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# EDITED TRANSCRIPT

T - AT&T Inc WarnerMedia Day 2019

EVENT DATE/TIME: OCTOBER 29, 2019 / 10:00PM GMT



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## PRESENTATION

**Michael J. Viola** - AT&T Inc. - SVP of IR

Good afternoon to everyone here in Burbank as well as those listening on the webcast. I'm Mike Viola, Head of Investor Relations for AT&T. I want to welcome everyone to our HBO Max WarnerMedia Day. Thank you very much for your interest. We believe that we have a very exciting afternoon for you. We've got some of the best and most creative talent in the entertainment industry here today to tell you more about HBO Max.

But before we get started, let me show you our least exciting visual for the day. It's a nice piece of work from our lawyers. It's our safe harbor slide. Let me quickly summarize the slide. It says there's going to be some forward-looking statements, there are risks and uncertainties and actual results may differ materially. More details can be found on our website. Also, there will be several videos shown here in the room throughout the presentation that we are unable to distribute to the webcast. While these videos play, we'll be placing a slide on the video feed.

And so with that, let's get started.



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(presentation)

### Unidentified Participant

Ladies and gentlemen, please welcome the President and COO of AT&T and CEO of WarnerMedia, John Stankey.

### **John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Well, good afternoon to all of you. Welcome. Thank you for joining us today. We're thrilled to be here with all of you in person as well as those of us who are joining us on the webcast because we're here today to tell you all about entertainment and storytelling.

I'd like to share why we're so confident in the launch of HBO Max and how we're positioned to give consumers more of what they want for years to come and how our plans will deliver shareholder growth for years to come. There are 3 pillars required for success in streaming: premier content, a technology platform and marketing and distribution. Only AT&T enters this space with solid footing in all 3. Bob Greenblatt and his team, along with Ann Sarnoff, are about to walk you through our content strategy. You'll see that this seasoned team of creative executives has scaled and curated a most impressive offering that will appeal to a broad consumer base.

You'll also hear how our technical foundation enables a compelling and intuitive viewing experience on the HBO Max platform. Andy Forssell will showcase our innovative user interface and some of the research that set the direction of this platform. Tony Goncalves will share our plans around the all-important third pillar of marketing and distribution. You'll see the unmatched reach and marketing muscle that we have available to us in-house. John and Randall are going to bring up the rear and recap a few points of the overall business plan. I'm not going to steal any of their thunder, but let's just say we're all in. But first, I want to briefly discuss what has brought us to this moment and how we're reengineering the 3 businesses I'm responsible for to take advantage of this unique transition in our industry.

In the opening video, you saw how more than a century, our family of companies has defined, redefined, innovated and enhanced how people connect with each other and how storytellers connect with their audiences. From being the first to bring sound to film, to kick-starting the mobile Internet, to partnering with Apple to launch the iPhone, this is a company with a heritage rich in innovation that has navigated many pivotal transitions throughout its history. We have an enviable track record of success. You should have great confidence in the company's strategy and in this management team's ability to execute.

Why is the launch of HBO Max so important? Establishing a scaled on-demand distribution platform is a great growth opportunity for our entire company and for consumers worldwide. Consumers are watching more video than ever before even as their viewing and spending on general entertainment shifts online. Just like cable introduced the rise of niche networks to dramatically grow audience, general entertainment streaming is the next great opportunity to aggregate and grow audience.

Our television business at WarnerMedia has thrived on distribution to 85% of U.S. households. But as the pay TV bundle is unbundled, the cord is cut and as ubiquitous connectivity abounds, we must now secure our path to the market for the next decade. In the era of Amazon, Apple, Google and Netflix, scale is no longer defined by distribution to 1/4 of U.S. consumers. It's a global game.

HBO Max will have a positive and immediate impact on the stickiness of our wireless and pay TV and broadband offerings. Heavy engagement across these products is directly correlated to lower churn, and we strongly believe that an hour a day of premium content viewing to a carefully crafted HBO Max offer will have a meaningful impact. We've already seen that when we offer HBO to our premium wireless subscribers, it reduces churn and drives penetration of our higher-value unlimited plans. A reduction of 1 basis point of wireless churn is equal to \$100 million in revenue. To this end, we'll make attractive offers in the most valuable tiers of all of our products.

Individualized video streams deliver consumers the personalized experience that drives their digital engagement. We know that the hours of engagement provided by general entertainment content deliver the highest level of daily consumption. As advertising dollars follow this shift in



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viewing and we manage the downward trend in audience on cable networks, we'll leverage the capabilities at Xandr to better monetize increased digital AVOD inventory.

We've created a vertically integrated company that will allow us to benefit from a virtuous cycle of development and growth. When you take our beloved, high-quality premium content and add innovative features to provide a superior user experience, it promotes subscriber engagement. The customer insights we gain from this engagement will inform our content and product decisions and enhance targeting to lead to a better experience and even more engagement. HBO Max, with its brand promise and on-demand content for everyone, will be the lead product in our drive to establish an initial customer relationship in most U.S. households.

For those customers looking for even more robust programming, we'll bundle HBO Max with our software-based pay TV platform, AT&T TV, delivering even more viewing options and opportunities for even deeper digital engagement. Less than a year after we launch, we plan to expand the MAX platform to include an AVOD option, offering consumers access to even more content with greater flexibility in how we price and monetize these customer relationships. This is where Xandr employs data from AT&T's customer base along with innovative ad formats. Programmatic and targeted advertising associated with high-quality content is a winning combination. Further down the road, we're going to provide subscribers with unique, live, interactive and special event programming, a compelling service differentiator.

Let me quickly share with you the jump start we intend to give ourselves using the consolidated half of AT&T's consumer touch points and how the entire company benefits from the broad carriage of HBO Max. Today, we have approximately 10 million HBO subscribers through our own distribution channels that include TV, mobile subscribers and those HBO NOW subscribers that are served directly by WarnerMedia. On day 1, we'll provide a frictionless opportunity for these HBO subscribers to sign up and get HBO Max immediately. We expect that this alone will create word-of-mouth marketing, momentum and buzz right out of the gate.

At launch, we'll also aggressively market HBO Max through all of our distribution channels. Again, Tony will take you through our detailed plan. But it's worth pointing out upfront that our customers interact with us more than 3.2 billion times annually, and we have 170 million direct customer relationships across mobile, pay TV and broadband. Our retail relationships and distribution provide us an advantage unavailable to most of our streaming competitors. And we're developing specific distribution plans, working with our current affiliate partners. This is how we intend to reach 50 million subscribers domestically by 2025.

Now while we spend most of our time today discussing our entry into the U.S. market, I want to spend a minute on the importance of expanding globally, which in addition to providing a larger opportunity for SVOD growth will drive economies of scale and content production and give us worldwide audience reach to attract the best talent and creative projects. We're prioritizing our international expansion in Latin America and Europe where we currently operate HBO networks and have existing over-the-top services. Initially, we'll complement these efforts by leaning on our licensing relationships with key partners in other territories where we believe market conditions warrant a different approach.

For example, we recently secured a broad and long-term licensing and coproduction deal with Sky in the U.K., Germany and Italy that provides stability and predictability so we can produce the best content for our services around the world. In Latin America, our Turner, HBO and Warner Bros. businesses give us a strong position, delivering engaging, highly compelling local content to more than 20 pay TV brands across news, drama, comedy and kids. We recently announced an agreement to acquire full control of our HBO assets in Spanish-speaking Latin America where we have approximately 10 million premium subscribers across the network and our OTT offerings. In 2021, and we expect to launch a localized version of HBO Max with expanded programming, including a substantial amount of local content. We will capitalize on AT&T's direct-to-home wireless distribution capabilities in the region, and we'll use those to drive subscriber growth.

In Central Europe, the Nordics, Spain and Portugal, we already have more than 9 million HBO subscribers across linear networks and OTT services. Our approach will be to drive incremental growth through expanded offerings while, again, complementing our efforts with our strong licensing relationships in territories where we don't currently operate a premium service. As a result of our global efforts, we plan to reach between 75 million to 90 million premium subscribers by year-end 2025 across the U.S., Latin America and Europe.

Achieving these subscriber numbers and building the relationships associated with these customers will be just one measure of our success. As we move forward and share our progress with you on HBO Max, you can expect we'll give you insights on important performance characteristics



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like customer engagement, average revenue per user and incremental subscriber programming margins. We're committed to building a scaled and profitable platform that provides a solid foundation for future growth.

Now I know this is a lot of data and information to set the stage, but I think you now understand some of the broader reasons why this is an important undertaking for both AT&T and WarnerMedia. With this out of the way, you're about to see a stable of creative talent and accomplished executives, most of whom who have been with us since the close of the Time Warner transaction. I'm proud of the entire Max project team and their collective efforts. I think they're doing a magnificent job giving a strong and unique voice to what will be HBO Max.

So let me turn things over to a newer face at WarnerMedia. He joined us by virtue of a shared passion and belief in our mission. He's managed 2 successful television networks in NBC and Showtime. He's a 6-time Emmy nominee and a Golden Globe and Tony-winning producer as well. Would you please join me in welcoming Chairman of WarnerMedia Entertainment, Bob Greenblatt.

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### **Robert Greenblatt**

Thank you, John, for that very nice introduction. Some of you may have recognized that music. It's the main title from Six Feet Under, a show that was a great honor for me to produce for HBO now 20 years ago. It was truly the highlight of my producing career.

Thank you all for coming today. My senior team and I are looking forward to giving you some very detailed information about HBO Max and our entire direct-to-consumer strategy. John explained why HBO Max is such an important growth opportunity for this entire company, and we're excited about taking up this challenge. Today, you will hear about our incredible content, our extraordinary products and our plans to bring it all to market. We have the most experienced people in the business working 24/7 on this, and I can't overemphasize how valuable their contributions are in every area. And I can't say enough about the unwavering support we've had from John Stankey and Randall Stephenson and everyone at AT&T. We simply couldn't do this without a company of this scale behind us.

I've been in this business now for over 30 years, and I certainly know the value of high-quality content. But I also know that's not enough if you don't have scale and reach. That's what AT&T gives us on an unprecedented level. After all, when you live in a world with dragons like Netflix, Amazon and Apple, it feels very good to have one of your own in the game. Welcome to House AT&T, everyone.

John has brought all of WarnerMedia together as one company to build HBO Max, taking advantage of the wide range of expertise and assets we have to offer. And his larger role in AT&T ensures that we can coordinate our mutual goals and bring something strong to market together. And we start this journey with 100 years of the best storytelling in the world behind us. And on that note, I'm pleased to welcome you all to the historic Warner Bros. Studio where a lot of these stories have come to life over the years. We brought you through the backcloth this afternoon because we wanted to give you a little sense of that history. You're going to hear a lot more about Warner Bros. today. But suffice to say that this studio, dating back to 1923, is hallowed ground for all of us.

Now we're fully committed to continuing this great legacy of storytelling on HBO Max. But we also know that equally important is a fantastic user experience, and we have that too, which you will hear much more about later as well. And it's worth noting that our move into the direct-to-consumer area isn't new. HBO started down this path 4 years ago with the very successful launch of HBO Now. Incidentally, 40% of the total viewing of HBO this year has been on digital. Our experience here is a tremendous advantage as we bring HBO Max to life.

