ALEXION PHARMACEUTICALS INC
Form 8-K
January 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
Date of report (Date of earliest event reported): January 29, 2015

ALEXION PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	000-27756	13-3648318
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(State or other jurisdiction of of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

352 Knotter Drive, Cheshire, Connecticut 06410

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (203) 272-2596

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

.. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
.. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
.. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
.. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On January 29, 2015, Alexion Pharmaceuticals, Inc. issued a press release relating to its results of operations and financial conditions for the quarter and year ended December 31, 2014. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K.
The attached press release contains both U.S. Generally Accepted Accounting Principles, or GAAP, and non-GAAP financial measures. The non-GAAP financial measures exclude the impact of share-based compensation expense, acquisition-related costs, upfront and milestone payments related to license and collaboration agreements, intangible asset impairments, restructuring expenses, amortization of purchased intangible assets, change in contingent liability from intellectual property settlements, and non-cash taxes. Reconciliations between non-GAAP and GAAP financial measures are included in the press release set forth as Exhibit 99.1 furnished to this Form 8-K. Alexion's management utilizes non-GAAP financial information to provide a useful measure of comparative operating performance of Alexion. The non-GAAP financial measures are supplemental to and not a substitute for, measures of financial performance prepared in accordance with GAAP.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On January 29, 2015, Alexion Pharmaceuticals, Inc. announced the appointment of David L. Hallal, 48, as Chief Executive Officer effective April 1, 2015. Mr. Hallal has served as Alexion’s Chief Operating Officer and has been a member of the Board of Directors since September 2014. Upon becoming Chief Executive Officer, Mr. Hallal will no longer serve as Chief Operating Officer. Mr. Hallal joined Alexion in 2006. He served as Alexion’s Executive Vice President and Chief Commercial Officer from October 2012 until September 2014, Senior Vice President, Global Commercial Operations from May 2010 until October 2012 and in other senior commercial positions with Alexion from June 2006 to May 2010. Additional biographical information about Mr. Hallal is contained in Alexion's Annual Report on Form 10-K for the year ended December 31, 2013 and filed with the SEC on February 10, 2014.

Mr. Hallal will succeed Leonard Bell, M.D., Chairman and Chief Executive Officer, who will retire as Chief Executive Officer effective April 1, 2015, and continue to serve as Chairman of the Board. Dr. Bell was the principal founder of Alexion in 1992 and has served as CEO for the past 23 years.

A copy of Alexion's press release announcing Mr. Hallal's appointment and Dr. Bell's retirement is filed as Exhibit 99.2 to this Current Report on Form 8-K. A description of Mr. Hallal’s compensation arrangements with Alexion is contained in Alexion's definitive proxy statement filed with the Securities and Exchange Commission on April 23, 2014 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release issued by Alexion Pharmaceuticals, Inc. on January 29, 2015 relating to its results of operations and financial conditions for the quarter and year ended December 31, 2014.

99.2 Press Release issued by Alexion Pharmaceuticals, Inc. on January 29, 2015 relating to the appointment of Mr. Hallal as Chief Executive Officer and the retirement of Dr. Bell.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 29, 2015

ALEXION PHARMACEUTICALS, INC.

By: /s/ Michael V. Greco
Name: Michael V. Greco
Title: Vice President of Law and Corporate Secretary

