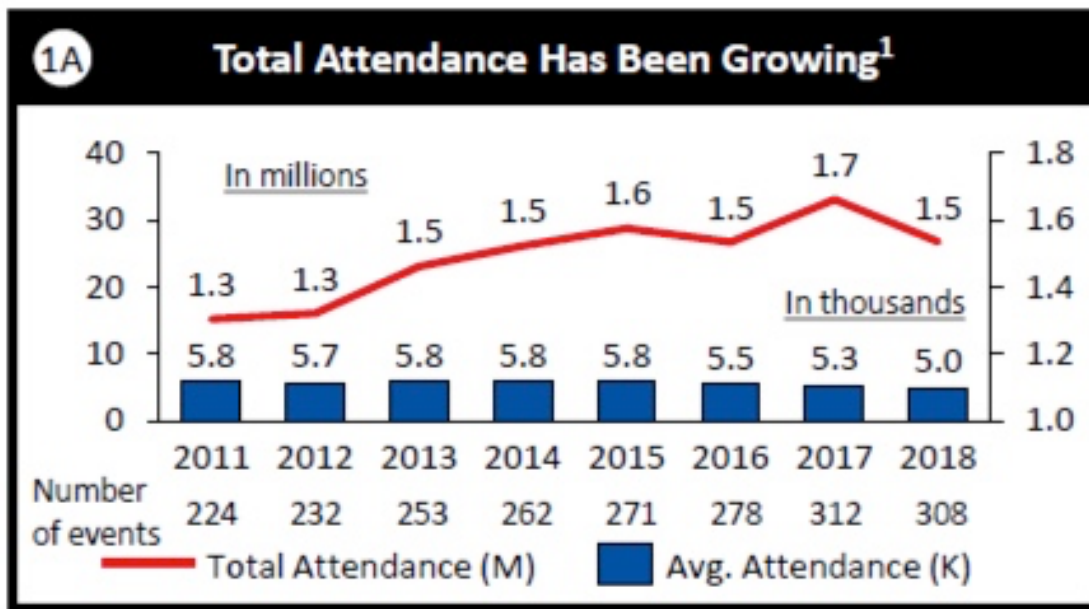
122. For example, despite how Defendants characterized the following chart<sup>33</sup>—included in the presentation associated with its fourth-quarter and full-year 2018 results—it is clear that *average* attendance at its live events has been steadily decreasing since 2015, and that total attendance decreased in 2018.

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<sup>31</sup> The press release included the following note describing what “Other” revenues for the Media segment is defined to mean: “Other forms of media monetization reflect revenues earned from the distribution of other content, including, but not limited to, certain live in-ring programming content in international markets, scripted, reality and other programming, theatrical and direct-to-home video releases.”

<sup>32</sup> Ray Giri, *How Much WWE May Have Made With Saudi Arabia Deal In 2018*, WRESTLINGINC.COM (Feb. 7, 2019), <https://www.wrestlinginc.com/news/2019/02/how-much-wwe-may-have-made-with-saudi-arabia-deal-in-2019-650684/>

<sup>33</sup> This chart excludes the WrestleMania and Royal Rumble events from each year’s statistic.



123. Likewise, ratings for the WWE’s Monday Night Raw—the Company’s flagship weekly wrestling program—had been steadily declining heading into 2019.<sup>34</sup>

<sup>34</sup> Alfred Konuwa, *WWE’s Business Is Being Propped Up By Billion-Dollar TV Deals, Saudi Arabia Partnership*, FORBES (Mar. 8, 2019), <https://www.forbes.com/sites/alfredkonuwa/2019/03/08/wwes-business-is-being-propped-up-by-billion-dollar-tv-deals-saudi-arabia-partnership/#3a14a6a57cee>

Wade Keller, *Raw Ratings Report 2018: New Year’s Eve key metrics along with perspective on 2018 vs. 2017 and sharp decline last four months of year*, PWTORCH.COM (Jan. 2, 2019), <https://www.pwtorch.com/site/2019/01/02/raw-ratings-report-2018-new-years-eve-key-metrics-along-with-perspective-on-2018-vs-2017-and-sharp-decline-last-four-months-of-year/>

Year	Average WWE Raw Ratings <sup>35</sup>
2016	2.26
2017	2.07
2018	1.94

124. As a result, by the start of 2019, the WWE’s financial success became heavily dependent on the revenues earned from its relationship with the Saudi government, as well as from growth of its Media revenues internationally. Defendants set the bar high for 2019 when they announced on February 7, 2019 that management expected “the Company to achieve another year of record revenue of approximately \$1.0 billion,” and also that the Company was “targeting Adjusted OIBDA of at least \$200 million, which would also be an all-time record.”

125. Investors understood that the Saudi partnership was critical to the Company’s ability to achieve this rosy projection. More specifically, these projections depended not only on revenues earned on the 10-year partnership with the Saudi government to hold live events in the country—but also, crucially, on the Company’s ability to maintain media rights licensing in the region.

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<sup>35</sup> Wade Keller, *Raw Rating: Christmas night rating with John Cena effect on the first hour, 2017 vs. 2016 total average*, PWTORCH.COM (Dec. 28, 2017), <https://www.pwtorch.com/site/2017/12/28/raw-rating-christmas-night-rating-john-cena-affect-first-hour-2017-vs-2016-total-average-w-kellers-analysis/>

Wade Keller, *Raw Ratings Report 2018: New Year’s Eve key metrics along with perspective on 2018 vs. 2017 and sharp decline last four months of year*, PWTORCH.COM (Jan. 2, 2019), <https://www.pwtorch.com/site/2019/01/02/raw-ratings-report-2018-new-years-eve-key-metrics-along-with-perspective-on-2018-vs-2017-and-sharp-decline-last-four-months-of-year/>

**G. The WWE's Growth Strategy Is Dependent on Growing Its Media-Rights Licensing Revenues, Including in the Middle East**

126. The Company's Media segment, which is the WWE's largest segment in terms of revenue, includes a number of different revenue streams, including revenue derived from content rights fees, subscriptions to WWE Network, and advertising and sponsorships.

127. With respect to content rights fees, the WWE generates revenues from fees earned on the Company's "core content," which refers to the WWE's two long-running weekly live television programs, called *Raw* (a three-hour weekly show) and *SmackDown Live* (a two-hour weekly show). Both are live wrestling shows that feature WWE talent and portray the brand's evolving wrestling-related story lines.

128. The WWE generates revenue on this content by entering into multi-year licensing agreements with television providers throughout the world, selling the exclusive right to air *Raw* and *SmackDown Live* (as well as other WWE content) in the applicable region. In the United States, *Raw* airs on the USA Network, which is owned by NBC Universal. *SmackDown Live* had for years aired domestically also on the USA Network, but began airing on the Fox Network in October 2019.

129. The WWE enters into separate international distribution agreements with television providers throughout the world.

130. In the Middle East, the WWE's exclusive provider of its content had for years been OSN, a television provider in the Middle East, serving the MENA region. OSN offers popular entertainment content such as movies, sporting events, and various TV shows from major U.S. and international networks and studios, in addition to local versions specifically for the region.

131. As mentioned above, on July 21, 2014, the WWE and OSN entered into a five-year exclusive media rights agreement which provided OSN with exclusive access to WWE programming (i.e., *Raw* and *SmackDown Live*) and pay-per-view events, including *WrestleMania* and *SummerSlam*, through 2019. From the WWE's perspective, the deal meant that WWE would have even greater access to the MENA region, which it viewed as crucial to its efforts to continue its international expansion. Indeed, the press release announcing the agreement stated, in pertinent part:

“OSN and WWE have a long standing relationship and we are very excited to be taking that to the next level,” said Andy Warkman, OSN's VP of Sport & Production. “For the first time in the region, all core WWE programming will be available in one place, making OSN the home of WWE, reaching an audience across more than 20 countries. This deal furthers our commitment to bringing our customers the best content.

“WWE is very excited to be extending and expanding its deal with OSN in the Middle East,” said Carlo Nohra, General Manager of WWE Middle East. “OSN hosts some of the very best international entertainment and sports programming and is the perfect home for WWE programming. Together with OSN, we will continue to grow our TV, pay-per-view, live event and consumer products businesses across the Middle East.”

132. On February 12, 2015, WWE and OSN jointly issued a release stating they were adding WWE Network, the WWE's subscription streaming app service (like Netflix), to the five-year agreement as part of an expanded partnership. In the announcement, Andy Warkman, OSN's Vice President, Sport and Production, stated that:

We will be co-branding the linear channel OSN WWE Network HD and following on from our enhanced TV deal renewal last year, this is great news for WWE fans in the Middle East & North Africa region. We are looking forward to launching the Network in the coming weeks and cementing our position as the Home of WWE in the region.

133. The WWE Network agreement with OSN meant that OSN subscribers would now have access to the WWE Network content independent of any WWE Network subscription. An article discussing the deal stated as follows:

The all-new OSN WWE Network HD channel will be available ***free of charge*** beginning today through Sunday, March 29, via OSN. On Monday, March 30, subscribers to the OSN Platinum HD package ***will automatically receive the channel***. Non-Platinum HD package subscribers will have the option to upgrade to the package to enjoy the channel, or they can select it as an add-on for only US\$9.99 per month. In addition, all subscribers to OSN WWE Network HD will have access to special WWE video-on-demand programming in their OSN Plus HD Box.

134. During a February 12, 2015 earnings call, Defendant Barrios indicated that OSN subscribers who access the WWE Network for free, via the linear premium channel, are included in the Company's reported WWE Network subscriber figures:

***Regarding future subscriber growth***, we continue to expect a gradual ramp-up over time as consumer awareness grows and consumers change behavior and adopt new technology. As we've said before, we're executing a 5-part strategy that includes implementing high-impact customer acquisition and marketing programs, making the network available in new geographies, creating new content, expanding distribution platforms and developing new features. As part of that strategy, we continue to broaden our global distribution of WWE Network. Beginning January 19, we made the network available in the U.K. and Ireland, which, almost overnight, became our second largest market globally. We're also expanding WWE Network distribution in Canada, the Middle East and North Africa. Rogers Communications, our exclusive network distribution partner in Canada, has reached agreements with Cogeco Cable in Canada, Eastlink, Shaw and Shaw Direct, TELUS Optik TV and TELUS Satellite and Videotron, ensuring WWE Network will be available nationally in Canada before WrestleMania on March 29.

***Additionally, we reached an agreement with OSN, the leading pay-TV network in the Middle East and North Africa, to distribute WWE Network in the region as a premium linear channel, also launching before WrestleMania.***

135. Thus, the Company's reported WWE Network subscriber numbers were at least in part dependent on those individuals in the MENA region who had access to the WWE Network by virtue of the OSN agreement.

136. The OSN agreement with WWE was estimated by analysts to generate an average annual value ("AAV") of between \$15 million and \$20 million for the Company (with an estimated \$25 million to \$30 million revenue contribution in the agreement's final 12 months). In addition, the deal with OSN offered the additional benefit of growing the sport in the MENA region.

137. WWE's deal with OSN was set to expire at the end of 2019, which meant that analysts were focused, as early as 2018, on whether the Company would renew the OSN agreement, given the growing importance of the MENA region and the then-recent deal the WWE inked with the Saudi government to hold live events in the country. Both were deemed crucial to the Company's ability to continue its growth and expansion in the region.

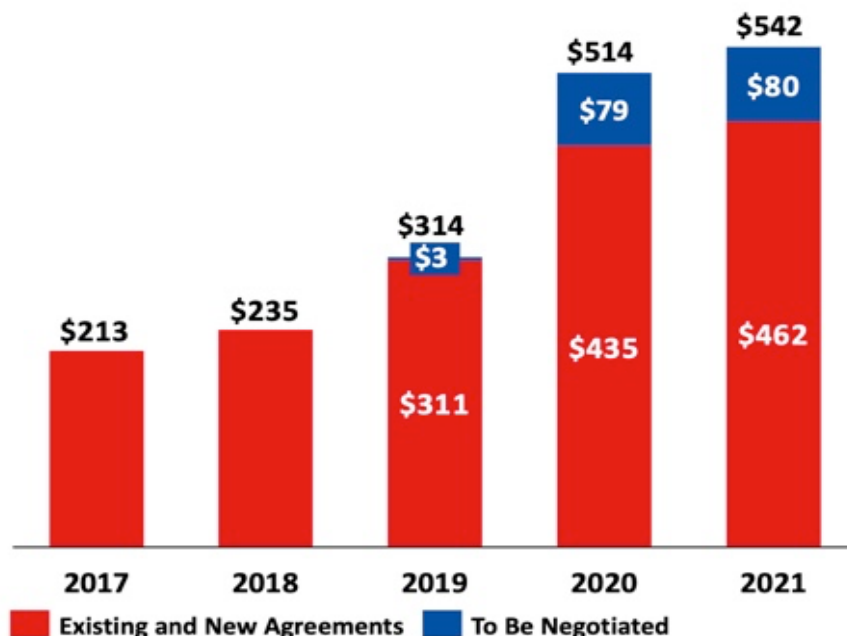
138. Indeed, on June 22, 2018, analysts at JP Morgan noted: "Outside of the UK, WWE has a 5-year deal with OSN covering the Middle East and North Africa that will expire at the end of 2019. OSN carries *Raw* and *SmackDown*, in addition to the WWE Network which it distributes as a linear channel. We do not know much about viewer trends for the region, but would note WWE significantly increased its presence in the Middle East this year with the start of a 10-year deal with the Saudi Sports Authority."

139. At the same time, the WWE was telling investors that it expected to significantly grow revenue the Company earns from its media rights agreement between 2018 and 2020. In the presentation accompanying its June 27, 2018 conference call, WWE stated that it "expects [that] revenue from existing and new 'key content agreements,' . . . will grow to approximately



\$311M in 2019 and \$462M in 2021.”<sup>36</sup> As demonstrated by the graphic below, WWE’s “*total*” revenue from ‘key content agreements’ would increase to \$314M in 2019 and \$542M in 2021.”

(Top 7 Countries/ Regions; \$millions)



140. Analysts were focused on this prospective growth, which was tied to the WWE’s media rights deals. For example, analysts at JP Morgan noted in a June 27, 2018 report:

**Understanding WWE’s long-term core content revenue framework.** For its top 7 markets (US, UK, India, Canada, Latam, Middle East, South Africa), WWE stated that revenue from “existing and new agreements” would grow from \$235m in 2018 to \$435m in 2020.

141. The WWE’s effort to grow its media-rights related revenues reflects the Company’s ongoing strategy of transforming itself into a media company—something it has done with relative success in recent years. This transformation has been widely covered by the

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<sup>36</sup> “WWE’s ‘key content agreements’ reflect the licensing of WWE’s flagship programs, Raw and SmackDown in the U.S., U.K., India, Canada, LATAM, Middle East and South Africa.” June 27, 2018 Conference Call Presentation.

mainstream financial press, with one media outlet characterizing the WWE in early 2018 as not “just scripted wrestling matches,” but rather “a media powerhouse.”<sup>37</sup>

142. A January 19, 2018 CNBC article<sup>38</sup> stated:

With nearly \$800 million in revenues, a \$2.6 billion market cap and 850 million social media followers, World Wrestling Entertainment isn't the tiny ticketing business it was 35 years ago.

A massive overhaul of the wrestling network in 2013 and 2014 drove the “wave of growth” that made it a central player in digital media despite its seemingly niche content, CFO George Barrios told CNBC.

“Content, continued global growth and the direct-to-consumer digital has turned us into a data powerhouse,” Barrios told “Mad Money” host Jim Cramer in a Friday interview. “We’ve seen about 70 percent growth since 2008, and we think there’s a lot more runway.”

143. To continue executing on this transformation, it was critical that the Company successfully grow its international media-rights related revenue between 2018 and 2020, as the WWE had assured investors it would. This required renewing some of the Company’s largest international media-rights agreements, including the deal with OSN in the MENA region.

144. As analysts at JP Morgan noted in a June 27, 2018 report: “For the top 7 markets, WWE has \$79m of revenue that will be up for negotiation in 2020, which is equal to the value of the content in the final deal year (2019). We estimate the \$79m consists of the UK, India (with Sony Pictures Networks), Middle East (with OSN), and Latin America (with Fox Sports Latin America).”

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<sup>37</sup> Nathaniel Meyerssohn, *Why WWE is a media juggernaut*, MONEY (Feb. 7, 2018), <https://money.cnn.com/2018/02/07/news/companies/wwe-vince-mcmahon-wrestling/index.html>

<sup>38</sup> Lizzy Gurdus, *WWE is a ‘data powerhouse’ thanks to content, growth and digital, CFO says* CNBC (Jan. 19, 2018), <https://www.cnbc.com/2018/01/19/wwe-is-a-data-powerhouse-thanks-to-content-growth-and-digital-cfo.html>

145. The same report included the following chart, illustrating the growth of media-rights related revenues (i.e., revenues derived off the Company’s “core content”), including in the MENA region, that analysts were estimating for the Company.

**Table 1: WWE - Core Content Estimates (\$m)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Core content rights	\$202	\$217	\$244	\$270	\$355	\$595
% y/y		8%	12%	11%	31%	68%
7 largest	\$175	\$190	\$213	\$235	\$315	\$547
% y/y	35%	9%	12%	10%	34%	73%
Other	\$27	\$27	\$31	\$35	\$40	\$48
% y/y		1%	15%	12%	13%	22%

146. The renewal of the expiring international media-rights, including the agreement with OSN, took on increasing importance heading into the Class Period. Indeed, on February 5, 2019, for example, days before the start of the Class Period and the announcement of the Company’s full-year 2018 results, analysts at JP Morgan issued a report stating that “[a]s with recent quarters, we expect investor focus to be less on the results and more on any window into the company’s ongoing core content renewals.” Likewise, analysts at Morgan Stanley noted in a February 8, 2019 report that, “the outcome of upcoming int’l TV rights renewals” as one of the two “keys to making 2019 another year of outperformance.”

147. Of related importance to investors heading into 2019 was the Company’s continued growth of its international business. Analysts at Wolfe Research issued a report on February 12, 2019 noting:

**International could be as big as domestic in 5 years.** Currently, international is nearly 1/3rd of total company revenue; and it sounds like there is a significant emphasis on growth here. We’re not exactly sure how WWE will choose to expand – will they go deeper into current key markets (India, UK, China, Germany, Latin America and/or Middle East)? Will they make better in-roads in smaller international markets? Will they do a mix of both? What we do know is there was a lot of talk about optionality, upside and DISCIPLINE.

148. With respect to the MENA region, this meant that analysts and investors were especially focused heading into 2019 on the renewal of the OSN agreement, as well as on continued expansion in the region as a result of live events held in Saudi Arabia pursuant to the 10-year partnership.