We also have great digital know-how with Otter Media, a collection of younger brands like Rooster Teeth and Crunchyroll. Otter is run by Tony Goncalves, who is now overseeing the product, experience and go-to-market strategy of HBO Max, and we could not be in better hands. But it doesn't end there. Our boots on the ground general manager is Andy Forssell, who was instrumental in launching Hulu several years ago. Indispensable doesn't begin to describe how we all feel about Andy.

We're excited for you to see a demo of the actual product in a little while and hear about the marketing and pricing strategies as well. We intend to use the enormous AT&T footprint to help scale HBO Max quickly and at the same time, make this product as appealing to our current distribution partners as possible. I'm pleased to announce that HBO Max will launch domestically in May of 2020, and it will include the entire HBO service



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bundled together with a large, new offering of original content appealing to all the younger demos, plus a choice slate of acquired programming and titles from the extensive Warner Bros. libraries. These libraries, incidentally, are the best of their kind anywhere.

But everything starts with HBO, undeniably one of the strongest, highest quality brands in the world, and it will help us go into this market with a head start. In 2018, in the U.S. alone, 120 million people engaged with HBO content. And around the world, this content reaches over 150 countries through our channels and distribution partners. And HBO's track record with awards is already legendary, including 108 Golden Globes, 25 Oscars and no less than 632 Emmy Awards, and they weren't even eligible for Emmy's until 1988. For 19 straight years now, HBO has an unbroken streak where no network or streaming platform has won more Emmy's.

Now 2 of the guiding principles for all HBO Max will come directly from HBO. First and foremost, quality. Everyone knows HBO has the highest standards, from storytelling to production value, and this is the high bar we're setting for all of HBO Max. You'll see a lot of that in a few minutes.

Second, curation. HBO perfected this approach decades ago. For them, it's never about the number of times at bat, the bragging rights for most SVOD players, but hitting a home run every time. In fact, my friend John Landgraf, the Head of FX, spoke about this very thing a couple of months ago. He said, "I find the letters H-B-O more valuable than they were 10 years ago. Virtually everything they make is good. And for me personally, I am finding that more valuable than ever to figure out how to navigate through all the choices I have at any given moment."

Nielsen tells us the average search time on an SVOD platform is 8 to 9 minutes. That can seem like a lifetime when you just want to watch something good. We all know about the paradox of choice. If you're surrounded by too many options, you end up less satisfied with your final decision than if you've been given fewer options in the first place. It's just the way the human brain is wired. HBO Max will begin with about 10,000 hours of content, a lot by any measure. And while less than some of our competitors, we actually think our value proposition improves when we narrow the options, removing much of the filler no one watches anyway. So curation will extend to our entire platform from HBO on down.

And also, a word about personalization. We're striving to make HBO Max extremely engaging and easy to navigate so we can reduce those 9 minutes of searching. Aside from all the advancements in SVOD streaming, the user experience is still way behind the audience. As we perfect our product over time, the long-term goal is to set the new standard for speaking personally to our subscribers. For example, we're going to get much more creative with recommendations. HBO recently introduced the concept of Recommended by Humans, and we're going to adapt that idea for HBO Max so we never have to rely solely on an algorithm to serve our customers the best content. There's more to come on all of this a little later, too.

Much of the next hour will be about content and programming because that's the heart of what we offer, and you will meet several leaders of our development teams to take you through it all. To a person, I believe we have the best executives in the business, starting with Casey Bloys, who has been at HBO for 15 years and President for the last 3.5 years. He's going to take you through the impressive programming he has on deck at HBO for the next 12 to 18 months. And all of it -- series, documentaries, comedy specials, blockbuster movies and the library -- will be available on HBO Max.

Kevin Reilly, head of original [and acquired] content for HBO Max, will then lay out his strategy that includes a multibillion-dollar lineup of new content, what we also call the Max Originals. We're so lucky to have Kevin. He's run 2 broadcast networks and 4 cable channels in his career including TNT, TBS and [truTVs], truTV for us now. Then his key executives Sarah Aubrey and Michael Quigley will give you highlights of the rich array of acquired programming and the many new originals in production. We already announced a number of these shows, but of course, we held back a couple of surprises for you today. And before Tony and Andy come out, Ann Sarnoff, the new Head of Warner Bros., will talk about the powerhouse Warner Bros. Studios which are so vital to our success. And she's brought along some sneak peek footage of their incredible 2020 movie slate, all of which will come to HBO Max over the next couple of years.

When you roll everything together, we will have one of the most robust collections of superb SVOD content that will appeal to all demographics in the household, and I want to illustrate that point graphically before I go. Now we know HBO covers the adult demos, but you probably think it skews older than it actually does. The median age of linear HBO is only 49, but that drops to 36 when you look at HBO Digital where the younger audience is growing quickly. We plotted the demos of much of the HBO Max programming on a 4-quadrant basis to get an overall snapshot of the broad appeal of our platform. We obviously couldn't plot every show, but each data point represents a specific series or movie using blended linear and digital information from Nielsen.



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Let's start with the HBO product that will be available at launch. Overall, more male than female. Now let's layer on library content from TBS, TNT and the CW. TBS is older and more male. TNT is also older but more female. And the CW, decidedly more female. Licensed and new shows from CNN are older but also slightly more female. truTV and Adult Swim library shows aim decidedly younger to mid-30s and slightly more male. Boomerang and Cartoon Network, not surprisingly, land in the teens and up to young to mid-20s. And then Crunchyroll and Rooster Teeth are in the 18 to 34 sweet spot and both decidedly male.

Now let's add in estimates for the new Max Original programming, and you'll see how the graph balances out, especially with younger women and -- with younger audiences and women, which is exactly our strategy here. Again, this isn't totally comprehensive, but you can see how in aggregate, we will have very broad coverage across all 4 quadrants. And as we get past year 1, this will only continue to balance out as more original shows are introduced. With this entire company coming together, we'll be well on our way to having HBO Max appeal to the whole audience, and that's the overriding goal.

Okay. Now on with the show. And as I said, everything starts with HBO. The definition of TV has changed radically over the last few years but HBO is just the same: still at the top of its game after 5 decades; one of the most relevant, most revered and most watched brands in the world. So please help me welcome Casey Bloys. Thank you.

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**Casey Bloys** - Home Box Office, Inc. - President of Programming

Thank you, Bob, and good afternoon, everyone. I'm proud to be leading HBO, which has proven time and again to be the gold standard of high-quality programming, featuring some of the best talent in the world. And living up to the name is something we take seriously. I'm pleased that HBO will serve as the anchor of the HBO Max bundle. This larger platform will be an effective way for us to reach potentially millions of additional viewers, thanks again to the extraordinary reach of AT&T. HBO shows will continue to have what they've always had: great writing, casting and direction; incredible production value; and most importantly, context. They all have something to say about the world we live in.

But our most important asset is our talent. Our competitive edge with them is the degree to which we enable their visions to come to life, how we give them deep marketing support and how we strive to make each project a cultural event. On behalf of all my teams, I'm so proud that our programming won 34 Emmy's a few weeks ago, including outstanding drama series, variety talk series, limited series and lead actor in a comedy. And of course, 12 more Emmy's for Game of Thrones alone, which now holds the record for any scripted series in history with 59 total wins. There is a quote from Vanity Fair that I love, and it honors all the people here who are so passionate about what they do. "HBO has reigned over television for a quarter century now. No other institution is more central to our concept of prestige TV, elevating it to the American storytelling medium of the young century." I love that.

Before I get to 2020, allow me to take a look back at some of the unrivaled talent and shows that have shaped HBO.

(presentation)

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**Casey Bloys** - Home Box Office, Inc. - President of Programming

We know that we live in the age of peak TV, and there's more and more premium content being released every day. And yet I think we're still beating the odds. This year's proof of that. Breakout Chernobyl's masterful storytelling helped it surpass 13 million viewers. It is now our most watched miniseries of all time. The second season of Big Little Lies delivered nearly 12 million viewers, 65% of which were women. It is our most female-skewing series. Freshmen drama Euphoria now ranks as our youngest-skewing show with 2/3 of total viewing coming from digital platforms. Also, Euphoria quickly became our second most social series behind only Game of Thrones. With over 9 million viewers, the first installment of Leaving Neverland now ranks as HBO's highest-rated documentary of all time.

Our news talk franchises continue to garner strong performances year-over-year, too. Last Week Tonight is averaging nearly 5 million viewers per episode and ranks as television's #1 late night news talk series for adults 18 to 49, not to mention 1 of Emmy's most honored shows. Real Time with



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Bill Maher, now in its 17th season, is averaging almost 4.5 million viewers and delivers more viewers in its premiere telecast than both Jimmy Kimmel and The Tonight Show.

We also continue to see the undeniable value and staying power of our rich library. Shows like The Sopranos, The Wire, Sex and the City and True Blood rank among our most popular series on our digital platforms. There's a whole generation of viewers who haven't seen Oz, Six Feet Under and Deadwood, and HBO Max will allow more and more viewers to experience the library and all the HBO essentials.

And looking to the future, we have so much to offer for both 2020 and 2021. In addition to returning hits like Westworld, Succession, The Righteous Gemstones and Barry, 2020 will have a mix of world-billing epics and more intimate character pieces. For example, if you love Emmy winner Fleabag by Phoebe Waller-Bridge, she is executive producing and will guess star in a new comedy, Run, for us -- in a new comedy for us called Run. It's a totally unique romantic dramedy starring 2-time Emmy winner Merritt Wever. We also have a new mystery with a supernatural twist, The Outsider, based on Stephen King's novel. It's executive produced by Emmy winner Jason Bateman, who's also directing the first 2 episodes and appearing in it as well.

Then there's Nicole Kidman, who we like to think calls HBO her home away from home. We love that she teamed up once again with Big Little Lies architect, David E. Kelley, for a chilling limited series called The Undoing. She is producing again and stars in it as well along with Hugh Grant and Donald Sutherland. And switching gears a bit, Lovecraft Country is the kind of show that doesn't come around very often. From Jordan Peele's Monkeypaw Productions and J.J. Abrams' Bad Robot, what starts out as a 1950s period piece suddenly turns into one of the scariest thrill rides you've ever seen.

Here's a sneak peek at both The Undoing and Lovecraft Country and you all will be the first to see these.

(presentation)

#### **Casey Bloys** - Home Box Office, Inc. - President of Programming

And there's even more for the coming year. We have a whole new take on Perry Mason based on the characters created by Erle Stanley Gardner. Matthew Rhys, the acclaimed star of The Americans, steps into the title role. We also have Avenue 5, the next comedy from the one and only Armando Iannucci, creator of Veep. This time, he takes us into outer space on a hilarious cruise ship of the future. Along for the ride are comic geniuses like Hugh Laurie and Josh Gad.

We also have another one of our favorites, Mark Ruffalo playing twin brothers, one of whom is schizophrenic, in a complex family drama based on the best-selling Wally Lamb book, I Know This Much Is True. And finally, David Simon is adapting Philip Roth's masterly novel, The Plot Against America, starring Winona Ryder and John Turturro. This is just a taste of the 38 new and returning original series lined up for 2020 alone. Here's a quick look at the whole year.