style="margin:0pt;font-family:Times New Roman;font-size: 10pt"> 108

Total

$

9,594

$

9,936

$

13,536

$

11,208

16. Commitments and Contingencies

Legal Proceedings

On October 23, 2014, a lawsuit was filed in the U. S. District Court for the District of Oregon, entitled William Albert Haynes III, on behalf of himself and others similarly situated, v. World Wrestling Entertainment, Inc. This complaint was amended on January 30, 2015 and alleges that the Company ignored, downplayed, and/or failed to disclose the risks associated with traumatic brain injuries suffered by WWE's performers. On March 31, 2015, the Company filed a motion to dismiss the first amended class action complaint in its entirety or, if not dismissed, to transfer the lawsuit to the U.S. District Court for the District of Connecticut. Without addressing the merits of the Company's motion to dismiss, the Court transferred the case to Connecticut on June 25, 2015. The plaintiffs filed an objection to such transfer, which was denied on July 27, 2015. On January 16, 2015, a second lawsuit was filed in the U. S. District Court for the Eastern District of Pennsylvania, entitled Evan Singleton and Vito LoGrasso, individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., alleging many of the same allegations as Haynes. On February 27, 2015, the Company moved to transfer venue to the U.S. District Court for the District of Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs and that motion was granted on March 23, 2015. The plaintiffs filed an amended complaint on May 22, 2015 and, following a scheduling conference in which the court ordered the plaintiffs to cure various pleading deficiencies, the plaintiffs filed a second amended complaint on June 15, 2015. On June 29, 2015, WWE moved to dismiss the second amended complaint in its entirety. On April 9, 2015, a third lawsuit was filed in the U. S. District Court for the Central District of California, entitled Russ McCullough, a/k/a "Big Russ McCullough," Ryan Sakoda, and Matthew R. Wiese a/k/a "Luther Reigns," individually and on behalf of all others similarly situated, v. World Wrestling Entertainment, Inc., asserting similar allegations to Haynes. The Company again moved to transfer the lawsuit to Connecticut due to forum-selection clauses in the contracts between WWE and the plaintiffs, which the California court granted on July 10, 2015. On September 21, 2015, the plaintiffs amended this complaint and, on November 16, 2015, the Company moved to dismiss the amended complaint. Each of these suits seeks unspecified actual, compensatory and punitive damages and injunctive relief, including ordering medical monitoring. The Haynes and McCullough cases purport to be class actions. On February 18, 2015, a lawsuit was filed in Tennessee state court and subsequently removed to the U.S. District Court for the Western District of Tennessee, entitled Cassandra Frazier, individually and as next of kin to her deceased husband, Nelson Lee Frazier, Jr., and as personal representative of the Estate of Nelson Lee Frazier, Jr. Deceased, v. World Wrestling Entertainment, Inc. A similar suit was filed in the U. S. District Court for the Northern District of Texas entitled Michelle James, as mother and next friend of Matthew Osborne, minor child, and Teagan Osborne, a minor child v. World Wrestling Entertainment, Inc. These lawsuits contain many of the same allegations as the other lawsuits alleging traumatic brain injuries and further allege that the injuries contributed to these former talents' deaths. WWE moved to transfer the Frazier and Osborne lawsuits to the U.S. District Court for the District of Connecticut based on forum-selection clauses in the decedents' contracts with WWE, which motions were granted by the respective courts. On November 23, 2015, amended complaints were filed in Frazier and Osborne, which the Company moved to dismiss on December 16, 2015 and December 21, 2015, respectively. On June 29, 2015, the Company filed a declaratory judgment action in the U. S. District Court for the District of Connecticut entitled World Wrestling Entertainment, Inc. v. Robert Windham, Thomas Billington, James Ware, Oreal Perras and various John and Jane Does seeking a declaration against these former performers that their threatened claims related to alleged traumatic brain injuries and/or other tort claims are time-barred. On September 21, 2015, the defendants filed a motion to dismiss this complaint, which the Company

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WORLD WRESTLING ENTERTAINMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share data)

(Unaudited)

opposed. The Court previously ordered a stay of discovery in all cases pending decisions on the motions to dismiss. On January 15, 2016, the Court partially lifted the stay and permitted discovery only on three issues in the case involving Singleton and LoGrasso. Such discovery was completed by June 1, 2016, and on March 21, 2016, the Court issued a memorandum of decision granting in part and denying in part the Company's motions to dismiss the Haynes, Singleton/LoGrasso, and McCullough lawsuits. The Court granted the Company's motions to dismiss the Haynes and McCullough lawsuits in their entirety and granted the Company's motion to dismiss all claims in the Singleton/LoGrasso lawsuit except for the claim of fraud by omission. On March 22, 2016, the Court issued an order dismissing the Windham lawsuit based on the Court's memorandum of decision on the motions to dismiss. On April 4, 2016, the Company filed a motion for reconsideration with respect to the Court's decision not to dismiss the fraud by omission claim in the Singleton/LoGrasso lawsuit and, on April 5, 2016, the Company filed a motion for reconsideration with respect to the Court dismissal of the Windham lawsuit. On July 21, 2016, the Court denied the Company's motion in the Singleton/LoGrasso lawsuit and granted in part the Company's motion in the Windham lawsuit. On April 20, 2016, the plaintiffs filed notices of appeal of the Haynes and McCullough lawsuits. On April 27, 2016, the Company moved to dismiss the appeals for lack of appellate jurisdiction, which motions were granted and the appeals were dismissed with leave to appeal upon the resolution of all of the consolidated cases. The Company filed a motion for summary judgment on the sole remaining claim in the Singleton/LoGrasso lawsuit on August 1, 2016. Lastly, on July 18, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut, entitled Joseph M. Laurinaitis, et al. vs. World Wrestling Entertainment, Inc. and Vincent K. McMahon, individually and as the trustee of certain trusts. This lawsuit contains many of the same allegations as the other lawsuits alleging traumatic brain injuries and further alleges, among other things, that the plaintiffs were misclassified as independent contractors rather than employees denying them, among other things, rights and benefits under the Occupational Safety and Health Act (OSHA), the National Labor Relations Act (NLRA), the Family and Medical Leave Act (FMLA), federal tax law, and various state Worker's Compensation laws. This lawsuit also alleges that the booking contracts and other agreements between the plaintiffs and the Company are unconscionable and should be declared void, entitling the plaintiffs to certain damages relating to the Company's use of their intellectual property. The lawsuit alleges claims for violation of RICO, unjust enrichment, and an accounting against Mr. McMahon. The Company and Mr. McMahon moved to dismiss this complaint on October 19, 2016. The Company believes all claims and threatened claims against the Company in these various lawsuits are being prompted by the same plaintiffs' lawyer and are without merit. The Company intends to continue to defend itself against these lawsuits vigorously.

