HEMISPHERE
MEDIA GROUP

ANNUAL REPORT 2021

HEMISPHERE
MEDIA GROUP

To our fellow shareholders:

2021 was a milestone year for Hemisphere, and our extraordinarily talented team once again performed at incredibly high levels. Over the last several years, our team has continued to prove its ability to perform with speed, creativity, and agility, despite difficult macroeconomic circumstances, including successfully navigating through hurricanes and earthquakes in Puerto Rico and a global pandemic. Our business model is proven and has tremendous runway for growth. We have never been more excited about the prospects of Hemisphere.

We are very proud of our 2021 results. This year was highlighted by our acquisition of Pantaya, record-breaking results at WAPA, several important partnerships and launches with virtual MVPDs in the U.S., and the continued leadership positions of our U.S. cable networks. For 2021, we delivered a 29% increase in net revenues, and even without including the impact of Pantaya, we achieved growth across all our revenue streams.

PANTAYA

In April, we announced the acquisition of Pantaya, the leading Spanish-language subscription streaming platform in the U.S., amassing close to one million subscribers at year end 2021. Pantaya fits in the sweet spot of the large, fast growing and underserved U.S. Hispanic market. With over 62 million Hispanics in the U.S. today, expected to grow to 75 million by 2030, the pathway to outsized growth is incredibly exciting.

Pantaya has an unparalleled deep library of critically acclaimed original titles from Pantaya's production arm Pantelion, as well as from world-class third-party content producers. In 2021, we released the second season of our hit reality series, *Derbez Family Vacation*. In September, we premiered Season 2 of Pantaya's most successful series to date, *El Juego de las Llaves*, which drove the second highest number of unique viewers in Pantaya's history and set a record for viewing of TV series in a single month. We also released the first movie we produced by Hemisphere for Pantaya since the close of our acquisition, *El Peligro en Tu Mirada*, which was the most highly viewed program on the service in August.

We ramped up production in the second half of the year and are increasing investment in both programming and marketing in 2022 to drive subscriber growth and retention.

While we have significantly expanded our production, it is also important to emphasize that we are swimming in a completely different lane than the English-language streamers. We are presently the only premium subscription streamer super-serving the fast-growing US Hispanic community. Additionally, we have a very cost-efficient production infrastructure which enables us to produce at a small fraction of the cost of English-language series. We further have the ability to significantly reduce our cost exposure by licensing Latin American rights to our content to streamers, which typically pay us well over 50% of our production budget in exchange for these rights.

As we enter 2022, we expect to release 16 original series and many premiere movies, representing an extraordinary and unprecedented lineup of world class content. For all of the above reasons, we are confident that we will drive significant subscriber growth over the course of the year and remain on track to achieve our long-term target of 2.5 to 3.0 million subscribers by 2025

wapa es Puerto Rico

We are thrilled with WAPA's performance in 2021, as WAPA delivered the highest revenue year in its history, with all-time records in both advertising and retransmission revenues. This result is especially impressive given the challenges posed by COVID-19 related restrictions and lockdowns. The macroeconomic situation in Puerto Rico continued to strengthen throughout 2021, with key metrics across business, consumer and tourism activity trending positively. Puerto Rico has emerged from bankruptcy in a much stronger position and is currently in the strongest economic state it has been in for many years, with very positive indicators for future growth. Virtually all key economic metrics in Puerto Rico continued to trend very positively through the end of 2021. Puerto Rico's economic recovery will be further bolstered by the disbursement over the next few years of tens of billions of previously-allocated federal funds. I am proud that WAPA has now been the number one station in the market for the 12 consecutive years, uninterrupted. We are confident that this strong performance will continue into 2022.

U.S. Cable Networks

Our U.S. cable networks continue to be leaders in their respective content categories. We ended the year strong, with three of our networks among the top 10 highest rated Spanish cable networks, and four among top 15, based on coverage ratings. Notably, Pasiones was the #2 rated Spanish-language cable network in prime time, Monday to Friday. And WAPA America's early fringe newscast was the highest rated newscast on Spanish-language cable in any daypart.

While we continued to experience organic attrition with our cable subscribers, we are successfully mitigating these losses with new launches and expanded carriage agreements. We have been successful in expanding our distribution with launches on virtual Multichannel Video Programming Distributors, or vMVPDS, and expect this trend to continue. We entered into an agreement with YouTubeTV last year, which we expect will translate into meaningful subscriber growth. Additionally, as of March 1, 2022, all five of our channels have launched on fuboTV's growing Latino package.

We are extremely pleased with our recent launches and expansions of coverage, and are in continued discussions about future launches, which we believe will go a long way towards mitigating any future organic subscriber declines. We anticipate additional launches on the virtual MVPDs as these distributors realize there is a tremendous opportunity in the Hispanic market.

CONCLUSION

In closing, we are managing an extraordinary portfolio of assets and believe we have a tremendous value-creation opportunity in front of us. Pantaya's upcoming slate of content is unprecedented. We are producing the kinds of premium series and movies that have never been available until now and have the ability to monetize and license that content outside of the U.S. We are well positioned to dominate this unique and untapped market from multiple angles and are confident that our transformed business will prosper as a result, creating significant long-term shareholder value.

As always, I want to thank our Board of Directors, distribution partners, advertisers, shareholders, and audiences. I also want to thank our employees for their unwavering commitment to Hemisphere. I am deeply proud of what we have accomplished as an organization, and we are extremely well-positioned to deliver outsized growth going forward.

Alan J. Sokol

Alan J. Sokol
President and Chief Executive Officer

ANNUAL REPORT 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021
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 (State or other jurisdiction of incorporation or organization)	**80-0885255** (I.R.S. Employer Identification No.)
4000 Ponce de Leon Blvd., Suite 650 **Coral Gables, FL** (Address of principal executive offices)	**33146** (Zip Code)

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

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

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ or 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 (section 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 ☒ or 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 company has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ or No ☐.

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

The aggregate market value of the Class A common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2020, was approximately $177,066,202. No market exists for the shares of Class B common stock, which is neither registered under Section 12 of the Act nor subject to Section 15(d) of the Act. The Class B common stock is convertible into Class A common stock on a share-for-share basis at the option of the holder. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors and executive officers and other affiliates of the registrant and persons affiliated with Hemisphere Media Group, Inc. Exclusion of shares held by any person should not be construed as a conclusion by the registrant, or an admission by any such person, that such person is an "affiliate" of the Company, as defined by applicable securities laws.

Class of Stock	Shares Outstanding as of March 11, 2022
Class A common stock, par value $0.0001 per share	20,717,826 shares
Class B common stock, par value $0.0001 per share	19,720,381 shares

Documents Incorporated By Reference: The information required by Part III of this Form 10-K, to the extent not set forth herein or by amendment, is incorporated by reference from the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for the 2021 Annual Meeting of Shareholders.

HEMISPHERE MEDIA GROUP, INC. AND SUBSIDIARIES

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December 31, 2021

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), the MSO's affiliated regional or individual cable systems and where applicable, app distribution platforms; "MarVista" refers to Mar Vista Entertainment, LLC, a Delaware 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, and its wholly owned subsidiaries; "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, 2021; "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, 2021; "Third Amended Term Loan Facility" refers to our Term Loan Facility amended on March 31, 2021 as set forth on Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021; "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 Annual Report on Form 10-K for the year ended December 31, 2021 (this "Annual 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," "could," "might," "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. Additionally, many of these risks are currently amplified by and may, in the future, continue to be amplified by the prolonged impact of the COVID-19 pandemic. In addition to the risk factors described in "Item 1A—Risk Factors" in this Annual Report on Form 10-K, those factors include:

- the deterioration of general economic conditions, political instability, social unrest, and public health crises, such as the occurrence of a global pandemic like COVID-19, including measures taken by governmental authorities to address the pandemic, which may precipitate or exacerbate other risks and/or uncertainties, recent increases in, and any additional waves of, COVID-19 cases, new variants of the virus, such as the Delta or Omicron variant, as well as the availability and efficacy of a vaccine and treatments for the disease and whether individuals choose to vaccinate themselves, either nationally or in the local markets in which we operate, including, without limitation, in the Commonwealth of Puerto Rico;

- Puerto Rico's political climate, as well as delays in the pace of disbursement of earmarked federal funds;

- the effects of extreme weather and climate events on our consolidated operations (the "Business"), as well as our counterparties, customers, employees, third-party vendors and suppliers;

- changes in technology, including changes in the distribution and viewing of television programming, including expanded deployment of personal video recorders, subscription and advertising video on-demand, internet protocol television, mobile personal devices and personal tablets and their impact on subscription and television advertising revenue;

- the reaction by advertisers, programming providers, strategic partners, the Federal Communications Commission ("FCC") or other government regulators to businesses that we acquire;

- the potential for viewership of our Networks' or Pantaya's programming to decline or unexpected reductions in the number of subscribers to our Networks or Pantaya. Networks refers to, collectively, Televicentro of Puerto Rico, LLC ("WAPA"), a sports television network in Puerto Rico operated by WAPA ("WAPA Deportes"), WAPA America, Inc. ("WAPA America"), Cine Latino, Inc. ("Cinelatino"), HMTV Pasiones US, LLC and HMTV Pasiones LatAm, LLC (collectively, "Pasiones"), HMTV Centroamerica TV, LLC ("Centroamerica TV") and HMTV TV Dominicana, LLC ("Television Dominicana");

- 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, including our recent acquisition of Pantaya, 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, including satellite systems, telephone companies ("telcos"), app distribution platforms, as applicable, and cable multiple system operators ("MSO"s), and the MSO's affiliated regional or individual cable systems) and other important third parties;

- continued consolidation of Distributors in the marketplace;

- a failure to secure affiliate agreements or the renewal of such agreements on less favorable terms;

- disagreements with our Distributors over contract interpretation;
- our success in acquiring, investing in and integrating 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 agreement on mutually favorable terms;
- 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;
- our ability to timely and fully recover proceeds under our insurance policies;
- fluctuations in foreign currency exchange rates and political unrest and regulatory changes in the international markets in which we operate;
- 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 Annual Report on Form 10-K 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.

Item 1. Business.

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 a premium Spanish-language streaming platform distributed in the U.S., 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, a 40% interest in the #3-rated broadcast television network in Colombia and a leading distributor of content to television and digital media platforms in Latin America.

We target the fast growing and highly attractive U.S. Hispanic and Latin America markets. The number of U.S. Hispanic television households grew over five times more than the overall U.S. households between the period from the start of 2010 through the end of 2021. Additionally, the U.S. Census Bureau estimates that between 2020 and 2030 there will be a 21% increase in the U.S. Hispanic population, reaching approximately 75 million Hispanics in 2030. Pew Hispanic Trends estimates that 96% of Latinos believe that it's important for future generations of U.S. Hispanics to speak Spanish.

On March 31, 2021, we acquired the remaining 75% equity interest in Pantaya that we did not already own. Pantaya is the number one Spanish-language streaming platform in the United States by subscribers, with close to one million subscribers as of December 31, 2021. Pantaya targets a large, untapped addressable over-the-top ("OTT") market for U.S. Hispanic viewers, offering content directly to viewers on smart phones, connected TVs and other internet-enabled devices. According to Collage Group, there are 34 million Spanish dominant and bicultural adults over the age of 18 in the U.S. accessing at least one streaming service. Out of that group, 25 million want more reflective characters and seek out shows and movies about Hispanic characters and stories. According to the Pantaya Brands Study 2021 by the Collage Group, only 32% of Spanish dominant and bicultural adults over the age of 18 are aware of Pantaya. This provides a substantial addressable market for us to target. Pantaya currently has the number one grossing Spanish-language entertainment app for both Android and iOS, both ranking in the top 20 for entertainment apps in the United States. Notably, Pantaya has been the most downloaded Android entertainment app in Puerto Rico since June 1, 2021.

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

PANTAYA

Pantaya: the first ever premium subscription streaming service of Spanish-language media offering the largest selection of current and classic, commercial-free blockbusters and exclusive rights to critically acclaimed movies and series from Latin America and the U.S. including original productions and titles from our library, as well as titles from third party producers. The Company formed Pantaya in partnership with Lionsgate and launched the service in August 2017 with a 25% equity interest. On March 31, 2021, the Company acquired the remaining 75% equity interest from Lionsgate, and Pantaya is now a wholly-owned consolidated subsidiary of the Company. As of December 31, 2021, Pantaya had close to one million subscribers

CINE LATINO

Cinelatino: the leading Spanish-language cable movie network with approximately 3.4 million subscribers in the U.S. and 13.7 million subscribers across 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 highest rated Spanish-language original movie network in the U.S.

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 twelve years ago. WAPA is Puerto Rico's news leader and the largest local producer of news and entertainment programming, producing over 71 hours in the aggregate each week. Additionally, we operate WAPA.TV, a leading news and entertainment website in Puerto Rico, as well as mobile apps, featuring content produced by WAPA.

WAPA Deportes: 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.

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 3.3 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 South Korea (dubbed into Spanish), and is currently the highest rated telenovela cable television network in primetime. Pasiones has approximately 3.7 million subscribers in the U.S. and 15.4 million subscribers in 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 3.2 million subscribers.

Television Dominicana: a cable television network targeting Dominicans living in the U.S., the fourth largest U.S. Hispanic national group. Television Dominicana airs the most popular news and entertainment programs from the Dominican Republic, as well as the Dominican Republic professional baseball league, featuring current and former players from *MLB*. Television Dominicana is distributed in the U.S. to approximately 2.2 million subscribers.

Snap Media: a distributor of content to broadcast and cable television networks and OTT, subscription video-on-demand ("SVOD") and advertising video-on-demand ("AVOD") 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. On July 15, 2021, the Company entered into an omnibus agreement, pursuant to which, minority shareholders relinquished the 25% non-controlling interest in Snap Media, at which point Snap Media became a wholly owned subsidiary of the Company.

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. The partnership began operating Canal 1 on May 1, 2017 and launched a new programming lineup on August 14, 2017. In July 2019, the Colombian government enacted legislation resulting in the extension of the concession license for an additional ten years for no additional consideration. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period.

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.

Hemisphere was incorporated in Delaware on January 16, 2013. Shares of our Class A common stock, par value $0.0001 per share ("Class A common stock") are publicly traded under the symbol "HMTV" on the Nasdaq Global Market ("NASDAQ").

Our Strategy

Our strategy in the U.S. is to provide unique programming focused on the large and rapidly growing U.S. Hispanic population, including super serving those segments often overlooked by our competitors. Our platforms allow many viewers in the U.S. to feel connected with their home countries, including high quality, differentiated local news, sports and premium entertainment content. For instance, WAPA America is the only nightly newscast from Puerto Rico created for U.S. Hispanics, which is a part of the network's over 71 hours of weekly original news and entertainment programming. Additionally, Pasiones remains the highest rated telenovela cable network in primetime to offer unique and popular telenovelas from around the globe. Pantaya furthers our deep and broad reach among the U.S. Hispanic population, as the leading premium subscription Spanish-language streaming platform to cater to this highly attractive demographic. By focusing on these specific Hispanic markets, we provide targeted, attractive and relevant content, while avoiding direct competition with channels such as Univision and Telemundo, which more acutely target the U.S. Mexican demographic. We believe that our portfolio of brands offers the only platform that speaks to all segments of the U.S. Hispanic population.

WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement twelve years ago and management believes it is highly valued by its viewers and cable, satellite and telecommunications service providers. WAPA is distributed by all pay-TV distributors in Puerto Rico and has been successfully growing subscriber revenue. WAPA's primetime household rating for the year ended December 31, 2021 was nearly four times higher than the most highly rated English-language U.S. broadcast network in the U.S., CBS, 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 subscriber revenue.

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. We expect WAPA America, Cinelatino and Pasiones to launch on YouTube TV in the first half of 2022, further accelerating the breadth of their distribution. 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 the U.S. Hispanic population, which is expected to continue its long-term upward trajectory. According to the 2020 U.S. Census, nearly 62.1 million Hispanics resided in the United States in 2020, representing an increase of more than 27 million people between 2000 and 2020, and that number is projected to grow to approximately 75 million by 2030. U.S. Hispanic television households grew by 35% during the period from 2010 to 2021, from 12.9 million households to 17.5 million households. Although our U.S. cable networks total subscribers declined during 2021, given the projected growth of the U.S. Hispanic population, we are optimistic that our U.S. cable networks total subscribers will see renewed long-term growth.

Our strategy in Latin America is to make similar strides as our networks in the U.S. Additionally, Canal 1 represents one of only three national broadcast television networks in Colombia, the second largest Latin American advertising market (excluding Brazil). We believe that Canal 1 can create a compelling, differentiated programming option in Colombia, similar to our experience with WAPA in Puerto Rico. In Latin America, Cinelatino and Pasiones are included in basic cable packages. We believe we are underpenetrated in the market, which provides room for growth and increased market share. We believe that our business model is highly scalable and that we could drive profitable growth by replicating this model across Latin America.

We believe that our platform value is significant, allowing us to leverage content and distribution relationships across different geographies. We are able to use compelling content that we own or have licensed across our media properties, giving us economies of scale.

Our objective is to maintain and improve our position as a leading U.S. Spanish-language media company serving the U.S. Hispanic and Latin American markets by, among other things:

Growing subscriber revenue — We believe Pantaya and our Networks are well-positioned to further grow our subscriber revenue, fueled by continued growth in the U.S. Hispanic population and our robust content portfolio. For example, WAPA entered into renewals with two of the largest Distributors in Puerto Rico on very favorable terms by virtue of its dominance in the Puerto Rico market, and these agreements will generate significant subscriber revenue growth for us. With no reverse compensation, our subscriber revenue has high margin flow through to income. We expect to continue to expand the distribution of our Networks in the U.S. through virtual MVPDs, such as YouTube TV, in the coming year. For example, all five of our cable networks in the U.S. launched on fuboTV in 2022. Pantaya launched on YouTube TV in the quarter ended September 30, 2021, expanding its customer base and driving subscriber revenue. As multi-channel video distributors, such as cable, satellite and telecommunications service providers, which we refer to as MVPDs, and app platform distributors become more focused on targeting the Hispanic audience as a way to grow subscribers, we believe that our Networks and streaming platform will be well-positioned to capture the upside. We plan to leverage the promotional strength of our Networks to meaningfully accelerate Pantaya's subscriber growth.

Investing in content for Pantaya and our Networks to drive subscriber growth and build viewership - We have made substantial investment in our programming and marketing efforts in order to expand our subscriber base and build viewership, as well as increase our attractiveness to advertisers. We will continue to invest in programming through original production, licensing and acquisition. In 2022, Pantaya is set to release 16 original series and many motion picture premiers, increasing both the quality and volume of its programming. At WAPA, we have successfully created a highly differentiated content strategy and in doing so, have maintained a #1 ratings ranking in the Puerto Rico market for twelve consecutive years. Cinelatino, as the only buyer of scale that can cover both the U.S. and Latin American markets for television rights to Spanish-language films, is well-positioned to acquire the best content available at favorable terms and has built an expansive content library.

Driving growth in advertising sales - We continue to see an opportunity to increase our advertising revenues. Our U.S. cable networks are well positioned to benefit from the advertising spend targeted at the highly sought-after U.S. Hispanic audience. From 2000 to 2020, Hispanics accounted for 54% of all U.S. population growth, outpacing all other non-Hispanic groups. U.S. Hispanics are an attractive group for advertisers with massive and rapidly growing buying power expected to reach $2.6 trillion by 2025, according to The Multicultural Economy, 2021 by the Selig Center for Economic Growth. From 2010 to 2020, Hispanic buying power increased by 87%, outpacing non-Hispanics, whose buying power increased by 51% during the same time, according to The Multicultural Economy, 2021 by the Selig Center for Economic Growth. We offer a unique and differentiated target audience for our advertisers, driven by our targeted demographic and our ability to segment the U.S. Hispanic population.

Develop and expand content licensing revenue - Presently, our two primary revenue streams are subscriber revenue and advertising revenue, but we believe an opportunity exists to grow our revenues from content licensing. We own or control all media rights for a vast majority of our content and we continue to produce original content. In November 2018, we acquired Snap Media, which provides us with the expertise and relationships to expand our content licensing business. Our strategy is to window content across our platforms and to license the content to third parties for exploitation on free-TV, pay-TV, OTT, SVOD and AVOD platforms in the U.S. and Latin America. We believe this high-margin revenue from content licensing will help drive our revenue growth and profitability.

Acquisition-driven growth - We continue to look for attractive opportunities that are complementary and accretive to our existing business. We intend to take a long-term view and primarily seek opportunities which will expand our leadership position in the fast growing and highly desirable Spanish-language media market in the U.S. and Latin America. We intend to seek acquisition opportunities where we believe a catalyst for value realization is already present or where we can realize synergies with our existing businesses. These may include Spanish-language cable networks distributed in the U.S., Latin American broadcast and cable television networks, radio stations, production companies and content libraries.

Employees

At December 31, 2021, we and our subsidiaries employed 363 full-time persons. In the normal course of business, we use contract personnel to supplement our employee base to meet business needs. We or our subsidiaries may hire additional personnel in connection with the closing of future acquisitions. We believe that employee relations are generally satisfactory. At December 31, 2021, approximately 141 of our employees based in Puerto Rico are full-time unionized employees covered by a collective bargaining agreement (the "CBA"). The CBA expires on May 31, 2022 and covers all of our unionized employees.

Revenue Sources

Our two primary sources of revenues are advertising revenue and subscriber revenue. All of our Networks derive revenues from advertising. Advertising revenue is 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 revenue is tied to the success of our programming, including the popularity of our programming with our target audience. 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 the year ended December 31, 2020, we experienced higher advertising sales as a result of political advertising spending during the 2020 gubernatorial elections in Puerto Rico. The next election in Puerto Rico will be in 2024.

All of our Networks receive fees paid by MVPDs. 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 subscriber revenue we earn varies from period to period, Distributor to Distributor and also varies among our Networks, but is 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 subscriber revenue at our Networks are primarily derived from changes in contractual affiliation rates charged for our Networks and changes in the number of subscribers. MVPDs report their subscriber numbers to our Networks 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 due and received within sixty days of the remittance. Our Networks depend upon agreements with a limited number of Distributors. We set forth our net revenues, total assets and operating income in “Item 8. Financial Statements.”

We also generate subscriber revenue from subscriptions to Pantaya, our streaming platform. Pantaya is available directly to consumers through our web application as well as through distribution partners. Certain distribution partners charge a fee, which is recorded in cost of revenues. Subscribers are billed at the start of their monthly or annual membership and revenue is recognized ratably over each applicable membership period. Subscriber revenue varies from period to period and is generally based upon the number of paying subscribers to our streaming platform. Estimates of revenue generated but not yet reported by the Company’s third party Distributors are made based on the estimated number of subscribers using the most recently received remittance reporting from each Distributor, which is consistent with our past practice and industry practice.

We continually review the quality of our programming to ensure that it is maximizing our platforms’ viewership and giving our platforms’ subscribers a premium, high-value experience. Growth in our subscriber revenue will, to a certain extent, be dependent on the growth in direct subscribers to our streaming platform, growth in subscribers of the cable, satellite and telecommunication service providers distributing our Networks as well as the app platforms distributing our streaming platform, new system launches including launches on virtual MVPDs (e.g. YouTube TV, Hulu, etc.) and continued carriage of our Networks and streaming platform by our distribution partners. Our revenues also benefit from contractual rate increases stipulated in most of our affiliation agreements.

In 2021, we generated approximately 95% of our net revenues from the United States. For the years ended December 31, 2021 and 2020, we generated net revenues of $185.3 million and $141.9 million, respectively, from the United States. For the years ended December 31, 2021 and 2020, we generated net revenues of $10.4 million and $9.3 million, respectively, from outside the United States.

OUR NETWORKS AND JOINT VENTURES

Pantaya

Started in 2016 and launched in 2017, Pantaya is a premier Spanish-language streaming service. Pantaya targets the growing U.S. Hispanic audience and offers a unique premium selection of blockbuster and critically acclaimed current theatrical releases and exclusive original series unavailable anywhere else. Pantaya owns or controls the rights for many films, including the most popular recent movie releases from Mexico, and its current library includes 17 of the 20 highest-grossing Mexican films since 2019. In March 2021, we acquired the remaining 75% equity interest in Pantaya from Lionsgate that we did not already own.

Pantaya also has an in-house production studio, Pantelion, which has accounted for many of Pantaya’s hit programming. Pantaya has output deals with the top three film distributors in Mexico. As of December 31, 2021, Pantaya had close to one million subscribers.

In 2021, Pantaya continued to grow as the #1 destination for original premium movies and series in Spanish, its website, Pantaya.com, generated over 55.2 million pageviews with an average 1.1 million monthly unique visitors.

WAPA

Headquartered in San Juan, Puerto Rico, WAPA is a full-power independent broadcast television network. WAPA was founded in 1954 as the second broadcast television network in the Caribbean and the third in Latin America. WAPA occupies a prime channel position (channel 4) together with its full power repeater stations, WTIN in Ponce and WNJX in Mayagüez. WAPA is also distributed by all cable, satellite and telecommunication service providers in Puerto Rico. WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement twelve years ago.

WAPA is Puerto Rico's news leader and the largest local producer of entertainment programming, producing over 71 hours in the aggregate each week. In addition to having Puerto Rico's most watched news programming, WAPA's top-rated local shows include *El Cuarto Poder*, an investigative news program featuring Puerto Rican journalist Jay Fonseca, and *Guerreros*, an unscripted competition show. WAPA also licenses and televises blockbuster Hollywood movies and top-rated U.S. television series and telenovelas from around the globe dubbed into Spanish. This diverse and unique mix of programming has made WAPA the market leader in Puerto Rico.

WAPA owns a 66,500 square foot building which houses its state-of-the-art production facilities, television studios, and administrative offices. All of WAPA's news and most of its local programs are produced at WAPA's production facility.

In 2008, WAPA launched WAPA.TV, which is now one of the most visited local sites in Puerto Rico. WAPA.TV provides up-to-the-minute news and weather, promotional clips of WAPA's most popular shows, additional video content not seen on WAPA, and a platform for viewers to share comments and interact, driving further audience engagement. In 2021, WAPA.TV's mobile-optimized website and apps generated a total of 248 million page views and an average of 1.9 million monthly unique visitors.

WAPA Deportes

In 2009, WAPA launched WAPA Deportes in Puerto Rico through its multicast signal and carriage by all cable, satellite and telecommunications service providers in Puerto Rico. WAPA Deportes broadcasts various local and U.S. sports programming, including *Major League Baseball*, with exclusive television rights to the World Series and the All-Star Game, *NBA* and Puerto Rico's professional men's basketball league, *Baloncesto Superior Nacional*. WAPA Deportes is the leading local sports network in Puerto Rico.

WAPA America

WAPA America, launched in 2004, is a Spanish-language cable television network targeting viewers from Puerto Rico, as well as the Dominican Republic, Cuba, Venezuela and Colombia (collectively referred to as "Caribbean Hispanics"), who reside in the U.S. Caribbean Hispanics are the second largest U.S. Hispanic population segment, representing approximately 20% of the U.S. Hispanic population. WAPA America is distributed by all major U.S. cable, satellite and telecommunication operators to approximately 3.3 million subscribers, excluding digital basic subscribers. WAPA America televises the top-rated news and entertainment programming produced by WAPA. WAPA America supplements its programming with acquired telenovelas and cultural programming, popular sports programming from Puerto Rico and other programming from WAPA's library.

WAPA America is primarily distributed on Hispanic programming packages, which generally consist of 20 or more channels, such as Cinelatino, Pasiones, Centroamerica TV, Television Dominicana, CNN en Español, Discovery en Español, History en Español, ESPN Deportes and Fox Deportes (together, "Hispanic Programming Packages"). WAPA America is also distributed in more highly penetrated packages in the major markets of Orlando and Tampa. For more information, see "—Industry."

Cinelatino

Cinelatino is the leading Spanish-language cable movie network with more than 17.1 million subscribers across the U.S., Latin America and Canada. Cinelatino is programmed with a lineup featuring what we believe to be the best contemporary films and original television series from Mexico, Latin America and the U.S. Cinelatino was launched in Mexico in 1993, and introduced into the U.S. in 1995.

Our programming strategy for Cinelatino is specifically intended to provide the audience with the broadest selection of the most popular and highest-quality films across all popular genres, from Mexico and all other Latin American geographies that have significant populations in the U.S., including Puerto Rico, the Dominican Republic, Colombia and Peru. Consistent with its programming strategy, Cinelatino has licensed the rights to many of the highest grossing box office films in Mexico. Cinelatino has an expansive library of over 700 of the best Spanish-language titles from suppliers across the globe. In July 2015, Cinelatino introduced advertising on its network. Driven by the strength of its programming and distribution, Cinelatino is the highest rated Spanish-language original movie network in the U.S. Additionally, leveraging its expansive content library, which includes theatrical films, made-for-television movies, series and other content acquired or licensed from third party suppliers, as well as its own original productions, Cinelatino licenses content to OTT services in the U.S. and Latin America.

Cinelatino has two feeds of its service, one that is distributed in the U.S. and a second that is distributed throughout Latin America and Canada. Cinelatino is distributed by all major U.S. cable, satellite and telecommunications operators on Hispanic Programming Packages and has over 3.4 million U.S. subscribers. For more information, see "—Industry."

Cinelatino is also distributed by many Latin American pay television distributors, generally on basic video packages, and has approximately 13.7 million subscribers throughout Latin America. Cinelatino is presently distributed to approximately 26% of all pay-TV subscribers throughout Latin America (excluding Brazil), representing a growth opportunity.

Pasiones

Pasiones, launched in August 2008, focuses on one of the most popular program genres among Hispanics, telenovelas. The network sets itself apart by showcasing telenovelas produced in Latin America, Turkey, India, South Korea and other countries (dubbed into Spanish), in contrast to competitor networks such as *Univision TLNnovelas*, which focus almost exclusively on Mexican telenovelas. This diverse programming strategy made Pasiones the highest rated telenovela cable television network in primetime in 2021. In owning both Pasiones and Cinelatino, we provide content in two of the most popular genres with Hispanics, telenovelas and movies.

Pasiones has two feeds of its service, one that is distributed in the U.S. and a second that is distributed throughout Latin America. Pasiones is distributed by all major U.S. cable, satellite and telecommunications operators on Hispanic Programming Packages and has approximately 3.7 million U.S. subscribers. For more information, see "-Industry."

Pasiones is also distributed by many Latin American pay television distributors, generally on basic video packages, and has approximately 15.4 million subscribers throughout Latin America. Pasiones is presently distributed to approximately 29% of total pay-TV subscribers throughout Latin America (excluding Brazil), representing a growth opportunity.

Centroamerica TV

Centroamerica TV, launched in September 2004, is the leading network targeting the more than 6.3 million Central Americans living in the U.S. Central Americans are the third largest U.S. Hispanic population group, and represent the fastest growing segment of the U.S. Hispanic population, having grown approximately 299% from 2000 to 2022. Centroamerica TV features news and entertainment programming from leading television broadcast networks in El Salvador, Honduras, Costa Rica, Guatemala, and Panama, as well as exclusive soccer programming from the top professional leagues in the region.

Centroamerica TV has approximately 3.2 million subscribers in the U.S. and is distributed on Hispanic Programming Packages. For more information, see "—Industry."

Television Dominicana

Television Dominicana, launched in November 2005, is the leading network targeting the more than 2.6 million Dominicans living in the U.S. Dominicans are the fourth largest U.S. Hispanic national group and have grown by 240% from 2000 to 2022. Television Dominicana airs news and entertainment programming from leading content producers in the Dominican Republic, as well as the Dominican Republic professional baseball league featuring current and former players from MLB.

Television Dominicana currently has approximately 2.2 million subscribers in the U.S. and is distributed on Hispanic Programming Packages. For more information, see "—Industry."

Snap Media

On November 26, 2018, we acquired a 75% interest in Snap Media. Snap Media is a distributor of content to broadcast and cable television networks and OTT, SVOD and AVOD platforms in Latin America. 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. On July 15, 2021, the Company entered into an omnibus agreement, pursuant to which, minority shareholders relinquished the 25% non-controlling interest in Snap Media, at which point Snap Media became a wholly owned subsidiary of the Company.

Joint Ventures/Investments

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. Canal 1 is one of only three national broadcast television networks in Colombia. The partnership began operating Canal 1 on May 1, 2017. In July 2019, the Colombian government enacted legislation resulting in the extension of the concession license for an additional ten years for no additional consideration. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period. Canal 1 is the #3-rated broadcast television network in Colombia. At December 31, 2021, we owned a 40% interest in the joint venture, which is deemed a VIE that is accounted for under the equity method.

On April 28, 2017, we acquired a 25.5% interest in REMEZCLA, digital media company targeting English speaking and bilingual U.S. Hispanic millennials through innovative content. The investment is accounted for under the equity method.

On November 26, 2018, Snap Media acquired a 50% interest in Snap JV, LLC ("Snap JV"), a joint venture with MarVista, to co-produce original movies and series. The investment is deemed a VIE that is accounted for under the equity method. We expect to wind down this joint venture in the near term.

For more information on Canal 1, REMEZCLA and Snap JV, see Note 7, "Equity Method Investments" of Notes to Consolidated Financial Statements, included in this Annual Report.

OUR COMPETITION

We compete for the development and acquisition of programming, distribution of our Networks and Pantaya, selling of commercial time on our Networks, viewership of our Networks and Pantaya, and on- air and creative talent.

Pantaya has numerous competitors who offer subscription streaming services, including Netflix, Discovery, Viacom, Disney, Amazon and AT&T. Additionally, TelevisaUnivision has announced that they are launching their own subscription streaming service in 2022. These competitors may secure better terms from content suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. We also compete with providers of AVOD services as well as free advertising supported television ("FAST"), which offer consumers free content in exchange for viewing advertisements.

Our Networks compete with other Spanish-language broadcast and cable television networks, streaming platforms and other digital media companies for the acquisition of programming, viewership, the sale of advertising and creative talent. Our ability to produce and acquire popular content impacts our viewership and the sale of advertising.

We also compete with both Spanish-language and English-language broadcast and cable television networks for distribution of our Networks and the fees paid by cable, satellite and telecommunication service providers. Our ability to retain and secure distribution agreements is necessary to maintain and grow subscriber revenue, and to attain viewership which drives advertising sales. Our contractual agreements with Distributors are renewed or renegotiated from time to time in the ordinary course of business. The launch of new networks and consolidation within the cable and satellite distribution industry may adversely affect our ability to obtain and maintain distribution of our Networks.

Additionally, new entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing entertainment video. Companies also may enter into business combinations or alliances that strengthen their competitive positions.

Certain technological advances, including the increased deployment of fiber optic cable, are expected to allow cable and telecommunication video service providers to continue to expand both their channel and broadband distribution capacities and to increase transmission speeds. In addition, the ability to deliver content via new methods and devices is expected to increase substantially. The impact of such added capacities is hard to predict, but the development of new channels of content distribution could lead to increased competition for viewers by facilitating the emergence of additional channels and mobile and internet platforms through which viewers could view programming that is similar to that offered by our Networks.

WAPA competes with broadcast television networks and cable television networks in Puerto Rico for audience viewership, advertising sales, and programming. WAPA's main competitor is the Puerto Rican Telemundo affiliate, which relies heavily on programming from the U.S., consisting primarily of telenovelas produced in Mexico, the U.S. and Latin America. There are a few other local broadcasters, but they tend not to be competitive due to weak programming and/or poor signal quality. In addition, while all major English-language U.S. broadcast networks have local affiliates, they are, for the most part, low power stations with nominal ratings. Cable channels are generally not competitive, as they tend to be U.S.-based, English- language channels with little relevance to the Spanish-speaking Puerto Rican audience, and pay television is much less widely penetrated in Puerto Rico than the U.S. WAPA has effectively customized its programming for the viewing preferences of the Puerto Rican market with more local entertainment and news programming than its competitors, as well as blockbuster Hollywood movies and hit U.S. television series (dubbed into Spanish). As a result, since the start of Nielsen audience measurement, WAPA has been the ratings leader for the past twelve years. WAPA Deportes competes for viewership, advertising sales and programming with other channels offering similar sports programming in Puerto Rico. Competitors include U.S.-based cable networks, such as ESPN, TNT, and TBS. WAPA.TV, WAPA's mobile-optimized website, directly competes with other local news, weather and entertainment sites for traffic and advertising sales. To some extent, WAPA.TV also competes with search engines and social networks, such as Google and Facebook, for digital advertising revenue.

Many of the competitors noted in this section have long operating histories, large customer bases, strong brand recognition, exclusive rights to certain content and significant financial, marketing and other resources, and our financial resources may be relatively limited when contrasted with many of these competitors.