(presentation)

#### **Casey Bloys** - Home Box Office, Inc. - President of Programming

While all of that is for 2020, I will tell you that the following year is just as robust. I won't go into as much detail, but I wanted to highlight 3 big events for 2021. We have Josh Whedon's highly anticipated new fantastical series The Nevers. We have Kate Winslet as a complicated Pennsylvania detective in a limited series called Mare of Easttown. And we have something totally delightful for fans of Downton Abbey: Julian Fellowes' The Gilded Age set in opulent New York in 1885 (sic) [1882] with a dream cast that includes Christine Baranski, Cynthia Nixon and Amanda Peet. And I haven't even mentioned our big slate of documentaries and docuseries that will take us into so many other compelling worlds. The bottom line is that we plan to keep on firing on all cylinders.



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A few weeks ago, WarnerMedia announced a new long-term deal with one of the premier filmmakers and television producers in the world. He executive produces *Westworld* and *Lovecraft Country*, and he's hard at work on a new show for us that he's also writing. He's a good friend to HBO and to this whole company. Please help me welcome J.J. Abrams.

### **J.J. Abrams**

Hello. Hello. I stand before you today clearly underdressed. As a proud member of the WarnerMedia family, we were very fortunate at Bad Robot to have a few choices when it came to deciding exactly where to call home. And we met with John Stankey, and he blew us away with his vision, his ambition for what AT&T could do as the parent company of this extraordinary studio.

But it wasn't just the ambition for the future that was striking. Every company, no matter what they make or what they do, is just a collection of people, and the people here are as good as they get. In addition to Mr. Stankey, and he makes me call him Mr. Stankey, I cannot say enough good things about Ann Sarnoff. She's not just a wildly impressive leader. She's a deeply good person. The same could be said for Toby Emmerich and Bob Greenblatt, Kevin Reilly, Susan Rovner, Casey Bloys and the remarkable Peter Roth, who just won the best-guy-ever contest, which is not true, but it should be true.

At Bad Robot, our focus all day every day is storytelling, and there's no company that values storytelling more than WarnerMedia. There's no higher level of the cinematic form than what Warner Bros. features has presented to the world over the years or what HBO does remarkably again and again on television or whatever it's called. To have both Bad Robot features and television aligned with this one powerhouse partner is a dream come true for me.

And by the way, I'm so grateful for my collaboration with HBO thus far and could not be more excited about the projects that we have in store, including *Demimonde*, which is a pilot that I wrote with the deepest hopes that it could one day live on that network. And while it's too early to go into specifics, I'll say that we are in talks with HBO Max about some projects that I cannot wait for the world to see. The most thrilling thing about this moment at this media company is that anything is possible. And I feel that for Bad Robot in partnership with WarnerMedia, the most thrilling, the most exciting is yet to come.

So thank you, and it's my pleasure to introduce my friend, Mr. Kevin Reilly.

### **Kevin Reilly** - *Turner Broadcasting System, Inc. - Chief Creative Officer and President of TBS & TNT*

Thank you, J.J. He is a true visionary, and I got to tell you, he is also one of the most fun, creatively energizing partners you could possibly hope for and I'm so excited to have them with us on the entire HBO Max journey. Good afternoon, everyone.

The depth of the content Casey just shared is remarkable, and it will offer our customers a rich slate of originals unlike anything else. For much of the past year, my teams have been focused on building a new portfolio with the goal of bringing in audience segments beyond the HBO core: kids and families, teens and young adults and adults looking for content outside the HBO brand line. We're attracting top talent to bring in a wide variety of original ideas, curating the rich library of this company and acquiring the most compelling third-party programming available. And I'm happy to take you through the foundation of that new offering now.

Our research tells us there's a subscription opportunity of 75 million potential domestic customers in these demos, and we're going after them. We know we're entering a busy SVOD marketplace. But the fact is, while consumers love the SVOD experience, viewing patterns of the existing services are just now becoming clear, and we see opportunity in the user deal. We see that only a handful of individual titles drive more than 2% usage amongst the thousands of hours of content available on those services. And further, of the thousands of titles available, it's the top 100 that drives half the total usage.

Let me say that again. An SVOD service may have 35,000 hours of content but half of their usage is driven by only the top 100 titles. When it comes to performance by genre, quality over quantity is even more pronounced. For example, the top 10 licensed comedies on competitive streamers



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account for more than 80% of the total licensed comedy viewing. So breadth of choice is important, but content that matters to viewers is the real point of differentiation. And it's not lost on us that many of our past and present WarnerMedia titles contribute significantly to the top end of the performance curve on existing platforms. So going forward, you'll see many of our signature titles exclusively on our platform.

Furthermore, delivering on the HBO quality brand promise throughout HBO Max will prove even more valuable in an environment where commanding attention is harder than ever. In a few minutes, Sarah Aubrey and Michael Quigley are going to go into detail about much of the content in the portfolio. But I want to call out a few of our super performers which will drive deep engagement and be big differentiators for HBO Max.

Let's start with the centerpiece of our kids programming. You know it. Sesame Street is not just a show or even a franchise. It's a beloved brand synonymous with everything good about children's television. It's even receiving the Kennedy Center Honors this year in its 50th anniversary. We're overjoyed to have extended our partnership to include all past 50 seasons of the show which we'll curate during the year. Plus, we'll have the next 5 seasons of new episodes, too. HBO Max will have streaming exclusivity on the whole gang, from Elmo to Cookie Monster to all of your favorites once Season 50 concludes on HBO Max next year.

In addition to that, we have lots of new Sesame Street content, including the next season of Esme & Roy and a new Sesame Street spin-off called Mecha Builders, plus a great new special called The Monster at the End of This Story. And not to be left out of the late night wars, we have a brand-new talk show starring a furry red monster. And no, I'm not talking about Conan O'Brien. It's none other than Elmo. Please take a look at why we're so thrilled that this American institution is now a cornerstone of HBO Max.

(presentation)

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**Kevin Reilly** - Turner Broadcasting System, Inc. - Chief Creative Officer and President of TBS & TNT

Next, movies. When consumers [are polled] on what drives their SVOD purchase, reason #1 is original series. Reason #2 is movies. HBO Max will have an outstanding offering with over 1,800 movies, featuring half of the top 50 box office titles of the year in the HBO service alone. That's the largest selection of recent blockbusters available on any streamer.

(technical difficulty)

[year] include the full set of The Hobbit, The Lord of the Rings and The Matrix trilogies, plus over half of the top 20 horror movies of all time anchored by the most successful modern horror franchise, The Conjuring, which has generated over \$2 billion in worldwide box office. Both Gremlins films will be available, and The LEGO Movies will be added in time for the summer break.

In a bit, Ann Sarnoff will give some additional color into our rich movie offering, including classic films. But I want to take a minute on one of the most valuable assets of this company, DC, which has been part of Warner Bros. since 1969. There've been over 40 films over the years, which together have generated a cumulative unadjusted box office of \$12.5 billion. From Batman, Wonder Woman and Suicide Squad to Shazam! and Aquaman, the top grossing DC title of all time, HBO Max will have all DC releases of the last decade available within our first year of launch, including every Superman and Batman movie from the last 40 years and the current box office phenomenon Joker available at launch on HBO Max through the HBO service. We're all in with DC and the associated brand Love that DC generates.

Next is comedy, a genre audiences love to devour, and no show says deep fan engagement better than Friends, one of the best comedies ever made, a massive global hit that has connected with audiences for over 25 years. It's also become a new obsession with Gen Z, now making it the pinnacle of streaming titles, too. Friends will now be calling HBO Max its exclusive SVOD home.

I'm also compelled to say bazinga, a word I've never said before, because we have another beloved group of friends and one of the biggest shows for over 12 years, The Big Bang Theory, also a massive global hit and the #1 entertainment program for 8 years in a row. This is the first time the 279 episodes of The Big Bang Theory will be seen on any streaming platform, and HBO Max has them exclusively. Here's a little reminder of why these are 2 of the biggest television hits ever, both of which come out of our very own Warner Bros.



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(presentation)

**Kevin Reilly** - Turner Broadcasting System, Inc. - Chief Creative Officer and President of TBS & TNT

Adult animation is another category which outperforms with young audiences, Gen Z men, in particular. As you know, in this category, just a few series set the gold standard, some so well-known you can be on a first-name basis with the characters, like Stan, Kyle, Cartman and Kenny, either alive or dead. Today, I'm happy to announce that HBO Max will be the exclusive SVOD home of Trey Parker and Matt Stones' brilliant animated satire, South Park. One of the longest-running and most successful series on TV, HBO Max will offer over 300 episodes. That's 23 seasons, all available shortly after our launch, plus 3 new seasons to come. That's pretty cool.

But we add to it some of the biggest titles in comedic animation from Adult Swim, the #1 cable network with adults for 15 years' running. And we're supersizing that with anime, a category surging in popularity. HBO Max will have a curated offering from our sister company Crunchyroll, an anime powerhouse with more than 1,000 titles. And for animation fans, it gets even better. We recently announced an exclusive landmark deal with one of the most acclaimed animation studios in the world, Studio Ghibli, for their entire catalog of 21 of the most revered Japanese animation classics, which have never been before offered on any streaming platform. Some of the most popular Japanese films of all time, 5 Oscar nominations, including the Oscar-winning masterpiece Spirited Away. We're proud Ghibli has made us their streaming home, and HBO Max will truly be an animation lover's dream.

Now I want to outline the strategy around our most ambitious new initiative, the Max Originals. Original content is the primary draw for consumers to an SVOD service, ultimately determining its identity in the marketplace. When we open the doors to the creative community, we were knocked out by the incredible talent that came to be in business with us: artist-in-residence at WarnerMedia as well as many other top creators and performers working across scripted comedy and drama series, original animation, nonfiction and reality series, original motion pictures, documentaries and specials.

The Max Originals will more than double the portfolio of originals on HBO. About half of our originals will be targeted in the young adult 16- to 34-year-old audience, and the remainder will be divided between kids and family content and adult fare outside the HBO brand. Original series is the main driver of subscription, and our offering will be both consistent and consistently excellent. We'll have 31 Max Originals series in our launch year. Combined with HBO, that's 69 series on HBO Max in 2020. We'll grow our Max Originals to 50 series in '21. Combined with HBO, that's a total of 88 series on HBO Max in our first full year and beyond.

That's a volume where we can entice all audiences, from kids and family through teens and adults, with a variety of choice and a weekly pulse of originals in an experience that allows room for original content to resonate. Our Max Originals rollout strategy will also be curated based on the specific piece of content, but will largely mirror the weekly HBO release pattern. We like creating cultural impact and nurturing maximum IP value from our IP. Our creators also see the difference in rolling out shows gradually and letting them breathe. HBO hits like Succession and Chernobyl became part of the zeitgeist with a weekly release schedule rather than fading quickly after a binge and burn. We know people love to binge and on HBO Max, you can binge previous seasons and library content to your heart's desire.

To oversee our content initiatives, we've assembled a fantastic team of experienced executives to collaborate with the best talent in the business. I've had a chance to run a few networks in my day, and I have rarely experienced a more energized and creatively vibrant environment than what's happening right now at HBO Max.

To give you much more insight and color into all of our content, I'm now going to turn over things to 2 of our best. Sarah Aubrey and I have collaborated for years, going back to our stint as a producer, one of my favorite shows that I ever commissioned, Friday Night Lights. She's a seasoned film and television producer and now the Head of Max Originals content. And Michael Quigley, who oversees all of our library and acquisitions. Michael is a homegrown executive who came up through the Turner distribution ranks and has worked closely with me for years on the media entertainment networks. Please welcome Michael and Sarah, and I thank you for your time.