On August 9, 2016, a lawsuit was filed in the U.S. District Court for the District of Connecticut entitled Marcus Bagwell, individually and on behalf of all others similarly situated v. World Wrestling Entertainment, Inc. The lawsuit alleges claims for breach of contract, breach of fiduciary duty, unjust enrichment and violations of the Connecticut Unfair Trade Practices Act, C.G.S. §42-110a, et seq., principally arising from WWE's alleged failure to pay royalties for streaming video on the WWE Network. On September 7, 2016, a motion for leave to amend was filed along with a proposed amended complaint that, among other things, seeks to add Scott Levy as an individual plaintiff and WCW, Inc. as a defendant. The Company believes all claims against the Company in this lawsuit are without merit and intends to continue to defend itself vigorously.

In addition to the foregoing, we are involved in several other lawsuits and claims that we consider to be in the ordinary course of our business. By its nature, the outcome of litigation is not known, but the Company does not currently expect this ordinary course litigation to have a material adverse effect on our financial condition, results of operations or liquidity. We may, from time to time, become a party to other legal proceedings.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Our operations are organized around the following principal activities:

Media Division:

Network

· Revenues consist principally of subscriptions to WWE Network, fees for viewing our pay-per-view programming, and advertising fees.

Television

· Revenues consist principally of television rights fees and advertising.

Home Entertainment

· Revenues consist principally of sales of WWE produced content via home entertainment platforms, including DVD, Blu-Ray, and subscription and transactional on-demand outlets.

Digital Media

· Revenues consist principally of advertising sales on our websites and third party websites including YouTube, and sales of various broadband and mobile content.

Live Events:

· Revenues consist principally of ticket sales and travel packages for live events.

Consumer Products Division:

Licensing

· Revenues consist principally of royalties or license fees related to various WWE themed products such as video games, toys and apparel.

Venue Merchandise

· Revenues consist of sales of merchandise at our live events.

WWEShop

· Revenues consist of sales of merchandise on our websites, including through our WWEShop Internet storefront and on distribution platforms, including Amazon.

WWE Studios:

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

Corporate & Other:

· Revenues consist of amounts earned from talent appearances. Expenses are categorized and presented into two categories comprised of Corporate Support and Business Support. Corporate Support expenses primarily include our corporate general and administrative functions. Business Support expenses include our sales and marketing functions, our international sales offices, and talent development function, including the costs associated with our WWE Performance Center, as well as business strategy and data analytics support. Additionally, Corporate and Other includes all intersegment eliminations recorded in consolidation.

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Results of Operations

The Company presents OIBDA as the primary measure of segment profit (loss). The Company defines OIBDA as operating income before depreciation and amortization (excluding feature film and television production asset amortization and impairments, as well as the amortization of costs related to content delivery and technology assets utilized for our WWE Network). The Company believes the presentation of OIBDA is relevant and useful for investors because it allows investors to view our segment performance in the same manner as the primary method used by management to evaluate segment performance and make decisions about allocating resources. Additionally, we believe that OIBDA provides a meaningful representation of operating cash flows within our segments.