INTELLECTUAL PROPERTY

Our intellectual property assets principally include copyrights in television programming, websites and other content, trademarks in brands, names and logos, domain names and licenses of intellectual property rights of various kinds. The protection of our Networks' and Pantaya's brands and content is of primary importance to our success. To protect our intellectual property assets, we rely upon a combination of copyright, trademark, unfair competition, trade secret and internet/domain name statutes, laws and contractual provisions. However, there can be no assurance of the degree to which these measures will be successful in any given case. Moreover, effective intellectual property protection may be either unavailable or limited in certain foreign territories. Policing unauthorized use of our products and services and related intellectual property is difficult and costly. We seek to limit unauthorized use of our intellectual property through a combination of approaches. However, the steps taken to prevent the infringement of our intellectual property by unauthorized third parties may not work.

Third parties may challenge the validity or scope of our intellectual property from time to time, and the success of any such challenges could result in the limitation or loss of intellectual property rights. Irrespective of their validity, such claims may result in substantial costs and diversion of resources which could have an adverse effect on our operations. In addition, piracy, which encompasses the theft of our signal, and unauthorized use of our content in the digital environment continues to present a threat to revenues from products and services based on intellectual property.

INDUSTRY

U.S. Hispanic Market

Hispanics represent the largest minority group in the U.S. at 19% of the total U.S. population and a rapidly expanding demographic, accounting for 54% of the total U.S. population growth between 2000 and 2020. According to the 2020 U.S. Census, nearly 62.1 million Hispanics resided in the United States in 2020, representing an increase of more than 27 million people between 2000 and 2020. This trend is expected to continue as the U.S. Hispanic population is projected to grow to approximately 75 million by 2030, an increase of 21% from 2020. As a result of this growth, the U.S. Hispanic market represents massive addressable market equivalent to the eighth largest economy in the world and with buying power expected to reach $2.6 trillion by 2025. In addition, the Hispanic population on average is significantly younger than the overall population. For example, the median age of U.S. Hispanics is 30, which is nine years younger than the median age for the total US.

Not only is the Hispanic population in the U.S. significantly younger than the overall population, but the Hispanic population is more connected and more inclined to consume information online. Connected device penetration is significantly higher, with ownership of smartphones, computers and smart TVs over- indexed to the total U.S. population by 104%, 113% and 125%, respectively. Six out of ten hours of Hispanic TV content viewing are streamed, and, amongst Hispanics, streaming has overtaken both broadcast and cable to become the #1 source for video entertainment. Moreover, Hispanics average 4.9 subscription services compared to 3.9 for non-Hispanic whites according to Collage Group.

Claritas estimates that as of January 1, 2022, over 67% of the U.S. Hispanic population was of Mexican origin, followed by Puerto Rican, the second largest Hispanic national group, at 10%. There are more than 6.3 million Puerto Ricans and an additional 6.0 million Hispanics from other Caribbean countries residing in the mainland U.S., and together, Puerto Ricans and other Caribbean Hispanics represent over 19% of the total U.S. Hispanic population. The Puerto Rican population in the U.S. (outside of Puerto Rico) grew 86% from 2000 to 2022, while the overall Caribbean Hispanic population grew 106% during the same time period, including the Dominican population which grew 240% from 2000 to 2022.

Caribbean Hispanics (WAPA America and Television Dominicana target audience)

Place of Origin	Population 2022	% of U.S. Hispanics
Puerto Rico	6,337,689	10.0 %
Dominican Republic	2,602,573	4.1 %
Cuba	1,915,692	3.0 %
Colombia	1,124,984	1.8 %
Venezuela	330,010	0.5 %
Total Caribbean Hispanics	**12,310,948**	**19.5 %**

Source: 2022 Claritas

Central Americans are the third largest U.S. Hispanic regional population group in the U.S. (behind Mexicans and Caribbean Hispanics), and represent the fastest growing segment of the U.S. Hispanic population. There are over 6.3 million Central Americans residing in the U.S., an increase of approximately 299% since 2000. Central Americans comprise approximately 10% of the U.S. Hispanic population in 2022, compared to approximately 4% in 2000.

Central American Hispanics (Centroamerica TV target audience)

Place of Origin	Population 2022	% of U.S. Hispanics
El Salvador	2,726,904	4.3 %
Guatemala	1,696,431	2.7 %
Honduras	769,633	1.2 %
Nicaragua	448,776	0.7 %
Panama	401,972	0.6 %
Costa Rica	266,340	0.4 %
Total Central American Hispanics	**6,310,056**	**10.0 %**

Source: 2022 Claritas

Hispanic Television and Pay-TV Landscape

Within the U.S. cable network industry, the U.S. Hispanic demographic is attractive for a number of reasons:

- Growth in Hispanic TV households: U.S. Hispanic television households grew by 35% during the period from 2010 to 2021, from 12.9 million households to 17.5 million households, over five times the overall U.S. television household growth of only 6.5%. The continued long-term growth of Hispanic television households creates a significant opportunity to reach an attractive audience at a time when overall household growth in the U.S. is more modest.

- Hispanic pay-TV subscribers: Although Hispanic pay-TV subscribers declined during 2021, given the expected growth of Hispanic television households, we are optimistic that Hispanic pay-TV subscribers will see renewed long-term growth, particularly as our Networks launch on virtual MVPDs.

Television Viewing and Language Preferences

- Hispanics Enjoy Movies: In 2020, the last year in which data is available, Hispanics made up only 19% of the U.S. population, yet they comprised 29% of the country's movie ticket purchasers. In fact, the President of the National Association of Theater Owners described Hispanics as "the most valuable component of moviegoers." In 2020, even though overall attendance was down significantly due to COVID-19, Hispanics with an average of one visit for the year saw more movies than any other ethnic community.

- Hispanics Prefer Television in Spanish: Spanish remains the most used language in the home by U.S. Hispanic adults, and this powerfully influences television viewing habits. According to Nielsen, about 66% of Hispanics aged 18 and over speak Spanish as much as or more than English in their homes. Spanish-dominant or bilingual (Spanish/English Equal) homes comprise 63% of U.S. Hispanic households, and these homes exhibit a strong preference to watch television in their native language. In 2021, Spanish-dominant adults in key marketing demographics viewed about 23% of television in Spanish and bilingual adults viewed 68% of television in Spanish.

Hispanic Advertising Market

Persons living in Hispanic television households represent 18% of the total U.S. television household population and 11% of the total U.S. buying power, but the aggregate linear television 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 linear television market. Hispanic household income is growing much faster than the general population making this an increasingly attractive demographic for advertisers. From 2010 to 2020, Hispanic buying power increased by 87%, outpacing non-Hispanics, whose buying power increased by 51% during the same time, according to The Multicultural Economy, 2021 by the Selig Center for Economic Growth.

Viewing of Spanish-language cable networks as a percentage of total Spanish-language television viewing has grown by 18% from 2008 to 2021.

Latin American Market (excluding Brazil)

Pay-TV subscribers in Latin America grew by 14% from 2014 to 2021, and are projected to grow an additional 7 million from 53 million in 2021 to 60 million by 2025. Pay-TV penetration of television households has remained relatively stable at 46% from 2014 to 2021 and is projected to modestly increase to 48% by 2025. Cinelatino and Pasiones are currently distributed to only approximately 26% and 29% of pay TV subscribers (excluding Brazil), respectively, presenting an attractive growth opportunity.

Colombia, where we own 40% of Canal 1, the #3-rated broadcast television network, is a large and appealing market for broadcast television. Colombia had an estimated population of 51.6 million as of January 1, 2022, the second largest in Latin America (excluding Brazil). According to IBOPE, the three major broadcast networks in Colombia receive a 55% share of overall viewing. These factors result in an annual market for free-to-air television advertising of $256 million (as converted utilizing the average foreign exchange rate during the period).

Puerto Rico Overview

The Commonwealth of Puerto Rico is a U.S. territory and has a U.S. dollar-based economy, U.S. rule of law and strong governmental ties to the United States. The broadcast television industry in Puerto Rico is regulated by the FCC, and the banking system is regulated under the U.S. system (Federal Deposit Insurance Corporation). Puerto Rico has a population of approximately 3.3 million, with an additional 6.3 million Puerto Ricans living in the mainland U.S. All Puerto Ricans are U.S. citizens.

Economy

The Puerto Rican economy has been in a recession since 2006, and its gross national product (GNP) has contracted in real terms every year between fiscal year 2007 and fiscal year 2018 (except for growth of 0.5% in fiscal year 2012). The Puerto Rico Planning Board estimates real GNP increased approximately 1.5% in fiscal year 2019 due to the influx of federal funds and private insurance payments to repair damage caused by Hurricanes Irma and María, and that it decreased approximately 5.4% in fiscal year 2020 due primarily to the adverse impact of the COVID-19 pandemic and the measures taken by the government in response to the same.

Puerto Rico has been burdened by limited economic activity, lower than estimated revenue collections, high government debt levels relative to the size of the economy and other fiscal challenges. On June 30, 2016, President Obama signed HR 5278 Bill, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), which, among other things, established a seven member planning board with broad powers over the finances of the Commonwealth and its instrumentalities and provides to the Commonwealth, its public corporations and municipalities, broad based restructuring authority, including through a bankruptcy type process similar to that of Chapter 9 of the U.S. Bankruptcy Code. The Commonwealth's inability to access financing in the capital markets or from private lenders, has resulted in the Commonwealth and various public corporations defaulting on their public debt and entering into bankruptcy proceedings under PROMESA.

In March 2020, the World Health Organization declared COVID-19 a pandemic. On March 15, 2020, the Puerto Rico Governor issued an executive order declaring a health emergency, ordering residents to shelter in place, implementing a mandatory curfew, and requiring the closure of all businesses, except for businesses that provide essential services, including banking and financial institutions with respect to certain services. Many of the restrictions have been gradually lifted and most economic metrics are trending positively.

Puerto Rico also made tremendous progress on the vaccination front. In fact, Puerto Rico has a lower rate of COVID-19 cases than any U.S. state except Nebraska and a higher rate of vaccination against COVID-19 than any state except Vermont (according to Centers for Disease Control and Prevention data as of March 1, 2022), which has facilitated a return to normalized commercial activity. Most key economic metrics are trending very positively. The tourism and hospitality sector in Puerto Rico has seen tremendous growth. Occupancy rates in 2021 nearly doubled as compared to 2020 and exceeded 2019 by 4%, according to Tourism Analytics. Airport passenger traffic in 2021 was approximately 9.7 million nearly double as compared to 2020 and exceeded 2019 by approximately 3%. Auto sales in 2021 increased 36% as compared to 2020 and exceeded 2019 by 21%, according to the United Automobile Importers Group (based on units). Cement sales in 2021 increased 13% as compared to 2020, according to a study by the Federal Reserve Bank in New York.

The macroeconomic outlook for Puerto Rico has improved from the loosening of Covid-19-related restrictions on economic activity, combined with federal disaster recovery funds Puerto Rico is expected to receive related to the recovery from hurricane Maria in 2017. In addition, seven years since the Commonwealth announced that it was unable to pay its outstanding debt obligations, on January 18, 2022, the Title III bankruptcy court approved a plan of adjustment that would restructure $33 billion of public debt to $7.4 billion in new bonds. Nevertheless, any recovery of the Puerto Rican economy could be adversely impacted by macroeconomic developments within the United States and across the globe.

Puerto Rico Broadcast Television Market

Puerto Rico has 1.3 million television households, comparable to that of a top 25 U.S. television market. Puerto Rico is the third largest U.S. Hispanic market behind Los Angeles and New York.

Puerto Rican television broadcasters capture the dominant share of viewership, which is unique relative to the U.S. The three primary broadcasters in Puerto Rico-WAPA, Univision and Telemundo-collectively garner approximately 76% of all television household viewership in primetime, distinguishing Puerto Rico from the U.S. television market, where the four major national broadcast networks (ABC, CBS, NBC and Fox) garner a collective primetime audience share of 27%. In fact, WAPA's primetime household rating in 2021 was nearly four times higher than the most highly rated English-language U.S. broadcast network in the U.S., CBS, and higher than the combined ratings of CBS, NBC, ABC, FOX and the CW.

GOVERNMENT REGULATION

Our broadcast and cable network operations are subject to regulation by governmental authorities in the United States, Puerto Rico and other countries where they operate. The rules, regulations, policies and procedures affecting our Business are constantly subject to change. This section contains a summary of certain government regulations that may affect our operations. This information is summary in nature and does not purport to describe all present and proposed laws and regulations affecting our Business.

Introduction

Our Networks are subject to regulation by the FCC under the Communications Act of 1934, as amended (“Communications Act”). Under authority of the Communications Act, the FCC, among other things, assigns frequency bands for broadcast stations, including the WAPA stations, and other uses; determines the location, frequency and operating power of stations; grants permits and licenses to construct and operate television stations on particular frequencies; issues, revokes, modifies and renews television broadcast station licenses; regulates equipment used by stations; determines whether to approve changes in ownership or control of station licenses; and adopts and implements regulations and policies which directly or indirectly affect the ownership, operations and profitability of broadcasting stations.

The FCC has also adopted various rules that regulate the content of programming broadcast by television stations, including the WAPA station, and carried by cable networks, including our Cable Networks. These rules regulate, among other things, children’s programming, sponsorship identification disclosures, closed captioning of certain television programming, improper uses of the emergency alert system attention tone, and obscene, indecent and profane content. Additionally, the FCC’s rules require broadcast stations to implement equal employment opportunity outreach programs and maintain records relating to these programs and make filings with the FCC evidencing such efforts. The FCC could also adopt other regulations that affect cable networks, such as the requirement that the cable programming services be on an “á la carte” basis, which could affect their business operations.

The following is a brief summary of certain provisions of the Communications Act, and specific FCC rules and policies and certain other statutes and regulations. The summaries are not intended to describe all present and proposed statutes and FCC rules and regulations that impact broadcast television and cable network operations. Failure to observe the provisions of the Communications Act and the FCC’s rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of “short-term” (less than the maximum term) broadcast license renewals or, for particularly egregious violations, the denial of a broadcast license renewal application, the revocation of a broadcast license, or the withholding of approval for acquisition of additional broadcast properties.

FCC Licenses and Renewal

The Communications Act permits the operation of a broadcast station only in accordance with a license issued by the FCC upon a finding that the grant of a license would serve the public interest, convenience and necessity. The FCC grants broadcast licenses for specified periods of time and, upon application, may renew the licenses for additional terms (ordinarily for the full term of eight years). Generally, the FCC renews a broadcast license upon a finding that (i) the broadcast station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or the FCC's rules; and (iii) there have been no other violations by the licensee of the Communications Act or other FCC rules which, taken together, indicate a pattern of abuse. After considering these factors, the FCC may renew a broadcast station's license, either with conditions or without, or it may designate the renewal application for hearing. The licensees of all television stations serving communities in Puerto Rico were required to file renewal applications by October 1, 2020. We filed renewal applications for our television stations on October 1, 2020. These applications have been granted for full eight-year terms expiring on February 1, 2029.

Media Ownership Restrictions and FCC Proceedings

The FCC's broadcast ownership rules affect the number, type and location of broadcast properties that we are allowed to hold or acquire. The FCC is required by statute to review all of its broadcast ownership rules every four years to determine if such rules remain necessary in the public interest. The rules limit the common ownership, directly or by way of attribution, operation or control of television stations serving the same area. The rules also limit the aggregate national audience reach of television stations under common ownership, directly or by way of attribution. In 2017, the FCC relaxed certain ownership rules. In September 2019, the Court of Appeals for the Third Circuit vacated the FCC's 2017 decision. As a result of the Third Circuit's decision, certain changes to the local television ownership rule, which had permitted the common ownership of two television stations in all markets as long as the commonly owned stations were not both among the top-four stations, based on audience share, were eliminated, and the newspaper-broadcast cross ownership and radio-television cross ownership rules were reinstated. In October 2020, the U.S. Supreme Court agreed to consider an appeal of the Third Circuit decision. In April 2021, the Supreme Court issued a unanimous decision reinstating the FCC's 2017 decision, which resulted in the elimination of the newspaper-broadcast and radio-television cross ownership rules and relaxation of the local television ownership rule to permit ownership of two television stations in all markets as long as both are not among the top-four rated stations in a market. In June 2021, the FCC issued an Order formally implementing the changes reflected in its 2017 decision. In December 2018, the FCC released a Notice of Proposed Rulemaking to launch its statutorily mandated quadrennial review of multiple ownership rules. Because of the changes implemented as a result of the Supreme Court's decision, the FCC's Media Bureau asked parties, in June 2021, to update their record in the 2018 quadrennial review. The review is still pending. The FCC's rules also define the types of positions and interests that are considered attributable for purposes of the ownership limits. In general, officers, directors and stockholders holding 5% or more of the voting interests in Hemisphere are deemed to have attributable interests. The FCC's ownership limits therefore apply to our principals and certain investors in our Company. Because we are controlled by a single stockholder holding a majority of the voting power of our capital stock, the FCC's current rules do not treat other five percent or greater voting stockholders as attributable, and those ownership interests are not required to be reported to the FCC.

In December 2017, the FCC opened a notice of proposed rulemaking to review the national television audience reach cap and the 50% discount that is given to UHF stations in determining compliance with the national audience cap. That proposed rulemaking remains pending as of the date of this Annual Report.

Local Television Ownership Rule

Under the local television ownership rule, one party may own, operate, or control up to two television stations in a market, so long as at least one of the stations is not one of the top four rated stations (based on audience share) in the television market. Requests for a waiver of the prohibition on owning two top-four stations will be considered on a case-by-case basis. The rule also permits the ownership, operation or control of two television stations in a market as long as the stations' Noise Limited Service contours do not overlap. Broadcast stations designated by the FCC as "satellite" stations are exempt from the local television ownership rule. WNJX TV and WTIN TV have been designated by the FCC as "satellite" stations of WAPA TV, a division of WAPA. An entity that has an attributable ownership interest in Hemisphere also has an attributable interest in television stations owned by Univision, including Station WSTE, licensed to Ponce, Puerto Rico. Because of this attributable interest, under the current local television ownership rule, without a waiver, we would not be permitted to acquire an attributable interest in any other full power television stations serving Puerto Rico. The FCC may waive its local television ownership rule to permit ownership, operation or control of two television stations in a market that would not otherwise be permissible if one of the stations is in involuntary bankruptcy, is a "failed" station, or is "failing" (i.e., stations with negative cash flow and less than a four share all day audience rating). Under the local television ownership rule, the licensee of a television station that provides more than 15% of another in market station's weekly programming or advertising will be deemed to have an attributable interest in the other station.

Attribution of Ownership

Pursuant to FCC rules, the following relationships and interests are generally considered attributable for purposes of broadcast ownership restrictions: (i) all officers and directors of a corporate licensee and its direct or indirect parent(s); (ii) voting stock interests of at least five percent; (iii) voting stock interests of at least 20 percent, if the holder is a passive institutional investor (such as an investment company, bank, or insurance company); (iv) any equity interest in a limited partnership or limited liability company, unless properly “insulated” from management activities; (v) equity and/or debt interests that in the aggregate exceed 33 percent of a licensee’s total assets, if the interest holder supplies more than 15 percent of the station’s total weekly programming or is a same-market broadcast company ; (vi) time brokerage of a broadcast station by a same-market broadcast company; and (vii) same-market radio joint sales agreements. Because we are controlled by a single stockholder holding a majority of the voting power of our capital stock, the FCC’s current rules do not treat other five percent or greater voting stockholders as attributable, and those ownership interests are not required to be reported to the FCC. Pending before the FCC is a proposal to eliminate the single majority shareholder exception. The FCC is also considering a proposal to require the disclosure in biennial ownership reports of information about five percent or greater voting shareholders, even if such interests are not attributable under the FCC’s ownership rules.

Management services agreements and other types of shared services arrangements between same-market stations that do not include attributable time brokerage components generally are not deemed attributable under the FCC’s current ownership rules. However, the FCC now requires that television stations make any shared services agreements available in a station’s public inspection file.

Commission Approval of Transfer of Control of FCC Licenses

The FCC’s prior approval is required for the transfer of control or assignment of FCC licenses. We are currently controlled by Gato Investments LP (“Gato”), which owns a majority of our Class B common Stock, par value $0.0001 per share (“Class B common stock”). The FCC’s prior consent would be required prior to any transaction that would result in a change in control of Hemisphere or Gato. An application for consent to a transfer of control or assignment of licenses would be subject to a formal public notice and comment period during which petitions to deny the applications would be accepted by the FCC.

A person or entity requesting the FCC’s consent to acquire or obtain control of our television station licenses must demonstrate that the acquisition complies with the FCC’s ownership rules or that a waiver of the rules is in the public interest. As discussed above, we own two television stations, WNJX-TV and WTIN-TV, which are operated as “satellite” stations of WAPA-TV. Stations granted satellite status are exempt from the FCC’s local television ownership rule. Thus, this status permits the common ownership of the three WAPA broadcast stations that would not otherwise be permitted. WNJX-TV and WTIN-TV were first accorded satellite status in 2001 due to the unique circumstances of the Puerto Rico market, including its topography and economic conditions, and the FCC has renewed this grant in subsequent transactions. We anticipate the FCC would continue to grant satellite status to WNJX-TV and WTIN-TV in future change-in-control transactions.

Foreign Ownership Restrictions

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities, whom the FCC refers to as "aliens," or their representatives, by foreign governments or their representatives, or by non-U.S. corporations.

Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations, if the FCC finds the public interest will be served by the refusal or revocation of such license. These restrictions apply in modified form to other forms of business organizations, including partnerships and limited liability companies. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such entity. Prior to 2013, the FCC had made such an affirmative finding with respect to broadcast licenses only in highly limited circumstances. In 2013, however, the FCC concluded that it should begin considering on a case-by-case basis requests for approval of acquisitions by aliens of in excess of 25% of the capital stock of the parent of a broadcast licensee. In 2016, the FCC adopted rules to simplify the process for submitting a declaratory ruling and modifying the procedures for the foreign ownership approval process for broadcast station licensees. These rules also specify how public companies should monitor foreign ownership compliance and provide for remedial provisions in the event a public company determines that it has exceeded its foreign ownership limits.

In considering a request for declaratory ruling, the FCC coordinates with Executive Branch agencies on national security, law enforcement, foreign policy and trade policy issues. In October 2020, the FCC adopted rules to streamline the timing and improve the transparency of the required review of these requests by Executive Branch agencies. The FCC is also currently considering additional rules to further expedite this review process, including requiring licensees to respond to a standardized set of national security and law enforcement questions.

On January 18, 2017, the FCC granted our request to allow non-U.S. investors to own up to 49.99% of our capital stock and hold 49.99% of our voting power. Subsequently, on September 18, 2018, the FCC granted approval of additional specific non-U.S. equity and/or voting ownership interests in excess of 5%. On November 19, 2019, the FCC approved up to 100% aggregate non-U.S. ownership of our equity and voting interests and approved the ownership of up to 49.99% of our capital stock and/or voting power by any one of several specifically approved non-U.S. investors. However, we remain subject to the requirement to obtain specific approval from the FCC before any other alien, in addition to the non U.S. investors that the FCC has previously approved in the series of declaratory ruling identified above, acquires more than 5% of our capital stock or more than 5% voting rights. We are also required to notify the FCC and take remedial actions as necessary, if we determine that an unapproved alien has acquired more than 5% of our capital stock or voting rights, and we may be subject to FCC enforcement action, including monetary forfeitures, if such a circumstance occurs.

To the extent necessary to comply with the Communications Act, FCC rules and policies, and the declaratory rulings, our board of directors may (i) prohibit the ownership, voting or transfer of any portion of our outstanding capital stock to the extent the ownership, voting or transfer of such portion would cause us to violate or would otherwise result in violation of any provision of the Communications Act, FCC rules and policies, or the FCC's declaratory ruling; (ii) convert shares of our Class B common stock into shares of our Class A common stock to the extent necessary to bring us into compliance with the Communications Act, FCC rules and policies, or the FCC's declaratory rulings; and (iii) redeem capital stock to the extent necessary to bring us into compliance with the Communications Act, FCC rules and policies, or the FCC's declaratory rulings or to prevent the loss or impairment of any of our FCC licenses.

Digital Television

As of June 12, 2009, all full-power broadcast television stations were required to cease broadcasting analog programming and convert to all digital broadcasts. Digital broadcasting allows stations to offer digital channels for a wide variety of services such as high definition video programming, multiple channels of standard definition video programming, such as WAPA Deportes, data, and other types of communications. Each station is required to provide at least one free over-the-air video program signal.

To the extent a station has “excess” digital capacity (i.e., digital capacity not used to transmit free, over-the-air video programming), it may elect to use that capacity in any manner consistent with FCC technical requirements, including for data transmission, interactive or subscription video services, or paging and information services. If a station uses its digital capacity to provide any such “ancillary or supplementary” services on a subscription or otherwise “feeable” basis, it must pay the FCC an annual fee equal to 5% of the gross revenues realized from such services.

In 2017, the FCC adopted rules authorizing the deployment of the Next Generation broadcast television transmission standard, also called ATSC 3.0. ATSC 3.0 is an Internet Protocol-based broadcast transmission platform that merges the capabilities of over-the-air broadcasting with the broadband viewing and information delivery methods of the Internet, using the same 6 MHz channels presently allocated for digital television service. Next Generation Television offers 4K ultra high definition video quality, enhanced sound quality, interactivity, mobile reception and advanced emergency messaging. Stations are not obligated to use ATSC 3.0; use of the new standard is voluntary. However, any station that decides to deploy the new standard will also be required to simulcast its primary program stream in the currently-used ATSC 1.0 format for a period of time as determined by the FCC. Television stations in many US television markets have voluntarily converted to ATSC 3.0 operations. In December 2021, the FCC released a notice of proposed rulemaking proposing rule changes which would clarify that a licensee's multicast streams that are broadcast by another host station as part of the conversion to ATSC 3.0 will be covered by the originating station's license. We cannot predict what impact the new standard will have on our Business.

MVPD Retransmission of Local Television Signals

A number of provisions of the Communications Act and FCC rules govern aspects of the relationship between broadcast television stations and distributors of multiple channels of video programming such as cable, satellite and telecommunications companies (referred to as “MVPDs”). The rules generally provide certain protections for local broadcast stations, for which MVPDs are an important means of distribution and a provider of competing program channels.

To ensure that every local television station can be received in its local market without requiring a cable subscriber to switch between cable and off-air signals, the FCC allows every full-power television broadcast station to require that all local cable systems and direct broadcast satellite operators transmit that station’s primary digital channel to their subscribers within the station’s market (the so-called “must-carry” rule). Alternatively, a station may elect to forego its must-carry rights and seek a negotiated agreement to establish the terms of its carriage by a local MVPD—referred to as “retransmission consent.” A station electing retransmission consent assumes the risk that it will not be able to strike a deal with the MVPD and will not be carried. A station has the opportunity to elect must-carry or retransmission consent every three years. Elections were made in October 2020 for the 2021-2023 three-year period. WAPA elected retransmission consent and has entered into retransmission consent contracts with all MVPD systems serving Puerto Rico.

MVPDs are not required to carry any programming streams other than a station’s primary video programming channel. Consequently, WAPA’s multicast channel WAPA Deportes is not entitled to mandatory carriage under the FCC’s must-carry rules. However, we are free to negotiate with MVPDs for the carriage of additional programming streams.

In 2014, the FCC adopted rules prohibiting a television broadcast station that is ranked among the top four stations to negotiate retransmission consent jointly with another station, if the stations are not commonly owned and serve the same geographic market. Congress tightened this restriction to prohibit joint negotiation with any television station in the same market unless the stations are under common de jure control as part of the STELA Reauthorization Act of 2014. The Further Consolidated Appropriations Act, 2020 enacted in December 2019 made permanent the statutory requirement that broadcasters and MVPDs negotiate retransmission agreements in good faith, which had been scheduled to expire at the end of 2019. In December 2014, the FCC issued a NPRM requesting comment on whether the definition of MVPD should be expanded to include providers that make multiple linear streams of video programming available for purchase, regardless of the technology used to distribute the programming (e.g. entities providing video programming to subscribers through internet connections). We cannot predict what impact, if any, this proceeding will have on our negotiations with video programming distributors. In March 2021, H.R. 1856, the Modern Television Act of 2021, was introduced in the House of Representatives. The bill proposes to repeal retransmission consent requirements and compulsory copyright licenses and make other changes to copyright law and regulations governing negotiation of retransmission consent agreements. The bill was referred to the House Energy and Commerce and House Judiciary committees; however, no hearings or other actions with respect to the bill have been scheduled.

Repurposing of Broadcast Spectrum for Other Uses

Federal legislation was enacted in February 2012 that, among other things, authorized the FCC to conduct voluntary "incentive auctions" in order to reallocate certain spectrum currently occupied by television broadcast stations to mobile wireless broadband services, to "repack" television stations into a smaller portion of the existing television spectrum band, and to require television stations that did not relinquish spectrum in the auction to modify their transmission facilities, subject to reimbursement for reasonable relocation costs up to an industry-wide total of $1.75 billion.

The FCC adopted rules concerning the incentive auction and the repacking of the television band and conducted the auction. The incentive auction concluded in the first half of 2017. The FCC is now completing the process of "repacking" the remaining television broadcast spectrum, which requires that certain television stations that did not relinquish spectrum in the auction modify their transmission facilities, including requiring such stations to operate on other channel designations. The FCC is reimbursing stations for reasonable relocation costs. The original reimbursement limit across all stations was $1.75 billion. In March 2018, Congress authorized an additional $1 billion to be used for reimbursements related to repacking. Stations WNJX TV and WTIN TV were reassigned new channels as a result of the incentive auction. WNJX TV and WTIN TV transitioned to their new channels on August 1, 2018 and operated with temporary facilities until construction of their permanent facilities was completed in 2021. Both stations now hold licenses for permanent facilities on their post-transition channels.

The outcome of the repacking of broadcast television spectrum and the impact of such on WAPA's business, cannot be predicted. Nevertheless, we do not believe that the auction will have a material negative impact on our Business, because our stations' post-transition channels are in the more desirable UHF band and our three television stations have overlapping coverage areas, so it is unlikely that we will lose service to a significant portion of the households that we serve. If the FCC is unable to reimburse all of our repacking expenses, the amount of the shortfall is unlikely to be material to our Business as a whole.

EEO Rules

The FCC's Equal Employment Opportunity ("EEO") rules impose job information dissemination, recruitment, documentation and reporting requirements on broadcast television stations. Broadcasters are also subject to random audits to ensure compliance with the FCC's EEO rules and may be sanctioned for noncompliance.

Recordkeeping

The FCC rules require broadcast television stations to maintain various records regarding operations, including equipment performance records and a log of the station's operating parameters. Television stations must also maintain a public inspection file, which is hosted on an FCC maintained website and is therefore widely accessible by members of the public and the FCC. The FCC has recently increased enforcement of requirements regarding online public inspection files.

Programming and Operations

Rules and policies of the FCC and other federal agencies regulate certain programming practices and other areas affecting the business or operations of broadcast stations, including WAPA, and cable networks, including our U.S. Networks.

Obscenity, Indecency and Profanity. Federal statutes prohibit the broadcast or transmission of obscene material at any time by broadcast television stations and on cable networks, including our U.S. Networks. The FCC's rules also prohibit television stations, including the WAPA station, from broadcasting indecent or profane material between the hours of 6:00 a.m. and 10:00 p.m. In recent years, the FCC has intensified its enforcement activities with respect to programming it considers indecent and has issued numerous fines to licensees found to have violated the indecency rules.

The maximum permitted fine for an indecency violation is $445,445 per incident and $ 4,111,796 for any continuing violation arising from a single act or failure to act.

Because the FCC may investigate indecency complaints on an *ex parte* basis, a licensee may not have knowledge of an indecency complaint unless and until the complaint results in the issuance of a formal FCC letter of inquiry or notice of apparent liability for forfeiture. The FCC has advised that it will continue to pursue enforcement actions in egregious cases while it conducts a review of its indecency policy generally.

Children's Programming. Federal statutes and FCC rules require broadcast television stations, including the WAPA station, to broadcast three hours per week of educational and informational programming ("E/I programming") designed for children 16 years of age and younger. In July 2019, the FCC adopted revisions to the children's television programming rules, including the elimination of the requirement to air children's programming on multicast programming streams, the expansion of the time period during which such programming can air, and requiring reporting to the FCC of such programming on an annual rather than a quarterly basis.

Federal statutes and FCC rules also limit the amount and content of commercial matter that may be included in programming primarily produced and carried for children 12 years and younger by broadcast television stations and cable networks, including our U.S. Networks. The FCC's rules also limit the display, during children's programming on broadcast stations and cable networks, of Internet addresses of websites that contain or link to commercial material or that use program characters to sell products.

Commercial Loudness. The 2010 Commercial Advertisement Loudness Mitigation Act ("CALM Act") and the FCC rules implementing the CALM Act, require television stations, cable television operators, satellite television providers, and other pay television providers to limit the average volume of commercials, including promotional announcements, to the same average volume as the programming it accompanies. The FCC rules do not specifically require video programming providers, such as our U.S. Networks, to comply with the rules regarding the loudness of commercials. However, video programming distributors may request or require by contract that programming providers certify compliance with those rules for commercials embedded in programming.

Closed Captioning. FCC rules require the majority of programming broadcast by television stations and carried on cable networks to contain closed captions. In January 2012, the FCC adopted rules to require that television programming broadcast by television stations or transmitted by cable, including on our U.S. Networks, with captioning include captioning if subsequently made available online, for example, by streaming on WAPA.TV. Clips of programming carried on television are required to be captioned if subsequently distributed over the internet. Additionally, beginning in March 2015, new FCC rules became effective that require programming captions to adhere to more stringent quality standards. In 2016, rules became effective requiring certain clips of programming made available online to be captioned if the underlying programming aired on television with captions.

Sponsorship Identification. Both the Communications Act and the FCC's rules generally require that, when payment or other consideration has been received or promised to a broadcast television station for the airing of program material, the station must disclose that fact and identify who paid or promised to provide the consideration at the time of broadcast. Cable systems are subject to the same requirement when the system is originating programming, also known as cablecasting. The FCC has recently increased enforcement of violations of its sponsorship identification requirements. Fines for such violations can be substantial because they are dependent on the number of times a particular advertisement is broadcast. In April 2021, the FCC adopted rules that will require broadcast stations to disclose when foreign governmental entities have paid a station directly or indirectly to broadcast programming under a lease time agreement. Broadcasters will be required to take certain actions to determine if an entity leasing airtime from it is covered by the new rules. Certain parties have asked the FCC to reconsider certain aspects of the proposed rules, and the National Association of Broadcasters has filed an appeal and a request that the new rules be stayed pending appeal.

Program Access Restrictions

Under the Communications Act, vertically integrated cable programmers are generally prohibited from offering different prices, terms, or conditions to competing multichannel video programming distributors unless the differential is justified by certain permissible factors set forth in the FCC's regulations. A cable programmer is considered to be vertically integrated if it owns or is owned by a cable television operator, in whole or in part, under the FCC's program access attribution rules. Cable television operators for this purpose may include telephone companies that provide video programming directly to subscribers. In November 2020, the FCC revised certain of its rules governing the resolution of complaints under the program access rules. Because certain of our directors are also directors of cable companies, we are considered to be a vertically integrated cable programmer and are subject to the program access rules.

Regulation of the Internet

Internet services, including PANTAYA.COM, WAPA.TV, CINELATINO.COM, TVPASIONES.COM, CENTROAMERICATV.TV, TELEVISIONDOMINICANA.TV and SNAPTV.TV, are subject to a number of laws and regulations relating to consumer protection, information security, data protection and privacy. Many of these laws and regulations are still evolving and could be interpreted in ways that limit the services we are able to offer. Our Internet services are also subject to regulation in the U.S. relating to the privacy and security of personally identifiable user information and acquisition of personal information from children under 13, including the federal Child Online Privacy Protection Act (COPPA) and the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM). In addition, a majority of states have enacted laws that impose data security and security breach obligations. Additional federal, state, territorial laws and regulations may be adopted with respect to the Internet or other online services, covering such issues as user privacy, child safety, data security, advertising, pricing, content, copyrights and trademarks, access by persons with disabilities, distribution, taxation and characteristics and quality of products and services.

Other Regulations

In addition to the regulations applicable to the broadcast, cable television and Internet industries in general, we are also subject to other federal, state, territorial, and local regulations, including, without limitation, regulations promulgated by federal, state, and territorial environmental, health and labor agencies. Cinelatino is also subject to laws and regulations that may be adopted or promulgated by the governments of other jurisdictions in which it operates.

AVAILABLE INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are made available free of charge on or through our website at *www.hemispheretv.com* as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (the "SEC" or the "Commission"). The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the Commission.

