UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-35886

HEMISPHERE MEDIA GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**80-0885255**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Hemisphere Media Group, Inc. **4000 Ponce de Leon Boulevard** **Suite 650** **Coral Gables, FL**	**33146**
(Address of principal executive offices)	(Zip Code)

(305) 421-6364
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A common stock, par value $0.0001 per share	HMTV	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class of Stock	Shares Outstanding as of August 2, 2019
Class A common stock, par value $0.0001 per share	19,751,791 shares
Class B common stock, par value $0.0001 per share	19,720,381 shares

HEMISPHERE MEDIA GROUP, INC. AND SUBSIDIARIES
INDEX TO FORM 10-Q
June 30, 2019
(Unaudited)

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PART I

Unless otherwise indicated or the context requires otherwise, in this disclosure, references to the "Company," "Hemisphere," "registrant," "we," "us" or "our" refers to Hemisphere Media Group, Inc., a Delaware corporation and, where applicable, its consolidated subsidiaries; "Business" refers collectively to our consolidated operations; "Cable Networks" refers to our Networks (as defined below) with the exception of WAPA and WAPA Deportes; "Canal 1" refers to a joint venture among us and Radio Television Interamericana S.A., Compania de Medios de Informacion S.A.S. and NTC Nacional de Television y Comunicaciones S.A. to operate a broadcast television network in Colombia; "Centroamerica TV" refers to HMTV Centroamerica TV, LLC, a Delaware limited liability company; "Cinelatino" refers to Cine Latino, Inc., a Delaware corporation; "Distributors" refers collectively to satellite systems, telephone companies ("telcos"), and cable multiple system operators ("MSO"s), and the MSO's affiliated regional or individual cable systems; "MarVista" refers to Mar Vista Entertainment, LLC, a Deleware limited liability company; "MVS" refers to Grupo MVS, S.A. de C.V., a Mexican Sociedad Anonima de Capital Variable (variable capital corporation) and its affiliates, as applicable; "Networks" refers collectively to WAPA, WAPA Deportes, WAPA America, Cinelatino, Pasiones, Centroamerica TV and Television Dominicana; "Nielsen" refers to Nielsen Media Research; "Pantaya" refers to Pantaya, LLC, a Delaware limited liability company, a joint venture among us and a subsidiary of Lions Gate Entertainment, Inc.; "Pasiones" refers collectively to HMTV Pasiones US, LLC, a Delaware limited liability company, and HMTV Pasiones LatAm, LLC, a Delaware limited liability company; "REMEZCLA" refers to Remezcla, LLC, a New York limited liability company; "Second Amended Term Loan Facility" refers to our Term Loan Facility amended on February 14, 2017 as set forth on Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017; "Snap Media" refers to Snap Global, LLC, a Delaware limited liability company and its wholly owned subsidiaries; "Television Dominicana" refers to HMTV TV Dominicana, LLC, a Delaware limited liability company; "Term Loan Facility" refers to our term loan facility amended on July 31, 2014 as set forth on Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017; "WAPA" refers to Televicentro of Puerto Rico, LLC, a Delaware limited liability company; "WAPA America" refers to WAPA America, Inc., a Delaware corporation; "WAPA Deportes" refers to a sports television network in Puerto Rico operated by WAPA; "WAPA.TV" refers to a news and entertainment website in Puerto Rico operated by WAPA; "United States" or "U.S." refers to the United States of America, including its territories, commonwealths and possessions.

FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

Statements in this Quarterly Report on Form 10-Q (this "Quarterly Report"), including the exhibits attached hereto, future filings by us with the Securities and Exchange Commission, our press releases and oral statements made by, or with the approval of, our authorized personnel, that relate to our future performance or future events, may contain certain statements about Hemisphere Media Group, Inc. (the "Company") and its consolidated subsidiaries that do not directly or exclusively relate to historical facts. These statements are, or may be deemed to be, "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

These forward-looking statements are necessarily estimates reflecting the best judgment and current expectations, plans, assumptions and beliefs about future events (in each case subject to change) of our senior management and management of our subsidiaries (including target businesses) and involve a number of risks, uncertainties and other factors, some of which may be beyond our control that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "should," "would," "expect," "positioned," "strategy," "future," "potential," "forecast," or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. These include, but are not limited to, the Company's future financial and operating results (including growth and earnings), plans, objectives, expectations and intentions and other statements that are not historical facts.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance, or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition to the risk factors described in "Item 1A—Risk Factors" in this Quarterly Report on Form 10-Q, those factors include:

- the effects of Hurricanes Irma and Maria in the short and long-term on our business, including, without limitation, affiliate revenue that we receive and the advertising market in Puerto Rico as well as our customers, employees, third-party vendors and suppliers and the short and long-term migration shifts in Puerto Rico;
- our ability to timely and fully recover proceeds under our insurance policies in Puerto Rico following Hurricanes Maria and Irma, including one of our policies with an insurance carrier which was recently placed under an order of rehabilitation;
- the reaction by advertisers, programming providers, strategic partners, the Federal Communications Commission (the "FCC") or other government regulators to businesses that we acquire;
- the potential for viewership of our Networks' programming to decline or unexpected reductions in the number of subscribers to our Networks;
- the risk that we may fail to secure sufficient or additional advertising and/or subscription revenue;
- the inability of advertisers or affiliates to remit payment to us in a timely manner or at all;
- the risk that we may become responsible for certain liabilities of the businesses that we acquire or joint ventures we enter into;
- future financial performance, including our ability to obtain additional financing in the future on favorable terms;
- the failure of our Business to produce projected revenues or cash flows;
- reduced access to capital markets or significant increases in borrowing costs;
- our ability to successfully manage relationships with customers and Distributors and other important third parties;
- continued consolidation of Distributors in the marketplace;
- a failure to secure affiliate agreements or renewal of such agreements on less favorable terms;
- disagreements with our Distributors over contract interpretation;
- our success in acquiring, investing in and integrating complementary businesses;
- the outcome of any pending or threatened litigation;
- the loss of key personnel and/or talent or expenditure of a greater amount of resources attracting, retaining and motivating key personnel than in the past;
- strikes or other union job actions that affect our operations, including, without limitation, failure to renew our collective bargaining agreements on mutually favorable terms;
- changes in technology, including changes in the distribution and viewing of television programming, expanded deployment of personal video recorders, video on demand, internet protocol television, mobile personal devices and personal tablets and their impact on subscription and television advertising revenue;
- the failure or destruction of satellites or transmitter facilities that we depend upon to distribute our Networks;
- uncertainties inherent in the development of new business lines and business strategies;
- changes in pricing and availability of products and services;
- uncertainties regarding the financial results of equity method investees and changes in the nature of key strategic relationships with partners and Distributors;

- changes in domestic and foreign laws or regulations under which we operate;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the U.S. or in the countries in which we operate;
- the ability of suppliers and vendors to deliver products and services;
- fluctuations in foreign currency exchange rates and political unrest and regulatory changes in the international markets in which we operate;
- the deterioration of general economic conditions, either nationally or in the local markets in which we operate, including, without limitation, in the Commonwealth of Puerto Rico;
- changes in the size of the U.S. Hispanic population, including the impact of federal and state immigration legislation and policies on both the U.S. Hispanic population and persons emigrating from Latin America;
- changes in, or failure or inability to comply with, government regulations including, without limitation, regulations of the FCC, and adverse outcomes from regulatory proceedings; and
- competitor responses to our products and services.

The list of factors above is illustrative, but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All subsequent written and oral forward-looking statements concerning the matters addressed in this Quarterly Report and attributable to us or any person acting on our behalf are qualified by these cautionary statements.

The forward-looking statements are based on current expectations about future events and are not guarantees of future performance, and are subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations may not be achieved. We may change our intentions, beliefs or expectations at any time and without notice, based upon any change in our assumptions or otherwise. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I - FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Balance Sheets
(amounts in thousands, except share and par value amounts)

	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets		
Current Assets		
Cash	$ 79,481	$ 94,478
Accounts receivable, net of allowance for doubtful accounts of $673 and $2,645, respectively	31,943	30,840
Due from related parties	1,196	970
Programming rights	10,492	10,735
Prepaids and other current assets	7,841	7,801
Total current assets	130,953	144,824
Programming rights, net of current portion	14,657	15,321
Property and equipment, net	34,939	32,209
Operating lease right-of-use assets	2,090	—
Broadcast license	41,356	41,356
Goodwill	170,068	169,994
Other intangibles, net	33,997	39,086
Deferred income taxes	4,824	4,290
Equity method investments	53,858	51,658
Other assets	1,285	2,529
Total Assets	$ 488,027	$ 501,267
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 2,347	$ 2,515
Due to related parties	619	626
Accrued agency commissions	2,636	5,061
Accrued compensation and benefits	4,619	5,855
Accrued marketing	4,867	5,619
Other accrued expenses	5,629	6,810
Income taxes payable	—	2,265
Programming rights payable	4,786	4,051
Investee losses in excess of investment	2,409	4,982
Current portion of long-term debt	2,133	2,134
Total current liabilities	30,045	39,918
Programming rights payable, net of current portion	1,678	1,133
Long-term debt, net of current portion	203,182	203,957
Deferred income taxes	19,520	19,520
Other long-term liabilities	3,657	1,080
Defined benefit pension obligation	2,194	2,260
Total Liabilities	260,276	267,868
Stockholders' Equity		
Preferred stock, $0.0001 par value; 50,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2019 and December 31, 2018	—	—
Class A common stock, $.0001 par value; 100,000,000 shares authorized; 25,033,981 and 24,849,589 shares issued at June 30, 2019 and December 31, 2018, respectively.	3	2
Class B common stock, $.0001 par value; 33,000,000 shares authorized; 19,720,381 shares issued and outstanding at June 30, 2019 and December 31, 2018	2	2
Additional paid-in capital	271,117	270,345
Treasury stock, at cost 5,547,078 and 5,523,838 at June 30, 2019 and December 31, 2018, respectively	(59,573)	(59,088)
Retained earnings	15,398	19,495
Accumulated other comprehensive (loss) income	(647)	1,155
Total Hemisphere Media Group, Inc. Stockholders' Equity	226,300	231,911
Equity attributable to non-controlling interest	1,451	1,488
Total Stockholders' Equity	227,751	233,399
Total Liabilities and Stockholders' Equity	$ 488,027	$ 501,267

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

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HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
(amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net revenues	$ 39,147	$ 34,791	$ 74,257	$ 63,826
Operating expenses:				
Cost of revenues	11,317	10,834	21,531	20,261
Selling, general and administrative	10,813	11,108	21,714	21,692
Depreciation and amortization	2,556	4,020	6,623	8,017
Other expenses	422	541	653	774
Gain from FCC spectrum repack and other	(45)	(35)	(1,507)	(38)
Total operating expenses	25,063	26,468	49,014	50,706
Operating income	14,084	8,323	25,243	13,120
Other expenses, net:				
Interest expense, net	(3,005)	(3,019)	(5,965)	(5,903)
Loss on equity method investments	(9,784)	(8,826)	(17,160)	(18,621)
Total other expenses, net	(12,789)	(11,845)	(23,125)	(24,524)
Income (loss) before income taxes	1,295	(3,522)	2,118	(11,404)
Income tax expense	(3,643)	(1,584)	(6,199)	(1,261)
Net loss	(2,348)	(5,106)	(4,081)	(12,665)
Net (income) loss attributable to non-controlling interest	(10)	—	37	—
Net loss attributable to Hemisphere Media Group, Inc.	$ (2,358)	$ (5,106)	$ (4,044)	$ (12,665)
Loss per share attributable to Hemisphere Media Group, Inc.:				
Basic	$ (0.06)	$ (0.13)	$ (0.10)	$ (0.32)
Diluted	$ (0.06)	$ (0.13)	$ (0.10)	$ (0.32)
Weighted average shares outstanding:				
Basic	39,164	39,021	39,098	38,988
Diluted	39,164	39,021	39,098	38,988