OIBDA is a non-GAAP financial measure and may be different than similarly-titled non-GAAP financial measures used by other companies. A limitation of OIBDA is that it excludes depreciation and amortization, which represents the periodic charge for certain fixed assets and intangible assets used in generating revenues for our business. OIBDA should not be regarded as an alternative to operating income or net income as an indicator of operating performance, or to the statement of cash flows as a measure of liquidity, nor should it be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to OIBDA. See Note 3, Segment Information, in the accompanying consolidated financial statements for a reconciliation of OIBDA to operating income for the periods presented.

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

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Three Months Ended September 30, 2016 compared to Three Months Ended September 30, 2015

(dollars in millions)

Summary

	Three Months Ended September 30, 2016	2015	Increase (decrease)
Net Revenues			
Media Division	$ 110.4	$ 114.9	(4) %
Live Events	28.6	26.1	10 %
Consumer Products Division	21.6	22.4	(4) %
WWE Studios	2.5	1.7	47 %
Corporate & Other	1.1	1.1	— %
Total	164.2	166.2	(1) %
OIBDA			
Media Division	53.3	48.8	9 %
Live Events	6.1	6.4	(5) %
Consumer Products Division	7.9	9.9	(20) %
WWE Studios	0.9	(0.9)	200 %
Corporate & Other	(43.7)	(40.8)	(7) %
Total	24.5	23.4	5 %
OIBDA as a percentage of revenues	15 %	14 %	
Depreciation and amortization	6.2	5.5	13 %
Operating income	18.3	17.9	2 %
Investment and other expense, net	(0.2)	(0.6)	67 %
Income before income taxes	18.1	17.3	5 %
Provision for income taxes	7.0	6.9	1 %
Net income	$ 11.1	$ 10.4	7 %

Our Media division revenues decreased by 4% compared to the prior year quarter, primarily due to the impact of certain television programming, partially offset by increased subscription revenue related to the growth of WWE Network in new and existing territories and the escalation of television rights fees. Our Live Events segment revenues increased by 10%, primarily driven by additional events in our international markets. Our Consumer Products division experienced a 4% decrease in revenues, primarily driven by lower effective licensing royalty rates and lower sales of our toy products, partially offset by higher WWEShop merchandise sales.

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Media Division

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

	Three Months Ended September 30, 2016	2015	Increase (decrease)
Revenues-Media Division			
Network	$ 45.1	$ 40.9	10 %
Subscriptions	$ 42.8	$ 36.4	18 %
Pay-per-view	$ 2.3	$ 4.5	(49) %
Monthly subscription price (dollars) (a)	$ 9.99	$ 9.99	— %
Number of paid subscribers at period end	1,444,200	1,233,100	17 %
Domestic	1,070,800	990,200	8 %
International (b)	373,400	242,900	54 %
Number of average paid subscribers	1,458,000	1,173,000	24 %
Television	$ 56.3	$ 65.2	(14) %
Home Entertainment	$ 2.5	$ 3.0	(17) %
Gross units shipped	346,700	368,000	(6) %
Digital Media	$ 6.5	$ 5.8	12 %
Total	$ 110.4	$ 114.9	(4) %
Television Ratings (c)			
Average weekly household ratings for RAW	2.4	2.8	(14) %
Average weekly household ratings for SmackDown	2.0	1.8	11 %

(a) This is our pricing for our domestic subscribers. In certain international territories, subscribers can access WWE Network by other means and/or subscription pricing may vary.
(b) Metrics reflect subscribers who are direct customers of WWE Network and estimated subscribers under licensed partner agreements, which have different economic terms for WWE Network.
(c) Source: Nielsen, Live + Same Day data. Television ratings represent the percentage of homes in the United States that tuned into weekly programming.

	Three Months Ended September 30, 2016	2015	Increase (decrease)
OIBDA-Media Division			
Network (1)	$ 17.4	$ 17.7	(2) %

Television (1)	32.4	26.6	22 %
Home Entertainment	0.9	1.3	(31) %
Digital Media	2.6	3.2	(19) %
Total	$ 53.3	$ 48.8	9 %
OIBDA as a percentage of revenues	48 %	42 %	

(1) Refer to Note 3, Segment Information, in the accompanying consolidated financial statements for a discussion of the refinement of our cost allocation methodology between the Network and Television segments, which was implemented during the first quarter of 2016, with further refinements made during the third quarter of 2016. During the current year quarter, approximately $3.2 million of costs were allocated from Television to Network. A comparable allocation did not occur in the prior year.