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### **Sarah Aubrey**

Thank you, Kevin, and good afternoon, everyone. So let's talk about the shows. Behind me are the 50 HBO Max Original projects that will be premiering in our first year of service. We've commissioned projects with the goal of complementing the HBO offering, while always striving for the same level of quality. As Kevin said, we're targeting 3 key audiences: kids and family, millennials and Gen Z and adults with a focus on women. I'd like to walk you through highlights of the content for all 3 categories.

### **Michael Quigley**

And I'm going to jump in with what we have in these same categories with respect to acquired and library content from our sister companies and third parties.

### **Sarah Aubrey**

So let's start with our kids and family programming. This demo is obviously vital to HBO Max. Anchored with our incredible new Sesame Street relationship that Kevin talked about, our programming for kids also includes a collection of some of the best animation you'll find anywhere. The Warner Bros. Animation studio and Cartoon Network are both in the family, and we're in business with them in several ways.

Starting with Cartoon Network. We'll have fun new episodes of The Fungies! and Tig N' Seek. And we're bringing back their #1 franchise, Adventure Time, with 4 hilarious new specials made exclusively for Max. If you have kids, you know this is big. My son Frank gasped when I told him we were bringing this back. We also have a delightful new animated series called Little Ellen from Ellen DeGeneres about her as a 7-year-old girl growing up in New Orleans. Ellen's very important to this company, which has been her home for nearly 20 years, and we have several new shows with her you're going to hear about today.

One of our first pickups last year was a new animated series from Steven Spielberg's Amblin Entertainment. Gremlins: Secrets of the Mogwai is the origin story of those naughty little creatures who we all know and love from the hit Gremlins movies. We're also developing an inspired new series from visionary Bob Zemeckis called Tooned Out. In the vein of Bob's classic Who Framed Roger Rabbit, Tooned Out merges animation and live-action with the cast of Looney Tunes characters you can only see on Max. We also have inventive content for older kids in the unscripted area, such as Craftopia with YouTube superstar LaurDIY and Karma, a fast-paced challenge game where how the kids treat each other affects their chances of winning. Michael?

### **Michael Quigley**

Our libraries are also brimming with great assets here. We will have nearly 250 titles for this young audience, starting with Looney Tunes, which has been making kids laugh since 1930. The whole gang will be back in hundreds of classic cartoons. We also just commissioned 80 brand-new original shorts aimed right at today's audience. We also happen to own these household names from Hanna-Barbera, all of which will be in series, movies and digital shorts on the platform. And we even have a brand-new original series called Jellystone, where all these great characters come together.

Sarah mentioned Cartoon Network, which is a 30-year legacy in iconic kids programming. Much of its incredible library will be coming to HBO Max at launch. And we have a whole lot more than these 2. So in 60 lightning seconds, here's a look at all the great animation coming to HBO Max.

(presentation)

### **Sarah Aubrey**

Okay. Now let's move up to the millennial-Gen Z category. This is a target that ranges from young teenagers to mid-30s, and we have something for all of them in both scripted and unscripted genres. On the scripted front, we can't wait for Tokyo Vice. This smart action series set and shot on



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location in Japan stars one of the hottest young featured actors, Ansel Elgort in his first television project. And is directed by the great Michael Mann. Also, in her first series role, the wonderful Anna Kendrick will charm audiences as we watch her fall in and out of love in the effervescent comedy, *Love Life*. Next up, we almost broke the Internet when we announced the revival of *Gossip Girl*, a global phenomenon with the young audience dying for more of their favorite teenage soap, set in New York's Upper East Side. We'll also have past seasons of *Gossip Girl* for fans to binge. Next, we have new episodes of DC fan-favorite *Doom Patrol*, and producer Elizabeth Banks is bringing us DC's *Super Hero High*, a fresh comedy where you see your favorite superheroes in high school. I am personally looking forward to *Grease: Rydell High*, the new musical series based on the original hit. I think it's going to be a blast. And Issa Rae, one of our favorites from the HBO family with *Insecure*, is producing a Max original too. This is her look at the music scene in Miami told through the eyes of 3 young women: a hip-hop duo and their hustler manager. From *Mindy Kaling*, we have a fantastic 20-something female comedy set in college. *Mindy* has her finger on the pulse of this generation, and we're so happy to be in business with her.

And I saved the biggest for last. Someone who speaks to this younger audience better than almost anyone, Greg Berlanti. Greg is currently overseeing a jaw-dropping 25-series across multiple platforms including massive hits like *Riverdale*, and I love these statistics. This past season alone, Greg's shows were viewed 5 billion times around the world. And in the U.S., one of every 2 viewers across all ages watched one of his series. That's 165 million viewers. Just staggering. We're excited to have him producing new originals just for HBO Max, including a new thriller with Kaley Cuoco, plus 2 brand-new DC properties. I want Greg to tell you all about this himself. So let's take a look.

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### **Sarah Aubrey**

Thank you, Greg. We love being in business with you, and it's [cool] for us to have you producing *Unpregnant*, *Flight Attendant*, *Strange Adventures* and *Green Lantern* for HBO Max.

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### **Michael Quigley**

That's right, Sarah. It is fantastic to have Greg on our team. Greg also single-handedly brought the DC Universe to the CW Network with a string of hits like the *Flash* and *Arrow* that have since become SVOD juggernauts. In fact, CW shows like this represent 5 of the top 10 most viewed titles among teens on all SVOD services. And as you know, the CW is co-owned by Warner Bros. So we entered into a long-term arrangement to bring the next 10 Warner Bros produced CW shows to HBO Max after they premiere on the network. The deal starts with DC's *Batman*. Includes *Katie Keen*, a spin-off of the top young adult hit, *Riverdale*. We're also acquiring more fun library shows for the Gen Z audience too, including genre classics like *Pretty Little Liars* and *The O.C.* to name a couple.

Kevin mentioned adult animation is a big driver for this group, and we will have the deepest array of hits from Adult Swim anywhere in SVOD including all these titles. Young fans gave their resounding approval after we announced the return of 2 new seasons of *The Boondocks*. This groundbreaking hit from creator, Aaron McGruder also comes with 4 seasons of the original show. And last, but not least, who could forget these guys: *Rick and Morty*, the #1 young adult comedy in all of television, with over 1 billion SVOD views as well. The past seasons of *Rick and Morty* will be available on HBO Max at launch. And the newest broadcast season will be available in the first year after airing on Adult Swim. *Rick and Morty* is far more than just a show. It's a pop culture phenomenon.

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### **Sarah Aubrey**

Thanks, Michael. Rounding up the Gen Z millennial category, we'll also have some big new unscripted shows, a genre we know is important to viewers. Oscar-winner Alex Gibney is making *Generation Hustle* for us, a doc series about the lengths young people go to for fame, fortune and power. *Legendary*, a fierce reality competition from the producers of the *Queer Eye*, takes us into the wild world of voguing. *First Dates Hotel*, another show from Ellen DeGeneres, where single people mingle in a tailor-made romantic experience in Italy, no less. And we have a number of stand-up specials, some of which will be produced by our very own pillar of comedy, Conan O'Brien and his team *Coco*.



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### Michael Quigley

We'll have a whole range of unscripted library favorites too. Over 100 series from news and documentary to food and travel, comedy, variety and romance. In fact for those who love The Bachelor, we're putting a whole new spin on the most successful unscripted series on television with additional new footage from recent seasons. And we have over 100 hours of Impractical Jokers, one of the most watched comedies with an audience of 64 million viewers, 12 million of which come from Gen Z.

### Sarah Aubrey

Now our last audience category, adults with an emphasis on women. You saw on Bob's quadrant chart earlier, this is an area of focus for us because it's an underserved audience, so here's how we're going to change that. On the scripted drama front, we have the futuristic Station Eleven based on a provocative novel we love. It's produced and directed by one of the best, Hiro Murai from the award-winning Atlanta. Made for Love is a quirky dark comedy about a husband using cutting-edge technology to control his wife's mind. And we're adapting the sweeping book Americana into a series created by Danai Gurira with producer and star, the incomparable Lupita Nyong'o. We also have Circe, a fantasy epic based on the recent best-selling book about one of the most evocative goddesses in ancient Greece. And last but not least, a new science fiction epic from Ridley Scott called Raised by Wolves. This is one you simply haven't seen before. It focuses on a rogue female AI who will stop at nothing to raise her children. Fresh from the editing room and directed by Ridley, here's a look at Raised by Wolves.

(presentation)

### Michael Quigley

Well, Sarah, epic does not begin to describe that show. It looks amazing. I cannot wait to watch it. For the adult demo, HBO Max will also have a wide slate of library and acquired content, both scripted and unscripted. Needless to say, Friends and The Big Bang Theory will be big attractions here.

We will also feature these popular dramas, each of which was a #1 cable series during its run. And thanks again to Warner Bros., we also have John Wells and Aaron Sorkin's masterful, The West Wing, one of the most acclaimed series of all time which won the Emmy for Best Drama Series 4 years in a row.

We recently announced a new deal with the BBC, and the centerpiece of that expansive partnership with the BBC is the global megahit, Doctor Who, last year's fastest-growing cable drama in the U.S. All 11 past seasons, plus 3 upcoming new seasons, will be available exclusively on HBO Max.

CNN is another important member of the family with its award-winning CNN original series and CNN Films. And HBO Max is acquiring many of their docuseries including hit franchises like United States of America with Kamau Bell, This is Life with Lisa Ling and Anthony Bourdain: Parts Unknown.

### Sarah Aubrey

In the unscripted space, we also have a number of great originals for adults. From Oscar-winning filmmaker, Morgan Neville, CNN Films is producing a new documentary for us called Bourdain. This is an exploration of the complicated chef, whose exceptional storytelling connected with people all over the world.

And now shifting gears, audiences will love our documentary from Amy Schumer, called Expecting Amy, a raw hilarious look at this gifted comedian going through a difficult pregnancy while on tour.



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We also know the value of the lifestyle reality genre, so here are a few of those highlights. A globetrotting design competition called The Greatest Space, also from the Queer Eye producers; a totally different decorating challenge from Ellen DeGeneres called Ellen's Home Design Challenge; and Full Bloom, television's first flower arranging competition. You'll love it, I promise.

Now if you'll indulge me a couple of minutes more, I want to wrap up with a word about movies made for HBO Max. Movies are important to our original programming mix, so we'll start building this category by focusing on 5 to 10 originals per year. Right out of the gate, we made a 4-picture deal with Greg Berlanti and his partner, Sara Schecter, for Unpregnant and 3 other movies to follow. And we made a 2-picture deal with Reese Witherspoon and her company, Hello Sunshine, who cornered the market on telling fresh contemporary stories from a female perspective.

We're also thrilled to be working with one of the great contemporary film makers, Steven Soderbergh, who brought us Let Them All Talk starting the legendary, Meryl Streep. Last we're working on several projects together with our partners at Warner Bros. and New Line Pictures. First, we have the one-of-a-kind Melissa McCarthy, starting in Superintelligence, about a woman whose romantic life is selected for observation by artificial intelligence. And finally, we have Bobbie Sue, featuring Golden Globe-winning Jane the Virgin star, Gina Rodriguez, as a brilliant young lawyer who upends a conservative law firm.