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Statement of Comprehensive Loss
(Unaudited)
(amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net loss	$ (2,348)	$ (5,106)	$ (4,081)	$ (12,665)
Other comprehensive (loss) income:				
Change in fair value of interest rate swap, net of income taxes	(1,177)	487	(1,855)	1,637
Comprehensive loss	(3,525)	(4,619)	(5,936)	(11,028)
Comprehensive (income) loss attributable to non-controlling interest	(10)	—	37	—
Comprehensive loss attributable to Hemisphere Media Group, Inc.	$ (3,535)	$ (4,619)	$ (5,899)	$ (11,028)

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended June 30, 2019
(Unaudited)
(amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Class A Treasury Stock	Retained Earnings	Accumulated Comprehensive Income (Loss)	Non-controlling Interest	Total
	Shares	Par Value	Shares	Par Value						
Balance at March 31, 2019	24,850	$ 2	19,720	$ 2	$ 270,674	$ (59,013)	$ 17,756	$ 530	$ 1,441	$ 231,392
Net (loss) income	—	—	—	—	—	—	(2,358)	—	10	(2,348)
Stock-based compensation	—	—	—	—	443	—	—	—	—	443
Vesting of restricted stock	184	1	—	—	—	(532)	—	—	—	(531)
Repurchases of Class A common Stock	—	—	—	—	—	(135)	—	—	—	(135)
Issuance of treasury shares for option exercise	—	—	—	—	—	107	—	—	—	107
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(1,177)		(1,177)
Balance at June 30, 2019	25,034	$ 3	19,720	$ 2	$ 271,117	$ (59,573)	$ 15,398	$ (647)	$ 1,451	$ 227,751

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Class A Treasury Stock	Retained Earnings	Accumulated Comprehensive Income (Loss)	Non-controlling Interest	Total
	Shares	Par Value	Shares	Par Value						
Balance at December 31, 2018	24,850	$ 2	19,720	$ 2	$ 270,345	$ (59,088)	$ 19,495	$ 1,155	$ 1,488	$ 233,399
Net loss	—	—	—	—	—	—	(4,044)	—	(37)	(4,081)
Issuance of treasury shares for acquisition of Snap Media	—	—	—	—	(588)	588	—	—	—	—
Stock-based compensation	—	—	—	—	1,360	—	—	—	—	1,360
Vesting of restricted stock	184	1	—	—	—	(532)	—	—	—	(531)
Repurchases of Class A common Stock	—	—	—	—	—	(648)	—	—	—	(648)
Issuance of treasury shares for option exercise	—	—	—	—	—	107	—	—	—	107
Adoption of accounting standards	—	—	—	—	—	—	(53)	53	—	—
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(1,855)		(1,855)
Balance at June 30, 2019	25,034	$ 3	19,720	$ 2	$ 271,117	$ (59,573)	$ 15,398	$ (647)	$ 1,451	$ 227,751

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity
Three and Six Months Ended June 30, 2018
(Unaudited)
(amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Class A Treasury Stock	Retained Earnings	Accumulated Comprehensive Income	Non-controlling Interest	Total
	Shares	Par Value	Shares	Par Value						
Balance at March 31, 2018	25,173	$ 3	20,801	$ 2	$ 266,345	$ (57,337)	$ 22,842	$ 1,622	—	$ 233,477
Net loss	—	—	—	—	—	—	(5,106)	—	—	(5,106)
Stock-based compensation	—	—	—	—	1,002	—	—	—	—	1,002
Vesting of restricted stock	199	0	—	—	(0)	(326)	—	—	—	(326)
Repurchases of Class A common Stock	—	—	—	—	—	(1,521)	—	—	—	(1,521)
Forfeiture of Class A common stock earnouts	(544)	(0)	—	—	0	—	—	—	—	—
Forfeiture of Class B common stock earnouts	—	—	(1,081)	(0)	0	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	—	—	—	—	487	—	487
Balance at June 30, 2018	24,828	$ 3	19,720	$ 2	$ 267,347	$ (59,184)	$ 17,736	$ 2,109	$ —	$ 228,013

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Class A Treasury Stock	Retained Earnings	Accumulated Comprehensive Income	Non-controlling Interest	Total
	Shares	Par Value	Shares	Par Value						
Balance at December 31, 2017	25,171	$ 3	20,801	$ 2	$ 265,329	$ (57,303)	$ 30,401	$ 472	—	$ 238,904
Net loss	—	—	—	—	—	—	(12,665)	—	—	(12,665)
Stock-based compensation	—	—	—	—	1,998	—	—	—	—	1,998
Vesting of restricted stock	199	0	—	—	(0)	(326)	—	—	—	(326)
Repurchases of Class A common Stock	—	—	—	—	—	(1,555)	—	—	—	(1,555)
Forfeiture of Class A common stock earnouts	(544)	(0)	—	—	0	—	—	—	—	—
Forfeiture of Class B common stock earnouts	—	—	(1,081)	(0)	0	—	—	—	—	—
Exercise of warrants	2	0	—	—	20	—	—	—	—	20
Other comprehensive income, net of tax	—	—	—	—	—	—	—	1,637	—	1,637
Balance at June 30, 2018	24,828	$ 3	19,720	$ 2	$ 267,347	$ (59,184)	$ 17,736	$ 2,109	$ —	$ 228,013

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

HEMISPHERE MEDIA GROUP, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(amounts in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Reconciliation of Net Loss to Net Cash Provided by Operating Activities:		
Net loss	$ (4,081)	$ (12,665)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,623	8,017
Program amortization	6,953	5,537
Amortization of deferred financing costs and original issue discount	290	296
Stock-based compensation	1,360	1,998
Provision for bad debts	219	129
Gain on disposition of assets	39	(38)
Loss on equity method investments	17,160	18,621
Gain from FCC spectrum repack	(1,546)	—
Amortization of operating lease right-of-use assets	228	—
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(1,322)	(5,599)
Programming rights	(6,046)	(9,263)
Prepaids and other assets	(2,807)	355
(Decrease) increase in:		
Accounts payable	(168)	708
Due to related parties, net	(233)	907
Other accrued expenses	(5,594)	(1,970)
Programming rights payable	1,280	1,600
Income taxes payable	(2,265)	—
Other liabilities	1,741	90
Net cash provided by operating activities	11,831	8,723
Cash Flows From Investing Activities:		
Funding of equity method investments	(21,931)	(24,878)
Capital expenditures	(4,303)	(6,172)
FCC spectrum repack proceeds	1,546	—
Net cash used in investing activities	(24,688)	(31,050)
Cash Flows From Financing Activities:		
Repayments of long-term debt	(1,067)	(2,133)
Purchases of common stock	(1,180)	(1,881)
Proceeds from exercise of warrants	—	20
Proceeds from exercise of options	107	—
Net cash used in financing activities	(2,140)	(3,994)
Net decrease in cash	(14,997)	(26,321)
Cash:		
Beginning	94,478	124,299
Ending	$ 79,481	$ 97,978
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	$ 6,979	$ 5,659
Income taxes	$ 6,343	$ —
Non-cash investing activity:		
Acquisition financed in part by treasury shares	$ 588	$ —

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Nature of business

Nature of business: The accompanying Condensed Consolidated Financial Statements include the accounts of Hemisphere Media Group, Inc. (“Hemisphere” or the “Company”), the parent holding company of Cine Latino, Inc. (“Cinelatino”), WAPA Holdings, LLC (formerly known as InterMedia Español Holdings, LLC) (“WAPA Holdings”), HMTV Cable, Inc., the parent company of the entities for the acquired networks consisting of Pasiones, TV Dominicana, and Centroamerica TV (see below), and HMTV Distribution, LLC, the parent of Snap Global, LLC, a Delaware limited liability company and its wholly owned subsidiaries (“Snap Media”), which we acquired a 75% interest on November 26, 2018. Hemisphere was formed on January 16, 2013 for purposes of effecting its initial public offering, which was consummated on April 4, 2013. In these notes, the terms “Company,” “we,” “us” or “our” mean Hemisphere and all subsidiaries included in our Condensed Consolidated Financial Statements.

Reclassification: Certain prior year amounts on the presented condensed consolidated balance sheets and condensed consolidated statement of cash flows have been reclassified to conform with current period presentation.

Basis of presentation: The accompanying Condensed Consolidated Financial Statements for Hemisphere and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Our financial condition as of, and operating results, for the three and six months ended June 30, 2019 are not necessarily indicative of the financial condition or results that may be expected for any future interim period or for the year ending December 31, 2019. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Net loss per common share: Basic loss per share is computed by dividing income attributable to Hemisphere Media Group common stockholders by the number of weighted-average outstanding shares of common stock. Diluted loss per share reflects the effect of the assumed exercise of stock options and vesting of restricted shares only in the periods in which such effect would have been dilutive.

The following table sets forth the computation of the common shares outstanding used in determining basic and diluted loss per share attributable to Hemisphere Media Group, Inc. (*amounts in thousands, except per share amounts):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator for loss per common share calculation:				
Net loss attributable to Hemisphere Media Group, Inc.	$ (2,358)	$ (5,106)	$ (4,044)	$ (12,665)
Denominator for loss per common share calculation:				
Weighted-average common shares, basic	39,164	39,021	39,098	38,988
Effect of dilutive securities				
Stock options, restricted stock and warrants	—	—	—	—
Weighted-average common shares, diluted	39,164	39,021	39,098	38,988
Loss per share attributable to Hemisphere Media Group, Inc.				
Basic	$ (0.06)	$ (0.13)	$ (0.10)	$ (0.32)
Diluted	$ (0.06)	$ (0.13)	$ (0.10)	$ (0.32)

We apply the treasury stock method to measure the dilutive effect of its outstanding stock options and restricted stock awards and include the respective common share equivalents in the denominator of our diluted loss per common share calculation. Per the Accounting Standards Codification (“ASC”) 260 accounting guidance, under the treasury stock method, the incremental shares (difference between the number of shares assumed issued and the number of shares assumed purchased) shall be included in the denominator of the diluted loss per share computation (ASC 260-10-45-23). The assumed exercise only occurs when the options are “In the Money” (exercise price is lower than the average market price for the period). If the options are “Out of the Money” (exercise price is higher than the average market price for the period), the exercise is not assumed since the result would be anti-dilutive. Potentially dilutive securities representing 0.9 million and 2.0 million shares of common stock for the three months ended June 30, 2019 and 2018, respectively, were excluded from the computation of diluted loss per common share for these periods because their

effects would have been anti-dilutive. Potentially dilutive securities representing 1.0 million and 2.0 million shares of common stock for the six months ended June 30, 2019 and 2018, respectively, were excluded from the computation of diluted loss per common share for these periods because their effects would have been anti-dilutive. The net loss per share attributable to Hemisphere Media Group, Inc. amounts are the same for our Class A and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

As a result of the loss from continuing operations for each of the three and six months ended June 30, 2019 and 2018, 0.5 million and 0.2 million outstanding awards, respectively, were not included in the computation of diluted loss per share because their effect was anti-dilutive.

Use of estimates: In preparing these condensed consolidated financial statements, management had to make estimates and assumptions that affected the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the balance sheet dates, and the reported revenues and expenses for the three and six months ended June 30, 2019 and 2018. Such estimates are based on historical experience and other assumptions that are considered appropriate in the circumstances. However, actual results could differ from those estimates.