**H. Defendants Conceal That the OSN Agreement Was Terminated in December 2018 and Delay Informing the Market That WWE Was Attempting a Last-Ditch Effort to Replace the OSN Agreement With a New Agreement with the Saudi Government**

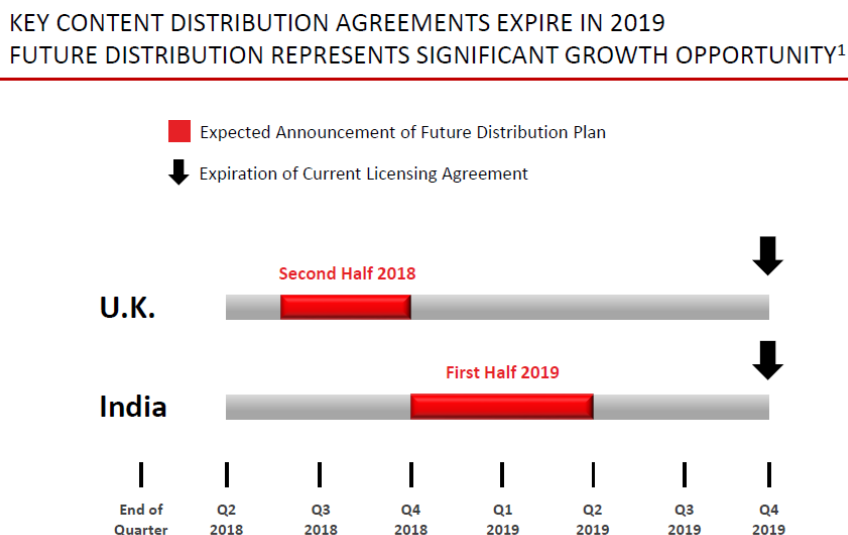
149. The Class Period begins on February 7, 2019, when the WWE announced its fourth-quarter and full-year 2018 financial results. On that same day, the Company also provided its full-year 2019 financial guidance, announcing in a press release that the WWE expected to achieve revenue of approximately \$1.0 billion and was targeting Adjusted OIBDA of at least \$200 million. Crucially, Defendants informed investors that this financial outlook depended on the Company's ability to renew a number of expiring media-rights agreements, including in the Middle East.

150. This assurance at the start of the Class Period that the media-rights agreement in the Middle East (i.e., the OSN agreement) would be "renewed" followed similar statements in months prior that the Company was working on the renewal—which was false because, as detailed below, OSN informed the WWE in November 2018 that it would not be renewing the agreement and would instead terminate it early (on March 31, 2019). As a result, the WWE was forced to find an entirely new media partner in the Middle East and would be left without revenues on a MENA-region media-rights deal effective April 1, 2019. Despite knowing this, Defendant Barrios told the market, during a presentation to analyst at UBS on December 3, 2018, as follows:

I mentioned the major markets for us. U.K., India, *the Middle East*, China, Latin America, Germany and a variety of other

markets, those being the biggest, *will be up for renewal here over the next 12 to 18 months*. The expectation has been that we'd announce the distribution deal in the U.K. towards the end of this year; in India, in the beginning, first half of next year, we always tell people that can happen quicker than people expect, it could also take a little bit longer, but our kind of best estimate are these time lines. *And as I mentioned, Middle East, Latin America, China and several other markets, we'll announce as well over the next several months*.

151. This same presentation used a slide deck that included the following graphic, notably not including a disclosure that the OSN media rights agreement covering the Middle East would expire in March 2019:



152. The next month, on January 8, 2019, during a presentation to analysts at Citigroup, Defendant Barrios again failed to inform investors that the OSN deal would not be renewed and would expire on March 31, 2019 (as detailed below). Indeed, Barrios was specifically asked if there was any update regarding the negotiations of the Company's key media-rights agreements up for renewal in the coming year. In response, Barrios stated: "No, not really. So we're – I have a busy travel schedule. *But as I mentioned Middle East, Latin America, India, U.K., China, are all deals that are kind of fairly active for us right now*. And

most of them expire starting middle of '19 through the end of '19. We have a couple that'll expire in 2020. But the majority of them expire throughout this year.”

153. These statements—as well as those made during the Class Period, as detailed below—were plainly false. Indeed, the Company had known for months that that the media-rights agreement with OSN would not be renewed and would, in fact, be terminated *early*.

154. Notably, Defendants have since admitted, through statements of Company representatives, that the OSN deal was prematurely terminated in December 2018, and that it was known even before then that the agreement would not be renewed. According to Carlo Nohra, VP and General Manager of WWE – Middle East, who was the self-described principal point of contact with OSN regarding the applicable media-rights agreements, in early 2018, OSN became delinquent in the payments of rights fees to the WWE. Nohra explained that in September 2018, WWE sent OSN a “Notice of Material Breach” based on the delinquent payments. OSN responded with a letter dated November 5, 2018, in which OSN’s general counsel informed the WWE that OSN was contemplating the future long-term funding of its business and hoped to respond to the WWE about the missed payments after an upcoming Board meeting.

155. According to Nohra, in November 2018, OSN sent the WWE an unsolicited settlement proposal, in which OSN’s general counsel informed the WWE that it intended to exit its sport content business and conclude its sports coverage in early 2019. Negotiations followed, and, according to Nohra, the WWE and OSN entered into a settlement agreement dated December 18, 2018 pursuant to which OSN and WWE agreed to the early termination of their media-rights agreements effective March 31, 2019, and OSN agreed to pay WWE all rights fees owed for 2018 and through March 31, 2019.

156. This timeline is further confirmed by Andrew Warkman—who is the WWE’s current VP and General Manager of WWE UK & Ireland, but who worked at OSN through March 2019. Warkman explained that, in his role at OSN, he was responsible for managing the OSN’s relationship with the WWE. Warkman states that by 2018, OSN’s business was struggling, and the OSN Board made the decision to shut down the network’s sport channels. Warkman was directed to discuss early terminations and settlements with OSN’s sports rights holders, including the WWE. According to Warkman, on December 18, 2018, the WWE and OSN entered into a settlement agreement pursuant to which OSN and WWE agreed to the early termination of their operative agreements effective March 31, 2019.

157. Thus, Defendants knew before the start of the Class Period, or were deliberately reckless in disregarding, that there was no OSN media rights agreement to “renew”—the Company would instead have to find a new media partner in the MENA region.

158. Nevertheless, by the start of the Class Period, on February 7, 2019, Defendants vaguely assured investors that the Company was “working on” the “rights *renewal* process” in international markets, *including in the Middle East*. Indeed, Defendant Barrios told investors the following on a February 7, 2019 earnings call: “In terms of the rights *renewal* process outside the U.S., obviously, there’s a lot of key markets that we’re still working on, U.K., India, China, Latin America, the Middle East. We’ll announce those as the deals get done or shortly thereafter.”

159. Based on these statements, analysts were anticipating a speedy “*renewal*[.]” For example, on March 28, 2019, Guggenheim Securities stated:

**International Renewals.** We continue to expect all major renewals (India, UK, LATAM, Middle East, and China) to be complete by mid-2019 with an aggregate announcement, followed by a comprehensive investor update on the business, investment

outlook, capital structure, margins, and expense profile going forward. We believe management looks at each deal through a prism of distribution, engagement, and monetization when assessing renewal options.”

160. Yet by April 2019, Defendants still had not informed the market that the media rights deal with OSN had already been terminated by OSN, pursuant to a settlement reached in December 2018. Instead, when asked on an April 25, 2019 earnings call about “ongoing negotiations” regarding the numerous media-rights deals that were then soon expiring, Defendant Barrios explained that because the Company was “in the middle of these discussions” they would “stay away from commenting on them in any way, shape or form”—again failing to disclose that there were, in fact, no negotiations ongoing with OSN in for media rights in the Middle East, because that deal had been terminated months before its expiration.

161. Continuing to mislead the market into believing that the “renewal” of the OSN deal was being negotiated (even though it was not) was material, because the “renewal” of an agreement with an existing partner implies that it could be completed reasonably quickly. And the timing of a new media rights agreement in the MENA region was critical to investors, because Defendants told investors at the start of the Class Period that the Company’s ability to achieve its full-year 2019 guidance was dependent on “renewing” a number of the WWE’s media rights agreements in 2019, including the OSN agreement covering the MENA region.

162. In fact, based on the Company’s representations, analysts expected that the deal—which was scheduled to expire at the end of 2019—would be renewed early in the second half of 2019. For example, analysts at Wolfe Research issued a report on a July 22, 2019 that stated (with respect to the upcoming July 25, 2019 2Q2019 earnings call): “The biggest catalyst is going to be the 2020 OIBDA guide – which will NOT be on this call. Remember we’ll get the



updated financial outlook once the last of the international deals (India & the Middle East) are signed – we peg sometime in Sept.”

163. In reality, and unbeknownst to investors, Defendants were actually scrambling to find a replacement partner for the OSN agreement—which had already been canceled, effective March 31, 2019—and they turned to the Saudi government in an effort to negotiate and finalize a new media rights agreement with a Saudi-backed television provider—MBC—before the end of 2019, as detailed more thoroughly in Section IV. I., below.

164. But Defendants knew all along, or were deliberately reckless in disregarding, that negotiating a *brand new* agreement with a *new* provider, especially one owned, in part by the Saudi government, would take time, and would not be completed by the end of 2019—as Defendants falsely assured investors.

165. It was not until July 2019 that Defendants announced (although vaguely) that the agreement with OSN had expired—i.e., three months after the deal was terminated and seven months after Defendants knew the deal would end. Indeed, on July 25, 2019, during the Company’s second-quarter 2019 earnings call, Defendant Barrios stated: “In the Middle East, our pay TV agreement has been terminated, but our free-to-air agreement continues to be in place.” Although Defendants knew as early as December 2018 that the deal would not be renewed (and would, in fact, be terminated *early*), this was the first time Defendants hinted that a new MENA media rights deal would be needed.

166. Yet Defendants shielded the impact of this news, and artificially maintained the price of the stock, with their simultaneous disclosure that the Company remained on-track to hit its full-year 2019 guidance, including Adjusted OIBDA of \$200 million. Crucially, when discussing its full-year guidance on the July 25, 2019 call, Defendant Barrios stated “This

guidance assumes continued improvement in our engagement metrics, a second large-scale event in the MENA region *and the completion of a media rights deal in the MENA region*. We believe we have agreements in principles with the Saudi – in principle with the Saudi General Sports Authority on the broad terms for the latter 2 items.”

167. On the same call, Defendants also announced that they had completed certain other international media rights agreements that were up for renewal, and Defendant McMahon assured investors that the MENA deal would get done “very soon”: “We have completed our content distribution agreements in BT Sport in the U.K., Latin America Fox Sports, and in China, PP Sports. We’re excited about that. Excited we can influence or they can influence as well, the ability to do localized content in addition to enhance the content that they currently have in a more in-depth capacity. And importantly, it’s another way and a deeper way of reaching our audience and a new audience as well. Obviously, there’s India and MENA to do, and *we are going to be close to announcing those deals very soon.*”

168. Thus, although Defendants finally disclosed on the July 25, 2019 earnings call that the Company’s existing media-rights agreement in the MENA region had terminated, Defendants simultaneously assured the market that a new deal would get done “very soon,” which they claimed would allow the Company to meet its full-year 2019 guidance (specifically, the Adjusted OIBDA projection of \$200 million).

169. Analysts paid close attention to the Company’s announcement on the July 25, 2019 call that the WWE was nearing a new media-rights deal with the Saudi government, the completion of which was necessary for the Company to achieve its guidance. For example, analysts at JP Morgan stated in a July 25, 2019 report: “Management did clarify that its [full-year 2019] outlook is dependent on a second Saudi event *and media rights agreement covering the*

**MENA region** (for which it has nonbinding understandings with the Saudi General Sports Authority).” The report also expressed optimism that the media-rights deal would get done: “[W]e’re further encouraged to learn that the MENA deal is being negotiated with the Saudi General Sports Authority, whose ten year partnership with WWE clearly reflects interest in the content.”

170. Analysts at Wolfe Research had a similar take in a July 25, 2019 report, which noted that the full-year 2019 guidance “hinges on a 2nd Saudi event *and TV renewal in the Middle East for Q4*, which suggests a nice increase for that particular deal – and an encouraging sign for the other int’l deals,” and also stated: “Another Saudi event and TV renewal seems to be driving the Q4 figure, which we think suggests a strong step-up for the rights.”

171. Over the next several months, investors closely watched for news of when the WWE would finalize its media-rights agreement with the Saudi government.

172. For example, analysts at Wolfe Research addressed the media-rights deal with the Saudi government, stating in a September 23, 2019 report as follows with respect to the status of the deal: “STILL WAITING – a ‘non-binding...agreement in principle’ with the Saudi General Sports Authority was mentioned on the Q2 earnings call. An agreement in principle is also in place for a 2nd large scale event in Saudi Arabia – something else we are waiting for.” The report continued: “Details on the 2nd Saudi event. *While the focus will be on the TV deals, we think it’s fair to assume the company will have this 2nd event locked down as part of the TV renewal.*”

173. Analysts at Wolfe Research issued another report on October 6, 2019 that provided additional analysis of the media rights deal: “Most investors apparently assume that the MENA TV content deal has been finalized given that a second Saudi event has been confirmed

for Oct. 31, 2019. ***Technically, the content licensing deal and the Saudi event are separate transactions, so the MENA deal is not yet finalized. But it's close,*** and we expect to get a press release just like we did for LatAm, the UK and China. For now, ***there is still an 'agreement in principle' in place.***"

174. Though analysts were confident the media-rights deal would get done, the WWE shocked investors when they announced on October 31, 2019—in connection with their 3Q2019 results—that the Company lowered its full-year 2019 guidance to an Adjusted OIBDA range of \$180 million to \$190 million due to “delay in completing a previously contemplated agreement in the MENA region.” The press release also noted that “[w]hile the Company continues to work toward the completion of a MENA agreement, no assurances can be given in this regard.”

175. Defendant Barrios provided further color on the associated earnings call, held on October 31, 2019, stating: “Our previous full year guidance, which targeted adjusted OIBDA of at least \$200 million, to continued improvement in our engagement metrics, second, large-scale event in the MENA region and the completion of a media rights deal in the MENA region. Although we are holding a second large-scale event today in Riyadh, Saudi Arabia, ***our previously contemplated agreement for the region has not yet been completed.***”

176. Analysts at Evercore addressed the impact of the failure to complete the media-rights deal on the guidance reduction (also indicating analysts’ belief that the OSN deal expired in Summer 2019) in a October 31, 2019 report, stating: “Sizing the Middle East TV deal impact: we have estimated a \$20M AAV for the five-year MENA TV deal which expired this summer, implying ~\$25M-\$30M in revenue contribution in the 12 months prior to expiration. This would suggest a half-year impact of having no deal in place of ~\$12M-\$15M (most of the guidance reduction).”

177. The October 31, 2019 announcement triggered concerns that the WWE's relationship with the Saudi government was in trouble. For example, as *The Wall Street Journal* reported on October 31, 2019, Benchmark analyst Mike Hickey stated that "by lowering its outlook now rather than missing fourth-quarter expectations, the company is signaling that it doesn't have a lot of confidence a deal will get done." Nevertheless, Defendants continued to assure investors that the media-rights deal would be completed—concealing the full extent of the delay.

178. Indeed, as detailed below, a former employee of MBC, a media company owned, in part, by the Saudi government, confirms that Defendants knew, or were deliberately reckless in disregarding, that a new media-rights deal with the Saudi government, at least through MBC who was then negotiating on behalf of the Saudi government, would not be completed in 2019 and likely well into 2020 due to serious disagreements among the parties in Fall 2019 as to the number of potential subscribers/audience size in WWE's Over the Top ("OTT")<sup>39</sup> market for the Middle East. According to that MBC employee, MBC's negotiations with the WWE went nowhere despite some serious concessions from MBC.

179. Nevertheless, on November 4, 2019, the WWE issued a press release stating as follows: "Following the historic Crown Jewel event in Riyadh, [WWE] and the Saudi General Entertainment Authority (GEA) have expanded their live event partnership through 2027 to include a second annual large-scale event. WWE and GEA also continue to work towards the completion of a media agreement in the MENA region. This long-term partnership demonstrates

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<sup>39</sup> OTT is a media service, which streams content to viewers via the Internet. Flint, Joe, *WWE launching over-the-top network*, LA TIMES (JAN. 8, 2014), <https://www.latimes.com/entertainment/envelope/la-xpm-2014-jan-08-la-et-ct-wwe-network-20140108-story.html>. WWE's OTT product is WWE Network. *Id.*

WWE and GEA’s commitment to bring sports entertainment to the region and supports Saudi Arabia’s Vision 2030.”<sup>40</sup>

180. Analysts remained hopeful at the prospects of a deal—one that could be “meaningful” once signed, and one that, as analysts at Guggenheim Securities estimated, would more than double the previous value of the OSN deal, \$30-40 million per year. *See* ¶136 (analysts finding OSN media deal to be worth an AAV of between \$15 million and \$20 million).

181. On January 30, 2020, the WWE announced that it “expects its full year 2019 Adjusted OIBDA to be approximately \$180 million”—meaning the Company informed the market that its full-year 2019 Adjusted OIBDA would not include the impact of a completed MENA region media rights deal. That same day, the Company also announced that two of its most senior and longest serving executives, Defendants Barrios and Wilson, had abruptly left the Company. Analysts and market commentators reacted with shock at the sudden loss of two key figures who had long been part of the public face of the Company. For example, *Forbes* described the departures as a “bloodbath” that had caused “[p]anic and uncertainty” throughout WWE’s corporate offices.

182. Then, just a few days later, on February 6, 2020, WWE formally announced its disappointing financial results and lower-than-expected full-year 2020 guidance. The earnings release issued by the Company revealed that consumer engagement metrics had continued to deteriorate in the fourth quarter, and that the Company had achieved just \$180 million in adjusted OIBDA for the year **due to the failure to complete the MENA distribution agreement with the Saudis**. On an earnings call to discuss its results, WWE’s interim CFO,

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<sup>40</sup> *WWE and the Saudi General Entertainment Authority Expand Event Partnership*, WWE.COM (Nov. 4, 2019), <https://corporate.wwe.com/news/company-news/2019/04-11-2019>

Frank A. Riddick III, confirmed that **the Company’s 2020 financial guidance did not include any revenues related to a prospective MENA deal** since the deal had not been finalized and continued delay was expected.

183. Defendants therefore acknowledged, at the close of the Class Period, that WWE’s full-year 2020 financial projections presumed that a media-rights agreement with the Saudi government would *not* be completed at all in 2020.

184. One reality that has come to light since February 2020 is that the Saudi government has little incentive to enter into a media-rights agreement with the WWE—considering the Saudi government purportedly backs a local pirate television and streaming service.

185. Indeed, a report by the World Trade Organization (“WTO”) has recently surfaced that “firmly establishes that the Saudi government is behind beoutQ,” which is a “pirate satellite TV and streaming service that offers illegal access to sporting events.”<sup>41</sup> Since its inception in 2017, BeoutQ illegally transmitted at least “ten encrypted channels via the Riyadh-based satellite provider Arabsat and [sold] set-top boxes across Saudi Arabia and other Arab-speaking countries.”<sup>42</sup> The stolen content on these channels “included all the major international football competitions, as well as other major international sports, such as Tennis, NFL, NBA, Formula 1, Olympics, and WWE.”<sup>43</sup>

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<sup>41</sup> Sean Ingle, *Newcastle takeover in serious doubt as WTO rules pirate TV channel is Saudi*, THE GUARDIAN (May 26, 2020), <https://www.theguardian.com/football/2020/may/26/newcastle-takeover-in-serious-doubt-as-wto-rules-pirate-tv-channel-is-saudi>

<sup>42</sup> Sam Carp, *Walking the plank: Why the BeIN-BeoutQ piracy saga has implications beyond Qatar*, SPORTSPROINSIDER.COM (Dec. 14, 2018), <https://www.sportspromedia.com/from-the-magazine/bein-sports-beoutq-piracy-qatar-saudi-arabia-interview-feature>.