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### Michael Quigley

Okay, that's it for us. I know we covered a lot of ground today and we thank you for your time. We hope you can see the depth and breadth of what our teams have been putting together for much of past year. All this great content targeted at these 3 audience segments will sit alongside the expansive programming of HBO. And the sum total will give us something for everyone in the household. Sarah?

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### Sarah Aubrey

This platform will be synonymous with quality, and that doesn't happen without the visions of our creators. We're honored to be working with some of the most gifted people in our industry, and we wanted you to hear from them directly about how excited they are to be on this journey with us. So here they are, the heart and soul of HBO Max.

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### Unidentified Participant

Ladies and gentlemen, please welcome the Chair and CEO of Warner Bros., Ann Sarnoff.

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### Ann M. Sarnoff - Warner Bros. Entertainment Inc. - Chairman & CEO

Wow. That looks fantastic and makes me even more excited about HBO Max. I am really pleased to be here with you this afternoon, and I'm especially honored to be at Warner Bros at this exhilarating time in our business. It all started when 4 brothers, immigrants from Poland, by way of Ohio, launched a movie studio in 1923. And 5 years later, moved it from Hollywood right here to Burbank. Along the way, came Rin Tin Tin and Gold Diggers, 42nd Street, Busby Berkeley and Looney Tunes. Then Bette Davis, Casablanca, Jimmy Cagney and John Wayne and so much more.

Warner Bros. became one of the original big 5 American movie studios and expanded aggressively over the years to become what it is today, a global entertainment force. But we've never forgotten our roots, especially when we're on a sound stage like this. Just for fun, here are some of the classic movies that were shot right here on Stage 21: Jezebel, Yankee Doodle Dandy, Judy Garland's 1954, A Star Is Born, Private Benjamin, Batman Returns and Ocean's Twelve and Thirteen, along with TV classics like 77 Sunset Strip, Kung-Fu and ER. That Warner Bros shield at the start of every motion picture and at the end of every TV show is iconic. It stands for something: quality, integrity, superior storytelling.



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Around every corner of this lot, every day, we are reminded that our mission is and always will be putting great entertainment in front of audiences around the world. So now we're excited to bring so much of our great content to so many more fans through HBO Max.

As you've heard today, this past century has given us one of the best libraries in the industry including 23 best picture Oscar winners and 10 Emmy wins for best comedy or best drama series. HBO Max will have the pick of the litter here. And we just continue to grow every year. In 2018 alone, we produced over 2,000 hours of television and close to 2 dozen feature films, and that will only increase as we ramp up to produce as much as 50% of HBO Max' original programming.

As you've heard a lot today, we are collaborating in many ways with Bob and Kevin and their teams. Both Warner Bros. Pictures Group and Warner Bros. Television Group along with Cartoon Network, Adult Swim and Warner Bros Animation are licensing or producing new content for the platform. Warner Bros. Production operations, both film and television, have been the undisputed leaders in our industry for decades. And the list of combined hits is staggering. The fact that we do it all in-house, from script development to post-production, means we have greater control in ownership of all of this content, an essential advantage for HBO Max.

In television, our legacy is unmatched. Warner Bros. was a leader in television way back in the 50s when most movie studios thought the small screen would kill the big screen. While the big screen is still alive and well, television is a phenomenon, the likes of which Jack Warner could never have imagined. The Warner Bros Television Group, headed by Peter Roth, creates the most beloved, most talked about series on television. It's the perennial leader across broadcast, cable, syndication and digital platforms, not to mention an international powerhouse as well. Remember Who Shot J.R.? That was us. So as Alice, Chico and the Man, Wonder Woman and all of these great shows behind me. And this is only the tip of the iceberg. HBO Max will bring in many great Warner Bros. TV titles as it builds out its offering over the years. And the TV group will also start making many of its future hits directly for HBO Max, including many of the series you've heard about today.

Our legacy as a film studio is also second to none. Warner Bros. is home to some of the most popular and profitable film franchises ever as you've seen and heard today. Many of our recent blockbusters will be offered on HBO Max and more will migrate there every year. Our pictures group, led by Toby Emmerich, and including Water Bros. Pictures and New Line Cinema, have creative partnerships with some of the most popular and talented filmmakers on the planet. The group has ranked #1 or #2 in worldwide box office for 9 of the last 10 years. And 9 times, it has grossed more than \$4 billion globally, a record for any studio.

And one final note, thanks to the extraordinary depth of our classic film library, along with Turner Classic Movies, HBO Max will soon be the best streaming destination for the true classic movie lover, another differentiator for the platform.

We start with nearly a 100 years of Warner's movies, then we added 60 years of classics from MGM, joined by decades and decades of more great titles from The Criterion Collection to give us a combined depth and range that is nothing short of spectacular. Many of these will be in the HBO Max offering at launch. And our experts at Turner Classic movies, the leader in this space for decades, will work with us to curate a monthly selection of great titles that can't be seen anywhere else. Isn't this amazing? Citizen Kane, The Shining, Gone with the Wind, The Wizard of Oz, Singing in the Rain, A Star Is Born, Mildred Pierce, Dirty Harry, 2001: A Space Odyssey, this collection is truly staggering.

HBO Max will be a film lover's delight like no other. Obviously, we don't do all of this alone. Our incredible creative partners, the very best in the business, are the secret sauce that make it all possible. We work with an unmatched roster of innovative artists to make sure that the stories we tell reflect the experiences of our diverse world and our demanding audience. You've heard from many of them today, and we couldn't be happier to be bringing them to HBO Max next year and well into the future.

And now my favorite part, Toby and his team have an incredible slate for the rest of this year through 2020 and beyond, and I wanted to give you a sneak peek. It's our pleasure to share with you highlights from Warner Bros. Pictures Group in the months and years ahead. Some of this footage hasn't yet been seen by anyone outside the company. You're the first, so please enjoy.

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### Unidentified Participant

Please welcome the CEO of Otter Media, Tony Goncalves.

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### Tony Goncalves - Otter Media Holdings, LLC - CEO

Wow. That was pretty awesome. Something else I'm looking forward to in 2020. Thank you, Ann. The only way to deliver all the incredible content showcased today is with the best-in-class streaming experience that brings our customers closer to the characters and the stories they love. That means not only at the highest technical standards but through a simple yet beautiful, highly curated consumer experience that ultimately drives engagement. And we are fortunate that we aren't doing any of this from a standing start.

As you've heard, our decades of award-winning storytelling will anchor HBO Max. And today, I will speak how we plan to utilize our technology, brand building and distribution prowess to achieve scale.

Let's begin with technology and product. When you're streaming dragons in *White Walkers*, you have to be prepared for just about anything. Like nearly 5 million concurrent users across 22 different device platforms on a Sunday night. And speaking of scale, iStreamPlanet, the undisputed leader in live streaming, is also part of this company. It enables streaming for some of the biggest events we know. In 2018 alone, over 4 billion live streaming minutes ran through this platform including epic events like the Super Bowl, the Olympics, NCAA March Madness and the FIFA World Cup. Now that kind of stability and scale is only possible because of the product and technology teams across both WarnerMedia and AT&T.

In a few minutes, I'll be back to share the highlights of our go-to-market plan including price, marketing and distribution. But first, I am incredibly excited for you to see how HBO Max will come to life. Next, you will hear from Andy Forssell, EVP and General Manager of HBO Max, who brings over a decade of experience leading direct-to-consumer products.

Ladies and gentlemen, please welcome Andy Forssell.

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### Andy Forssell - Warner Media, LLC - Executive VP & GM of Streaming Service

Thanks, Tony. Hello to all of you, and thank you very much for spending this block of time with us here today. Hundreds of people are hard at work on this product, and we're excited to show it to you.

I've been lucky to be a part of what we now call general entertainment SVOD services since the beginning, almost 12 years ago. As viewers and entertainment fans, we've all benefited tremendously from what streaming services have brought us. We can choose from a huge selection of content and watch it when we want to on almost whatever device we want to. We live in amazing times in that respect. But -- and I think there is a significant but, we believe there's a real opportunity for us to innovate with user experience and programming together to make a real difference for our viewers. The average person looking for something to watch on-demand, burns around 9 minutes per session searching and more than 20% of those people give up and wander away without watching anything. On top of that, robo recommendations only result in 26% of viewers watching what the algorithms recommend.

In 2007 at Hulu, we put 30 or 40 thumbnail images on a page and viewers saw and said, this is incredible. I get to decide. But all these years later, services are still putting up grids of 30 or 40 thumbnail images, and viewers now say, I have to decide. This is too much work. Despite a decade of SVOD evolution, it's still way too hard to find something to watch.

There's no doubt that data is incredibly powerful in driving personalization. But I think it's also clear to many of you from personal experience that data by itself is not the answer. We think you also need those human elements that make entertainment so enjoyable: personality, connection emotion. What's always been the best kind of marketing: word of mouth. Humans who care about something, telling you why they care. We believe the big opportunity here is to blend the smart use of data with real human touch, and to present them via novel product experiences in ways that are elegant, trustworthy and seamless. Enabling our viewers to select something, not because they're tired of scrolling, but because they're genuinely drawn to it, trusting that it will be good when they hit play.



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For us, this is a multiyear mission to innovate and deliver human-powered discovery, something we think an entertainment company, built on storytelling, is particularly well equipped to tackle. Today, I'll show you some of the HBO Max' product experience. And as I do, you'll see a few of the very early ways we plan to do that. Some of this will be available at launch in May, and some will be released throughout the year. But this approach is our north star for creating a far better experience for our viewers. And you can expect to see us experiment and continue to push the boundary of new user experiences.

For today's walk through, we'll focus on the connected TV and mobile interfaces. But as you'd expect, HBO Max will be available on a very wide array of devices: phones, tablets, the web, connected TVs and game consoles. So let's take a look at HBO Max, and we'll do so from the viewer's perspective by seeing what the platform will look like for a family. Ava; her husband, Taylor; and their son, Chris.

Ava launches the Max app and is taken to the profile picker, where she and Taylor already have existing profiles. She clicks on her profile and is welcomed into her personalized homepage, hand curated with content, uniquely selected for her interest. She has numerous paths to discover all the content in the HBO Max bundle: engaging with the famous fans recommendations, selecting our new and noteworthy offerings via the carousel, or simply by scrolling through personalized and curated collections.

Another feature that I'm really excited about is the highlight module, which in this example, features a collection of films called I'll have what she's having. This is one of the ways we're looking to move beyond the world of small rectangles to better use green real estate. Highlights curate trending, timely or new content for our viewers, making it easy to stand out and easy to discover.

In the second example, you'll see a collection of Friends episodes featuring famous cameos, which removes the hassle of search and provides a personalized way for viewers to discover old and new favorites. You'll see us experiment with this module extensively to better educate and guide viewers to the content we think they'll love. While this may not seem revolutionary at first glance, it's a significant deviation from how SVOD services have traditionally used screen real estate.

Ava can also explore our content hubs, which feature clusters of content from recognizable brands that attract passionate audiences. On the HBO Max platform, we know we'll have a wide variety of fan bases, and we want to provide those fans with the easiest discovery experience possible. From DC to Sesame Street, we're making it seamless to select content from brands our viewers love.