You may read and copy any materials we file with the Commission at the Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website that contains our reports, proxy statements and other information at *www.sec.gov*. In addition, copies of our Corporate Governance Guidelines, Audit Committee Charter and Code of Business Conduct and Ethics, are available at our website at *www.hemispheretv.com* under "Investor Relations—Corporate Governance." Copies will also be provided to any Hemisphere stockholder upon written request to Investor Relations, Hemisphere Media Group, Inc. at 4000 Ponce de Leon Blvd., Suite 650, Coral Gables, FL, 33146, or via electronic mail at *ir@hemispheretv.com,* or by contacting Investor Relations by telephone at (917) 444-6325.

Item 1A. Risk Factors.

The following risk factors and the forward-looking statements disclaimer elsewhere herein should be read carefully in connection with evaluating our Business and our subsidiaries. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Many of the risk factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating our Business and our subsidiaries and the joint ventures and investments they enter into. These risk factors may be amended, supplemented or superseded from time to time in future filings and reports that we file with the Commission in the future.

Risk Factors Related to the COVID-19 Pandemic

The COVID-19 pandemic has had and may continue to have a negative effect on the Company's Business. The uncertain future impact of COVID-19 could be material to the Company's future results of operations and financial position.

During 2020, the rapid spread of the pandemic and the continuously evolving responses to combat it had an adverse impact on the global economy. Many of those impacts continued in 2021 despite the availability of vaccines as new variants of COVID-19, including the Delta and Omicron variants, have continued to impact the global economy.

The impact of the COVID-19 pandemic and measures to prevent its spread impacted our Business in a number of ways. Beginning in March 2020, the Company's advertising revenue was negatively impacted, however, advertising revenue improved during the second half of 2020. The global pandemic had and may continue to have a material adverse impact on supply chain logistics, which may negatively impact advertising in the future as expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Operationally, most non-production and programming personnel are working remotely. Remote work arrangements may introduce operational risks, including but not limited to cybersecurity risks and risks to our internal controls and financial reporting, and impair our ability to manage our business. The Company has managed the remote workforce effectively and there have been no material adverse impacts on operations through December 31, 2021.

Given the global nature of the COVID-19 pandemic, our investment in Canal 1, which operates in Colombia, has also been negatively impacted. Colombia's President declared a state of emergency, locking down the country on March 20, 2020. Since then, most restrictions have been lifted allowing services to work at full capacity including retail and mass transportation, however some limitations are still in place for public events and the state of emergency declaration has been extended to April 30, 2022. The COVID-19 pandemic had a material adverse impact on advertising spending, and accordingly, had a material adverse impact on Canal 1's advertising revenue in 2020. However, advertising spend and Canal 1's advertising revenue improved and surpassed pre-COVID-19 levels in 2021.

The Company has evaluated and will continue to evaluate the potential impact of the COVID-19 pandemic on its Consolidated Financial Statements, including the impairment of goodwill and indefinite-lived intangible assets and the fair value of equity method investments.

The ultimate impact of the COVID-19 pandemic, including the extent of any adverse impact on our Business, results of operations and financial condition, remains uncertain. The magnitude of the impact will depend on the duration and extent of the global pandemic, including recent increases in, and any additional waves of, COVID-19 cases, new variants of the virus, and the availability and efficacy of a vaccine and treatments for the disease and the impact of federal, state, local and foreign governmental actions, including measures taken by governmental authorities to address the pandemic, which may precipitate or exacerbate other risks and/or uncertainties, and consumer behavior in response to the pandemic and such governmental actions.

Risk Factors Related to our Business

Service providers could discontinue or refrain from carrying our Networks or Pantaya, decide not to renew their distribution agreements or renew on less favorable terms, which could substantially reduce the number of viewers and harm our Business and operating results.

Consolidation among cable and satellite operators has given the largest operators considerable leverage in their relationships with programmers, including our Networks. Some of our largest Distributors are combining and have gained, or may gain, market power, which could affect our ability to maximize the value of our content through those platforms. In addition, many of the countries and territories in which we distribute our Networks also have a small number of dominant Distributors. The success of each of our Networks and Pantaya is dependent, in part, on our ability to enter into new carriage agreements and maintain or renew existing agreements or arrangements with Distributors. Although our Networks currently have arrangements or agreements with, and are being carried by, many of the largest Distributors, having such a relationship or agreement with a Distributor does not always ensure that the Distributors will continue to carry our Networks. Additionally, under our Cable Networks' current contracts and arrangements, we typically offer Distributors the right to transmit the programming services comprising our Cable Networks to their subscribers, but not all such contracts or arrangements require that the programming services comprising our Cable Networks be offered to all subscribers of, or any specific tiers of, or to a specific minimum number of subscribers of a Distributor. Also, WAPA is dependent on its retransmission consent agreements that provide for per subscriber fees with annual rate escalators. No assurances can be provided that WAPA will be able to renegotiate all such agreements on favorable terms, on a timely basis, or at all. A failure to secure a renewal of Pantaya's or our Networks' agreements, or a renewal on less favorable terms may result in a reduction in our Business's subscriber revenue and advertising revenue, and may have a material adverse effect on our results of operations and financial position.

The success of our Business is dependent upon advertising revenue, which is seasonal and cyclical, and will also fluctuate as a result of a number of other factors, some of which are beyond our control.

The success of our Business is dependent upon our advertising revenues. Our Networks' ability to sell advertising time and space depends on, among other things:

- economic conditions in the markets in which our Networks operate;
- the popularity of the programming offered by our Networks;
- changes in the population demographics in the markets in which our Networks operate;
- advertising price fluctuations, which can be affected by the popularity of programming, the availability of programming, and the relative supply of and demand for commercial advertising;
- our competitors' activities, including increased competition from other advertising-based mediums, particularly MVPD operators, digital platforms, and the internet;
- decisions by advertisers to withdraw or delay planned advertising expenditures for any reason;
- labor disputes or other disruptions at major advertisers;
- changes in audience ratings, including Nielsen's ability to provide ratings; and
- other factors beyond our control.

Audience ratings may be impacted by a number of factors outside of our control, including a decline in viewership, changes in ratings technology or methodology or changes in household sampling. For example, as a result of the impact of Hurricanes Irma and Maria, Nielsen suspended reporting of ratings data in Puerto Rico in September 2017 through May 1, 2018. Any decline in audience ratings could cause revenue to decline, adversely impacting our Business and our operating results. Our advertising revenue and results are also subject to seasonal and cyclical fluctuations that we expect to continue. Seasonal fluctuations typically result in higher operating income in the fourth quarter than in the first, second, and third quarters of each year. This seasonality is primarily attributable to advertisers' increased expenditures in anticipation of the holiday season spending. In addition, we typically experience an increase in revenue every four years as a result of advertising sales in respect of local government elections in Puerto Rico. The year ended December 31, 2020 was a political election year in Puerto Rico. The next political election year will occur in 2024. As a result of the seasonality and cyclicality of our revenue, and the historically significant increase in our revenue during election years, investors are cautioned that it has been, and is expected to remain, difficult to engage in period-over-period comparisons of our revenue and results of operations.

If our Networks or Pantaya's viewership declines for any reason, or our audience ratings decline for any reason or our Networks/Pantaya fail to develop and distribute popular programs, our advertising and subscriber fee revenues could decrease, as applicable.

Our Networks and Pantaya's viewership and audience ratings, as applicable, are critical factors affecting both (i) the advertising revenue that we receive, and (ii) the extent of subscriber revenue we receive, as applicable, under agreements with our Distributors. Our ratings are dependent, in part, on our ability to consistently create and acquire programming that meets the changing preferences of viewers in general and viewers in our Networks' target demographic category.

Our Networks and Pantaya's viewership is also affected by the quality and acceptance of competing programs and other content offered by other networks, the availability of alternative forms of entertainment and leisure time activities, including general economic conditions, piracy, digital and on-demand distribution and growing competition for consumer discretionary spending. In particular, consumer preference for over-the-top sources for viewing and purchasing content, including through increasing number of companies that offer SVOD, AVOD or FAST services has been and may continue adversely affect viewership of our Networks. Audience ratings may be impacted by a number of factors outside of our control, including a decline in viewership through traditional linear distribution model, intensifying audience fragmentation, changes in ratings technology or methodology or changes in household sampling. Any decline in our Networks' viewership or audience ratings could cause advertising revenue to decline, subscription revenues to fall, and adversely impact our Business and operating results.

Our Networks may not be able to grow their subscribers and/or subscriber revenue, or such subscribers and/or revenues may decline and, as a result, our revenues and profitability may not increase and could decrease.

The growth of our Networks' subscriber base depends upon many factors, such as overall growth in cable, satellite and telco subscribers, competition from streaming services, the popularity of our Networks' programming, our ability to negotiate new carriage agreements, or amendments to, or renewals of, current carriage agreements, maintenance of existing distribution, and the success of our marketing efforts in driving consumer demand for their content, as well as other factors that are beyond our control, including temporary and permanent migration shifts in Puerto Rico.

A major component of our financial growth strategy is based on our ability to increase our Cable Networks' subscriber base. If our Cable Networks' programming services are required by the FCC to be offered on an "à la carte" basis, our Cable Networks could experience higher costs, reduced distribution of our program service, perhaps significantly, and lose viewers. There can be no assurance that we will be able to maintain or increase our Cable Networks' subscriber base on cable, satellite and telco systems or that our current carriage will not decrease as a result of a number of factors or that we will be able to maintain or increase our Cable Networks' current subscriber fee rates.

In particular, negotiations for new carriage agreements, or amendments to, or renewals of, current carriage agreements, are lengthy and complex, and our Networks are not able to predict with any accuracy when such increases in our subscriber bases may occur, if at all, or if we can maintain or increase our current affiliate fees, as applicable. If our Networks are unable to grow our subscriber bases or if we reduce our affiliate fees, as applicable, our revenues may not increase and could decrease.

Demand for our programming and our Business, financial condition and results of operations are affected by changes that impact Hispanics living in the United States.

We believe one of our growth drivers will result from projected increases in the U.S. Hispanic population and projected increases in their buying power. Factors that impact the U.S. Hispanic population, including a slowdown in immigration into the U.S. in the future, the impact of federal and state immigration legislation and policies on both the U.S. Hispanic population and persons emigrating from Latin America could affect the growth of the U.S. Hispanic population and, as a result, the demand for our programming. Immigration reform has been a continued area of focus for the last and current U.S. presidential administration, as highlighted in the Presidential election in 2020. Although the details and timing of potential changes to immigration law are difficult to predict, restrictions on travel and eligibility for U.S. visa programs may lead to a slowdown of projected immigration levels in the U.S. Hispanic population. Furthermore, U.S. Hispanics might have chosen not to participate in the census, which would result in the U.S. Hispanic population to be underreported. If the U.S. Hispanic population grows more slowly than anticipated, the projected buying power of the U.S. Hispanic population may not grow as anticipated. In addition, economic conditions, such as unemployment, that disproportionately impact the U.S. Hispanic population could slow the growth of, or reduce, the projected buying power of U.S. Hispanics. If the U.S. Hispanic population or its buying power grows more slowly than anticipated, it could have a material adverse effect on our business, financial condition and results of operations.

In addition, in the U.S. we exclusively target our Hispanic audience through Spanish-language programming. As U.S. Hispanics become bilingual or English-dominant, demand for our Spanish-language programming could be adversely impacted by competing English-language programming, including programming primarily in English-language targeting the bilingual or English-dominant U.S. Hispanic population. In addition, a shift in policy towards encouraging English-language fluency among U.S. Hispanic immigrants could also impact demand for Spanish-language programming. If we are unable to create more programming and networks targeted to this audience, we may lose audience share to competing English-language or bilingual programming which could lead to lower ratings and consequently, lower advertising revenues, which could have a material adverse effect on our business, financial condition and results of operations.

If our efforts to attract and retain subscribers to our Pantaya platform are not successful, our Business will be adversely affected.

Pantaya's future success is subject to inherent uncertainty. The video streaming market is intensely competitive and our ability to attract and retain subscribers to our pay streaming service as well as the subscription revenue they enable us to generate, will depend on our ability to consistently provide appealing and differentiated content, effectively market our service and provide a quality experience for selecting and viewing that content. Furthermore, the relative service levels, content offerings, promotions and pricing, and related features of competitors to Pantaya may adversely impact our ability to attract and retain subscribers. If consumers do not perceive our offerings to be of value, including if we introduce new or adjust existing features, adjust pricing or offerings, terminate or modify promotional or trial period offerings, experience technical issues, or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain subscribers. In addition, many subscribers to these types of offerings originate from word-of-mouth advertising from then existing subscribers. If our efforts to satisfy subscribers are not successful, including because we terminate or modify promotional or trial-period offerings or because of technical issues with the platform, we may not be able to attract or retain subscribers, and as a result, our ability to maintain and/or grow our business will be adversely affected.

Subscribers may cancel our service for many reasons, including a perception that they do not use the service sufficiently, the need to cut household expenses, our content is unsatisfactory, competitive services provide a better value or experience and customer service issues are not satisfactorily resolved. We must continually add new subscribers both to replace canceled subscriptions and to grow our business beyond our current subscription base.

Pantaya has numerous competitors who offer SVOD services, including Netflix, Discovery, Viacom, Disney, Amazon and AT&T. Additionally, Univision has announced that they are launching their own streaming service in 2022. Some of these competitors have long operating histories, large customer bases, strong brand recognition, exclusive rights to certain content and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing entertainment video. Companies also may enter into business combinations or alliances that strengthen their competitive positions. We also compete with providers of advertising-based video on demand, which offer consumers free content in exchange for viewing advertisements. If we are unable to successfully or profitably compete with current and new competitors, our Business will be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

If studios, content providers or other rights holders refuse to license streaming content or other rights upon terms acceptable to us, our Pantaya service could be adversely affected.

Although we produce a substantial portion of the content available on Pantaya, some of the content that we offer to Pantaya subscribers is sourced from third parties, including studios, content providers and other rights holders. The license periods and the terms and conditions of such licenses vary. As content providers develop their own video streaming services, they may be unwilling to provide us with access to certain content, including popular series or movies. If the studios, content providers and other rights holders are not or are no longer willing or able to license us content upon terms acceptable to us, our ability to stream content to our subscribers may be adversely affected and/or our costs could increase. As competition increases, we may or are likely to see the cost of certain programming increase. As we seek to differentiate our service, we are often focused on securing certain exclusive rights when obtaining content. We are also focused on programming an overall mix of content that delights our subscribers in a cost efficient manner. If we do not maintain a compelling mix of content, our subscriber acquisition and retention may be adversely affected.

The television markets in which our Networks operate is highly competitive, and we may not be able to compete effectively, particularly against competitors with greater financial resources, brand recognition, marketplace presence and relationships with service providers.

Our Networks compete with other television channels for the distribution of their programming, development and acquisition of content, audience viewership and advertising sales. With respect to audiences, television stations compete primarily based on program popularity. We cannot provide any assurances as to the acceptability by audiences of any of the programs our Networks broadcast. Further, because our Networks compete for the rights to produce or license certain programming, we cannot provide any assurances that we will be able to produce or obtain any desired programming at costs that we believe are reasonable. Our inability or failure to broadcast popular programs on our Networks, or otherwise maintain viewership for any reason, including as a result of significant increases in programming alternatives and the failure to compete with new technological innovations could result in a lack of advertisers, or a reduction in the amount advertisers are willing to pay us to advertise, which could have a material adverse effect on our Business, financial condition, and results of operations.

Our Networks compete with other Spanish-language broadcast and cable television networks, and digital media companies for the acquisition of programming, viewership, the sale of advertising, and creative talent. Our Networks also compete for the development and acquisition of programming, selling of commercial time on our Networks and on-air and creative talent. It is possible that our competitors, many of which have substantially greater financial and operational resources than our Networks, could revise their programming to offer more competitive programming which is of interest to our Networks' viewers.

Additionally, our Cable Networks compete with other television channels to be included in the offerings of each video service provider and for placement in the packaged offerings having the most subscribers. For example, our Cable Networks' ability to secure distribution is dependent upon the production, acquisition and packaging of programming, audience viewership, and the prices charged for carriage. Our Cable Networks' contractual agreements with Distributors are renewed or renegotiated from time to time in the ordinary course of business. With respect to WAPA, OTT and cable network programming, combined with increased access to cable and satellite TV, has become a significant competitor for broadcast television programming viewers.

Our Networks also compete for advertising revenue with general-interest television and other forms of media, including magazines, newspapers, radio and digital media. Our ability to secure additional advertising accounts relating to our Networks' operations depends upon the size of each Networks' audience, the popularity of our programming and the demographics of our viewers, as well as strategies taken by our Networks' competitors, strategies taken by advertisers and the relative bargaining power of advertisers. Competition for advertising accounts and related advertising expenditures is intense. We face competition for such advertising expenditures from a variety of sources, including other networks and other media. We cannot provide assurance that our Networks' advertising sponsors will pay advertising rates for commercial air time at levels sufficient for us to make a profit, that we will maintain relationships with our current advertising sponsors or that we will be able to attract new advertising sponsors or increase advertising revenues. Changes in ratings technology, or methodology or metrics used by advertisers or other changes in advertisers' media buying strategies also could have a material adverse effect on our financial condition and results of operations. If we are unable to attract advertising accounts in sufficient quantities, our revenues and profitability may be harmed.

Certain technological advances, including the increased deployment of fiber optic cable, are expected to allow cable and telecommunication video service providers to continue to expand both their channel and broadband distribution capacities and to increase transmission speeds. In addition, the ability to deliver content via new methods and devices is expected to increase substantially. The impact of such added capacities is hard to predict, but the development of new methods of content distribution could dilute our Networks' market share and lead to increased competition for viewers by facilitating the emergence of additional channels and mobile and internet platforms through which viewers could view programming that is similar to that offered by our Networks.

If any of our existing competitors or new competitors, many of which have substantially greater financial and operational resources than our Networks, significantly expand their operations or their market penetration, our Business could be harmed. If any of these competitors were able to invent improved technology, or our Networks were not able to prevent them from obtaining and using their own proprietary technology and trade secrets, our Business and operating results, as well as our Networks' future growth prospects, could be negatively affected. There can be no assurance that our Networks will be able to compete successfully in the future against existing or new competitors, or that increasing competition will not have a material adverse effect on our Business, financial condition or results of operations.

We rely upon a number of partners to make our service available on their devices.

Pantaya offers its subscribers the ability to receive streaming content through a host of internet-connected devices, including TVs, digital video players, television set-top boxes, and mobile devices, as well as through third party services, such as Apple TV, Amazon, Google and ROKU. The third party service providers may increase the distribution fees that they charge us for each subscriber, which would adversely affect our revenue. In addition, the devices are manufactured and sold by entities other than Pantaya, and third party services are provided by entities other than Pantaya, and while these entities should be responsible for the devices' and services' performance, the connection between these devices and services and Pantaya may nonetheless result in consumer dissatisfaction toward Pantaya and such dissatisfaction could result in claims against us or otherwise adversely impact our Business. In addition, technology changes to our streaming functionality may require that partners update their devices or services, or may lead to us to stop supporting the delivery of our service on certain devices. If partners do not update or otherwise modify their devices, or if we discontinue support for certain devices, our service and our subscribers' use and enjoyment could be negatively impacted.

We have agreements with various cable and satellite and telecommunications operators to make our service available through the television set-top boxes of these service providers or through internet delivery, some of whom may have investments in competing streaming content providers. In many instances, our agreements also include provisions by which the partner bills consumers directly for the Pantaya service or otherwise offers services or products in connection with offering our service. We intend to continue to broaden our relationships with existing partners and to increase our capability to stream our content to other platforms and partners over time. If we are not successful in maintaining existing and creating new relationships, or if we encounter technological, content licensing, regulatory, business or other impediments to deliver our streaming content to our subscribers via these devices, our ability to retain subscribers and grow our business could be adversely impacted. Our Business could be adversely affected if, upon expiration of agreements with our partners, a number of our partners do not continue to provide access to our service or are unwilling to do so on terms acceptable to us, which terms may include the degree of accessibility and prominence of our service.

Interpretation of certain terms of our distribution agreements may have an adverse effect on the distribution payments we receive under those agreements.

Many of our distribution agreements contain "most favored nation" clauses. These clauses typically provide that if we enter into an agreement with another Distributor which contains certain more favorable terms, we must offer some of those terms to our existing Distributors. While we believe that we have appropriately complied with the most favored nation clauses included in our distribution agreements, these agreements are complex and other parties could reach a different conclusion that, if correct, could have a material adverse effect on our results of operations and financial position.

Our results may be adversely affected if long-term programming contracts are not renewed on sufficiently favorable terms.

Our Networks enter into long-term contracts for acquisition of programming, including movies, television series, sporting rights and other programs. As these contracts expire, our Networks must renew or renegotiate these contracts, and if our Networks are unable to renew them on acceptable terms, we may lose programming rights. Even if these contracts are renewed, the cost of obtaining programming rights may increase (or increase at faster rates than our historical experience) or the revenue from distribution of programs may be reduced (or increase at slower rates than our historical experience). With respect to the acquisition of programming rights, the impact of these long-term contracts on our results over the term of the contracts depends on a number of factors, including effectiveness of marketing efforts, the size of audiences and the strength of advertising markets. There can be no assurance that revenues from programming based on these rights will exceed the cost of the rights plus the other costs of distributing the programming.

There has been a shift in consumer behavior as a result of technological innovations and changes in the distribution of content, which may affect our viewership and the profitability of our Business in unpredictable ways. Our Networks' failure to acquire or maintain state-of-the-art technology or adapt our business models may harm our Business and competitive advantage.

Technology in the video, telecommunications and data services industry is changing rapidly. Consumer behavior related to changes in content distribution and technological innovation affect our economic model and viewership in ways that are not entirely predictable. Consumers are increasingly viewing streaming content from SVOD, AVOD and FAST platforms, on a time-delayed or on-demand basis from traditional distributors, and from connected apps and websites and on a wide variety of screens, such as televisions, tablets, mobile phones and other devices. Additionally, devices that allow users to view television programs on a time-shifted basis and technologies that enable users to fast-forward or skip programming, including commercials, such as DVRs and portable digital devices and systems that enable users to store or make portable copies of content may affect the attractiveness of our offerings to advertisers and could therefore adversely affect our revenues. There is increased demand for short-form, user-generated and interactive content, which have different economic models than our traditional content offerings. Digital downloads, rights lockers, rentals and subscription services are competing for consumer preferences with each other and with traditional physical distribution of our content. Each distribution model has different risks and economic consequences for us, so the rapid evolution of consumer preferences may have an economic impact that is not completely predictable. Distribution windows are also evolving, potentially affecting revenues from other windows. We may be required to incur substantial capital expenditures to implement new technologies, or, if we fail to do so, may face significant new challenges due to technological advances adopted by competitors, which in turn could result in harm to our Business and operating results. Additionally, the development of new methods of content distribution could dilute our Networks' market share and lead to increased competition for viewers. If we cannot ensure that our distribution methods and content are responsive to our target audiences, our Business could be adversely affected.

Certain digital video recording technologies offered by cable and satellite systems allow viewers to digitally record, store and play back television programming at a later time and may impact our advertising revenue. Most of these technologies permit viewers to fast forward through advertisements; or, in certain cases, skip them entirely. The use of these technologies may decrease viewership of commercials as recorded by media measurement services such as Nielsen and, as a result, lower the advertising revenues of our television stations. The current ratings provided by Nielsen for use by linear content providers are limited to live viewing plus viewing of a digitally recorded program in the same week as the original air date and give broadcasters no credit for delayed viewing that occurs after the same week as the original air date. The effects of new ratings system technologies including people meters and set-top boxes, and the ability of such technologies to be a reliable standard that can be used by advertisers is currently unknown.

We face cybersecurity and similar risks, which could result in the disclosure of confidential information, disruption of our programming services, damage to our brands and reputation, legal exposure and financial losses.

We and our partners rely on various technology systems, including those used in connection with the production, distribution and broadcast of our programming, and our online, mobile and app offerings, the Pantaya streaming services, as well as our internal systems which store proprietary information, are susceptible to security breaches, operational data loss, general disruptions in functionality, and may not be compatible with new technology. These risks have been exacerbated by the COVID-19 pandemic as some of our employees are working remotely. We depend on our and our service providers' information technology systems for the effectiveness of our operations, for streaming Pantaya's content and to interface with our Networks' customers, as well as to maintain financial records and accuracy. Any theft or misuse of confidential, personally identifiable or proprietary information could disrupt our business and result in, among other things, unfavorable publicity, damage to our reputation, loss of competitive information, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, as well as fines and other sanctions resulting from any related breaches of data privacy regulations, any of which could have a material adverse effect on our business, profitability and financial condition. Interruptions in our operations and services or disruptions to the functionality provided by our Networks and Pantaya could adversely impact our revenues or cause customers to cease doing business with us. In addition, our business would be harmed if any of the events of this nature caused our customers and potential customers to believe our services are unreliable. Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations.

Although we have systems in place to monitor our security measures, disruption or failures of our, our subsidiaries' or our service providers' information technology systems, due to employee error, computer malware, viruses, hacking and phishing attacks, or otherwise, could impair our ability to effectively and timely provide services and products and maintain our financial records. Additionally, outside parties may attempt to fraudulently induce employees or users to disclose sensitive or confidential information in order to gain access to data. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any such breach or unauthorized access could result in a loss of our proprietary information, which may include user data, a disruption of our services or a reduction of the revenues we are able to generate from such services, damage to our brands and reputation, a loss of confidence in the security of our offerings and services, and significant legal and financial exposure, each of which could potentially have a material adverse effect on our Business.

Cable, satellite and telco television programming signals have been stolen or could be stolen in the future, which reduces our potential revenue from subscriber fees and advertising.

The delivery of subscription programming requires the use of conditional access technology to limit access to programming to only those who subscribe to programming and are authorized to view it. Conditional access systems use, among other things, encryption technology to protect the transmitted signal from unauthorized access. It is illegal to create, sell or otherwise distribute software or devices to circumvent conditional access technologies. However, theft of programming has been widely reported, and the access or "smart" cards used in service providers' conditional access systems have been compromised and could be further compromised in the future. When conditional access systems are compromised, our Networks do not receive the potential subscriber fee revenues from the service providers. Further, measures that could be taken by service providers to limit such theft are not under our control. While we take proactive steps to combat piracy through the encryption of our signal and other measures, there can be no assurances that these or other steps are effective. Piracy of our Networks' copyrighted materials could reduce our revenue and negatively affect our Business and operating results.

We face risks, such as unforeseen costs and potential liability in connection with content we acquire, produce, license and/or distribute through our Business.

As a producer and distributor of content, we face potential liability for negligence, copyright and trademark infringement, or other claims based on the nature and content of materials that we acquire, produce, license and/or distribute. We also may face potential liability for content used in promoting our service, including marketing materials. We are devoting more resources toward the development, production, marketing and distribution of original programming. To the extent our original programming does not meet our expectations, in particular, in terms of costs, viewing and popularity, our Business, including our brand and results of operations may be adversely impacted. As we expand our original programming, we have become responsible for production costs and other expenses. We also take on risks associated with production, such as completion and key talent risk. We contract with third parties related to the development, production, marketing and distribution of our original programming. We may face potential liability or may suffer losses in connection with these arrangements, including but not limited to if such third parties violate applicable law, become insolvent or engage in fraudulent behavior. To the extent we create and sell physical or digital merchandise relating to our original programming, and/or license such rights to third parties, we could become subject to product liability, intellectual property or other claims related to such merchandise. We may decide to remove content from our service, not to place licensed or produced content on our service or discontinue or alter production of original content if we believe such content might not be well received by our viewers, or could be damaging to our brand or Business. To the extent we do not accurately anticipate costs or mitigate risks, including for content that we obtain but ultimately does not appear on or is removed from our service, or if we become liable for content we acquire, produce, license and/or distribute, our Business may suffer. Litigation to defend these claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our results of operations. We may not be indemnified against claims or costs of these types and we may not have insurance coverage for these types of claims.

We have operations, properties and viewers that are located in Puerto Rico, California and Florida and could be adversely affected in the event of a hurricane, earthquake, wild fires or other extreme weather conditions.

WAPA's corporate office and production facilities are located in Puerto Rico, where major hurricanes have occurred, as well as other extreme weather conditions, such as earthquakes, tornadoes, floods, fires, unusually heavy or prolonged rain, droughts and heat waves. Additionally, our corporate office and certain of our operations provided by our service providers are located in Miami, Florida, where similar weather conditions have occurred, including major hurricanes. Additionally, Pantaya is headquartered in Los Angeles, CA, where major earthquakes and wild fires have caused significant damage and disruption. Depending on where any particular hurricane, earthquake or other weather event makes landfall, our properties or those of our service providers could experience significant damage. Such event could have an adverse effect on our ability to broadcast our programming or produce new shows, which could have an adverse effect on our Business and results of operations. Additionally, many of WAPA's regular viewers may be left without power and unable to view our programming which could have an adverse effect on our Business and results of operations.

In recent years, Puerto Rico has been affected by natural disasters, including earthquakes in early 2020 and Hurricanes Irma and Maria in 2017. As a result, businesses may be reluctant to establish or expand their operations in Puerto Rico and/or reduce spending on advertising. Such extreme weather conditions can also have impacts on our operations and properties. For example, Hurricanes Irma and Maria caused substantial damage to property and infrastructure in Puerto Rico, including limited damage to our studios and offices and to two of our three transmission towers and significant damage beyond repair to the third of our transmission towers. While WAPA-TV is not currently operating from its FCC-licensed facilities, we have modified the WAPA-TV facilities to broadcast over-the-air, and have received authorization from the FCC to construct modified facilities for WAPA-TV at a new transmitter site. WAPA-TV is operating from the new site at reduced power until construction of the permanent facilities is completed. The hurricanes destroyed residential and commercial buildings, agriculture, communications networks and most of Puerto Rico's electric grid. There can be no assurances in the future that we have adequate insurance coverage to mitigate future losses from such extreme weather conditions. Following the hurricanes, there was a steep drop off in advertising revenue in Puerto Rico. There was also significant impact on subscriber revenue in Puerto Rico for the year ended December 31, 2017 and continued impact to the advertising market in 2018. Finally, as a result of the hurricanes and earthquakes, a significant number of citizens have left, or may leave, Puerto Rico, and there can be no assurance about when they will return, if at all. As a result, the disruption from the storms and earthquakes, coupled with the uncertainty regarding the timing of the recovery and possible declines in television households, could have a material adverse effect on our results of operations and financial position.

Puerto Rico's continuing economic hardships may have a negative effect on the overall performance of our Business, financial condition and results of operations.

Financial and economic conditions in Puerto Rico have deteriorated in recent years and continue to be uncertain. The continuation or worsening of such conditions could have an adverse effect on our Business, results of operations, and/or financial condition.

The Puerto Rican economy has been and continues to be in a recession since 2006, and has been burdened by limited economic activity, lower-than-estimated revenue collections, high government debt levels relative to the size of the economy and other potential fiscal challenges. On June 30, 2016, President Obama signed HR 5278 Bill, PROMESA, which, among other things, established a seven-member Federal Oversight and Management Board of Puerto Rico (the "Planning Board") with broad powers over the finances of the Commonwealth and its instrumentalities and provides to the Commonwealth, its public corporations and municipalities, broad-based restructuring authority, including through a bankruptcy-type process similar to that of Chapter 9 of the U.S. Bankruptcy Code. The Commonwealth's inability to access financing in the capital markets or from private lenders, has resulted in the Commonwealth and various public corporations defaulting on their public debt and entering into bankruptcy proceedings under PROMESA.

Moreover, Hurricane Maria caused a significant disruption to the island's economic activity and GNP. Hurricane Maria also accelerated the outmigration trends that Puerto Rico was experiencing, with increased numbers of residents moving to the mainland United States, either on a temporary or permanent basis. In 2020, earthquakes and the COVID-19 pandemic further exacerbated these outflows.

Puerto Rico's gross national product (GNP) has contracted in real terms every year between fiscal year 2007 and fiscal year 2018. The Planning Board estimates real GNP increased by 1.8% in fiscal year 2019 due to the influx of federal funds and private insurance payments to repair damage caused by Hurricanes Irma and María, and that it decreased approximately 3.2% in fiscal year 2020 due primarily to the adverse impact of the COVID-19 pandemic and the measures taken by the government in response to the same. The Planning Board projected that the negative effects of COVID-19 would continue through fiscal year 2021, resulting in a contraction in real GNP of approximately -2%, followed by 0.8% growth in the current fiscal year. Additionally, Puerto Rico's track record of poor budget controls and high poverty levels compared to the U.S. average presents ongoing challenges.

On January 7, 2020, a 6.4 magnitude earthquake impacted the southwestern part of Puerto Rico, which caused island-wide power outages and significant damage to infrastructure and property in the southwest region of the island. The Commonwealth's government estimates total earthquake-related damages at approximately $1 billion. In March 2020, the World Health Organization declared COVID-19 a pandemic. On March 15, 2020, the Puerto Rico Governor issued an executive order declaring a health emergency, ordering residents to shelter in place, implementing a mandatory curfew, and requiring the closure of all businesses, except for businesses that provide essential services, including banking and financial institutions with respect to certain services. While many of the restrictions have been gradually lifted, most businesses have had to make significant adjustments to protect customers and employees, including transitioning to telework and suspending or modifying certain operations in compliance with health and safety guidelines.

The macroeconomic outlook for Puerto Rico has improved from the loosening of Covid-19-related restrictions on economic activity, combined with federal disaster recovery funds Puerto Rico is expected to receive related to the recovery from hurricane Maria in 2017. In addition, seven years since the Commonwealth announced that it was unable to pay its outstanding debt obligations, on January 18, 2022, the Title III bankruptcy court approved a plan of adjustment that would restructure $33 billion of public debt to $7.4 billion in new bonds. Nevertheless, any recovery of the Puerto Rican economy could be adversely impacted by macroeconomic developments within the United States and across the globe.

The extent to which the COVID-19 pandemic will continue to adversely affect economic activity will depend on future developments, which are highly uncertain and difficult to predict, including the scope and duration of the pandemic (including the appearance of new strains of the virus), the restrictions imposed by governmental authorities and other third parties in response to the same, the pace of global vaccination efforts, and the amount of federal and local assistance offered to offset the impact of the pandemic. However, there can be no assurance that measures taken by governmental authorities will be sufficient to offset the pandemic's economic impact.

In addition to any negative direct consequences to our Business or results of operations arising from these financial, economic, pandemic and climate developments, some of these actions may adversely affect our distribution partners, advertisers or other consumers on whom we rely. Our Business and results of operations could be negatively affected as a result. For more information on the Puerto Rican economy, see “—Industry—Puerto Rico Overview—Economy”.

Certain of our Cable Network, Snap and the Canal 1 joint venture have international operations and exposures that incur certain risks not found in doing business in the United States.

Doing business in foreign countries carries with it certain risks that are not found in doing business in the United States. The risks of doing business in foreign countries that could result in losses against which our Cable Networks are not insured include:

- exposure to local economic conditions;
- potential adverse changes in the diplomatic relations of foreign countries with the United States;
- hostility from local populations;
- significant fluctuations in foreign currency value;
- the adverse effect of currency exchange controls or other restrictions;
- restrictions on the withdrawal of foreign investment and earnings;
- the transition away from the London Inter-bank Offered Rate (“LIBOR”);
- government policies against businesses owned by foreigners;
- investment restrictions or requirements;
- expropriations of property;
- the potential instability of foreign governments and economies;
- the risk of insurrections;
- difficulties in collecting revenues and seeking recourse against third parties owing payments to us;
- withholding and other taxes on remittances and other payments by subsidiaries;
- changes in taxation structure; and
- shifting consumer preferences regarding the viewing of video programming.

For example, Canal 1 operates solely in Colombia. Although Colombia has a long-standing tradition respecting the rule of law, which has been bolstered in recent years by the present and former government's policies and programs, no assurances can be given that our joint venture's plans and operations will not be adversely affected by future developments in Colombia. Canal 1's operations and activities in Colombia are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, broadcast licenses or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of national over-the-air broadcast concessions, could have a significant effect on the joint venture. Colombia was home to South America's largest and longest running insurgency, which ended on December 1, 2016 following the government's ratification of a peace treaty with the Revolutionary Armed Forces of Colombia ("FARC"). While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not again deteriorate. Any increase in kidnapping, gang warfare, homicide and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the joint venture's operations. Any changes in regulations or shifts in political attitudes are beyond our control and may adversely affect the joint venture's business.

Furthermore, some foreign markets where we operate may be more adversely affected by current economic conditions than the U.S. For example, in Colombia, decreases in the growth rate, periods of negative growth, increases in inflation, changes in law, regulation, policy, or future, judicial rulings and interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, interest rates, taxation and other political or economic developments in or affecting Colombia may affect the overall business environment and may, in turn, adversely impact our joint venture's financial condition and results of operations in the future. Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. Snap maintains a minor presence in Argentina, whose economy has significantly struggled in recent years.