Network revenues, which include revenues generated by WWE Network and pay-per-view, increased by $4.2 million, or 10%, in the current year quarter as compared to the prior year quarter. WWE Network revenues increased by $6.4 million, or 18%, in the current year quarter as compared to the prior year quarter, driven primarily by the increase in paid subscribers. During the quarter ended September 30, 2016, WWE Network had an average of 1,458,000 paid subscribers, compared to an average of 1,173,000 subscribers in the prior year quarter. During the quarter there were approximately 388,300 gross additions to WWE Network's subscriber base, offset by churn of 454,700 subscribers. Gross additions include unique new subscribers and win-backs (subscribers that previously churned out and subsequently renewed their subscription). The subscription pricing of WWE Network at September 30, 2016 is $9.99 per month with no minimum commitment. The increased revenues generated by WWE Network in the current year quarter were partially offset by the decline in pay-per-view revenues of $2.2 million, or 49%, primarily due to the continued growth and expansion of WWE Network; as WWE Network grows, pay-per-view revenues are expected to decline since

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our pay-per-view events are available on WWE Network. Network OIBDA as a percentage of revenues decreased to 39% in the current year quarter as compared to 43% in the prior year quarter. The decline in Network OIBDA was due to higher programming costs and the impact of shared costs that we now allocate to the Network segment from our Television segment. On January 1, 2016, we began allocating certain shared costs and expenses between our Network and Television segments, as these allocations are intended to more accurately reflect the operating performance of these segments. During the third quarter of 2016, we allocated $3.2 million of costs from our Television segment to WWE Network. A comparable allocation did not occur in the prior year quarter.

Television revenues, which include revenues generated from television rights fees and advertising, decreased by $8.9 million, or 14%, in the current year quarter as compared to the prior year quarter. This decrease is primarily attributed to the impact of our licensed reality series, Total Divas and Tough Enough. There were no new episodes of these programs in the current year quarter, while the prior year quarter included 21 episodes and $13.6 million of revenues relating to our licensed reality series. These decreases were partially offset by contractual increases associated with certain television distribution agreements. Television OIBDA as a percentage of revenues increased to 58% in the current year quarter as compared to 41% in the prior year quarter, primarily driven by a decrease in production costs associated with the licensed reality series noted above, which have lower margins than our other television content. In addition, Television OIBDA was favorably impacted by a $3.2 million benefit due to allocating certain production costs to the WWE Network, as described above.

Home entertainment revenues, which include revenues generated from the sale of WWE produced content via home entertainment platforms such as DVD and Blu-Ray discs and digital downloads, decreased by $0.5 million, or 17%, in the current year quarter as compared to the prior year quarter. The decrease was primarily driven by the impact of an 18% decline in the average price per unit sold. Home entertainment OIBDA as a percentage of revenues decreased to 36% in the current year quarter as compared to 43% in the prior year quarter, due to lower average selling prices coupled with higher material costs.

Digital media revenues increased by $0.7 million, or 12%, in the current year quarter as compared to the prior year quarter, primarily due to increased advertising revenues from our content on YouTube. Digital media OIBDA as a percentage of revenues decreased to 40% in the current year quarter as compared to 55% in the prior year quarter, primarily driven by increased staff related and professional services costs.

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Live Events

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

	Three Months Ended September 30, 2016	2015	Increase (decrease)
Revenues- Live Events			
Live events	$ 28.0	$ 25.6	9 %
North America	$ 21.0	$ 21.1	(0) %
International	$ 7.0	$ 4.5	56 %
Total live event attendance	468,100	458,100	2 %
Number of North American events	71	79	(10) %
Average North American attendance	5,300	5,100	4 %
Average North American ticket price (dollars)	$ 50.51	$ 48.98	3 %
Number of international events	11	6	83 %
Average international attendance	8,200	8,900	(8) %
Average international ticket price (dollars)	$ 72.13	$ 84.73	(15) %
Travel packages	$ 0.6	$ 0.5	20 %
Total	$ 28.6	$ 26.1	10 %

	Three Months Ended September 30, 2016	2015	Increase (decrease)
OIBDA-Live Events			
Live events	$ 5.9	$ 6.3	(6) %
Travel packages	0.2	0.1	100 %
Total	$ 6.1	$ 6.4	(5) %
OIBDA as a percentage of revenues	21 %	25 %	

Live events revenues, which include revenues from ticket sales and travel packages, increased by $2.5 million, or 10%, in the current year quarter as compared to the prior year quarter. Revenues from our North America live events business remained relatively flat, as the impact of eight fewer events was mostly offset by increases in attendance and average ticket prices. Revenues from our international live events business increased by $2.5 million, or 56%, primarily due to the impact of five additional events. Live events OIBDA as a percentage of revenue decreased to 21% in the current year quarter as compared to 25% in the prior year quarter, primarily driven by increased costs associated with staging events in certain emerging markets.