Ava selects the Max Originals hub to explore the incredible library of original content Max has to offer. She sees Anna Kendrick featured on Love Life and saves the series to her list to enjoy later. Ava realizes she has to run a quick errand, so she decides to grab one of HBO Max's podcast to enjoy on the go from her mobile phone.

Navigating the HBO Hub, she adds the Chernobyl podcast to her list. While she's out, Ava listens to the podcast on her phone. After finishing the episode in line at the coffee shop, she explores our homepage, where she sees recommendations from some of our top talent, where they share content they've fallen in love with and why and are recommended by Human section. We're very interested in not just using data to recommend shows to viewer directly, but also in using data to connect them with the right people who are a good match to recommend content for them. Recommended by humans is our first investment to put human-powered discovery to work. Let's look at a specific example.

Here, you see Ava clicking on a full-screen video of Zac Efron talking about one of his favorite films, The Exorcist, which is perfect for the season. Let's take a look.

(presentation)

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### **Andy Forssell** - Warner Media, LLC - Executive VP & GM of Streaming Service

Sometimes we forget our talent are huge fans of film too. Now in the interest of time, we showed you just a piece of this. This video is actually part of a longer piece, and Zac goes on to talk about the craft of the filmmaking in The Exorcist. Super engaging, it left me really wanting to watch this movie. So that's recommended by humans. We'll be doing a lot of experimenting with the possibilities here, and we're really excited about it.



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Now back to Ava. From here, Ava can easily go watch *The Exorcist* or browse other recommendations that Zac has made. Ava goes to Zac's page and decides to follow him to keep up with his favorite content recommendations. She clicks on the movie to download it, and can click on the downloads tab to playback any of the content she's watched to go -- any of the -- excuse me, any of the content she's downloaded to watch offline on the go. From here, she can easily manage her downloads, ensuring she's set up to view the content she wants anywhere she wants to.

Later that day, Ava settles in back at home in front of the TV and decides she'd like to create a profile for her 8-year-old son, Chris. During setup, she sets rating limits she's comfortable with, which she's able to adjust at any time. It's important for us to not only address young children, but to provide great experiences for tweens, teens and young adults as well. She also sets a passcode that will protect Chris from inadvertently switching out of kids mode. This gives him freedom to browse and explore content that suits his interest and his mom's preferences. There are now 3 profiles available on the profile switcher screen. And Chris' parental controls have been set, so you can see a lock icon on his profile, indicating that he will only see content curated for a younger audience as his mom intended.

Now Chris can explore his personal homepage, and in the future as he matures, the experience in content will mature with him, ensuring that he will have the content that resonates with him at each life stage. At this stage, Chris is super excited about shows in Cartoon Network, which he can easily explore on the Cartoon Network hub.

Now imagine that Ava and Chris want to watch something together. Ava enters her PIN to exit out of Chris' viewing experience. Then selects her profile as well as Chris' to highlight that they are watching together. Research tells us that many viewers are very aware of how viewing with others can throw off their recommendations. And that same research tells us that a surprising number of viewers even have a fake profile to watch with others so the real count isn't affected. We are solving this co-viewing challenge. With HBO Max viewers like Ava and Chris, have a shared homepage that is completely different, one that will not impact either of their personal profiles. The shared homepage, which we'll launch later next year, consists of curated recommendations that are age-appropriate for Chris yet engaging for both audiences, based on what his profile has watched and loves.

We want to make it easier for families to have quality experiences that bring people together to enjoy storytelling. For us, kids and family is as much about the family part as it is about the kids.

Ava and Chris decided to click on the Studio Ghibli brand hub. You heard about this earlier from Kevin Reilly. And as he said, the Ghibli library has never before been available on streaming platforms. It's the amazing content that I'm personally psyched about. Ava and Chris explore the hub and then decide to continue watching *My Neighbor Totoro*. My daughter, Quinn, and I enjoy watching Ghibli. She's a huge fan of the artwork. This is the perfect example of great content for kids and families to enjoy together.

That wraps up our spin through just a few of our favorite features of the product experience. We're really excited to offer HBO Max to families like Ava, Chris and Taylor, and millions of other viewers like yourselves. We're committed to making a difference for viewers by weaving together human curation, smart analytics and innovative user interfaces to help our viewers easily confidently find something to watch. What you're seeing is just the beginning. We'll continue to experiment with unique ways to use screen space that current SVOD services just aren't doing.

Our goal is to create novel experiences for our viewers and deliver human-powered discovery. We can't wait to get this release in live. We think you'll love it and hope that as fellow entertainment lovers, you want to come on this journey with us. Thanks, very much, and now back to Tony.

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**Tony Goncalves** - *Otter Media Holdings, LLC - CEO*

Great job, Andy. I can't wait either. As you can see, ladies and gentlemen, our team is taking great care in how we're developing a product that delivers to consumers the content they love. And we're in a software-rich world, which means we can test, we can learn, and we can iterate, and we will. We expect to release updates on a very consistent rhythm, about every 6 to 8 weeks, to stay ahead of the curve in this highly competitive environment, and of course, continually add value to our subscribers.

Now let's dive into marketing and distribution. Essentially, how we plan to educate consumers and put this great product into their hands. At WarnerMedia between HBO, Warner Bros and Turner, we have a long history of launching new brands and products. Some of the most iconic in



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the world with creative and immersive global marketing campaigns. We will launch HBO Max with all the bells and whistles in our playbook, and that goes beyond television commercials and billboards. For example, earlier this year, you saw what people around the world would do for the throne, with the brilliant Game of Thrones campaign that was launched with an epic Super Bowl commercial and went on to generate 20 billion earned media impressions. And this fall, you've been reacquainted with some of your favorite Friends as Warner Bros. collaborated across WarnerMedia and AT&T to celebrate the 25th anniversary of this iconic comedy with a massive global marketing initiative.

We will mobilize our innovative marketing teams across our entire company to drive audiences to HBO Max. In our Otter Media portfolio, for example, we have an award-winning social-first marketing services company called Fullscreen that has run over 600 social media campaigns for films and series throughout the business, which is meaningful because we have a huge social following across WarnerMedia's powerful brands. We have 2 billion followers, 9 billion video views and 6 billion social engagements this year alone.

Now beyond these capabilities, we will utilize our data-driven marketing and analytics platform, which starts with our vast subscriber life cycle know-how through the direct-to-consumer businesses across WarnerMedia and AT&T.

Now let's turn to our distribution strategy. As you will see, we're going to make it as simple as possible for both new and existing customers to experience HBO Max. First, we will, of course, be selling direct-to-consumer. Our app will be broadly distributed on the app platforms familiar to you, and consumers can sign up directly on our website. And by now, you're probably wondering what the price is. HBO Max will retail for \$14.99. And as you've seen today, this is an incredible value proposition. More than twice the content as HBO, wrapped in a modern, highly engaging user experience. And current HBO Now direct-billed subscribers will get immediate access to HBO Max in May at no extra charge.

Second, we value both our current subscribers and distribution partners, and intend to make it easy for them too. Those over 30 million HBO subscribers should be able to just download the app, log-in and watch. As simple as that. We are in active discussions with our distributors. And of course, we have an agreement with AT&T to distribute HBO Max, and we look forward to taking that framework to our network of distributors, so they can also get HBO Max in front of their customers and offer them seamless access to this great product.

Speaking of AT&T, we are really excited to utilize their reach to create a company-wide membership model that enables sale at launch. And that means tapping into those 170 million direct-to-consumer relationships, 5,500 retail locations and a total of 3.2 billion annual customer touch points across the company. We will utilize this unique foundation to give the AT&T subscriber base many options to learn about, subscribe to and trial our offering. For example, AT&T today is the #1 distributor of HBO in the U.S., and those existing AT&T and DIRECTV HBO subscribers will have immediate access to HBO Max at no extra charge. They can simply download the app on a device of their choice, sign in with their AT&T credentials and begin enjoying this unbelievable offering.

Now AT&T customers without HBO, who subscribed to premium video, mobile and broadband packages, will be offered bundles with HBO Max included at no extra charge. In addition, the HBO Max app will be preloaded on both AT&T TV connected set-top boxes and Android phones; and on top of all that, wireless and broadband subscribers will also be able to use their existing credentials to sign into HBO Max, creating an effortless experience for the customer. So that's our membership model.

Now to sum up the whole afternoon, our goal is to bring to market one of the richest collections of content on a direct-to-consumer basis for everyone in the household. Anchored by one of the greatest brands in television, filled out by the assets of one of the most beloved media companies in the world, encapsulated in an engaging, highly curated user experience. Now in a minute, you'll hear briefly from John Stephens and Randall Stephenson to close out the day. But before that, I want to bring Casey Bloys back on stage for one final announcement.

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#### **Casey Bloys** - Home Box Office, Inc. - President of Programming

You forgot my Veep walk-on music. Thank you, Tony. I wanted to save one announcement for the end of the day because we think it's a big one. Ever since the finale of Game of Thrones last spring, people keep asking about a spin-off or a prequel. Well, it's my pleasure to announce today that we are ordering House of the Dragon straight to series for HBO. Based on George R.R. Martin's book, Fire & Blood, this new show takes place 300 years before Game of Thrones. It tells the story of House Targaryen and the earlier days of Westeros. I don't want to give away too much, but what I will tell you is that House of the Dragon is co-created and executive produced by George and Ryan Condal and also executive produced and



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directed by Miguel Sapochnik. Miguel, of course, is one of the most masterful Game of Thrones directors. He won an Emmy for the unforgettable episode, Battle of the Bastards. We couldn't be happier to have found the next great chapter in George's saga, and we wanted this news to bring our presentation -- our content presentation to a close.

Thank you all very much for your time today. Now let's take a look at HBO Max.

(presentation)

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### Unidentified Participant

Please welcome the CFO and Senior Executive Vice President for AT&T, John Stephens.

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### John Joseph Stephens - AT&T Inc. - Senior EVP & CFO

You've just experienced the creative genius which makes HBO Max unique. I'd now like to walk you through our business plan and the financial strength that makes AT&T unique as well. To build, launch and grow the best streaming platform available takes a high level of investment and support. We're making that commitment today and putting the strength of the whole AT&T portfolio of companies behind this. So with that in mind, let us walk through the numbers that matter most.

Let's start with our subscriber expectations. As you know, we expect our U.S.-based HBO Max subscriber base to reach 50 million subs by the end of 2025, and we have a running start to get there. We'll have about 34 million HBO linear and HBO NOW current subscribers when we launch HBO Max. About 10 million of those are on AT&T's video platforms that are immediately eligible for HBO Max at no additional charge. We'll also work with our distributors to move other HBO and HBO NOW customers to HBO Max, and again, at no extra charge. We'll convert as many as we can as quickly as we can. And after what you've seen today, why wouldn't people switch? From there, we plan to build the base steadily with both new direct-to-consumer subs and wholesale upgrades. You can see the steady build, about 36 million subs by the end of 2020 to 41 million in 2022 and 50 million by the end of 2025. And again, these are U.S.-based subs only.

Now let's look at our financial expectations. These estimates are based only on our domestic projections, and we'll start with price and revenue. As Tony mentioned, our price for all this fantastic content will be \$14.99 a month. We consider incremental revenue to be revenue that is in addition to our HBO business as usual plans. As you can see, by 2025, we expect annual incremental revenue to reach about \$5 billion. That includes subscription, content and advertising revenue. Obviously, it takes a high level of investment to make all of this happen. For us, it's pretty simple. We invest initially to build a sustainable, profitable enterprise. And as we do that, our incremental revenues grow -- go up and our incremental net investment goes down. That's an easy decision for us.