<sup>43</sup> Paul Nichoson, *Saudis lose first round of beoutQ battle at WTO after EU and China speak against*, Inside World Football (Dec. 19, 2018),

186. In the past few years, numerous complaints and criticisms have been lodged about beoutQ and the Saudi government by, for example, the Qatari company beIN MEDIA Group, the European Union, BBC, Sky Sports, Fifa, Uefa, and the Premier League, for the stolen content.<sup>44</sup> Indeed, on January 27, 2020, the European Commission slammed Saudi Arabia for “causing considerable harm to EU businesses” through beoutQ and Arabsat piracy.<sup>45</sup>

187. While the WTO’s 130-page final report will not be published until mid-June 2020, the WTO’s conclusion that the Saudis are tied to this pirate network explains why the Saudi government has had little incentive to engage in serious discussions with the WWE regarding a media rights agreement in the Middle East. After all, the illegal network that the Saudis back is able to broadcast WWE content in the region without having to pay for it.

**I. Confidential Witness Confirms The WWE’s Negotiations With The Saudi Government Over a Media Rights Agreement Went Nowhere**

188. A confidential witness confirms that: (i) WWE negotiations with the Saudi government over the terms of a media rights agreement went nowhere, and (ii) ultimately, the discussions broke down. Although WWE did not publicly confirm this, the Company was

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<http://www.insideworldfootball.com/2018/12/19/saudis-lose-first-round-beoutq-battle-wto-eu-china-speak/>. In addition, Twitter users discuss the availability of WWE live events streamed through beoutQ. For example, one user wrote on July 14, 2018, “ “@beoutq\_network1 will illegally pirating @WWE events again.”

<https://twitter.com/alixx770/status/1018335489512886273>

<sup>44</sup> While beoutQ was apparently shut down in August 2019, beIN Media claimed that the piracy service was “still distributing premium channels illegally via the IPTV function of its boxes,” and there “is little optimism for this being the end of the service.”

<https://www.digitaltveurope.com/2019/11/08/bein-slams-persistent-beoutq-piracy-menace/>

<sup>45</sup> *European Commission slams Saudi Arabia for “causing considerable harm to EU businesses” through beoutQ and Arabsat piracy*, BEINMEDIAGROUP.COM (Jan. 27, 2020),

<https://www.beinmediagroup.com/article/european-commission-slams-saudi-arabia-for-causing-considerable-harm-to-eu-businesses-through-beoutq-and-arabsat-piracy/>



actually negotiating its media rights agreement during 2019 with MBC, which is, in part, controlled by the Saudi government.

189. MBC is the largest private media company in the Middle East & North Africa region, providing 18 TV channels ranging from news to sports and entertainment. While it is currently headquartered in Dubai Media City, United Arab Emirates, MBC is in fact majority-owned by the Saudi Arabian government. In early 2018, reports surfaced that the chairman of MBC, Waleed al-Ibrahim, and other executives and board members were arrested and detained in November 2017 as part of Crown Prince Mohammed bin Salman's crackdown on systematic corruption. After 83 days, Ibrahim was released, but not without a price – as part of the release, Saudi Authorities obtained a 60% ownership stake in MBC. At the time, MBC spokesman Hayek stated that Ibrahim retained a 40-percent stake and has “nominal management control” of the network, but did not confirm who holds the other 60 percent of the company.

190. MBC is therefore “Saudi-owned,” and even more conspicuous, MBC is set to be moving its headquarters from Dubai to Riyadh, Saudi Arabia.

191. As a result, when the WWE told the market it was negotiating with the Saudi government, in reality, the Company was negotiating with MBC, which acted on behalf of the Saudi government. Indeed, CW-1, who joined MBC in Fall 2019, stated that MBC was “essentially negotiating on behalf of the GSA [General Sports Authority of Saudi Arabia].”

192. CW-1 also explained that when he joined MBC in Fall 2019, he worked on a feasibility study, which had begun at some point before his hiring, on the possibility of a broadcast partnership between WWE and his new employer, MBC. Specifically, CW-1 had to estimate the “value of a partnership” between the two companies.

193. By fall of 2019, MBC and the WWE were still worlds apart in terms of projected WWE subscribers as well as the annual licensing fees. CW-1 recalled that WWE had wildly unreasonable expectations of the revenue it expected from a potential broadcast partner. It proposed an \$80 million annual licensing fee for its projection of 100 million-plus “OTT” subscribers, which were based on the large number of OSN subscribers who watched WWE.

194. CW-1 called this audience estimate “optimistic.” He added that even though MBC is a “free-to-air,” or FTA, broadcaster (like CBS or ABC in the United States), MBC projected far fewer viewers of WWE content. CW-1 confirmed that, according to his research and analysis, MBC projected, 6.5 million WWE subscribers, at most. According to CW-1, WWE rejected this low subscriber figure, so MBC raised it somewhat—first to 10 million to be cooperative, and then finally to 15 million. But this was only to please WWE, not because MBC felt the projections were realistic. WWE then reduced its licensing fee ask to \$50 million. However, MBC felt it could not go above \$14.5 million. CW-1 said he was told by someone in another MBC department—perhaps accounting or finance—that MBC and WWE concluded their negotiations due to the difference in “numbers.”

195. CW-1 heard that after WWE and MBC could not reach an agreement, WWE approached Abu Dhabi Media, a broadcaster owned by the UAE government, and offered the same terms. According to what CW-1 was told, Abu Dhabi came back with the same subscriber estimates as MBC which WWE again rejected. CW-1 advised that said it made sense that WWE would go to Abu Dhabi Media because that broadcaster was already carrying UFC. But, according to CW-1, in the end, WWE decided to forego a regional broadcast partner, and is now only using its own app, which is not designed specifically for the MENA region. CW-1 advised

that he does not think negotiations between MBC and WWE were still ongoing as of the beginning of June 2020.

**J. Tensions Among the WWE’s Live-Event Partnership With The Saudi Government Complicate Negotiations With the Saudis Regarding a New Media-Rights Deal**

196. The media-rights agreement purportedly with the Saudi government that Defendants previewed in the Company’s July 2019 earnings call was closely tied to the Company’s 10-year partnership the WWE already had with the Saudis to host live events in the country.

197. With respect to both, the Company was especially tight-lipped about its relationship with the Saudi government. The terms of the 10-year partnership, for example, were never disclosed and the Company routinely refused to answer questions about it. For example, on October 25, 2018, in response to an analyst question regarding the relationship with Saudi Arabia and how the Khashoggi killing affected the 2018 *Crown Jewel* event, Defendant McMahon stated “We’re not going to talk a lot about that. It’s a very sensitive subject these days, naturally. And I think our statement pretty much said all I want to say about that today.” In addition, on February 7, 2019, Defendant Barrios stated “I’m not going to comment on any other events that are kind of in our forecast,” and on April 25, 2019, in response to an analyst question regarding the next live event and whether it would occur in either Q2 or Q3, Defendant Barrios stated that “we’re not going to talk about that.”

198. Analysts also were frequently left guessing about when and whether any additional live events would be held in Saudi Arabia in 2019. By April 2019, for example, investors and analysts were still trying to determine whether there would be two live events held pursuant to the 10-year partnership—as there were in 2018 (despite that at that point the partnership only guaranteed one live event per year). The full-year 2019 guidance the Company

provided on April 25, 2019 assumed that the Company would generate significant revenue from these events—but by the date of the announcement of its 1Q2019 results, there was no indication if or when the next event would be held.

199. As part of the April 25, 2019 announcement, the Company issued a 2Q2019 guidance that was lower than consensus estimates, and analysts assumed that the guidance miss was driven by the possibility that the WWE would not host a live event in Saudi Arabia during the quarter. For example, analysts at Wolfe Research issued a report on April 25, 2019 stating: “Perhaps the Q2 OIBDA miss was because of the Saudi event. Since we haven’t heard any announcements on a Saudi event scheduled for Q2, perhaps THIS is the reason the guide missed expectations.” Analysts at MKM Partners similarly wondered whether “the near-term issue with 2Q guidance” was in part reflected by “the timing of its upcoming live event in Saudi Arabia”—adding that “we continue to anticipate positive news from upcoming international TV contracts.”

200. Ultimately, the third live event pursuant to the Saudi partnership, and the first in 2019, was held on June 7, 2019 in Jeddah—billed as the *Super ShowDown*—i.e., during 2Q2019. As with the prior events, controversy followed, and some of the WWE’s big-name stars again refused to participate, taking a stance against the country’s treatment of women and certain minority groups.

201. And with the prior matches, the *Super ShowDown* did not include any female wrestlers participating in the event. Reports emerged, however, that the WWE—in an attempt to address the repeated controversy—was working to persuade the SGSA to allow female wrestlers to take part in the Company’s next event in the country.

202. But even after the event, analysts and investors remained confused about the terms of the Saudi relationship, unsure of whether there would be a second event held in the

country in 2019. The lack of clarity about the 10-year partnership—and its terms—caught the attention of analysts.

203. For example, analysts at Wolfe Research stated in a June 12, 2019 report:

We were given no clarity on the Saudi Arabia events . . . We still don't know if there will be a 2nd Saudi event this year. There were two events in 2018 (April 27th and Nov. 2nd), which was the first year of WWE's 10-year partnership with the Kingdom. And rightly or wrongly, we all sort of assumed there would be two events in 2019. As we just said, the 1st was June 7th, but we still don't know if there will be another this year. Turns out, the partnership is technically for 1 event per year, but WWE negotiated a 2nd last year – and is in negotiations for another this year. From our conversations, it sounds like the Kingdom (not WWE) is in control here. The Saudis can change their minds at any point time, throwing the schedule into disarray.

204. The report further stated: “Investors are struggling on how to connect the dots to WWE's full year [guidance] . . . . Is there a second Saudi event? . . . These are questions that we can't answer because we have had no clarity from management at the moment, and both would significantly change the cadence depending on where they land.”

205. This left analysts scrambling to update their models heading into the release of the Company's 2Q2019 results, which they announced on July 25, 2019. Analyst commentary reveals the limited information investors were given about the WWE's dealings with the Saudis.

206. For example, analysts at Wolfe Research stated as follows in a July 22, 2019 report: “For Q2, we raised revenue but maintain our OIBDA. At the time of the Q1 print (4/25), we got a soft Q2 OIBDA guide and assumed one of the big Saudi events was pushed to Q3. Turns out, the Saudi event was in Q2 (on 6/7), which means the OIBDA miss was likely due to front-loaded investments. As a result, we shifted the ~\$50MM in Saudi rev. back into Q2 from Q3 but kept our Q2 OIBDA at \$22MM (vs. the \$19-24MM guide & Consensus' \$23MM).”

207. Ultimately, the Company announced on September 27, 2019 that it would hold the fourth live event pursuant to the 10-year partnership (and the second of 2019) on October 31, 2019—the return of the *Crown Jewel* event.

208. The October 31, 2019 event, held just hours after the Company’s earnings call in connection with its third-quarter 2019 financial results, sparked controversy. Indeed, after the event, numerous media reports emerged claiming that the Saudi government effectively detained a number of WWE wrestlers for approximately 6 hours, refusing to let them leave on a plane that was scheduled to depart back to the United States. The Company claimed that it was the result of a “mechanical issue.”

209. However, news outlets reported that flight delay was actually the result of a dispute between the WWE and the Saudi government. Sports Illustrated reported, for example: “WWE said the delay was ‘due to several aircraft problems including mechanical issues.’ Dave Meltzer reported Friday morning on his Wrestling Observer Radio show, however, that the holdup was not due to weather or a mechanical issue with the plane. Meltzer added on Twitter that ‘WWE had a problem in Saudi Arabia.’”<sup>46</sup>

210. According to reports, Defendant McMahon had become frustrated with the Saudi government for failing to make timely payments in connection with the live events—payments in the tens of millions of dollars—and in retaliation, Defendant McMahon cut the live broadcasting feed to the *Crown Jewel* event.

211. More specifically, a wrestling-focused website further detailed the growing tensions that led to the flight incident:

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<sup>46</sup> Dan Gartland, *WWE Plane Held in Saudi Arabia, Many Wrestlers to Miss ‘Smackdown,’* SPORTS ILLUSTRATED (Nov. 1, 2019), <https://www.si.com/wrestling/2019/11/01/wwe-smackdown-plane-delay-saudi-arabia>

According to [WWE Spanish commentator Hugo Savinovich], WWE was owed millions of dollars for two of the shows that the company held in Saudi Arabia (h/t to WrestlingNews.co). He said that the amount could be between \$300 to \$500 million, which sounds insanely high as WWE is estimated to generate \$40 - \$50 million per event in Saudi Arabia.

Savinovich said that Vince McMahon retaliated by cutting off the Crown Jewel live TV feed in Saudi Arabia. Savinovich said that The Crown Prince was so upset about the feed being cut off that he ordered the WWE talent to be taken off of the plane right before the flight was scheduled to take off. Savinovich asserted that this was not a hearsay rumor, and that he heard this from someone with direct knowledge of the situation.

WWE Co-President George Barrios revealed on last Thursday's Q3 earnings call that the company received a \$60 million payment "for an outstanding receivable" at the end of the quarter, although he did not provide specifics on where the payment came from. Crown Jewel also reportedly started nearly an hour later on the MBC Action network in Saudi Arabia than scheduled.<sup>47</sup>

212. The article also picked up on a revelation Defendant Barrios made during the October 31, 2019 earnings call, held in connection with the Company's third-quarter 2019 earnings announcement, when he noted that "subsequent to quarter end, we received a \$60 million payment for an outstanding receivable that would have resulted in year-over-year cash flow growth and positive free cash flow in the period had it been received during the quarter." Though Barrios did not specifically tie it to the Saudi government, news reports speculated that this reflected a delayed payment from the Saudi government that was supposed to be paid during the third quarter, but came in late—at some point between the close of the third quarter on

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<sup>47</sup> Raj Giri, *Rumor On Why WWE Talent Were Kept Stranded In Saudi Arabia*, WRESTLINGINC.COM (Nov. 2, 2019), <https://www.wrestlinginc.com/news/2019/11/rumor-on-why-wwe-talent-were-kept-stranded-in-saudi-arabia-661659/>

September 30, 2019 and October 31, 2019, the day of the *Crown Jewel* event.<sup>48</sup> Indeed, Defendant Barrios's statements on the Company's July 25, 2019 earnings call confirm that, at the time, the Company expected to have received this payment during the third-quarter 2019. Barrios stated that "because of the timing" of the June 7, 2019 event (which occurred late in the second quarter) the Company "expect[e]d to collect [payment] in the third quarter." However, as Barrios admitted on October 31, 2019 (and was later confirmed by WWE's Chief Accounting Officer), this payment did not come in until after the close of the third-quarter 2019—i.e., it was paid late.

213. Defendants have also since admitted that the Saudi government was late in making certain other payments to the WWE. According to Mark Kowal—the WWE's VP, Finance and Chief Accounting Officer who oversees the corporate accounting for payments the WWE receives from the Kingdom of Saudi Arabia for events held in the country—the Saudi government paid approximately \$6.5 million of reimbursable costs associated with the two events held in 2018 (the *Greatest Royal Rumble* on April 27, 2018 and the *Crown Jewel* held on November 2, 2018) *after* the close of 2018.

214. Moreover, with respect to the June 7, 2019 *Super ShowDown*, Kowal confirmed, as alleged above, that the Saudi government paid \$60 million owed for that event after the close of the third-quarter 2019 (which was later than the Company told investors on July 25, 2019 it expected the payment). In addition, Kowal admitted that an additional \$1.9 million owed in connection with the June 7, 2019 event was paid *even after* the October 31, 2019 *Crown Jewel* event and related "plane incident," (described below) confirming that fees were, in fact, owed at the time WWE personnel were held on the tarmac in Saudi Arabia. And finally, Kowal admits

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<sup>48</sup> Richard Morgan, *Saudi Arabia finally pays WWE for 'Crown Jewel' broadcasts* N.Y. POST (Nov. 4, 2019), <https://nypost.com/2019/11/04/saudi-arabia-finally-pays-wwe-for-crown-jewel-broadcasts/>



that outstanding fees in the amount of \$2.4 million are still owed to the WWE as of May 13, 2020, in connection with the October 31, 2019 *Crown Jewel* event.

215. Media reports further confirm that the Saudi government was routinely late in making payments to the WWE. Wrestling-focused websites cited an individual in contact with sources in the WWE who had stated “that every show [the Saudis] come up short on money owed by about a couple of million, and they provide the excuse of it being a ‘departmental issue’ and they promise to send the money within a short time frame later – but never do.” The reports continued: “So, there’s a belief within WWE that they are either getting screwed on the deal with Saudi Arabia or something else is going on – which I won’t speculate. I once again asked if women’s wrestling had anything to do with this and was once again told yes, partly.”

216. A former wrestler for the WWE, who performed for the Company as a wrestler from 2012 to April 2020 and who participated in the October 31, 2019 *Crown Jewel* event in Saudi Arabia, confirms the substance of these media reports. CW-2 explained that following the *Crown Jewel* October 31, 2019 event, he along with other WWE personnel were scheduled to leave the King Fahd International Stadium in Riyadh, Saudi Arabia (where the event was held) and head to a private airport to take a charter plane to Buffalo, New York for the *SmackDown* event which was scheduled for the next night. CW-2 stated that while his group was waiting to depart, Defendant McMahon, other WWE executives, and big-name talent such as Ric Flair and Hulk Hogan boarded different flights than the rest of the group and took off, appearing to be “in a hurry.”

217. CW-2 recalled that he was initially told the charter flight he was scheduled to leave on was delayed because the plane needed to be pulled around, and once they boarded, they were removed from the airplane after 20-30 minutes. CW-2 explained that he spoke with a

stewardess on the flight about the delay, who told him that “it seems someone doesn’t want us to leave the country.” CW-2 further explained that the pilot sounded “distressed” when he informed the passengers that the flight was unable to take off. CW-2 recalled that then they were told that it was because of mechanical issues, but he recalled seeing a “ton” of guards wearing black “militia” attire and wearing guns that were blocking their exit and “staring at the wrestlers.”

218. CW-2 became aware that something was wrong and explained that a number of the other personnel were referring to the event as a “hostage” situation.” CW-2 explained that he asked the Senior Director of Talent Relations, Mark Carrano, about what was going on and that Carrano told him that Crown Prince Mohammed bin Salman and McMahon had gotten into an argument over late payments in connection with the June 7, 2019 *Super ShowDown* event. Carrano also informed CW-2 that McMahon had cut the live feed for the *Crown Jewel* event and that this had made the Crown Prince “very mad.”

219. CW-2 advised the he and other WWE personnel looked into the prospect of booking flights on their own at a different airport for early the next morning. After a few hours, CW-2 explained, he and about 10-12 other wrestlers, cameramen, and agents were put on another flight to Buffalo. CW-2 further noted that at this point he wondered why if other planes were available that they did not get everyone out of Saudi Arabia.

220. CW-2 also heard that while on the plane, other wrestlers communicated back home that the military police were holding the wrestlers, and that McMahon didn’t air the first 30 minutes of the pay-per-view, and that as retaliation the Prince was holding them.

221. In addition, CW-2 recalled a number of wives being very concerned on social media and then when wrestlers returned home there were a lot of messages expressing how grateful they were to be home. CW-2 stated that after he returned, the WWE put out a letter that

attempted to remove all blame from the company and that, in his opinion, many wrestlers were scared of speaking out due to the limited job opportunities in the industry and the WWE's comparatively high salaries. CW-2 explained that many spoke on the condition of anonymity to journalists and the WWE denounced these stories as "conspiracies" and "laughable." Nevertheless, after the event, CW-2 said that he and a co-worker went straight to Talent Relations and said they would not go back to Saudi Arabia. CW-2 noted that other wrestlers tried to do the same but the WWE "abused" their "power" and threatened the future trajectory of their careers if they did not go.