We also may incur additional expenses as a result of changes, including the imposition of new restrictions, in the existing economic or political environment in the regions where we do business. Acts of terrorism, hostilities, or financial, political, economic or other uncertainties could lead to a reduction in revenue or loss of investment, which could adversely affect our results of operations.

Our Networks are subject to interruptions of distribution as a result of our reliance on broadcast towers, satellites and Distributors for transmission of its programming. A significant interruption in transmission ability could seriously affect our Business and results of operations, particularly if not fully covered by its insurance.

Our Networks could experience interruptions of distribution or potentially long-term increased costs of delivery if the ability of broadcast towers, satellites or satellite transponders, or Distributors to transmit our Networks' content is disrupted because of accidents, weather interruptions, governmental regulation, terrorism, or other third party action. For example, see risk factor above, "*We have operations, properties and viewers that are located in Puerto Rico, California and Florida and could be adversely affected in the event of a hurricane, earthquake, wild fires or other extreme weather conditions.*"

As protection against these hazards, we maintain insurance coverage against some, but not all, such potential losses and liabilities. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies may increase substantially. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. For example, coverage for hurricane damage can be limited, and coverage for terrorism risks can include broad exclusions. If our Networks were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our financial position.

The success of much of our Business is dependent upon the retention and performance of on-air talent and program hosts and other key employees.

Our Business depends upon the continued efforts, abilities and expertise of our corporate executive team. There can be no assurance that these individuals will remain with us. Our Business, financial condition and results of operations could be materially adversely affected if we lose any of these persons and are unable to attract and retain qualified replacements. Additionally, our Networks independently contract with several on-air personalities and hosts with significant loyal audiences in their respective markets. Although our Networks have entered into long-term agreements with some of their key on-air talent and program hosts to protect their interests in those relationships, we can give no assurance that all or any of these persons will remain with our Networks or will retain their audiences. Competition for these individuals is intense and many of these individuals are under no legal obligation to remain with our Networks. Our competitors may choose to extend offers to any of these individuals on terms which our Networks may be unable or unwilling to meet. Furthermore, the popularity and audience loyalty of our Networks' key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our Network' ability to generate revenue and could have a material adverse effect on our Business, financial condition and results of operations.

Changes in how network operators handle and charge for access to data that travels across their networks could adversely impact our Pantaya service.

We rely upon the ability of consumers to access our Pantaya service through the internet. If network operators block, restrict or otherwise impair access to our Pantaya service over their networks, our service and business could be negatively affected. To the extent that network operators implement usage based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our subscriber acquisition and retention could be negatively impacted. Furthermore, to the extent network operators create tiers of internet access service and either charge us for or prohibit us from being available through these tiers, our Business could be negatively impacted.

Most network operators that provide consumers with access to the internet also provide these consumers with multichannel video programming. As such, many network operators have an incentive to use their network infrastructure in a manner adverse to our continued growth and success. While we believe that consumer demand, regulatory oversight and competition will help check these incentives, to the extent that network operators are able to provide preferential treatment to their data as opposed to ours or otherwise implement discriminatory network management practices, our Business could be negatively impacted.

We are subject to payment processing risk.

Our subscribers pay for our service using a variety of different payment methods, including credit and debit cards, gift cards, prepaid cards, direct debit, online wallets, direct carrier and partner billing. We rely on third parties to process payment. Acceptance and processing of these payment methods are subject to certain rules and regulations, including additional authentication requirements for certain payment methods, and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors, changes to rules or regulations concerning payments, loss of payment partners and/or disruptions or failures in partner systems or payment products, including products we use to update payment information, our revenue, operating expenses and results of operation could be adversely impacted. For example, to extent that our subscribers' credit and debit cards expire and we are unable to secure updated payment information within the applicable grace period due to delays or disruptions in our partner systems or otherwise, the subscription to our services expires, which leads to the loss of the subscriber. In certain instances, we leverage third parties to bill subscribers on our behalf. If these third parties become unwilling or unable to continue processing payments on our behalf, we would have to transition subscribers or otherwise find alternative methods of collecting payments, which could adversely impact subscriber acquisition and retention. The termination of our ability to process payments on any major payment method would significantly impair our ability to operate our Business.

We could be adversely affected by strikes or other union job actions.

A majority of our employees in Puerto Rico are highly specialized union members who are essential to the production of television programs and news. These employees are covered by our CBA. Our CBA expires on May 31, 2022 and, as of July 1, 2021, covers all of our unionized employees. A strike by, or a lockout of, UPAGRA, which provides personnel essential to the production of television programs, could delay or halt our ongoing production activities. Such a halt or delay, depending on the length of time, could cause a delay or interruption in the programming schedule of certain of our Networks, which could have a material adverse effect on our Business, financial condition and results of operations.

We could become obligated to pay additional contributions due to the unfunded vested benefits of a multiemployer pension plan. A future incurrence of withdrawal liability could have a material effect on our results of operations.

WAPA makes contributions to the Newspaper Guild International Pension Plan (the "Plan" or "TNGIPP"), a multiemployer pension plan with a plan year end of December 31 that provides defined benefits to certain employees covered by our CBA. WAPA's contribution rates to the Plan are generally determined in accordance with the provisions of the CBA and a rehabilitation plan that was adopted by the TNGIPP.

The risks in participating in such a plan are different from the risks of single-employer plans, in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of any other participating employer.

- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan allocable to such withdrawing employer may be borne by the remaining participating employers.

WAPA has received Annual Funding Notices, Report of Summary Plan Information, Critical Status Notices ("Notices") and the above-noted Rehabilitation Plan, as defined by the Pension Protection Act of 2006 ("PPA"), from the Plan. The Notices indicate that the Plan actuary has certified that the Plan is in critical and declining status, the "Red Zone", as defined by the PPA and the Multiemployer Pension Reform Act of 2014 ("MPRA"), due to the projected insolvency of the Plan within the next 19 years. A plan of rehabilitation ("Rehabilitation Plan") was adopted by the Trustees of the Plan ("Trustees") on May 1, 2010 and then updated on November 17, 2015.

On May 29, 2010, the Trustees sent WAPA a Notice of Reduction and Adjustment of Benefits Due to Critical Status explaining all changes adopted under the Rehabilitation Plan, including the reduction or elimination of benefits referred to as "adjustable benefits." In connection with the adoption of the Rehabilitation Plan, most of the Plan participating unions and contributing employers (including the Newspaper Guild International and WAPA), agreed to one of the "schedules" of changes as set forth under the Rehabilitation Plan. In 2015, the Plan's Trustee's reviewed the Rehabilitation Plan and the financial projections under the Plan and determined that it was not prudent to continue benefit accruals under the current Plan and that implementation of an updated plan with a new benefit design would be in the best interest of the Plan's participants.

WAPA elected the "Preferred Schedule" and executed a Memorandum of Agreement, effective May 27, 2010 (the "MOA") and agreed to the following contribution rate increases: 3.0% beginning on January 1, 2013; an additional 3.0% beginning on January 1, 2014; and an additional 3% beginning on January 1, 2015. On July 14, 2017 WAPA executed an updated MOA under which it agreed to remain a contributing employer to the Plan through May 31, 2022 and to make contributions to the Plan at a fixed rate of $18.03 per week for each WAPA covered employee during such period (i.e., its contributions per employee will not increase during the term of its CBA or through any period during which a new CBA is entered into, if any).

The future cost of the Plan depends on a number of factors, including the funding status of the Plan and the ability of other participating companies to meet ongoing funding obligations. Assets contributed to the Plan are not segregated or otherwise restricted to provide benefits only to the employees of WAPA. While WAPA's pension cost for the Plan is established by the CBA and is fixed for the term of the CBA, the Plan may revise the Rehabilitation Plan to impose additional increased contribution rates and surcharges that could be applicable to future CBAs based on the funded status of the plan and in accordance with the provisions of the Rehabilitation Plan and the PPA. Factors that could impact the funded status of the Plan include investment performance, changes in the participant demographics, financial stability of contributing employers and changes in actuarial assumptions.

The contributions required under the terms of the CBA and the effect of the Rehabilitation Plan as described above are not anticipated to have a material effect on our results of operations. However, in the event other contributing employers are unable to, or fail to, meet their ongoing funding obligations, the financial impact on WAPA to make future contributions towards any plan underfunding may be material. In addition, if a United States multiemployer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service may impose a nondeductible excise tax of 5% on the amount of the accumulated funding deficiency for those employers contributing to the fund.

If WAPA completely or partially withdrew from the Plan, it would be obligated to pay complete or partial withdrawal liability (which could be material). Under the statutory requirements applicable to withdrawal liability with respect to a multiemployer pension plan, in the event of a complete withdrawal from the Plan, WAPA would be obligated to make withdrawal liability payments to fund its proportionate share of the Plan's unfunded vested benefits ("UVBs"). WAPA's payment amount for a given year would be determined based on its highest contribution rate (as limited by MPRA) and its highest average contribution hours over a period of three consecutive plan years out of the ten-year period preceding the date of withdrawal. To the extent that the prescribed payment amount was not sufficient to discharge WAPA's share of the Plan's UVBs, WAPA's payment obligation would nevertheless end after 20 years of payments (absent a withdrawal that is part of a mass withdrawal, in which case the annual payments would continue indefinitely or until WAPA paid its share of the Plan's UVBs at the time of withdrawal).

Pursuant to the last available notice (for the Plan year ended December 31, 2020), WAPA's contributions to the Plan exceeded 5% of total contributions made to the Plan. For more information, see Note 16, "Retirement Plans" of Notes to Consolidated Financial Statements, included in this Annual Report.

A large portion of our revenue is generated from a limited number of customers, and the loss of these customers could adversely affect our Business.

Our Networks depend upon agreements with a limited number of Distributors. For the year ended December 31, 2021, none of our Distributors accounted for more than 10% of our total net revenues. The loss of channel carriage with any significant Distributor, or our inability to renew an affiliation agreement with any significant Distributor on acceptable terms, would have a materially adverse effect on our Business, financial condition and results of operations.

If our goodwill or intangibles become impaired, we will be required to recognize a non-cash charge which could have a significant effect on our reported net earnings.

A significant portion of our assets consist of goodwill and intangibles. We test our goodwill and intangibles for impairment each year. A significant downward revision in the present value of estimated future cash flows for a reporting unit could result in an impairment of goodwill and intangibles and a noncash charge would be required. Such a charge could have a significant effect on our reported net earnings.

Our equity method investments' past financial performance may not be indicative of future results.

We have equity investments in several entities and the accounting treatment applied for these investments varies depending on a number of factors, including, but not limited to, our percentage ownership and the level of influence or control we have over the relevant entity. Any losses experienced by these entities could adversely impact our results of operations and the value of our investment. In addition, if these entities were to fail and cease operations, we may lose the entire value of our investment and the stream of any shared profits. Some of our ventures may require additional uncommitted funding.

Our use of joint ventures may limit our flexibility with jointly owned investments.

We have and may continue in the future to develop and/or acquire properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. Our participation in joint ventures is subject to risks that may not be present with other methods of ownership, including but not limited to:

- difficulties integrating acquired businesses, technologies and personnel into our business;

- we could experience an impasse on certain decisions because we do not have sole decision-making authority, which could require us to expend additional resources to resolve such impasses or potential disputes, including litigation or arbitration;
- our joint venture partners could have investment and financing goals that are not consistent with our objectives, including the timing, terms and strategies for any investments, and what levels of debt to incur or carry;
- our ability to transfer our interest in a joint venture to a third party may be restricted and the market for our interest may be limited;
- our joint venture partners might become bankrupt, fail to fund their share of required capital contributions or fail to fulfill their obligations as a joint venture partner, which may require us to infuse our own capital into the venture on behalf of the partner despite other competing uses for such capital; and
- our joint venture partners may have competing interests in our markets that could create conflict of interest issues.

Any of the foregoing risks could materially adversely affect our Business, results of operations and financial condition.

Our officers, directors, stockholders and their respective affiliates may have a pecuniary interest in certain transactions in which we are involved, and may also compete with us.

We have not adopted a policy that expressly prohibits our directors, officers, stockholders or affiliates from having a direct or indirect pecuniary interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. Nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. For example, one of our directors is also a director of TelevisaUnivision (in which he may have a material financial interest), which recently announced plans to launch a Spanish-language SVOD/AVOD service in the U.S. and Latin America, which will directly compete with Pantaya for subscribers and content. We may, subject to the terms of our Third Amended Term Loan Facility and applicable law, enter into transactions in which such persons have an interest. In addition, such parties may have an interest in certain transactions such as strategic partnerships or joint ventures in which we may become involved, and may also compete with us.

Future acquisitions and dispositions may not require a stockholder vote and may be material to us.

Any future acquisitions could be material in size and scope, and our stockholders and potential investors may have virtually no substantive information about any new business upon which to base a decision whether to invest in our Class A common stock. In any event, depending upon the size and structure of any acquisitions, stockholders are generally expected to not have the opportunity to vote on the transaction, and may not have access to any information about any new business until the transaction is completed and we file a report with the Commission disclosing the nature of such transaction and/or business. Similarly, we may effect material dispositions in the future. Even if a stockholder vote is required for any of our future acquisitions, under our amended and restated certificate of incorporation and our amended and restated bylaws, our stockholders are allowed to approve such transactions by written consent, which may effectively result in only our controlling stockholder having an opportunity to vote on such transactions.

Future acquisitions or business opportunities, including investments in complementary businesses could involve unknown risks that could harm our Business and adversely affect our financial condition.

From time to time, we have acquired or invested in complementary businesses and entered into joint ventures/investments. For example, we recently acquired Pantaya. In the future we may make other acquisitions, invest in complementary businesses including joint ventures that involve unknown risks, and may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material adverse effect on our Business, financial condition, results of operations and cash flows. Such transactions involve numerous other risks including:

- difficulties integrating acquired businesses, technologies and personnel into our business, including our recent acquisition of Pantaya;

- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain required regulatory approvals on favorable terms;
- potential loss of key employees, key contractual relationships or key customers of either acquired businesses or our business;
- assumption of the liabilities and exposure to unforeseen or undisclosed liabilities of acquired businesses;
- dilution of interests of holders of our common shares through the issuance of equity securities or equity-linked securities;
- the failure to realize the expected strategic and other benefits from the transactions; and
- in the case of joint ventures and other investments, interests that diverge from those of our partners without the ability to direct the management and operations of the joint venture or investment in the manner we believe most appropriate.

Although we intend to conduct extensive business, financial and legal due diligence in connection with the evaluation of future business or acquisition opportunities, there can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us. We may be unable to adequately address the financial, legal and operational risks raised by such businesses, acquisitions or joint ventures. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the businesses or acquisitions, which could adversely affect our financial condition and liquidity. In addition, our Business, financial condition, results of operations and the ability to service our debt may be adversely impacted depending on specific risks applicable to any business or company we acquire.

Unrelated third parties may bring claims against us based on the nature and content of information posted on websites maintained by our Networks and Pantaya.

Our Networks and Pantaya host, or may host in the future, internet sites that enable individuals to exchange information, generate content, comment on content, and engage in various online activities. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and internationally. Claims may be brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that may be posted online or generated by users of our internet sites. Defenses of such actions could be costly and involve significant time and attention of our management and other resources.

The success of our Business is highly dependent on the existence and maintenance of intellectual property rights in the entertainment products and services we create.

The value to us of our intellectual property rights is dependent on the scope and duration of our rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of our rights, or if existing laws are changed, our ability to generate revenue from our intellectual property may decrease, or the cost of obtaining and maintaining rights may increase. There can be no assurance that our efforts to enforce our rights and protect our products, services and intellectual property will be successful in preventing content piracy or signal theft. Content piracy and signal theft present a threat to our revenues.

The unauthorized use of our intellectual property rights may increase the cost of protecting these rights or reduce our revenues. New technologies such as the convergence of computing, communication, and entertainment devices, the falling prices of devices incorporating such technologies, and increased broadband internet speed and penetration have made the unauthorized digital copying and distribution of our programming content easier and faster and enforcement of intellectual property rights more challenging. The unauthorized use of intellectual property in the entertainment industry generally continues to be a significant challenge for intellectual property rights holders. Inadequate laws or weak enforcement mechanisms to protect intellectual property in one country can adversely affect the results of our operations worldwide, despite our efforts to protect our intellectual property rights. COVID-19 pandemic may increase incentives and opportunities to access content in unauthorized ways, as negative economic conditions coupled with a shift in government priorities could lead to less enforcement. These developments may require us to devote substantial resources to protecting our intellectual property against unlicensed use and present the risk of increased losses of revenue as a result of unlicensed distribution of our content.

With respect to intellectual property developed by us and rights acquired by us from others, we are subject to the risk of challenges to our copyright, trademark and patent rights by third parties. Successful challenges to our rights in intellectual property may result in increased costs for obtaining rights or the loss of the opportunity to earn revenue from the intellectual property that is the subject of challenged rights. We are not aware of any challenges to our intellectual property rights that we currently foresee having a material effect on our operations.

If we are unable to protect our domain names, our reputation and brands could be adversely affected.

We currently hold various domain name registrations relating to our brands. The registration and maintenance of domain names generally are regulated by governmental agencies and their designees. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to register or maintain relevant domain names. We may be unable, without significant cost or at all, to prevent third parties from registering domain names that are similar to, infringe upon or otherwise decrease the value of, our and our subsidiaries trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brands, and make it more difficult for users to find our Business's websites and services.

We may face intellectual property infringement claims that could be time-consuming, costly to defend and result in loss of significant rights.

Other parties may assert intellectual property infringement claims against us, and our Networks' and Pantaya's products may infringe the intellectual property rights of third parties. From time to time, our Business receives letters alleging infringement of intellectual property rights of others. Intellectual property litigation can be expensive and time-consuming and could divert management's attention from our Business. If there is a successful claim of infringement against us, we may be required to pay substantial damages to the party claiming infringement or enter into royalty or license agreements that may not be available on acceptable or desirable terms, if at all. Our failure to license proprietary rights on a timely basis would harm our Business.

Changes in accounting standards can significantly impact reported operating results.

Generally accepted accounting principles, accompanying pronouncements and implementation guidelines for many aspects of our Business, including those related to intangible assets and income taxes, are complex and involve significant judgments. Changes in these rules or their interpretation could significantly change our reported operating results.

Our Third Amended Term Loan Facility may limit our financial and operating flexibility.

Our Third Amended Term Loan Facility includes financial covenants restricting our subsidiaries ability to incur additional indebtedness, pay dividends or make other payments, make loans and investments, sell assets, incur certain liens, enter into transactions with affiliates, and consolidate, merge or sell assets. These covenants limit our ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of our assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, such covenants limit our flexibility in planning for, or reacting to, changes in the industries in which we operate.

Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our long-term debt are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness could increase even though the amount borrowed remained the same, and our net income could decrease. In order to manage our exposure to interest rate risk, we have entered into and may in the future enter into derivative financial instruments, typically interest rate swaps and caps, involving the exchange of floating for fixed rate interest payments. If we are unable to enter into interest rate swaps, it may adversely affect our cash flow and may impact our ability to make required principal and interest payments on our indebtedness.

Our LIBOR-based Third Amended Term Loan Facility, financing agreements and interest rate swaps may need to be renegotiated if LIBOR ceases to exist, which may affect our interest expense.

Our Third Amended Term Loan Facility and interest rate swaps bears interest at a variable rate based on LIBOR. In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. On March 5, 2021, the ICE Benchmark Administration ("IBA") released the LIBOR cessation statement, pursuant to which the IBA publicly announced that it intends to cease publication of euro, sterling, Swiss franc and Japanese yen and 1 week and 2 month USD LIBOR settings on December 31, 2021 and the remaining USD LIBOR settings on June 30, 2023. In accordance with recommendations from the Alternative Reference Rates Committee, U.S. dollar LIBOR is expected to be replaced with the Secured Overnight Financing Rate ("SOFR"), a new index that measures the cost of borrowing cash overnight, backed by U.S. Treasury securities. Given that SOFR is a secured rate backed by government securities, it will be a rate that does not take into account bank credit risk (as is the case with LIBOR). SOFR is therefore likely to be lower than LIBOR and is less likely to correlate with the funding costs of financial institutions. As a result, parties may seek to adjust the spreads relative to such reference rate in underlying contractual arrangements. These reforms may cause LIBOR to perform differently than in the past or to disappear entirely. The consequences of these developments with respect to LIBOR cannot be entirely predicted but may result in the level of interest payments on the portion of our indebtedness that bears interest at variable rates and our interest rate swaps to be affected, which may adversely impact the amount of our interest payments under such debt and payments under our interest rate swaps. We and the administrative agent for the Third Amended Term Loan Facility may seek to amend the credit agreement governing the Third Amended Term Loan Facility to replace LIBOR with a different benchmark index that is expected to mirror what is happening in the rest of the debt markets at the time and make certain other conforming changes to the agreement. As such, the interest rate on borrowings under our Third Amended Term Loan Facility may change. The new rate may not be as favorable as those in effect prior to any LIBOR phase-out. In addition, the overall financial market may be disrupted as a result of the phase-out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our Business, financial condition and results of operations.

Risk Factors Related to Governmental Regulation

We are subject to restrictions on foreign (non-U.S.) ownership.

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations.

Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation that is directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations, if the FCC finds the public interest will be served by the refusal or revocation of such license. These restrictions apply in modified form to other forms of business organizations, including partnerships and limited liability companies. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any entity exceeding the 25% non-U.S. equity or voting thresholds.

On January 18, 2017, the FCC granted our request to allow non-U.S. investors to own up to 49.99% of our capital stock and hold 49.99% of our voting power. Subsequently, on September 18, 2018, the FCC granted approval of additional specific non-U.S. equity and/or voting ownership interests in excess of 5%. On November 19, 2019, the FCC approved up to 100% aggregate non-U.S. ownership of our equity and voting interests and approved the ownership by any one of a list of specifically approved non-U.S. persons of up to 49.99 percent of our capital stock and/or voting power. However, we remain subject to the requirement to obtain specific approval from the FCC before any other non-U.S. person, in addition to the non-U.S. persons that the FCC has previously approved in the series of declaratory rulings identified above, acquires more than 5% of our capital stock or more than 5% voting rights. We are also required to notify the FCC and take remedial actions as necessary, if we determine that any unapproved non-U.S. person has acquired more than 5% of our capital stock or voting rights, and we may be subject to FCC enforcement action, including monetary forfeitures, if such a circumstance occurs.

To the extent necessary to comply with the Communications Act, FCC rules and policies, and the FCC's declaratory ruling, our board of directors may (i) prohibit the ownership, voting or transfer of any portion of our outstanding capital stock to the extent the ownership, voting or transfer of such portion would cause us to violate or would otherwise result in violation of any provision of the Communications Act, FCC rules and policies, or the FCC's declaratory ruling; (ii) convert shares of our Class B common stock into shares of our Class A common stock to the extent necessary to bring us into compliance with the Communications Act, FCC rules and policies, or the FCC's declaratory ruling; and (iii) redeem capital stock to the extent necessary to bring us into compliance with the Communications Act, FCC rules and policies, or the FCC's declaratory ruling or to prevent the loss or impairment of any of our FCC licenses.

Federal regulation of the broadcasting industry limits WAPA's operating flexibility.

The ownership, operation and sale of broadcast television stations, such as WAPA, are subject to the jurisdiction of the FCC under the Communications Act. Matters subject to FCC oversight include the assignment of frequency bands for broadcast television; the approval of a television station's frequency, location and operating power; the issuance, renewal, revocation or modification of a television station's FCC license; the approval of changes in the ownership or control of a television station's licensee; the regulation of equipment used by television stations; and the adoption and implementation of regulations and policies concerning the ownership, operation, programming and employment practices of television stations.

WAPA depends upon maintaining its broadcast licenses, which are issued by the FCC for a term of eight years and are renewable. Generally, the FCC renews a broadcast license upon a finding that (i) the broadcast station has served the public interest, convenience and necessity; (ii) there have been no serious violations by the licensee of the Communications Act or the FCC's rules; and (iii) there have been no other violations by the licensee of the Communications Act or other FCC rules, which, taken together, indicate a pattern of abuse. Interested parties may challenge a renewal application. The FCC has the authority to revoke licenses, not renew them, or renew them with conditions, including renewals for less than a full term. All television stations licensed to communities in Puerto Rico were required to file renewal applications by October 1, 2020. We filed renewal applications for each of our Puerto Rico television stations on October 1, 2020. The deadline for the filing of petitions to deny our renewal applications was January 1, 2021, and no party filed an objection to any of our applications. Our renewal applications were granted in 2021 for full eight-year terms, expiring on February 1, 2029. It cannot be assured that our future license renewal applications for WAPA will be approved, or that the renewals, if granted, will not include conditions or qualifications that could adversely affect our operations. If WAPA's licenses are not renewed in the future, or are renewed with substantial conditions or modifications (including renewing one or more of our licenses for a term of fewer than eight years), it could prevent us from operating WAPA and generating revenue from it.

Furthermore, WAPA's ability to successfully negotiate and renegotiate future retransmission consent agreements may be hindered by potential legislative or regulatory changes to the framework under which these agreements are negotiated. In March 2011, the FCC issued a Notice of Proposed Rulemaking to consider changes to its rules governing the negotiation of retransmission consent agreements. The FCC concluded that it lacked statutory authority to impose mandatory arbitration or interim carriage obligations in the event of a dispute between broadcasters and pay television operators. In accordance with the STELA Reauthorization Viewer Act of 2014, in 2015, the FCC eliminated the rules which had precluded cable operators from deleting or repositioning local television stations during "sweeps" rating periods. The Further Consolidated Appropriations Act, 2020 enacted in December 2019 made permanent the statutory requirement that broadcasters and MVPDs negotiate retransmission consent agreements in good faith, which had been scheduled to expire at the end of 2019. In March 2021, H.R. 1856, the Modern Television Act of 2021, was introduced in the House of Representatives. The bill proposes to repeal retransmission consent requirements and compulsory copyright licenses and make other changes to copyright law and regulations governing negotiation of retransmission consent agreements. The bill was referred to the House Energy and Commerce and House Judiciary committees; however, no hearings or other actions with respect to the bill have been scheduled.

Our Networks are subject to FCC sanctions or penalties if they violate the FCC's rules or regulations.

If we or any of our officers, directors, or attributable interest holders materially violate the FCC's rules and regulations or are convicted of a felony or are found to have engaged in unlawful anticompetitive conduct or fraud upon another government agency, the FCC may, in response to a petition by a third party or on its own initiative, in its discretion, commence a proceeding to impose sanctions upon us that could involve the imposition of monetary penalties, the denial of a license renewal application, revocation of a broadcast license or other sanctions. In addition, the FCC has recently emphasized more vigorous enforcement of certain of its regulations, including indecency standards, sponsorship identification requirements, improper use of EAS alert signals, and children's programming requirements, which impact broadcasters, and also rules that relate to the emergency alert system and closed captioning, and equal employment opportunity outreach and recordkeeping requirements, which impact broadcasters and MVPDs. The FCC has also recently increased enforcement of requirements regarding online public inspection files, which are now maintained on an FCC website and are therefore widely accessible by members of the public and the FCC. In 2021, the statutory maximum fine for broadcasting indecent material increased from $419,353 to $445,445 per incident and the maximum forfeiture for any continuing violation arising from a single act or failure to act increased to $4,111,796. In recent years, the FCC issued fines against cable network owners and broadcast licensees, with the fines ranging from $280,000 to $1,120,000, for violating FCC rules relating to the improper use of the emergency alert system attention signal. These enhanced enforcement efforts could result in increased costs associated with the adoption and implementation of stricter compliance procedures at our Business facilities or FCC fines. Additionally, the effect of recent judicial decisions regarding the FCC's indecency enforcement practices remain unclear and we are unable to predict the impact of these decisions on the FCC's enforcement practices, which could have a material adverse effect on our Business.

The cable, satellite and telco-delivered television industry is subject to substantial governmental regulation for which compliance may increase our Networks' costs, hinder our growth and possibly expose us to penalties for failure to comply.

The multichannel video programming distribution industry is subject to extensive legislation and regulation at the federal level, and many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Operating in a regulated industry increases our cost of doing business as video programmers, and such regulation may also hinder our ability to increase and/or maintain our revenues. The regulation of programming services is subject to the political process and continues to be under evaluation and subject to change. Material changes in the law and regulatory requirements are difficult to anticipate and our Business may be harmed by future legislation, new regulation, deregulation and/or court decisions interpreting such laws and regulations.

The following are examples of the types of currently active legislative, regulatory and judicial inquiries and proceedings that may impact our Cable Networks. The FCC may adopt rules which would require cable and satellite providers to make available programming channels on an a la carte basis. A major component of our financial growth strategy is based on our ability to increase our Cable Networks' subscriber base. If our Cable Networks' programming services are required by the FCC to be offered on an "a la carte" basis, our Cable Networks could experience higher costs, reduced distribution of our program service, perhaps significantly, and loss of viewers. There can be no assurance that we will be able to maintain or increase our Cable Networks' subscriber base on cable, satellite and telco systems or that our current carriage will not decrease as a result of a number of factors or that we will be able to maintain or increase our Cable Networks' current subscriber fee rates.

Further, the FCC and certain courts are examining the types of technologies that will be considered “multichannel video programming systems” under federal regulation and the rules that will be applied to distribution of television programming via such technologies. We cannot predict the outcome of any of these inquiries or proceedings or how their outcome would impact our ability to have our Cable Networks’ content carried on multichannel programming distribution and the value of our advertising inventories.

Our Cable Networks are subject to Program Access restrictions.

Because certain of our directors are also directors of cable companies, we are considered to be a vertically integrated cable programmer and are subject to the program access rules. The other holdings of entities that acquire an interest in our capital stock may be attributable to our Cable Networks and could further subject us to the program access rule restrictions. While we do not believe our status as a vertically integrated cable programmer will materially limit or impair the activities of our Cable Networks, the program access rules could have a material adverse effect on our Business, financial condition and results of operations.

“Must-carry” regulations reduce the amount of channel space that is available for carriage of the Cable Networks cable offerings.

The Cable Act of 1992 imposed “must carry” or “retransmission consent” regulations on cable systems, requiring them to carry the signals of local broadcast television stations that choose to exercise their must carry rights rather than negotiate a retransmission consent arrangement. DBS systems are also subject to their own must carry rules. The FCC’s implementation of these “must-carry” obligations requires cable and DBS operators to give certain broadcasters preferential access to channel space. This reduces the amount of channel space that is available for carriage of our Cable Networks offerings by cable television systems and DBS operators in the U.S. Congress, the FCC or any other foreign government may, in the future, adopt new laws, regulations and policies regarding a wide variety of matters which could affect our Cable Networks.

The broadcast incentive auction has resulted in the modification of our broadcast licenses for WAPA by requiring us to operate on other channels.

As a result of the FCC spectrum auction, which was concluded in January 2017, the FCC is engaged in a “repack” of television stations that did not relinquish spectrum in the auction in remaining television broadcast spectrum, which requires certain television stations that did not relinquish spectrum to modify their transmission facilities, including requiring such stations to operate on other channel designations. The FCC is authorized to reimburse stations for reasonable relocation costs. The original reimbursement limit across all stations was $1.75 billion. In March 2018 Congress authorized an additional $1 billion to be used for reimbursements related to repacking and directed that a portion of the additional funds be used to reimburse low power television stations, television translator stations and FM stations that are required to modify their facilities on a temporary or permanent basis to accommodate changes made by television stations being repacked as well as for consumer education efforts. The FCC, when repacking the television broadcast spectrum, will use reasonable efforts to preserve a station’s coverage area and population served. The FCC has assigned new channels to stations that are required to be “repacked” and stations are in the process of moving to their new channels. We did not relinquish any of our spectrum in the auction. Two of our licenses, WNJX-TV and WTIN-TV, were reassigned new channels as a result of the incentive auction, have transitioned to new channels and during 2021 completed construction of modified facilities on their post-auction channels.

We cannot predict whether following the repacking the coverage area and population served by our stations will be completely preserved or whether the $2.75 billion set aside for reimbursing repacking expenses will be sufficient to cover all repacking expenses. Nevertheless, we do not believe that the auction will have a material negative impact on our Business, because with post-auction channel assignments our stations will remain in the more desirable UHF band; our three television stations have overlapping coverage areas, so it is unlikely that we will lose service to a significant portion of the households that we serve. If the FCC is unable to reimburse all of our repacking expenses, the amount of the shortfall is unlikely to be material to our Business as a whole.

Risks Related to Our Securities and Corporate Structure

If securities or industry analysts do not publish or cease publishing research or reports about us, our Business, or our market, or if they change their recommendations regarding our Class A common stock adversely, the price and trading volume of our Class A common stock could decline.

If securities or industry analysts do not publish or cease publishing research or reports about us, our Business, or our market, or if they change their recommendations regarding our Class A common stock adversely, the price and trading volume of our Class A common stock could decline. The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts may publish about our Business, our market, or our competitors. As of December 31, 2021, only two industry analysts published research on our Business. If any of the analysts who may cover our Business change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our Class A common stock would likely decline. If any analyst who may cover our Business were to cease coverage of Hemisphere or fail to regularly publish reports about us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

The stock price of our Class A common stock may be volatile.

The stock price of our Class A common stock may be volatile and subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of our Class A common stock include:

- market and economic conditions, including market conditions in the cable television programming and broadcasting industries;
- actual or expected variations in quarterly operating results;
- liquidity of our Class A common stock;
- differences between actual operating results and those expected by investors and analysts;
- changes in recommendations by securities analysts;
- operations and stock performance of our competitors;
- accounting charges, including charges relating to the impairment of goodwill;
- significant acquisitions or strategic alliances by us or by our competitors;
- sales of our Class A common stock, including sales by our directors and officers or significant investors;
- recruitment or departure of key personnel;
- loss of key advertisers; and
- changes in reserves for professional liability claims.

We cannot assure you that the price of our Class A common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to our performance.

The market liquidity for our Class A common stock is relatively low and may make it difficult to purchase or sell our Class A common stock.

The average daily trading volume in our Class A common stock during the year ended December 31, 2021 was approximately 67,844 shares. Although a more active trading market may develop in the future, there can be no assurance as to the liquidity of any markets that may develop for our Class A common stock or the prices at which holders may be able to sell our Class A common stock and the limited market liquidity for our securities could affect a holder's ability to sell at a price satisfactory to that holder.

We are a "controlled company" within the meaning of NASDAQ rules and, as a result, we qualify for, and choose to rely on, exemptions from certain corporate governance requirements.

Our controlling stockholder, Gato Investments LP, controls the majority of the voting power of all of our outstanding capital stock. As a result of the concentration of the voting rights in our Company, we are a "controlled company" within the meaning of the rules and corporate governance standards of NASDAQ. Under the NASDAQ rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain NASDAQ corporate governance requirements, including:

- the requirement that a majority of our board of directors consists of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

We have elected not to comply with the above corporate governance requirements. Accordingly, our stockholders are not afforded the same protections generally as stockholders of other NASDAQ-listed companies for so long as we remain a "controlled company" and rely upon such exemptions. The interests of our controlling stockholder may conflict with the interests of our other stockholders, and the concentration of voting power in such stockholder will limit our other stockholders' ability to influence corporate matters.

Our controlling stockholder exercises significant influence over us and their interests in our Business may be different from the interests of our stockholders; future sales of substantial amounts of our Class A common stock may adversely affect our market price.

Our controlling stockholder, Gato Investments LP, controls the majority of the voting power of all of our outstanding capital stock. The controlling stockholders' Class B common stock vote on a 10 to 1 basis with our Class A common stock, which means that each share of our Class B common stock has 10 votes and each share of our Class A common stock has 1 vote. All shares of our capital stock vote together as a single class. Accordingly, our controlling stockholder generally has the ability for the foreseeable future to influence the outcome of any of our corporate actions which require stockholder approval, including, but not limited to, the election of directors, significant corporate transactions, such as a merger or other sale of the Company or the sale of all or substantially all of our assets. This concentrated voting control will limit your ability to influence corporate matters and could adversely affect the market price of our Class A common.

Our controlling stockholder may delay or prevent a change in control in our Business. In addition, the significant concentration of stock ownership may adversely affect the value of our Class A common stock due to a resulting lack of liquidity of our Class A common stock or a perception among investors that conflicts of interest may exist or arise. If our controlling stockholder sells a substantial amount of our Class A common stock (upon conversion of their Class B common stock, which may be converted at any time in their sole discretion) in the public market, or investors perceive that these sales could occur, the market price of our Class A common stock could be adversely affected.