WarnerMedia has almost a century-long track record of making exceptional content, the kind of trendsetting, programming and films that people can't stop talking about. HBO Max will continue that legacy. Our incremental investment includes spending for new content, foregone licensing revenue of our content and operating expenses for the direct-to-consumer platform and customer acquisition costs. As we said yesterday, we expect about \$2 billion in incremental investment with no meaningful revenue in year 1. In year 2, as revenues start to build, we're still investing significantly, but net investment lessens. And that story continues until incremental revenues and expenses balance out in 2024.

From an earnings perspective, we estimate about \$0.15 to \$0.20 of earnings impact in 2020 and about \$0.10 in both 2021 and 2022, and it flattens out from there before turning accretive in 2025. We want to make this as easy as possible for you to measure our progress. So we intend to provide additional disclosures on HBO Max metrics and KPIs once we launch.

With that, I'd now like to invite -- I would now like to introduce you to Randall Stephenson. Randall?



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**Randall L. Stephenson** - AT&T Inc. - Chairman & CEO

Thanks, John. As we're wrapping up, I hope you're getting an appreciation for why we're so excited about getting this product to market. This is one of the most exciting things I've been a part of since I've been at AT&T.

And I also want to take just a moment and say thanks to you folks who made an effort to be here this afternoon. I know a lot of you came across the country. I know you're tracking earnings right now and a number of companies in earnings season. It's a big deal for you to be here. We just want to say thank you for doing this.

As you gathered, you're sitting in what is truly a historic and an iconic venue. And you heard John Stankey say that modern storytelling was actually born here, but I want to say this place, and WarnerMedia broadly, is more relevant to storytelling today than it ever has been because today, as you've seen, WarnerMedia has an unbelievable array of capabilities. They have unparalleled TV and theatrical production capabilities. You've had a dose of that. It has over a century's worth of content that just keeps growing everyday as HBO, which is an unequal brand, synonymous with quality TV. And it has unequivocally the deepest relationships with the best creative talent in the world.

And the thing I hope you've noticed is what this seasoned leadership team has done. They've done something that a lot of people said couldn't be done. That is they've broken down the silos between these 3 great companies. And what they've done is demonstrated that these 3 companies coming together and working together can create something really, really special and something unique. And what they have created is unique, HBO Max.

And what you've seen here today, I don't think is like anything else. This is not Netflix. This is not Disney. This is uniquely HBO Max. AT&T and WarnerMedia is a powerful combination. And these 2 companies together have an amazing financial profile. This company, as you just saw, just over the next 3 years, is going to invest \$4 billion in HBO Max. There aren't many companies that can make that type of a commitment and that type of investment. And at the same time, grow revenue, EPS and cash flow.

This is an amazing new chapter in the storied history of AT&T and WarnerMedia. And some of you have told me that this story is complicated, but I hope that the insights that we've given you both yesterday as well as today are bringing clarity because the opportunity here is very clear to all of us. We're giving the world's preeminent storytellers the technical and the financial resources to go and build something really, really special. And we're also giving them direct access to 170 million of the highest quality fans around.

We spend our waking hours in pursuit of 3 things around here: How do we create greater content to drive more engagement, how do we acquire more customers and how do we reduce customer churn. We have a lot of conviction that what you've seen here today will drive all 3 of those.

I thank you for being here. What we're going to do is bring the people that have been here in front of you today back up here to answer your questions. I want you to engage with them. And then I look forward to seeing you at our reception. And again, thank you for being here this afternoon. Thank you.

## QUESTIONS AND ANSWERS

**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay. Good evening, everybody. For those that don't know me, I'm Mike Viola. I'm Head of Investor Relations here for AT&T. And we're going to, as the executives get up here, to do the Q&A.

Let me just give you a couple of ground rules. I'm going to have some mic runners on all the staircases. And if you raise your hand, we will get you a mic. Please give me your name and the bank that you represent before you ask the question, okay? You guys ready? Okay. Raise of hands. Right here. Chris? Rich?



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**Rich Greenfield**

Rich Greenfield, not from a bank, LightShed. A few questions. First, maybe just a pure kind of math question. So you have 34 million subscribers today. You said you're going to get to 50 million in the U.S. over the period of time. That's 16 million subscribers at roughly \$15 a month. With 12 months, I think that's like \$3 billion. You share some of that with Comcast and other distributors, presumably. What's the delta between that \$3 billion -- or how do you get from \$2 billion to \$3 billion to \$5 billion of incremental revenue from HBO Max? What's the missing piece that we're not seeing?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

So in the numbers up there, you're also -- there's an AVOD component that's in there, an advertising support component that goes above and beyond. And that can be incremental to what you're seeing in terms of subscription-based revenues that are associated with that.

**Rich Greenfield**

And then from the standpoint of the input -- when you look at services like this, when you're talking about the net financial impact, are you assuming what it does to -- Kevin oversees like the Turner programming? Are you thinking about what the impact is on the Turner portfolio from -- not just from HBO Max, but from other SVOD launches? Or is this simply looking at the HBO versus HBO Max? Like just what's the offset that you're comparing against when you're giving those incremental revenues?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Sure. When we give you a characterization of how the business is performing, as John walked you through guidance yesterday and the whole discussion around it, we're obviously making projections on our core business and what it's going to be doing, the number of subscribers that will be part of any particular pay TV offering, the advertising yields are associated with that. Those projections that we put in a multiyear plan reflect what we think is going to happen in the market more broadly, what happens to viewership, how audience trends are going to change. And we factor those in to any estimates we do for revenues and cash flows that would capture anything that goes on in the network. So that's how we go about the business plan side of it, Rich.

**Rich Greenfield**

And then just a pure technical question for Tony. So I sign up for HBO Max through Comcast or through Charter Spectrum. What actually happens? Do I still have a linear feed of HBO on Sunday night to watch Succession? Do I have to go to my HBO Max app on my computer? Like, do I use HBO Go now -- like how does that all -- just how does that sausage work in the new world? Or how do you envision it working next year?

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**Tony Goncalves** - Otter Media Holdings, LLC - CEO

Yes. It's actually quite simple, and I'll give you the example. As an AT&T or a DIRECTV subscriber, you're an existing sub, you download the app and you can watch the entirety of the HBO service on the app as well as the incremental Max content that you saw today. And then your existing linear HBO channel, if you will, still is accessible through your DIRECTV or your AT&T service.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay. Next question, please? Over there, Matt.



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**John Christopher Hodulik** - *UBS Investment Bank, Research Division - MD, Sector Head of the United States Communications Group and Telco & Pay TV Analyst*

It's John Hodulik from UBS. A few questions. First of all, maybe, John, I just want to clarify. So the existing subs, or the 10 million, automatically get it, but the existing linear subs, do you need to go back and reopen those current affiliate agreements? Is that something you want to do prospectively? Or do you wait to those expire?

Also, does the sub numbers that you guys laid out, does that include the AVOD version? Any commentary on the pricing that you guys -- for that AVOD service? And yes, let's start there.

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**John T. Stankey** - *AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia*

Tony, do you want to talk about the affiliate agreements and where we are?

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**Tony Goncalves** - *Otter Media Holdings, LLC - CEO*

Yes. We're -- like I said today, we're in active discussions with our distributors. The intent is, indeed, to get these existing 30-plus million consumers access to HBO Max as quickly as we possibly can.

And with regards to the AVOD piece, we're still sort of working through that. The sub counts that we showed you today include that in, but we're not prepared to go into details on the pricing mix there.

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**John T. Stankey** - *AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia*

John, we're optimistic and hopeful that we'll actually open up agreements and do something proactively. Obviously, it takes 2 parties to agree to do that, and that's the approach we've been using up to this point.

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**Michael J. Viola** - *AT&T Inc. - SVP of IR*

Next question, Chris. I think Dave Barden over here.

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**David William Barden** - *BofA Merrill Lynch, Research Division - MD*

Dave Barden from Bank of America. I guess, first, maybe, John, you, at the very beginning, kind of talked about how global scale was going to be crucial to the success of the platform, but we've got no numbers on the international side in terms of -- other than the kind of 25 million to, I think, 40 million target in the international sub base. Can you talk about what the revenue cost equation that's incremental to what we saw on the screen there would be from international? And then for John, if he's around, how is this going to look on the income statement, all these new data points, where the cost is going to show up in the WarnerMedia business?

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**John T. Stankey** - *AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia*

So as we've discussed, we're staggered on our international growth and launch. So we're a little bit further out in terms of when you'll start to see us move in the market. These plans will refine themselves over the course of the next year as the team starts to work into the more refined product development on it. But I will tell you, you should expect that point-of-sale pricing in the international markets will be lower than domestic U.S. That's a function of the markets that we'll be operating in as well as the fact that discretionary income and ability to pay in those markets is a bit different. And as a result of that, the nature of the offering will be scaled down consequently because it's just, generally speaking, a little different market and the segmentation is a little bit different. So I'm not going to go in market-by-market right now. We've done some assumptions of what

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we think point-of-sale pricing will be based on our knowledge of the market and where we are. That's how we've modeled it out. We'll literally have to go market-by-market in many of these instances, and we have a variety of different distributors that we work with in some of these markets that we'll ultimately have to work through over the course of the next year to get that nailed down, and that's kind of how you will get the revenue equation.

John, do you want to pick up the income statement question if you can get a microphone?

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**John Joseph Stephens** - AT&T Inc. - Senior EVP & CFO

So with regard to the income statement impacts, I'd expect that we'd report the HBO Max within the WarnerMedia segment, what I expect we'd -- and along the same lines of the incremental revenue will be on that revenue line. We will have an adjustments to the foregone licensing revenue. Those were included in our estimates, but they will have an impact on our revenue line going forward. And then you'll see the rest of the content -- rest of the costs go through the normal process, whether they be the significant content costs, whether they be the direct-to-consumer technology development.

With regard to our process, we will provide additional KPIs, key performance indexes and all kinds of other detailed information about the financials for HBO Max itself, not necessarily in the segment format, but rather as additional information so that you can see how we're doing on the process and making sure we give a better understanding of the product.

With regard to the international aspects, we haven't given those details out, but because it builds off of -- it will be building off of the investments we've already made in domestic, you can expect that those -- the development of the technology base and much of the content will be very much reusable. And as John mentioned, we'll start that in 2021. That would fit within the existing guidance we gave yesterday for the 2021 and 2022 year.

John, do you think I got it all?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

It's good.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Next question, right here, Jeff?

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**Jeffrey Thomas Kvaal** - Nomura Securities Co. Ltd., Research Division - MD of Communications

It's Jeff Kvaal from Nomura Instinet. And you spoke yesterday on your call a little bit about folding AT&T TV into HBO Max over a longer-term time frame. I'm wondering if you can help us a little bit about what that might look like? And maybe sort of a corollary to that is some -- what you might be thinking about live TV and how that would play into HBO Max?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Sure. So the emphasis moving forward is on software-based entertainment, that's the most important thing to grasp. The lead in the market will be HBO Max. Our interest is to have that in as many households as possible, and that's where we want to put all the muscle and the effort behind it.