222. Social media posts by other wrestlers also revealed frustration about being detained in Saudi Arabia post-event, while other more prominent wrestlers were allowed to leave. For example, Joe Hennig wrote on Twitter, "Not the #Top20? [middle finger emoji] I'm #1 at home! We don't leave each other behind. @WWE." Brodie Lee wrote on an Instagram post, "Larry, I'm home. I guess I didn't want it enough to pay for my own charter, but I'm home now. #NotTop20." Several other WWE stars commented on the post, expressing their distaste with the Company's handling of the situation. Even, AEW World Champion Chris Jericho responded: "Shame on you lazy embarrassments to the company . . . Glad everybody made it home safely!"<sup>49</sup>

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<sup>49</sup> Joshua Gagnon, *WWE Stars Venting On Social Media Over WWE's Statement About Saudi Arabia Delays*, WRESTLINGINC.COM (Nov. 3, 2019), <https://www.wrestlinginc.com/news/2019/11/wwe-stars-venting-on-social-media-over-wwe-statement-about-661671/>

**V. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS DURING THE CLASS PERIOD**

**A. Overview of Defendants' Fraudulent Conduct**

223. Lead Plaintiff alleges that the statements highlighted in *bold and italics* within this section were materially false and misleading because, among other reasons, they omitted to disclose material information of which Defendants were aware or were reckless in not knowing. As alleged herein, such statements artificially inflated or artificially maintained the price of WWE securities and operated as a fraud or deceit on all persons and entities that purchased or otherwise acquired those securities during the Class Period. Because Defendants chose to speak on the issues described below, it was important that they not mislead investors or withhold material information. As described below, Defendants created an impression of a state of affairs at WWE that differed in a material way from the one that actually existed.

**B. Defendants' Materially False and Misleading Statements and Omissions**

**1. February 7, 2019 – 4Q18 Financial Results**

224. The Class Period begins on February 7, 2019. On that date, before the market opened, WWE issued a press release announcing its fourth quarter and fiscal 2018 (“4Q18” and “FY18”) financial results for the period ended December 31, 2018 and providing fiscal year 2019 (“FY19”) financial guidance. The release stated that during FY18, WWE had successfully “[p]roduced new, large-scale international events (*Greatest Royal Rumble, Crown Jewel, and Super ShowDown*) and compelling content across platforms.” The press release also stated that WWE expected to achieve “Adjusted OIBDA of at least \$200 million” for the year, stating in pertinent part:

**Financial Outlook 2019**

*In 2019, WWE management expects the Company to achieve another year of record revenue of approximately \$1.0 billion and,*

as previously communicated, is targeting Adjusted **OIBDA of at least \$200 million**, which would also be **an all-time record** (up at least 12% from Adjusted OIBDA of \$178.9 million in 2018).

Management believes that increasing fan engagement over the next few years can enhance WWE's brand value and strengthen the Company's ability to optimize the value of its content over the long-term. **Given the potential magnitude of this opportunity and its importance to long-term growth, the Company plans to continue to invest in content, digitization and international development.**

\* \* \*

Achieving the targeted range of full year results assumes substantial revenue, which supports Adjusted **OIBDA of at least \$100 million** in the fourth quarter.

(Footnote omitted.)

225. On February 7, 2019, during the trading day, WWE held a conference call for analysts, media representatives and investors to discuss WWE's 4Q18 results. During the earnings call, which Defendants McMahon, Wilson and Barrios participated in, Defendant McMahon stated: "Our international revenue surpassed \$300 million for the first time in history . . . [as] we performed large-scale record-breaking events, [including] *Greatest Royal Rumble*."

226. On the call, Defendant Barrios tied the \$200 million adjusted OIBDA guidance to the Company's continued success and efforts in the Middle East region. He stated, in pertinent part:

So if we're moving revenue at a faster clip than we anticipate, we may put some additional investments in the fourth quarter but **all geared towards hitting that \$200 million in OIBDA for the year**. And as we talked about in the prepared remarks, **it really is on those areas of continuing to drive content, especially the localization of our current content and potentially local content in some of our key international markets. We just think that's a big addition to the flywheel that we've built**. We'll continue to invest in digital products and digitization kind of writ large, the network being kind of one of the largest manifestations of that. **And we'll continue to put more people, more kind of functional**

*roles in our key markets, in India, in the Middle East, in China, in Latin America. So that's what we're going to do. As we said again in the prepared remarks, we think there's a long tail for us in the monetization of content, both in the U.S. and outside the U.S. and we think the opportunity is one we want to make sure we take advantage of. In terms of the rights renewal process outside the U.S., obviously, there's a lot of key markets that we're still working on, U.K., India, China, Latin America, the Middle East. We'll announce those as the deals get done or shortly thereafter.*

227. On the call, Defendant Barrios added that *“we'll continue to focus on determining our distribution strategy in various international markets, and we expect to complete this work and provide additional perspective on our plans towards the first – end of the first half of 2019.”*

228. Similarly, on the call Defendant Barrios stated, in reference to the *“rights renewal process,” “it's fair to say that all the agreements will be completed substantively by the middle of the year, and so we'll announce those as they get done.* We're not going to put a specific date on any one agreement at this point.”

229. In addition, Defendant Barrios stated, *“We do want to get the international renewals completed.”* He stated, in pertinent part:

Yes, I'm going to stay away from your question on free cash flow conversion. I think there's some things we need to lock down before we can comment on that. *We do want to get the international renewals completed.* We want to have a little bit more visibility on our workplace strategy, the timing of that. So we'll stay away from that. I also will say, we have, when you look at our cash flow annually, there are timing elements around that. I tend to, myself, look at a 2- or 3-year average to smooth out, especially the working capital changes. But we're not going to peg a specific conversion number at this point for the reasons I mentioned.

230. On February 7, 2019, WWE also filed its FY18 Annual Report on Form 10-K with the SEC (“FY18 10-K”), which was signed by Defendants McMahon, Barrios and Wilson. Defendants McMahon and Barrios also certified the accuracy of the report pursuant to the

Sarbanes Oxley Act of 2002. The FY18 10-K emphasized the continuing importance of the Company's Saudi business dealings, stating in pertinent part as follows:

**Customers**

Our customers include content distributors of our media content through their networks and platforms, fans who purchase tickets to our live events, purchase our merchandise at venues or online through our eCommerce platforms and subscribers to WWE Network, advertisers and sponsors, consumer product licensees, and film distributors/buyers. *As noted elsewhere, we have several important partners, including NBCU who carries the domestic television distribution of Raw and, until October 2019, SmackDown Live, the Fox Network which beginning October 2019 will begin distributing SmackDown Live, and the General Sports Authority of the Kingdom of Saudi Arabia who, among other things, hosts our live events in the Middle East.*

231. In addition, the FY18 10-K emphasized the importance of the Saudi relationship, stating that “[i]n 2018, WWE embarked on an important long-term partnership with the General Sports Authority of the Kingdom of Saudi Arabia for, among other things, a series of live events in that region.” It also stated that WWE had “an important partnership with the General Sports Authority of the Kingdom of Saudi Arabia” that was then “*expected to continue to constitute a significant percentage of [WWE’s] revenues.*”

232. In the FY18 10-K, the WWE also identified the following relevant risk factors:

*Our failure to maintain or renew key agreements could adversely affect our ability to distribute our media content, WWE Network, our films and/or other of our goods and services, which could adversely affect our operating results.*

Our media 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 media 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.

As previously announced, we have reached an agreement under which beginning October 2019, the domestic distribution of our program, *SmackDown Live*, will move to broadcast television on the Fox Network. *Raw* will continue to be carried by NBCU on USA Network. We also have an important partnership with the General Sports Authority of the Kingdom of Saudi Arabia. These relationships are expected to continue to constitute a significant percentage of our revenues. The number of subscribers and ratings of television networks and advertising revenues in general have been reported as being impacted by viewers moving to alternative media 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 media 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 media content owners such as WWE. ***We have significant relationships outside the United States with distributors nearing the end of their terms, including in the United Kingdom, India, Latin America and the Middle East.*** 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 or replace these agreements on terms favorable to us could adversely affect our financial outlook, liquidity, business and/or operating results.

233. As a result of Defendants’ misrepresentations and omissions, WWE’s stock price was artificially inflated and/or artificially maintained. Indeed, Defendants’ statements drove the price of WWE’s shares up \$2.31 per share, or about 2.77%, to close at \$85.82 per share on February 8, 2019.



234. Defendants' statements contained in ¶¶224, 226–32 were materially false and/or misleading when made in that they failed to disclose that:

(a) OSN had informed the WWE in November 2018 that it would not renew its media rights agreement and the parties had entered into a settlement dated December 18, 2018 formally terminating the contract effective March 31, 2019, meaning the renewal of that particular media agreement for distribution of WWE's content in its key MENA market was impossible, and forcing the WWE to seek a new media partner for distribution of its content in the Middle East, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019;

(b) the Company's relationship with the Saudi government was under stress as a result of controversy the WWE faced for holding events in the country in 2018, as well as because the Saudi government had failed to make timely payments to the Company owed in connection with those events; and

(c) as a result of the foregoing, Defendants' public statements were materially false and misleading at all relevant times.

235. In addition, Defendants' risk disclosure at ¶232 was insufficient, and materially false and/or misleading for the additional reason that the WWE was warning of a risk that had already materialized, namely that the OSN agreement—one of the Company's key agreements—had already been cancelled and would terminate effective March 31, 2019.

236. Analysts at Wolfe Research stated in a February 7, 2019 report that WWE had a “Heckuva Q4 beat, but the read-thru on 2020 is what gets us excited.” The report also noted that “[t]he Saudi deal is proving to be an Intercontinental champ,” with “Rev., OIBDA, and EPS beat across the board . . . thanks to a Saudi partnership that has more juice than we imagined.” In

addition, analysts at MKM Partners stated: “Outperformance came almost entirely from the Media segment and likely reflected the positive impact associated with the Crown Jewel PPV event, which was held in Saudi Arabia as well as modest upside from TV rights.”

**2. February 26, 2019 – Company Conference Presentation**

237. On February 26, 2019, after the market close, Defendant Barrios presented to investors at the Morgan Stanley Technology, Media & Telecom Conference. He stated that the negotiations on the MENA distribution rights deal were “*ongoing*,” with a target to “*get that locked down by the middle of the year*.” He also stated that the “Middle East is now #2 in 2018 after the U.S.” in terms of gross monetization and that (referring to media-rights agreements) “*locking those down [is] obviously, important for us strategically because our distribution partners for the core content is a key part of the value creation for the business, important for us financially. We’ll have a lot of visibility over the next several years for a pretty significant portion of our revenue, so really important*.”

238. In response to a question from an analyst from Morgan Stanley about wrapping up negotiations on outstanding media rights deals and whether those deals would contribute revenue as soon as 4Q19, Defendant Barrios confirmed they would:

Benjamin Daniel Swinburne, Morgan Stanley, Research Division

Yes, and then just to wrap up on this – on the rights front. *Once we get all these deals done, revenue will step up nicely in '20 and in the fourth quarter this year*. These projects that you've got going on are stuff that you guys are making determinations that are worth spending money on.

George A. Barrios, Co-President & Director

*That’s right*

\* \* \*

Benjamin Daniel Swinburne, Morgan Stanley, Research Division

Okay. We're out of time. George, good luck with all the international renewals. I'm sure they'll visit.

George A. Barrios, Co-President & Director

Great. Guys, thank you.

239. Defendants' statements about contained in ¶¶237-38 were materially false and/or misleading for the same reasons set forth in ¶234.

**C. The Truth Begins to Emerge, But Defendants Continue to Mislead the Market**

**1. April 25, 2019 – 1Q19 Financial Results (First Partial Revelation of the Truth)**

240. On April 25, 2019, before the market opened, WWE reported disappointing first quarter 2019 ("1Q19") financial results, revealing that revenues had fallen year over year on notable declines in the live events and consumer products segments.

241. Notably, WWE announced lower than expected guidance for its second quarter of 2019 ("2Q19"). Specifically, a press release issued that day stated as follows: "For the second quarter 2019, **the Company estimates Adjusted OIBDA of \$19 million to \$24 million.**"<sup>50</sup> This range was significantly below analysts' consensus estimates of \$40 million. The Company's lower-than-expected guidance range reflected a partial revelation of the truth, and materialization of the undisclosed risk that, the WWE would not receive in 2Q19 the revenues associated with the OSN agreement, which, unbeknownst to investors, had expired on March 31, 2019 (i.e., the last day of 1Q19).

242. WWE blamed the absence of certain "Super Stars" for its poor performance that quarter, but several analysts subsequently tied the **disappointing results and guidance to**

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<sup>50</sup> Text that is **bolded and underlined** indicates the partial revelation of the truth or the materialization of previously undisclosed risks.

**potential delays in scheduling a live event in Saudi Arabia.** The Company also revealed a \$24 million uptick in accounts receivables, but falsely claimed that this reflected the ordinary timing of different events.

243. However, Defendants continued to conceal the full truth. Indeed, Defendants claimed that the weak second quarter guidance was the result of “the timing of strategic investments,” and affirmed the Company’s FY19 financial guidance, specifically with respect to the Adjusted OIBDA projection of “at least \$200 million,” which was dependent on the renewal of key international media-rights agreement, including the OSN agreement. Specifically, an April 25, 2019 press release stated in pertinent part as follows:

**Second Quarter 2019 Business Outlook**

For the second quarter 2019, the Company estimates Adjusted OIBDA of \$19 million to \$24 million. *This range of results represents a year-over-year decline in Adjusted OIBDA driven by increases in fixed costs, including the timing of strategic investments.*

**Financial Outlook 2019**

In 2019, WWE management is targeting another year of record revenue of *approximately \$1.0 billion and, as previously communicated, Adjusted OIBDA of at least \$200 million, which would also be an all-time record* (up at least 12% from Adjusted OIBDA of \$178.9 million in 2018).

*Achieving the targeted range of full year results assumes substantial revenue, which supports Adjusted OIBDA of at least \$100 million in the fourth quarter.*

(Footnote omitted.)

244. Moreover, this same press release included the following note in connection with its 2Q19 and FY19 guidance:

*The Company’s business model and expected results (including our outlook for the second quarter and rest of 2019) will continue to be subject to significant execution and other risks,*

***including risks relating to entering into, maintaining and/ or renewing key agreements, uncertainties associated with international markets and risks inherent in large live events, and the other risks outlined in the Company's Form 10-K filing with the SEC.***

245. Relatedly, on April 25, 2019, during the trading day, WWE held a conference call for analysts, media representatives and investors to discuss WWE's 1Q19 results. During the earnings call, which Defendants McMahon, Wilson and Barrios participated in, Defendants failed to detail how much revenue the Company would earn from the deal with the Saudis in 2019. Indeed, in response to a question from an analyst from Needham & Company about clarity on the deal with Saudi Arabia, Defendant Barrios utterly failed to disclose that the media rights deal with the OSN had been terminated and the Company had no media rights partnership in the MENA region at the time. Further, Barrios failed to disclose details about whether and when the Company would host a live event in Saudi Arabia.

Laura Anne Martin, Needham & Company, LLC, Research Division

And we do know you have – And we do know you have to do a Saudi deal this year, presumably you won't wait till the fourth quarter. So it's either in Ben's quarter in Q2 or in my quarter in Q3, right? It's got to be one of those 2 and that adds a bunch, right?

George A. Barrios, Co-President & Director

***Yes. So we're not going to talk about that, again, so you know, our guide obviously reflects the best assumptions, the best knowledge we have right now.***

Laura Anne Martin, Needham & Company, LLC, Research Division

Okay. And there's no other thing you'd cadence or anything you can point to in Q3 that would help us, right?

George A. Barrios, Co-President & Director

***Nothing specific, no.***

246. In addition, Defendants continued to conceal that the OSN media-rights agreement had expired on March 31, 2019, pursuant to a settlement the WWE and OSN reached on December 18, 2018—which maintained the artificial inflation in the price of WWE securities. Indeed, when asked during the associated April 25, 2019 earnings conference call about the ongoing negotiations over the Company’s international media rights agreements, including the OSN agreement, Defendant Barrios stated: “***[G]iven that we’re in the middle of these discussions, we’re going to stay away on commenting on them in any way, shape or form.***”

247. During the call, Defendant Barrios also assured the market that it expected to finalize the Company’s international media-rights agreements, including for the MENA region, during 2019, and that doing so would allow the Company to achieve year-over-year growth in 2020. Specifically, Defendant Barrios stated: “***We continue to expect strong year-over-year growth in 2020. As you know, we’re in the process of finalizing our distribution plans for Raw and SmackDown in several international markets. We expect to finalize these plans later this year and once we have done that and added visibility for 2020 and the rest of our business, we’ll provide additional perspective on our strategy, key initiatives, 2020 financial expectations as well as a longer-term financial model.***”

248. On this news, WWE’s stock price fell \$13.12 per share, or 13.31%, to close at \$85.38 per share on April 25, 2019, on unusually high volume of more than 10 million shares traded.

249. Defendants’ statements about contained in ¶¶243-47 were materially false and/or misleading for the same reasons set forth in ¶234.

250. In addition, Defendants’ statement in ¶244 regarding the risks associated with entering into, maintaining and/ or renewing key agreements was materially false and/or

misleading for the additional reason that the WWE was warning of a risk that had already materialized, namely that the OSN agreement—one of the Company’s key agreements—had already been cancelled and terminated effective March 31, 2019.

**2. May 14, 2019 – Company Conference Presentation**

251. On May 14, 2019, during the trading day, Defendant Barrios presented to investors at the J.P. Morgan Global Technology, Media and Communications Conference, and in response to a question about the pending international media rights agreements, stated:

***“obviously, there – we are in discussions in multiple markets around the world, so I don't want to characterize any 1 discussion.”***

252. Defendant Barrios’ statement contained in ¶251 was materially false and/or misleading for the same reasons set forth in ¶234.

**3. June 26, 2019 – Company Conference Presentation**

253. On June 26, 2019, while the market was open, Senior Vice President of Investor Relations Michael Weitz presented to investors at the 6th Annual Bernstein Future of Media Summit Conference, stating that the media deal in the Middle East is an “important deal[,]” and while not completed, he touted that ***“there are elements to those that we feel really good about.”***

He stated in pertinent part:

***We’ve also been very public that there’s another series of deals that are important to us right now. So we – just to answer your question about kind of what’s around the corner. The deals that we talked about U.K., India, China, Latin America and the Middle East. And so we put out some releases over the past 2 weeks that we’ve been successful in completing deals in the U.K., we’ve been successful in completing it in Latin America, and we’ve been successful, whom am I missing, in China. So those are the 3. So there’s still a few to go, India, in particular, and the Middle East, in particular. And by the way, next – somewhere down the path will be Germany. So those are coming and important deals for us. So we’re not going to talk terms, but there’s really interesting elements of those that become really important. The ability to expand reach through elements like free-to-air, the ability to offer – to commit our partners to localize content really important. That helps build the engagement. So the -- so***

*while I'm not talking about direct economic terms, there are elements to those that we feel really good about. So that's that. So...*

254. Defendant WWE's statement contained in ¶253 was materially false and/or misleading for the same reasons set forth in ¶234.