The interests of our controlling stockholder, which has investments in other companies, may from time to time diverge from the interests of our other stockholders, particularly with regard to new investment opportunities. Our controlling stockholder is not restricted from investing in other businesses involving or related to programming, content, production and broadcasting. Our controlling stockholder may also engage in other businesses that compete or may in the future compete with our Business.

We have entered into a Registration Rights Agreement and joinders thereto with certain parties, including our controlling stockholder. If requested properly under the terms of the Registration Rights Agreement, certain of these stockholders have the right to require us to register the offer and sale of all or some of their Class A common stock (including upon conversion of their Class B common stock) under the Securities Act in certain circumstances and also have the right to include those shares in a registration initiated by us. If we are required to include the shares of capital stock held by these stockholders pursuant to these registration rights in a registration initiated by us, sales made by such stockholders may adversely affect the price of our Class A common stock and our ability to raise needed capital. In addition, if these stockholders exercise their demand registration rights and cause a large number of shares to be sold in the public market or demand that we include their shares for registration on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of our Class A common stock.

Any other future sales of substantial amounts of our Class A common stock into the public market, or perceptions in the market that such sales could occur, may adversely affect the prevailing market price of our Class A common stock and impair our ability to raise capital through the sale of additional equity securities.

We have a staggered board of directors and other anti-takeover provisions, which may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of our stockholders.

Our amended and restated certificate of incorporation provides that our board of directors will be divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. As a result, at any annual meeting only a minority of the board of directors will be considered for election. Since this "staggered board" would prevent our stockholders from replacing a majority of our board of directors at any annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of our stockholders. Some of the provisions of our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could, together or separately, discourage potential acquisition proposals or delay or prevent a change in control. In particular, our board of directors is authorized to issue up to 50,000,000 shares of preferred stock with rights and privileges that might be senior to either class of our common stock and, without the consent of the holders of either class of our common stock.

The Company's amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between the Company and its stockholders, which could increase costs to bring a claim, discourage claims or limit the ability of the Company's stockholders to bring a claim in a judicial forum viewed by the stockholders as more favorable for disputes with the Company or the Company's directors, officers or other employees.

The Company's amended and restated bylaws provide that unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim against the Company, its directors, officers or other employees, or stockholders arising pursuant to any provision of the General Corporation Law of the State of Delaware (the "DGCL") or the Company's Certificate of Incorporation or Bylaws (as each may be amended from time to time), and (iv) any action asserting a claim against the Company, its directors, officers or other employees, or stockholders governed by the internal affairs doctrine. The choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or the Company's directors, officers or other employees, or stockholders which may discourage such lawsuits against the Company or the Company's directors, officers and other employees or stockholders. Alternatively, if a court were to find the choice of forum provision contained in the Company's amended and restated bylaws to be inapplicable or unenforceable in an action, the Company may incur additional costs associated with resolving such action in other jurisdictions. The exclusive forum provision in the Company's amended and restated bylaws will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, or the respective rules and regulations promulgated thereunder.

Our dependence on subsidiaries for cash flow may negatively affect our Business.

We are a holding company with no business operations of our own. Our only significant asset is the outstanding capital stock and membership interests of our subsidiaries. We conduct, and expect to continue conducting, all of our business operations through our subsidiaries. Accordingly, our ability to pay our obligations is dependent upon dividends and other distributions from our subsidiaries to us. Although our Third Amended Term Loan Facility permits certain restricted payments from our subsidiaries to us to pay for our administrative expenses corporate overhead, franchise taxes, public company costs, directors' fees and certain insurance premiums and deductibles, it restricts our subsidiaries ability to remit dividends to us in other instances at certain leverage ratios. Additionally, dividends to us from WAPA are also subject to certain local taxation. Consequently, our ability to pay dividends is limited by funds that our subsidiaries are permitted to dividend to us, and in certain instances, will subject us to certain tax liabilities.

General Risk Factors

Adverse conditions in the U.S. and international economies could negatively impact our results of operations.

Unfavorable general economic conditions, such as a recession or economic slowdown in parts of the United States or in one or more of the major markets in which we operate, could negatively affect the affordability of and demand for some of our products and services. In addition, adverse economic conditions may lead to loss of subscriptions for our Networks. If these events were to occur, it could have a material adverse effect on our results of operations.

The risks associated with our advertising revenue become more acute in periods of a slowing economy or recession, including, as a result of public health crises, such as COVID-19, which may be accompanied by a decrease in advertising. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Cancellations, reductions or delays in purchases of advertising could, and often do, occur as a result of a strike, a general economic downturn, an economic downturn in one or more industries or in one or more geographic areas, or a failure to agree on contractual terms.

Any potential hostilities, terrorist attacks, or similarly newsworthy events leading to broadcast interruptions, may affect our revenues and results of operations.

If any existing hostilities escalate, or if the United States experiences a terrorist attack or experiences any similar event resulting in interruptions to regularly scheduled broadcasting, we may lose revenue and/or incur increased expenses. Lost revenue and increased expenses may be due to preemption, delay or cancellation of advertising campaigns, or diminished subscriber fees, as well as increased costs of covering such events. We cannot predict the (i) extent or duration of any future disruption to our programming schedule, (ii) amount of advertising revenue that would be lost or delayed, (iii) the amount of decline in any subscriber fees or (iv) the amount by which broadcasting expenses would increase as a result. Any such loss of revenue and increased expenses could negatively affect our results of operations.

We may need to increase the size of our organization, and may experience difficulties in managing growth.

At Hemisphere, the parent holding company, we do not have significant operating assets and only have a limited number of employees. In connection with the completion of any future acquisitions, we may be required to hire additional personnel and enhance our information technology systems. Any future growth may increase our corporate operating costs and impose significant added responsibilities on members of our management, including the need to identify, recruit, maintain and integrate additional employees and implement enhanced informational technology systems. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively. Future growth will also increase our costs and expenses and limit our liquidity.

Future acquisitions or business opportunities, including investments in complementary businesses could involve unknown risks that could harm our Business and adversely affect our financial condition.

From time to time, we have acquired or invested in complementary businesses and entered into joint ventures/investments. In the future we may make other acquisitions, invest in complementary businesses including joint ventures that involve unknown risks, and may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material adverse effect on our Business, financial condition, results of operations and cash flows. Such transactions involve numerous other risks including:

- difficulties integrating acquired businesses, technologies and personnel into our business;
- difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- inability to obtain required regulatory approvals on favorable terms;
- potential loss of key employees, key contractual relationships or key customers of either acquired businesses or our business;
- assumption of the liabilities and exposure to unforeseen or undisclosed liabilities of acquired businesses;
- dilution of interests of holders of our common shares through the issuance of equity securities or equity-linked securities; and
- in the case of joint ventures and other investments, interests that diverge from those of our partners without the ability to direct the management and operations of the joint venture or investment in the manner we believe most appropriate.

Although we intend to conduct extensive business, financial and legal due diligence in connection with the evaluation of future business or acquisition opportunities, there can be no assurance our due diligence investigations will identify every matter that could have a material adverse effect on us. We may be unable to adequately address the financial, legal and operational risks raised by such businesses, acquisitions or joint ventures. The realization of any unknown risks could expose us to unanticipated costs and liabilities and prevent or limit us from realizing the projected benefits of the businesses or acquisitions, which could adversely affect our financial condition and liquidity. In addition, our Business, financial condition, results of operations and the ability to service our debt may be adversely impacted depending on specific risks applicable to any business or company we acquire.

We could consume resources in researching acquisitions, business opportunities or financings and capital market transactions that are not consummated, which could materially adversely affect subsequent attempts to locate and acquire or invest in another business.

We anticipate that the investigation of each specific acquisition or business opportunity and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments, with respect to such transaction, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific acquisition, business opportunities or financings and capital market transactions investment or financing, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition, investment target or financing, we may fail to consummate the investment or acquisition for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our ability to consummate other acquisitions and investments.

Possible strategic initiatives may impact our Business.

We will continue to evaluate the nature and scope of our operations and various short-term and long-term strategic considerations. There are uncertainties and risks relating to strategic initiatives. Also, prospective competitors may have greater financial resources. These factors may place us at a competitive disadvantage in successfully completing future acquisitions and investments. Future acquisitions or joint ventures may not be available on attractive terms, or at all. If we do make additional acquisitions, we may not be able to successfully integrate the acquired businesses. For example, we could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations. In addition, while we believe that there may be target businesses that we could potentially acquire or invest in, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. We may need to obtain additional financing in order to consummate future acquisitions and investment opportunities. We cannot assure you that any additional financing will be available to us on acceptable terms, if at all. This inherent competitive limitation gives others with greater financial resources an advantage in pursuing acquisition and investment opportunities. Finally, certain acquisitions or divestitures may be subject to FCC approval and FCC rules and regulations. If we do not realize the expected benefits or synergies of such transactions, there may be an adverse effect on our Business, financial condition and results of operations.

In the course of their other business activities, certain of our officers and directors may become aware of investment and acquisition opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. Such officers and directors may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

Certain of our officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to those officers' and directors' existing affiliations with other entities, they may have fiduciary obligations to present potential business opportunities to those entities in addition to presenting them to us, which could cause additional conflicts of interest. To the extent that such officers and directors identify business combination opportunities that may be suitable for entities to which they have pre-existing fiduciary obligations, or are presented with such opportunities in their capacities as fiduciaries to such entities, they may be required to honor their pre-existing fiduciary obligations to such entities. Accordingly, they may not present business combination opportunities to us that otherwise may be attractive to such entities unless the other entities have declined to accept such opportunities.

We have incurred substantial costs in connection with our previous acquisitions, joint ventures and growth strategy, including legal, accounting, advisory and other costs.

We have incurred substantial costs, including a number of non-recurring costs, in connection with our prior acquisitions, joint ventures and growth strategy and expect to incur substantial costs in connection with any other transaction we complete in the future. Some of these costs are payable regardless of whether the acquisition is completed. These costs will reduce the amount of cash otherwise available to us for acquisitions, business opportunities and other corporate purposes. There is no assurance that the actual costs will not exceed our estimates. We may continue to incur additional material charges reflecting additional costs associated with our investments and the integration of our acquisitions, and joint ventures in fiscal quarters subsequent to the quarter in which the relevant acquisition was consummated.

From time to time we may be subject to litigation for which we may be unable to accurately assess our level of exposure and which, if adversely determined, may have a material adverse effect on our consolidated financial condition or results of operations.

We and our subsidiaries are or may become parties to legal proceedings that are considered to be either ordinary or routine litigation incidental to our or their current or prior businesses or not material to our consolidated financial position or liquidity. There can be no assurance that we will prevail in any litigation in which we or our subsidiaries may become involved, or that our or their insurance coverage will be adequate to cover any potential losses. To the extent that we or our subsidiaries sustain losses from any pending litigation which are not reserved or otherwise provided for or insured against, our Business, results of operations, cash flows and/or financial condition could be materially adversely affected.

Any violation of the Foreign Corrupt Practices Act or other similar laws and regulations could have a negative impact on us.

We are subject to risks associated with doing business outside of the United States, which exposes us to complex foreign and U.S. regulations inherent in doing business cross-border and in each of the countries in which we transact business. We are subject to regulations imposed by the Foreign Corrupt Practices Act, or the FCPA, and other anti-corruption laws that generally prohibit U.S. companies and their subsidiaries from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting employees, contractors or agents from violating or circumventing such policies and the law. If our employees or agents fail to comply with applicable laws or company policies governing their international operations, we may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any determination that we have violated the FCPA could have a material adverse effect on our financial condition. Compliance with international and U.S. laws and regulations that apply to international operations increases the cost of doing business in foreign jurisdictions.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could have a material adverse effect on our future results of operations and financial condition.

The Sarbanes-Oxley Act of 2002 requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. We must perform system and process evaluation and testing of our internal control over financial reporting to allow our management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in internal control over financial reporting that are deemed to be material weaknesses. Compliance with Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues. The need to focus on compliance with Section 404 of Sarbanes-Oxley may strain management and finance resources and otherwise present additional administrative and operational challenges as our management seeks to comply with these requirements.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to our existing acquired businesses, businesses that we may acquire in the future and newly formed businesses or entities. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial reporting processes and reporting in the future.

In addition, we may acquire an entity that was not previously subject to U.S. public company requirements or did not previously prepare financial statements in accordance with U.S. GAAP or is not in compliance with the requirements of the Sarbanes-Oxley Act of 2002 or other public company reporting obligations applicable to such entity. We may incur additional costs in order to ensure that after such acquisition, we continue to comply with the requirements of the Sarbanes-Oxley Act of 2002 and our other public company requirements, which in turn could reduce our earnings or cause us to fail to meet our reporting obligations. In addition, development of an adequate financial reporting system and the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act of 2002 may increase the time and costs necessary to complete any such acquisition or cause us to fail to meet our reporting obligations. To the extent any of these newly acquired entities or any existing entities have deficiencies in its internal controls, it may impact our internal controls.

Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are not able to comply with the requirements of Section 404 in a timely manner, if we fail to remedy any material weakness and maintain effective internal control over our financial reporting in the future, or if our independent registered public accounting firm is unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting to the extent required by Section 404 of the Sarbanes-Oxley Act of 2002, our financial statements may be inaccurate, our ability to report our financial results on a timely and accurate basis may be adversely affected, investors could lose confidence in the reliability of our financial statements, our access to the capital markets may be restricted, the trading price of our Class A common stock may decline, and we may be subject to sanctions or investigations by regulatory authorities, including the SEC or NASDAQ. In addition, failure to comply with our reporting obligations with the Commission may cause an event of default to occur under our Third Amended Term Loan Facility, or similar instruments governing any debt we incur in the future.

Changes in governmental regulation, interpretation or legislative reform could increase our Business's cost of doing business and adversely affect our profitability.

Laws and regulations, including in the areas of advertising, consumer affairs, data protection, finance, marketing, privacy, publishing and taxation requirements, are subject to change and differing interpretations. Changes in the political climate or in existing laws or regulations, or their interpretations, or the enactment of new laws or the issuance of new regulations or changes in enforcement priorities or activity could adversely affect us by, among other things:

- increasing our administrative, compliance, and other costs;
- forcing us to undergo a corporate restructuring;
- limiting our ability to engage in inter-company transactions with our affiliates and subsidiaries;
- increasing our tax obligations, including unfavorable outcomes from audits performed by various tax authorities;
- affecting our ability to continue to serve our customers and to attract new customers;
- affecting cash management practices and repatriation efforts;
- forcing us to alter or restructure our Networks' and Pantaya's relationships with vendors and contractors;
- increasing compliance efforts or costs;
- limiting our use of or access to personal information;
- impacting the economics of creating or distributing content, anti-piracy efforts, or our ability to protect or exploit intellectual property rights;
- restricting our ability to market our products; and
- requiring us to implement additional or different programs and systems.

For example, President Biden put forth several corporate income tax proposals during his campaign, including a significant increase in the corporate income tax rate and changes in the taxation of non-U.S. income. While it is too early to predict the outcome of these proposals, if enacted, they may have a material impact on our income tax liability. The determination of our worldwide provision for income taxes and current and deferred tax balances requires judgment and estimation. Our provision for income taxes could also be materially adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets, or by changes in worldwide tax laws, regulations, or accounting principles.

Additionally, the California Consumer Privacy Act (CCPA), which took effect in January 2020, establishes certain transparency rules and creates new data privacy rights for consumers, including more ability to control how their data is shared with third parties. Furthermore, some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, and other states are beginning to pass similar laws. Compliance with such regulations is costly and time-consuming, and we may encounter difficulties, delays or significant expenses in connection with such compliance, and we may be exposed to significant penalties, liabilities, reputational harm and loss of business in the event that we fail to comply. While it is not possible to predict when or whether fundamental policy or interpretive changes would occur, these or other changes could fundamentally change the dynamics of the industries in which we operate or the costs associated with our operations. Changes in public policy or enforcement priorities could materially affect our profitability, our ability to retain or grow business, or in the event of extreme circumstances, our financial condition. There can be no assurance that legislative or regulatory change or interpretive differences will not have a material adverse effect on our Business.

Moreover, the adoption or modification of laws or regulations relating to the internet could limit or otherwise adversely affect the manner in which we currently operate our Pantaya service. The continued growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model for our Pantaya service. Changes in laws or regulations that adversely affect the growth, popularity or use of the internet, including laws impacting net neutrality, could decrease the demand for our Pantaya service and increase our cost of doing business. Favorable laws may change, including for example, in the United States where net neutrality regulations were repealed. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede the growth of Pantaya, cause us to incur additional expense or otherwise negatively affect our Pantaya service.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We lease our headquarters at 4000 Ponce de Leon Blvd., Coral Gables, FL 33146. In 2016, we relocated our headquarters to a larger facility in Coral Gables. If necessary, we may, from time to time, lease additional facilities for our activities. The remaining term on our current lease, as of December 31, 2021, is 22 months.

WAPA is headquartered in San Juan, Puerto Rico in an owned 66,500 square foot building located in one of the most affluent areas in San Juan. The building houses our state-of-the-art technology, television studios, and administrative offices. All of WAPA’s news and local programs are produced at our production facility, which consists of four television studios, including the largest television studio in the Caribbean, fully equipped control rooms, digital video, audio, editing, post editing, and graphic production suites, and a scenery shop which produces all scenery and props for the local productions.

We own the property that houses our studios and offices in San Juan, Puerto Rico. We also lease the land for our transmission towers in Cayey, Puerto Rico, Jayuya, Puerto Rico and Maricao, Puerto Rico pursuant to long-term lease facilities. High sustained winds of Hurricane Maria caused one of our three transmission towers to fall, completely destroying the tower and the transmission equipment housed on the tower. Immediately following the storm, we were transmitting WAPA’s signal via the multicast spectrum of another broadcast television network. During 2018, we entered into a long-term agreement to co-locate our antenna on another broadcast tower from which, we have been transmitting WAPA’s signal as of November 1, 2018. Our headquarters at WAPA did not suffer any material damages from the impact of the hurricanes in 2017. WAPA’s current facilities are adequate to meet our needs for the foreseeable future. If necessary, we may, from time to time, downsize current facilities or lease additional facilities for our activities.

The following table sets forth our principal places of business at December 31, 2021:

Location	Description	Area (Square Feet)
Coral Gables, FL	Headquarters	10,328
San, Juan, Puerto Rico	Administrative Offices, TV Production	66,500

Item 3. 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 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Class A common stock is listed and traded on NASDAQ under the symbol "HMTV." There is no publicly traded market for our Class B common stock. At March 11, 2022, there were 20,717,826 shares of Class A common stock outstanding, and the closing sale price of our ordinary shares was $5.17. Also as of that date, we had approximately 46 and 4 ordinary shareholders of record of our Class A common stock and Class B common stock, respectively. This number does not include the stockholders for whom shares are held in a "nominee" or "street" name. We have not declared any dividends and we have no present intention to pay dividends on our Class A common stock or Class B common stock. Our Third Amended Term Loan Facility restricts our ability to declare dividends in certain situations.

Price Range of our Class A Common Stock

The table below sets forth the intra-day high and low sales prices per share of our Class A common stock for the periods indicated as reported on NASDAQ:

	High	Low
Fiscal Year ended December 31, 2021		
First Quarter	$ 14.44	$ 9.31
Second Quarter	$ 14.04	$ 11.28
Third Quarter	$ 13.19	$ 10.91
Fourth Quarter	$ 12.55	$ 6.71

	High	Low
Fiscal Year ended December 31, 2020		
First Quarter	$ 15.07	$ 8.21
Second Quarter	$ 10.83	$ 8.00
Third Quarter	$ 10.11	$ 8.06
Fourth Quarter	$ 12.14	$ 7.64

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to compensation plans under which our equity securities are authorized for issuance as of December 31, 2021:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a) (b)
Equity compensation plans approved by security holders	4,445,000	$ 11.69	3,029,546
Equity compensation plans not approved by security holders	—	—	—
Total	**4,445,000**	**$ 11.69**	**3,029,546**

Effective May 25, 2021, 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 "Equity Incentive Plan") to increase the number of shares of Class A common stock, pursuant to which incentive compensation and performance compensation awards may be provided to our employees, directors, officers, consultants or advisors or our subsidiaries or their respective affiliates. The Equity Incentive Plan authorizes the issuance of up to 10.2 million shares of our Class A common stock. The number of securities remaining available for issuance in column (b) of the table above reflects our issuance of certain shares of restricted Class A common stock in connection with grants authorized by our board of directors. The description of the Equity Incentive Plan above is qualified in its entirety by reference to the full text of the Equity Incentive Plan.

Recent Sales of Unregistered Securities

None.

Company Purchases of Equity Securities

None.

Item 6. [Reserved]

Not applicable

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis summarizes our financial condition and operating performance and should be read in conjunction with our historical Consolidated Financial Statements and notes thereto included above. Unless the context indicates otherwise, the terms the "Company," "Hemisphere," "we," "our" or "us" are used to refer to Hemisphere Media Group, Inc. and its consolidated subsidiaries.

Significant components of management's discussion and analysis of results of operations and financial condition include:

- *Overview.* The overview section provides a summary of our business, operational divisions and business trends, outlook and strategy.

- *Consolidated Results of Operations.* The consolidated results of operations section provides an analysis of our results on a consolidated basis for the year ended December 31, 2021 compared to the year ended December 31, 2020.

- *Liquidity and Capital Resources.* The liquidity and capital resources section provides a discussion of our cash flows for the year ended December 31, 2021 compared to the year ended December 31, 2020.

- *Critical Accounting Policies and Estimates.* The discussion of our accounting policies considered to be important to an understanding of our financial condition and results of operations, and which require significant judgment and estimates on the part of management in their application.

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 a premium Spanish-language streaming platform distributed in the U.S., 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, a leading distributor of content to television and digital media platforms in Latin America and a 40% interest in the #3-rated broadcast television network in Colombia.

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

- *Pantaya:* the first ever premium subscription streaming service of Spanish-language media offering the largest selection of current and classic, commercial free blockbusters and exclusive rights to critically acclaimed movies and series from Latin America and the U.S. including original productions and titles from our library, as well as titles from third party producers. The Company formed Pantaya in partnership with Lionsgate and launched the service in August 2017 with a 25% equity interest. On March 31, 2021, the Company acquired the remaining 75% equity interest from Lionsgate, and Pantaya is now a wholly-owned consolidated subsidiary of the Company. As of December 31, 2021, Pantaya had close to one million subscribers.

- *Cinelatino:* the leading Spanish-language cable movie network with approximately 3.4 million(1) subscribers in the U.S. and 13.7 million(1) subscribers across 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 highest rated Spanish-language original movie network in the U.S.

- *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 twelve years ago. WAPA is Puerto Rico's news leader and the largest local producer of news and entertainment programming, producing over 71 hours in the aggregate each week. Additionally, we operate WAPA.TV, a leading news and entertainment website in Puerto Rico, as well as mobile apps, featuring content produced by WAPA.

- *WAPA Deportes:* through its multicast signal, WAPA distributes WAPA Deportes, a leading sports television network in Puerto Rico, featuring *MLB*, *NBA* and professional sporting events from Puerto Rico.

- *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 3.3 million(1) 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 South Korea (dubbed into Spanish), and is currently the highest rated telenovela cable television network in primetime. Pasiones has approximately 3.7 million(1) subscribers in the U.S. and 15.4 million(1) subscribers in 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 3.2 million(1) subscribers.

- *Television Dominicana:* a cable television network targeting Dominicans living in the U.S., the fourth largest U.S. Hispanic national group. Television Dominicana airs the most popular news and entertainment programs from the Dominican Republic, as well as the Dominican Republic professional baseball league, featuring current and former players from *MLB*. Television Dominicana is distributed in the U.S. to approximately 2.2 million(1) subscribers.

- *Snap Media:* a distributor of content to broadcast and cable television networks and OTT, SVOD and AVOD 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. On July 15, 2021, the Company entered into an omnibus agreement, pursuant to which, minority shareholders relinquished the 25% non-controlling interest in Snap Media, at which point Snap Media became a wholly owned subsidiary of the Company.

- *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. The partnership began operating Canal 1 on May 1, 2017 and launched a new programming lineup on August 14, 2017. In July 2019, the Colombian government enacted legislation resulting in the extension of the concession license for an additional ten years for no additional consideration. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period.

- *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.

(1) Subscriber amounts are based on most recent remittances received from our Distributors as of the period end date, which are typically two months prior to the period end date.

Our two primary sources of revenues are advertising revenue and subscriber revenue. All of our Networks derive revenues from advertising. Advertising revenue is generated from the sale of advertising time, which is typically sold pursuant to advertising orders with advertisers. Our advertising revenue is tied to the success of our programming, including the popularity of our programming with our target audience. 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 political advertising in an election year. For example, in 2020, we experienced higher advertising sales as a result of political advertising spending during the 2020 Puerto Rico gubernatorial elections. The next election in Puerto Rico will be in 2024.

All of our Networks receive fees paid by MVPDs. 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 subscriber revenue we earn varies from period to period, Distributor to Distributor and also varies among our Networks, but is 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 subscriber revenue at our Networks are primarily derived from changes in contractual affiliation rates charged for our Networks and changes in the number of subscribers. MVPDs report their subscriber numbers to our Networks 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 due and received within sixty days of the remittance. We also generate subscriber revenue from subscriptions to Pantaya, our streaming platform. Pantaya is available directly to consumers through our web application as well as through distribution partners. Certain distribution partners charge a fee, which is recorded in cost of revenues. Subscribers are billed at the start of their monthly or annual membership and revenue is recognized ratably over each applicable membership period. Subscriber revenue varies from period to period and is generally based upon the number of paying subscribers to our streaming platform. Estimates of revenue generated but not yet reported by the Company's third party Distributors are made based on the estimated number of subscribers using the most recently received remittance reporting from each Distributor, which is consistent with our past practice and industry practice.

In 2021, we generated approximately 95% of our net revenues from the United States. For the years ended December 31, 2021 and 2020, we generated net revenues of $185.3 million and $141.9 million, respectively, from the United States. For the years ended December 31, 2021 and 2020, we generated net revenues of $10.4 million and $9.3 million, respectively, from outside the United States.

WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement twelve years ago and management believes it is highly valued by its viewers and cable, satellite and telecommunications service providers. WAPA is distributed by all pay-TV distributors in Puerto Rico and has been successfully growing affiliate revenue. WAPA's primetime household rating for the year ended December 31, 2021 was nearly four times higher than the most highly rated English-language U.S. broadcast network in the U.S., CBS, 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 subscriber revenue.

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 the U.S. Hispanic population, which is expected to continue its long-term upward trajectory.

Hispanics represent 18% of the total U.S. television household population and 11% of the total U.S. buying power, but the aggregate linear television 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.

Management expects our U.S. networks to benefit from growth in the U.S. Hispanic population, as it continues its long-term growth. According to the 2020 U.S. Census, nearly 62.1 million Hispanics resided in the United States in 2020, representing an increase of more than 27 million people between 2000 and 2020, and that number is projected to grow to approximately 75 million by 2030. U.S. Hispanic television households grew by 35% during the period from 2010 to 2021, from 12.9 million households to 17.5 million households.

Similarly, management expects Cinelatino and Pasiones to benefit from growth in Latin America. Pay-TV subscribers in Latin America (excluding Brazil) are projected to grow from 53 million in 2021 to 60 million by 2025. Furthermore, as of December 31, 2021, Cinelatino and Pasiones were distributed to approximately 26% and 29% of total pay-TV subscribers throughout Latin America (excluding Brazil), respectively.

Colombia, where we own 40% of Canal 1, the #3-rated broadcast television network, is a large and appealing market for broadcast television. Colombia had an estimated population of 51.6 million as of January 1, 2022, the second largest in Latin America (excluding Brazil). According to IBOPE, the three major broadcast networks in Colombia receive a 55% share of overall viewing. These factors result in an annual market for free-to-air television advertising of approximately $256 million for 2021 (as converted utilizing the average foreign exchange rate during the period).

MVS, one of our stockholders, provides operational, technical and distribution services to Cinelatino pursuant to several agreements, including an agreement pursuant to which MVS provides satellite and technical support and other administrative support services, an agreement that grants MVS the non-exclusive right to distribute the Cinelatino service to third party distributors in Mexico, and an agreement between Cinelatino and Dish Mexico (an affiliate of MVS), pursuant to which Dish Mexico distributes Cinelatino and pays subscriber fees to Cinelatino.

As of January 31, 2021, Univision Holdings II, Inc., together with its wholly-owned subsidiary, Univision Communications, Inc. and Grupo Televisa, S.A.B. (“Televisa”) completed a merger to establish a new combined company named TelevisaUnivision, Inc. (“TelevisaUnivision”). The Company has various agreements with TelevisaUnivision (including its various divisions and affiliates), which has directors in common with the Company (who may hold a material financial interest in TelevisaUnivision).

COVID-19 Pandemic

In March 2020, the World Health Organization characterized the coronavirus ("COVID-19") as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The impact of COVID-19 and measures to prevent its spread have continued to affect our businesses in a number of ways. Beginning in March 2020, the Company experienced adverse advertising revenue impacts. Operationally, most non-production and programming personnel are working remotely, and the Company has restricted business travel. The Company has managed the remote workforce transition effectively and there have been no material adverse impacts on operations through December 31, 2021. The Company's advertising revenue improved during the second part of 2020, however, the Company is unable to reasonably predict the impact that a significant change in circumstances, including the ability of our workforce and/or key personnel to work effectively because of illness, government actions or other restrictions in connection with the COVID-19 pandemic, may have on our businesses in the future. The nature and full extent of the impact of the COVID-19 pandemic on our future operations will depend on numerous factors, all of which are highly uncertain and cannot be reasonably predicted. These factors include the length and severity of the outbreak, including the extent of surges in positive cases related to variants of COVID-19, such as the Delta and Omicron variants, as well as the availability and efficacy of vaccines and treatments for the disease and whether individuals choose to vaccinate themselves, the responses of private sector businesses and governments, including the timing and amount of government stimulus, the impact on economic activity and the impact on our customers, employees and suppliers. For more information on the risks associated with the COVID-19 pandemic, see "Item 1A-Risk Factors" included elsewhere in this Annual Report.

The Company has evaluated and continues to evaluate the potential impact of the COVID-19 pandemic on its Consolidated Financial Statements, including the impairment of goodwill and indefinite-lived intangible assets and the fair value of equity method investments. The ultimate impact of the COVID-19 pandemic, including the extent of any adverse impact on our business, results of operations and financial condition, remains uncertain.

Given the global nature of the COVID-19 pandemic, our investment in Canal 1, which operates in Colombia, has also been negatively impacted. Colombia's President declared a state of emergency, locking down the country on March 20, 2020. Since then, most restrictions have been lifted allowing services to work at full capacity including retail and mass transportation, however some limitations are still in place for public events and the state of emergency declaration has been extended to April 30, 2022. The COVID-19 pandemic had a material adverse impact on advertising spending, and accordingly, had a material adverse impact on Canal 1's advertising revenue in 2020. However, advertising spend and Canal 1's advertising revenue improved and surpassed pre-COVID-19 levels in 2021.

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of Consolidated Operating Results for the Years Ended December 31, 2021 and December 31, 2020 (amounts in thousands)

	Years Ended December 31, 2021	Years Ended December 31, 2020	$ Change Favorable/ (Unfavorable)	% Change Favorable/ (Unfavorable)
Net revenues	**$ 195,650**	**$ 151,184**	**44,466**	**29.4 %**
Operating expenses:				
Cost of revenues	59,555	48,309	**(11,246)**	(23.3)%
Selling, general and administrative	93,813	44,646	**(49,167)**	NM
Depreciation and amortization	25,504	11,472	**(14,032)**	NM
Other expenses	8,959	3,226	**(5,733)**	NM
Gain from FCC spectrum repack and other	(2,638)	(953)	**1,685**	NM
Impairment of goodwill and intangibles	—	2,784	**2,784**	100.0 %
Total operating expenses	185,193	109,484	**(75,709)**	(69.2)%
Operating income	10,457	41,700	**(31,243)**	(74.9)%
Other income (expense), net:				
Interest expense and other, net	(11,983)	(10,376)	**(1,607)**	(15.5)%
Gain (loss) on equity method investments	17,679	(22,258)	**39,937**	NM
Impairment of equity method investment	—	(5,479)	**5,479**	100.0 %
Other (expense) income, net	(128)	3,267	**(3,395)**	NM
Total other income (expense), net	5,568	(34,846)	**40,414**	NM
Income before income taxes	16,025	6,854	**9,171**	NM
Income tax expense	(4,994)	(8,992)	**3,998**	44.5 %
Net income (loss)	**11,031**	**(2,138)**	**13,169**	NM
Net loss attributable to non-controlling interest	32	903	**(871)**	(96.5)%
Net income (loss) attributable to Hemisphere Media Group, Inc.	**$ 11,063**	**$ (1,235)**	**12,298**	NM

NM = not meaningful

Net Revenues

Net revenues were $195.7 million for the year ended December 31, 2021, an increase of $44.5 million, or 29%, as compared to $151.2 million for the year ended December 31, 2020. Subscriber revenue increased $39.8 million, or 51%, primarily due to the inclusion of Pantaya, which the Company acquired on March 31, 2021, as well as contractual rate increases, offset in part by a decline in U.S. pay television subscribers. Advertising revenue increased $3.6 million, or 5%, primarily due to growth in the Puerto Rico television advertising market, offset in part by political advertising revenue in the prior year period. Other revenue increased $1.1 million, or 22%, driven primarily by the timing of the licensing of our content to third parties. Excluding political advertising in the prior year period, net revenues increased $48.7 million, or 33%.

Operating Expenses

Cost of Revenues: Cost of revenues consists primarily of programming and production costs, programming amortization, technical and streaming delivery costs and distribution fees. Cost of revenues for the year ended December 31, 2021, were $59.6 million, an increase of $11.2 million, or 23%, compared to $48.3 million for the year ended December 31, 2020, due to the inclusion of Pantaya, primarily comprised of programming, streaming delivery costs and third-party distribution fees. Additionally, programming and production costs increased due to the launch of new programming and certain programming and sporting events produced and broadcast in the current year period that were cancelled in the prior year period due to the COVID-19 pandemic, offset in part by lower programming amortization.

Selling, General and Administrative: Selling, general and administrative expenses consist principally of marketing, research, employee costs, stock-based compensation, and other general administrative costs. Selling, general, and administrative expenses for the year ended December 31, 2021, were $93.8 million, an increase of $49.2 million, compared to $44.6 million for the year ended December 31, 2020, due to the inclusion of Pantaya, primarily comprised of marketing and personnel expenses. Additionally, the increase was due to higher advertising sales commissions, as a result of the growth in advertising revenue, higher stock-based compensation, offset in part by lower bad debt reserves. The prior year also reflected cost reductions implemented in response to the pandemic, including salary reductions and employee retention credits, which the Company did not have in the current year period.

Depreciation and Amortization: Depreciation and amortization expense consists of depreciation of fixed assets and amortization of intangibles. Depreciation and amortization for the year ended December 31, 2021, was $25.5 million, an increase of $14.0 million, compared to $11.5 million for the year ended December 31, 2020, due to the amortization of intangible assets recognized as part of the Pantaya Acquisition.

Other Expenses: Other expenses include legal and financial advisory fees, and other fees incurred in connection with acquisition and corporate finance activities, including debt and equity financings. Other expenses for the year ended December 31, 2021, were $9.0 million, an increase of $5.7 million, compared to $3.2 million for the year ended December 31, 2020, primarily due to expenses incurred in connection with the Pantaya Acquisition and the incremental borrowing on our Third Amended Term Loan Facility.

Gain from FCC Spectrum Repack and Other: Gain from FCC spectrum repack and other primarily reflects reimbursements we have received from the FCC for equipment purchased as a result of the FCC spectrum repack, and gain or loss from the sale of assets no longer utilized in the operations of the business. Gain from FCC spectrum repack and other for the year ended December 31, 2021, was $2.6 million, an increase as compared to $1.0 million for the year ended December 31, 2020, due to the timing of reimbursements received from the FCC for equipment purchases.

Impairment of goodwill and intangibles: Impairment of goodwill and intangibles represents the amount by which the carrying value of an asset exceeds the asset's fair value. The $2.8 million charge for the year ended December 31, 2020, was related to impairment of goodwill and intangible assets identified in connection with the acquisition of Snap. There were no impairment charges in the current year.

Other income (expense), net

Interest Expense and Other, net: Interest expense for the year ended December 31, 2021, increased $1.6 million, or 16%, due to incremental borrowing on our Third Amended Term Loan Facility, offset in part by a lower average interest rate due to the decline in LIBOR.