Recently adopted Accounting Standards: On January 1, 2019, we adopted Financial Accounting Standards Board ("the FASB") *ASC Topic 842, Leases (ASC 842)* (the "new lease standard"), using a modified retrospective transition approach with application as of the effective date of initial application without restating comparative period financial statements. The core principle of the new lease standard is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases, in the statement of financial position. We elected to apply the package of practical expedients to our adoption of the new lease standard, which includes allowing us to continue utilizing historical classification of leases. We did not elect the practical expedient that permits a reassessment of lease terms for existing leases. Upon our transition to the new lease standard, we recognized $2.1 million and $1.9 million of operating lease liabilities and corresponding right of use ("ROU") assets, respectively. The adoption of the new lease standard did not have an impact on the Condensed Consolidated Statement of Operations. For additional information about our leases, see Note 13, "*Leases"* of Notes to Condensed Consolidated Financial Statements.

On January 1, 2019, we adopted the FASB *Accounting Standards Update ("ASU") 2018-07—Compensation —Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* The amendments in this ASU applied to any entity that enters into share-based payment transactions with nonemployees. The new guidance eliminated the requirement to revalue nonemployee share-based transactions on a recurring quarterly basis. The adoption of this ASU did not have an impact on our condensed consolidated financial statements.

On January 1, 2019, we adopted *ASU 2018-02—Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this ASU applied to any entity that has items of other comprehensive income ("OCI") for which the related tax effects are presented in accumulated other comprehensive income ("AOCI"), as previously required by GAAP. This ASU permitted a one-time reclassification from AOCI to Retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted on December 22, 2017. The adoption of this ASU resulted in a one-time reclassification of $0.1 million from AOCI to Retained earnings, which was recorded in the current period. For the impact of this adoption, see Condensed Consolidated Statement of Changes in Stockholders' Equity for the six months ended June 30, 2019, located in Part I, Item I - Financial Statements.

On January 1, 2019, we adopted *ASU 2017-12 — Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in this ASU applied to any entity that elects to apply hedge accounting and is intended to better align an entity's risk management activities and financial reporting for hedging relationships. The ASU amends effectiveness testing requirements, income statement presentation and disclosures and permits additional risk management strategies to qualify for hedge accounting. The adoption of this ASU did not have an impact on our condensed consolidated financial statements.

Accounting guidance not yet adopted: In March 2019, the FASB issued *ASU 2019-02—Entertainment—Films-Other Assets-Film Costs (Subtopic 926-20): Improvements to Accounting for Costs of Films.* The updated guidance aligns the accounting for production costs of episodic television series with those of films, allowing for costs to be capitalized in excess of amounts of revenue contracted for each episode. The updated guidance also updates certain presentation and disclosure requirements for capitalized film and television costs, and requires impairment testing to be performed at a group level for capitalized film and television costs when the content is predominately monetized with other owned or licensed content. The updated guidance is effective for the fiscal years beginning after December 15, 2019 and early adoption is permitted. We are currently in the process of determining the impact, if any, that the updated accounting guidance will have on our condensed consolidated financial statements.

Note 2. Revenue recognition

The following is a description of principal activities from which we generate our revenue:

Affiliate fees: We enter into arrangements with multi-channel video distributors, such as cable, satellite and telecommunications companies (referred to as "MVPDs") to provide a continuous feed of our programming generally based on a per subscriber fee pursuant to multi-year contracts, referred to as "affiliation agreements", which typically provide for annual rate increases. We have used the practical expedient related to the right to invoice and recognize revenue at the amount to which we have the right to invoice for services performed. The specific affiliate fees we earn vary from period to period, distributor to distributor and also vary among our Networks, but are generally based upon the number of each distributor's paying subscribers who subscribe to our Networks. Changes in affiliate fees are primarily derived from changes in contractual per subscriber rates charged for our Networks and changes in the number of subscribers. MVPDs report their subscriber numbers to us generally on a two month lag. We record revenue based on estimates of the number of subscribers utilizing the most recently received remittance reporting of each MVPD, which is consistent with our past practice and industry practice. Revenue is recognized on a month by month basis when the performance obligations to provide service to the MVPDs is satisfied. Payment is typically received within sixty days of the remittance.

Advertising revenue: Advertising revenues are generated from the sale of commercial time, which is typically sold pursuant to sale orders with advertisers providing for an agreed upon commitment and price per spot. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency fees are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory and are reported as a reduction of advertising revenue. Payment is typically due and received within thirty days of the invoice date.

Other revenue: Other revenues are derived primarily through the licensing of content to third parties. We enter into agreements to license content and recognize revenue when the performance obligation is satisfied and control is transferred, which is generally upon delivery of the content.

The following table presents the revenues disaggregated by revenue source *(amounts in thousands):*

	Three months ended June 30,	
Revenues by type	**2019**	**2018**
Affiliate fees	$ 21,537	$ 19,511
Advertising revenue	15,699	14,766
Other revenue	1,911	514
Total revenue	$ 39,147	$ 34,791

	Six months ended June 30,	
Revenues by type	**2019**	**2018**
Affiliate fees	$ 42,886	$ 37,944
Advertising revenue	28,845	24,684
Other revenue	2,526	1,198
Total revenue	$ 74,257	$ 63,826

Note 3. Related party transactions

The Company has various agreements with MVS, a Mexican media and television conglomerate, which has directors and stockholders in common with the Company as follows:

- On November 15, 2018, the Company executed an amended agreement, pursuant to which MVS provides Cinelatino with satellite and support services including origination, uplinking and satellite delivery of two feeds of Cinelatino's channel (for U.S. and Latin America), master control and monitoring, dubbing, subtitling and close captioning, and other support services (the "Satellite and Support Services Agreement"). The Satellite and Support Services Agreement expires February 28, 2022. Expenses incurred under this agreement are included in cost of revenues in the accompanying condensed consolidated statements of operations. Total expenses incurred were $0.7 million for each of the three month periods ended June 30, 2019 and 2018. Total expenses incurred were $1.3 million for each of the six month periods ended June 30, 2019 and 2018. Amounts due to MVS pursuant to this agreement totaled $0.6 million and $0.7 million at June 30, 2019 and December 31, 2018, respectively.

- On November 15, 2018, the Company extended its affiliation agreement with Dish Mexico (d/b/a Comercializadora de Frecuencias Satelitales, S. de R.L. de C.V.), an MVS affiliate that transmits television programming services throughout Mexico, including Cinelatino. This agreement expires on February 28, 2022. Total revenues recognized were

$0.5 million for each of the three month periods ended June 30, 2019 and 2018. Total revenues recognized were $0.9 million and $1.0 million for the six month periods ended June 30, 2019 and 2018, respectively. Amounts due from Dish Mexico amounted to $0.7 million and $0.3 million at June 30, 2019 and December 31, 2018, respectively.

- On November 15, 2018, the Company amended and extended its license agreement with MVS, pursuant to which MVS has the non-exclusive right to duplicate, distribute and exhibit Cinelatino's service via cable, satellite or by any other means in Mexico. Pursuant to the amendment, Cinelatino receives revenues net of MVS's distribution fee, which is equal to 13.5% of all license fees collected from third party distributors managed but not owned by MVS. Total revenues recognized were $0.3 million for each of the three month periods ended June 30, 2019 and 2018. Total revenues recognized were $0.6 million for each of the six month periods ended June 30, 2019 and 2018. Amounts due from MVS pursuant to this agreement totaled $0.5 million and $0.7 million at June 30, 2019 and December 31, 2018, respectively.

The Company has a consulting agreement with James M. McNamara, a member of the Company's board of directors, to provide the development, production and maintenance of programming, affiliate relations, identification and negotiation of carriage opportunities, and the development, identification and negotiation of new business initiatives including sponsorship, new channels, direct-to-consumer programs and other interactive initiatives. Total expenses incurred under these agreements are included in selling, general and administrative expenses and amounted to $0.1 million for each of the three month periods ended June 30, 2019 and 2018, and $0.2 million for each of the six month periods ended June 30, 2019 and 2018. No amounts were due to this related party at June 30, 2019 and December 31, 2018.

The Company is party to an output agreement with Pantelion Films, LLC ("Pantelion"), a joint venture made up of several organizations, including Panamax Films, LLC (an entity owned by James M. McNamara), Lions Gate Films, Inc. ("Lionsgate") and Grupo Televisa, for the licensing of movie titles. Expenses incurred under this agreement are included in cost of revenues in the accompanying consolidated statements of operations and amounted to $0.1 million for each of the three and six month periods ended June 30, 2019, and $0 million for each of the three and six month periods ended June 30, 2018. At June 30, 2019 and December 31, 2018, $0.9 million and $0.5 million is included in programming rights, respectively, in the accompanying condensed consolidated balance sheets related to these agreements.

Note 4. Snap Media Acquisition

On November 26, 2018, the Company completed the acquisition of a seventy five percent (75%) interest in Snap Global, LLC ("Snap Media"), pursuant to the terms of a Transaction Agreement (the "Snap Media Acquisition"). Snap Media is a leading independent distributor of content in Latin America to broadcast, pay TV and OTT platforms. The opportunity is to leverage Snap Media to drive licensing of our content and to identify co-production opportunities in Latin America. The Snap Media Acquisition was accounted for as a business combination using the acquisition method of accounting.

Total consideration in connection with the Snap Media Acquisition was $4.8 million (net of $0.7 million of cash acquired), consisting of cash and shares of the Company's Class A common stock. At closing, we paid $1.5 million in cash and issued 101,818 shares of the Company's Class A common stock. During the six months ended June 30, 2019, 54,825 shares of the Company's Class A common stock were issued and $0.8 million paid in cash. Future consideration includes $0.5 million to be paid in each of 2020 and 2021, subject to downward adjustment. The fair value of shares of the Company's Class A common stock included in consideration is based on the closing price of the Company's Class A common stock on November 26, 2018. Future consideration is classified as Other long-term liabilities in the accompanying condensed consolidated balance sheets.

The preliminary allocation of consideration to the net tangible and intangible assets acquired as of November 26, 2018 is presented in the table below (*amounts in thousands*):

Accounts receivable	$	1,419
Other current assets		30
Intangible asset—content library		616
Accounts payable		(259)
Accrued expenses		(589)
Deferred revenue		(140)
Fair value of net assets acquired		1,077
Goodwill		5,107
Non-controlling interest		(1,379)
Total purchase price consideration	**$**	**4,805**

Programming rights intangible assets have an amortization period of approximately 7.0 years.

The purchase price allocation reflects preliminary fair value estimates based on preliminary work and analyses performed by management and is subject to change as additional information to assist in determining the fair value of the net assets acquired at the closing date is obtained during the post-closing measurement period.

Goodwill attributable to the Snap Media Acquisition is expected to be deductible for tax purposes. Goodwill represents the excess of the purchase price consideration over the fair value of the underlying net assets acquired and largely results from expected future synergies from combining operations as well as an assembled workforce, which does not qualify for separate recognition.

The non-controlling interest fair value reflects the fair value of purchase price consideration for a controlling interest, less discounts for lack of control and marketability.

The Snap Media Acquisition is not material to our condensed consolidated financial statements, and therefore, supplemental pro forma financial information related to the acquisition is not included herein.