#### **4. July 25, 2019 – 2Q19 Financial Results**

255. On July 25, 2019, before the market opened, WWE reported its financial results for 2Q19, ended June 30, 2019. The release stated that, “[d]uring the quarter, WWE continued to demonstrate success in staging large-scale, action packed events for its fans, including . . . *Super ShowDown* in Jeddah, Saudi Arabia.” The *Super ShowDown* event had occurred on June 7, 2019, and the release touted the event as a major driver of WWE's results and portrayed the Company's successful operations in Saudi Arabia as a pillar of its FY19 financial guidance. The press release stated in pertinent part as follows:

George Barrios, Co-President, added “*In the quarter, our earnings exceeded guidance, however we anticipate a portion of this to reverse and we continue to target full-year Adjusted OIBDA of at least \$200 million. The guidance presupposes the staging of a second large scale international event and the completion of a media rights deal in the MENA region.* As we optimize near-term results, we will continue to focus on content creation, localization and digitization, including the evolution of our direct-to-consumer network, to drive long-term growth.”

#### **Second-Quarter Consolidated Results**

\* \* \*

**Adjusted OIBDA** (which excludes stock compensation) was \$34.6 million as compared to \$43.5 million and the Company's Adjusted OIBDA margin was 13% as compared to 15% in the prior year quarter, respectively. *The current period results exceeded guidance primarily due to enhanced revenue recognized in conjunction with the Company's recent event in Saudi Arabia, which is expected to reverse in connection with an anticipated fourth quarter event in that country.*

\* \* \*



**Cash flows used in operating activities** were \$7.6 million as compared to \$74.2 million of cash generated in the prior year quarter driven by unfavorable changes in working capital, *which was primarily related to the timing of the Saudi event in June as the prior year event was held in April*, as well as lower operating performance.

256. The release also stated that WWE had reached non-binding “*agreements in principle*” with the Saudi General Sports Authority on the broad terms” for a second large scale live event and a media rights deal for the MENA region. It stated in pertinent part:

**Financial Outlook 2019**

*The Company reiterated its full year guidance, which targets revenue of approximately \$1 billion and Adjusted OIBDA of at least \$200 million. This guidance assumes continued improvement in WWE’s engagement metrics, a second large scale event in the MENA region, and the completion of a media rights deal in the MENA region. The Company believes it has agreements in principle with the Saudi General Sports Authority on the broad terms for the latter two items;* however, this understanding is nonbinding. It is possible that either or both of these business developments do not occur on expected terms and/or that engagement does not improve as assumed. The Company has evaluated these potential outcomes and currently believes that the most likely downside to its Adjusted OIBDA would be approximately \$10 million to \$20 million below its current outlook.

*The Company’s full year guidance reflects strong fourth quarter results with substantial revenue growth from* both the Company’s new content distribution agreements in the U.S., which become effective in that period, *and the aforementioned media rights deal in the MENA region.*

(Footnote omitted.)

257. On July 25, 2019, during the trading day, WWE held a conference call for analysts, media representatives and investors to discuss WWE’s 2Q19 results. During the earnings call, which Defendants McMahon, Wilson and Barrios participated in, Defendant McMahon stated, with respect to the media-rights agreement in the Middle East: “Obviously,

there's India and MENA to do, and *we are going to be close to announcing those deals very soon.*"

258. Similarly, Defendant Barrios stated that, "[d]uring the quarter, we achieved adjusted OIBDA of \$34.6 million, which exceeded our guidance, *primarily due to enhanced revenue recognized in conjunction with our recent event in Saudi Arabia. That enhanced revenue is expected to reverse in connection with an anticipated fourth quarter event in that country.*"

259. During her prepared remarks, Defendant Wilson stated: "*During the quarter, we continue[d] to successfully stage large-scale events for our fans, including . . . Super ShowDown in Jeddah, Saudi Arabia.*"

260. Later in the call, Defendant Barrios provided more color on the Company's guidance and the positive impact of the Saudi relationship, stating in pertinent part as follows:

*For the full year, we continue to target record revenue of approximately \$1 billion and adjusted OIBDA of at least \$200 million. This guidance assumes continued improvement in our engagement metrics, a second large-scale event in the MENA region and the completion of a media rights deal in the MENA region. We believe we have agreements in principles with the Saudi – in principle with the Saudi General Sports Authority on the broad terms for the latter 2 items.* However, this understanding is nonbinding. It is possible that either or both of these business developments do not occur on expected terms and/or the engagement does not improve as assumed. We valued these potential outcomes and currently believe that [the] most likely downside to our adjusted OIBDA would be approximately \$10 million to \$20 million below our current outlook. *Our full year guidance reflects strong fourth quarter results, substantial revenue growth from both our new content distribution agreements in the U.S. which become effective in that period, and the aforementioned media rights deal in the MENA region.*

As you know, *we're in the process of finalizing our distribution plans for Raw and SmackDown in 2 international markets, India and the Middle East. As we stated in our last earnings call, we expect to finalize these plans later this year.*

261. Defendant Barrios added that, *“[i]n the Middle East, our pay TV agreement has been terminated, but our free-to-air agreement continues to be in place.”*

262. In response to an analyst question regarding “what’s going on in Saudi Arabia under the deal terms,” Defendant Barrios stated:

*Yes, so we just had an event on June 7. That event was part of the 10-year agreement that we've signed. And Laura, what we're saying is right now in our forecast, which is what suspends our guidance, our guidance is our internal forecast, we are assuming that we'll do a second event in the region and that we will also complete a media rights deal in the region. And if those 2 comes to fruition, we believe we'll hit our \$200 million. And what we're saying on the downside is, if some combination – obviously, it's not the ultimate downside case, but our best estimate of a downside case, around either those developments not coming to fruition or the engagement not improving to the level we expect it to, we estimate the most likely downside at \$10 million to \$20 million. On the free cash flow side in the quarter, because of the timing of the event and the accounts receivable, our collection of that, because it happens so much later in the quarter – last year, the MENA event happened on April 27. So we collected in the second quarter, so we didn't have an outstanding AR at the end of the quarter. This time, we expect to collect in the third quarter, which is why you see that. So you'll see that reverse.*

263. As a result of Defendants’ misrepresentations and omissions, WWE’s stock price was artificially inflated and/or artificially maintained. Indeed, Defendants’ statements drove the price of WWE’s shares up \$1.31 per share, or about 1.75%, to close at \$75.99 per share on July 26, 2019.

264. Defendants’ statements contained in ¶¶255–62 were materially false and/or misleading when made in that they failed to disclose that:

(a) the new media-rights agreement the WWE purportedly began negotiating in 2019 with a different media company owned, in part, by the Saudi government would not be completed in 2019, given how far apart the parties were at this point during their negotiations; and

(b) the Company's relationship with the Saudi government was under stress as a result of controversy the WWE faced for holding events in the country in 2018, as well as because the Saudi government had failed to make timely payments to the Company owed in connection with those events; and

(c) as a result of the foregoing, Defendants' public statements were materially false and misleading at all relevant times.

265. Analysts reacted positively to Defendants' statements and their guidance. Analysts at JP Morgan stated as follows in a July 25, 2019 report: "Overall, we view today's commentary and guidance positively." The report continued: "we're further encouraged to learn that the MENA deal is being negotiated with the Saudi General Sports Authority, whose ten year partnership with WWE clearly reflects interest in the content," and also stated that the WWE's "outlook is dependent on a second Saudi event and media rights agreement covering the MENA region (for which it has nonbinding understandings with the Saudi General Sports Authority)."

266. In addition, analysts at Guggenheim Securities gave WWE a "BUY" recommendation, stating that management's target of "at least" \$200 million in adjusted OIBDA for 2019 and a revenue target of approximately \$1 billion "assumes continued improvement in WWE's engagement metrics, a second event in Saudi Arabia (in 4Q), and a renewal for the TV rights in the MENA region." The report also stated that "WWE believes they have an agreement in principle with the Saudi General Sports Authority on the broad terms of the latter two items. If the second Saudi event and renewal of the MENA TV rights do not occur, management sees \$10-\$20mm downside risk to adjusted OIBDA."

**5. October 31, 2019 – 3Q19 Financial Results (Second Partial Revelation of the Truth)**

267. On October 31, 2019, before the market opened, WWE issued a press release providing the Company's third quarter 2019 ("3Q19") financial results. The press release stated that the Company's revenues and operating income had continued to decline year over year to \$186.3 million and \$6.4 million, respectively. The Company also announced that it was lowering its FY19 adjusted OIBDA guidance to a range of \$180 million to \$190 million due in large part to WWE's failure to complete a MENA distribution agreement with the Saudis. Specifically, the press release stated:

**The Company has modified its full year 2019 guidance to an Adjusted OIBDA range of \$180 million to \$190 million**, which would be an all-time record. **The change is attributable to the delay in completing a previously contemplated agreement in the MENA region and the impact of accelerated investment to support content creation.** *While the Company continues to work toward the completion of a MENA agreement, no assurances can be given in this regard. The Company expects to have clarity on this point in advance of providing guidance for 2020.*

268. On October 31, 2019, during the trading day, WWE held a conference call for analysts, media representatives and investors to discuss WWE's 3Q19 results. During the earnings call, which Defendants Wilson and Barrios participated in, Defendant Barrios reiterated that the new media rights agreement for the MENA region, announced on July 25, 2019, has not yet been completed. Barrios stated, in pertinent part:

**Our previous full year guidance, which targeted adjusted OIBDA of at least \$200 million, to continued improvement in our engagement metrics, second, large-scale event in the MENA region and the completion of a media rights deal in the MENA region.**

**Although we are holding a second large-scale event today in Riyadh, Saudi Arabia, our previously contemplated agreement for the region has not yet been completed.** Additionally, we've also accelerated investment to support the creation of our core In

Ring content, while reducing or delaying other expenses to lessen the impact of that spending.

**Given these developments, we've modified our full year guidance to an adjusted OIBDA range of \$180 million to \$190 million.**

269. On the call, Defendant Barrios reiterated that “*no assurances*” could be given that the deal would ever be completed.

270. In response to a question regarding whether the lowered guidance was related to the Saudi media deal, Defendant Barrios stated “**we had anticipated the deal would have been completed early in the quarter, it hasn't,**” and “**that has an impact on the guide.**”

David Karnovsky, JP Morgan Chase & Co, Research Division

On the lower outlook for 2019, I think there's been some confusion on the guide since you are holding the Crown Jewel event today. Can you bucket out the \$10 million to \$20 million between the Middle East deal, the performance of some areas that are more transactional and content investment? And then just on the pull forward of spend, can you just talk about where you're investing more in content now?

George A. Barrios

**Yes. So we can't bucket out within them. Giving a little bit more color, we had anticipated the deal would have been completed early in the quarter, it hasn't. So that has an impact on the guide.** And then as I mentioned, we brought forward some investments into our core In Ring content. As I said before, those investments really – or the production of that content really has 3 components. It has the creation of the storyline, second is attracting, developing and retaining talent, and then the third is the production elements that go into what our fans experience at the event and also what they watch on video. And so we accelerated some investments across all 3 of those core In Ring content elements.

271. In response to a question regarding whether the Saudi media deal was dead, Defendant Barrios confirmed that “*discussions are ongoing.*”

Eric Isaac Katz, Wolfe Research, LLC

Okay. And then I know it was mentioned in the release and you kind of said it upfront on the call regarding the deal that no

assurances can be given, and I know you can't guarantee a deal, but I guess the last line about insurances didn't necessarily need to be in there. So it sounds like to us, there's a scenario where a deal might not get done, even though there's an agreement in principle. So I guess maybe just trying to be clear on what are the sticking points that could potentially cause a deal to die, even though you have a 10-year partnership with the Kingdom?

Defendant Barrios

*Yes, I think it's like any other discussion you're having with a partner, you're trying to find a common ground that works for you. 3 months ago, we expected that deal to be finalized. As I characterized it now is discussions are ongoing. So I'll leave it at that. I'm not sure there's much more I can add than that. But I would say it's similar to all discussions, you're just trying to find common ground.*

272. On the call, Defendant Barrios added that *“we never really talked about a timeline on the MENA region so I'll stay away from that.”*

273. In addition, Defendant Barrios downplayed the payment issues with Saudi Arabia, specifically the delayed payment of the Crown Jewel event, stating *“Well, when the payment happens is different. So that's obviously on the cash flow side. So we haven't guided – we don't guide the cash flow. But you're right, the economics of the event, we expect to get reflected in Q4.”*

274. On this news, WWE's stock price fell \$10.40 per share, or 15.65%, to close at \$56.04 per share on October 31, 2019, on unusually high volume of more than 7.5 million shares traded.

275. Defendants' statements about contained in ¶¶267, 269, 271-73 were materially false and/or misleading when made in that they failed to disclose that:

(a) the new media-rights agreement the WWE began negotiating in 2019 with a different media company owned, in part, by the Saudi government would not be completed in

2019, nor was it reasonable for the Company to believe it would be completed in 2020, given how far apart the parties were at this point during their negotiations;

(b) WWE's relationship with the Saudi government was embroiled in conflict, in part, because the Saudi government and its affiliates were delayed in making approximately \$60 million owed to WWE pursuant to existing contractual commitments between the parties in connection with the June 2019 *Super ShowDown* event, as well as an additional nearly \$2 million owed even after the approximately \$60 million was ultimately paid; and

(c) as a result of the foregoing, Defendants' public statements were materially false and misleading at all relevant times.

276. Analysts were collectively critical of WWE, especially regarding the MENA deal, or lack thereof. For example, analysts at Wolfe Research stated as follows in an October 31, 2019 report:

Well, that was frustrating. Again. We're all in a tough spot because we have even less visibility into 2020 given the new overhang called MENA and the pull-forward of investment spend. We don't necessarily think the lower 2019 guide has an impact on 2020 – but we got nothing to go on, hence the stock's -16% reaction. What did we decide to do? Well, we lowered Q4 '19 to \$112MM vs. the \$108-118MM guide – so we now sit at \$185MM for 2019. We removed MENA from our 2020 and beyond – which took our revenue down by ~\$15MM annually (~1%). We also took out a recurring 2nd Saudi event - ~\$50MM in rev. and \$20MM in OIBDA. And we left our underlying expenses relatively unchanged (excl. the removal of a 2nd Saudi event), at ~+3%/y – recall that we incorporate ~+1% of regular opex and ~+2% of investment spend. This takes our '20 EBITDA down to \$439MM from \$475MM – we remind you that before this call, Consensus was at \$436MM.

How much is MENA? The prior deal with OSN ended earlier in 2019, which we estimate was ~\$9MM/yr. We were thinking that the new deal steps up 1.5x to around \$15MM/yr, which would all be incremental at this point. If we're right, then ~\$4MM of the Q4 miss is MENA-related.



277. Analysts at Evercore added that the lowered guidance was “attributed primarily to a delay in finalizing a new TV agreement in the Middle East and to some content investments pulled forward into 2019.”

278. Analysts at JP Morgan, in a November 1, 2019 report, continued to credit the decline of WWE’s share price with the “delay in signing a MENA television deal, which led to a reduction in 2019 OIBDA guidance from at “at least \$200m” to \$180-\$190m.” Yet analyst, like investors, were still led to believe the deal would get done soon—analysts at MKM Partners, for example, stated: “[t]he delay in completing a MENA region TV contract is frustrating and had a much bigger financial impact than we previously realized, but we believe a new deal will still get done some time soon.”

#### **6. November 4, 2019 – Press Release**

279. On November 4, 2019, after the close of the market and just days after the *Crown Jewel* live event in Riyadh, Saudi Arabia, which ended in a prolonged flight incident (*see* Section IV. J.), WWE issued a press release announcing that it had finalized a deal with the Saudi General Entertainment Authority (“GEA”) to add a second live event each year throughout the duration of the 10-year agreement. The press release also noted that “***WWE and GEA also continue to work towards the completion of a media agreement in the MENA region,***” stating in pertinent part:

Following the historic Crown Jewel event in Riyadh, WWE (NYSE: WWE) and the Saudi General Entertainment Authority (GEA) have expanded their live event partnership through 2027 to include a second annual large-scale event. ***WWE and GEA also continue to work towards the completion of a media agreement in the MENA region.***

***This long-term partnership demonstrates WWE and GEA’s commitment to bring sports entertainment to the region and supports Saudi Arabia’s Vision 2030.***

280. As a result of Defendants' misrepresentations and omissions, WWE's stock price was artificially inflated and/or artificially maintained. Indeed, Defendants' statements drove the price of WWE's shares up \$2.61 per share, or about 4.91%, to close at \$55.77 per share on November 5, 2019.

281. Defendants' statements contained in ¶279 were materially false and/or misleading when made in that they failed to disclose that:

(a) the new media-rights agreement the WWE began negotiating in 2019 with a different media company owned, in part, by the Saudi government would not be completed in 2019, nor was it reasonable for the Company to believe it would be completed in 2020, given how far apart the parties were at this point during their negotiations;

(b) WWE's relationship with the Saudi government was embroiled in conflict, in part, because the Saudi government and its affiliates were delayed in making approximately \$60 million owed to WWE pursuant to existing contractual commitments between the parties in connection with the June 2019 *Super ShowDown* event, as well as an additional nearly \$2 million owed even after the approximately \$60 million was ultimately paid;

(c) this tension became even more severe after the October 31, 2019 *Crown Jewel* event, when (as reported in the press and confirmed by a former WWE wrestler) Defendant McMahon and the Crown Prince had a dispute about delayed payments that ultimately resulted in a number of WWE wrestlers and personnel being detained for hours in Saudi Arabia following the event; and

(d) as a result of the foregoing, Defendants' public statements were materially false and misleading at all relevant times.

282. On November 5, 2019, analyst at Guggenheim Securities issued a report, giving WWE a buy recommendation and stating “Saudi Relationship Intact and Expanded; We Believe a Positive Sign for the MENA TV Deal.” The report added that after the *Crown Jewel* 2019 event, media reports had surfaced “that the relationship between WWE and the Saudis had become somewhat strained,” but “[w]e believe this announcement underscores that 1) the Saudi relationship remains intact, 2) it removes a source of uncertainty around modeling a second event, and 3) it bodes well for the MENA TV deal.”

**7. December 9, 2019 – Company Conference Presentation**

283. On December 9, 2019, while the market was open, Defendant Barrios presented to investors at the UBS Global TMT Conference. During the conference and in response to an analyst question regarding “international renewals,” Defendant Barrios continued to mislead the market about the prospects of completing the Saudi media deal, stating that it was still “*working through [the deal].*”

Unknown Analyst

Last question I got is probably one of your favorites. Any updates on international renewals, India, Middle East? Or when do you expect to have an update?

George A. Barrios

*Yes. I mean so we mentioned on the last call that we were working through those. So at this point, nothing really to update.*

284. Defendant Barrios’ statements about contained in ¶283 were materially false and/or misleading for the reasons set forth in ¶281.

**8. January 7, 2020 – Company Conference Presentation**

285. On January 7, 2020, after the market close, Defendant Barrios presented to investors at the Citi 2020 Global TMT West Conference. During the conference, Defendant

Barrios admitted that the Company prematurely announced the near completion of a media rights deal with the Saudi government in July 2019, stating in pertinent part:

*Yes. So – and probably the better way to describe it is, would be Middle East-North Africa rights, primarily for Raw and SmackDown. So we – which we’ve had agreements in that region, both free-to-air with MBC and Pay with OSN. In the second quarter, I believe we said when we confirmed or supported the guidance for full year 2019 was that one of the things that subtended that was our expectation of a new deal in the market. That didn’t come to fruition. So we talked about it in the third quarter that we continue to work with GSA on those rights. We think we’ll get a deal then, but it didn’t come to fruition in the time frame that we thought.*

286. Even at the time of this conference, analysts were still confused as to the various deals WWE had in Saudi Arabia, specifically asking for more details:

Unknown Analyst

Okay. But then that’s separate and apart from any sort of broadcast of live content in Saudi Arabia, it’s a totally separate deal. Is that right?