Gain (Loss) on Equity Method Investments: Gain on equity method investments for the year ended December 31, 2021, was $17.7 million, an improvement of $39.9 million, compared to a loss of $22.3 million for the year ended December 31, 2020, primarily due to a $30.1 million one-time non-cash gain recognized on the existing 25% equity interest in Pantaya upon the step acquisition of the remaining 75% equity interest in Pantaya on March 31, 2021. The improvement was also due to improved operating results at Canal 1. For more information, see Note 3, "Business Combination" and Note 7, "Equity Method Investments" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Impairment of Equity Method Investment: In March 2020, we recorded a non-cash impairment charge of $5.5 million reflecting the write-off of the full valuation of our investment in REMEZCLA. There were no impairment charges for the year ended December 31,2021. For more information, see Note 7, "Equity Method Investments" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Other (expense) income, net: Other expense, net for the year ended December 31, 2021, was $0.1 million due to the write-off of the net book value of programming rights at the Company for content licensed from Pantaya prior to the Acquisition Date, which was offset in part by the entry into an omnibus modification agreement by the Company and Snap Media's minority holder, whereby the 25% minority holder agreed to waive the remaining consideration due from the Company in respect of the acquisition of Snap Media and relinquish its non-controlling interest. Other income, net for the year ended December 31, 2020, was $3.3 million as the Company received proceeds for the reimbursement of expenses related to a strategic transaction. The expenses incurred were recorded in other expenses in the accompanying Consolidated Statements of Operations. For more information, see Note 3, "Business Combination" and Note 12, "Stockholders' Equity" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Income Tax Expense

Income tax expenses for the year ended December 31, 2021, was $5.0 million as compared to $9.0 million for the year ended December 31, 2020, due to lower operating income and Puerto Rico tax credits. For more information, see Note 8, "Income Taxes" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Net Income (Loss)

Net income for the year ended December 31, 2021, was $11.0 million, compared to a loss of $2.1 million for the year ended December 31, 2020, as the current year period benefitted from a one-time non-cash gain of $30.1 million recognized on the existing 25% equity interest in Pantaya upon the step acquisition of the remaining 75% equity interest. For more information, see Note 3, "Business Combination" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Net Loss Attributable to Non-controlling Interest

Net loss attributable to non-controlling interest related to the 25% interest in Snap Media held by minority shareholders and was $0.0 million for the year ended December 31, 2021, as compared to $0.9 million for the year ended December 31, 2020. On July 15, 2021, the Company obtained the non-controlling 25% interest in Snap Media that was previously held by minority shareholders, and as a result there is no longer a non-controlling interest in Snap Media. For more information, see Note 12, "Stockholders' Equity" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Net Income (Loss) Attributable to Hemisphere Media Group, Inc.

Net income attributable to Hemisphere Media Group, Inc. for the year ended December 31, 2021, was $11.1 million, compared to a loss of $1.2 million for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Our principal sources of cash are cash on hand, cash flows from operating activities and capacity under our revolving loan ("Revolving Facility"). At December 31, 2021, we had $49.5 million of cash on hand and $30.0 million undrawn and available under our Revolving Facility. Our primary uses of cash include the production and acquisition of programming, operating costs, personnel costs, equipment purchases, principal and interest payments on our outstanding debt and income taxes. Cash may also be used to fund investments, acquisitions and repurchases of common stock.

On November 18, 2020, the Company announced that its Board of Directors authorized the repurchase of up to $20 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 was 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. The repurchase plan expired on November 19, 2021. As of November 19, 2021, the Company repurchased 0.2 million shares of Class A common stock under the repurchase program for an aggregate purchase price of $1.7 million, and the repurchased shares were recorded as treasury stock on the accompanying Consolidated Balance Sheets.

Management believes cash on hand, cash flow from operations and availability under our Revolving Facility will provide sufficient liquidity 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, commitments from the ordinary course of business that require cash payments to vendors and suppliers, particularly for programming, operating leases and other commitments. However, we do not expect to generate sufficient cash flow from operations to repay at maturity the entirety of the then outstanding balances of our debt. As a result, we will then be dependent upon our ability to access the capital and credit markets in order to repay or refinance the outstanding balances of our indebtedness. Failure to raise significant amounts of funding to repay these obligations at maturity would adversely affect our business. In such a circumstance, we would need to take other actions including selling assets, seeking strategic investments from third parties or reducing other discretionary uses of cash.

Cash Flows

Amounts in thousands	2021	2020
Cash provided by (used in):		
Operating activities	$ 4,480	$ 55,979
Investing activities	(130,983)	(10,593)
Financing activities	41,509	(3,066)
Net (decrease) increase in cash	$ (84,994)	$ 42,320

Comparison for the Year Ended December 31, 2021 and December 31, 2020

Operating Activities

Cash provided by operating activities is primarily driven by our net income, 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, deferred taxes, provision for bad debts, and (gain) loss on equity method investments.

Net cash provided by operating activities for the year ended December 31, 2021, was $4.5 million, a decrease of $51.5 million, as compared to $56.0 million in the same period in 2020, due to a decrease in non-cash items of $37.1 million and a decrease in net working capital of $27.6 million, offset in part by an improvement in net income of $13.2 million. The decrease in non-cash items is due to a $39.9 million improvement in gain on equity method investments primarily due to a $30.1 million one-time gain recognized on the existing 25% equity interest in Pantaya upon the step acquisition of the remaining 75% equity interest, an increase in gain from FCC spectrum repack and other of $1.7 million, and decreases in impairment charges totaling $8.3 million, deferred tax expense of $1.7 million, programming amortization of $1.5 million, provision for bad debts of $0.8 million, offset in part by increases in depreciation and amortization of $14.0 million, stock-based compensation of $0.8 million, amortization of deferred financing and original issue discount of $0.7 million, and other non-cash acquisition related charges of $1.3 million. The decrease in net working capital is due to increases in prepaids and other assets of $18.2 million and programming rights of $14.0 million, both primarily due to the inclusion of Pantaya, and decreases in programming rights payable of $8.2 million, other accrued expenses of $3.8 million, and income taxes payable of $3.1 million, offset in part by a decrease in accounts receivable of $12.9 million and increases in accounts payable of $6.0 million, other liabilities of $0.6 million, and due from related parties, net of $0.4 million.

For more information, see Note 3, “Business Combination” and Note 7, “Equity Method Investments” of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2021, was $131.0 million, an increase of $120.4 million as compared to $10.6 million in the same period in 2020. The increase was primarily due to the net cash paid for the Pantaya Acquisition of $122.6 million (net of cash acquired) and an increase in capital expenditures of $1.8 million, offset in part by a decrease in funding of equity investments of $2.6 million and increased proceeds received from the FCC related to the spectrum repack of $1.4 million.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2021, was $41.5 million, as compared to net cash used of $3.1 million in the same period in 2020. The increase is due to net proceeds of $47.4 million received from incremental borrowing under our Third Amended Term Loan Facility in connection with the Pantaya Acquisition, offset in part by increases in repurchases of our Class A common stock of $2.4 million and repayments of long-term debt of $0.4 million.

Discussion of Indebtedness

On February 14, 2017, Hemisphere Media Holdings, LLC ("Holdings") and InterMedia Español, Inc. (together with Holdings, the "Borrowers"), both wholly owned, indirect subsidiaries of the Company, 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, and matures on February 14, 2024. The Second Amended Term Loan Facility bore 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%.

On March 31, 2021 (the "Closing Date"), the Borrowers amended the Term Loan Facility, as previously amended (the "Third Amended Term Loan Facility"), for the borrowing of a new tranche of term loans in the aggregate principal amount of $50.0 million and matures on February 14, 2024. The Third Amended Term Loan Facility bears interest at the Borrowers' option of either (i) LIBOR plus a margin of 3.50% or (ii) an ABR plus a margin of 2.50%. There is no LIBOR floor. The add-on to the term loan B facility was issued with 4.0% of original issue discount ("OID").

Additionally, the Third Amended Term Loan Facility provides for a Revolving Facility allowing for an aggregate principal amount of up to $30.0 million. The Revolving Facility is secured on a pari passu basis by the collateral securing the Third Amended Term Loan Facility and will mature on November 15, 2023. The Revolving Facility will bear interest at the Borrowers' option of either (i) LIBOR (which will not be less than zero) plus a margin of 2.75% or (ii) or an ABR plus a margin of 1.75%, in each case, with a 25 basis points ("bps") step-up at a First Lien Net Leverage Ratio level of 3.50:1.00 and two 25 bps step-downs at a First Lien Net Leverage Ratio level of 2.50:1.00 and 1.50:1.00. The First Lien Net Leverage Ratio limits the amount of cash netted against debt to a maximum amount of $60.0 million. The Borrowers are also required to pay a quarterly commitment fee on the undrawn balance of the Revolving Facility at 37.5 bps per annum. As of December 31, 2021, the Revolving Facility was undrawn.

The Third Amended Term Loan Facility does not have any maintenance covenants. The Revolving Facility will have a springing First Lien Net Leverage Ratio of no greater than 5.00:1.00, tested commencing with the last day of the fiscal quarter ending June 30, 2021, and the last day of each fiscal quarter thereafter, solely to the extent that on such day, the aggregate amount of revolving loans and letter of credit exposure (excluding up to $5.0 million of undrawn letters of credit and cash collateralized or backstopped letters of credit) exceeds 35% of the aggregate commitments under the Revolving Facility.

The Third Amended Term Loan Facility requires the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Third Amended Term Loan Facility with any remaining amount due at final maturity. The Third Amended Term Loan Facility principal payments commenced on June 30, 2021, with a final installment due on February 14, 2024. Voluntary prepayments are permitted, in whole or in part, subject to certain minimum prepayment requirements.

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 Third Amended Term Loan Facility, no excess cash flow payment will be due in March 2022.

In accordance with ASC 470 – Debt, the Incremental Facility borrowing was deemed a modification of the Second Term Loan Facility and as such, an additional $2.0 million of original issue discount ("OID") incurred in connection with the Third Amended Term Loan Facility was added to the existing OID. As of December 31, 2021, the OID balance was $2.2 million, net of accumulated amortization of $3.3 million and was recorded as a reduction to the principal amount of the long-term debt outstanding as presented on the accompanying Consolidated Balance Sheets and will be amortized as a component of interest expense over the term of the Third Amended Term Loan Facility. Financing costs of $0.6 million incurred in connection with the Third Amended Term Loan Facility were expensed in accordance with ASC 470 – Debt and are included in other expenses in the accompanying Consolidated Statement of Operations at December 31, 2021. 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 $0.5 million, net of accumulated amortization of $2.8 million, are presented as a reduction to the Third Amended Term Loan Facility outstanding at December 31, 2021 as presented on the accompanying Consolidated Balance Sheets, and will be amortized as a component of interest expense over the term of the Third Amended Term Loan Facility. An additional $0.4 million of deferred costs, net of accumulated amortization of $0.2 million, incurred on the Revolving Facility in connection with the Third Amended Term Loan Facility, is recorded to prepaid and other current assets and other non-current assets in the accompanying Consolidated Balance Sheets as of December 31, 2021. Amortization of these costs will be straight-line through maturity on November 15, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP, which requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements included in the Annual Report on Form 10-K and accompanying notes. Management considers an accounting policy to be critical if it is important to our financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by management and the related disclosures have been reviewed with the Audit Committee of our Board of Directors. We consider policies relating to the following matters to be critical accounting policies:

Revenue Recognition

The Company primarily earns revenue from (i) the distribution of its programming services through distributors and directly to consumers, (ii) advertising, and (iii) licensing of its programming. Revenue is recognized when, or as, performance obligations under the terms of a contract are satisfied, which generally occurs when, or as, control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or services to a customer. The Company's revenue recognition policies associated with each major source of revenue from contracts with customers are described in Note 2, "Revenue Recognition" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Programming rights

The Company acquires, licenses, and produces content, including original programming ("programming rights"), for exploitation on our Networks, streaming platform, as well as, to be licensed to third parties. For acquired and licensed content, the Company capitalizes amounts paid to secure or extend the rights. For produced content, the Company capitalizes costs associated with the production, including development costs, direct cost, and production overhead. In development production costs for projects that will be completed within one year and after one year are recorded in prepaid and other current assets and other assets non-current, respectively, in the accompanying Consolidated Balance Sheets. Once production is complete, the capitalized costs are moved to programming rights current in the accompanying Consolidated Balance Sheets.

If management estimates that the unamortized cost of programming rights exceeds the estimated fair value, an adjustment is recorded to reduce the carrying value of the programming rights. For the year ended December 31, 2021, management did not deem it necessary to write-down program rights. For the year ended December 31, 2020, management deemed it necessary to write-down certain program rights of $0.9 million, which is included in the amortization of programming rights. Programming rights are generally amortized over the term of the related license agreements or the number of exhibitions, whichever occurs first. For productions with intended distribution to third-parties, the Company amortizes the cost, including any participations and residuals, over the expected ultimate revenue stream in proportion to the revenues recognized. Programming rights to be utilized on our Networks or streaming platform within one year are classified as current assets, while programming rights to be utilized subsequently are considered non-current. Programming rights payable are classified as current or noncurrent in accordance with the payment terms of the various agreements.

For more information on Programming Rights and Costs, see Note 1, "Nature of Business and Significant Accounting Policies" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Goodwill and other intangibles

The Company's goodwill is recorded as a result of the Company's business combinations using the acquisition method of accounting. Indefinite lived intangible assets include a broadcast license, trademarks and tradenames. Other intangible assets include affiliate and customer relationships, programming rights, brands, and non-compete agreements with estimated useful lives of one to ten years. Other intangible assets are amortized over their estimated useful lives using the straight-line method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

The Company tests its broadcast license annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The impairment test consists of a comparison of the fair value of these assets with their carrying amounts using a discounted cash flow valuation method, assuming a hypothetical start-up scenario.

The Company tests its trademarks and tradenames annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The test consists of a comparison of the fair value of these assets with the carrying amounts utilizing an income approach in the form of the royalty relief method, which measures the cost savings that a business enjoys since it does not have to pay a royalty rate for the use of a particular domain name and brand.

The Company tests its goodwill annually for impairment or whenever events or changes in circumstances indicate that goodwill might be impaired. The goodwill impairment test compares the fair value of each reporting unit with its carrying amount, including goodwill. The fair value of the reporting units is determined utilizing a combination of a discounted cash flow analysis incorporating variables such as revenue projections, projected operating cash flow margins, and discount rates, as well as a market-based approach employing comparable sales analysis.

The valuation assumptions used in the discounted cash flow model reflect historical performance of the Company and prevailing values in the broadcast and cable markets. If the fair value exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, an impairment loss shall be recognized in an amount equal to that excess.

The Company tests its other finite lived intangible asset for impairment whenever events or changes in circumstances indicate that such asset or asset group might be impaired. This analysis is performed by comparing the respective carrying value of the asset group to the current and expected future cash flows, on an undiscounted basis, to be generated from such asset group. If such analysis indicates that the carrying value of this asset group is not recoverable, the carrying value of such asset group is reduced to fair value.

In January 2017, the FASB issued *Accounting Standards Updates ("ASU") 2017 04-Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. The amendments in this Update simplify how an entity is required to test goodwill for impairment by eliminating step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under amendments in this Update, an entity would perform its annual, or interim, testing by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company adopted this ASU as part of the annual goodwill and intangible impairment test as of December 31, 2020.

The Company completed its annual impairment analysis and determined that there were no impairment charges for the year ended December 31, 2021. For the year ended December 31, 2020, the Company determined that based on the economic downturn related to the COVID-19 pandemic, the expected timing of recovery, and the expected growth of the business, the carrying value of the Snap reporting unit and other finite lived intangible assets, identified in connection with the acquisition of Snap, exceeded their respective fair values, resulting in an impairment charge totaling $2.8 million for the year ended December 31, 2020.

For more information on Goodwill and intangible assets, see Note 6, "Goodwill and Intangible Assets" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We record foreign withholding tax, which is withheld by foreign customers from their remittances to us, on a gross basis as a component of income taxes and separate from revenue in the accompanying Consolidated Statements of Operations.

We follow the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. To the extent that interest and penalties are assessed by taxing authorities on any underpayment of income taxes, such amounts are accrued and classified as a component of income tax expense.

On January 1, 2021, the Company adopted Financial Accounting Standards Board ("the FASB") *ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles and also simplifies areas such as franchise taxes, step-up in tax basis of goodwill, separate entity financial statements, and interim recognition of enactment of tax laws or rate changes. The adoption of this ASU did not have an impact on our accompanying Consolidated Financial Statements as of and for the year ended December 31, 2021.

For more information on Income taxes, see Note 8, "Income Taxes" of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Equity-based compensation

We have given equity incentives to certain employees. We account for such equity incentives in accordance with ASC 718 “Stock Compensation,” which requires us to measure compensation cost for equity settled awards at fair value on the date of grant and recognize compensation cost in the accompanying Consolidated Statements of Operations over the requisite service or performance period the award is expected to vest. Compensation cost is determined using the Black-Scholes option pricing model.

For more information on Income taxes, see Note 12, “Stockholders’ Equity” of Notes to Consolidated Financial Statements, included elsewhere in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable

Item 8. Financial Statements.

The financial statements, together with the report thereon of RSM US LLP (PCAOB ID: 49), is provided in this Annual Report on Form 10-K under Item 15 Exhibits and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 December 31, 2021. Our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, 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 Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. As permitted by SEC guidance for newly acquired businesses, management's assessment of the Company's disclosure controls and procedures did not include an assessment of those disclosure controls and procedures of Pantaya that are subsumed by internal control over financial reporting. The Pantaya operations represents 35% of the Company's consolidated total assets and 21% of the Company's consolidated total revenues as of and for the year ended December 31, 2021.

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

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management's report on internal control over financial reporting is set forth in our Consolidated Financial Statements included on page F-2 under the caption "Management's Report on Internal Control over Financial Reporting," which is incorporated herein by reference.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting, has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which is included in our Consolidated Financial Statements on page F-3 under the caption "Report of Independent Registered Public Accounting Firm," which is incorporated herein by reference.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Item 11. Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Item 14. Principal Accounting Fees and Services.

The information required by Items 10, 11, 12, 13 and 14 will be furnished (and are hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement pursuant to Regulation 14A that will contain such information. Notwithstanding the foregoing, information appearing in the section "Audit Committee Report" shall not be deemed to be incorporated by reference in this report.

PART IV

Item 15. Exhibits, Financial Statements and Schedules.

(a) List of Documents Filed as part of this Form 10-K

1) Financial Statements

See Index to Consolidated Financial Statements on Page F-1 following this Part IV.

2) Financial Statement Schedules

No schedules are required because either the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements or the notes thereto.

(b) *List of Exhibits.* The following is a list of exhibits filed, furnished or incorporated by reference as a part of this Annual Report on Form 10-K.

Exhibit No.	Description of Exhibits
2.1±	Securities Purchase Agreement, dated as of March 31, 2021, among HMTV DTC, LLC, Pantaya, LLC and Artisan Home Entertainment Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on April 6, 2021 (File No. 001-35886))
3.1	Amended and Restated Certificate of Incorporation of Hemisphere Media Group, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 19, 2017 (File No. 001-35886)).
3.2	Amended and Restated Bylaws of Hemisphere Media Group, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 7, 2016 (File No. 001-35886)).
4.1	Specimen Hemisphere Class A common stock Certificate (incorporated herein by reference to Exhibit 4.1 to Amendment No. 2 to the Company's Registration Statement on Form S-4 filed with the Commission on March 11, 2013 (File No. 333-186210)).
4.2	Specimen Hemisphere Class B common stock Certificate (incorporated herein by reference to Exhibit 4.2 to Amendment No. 2 to the Company's Registration Statement on Form S-4 filed with the Commission on March 11, 2013 (File No. 333-186210)).
4.3	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed with the Commission on March 9, 2020 (File No. 001-35886)).
10.1	Hemisphere Media Group, Inc. Amended and Restated 2013 Equity Incentive Plan (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders filed with the Commission on April 6, 2016 (File No. 001-35886)).
10.2	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 to Amendment No. 3 to the Company's Registration Statement on Form S-4 filed with the Commission on March 15, 2013 (File No. 333-186210)).
10.3	Registration Rights Agreement by and among the Company and the parties identified therein, dated January 22, 2013 (incorporated herein by reference to Exhibit 10.2 to Amendment No. 2 to the Company's Registration Statement on Form S-4 filed with the Commission on March 11, 2013 (File No. 333-186210)).

Exhibit No.	Description of Exhibits
10.4	Credit Agreement, dated as of July 30, 2013, by and among Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the lenders party thereto from time to time, Deutsche Bank Securities Inc. as joint lead arranger and lead bookrunner, GE Capital Markets, Inc., as joint lead arranger, Deutsche Bank AG New York Branch, as administrative agent and collateral agent, General Electric Capital Corporation, as syndication agent, and the other parties named therein (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 31, 2013 (File No. 001-35886)).
10.5	Amendment No. 1 to the Credit Agreement, dated as of July 31, 2014, by and among Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as successor administrative agent and collateral agent, J.P. Morgan Securities LLC as joint lead arranger and joint bookrunner, Deutsche Bank Securities Inc., as joint lead arranger, joint bookrunner and syndication agent and CIT Capital Securities LLC as documentation agent, and the other parties named therein (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 31, 2014 (File No. 001-35886)).
10.6	Amendment No. 2 to the Credit Agreement, dated as of February 14, 2017, by and among Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, JPMorgan Chase Bank, N.A., Deutsche Bank Securities Inc. and Royal Bank of Canada as joint lead arrangers and joint bookrunners, CIT Capital Securities LLC as documentation agent, and the other parties named therein (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 14, 2017 (File No. 001-35886)).
10.7	Amendment No. 3 to the Credit Agreement, dated as of March 31, 2021, by and among Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the guarantors party thereto, the several lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as the administrative agent and collateral agent and the other parties thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 6, 2021 (File No. 001-35886))
10.8	Guaranty Agreement, dated as of July 30, 2013, by and among HMTV, LLC, a Delaware limited liability company, Hemisphere Media Holdings, LLC, a Delaware limited liability company, InterMedia Español, Inc., a Delaware corporation, the subsidiary guarantors from time to time party thereto and Deutsche Bank AG New York Branch as administrative agent (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 31, 2013 (File No. 001-35886)).
10.9	Stockholders Agreement, dated as of September 6, 2016, by and among the Company, Gato Investments LP, InterMedia Hemisphere Roll-Over, L.P., InterMedia Partners VII, L.P., Gemini Latin Holdings, LLC, Peter M. Kern and Searchlight II HMT, L.P. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 7, 2016 (File No. 001-35886)).
10.10	Amendment No. 1 to Stockholders Agreement and Waiver of Minimum Condition, dated as of October 21, 2016, 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. (incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Commission on October 24, 2016 (File No. 001-35886)).
10.11	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. (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on August 5, 2019 (File No. 001-35886)).
10.12†	Form of Nonqualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2017 (File No. 001-35886)).
10.13†	Form of Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2017 (File No. 001-35886)).

Exhibit No.	Description of Exhibits
10.14†	Form of Executive Nonqualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2017 (File No. 001-35886)).
10.15†	Form of Executive Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K filed with the Commission on March 15, 2017 (File No. 001-35886)).
10.16†	Amended and Restated Employment Agreement, dated as of November 12, 2020, by and between Hemisphere Media Group, Inc. and Alan J. Sokol (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on November 17, 2020 (File No. 001-35886)).
10.17†	Amended and Restated Employment Agreement, dated as of November 12, 2020, by and between Hemisphere Media Group, Inc. and Craig D. Fischer (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on November 17, 2020 (File No. 001-35886)).
10.18†	Amended and Restated Consulting Agreement, dated as of August 13, 2019, by and between the Company and James M. McNamara (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 7, 2019 (File No. 001-35886)).
10.19†	Amended and Restated Employment Agreement, dated as of August 13, 2019, by and between Hemisphere Media Group, Inc. and Alex J. Tolston (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 7, 2019 (File No. 001-35886)).
10.20†	Offer Letter, dated October 5, 2018, by and between the Company and Jennifer Lopez-Gottardi (incorporated herein by reference to Exhibit 10.19 on the Company's Annual Report on Form 10-K filed with the Commission on March 12, 2019 (File No. 001-35886)).
10.21†	Employment Agreement, dated as of November 12, 2020, by and between Hemisphere Media Group, Inc., Televicentro of Puerto Rico, LLC and Jorge Hidalgo (incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10 K filed with the Commission on March 15, 2021 (File No. 001-35886)).
10.22†	Offer Letter, dated February 22, 2021, by and between the Company and Monica B. Silverstein (incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 10, 2021 (File No. 001-35886)).
10.23†	Employment Agreement, dated as of May 5, 2021, by and between the Company and Paul Presburger (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 10, 2021 (File No. 001-35886)).
10.24†	Employment Agreement, effective as of November 2, 2021, by and between the Company and John Garcia(incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 9, 2021 (File No. 001-35886)).
21.1*	Subsidiaries of the Company.
23.1*	Consent of RSM US LLP, independent accountants for the Company.
31.1*	Certification of CEO Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**‡	Certification of CEO Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**‡	Certification of CFO Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.

Exhibit No.	Description of Exhibits
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
101.DEF*	Inline XBRL Taxonomy Definition Linkbase.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith

‡ 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.

† Indicates management contract or compensatory plan, contract or arrangement.

± Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules or exhibits upon request by the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HEMISPHERE MEDIA GROUP, INC.
(Registrant)

Dated: March 16, 2022

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Peter M. Kern Peter M. Kern	Chairman of the Board and Director	March 16, 2022
/s/ Alan J. Sokol Alan J. Sokol	Chief Executive Officer and President (Principal Executive Officer) and Director	March 16, 2022
/s/ Craig D. Fischer Craig D. Fischer	Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2022
/s/ Leo Hindery, Jr. Leo Hindery, Jr.	Director	March 16, 2022
/s/ James M. McNamara James M. McNamara	Director	March 16, 2022
/s/ Ernesto Vargas Guajardo Ernesto Vargas Guajardo	Director	March 16, 2022
/s/ Sonia Dulá Sonia Dulá	Director	March 16, 2022
/s/ Eric C. Neuman Eric C. Neuman	Director	March 16, 2022
/s/ John Engelman John Engelman	Director	March 16, 2022
/s/ Eric Zinterhofer Eric Zinterhofer	Director	March 16, 2022
/s/ Adam Reiss Adam Reiss	Director	March 16, 2022

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Hemisphere’s management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act of 1934, as amended, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company’s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes Oxley Act of 2002, management assessed the effectiveness of Hemisphere Media Group, Inc. and subsidiaries’ (the “Company”) internal control over financial reporting as of December 31, 2021. Management’s assessment is based on the criteria for effective control over financial reporting described in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in 2013. Based upon our assessment and those criteria, management determined that Company’s internal control over financial reporting was effective as of December 31, 2021.

The scope of management's assessment of the effectiveness of the Company's internal control over financial reporting included all of the Company's consolidated operations except for the operations of Pantaya, which the Company acquired the remaining 75% equity interest that it did not own on March 31, 2021. The Pantaya operations represents 35% of the Company's consolidated total assets and 21% of the Company's consolidated total revenues as of and for the year ended December 31, 2021. This exclusion is in accordance with the Securities and Exchange Commission's interpretative guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. See Note 3, "Business Combination" of Notes to Consolidated Financial Statements for more information regarding the Company's acquisition of Pantaya.

The effectiveness of our internal control over financial reporting has been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report, which is included in our Consolidated Financial Statements on page F-3 under the caption “Report of Independent Registered Public Accounting Firm.”

Date: March 16, 2022
BY:

/s/ Alan J. Sokol	/s/ Craig D. Fischer
Alan J. Sokol	Craig D. Fischer
President and Chief Executive Officer	Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and the Board of Directors of Hemisphere Media Group Inc.

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of Hemisphere Media Group Inc. and its subsidiaries (the Company) as of December 31, 2021 and 2020, the related Consolidated Statements of Operations, Comprehensive Income (Loss), Changes in Stockholders' Equity and Cash Flows for each of the two years ended December 31, 2021, and the related Notes to the Consolidated Financial Statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 16, 2022, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill and Broadcast License Impairment Assessment

As described in Notes 1 and 6 to the Consolidated Financial Statements, the Company's consolidated goodwill and broadcast license amounted to $231.7 million and $41.4 million, respectively as of December 31, 2021. Goodwill, at the reporting unit level, and the broadcast license, at the unit of account, are tested by the Company for impairment at least annually. The fair values of the reporting units for the goodwill impairment assessment are determined utilizing a combination of an income approach, through a discounted cash flow model, and a market approach, using a comparable sales analysis. The fair value of the broadcast license is determined using an income approach, through a discounted cash flow model which assumes a hypothetical start-up scenario. The determination of the fair values of the reporting units and the broadcast license require management to make significant estimates and assumptions related to the specific circumstances of each reporting unit and the broadcast license.

We identified the goodwill, for each of the Company's reporting units with goodwill, and the broadcast license impairment assessments as a critical audit matter because of the significant assumptions management used in the impairment assessments. Auditing management's assumptions used in the impairment assessments, including the revenue projections, projected operating cash flow margins, discount rates, and comparable sales involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, due to the impact these assumptions have on the impairment assessments.

Our audit procedures related to the Company's goodwill and broadcast license impairment assessments included the following, among others:

- We obtained an understanding of the relevant controls related to the Company's goodwill and broadcast license impairment assessments and tested such controls for design and operating effectiveness, including management's review controls related to revenue and operating cash flow margin projections, discount rates, and comparable sales.

- We tested the reasonableness of management's revenue and operating cash flow margin projections by comparing them to actual results and historical trends for each reporting unit and the broadcast license and by comparing management's historical forecasts to actual results for each reporting unit and the broadcast license.

- We utilized our valuation specialists to assist in the following procedures, among others:

  - Evaluating the reasonableness of the discount rates for each reporting unit and the broadcast license by comparing the inputs used by management to publicly available market data.

  - Evaluating the reasonableness of comparable sales analysis data used by management in the market approach valuation model for the goodwill impairment assessment based upon market data.

  - Evaluating the appropriateness of the valuation models used by management and testing their mathematical accuracy.

Valuation of Previously Held Equity Interest and Certain Identifiable Intangible Assets Acquired in a Business Combination

As described in Note 3 to the Consolidated Financial Statements, on March 31, 2021 the Company acquired the remaining 75% interest in a step acquisition of its equity method investee Pantaya, LLC (Pantaya) for total consideration of $157.3 million, which included the required measurement to fair value of the Company's existing 25% ownership interest in Pantaya, resulting in a non-cash gain of $30.1 million. The transaction was accounted for as a business combination, and the previously held equity interest and certain identifiable intangible assets acquired were recorded at their acquisition date fair values of $30.1 million and $82 million, respectively. The fair value of the Company's previously held equity interest in Pantaya was determined utilizing a market-based valuation approach by adjusting the implied fair value for a control premium, which was estimated by management based on comparable market transactions. The fair values of certain identifiable intangible assets were determined using income approaches. The determination of the fair value of those identifiable intangible assets required management to make significant estimates and assumptions related to the specific inputs used in the income approach valuation model.

We identified valuation of the previously held equity interest in Pantaya and the certain identifiable intangible assets acquired in the business combination as a critical audit matter because of the significant assumptions management used in estimating their fair values. Auditing management's assumptions used in the estimates of fair value, including the control premium, projections of revenue, operating margins, and churn rates and the selection of the discount rates involved a high degree of auditor judgment and increased audit effort, including the use of our valuation specialists, due to the impact these assumptions have on the estimates of fair value.

Our audit procedures related to the Company's previously held equity interest in Pantaya and certain identifiable intangible assets acquired in the business combination included the following, among others:

- We obtained an understanding of the relevant controls related to the Company's valuation of the existing 25% ownership in Pantaya and the acquired identifiable intangibles and tested such controls for design and operating effectiveness, including controls relating to management's review and approval of the assumptions included in the valuation.

- We tested the reasonableness of management's projections of revenue, operating margins, and churn rates by comparing them to publicly available market data.

- We utilized our valuation specialists to assist in the following procedures, among others:

  - Evaluating the reasonableness of the Company's control premium for the valuation of the previously held equity interest by comparing it to comparable market transactions.

  - Evaluating the reasonableness of the discount rates by comparing the inputs used by management to publicly available market data.

  - Evaluating the appropriateness of the valuation models used by management and testing their mathematical accuracy.

/s/ RSM US LLP

We have served as the Company's auditor since 2008.

Miami, Florida
March 16, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Hemisphere Media Group Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited Hemisphere Media Group Inc. and its subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Financial Statements of the Company and our report dated March 16, 2022 expressed an unqualified opinion.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Pantaya, LLC from its assessment of internal control over financial reporting as of December 31, 2021, because it was acquired by the Company in a purchase business combination in the first quarter of 2021. We have also excluded Pantaya, LLC from our audit of internal control over financial reporting. Pantaya, LLC is a wholly owned subsidiary whose total assets and total revenues represent approximately 35% and 21%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Miami, Florida
March 16, 2022

Hemisphere Media Group, Inc.

Consolidated Balance Sheets

As of December 31, 2021 and 2020

(amounts in thousands, except share and par value amounts)

	2021	2020
Assets		
Current Assets		
Cash	$ 49,477	$ 134,471
Accounts receivable, net of allowance for doubtful accounts of $771 and $919, respectively	33,738	35,955
Due from related parties	925	943
Programming rights	10,938	8,301
Prepaid expenses	7,767	6,907
Other current assets	23,519	2,391
Total current assets	126,364	188,968
Programming rights, net of current portion	20,955	13,430
Property and equipment, net	31,554	31,798
Operating lease right-of-use assets	1,281	1,820
Broadcast license	41,356	41,356
Goodwill	231,710	165,597
Other intangibles, net	115,110	24,761
Equity method investments	24,171	29,782
Other assets	7,410	4,333
Total Assets	$ 599,911	$ 501,845
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	11,533	2,350
Due to related parties	1,646	648
Accrued agency commissions	7,729	6,529
Accrued compensation and benefits	7,031	5,934
Accrued marketing	8,238	7,066
Other accrued expenses	12,706	7,498
Deferred revenue	7,400	639
Programming rights payable	12,979	7,626
Income taxes payable	1,353	2,233
Current portion of long-term debt	2,656	2,134
Total current liabilities	73,271	42,657
Programming rights payable, net of current portion	2,820	776
Long-term debt, net of current portion	246,919	200,856
Deferred income taxes	22,427	19,306
Defined benefit pension obligation	2,895	2,832
Other long-term liabilities	2,031	3,932
Total Liabilities	350,363	270,359
Stockholders' Equity		
Preferred stock, $0.0001 par value; 50,000,000 shares authorized; 0 shares issued at December 31, 2021 and December 31, 2020	—	—
Class A common stock, $.0001 par value; 100,000,000 shares authorized; 25,999,998 and 25,457,709 shares issued at December 31, 2021 and 2020, respectively	3	3
Class B common stock, $.0001 par value; 33,000,000 shares authorized; 19,720,381 shares issued at December 31, 2021 and 2020	2	2
Additional paid-in capital	288,703	279,800
Class A treasury stock, at cost 6,003,139 and 5,710,416 at December 31, 2021 and 2020, respectively	(64,780)	(61,453)
Retained earnings	26,352	14,840
Accumulated other comprehensive loss	(732)	(2,187)
Total Hemisphere Media Group Stockholders' Equity	249,548	231,005
Equity attributable to non-controlling interest	—	481
Total Stockholders' Equity	249,548	231,486
Total Liabilities and Stockholders' Equity	$ 599,911	$ 501,845

See accompanying Notes to Consolidated Financial Statements.

Hemisphere Media Group, Inc.

Consolidated Statements of Operations

Years Ended December 31, 2021 and 2020

(amounts in thousands, except per share amounts)

	2021	2020
Net revenues	$ 195,650	$ 151,184
Operating expenses:		
Cost of revenues	59,555	48,309
Selling, general and administrative	93,813	44,646
Depreciation and amortization	25,504	11,472
Other expenses	8,959	3,226
Gain from FCC spectrum repack and other	(2,638)	(953)
Impairment of goodwill and intangibles	—	2,784
Total operating expenses	185,193	109,484
Operating income	10,457	41,700
Other income (expense), net:		
Interest expense and other, net	(11,983)	(10,376)
Gain (loss) on equity method investments	17,679	(22,258)
Impairment of equity method investment	—	(5,479)
Other (expense) income, net	(128)	3,267
Total other income (expense), net	5,568	(34,846)
Income before income tax expense	16,025	6,854
Income tax expense	(4,994)	(8,992)
Net income (loss)	11,031	(2,138)
Net loss attributable to non-controlling interest	32	903
Net income (loss) attributable to Hemisphere Media Group, Inc.	$ 11,063	$ (1,235)
Income (loss) per share attributable to Hemisphere Media Group, Inc.:		
Basic	$ 0.28	$ (0.03)
Diluted	$ 0.28	$ (0.03)
Weighted average shares outstanding:		
Basic	39,612	39,434
Diluted	39,934	39,434

See accompanying Notes to Consolidated Financial Statements.