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Initially, there'll be a synthetic bundle offering that allows HBO Max to be paired with AT&T software-based TV, AT&T TV. That will be rendered off of 2 separate platforms with a synthetic bundle and ability to navigate back and forth between the 2, as you heard Tony talk about consistency of credentialing between them allows for a seamless user experience of how somebody actually uses the products.

Second step is literally taking the AT&T TV offer and making it coresident with the platform so that you're not sitting on 2 separate rendering environments. And then the third step is there's no reason -- as this platform matures, we all want scaled distribution as you get down the road and I think a capable distribution platform as we move out in time. It's a platform that has scaled subscription on demand, AVOD capability and a live capability. And so you should expect that native to the platform over time. With bundling the changes, I would expect that you're not going to distinguish between AVOD, SVOD and live, pay TV. We're going to see over time that, that just comes together in one universal platform, and I think that's generally where the market is going.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Colby, you had your hand up earlier.

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**Colby Alexander Synesael** - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

Colby Synesael from Cowen. Two questions, if I might. One is what's going to happen to traditional HBO and HBO NOW? It seems like with you giving your affiliates access to HBO Max, those, over time, will have lesser value?

And then secondly and, I guess, related is I'm having a hard time understanding why these affiliates will want to play ball with you, and my thought is, over time, you'll have an opportunity to kind of disaggregate them completely from this processing and work directly with your consumers on HBO Max. I'm trying to understand what their incentive would be to work with you to transition these customers away from how the model works today to the HBO Max platform.

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Tony, do you want to go ahead and hit the first part of that and I can come in behind you, if necessary.

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**Tony Goncalves** - Otter Media Holdings, LLC - CEO

Sure. Look, HBO Max is going to be our workhorse. It's the greatest value proposition that we have for the consumer, and it brings together the HBO content as well as the HBO service, right, the content and all of the great content that you saw today specifically for Max. But we're fortunate to have a base of consumers today that's north of 30 million, and they're accessing the HBO content in a certain way and we're not going to leave them behind, right? And so over time, you will see -- we should see audience migrate to this incredible value proposition that we showed you today and we'll migrate folks over to that particular product. But in the meantime, if a customer is comfortable accessing the content through the HBO NOW offer and product or through HBO Go, we're going to allow them to continue to do that.

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

We have obligations that we'll carry forward, and if that's how the customer wants to continue to do things, in some respects, I look at it as a degree of an IQ test, which is why wouldn't you want place the content for the same price. But to the extent that, that's what they choose to do, Casey's job in life here is to make sure that the HBO brand and what it stands for remains intact as it's been known for all time. And it will be that product standing alone as well as that product coresident in the Max offer, whichever way the customer chooses to get it. We'll make all the right decisions internally about ultimately re-platforming Go and NOW onto the same technology platform, and we'll skin them and we'll have the ability to render strictly HBO content on the same technology platform so we're not maintaining 2 or 3 different technology sets to deal with that, but that's our approach to it.



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So why does a distributor want to come and work with us? Distributors would like to keep customers engaged on their platforms and not others, especially to the extent that they can have a wholesale arrangement. So this is a great product. It's a great product with library. It allows somebody to navigate off the distributors' home set-top box or home environment to stay within their environment. It allows them to use their credentials to get in there. We're making data that we pull back from this available to other distributors through Xandr. That data is federated not only with their information and insights to customers, but it will be federated with other data and insights to customers on an anonymized basis that will allow them to gain insights as to how they use that for their own advertising they choose to participate in that. And we'll also offer it for them in non-pay TV constructs if they wish to attach it to a broadband product and sell it as a stand-alone is a very effective basis. And they can do that on the wholesale side, and they participate on recurring revenues as a result of that. And in many respects, that's a lot better than other platforms that they're distributing today on their set-top boxes that they only get bounties for.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay, Michael. Right up there, Jen?

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**Jennifer Fritzsche** - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

Jennifer Fritzsche with Wells Fargo. Just a question on how you're going to market this to your wireless subscribers. And I think you have about 75 million postpaid subscribers? Is it my understanding that anyone who is an HBO sub gets that for free? And then is there anything, I'll call it, Verizon, Disney+-like where they have to be unlimited subscribers to get -- to move more of these subs upstream?

And then just a second add-on, less of a media question, but just how important are your broadband customers to marketing this service as well, you guys cover a lot of geography, just the role they'll play in this new offering?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Do you want to take what the wireless offer is and then I'll...

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**Tony Goncalves** - Otter Media Holdings, LLC - CEO

Yes. It actually goes beyond wireless. So the premium TV package -- subscribers to the premium TV package, the premium unlimited mobile package and the 1-gig or the premium, if you will, broadband package will have Max included in those offerings for as long as they're an AT&T connectivity subscriber.

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

And then, Jen, you should expect, in addition to having those packages that are included at points-of-sale, in other packages, we'll have incentives to move the product as well and attach it, right? So it's not exclusively there, but we will include it and embed it in those particular packages as part of the advertised price point and what we bring out into the market. So call that Verizon, Disney+-like, if you will, but look, there's going to be a lot of muscle in other forms of marketing to put value on the sale of it at the point-of-sale, but include it and sell it in those packages and bundles as well.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay. Kent, I think you have somebody up there. Mike Rollins.



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**Michael Rollins** - Citigroup Inc, Research Division - MD and U.S. Telecoms Analyst

Two questions. First, given what seems to be a pickup in high -- in competition for high-quality content, what's happening to the average cost to produce a minute of content? And how does that figure into the margins on the existing HBO revenue that you're carrying forward in the model?

And then secondly, how important is the existing film content that you get from other studios to HBO subscribers? And what's the risk of losing some of those movie studio output deals over the next few years as companies like Disney and Universal have their own direct-to-consumer offerings?

**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Bob, do you want to have your team maybe talk a little bit about how we're managing development costs and what the dynamics are?

**Robert Greenblatt**

Sure. Cost has been a concern forever in our business. So we're really disciplined as to how we move forward with any shows. And yes, we know that there's more competition than ever and more platforms and services doing just more and more and more content, and the prices are going up. So we're dealing with that on a case-by-case basis. HBO has always produced at the high end of the scale anyway. The shows are premium as compared to any service out there. So there's not a real new adjustment in the HBO universe. And as we look to the Max originals and what we're doing there, Kevin and his team are really smart at managing costs. And in the case of these talent deals which are sort of going through the roof, Warner Bros. has some of them. We're thrilled to be in business with the Greg Berlantis and the J.J. Abrams, but it's also our collective jobs to find the next J.J. and the next Greg Berlanti, which began at a much lower price point, and grow with those new creative people as sort of their careers take off. We're being very disciplined. And at the same time, we're spending a great deal of money making a lot of this content. And I think what you're going to see coming out of this platform will feel on the same scale as any other SVOD player out there.

And what was the second question?

**Unidentified Company Representative**

Access to the studios' movies.

**Robert Greenblatt**

Oh, the movie packages? Yes. Look, the pay one window movies that HBO has with the 3 studios, Warner Bros. and Universal and Disney, are drivers for the HBO service. We know blockbuster movies are important. We're thrilled to have the Warner Bros. movies with us for all time. Universal has gone on the record, just recently saying they're open to still sharing that content with other platforms. It doesn't seem like they're going to go completely exclusive to their new platform. We assume the Fox movies will probably get harder to -- harder access to those over the coming years. But I think with Warner Bros. and Universal, and then we supplement over the next couple of years with other available packages and studios, and there's -- there are still others out there. But the good news is we have Warner Bros. and hopefully Universal for the next few years, and then it's our job to supplement going forward with as many new blockbusters as we can get from the different sources out in the marketplace.

**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

And I'll offer just a quick perspective. I don't think any of us know exactly what's going to occur, but if I were to step back and think about basic supply and demand, we're probably at peak number of hours on scripted development right now. I think one could probably argue, my guess is as we start to see the pay TV universe shrink a bit in terms of the number of channel offerings and that there's a degree of rationalization that goes on in the networks for general entertainment content, I'd have to believe that some of the demand for production in that environment starts to

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drop off a little bit. And so on a basic supply and demand construct, if we're out 3 years from now, should we see maybe a moderating in some of the demand hours for production that might cause that curve to flatten out a little bit from what we've seen over the last couple of years as we're in the front part of this transition, I wouldn't be surprised to see that dynamic start to occur as we kind of think about where things are over the future.

And the other part of this is so important in managing it is why you go global. Yes, it's going up, but to the extent that some of that content can be taken out across a larger audience base, and we're no longer simply monetizing on a unit cost basis for 30 million HBO subscribers, for example, but if we can get more eyeballs across the globe, the unit cost of that, despite the fact that the point of production price is going up, drops. And so when we talk about why it's important for us to think about a global audience and scale, this is one of the things that we need to be cognizant of and how we're thinking about it internally to remain competitive in this space.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay, John. We're going to take one last question, okay? I see Mike McCormack up there.

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**Michael L. McCormack** - Guggenheim Securities, LLC, Research Division - MD & Telecommunications Senior Analyst

Mike McCormack, Guggenheim Partners. Guys, one of the challenges that you have, I think, is that one of the core audiences you're going after doesn't like to pay for video content. What's the plan to deal with password stealing and sharing?

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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Well, look, I think the industry has an issue on this, Mike. I don't -- I think it's a question of what's the right balance between people being exposed to the product and then giving them the value where they want to come in and actually use it. My sense is, right now, that maybe things in the industry are a little bit loose. And I think as growth maybe taps out a little bit -- again, if you ask me to project what's going to start to happen, maybe distributors will start to be a little bit more in tune with what's going on here and find a way to balance that out. I don't think we're going to get to a punitive environment. I don't expect that anything is going to kind of go back to the days of people stealing music and the lawsuits being filed against folks. I can't imagine that will occur, but I do believe the technology is getting better to start paying attention to what I would call extensive abuse. We see some of it, 14 different locations logged into one HBO account on a Sunday night with 16 different streams going. Chances are, that's probably not the right thing to be done, and we have ways of actually looking at that and maybe tightening those kinds of things up to ensure that there isn't rampant and pervasive sharing, but it's going to be a balancing act. I don't think you want it to be punitive where you damage customers, but at the same time, as growth kind of taps out and everybody's more cognizant of this, I think the industry will come up with a mechanism that's maybe a little bit more rigorous than what we see today.

Do you have anything you want to add on that?

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**Tony Goncalves** - Otter Media Holdings, LLC - CEO

Yes. The only thing I would add is you're starting to see scaled platforms creating tiers, right, of the service that limit concurrent usage, grow concurrent usage and adapt sort of pricing to that. And so I think there's things there. There's -- you're going to start seeing device registration as sort of mechanisms to start tailoring offers to address the issue. But to John's point, I think it is a balancing act. And you don't want it to be punitive because you do want consumers to engage with this content.

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**Michael J. Viola** - AT&T Inc. - SVP of IR

Okay. Thank you very much, guys.



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**John T. Stankey** - AT&T Inc. - President & COO of AT&T Inc. and CEO of WarnerMedia

Thank you.

**Michael J. Viola** - AT&T Inc. - SVP of IR

This concludes WarnerMedia Day, and thank you very much for attending here in Burbank as well as for those watching on the webcast. Have a really great evening.

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