Defendant Barrios

Well, we have 2 agreements for 2 events that we’ve been doing large events. Those have media elements to those. But separate and apart from that, there’s the rights to the core content, which is Raw and SmackDown, and also the content that currently lives on WWE Network.

287. Defendant Barrios’ statements about contained in ¶285 were materially false and/or misleading for the reasons set forth in ¶281.

**9. January 30, 2020 – Defendants Barrios and Wilson Forced Out of Company (Third Partial Revelation of the Truth)**

288. On January 30, 2020, after the market close, WWE announced that **two of its most senior and longest serving executives, Defendants Barrios and Wilson, had abruptly left the Company.** Analysts and market commentators reacted with shock at the sudden loss of

two key figures who had long been part of the public face of the Company. For example, *Forbes* described the departures as a “bloodbath” that had caused “[p]anic and uncertainty” throughout WWE’s corporate offices.

289. In addition, WWE preannounced its 4Q19 results and revealed for the first time that it “**expects its full year 2019 Adjusted OIBDA to be approximately \$180 million**” which was at the lower end of guidance of \$180 million to \$190 million provided by the Company on October 31, 2019.

290. On this news, WWE’s stock price fell \$13.42 per share, or 21.54%, to close at \$48.88 per share on January 31, 2020, on unusually high volume of more than 19.4 million shares traded.

291. That day, analysts at Wolfe Research questioned whether “[management] defections reflect deeper issues.” The Wolfe Research report added: “[w]e truly didn’t see this one coming,” and “Co-Presidents George Barrios and Michelle Wilson . . . were instrumental to WWE’s strategy and growth over the last decade, and the timing makes it all the more surprising given earnings next week and a huge investor event expected in late-Feb.”

### **III. THE FULL TRUTH IS REVEALED**

292. The full truth about the Company’s inability to secure a media rights deal with the Saudi Arabian government and its effects on the Company’s revenues was not revealed until February 6, 2020 when the Company issued a press release, before the market opened, announcing disappointing financial results for 4Q19 and reduced guidance for full year 2020. The press release revealed that consumer engagement metrics had continued to deteriorate in the fourth quarter, and that the Company had achieved just \$180 million in adjusted OIBDA for the year (which was preannounced a week prior) due to the failure to complete the MENA distribution agreement with the Saudis. The press release stated in pertinent part:

**“For the year, we achieved record revenue and Adjusted OIBDA. However, with the delay in completing a Middle East distribution agreement as well as lower business performance than anticipated, our results were at the low-end of guidance,” added Frank Riddick, interim Chief Financial Officer. “As we work to strengthen engagement in 2020, we are pursuing several strategic initiatives that could increase the monetization of our content, including the distribution of content in the Middle East and India as well as strategic alternatives for our direct-to-consumer service, WWE Network. Excluding the potential impact of these initiatives, we expect significant revenue growth based on the full year impact of our new content distribution agreements in the U.S. and anticipate Adjusted OIBDA of \$250 to \$300 million. Management believes it has the potential to exceed this range, but is unable to provide additional guidance at this time.”**

293. Later in the day, WWE held a conference call for analysts, media representatives and investors to discuss its results. During the earnings call, in which Defendant McMahon and WWE’s CFO, Frank Riddick, participated in, Riddick confirmed that the Company’s 2020 financial guidance did not include any revenues related to a prospective MENA deal. When asked whether if “guidance for 2020 assumes . . . 0 revenues associated with your rights -- TV rights or media rights in India and the Middle East,” Riddick responded “Well, **on MENA, you’re correct.**”

294. Relatedly, when asked later in the call to confirm whether the MENA media-rights deal assumptions were included in the 2020 guidance, CFO Riddick confirmed that the MENA deal was not included—and, thus, if the deal was completed in 2020, it would be an addition to the projections: “Yes, we’re still pursuing those new agreements. And from our perspective, as quickly as we can get them done, that’s what we’re aiming for. And I think, as I explained earlier, the India rights are – we already have existing India rights and they are in the guidance because we’re already doing, being paid under that arrangement. It would be the increment on India. **But yes, there’s – for MENA, it would be an addition to their guidance.**”

295. Later in the call, an analyst asked: “[W]hat’s taking so long for the MENA and India because we thought those were going to be done like early in ‘19. And is there – do we have – will we be done by the end – will we be done with those deals by the end of the first quarter when you’re going to give us this comprehensive overview of WWE, do you think?”

296. In response, with respect to the MENA deal, interim CFO Riddick stated: “**The MENA rights, just the intricacies dealing with the Saudi Arabian government and their own ways of going about and doing business, I think we don’t want to predict a specific date. But as I said before, the uncertainty is around the timing and the amount, not that these deals will eventually be done.**”

297. Also on the call, referring now to the Company’s 2019 performance, Defendant McMahon stated: “**our performance was at the low end of recent guidance as we work through our Middle East distribution agreement and our ongoing efforts to strengthen our brand and customer engagement.**”

298. Finally, interim CFO Riddick disclosed that the Company’s WWE Network subscribers were down for 2019: “**WWE Network’s average paid subscribers decreased 10% to approximately 1.42 million . . . primarily by the impact of lower subscriber additions earlier in the year.**” This news reflected that the OSN deal had terminated earlier that year, meaning the Company lost WWE Network subscribers who previously had accessed it for free as OSN subscribers when the OSN deal was still in place.

299. On this news, WWE’s stock price fell another \$4.50 per share, or 9.18%, to close at \$44.50 per share on February 6, 2020, on unusually high volume of more than 15.5 million shares traded.

300. Analysts were shocked by the Company's disclosures regarding the MENA media rights deal. Wolfe Research stated that "[i]f we weren't shocked enough by the management departures last week, this morning's 2020 OIBDA guide capped it off," which was "below expectations" but did not include either the India or MENA deals, resulting in "[l]ots [o]f [q]uestions." Analysts at Wells Fargo characterized the situation "Just When We Thought It Couldn't Get Any Worse . . . ." A later published report by Wolfe Research stated that "[w]e've had enough of this ride...we're hopping off until we know more, and we can't trust this investor event at quarter-end will be smooth."

#### IV. POST-CLASS PERIOD EVENTS

301. On April 23, 2020, during the Company's conference call to discuss its 1Q2020 results, Defendant McMahon confirmed that a media rights agreement in the MENA region still had not been reached:

As far as Saudi is concerned, there is – they want to have – I'll get back to your question in a second, but they would love to have another huge event, WrestleMania-type event. We normally have 2 per year in Saudi. They of course are under the same constraints as we are here in the United States and everyone else is in this pandemic. So they are not too sure they're going to be able to give us the okay to perform in November or December. They really want us to because it represents a big, huge turn in what's allowed, what's not allowed as far as live event is concerned. So – but the good part about that is if in fact we don't perform, we'll just tackle on that event on the backside of our contract. So we're not going to lose the money. . . . **As far as the MENA rights is concerned, we're still working on those. Sometimes things move very slowly. And that's one of those things. We thought we would have our MENA rights done by now for sure. We don't. And there's some degree of uncertainty as to when that's going to happen.**

#### V. ADDITIONAL EVIDENCE OF SCIENTER

302. As alleged herein, WWE and the Individual Defendants acted with scienter in that they: (i) knew, or were deliberately reckless in not knowing, that the public documents and



statements issued or disseminated in the name of the Company were materially false and misleading; (ii) knew, or were deliberately reckless in not knowing, that such statements or documents would be issued or disseminated to the investing public; and (iii) knowingly (or with deliberate recklessness) and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth herein in detail, these Defendants, by virtue of their receipt of information reflecting the true facts regarding WWE, their control over, and/or receipt, and/or modification of WWE's allegedly materially misleading statements and/or their associations with the Company that made them privy to confidential proprietary information concerning WWE, participated in the fraudulent scheme alleged herein. The Individual Defendants personally oversaw the Company's negotiations with the Saudi government and held themselves out to investors as the Company representatives most familiar with the relationship. In particular, according to media reports and CW-2, Defendant McMahon gave the ultimate order to cut the live broadcast feed for the 2019 Crown Jewel event until the Saudis fulfilled their payment obligations for past events.

303. The following allegations support a strong inference of scienter:

- Statements of current and former WWE employees and others with knowledge corroborate that (1) the Company was informed in November 2018 that the media-rights agreement with OSN would not be renewed, requiring the Company to find a new partner to replace the OSN agreement, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019; (2) the Company's negotiations with the Saudi government—through MBC network—went nowhere; (3) the Saudi government routinely failed to make payments on time, including most significantly a \$60 million payment owed for the June 7, 2019 event held in Saudi Arabia; and (4) this sparked tensions between the parties, including a dispute following the October 31, 2019 *Crown Jewel* event;

- Expansion in the MENA region and the relationship with the Saudi government was an extremely important part of the Company's growth plans and Defendants spoke of it frequently;
- The Individual Defendants' stock sales during the Class Period were highly unusual and suspicious in timing and amounted to more than \$280 million; and
- The abrupt departures of Defendants Barrios and Wilson at the end of the Class Period.

**A. Statements of Current and Former WWE Employees and Others With Applicable Knowledge Establish Defendants' Scienter**

304. Current and former WWE employees and others with applicable knowledge confirm that (1) the Company was informed in November 2018 that the media-rights agreement with OSN would not be renewed, requiring the Company to find a new partner to replace the OSN agreement, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019; (2) the Company's negotiations with the Saudi government—through MBC network—went nowhere; (3) the Saudi government routinely failed to make payments on time, including most significantly a \$60 million payment owed for the June 7, 2019 event held in Saudi Arabia; and (4) this sparked tensions between the parties, which resulted in Defendant McMahon cutting the live broadcast feed to the October 31, 2019 *Crown Jewel* event and the Crown Prince retaliating by detaining WWE representatives and preventing them from leaving the country for hours following the event.

**1. WWE Employees Confirm That the Company Was Notified in November 2018 That the OSN Deal Was Being Prematurely Terminated**

305. According to Carlo Nohra, VP and General Manager of WWE – Middle East, who was the self-described principal point of contact with OSN regarding the applicable media-rights agreements, in early 2018, OSN became delinquent in the payments of rights fees to the WWE. Nohra explained that in September 2018, WWE sent OSN a "Notice of Material Breach"

based on the delinquent payments. OSN responded with a letter dated November 5, 2018, in which OSN's general counsel informed the WWE that OSN was contemplating the future long-term funding of its business and hoped to respond to the WWE about the missed payments after an upcoming Board meeting.

306. According to Nohra, in November 2018, OSN sent the WWE an unsolicited settlement proposal, in which OSN's general counsel informed the WWE that it intended to exit its sport content business and conclude its sports coverage in early 2019. Negotiations followed, and, according to Nohra, the WWE and OSN entered into a settlement agreement dated December 18, 2018, pursuant to which OSN and WWE agreed to the early termination of their media-rights agreements effective March 31, 2019, and OSN agreed to pay WWE all rights fees owed for 2018 and through March 31, 2019.

307. This timeline is further confirmed by Andrew Warkman—who is the WWE's current VP and General Manager of WWE UK & Ireland, but who worked at OSN through March 2019. Warkman explained that, in his role at OSN, he was responsible for managing the OSN's relationship with the WWE. Warkman states that by 2018, OSN's business was struggling, and the OSN Board made the decision to shut down the network's sport channels. Warkman was directed to discuss early terminations and settlements with OSN's sports rights holders, including the WWE. According to Warkman, on December 18, 2018, the WWE and OSN entered into a settlement agreement pursuant to which OSN and WWE agreed to the early termination of their operative agreements effective March 31, 2019.

308. Thus, Defendants knew in November 2018, or were deliberately reckless in not knowing, that the OSN agreement would not be renewed—despite Defendants' Class Period statements to the contrary.

**2. An MBC Representative Confirms That the WWE and the Saudi Government Were Far Apart in Their Negotiations For a Media Rights Deal As Late As Fall 2019**

309. CW-1, who joined MBC in Fall 2019, confirms that the WWE and MBC—who negotiated on the behalf of the Saudi government—were far from reaching an agreement on the terms of a media-rights deal as late as Fall 2019, indicating that Defendants knew, or were deliberately reckless in not knowing, even before then that finalizing agreement by the end of 2019, or even well into 2020, was not reasonably expected.

310. CW-1 explained that he worked on a feasibility study, which had begun at some point before his hiring, on the possibility of a broadcast partnership between WWE and his new employer, MBC. Specifically, CW-1 had to estimate the “value of a partnership” between the two companies.

311. By the fall of 2019, MBC and the WWE were still worlds apart in terms of projected WWE subscribers as well as the annual licensing fees. CW-1 recalled that WWE had wildly unreasonable expectations of the revenue it expected from a potential broadcast partner. It proposed an \$80 million annual licensing fee for its projection of 100 million-plus “OTT” subscribers, which were based on the large number of OSN subscribers who watched WWE.

312. CW-1 called this audience estimate “optimistic.” He added that even though MBC is a “free-to-air,” or FTA, broadcaster (like CBS or ABC in the United States), MBC projected far fewer viewers of WWE content. CW-1 confirmed that, according to his research and analysis, MBC projected, 6.5 million WWE subscribers, at most. According to CW-1, WWE rejected this low subscriber figure, so MBC raised it somewhat—first to 10 million to be cooperative, and then finally to 15 million. But this was only to please WWE, not because MBC felt the projections were realistic. WWE then reduced its licensing fee ask to \$50 million. However, MBC felt it could not go above \$14.5 million. CW-1 said he was told by someone in another

MBC department—perhaps accounting or finance—that MBC and WWE concluded their negotiations due to the difference in “numbers.”

**3. WWE’s Chief Accounting Officer Confirms Media Reports That The Saudi Government Was Late in Making Payments in Connection With Live Events**

313. Defendants have also since admitted that the Saudi government was late in making certain payments to the WWE in connection with live events held in Saudi Arabia in 2018 and 2019.

314. According to Mark Kowal—the WWE’s VP, Finance and Chief Accounting Officer who oversees the corporate accounting for payments the WWE receives from the Kingdom of Saudi Arabia for events held in the country—the Saudi government paid approximately \$6.5 million of reimbursable costs associated with the two events held in 2018 (the *Greatest Royal Rumble* on April 27, 2018 and the *Crown Jewel* held on November 2, 2018) *after* the close of 2018.

315. Moreover, with respect to the June 7, 2019 *Super ShowDown*, Kowal confirmed that the Saudi government paid \$60 million owed for that event *after the close of the third-quarter 2019*, which was later than when the Company told investors it would receive the payment. Specifically, Defendant Barrios told investors on July 25, 2019 that the Company expected to receive this payment *during the third-quarter 2019*.

316. In addition, Kowal admitted that an additional \$1.9 million owed in connection with the June 7, 2019 event was paid *even after* the October 31, 2019 *Crown Jewel* event (and the reported plane-detention incident), confirming that fees were, in fact, owed at the time WWE personnel were detained in Saudi Arabia. And finally, Kowal admits that outstanding fees in the amount of \$2.4 million are still owed to the WWE as of May 13, 2020, in connection with the October 31, 2019 *Crown Jewel* event.

**4. A Former WWE Wrestler Confirms He and Other Wrestlers Were Detained in Saudi Arabia Following the October 31, 2019 Crown Jewel Event as Part of a Dispute Between the Crown Prince and Defendant McMahon**

317. A former wrestler for the WWE, who performed for the Company as a wrestler from 2012 to April 2020 and who participated in the October 31, 2019 *Crown Jewel* event in Saudi Arabia, confirms that (as reported in the media) WWE representatives were detained in Saudi Arabia following the event. The allegations confirm that Defendant McMahon cut the live feed to the broadcast of the *Crown Jewel* 2019 event in response to delayed payments the Saudi government owed the WWE—and in retaliation, the Crown Prince ordered certain WWE representatives to be held in the country for a few hours.

318. Specifically, CW-2 explained that following the *Crown Jewel* October 31, 2019 event, he along with other WWE personnel were scheduled to leave the King Fahd International Stadium in Riyadh, Saudi Arabia (where the event was held) and head to a private airport to take a charter plane to Buffalo, New York for the *SmackDown* event which was scheduled for the next night. CW-2 stated that while his group was waiting to depart, Defendant McMahon, other WWE executives, and big-name talent such as Ric Flair and Hulk Hogan boarded different flights than the rest of the group and took off, appearing to be “in a hurry.”

319. CW-2 recalled that he was initially told the charter flight he was scheduled to leave on was delayed because the plane needed to be pulled around, and once they boarded, they were removed from the airplane after 20-30 minutes. CW-2 explained that he spoke with a stewardess on the flight about the delay, who told him that “it seems someone doesn’t want us to leave the country.” CW-2 further explained that the pilot sounded “distressed” when he informed the passengers that the flight was unable to take off. CW-2 recalled that then they were told that

it was because of mechanical issues, but he recalled seeing a “ton” of guards wearing black “militia” attire and wearing guns that were blocking their exit and “staring at the wrestlers.”

320. CW-2 became aware that something was wrong and explained that a number of the other personnel were referring to the event as a “hostage” situation.” CW-2 explained that he asked the Senior Director of Talent Relations, Mark Carrano, about what was going on and that Carrano told him that Crown Prince Mohammed bin Salman and McMahon had gotten into an argument over late payments in connection with the June 7, 2019 *Super ShowDown* event. Carrano also informed CW-2 that McMahon had cut the live feed for the *Crown Jewel* event and that this had made the Crown Prince “very mad.”

321. CW-2 advised the he and other WWE personnel looked into the prospect of booking flights on their own at a different airport for early the next morning. After a few hours, CW-2 explained, he and about 10-12 other wrestlers, cameramen, and agents were put on another flight to Buffalo. CW-2 further noted that at this point he wondered why, if other planes were available, that they did not get everyone out of Saudi Arabia.

322. CW-2 also heard that while on the plane, other wrestlers communicated back home that the military police were holding the wrestlers, and that McMahon didn’t air the first 30 minutes of the pay-per-view, and that as retaliation the Prince was holding them.

323. CW-2 recalled a number of wives being very concerned on social media and then when wrestlers returned home there were a lot of messages expressing how grateful they were to be home. CW-2 stated that after he returned, the WWE put out a letter that attempted to remove all blame from the company and that, in his opinion, many wrestlers were scared of speaking out due to the limited job opportunities in the industry and the WWE’s comparatively high salaries. CW-2 explained that many spoke on the condition of anonymity to journalists and the WWE

denounced these stories as “conspiracies” and “laughable.” Nevertheless, after the event, CW-2 said that he and a co-worker partner went straight to Talent Relations and said they would not go back to Saudi Arabia. CW-2 noted that other wrestlers tried to do the same, but the WWE “abused” their “power” and threatened the future trajectory of their careers if they did not go.

**B. Expansion in the Middle East and North Africa Region and the Relationship With the Saudi Government Were Extremely Important Parts of The Company’s Growth Plans and Defendants Spoke of It Frequently**

324. Given the multitude of statements concerning expansion in the Middle East and North Africa Region during the Class Period, the size and importance of the MENA region to the Company generally, and the importance of the relationship with the Saudi government, it is unreasonable to think that the Individual Defendants, who were also responsible for tracking and/or reporting WWE’s revenue by region, would be unaware of the deteriorating conditions in WWE’s main relationships in that region.

325. Indeed, at the start of the Class Period on February 7, 2019, the Company revealed the Middle East grew to become the Company’s second largest market by monetization.