Hemisphere Media Group, Inc.

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	2021	2020
Net income (loss)	$ 11,031	$ (2,138)
Other comprehensive income (loss):		
Change in fair value of interest rate swap, net of income taxes	1,375	(1,101)
Adjustment to defined benefit plan, net of income taxes	80	(294)
Total other comprehensive income (loss)	1,455	(1,395)
Comprehensive income (loss)	12,486	(3,533)
Comprehensive loss attributable to non-controlling interest	32	903
Comprehensive income (loss) attributable to Hemisphere Media Group, Inc.	$ 12,518	$ (2,630)

See accompanying Notes to Consolidated Financial Statements.

Hemisphere Media Group, Inc.

Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid In	Class A Treasury	Retained	Accumulated Other Comprehensive	Non-controlling	
	Shares	Par Value	Shares	Par Value	Capital	Stock	Earnings	Loss	Interest	Total
Balance at December 31, 2019	25,202	$ 3	19,720	$ 2	$ 274,518	$ (60,521)	$ 16,075	$ (792)	$ 1,384	$ 230,669
Net loss	—	—	—	—	—	—	(1,235)	—	(903)	(2,138)
Stock-based compensation	—	—	—	—	3,108	—	—	—	—	3,108
Vesting of restricted stock	256	—	—	—	2,174	(582)	—	—	—	1,592
Repurchases of Class A Common Stock	—	—	—	—	—	(350)	—	—	—	(350)
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(1,395)	—	(1,395)
Balance at December 31, 2020	25,458	$ 3	19,720	$ 2	$ 279,800	$ (61,453)	$ 14,840	$ (2,187)	$ 481	$ 231,486
Net income (loss)	—	—	—	—	—	—	11,063	—	(32)	11,031
Stock-based compensation	—	—	—	—	3,277	—	—	—	—	3,277
Vesting of restricted stock	291	—	—	—	2,848	(861)	—	—	—	1,987
Issuance of Class A Common Stock	238	—	—	—	2,778	(1,077)	—	—	—	1,701
Repurchases of Class A Common Stock	—	—	—	—	—	(1,346)	—	—	—	(1,346)
Exercise of stock options	13	—	—	—	(0)	(43)	—	—	—	(43)
Acquisition of non-controlling interest	—	—	—	—	—	—	449	—	(449)	—
Other comprehensive income, net of tax	—	—	—	—	—	—	—	1,455	—	1,455
Balance at December 31, 2021	26,000	$ 3	19,720	$ 2	$ 288,703	$ (64,780)	$ 26,352	$ (732)	$ —	$ 249,548

See accompanying Notes to Consolidated Financial Statements.

Hemisphere Media Group, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(amounts in thousands)

	2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	$ 11,031	$ (2,138)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	25,504	11,472
Programming amortization	15,295	16,841
Amortization of deferred financing costs and original issue discount	1,297	582
Stock-based compensation	6,125	5,282
Provision for bad debts	87	922
Gain from FCC spectrum repack and other	(2,638)	(953)
Deferred income tax (benefit) expense	(77)	1,587
(Gain) loss on equity method investments	(17,679)	22,258
Amortization of operating lease right-of-use assets	561	554
Other non-cash acquisition charges	1,258	—
Impairment of equity method investment	—	5,479
Impairment of goodwill and intangibles	—	2,784
Changes in assets and liabilities, net of effects from acquisitions:		
(Increase) decrease in:		
Accounts receivable	5,322	(7,608)
Due from related parties, net	1,016	662
Programming rights	(26,125)	(12,077)
Prepaid expenses and other assets	(17,389)	810
Increase (decrease) in:		
Accounts payable	6,376	425
Other accrued expenses	2,240	6,060
Programming rights payable	(6,990)	1,213
Income taxes payable	(880)	2,233
Other liabilities	146	(409)
Net cash provided by operating activities	4,480	55,979
Cash Flows From Investing Activities:		
Funding of equity method investments	(6,803)	(9,364)
Capital expenditures	(4,156)	(2,386)
FCC spectrum repack proceeds	2,597	1,157
Cash paid for acquisition of Pantaya, net of cash acquired	(122,621)	—
Net cash used in investing activities	(130,983)	(10,593)
Cash Flows From Financing Activities:		
Purchases of common stock	(3,327)	(932)
Repayments of long-term debt	(2,526)	(2,134)
Proceeds from incremental term loan	48,000	—
Payment of financing fees	(638)	—
Net cash provided by (used in) financing activities	41,509	(3,066)
Net (decrease) increase in cash	(84,994)	42,320
Cash:		
Beginning	$ 134,471	$ 92,151
Ending	$ 49,477	$ 134,471
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	$ 10,648	$ 9,949
Income taxes	$ 3,835	$ 2,463
Non-cash investing activity (acquisition related):		
Issuance of Class A Common Stock	$ 2,188	$ —
Effective settlement of pre-existing receivables and payables, net	$ 1,499	$ —

See accompanying Notes to Consolidated Financial Statements.

Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The accompanying 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. ("HMTV Cable"), the parent company of the entities for the networks consisting of Pasiones, TV Dominicana, and Centroamerica TV, HMTV Distribution, LLC ("HMTV Distribution"), the parent of Snap Global, LLC, and its wholly owned subsidiaries ("Snap Media"), and HMTV DTC, LLC ("HMTV DTC"), the parent company of Pantaya, LLC, and its subsidiaries ("Pantaya"), which we acquired on March 31, 2021 (see below). 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 Consolidated Financial Statements.

Prior to March 31, 2021, the Company owned a 25% equity interest in Pantaya, which was accounted for as an equity method investment. On March 31, 2021, the Company acquired the remaining 75% equity interest in Pantaya (the "Pantaya Acquisition"), for a cash purchase price of $123.6 million. As a result of the acquisition, Pantaya is now a wholly owned consolidated subsidiary. For more information, see Note 3, "Business Combination" of Notes to Consolidated Financial Statements.

On November 26, 2018, we acquired a 75% interest in Snap Media. Effective July 15, 2021, the Company entered into an omnibus modification agreement with Snap Distribution, Inc., a British Virgin Islands company, pursuant to which Snap Distribution, Inc. relinquished the non-controlling 25% interest in Snap Media, at which point Snap Media became a wholly owned subsidiary of the Company. For more information, see Note 12, "Stockholders' Equity" of Notes to Consolidated Financial Statements.

Reclassification: Certain prior year amounts on the presented Consolidated Balance Sheets and Consolidated Statement of Cash Flows have been reclassified to conform with current period presentation.

Principles of consolidation: The accompanying Consolidated Financial Statements include our accounts and the accounts of our subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company has interests in various entities including corporations and limited liability companies. For each such entity, the Company evaluates its ownership interest to determine whether the entity is a Variable Interest Entity ("VIE") and, if so, whether it is the primary beneficiary of the VIE. An entity is generally a VIE if it meets any of the following criteria: (i) the entity has insufficient equity to finance its activities without additional subordinated financial support from other parties, (ii) the equity investors cannot make significant decisions about the entity's operations, or (iii) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity or receive the expected returns of the entity and substantially all of the entity's activities involve or are conducted on behalf of the investor with disproportionately few voting rights. The Company would consolidate any entity for which it was the primary beneficiary, regardless of its ownership or voting interests. The primary beneficiary is the party involved with the VIE that (i) has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Upon inception of a variable interest or the occurrence of a reconsideration event, the Company makes judgments in determining whether entities in which it invests are VIEs. If so, the Company makes judgments to determine whether it is the primary beneficiary and is thus required to consolidate the entity.

If it is concluded that an entity is not a VIE or the Company is not primary beneficiary of the VIE, then the Company considers its proportional voting interests in the entity. The Company consolidates majority-owned subsidiaries in which a controlling financial interest is maintained. A controlling financial interest is determined by majority ownership and the absence of significant third-party participating rights.

For more information on our equity method investments, see Note 7, "Equity Method Investments" of Notes to Consolidated Financial Statements.

Ownership interests in entities for which the Company has significant influence that are not consolidated under the Company's consolidation policy are accounted for as equity method investments.

Related party transactions between the Company and its equity method investees have not been eliminated.

Basis of presentation: The accompanying Consolidated Financial Statements for us and our subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Operating segments: The Company determines its operating segments based upon (i) financial information reviewed by the chief operating decision maker, the Chief Executive Officer, (ii) internal management and related reporting structure and (iii) the basis upon which the chief operating decision maker makes resource allocation decisions. The Company believes that its operating segments meet the criteria for aggregation for reporting purposes as one reportable segment as they have similar characteristics including nature of products and services, nature of production processes, class of customer and methods used to distribute products and services.

Net income (loss) per common share: Basic income (loss) per share is computed by dividing income(loss) attributable to Hemisphere Media Group, Inc. 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 income (loss) per share attributable to Hemisphere Media Group, Inc. (*amounts in thousands, except per share amounts*):

	Years Ended December 31, 2021	2020
Numerator for income (loss) per common share calculation:		
Net income (loss) attributable to Hemisphere Media Group, Inc.	$ 11,063	$ (1,235)
Denominator for income (loss) per common share calculation:		
Weighted-average common shares, basic	39,612	39,434
Effect of dilutive securities		
Stock options, restricted stock and warrants	322	—
Weighted-average common shares, diluted	39,934	39,434
Income (loss) per share attributable to Hemisphere Media Group, Inc.		
Basic	$ 0.28	$ (0.03)
Diluted	$ 0.28	$ (0.03)

We apply the treasury stock method to measure the dilutive effect of our 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, 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 income (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 2.5 million and 3.3 million shares of common stock for the years ended December 31, 2021 and 2020, respectively, were excluded from the computation of diluted income (loss) per common share for this period because their effect would have been anti-dilutive. The net income (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 operations for the year ended December 31, 2020, 0.1 million outstanding awards were not included in the computation of diluted loss per share because their effect was anti-dilutive.

Revenue Recognition: The Company primarily earns revenue from (i) the distribution of its programming services through distributors and directly to consumers, (ii) advertising, and (iii) licensing of its programming. Revenue is recognized when, or as, performance obligations under the terms of a contract are satisfied, which generally occurs when, or as, control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or services to a customer. The Company's revenue recognition policies associated with each major source of revenue from contracts with customers are described in Note 2, "Revenue Recognition" of Notes to Consolidated Financial Statements.

Barter transactions: The Company engages in barter transactions in which advertising time is exchanged for products or services. Barter transactions are accounted for at the estimated fair value of the products or services received, or advertising time given up, whichever is more clearly determinable. Barter revenue is recognized at the time the advertising is broadcast. Barter expense is recorded at the time the merchandise or services are used and/or received.

Barter revenue and expense included in the accompanying Consolidated Statements of Operations are as follows (*amounts in thousands*):

	Year ended December 31, 2021	Year ended December 31, 2020
Barter revenue	$ 449	$ 434
Barter expense	(490)	(419)
	$ (41)	$ 15

Equity-based compensation: We have given equity incentives to certain employees. We account for such equity incentives in accordance with ASC 718 "Stock Compensation," which requires us to measure compensation cost for equity settled awards at fair value on the date of grant and recognize compensation cost in the accompanying Consolidated Statements of Operations over the requisite service or performance period the award is expected to vest. Compensation cost is determined using the Black-Scholes option pricing model.

Advertising and marketing costs: The Company expenses advertising and marketing costs as incurred. The Company incurred advertising and marketing costs of $39.3 million and $3.1 million for the years ended December 31, 2021 and 2020, respectively.

Cash: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are carried at the original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The Company considers an account receivable to be past due if any portion of the receivable balance is outstanding for more than 90 days. Changes in the allowance for doubtful accounts for the years ended December 31, 2021 and 2020 consisted of the following *(amounts in thousands):*

Year	Description	Beginning of Year	Provisions for bad debt	Write-offs	Recoveries	End of Year
2021	Allowance for doubtful accounts	$ 919	$ 87	$ 239	$ 4	$ 771
2020	Allowance for doubtful accounts	$ 507	$ 922	$ 577	$ 67	$ 919

Programming rights and costs: The Company acquires, licenses, and produces content, including original programming ("programming rights"), for exploitation on our Networks, streaming platform, as well as, to be licensed to third parties. For acquired and licensed content, the Company capitalizes amounts paid to secure or extend the rights. For produced content, the Company capitalizes costs associated with the production, including development costs, direct cost, and production overhead. In development production costs for projects that will be completed within one year and after one year are recorded in other current assets and other assets, respectively, in the accompanying Consolidated Balance Sheets. Once production is complete, the capitalized costs are moved to programming rights current in the accompanying Consolidated Balance Sheets.

If management estimates that the unamortized cost of programming rights exceeds the estimated fair value, an adjustment is recorded to reduce the carrying value of the programming rights. For the year ended December 31, 2021, management did not deem it necessary to write-down program rights. For the year ended December 31, 2020, management deemed it necessary to write-down certain program rights of $0.9 million, which is included in the amortization of programming rights. Programming rights are generally amortized over the term of the related license agreements or the number of exhibitions, whichever occurs first. For productions with intended distribution to third-parties, the Company amortizes the cost, including any participations and residuals, over the expected ultimate revenue stream in proportion to the revenues recognized. The amortization of programming rights was $15.3 million and $16.8 million for the years ended December 31, 2021 and 2020, respectively, and is recorded as part of cost of revenues in the accompanying Consolidated Statements of Operations. Programming rights to be utilized on our Networks or streaming platform within one year are classified as current assets, while programming rights to be utilized subsequently are considered non-current. Programming rights payable are classified as current or noncurrent in accordance with the payment terms of the various agreements. As of December 31, 2021, the capitalized in development production costs current portion was $19.8 million and the non-current portion was $1.0 million, and were recorded in other current assets and other assets, respectively, in the accompanying Consolidated Balance Sheets.

Property and equipment: Property and equipment are recorded at cost. Depreciation is determined using the straight-line method over the expected remaining useful lives of the respective assets. Useful lives range from 1 - 40 years for improvements, equipment, buildings and towers. Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is recorded in Gain from FCC spectrum repack and other in the accompanying Consolidated Statements of Operations. Expenditures for maintenance and repairs are expensed as incurred. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For more information on our property and equipment, see Note 5, “Property and Equipment” of Notes to Consolidated Financial Statements.

Equity method investments: The Company holds investments in equity method investees. Investments in equity method investees are those for which the Company has the ability to exercise significant influence, but does not have control and is not the primary beneficiary. Significant influence typically exists if the Company has a 20% to 50% ownership interest in the venture unless persuasive evidence to the contrary exists. Under this method of accounting, the Company typically records its proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. Cash payments to equity method investees such as additional investments, loans and advances and expenses incurred on behalf of investees, as well as payments from equity method investees such as dividends, distributions and repayments of loans and advances are recorded as adjustments to investment balances.

The Company makes investments that support its underlying business strategy and enable it to enter new markets. The Company holds equity investments in Canal 1 and Snap JV (in each case, as defined and discussed in Note 7, “Equity Method Investments” of Notes to Consolidated Financial Statements), which are variable interest entities (“VIEs”), for which the Company is not the primary beneficiary. The primary beneficiary is the party involved with the VIE that (i) has the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (ii) has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The activities of each VIE that most significantly impact the VIE’s economic performance are controlled by the VIE’s board of directors and the Company’s representation on the board of directors of each VIE is commensurate with its voting equity interest. As the Company does not hold a majority voting interest or disproportionate voting or other rights, it does not have the power to direct the activities that most significantly impact the economic performance of any of these VIEs.

In the event we incur losses in excess of the carrying amount of an equity investment and reduce our investment balance to zero, we would not record additional losses unless (i) we guaranteed obligations of the investee, (ii) we are otherwise committed to provide further financial support for the investee, or (iii) it is anticipated that the investee's return to profitability is imminent. If we provided a commitment to fund losses, we would continue to record losses resulting in a negative equity method investment, which is presented as a liability.

Equity method investments are reviewed for indicators of other-than-temporary impairment on a quarterly basis. An equity method investment is written down to fair value if there is evidence of a loss in value which is other-than-temporary. The Company may estimate the fair value of its equity method investments by considering recent investee equity transactions, discounted cash flow analysis, recent operating results, comparable public company operating cash flow multiples and in certain situations, balance sheet liquidation values. If the fair value of the investment has dropped below the carrying amount, management considers several factors when determining whether an other-than-temporary decline has occurred, such as: the length of the time and the extent to which the estimated fair value or market value has been below the carrying value, the financial condition and the near-term prospects of the investee, the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value and general market conditions. The estimation of fair value and whether an other-than-temporary impairment has occurred requires the application of significant judgment and future results may vary from current assumptions

For our foreign equity investment, we perform an annual review of the international financial reporting standards ("IFRS") versus U.S. GAAP accounting. Any significant differences are considered and adjusted to ensure a U.S. GAAP presentation. There were no differences noted in the presentation of our foreign investment's IFRS financial statements when compared to U.S. GAAP.

For more information on Equity method investments, see Note 7, "Equity Method Investments" of Notes to Consolidated Financial Statements.

Leases: On January 1, 2019, the Company adopted Financial Accounting Standards Board ("the FASB") *ASC Topic 842, Leases (ASC 842)* (the "new lease standard"), the core principle of which, is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases, in the statement of financial position. 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 under ASC 842. 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. Lease cost is recorded in selling, general, and administrative expense in the accompanying Consolidated Statements of Operations.

For additional information about our leases, see Note 14, "Leases" of Notes to Consolidated Financial Statements.

Goodwill and other intangibles: The Company's goodwill is recorded as a result of the Company's business combinations using the acquisition method of accounting. Indefinite lived intangible assets include a broadcast license, trademarks and tradenames. Other intangible assets include affiliate and customer relationships, programming rights, brands, and non-compete agreements with estimated useful lives of one to ten years. Other intangible assets are amortized over their estimated useful lives using the straight-line method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

The Company tests its broadcast license annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The impairment test consists of a comparison of the fair value of these assets with their carrying amounts using a discounted cash flow valuation method, assuming a hypothetical start-up scenario.

The Company tests its trademarks and tradenames annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The test consists of a comparison of the fair value of these assets with the carrying amounts utilizing an income approach in the form of the royalty relief method, which measures the cost savings that a business enjoys since it does not have to pay a royalty rate for the use of a particular domain name and brand.

The Company tests its goodwill annually for impairment or whenever events or changes in circumstances indicate that goodwill might be impaired. The goodwill impairment test compares the fair value of each reporting unit with its carrying amount, including goodwill. The fair value of the reporting units is determined utilizing a combination of a discounted cash flow analysis incorporating variables such as revenue projections, projected operating cash flow margins, and discount rates, as well as a market-based approach employing comparable sales analysis.

The valuation assumptions used in the discounted cash flow model reflect historical performance of the Company and prevailing values in the broadcast and cable markets. If the fair value exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, an impairment loss shall be recognized in an amount equal to that excess.

The Company tests its other finite lived intangible asset for impairment whenever events or changes in circumstances indicate that such asset or asset group might be impaired. This analysis is performed by comparing the respective carrying value of the asset group to the current and expected future cash flows, on an undiscounted basis, to be generated from such asset group. If such analysis indicates that the carrying value of this asset group is not recoverable, the carrying value of such asset group is reduced to fair value.

In January 2017, the FASB issued *Accounting Standards Updates* (*"ASU") 2017 04-Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. The amendments in this Update simplify how an entity is required to test goodwill for impairment by eliminating step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under amendments in this Update, an entity would perform its annual, or interim, testing by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company adopted this ASU as part of the annual goodwill and intangible impairment test as of December 31, 2020.

The Company completed its annual impairment analysis and determined that there were no impairment charges for the year ended December 31, 2021. For the year ended December 31, 2020, the Company determined that based on the economic downturn related to the COVID-19 pandemic, the expected timing of recovery, and the expected growth of the business, the carrying value of the Snap reporting unit and other finite lived intangible assets, identified in connection with the acquisition of Snap, exceeded their respective fair values, resulting in an impairment charge totaling $2.8 million for the year ended December 31, 2020.

For more information on Goodwill and intangible assets, see Note 6, "Goodwill and Intangible Assets" of Notes to Consolidated Financial Statements.

Deferred financing costs: Deferred financing costs are recorded net of accumulated amortization and are presented as a reduction to the principal amount of the long-term debt. Amortization is calculated on the effective-interest method over the term of the applicable loan. Amortization of deferred financing costs was $0.4 million, which is included in interest expense, net in the accompanying Consolidated Statements of Operations for each of the years ended December 31, 2021 and 2020. Accumulated amortization of deferred financing costs was $2.8 million and $2.5 million at December 31, 2021 and 2020, respectively. The net deferred financing costs of $0.5 million and $0.8 million at December 31, 2021 and 2020, respectively, and have been presented on the accompanying Consolidated Balance Sheets as a reduction to the principal amount of the long-term debt outstanding. An additional $0.4 million of deferred costs, net of accumulated amortization of $0.2 million, incurred on the Revolving Facility in connection with the Third Amended Term Loan Facility, is recorded to prepaid and other current assets and other non-current assets in the accompanying Consolidated Balance Sheets as of December 31, 2021. Amortization of these costs will be straight-line through maturity on November 15, 2023.

For more information on deferred financing costs, see Note 9, "Long Term Debt" of Notes to Consolidated Financial Statements.

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We record foreign withholding tax, which is withheld by foreign customers from their remittances to us, on a gross basis as a component of income taxes and separate from revenue in the accompanying Consolidated Statements of Operations.

We follow the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. To the extent that interest and penalties are assessed by taxing authorities on any underpayment of income taxes, such amounts are accrued and classified as a component of income tax expense.

On January 1, 2021, the Company adopted Financial Accounting Standards Board ("the FASB") *ASU 2019-12-Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles and also simplifies areas such as franchise taxes, step-up in tax basis of goodwill, separate entity financial statements, and interim recognition of enactment of tax laws or rate changes. The adoption of this ASU did not have an impact on our accompanying Consolidated Financial Statements as of and for the year ended December 31, 2021.

For more information on Income taxes, see Note 8, “Income Taxes” of Notes to Consolidated Financial Statements.

Fair value of financial instruments: 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.

U.S. GAAP establishes a framework for measuring fair value and expanded disclosures about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1—inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2—inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3—inputs to the valuation methodology are unobservable, reflecting the entity’s own assumptions about assumptions market participants would use in pricing the asset or liability.

The categorization of an asset or liability within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company’s programming rights, goodwill and intangibles, and equity method investments are classified as Level 3 in the fair value hierarchy, as they are measured at fair value on a non-recurring basis and are adjusted to fair value only when the carrying values exceed their fair values. For the year ended December 31, 2021, there were no adjustments to fair value. For the year ended December 31, 2020, the Company recorded an impairment charge of $5.5 million related to the write-off of the full carrying value of REMEZCLA, an impairment charge totaling $2.8 million related to Snap goodwill and other finite lived intangible assets and a $0.9 million write-down of programming rights.

The Company’s variable-rate debt and interest rate swaps are classified as Level 2 in the fair value hierarchy, as their estimated fair values are derived from quoted market prices by independent dealers. The carrying value of the long-term debt approximates fair value at December 31, 2021 and 2020.

For more information on fair value instruments, see Note 11, “Fair Value Measurements” of Notes to Consolidated Financial Statements.

Derivative Instruments: The Company uses derivative financial instruments from time to time to modify its exposure to market risks from changes in interest rates. The Company may designate derivative instruments as cash flow hedges or fair value hedges, as appropriate. The Company records all derivative instruments at fair value on a gross basis. For those derivative instruments designated as cash flow hedges that qualify for hedge accounting, gains or losses on the effective portion of derivative instruments are initially recorded in accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets and reclassified to the same account on the accompanying Consolidated Statements of Operations in which the hedged item is recognized on the accompanying Consolidated Statements of Operations.

For more information on derivative instruments, see Note 10, “Derivative Instruments” of Notes to Consolidated Financial Statements.

Major customers and suppliers: None of our distributors accounted for more than 10% of our total net revenues for the year ended December 31, 2021. One of our distributors accounted for more than 10% of our total net revenues for the year ended December 31, 2020. Our Networks are provided to distributors pursuant to affiliation agreements with varying terms.

Recently adopted Accounting Standards: In October 2021, the Company early adopted *ASU 2021-08-Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The update requires companies to apply the definition of a performance obligation under ASC Topic 606 to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers that are acquired in a business combination. Under current U.S. GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. The update will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The early adoption and retrospective application of this ASU allowed the Company to value Pantaya's contract liabilities at the stated book value immediately preceding the acquisition on March 31, 2021, as a result there was no impact to deferred revenue due to the business combination. For more information, see Note 3, "Business Combination" of Notes to Consolidated Financial Statements.

Accounting guidance not yet adopted: In March 2020, the FASB issued *ASU 2020-04-Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The update provides optional expedients and exceptions for applying U.S. GAAP principles to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued due to reference rate reform. This guidance was effective beginning on March 12, 2020, and can be adopted on a prospective basis no later than December 31, 2022. We are currently evaluating the impact, if any, that the updated accounting guidance will have on our Consolidated Financial Statements.

Use of estimates: In preparing the accompanying Consolidated Financial Statements, management made 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 date, and the reported revenues and expenses for the years then ended. 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.

Note 2. Revenue Recognition

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

Subscriber revenue: 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 Networks 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 subscriber revenue we earn varies from period to period, Distributor to Distributor, and also varies among our Networks, but is generally based upon the number of each Distributor’s paying subscribers who subscribe to our Networks. Changes in subscriber revenue 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 our Networks 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 due and received within sixty days of the remittance. We also generate subscriber revenue from subscriptions to Pantaya, our streaming platform. Pantaya is available directly to consumers through our web application as well as through distribution partners. Certain distribution partners charge a fee, which is recorded in cost of revenues. Subscribers are billed at the start of their monthly or annual membership and revenue is recognized ratably over each applicable membership period. Subscriber revenue varies from period to period and is generally based upon the number of paying subscribers to our service. Estimates of revenue generated but not yet reported by the Company's third party Distributors are made based on the estimated number of subscribers using the most recently received remittance reporting from each Distributor, which is consistent with our past practice and industry practice.

Advertising revenue: Advertising revenue is 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. Advertising agency fees are calculated based on a stated percentage applied to the 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):*

	Year ended December 31,	
Revenues by type	**2021**	**2020**
Subscriber revenue	$ 117,042	$ 77,284
Advertising revenue	72,540	68,942
Other revenue	6,068	4,958
Total revenue	$ 195,650	$ 151,184

Deferred Revenue: As of December 31, 2021 and 2020, the Company had deferred revenue of $7.4 million and $0.6 million, respectively. For the year ended December 31, 2021, the Company recognized $0.4 million of revenue that was included in the deferred revenue balance as of December 31, 2020. The increase in deferred revenue was attributable to the acquisition of Pantaya on March 31, 2021 and an advance from a third party for programming to be delivered.

Note 3. Business Combination

Prior to March 31, 2021, the Company owned a 25% equity interest in Pantaya, which was accounted for as an equity method investment. On March 31, 2021, the Company acquired the remaining 75% equity interest in Pantaya. As a result of the Pantaya Acquisition, Pantaya is now a wholly owned consolidated subsidiary. Pantaya is the leading U.S. Hispanic subscription streaming service offering the largest selection of current and classic, commercial free blockbusters and critically acclaimed movies and series from Latin America and the U.S., including original productions from Pantaya's production arm, Pantelion, and titles from our library, as well as titles from third party producers.

Total cash purchase price in connection with the Pantaya Acquisition was $123.6 million. Under the terms of the purchase agreement ("Securities Purchase Agreement"), control of Pantaya transferred to the Company on March 31, 2021 ("Acquisition Date"), with cash consideration transferred on April 1, 2021. Cash consideration was funded with a combination of cash on hand and an add-on to our Term Loan Facility. For more information, see Note 9, "Long-Term Debt" of Notes to Consolidated Financial Statements. Fees and expenses incurred in connection with the Pantaya Acquisition were $8.1 million for the year ended December 31, 2021, consisting primarily of professional fees, financing costs, and certain non-cash charges, which are included in other expenses in the accompanying Consolidated Statement of Operations.

Prior to the closing of the Pantaya Acquisition, the Company accounted for the existing 25% equity interest in Pantaya using the equity method, and the net book value was $0 as of March 31, 2021. The Company accounted for the acquisition of the 75% equity interest of Pantaya as a step acquisition, which required remeasurement of the Company's existing 25% ownership interest in Pantaya to fair value prior to completing the acquisition method of accounting. The Company utilized a market-based valuation approach to determine the fair value of the existing equity interest by adjusting for a control premium, which was based on comparable market transactions. This resulted in an increase in the value of its existing equity interest and the recognition of a non-cash gain of $30.1 million, which was included in gain (loss) on equity method investment activity in the accompanying Consolidated Statement of Operations for the year ended December 31, 2021. For more information, see Note 11, "Fair Value Measurements" of Notes to Consolidated Financial Statements.

The Pantaya Acquisition was accounted for as a business combination by applying the acquisition method of accounting pursuant to *ASC Topic 805*, "*Business Combinations*".

The following table summarizes the purchase price consideration in connection with the Pantaya Acquisition as of March 31, 2021 (*amounts in thousands*):

Total cash consideration	$ 123,605
Class A common stock consideration(a)	2,188
Effective settlement of pre-existing receivables and payables, net(b)	1,499
Total consideration	127,292
Fair value of existing 25% equity interest	30,092
Total	$ 157,384

(a) 238,436 shares were issued to certain employees as replacement awards for Pantaya stock-based compensation awards, multiplied by $11.65, which was the closing price of the Company's Class A common stock on March 31, 2021, reduced by post-combination expenses of approximately $0.6 million associated with the excess fair value over replacement awards.

(b) Effective settlement of pre-existing accounts receivable of $2.3 million for content licensed to Pantaya and programming rights payable of $0.8 million for content licensed from Pantaya prior to the Acquisition Date.

The following table summarizes the fair values of the assets acquired, liabilities assumed and resulting goodwill in the Pantaya Acquisition as of March 31, 2021 (*amounts in thousands*):

	March 31, 2021
Cash	$ 985
Accounts receivable	5,528
Finite-lived intangible assets	111,413
Other assets	7,244
Accounts payable	(2,807)
Accrued expenses	(9,086)
Deferred revenue	(4,112)
Programming rights payable	(15,225)
Deferred income tax	(2,669)
Goodwill	66,113
Fair value of net assets acquired	$ 157,384

Accounts receivable were recorded at fair value which represents the amount the Company expects to collect. Gross contractual amounts receivable approximates their recorded fair value.

During the three months ended December 31, 2021, the Company finalized the fair value of identified finite-lived intangible assets, including a measurement period adjustment of $0.7 million to the customer relationships intangible asset, which resulted in a true-up of $0.1 million in amortization. The Company recorded measurement period adjustments totaling $80.6 million, which resulted in a total fair value of the finite-lived intangible assets is $111.4 million. The finite-lived intangible assets include customer relationships of $34.9 million determined using an income approach and a useful life of 4 years, programming rights of $29.4 million determined by using a market approach and a useful life of 4.6 years, brand of $24.6 million determined using an income approach in the form of a relief from royalty method and a useful life of 10 years, and distribution agreements of $22.5 million determined using an income approach and a useful life of 10 years. These finite-lived intangible assets will be amortized on a straight-line basis over their respective useful lives.

During the year ended December 31, 2021, the Company recorded a measurement period adjustment of $2.7 million for the expected future federal, state and foreign tax consequences associated with temporary differences between the fair values of the assets acquired and liabilities assumed and the respective tax basis as a deferred tax liability.

Goodwill of $66.1 million represents Company-specific operational synergies and the future growth opportunities of Pantaya's subscription streaming service. The amount of goodwill expected to be deductible for income tax purposes is estimated to be $39.0 million.

The Pantaya Acquisition closed at the end of the day on March 31, 2021, and the operating results of Pantaya from the date of acquisition are included in our Consolidated Statements of Operations for the year ended December 31, 2021. Pantaya's net revenue and net loss for the period from the acquisition date through December 31, 2021 was $40.9 million and $31.5 million, respectively.

Supplemental Pro Forma Information (Unaudited)

The following table sets forth the unaudited supplemental pro forma results of operations assuming that the Pantaya Acquisition occurred on January 1, 2020:

	Year ended December 31,	
	2021	2020
Subscriber revenue	$ 128,289	$ 116,866
Advertising revenue	72,520	68,474
Other revenue	6,171	10,571
Net revenues	206,980	195,911
Operating income (loss)	6,983	(2,525)

These unaudited supplemental pro forma results, as if the Pantaya Acquisition occurred on January 1,2020, are presented for illustrative purposes and are not intended to represent or be indicative of the actual results of operations of the combined company nor are they intended to represent or be indicative of future results of operations. The unaudited supplemental pro forma results of operations for all periods set forth above includes the combined historical operating results of Hemisphere and Pantaya, as adjusted for the inclusion of the amortization of finite-lived intangible assets identified as a result of the Pantaya Acquisition of $5.0 million and $19.8 million for the year ended December 31, 2021 and 2020, respectively, and excludes all revenues and expenses from the business conducted between the Company and Pantaya. The results for the year ended December 31, 2020, are presented as adjusted for the inclusion of non-recurring costs incurred in connection with the Pantaya Acquisition of $8.1 million, which has been excluded from the year ended December 31, 2021.

Note 4. 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:

- 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 closed captioning, and other support services. Expenses incurred under this agreement are included in cost of revenues in the accompanying Consolidated Statements of Operations. Total expenses incurred were $2.6 million for each of the years ended December 31, 2021 and 2020. Amounts due to MVS pursuant to the agreements noted above amounted to $0.4 million and $0.6 million as of December 31, 2021 and 2020, respectively.

- Dish Mexico (d/b/a Comercializadora de Frecuencias Satelitales, S. de R.L. de C.V.), an MVS affiliate that operates a subscription satellite television service throughout Mexico and distributes Cinelatino as part of its service. Total revenues recognized were $0.8 million and $1.1 million for the years ended December 31, 2021 and 2020, respectively. Amounts due from Dish Mexico amounted to $0.1 million and $0.3 million as of December 31, 2021 and 2020, respectively.

- MVS has the non-exclusive right to duplicate, distribute and exhibit Cinelatino's service via cable, satellite or by any other means in Mexico. 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 $0.7 million and $0.9 million for the years ended December 31, 2021 and 2020, respectively. Amounts due from MVS pursuant to the agreements noted above amounted to $0.0 million and $0.4 million as of December 31, 2021 and 2020, respectively.

As of January 31, 2021, Univision Holdings II, Inc., together with its wholly-owned subsidiary, Univision Communications, Inc. and Grupo Televisa, S.A.B. ("Televisa") completed a merger to establish a new combined company named TelevisaUnivision, Inc. ("TelevisaUnivision"). The Company has various agreements with TelevisaUnivision (including its various divisions and affiliates), which has directors in common with the Company (who may hold a material financial interest in TelevisaUnivision).

- Pantaya has an agreement for the purchase of advertising on TelevisaUnivision's television and radio properties. Expenses under this agreement are included in selling, general and administrative expenses in the accompanying Consolidated Statement of Operations. Total expenses incurred were $1.1 million for the year ended December 31, 2021. Amounts due to TelevisaUnivision pursuant to this agreement totaled $0.1 million as of December 31, 2021. At December 31, 2021, the Company has a remaining commitment of $4.1 million, which is included in Note 15, "Commitments" of Notes to Consolidated Financial Statements.

- Pantaya has various content output agreements with Videocine, S.A. de C.V. ("Videocine"), a division of TelevisaUnivision pursuant to which Pantaya licenses content from Videocine or licenses content to Videocine. There were no revenues earned or expenses incurred under these agreements for the year ended December 31, 2021. Deferred revenue related to the agreements was $2.5 million as of December 31, 2021, and is included in other accrued expenses in the accompanying Consolidated Balance Sheet. Amounts due from Videocine pursuant to the agreements noted above amounted to $0.6 million as of December 31, 2021. Amounts due to Videocine pursuant to the agreements noted above amounted to $1.1 million as of December 31, 2021.

- The Company has various licensing agreements with TelevisaUnivision (including its various divisions and affiliates) pursuant to which the Company licenses content from TelevisaUnivision or licenses content to TelevisaUnivision. Total revenues recognized were $0.1 million for each of the years ended December 31, 2021 and 2020. Total expenses incurred were $0.2 million and $0 million for the years ended December 31, 2021 and 2020, respectively. Amount due from TelevisaUnivision amounted to $0 and $0.0 million as of December 31, 2021 and 2020, respectively. No amounts were due to TelevisaUnivision as of December 31, 2021 and 2020, respectively.

The Company entered into an amended and restated consulting agreement with James M. McNamara, a member of the Company's board of directors, on August 13, 2019, 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 in the accompanying Consolidated Statements of Operations and amounted to $0.5 million for each of the years ended December 31, 2021 and 2020. No amounts were due to this related party as of December 31, 2021 and 2020.