Note 5. Goodwill and intangible assets

Goodwill and intangible assets consist of the following as of June 30, 2019 and December 31, 2018 (*amounts in thousands*):

	June 30, 2019	December 31, 2018
Broadcast license	$ 41,356	$ 41,356
Goodwill	170,068	169,994
Other intangibles	33,997	39,086
Total intangible assets	**$** 245,421	**$** 250,436

A summary of changes in the Company's goodwill and other indefinite-lived intangible assets, on a net basis, for the six months ended June 30, 2019 is as follows *(amounts in thousands)*:

	Net Balance at December 31, 2018	Additions	Impairment	Net Balance at June 30, 2019
Broadcast license	$ 41,356	$ —	$ —	$ 41,356
Goodwill	169,994	74	—	170,068
Brands	15,986	—	—	15,986
Other intangibles	700	—	—	700
Total indefinite-lived intangibles	**$** 228,036	**$** 74	**$** —	**$** 228,110

A summary of the changes in the Company's other amortizable intangible assets for the six months ended June 30, 2019 is as follows *(amounts in thousands)*:

	Net Balance at December 31, 2018	Additions	Amortization	Net Balance at June 30, 2019
Affiliate relationships	$ 20,273	$ —	$ (4,456)	$ 15,817
Advertiser relationships	690	—	(276)	414
Non-compete agreement	686	—	(274)	412
Other intangibles	144	—	(38)	106
Programming contracts	607	—	(45)	562
Total finite-lived intangibles	**$** 22,400	**$** —	**$** (5,089)	**$** 17,311

The aggregate amortization expense of the Company's amortizable intangible assets was $1.8 million and $3.3 million for the three months ended June 30, 2019 and 2018, respectively, and $5.1 million and $6.6 million for the six months ended June 30, 2019 and 2018, respectively. The weighted average remaining amortization period is 2.8 years at June 30, 2019.

Future estimated amortization expense is as follows *(amounts in thousands):*

Year Ending December 31,	Amount
Remainder of 2019	$ 3,508
2020	6,170
2021	5,857
2022	1,528
2023 and thereafter	248
Total	$ 17,311

Note 6. Equity method investments

The Company makes investments that support its underlying business strategy and enable it to enter new markets. The carrying values of the Company's equity method investments are typically consistent with its ownership in the underlying net assets of the investees, with the exception of Canal 1 and Pantaya. Due to losses in excess of capital contributions, the Company has recorded nearly 100% of the losses on Canal 1. The Company has recorded losses in excess of the amount invested in Pantaya. Certain of the Company's equity investments are variable interest entities, for which the Company is not the primary beneficiary.

On November 3, 2016, we acquired a 25% interest in Pantaya, a newly formed joint venture with Lionsgate, to launch a Spanish-language OTT movie service. The service launched on August 1, 2017. The investment is deemed a variable interest entity ("VIE") that is accounted for under the equity method. As of June 30, 2019, we have funded $7.6 million in capital contributions to Pantaya. We record the income or loss on investment on a one quarter lag. As of March 31, 2019, our applicable pro rata share of the inception-to-date losses exceeded our contractual funding commitment of $10 million, as such, our cumulative share of the losses is limited to $10 million and no additional losses were recorded in the three month period ended June 30, 2019. For the three and six months ended June 30, 2019, we recorded $0 and $0.3 million, respectively in loss on equity method investments in the accompanying unaudited condensed consolidated statements of operations. For the three and six months ended June 30, 2018, we recorded $1.8 million and $4.4 million, respectively in loss on equity method investments in the accompanying unaudited condensed consolidated statements of operations. In accordance with U.S. GAAP, since we are committed to provide future capital contributions to Pantaya, we also present as a liability in the accompanying condensed consolidated balance sheets the net balance recorded for our share of Pantaya's losses in excess of the amount funded into Pantaya, which was $2.4 million and $5.0 million at June 30, 2019 and December 31, 2018, respectively.

On November 30, 2016, we, in partnership with Colombian content producers, Radio Television Interamericana S.A., Compania de Medios de Informacion S.A.S. and NTC Nacional de Television y Comunicaciones S.A., were awarded a ten (10) year renewable television broadcast concession license for Canal 1 in Colombia. The partnership began operating Canal 1 on May 1, 2017. On February 7, 2018, Colombian regulatory authorities approved an increase in our ownership in the joint venture from 20% to 40%. In July 2019, the Colombian government enacted legislation resulting in the extension of the concession license for Canal 1 for an additional ten years. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period. The joint venture is deemed a VIE that is accounted for under the equity method. As of June 30, 2019, we have funded $102.9 million in capital contributions to Canal 1. The Canal 1 joint venture losses-to-date have exceeded the capital contributions of the common equity partners and in accordance with equity method accounting, losses in excess of the common equity have been recorded against the next layer of the capital structure, in this case, preferred equity. The Company is currently the sole preferred equity holder in Canal 1 and therefore, the Company has recorded nearly 100% of the losses of the joint venture. We record the income or loss on investment on a one quarter lag. For the three months ended June 30, 2019 and 2018, we recorded $9.9 million and $6.9 million, respectively, in loss on equity method investment, net of a preferred return on capital funded, in the accompanying unaudited condensed consolidated statements of operations. For the six months ended June 30, 2019 and 2018, we recorded $16.9 million and $14.1 million, respectively, in loss on equity method investment, net of a preferred return on capital funded, in the accompanying unaudited condensed consolidated statements of operations. The net balance recorded in equity method investments related to Canal 1 joint venture was $48.5 million and $46.7 million at June 30, 2019 and December 31, 2018, respectively, and is included in equity method investments in the accompanying condensed consolidated balance sheets.

On April 28, 2017, we acquired a 25.5% interest in REMEZCLA, a digital media company targeting English speaking and bilingual U.S. Hispanic millennials through innovative content. As of June 30, 2019, we have recorded $5.0 million in equity method funding related to REMEZCLA. We record the income or loss on investment on a one quarter lag. For each of the three and six months ended June 30, 2019, we recorded $0.2 million in gain on equity method investment inclusive of preferred return on capital funded, in the accompanying unaudited condensed consolidated statement of operations. For the three and six months ended June 30, 2018, we recorded $0.1 million and $0.2 million in loss on equity method investment, net of preferred return on capital funded, in the accompanying unaudited condensed consolidated statement of operations. The net balance recorded in equity method investments was $5.1 million and $5.0 million at June 30, 2019 and December 31, 2018, respectively, and is included in the accompanying condensed consolidated balance sheets. We have no additional commitment to fund the operations of the venture.

On November 26, 2018, Snap Media acquired a 50% interest in Snap JV, LLC ("Snap JV") (we own 75% of Snap Media), a newly formed joint venture with Mar Vista Entertainment, LLC ("MarVista"), to co-produce original movies and series. The investment is deemed a VIE that is accounted for under the equity method. As of June 30, 2019, we have funded $0.3 million in capital contributions to Snap JV. We record the income or loss on investment on a one quarter lag. For the three and six months ended June 30, 2019, we have recorded $0.0 million and $0.1 million in loss on equity method investments in the accompanying unaudited

condensed consolidated statements of operations. The net balance recorded in equity method investments related to Snap JV was $0.2 million at June 30, 2019, and is included in equity method investments in the accompanying condensed consolidated balance sheets.

The Company records the income or loss on investments on a one quarter lag. Summary unaudited financial data for our equity investments in the aggregate as of and for the six months ended March 31, 2019 are included below *(amounts in thousands):*

		Total Equity Investees
Current assets	$	27,974
Non-current assets	$	34,058
Current liabilities	$	57,941
Non-current liabilities	$	31,674
Redeemable stock and non-controlling interests	$	(433)
Net revenue	$	15,961
Operating loss	$	(22,000)
Net loss	$	(29,937)

Note 7. Income taxes

The 2017 Tax Cut and Jobs Act ("Tax Act") was signed into law on December 22, 2017. The Tax Act revised the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21% in 2018, eliminating certain deductions, imposing a mandatory one-time transition tax, or deemed repatriation tax on accumulated earnings of foreign subsidiaries as of 2017 that were previously tax deferred. The Company generates income in higher tax rate foreign locations, which result in foreign tax credits. The lower federal corporate tax rate reduces the likelihood or our utilization of foreign tax credits created by income taxes paid in Puerto Rico and Latin America, resulting in a valuation allowance.

For the six months ended June 30, 2019 and 2018, our income tax expense has been computed utilizing the estimated annual effective rates of 33.1% and 47.7%, respectively. The difference between the annual effective rate of 33.1% and the statutory Federal income tax rate of 21% in the six month period ended June 30, 2019, is primarily due to the impact of the Tax Act and the related impact to the valuation allowance on foreign tax credits. Due to the reduced U.S. tax rate, the Company determined that a portion of its foreign income, which is taxed at a higher rate, will result in the generation of excess foreign tax credits that will not be available to offset U.S. income tax, resulting in a required valuation allowance against the excess foreign tax credits, and raising the annual effective tax rate for the six month period ended June 30, 2019 to 33.1%. The difference between the annual effective rate of 47.7% and the statutory Federal income tax rate of 21% in the six month period ended June 30, 2018, is primarily due to the impact of the Tax Act and the related impact to the valuation allowance on foreign tax credits.

Income tax expense was $3.6 million and $1.6 million for the three month period ended June 30, 2019 and 2018, respectively. Income tax expense was $6.2 million and $1.3 million for the six month period ended June 30, 2019 and 2018, respectively.

Note 8. Long-term debt

Long-term debt as of June 30, 2019 and December 31, 2018 consists of the following *(amounts in thousands)*:

		June 30, 2019		December 31, 2018
Senior Notes due February 2024	$	205,315	$	206,091
Less: Current portion		2,133		2,134
	$	203,182	$	203,957

On February 14, 2017 (the "Closing Date"), the Borrowers amended the Term Loan Facility (the "Second Amended Term Loan Facility"). The Second Amended Term Loan Facility provides for a $213.3 million senior secured term loan B facility, which matures on February 14, 2024. The Second Amended Term Loan Facility bears interest at the Borrowers' option of either (i) London Inter-bank Offered Rate ("LIBOR') plus a margin of 3.50% or (ii) an Alternate Base Rate ("ABR") plus a margin of 2.50%. The Second Amended Term Loan Facility, among other terms, provides for an uncommitted incremental loan option (the "Incremental Facility") allowing for increases for borrowings under the Second Amended Term Loan Facility and borrowing of new tranches of term loans, up to an aggregate principal amount equal to (i) $65.0 million plus (ii) an additional amount (the "Incremental Facility Increase") provided, that after giving effect to such Incremental Facility Increase (as well as any other additional term loans), on a pro forma basis, the First Lien Net Leverage Ratio (as defined in the Second Amended Term Loan Facility) for the most recent four

consecutive fiscal quarters does not exceed 4.00:1.00 and the Total Net Leverage Ratio (as defined in the Second Amended Term Loan Facility) for the most recent four consecutive fiscal quarters does not exceed 6.00:1.00. The First Lien Net Leverage Ratio and the Total Net Leverage Ratio each cap the cash netted against debt up to a maximum amount of $60.0 million. Additionally, the Second Amended Term Loan Facility also provides for an uncommitted incremental revolving loan option (the "Incremental Revolving Facility") allowing for an aggregate principal amount of up to $30.0 million, which will be secured on a *pari passu* basis by the collateral securing the Second Amended Term Loan Facility.

The Second Amended Term Loan Facility requires the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Second Amended Term Loan Facility with any remaining amount due at final maturity. The Second Amended Term Loan Facility principal payments commenced on March 31, 2017, with a final installment due on February 14, 2024. Voluntary prepayments are permitted, in whole or in part, subject to certain minimum prepayment requirements.

