2011 UNIVERSITY OF FLORIDA
LATIN AMERICAN BUSINESS SYMPOSIUM

HBO AND THE NEW MEDIA REVOLUTION
IN LATIN AMERICA

March 25, 2011
Gainesville, Florida
HBO Latin America Group

• A JOINT VENTURE OWNED BY:
  • HOME BOX OFFICE, INC.
  • OLE COMMUNICATIONS GROUP

• FOUNDED IN 1991 WITH THE LAUNCH OF HBO®
  THE FIRST PAN-REGIONAL PREMIUM PAY
  TELEVISION CHANNEL IN LATIN AMERICA

• TODAY = 22 PREMIUM AND BASIC CHANNELS;
  28 COUNTRIES; 15+ MILLION SUBSCRIBERS
CLIENTS

• MAJOR CABLE/SATELLITE PAY TV SYSTEMS

  • CABLEVISION (ARGENTINA)
  • CABLEVISION (MEXICO)
  • DIRECTV LATIN AMERICA
  • INTERCABLE (VENEZUELA)
  • NET SERVIÇOS (BRASIL)
  • SKY BRASIL
  • SKY MEXICO
  • VTR (CHILE)

• NEW ENTRANTS – TELCOS (TELEFONICA; TELMEX)
• 7 LOCATIONS IN 5 COUNTRIES:
  • BUENOS AIRES, ARGENTINA
  • CARACAS, VENEZUELA
  • CORAL GABLES, FLORIDA (HQ)
  • MEXICO CITY, MEXICO
  • SÃO PAULO, BRAZIL (2 LOCATIONS)
  • SUNRISE, FLORIDA

• APPROXIMATELY 500 EMPLOYEES

• 50+ SEPARATE FEEDS UPLINKED TO TWO SATELLITES FROM TECHNICAL FACILITIES IN SUNRISE
CONTENT

• BLOCKBUSTERS FROM TOP HOLLYWOOD STUDIOS (COLUMBIA; WALT DISNEY; WARNER BROS.) + INDIES:

  • ALICE IN WONDERLAND
  • THE KINGS SPEECH
  • THE SOCIAL NETWORK
  • THE DARK KNIGHT
  • HARRY POTTER
  • PIRATES OF THE CARIBBEAN
  • SPIDERMAN
  • THE LORD OF THE RINGS
  • THE MATRIX
• SERIES FROM HOME BOX OFFICE, INC.

• THE SOPRANOS
• TRUE BLOOD
• BAND OF BROTHERS
• THE PACIFIC
• BIG LOVE
• BOARDWALK EMPIRE
• ENTOURAGE

• SPORTING EVENTS SUCH AS HBO WORLD CHAMPIONSHIP BOXING

• SPECIALS SUCH AS BLACK EYED PEAS, LADY GAGA, MADONNA CONCERTS
ALSO CURRENTLY PRODUCING & DISTRIBUTING ORIGINAL SERIES IN OUR TERRITORY IN SPANISH & PORTUGUESE:

- ALICE (BRAZIL)
- CAPADOCIA (MEXICO)
- EPITAFIOS (ARGENTINA)
- FILHOS DO CARNAVAL (BRAZIL)
- MANDRAKE (BRAZIL)
- MULHER DE FASES (BRAZIL)
- SEXO URBANO (VARIOUS CITIES)

ALICE, CAPADOCIA, EPITAFIOS, FILHOS, MANDRAKE, SEXO URBANO ALL HAVE AIRED ON HBO USA
BUSINESS CHALLENGE – RESTRICTIVE LAWS:

• VENEZUELA – SOCIAL RESPONSIBILITY LAW PASSED IN 2004; CONTENT REQUIREMENTS (NATIONAL ANTHEM); NOT APPLICABLE TO PAY TV AT PRESENT

• ARGENTINA – NEW MEDIA LAW PASSED IN 2009:
  • FOREIGN CHANNELS MUST CONTRIBUTE 0.5% OF REVENUE TO LICENSE ARGENTINE FILMS
  • NO EXPENSE DEDUCTION FOR ADVERTISERS ADVERTISING ON FOREIGN CHANNELS
  • 5% TAX ON FOREIGN PROGRAMMERS’ AD SALES REVENUE
  • COMMERCIAL TIME ON PAY TV CHANNELS LIMITED TO 144 MINUTES PER DAY
• BRAZIL – PROPOSED CONTENT LAW (2011):

• 3.5 HOURS PER WEEK DURING PRIME TIME MUST BE BRAZILIAN CONTENT

• BRAZILIAN NATIONAL MUST BE IN CHARGE OF PROGRAMMING CHANNEL

• IN ALL PAY TV PACKAGES, 1 OF EVERY 3 CHANNELS MUST BE BRAZILIAN CONTENT CHANNEL (12 MAXIMUM)

• ADVERTISING TIME LIMITS; MUST USE BRAZIL AD AGENCY FOR FOREIGN ADS

• ADDITIONAL SUBSCRIBER RIGHTS

• ‘MUST CARRY’ OBLIGATIONS
New Media In Latin America

Family Living Room c.1960
Family Living Room 2011
Next Generation Living Room

- OTA
- CABLE
- DTH
- IPTV

- DVD
- BLU-RAY
- STEREO

- DVR
- PS3
- XBOX

- COMPUTER
- IPOD/IPAD
- CELL PHONE
- SLINGBOX
New Media Trends
Ten Years Before . . .