326. What’s more, Defendants had told investors in 2018 that the Company expected to significantly grow its revenues earned on media-rights agreements in its seven largest markets, including the Middle East, over the next two years. Indeed, months before the start of the Class Period, on June 27, 2018, Defendants told investors that the Company “expects [that] revenue from existing and new ‘key content agreements,’ . . . will grow to approximately \$311M in 2019 and \$462M in 2021,”<sup>51</sup> and a related presentation disclosed that the Company projected WWE’s

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<sup>51</sup> “WWE’s ‘key content agreements’ reflect the licensing of WWE’s flagship programs, Raw and SmackDown in the U.S., U.K., India, Canada, LATAM, Middle East and South Africa.” June 27, 2018 Conference Call Presentation.



“*total* revenue from ‘key content agreements’ [to] increase to \$314M in 2019 and \$542M in 2021.”

327. For this reason, heading into the Class Period, investors were heavily focused on the numerous media rights agreements up for renewal, including the agreement covering the MENA region. Indeed, on February 5, 2019, for example, days before the start of the Class Period and the announcement of the Company’s full-year 2018 results, analysts at JP Morgan issued a report stating that “[a]s with recent quarters, we expect investor focus to be less on the results, and more on any window into the company’s ongoing core content renewals.” Likewise, analysts at Morgan Stanley noted in a February 8, 2019 report that, “the outcome of upcoming int’l TV rights renewals” as one of the two “keys to making 2019 another year of outperformance.”

328. Defendants therefore touted the importance of renewing and finalizing its media-rights agreements in its largest markets, including the Middle East, and investors were heavily focused on it, with analysts calling it one of the two issues of importance heading into 2019. Defendants therefore must have been aware of the status of those negotiations.

329. Defendants also spoke frequently during the Class Period about the importance of the relationship with the Saudi government and their ongoing negotiations to finalize a media rights agreement. In fact, on July 25, 2019, Defendants specifically tied the Company’s ability to meet its full-year 2019 guidance to the WWE’s negotiations with the Saudi government. Specifically, a press release issued that day stated: “The Company reiterated its full year guidance, which targets revenue of approximately \$1 billion and Adjusted OIBDA of at least \$200 million. This guidance assumes continued improvement in WWE’s engagement metrics, a second large scale event in the MENA region, and the completion of a media rights deal in the

MENA region. The Company believes it has agreements in principle with the Saudi General Sports Authority on the broad terms for the latter two items.” Because the Company’s full-year guidance depended on the outcome of these negotiations, Defendants had to have been aware of the status of those discussions.

330. Finally, the financial success achieved in 2018 as a result of the Company’s 10-year partnership with the Saudi government meant that the relationship was critical to the WWE’s financial future—demonstrating that Defendants had to have been aware of developments affecting that relationship. Indeed, market participants estimated that the *Greatest Royal Rumble* (held in April 2018) and the *Crown Jewel* (held in November 2018) together generated revenues for the Company in the range of \$70 to \$80 million.<sup>52</sup> These results are especially significant considering that the Company announced that its revenues for 2018 were “*the highest in the Company’s history*,” increasing 16% from the prior year to \$930.2 million, The Company also announced that “international revenue increased 58% to \$317.8 million from \$201.3 million in the prior year, the highest in the Company’s history and the first-time international revenue has exceeded \$300 million.”

331. Given the critical importance of the MENA region to WWE’s overall business and projected growth, including specifically the importance of finalizing a new media-rights agreement in the region, the problems detailed herein could not have occurred without the Individual Defendants’ knowledge and approval.

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<sup>52</sup> Raj Giri, *How Much WWE May Have Made With Saudi Arabia Deal In 2018*, WRESTLINGINC.COM (Feb. 7, 2019), <https://www.wrestlinginc.com/news/2019/02/how-much-wwe-may-have-made-with-saudi-arabia-deal-in-2019-650684/>

**C. The Individual Defendants' Stock Sales During the Class Period Were Highly Unusual and Suspicious**

332. Defendants McMahon, Barrios, and Wilson engaged in stock sales during the Class Period that were suspiciously timed and dramatically out of line with their prior trading practices. As a result of these Class Period trades, these Defendants profited from the artificial inflation embedded in the trading price of WWE stock caused by their false and misleading statements and omissions to investors during the Class Period. Many of these insider sales occurred right before the April 25, 2019 partial revelation of the truth and before Defendants disclosed that OSN had prematurely terminated its media rights agreement with WWE, all while WWE stock was trading near Class Period highs, and shortly before substantial declines in the price of the stock.

**1. The Value and Amount of Trading by the Individual Defendants Was Highly Unusual**

333. The Class Period sales of WWE stock by Defendants McMahon, Barrios, and Wilson were highly unusual and suspicious as measured by (i) the total amount of shares sold, (ii) the percentage of shares sold compared to the number of total shares available for sale during the Class Period, (iii) the contrast with the Individual Defendants' own prior trading history, and (iii) the timing of the sales. Such sales therefore raise a strong inference of scienter.

334. To evaluate the Individual Defendants' selling activity, Lead Plaintiff used the publicly available trading data that the Individual Defendants are required to report to the SEC on Form 4. Lead Plaintiff analyzed the trading by the Individual Defendants during the Class Period and during the equal-length period immediately preceding the Class Period beginning February 8, 2018 to February 6, 2019 (the "Control Period"). The Forms 4 filed during the Class Period and Control Period are hereby incorporated by reference, and a summary of the relevant transactions are set forth in Appendix A, annexed hereto.

335. To analyze the Individual Defendants' sales, Lead Plaintiff calculated the total sales by each of the Individual Defendants, together with the cash proceeds from such sales, during the Control and Class Periods. Those totals were then compared to identify whether Individual Defendant's sales during the Class Period were consistent with their sales during the Control Period. The Individual Defendants' specific trading dates also were evaluated compared to the dates the truth was revealed. All of these analyses reveal that Defendants' McMahon, Barrios, and Wilson's Class Period sales were extremely large, highly unusual, and suspicious.

**CLASS PERIOD AND CONTROL PERIOD TRADING BY  
INDIVIDUAL DEFENDANTS**

**CLASS PERIOD TRADING**

2/7/19 – 2/5/20

Defendant	Number of WWE Shares Sold	Proceeds
Barrios (George A.)	114,678	\$8,583,891.64
McMahon (Vincent K)	3,204,427	\$261,000,579.15
Wilson (Michelle D)	158,134	\$10,958,686.20
<b>Total Shares Sold During Class Period and Proceeds</b>	<b>3,477,239</b>	<b>\$ 280,543,156.99</b>

**CONTROL PERIOD TRADING**

2/8/18 – 2/6/19

Defendant	Number of WWE Shares Sold	Proceeds
Barrios (George A.)	329,685	\$26,436,521.72
McMahon (Vincent K)	306,000	\$22,866,523.71
Wilson (Michelle D)	140,000	\$11,204,200.00
<b>Total Shares Sold During Control Period and Proceeds</b>	<b>775,685</b>	<b>\$ 60,507,245.43</b>

**(a) *The Nominal Amount and Percentage of WWE Holdings Sold  
Were Extremely Large***

336. The proceeds from shares sold during the Class Period by Defendants McMahon, Barrios, and Wilson were extremely large.

337. Defendant McMahon sold 3,204,427 shares of WWE stock during the Class Period for proceeds of more than \$261 million. In addition, during the Class Period, 12,627 shares of McMahon's WWE stock worth \$886,794 were withheld by the Company to pay for his

personal taxes in connection with Company-issued stock. *Through these transactions, McMahon disposed of approximately 10.1% of his total shares that were available for sale during the Class Period.*

338. Defendant Wilson sold 158,134 shares of WWE stock during the Class Period for proceeds of approximately \$11 million. In addition, during the Class Period, 65,318 shares of Wilson's WWE stock worth \$4.6 million were withheld by the Company to pay for her personal taxes in connection with Company-issued stock. *Through these transactions, Wilson disposed of 100% of the total shares, including vested stock units, she had available for sale during the Class Period.*

339. Defendant Barrios sold 114,678 shares of WWE stock during the Class Period for proceeds of more than \$8.6 million. In addition, during the Class Period, 64,497 shares of Barrios' WWE stock worth \$4.5 million were withheld by the Company to pay for his personal taxes in connection with Company-issued stock. *Through these transactions, Barrios disposed of approximately 74.1% of the total shares, including vested stock units, he had available for sale during the Class Period.*

**(b) Defendants McMahon's and Wilson's Stock Sales Were Inconsistent With Prior Trading Practices**

340. Defendants McMahon's and Wilson's Class Period stock sales were not only large in terms of proceeds, but also inconsistent with these Defendants' own prior selling activity during the Control Period.

341. Collectively, Defendants McMahon, Barrios, and Wilson increased their total stock sales by almost **348%** from 775,685 shares sold during the Control Period to 3,477,239 shares sold during the Class Period.

342. The contrast between sales during the Control Period and the Class Period also is striking when measured in dollars. ***Collectively, proceeds from Defendants' sales increased almost five-fold during the Class Period, from approximately \$60.5 million during the Control Period to \$ 280.5 million during the Class Period.***

343. Individually, Defendants McMahon and Wilson's sales also increased during the Class Period. During the Class Period, Defendant McMahon sold approximately 10 times as many shares during the Class Period as compared to the number of WWE shares he sold during the Control Period. ***Moreover, Defendant McMahon's proceeds from WWE sales increased by more than 1000% during the Class Period***—from \$ 22.9 million during the Control Period to \$261 million during the Class Period.

344. During the Class Period, Defendant Wilson sold approximately 13% more shares than during the Control Period from 140,000 shares to 158,134.

**(c) *The Timing of the Stock Sales Was Suspicious***

345. Defendants McMahon, Barrios, and Wilson's sales of stock were suspiciously timed in large measure because they sold a vast number of shares after they learned of materially adverse information, but before the public disclosure of that same adverse information.

346. Most notably, Defendant McMahon sold more than 3.2 million WWE shares for over \$261 million in gross insider trading proceeds on March 27, 2019, with only a few days left in the Company's disappointing 2019 first quarter and while Defendant McMahon had known, or was deliberately reckless in not knowing, that OSN had informed the WWE in November 2018 that it would not renew its media rights agreement and the parties had entered into a settlement dated December 18, 2018 formally terminating the contract effective March 31, 2019—meaning the renewal of that particular media agreement for distribution of WWE's content in its key MENA market was impossible, forcing the WWE to seek a new media partner for distribution of

its content in the Middle East, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019.

347. Defendant Barrios also sold shares after learning, or recklessly disregarding, that the OSN agreement would be terminated early, on March 31, 2019, meaning the renewal of that particular media agreement for distribution of WWE's content in its key MENA market was impossible, forcing the WWE to seek a new media partner for distribution of its content in the Middle East, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019.

348. These sales by Defendants McMahon, Barrios, and Wilson are also suspicious because they were made while they knew, or were deliberately reckless in not knowing, that the Company's relationship with the Saudi government was under stress as a result of controversy the WWE faced for holding events in the country in 2018 and 2019, as well as because the Saudi government had failed to make timely payments to the Company owed in connection with those events.

## **2. The Presence of 10b5-1 Trading Plans Adopted by the Individual Defendants Does Not Absolve Defendants of Liability**

349. Rule 10b5-1, 17 C.F.R. § 240.10b5-1 provides that a person will be deemed to have traded "on the basis of" material non-public information if the person engaging in the transaction was "aware of" that information at the time of the trade. To provide a safe harbor under the "aware of" standard, the SEC created an affirmative defense to insider trading claims for trades made pursuant to a binding agreement or plan ("10b5-1 Plans" or "Plans"). *See Selective Disclosure and Insider Trading*, 65 Fed. Reg. 51,716, at 51,727-28 (Aug. 24, 2000). Pursuant to SEC Rule 10b5-1(c), a 10b5-1 Plan is a defense to insider trading liability **only** if it is entered into by an insider "**[b]efore becoming aware**" of inside information, and was



established “in good faith and not as part of a plan or scheme to evade the prohibitions” against insider trading.

350. Because of this, insiders are advised to “design a trading plan with the intention that it will not be modified or amended frequently, since changes to the plan will raise issues as to a person’s good faith.” Thomson West, *Corporate Counsel’s Guide to Insider Trading and Reporting* § 12:26 (2006). Conversely, the adoption and/or modification of these Plans while in possession of material non-public information is highly suspicious and supports a strong inference of scienter.

351. Although some of the Individual Defendants’ stock sales may have been made pursuant to 10b5-1 Plans, the circumstances of those sales are sufficiently suspicious to overwhelm any exculpatory inference that might otherwise have been available to pre-planned sales based on such Plans. Indeed, even if the Individual Defendants had entered into 10b5-1 Plans prior to the Class Period and traded within them consistently throughout the Class Period, such Plans are under heavy SEC scrutiny in light of a *Wall Street Journal* investigation that found that insiders who were trading pursuant to 10b5-1 Plans were still trading at opportune times and reaping better-than-expected results. According to the November 27, 2012 *Wall Street Journal* article, written by Susan Pulliam & Rob Barry, entitled “*Executives’ Good Luck in Trading Own Stock*,” executives trading pursuant to 10b5-1 Plans are still able to time their trades to avoid losses and increase earnings because trading plans are not public and can be canceled or amended at any time without disclosure.

352. Moreover, there is nothing on the face of Defendant McMahon’s Form 4 for the March 27, 2019 sale of 3,204,427 shares that indicates that sale was pursuant to any 10b5-1 Plan.

353. Accordingly, Defendants McMahon, Barrios, and Wilson’s trading behavior during the Class Period raises a strong inference of suspicious and unusual trading activity and their trading plans do not provide these Defendants with a safe harbor.

**D. The Abrupt Departures of Defendants Barrios and Wilson at the End Of The Class Period Provides Strong Evidence Of Scienter**

354. On January 30, 2020, WWE announced that two of its most senior and longest serving executives, Defendants Barrios and Wilson, had abruptly left the Company. Forbes characterized the departures as “firings,” describing the situation as a “bloodbath” that had caused “[p]anic and uncertainty” throughout WWE’s corporate offices.<sup>53</sup> Defendant McMahon even referred to the change as a “management transition” on the fourth-quarter 2019 earnings call held days later, on February 6, 2020.

355. On news of these high-level departures, the price of WWE stock declined \$13.42 per share, or 21.54%, to close at \$48.88 per share on January 31, 2020.

356. The abrupt nature of Barrios and Wilson’s departure from WWE—mere days before the announcement of the disappointing financial results in the fourth quarter—provides additional evidence of scienter.

**VI. CONTROL PERSON ALLEGATIONS**

357. The Individual Defendants, by virtue of their high-level positions with the Company, directly participated in the management of the Company and were directly involved in the day-to-day operations of the Company at the highest levels. The Individual Defendants participated in drafting, preparing, and/or approving the public statements and communications

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<sup>53</sup> Alfred Konuwa, *WWE’s Stock Implodes Amid Barrios And Wilson Firings, ‘Uncomfortable’ Vibe In Stamford*, FORBES (Jan. 31, 2020), <https://www.forbes.com/sites/alfredkonuwa/2020/01/31/wwes-stock-implodes-amid-barrios-and-wilson-firings-uncomfortable-vibe-in-stamford/#4771164f1e18>

complained of herein and were aware of, or recklessly disregarded, the material misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature.

358. Defendant McMahon was one of WWE's largest shareholders, served as the Company's CEO, and was the Chairman of the Board. He clearly possessed unmatched control over the Company. Defendant McMahon has served at all relevant times as the CEO of WWE and Chairman of WWE's Board of Directors.

359. Defendant Barrios was a Co-President of WWE, its principle financial officer and a member of its Board of Directors during the Class Period. Prior to his abrupt termination on January 30, 2020, he clearly had considerable control over the Company.

360. Defendant Wilson was a Co-President of WWE and a member of its Board of Directors during the Class Period. Prior to her abrupt termination on January 30, 2020, she clearly had considerable control over the Company.

361. During the Class Period, Defendants' statements were materially false and misleading when made in that Defendants failed to disclose:

(a) OSN had informed the WWE in November 2018 that it would not renew its media rights agreement and the parties had entered into a settlement dated December 18, 2018 formally terminating the contract effective March 31, 2019, meaning the renewal of that particular media agreement for distribution of WWE's content in its key MENA market was impossible, and forcing the WWE to seek a new media partner for distribution of its content in the Middle East, which put in serious jeopardy the ability to finalize a media-rights agreement for the MENA region by the end of 2019;

(b) the Company's relationship with the Saudi government was under stress as a result of controversy the WWE faced for holding events in the country in 2018 and 2019, as well as because the Saudi government had failed to make timely payments to the Company owed in connection with those events;

(c) the new media-rights agreement the WWE began negotiating in 2019 with a different media company owned, in part, by the Saudi government would not be completed in 2019, nor was it reasonable for the Company to believe it would be completed in 2020, given how far apart the parties were at this point during their negotiations;

(d) the tension between the WWE and Saudi government became even more severe after the October 31, 2019 Crown Jewel event, when (as reported in the press and confirmed by a former WWE wrestler) Defendant McMahon and the Crown Prince had a dispute about delayed payments that ultimately resulted in a number of WWE wrestlers and personnel being detained for hours in Saudi Arabia following the event; and

(e) as a result of the foregoing, Defendants' public statements were materially false and misleading at all relevant times.

362. The Individual Defendants, as senior executive officers of the Company, were able to and did control the content of the various SEC filings, press releases, and other public statements pertaining to the Company during the Class Period. The Individual Defendants were provided with copies of the documents and statements alleged herein to be materially false and misleading prior to or shortly after their issuance and/or had the ability and opportunity to prevent their issuance or cause them to be corrected. Accordingly, the Individual Defendants are responsible for the accuracy of the public reports, releases, and other statements detailed herein and are primarily liable for the misrepresentations and omissions contained therein.

363. The Individual Defendants, because of their positions of control and authority as senior executive officers and directors, had access to the adverse undisclosed information about WWE's business through their access to internal corporate documents and information, conversations and associations with other corporate officers and employees, attendance at regularly-held meetings, as well as other management and Board of Directors meetings and committees thereof, and reports and other information provided to them in connection therewith.

364. As senior officers and controlling persons of a publicly held company whose common stock was, during the relevant time, registered with the SEC pursuant to the Exchange Act and traded on the NYSE, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's operations and business, and to correct any previously issued statements that were or had become materially misleading or untrue, so that the market price of the Company's common stock would be based upon truthful and accurate information. The Individual Defendants' wrongdoing during the Class Period violated these specific requirements and obligations.

365. The Individual Defendants are liable as primary participants in a wrongful scheme and course of business that operated as a fraud and deceit on all persons and entities who purchased or otherwise acquired WWE's publicly traded securities during the Class Period, which included the dissemination of materially false and misleading statements (both affirmative statements and statements rendered misleading because of material omissions) regarding the Company's business in the MENA region, including renewal of a key media-rights agreement, and the deteriorating relationship with the Saudi government.

366. The scheme: (i) deceived the investing public regarding WWE's operations and the true value of WWE's common stock, and (ii) caused Lead Plaintiff and other members of the

Class to purchase or otherwise acquire WWE's common stock at artificially inflated prices, which fell as the true condition of WWE's business in Saudi Arabia and the MENA region was revealed.

367. The Individual Defendants are liable as participants in a fraudulent scheme and course of conduct that operated as a fraud or deceit on the Class members by disseminating materially false and misleading statements and/or concealing material information. Each of the Individual Defendants were culpable for this deceit insofar as they acted, or omitted to act, in furtherance of the scheme with scienter.