In addition, pursuant to the terms of the Second Amended Term Loan Facility, within 90 days after the end of each fiscal year, the Borrowers are required to make a prepayment of the loan principal in an amount equal to a percentage of the excess cash flow of the most recently completed fiscal year. Excess cash flow is generally defined as net income plus depreciation and amortization expense, less mandatory prepayments of the term loan, income taxes and capital expenditures, and adjusted for the change in working capital. The percentage of the excess cash flow used to determine the amount of the prepayment of the loan declines from 50% to 25%, and again to 0% at lower leverage ratios. Pursuant to the terms of the Second Amended Term Loan Facility, our net leverage ratio was 2.5x at December 31, 2018, resulting in an excess cash flow percentage of 0% and therefore, no excess cash flow payment was due in March 2019.

As of June 30, 2019, the original issue discount balance was $1.5 million, net of accumulated amortization of $2.0 million and was recorded as a reduction to the principal amount of the Second Amended Term Loan Facility outstanding as presented on the accompanying condensed consolidated balance sheets and will be amortized as a component of interest expense over the term of the Second Amended Term Loan Facility. In accordance with *ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line of Credit Arrangements,* deferred financing fees of $1.1 million, net of accumulated amortization of $2.2 million, are presented as a reduction to the Second Amended Term Loan Facility outstanding at June 30, 2019 as presented on the accompanying condensed consolidated balance sheets, and will be amortized as a component of interest expense over the term of the Second Amended Term Loan Facility.

The carrying value of the long-term debt approximates fair value at June 30, 2019 and December 31, 2018 and was derived from quoted market prices by independent dealers (Level 2 in the fair value hierarchy under *ASC 820, Fair Value Measurements and Disclosures*). The following are the maturities of our long-term debt as of June 30, 2019 (*amounts in thousands*):

Year Ending December 31,	Amount
Remainder of 2019	$ 1,067
2020	2,133
2021	2,133
2022	2,133
2023 and thereafter	200,548
Total	$ 208,014

Note 9. Derivative instruments

We use derivative financial instruments in the management of our interest rate exposure. Our strategy is to eliminate the cash flow risk on a portion of the variable rate debt caused by changes in the designated benchmark interest rate, LIBOR. The Company does not enter into or hold derivative financial instruments for speculative trading purposes.

On May 4, 2017, we entered into two identical pay-fixed, receive-variable, interest rate swaps with two different counterparties, to hedge the variability in the LIBOR interest payments on an aggregate notional value of $100.0 million of our Second Amended Term Loan Facility beginning May 31, 2017, through the expiration of the swaps on March 31, 2022. At inception, these interest rate swaps were designated as cash flow hedges of interest rate risk, and as such, the unrealized changes in market value are recorded in accumulated other comprehensive income ("AOCI").

The change in the fair value of the interest rate swap agreements for the three months ended June 30, 2019 and 2018, resulted in an unrealized loss of $1.5 million and an unrealized gain of $0.6 million, respectively, which were included in AOCI net of taxes. The change in the fair value of the interest rate swap agreements for the six months ended June 30, 2019 and 2018, resulted in an unrealized loss of $2.4 million and an unrealized gain of $2.1 million, respectively, which were included in AOCI net of taxes. The Company received $0.1 million and $0.3 million of net interest on the settlement of the interest rate swap agreements for the three and six months ended June 30, 2019, respectively. The Company received $0.0 million and paid $0.1 million of net interest on the settlement of interest rate swap agreements for the three and six months ended June 30, 2018, respectively. As of June 30, 2019, the

Company estimates that none of the unrealized loss included in AOCI related to these interest rate swap agreements will be realized and reported in operations within the next twelve months. No loss or gain was recorded in operations for the three and six months ended June 30, 2019 and 2018, respectively.

The aggregate fair value of the interest rate swaps was $0.8 million and $1.6 million as of June 30, 2019 and December 31, 2018, respectively. These were recorded in Derivative liability in other long-term liabilities and Swap assets in other non-current assets on the accompanying condensed consolidated balance sheets.

By entering into derivative instrument contracts, we are exposed to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We attempt to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty. Our derivative instruments do not contain any credit-risk related contingent features.

Note 10. Fair value measurements

Our derivatives are valued using a discounted cash flow analysis that incorporates observable market parameters, such as interest rate yield curves, classified as Level 2 within the valuation hierarchy. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by us or the counterparty.

The following table presents our assets and liabilities measured at fair value on a recurring basis and the levels of inputs used to measure fair value, which include derivatives designated as cash flow hedging instruments, as well as their location on our accompanying condensed consolidated balance sheets as of June 30, 2019 and December 31, 2018 (*amounts in thousands*):

		Estimated Fair Value			
		June 30, 2019			
Category	**Balance Sheet Location**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash flow hedges:					
Interest rate swap	Other long-term liabilities	—	$ 769	—	$ 769

		Estimated Fair Value			
		December 31, 2018			
Category	**Balance Sheet Location**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash flow hedges:					
Interest rate swap	Other assets	—	$ 1,619	—	$ 1,619

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to periodic impairment tests. These items primarily include long-lived assets, goodwill and other intangible assets. As of June 30, 2019, there were no changes to the fair value of non-financial assets and liabilities measured on a nonrecurring basis.

The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these items. The carrying value of the long-term debt approximates fair value because this instrument bears interest at a variable rate, is pre-payable, and is at terms currently available to the Company.

Note 11. Stockholders' equity

Capital stock

As of June 30, 2019, the Company had 19,749,173 shares of Class A common stock, and 19,720,381 shares of Class B common stock, issued and outstanding.

On June 20, 2017, the Company announced that its Board of Directors authorized the repurchase of up to $25.0 million of the Company's Class A common stock, par value $0.0001 per share ("Class A common stock"). Under the Company's stock repurchase program, management is authorized to purchase shares of the Company's common stock from time to time through open market purchases at prevailing prices, subject to stock price, business and market conditions and other factors. During the six months ended June 30, 2019, the Company repurchased 51,227 shares of Class A common stock under the repurchase program for an aggregate purchase price of $0.6 million. As of June 30, 2019, the Company repurchased 2.0 million shares of Class A common stock under the repurchase program for an aggregate purchase price of $25.0 million, and the repurchased shares were recorded as treasury stock on the accompanying condensed consolidated balance sheets. As of June 30, 2019, the Company completed this stock repurchase program.

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On August 15, 2018, the Company announced that its Board of Directors authorized the repurchase of up to an additional $25.0 million of the Company's Class A common stock on an opportunistic basis.

Equity incentive plans

Effective May 16, 2016, the stockholders of all classes of capital stock of the Company approved at the annual stockholder meeting the Hemisphere Media Group, Inc. Amended and Restated 2013 Equity Incentive Plan (the "2013 Equity Incentive Plan") to increase the number of shares of Class A common stock that may be delivered under the 2013 Equity Incentive Plan to an aggregate of 7.2 million shares of our Class A common stock. At June 30, 2019, 2.6 million shares remained available for issuance of stock options or other stock-based awards under our 2013 Equity Incentive Plan (including shares of restricted Class A common stock surrendered to the Company in payment of taxes required to be withheld in respect of vested shares of restricted Class A common stock, which are available for re-issuance). The expiration date of the 2013 Equity Incentive Plan, on and after which date no awards may be granted, is May 16, 2026. The Company's board of directors, or a committee thereof, administers the 2013 Equity Incentive Plan and has the sole and plenary authority to, among other things: (i) designate participants; (ii) determine the type, size, and terms and conditions of awards to be granted; and (iii) determine the method by which an award may be settled, exercised, canceled, forfeited or suspended.

The Company's time-based restricted stock awards and option awards generally vest in three equal annual installments beginning on the first anniversary of the grant date, subject to the grantee's continued employment or service with the Company. The Company's event-based restricted stock awards and option awards generally vest upon the Company's Class A common stock attaining a $15.00 closing price per share, as quoted on the NASDAQ Global Market, on at least 10 trading days (which need not be consecutive), subject to the grantee's continued employment or service with the Company. Other event-based restricted stock awards granted to certain members of our Board vest on the day preceding the Company's annual stockholder meeting.

Stock-based compensation

Stock-based compensation expense related to stock options and restricted stock was $0.4 million and $1.0 million for the three months ended June 30, 2019 and 2018, respectively, and $1.4 million and $2.0 million for the six months ended June 30, 2019 and 2018, respectively. At June 30, 2019, there was $0.5 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.0 years. At June 30, 2019, there was $1.3 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 1.0 years.

Stock options

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option pricing model for time-based options and the Monte Carlo simulation model for event-based options. The expected term of options granted is derived using the simplified method under ASC 718-10-S99-1/SEC Topic 14.D for "plain vanilla" options and the Monte Carlo simulation for event-based options. Expected volatility is based on the historical volatility of the Company's competitors given its lack of trading history. The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The Company has estimated forfeitures of 1.5%, as the awards are granted to management for which the Company expects lower turnover, and has assumed no dividend yield, as dividends have never been paid to stock or option holders and will not be paid for the foreseeable future.

Black-Scholes Option Valuation Assumptions	**Six Months Ended June 30, 2019**	**Year Ended December 31, 2018**
Risk-free interest rate	—	2.7% - 3.0%
Dividend yield	—	—
Volatility	—	39.0% - 41.0%
Weighted-average expected term (years)	—	6.0

The following table summarizes stock option activity for the six months ended June 30, 2019 *(shares and intrinsic value in thousands)*:

	Number of shares	**Weighted-average exercise price**	**Weighted-average remaining contractual term**	**Aggregate intrinsic value**
Outstanding at December 31, 2018	2,910	$ 11.62	5.6	$ 2,806
Granted	—	—	—	—
Exercised	(9)	11.63	—	—
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding at June 30, 2019	2,901	$ 11.62	5.1	$ 4,649
Vested at June 30, 2019	2,464	$ 11.73	5.1	$ 3,725
Exercisable at June 30, 2019	2,464	$ 11.73	5.1	$ 3,725

There were no options granted during the six months ended June 30, 2019. At June 30, 2019, 0.3 million options granted are unvested, event-based options.

Restricted stock

Certain employees and directors have been awarded restricted stock under the 2013 Equity Incentive Plan. The time-based restricted stock grants vest primarily over a period of three years. The fair value and expected term of event-based restricted stock grants is estimated at the grant date using the Monte Carlo simulation model.

The following table summarizes restricted share activity for the six months ended June 30, 2019 (*shares in thousands*):

	Number of shares	Weighted-average grant date fair value
Outstanding at December 31, 2018	370	$ 9.86
Granted	76	14.46
Vested	(184)	11.88
Forfeited	—	—
Outstanding at June 30, 2019	262	$ 9.76

At June 30, 2019, 0.2 million shares of restricted stock issued were unvested, event-based shares.

Note 12. Contingencies

We are involved in various legal actions, generally related to our operations. Management believes, based on advice from legal counsel, that the outcomes of such legal actions will not adversely affect our financial condition.

Note 13. Leases

On January 1, 2019, we adopted Financial Accounting Standards Board (“the FASB”) ASC Topic 842, Leases (ASC 842) (the “new lease standard”), using a modified retrospective transition approach with application as of the effective date of initial application without restating comparative period financial statements. The core principle of the new lease standard is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases, in the statement of financial position. We measure our lease liabilities as the present value of remaining lease payments using our incremental borrowing rate applicable to the lease term as the discount rate. We elected to apply the package of practical expedients to our adoption of the new lease standard, which includes allowing us to continue utilizing historical classification of leases. We did not elect the practical expedient that permits a reassessment of lease terms for existing leases.

The Company is a lessee under leases for land, office space and equipment with third parties, all of which are accounted for as operating leases. These leases generally have an initial term of one to seven years and provide for fixed monthly payments. Some of these leases provide for future rent escalations and renewal options and certain leases also obligate us to pay the cost of maintenance, insurance and property taxes. Operating lease cost was $0.2 million and $0.6 million for the three months ended June 30, 2019 and 2018, respectively. Operating lease cost was $0.3 million and $1.1 million for the six months ended June 30, 2019 and 2018, respectively.