Voice =

Video =

Data =
...Ten Years After

Voice

Video

Data
• LATIN AMERICA IN MIDST OF NEW MEDIA REVOLUTION
  – OVER THE AIR BROADCAST MIGRATING TO DIGITAL
  – CABLE OFFERING INTERACTIVE BROADBAND
  – TELCOS OFFERING VIDEO VIA DTH AND IPTV
  – DTH DELIVERING ADDITIONAL SERVICES SUCH AS HD

• CONSUMERS CAN ACCESS ALL NEW TECHNOLOGIES – HD; 3-D; VOD; IPTV; BROADBAND; INTERNET; MOBILE

• CONTENT OFFERED BUNDLED IN “TRIPLE PLAY” PACKAGE – VOICE, VIDEO & DATA

• TV, PHONE & COMPUTER CONVERGING
• INTERNET

• 200MM INTERNET USERS IN LATIN AMERICA IN 2010; 35% OF POPULATION

• WATCH AVERAGE OF 20 HOURS/MONTH OF VIDEO VIA INTERNET

• BROADBAND

• NUMBER OF SERVICES OFFERING WEB BASED TV HAS EXPLODED

• NET FLIX
• HULU
• JOOST
• iTUNES
• TERRATV
• HDTV

  • SALES OF HDTV READY TV SETS HAS SKYROCKETED

  • TV HOUSEHOLDS RECEIVING HD SIGNALS WILL CLIMB TO >5MM BY 2012 (3.2% OF TV HOUSEHOLDS)

  • HD CHANNELS WILL INCREASE FROM 40 IN 2010 TO >120 IN 2017

• 3-D

  • 20% OF TV HOUSEHOLDS WORLDWIDE 3-D ENABLED BY 2014; 40% OF ALL TV SETS

  • 100 3-D CHANNELS WORLDWIDE BY 2014
• MOBILE

  • 400MM MOBILE USERS IN LATIN AMERICA ALREADY; 73% OF TOTAL POPULATION
  • WILL GROW TO 530MM (89%) BY 2012
  • VIDEO CAPABLE PHONES NOW >50%

• IPTV

  • WORLDWIDE 130MM IPTV SUBSCRIBERS BY 2015; GROWING >35% ANNUALLY
  • LATIN AMERICA AMONG FASTEST GROWING REGIONS
Business & Legal Challenges

• NEW TECHNOLOGIES ALL COMPETING FOR SAME EYEBALLS

  • NO COORDINATION
  • CANNIBALIZATION
  • CONFLICTS WITH EXISTING BUSINESS

• NO ESTABLISHED BUSINESS MODEL

  • TRADITIONAL “WINDOWING” MODEL CHALLENGED
  • MONETIZATION DIFFICULT
  • CONSUMER EXPECTS CONTENT FOR FREE
  • HOLDING UP DEALS
• MULTIPLICITY OF MEDIA & RIGHTS
  • HOW DEFINE & LIMIT
  • RIGHTS GRANTED VS HOLDBACKS
  • RIGHTS CLEARANCE PROCESS CRITICAL

• PRODUCTION & PROGRAMMING CHALLENGES
  • DIFFERENT MEDIA/DIFFERENT AUDIENCE/DIFFERENT CONTENT
  • INCREASED COSTS
  • NEW COMPETENCIES

• PIRACY
  • RAMPANT & INCREASING
  • CARROT & STICK APPROACH
  • SPUR NEW BUSINESS MODELS
HBO Response

• USE ORIGINAL PRODUCTIONS AS SPEARHEAD
  (EXCLUSIVE CONTENT; BROADER RIGHTS)

• VARIATIONS OF CONTENT FOR DIFFERENT MEDIA
  • HD, 3-D FORMAT FOR LINEAR CHANNELS
  • ON DEMAND COMPLEMENT
  • HBO GO FOR INTERNET
  • MOBISODES FOR MOBILE
  • INTERACTIVE CONTENT FOR WEB

• PROMOTE ACROSS ALL MEDIA
  • ON AIR ON LINEAR CHANNELS
  • SPECIAL WEB PAGES
  • RING TONES, TEXT MESSAGES FOR MOBILE
ALICE - 360° BRAND STRATEGY

Consumer Marketing

Media Vehicles

Consumer Experience Alice

New Media
Telcos
On-Air
HBO Network
Operator
Affiliate
HBO® PRESENTA
SU NUEVA SERIE ORIGINAL

Alice

UNA NUEVA CARA
EN LA CIUDAD

UNA HISTORIA EMPIEZA

21 DE SEPTIEMBRE

SERIES ÚNICAS. CALIDAD SIN COMPARACIÓN.

www.alice-hbo.tv
• LAUNCHED SEPTEMBER 2008 PAN-REGIONALLY
  – 13 ONE-HOUR EPISODES
  – TARGET AUDIENCE 18-34
  – 360 DEGREE APPROACH

• MIX TRADITIONAL AND ALTERNATIVE MEDIA
  – STRONG INTERACTIVE DIGITAL MEDIA COMPONENT
  – HEAVY ON/OFF-AIR PROMOTIONAL SUPPORT

• SÃO PAULO INTEGRAL TO SERIES AND CAMPAIGNS (NEW YORK IN SEX AND THE CITY)
INTERNET

• First episode streamed online

• Mini-Site

  – Visitors can access 120 bits of content:
    • Alice avatar
    • Ringtones, screen-savers
    • Video clips, behind the scenes, images
    • Blogs, chat rooms
  
  – Pasos de Alice highlights São Paulo’s hot spots
MOBILE PORTAL

- Portal permits users to download free exclusive *Alice* content from mobile phones
  - 55 1-minute videos
  - Wallpapers
  - Ringtones
  - Photos
  - Blogs
EPISODE ALERTS

• Each week, audiences receive a tune-in reminder from Alice

• Link to mobile portal
LOCATION VIDEO TOUR

- Sao Paulo as a character in the series
  - Posters placed in key locations used in the filming

- How will it work?
  - Participants send an SMS text, receiving in exchange a picture of the scene shot at the location