For the year ended December 31, 2020, the Company received $3.3 million from Searchlight Capital Partners LLC ("Searchlight"), two principals of which are directors of the Company, as reimbursement of expenses incurred in connection with the pursuit of a strategic transaction during the year. The reimbursement was recorded in gain from insurance proceeds and other, net in the accompanying Consolidated Statements of Operations.

Note 5. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consists of the following *(amounts in thousands)*:

	2021	2020
Land and improvements	$ 8,724	$ 8,724
Building	11,325	11,325
Equipment	41,842	35,637
Towers	1,257	1,257
	63,148	56,943
Less: accumulated depreciation	(33,089)	(28,726)
	30,059	28,217
Equipment installations in progress	1,495	3,581
Total property and equipment, net	**$ 31,554**	**$ 31,798**

Depreciation expense was $4.4 million and $4.7 million for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, we purchased equipment required as a result of the FCC spectrum repack of $2.1 million and $0.9 million, respectively, for which we received proceeds of $2.6 million and $1.2 million, respectively.

Note 6. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following at December 31, 2021 and 2020 (*amounts in thousands*):

	December 31,	
	2021	2020
Broadcast license	$ 41,356	$ 41,356
Goodwill	231,710	165,597
Other intangibles	115,110	24,761
Total intangible assets	**$ 388,176**	**$ 231,714**

As part of the Company's annual goodwill impairment analysis, we determined the fair value of goodwill utilizing a combination of a discounted cash flow analysis incorporating variables such as revenue projections, projected operating cash flow margins, and discount rates, as well as a market-based approach employing comparable sales analysis. The valuation assumptions used in the discounted cash flow model reflect historical performance of the Company and prevailing values in the broadcast and cable markets as well as the extent of the economic downturn related to the COVID-19 pandemic and the expected timing of recovery. No impairment charges were recorded for the year ended December 31, 2021. For the year ended December 31, 2020, the result of our annual impairment test indicated that the carrying amount of the Snap reporting unit exceeded the fair value primarily due to the economic downturn related to the COVID-19 pandemic, the expected timing of recovery, and the expected growth of the business. As a result, we recorded a goodwill impairment charge of $1.7 million, which was presented as impairment of goodwill and intangibles in our accompanying Consolidated Statements of Operations. The Company determined that the goodwill impairment was an indicator of impairment under ASC 360. As result, the Company performed a recoverability test for the other finite lived intangible assets of Snap to determine whether an impairment loss should be measured. The undiscounted cash flows in the recoverability test of Snap's other finite lived intangible assets was less than the carrying value. As a result, for the year ended December 31, 2020, we calculated the fair value of the other finite lived intangible assets using a discounted cash flow model and recorded an impairment charge of $1.1 million to the customer relationships intangible asset, which was presented as impairment of goodwill and intangibles in our accompanying Consolidated Statements of Operations.

A summary of changes in the Company's broadcast licenses, goodwill and other indefinite lived intangible assets, on a net basis, for the years ended December 31, 2021 and 2020, is as follows *(amounts in thousands)*:

	Net Balance at December 31, 2020	Additions	Impairment	Net Balance at December 31, 2021
Broadcast licenses	$ 41,356	$ —	$ —	$ 41,356
Goodwill	165,597	66,113	—	231,710
Brands	15,986	—	—	15,986
Other intangibles	700	—	—	700
Total indefinite-lived intangibles	**$ 223,639**	**$ 66,113**	**$ —**	**$ 289,752**

	Net Balance at December 31, 2019	Additions	Impairment	Net Balance at December 31, 2020
Broadcast licenses	$ 41,356	$ —	$ —	$ 41,356
Goodwill	167,322	—	(1,725)	165,597
Brands	15,986	—	—	15,986
Other intangibles	700	—	—	700
Total indefinite-lived intangibles	**$ 225,364**	**$ —**	**$ (1,725)**	**$ 223,639**

A summary of the changes in the Company's finite lived intangible assets for the years ended December 31, 2021 and 2020 is as follows (*amounts in thousands*):

	Net Balance at December 31, 2020	Additions	Impairment	Amortization	Net Balance at December 31, 2021
Affiliate and customer relationships	$ 7,304	$ 57,386	$ —	$ (14,009)	$ 50,681
Programming rights	427	29,420	—	(4,866)	24,981
Brand	—	24,607	—	(1,845)	22,762
Non-compete agreement	329	—	—	(329)	—
Other intangibles	15	—	—	(15)	—
Total finite-lived intangibles	**$ 8,075**	**$ 111,413**	**$ —**	**$ (21,064)**	**$ 98,424**

	Net Balance at December 31, 2019	Additions	Impairment	Amortization	Net Balance at December 31, 2020
Affiliate and customer relationships	$ 14,352	$ —	$ (1,059)	$ (5,989)	$ 7,304
Programming rights	517	—	—	(90)	427
Advertiser relationships	138	—	—	(138)	—
Non-compete agreement	826	—	—	(497)	329
Other intangibles	68	—	—	(53)	15
Total finite-lived intangibles	**$ 15,901**	**$ —**	**$ (1,059)**	**$ (6,767)**	**$ 8,075**

The aggregate amortization expense of the Company's amortizable intangible assets was $21.1 million and $6.8 million for the years ended December 31, 2021 and 2020, respectively. The weighted average remaining amortization period is 6.0 years at December 31, 2021. Future estimated amortization expense is as follows *(amounts in thousands):*

Year Ending December 31,	Amount
2022	$ 21,356
2023	19,919
2024	19,919
2025	12,521
2026 and thereafter	24,709
Total	**$ 98,424**

Note 7. Equity Method Investments

The Company makes investments that support its underlying business strategy and enables it to enter new markets. The Company holds equity investments in Canal 1 and Snap JV (in each case, as defined and discussed below), which are variable interest entities ("VIEs"), for which the Company is not the primary beneficiary. The primary beneficiary is the party involved with the VIE that (i) has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The activities of each VIE that most significantly impact the VIE's economic performance are controlled by the VIE's board of directors and the Company's representation on the board of directors of each VIE is commensurate with its voting equity interest. As the Company does not hold a majority voting interest or disproportionate voting or other rights, it does not have the power to direct the activities that most significantly impact the economic performance of any of these VIEs.

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 for no additional consideration. 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 December 31, 2021, we have funded $126.3 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 years ended December 31, 2021 and 2020, we recorded $12.4 million and $22.1 million in loss on equity method investment in the accompanying Consolidated Statements of Operations, respectively. The net balance recorded in equity method investments in the accompanying Consolidated Balance Sheets related to Canal 1 was $24.2 million and $29.9 million at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, we had a receivable balance of $2.6 million, which is included in other assets in the accompanying 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, for $5.0 million. At March 31, 2020, given the negative impacts caused by the COVID-19 pandemic and the associated liquidity and going-concern uncertainties related to REMEZCLA, the Company determined that the investment in REMEZCLA was other-than-temporarily impaired and recorded a non-cash impairment charge of $5.5 million reflecting the write-off of the full carrying amount of our investment. The write-off was recorded in impairment of equity method investment in the Consolidated Statements of Operations. Due to the write-off of the investment carrying value, we did not record any share of the loss from the investment for the years ended December 31, 2021 and 2020. The net balance recorded in equity method investments was $0 million as of December 31, 2021 and 2020.

On November 26, 2018, Snap Media acquired a 50% interest in Snap JV, LLC ("Snap JV") (as of July 15, 2021, the Company owns 100% 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 December 31, 2021, we have funded $0.4 million into Snap JV. We record the income or loss on investment on a one quarter lag. For the years ended December 31, 2021 and 2020, we have recorded $0 million and $0.2 million, respectively, in loss on equity method investments in the accompanying Consolidated Statements of Operations. The net balance recorded in equity method investments related to Snap JV was $0.0 million as of December 31, 2021 and 2020, and is included in equity method investments in the accompanying Consolidated Balance Sheets.

On March 31, 2021, the Company acquired the remaining 75% equity interest in Pantaya. As a result of the acquisition, Pantaya is now a wholly owned consolidated subsidiary, and as of April 1, 2021, is no longer treated as an equity method investment. For more information, see Note 3, "Business Combination" of Notes to Consolidated Financial Statements.

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 twelve months ended September 30, 2021 are included below *(amounts in thousands):*

	Total Equity Investees
Current assets	$ 14,180
Non-current assets	20,341
Current liabilities	73,079
Non-current liabilities	2,352
Net revenue	11,174
Operating loss	(11,712)
Net loss	$ (33,801)

Note 8. Income Taxes

For the years ended December 31, 2021 and 2020, Income before provision for income taxes, includes the following components (*amounts in thousands*):

	2021	2020
Domestic income	$ 2,475	$ 8,112
Foreign gain (loss)	13,550	(1,258)
Income before provision for income taxes	$ 16,025	$ 6,854

For the years ended December 31, 2021 and 2020, income tax expense is comprised of the following *(amounts in thousands*):

	2021	2020
Current income tax expense	$ 5,071	$ 7,405
Deferred income tax (benefit) expense	(77)	1,587
Income tax expense	$ 4,994	$ 8,992

Current tax expense for the years ended December 31, 2021 and 2020, includes foreign withholding tax of $2.0 million and $1.3 million, respectively.

For the years ended December 31, 2021 and 2020, the reconciliation of income tax expense computed at the U.S. federal statutory rates to income tax expense is *(amounts in thousands*):

	2021	2020
Income tax expense at federal statutory rate-US Only	$ 3,362	$ 1,439
Income tax expense at federal statutory rate-Foreign Only	5,452	4,402
Permanent items	1,815	1,325
Gain from Pantaya Acquisition	(6,319)	—
Return to provision true-ups -Current/Deferred	3,725	(2,042)
Foreign rate differential	(10)	(1,117)
Foreign tax credits	(4,358)	(5,693)
Foreign valuation allowance	3,727	4,615
Change in FTC valuation allowance	(1,153)	543
Revaluation of Puerto Rico deferred taxes	686	84
Foreign withholding taxes	1,971	1,283
Deferred foreign tax credit offset	73	29
State taxes and state rate change	(77)	2,073
Puerto Rico Tax Credit	(3,900)	—
Foreign rate tax change	—	2,051
Income tax expense	$ 4,994	$ 8,992

The effective tax rate for the years ended December 31, 2021 and 2020, excluding our share of the operating results from our equity investment in Canal 1 was 18% and 31%, respectively.

The 2017 Tax Cuts and Jobs Act ("Jobs Act") was enacted on December 22, 2017. The Jobs Act revised the U.S. corporate income tax by lowering the statutory corporate tax rate from 35% to 21% in 2018. The Company generates income in higher tax rate foreign locations, which result in foreign tax credits. The lower federal U.S. corporate tax rate reduces the likelihood of our utilization of foreign tax credits created by income taxes paid in Puerto Rico and Latin America, resulting in a valuation allowance. Additionally, the Company evaluated the potential interest limitation established under the Jobs Act and determined that no limitation would affect the 2021 provision for income taxes.

For the year ended December 31, 2021, the items that significantly affect the differences between the tax provision calculated at the statutory federal income tax rate, are the continued impact of the Jobs Act, which impacted the valuation allowance on foreign tax credits, limitations on the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, the gain related to the step acquisition of Pantaya that is not a gain for tax purposes and Puerto Rico tax credits.

For the year ended December 31, 2020, the items that significantly affect the differences between the tax provision calculated at the statutory federal income tax rate, are the continued impact of the Jobs Act, which impacted the valuation allowance on foreign tax credits, limitations on the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, the tax impact of state filings and filings in Puerto Rico related to prior years. The Company has evaluated the impact related the state filings and tax incentives in Puerto Rico which resulted in a net tax beneficial position. The impact of the Company's state filings related to prior years is a net tax payable of $1.0 million. The impact of the tax incentives in Puerto Rico is a net refund benefit of $3.0 million related to Puerto Rico tax returns in prior years. During 2020, the Company accounted for the reduction in the Colombia tax rate related to its deferred tax assets. However, as these deferred tax assets have a full valuation allowance there was no effect on the provision expense.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated for financial reporting purposes and the amounts calculated for preparing its income tax returns in accordance with tax regulations and the net tax effects of operating loss and tax credits carried forward. Net deferred tax liabilities consist of the following components as of December 31, 2021 and 2020 *(amounts in thousands)*:

	2021	2020
Deferred tax assets:		
Allowances for doubtful accounts	$ 1,117	$ 1,078
Deferred branch tax benefit	11,763	11,645
Deferred revenue	165	114
NOL credit and other carryovers	294	290
Fixed assets	149	140
Accrued expenses	1,541	1,353
Foreign tax credit	17,887	19,040
Stock compensation	4,265	3,594
Pension	337	449
Interest rate swap	102	510
Intangibles	3,252	1,335
Equity method losses	31,827	26,996
Other deferred tax assets	9	4
Less: Foreign losses valuation allowance	(30,913)	(27,186)
Less: Foreign tax credit valuation allowance	(17,887)	(19,040)
Total deferred tax assets	23,908	20,322
Deferred tax liabilities:		
Prepaid expenses	(616)	(535)
Intangibles	(18,303)	(15,506)
Property and equipment	(9,306)	(7,992)
Amortization expense	(18,110)	(15,595)
Total deferred tax liabilities	(46,335)	(39,628)
	$ (22,427)	$ (19,306)

The deferred tax amounts mentioned above have been classified on the accompanying Consolidated Balance Sheets as of December 31, 2021 and 2020 as follows (*amounts in thousands*):

	2021	2020
Non-current assets	$ —	$ —
Non-current liabilities	$ 22,427	$ 19,306

At December 31, 2021 and 2020, the Company has foreign tax credit carryforwards for U.S. federal purposes and foreign minimum credits totaling $17.9 million and $19.0 million, respectively, which expire during the years 2022 through 2031. In addition, the impact of foreign tax credits and related valuation allowance had an impact on the tax rate. These tax credits were generated on revenues earned by our networks in Puerto Rico and Latin America. The realization of deferred tax assets depends on the generation of sufficient taxable income of the appropriate character and in the appropriate taxing jurisdiction during the future periods in which the related temporary differences become deductible. A valuation allowance is provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized. As the Jobs Act significantly reduced the U.S. tax rate to 21%, the Company anticipates generating excess foreign tax credits and would not be able to use its historic foreign tax credits before they expire. As a result, in 2021 and in 2020, the Company recorded a valuation allowance against our foreign tax credits of $17.9 million and $19.0 million, respectively. In addition, Canal 1, in which the Company has an equity investment, incurred losses for the years ended December 31, 2021 and 2020, and the Company has a cumulative valuation allowance of $30.9 million and $27.2 million, respectively, against the related deferred tax asset. The Company has foreign net operating losses carryforwards totaling $1.0 million and $0.9 million, at December 31, 2021 and 2020, respectively, which expire beginning in 2030.

During 2021, the Company completed its acquisition of the remaining 75% equity interest in Pantaya, which resulted in additional deferred tax liabilities related to the historic 25% owned interest that has carryover basis for tax purposes. As a result, $2.7 million of additional deferred tax liabilities were recorded as an adjustment to goodwill.

In 2021, the company qualified for a Puerto Rico tax credit of $3.9 million, of which, 50% is eligible to offset the Puerto Rico income tax liability for 2021 and the remaining 50% will reduce the 2022 tax liability.

Upon audit, taxing authorities may prohibit the realization of all or part of an uncertain tax position. The Company regularly assesses the outcome of potential examinations in each of the tax jurisdictions when determining the adequacy of the amount of unrecognized tax benefit recorded. The Company recognizes interest and penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2020, the Company recorded a gross uncertain tax position reserve of $0.1 million related to state tax filings. As of December 31, 2021, the Company continues to have a gross uncertain tax position reserve of $0.1 million related to state tax filings originally recorded in 2020.

Note 9. Long-Term Debt

Long-term debt as of December 31, 2021 and 2020 consists of the following (*amounts in thousands*):

	December 31, 2021	December 31, 2020
Senior Notes due February 2024	$ 249,575	$ 202,990
Less: Current portion	2,656	2,134
	$ 246,919	$ 200,856

On February 14, 2017, Hemisphere Media Holdings, LLC ("Holdings") and InterMedia Español, Inc. (together with Holdings, the "Borrowers"), both wholly owned, indirect subsidiaries of the Company, 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, and matures on February 14, 2024. The Second Amended Term Loan Facility bore 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%.

On March 31, 2021 (the “Closing Date”), the Borrowers amended the Term Loan Facility, as previously amended (the “Third Amended Term Loan Facility”), for the borrowing of a new tranche of term loans in the aggregate principal amount of $50.0 million and matures on February 14, 2024. The Third Amended Term Loan Facility bears interest at the Borrowers’ option of either (i) LIBOR plus a margin of 3.50% or (ii) an ABR plus a margin of 2.50%. There is no LIBOR floor. The add-on to the term loan B facility was issued with 4.0% of original issue discount (“OID”).

Additionally, the Third Amended Term Loan Facility provides for a revolving loan (the “Revolving Facility”) allowing for an aggregate principal amount of up to $30.0 million. The Revolving Facility is secured on a pari passu basis by the collateral securing the Third Amended Term Loan Facility and will mature on November 15, 2023. The Revolving Facility bears interest at the Borrowers’ option of either (i) LIBOR (which will not be less than zero) plus a margin of 2.75% or (ii) or an ABR plus a margin of 1.75%, in each case, with a 25 basis points (“bps”) step-up at a First Lien Net Leverage Ratio level of 3.50:1.00 and two 25 bps step-downs at a First Lien Net Leverage Ratio level of 2.50:1.00 and 1.50:1.00. The First Lien Net Leverage Ratio limits the amount of cash netted against debt to a maximum amount of $60.0 million. The Borrowers are also required to pay a quarterly commitment fee on the undrawn balance of the Revolving Facility at 37.5 bps per annum. As of December 31, 2021, the Revolving Facility was undrawn.

The Third Amended Term Loan Facility does not have any maintenance covenants. The Revolving Facility will have a springing First Lien Net Leverage Ratio of no greater than 5.00:1.00, tested commencing with the last day of the fiscal quarter ending June 30, 2021, and the last day of each fiscal quarter thereafter, solely to the extent that on such day, the aggregate amount of revolving loans and letter of credit exposure (excluding up to $5.0 million of undrawn letters of credit and cash collateralized or backstopped letters of credit) exceeds 35% of the aggregate commitments under the Revolving Facility.

The Third Amended Term Loan Facility requires the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Third Amended Term Loan Facility with any remaining amount due at final maturity. The Third Amended Term Loan Facility principal payments commenced on June 30, 2021, with a final installment due on February 14, 2024. Voluntary prepayments are permitted, in whole or in part, subject to certain minimum prepayment requirements.

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 Third Amended Term Loan Facility, no excess cash flow payment will be due in March 2022.

In accordance with ASC 470 – Debt, the Incremental Facility borrowing was deemed a modification of the Second Term Loan Facility and as such, an additional $2.0 million of original issue discount (“OID”) incurred in connection with the Third Amended Term Loan Facility was added to the existing OID. As of December 31, 2021, the OID balance was $2.2 million, net of accumulated amortization of $3.3 million and was recorded as a reduction to the principal amount of the long-term debt outstanding as presented on the accompanying Consolidated Balance Sheets and will be amortized as a component of interest expense over the term of the Third Amended Term Loan Facility. Financing costs of $0.6 million incurred in connection with the Third Amended Term Loan Facility were expensed in accordance with ASC 470 – Debt and are included in other expenses in the accompanying Consolidated Statement of Operations at December 31, 2021. 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 $0.5 million, net of accumulated amortization of $2.8 million, are presented as a reduction to the Third Amended Term Loan Facility outstanding at December 31, 2021 as presented on the accompanying Consolidated Balance Sheets, and will be amortized as a component of interest expense over the term of the Third Amended Term Loan Facility. An additional $0.6 million of deferred costs incurred on the Revolving Facility, in connection with the Third Amended Term Loan Facility, was recorded to prepaid and other current assets and other non-current assets in the accompanying Consolidated Balance Sheets and will be amortized on a straight-line basis through maturity on November 15, 2023. As of December 31, 2021, deferred costs for the Revolving Facility were $0.4 million, net of accumulated amortization of $0.2 million.

The carrying value of the long-term debt approximates fair value as of December 31, 2021 and 2020, 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 December 31, 2021 (*amounts in thousands*):

Year Ending December 31,	Amount
2022	$ 2,656
2023	2,656
2024	246,976
	$ 252,288

Note 10. 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 Senior Notes, 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 fair value are recorded in accumulated other comprehensive income ("AOCI").

The change in the fair value of the interest rate swap agreements for the years ended December 31, 2021 and 2020, resulted in an unrealized gain of $1.8 million and an unrealized loss of $1.4 million, respectively, and was included in AOCI net of taxes. The Company paid $1.8 million and $1.3 million of net interest on the settlement of the interest rate swap agreements for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, 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 gain or loss was recorded in operations for the years ended December 31, 2021 and 2020, respectively.

The aggregate fair value of the interest rate swaps was $0.4 million and $2.2 million as of December 31, 2021 and 2020, respectively, and was recorded in other long-term liabilities on the accompanying 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 11. 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 Consolidated Balance Sheets as of December 31, 2021 and 2020 (*amounts in thousands*):

		Estimated Fair Value December 31, 2021			
Category	Balance Sheet Location	Level 1	Level 2	Level 3	Total
Cash flow hedges:					
Interest rate swaps	Other long-term liabilities	—	$ 439	—	$ 439

Category	Balance Sheet Location	Estimated Fair Value December 31, 2020 Level 1	Level 2	Level 3	Total
Cash flow hedges:					
Interest rate swaps	Other long-term liabilities	—	$ 2,231	—	$ 2,231

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, other intangible assets, and equity method investments. On March 31, 2021, the Company acquired the remaining 75% equity interest in Pantaya. The Company accounted for the acquisition of the remaining 75% equity interest of Pantaya as a step acquisition, which required remeasurement of the Company's existing 25% equity interest to fair value prior to completing the acquisition method of accounting. The Company utilized a market-based valuation approach to determine the fair value of the existing equity interest by adjusting for a control premium, which was based on comparable market transactions. As a result, the Company increased the value of its existing equity interest to its fair value resulting in the recognition of a non-cash gain of $30.1 million, which was included in gain (loss) on equity method investment activity in the accompanying Consolidated Statement of Operations for the year ended December 31, 2021. There were no other changes to the fair value of non-financial assets and liabilities measured on a nonrecurring basis.

For more information, see Note 3, "Business Combination" of Notes to Consolidated Financial Statements.

As of March 31, 2020, the Company measured its equity method investment in REMEZCLA and recorded an other-than-temporary non-cash impairment charge using Level 3 inputs. Fair value was estimated using a market approach that reflected estimated revenue multiples, adjusted for liquidity and going-concern uncertainty.

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 12. Stockholders' Equity

Capitalization

Capital Stock

As of December 31, 2021, the Company had 20,611,409 shares of Class A common stock, and 19,720,381 shares of Class B common stock, issued and outstanding.

On November 18, 2020, the Company announced that its Board of Directors authorized the repurchase of up to $20.0 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 was 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. The repurchase plan expired on November 19, 2021. The Company repurchased 0.2 million shares of Class A common stock under the repurchase program for an aggregate purchase price of $1.7 million, and the repurchased shares were recorded as treasury stock on the accompanying Consolidated Balance Sheets.

Voting

Class B common stock votes on a 10 to 1 basis with the Class A common stock, which means that each share of Class B common stock will have 10 votes and each share of Class A common stock will have 1 vote. The Class B common stock shall be convertible in whole or in part at any time at the option of the holder or holders thereof, into an equal number of Class A common stock.

Equity Incentive Plans

Effective May 25, 2021, 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 "Equity Incentive Plan") to increase the number of shares of Class A common stock that may be delivered under the Equity Incentive Plan to an aggregate of 10.2 million shares of our Class A common stock. At December 31, 2021, 3.0 million shares remained available for issuance of stock options or other stock based awards under our 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 Equity Incentive Plan, on and after which date no awards may be granted, is April 4, 2023. The Company's Board of Directors, or a committee thereof, administers the 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 performance-based restricted stock awards and option awards vest based on the achievement of certain non-market-based performance metrics of the Company, subject to the grantee's continued employment or service with the Company. The event based restricted stock awards granted to certain members of our Board vest on the day preceding the Company's annual shareholder meeting.

Stock-Based Compensation

Stock-based compensation expense relates to both stock options and restricted stock. Stock-based compensation expense was $6.1 million and $5.3 million for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, there was $3.2 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted average period of 2.5 years. As of December 31, 2021, there was $4.4 million of total unrecognized compensation cost related to non-vested restricted stock, which is expected to be recognized over a weighted average period of 1.7 years.

Stock Options

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes pricing model for time-based options and performance-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. 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%, 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	**Year Ended December 31, 2021**	**Year Ended December 31, 2020**
Risk-free interest rate	0.94% – 1.29 %	0.42% – 0.50 %
Dividend yield	—	—
Volatility	37.3% – 40.7 %	44.2% – 46.1 %
Weighted-average expected term (years)	6.0	6.0

The following table summarizes stock option activity for the years ended December 31, 2021 and 2020 *(shares and intrinsic values in thousands):*

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2019	3,855	$ 11.72	6.1	$ 12,101
Granted	80	10.05	6.0	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding at December 31, 2020	3,935	$ 11.69	5.1	$ 291
Granted	625	11.94	6.0	—
Exercised	(50)	10.20	—	—
Forfeited	(8)	14.00	—	—
Expired	(57)	14.55	—	—
Outstanding at December 31, 2021	4,445	$ 11.69	4.8	$ —
Vested at December 31, 2021	3,415	$ 11.65	3.7	$ —
Exercisable at December 31, 2021	3,415	$ 11.65	3.7	$ —

The weighted average grant date fair value of options granted for the years ended December 31, 2021 and 2020 was $4.70 and $4.01, respectively. As of December 31, 2021, 0.5 million options granted and included in the table above are unvested performance-based options.

Restricted Stock

Certain employees and directors have been awarded restricted stock under the Equity Incentive Plan. The time-based restricted stock grants vest primarily over a period of three years. Performance-based restricted stock grants vest over a period of three years upon satisfaction of the performance condition.

The following table summarizes restricted share activity for the years ended December 31, 2021 and 2020 (*shares in thousands*):

	Number of shares	Weighted-average grant date fair value
Outstanding at December 31, 2019	592	$ 12.32
Granted	163	9.59
Vested	(256)	12.65
Forfeited	—	—
Outstanding at December 31, 2020	499	$ 11.26
Granted	647	11.79
Vested	(529)	11.25
Forfeited	(3)	12.56
Outstanding at December 31, 2021	614	$ 11.79

At December 31, 2021, 42,500 restricted awards granted and included in the table above are unvested performance-based restricted awards.

Non-controlling interest

Effective July 15, 2021, the Company entered into an omnibus modification agreement with Snap Distribution, Inc., a British Virgin Islands company, pursuant to which Snap Distribution, Inc. relinquished the non-controlling 25% interest in Snap Media, at which point Snap Media became a wholly owned subsidiary of the Company. The Company recorded the relinquishment of this non-controlling interest by Snap Distribution, Inc. as a transaction between shareholders with no gain or loss reported, which is reflected as acquisition of non-controlling interest in the accompanying Consolidated Statement of Changes in Stockholders' Equity. Additionally, Snap Distribution, Inc. waived the remaining consideration payment of $0.5 million, which would have been payable in the fourth quarter of 2021, and as a result the Company recognized a gain in other income (expense), net in the accompanying Consolidated Statement of Operations for the year ended December 31, 2021.

Note 13. Contingencies

The Company is involved in various legal actions, generally related to its operations. Management believes, based on advice from legal counsel, that the outcome of such legal actions will not adversely affect the financial condition of the Company.

Note 14. 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. Lease cost is recorded in selling, general, and administrative expense in the accompanying Consolidated Statements of Operations. Total lease cost was $1.1 million and $0.8 million for the years ended December 31, 2021 and 2020, respectively. Leases with a term of one year or less are classified as short-term and are not recognized in the accompanying Consolidated Balance Sheets.

A summary of the classification of operating leases on our accompanying Consolidated Balance Sheets as of December 31, 2021 and 2020 (*amounts in thousands*):

		December 31, 2021	December 31, 2020
Operating lease right-of-use assets		$ 1,281	$ 1,820
Operating lease liability, current	(Other accrued expenses)	538	609
Operating lease liability, non-current	(Other long-term liabilities)	$ 890	$ 1,400

Components of lease cost reflected in our accompanying Consolidated Statements of Operations for the year ended December 31, 2021 and 2020 (*amounts in thousands*):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating lease cost	$ 673	$ 656
Short-term lease cost	447	105
Total lease cost	$ 1,120	$ 761

A summary of weighted-average remaining lease term and weighted-average discount rate as of December 31, 2021:

Weighted-average remaining lease term	3.0 years
Weighted average discount rate	6.1 %

Supplemental cash flow and other non-cash information for the years ended December 31, 2021 and 2020 (*amounts in thousands*):

	Year Ended December 31, 2021	2020
Operating cash flows from operating leases	$ 620	$ 677
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	23	541

Future annual minimum lease commitments as of December 31, 2021 were as follows (*amounts in thousands*):

	December 31, 2021
2022	$ 609
2023	517
2024	232
2025	147
2026 and thereafter	58
Total minimum payments	$ 1,563
Less: amount representing interest	(135)
Lease liability	$ 1,428

Note 15. Commitments

The Company has other commitments in addition to the various operating leases included in Note 14, "Leases" of Notes to Consolidated Financial Statements, primarily programming and marketing.

Future minimum payments as of December 31, 2021, are as follows *(amounts in thousands):*

	December 31, 2021
2022	$ 28,387
2023	5,651
2024	2,605
2025	937
2026 and thereafter	654
Total	$ 38,234

Note 16. Retirement Plans

WAPA, a wholly owned subsidiary of the Company, makes contributions to the Televicentro de Puerto Rico Special Retirement Benefits (the "Retirement Plan"). The Retirement Plan is available to all union employees after completing three (3) months of service. Eligible employees, those meeting active service minimums and minimum age requirements, are eligible to receive a one-time lump sum payment at retirement, of two (2) weeks per year of service capped at a maximum payment of forty-five (45) weeks. The number of retirees is capped at five (5) per year. There are 154 participants in the Retirement Plan. Following is the plan's projected benefit obligation at December 31, 2021 and 2020 *(amounts in thousands*):

	2021	2020
Projected benefit obligation:		
Balance, beginning of the year	$ 3,089	$ 2,637
Service cost	127	116
Interest cost	58	76
Actuarial (gain) loss	(126)	422
Benefits paid to participants	(41)	(162)
Balance, end of year	$ 3,107	$ 3,089

At December 31, 2021 and 2020, the funded status of the plan was as follows (*amounts in thousands*):

	2021	2020
Excess of benefit obligation over the value of plan assets	$ (3,107)	$ (3,089)
Unrecognized net actuarial loss	772	957
Unrecognized prior service cost	13	20
Accrued benefit cost	$ (2,322)	$ (2,112)

The plan is unfunded. As such, the Company is not required to make annual contributions to the plan.

At December 31, 2021 and 2020, the amounts recognized in the accompanying Consolidated Balance Sheets were classified as follows (*amounts in thousands):*

	2021	2020
Accrued benefit cost	$ (3,107)	$ (3,089)
Accumulated other comprehensive loss	785	977
Net amount recognized	$ (2,322)	$ (2,112)

Amounts recorded in accumulated other comprehensive loss are reported net of tax.

The benefits expected to be paid in each of the next five years and thereafter are as follows (*amounts in thousands*):

	December 31, 2021
2022	$ 214
2023	182
2024	129
2025	139
2026	135
2027 through 2031	957
	$ 1,756

At December 31, 2021 and 2020, the following weighted-average rates were used:

	2021	2020
Discount rate on the benefit obligation	2.46 %	2.00 %
Rate of employee compensation increase(a)	2.50 %	1.75 % - 2.50 %

(a) Rate of employee compensation increase is 1.75% per year through 2021, and 2.50% per year thereafter.

Pension expense for the years ended December 31, 2021 and 2020, consists of the following (*amounts in thousands*):

	2021	2020
Service cost	$ 127	$ 116
Interest cost	58	76
Expected return on plan assets	—	—
Recognized actuarial loss (gain)	—	—
Amortization of prior service cost	7	8
Net loss amortization	58	40
	$ 250	$ 240

WAPA also makes contributions to a multiemployer pension plan (the "Plan") with a plan year end of December 31, that provides defined benefits to certain employees covered by a Collective Bargaining Agreement ("CBA"). The CBA expires on May 31, 2022 and covers all of our unionized employees.

The risks in participating in such a plan are different from the risks of single-employer plans, in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of any other participating employer.

- If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan allocable to such withdrawing employer may be borne by the remaining participating employers.

If WAPA completely or partially withdrew from the Plan, it would be obligated to pay complete or partial withdrawal liability. Under the statutory requirements applicable to withdrawal liability with respect to a multiemployer pension plan, in the event of a complete withdrawal from the Plan, WAPA would be obligated to make withdrawal liability payments to fund its proportionate share of the Plan's UVB's. WAPA's payment amount for a given year would be determined based on its highest contribution rate (as limited by MPRA) and its highest average contribution hours over a period of three consecutive plan years out of the ten-year period preceding the date of withdrawal. To the extent that the prescribed payment amount was not sufficient to discharge WAPA's share of the Plan's UVBs, WAPA's payment obligation would nevertheless end after 20 years of payments (absent a withdrawal that is part of a mass withdrawal, in which case the annual payments would continue indefinitely or until WAPA paid its share of the Plan's UVBs at the time of withdrawal).

WAPA has received Annual Funding Notices, Report of Summary Plan Information, Critical Status Notices ("Notices") and the below-noted Rehabilitation Plan, as defined by the Pension Protection Act of 2006 ("PPA"), from the Plan. The Notices indicate that the Plan actuary has certified that the Plan is in critical and declining status, the "Red Zone", as defined by the PPA and MPRA, due to the projected insolvency of the Plan within the next 19 years. A plan of rehabilitation ("Rehabilitation Plan") was adopted by the Trustees of the Plan ("Trustees") on May 1, 2010 and then updated on November 17, 2015. On May 29, 2010, the Trustees sent WAPA a Notice of Reduction and Adjustment of Benefits Due to Critical Status explaining all changes adopted under the Rehabilitation Plan, including the reduction or elimination of benefits referred to as "adjustable benefits." In connection with the adoption of the Rehabilitation Plan, most of the Plan participating unions and contributing employers (including the Newspaper Guild International and WAPA), agreed to one of the "schedules" of changes as set forth under the Rehabilitation Plan. In 2015, the Plan's Trustee's reviewed the Rehabilitation Plan and the financial projections under the Plan and determined that it was not prudent to continue benefit accruals under the current Plan and that implementation of an updated plan with a new benefit design would be in the best interest of the Plan's participants.

On July 1, 2017, WAPA executed an updated MOA pursuant to which it agreed to remain a contributing employer to the Plan through May 31, 2022 and to make contributions to the Plan at a fixed rate of $18.03 per week for each WAPA covered employee during such period (i.e., its contributions per employee will not increase during the term of its CBA or through the effective date for which a new CBA is entered into, if any).

The contributions required under the terms of the CBA and the effect of the Rehabilitation Plan as described above are not anticipated to have a material effect on the Company's results of operations. However, in the event other contributing employers are unable to, or fail to, meet their ongoing funding obligations, the financial impact on WAPA to contribute to any plan underfunding may be material. In addition, if a United States multiemployer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service may impose a nondeductible excise tax of 5.0% on the amount of the accumulated funding deficiency for those employers contributing to the fund.

Pursuant to the last available notice (for the Plan year ended December 31, 2020), WAPA's contributions to the Plan exceeded 5% of total contributions made to the Plan.

Further information about the Plan is presented in the table below (*amounts in thousands*):

Pension Fund	EIN	Pension Protection Act Zone Status 2020	Funding Improvement Plan/Rehabilitation Plan Status	WAPA's Contribution 2021	WAPA's Contribution 2020	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
TNGIPP (Plan No. 001)	52-1082662	Red	Implemented	$ 144	$ 141	No	May 31, 2022

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Alan J. Sokol, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 16, 2022

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 annual report on Form 10-K 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: March 16, 2022

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 Annual Report of Hemisphere Media Group, Inc. (the "Company") on Form 10-K for the period ending December 31, 2021 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) 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: March 16, 2022

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 Annual Report of Hemisphere Media Group, Inc. (the "Company") on Form 10-K for the period ending December 31, 2021 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: March 16, 2022

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.

HEMISPHERE
MEDIA GROUP

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