A summary of the classification of operating leases on our condensed consolidated balance sheet as of June 30, 2019 (*amounts in thousands*):

		June 30, 2019
Operating lease right-of-use assets		$ 2,090
Operating lease liability, current	(Other accrued expenses)	670
Operating lease liability, non-current	(Other long-term liabilities)	$ 1,808

Components of lease cost reflected in our condensed consolidated statement of operations for the three and six months ended June 30, 2019 (*amounts in thousands*):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 161	$ 316
Short-term lease cost	61	110
Total lease cost	$ 222	$ 426

A summary of weighted-average remaining lease term and weighted-average discount rate as of June 30, 2019:

Weighted-average remaining lease term	4.5 years
Weighted average discount rate	6.9%

Supplemental cash flow and other non-cash information for the six months ended June 30, 2019 (*amounts in thousands*):

Operating cash flows from operating leases	$	269
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities		393

Future annual minimum lease commitments as of June 30, 2019 were as follows (*amounts in thousands*):

		June 30, 2019
Remainder of 2019	$	510
2020		601
2021		591
2022		473
2023		715
Total minimum payments	$	2,890
Less: amount representing interest		(412)
Lease liability	$	2,478

The Company adopted ASU 2016-02 on January 1, 2019 as noted above, and as required, the future annual minimum lease commitments as of December 31, 2018 are provided below (*in thousands*):

		December 31, 2018
2019	$	1,571
2020		367
2021		350
2022		355
2023		302
Total minimum payments	$	2,945

Note 14. Commitments

The Company has other commitments in addition to the various operating leases included in Note 13, "*Leases"* of Notes to Condensed Consolidated Financial Statements, primarily programming.

Future minimum payments as of June 30, 2019, are as follows *(amounts in thousands)*:

		June 30, 2019
Remainder of 2019	$	9,781
2020		7,393
2021		4,111
2022		1,394
2023 and thereafter		128
Total	$	22,807

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our Company

We are a leading U.S. Spanish-language media company serving the fast growing and highly attractive U.S. Hispanic and Latin American markets with broadcast and cable television networks and digital content platforms including five Spanish-language cable television networks distributed in the U.S., two Spanish-language cable television networks distributed in Latin America, the #1-rated broadcast television network in Puerto Rico, the #3-rated broadcast television network in Colombia, a Spanish-language OTT video subscription service distributed in the U.S. and a leading distributor of content to television and digital media platforms in Latin America.

Headquartered in Miami, Florida, our portfolio consists of the following:

- *Cinelatino:* the leading Spanish-language cable movie network with approximately 21.5 million subscribers across the U.S., Latin America and Canada. Cinelatino is programmed with a lineup featuring the best contemporary films and original television series from Mexico, Latin America, and the United States. Driven by the strength of its programming and distribution, Cinelatino is the #2-Nielsen rated Spanish-language cable television entertainment network in the U.S. overall, based on coverage ratings.

- *WAPA:* the leading broadcast television network and television content producer in Puerto Rico. WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement nine years ago. WAPA is Puerto Rico's news leader and the largest local producer of news and entertainment programming, producing nearly 70 hours in the aggregate each week. Through its multicast signal, WAPA distributes WAPA Deportes, a leading sports television network in Puerto Rico, featuring *Major League Baseball (MLB), National Basketball Association (NBA)* and professional sporting events from Puerto Rico. Additionally, we operate WAPA.TV, a leading news and entertainment website in Puerto Rico, featuring content produced by WAPA.

- *WAPA America:* a cable television network serving primarily Puerto Ricans and other Caribbean Hispanics living in the U.S. WAPA America's programming features news and entertainment programming produced by WAPA. WAPA America is distributed in the U.S. to approximately 4.3 million subscribers, excluding digital basic subscribers.

- *Pasiones:* a cable television network dedicated to showcasing the most popular telenovelas and serialized dramas, distributed in the U.S. and Latin America. Pasiones features top-rated telenovelas from Latin America, Turkey, India, and Korea (dubbed into Spanish), and is currently the highest rated cable television network devoted to telenovelas in prime time. Pasiones has over 21 million subscribers across the U.S. and Latin America.

- *Centroamerica TV:* a cable television network targeting Central Americans living in the U.S., the third largest U.S. Hispanic group and the fastest growing segment of the U.S. Hispanic population. Centroamerica TV features the most popular news and entertainment from Central America, as well as soccer programming from the top professional soccer leagues in the region. Centroamerica TV is distributed in the U.S. to approximately 4.2 million subscribers.

- *Television Dominicana:* a cable television network targeting Dominicans living in the U.S., the fourth largest U.S. Hispanic group. Television Dominicana airs the most popular news and entertainment from the Dominican Republic, as well as the Dominican Republic professional baseball league featuring current and former players from Major League Baseball. Television Dominicana is distributed in the U.S. to approximately 2.4 million subscribers.

- *Canal 1:* the #3-rated broadcast television network in Colombia. We own a 40% interest in Canal 1 in partnership with leading producers of news and entertainment content in Colombia. The partnership was awarded a 10-year renewable broadcast television concession in 2016. In July 2019, the Columbian government enacted legislation resulting in the extension of the concession license for an additional ten years. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period. The partnership began operating Canal 1 on May 1, 2017 and launched a new programming lineup on August 14, 2017.

- *Pantaya:* a cross-platform Spanish-language OTT video subscription service that allows audiences to access many of the best and most current Spanish-language films and series, and includes content from our library, as well as Pantelion's U.S. theatrical titles, Lionsgate's movie library, and Grupo Televisa's theatrical releases in Mexico. We own a 25% interest in Pantaya in partnership with Lionsgate. The service launched in August 2017.

- *Snap Media:* a distributor of content to broadcast and cable television networks and OTT and SVOD platforms in Latin America. On November 26, 2018, we acquired a 75% interest in Snap Media, and in connection with the acquisition, Snap Media entered into a joint venture with MarVista, an independent entertainment studio and a shareholder of Snap Media, to produce original movies and series. Snap Media is responsible for the distribution of content owned and/or controlled by our Networks, as well as content to be produced by the production joint venture between Snap Media and MarVista.

- *REMEZCLA:* a digital media company targeting English speaking and bilingual U.S. Hispanic millennials through innovative content. On April 28, 2017, we acquired a 25.5% interest in REMEZCLA.

Our two primary sources of revenues are advertising revenues and affiliate revenues. All of our Networks derive revenues from advertising. Advertising revenues are generated from the sale of advertising time, which is typically sold pursuant to advertising orders with advertisers providing for an agreed upon advertising commitment and price per spot. Our advertising revenues are tied to the success of our programming, including the popularity of our programming as measured by Nielsen. Our advertising is variable in nature and tends to reflect seasonal patterns of our advertisers' demand, which is generally greatest during the fourth quarter of each year, driven by the holiday buying season. In addition, Puerto Rico's political election cycle occurs every four years and we benefit from increased advertising sales in an election year. For example, in 2016, we experienced higher advertising sales as a result of political advertising spending during the 2016 gubernatorial elections. The next election in Puerto Rico will be in 2020.

All of our Networks receive fees paid by distributors, including cable, satellite and telecommunications service providers. These revenues are generally based on a per subscriber fee pursuant to multi-year contracts, commonly referred to as "affiliation agreements," which typically provide for annual rate increases. The specific affiliate revenues we earn vary from period to period, distributor to distributor and also vary among our Networks, but are generally based upon the number of each distributor's paying subscribers who receive our Networks. The terms of certain non-U.S. affiliation agreements provide for payment of a fixed contractual monthly fee. Changes in affiliate revenues are primarily derived from changes in contractual affiliation rates charged for our Networks and changes in the number of subscribers. Accordingly, we continually review the quality of our programming to ensure that it is maximizing our Networks' viewership and giving our Networks' subscribers a premium, high-value experience. The continued growth in our affiliate revenues will, to a certain extent, be dependent on the growth in subscribers of the cable, satellite and telecommunication service providers distributing our Networks, new system launches and continued carriage of our channels by our distribution partners. Our revenues also benefit from contractual rate increases stipulated in most of our affiliation agreements.

WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement nine years ago and management believes it is highly valued by its viewers and Distributors. WAPA is distributed by all pay-TV distributors in Puerto Rico and has been successfully growing affiliate revenues. WAPA's primetime household rating in 2018, which because of Hurricanes Irma and Maria, is measured beginning as of May 1, 2018, was four times higher than the most highly rated English-language U.S. broadcast network in the U.S., NBC, and higher than the combined ratings of CBS, NBC, ABC, FOX and the CW. As a result of its ratings success since the start of Nielsen audience measurement, management believes WAPA is well positioned for future growth in affiliate revenues.

WAPA America, Cinelatino, Pasiones, Centroamerica TV and Television Dominicana occupy a valuable and unique position, as they are among the small group of Hispanic cable networks to have achieved broad distribution in the U.S. As a result, management believes our U.S. cable networks are well-positioned to benefit from growth in both the growing national advertising spend targeted at the highly sought-after U.S. Hispanic cable television audience, and growth in subscribers, as the U.S. Hispanic population continues its long-term upward trajectory.

The U.S. Census Bureau estimated that over 58 million Hispanics resided in the United States in 2017, representing an increase of more than 23 million people between 2000 and 2017, and that number is projected to grow to 75 million by 2030. U.S. Hispanic television households grew by 26% during the period from 2010 to 2019, from 12.9 million households to 16.2 million households. Hispanic pay-TV subscribers increased 4% since 2010 to 11.2 million subscribers in 2019. As a result, our U.S. cable networks total subscribers grew by 4% from December 31, 2017 to December 31, 2018, compared to a 4% decline in overall U.S. pay-TV subscribers over the same time period. The continued long-term growth of Hispanic television households and pay-TV subscribers creates a significant opportunity for all of our cable networks. Hispanics represent over 18% of the total U.S. population and over 10% of the total U.S. buying power, yet the aggregate media spend targeted at U.S. Hispanics significantly under-indexes both of these metrics. As a result, advertisers have been allocating a higher proportion of marketing dollars to the Hispanic market. However, U.S. Hispanic cable advertising spending still under-indexes relative to its viewing share, which we believe is a growth opportunity for us as we continue to demonstrate value to advertisers looking for exposure to this market.

Similarly, management expects Cinelatino and Pasiones to benefit from significant growth in Latin America. Fueled by a sizeable and growing population, rising disposable incomes and investments in network infrastructure resulting in improved service and performance, pay-TV subscribers in Latin America (excluding Brazil) grew by 32% from 2013 to 2018, and are projected to grow from 57 million in 2018 to 67 million in 2022, representing projected growth of 18%. Furthermore, Cinelatino and Pasiones are each presently distributed to only 30% and 28%, respectively, of total pay-TV subscribers throughout Latin America (excluding Brazil).

MVS, one of our stockholders, provides operational, technical and distribution services to Cinelatino pursuant to several agreements. An agreement that had granted MVS the non-exclusive right to distribute the service to third-party distributors in Mexico, pursuant to which MVS collects affiliate fees and remits those fess to Cinelatino net of MVS's distribution fee.

In November 2018, an agreement between Cinelatino and Dish Mexico (an affiliate of MVS), pursuant to which Dish Mexico distributes Cinelatino, and pays subscriber fees to Cinelatino, was renewed and extended until February 28, 2022.