## **VII. LOSS CAUSATION/ECONOMIC LOSS**

368. During the Class Period, as detailed herein, WWE and the Individual Defendants engaged in a course of conduct that artificially inflated and/or artificially maintained the price of WWE common stock and operated as a fraud or deceit on the Class Period purchasers of WWE common stock by making the materially false and misleading statements and omissions recited above.

369. When the truth was revealed and became known to the market, the price of WWE common stock declined precipitously as the prior artificial inflation was removed from the price of the stock. As a result of their purchases of WWE common stock at artificially inflated prices during the Class Period, Lead Plaintiff and other members of the Class suffered a substantial economic loss (i.e., damages under the federal securities laws). The price decline in WWE common stock was a direct result of the nature and extent of the materially false and misleading statements and omissions revealed to investors and the market. Thus, the Defendants' wrongful conduct, as alleged herein, directly and proximately caused the damages suffered by Lead Plaintiff and the Class.

370. The truth about WWE's business in the MENA region was revealed beginning on April 25, 2019, when WWE announced lower-than-expected 2Q19 guidance (a range of \$19 million to \$24 million, compared to consensus estimates of \$40 million). This lower-than-expected guidance was, in part, the result of the materialization of the undisclosed risk concerning the cancellation of the OSN agreement—which had expired on March 31, 2019—given that the WWE would not receive in 2Q19 the revenues associated with the OSN agreement, because the agreement was terminated as of the end of 1Q2019. Several analysts also tied the disappointing results to potential hiccups in the Company's dealings with the Saudis. Defendants insisted on July 25, 2019 that negotiations regarding a new media-rights deal was agreed upon "in principle" with the Saudis, and specifically the SGSA. But they were forced to admit on October 31, 2019 that the vaunted MENA media-rights deal had been indefinitely delayed—causing significant underperformance across key metrics, causing uncertainty about WWE's position in the region, and shocking the market. Then, on January 30, 2020, WWE revealed that two of its longest serving senior executives—Defendants George A. Barrios and Michelle D. Wilson—had been unceremoniously ousted. The truth concerning the problems in the MENA region was fully revealed on February 6, 2020, with WWE again disclosing disappointing financial performance due to its now-prolonged failure to secure a media rights deal with the Saudis, and shockingly revealed that this deal had been completely excised from the Company's financial forecasting for all of 2020.

**A. April 25, 2019 – First Partial Revelation of the Truth**

371. The truth about the Company's loss of the deal with OSN, the inability to secure a new media-rights deal for the MENA region, and the deteriorating relationship with the Saudi government was partially revealed on April 25, 2019, before the market opened, when the WWE announced lower-than-expected guidance for its second quarter of 2019 ("2Q19")—specifically,

a range of \$19 million to \$24 million, compared to consensus estimates of \$40 million. The Company's lower-than-expected guidance range reflected a materialization of the unknown risk that the WWE would not receive in 2Q19 the revenues associated with the OSN agreement, which, unbeknownst to investors, had expired on March 31, 2019 (i.e., the last day of 1Q19).

372. In addition, the WWE reported disappointing 1Q19 financial results, revealing that revenues had fallen year over year on notable declines in the live events and consumer products segments. The Company also revealed a \$24 million uptick in accounts receivables, but claimed that this reflected the ordinary timing of different events. WWE blamed the absence of certain "Super Stars" for the poor performance—and several analysts tied the disappointing results and guidance to potential delays in scheduling a live Saudi event. ¶¶240–42.

(a) In reaction to these disclosures, WWE's stock price fell \$13.12 per share, *or 13.31%*, to close at \$85.38 per share on April 25, 2019, on unusually high volume of more than 10 million shares traded.

373. However, the Company's stock price remained artificially inflated, as Defendants continued to conceal the truth regarding the status of the media rights deals and by reaffirming the Company's full-year 2019 financial guidance, which assumed that a media rights deal would be completed in 2019. ¶¶243-47.

**B. October 31, 2019 – Second Partial Revelation of the Truth**

374. The truth about the Company's inability to complete a media-rights deal for the MENA region and deteriorating relationship with the Saudi government continued to be revealed on October 31, 2019, before the market opened, when WWE again reported disappointing earnings for its 3Q19 financial results and disclosed that the Company's revenues and operating income had continued to decline year over year to \$186.3 million and \$6.4 million, respectively. The Company also announced that it was lowering its FY19 adjusted OIBDA guidance to a



range of \$180 million to \$190 million due to WWE's failure to complete a MENA distribution agreement with the Saudis. ¶¶267–68, 270.

375. In reaction to these disclosures, WWE's stock price fell \$10.40 per share, *or* **15.65%**, to close at \$56.04 per share on October 31, 2019, on unusually high volume of more than 7.5 million shares traded.

376. However, the Company's stock price remained artificially inflated after this partial revelation as Defendants led the market to believe that they were still working to complete a media rights deal in 2020. ¶¶267, 269, 271-73.

### **C. January 30, 2020 – Third Partial Revelation of the Truth**

377. The truth about the Company's inability to complete a media-rights deal for the MENA region and deteriorating relationship with the Saudi government continue to be revealed on January 30, 2020, after the market close, when the Company shockingly announced that two of its most senior and longest serving executives, Defendants Barrios and Wilson, had abruptly left the Company. Analysts and market commentators reacted with shock at the sudden loss of two key figures who had long been part of the public face of the Company. For example, *Forbes* characterized the departures as firings, describing the situation as a “bloodbath” that had caused “[p]anic and uncertainty” throughout WWE's corporate offices. ¶181. In addition, WWE announced that it “expects its full year 2019 Adjusted OIBDA to be approximately \$180 million,” which is at the low end of 2019 Adjusted OIBDA guidance of \$180 million to \$190 million previously provided by the Company in its earnings release for the quarter ended September 30, 2019.

378. In reaction to these disclosures, WWE's stock price fell \$13.42 per share, *or* **21.54%**, to close at \$48.88 per share on January 31, 2020, on unusually high volume of more than 19.4 million shares traded.

379. However, the Company's stock price remained artificially inflated after this partial revelation, as Defendants had yet to tell the market that the media rights deal would not be completed in the near future and that it was not reasonable for the Company to believe it would be completed in 2020.

**D. February 6, 2020 – Final Revelation of the Truth**

380. On February 6, 2020, before the market opened, the full extent of Defendants' fraud was revealed when the Company again announced disappointing financial results and guidance. The earnings release issued by the Company confirmed the disappointing \$180 million in adjusted OIBDA for the year (which was preannounced in the week before) as well as that WWE "anticipate[d] 2020 adjusted OIBDA of \$250 million to \$300 million," due to the failure to complete the MENA media-rights agreement with the Saudis. Importantly, on an earnings call to discuss the results, WWE's interim CFO, Frank Riddick, confirmed that the Company's 2020 financial guidance did not include *any* revenues related to a prospective MENA deal. ¶¶292–94, 296–98.

381. In reaction to these disclosures, WWE's stock price fell another \$4.50 per share, *or 9.18%*, to close at \$44.50 per share on February 6, 2020, on unusually high volume of more than 15.5 million shares traded.

382. Defendants' conduct resulted in Class Members, including Lead Plaintiff, selling their shares of WWE stock for less than the fair value of that stock, which caused them to suffer injury and loss.

**VIII. APPLICABILITY OF PRESUMPTION OF RELIANCE: *AFFILIATED UTE* AND FRAUD-ON-THE MARKET PRESUMPTIONS**

383. Lead Plaintiff alleges that throughout the Class Period, Defendants omitted material information of which Defendants were aware or reckless in not knowing. Such

statements artificially inflated or artificially maintained the price of WWE publicly traded common stock and operated as a fraud or deceit on all persons and entities who purchased or otherwise acquired that common stock during the Class Period. Because Defendants chose to speak on the issues described in Section V, it was important that Defendants not mislead investors or withhold material information. To the extent that the Defendants concealed or improperly failed to disclose material facts with respect to WWE and its business in Saudi Arabia and the MENA region, Lead Plaintiff is entitled to a presumption of reliance in accordance with *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 153 (1972).

384. Lead Plaintiff is entitled to a presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

- (a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- (b) the omissions and misrepresentations were material;
- (c) the Company's common stock traded in an efficient market;
- (d) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's stock; and
- (e) Lead Plaintiff and other members of the Class purchased WWE's common stock between the time Defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

385. At all relevant times, the market for WWE common stock was an efficient market for the following reasons, among others:

- (a) WWE stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) According to the Company's Form 10-K filed on February 7, 2020, the Company had 46,211,631 Class A shares outstanding and 31,099,011 Class B shares outstanding, as of February 4, 2020, demonstrating a very active and broad market for WWE common stock;

(c) WWE filed periodic public reports with the SEC;

(d) WWE regularly communicated with public investors via established market communication mechanisms, including the regular dissemination of press releases on the national circuits of major newswire services, the internet and other wide-ranging public disclosures; and

(e) WWE was followed by several securities analysts employed by major brokerage firm(s), including Evercore ISI, FBN Securities, Guggenheim Securities, LLC, J.P. Morgan, MKM Partners, LLC, Morgan Stanley, Wells Fargo Securities, William O'Neil + Co., Wolfe Research, LLC, which wrote reports that were distributed to the sales force and certain customers of their respective brokerage firm(s), were publicly available, and entered the public marketplace; and

(f) Unexpected material news about WWE was rapidly reflected in and incorporated into the Company's stock price during the Class Period.

386. As a result of the foregoing, the market for WWE's common stock promptly digested current information regarding WWE from publicly available sources and reflected such information in WWE's common stock price. Under these circumstances, all persons and entities who purchased or otherwise acquired WWE's common stock during the Class Period suffered similar injury through their purchase of WWE at artificially inflated prices, and the presumption of reliance applies.

**IX. NO SAFE HARBOR**

387. The statutory safe harbor provided by the PSLRA for forward-looking statements under certain circumstances does not apply to any of the materially false and misleading statements and omissions alleged herein.

388. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. To the extent certain statements alleged to be false or misleading are determined to be mixed statements of historical or present information and future information, such statements are not entitled to the safe harbor with respect to the part of the statement that refers to historical or present conditions.

389. To the extent certain of the statements alleged to be false or misleading may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

390. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements were made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, or the forward-looking statement was authorized or approved by an executive officer of WWE who knew that the statement was false when made.

**X. CLASS ACTION ALLEGATIONS**

391. Lead Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons and entities who or which purchased or otherwise acquired the publicly traded securities of WWE during the period from February 7,

2019 through February 5, 2020, inclusive, and were damaged thereby (the “Class”). Excluded from the Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an individual; (iii) any person who was an officer or director of WWE during the Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant has or had a controlling interest; (v) WWE’s employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person.

392. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, WWE’s common stock was actively traded on the NYSE. While the exact number of Class members is unknown to Lead Plaintiff at this time and can only be ascertained through appropriate discovery, Lead Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by WWE or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

393. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the Exchange Act was violated by Defendants;
- (b) whether Defendants’ statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(c) whether Defendants knew or recklessly disregarded that their statements were false and misleading;

(d) whether the price of the Company's common stock was artificially inflated; and

(e) the extent of damage sustained by Class members and the appropriate measure of damages.

394. Lead Plaintiff's claims are typical of those of the Class because Lead Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

395. Lead Plaintiff will adequately protect the interests of the Class and has retained counsel experienced in class action securities litigation. Lead Plaintiff has no interests that conflict with those of the Class.

396. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

## **XI. COUNTS**

### **COUNT I**

#### **Violation of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants**

397. Lead Plaintiff repeats, incorporates, and realleges each and every allegation set forth above as if fully set forth herein.

398. This Count is asserted pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by the SEC, on behalf of Lead Plaintiff and the Class, against WWE and the Individual Defendants.

399. During the Class Period, Defendants carried out a plan that was intended to, and did: (a) deceive the investing public, including Lead Plaintiff and the Class; and (b) artificially manipulate the price of WWE common stock.

400. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted material facts necessary to make the statements made not misleading; and (c) engaged in acts, practices and a course of conduct that operated as a fraud and deceit upon purchasers of WWE common stock in violation of §10(b) of the Exchange Act and Rule 10b-5. Defendants are sued as primary participants in the wrongful and illegal conduct charged herein.

401. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal the adverse material information as specified herein.

402. Defendants' liability arises from the fact that they developed and engaged in a scheme to manipulate the price of WWE common stock and were aware of the dissemination of information to the investing public that they knew or recklessly disregarded was materially false and misleading.

403. Defendants had actual knowledge of the misrepresentations, omissions, and deceptive conduct alleged herein, or acted with reckless disregard for the truth. Defendants' acts were done for the purpose and effect of concealing the scheme alleged herein from the investing public, and to artificially manipulate the market price of WWE common stock.

404. By virtue of the foregoing, Defendants have violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.



405. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiff and members of the Class suffered damages in connection with their respective purchases and sales of WWE common stock during the Class Period.

**COUNT II**  
**Violation of Section 20(a) of the Exchange Act**  
**Against the Individual Defendants**

406. Lead Plaintiff repeats, incorporates, and realleges each and every allegation set forth above as if fully set forth herein.

407. This Count is asserted pursuant to Section 20(a) of the Exchange Act, on behalf of Lead Plaintiff and the Class, against the Individual Defendants.

408. As alleged above, WWE violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by making materially false and misleading statements and omitting material information in connection with the purchase of WWE's stock.

409. This fraudulent conduct was undertaken with scienter and the Company is charged with the knowledge and scienter of each of the Individual Defendants who knew of or acted with reckless disregard of the falsity of their statements and the fraudulent nature of its scheme during the Class Period. Thus, WWE is primarily liable under Section 10(b) of the Exchange Act.

410. As set forth above, the Individual Defendants had control over WWE and made the materially false and misleading statements and omissions on behalf of WWE within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their executive positions and their culpable participation, as alleged above, the Individual Defendants had the power to influence and control and did, directly or indirectly, influence and control the decision making of the Company, including the content and dissemination of the various statements that Lead Plaintiff contends were false and misleading. The Individual Defendants were provided with or

had unlimited access to the Company's internal reports, press releases, public filings, and other statements alleged by Lead Plaintiff to be misleading prior to or shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause them to be corrected.

411. In particular, the Individual Defendants had direct involvement in and responsibility over the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein. WWE, in turn, controlled the Individual Defendants and all of its employees.

412. By reason of such wrongful conduct, Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Lead Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

## **XII. PRAYER FOR RELIEF**

413. WHEREFORE, Lead Plaintiff respectfully prays for judgment against the Defendants as follows:

(a) Determining that this action is a proper class action maintainable under Rule 23 of the Federal Rules of Civil Procedure, certifying Lead Plaintiff as a class representative, and appointing Labaton Sucharow LLP as lead class counsel pursuant to Rule 23(g);

(b) Determining and declaring that Defendants violated the Exchange Act, as charged in Counts I-II, by reason of the acts, omissions and, status of control alleged herein;

(c) Awarding Lead Plaintiff and the Class compensatory damages against all Defendants, jointly and severally, in an amount to be proven at trial together with interest thereon; and

(d) Awarding Lead Plaintiff and the Class their reasonable costs and expenses incurred in this action, including but not limited to attorneys' fees and costs incurred by Lead Plaintiff's consulting and testifying expert witnesses; and

(e) Granting such other and further relief as the Court deems just and proper.

### **XIII. JURY TRIAL DEMANDED**

Lead Plaintiff hereby demands a trial by jury of all issues so triable.

DATED: June 8, 2020

LABATON SUCHAROW LLP

*/s/ Carol Villegas*

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***Counsel for Lead Plaintiff Firefighters'  
Pension System of the City of Kansas City,  
Missouri Trust and the Proposed Class***

Appendix ACLASS PERIOD TRADING OF INDIVIDUAL DEFENDANTS

2/7/19 – 2/5/20

Defendant	Number of Shares	Transaction Type	Price	Transaction Value	Transaction Date
Barrios (George A.)	2,900	Sale	\$84.63	\$245,427.00	27-Feb-19
Barrios (George A.)	37,100	Sale	\$83.73	\$3,106,383.00	27-Feb-19
Barrios (George A.)	63,758	Sale	\$69.98	\$4,461,784.84	22-Jul-19
Barrios (George A.)	10,920	Sale	\$70.54	\$770,296.80	22-Jul-19
<b>Total</b>	<b>114,678</b>			<b>\$8,583,891.64</b>	
McMahon (Vincent K)	3,204,427	Sale	\$81.45	\$261,000,579.15	27-Mar-19
<b>Total</b>	<b>3,204,427</b>			<b>\$261,000,579.15</b>	
Wilson (Michelle D)	158,134	Sale	\$69.30	\$10,958,686.20	8-Aug-19
<b>Total</b>	<b>158,134</b>			<b>\$10,958,686.20</b>	
<b>Total Shares Sold During Class Period and Proceeds</b>	<b>3,477,239</b>			<b>\$ 280,543,156.99</b>	

CONTROL PERIOD TRADING OF INDIVIDUAL DEFENDANTS

2/8/18 – 2/6/19

Defendant	Number of Shares	Transaction Type	Price	Transaction Value	Transaction Date
Barrios (George A.)	12,292	Sale	\$80.01	\$983,482.92	7-Aug-18
Barrios (George A.)	37,708	Sale	\$80.00	\$3,016,640.00	10-Aug-18
Barrios (George A.)	17,968	Sale	\$81.47	\$1,463,852.96	20-Aug-18
Barrios (George A.)	72,717	Sale	\$80.48	\$5,852,264.16	20-Aug-18
Barrios (George A.)	4,000	Sale	\$83.34	\$333,360.00	28-Aug-18
Barrios (George A.)	50,000	Sale	\$96.22	\$4,811,000.00	27-Sep-18
Barrios (George A.)	11,815	Sale	\$65.35	\$772,110.25	27-Nov-18
Barrios (George A.)	25,685	Sale	\$64.82	\$1,664,901.70	27-Nov-18
Barrios (George A.)	10,354	Sale	\$71.17	\$736,894.18	27-Dec-18
Barrios (George A.)	25,646	Sale	\$70.30	\$1,802,913.80	27-Dec-18
Barrios (George A.)	1,500	Sale	\$71.94	\$107,910.00	27-Dec-18

<b>Defendant</b>	<b>Number of Shares</b>	<b>Transaction Type</b>	<b>Price</b>	<b>Transaction Value</b>	<b>Transaction Date</b>
Barrios (George A.)	1,589	Sale	\$82.25	\$130,695.25	28-Jan-19
Barrios (George A.)	58,411	Sale	\$81.50	\$4,760,496.50	28-Jan-19
	<b>329,685</b>			<b>\$26,436,521.72</b>	
McMahon (Vincent K)	77,448	Sale	\$75.49	\$5,846,549.52	30-Nov-18
McMahon (Vincent K)	154,819	Sale	\$74.12	\$11,475,184.28	30-Nov-18
McMahon (Vincent K)	4,397	Sale	\$75.26	\$330,918.22	30-Nov-18
McMahon (Vincent K)	4,057	Sale	\$74.83	\$303,585.31	30-Nov-18
McMahon (Vincent K)	65,279	Sale	\$75.22	\$4,910,286.38	30-Nov-18
	<b>306,000</b>			<b>\$22,866,523.71</b>	
Wilson (Michelle D)	140,000	Sale	\$80.03	\$11,204,200.00	31-Jul-18
	<b>140,000</b>			<b>\$11,204,200.00</b>	
<b>Total Shares Sold During Control Period and Proceeds</b>	<b>775,685</b>			<b>\$ 60,507,245.43</b>	