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Consumer Products Division

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

	Three Months Ended September 30, 2016	2015	Increase (decrease)
Revenues-Consumer Products Division			
Licensing	$ 9.0	$ 11.5	(22) %
Venue merchandise	5.1	4.9	4 %
Domestic per capita spending (dollars)	$ 10.71	$ 10.47	2 %
WWEShop	7.5	6.0	25 %
Average WWEShop revenues per order (dollars)	$ 42.48	$ 44.47	(4) %
Total	$ 21.6	$ 22.4	(4) %

	Three Months Ended September 30, 2016	2015	Increase (decrease)
OIBDA-Consumer Products Division			
Licensing	$ 4.6	$ 7.1	(35) %
Venue merchandise	2.0	1.7	18 %
WWEShop	1.3	1.1	18 %
Total	$ 7.9	$ 9.9	(20) %
OIBDA as a percentage of revenues	37 %	44 %	

Licensing revenues decreased by $2.5 million, or 22%, in the current year quarter as compared to the prior year quarter, driven largely by lower effective royalty rates related to our franchise video game, WWE2K16, and lower sales of our toy products in domestic and international markets. The lower effective rates in the current year quarter are the result of changes in contractual terms compared to the prior year, but essentially are a timing difference, as effective rates over the life of the game are expected to be consistent with prior releases. Licensing OIBDA as a percentage of revenues decreased to 51% in the current year quarter as compared to 62% in the prior year quarter, primarily due to the decreased revenues and slightly higher fixed costs.

Venue merchandise revenues increased by $0.2 million, or 4%, in the current year quarter as compared to the prior year quarter, primarily due to a 2% increase in per capita merchandise spend. Venue merchandise OIBDA as a percentage of revenues was essentially unchanged from the prior year quarter.

WWEShop revenues increased by $1.5 million, or 25%, in the current year quarter compared to the prior year quarter, due to a 27% increase in the volume of online merchandise sales to approximately 170,800 orders. Orders increased primarily due to the impact of additional distribution channels, including in international territories, continued marketing efforts and offering a broad assortment of products. This increase was partially offset by a 4% decline in the average revenue per order to $42.48 in the current year quarter. WWEShop OIBDA as a percentage of revenues remained relatively flat as compared to the prior year quarter.

WWE Studios

WWE Studios revenues increased by $0.8 million, or 47%, in the current year quarter as compared to the prior year quarter. We released two feature films, Scooby Doo! & WWE: Curse of the Speed Demon and Interrogation, in the current year quarter as compared to one film in the prior year quarter. As we typically participate in a film's results subsequent to our distributor's recoupment of costs, there is a lag between a film's release and its impact on revenue. WWE Studios revenues of $2.5 million in the current year quarter includes $0.8 million from film releases in 2015, with prior releases contributing the remainder of film revenues. WWE Studios revenues of $1.7 million in the prior year quarter includes $0.6 million from film releases in 2014, with prior releases contributing the remainder of film revenues. WWE Studios OIBDA increased $1.8 million in the current year quarter as compared to the prior year quarter, due, in part, to the increase in revenues, and changes to the terms of the distribution of a previously released film, which resulted in lower expenses.

At September 30, 2016, the Company had $29.8 million (net of accumulated amortization and impairment charges) of Feature Film Production Assets capitalized on our Consolidated Balance Sheet, of which $14.1 million is for films in-release, $7.8 million is for films in production, and the remaining $7.9 million is for films that are completed, pending release, or developmental projects. We review and revise estimates of ultimate revenue and participation costs at the end of each reporting quarter to reflect the most current information available. If estimates for a film's ultimate revenue and/or costs are revised and indicate a significant decline in a film's

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profitability, or if events or circumstances change that would indicate we should assess whether the fair value of a film is less than its unamortized film costs, we calculate the film's estimated fair value using a discounted cash flows model. If fair value is less than unamortized cost, the film asset is written down to fair value. There were no impairment charges recorded in the current year quarter. We recorded an impairment charge of $0.3 million during the prior year quarter.

Corporate and Other

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

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

	For the three months ended September 30,						
	2016			2015			
	Corporate Support	Business Support	Total Corporate & Other	Corporate Support	Business Support	Total Corporate & Other	Increase (Decrease)
Corporate & Other revenue	$ —	$					