Comparison of Consolidated Operating Results for the Three and Six Months Ended June 30, 2019 and 2018
(Unaudited)
(amounts in thousands)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	$ Change Favorable/ (Unfavorable)	% Change Favorable/ (Unfavorable)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	$ Change Favorable/ (Unfavorable)	% Change Favorable/ (Unfavorable)
Net revenues	$ 39,147	$ 34,791	$ 4,356	12.5%	$ 74,257	$ 63,826	$ 10,431	16.3%
Operating expenses:								
Cost of revenues	11,317	10,834	(483)	(4.5)%	21,531	20,261	(1,270)	(6.3)%
Selling, general and administrative	10,813	11,108	295	2.7%	21,714	21,692	(22)	(0.1)%
Depreciation and amortization	2,556	4,020	1,464	36.4%	6,623	8,017	1,394	17.4%
Other expenses	422	541	119	22.0%	653	774	121	15.6%
Gain from FCC spectrum repack and other	(45)	(35)	10	28.6%	(1,507)	(38)	1,469	NM
Total operating expenses	25,063	26,468	1,405	5.3%	49,014	50,706	1,692	3.3%
Operating income	14,084	8,323	5,761	69.2%	25,243	13,120	12,123	92.4%
Other expenses, net:								
Interest expense, net	(3,005)	(3,019)	14	0.5%	(5,965)	(5,903)	(62)	(1.1)%
Loss on equity method investments	(9,784)	(8,826)	(958)	(10.9)%	(17,160)	(18,621)	1,461	7.8%
Total other expenses, net	(12,789)	(11,845)	(944)	(8.0)%	(23,125)	(24,524)	1,399	5.7%
Income (loss) before income taxes	1,295	(3,522)	4,817	NM	2,118	(11,404)	13,522	NM
Income tax expense	(3,643)	(1,584)	(2,059)	NM	(6,199)	(1,261)	(4,938)	NM
Net loss	(2,348)	(5,106)	2,758	54.0%	(4,081)	(12,665)	8,584	67.8%
Net (income) loss attributable to non-controlling interest	(10)	—	(10)	NM	37	—	37	NM
Net loss attributable to Hemisphere Media Group, Inc.	$ (2,358)	$ (5,106)	$ 2,748	53.8%	$ (4,044)	$ (12,665)	$ 8,621	68.1%

NM = Not meaningful

Net Revenues

Net revenues were $39.1 million for the three months ended June 30, 2019, an increase of $4.4 million, or 13%, as compared to $34.8 million for the comparable period in 2018, due to increases across all of our revenue streams. Affiliate revenue increased $2.0 million, or 10%, due to rate increases and subscriber growth, including the launch of Pasiones on Spectrum in April 2019 and the continued restoration of pay-TV subscribers in Puerto Rico. Advertising revenue increased $0.9 million, or 6%, due to the timing of Miss Universe Puerto Rico, which was produced in the second quarter of 2019 as compared to the third quarter of 2018. Other revenue increased $1.4 million driven by the licensing of content from our library, which is driven by the timing of availability of the titles, and higher licensing revenue contributed by Snap Media, which was acquired in November 2018.

Net revenues were $74.3 million for the six months ended June 30, 2019, an increase of $10.4 million, or 16%, as compared to $63.8 million for the comparable period in 2018 due to increases across all of our revenue streams. Affiliate revenue increased $4.9 million, or 13%, primarily due to annual rate increases and subscriber growth, including the launch of Pasiones on Spectrum in April 2019 and the continued restoration of pay-TV subscribers in Puerto Rico. Advertising revenue increased $4.2 million, or 17%, primarily due to favorable comparison with the first quarter of the prior year period, which was negatively impacted by Hurricane Maria, and the timing of Miss Universe Puerto Rico, which was produced in the second quarter of 2019 as compared to the third quarter of 2018. Other revenue increased $1.3 million driven by the licensing of content from our library, which is driven by the timing of availability of the titles, and higher licensing revenue contributed by Snap Media, which was acquired in November 2018.

The following table presents estimated subscriber information:

	Subscribers (a) (amounts in thousands)		
	June 30, 2019	December 31, 2018	June 30, 2018
U.S. Cable Networks:			
WAPA America (b)	4,334	4,417	4,434
Cinelatino	4,611	4,639	4,652
Pasiones	4,842	4,360	4,546
Centroamerica TV	4,210	4,276	4,282
Television Dominicana	2,421	2,273	2,026
Total	**20,418**	**19,965**	**19,940**
Latin America Cable Networks:			
Cinelatino	16,872	16,769	16,220
Pasiones	16,194	15,958	15,571
Total	**33,066**	**32,727**	**31,791**

(a) Amounts presented are based on most recent remittances received from our Distributors as of the respective dates shown above, which are typically two months prior to the dates shown above.

(b) Excludes digital basic subscribers

Operating Expenses

Cost of Revenues: Cost of revenues consists primarily of programming and production costs, programming amortization and distribution costs. Cost of revenues for the three months ended June 30, 2019, were $11.3 million, an increase of $0.5 million, or 5%, compared to $10.8 million in the comparable period in 2018. Cost of revenues for the six months ended June 30, 2019, were $21.5 million, an increase of $1.3 million, or 6%, compared to $20.3 million in the comparable period in 2018. These increases were due to higher programming and production expenses, primarily due to the timing of Miss Universe Puerto Rico, which was produced in the second quarter of 2019 as compared to the third quarter of 2018, partially offset by tower rental costs incurred in the prior year period to replace a tower damaged by Hurricane Maria, which we are not incurring in the current year period. The decreases in both periods benefitted from favorable comparison to the prior year periods as WAPA implemented cost savings measures following Hurricane Maria.

Selling, General and Administrative: Selling, general and administrative expenses consist principally of promotion, marketing and research, stock-based compensation, employee costs, occupancy costs and other general administrative costs. Selling, general and administrative expenses for the three months ended June 30, 2019, were $10.8 million, a decrease of $0.3 million, or 3%, compared to $11.1 million for the comparable period in 2018, and was flat for the six months ended June 30, 2019. The decrease for the three months ended June 30, 2019, was due to lower stock compensation, which was partially offset by higher personnel and bad debt expenses.

Depreciation and Amortization: Depreciation and amortization expense consists of depreciation of fixed assets and amortization of intangibles. Depreciation and amortization expense for the three months ended June 30, 2019, decreased $1.5 million, or 36%, and for the six months ended June 30, 2019, decreased $1.4 million, or 17%. The decreases in the three and six month periods were due to certain intangible assets that were fully amortized during the first quarter of 2019.

Other Expenses: Other expenses include legal, financial advisory and other fees incurred in connection with acquisitions and corporate finance activities, including debt and equity financings. Other expenses for each of the three and six months ended June 30, 2019, decreased $0.1 million.

Gain from FCC spectrum repack and other: Was flat for the three months ended June 30, 2019, and increased $1.5 million for the six months ended June 30, 2019, due to the timing of reimbursements received from the FCC for equipment purchases required as a result of the FCC mandated spectrum repack.

Other Expenses, net

Interest Expense, net: Interest expense for the three and six months ended June 30, 2019, was flat as compared to prior year periods.

Loss on Equity Method Investments: Loss on equity method investments for the three months ended June 30, 2019, increased $1.0 million, or 11%. Loss on equity method investments for the six months ended June 30, 2019, decreased $1.5 million, or 8%. The increase for the three month period was due to higher losses at Plural, which were partially offset by lower losses at Pantaya. The decrease for the six month period was due to lower losses at Pantaya. Our pick up of losses at Pantaya declined due to inception to date losses exceeding our funding commitment, and as a result, we have not recognized losses for the three month period ended June 30, 2019. For more information, see Note 6, “Equity method investments” of Notes to condensed consolidated financial statements, included elsewhere in this Quarterly Report.

Income Tax Expense

Income tax expense for the three and six months ended June 30, 2019, increased $2.1 million and $4.9 million, respectively. The increases were due to higher pre-tax income. For more information, see Note 7, "Income taxes" of Notes to condensed consolidated financial statements, included elsewhere in this Quarterly Report.

Net Loss

Net loss for the three months ended June 30, 2019, was $2.3 million as compared to $5.1 in the comparable period in 2018. Net loss for the six months ended June 30, 2019, was $4.1 million as compared to $12.7 in the comparable period in 2018.

Net Income (Loss) Attributable to Non-controlling Interest

Net income (loss) attributable to non-controlling interest for the three and six months ended June 30, 2019, was $0.0 million and $0.0 million, respectively, related to the 25% interest in Snap Media held by minority shareholders. Snap Media was acquired in November 2018, and therefore there was no net income or loss attributable to non-controlling interest for the three and six months ended June 30, 2019.

Net Loss Attributable to Hemisphere Media Group, Inc.

Net loss attributable to Hemisphere Media Group, Inc. for the three months ended June 30, 2019, was $2.4 million, compared to $5.1 million in the comparable period in 2018. Net loss attributable to Hemisphere Media Group, Inc. for the six months ended June 30, 2019, was $4.0 million, compared to $12.7 million in the comparable period in 2018.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet financing arrangements.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Our principal sources of cash are cash on hand and cash flows from operating activities. At June 30, 2019, we had $79.5 million of cash on hand. Our primary uses of cash include the production and acquisition of programming, operational costs, personnel costs, equipment purchases, principal and interest payments on our outstanding debt and income tax payments, and cash may be used to fund investments, acquisitions and repurchases of common stock.

Management believes cash on hand and cash flow from operations will be sufficient to meet our current contractual financial obligations and to fund anticipated working capital and capital expenditure requirements for existing operations. Our current financial obligations include maturities of debt, operating lease obligations and other commitments from the ordinary course of business that require cash payments to vendors and suppliers.

Cash Flows

	Six Months Ended June 30,	
Amounts in thousands:	**2019**	**2018**
Cash provided by (used in):		
Operating activities	$ 11,831	$ 8,723
Investing activities	(24,688)	(31,050)
Financing activities	(2,140)	(3,994)
Net (decrease) increase in cash	$ (14,997)	$ (26,321)

Comparison for the Six Months Ended June 30, 2019 and June 30, 2018

Operating Activities

Cash provided by operating activities was primarily driven by our net loss, adjusted for non-cash items and changes in working capital. Non-cash items consist primarily of depreciation of property and equipment, amortization of intangibles, programming amortization, amortization of deferred financing costs, stock-based compensation expense and provision for bad debts.

Net cash provided by operating activities for the six months ended June 30, 2019, was $11.8 million, an increase of $3.1 million, as compared to $8.7 million in the prior year period, due primarily to a $8.6 million decrease in net loss, offset by $2.2 million decrease in net working capital and a $3.2 million decrease in non-cash items. The decrease in net working capital was driven by an

increase in prepaids and other current assets of $3.2 million, and decreases in other accrued expense of $3.6 million, income taxes payable of $2.3 million, due to related parties of $1.1 million, accounts payable of $0.9 million, and programming rights payable of $0.3 million, offset in part by decreases in accounts receivable of $4.3 million, programming rights of $3.2 million and an increase in other liabilities of $1.7 million. Non-cash items decreased primarily as a result of a gain from FCC spectrum repack of $1.5 million, and decreases in loss on equity method investments of $1.5 million, depreciation and amortization of $1.4 million, stock-based compensation of $0.6 million, offset in part by an increase in programming amortization of $1.4 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019, was $24.7 million, a decrease of $6.4 million as compared to $31.1 million in the prior year period. The decrease is due to declines in funding of equity investments of $2.9 million, capital expenditures of $1.9 million, and proceeds received in the current period from the FCC related to the spectrum repack of $1.5 million.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2019, was $2.1 million, a decrease of $1.9 million as compared to $4.0 million in the prior year period. The decrease is due to lower debt payments in the current year period of $1.1 million due to the excess cash flow payment made in the prior year period pursuant to the Second Amended Term Loan Facility, which the Company was not obligated to make in the current year period, and a decrease in repurchases of our Class A common stock of $0.7 million. For more information, see Note 8, “Long-term debt” and Note 11, “Stockholders’ equity” of Notes to condensed consolidated financial statements, included elsewhere in this Quarterly Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated our disclosure controls and procedures, as of June 30, 2019. Our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019, our disclosure controls and procedures were effective to ensure that all information required to be disclosed is recorded, processed, summarized and reported within the time periods specified, and that information required to be filed in the reports that we file or submit under the Securities Exchange Act of 1934 (the “Exchange Act”) is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Changes in Internal Controls

There were no changes to the Company’s internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we or our subsidiaries may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgments about future events. An adverse result in these or other matters may arise from time to time that may harm our Business. Neither we nor any of our subsidiaries are presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us or our subsidiaries, which may materially affect us.

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2018, in addition to other information included in this Quarterly Report on Form 10-Q, including under the section entitled, "Forward-Looking Statements," and in other documents we file with the SEC, in evaluating our Company and our Business. If any of the risks occur, our Business, financial condition, liquidity and results of operations could be materially adversely affected. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment and new risks emerge from time to time. Management cannot predict such new risk factors, nor can we assess the impact, if any, of such new risk factors on our Business or the extent to which any factor or combination of factors may impact our Business. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our Business, financial condition and/or operating results.

There have not been any material changes during the quarter ended June 30, 2019 from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Company Purchases of Equity Securities

Set forth below is the information concerning acquisitions of Hemisphere Media Group, Inc. Class A common stock by the Company during the three months ended June 30, 2019:

Period (a)	Total Number of Shares Purchased (b)	Average Price Paid per Share (c)	Total Number of shares Purchased as Part of a Publicly Announced Program	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Program
April 1, 2019 – April 30, 2019	—	$ —	—	$ 134,742
May 1, 2019 – May 31, 2019	—	$ —	—	$ 134,742
June 1, 2019 – June 30, 2019	10,447	$ 12.90	10,447	$ —
Total	10,447	$ 12.90	10,447	

(a) The stock repurchase plan was announced on June 20, 2017.
(b) The Board of Directors authorized the repurchase of up to $25 million of the Company's Class A common stock, which was fully utilized during the quarter ended June 30, 2019.
(c) Average Price Paid per Share includes broker commission of $0.02 per share.

The table above does not include the additional $25 million authorized on August 15, 2018 for opportunistic share repurchases.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report.

Exhibit Index

Exhibit No.	Description of Exhibit
10.1	Amendment No. 2 to Stockholders Agreement, dated as of June 9, 2019, by and among Hemisphere Media Group, Inc., Gato Investments LP, InterMedia Hemisphere Roll-Over L.P., InterMedia Partners VII, L.P., Gemini Latin Holdings, LLC, Peter M. Kern, an individual, and Searchlight II HMT, L.P. (filed herein)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document

* A signed original of the written statement required by Section 906 has been provided to the Company and will be retained by the Company and forwarded to the SEC or its staff upon request.

SIGNATURES

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

HEMISPHERE MEDIA GROUP, INC.

DATE: August 5, 2019	By: /s/ Alan J. Sokol Alan J. Sokol Chief Executive Officer and President (Principal Executive Officer)
DATE: August 5, 2019	By: /s/ Craig D. Fischer Craig D. Fischer Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 10.1

EXECUTION COPY

AMENDMENT NO. 2 TO
STOCKHOLDERS AGREEMENT

This Amendment No. 2, dated as of June 9, 2019 (this "Amendment"), amends, as further set forth herein, the Stockholders Agreement, dated as of September 6, 2016 (as amended by Amendment No. 1 (as defined below), the "Original SHA"), by and among Hemisphere Media Group, Inc., a Delaware corporation (the "Company"), Gato Investments LP, a Delaware limited partnership (the "Investor"), InterMedia Hemisphere Roll-Over L.P., a Delaware limited partnership (the "Rollover SPV"), InterMedia Partners VII, L.P., a Delaware limited partnership ("IMPVII"), Gemini Latin Holdings, LLC, a Delaware limited liability company (the "General Partner"), Peter M. Kern, an individual ("Kern"), and Searchlight II HMT, L.P., a Delaware limited partnership ("Searchlight").

RECITALS

WHEREAS, the relevant parties entered into the Original SHA on September 6, 2016;

WHEREAS, the relevant parties entered into Amendment No. 1 to the Original SHA on October 21, 2016 ("Amendment No. 1"); and

WHEREAS, the parties hereto desire to amend the Original SHA as further set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, intending to be legally bound, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the Original SHA.

ARTICLE II
GOVERNANCE

Section 2.1 Definitions:

(a) The definition of "Independent Committee" is hereby deleted in its entirety and replaced with the following:

"Independent Committee" means (i) the special committee of the Board established in connection with the transactions contemplated by the Purchase Agreement or (ii) if at any time such committee is not in existence, either (x) all of the Independent

Directors on the Board as of the relevant time or (y) a special committee of the Board comprising at least two (2) directors who qualify as an "Independent Director" as defined in the NASDAQ Marketplace Rules or who qualifies as "independent" under the applicable rules and regulations of any other national securities exchange on which the equity securities of the Company are publicly traded after the date hereof.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Company. The Company represents and warrants to each Investor Party as follows:

(a) *Organization and Power*. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has the corporate power and authority to enter into this Amendment and to carry out its obligations hereunder.

(b) *Authorization*. Assuming the accuracy of the representation and warranty of the Investor Parties set forth in Section 3.2(e), the execution, delivery and performance of this Amendment by the Company has been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Amendment or the transactions contemplated hereby.

(c) *Enforceability*. This Amendment has been duly executed and delivered by the Company and, assuming the accuracy of the representation and warranty of the Investor Parties set forth in Section 3.2(e), constitutes a valid and binding obligation of the Company, and, assuming this Amendment constitutes a valid and binding obligation of the other parties hereto and the accuracy of the representation and warranty of the Investor Parties set forth in Section 3.2(e), is enforceable against the Company in accordance with its terms.

(d) *No Conflicts*. None of the execution, delivery or performance of this Amendment by the Company constitutes a breach or violation of or conflicts with the Company's Certificate of Incorporation or amended and restated bylaws or any contract or agreement to which the Company is party or by which it is bound.

Section 3.2 Representations and Warranties of the Investor Parties (other than Kern). Each of Investor Parties (other than Kern) represents and warrants, severally and not jointly, to each of the other parties hereto as follows:

(a) *Organization and Power*. If such Investor Party is an entity, it is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and has the corporate or similar power and authority to enter into this Amendment and to carry out his or its obligations hereunder.

(b) *Authorization*. The execution, delivery and performance of this Amendment by such Investor Party and the consummation by such Investor Party of the transactions contemplated hereby have been duly authorized by all necessary action on the part of

such Investor Party and no other corporate or similar proceedings on the part of such Investor Party are necessary to authorize this Amendment or any of the transactions contemplated hereby.

(c) *Enforceability*. This Amendment has been duly executed and delivered by such Investor Party and constitutes a valid and binding obligation of such Investor Party, and, assuming this Amendment constitutes a valid and binding obligation of the other parties hereto, is enforceable against such Investor Party in accordance with its terms.

(d) *No Conflicts*. None of the execution, delivery or performance of this Amendment by such Investor Party constitutes a breach or violation of or conflicts with its organization documents or any contract or agreement to which such Investor Party is a party or by which it is bound.

(e) *Ownership*. As of September 6, 2016, none of the Investor Parties (other than IMPVII, IMCL and Kern) was an "interested stockholder" (as defined in Section 203 of the DGCL) of the Company. Each of IMPVII, IMCL and Kern has been an "interested stockholder" (as defined in Section 203 of the DGCL) of the Company for at least three years prior to September 6, 2016.

Section 3.3 Representations and Warranties of Kern. Kern represents and warrants to each of the other parties hereto as follows:

(a) *Enforceability*. This Amendment has been duly executed and delivered by Kern and constitutes a valid and binding obligation of Kern, and, assuming this Amendment constitutes a valid and binding obligation of the other parties hereto, is enforceable against such Investor Party in accordance with its terms.

(b) *No Conflicts*. None of the execution, delivery or performance of this Amendment by Kern constitutes a breach or violation of or conflicts with its organization documents or any contract or agreement to which Kern is a party or by which he is bound.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Incorporation by Reference. Each of the following Sections of the Original SHA is incorporated herein by reference, mutatis mutandis: Sections 6.1 (No Survival), 6.2 (Amendment and Modification), 6.3 (Assignment; No Third-Party Beneficiaries), 6.5 (Severability), 6.6 (Notices and Addresses), 6.7 (Counterparts), 6.8 (Further Assurances), 6.9 (Remedies), 6.10 (Governing Law; Jurisdiction and Venue) and 6.11 (Adjustments).

Section 4.2 Consent of the Independent Committee. Pursuant to Section 6.2 of the Original SHA, the Independent Committee (as defined without giving effect to this Amendment), by virtue of its approval of the Company's execution of this Amendment, hereby grants its consent to the amendments to the Original SHA set forth herein.

Section 4.3 Binding Effect; Entire Agreement. This Amendment and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and executors, administrators and heirs. This Amendment,

together with the SPV LPA, the Original SPA (including the waiver thereto set forth in Amendment No. 1) and the Original SHA (as amended by Amendment No. 1 and hereby), in each case with respect to the relevant parties thereto, embody the complete agreement and understanding among such parties with respect to the subject matter hereof or thereof and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, that may have related to the subject matter hereof in any way. Other than as set forth in this Amendment, all of the provisions of the Original SHA and the Original SPA remain in full force and effect.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

HEMISPHERE MEDIA GROUP, INC.

By: /s/ Alan J. Sokol
Name: Alan J. Sokol
Title: President and Chief Executive Officer

INTERMEDIA HEMISPHERE ROLL-OVER L.P.

By: Gemini Latin Holdings, LLC, its General Partner

By: /s/ Peter M. Kern
Name: Peter M. Kern
Title: Managing Member

GEMINI LATIN HOLDINGS, LLC

By: /s/ Peter M. Kern
Name: Peter M. Kern
Title: Managing Member

/s/ Peter M. Kern
Peter M. Kern

INTERMEDIA PARTNERS VII, L.P.

By: InterMedia Partners, L.P., its General Partner

By: HK Capital Partners, LLC, its General Partner

By: /s/ Peter M. Kern
Name: Peter M. Kern
Title: Managing Partner

[Signature Page to Amendment No. 2 to Stockholders Agreement]

GATO INVESTMENTS LP

By: /s/ Peter M. Kern
Name: Peter M. Kern
Title: Manager

SEARCHLIGHT II HMT, L.P.

By: Searchlight II HMT GP, LLC, its general partner

By: /s/ Andrew Frey
Name: Andrew Frey
Title: Authorizied Person

[Signature Page to Amendment No. 2 to Stockholders Agreement]

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Alan J. Sokol, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hemisphere Media Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

By: /s/ Alan J. Sokol
Alan J. Sokol
Chief Executive Officer and President

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Craig D. Fischer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hemisphere Media Group, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

By: /s/ Craig D. Fischer
Craig D. Fischer
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hemisphere Media Group, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan J. Sokol, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan J. Sokol
Alan J. Sokol
Chief Executive Officer and President

Date: August 5, 2019

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to Hemisphere Media Group, Inc. and will be retained by Hemisphere Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hemisphere Media Group, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig D. Fischer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Craig D. Fischer
Craig D. Fischer
Chief Financial Officer

Date: August 5, 2019

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to Hemisphere Media Group, Inc. and will be retained by Hemisphere Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.